

## PRI Reporting and Assessment survey 2011 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 alternatives 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 completed fully both this section and the 'Governance, policy and strategy' section.** However, you can prepare your answers for the following sections by reviewing the full list of questions and explanatory notes on the [PRI extranet](#).

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.

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: 111

Level of complexity of organisation: Moderately complex

**Q 7 What were your organisation's total assets under management as of 31 December 2010, including the assets of all your consolidated subsidiaries?**

	billions	millions	thousands	units
Total AUM:	4	000	000	000
Currency:	U.K. Pound Sterling (GBP)			

**Date of assets under management figure**

	year	month	day
Date:	2010	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 2010](#)

	billions	millions	thousands	units
Total AUM in USD:	6	173	980	588

**Q 8 Please provide an approximation of your average asset mix for 2010 or your most recent count, in %.**

(For asset classes you hold in insignificant amounts you may choose not to list them and will not be asked related questions. +/- 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 %	25 %	17 %
Listed equity (emerging markets)	0 %	0 %	2 %	1 %
Fixed income - sovereign and other non-corporate issuers	0 %	0 %	0 %	0 %
Fixed income - corporate issuers	0 %	0 %	20 %	0 %
Private equity	0 %	0 %	7 %	0 %
Listed real estate or property	0 %	0 %	0 %	0 %
Non-listed real estate or property	0 %	0 %	4 %	0 %
Hedge funds	0 %	0 %	0 %	0 %
Commodities	0 %	0 %	1 %	0 %
Infrastructure	0 %	0 %	4 %	0 %
Cash	0 %	0 %	1 %	0 %
Other - please specify: This category includes:				
1. 7% - Target Return Funds	0 %	0 %	18 %	0 %
2. 11% - LDI (cash flow matching) mandate				

Please contact the PRI Secretariat at [assessment@unpri.org](mailto: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:**

**(rough estimates of +/- 5% are fine; when negligible, please leave as zero)**

**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: 90 %

## 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 extranet](#). 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 (Statement of Investment Principles) & includes the following ESG objective:

"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 annual 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 Within your organisation:**

- **What roles are present?**
- **Who has a clear responsibility related to responsible investment implementation? and**
- **Are there incentives and/or training on RI/ESG issues?**

	<b>Roles present in your organisation</b>	<b>Responsibilities on RI/ESG</b>	<b>Incentives</b>	<b>Training</b>
	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	Yes	Yes	No	Yes, for all
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



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 have undertaken in 2010 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.

### **Definitions**

Please note that this section of the survey focuses on investment decision-making processes and how ESG issues are integrated in these processes. It does not address the integration of ESG issues in other parts of your organisation and/or activities, such as the running of offices (e.g. how you manage your own organisation's waste) or your organisation's collaboration with other investors on ESG issues.

**ESG Integration, as addressed in this section of the survey, relates to the consideration of ESG issues alongside traditional financial measures, based on the belief that ESG issues can affect the performance (risk and/or return) of investment portfolios (to varying degrees across companies, sectors, regions, and asset classes and through time).**

Integration is considered to be:

- screening based on the belief that exclusion or inclusion of certain investments in the investable universe can effect materially on the portfolio's financial performance; and/or
- ESG analysis within individual investment decisions based on the belief that such analysis can effect materially on the investment's financial performance.

Please note the view that ESG issues can influence investment returns based either on:

1. The premise that performance on these issues will eventually be reflected in financial and operational outcomes and that externalised costs in the future will be priced and have an impact on revenue growth, margins, etc.; or,
2. The premise that the way in which the market rates or prices the stock will be affected even in the absence of an impact on financial or operational performance.

Exclusion of stocks or sectors from portfolios or down-weighting them based on the possibility that an association with the stocks may adversely affect the owners profile or brand amongst stakeholders is **not** regarded as integration. Also, exclusion based on ethical considerations of sectors is not considered ESG integration. However, screening based on norms that are believed to be material in the investment process are included in the above definition of integration.

**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).**

The LPFA regularly reviews the processes employed by its fund managers for integrating ESG issues into their investment decision-making. IMAs (Investment Management Agreement's) for relevant mandates include specific clauses specifying the LPFA's expectations.

