London Borough of Hillingdon Pension Fund

UK Stewardship Code 2020 (Activity & Outcomes report for 2021/2022)

STEWARDSHIP CODE

HILLINGDON
LONDON

www.hillingdon.gov.uk

Contents

Foreword from the Chairman of the Committee

The Hillingdon Pension Fund is a supporter of the UK Stewardship Code and welcomes the new standards introduced in 2020. The Fund wishes to remain a signatory and has used the new Code as a basis to improve its ESG governance and oversight.

Hillingdon constantly engages with its fund managers to ensure that they deliver on ESG issues and have meaningful engagement with the entities in which we invest. We also strive to ensure that they also give support to the Code in their own right.

We have made significant changes to our investment portfolio over the last year, moving towards strategies with an ESG focus and ensuring compliance with the highest ESG standards at the procurement assessment stage. We have also updated our Responsible Investment Policy to incorporate the new elements of the Code and have undertaken to add our voice in support of the ESG agenda.

In preparing this report and working towards a higher level of compliance, we have introduced many changes in the way we operate. Complying with the new Code has helped us in shaping new stewardship standards and compliance initiatives, whilst also setting future goals to extend and improve our credentials over time.

Cllr M Goddard
Chairman of the London Borough of Hillingdon Pension Fund

BACKGROUND AND INTRODUCTION: THE UK STEWARDSHIP CODE 2020

The Financial Reporting Council

The Financial Reporting Council (FRC) is the UK's independent regulator responsible for promoting high quality corporate governance and reporting. The FRC promotes high standards of corporate governance and stewardship through the UK Corporate Governance Code and UK Stewardship Code.

The UK Stewardship Code

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society (FRC).

The FRC published the first UK Stewardship Code (the Code) in 2010 with an aim to enhance the long-term returns to shareholders via improvements in the quality and quantity of engagement between investors and companies. The Code defined stewardship as the promotion of long-term success of companies in such a way that the ultimate providers of capital also prosper. The Code was revised in 2012 with signatories classified as Tier 1 or Tier 2. The London Borough of Hillingdon Pension Fund was a Tier 2 signatory to the 2012 Code.

The UK Stewardship Code 2020

In January 2020, the FRC released a revised UK Stewardship Code, updated from the 2012 iteration, which is much broader in scope. The 2020 code shifts the emphasis from stewardship policies and procedures to an increased focus on activities and outcomes. It also requires the consideration of systemic issues such as climate change, and the consideration of stewardship activities across broader asset classes, and not just listed UK listed equities.

The Code is based on the belief that asset owners cannot delegate their responsibility and are accountable for effective stewardship. The increased stewardship onus on asset owners is also in line with the spirit of the latest Department of Work & Pensions (DWP) consultation in October 2021 on enhancing stewardship activities. Stewardship activities include investment decision-making, monitoring assets and service providers, engaging with issuers, and holding them to account on material issues, collaborating with others, and exercising rights and responsibilities. Signatories to the updated code are expected to use the resources, rights and influence available to them to exercise stewardship. The Code does not prescribe a single approach to effective stewardship. Instead, it allows organisations to meet the expectations in a manner that is aligned with their own business model and strategy.

A copy of the Code can be seen at: https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code_Dec-19-Final-Corrected.pdf.

Principles for Asset Owners and Asset Managers

The Code requires asset owners and asset managers to comply with 12 principles, disclose on their actions and outcomes against these each year, and requires up to date evidence of activity in relation to these. This reflects the FRC's intention that the Code will be a basis for differentiating true stewardship best practice. The Code's 12 principles are stated below:

Category	Principle
Purpose and Governance	1. Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
	2. Signatories' governance, resources, and incentives support stewardship.
	3. Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
	4. Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
	5. Signatories review their policies, assure their processes, and assess the effectiveness of their activities.
Investment Approach	6. Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
	7. Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
	8. Signatories monitor and hold to account managers and/or service providers.
Engagement	9. Signatories engage with issuers to maintain or enhance the value of assets.
	10. Signatories, where necessary, participate in collaborative engagement to influence issuers.
	11. Signatories, where necessary, escalate stewardship activities to influence issuers.
Exercising rights & responsibilities	12. Signatories actively exercise their rights and responsibilities.

In this report, we set out The London Borough of Hillingdon Pension Fund's (the Fund's) alignment to the Code and how the Fund has undertaken to apply the twelve principles applicable to asset owners.

PURPOSE AND GOVERNANCE

PRINCIPLE 1 - PURPOSE, STRATEGY, & CULTURE

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Context

Purpose and business model

The London Borough of Hillingdon Council (the Council) is the Administrating Authority for the London Borough of Hillingdon Pension Fund and administers the Local Government Pension Scheme (LGPS) on behalf of participating employers. The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the UK. The authority to administer the Fund on behalf of the Council is delegated to the Council's Local Pensions Board and Pensions Committee (the Committee).

The Fund is committed to being a long-term steward of the assets in which it invests to protect and enhance the value of the Fund over the long-term and act in the best financial interests of its members. In so doing, the Committee will take into account all financial risks, including Environmental, Social and Governance (ESG) considerations, into account. The Committee has a fiduciary responsibility for the determination and oversight of investment policies and the conduct of those policies. The Committee works closely with officers, external advisers, the London Collective Investment Vehicle (LCIV), and the Local Pensions Board in meeting its obligations in this respect. The Local Pensions Board has an oversight role to assist the administering authority in securing compliance with regulations and policies that apply to the Fund. The Fund is a separate entity to the Council, and the Committee has sole authority over the Fund.

