

Stewardship Code

Principle	Response
<p>Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.</p>	<p>The London Borough of Hillingdon Pension Fund takes its responsibilities as a shareholder seriously. It seeks to adhere to the Stewardship Code, and expects appointed asset managers to be signatories to code and publicly disclosed their policy via their Statements on how they will discharge their stewardship responsibilities. Stewardship is part of the responsibilities of share ownership, and therefore an integral part of the investment strategy.</p> <p>In practice, the fund's policy is to apply the Code through its arrangements with its asset managers. To this end, a quarterly summary of fund managers' ESG activities detailing the meetings engagement meetings undertaken and issues raised at such meetings, AGM and EGMs attended and their voting statistics are provided to members as part of the Pensions Committee meeting reports.</p> <p>Due to the diversity of investments made on behalf of our fund by the managers engaged. Their role is quite pivotal in ESG issues as they have vast resources at their disposal to raise issues of concern to clients such as us with respective companies and feedback information from such engagements via quarterly performance reports, detailing their activities for the period. Most managers combine these meetings with their investment due diligence as part of a holistic approach to management of funds entrusted into their care.</p> <p>The process described above ensures invested companies are aware of the opinion of shareholders such as our fund regarding their stewardship of the companies and consider such opinion in their decision-making processes. Failure to heed such opinion has often been followed by the fund manager in question raising the issues at company AGMs and subsequently employing their vote at such meetings to reinforce their position or sometimes in extreme cases, divest from such companies.</p>
<p>Principle 2 - Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.</p>	<p>The fund encourages the asset managers it employs to have effective policies addressing potential conflicts of interest.</p> <p>In respect of conflicts of interest within the fund, pension committee members are required to make declarations of interest prior to committee meetings. These declarations are reported in agenda items readily available to the general public in the minutes of the quarterly meetings</p> <p>Further to the declarations of interest at pension committee meetings, members are duty bound to make written related party declarations annually, which form part of the disclosure notes to the fund accounts and notes. These declarations are in addition to member declarations for the main Council's accounts. Subsequently, any perceived conflict of interest is transparent to</p>

	<p>members of the public.</p> <p>Where conflict of interests arises during decision making process, involving member(s) of the Pension Committee or officers of the fund, such individuals may be excluded from the particular decision making process to protect the integrity of the outcome.</p>
<p>Principle 3 - Institutional investors should monitor their investee companies</p>	<p>Day-to-day responsibility for managing our investments is delegated to our appointed asset managers, and the fund expects them to monitor companies, intervene where necessary, and report regularly on activities undertaken. Reports from our fund managers on voting are received and engagement activities reported to committee quarterly.</p> <p>Effectiveness of Fund managers' engagement activities is appraised through responses gleaned from their detailed quarterly reports and the engagement volumes monitored with a view to ascertain their commitment to stewardship of investments under their management. Voting patterns and volume of attended meetings are also good indications of their commitment and effectiveness.</p> <p>When contentious issues of national interests relating to any of the fund's investments is prominent in the press or widely debated. The fund will generally contact the relevant manager(s) to ensure they are aware of our interest and opinions on the issue and provide us with their views and steps being taken to ensure the invested company take on board such views.</p>
<p>Principle 4 - Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.</p>	<p>As highlighted above, responsibility for day-to-day interaction with companies is delegated to the fund's asset managers, including the escalation of engagement when necessary. Their guidelines for such activities are expected to be disclosed in their own statement of adherence to the Stewardship Code.</p> <p>On occasions, the fund may participate in escalation of poignant issues, principally through fund managers' engagements with parties of concern. Furthermore, fund managers engaged by the fund as part of their investment process have regular meetings with individual company boards and feedback such engagement results to us through their quarterly ESG reports.</p> <p>Our fund have in the past directed fund managers to divest from companies in a particular sector (Tobacco) based on our concern of the effect of their product on general population's health at a time when the Council was entrusted with Public health responsibilities locally. One of such managers, UBS now hold UK equities on our behalf excluding Tobacco stocks.</p>
<p>Principle 5 - Institutional investors should be willing to act collectively with other investors where appropriate.</p>	<p>The fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The fund seeks to achieve this through membership of London CIV, which takes direction from Local Authority Pension Fund Forum (LAPFF) over environmental, social</p>

	<p>and governance issues on behalf of its members, through voting alerts on such issues as recommended by LAPFF. These alerts are then referred to engaged fund managers in pursuance of important ESG engagement issues for implementation or opinion.</p>
<p>Principle 6 - Institutional investors should have a clear policy on voting and disclosure of voting activity.</p>	<p>In respect of shareholder voting, the fund seeks to exercise votes attached to its UK equity holdings, and to vote where practical in overseas markets.</p> <p>Responsibility for the exercise of voting rights is delegated to the fund's appointed asset managers and this includes consideration of company explanations of compliance with the Corporate Governance Code.</p> <p>Regular reports are received from the asset managers on how votes have been cast, and controversial issues can be discussed at panel meetings.</p> <p>The fund does currently publish available summary voting data by manager as part of the quarterly report to Pension Committee.</p> <p>The fund has a stock lending arrangement with Northern Trust as part of its investment strategy. Up to 25% of value of shares/bonds held in segregated portfolios are permitted to be loaned out as part of the arrangement and secured on collateral value of minimum 109% of the assets out on loan.</p> <p>Stock-lending commissions are remitted to the fund via the custodian. During the period, the stock is on loan, the voting rights of the loaned stock pass to the borrower. There are no liabilities associated with the loaned assets.</p> <p>The arrangement also allows the fund to recall any asset out on loan if required for shareholder engagement purposes without any punitive measures.</p>
<p>Principle 7 - Institutional investors should report periodically on their stewardship and voting activities</p>	<p>The fund reports annually on stewardship activity through a specific section on "Responsible Investing" in its annual report.</p> <p>A table detailing the statistical analysis of the fund's managers voting patterns is published as part of the annual report.</p>

All queries and further information on this document may be directed to Sian Kunert – Head of Pensions, Treasury & Statutory Accounts by email: SKunert@hillingdon.gov.uk