This oversight is part of the LPFA's fund manager monitoring process, through which investment strategy & policy, people changes, performance and ESG issues are regularly assessed and discussed in fund manager meetings.

In addition to the traditional quarterly meetings with managers, the LPFA holds regular (typically annual) meetings with its fund managers to specifically discuss ESG issues, ensuring that adequate consideration is given to this area. Information from the manager monitoring process is provided to each (quarterly) Investment Committee meeting.

In late 2010 the LPFA began developing a more systematic approach to monitoring ESG integration by its fund managers and will continue to develop this process in 2011.

**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?**

**Please note that the percentages requested here are different from the data in Q8.**

<b>Asset class</b>	<b>Assets under active management externally</b> (see example in notes)  (+/- 5 per cent is sufficient)	<b>Agreed RI/ESG integration</b>  Please select: "Large", "Moderate" or "Small"	<b>Monitor</b>  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 %	Large	Large
Infrastructure	25 %	Large	Large

**Q 23 When searching for and selecting external investment managers for your current portfolio, 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: Large

**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 2010 the LPFA's efforts, in collaboration with other asset owners, to encourage passive equity managers to join the UN PRI appeared to be successful - Legal & General became a UN PRI signatory. As a result 100% of our equity managers are now UN PRI signatories.

We do not currently require our passive equities to be managed against an ESG benchmark as we are yet to find a compelling reason to do so. Our focus is to encourage our fund managers, via our manager selection and monitoring processes, to better integrate ESG considerations into their standard investment operations.

**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.**

Integrating ESG factors into mainstream mandates continues to be a challenging task for all investors.

The LPFA is building its approach around clearly defined expectations and objectives so that all managers understand what is required of them. Our approach is based on pragmatism i.e. we will not ask a manager to integrate ESG issues where there is no obvious case for doing so (e.g. currency hedging; LDI portfolios etc.). Further, our expectations will vary depending on the asset class e.g. our expectations of listed equity managers are higher than for private equity.

Incorporating ESG issues into any mandate is best done at the appointment stage. The turnover of managers at the LPFA is low but when new managers are appointed we ensure that ESG questions are included in the RFP stage, during due diligence and are incorporated into management agreements and subsequent manager monitoring.

We continue to share our experiences of ESG integration with other pension funds through the various collaborative groups that we are part of. We will continue to do so in 2011 and beyond as this is a valuable mechanism for sharing best practice.

## 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 corporate 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 and 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 involve usually written communications, phone calls and meetings with management. For indirect investors in certain asset classes, such as private equity, infrastructure, and non-listed real estate, active ownership may not be possible with the underlying asset. Active ownership in this case should be viewed as engaging with third party managers to consider and interact on ESG issues with underlying holdings. 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. The Board's commitment is set out in the Fund's investment principles, as explained in the comments under 'Governance, policy & strategy'.

Taking this further, 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 the LPFA's SIP and is also set out in the section on our website entitled "Our approach to responsible investment". The links to this information are:

- LPFA's SIP: <http://www.lpfa.org.uk/docs/pdf/SIPREVIEW2010.pdf>

- RI website: <http://www.lpfa.org.uk/investment/responsibleinvest.aspx>

**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? Yes

If Yes, please select all that apply: Environmental  
Social  
Governance

**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 2010 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	
Actually cast vs. all you could have cast	96 %	96 %	99 %	

**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

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Second most important:

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Third most important:

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**Q 33 For listed equity votes that your external manager or 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

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

Please select one: We recall some securities for voting on some ballot items on an ad-hoc basis

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**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 Large

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**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
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 investment manager(s)
Second most important:	Other external entity (specify below)
Third most important:	Internal staff
Fourth most important:	

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

The LPFA is an active member of the Local Authority Pension Fund Forum (LAPFF). LAPFF uses the services of PIRC as its engagement service provider, engaging with companies on a global focus list based on member holdings. Relevant engagement figures are included in this survey response.

**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 2010, 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. Consider both individual and collaborative engagements carried out during the year.