The Fund's primary purpose is to pay its members pensions as they fall due, with the primary objective to have sufficient assets over the long-term to meet all the pension liabilities, with consideration of returns, risk, liquidity, and ESG factors when making all investment and asset allocation decisions. It serves more than 28,800 members and has investment assets of over £1.2 billion.The conditions of the LGPS Regulations set out the benefits payable to members of the Fund. The benefits are guaranteed for those members and are therefore not reliant on investment performance or employer contributions, although investment returns will help pay benefits, there is no guarantee. The regulations that govern the benefits and investments are available at:

LGPS Regulations and Guidance (lgpsregs.org)

Culture and values

The Fund puts the interests of its members first and at the heart of everything it does. As a responsible investor the Fund aims to have a positive impact on Environmental, Social and Governance issues. To ensure the Fund's financial stability, it maintains a solid and prudent approach to financial management that has delivered its success to date and which is vital going forward. The Fund will demonstrate good governance by being transparent and at the forefront of good practice within the LGPS.

The Fund is committed to being a long-term steward of the assets in which it invests to protect and enhance the value of the Fund over the long-term. As part of the Committee's fiduciary duty, which includes a comprehensive approach to risk management, it has been recognised that ESG factors, including, but not limited to, climate change, can be financially material. As such, the Committee recognises that there is a need for the Fund to be a long-term, responsible investor in order to achieve sustainable returns. The Committee believes that ESG considerations should be integrated into all investment decision making as it helps reduce risk and improve performance to the pension fund and aligns with the fiduciary responsibility of the Fund. The Committee takes their responsibility in this regard seriously and considers all ESG issues, including climate change in all investment decisions.

The Committee further believes in a policy of long-term investment in order to achieve sustainable returns from well governed and sustainable assets. Investment in companies that are managed better and that work within strong ESG aware frameworks can provide investors with risk-aware, long-term sustainable returns. The Fund believes ESG risks should be approached holistically rather than on specific issues as factors are continually evolving, this enables the Fund to be reactive to the underlying company ESG issues and work with companies to make improvements.

The Committee believes sustainable investments can be achieved with robust and effective dialogue and engagement with asset managers and corporate management teams. Further, the Committee pursues a policy of transparency and accountability to its stakeholders for the effective management of the Fund and its investment portfolio.

Strategy

- Funding Strategy Statement (FSS)

  Given that employees' benefits are guaranteed by LGPS Regulations, employers need to pay the balance of the cost of delivering benefits to members and their dependents. The FSS is a summary of the Fund's approach to funding its liabilities, including how these liabilities are measured, the pace of funding, and how these are paid by the employer.

  The Fund's overall funding objective is to ensure that sufficient assets are available to pay all benefits as they fall due for payment and the FSS provides a summary of the Fund's approach to funding the liabilities and includes reference to other relevant policies. The Funding Strategy Statement for the Fund, from 2020, is available at:

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- Investment Strategy Statement (ISS)

  The ISS outlines the Fund's investment objectives and investment beliefs, and includes an assessment of the investments the Committee has chosen, the approach taken to risk and how ESG factors are taken into account.

  As mentioned above, the Fund's primary investment objective is to ensure that over the long-term the Fund will have sufficient assets to meet all pension liabilities as they fall due. To achieve this, the Fund will look to maximise the return on its investments while managing risk within acceptable levels. The Committee has taken professional advice to set a suitable strategic asset allocation benchmark for the Fund. Further details can be found in our ISS, available here:

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Investment Beliefs

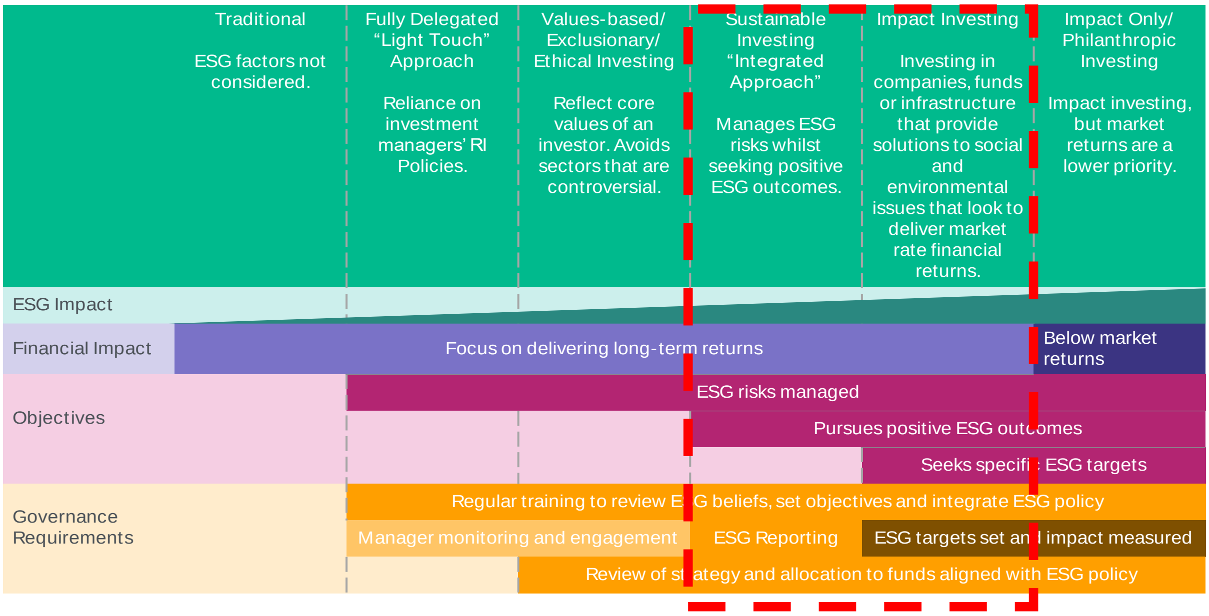
To achieve the Fund's primary investment objective, it aims to:

- Maximise the returns on its investments
- Manage risk within acceptable levels
- Maintain liquidity to meet obligations as they fall due
- Contribute cash into the Fund towards 100% Funding level
- Stabilise employer contribution rates as far as possible
- Invest in a wide range of investments
- Pool assets with other LGPS funds
- Take proper formal advice on relevant decisions
- Consider ESG factors when making all investment decisions.

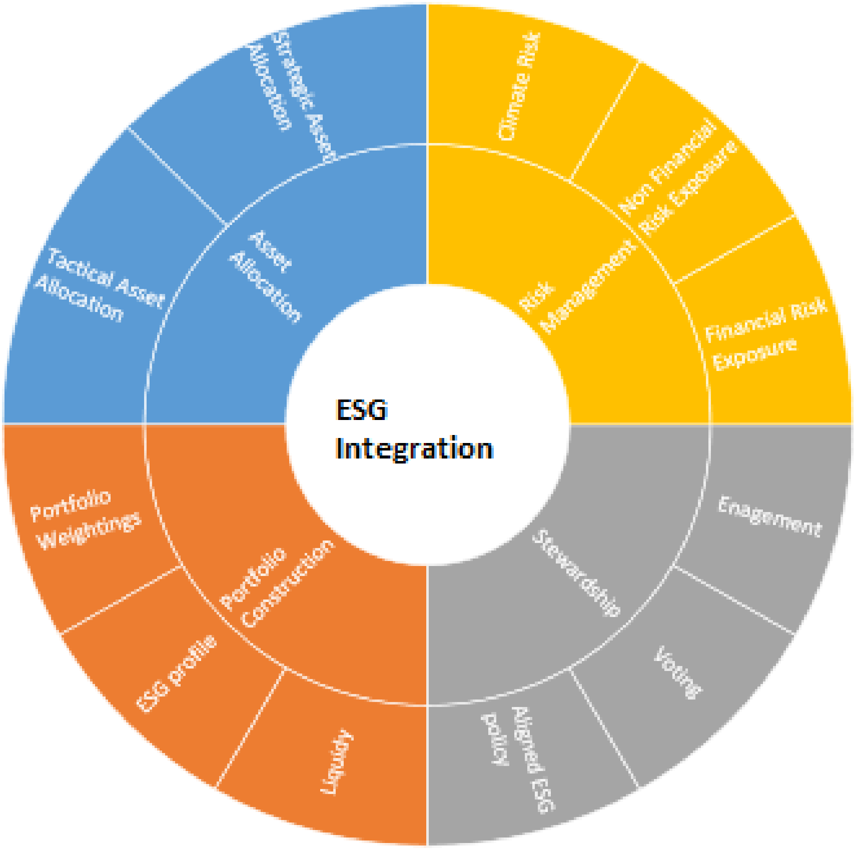
Responsible Investment (RI) Policy, ESG approach & framework

The Fund's approach to stewardship is summarised in the RI Policy. The Fund believes in a policy of long-term investment in order to achieve sustainable returns from well governed and sustainable assets. Investment in companies that are managed better and that work within strong ESG aware frameworks and can provide investors with risk-aware, long-term sustainable returns. The Fund believes that the asset managers that manage assets on behalf of the pension fund should at the least be signatories to the UK Stewardship Code and the UN's Principles for Responsible Investment (PRI). Existing managers outside of these frameworks should have a valid reason not to sign up, for example are signed up to other relevant bodies for their industry or specific asset class. New investment will not be made into managers who are not signatories to the UK Stewardship Code and PRI, unless they are intending to work towards being signatories in the short-term or have good reason not to. The Committee will regardless encourage them to do so. The Fund favours a policy of engagement with companies as opposed to widespread policies of exclusion of companies from specific sectors. However, divestment is a tool available to the Fund and its asset managers to divest from companies for any reason including ESG reasons. The Fund believes that Climate Change is a financial risk to the Pension Fund and manages this risk through the Fund's Risk Register. Climate risk is evident in all sectors and should be considered across all investments. The Fund expects asset managers to consider the usage of resources of companies and the implications of targets for reduced carbon emissions to support the achievement of the Paris agreement principles. The Fund also believes ESG risks should be approached holistically rather than on specific issues as factors are continually evolving, this enables the Fund to be reactive to the underlying companies' ESG issues and work with companies to make improvements. The Fund believes sustainable investments can be achieved with robust and effective dialogue and engagement with asset managers and corporate management teams.

