



PRI Reporting and Assessment survey 2010 Full Responses

Your organisation:

London Pensions Fund Authority (LPFA)

Organisational overview

This section determines which questions in the survey are relevant to your organisation. Your organisation's characteristics also play a role in determining your peer group for benchmarking. Therefore, please ensure you provide accurate answers.

You will be provided with an *Other* category in some questions, but please only use this option if the alternative selections listed do not represent you in any way, as this may prevent you from having results comparable with peers.

You will not be able to continue the online survey until you have fully completed both this section and the 'Governance, policy and strategy' section in this respective order. However, if you wish to begin preparing your answers for the following sections you may do so by reviewing the full list of questions and explanatory notes in the manual provided on the [PRI intranet](#).

This section may require you to collect information from multiple sources. We strongly recommend you begin collecting this information as soon as possible and before commencing the survey. For support in assembling this information, you may use the Data Collection Forms which list some mainly quantitative questions that may require greater effort to obtain. You can also download these forms on the [PRI intranet](#).

This section of the survey is not scored.

Q 2 What category best describes your organisation?

Please select **one category** which best represents your **primary activity**.

Asset owners (AOs)

Non-corporate pension or superannuation or retirement or provident fund or plan

Q 3 What kind of pension / superannuation / retirement / provident fund or plan is your organisation?

Please select one: Primarily defined benefit

Q 6 Please indicate the number of staff your organisation employs and select the level of complexity that best describes your organisation?

Approximate number of staff: 100

Level of complexity of organisation: Moderately complex

Q 7 What were your organisation's total assets under management as of 31 December 2009, including the assets of all your consolidated subsidiaries?

	billions	millions	thousands	units
Total AUM:	3	600	000	000
Currency:	U.K. Pound Sterling (GBP)			

Date of assets under management figure

	year	month	day
Date:	2009	December	31

The amount you indicated above is roughly equal to the amount calculated below in United States Dollars. Please confirm that this figure is approximately correct before proceeding. Exchange rates are from the International Monetary Fund.

Source: *IMF Exchange Rate archive, December 2009*

	billions	millions	thousands	units
Total AUM in USD:	5	830	209	907

Q 8 Please provide an approximation of your average asset mix for 2009 or your most recent count, in %.

(+/- 5 % is sufficient, the sum of all the fields must be 100 %)

Asset class	Internal active	Internal passive	External active	External passive
Listed equity (developed markets)	0 %	0 %	20 %	15 %
Listed equity (emerging markets)	0 %	0 %	2 %	2 %
Fixed income - sovereign and other non-corporate issuers	0 %	0 %	0 %	0 %
Fixed income - corporate issuers	0 %	0 %	34 %	0 %
Private equity	0 %	0 %	5 %	0 %
Listed real estate or property	0 %	0 %	0 %	0 %
Non-listed real estate or property	0 %	0 %	6 %	0 %
Hedge funds	0 %	0 %	0 %	0 %
Commodities	0 %	0 %	1 %	0 %
Infrastructure	0 %	0 %	4 %	0 %
Cash	0 %	0 %	5 %	0 %
Other - please specify: Target Return Funds	0 %	0 %	6 %	0 %

Please contact the PRI Secretariat at assessment@unpri.org before indicating that more than 10% of your assets fall into the 'Other' category. A response of 'Other' may render the benchmarking results less useful for you and your peers.

If you manage balanced or multi-asset class products with listed equity, fixed income and potentially other asset classes, the relative assets in these funds need to be separated out into the different asset classes.

Total (must add up to 100%): 100 %

Q 9 Please provide the following information based on your asset classes holdings:

B. What percentage of your assets invested in publicly listed companies are invested in companies where your organisation or external investment managers have significant control? Significant control implies that active ownership can influence change more so than proxy voting and engagement alone. 0 %

Q 10 What percentage of your externally managed assets are managed by PRI signatories? (+/- 5% is sufficient)

Percentage: 70 %

Governance, policy and strategy

This section is focused on the governance, policies and strategies guiding your organisation's approach to responsible investment (RI). 'Policy' in this section may refer to one overall RI policy or multiple policies that address various elements of RI or ESG issues. Some questions in this section are scored, while other questions are not scored but do determine the applicability of subsequent questions.

Please make sure you provide accurate answers. You will not be able to enter this section unless you have completed the "Organisational overview" section. You will not be able to continue the survey until you have finalised this section. However, if you wish to begin preparing your answers for the following sections, you may do so by reviewing the full list of questions and explanatory notes in the manual provided on the [PRI intranet](#). This section will be scored separately from the six Principles.

Q 11 Please provide a description of how your governance, policies and strategies address RI and ESG issues.

Note that this text - in addition to being part of the full survey - will also be part of the *Executive Summary* of the survey. The *Executive Summary* is a separate document that will collate the text you provide for each of the introductory sections of the survey (GPS and the six Principles).

The LPFA addresses ESG issues in various statements and policy documents:

1. LPFA INVESTMENT PRINCIPLES: our 2 high-level principles are as follows:

- 1) Given the duration of our liabilities, we are responsible long term investors, and
- 2) We wish to encourage ESG best practice in the companies in which we invest as we believe this will deliver the best long term returns

2. INVESTMENT OBJECTIVES: these are set out in our SIP & includes the following:

"The Fund aims to use its influence as a large institutional investor to encourage responsible long term behaviour - by its fund managers and in the companies in which it invests - which the Board believes is consistent with its fiduciary duty".

3. RESPONSIBLE INVESTMENT BELIEFS: these are "working assumptions" that guide our thinking:

- a) ESG issues are often not captured by the traditional investment appraisal process (i.e. in determining risk and return expectations) but can have a material impact on long term investment returns
- b) ESG issues are not relevant to every asset class or mandate but where they are, evaluating ESG portfolio risks is a prudent addition to the long-term investor's investment process and is aligned with fiduciary duties
- c) ESG issues can create attractive investment opportunities across asset classes and investment styles
- d) A proactive approach to evaluating ESG risks and opportunities is more likely to result in long term benefits for the fund

All of the above are publicly disclosed on the LPFA website.