	Internal staff	External engagement service provider(s)	External investment manager(s)	Other external entity
Extensive engagement	0		9	4
Moderate engagement	1		83	1
Basic engagement	0		393	62
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 %	%	15 %	90 %
Social	100 %	%	10 %	5 %
Governance	100 %	%	75 %	5 %
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 investment manager(s)	Large
Other external entity	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	Moderate
External investment manager(s)	Large
Other external entity	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 investment manager(s)	Large
Other external entity	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 for your current portfolio, 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 2010 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 2010 based on those measures?**

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.

In 2011 the LPFA is adopting a different approach to voting & engagement that will significantly improve the Fund's ability to address ESG issues within its listed equity assets. Details will be added to the LPFA website during the summer and will be reflected fully in the 2012 PRI survey.

**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 Governance
Non-listed real estate and property	Environmental Social Governance
Infrastructure	Environmental Social Governance

**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: Listed equities with significant control, 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	Large
External engagement service provider(s)	Large
External investment manager(s)	Large
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>The LPFA's PE assets are all managed within fund of funds (FOFs). Our active ownership approach is therefore limited to the FOF manager level (i.e. not with the underlying GPs or investee companies). We take a similar approach to that of listed equities i.e. regular discussions regarding the FOF manager's policies and procedures on, for example, ESG due diligence when selecting underlying GPs.</p> <p>Six of the LPFA's seven FOF managers are UN PRI signatories, representing &gt;95% of the Fund's PE assets. Further, two of the seven FOF mandates (10% of total PE assets) are in ESG 'themed' funds.</p> <p>The LPFA's collaborative activities also feed into monitoring of PE assets e.g. in 2010 the LPFA's internal ESG specialist co-authored an IIGCC report on climate change and private equity investments. Insights gained from this have been fed into the monitoring process with our FOF managers.</p> <p>The report can be viewed here:  <a href="http://www.iigcc.org/__data/assets/pdf_file/0017/269/IIGCCGuideonClimateChangeforPrivateEquityInv">http://www.iigcc.org/__data/assets/pdf_file/0017/269/IIGCCGuideonClimateChangeforPrivateEquityInv</a></p>
Non-listed real estate and property	<p>ESG capabilities were an important differentiating factor when the LPFA selected its global FOF property manager (ING) in 2007.</p> <p>Monitoring progress is very similar to the process for PE managers i.e. regular discussions focusing in the key ESG issues related to the underlying funds. ING conducts its own annual ESG survey of its fund holdings which forms the basis of monitoring conversations.</p>
Infrastructure	<p>The LPFA splits its alternative investments (PE, infrastructure and commodities) into environmental, social and economic. Within the infrastructure assets, more than 70% of the allocation falls into environmental and social mandates e.g. clean energy projects or social infrastructure such as schools, hospitals etc.</p> <p>As with most of the Fund's alternative assets the infrastructure mandates are within FOFs. Also, due to the nature of the underlying assets engagement in the typical sense (e.g. as applied to listed equities) is not applicable. Instead we use our regular manager meetings to understand how the FOF manager evaluates and manages the ESG risks in the underlying funds.</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 survey's *Executive Summary*. 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 supports improved disclosure on ESG issues by fund managers and the underlying investee companies within the Fund's portfolio.

The LPFA's investment team focuses on obtaining more and useful information from its fund managers, and occasionally takes part in collaborative engagement with major companies - an example from 2010 being BP. The Fund also actively and directly supports initiatives such as the CDP.

However, the majority of engagement is conducted on behalf of the LPFA by its external managers and the Local Authority Pension Fund Forum, via its engagement provider (PIRC). Details of the engagement activity that LAPFF conducts on the LPFA's behalf is included in the RI section of our website.

The LPFA is in the process of implementing a more focused approach to engagement across its listed equities which it expects to have in place by the summer of 2011.