Effective ESG integration combined with proactive engagement should maximise the adoption of these policies and structures within our portfolio to ensure companies in which the Fund ultimately invests have robust board structures, remuneration and sustainability policies, risk management and debtholder rights. The Fund will consider the fullest range possible of asset classes when determining its asset allocation. No asset classes are excluded. As per the spectrum of ESG approaches presented in the chart below, the Committee wish to pursue a "sustainable" investment approach for the Fund that integrates ESG risk analysis into investment decision-making, whilst pursuing certain "impact" opportunities that generate competitive financial returns whilst also providing positive and measurable environmental or societal impact. The Committee will seek clear financial rationale in any investment decision, and also consider in balance all financial and non-financial considerations. The Committee's position is indicated on the spectrum chart below.



This RI framework puts the investment and ESG beliefs and objectives as the starting point to deliver RI and stewardship for the Fund. ESG will be considered in all investment decisions, whether investing through direct segregated mandates or into pooled funds and will incorporate ESG criteria as part of new mandate selection exercises. An illustration of the Fund's framework is shown below:



The Fund will ensure asset managers' ESG policies are in line with the Fund's expectations and beliefs, and managers will report the management of ESG issues to the Fund regularly. Day-to-day ESG integration of investments is delegated to asset managers, who are expected to have closer knowledge of companies under investment and board activity. However, the Committee, with the support from its investment advisors, will undertake annual reviews of the asset managers' approach to integrating ESG factors and engage with them where there is misalignment with the Committee's ESG beliefs and look to remedy any issues where possible. The Fund will also seek to understand each manager's approach to voting and engagement and monitor this on an ongoing basis to seek to understand the effectiveness of these activities.

The Fund's RI Policy and compliance with the Code will be formally reviewed and updated annually. The Committee's ESG beliefs will be formerly reviewed biennially or more frequently if required, in order to reflect latest thinking and this will in turn be incorporated in the RI Policy. The Committee will monitor the Fund's assets against this Policy on an ongoing basis, with the assistance of its investment advisor. The Committee views the development of the Policy as an ongoing process as approaches to integrating ESG factors continue to evolve over time. When reviewing the RI Policy, the Committee will take account of any significant developments in these areas to ensure they are taking a best practice approach.

ESG Beliefs

Alongside the Fund's overall investment beliefs, the Committee has formulated a set of bespoke ESG beliefs to help underpin overall investment decision making. The Committee's ESG beliefs are included and forms the basis of the Fund's separate Responsible Investment (RI) Policy, which is available on the website here:

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The Fund's ESG beliefs are categorised under five broad headings: Risk Management; Investment Approach/Framework; Voting & Engagement; Reporting & Monitoring; and Collaboration. The below table outlines the Fund's ESG beliefs, and alongside provides recent activity to date which are aligned to these beliefs.

Category	ESG Belief	Activity
Risk Management	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 fiduciary duty of the Committee. 2. The Committee believes that ESG integration, and managing ESG factors such as climate change risks, leads to better risk-adjusted outcomes and that ESG factors should be considered in the investment strategy, where there is clear financial rationale for doing so. 3. The Committee is responsible for the Fund's ESG beliefs and RI Policy but will be cognisant of the Council's wider policies and values.	The Committee considers ESG issues in all the Fund's investment decisions through incorporating ESG as a formal criterion as part of new mandate selection exercises. This maps directly to ESG beliefs 4 and 5 outlined above and the Committee, with the support of its advisors, assess all their asset managers in relation to their ESG credentials. The Fund makes investments with the LCIV, a collective investment vehicle for London Borough LGPS funds. The Fund reviewed the LCIV's investment governance and shared the outcomes with LCIV and subsequently worked with LCIV to put improvements in place.
Approach/Framework	4. The Committee expects asset managers to integrate ESG considerations into their investment process and in their stewardship activities and seeks to understand how they do so.	The Committee ensures the ESG integration of new and existing asset managers is in line with Fund's investment and ESG beliefs and asset managers factor ESG into investment decisions regularly. The

	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.	Committee looks to identify opportunities to provide a positive impact or support the climate transition, examples include investment in the LGIM Future World Fund and the LCIV Global Alpha – Paris Aligned Fund (Baillie Gifford).
Voting & Engagement	6. ESG factors are relevant to all asset classes, whether liquid or illiquid investments, and asset managers have the responsibility to engage with companies on ESG factors.	With support from the Fund's investment advisors, the Committee conduct an annual review of the asset managers' approach to integrating ESG factors, then engage and monitor these approaches on an ongoing basis.
	7. The Committee wants to understand the impact and effectiveness of voting & engagement activity within their investment mandates.	
	8. The Committee believes that engaging with asset managers is more effective to initiate change than divesting and so will seek to communicate key ESG actions to the asset managers in the first instance. Divestment will be considered on a pragmatic basis in the event that the engagement with the investment manager has not produced positive results.	
Reporting & Monitoring	9. ESG factors are dynamic and continually evolving, therefore the Committee will receive training as	The Committee have recently (in 2021) agreed and set ESG objectives, metrics and targets to

	required to develop their knowledge.	monitor and report against and which will further drive engagement with underlying asset managers to improve both the absolute measures reported and disclosures of the agreed metrics over time. The Committee will begin reporting on these metrics in 2022 and going forward as ESG metrics continue to evolve.
	10. The Committee will seek to monitor 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.	
	11. The Committee will set pragmatic ESG targets based on their views, data availability, and how key ESG metrics evolve over time.	
Collaboration	12. The Fund's asset managers should be actively engaging and collaborating with other market participants to raise broader ESG investment standards and facilitate best practices as well as sign up and comply with common frameworks.	The Fund looks to collaborate with wider ESG initiatives and bodies to broaden its scope and potential impact, for example through LCIV and the Task Force on Climate-Related Financial Disclosures (TCFD).
	13. The Fund should seek to sign up to a recognised ESG framework/s to collaborate with other investors on key issues.	