In terms of governance processes, the Investment Committee has ownership of the implementation of our RI strategy (and RI/ESG issues are discussed at each quarterly meeting). The main Board has ultimate responsibility and discusses RI/ESG issues as required but at least annually at the LPFA strategy day.

Q 12 Do you have a policy or a set of policies that make specific reference to responsible investment, and if so, do they cover environmental, social, and governance issues?

Please select "Yes" or "No": Yes

If "Yes", which issue(s) does it cover? Environmental
Social
Governance

Q 13 For the following asset classes, to what extent has your policy or approach to responsible investment been incorporated into internal management processes (e.g. business planning, strategic planning, or similar)?

Extent that your approach has been incorporated into internal management processes

Please select:

"Large", "Moderate", "Small" or "Not at all"

Asset class	
Listed equity (developed markets)	Large
Listed equity (emerging markets)	Large
Fixed income - corporate issuers	Moderate
Private equity	Large
Non-listed real estate or property	Large
Infrastructure	Large

Q 14 Among the roles within your organisation:

- Who has a clear responsibility related to responsible investment implementation?
- Whether they are incentivised and/or trained on RI/ESG considerations?

	Roles present in your organisation	Responsibilities on RI/ESG	Incentives	Training
	Please check all that apply		Please choose among "Yes, for all", "Yes, for some" or "No"	
Board of trustees or board of directors and their committees	Yes	Yes	N/A	Yes, for all
Chief Executive Officer or Chief Investment Officer or equivalent	Yes	Yes	No	Yes, for all
Other senior management				
Portfolio managers				
Analysts				
Researchers				
RI or ESG specialist	Yes	Yes	No	Yes, for all
Other - please specify: Investment Manager	Yes	Yes	No	Yes, for all

Q 15 Select any of the following RI, ESG and/or SRI approaches that you or your external investment managers currently apply in the investment decision making process.

Please note that this question helps determine which questions you will be asked in subsequent sections, so please carefully review the definition of each possible answer.

Please select all those that are relevant (columns are visible based on your answer to Q8 on asset classes breakdown)

Internally managed Externally managed

Exclusion based on ethical criteria

Screening as a way to avoid the potential negative publicity surrounding the companies/sectors in question as it may adversely reflect on you or your manager's brand/license to operate

Screening based on a belief that exclusion or inclusion of certain investments from your investment universe can have a material effect on portfolio performance

ESG analysis within individual investment decisions, possibly including these factors into valuation and investment performance models



Themed investing



None of the above (this reply excludes any of the above)

Q 16 Please indicate which of the following thematic investment strategies your organisation employs?

Please select all that apply

Cleantech



Microfinance

Sustainable forestry



Global health



Water



Other (1) - please specify:
Environmental Infrastructure



Other (2) - please specify:
Public/Social infrastructure
(schools etc)



Other (3) - please specify:

Other (4) - please specify:

Other (5) - please specify:

Q 17 Please select any of the following active ownership activities that you, your external service providers or your external investment managers currently undertake on behalf of your organisation?

Please note that this question helps determine which questions you will be asked in subsequent sections, so please carefully review the definition of each possible answer.

You may select any approach you or your external managers, service providers or partner entities adopt on your behalf

(Proxy) voting related to listed equity investments in

the following asset classes: Listed equity (developed markets), listed equity (emerging markets), or listed real estate/property (including the votes on listed securities held in hedge funds). ✓

File and/or co-file shareholder resolutions on listed companies. ✓

Engagement on ESG issues with listed equity or fixed income issuers in the following asset classes: listed equity (developed markets), listed equity (emerging markets), listed real estate/property, listed securities held in hedge funds, or fixed income - corporate issuers. ✓

Ownership and engagement activities focused on ESG issues related to investments in the following asset classes: Listed equities which permit a significant control, sovereign and other non-corporate fixed income, private equity, non listed real estate/property, hedge funds, infrastructure, or other. ✓

None of the above (this reply excludes any of the above).

Q 18 Please add any overall comments and clarifications related to governance, policy and strategy here.

Principle 1 - We will incorporate ESG issues into investment analysis and decision-making processes.

This section focuses on the integration of ESG considerations into the investment process. The questions are split into three sections. Only questions relevant to your organisation will be displayed, based on your responses to Q 8 (your investment management structure and asset class breakdown).

The three sections are:

- I. Internally and actively managed investments;
- II. Externally and actively managed investments; and
- III. Passively (both internally and externally) managed investments.

Some questions in this section are scored. Any question that is scored, but is not relevant to your organisation, based on your investment management structure and asset class breakdown or other responses, will not affect your overall score for Principle 1.

You do not need to complete Principle 1 questions before completing questions for other Principles. While completing this section you are free to navigate to any of the other sections of the survey without losing answers already completed.

Q 19 Please provide a description of your organisation's approach to this Principle. For example, how do your organisation's investment analysis and decision-making processes incorporate ESG issues?

If your assets are managed both internally and externally, please describe how you address this in both portions of your assets. In addition, please describe any activities you may be doing to integrate ESG issues into the management of those investments that passively track indices (if you use this approach).

Note that this text - in addition to being part of the full survey - will also be part of the *Executive Summary* of the survey. The *Executive Summary* is a separate document that will collate the text you provide for each of the introductory sections of the survey (GPS and the six Principles).

All of our managers are required to explain how they incorporate ESG issues into investment decisions made on the LPFA's behalf. All our mandates have specific clauses in the IMA's specifying what the LPFA's expectations are in this regard.

Regular fund manager meetings are used to assess the extent to which ESG integration is occurring. Starting in summer 2009 we now conduct annual meetings with our major fund managers to specifically discuss ESG issues - to ensure that adequate consideration is given to this area.

Accountability for voting lies with the appropriate managers and their actions on our behalf are analysed and reported to regular quarterly Investment Committee meetings.

Q 22 What percentage, by asset class, of your organisation's assets under active management externally did you specify - contractually or via other agreement - that the consideration of RI/ESG issues be integrated into the investment decision-making processes of your external investment managers?

For these assets, what is the extent of integration you agreed upon and to what extent do you monitor such integration?

