

LAPFF and Climate Change

Introduction

The Forum believes that companies have a unique role to play in addressing the challenges posed by climate change, not only because they are emitters of greenhouse gases, but also as they are providers of short and long-term solutions to decarbonising the economy and adapting to climate change.

Engagement

LAPFF engages on climate change by meeting with companies and participating in collaborative investor initiatives including filing and supporting relevant shareholder resolutions to companies.

For companies in all sectors, LAPFF continues to press for alignment of business models with a 1.5 to 2°C scenario, and to push for an orderly low carbon transition. The Forum recognises the issue of stranded assets and continued fossil fuel extraction as a collective investment risk for all asset owners and as an engagement and policy priority.

For oil and gas companies, an important engagement and voting focus is the restriction of capital expenditure (capex) on high cost resource extraction and promotion of the return of any additional cash generated to shareholders.

For companies with coal operations, no new resources should be exploited. Collaborative engagement with UK-listed integrated miners, Rio Tinto, Anglo-American and Glencore continues, following the strategic resilience resolutions passed at 2016 AGMs, for which a number of member funds were co-filers.

Monitoring Progress

Monitoring of progress and outcomes includes LAPFF's participation in the [Transition Pathway Initiative](#), which aids understanding of where companies are placed in the transition to a low carbon economy and their competence to manage this transition.

Policy and Reporting

LAPFF [supports](#) the recommendations of the FSB's Task Force on Climate Disclosure report and considers all market participants should be encouraged to aim for full implementation. The Forum has long promoted mandatory climate risk reporting, the mechanism for which is already in place under the Companies Act requirements for companies to report financially material risks in the annual report. LAPFF has also suggested that in positioning themselves for the required low carbon future, companies should disclose a transition plan.

Fund Investments

Forum members are interested in investment opportunities afforded by a low-carbon future which increase asset diversification and provide long-term returns. The Forum is discussing a draft climate change investment framework with member funds on implementing current 'best practice' in approaching the current and future investment risks and opportunities that result from the impacts of climate change. This will guide funds in terms of strategic asset allocation, investment strategy, investment manager selection and risk management. LAPFF will explore the potential to facilitate low carbon investments.