#### 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 2010?

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 2010 (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) seek appropriate disclosure on ESG issues by the investees and, where necessary, encourage investee companies to produce standardised and/or systematic reporting about their ESG policies, practices or performance in 2010?**

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	Moderate
Non-listed real estate or property	Moderate
Infrastructure	Small

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

**Reporting formats**

Please select all that apply

Integrated with regular financial reports	✓
Standalone corporate (social) responsibility or sustainability reports	✓
Global Reporting Initiative (GRI)	✓
Carbon Disclosure Project (CDP)	✓
Global Framework for Climate Risk Disclosure	✓
Communication on Progress (COP) by the United Nations Global Compact	
Country-level company form of the Extractive Industries Transparency Initiative (EITI)	✓
Submission of a tailored survey	✓
Other reporting framework by an industry or association - please specify: Business review analysis (presence of KPIs)	✓
None of the above	

**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 2010?**

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).**

The LPFA actively promotes the adoption of the UN PRI amongst its non-signatory managers. In the last 18 months we have, in collaboration with other like-minded Funds, encouraged two of our major listed equity fund managers (MFS & Legal & General) to sign up to the PRI.

The Fund also discloses its annual assessment reports so that the Fund's members, other funds and wider stakeholders can review our progress.

**Q 59 Did you include RI/ESG considerations when working with service providers and/or external investment managers in 2010 (where applicable)?**

**Specifically when:**

- a. searching for service providers or external managers;
- b. agreeing on service requirements;
- c. structuring incentive schemes.

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

Other - please specify:

**Q 60 To what extent did you encourage peer organisations and/or your institutional clients and/or other investment industry players to consider RI/ESG issues in 2010?**

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 2010?**

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.**

## 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).**

The only effective strategy for the LPFA to have influence on the development of ESG best practice is by 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
Moderate	Principle 3

### Q 67 Did you log in to the PRI Engagement Clearinghouse in 2010 and if so, how did you use it?

Logged in?	If Yes, please select all that apply
Yes	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	✓		
Regional Social Investment Forums	✓	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 one of the most important aspects of our responsible investment activities.

Our involvement in collaborative groups ranges from substantial to the relatively passive. For example, we are represented on the Board and/or Executive committees of UKSIF and the IIGCC. With other groups such as the CDP we provide support but are less directly involved.

As part of our ESG communication strategy the LPFA aims to increase the level of detail provided to the Fund's 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 2009/10 the LPFA began improvements to its ESG disclosure. We started with a complete review of the ESG content provided to members via the regular member publications and on the Fund website. The latter is now the primary resource for information on our RI/ESG activities and can be accessed here:

<http://www.lpfa.org.uk/investment/responsibleinvest.aspx>

In addition to the LPFA's position, objectives and beliefs on RI the site contains our PRI assessment reports and the LAPFF annual reports. We aim to be as transparent as possible, for example by publishing letters sent to our members in 2010 on the issue of oil sands on the LPFA website (see above link).

As part of the Fund's new RI strategy, from summer 2011 onwards we will be providing detailed disclosure of our voting and engagement activities within our listed equities assets.

**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 2010?**

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 LPAF's SIP was updated in 2010 and now includes clearer information on our RI/ESG activities. This document is available on our website at: <http://www.lpfa.org.uk/about/publications/publicpolicy/index.aspx>  
The LPFA's annual investment report (also available online) also provides summary details of the Fund's ESG activities.

*Did not disclose publicly:  
please explain why not*

## Q 72 Did you disclose your voting policy in 2010?

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 2010, 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 investment 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 with the Fund's SIP 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 2010?**

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 2010?**

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

**Principle 3** 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* Details will be in the LPFA 2010/11 annual investment report, due for publication summer 2011.

*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 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* Details will be in the LPFA 2010/11 annual investment report, due for publication summer 2011.

*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* Details will be in the LPFA 2010/11 annual investment report, due for publication summer 2011. Also, see the section "working with others" in the RI section of our website at, which includes the LAPFF annual reports. Link: <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.**

The LPFA aims to be transparent on its RI/ESG activities, especially to its members. The challenge for us is to strike the right balance between getting things done and reporting on them. Our view is that our time is best spent on the former but we are always looking at ways to improve our disclosure.

As indicated earlier in the survey, in the summer of 2011 the LPFA is implementing major changes to its approach to voting and engagement. These improvements will allow us to provide much more detailed reporting on our active ownership activities. We look forward to providing more detail in next year's survey.