Asset class	Assets under active management externally (see example in notes)	Agreed RI/ESG integration	Monitor
	(+/- 5 per cent is sufficient)	Please select: "Large", "Moderate" or "Small"	Please select: "Large", "Moderate", "Small" or "Not at all"
Listed equity (developed markets)	100 %	Large	Large
Listed equity (emerging markets)	100 %	Large	Large
Fixed income - corporate issuers	100 %	Moderate	Moderate
Private equity	50 %	Large	Large
Non-listed real estate or property	100 %	Moderate	Moderate
Infrastructure	25 %	Large	Large

Q 23 When searching for and selecting external investment managers in 2009, to what extent did your organisation consider the capabilities of external investment managers to consider RI/ESG issues?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Please select: Not at all

Q 24 Has your organisation directly, or via a mandate with an external manager, requested that any passive index tracking investments be managed relative to indexes that are constructed using relevant ESG issues?

Please select: "Yes" or "No"

Please select: No

Please add any other comments regarding how you are, or are not, addressing ESG issues in your passively managed investments.

In 2009 the LPFA was involved in discussions with passive funds managers in 3 separate strands:

1. We met with our own passive managers to encourage them to join the PRI and to better understand their reasons for not doing so previously.
2. We were active in the 2009 PRI collaborative engagement that directly engaged with the major global passive managers on why they were not signatories to the PRI
3. We were also active in separate engagement activity via the Local Authority Pension Fund Forum (LAPFF) to encourage passive managers to sign up to the PRI and do more to address ESG issues generally.

All of these efforts appear to be finally bearing fruit...

Q 25 Please add any overall comments and clarifications related to Principle 1 here. Please also describe any significant activities relating to Principle 1 not already captured by your answers above

This is a very challenging area but we continue to :

- a) look at the best ways to monitor our external fund managers on the methods they use to integrate ESG issues into

investment decisions

b) follow academic developments in the assessment of ESG factors in explaining investment returns (which continues to provide mixed results)

c) work closely with other asset owners to share and develop best practice methods for integrating ESG issues into investment strategies

Principle 2 - We will be active owners and incorporate ESG issues into our ownership policies and practices.

This section is focused on active ownership and is divided into three parts. You will see only those questions relevant to your organisation.

The first part addresses voting related to listed investments. The second part addresses non-voting engagement activities undertaken by your organisation or on your behalf by third parties with listed equity and corporate fixed income issuers. For the purpose of this survey, the term 'engagement' refers to non-voting contact with companies to discuss concerns regarding ESG issues. The third part addresses ownership and engagement practices for other asset classes such as sovereign and other non-corporate fixed income issuers, private equity, non-listed real estate/property, hedge funds, and infrastructure. This third section also covers any listed equities where investors have significant control (as defined in Q9, explanatory note [B]).

The third section is necessary to account for the differing levels of influence that investors may acquire when investing in other asset classes versus those of listed equities.

The contents and parts for this section of the survey are therefore:

1. Voting and engagement activities related to listed equity investments undertaken by:
 - A. internal staff;
 - B. external parties (e.g., service providers and external managers).
2. Engagement activities related to fixed income issuers;
3. Ownership and engagement activities for sovereign and other non-corporate fixed income, private equity, non-listed real estate and property, hedge funds, and infrastructure, as well as listed equities when they represent significant control.

While completing this section you are free to move to any of the other sections of the survey without losing work already done.

Please note that for this survey, proxy voting activities entail any casting of votes at AGMs as well as the filing or co-filing of resolutions. Engagement activities refer to all interactions with investee companies that are not related to voting activities. Engagement activities should seek to achieve relevant information and promote better ESG performance by companies. Such activities usually involve written communications, phone calls and meetings with management. Working with governments to modify laws, rules and regulations in favour of ESG issues should not be counted as engagement in this part of the survey and it will be addressed separately in Principle 4 and 5.

Q 26 Please provide a description of your organisation's approach to this Principle. For example, how is your organisation an active owner and how does it incorporate ESG issues in its ownership policies and practices?

Describe both your voting activities and any other engagement activities you undertake across the different asset classes you hold.

Note that this text - in addition to being part of the full survey - will also be part of the *Executive Summary* of the survey. The *Executive Summary* is a separate document that will collate the text you provide for each of the introductory sections of the survey (GPS and the six Principles).

The LPFA takes its responsible and active ownership duties very seriously. One of the LPFA's investment objectives is to:

"use its influence as a large institutional investor to encourage responsible long term investment behaviour. In particular we aim to support and develop best practice on ESG issues in the companies in which we invest, through the mandates we give to our fund managers and by collaborating with other like-minded investors. As set out in our investment principles the LPFA Board believes that this approach will deliver the best long term returns".

This statement echoes what is included in the LPFA's SIP (available on our website) and is also set out in the section on

our website entitled "Our approach to responsible investment".

More detail on how we approach active ownership is provided on the RI section of our website in the "Implementing our approach" section.

Q 27 Do you have a (proxy) voting policy, and, if so, does it address environmental, social and governance (ESG) issues?

Do you have a voting policy? No

If Yes, please select all that apply:

Q 28 For listed equities, please indicate the ratio of (proxy) votes cast, either directly or via third parties (such as an external service providers or external investment manager), against those you could have cast in 2009 for at least one of the following measures:

- by ballots item or resolution;
- by meetings (e.g. AGMs, EGMs, special);
- by listed assets under management.

Please answer for at least one of these measures, if available please provide others as well

We do not track our listed equity voting activities

	Ballot items	Meetings	Listed assets	We do not track our listed equity voting activities
Actually cast vs. all you could have cast	88 %	%	%	

Q 29 For listed equities, who makes voting decisions on behalf of your (or your client's) organisation? Please rank the importance of the different groups listed below based on the proportion of decisions made by that group.

Please note that subsequent questions will be asked specifically on the group that you list as most important and - if specified - of the second and third most important. Only the activities of the most important will be scored.

Please select from:

- "Internal investment manager or other internal staff"
- "Internal voting or governance group"
- "External investment manager"
- "External proxy voting service"
- "External service provider" or
- "Other third party voting support entity"

Most important: External investment manager

Second most important:

Third most important:

Q 33 For listed equity votes that your external manager or external service provider casts on your behalf, to what extent did you monitor that voting decisions were analysed and made in accordance with your (proxy) voting policy?