The Fund believes that effective ESG integration combined with proactive engagement should maximise the Fund's ability to achieve the targeted risk-adjusted returns, the mitigation of ESG risks, and demonstrate benefits to all stakeholders. The Fund is committed to complying with the regulatory obligation to achieve a position whereby at least 95% of its investment assets are pooled, where possible (mindful of any liquidity constraints) and when the appropriate investment propositions are available on the pool. The Fund has committed to pool its assets through the LCIV. The Fund will continue to monitor the arrangements put in place by the pool in ensuring thorough due diligence has been carried out by the LCIV including manager RI and ESG policies in manager selection. The Fund is maintaining a regular dialogue with senior management of LCIV in order to ensure that its investment beliefs and policies are taken into account and as much as possible accommodated by LCIV and its asset managers.

Investment into pooled funds does not remove or reduce the fiduciary responsibilities of the Fund and the Committee and officers will engage closely with LCIV and will seek its full co-operation in order to properly acquit these responsibilities including implementation of ESG policies and stewardship of assets.

Outcomes

Manager selection

While the overall strategic asset allocation has remained relatively constant over recent years, the Committee's ESG beliefs and amended RI Policy played a part together with investment consideration that drove recent investment strategic decisions within the existing asset allocation over 2021, examples including: replacing both the UBS UK Active Equity Fund and the LCIV Equity Income Fund (which were accounting for the highest proportion of carbon emissions in the portfolio and resulting in a clear UK bias to the equity portfolio) with the LGIM Global Future World Index Fund and the LCIV Global Alpha - Paris Aligned Fund (Baillie Gifford) (c.13% strategic allocation of overall portfolio in each) respectively, which has significantly reduced the carbon emissions and footprint of the portfolio, while also reducing the UK bias. See more details provided under Principles 4 and 7.

Action-based outcomes

The Committee has been actively engaging with the LCIV as well as the other Fund's asset managers to drive improvements of ESG integration and overall governance within the underlying portfolios. Engagement continues to ensure momentum is maintained and further improvements can be discussed. In 2021, the London CIV has become the first Local Authority pension pool to target net zero emissions by 2040, and was a result of collective engagement by investors, of which the Fund is one, and a bid in supporting needs of clients. The Committee and advisors plan to continue to engage in 2022 with the LCIV on interim targets and their plan in order to achieve these targets. The Committee regularly request and review engagement and voting information from all asset managers and compile this into an annual report (see Appendix for the Fund's implementation statement), while expecting asset managers to provide detailed quarterly reporting.

In 2021, the Committee agreed a set of ESG objectives in line with the ESG beliefs, as well as related ESG metrics and targets which will form the basis of further engagement with managers in 2022 to firstly encourage them to report on these (if not able to already) as well as to improve these metrics year on year. The agreed metrics align with the TCFD reporting requirements, with some additional metrics which the Committee see as a priority for the Fund. The chosen ESG metrics and targets will be reviewed on an ongoing basis to be in line with future developments. See more details in Principle 7.

PRINCIPLE 2 - GOVERNANCE, RESOURCES, & INCENTIVES

Signatories' governance, resources and incentives support stewardship.

Activities

Governance overview

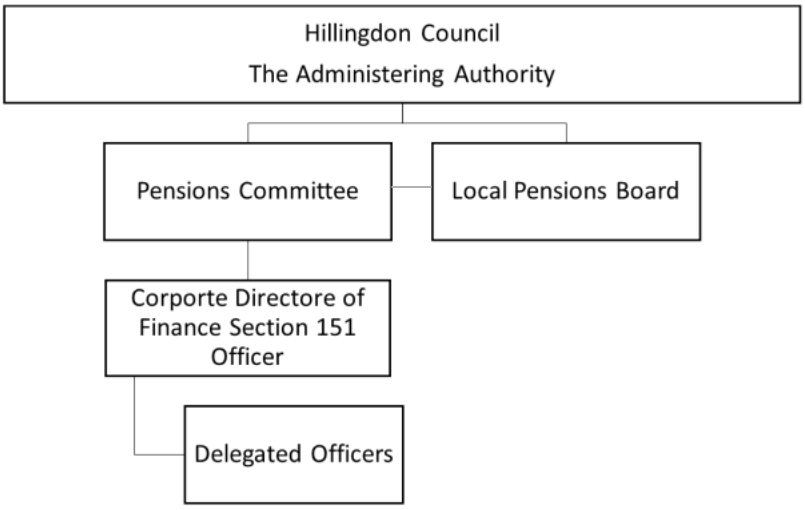
The Committee has a fiduciary responsibility for the determination and oversight of investment policies and the conduct of those policies. The Committee works closely with officers, external advisers and the Local Pensions Board in meeting its obligations in this respect. The Committee meets quarterly and regularly reviews the Fund's asset allocation and investment policies with officers and external advisers. Periodically, investment objectives and investment strategy are considered and revised as appropriate.

