

ESG & RESPONSIBLE INVESTMENT

Committee	Pensions Committee
Officer Reporting	Sian Kunert, Finance
Papers with this report	None

HEADLINES

The report outlines the voting and engagement of ESG issues and provides an overview of climate change in the quarter ending 31 March 2019.

As part of the Pension Committees role in making investment decisions it takes into account factors that are financially material to the performance of an investment and balancing returns against risks. This includes risks to the long-term sustainability of a company's performance, due to a number of factors including poor governance, environmental degradation, or the risks to a company's reputation arising from the way it treats its customers, suppliers or employees.

RECOMMENDATIONS

It is recommended that Pensions Committee note this report.

SUPPORTING INFORMATION

Climate Change

ESG, in particular climate change, has continued to increase in importance in policy and public interest. Climate change is accelerating and its effects are much more visible. The UK government declared a climate emergency in May 2019 in response to the scientific community and now committed to net zero emissions by 2050, going a step further than all other countries. The Pensions committee recognised climate change as a significant risk in October 2018 asking for the addition on the risk register. Manager meetings and strategy discussions include an ESG focus.

Climate change will have serious consequences for people through the environment and resources, and the economy if we exceed a 1.5% increase in global temperatures above preindustrial levels, it has been estimated climate change will wipe off \$315bn financial asset values. All parts of the financial ecosystem must undertake a role in addressing this environmental issue and pension funds are highly exposed and in a strong position to influence the direction of travel and actions of companies in which they invest.

There are a number of actions pension funds can take, including signing up to a number of global initiatives, such as the UNPRI and Climate Action 100+; mapping

portfolios to the UN Sustainable Development goals; Introducing low carbon funds; committing a percentage of the strategic asset allocation to high impact environmental investments, and reporting on climate change risks and opportunities in line with the TCFD recommendations.

The Hillingdon Pension Fund is signed up to the Stewardship code as tier 2. The funds investment managers are highlighted below to show commitment to the stewardship code and UNPRI.

Fund Manager	PRI signatories	Stewardship code
Adams Street Partners LLP	Yes	
AEW UK Ltd	Yes	
LGT Capital Partners	Yes	
JP Morgan Europe	Yes	Tier 1
M&G Investments	Yes	Tier 1
Macquarie Infrastructure Asset Management	Yes	Tier 1
Permira Credit Solution LLP	Yes	
London CIV	Yes	Tier 1
UBS Asset Management	Yes	Tier 1
Legal & General Investment Management	Yes	Tier 1
Northern Trust Asset Management	Yes	Tier 1
Epoch	Yes	Tier 2
Ruffer	Yes	Tier 1

Voting and Engagement

During the quarter ended 31 March 2019 the Hillingdon investment managers voting with Hillingdon shares made the following votes:

Fund Manager	Meetings Voted	Resolutions	Votes With Management	Votes Against Management	Abstentions
UBS	1,364	11,319	9,564	1,755	
LGIM	611	6,266	5,321	888	57
LCIV - Ruffer	11	122	119	3	1
LCIV - Epoch	10	197	188	9	0

The UBS figures relate to their Equity fund and not specific shares held by the Hillingdon fund where we are ex tobacco. UBS carried out 54 engagement meetings with 45 companies in first quarter of 2019 covering a range of issues including corporate governance, climate change, business conduct & culture and impact.

LGIM engaged with companies 204 times in the quarter with 190 companies. The top two areas for engagement related to the future world protection list (companies excluded based on ESG issues from the future world funds) and climate change.

FINANCIAL IMPLICATIONS

There are no financial implications in the report

LEGAL IMPLICATIONS

There are no legal implications in the report.