Please select
"Large", "Moderate", "Small" or "Not at all"

Please select one: Large

Q 34 How does your listed equity securities lending programme address voting?

Please select one: Other, please specify:

We are able to recall lent shares in order to vote them but we have not yet done this. It is difficult under our current arrangements (our external managers vote on our behalf) for us to know when to recall. As a result of this, and other factors, we are reviewing our approach to voting.

Q 35 To what extent do you and/or your agents review shareholder resolutions put forward by other shareholders to determine whether or not to support the resolution?

Please select
 "Large", "Moderate", "Small", "Not at all" or
 "We do not vote on shareholder resolutions"

Voting - managed externally

Moderate

Q 36 How many shareholder resolutions related to ESG issues did you file or co-file during 2009 and, of these, what percentage were:

- voted on by shareholders?
- withdrawn due to changes at and/or negotiations with the company?
- withdrawn with no changes at the company in 2009?

	As Lead filer	As Co-filer
Number of ESG shareholder resolutions filed	1	0
Of these:	Of these led shareholder resolutions	Of these co-filed shareholder resolutions
<i>Voted on</i>	100 %	%
<i>Withdrawn due to changes at and/or negotiations with the company</i>	0 %	%
<i>Withdrawn for other reasons, please specify:</i>	0 %	%
Total percentage (must be 100%)	100 %	0 %

Please explain why you filed or co-filed any shareholder resolutions related to RI/ESG issues during 2009.

A resolution was put to the Marks & Spencer AGM in 2009 by the Local Authority Pension Fund Forum. The LPFA is an active member of that forum.

Q 37 Do you have a written engagement policy or other documents that direct engagement with listed equity and fixed income issuers; if so, do these policies address environmental, social and governance (ESG) issues?

Asset class	Engagement policy or other documents	Do they address E, S or G
	Please select "Yes" or "No"	Please select all that apply
Listed equities	Yes	Environmental Social Governance
Fixed income - corporate issuers	No	

Q 38 Who engages with listed equity or fixed income issuers on behalf of your (or your client's) organisation? Please rank the importance of the different groups listed below based on the engagements undertaken by that group.

Please note that subsequent questions will be asked specifically on the groups that you list here. Only the activities of the most important will be scored (except for question 39 where all will be scored).

Please select from:
 "Internal staff"
 "External engagement service provider(s)"
 "External investment manager(s) "
 "Other external entity"

Most important: External engagement service provider(s)

Second most important: External investment manager(s)

Third most important: Internal staff

Fourth most important:

If "Other external entity" is selected, please list it here.

Q 39 In total, how many listed equity and fixed income issuers did your organisation engage with or were engaged with on your organisation's behalf on ESG issues in 2009, by level of engagement?

Please do not double count. Engagements that are listed in one column should not be repeated in another. Choose to list them where the highest level of effort is being applied.

	Internal staff	External engagement service provider(s)	External investment manager(s)	Other external entity
Extensive engagement	0	34	55	
Moderate engagement	1	4	110	
Basic engagement	0	33	300	
We do not track these engagement activities				

Q 40 Approximately what proportion of the engagements with listed equity or fixed income issuers undertaken by your organisation or on your organisation's behalf addressed environmental, social or governance (ESG) issues?

(+/- 5% rounding is sufficient)

	Internal staff	External engagement service provider(s)	External investment manager(s)	Other external entity
Environmental	100 %	48 %	45 %	%
Social	100 %	22 %	20 %	%
Governance	100 %	30 %	60 %	%

We do not track these engagement activities

Q 41 To what extent do you assess and monitor the ESG engagement competency and capabilities of the following groups?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Internal staff	Large
External engagement service provider(s)	Large
External investment manager(s)	Large

Q 42 Given your (or your client's) engagement policy and/or approach to engagement, to what extent do you or do the third parties acting on your behalf, have a process for identifying and prioritising ESG related engagement opportunities?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Internal staff	Large
External engagement service provider(s)	Large
External investment manager(s)	Large

Q 43 To what extent do you or your third party engagement providers or investment managers set ESG engagement objectives and evaluate engagement successes?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Internal staff	Moderate
External engagement service provider(s)	Large
External investment manager(s)	Large

Q 44 To what extent do you or your external investment manager integrate the information gained from ESG engagements into the investment decision-making process?

Please select:
"Large", "Moderate", "Small" or "Not at all"

External investment manager(s)	Large
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Q 45 When searching for and selecting investment managers in 2009, did you consider the capabilities of external investment managers to engage with companies on ESG issues on your behalf?

Please select one: Not applicable

Q 46 What percentage of engagements with listed equity and fixed income issuers that ended in 2009 were deemed successful?

	Internal staff	External engagement service provider(s)	External investment manager(s)	Other external entity
Engagement success	%	%	%	%

What measures does your organisation or its external service provider(s) and or external manager use to assess the impact and success of engagement with listed equity and fixed income issuers, and how did you perform in 2009 based on those measures?

It is difficult to measure this and we don't have a systematic method in place for doing so, not least because currently most of our engagement work is carried out by our fund managers or via the LAPFF.

Most engagement is one stage in a lengthy process of communicating the investor's views on a given ESG issue and so "success" is generally measured in terms of "did the message get across?" in which case many engagements will be successful.

We will continue to look at ways to better evaluate the success or otherwise of engagement efforts.

Q 47 Do you have an active ownership policy and/or strategy that addresses environmental, social and governance (ESG) issues for each of the following asset classes?

Asset class	Policy and/or strategies address
Private equity	Environmental Social
Non-listed real estate and property	Environmental Social
Infrastructure	Environmental Social

Q 48 Per asset class, which role is most important in bringing forth active ownership activities on your behalf and, to what extent are ESG issues addressed by this role in these ownership activities?