The Local Pensions Board has an oversight role to assist the Administering Authority in securing compliance with regulations and policies that apply to the Fund. The Local Pensions Board is not a decision-making body, but rather holds a compliance and scrutiny role to ensure the Committee effectively and efficiently complies with the code of practice on the governance and administration of public service pensions schemes issued by the Pension Regulator. The membership of the Local Pensions Board must be equally split between employer and Fund member representatives all with the relevant experience and capacity. No elected member may sit on both the Pensions Committee and the Local Pensions Board. The Local Pensions Board meets quarterly to review the reports of the Committee that will include reports relating to compliance with ESG and the RI Policy.

The Constitution of the Council sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and that those who made the decisions are accountable to the local people the represent. The Constitution of the Council also sets out the framework under which the Fund is administered. See below diagram outlining the governance structure.

Governance structures are to be further reviewed and revised once recommendations are released in relation to the Good Governance Framework and the Combined Code of Practice. The Fund will aim to follow all recommendations and apply best practice.

Diversity is an important topic for the Fund and is reflected through the ethnic and cultural diversity of the London Borough as the councillors are elected to represent the Borough and the membership reflects the diversity of the Borough. Although the Fund is itself somewhat limited to influence diversity as only have access to elected members. Diversity is also an important topic in terms of the Fund's and advisors' engagements with asset managers.



The members and experience of the Committee and Board members are outlined below:

Committee Member	Qualifications	Experience
Cllr. Goddard (Chairman)	• Chartered Accountant - Fellow of the Institute of Chartered Accountants in England & Wales.	• 23 Years' experience in auditing (21 years as a partner in a large accounting firm) • 2 years' experience as Vice Chair of the Audit Committee at the London Borough of Hillingdon • 4 years' experience as a member of the Pensions Committee (2 years as Chairman)
Cllr. Flynn	• Solicitor (2007)	• 8 years' experience as a local councillor • Former Finance Solicitor and 7 years as Governor of two primary schools, including chairing the Finance Committees
Cllr. Hensley	• Masters in Philosophy (MPhil); CAS; Chartered Engineer (CEng, MIMechE, MIEE) • Member of the institute of Materials, Minerals, & Mining (MIMMM)	• 30+ years experience managing large professional and skilled workforces in both the private and public sectors
Cllr. Sansarpuri	• BA and law graduate	• 27 years' experience in the private sector with 4 of those in banking • 16 years as a local Councillor

Board Member	Qualifications	Experience
Roger Hackett - Chairman	• Member of the Chartered Institute of Personnel and Development (MCIPD) • BA Hons Degree in History	• 35+ years experience as Head of HR and related functions for a number of organisations in the private and public sector including responsibilities for DB schemes and LGPS funds • Since 2015, a member of the Pensions Board of LB Hillingdon
Shane Woodhatch	• CIMA accountant; HND in Internal Auditing	• 14 months experience as a Member of the Pensions Board
Tony Noakes	• None	• 3+ years experience on the Hillingdon Pensions Board • 4 years experience in payroll and pensions within LGPS, and managing both DC and DB personal pensions
Anil Mehta	• BSc honours degree in Business Management and Accounting	• 8 years experience in the Finance function and a member of the pensions board for the past 6 months

The Committee and Board members undertake required training in investment and pensions and maintain their knowledge by attending regular training events (see below training section). Officers and external advisers maintain a rolling programme of review and due diligence on all appointed asset managers and report the results of their work to the Committee. This ensures that officers maintain oversight of the Fund's holdings on an ongoing basis, allowing sufficiently timely and informed decisions surrounding stewardship activities.

A copy of the Governance Policy and latest Compliance Statement is also available on the website here:

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In relation to the governance of the Fund, the objectives are to ensure that:

- all staff and Committee members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them;
- ultimate oversight for the integration of ESG (including climate change) and stewardship issues within the Fund's investments. This is delegated to service providers and asset managers in terms of advice and implementation;
- the Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties;
- all relevant legislation is understood and complied with;
- the Fund aims to be at the forefront of best practice for LGPS funds; and

- the Fund manages conflicts of interest appropriately.

Training

A Training Policy has been put in place to assist the Fund in achieving its governance and stewardship objectives and all Committee members, Local Pension Board members and officers are expected to continually demonstrate their own personal commitment to training and to ensuring that the governance objectives are met.

To assist in achieving these objectives the Fund aims to comply with:

- the CIPFA Knowledge and Skills Frameworks and;
- the knowledge and skills elements of the Public Service Pensions Act 2013 and The Pensions Regulator's (TPR) Code of Practice for Public Service Schemes.

In addition, the Fund must comply with LGPS-specific guidance relating to the knowledge and skills of Committee members, Local Pension Board members or officers which may be issued from time to time. Members of the Committee, Local Pension Board and officers involved in the management of the Fund will receive training on all relevant issues, including ESG and climate-related issues, to ensure that they meet the aims of the Training Policy with training schedules drawn up and reviewed on at least an annual basis. This includes training in preparation for the TCFD reporting regulations, which the Committee have committed to supporting and which is likely to be captured under the next wave of TCFD regulations making it mandatory (in 2023 or shortly thereafter).

