

London Borough of Hillingdon Pension Fund

Comparison of Responsible Investment Beliefs

Hillingdon ESG Beliefs (Responsible Investment Policy 2021)	LCIV “responsible investment approach” (Responsible Investment Policy 2022)
<p>Management</p> <p>1. ESG factors (including Climate Change) are important for risk management (including reputational risk) and can be financially material. Managing these risks forms part of the <u>fiduciary duty</u> of the Committee.</p> <p>2. The Committee believes that <u>ESG integration</u>, and managing ESG factors such as climate change risks, leads to better <u>risk-adjusted outcomes</u> and that ESG factors should be considered in the investment strategy, where there is <i>clear financial rationale</i> for doing so.</p> <p>3. The Committee is responsible for the Fund’s ESG beliefs and Responsible Investment Policy but will be cognisant of the Council’s wider policies and values.</p> <p>Approach/Framework</p> <p>4. The Committee expects investment <u>managers</u> to <u>integrate</u> ESG considerations into their investment process and in their stewardship activities and seeks to understand how they do so.</p> <p>5. The Committee believes that certain investment opportunities that provide a positive ESG impact, such as funds that support the climate transition, will perform strongly as countries transition onto more sustainable development paths. Where possible the Committee will seek to allocate to these opportunities where there is clear financial rationale for doing so.</p>	<p>Integration</p> <p>We believe that by <u>integrating</u> responsible investment into investment decisions and our product designs, we can <u>mitigate potential ESG risks</u> and enhance portfolio resilience.</p> <p>We seek to design products that most importantly meet our <u>duty of care</u> by delivering the right risk-adjusted returns <i>but can also deliver positive climate and social benefits</i>.</p> <p><u>Integration</u> of ESG considerations is introduced during the product development process to ensure ESG risk is factored in at both the product and portfolio level. ESG questionnaires are sent to <u>managers</u> before the selection process where the approach of the manager and their own corporate governance are assessed to indicate how advanced the manager’s approach to ESG integration is. Due diligence meetings are conducted prior to appointment and quarterly meetings are held once managers have been selected as detailed in our Stewardship Policy.</p>

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<p>Voting & Engagement</p> <p>6. ESG factors are relevant to all asset classes, whether liquid or illiquid investments, and managers have the responsibility to engage with companies on ESG factors.</p> <p>7. The Committee wants to understand the impact and effectiveness of voting & engagement activity within their investment mandates.</p> <p>8. The Committee believes that <u>engaging</u> with managers is more effective to initiate change <u>than divesting</u> and so will seek to communicate key ESG actions to the managers in the first instance. <i>Divestment</i> will be considered on a pragmatic basis in the event that the engagement with the investment manager has not produced positive results.</p> <p>Collaboration</p> <p>12. The Fund’s investment managers should be actively engaging and collaborating with other market participants to <u>raise broader ESG investment standards</u> and facilitate best practices as well as sign up and comply with common frameworks.</p> <p>13. The Fund should seek to sign up to a recognised ESG framework/s to collaborate with other investors on key issues.</p>	<p>2. Engagement</p> <p>We expect companies in our portfolio to demonstrate their resilience against climate change and their responsibility for social considerations in their value chain. As a member of <u>Local Authority Pension Fund Forum (“LAPFF”)</u>, London CIV works with our fund managers to ensure that they exercise our rights in line with our responsible investment and engagement policies and in accordance with LAPFF guidelines.</p> <p>To further strengthen our voting and engagement process, we work with our voting and engagement partner <u>Hermes EOS (EOS)</u> to use our shareholder rights to maximise shareholder value.</p> <p>Our strategy is <u>engagement over exclusion</u>, we believe rather than excluding companies and sectors which are deemed problematic, we can use our influence <u>to improve a company’s ESG performance</u>. We have introduced an escalation strategy as detailed in our Stewardship Policy.</p>

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<p>Reporting & Monitoring</p> <p>9. ESG factors are dynamic and continually evolving, therefore the Committee will receive training as required to develop their knowledge.</p> <p>10. The Committee will seek to <u>monitor</u> key ESG metrics, such as greenhouse gas emissions, within the investment portfolio to understand the impact of their investments. The Committee will take a pragmatic view and look to evolve their approach over time.</p> <p>11. The Committee will set pragmatic ESG targets based on their views, data availability, and how key ESG metrics evolve over time.</p>	<p>3. Disclosure</p> <p>London CIV have developed and implemented a robust <u>monitoring</u> and accountability mechanism to enhance transparency and reporting quality. We believe accurate and timely ESG disclosure is central to the effective implementation of commitments set out in this policy. London CIV is currently reporting on the following:</p> <p>Quarterly ESG commentaries</p> <p>Annually – Stewardship Outcomes Report, TCFD Report, SRD II (Shareholder Rights Directive?), UN PRI.</p>

September 2022