Asset class	Select the most important: "Internal staff", "External engagement service provider(s)", "External investment manager(s)", "Other external entity" or "Nobody"	Please select the extent of active ownership activities: "Large", "Moderate" or "Small" for each of the categories selected
Private equity	External investment manager(s)	Large
Non-listed real estate/property	External investment manager(s)	Large
Infrastructure	External investment manager(s)	Large

Q 49 To what extent do you assess and monitor ESG active ownership competency and capabilities undertaken by the groups listed below in the following asset classes: Fixed income, sovereign and other non-corporate issuers, private equity, non-listed real estate/property, hedge funds and infrastructure?

	Please select: "Large", "Moderate", "Small", "Not at all" or "Not applicable"
Internal staff	Not applicable
External engagement service provider(s)	Not applicable

External investment manager(s)

Moderate

Other external entity

Not applicable

Q 50 Please describe your organisation's , your external service providers or your external investment manager's approach to addressing ESG issues in active ownership in the following asset classes. Please include a description of the processes used to ensure ESG issues are addressed, any metrics used to gauge success, the sources of your expertise and specific examples.

Asset class	Please add your remarks
Private equity	<p>A significant part of our private equity portfolio (approx £50m) is comprised of ESG specific funds (e.g. clean energy) so these issues are at the heart of the investment strategies of the respective funds.</p> <p>We do not systematically monitor the "non ESG" remainder of our PE assets, but are looking at ways to improve on this. For example, the LPFA's ESG specialist co-authored an IIGCC report in 2010 on climate change and private equity investments. We will use the insights gained from this to have further conversations with our PE managers.</p>
Non-listed real estate and property	<p>Our global property manager was selected partly by reference to its ESG capabilities versus the other shortlisted managers i.e. it was an important differentiating factor.</p> <p>Our monitoring of non-equity asset classes is not as extensive as with listed equities but we discuss ESG issues at the regular (quarterly or six monthly) meetings with the manager in question to ensure that it is meeting our original expectations.</p>
Infrastructure	<p>As with PE, our infrastructure investments include a number of environmental and social projects, so E & S issues are at the heart of these investment strategies. Because of the nature of the investments "engagement" in the traditional, equities sense is not appropriate but we do meet regularly with the external managers who invest in these projects on our behalf.</p>

Q 51 Please add any overall comments and clarifications related to Principle 2 here. Please also describe any significant activities relating to Principle 2 not already captured by your answers above

Principle 3 - We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 3 is about ensuring that information related to ESG issues is disclosed by companies and other entities in your organisation's investment universe. It is closely related to your activities on Principle 1 and Principle 2.

This section lists questions regarding:

- Who seeks ESG disclosure information for your organisation;
- The level of detail and content that is sought;
- The information you may be seeking regarding norms, standards, codes of conduct or international initiatives related to RI/ESG.

While completing this section you are free to move to other sections of the survey without losing work you have already done.

Q 52 Please provide a description of your organisation's approach to this Principle. For example, how does your organisation seek appropriate disclosure on ESG issues by the entities in which it invests?

Note that this text - in addition to being part of the full survey - will also be part of the *Executive Summary* of the survey. The *Executive Summary* is a separate document that will collate the text you provide for each of the introductory sections of the survey (GPS and the six Principles).

The majority of engagement on ESG disclosure (focused on our investee companies) is conducted by our external fund managers and the engagement partner of the LAPFF (Pirc). The only direct way that the LPFA currently supports better ESG disclosure is through its support of the CDP.

Details of the engagement activity that LAPFF conducts on our behalf is included in the RI section of our website in a PDF document of the LAPFF annual report for 2009.

Both our fund managers and the LAPFF use the typical means of engagement with companies - selection of an issue based on wider public interest and/or risk to investment returns, focused research followed by direct engagement with the companies concerned, sometimes conducted over many months or years, use of the ballot box to send signals to company management (if necessary) etc.

Q 53 Who asked for and/or collected from your organisation's investee companies (or other investment entities) information about their ESG policies, practices or performance in 2009?

Please select all that apply

Internal staff

External investment manager(s)



External engagement service provider(s)



External research providers



Brokers / dealers

Other - please specify:

None of the above: Investee companies, or other investment entities, were not asked to provide information about their ESG policies, practices or performance in 2009 (please specify below why not)

If investee companies were not asked, please specify why.

Q 54 To what extent did you or your external agent(s) have a dialogue with companies (or other investment entities) regarding the production, by asset class, of standardised and/or systematic reporting about their ESG policies, practices or performance in 2009?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Asset class

Listed equity (developed markets)	Large
Listed equity (emerging markets)	Moderate
Fixed income - corporate issuers	Small
Private equity	Small
Non-listed real estate or property	Small
Infrastructure	Not at all

Q 55 In which format or mechanism have you or your third party agents requested reporting on ESG policies, practices or performance?

Please select all that apply

Integrated with regular financial reports	<input checked="" type="checkbox"/>
Standalone corporate (social) responsibility or sustainability reports	<input checked="" type="checkbox"/>
Global Reporting Initiative (GRI)	<input checked="" type="checkbox"/>
Carbon Disclosure Project (CDP)	<input checked="" type="checkbox"/>
Global Framework for Climate Risk Disclosure	<input checked="" type="checkbox"/>
Communication on Progress (COP) by the United Nations Global Compact	<input type="checkbox"/>
Country-level company form of the Extractive Industries Transparency Initiative (EITI)	<input checked="" type="checkbox"/>
Submission of a tailored survey	<input checked="" type="checkbox"/>
Other reporting framework by an industry or association - please specify: DEFRA guidelines + Business Review analysis (use of KPIs)	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>

Q 56 To what extent did you or your third party agents seek information from companies regarding their practices related to norms, standards, codes of conduct or international initiatives/ declarations/ conventions related to ESG issues in 2009?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Please select: Large

Q 57 Please add any overall comments and clarifications related to Principle 3 here. Please also describe any significant activities relating to Principle 3 that are not already captured by your answers above.

Principle 4 - We will promote acceptance and implementation of the Principles within the investment industry.

Principle 4 is about promoting the acceptance and implementation of the Principles for Responsible Investment (PRI) among your clients, service providers, partners, brokers/dealers and other investment industry players. In addition, it is about working with governments, regulators and international bodies to address and define approaches relating to ESG issues.

While completing this section you are free to move to any of the other sections of the survey without losing work already done.