Governance monitoring processes and systems

In order to maintain oversight of the Fund's governance and stewardship activities and objectives, the following monitoring arrangements are in place:

Objective	Monitoring Arrangements
Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies	• The Committee and the section 151 officer make decisions on behalf of the Fund. • The Committee and Officers are also supported by various third party experts and advisors. • The Local Pensions Board has oversight of the decisions made to ensure compliance with relevant legislation and regulations • Policy and strategy documents are regularly reviewed and published to ensure they are up to date.
Ensure the Fund is well managed and its services delivered by people who have the appropriate knowledge and expertise	• A Training Policy is in place together with monitoring of all training by

	Committee members and key officers.
Act with integrity and be accountable to stakeholders for decisions, ensuring they are robust and well based	• Committee meetings are open to all stakeholders to attend and papers and minutes are published. • The Local Pensions Board includes representatives from Fund members and employers in the Fund. • The Local Pension Board prepares and publishes an annual report which may include comment on decision making.
Understand and monitor risk	• A Risk Policy and risk register is in place. • Ongoing consideration of key risks at Committee meetings.
Strive to ensure compliance with the appropriate legislation and statutory guidance and to act in the spirit of other relevant guidelines and best practice guidance	• The governance of the Fund is considered by both the External and Internal Auditors. All External and Internal Audit Reports are reported to Committee. • The Fund maintains a log of all breaches of the law in accordance with the Fund's breaches procedure.

The Committee understand that the ESG landscape continues to evolve and therefore seek to ensure that our governance approach is fit for purpose. The Board undertakes an annual review of governance procedures and policies, of which ESG, climate change and stewardship are included.

As mentioned, the Fund is committed to complying with the regulatory obligation to achieve a position whereby at least 95% of its investment assets are pooled, where possible. The Fund has committed to pool its assets through the LCIV. The Fund will continue to monitor the arrangements put in place by the pool in ensuring thorough due diligence has been carried out by the LCIV including manager RI and ESG policies in manager selection. The Fund will ensure there is a value for money case and pooled funds meet the investment strategy risk and reward objectives. The Fund will consider making further allocations of investments within the LCIV pool as and when realisations of the existing portfolio occur either by virtue of investment decisions made or by the maturity or return of existing investments. The Fund is maintaining a regular dialogue with senior management of LCIV in order to ensure that its investment beliefs and policies are taken into account and as much as possible accommodated by LCIV and its asset managers. Investment into pooled funds does not remove or reduce the fiduciary responsibilities of the Fund and the Committee and officers will engage closely with LCIV and will seek its full co-operation in order to properly acquit these responsibilities including implementation of ESG policies and stewardship of assets.

Service Providers

The Fund employs multiple service providers and advisors who assist with its stewardship activities, including investment consultants, actuary, benefits consultants, global custodian, asset managers, lawyers, pension fund administrator and an independent professional investment advisor. The Committee are responsible for the selection, appointment, ongoing monitoring and dismissal of these providers. The Fund requests, reviews and comments on the Statement on Standards for Attestation Engagements (SSAE) 16 and/or the International Standard on Assurance Engagements (ISAE) 3402 internal control reports of managers and service providers ensuring weaknesses have been rectified. The Fund also reviews its investment advisor (Isio) in line with CMA requirements. Responsible Investment and the consideration of ESG issues are a criteria in the selection process of service providers and advisors.

Day-to-day responsibility for managing investments is delegated to the Fund's appointed asset managers, and the Fund expects them to monitor companies, intervene where necessary, and report regularly on activities undertaken, while making appropriate or relevant investment in research and analysis in relation to stewardship and apply an overarching strategy accounting for all investment risks and considerations as part of their stewardship responsibilities. As part of the appointment and ongoing assessment of asset managers, ESG considerations (including climate change) are taken into account.

The Fund engages with the LCIV to ensure effective stewardship and governance activities in relation to its assets, as well as the appropriate consideration of ESG and climate issues. Incentive programmes are not explicitly incorporated into fund manager contracts, however as part of the ESG impact assessment, the Fund with the support of its investment advisor, considers how the Fund's asset managers use relevant incentive programmes to encourage best practice in relation to stewardship and ESG integration in the funds they manage for the Fund.

Outcomes

Case Study:

Following the investment governance review and collaboration with the LCIV, they now have in place Investment Governance Documentation which outlines their processes including the integration of RI in the selection and oversight of asset managers. Enhancements were also made to the LCIV's reporting which provides greater insight on LCIV's products, including significant improvement in reporting on RI activity and metrics. There is now also greater transparency on LCIV's development of new investment products, including manager selection and the integration of RI.

As a result and given additional focus on responsible investment, LCIV have added dedicated responsible investment resource and included reporting enhancements. The Committee have also themselves focussed more time on responsible investment considerations for the Fund as illustrated throughout this report.

PRINCIPLE 3 - CONFLICTS OF INTEREST

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Context

Overview

The Fund has a Conflicts of Interest Policy (see below) that defines conflicts of interest and outlines how to identify, monitor and manage conflicts of interest that may occur, including in relation to stewardship as well as ESG issues. A register of interest is also maintained for the Local Pensions Board and declaration of interest in relation to members of the Committee are available on the Council's website. Fund managers and advisors are also required to submit their organisation’s conflict of interest policy. The Fund encourages the asset managers it employs to have effective policies addressing potential conflicts of interest. Declaration of interests is a standing item on both the Local Pension Board and Committee agendas.

