

Your ref:  
Our ref: MT/AJ/mjb

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14 October 2010

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**Dear Member**

Thank you for your email regarding the LPFA's investments in the oil industry, and in BP in particular.

As you may know I responded to members earlier this year regarding the Canadian tar sands operations of BP and Shell, both of which are held in the Fund. The letter, which may be of interest, was made available to all LPFA members and can be viewed from the following page of the LPFA website:

<http://www.lpfa.org.uk/investment/responsibleinvest.aspx> (click on the link at the top of the page to open the PDF version of the letter)

Regarding your recent email, it asks for two things:

1. That the LPFA requests the oil companies in which it is a shareholder to demonstrate their preparedness for the transition to a low carbon economy, and
2. That the LPFA specifically asks BP to explain its use of future oil demand scenarios (and the implied carbon emissions arising from these scenarios) in its internal operational and financial planning

The main point to highlight here is that all of the LPFA's assets are managed by external fund managers. Currently our managers have full discretion to vote our shares and to engage with portfolio companies on ESG issues on our behalf. The LPFA is in regular contact with its managers to monitor how they are exercising this right, and the Investment Committee discusses these issues at each quarterly meeting.

In addition, we hold annual meetings with our major managers to specifically discuss ESG issues – the next set of meetings will include a discussion of BP in light of the Deepwater Horizon disaster. You may also be interested to learn that the LPFA is in the process of developing a more systematic approach to monitoring the ESG activities of its managers. This is motivated by a desire to better communicate to our members how, on their behalf, ESG issues are being addressed.

Whilst much of the day to day responsibility for addressing ESG issues sits with our fund managers, there are a number of things that we can do ourselves, in collaboration with other funds and investors, for example:

- The LPFA, along with a number of other pension funds and institutional investors, held a meeting in August with the Chairman of BP. The purpose of the meeting was to discuss how the company plans to move forward and, in particular how it will improve its risk management practices and Board oversight of operations in light of the disaster in the Gulf of Mexico. Recent announcements of the creation of a new safety and risk division are encouraging, but we will monitor developments and continue to consult with other funds and, if necessary, the company.
- The LPFA is an active member of the Local Authority Pension Fund Forum (LAPFF) – a group of 50+ local authority funds with approximately £100bn of assets all with a common interest in responsible ownership (for more information please see: <http://www.lapffforum.org/>). In March of this year the LPFA participated in a group engagement with BP on the issue of tar sands, organised by LAPFF. More recently LAPFF wrote to a number of oil and gas companies seeking greater disclosure on their spill prevention and response plans for offshore drilling. LAPFF has been engaging with BP on a range of strategic and ESG issues since 2006 and will continue to do so on our behalf.

The LPFA also directly supports the innovation and technologies that are needed to push the economy towards a low carbon future. We do this by allocating funds to investments such as clean and renewable energy projects and technologies, sustainable forestry and green infrastructure. We currently have around 6% of our total assets invested in these areas. By doing this we are part of the solution and, at the same time, are earning investment returns that will allow us to meet our pension commitments long into the future.

More information on how we are addressing responsible investment can be found on our website at: <http://www.lpfa.org.uk/investment/responsibleinvest.aspx>.

I hope that this letter provides you with reassurance that the LPFA is acting responsibly on your behalf.

Yours sincerely



Mike Taylor  
Chief Executive