Q 58 Please provide a description of your organisation's approach to this Principle. For example, how does your organisation promote the acceptance and implementation of the Principles within the investment industry?

Please describe how you support the incorporation of ESG factors in the investment industry via mandates, incentives, Request for Proposals (RfPs), policy discussions etc. Please, indicate how your organisation does this in relation to clients and/or beneficiaries, peers or other entities.

Note that this text - in addition to being part of the full survey - will also be part of the *Executive Summary* of the survey. The *Executive Summary* is a separate document that will collate the text you provide for each of the introductory sections of the survey (GPS and the six Principles).

1. We regularly question our non-signatory managers on why they are not signatories and encourage them to change their view... By doing this we were instrumental in the decision of one of our major equity managers (MFS) in signing up in early 2010
2. We take part in collaborative engagement initiatives via the PRI clearinghouse, thereby promoting the work and the brand of the PRI.
3. We disclose our annual assessment report on our website so that our members, other funds and the public can review our progress

Q 59 Did you include RI/ESG considerations when working with service providers and/or external investment managers in 2009 (where applicable)?

Specifically when:

- a. searching for service providers or external managers;
- b. drafting contractual agreements;
- c. structuring incentive schemes.

	a. Searches	b. Contracts	c. Incentives	We do not work with this type of provider
Service providers or external managers	If you work with this type of service provider, please select "Yes, for all", "Yes, for some" or "No"			
External engagement service provider	Yes, for all	Yes, for all	Yes, for all	
Investment consultant	No	No	No	
Investment research provider				✓

Proxy voting service provider



External investment manager Yes, for some Yes, for all Yes, for some

Other - please specify:

Q 60 To what extent did you encourage peer organisations and/or your institutional clients to consider RI/ESG issues in 2009?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Please select: Large

Q 63 To what extent did you engage in dialogue, lobbying or initiatives pertaining to government policy and/or industry regulations related to RI/ESG issues in 2009?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Please select: Large

Q 64 Please add any overall comments and clarifications related to Principle 4 here. Please also describe any significant activities relating to Principle 4 not already captured by your answers above

The LPFA directly engaged with HMT and the FRC in 2009/10 on both the Walker Review and the FRC Stewardship Code consultation. We also met regularly with PADA/NEST in 2009 to provide our views and experience on implementing RI within a public asset owner.

Our voice was also part of the efforts of LAPFF and UKSIF on a range of issues including: PADA consultation on personal accounts (included RI/ESG considerations), FRC review of the combined code, FSA consultations and the Climate Disclosure Standards Board

Principle 5 - We will work together to enhance our effectiveness in implementing the Principles.

Principle 5 is about collaborating with others in your implementation of responsible investment. The questions in this section are designed to capture the many ways in which signatories collaborate (for example by using the PRI Clearinghouse), and thus may overlap with areas discussed previously in the survey. However, the focus here is only those activities that involve working with others to implement the Principles.

While completing this section you are free to move to any of the other sections of the survey without losing work already done.

Q 65 Please provide a description of your organisation's approach to this Principle. For example, how does your organisation work with other parties to enhance its implementation of the Principles?

Note that this text - in addition to being part of the full survey - will also be part of the *Executive Summary* of the survey. The *Executive Summary* is a separate document that will collate the text you provide for each of the introductory sections of the survey (GPS and the six Principles).

Collaboration is the only effective means by which the LPFA can meet its RI/ESG commitments. Firstly, we are not a large owner of any one company so our influence in that sense is very limited. Secondly, our investment mandates are all global and our holdings are many and dispersed across developed and emerging markets. Thirdly, our asset allocation spans listed and unlisted (private) equities, fixed income, property, infrastructure, commodities etc. amplifying the challenge of addressing ESG considerations across the totality of our investments. Finally, the resource and labour intensity required to effectively engage a global portfolio across all these asset classes is greater than we are able to meet on our own, even with an internal role focused on RI/ESG.

The LPFA's strategy is therefore based on working with others through formal and informal industry groups. The full list of membership organisations that we are part of are listed on our website, but they include: UKSIF, the LAPFF, the IIGCC, the CDP and of course the UN PRI. By pooling resources and effort with other like minded investors we are all able to achieve much more than we could do working alone.

Q 66 To what extent did you collaborate with other investors in regard to the Principles, and what Principle did you collaborate most on?

Extent of Collaboration	Principle you collaborated most in
Please select: "Large", "Moderate", "Small" or "Not at all"	Please select: Principle 1, 2, 3, 4 or 6
Large	Principle 2

Q 67 Did you log in to the PRI Engagement Clearinghouse in 2009 and if so, how did you use it?

Logged in?	If Yes, please select all that apply
Yes	Led a collaborative engagement and posted it to the Clearinghouse Joined a collaborative engagement led by another signatory that was posted on the Clearinghouse Used it as a learning tool or keep up to date with current engagements

Q 68 Did your organisation participate in any RI/ESG-issue related associations?

Among those you did participate in, please select:

- the first, second and third most important to your organisation, and
- for the three most important, to what extent your organisation participated.

For those not listed, please use the 'Other' field.

Associations	Please select all that apply	Please select only one "Most important", one "Second most important" and one "Third most important"	Only for these three most important, please select to what extent: "Large", "Moderate" or "Small"
Carbon Disclosure Project (CDP)	✓		
Institutional Investors Group on Climate Change (IIGCC)	✓	Third most important	Large
Local Authority Pension Fund Forum	✓	Most important	Large
Marathon Club	✓		
Other (1) - please specify: UK Sustainable Investment and Finance Association (UKSIF)	✓	Second most important	Large
Other (2) - please specify: National Association of Pension Funds (NAPF)	✓		

Q 69 Please add any overall comments and clarifications related to Principle 5 here. Please also describe any significant activities relating to Principle 5 not already captured by your answers above

As highlighted earlier, collaboration is an essential part of achieving our commitments and sits alongside monitoring our fund managers as the most important aspects of our responsible investment activities.

Our involvement in collaborative groups ranges from substantial - we are represented on the Board and/or Executive elements of UKSIF, the LAPFF and IIGCC - to the relatively passive, such as the CDP and the Marathon Club. We also regularly participate in informal networks, mostly with other asset owners.

As part of our ESG communication strategy we aim to increase the level of detail provided to our members and other interested stakeholders on what we are doing through these groups and our achievements from being involved.

Principle 6 - We will each report on our activities and progress towards implementing the Principles.

Principle 6 is about your organisation's reporting of responsible investment activities (as opposed to Principle 3 which relates to the reporting of your investees or potential investees). The questions in this section focus on how you disclose your activities regarding the implementation of the Principles and where that disclosed information can be found. While completing this section you are free to move to any of the other sections of the survey without losing work already done.

Q 70 Please provide a description of your organisation's approach to this Principle. For example, in what ways does your organisation report your implementation of the Principles? Please include any sort of disclosure and transparency practices you have adopted.

Note that this text - in addition to being part of the full survey - will also be part of the *Executive Summary* of the survey. The *Executive Summary* is a separate document that will collate the text you provide for each of the introductory sections of the survey (GPS and the six Principles).

In response to last year's survey and based on a wider benchmarking study that we conducted, the LPFA aims to significantly improve on the RI/ESG information that is provided in the public domain.

The first step was to improve the RI section of the LPFA website - see:

<http://www.lpfa.org.uk/investment/responsibleinvest.aspx> - which now clearly sets out our position, objectives and beliefs on RI. In 2009 for the first time we also published our PRI assessment report, and will continue to do this in future. Other areas of best practice include voting disclosure and we are currently looking into how best to provide this information.

A balance needs to be struck between providing too little information and too much. For this reason we will be as discerning as possible and provide information and commentary where we think it is either sufficiently important or is likely to be of broad interest amongst our members, the public and other investors.

Q 71 To what extent did you disclose, either to clients/beneficiaries or publicly, your policy and/or approach to incorporating ESG issues into investment analysis and decision-making processes in 2009?

Please select:

"Large", "Moderate", "Small" or "Not at all"

Moderate

If you disclosed, please indicate how this disclosure can be obtained - a web address (URL) would be sufficient. If answering *not at all*, please explain why not.

*Yes, you did disclose:
how can it be obtained*

Details of our RI objectives, beliefs and approach are provided on the LPFA website at <http://www.lpfa.org.uk/investment/responsibleinvest.aspx>. The SIP has also been updated in 2009/10 which includes clearer information on our RI/ESG activities. This document will be available on our website from 1st July 2010.

*Did not disclose publicly:
please explain why not*

Q 72 Did you disclose your voting policy in 2009?

Please select one: No

If 'Yes, disclosed publicly', please indicate how it can be obtained - a URL would be sufficient. If not, please explain why not.

Yes, disclosed publicly:

how can it be obtained

*Did not disclose publicly:
please explain why not*

The LPFA currently provides discretion to its fund managers to vote its shares. We have reviewed and approved the voting policies of our fund managers and gather and analyse voting data on an ex-post basis. As a result the LPFA does not need to have its own detailed policy on voting. Our "policy" (as set out on our website) is to exercise our voting rights and to monitor our agents (fund managers) to ensure that they are conducting this activity properly on our behalf.

Q 73 Did you disclose your (proxy) voting record in 2009, and if so:

- **How much of your voting record did you disclose?**
- **Did you disclose the explanations/reasons for voting as you did?**
- **How frequently did you disclose?**

Did you disclose? (please select one)	How much of your voting (please select one)	How much explanation? (please select one)	How frequently? (please select any applicable)
Yes - disclosed publicly	Summary of votes only	No explanations votes	Disclosed annually

If 'Yes, disclosed publicly', please indicate how it can be obtained - a URL would be sufficient. If not, please explain why not.

*Yes, disclosed publicly:
how can it be obtained*

High level details of our voting is currently provided in our annual reports. These are available on our website.

*Did not disclose publicly:
please explain why not*

Q 74 Did you disclose your non-proxy voting active ownership and engagement policies or other documents that direct these activities?

Please select one: Yes - disclosed publicly

If 'Yes, disclosed publicly', please indicate how it can be obtained - a URL would be sufficient. If not, please explain why not.

*Yes, disclosed publicly:
how can it be obtained*

Our objectives, beliefs and approach in relation to RI/ESG is disclosed on our website at <http://www.lpfa.org.uk/investment/responsibleinvest.aspx>. Together these form the basis of our approach to active ownership.

*Did not disclose publicly:
please explain why not*

Q 75 To what extent did you disclose (either to clients/beneficiaries or publicly) your non-proxy voting RI/ESG issue-related active ownership and engagement activities, results and progress in 2009?

Please select:
"Large", "Moderate", "Small" or "Not at all"

Please select: Moderate

If you disclosed, please indicate how this disclosure can be obtained - a web address (URL) would be sufficient. If answering *not at all*, please explain why not.

*Yes, you did disclose:
how can it be obtained*

Details of the activities that we support through LAPFF are available on our website at <http://www.lpfa.org.uk/investment/responsibleinvest.aspx>

We do not currently disclose details of our fund managers engagement activities. Some details are available directly from our managers' websites please see: Newton, Blackrock, Sarasin, Impax, Insight and Legal & General.

*Did not disclose publicly:
please explain why not*

Q 76 Did you disclose (either to clients/beneficiaries or publicly) RI/ESG activities, results and progress related to Principle 3, Principle 4 or Principle 5 in 2009?

Please select "Yes, disclosed publicly", "Yes - disclosed to clients or beneficiaries only" or "Not at all"

Principle 3

No

If 'Yes, disclosed publicly', please indicate how it can be obtained - a URL would be sufficient. If not, please explain why not.

*Yes, disclosed publicly:
how can it be obtained*

*Did not disclose publicly:
please explain why not* We rarely engage directly with investee companies (our fund managers do this on our behalf). Our disclosure is focusing at this stage on our general and collaborative activities.

Please select "Yes, disclosed publicly", "Yes - disclosed to clients or beneficiaries only" or "Not at all"

Principle 4

Yes - disclosed publicly

If 'Yes, disclosed publicly', please indicate how it can be obtained - a URL would be sufficient. If not, please explain why not.

*Yes, disclosed publicly:
how can it be obtained* See the section "working with others" in the RI section of our website at <http://www.lpfa.org.uk/investment/responsibleinvest.aspx>

*Did not disclose publicly:
please explain why not*

Please select "Yes, disclosed publicly", "Yes - disclosed to clients or beneficiaries only" or "Not at all"

Principle 5

Yes - disclosed publicly

If 'Yes, disclosed publicly', please indicate how it can be obtained - a URL would be sufficient. If not, please explain why not.

*Yes, disclosed publicly:
how can it be obtained* See the section "working with others" in the RI section of our website at <http://www.lpfa.org.uk/investment/responsibleinvest.aspx>

*Did not disclose publicly:
please explain why not*

Q 77 Please add any overall comments and clarifications related to Principle 6 here. Please also describe any significant activities relating to Principle 6 not already captured by your answers above

Transparency is an important part of RI/ESG best practice. The results of a detailed benchmarking study of asset owners in 2009 showed us that our disclosure levels did not meet best practice and is an area that we needed to improve on.

We began this process by clarifying our approach, beliefs, objectives etc. on our website, publishing our PRI annual assessment for 2008 and providing details of our collaborative work.

In 2010 and beyond we will continue to improve our ESG communication, focusing on areas of best practice and that we believe are of interest to our members, the public and other investors. In addition to demonstrating our commitment we believe this disclosure will help to promote long term active ownership amongst other pension funds and asset owners.

Feedback on the PRI

This section asks about how being part of the PRI Initiative affects your organisation. Questions in this section are all optional and mostly text-based. This is the place where your organisation can inform the PRI Secretariat of its achievements, and its challenges in implementing RI/ESG. The Secretariat will keep this information confidential and use it to:

- a. Further develop services and tools that can support your organisation in implementing the PRI and;
- b. Identify best practices that can be developed, with signatories' consent, into case studies and/or guidance tools to be shared with other signatories via the annual Report on Progress ([view last year's](#)), the [PRI Intranet](#) and other tools.

Please note this section is not designed for feedback on the Assessment survey itself. You will have the opportunity to give your feedback on the process in a separate section upon completion of the survey.

While completing this section you are free to move to any of the other sections of the survey without losing work already done.

Q 78 Please describe the main benefits your organisation has enjoyed as a result of adopting the PRI.

It's not so much a question of benefits as one of providing legitimacy e.g. if we are asking other investors (like our fund managers) to do better on ESG issues, it helps if we are signed up to the PRI, especially as many of them are as well.

The PRI's main benefit is that it provides a useful framework and repository of global best practice on RI. The annual results also provide a benchmark for us, although without fuller disclosure of results (by other signatories) it is not always clear what else we could be doing e.g. to improve our lower scores. In 2009 we found that the only way we could do this was to do our own analysis.

The PRI does not drive our thinking. Instead it is a tool for us to rely on if we need to.

Q 79 What has your organisation changed as a direct result of becoming a PRI signatory?

We ask our managers to sign up to the PRI. Very little else has changed as a direct result

Q 80 What are the top three activities the PRI Secretariat could undertake to support and encourage further implementation of the Principles by current and prospective signatories?

Please add the first activity

Improve the survey / annual assessment process. It's a nightmare and takes way more time than it deserves.

The hundreds of pages of supporting documents and "how to" guides is a clear sign that it is far too complicated.

We will be sending feedback on specific issues within the survey directly to the PRI.

Please add the second activity

Please add the third activity

Q 81 What are your top three PRI-related goals/priorities for 2010?

Please add the first goal/priority

ESG communication strategy, including improved disclosure of our ESG activities and voting

Please add the second goal/priority

Reviewing our expectations of managers in each asset class

Please add the third goal/priority

Reviewing how we approach voting and engagement.

Q 82 What were the most significant achievements in 2009 in terms of your implementation of the Principles?

Please provide at least three.

Principle 1: the most significant achievements in 2009 in terms of your implementation

Good performance from our ESG investments

Principle 2: the most significant achievements in 2009 in terms of your implementation

Co-authored IIGCC climate change guide for private equity investors. This guide should help trustees discuss the implications of climate change on their PE portfolios

Principle 3: the most significant achievements in 2009 in terms of your implementation

Supported CDP engagement via PRI clearinghouse

Principle 4: the most significant achievements in 2009 in terms of your implementation

We were the only UK pension fund client of our fund manager MFS asking them to join the PRI (according to them...). They signed up in early 2010.

Principle 5: the most significant achievements in 2009 in terms of your implementation

Co-authored IIGCC climate change guide for private equity investors. Worked closely with USKIF and the LAPFF to promote shared objectives.

Principle 6: the most significant achievements in 2009 in terms of your implementation

Major improvements to the RI section of the LPFA website. More to come.

Q 83 What were the biggest barriers in 2009 in terms to your implementation of the Principles?

Please provide at least three.

Principle 1: the biggest barriers in 2009 in terms to your implementation

The permanent problem of knowing whether there are "returns from ESG" - the basis of much RI/ESG activity.

Principle 2: the biggest barriers in 2009 in terms to your implementation

The breadth of the challenge - a global fund, many asset classes, many issues and an industry that is not structured to take account of ESG issues more effectively.

Principle 3: the biggest barriers in 2009 in terms to your implementation

As above, but also the agency costs of being a pension fund with external managers and therefore being quite removed from individual company operations. That said, our fund managers views are fairly well aligned with ours on the issue of disclosure.

Principle 4: the biggest barriers in 2009 in terms to your implementation

That outside of a small (but growing) group of ESG 'insiders' very few people in the financial services industry are aware of the PRI, ESG issues or their long term potential to affect investment returns. The incentives in the industry mean that it will take much more effort to have ESG issues more widely acknowledged, accepted and acted upon (as an investment risk/issue), from trustees to traders.

Principle 5: the biggest barriers in 2009 in terms to your implementation

Time and resources.

Principle 6: the biggest barriers in 2009 in terms to your implementation

Time, but otherwise it is up to us to improve this and is something we are working hard on.

Q 84 Please indicate which Principle you find most difficult to implement, and which Principle you find least difficult to implement.

Most difficult to implement

Least difficult to implement

Principle 2

Principle 6