In respect of conflicts of interest within the Fund, 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.

Further to the declarations of interest at 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. As such, any actual or perceived conflict of interest is transparent to members of the public.

Where conflict of interests arises during the decision-making process, involving member(s) of the Committee or officers of the Fund, such individuals may be recused from the particular decision-making process to protect the integrity of the outcome.

In addition, conflicts of interest training is included as part of Committee induction and within the knowledge and skills framework which is followed.

Conflicts Policy

The Fund’s Conflicts of Interest Policy is publicly available, and can be found at the following link:
Pension fund documents - Hillingdon Council

London Borough of Hillingdon Pension Fund

Conflicts of Interest Policy

HILLINGDON
LONDON

Updated September 2021

Public Standards

As a Local Government Pension Scheme, the Hillingdon Pension Fund adheres to the Nolan Principles on Public Life, which are integral to the application, and success, of this policy.

Selflessness	Holders of public office should act solely in terms of the public interest.
Integrity	Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, theirfamily, or their friends. They must declare and resolve any interests and relationships.
Objectivity	Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
Accountability	Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
Openness	Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
Honesty	Holders of public office should be truthful.
Leadership	Holders of public office should exhibit these principles in their own behaviour. They shouldactively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Through the appropriate management of this Policy and in relation to stewardship, the Fund will:

- Meet the highest standards of good governance through demonstration of the key principles of transparency and accountability in the management of the Fund through clear responsibilities and reporting.
- Ensure that robust governance arrangements are in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.
- Act with integrity and be accountable to stakeholders for all decisions, ensuring they are robust, soundly based and do not unreasonably favour one group of stakeholders over another.
- Ensure the Fund complies with the appropriate legislation and The Pension Regulator's Code of Practice.
- Deliver an efficient and effective pensions and financial administration service, which provides excellent value for money.

Activity

In summary, the Fund takes a 3-stage approach to managing conflicts of interests (including in the context of stewardship):

- Identifying
- Monitoring
- Managing

Identifying

To assist the Committee, Local Pension Board members and Officers in identifying when a conflict may arise, attached to the Policy are some examples of conflicts. Ultimately, it will be the responsibility of the individual, given the adequate training, to identify if a conflict exists and to seek advice from the Fund's Head of Finance-Statutory Accounts & Pension Fund.

Monitoring

The Fund keeps a register of interests for all its Local Pension Board member declarations of interest. Elected Councillors, under their own code of conduct are required to declare interests at the point of their election. These are published publicly on the Council's website.

Declaration of interest will be included as an opening agenda item at each Committee and Local Pension Board meeting. This will provide an opportunity for those present to declare any interests, including other responsibilities, which have the potential to become conflicts of interest, and to minute discussions about how they will be managed to prevent an actual conflict arising. This conflict could be with a general subject area or a specific item on the agenda.

The register also protects the individual members who are responsible for deciding whether or not they should declare an interest in a meeting. It is also important that the public know about any interest that might have to be declared, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

Managing

Committee and Local Pension Board members are required to have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest, and should know how potential conflicts should be managed.

The Pension Committee and Local Pension Board are required to evaluate the nature of any dual interests and responsibilities, assess the impact on operations and governance were a conflict of interest to materialise, and seek to prevent a potential conflict of interest becoming detrimental to their conduct. The 'Conflicts Register' can be provided to assist members.

The Committee and Local Pension Board may consider seeking independent legal advice from a nominated officer (for example, the monitoring officer) or external advisers where necessary on how to deal with these issues, if appropriate.

Individual members of the Committee and Local Pension Board must know how to identify where they have a conflict of interest which needs to be declared and which may also restrict their ability to participate in meetings or decision making. They must also appreciate their legal duty under the Regulations to provide information to the Administering Authority in respect of such conflicts of interest.

Any individual who considers they have a potential or actual conflict of interest which relates to an item of business at a meeting, must advise the Chair of the Committee or Local Pensions Board and the Head of Finance – Statutory Accounts & Pension Fund prior to the meeting where possible, or state this clearly at the earliest possible opportunity in the meeting. A decision should then be reached on whether further action needs to be taken.

Options for managing an actual conflict of interest, should one arise, include:

- A member withdrawing from the discussion and any decision-making process;
- The Committee or Local Pensions Board establishing a sub-board to review the issue (where the terms of reference give the power to do so); or
- A member resigning from the Committee or Local Pensions Board if the conflict is so fundamental that it cannot be managed in any other way.

Potential Conflicts

Potential conflicts may arise relating to the Fund's investment decisions. For example, stewardship related conflicts may arise as a result of business relationships between asset owners and asset managers, ownership structure of invested companies, differences between the stewardship policies of asset managers and their clients, cross-directorships, and client and other beneficiary interests which differ from each other.

Outcomes

The Conflicts of Interest Policy is maintained and reviewed on a regular basis to ensure it remains fit for purpose and as emerging issues and new guidance become evident, but at least every three years. The Policy was most recently reviewed and updated in September 2021.

The Committee maintain an up-to-date conflicts of interest registry with a record of all potential or actual conflicts, including annual declarations.

A Member's General Declaration of Interest is completed within 28 days of taking office, recorded on their individual web pages, and updated as and when there are changes. In addition, members are asked annually to check their entry and update any changes.

In addition, members are obliged to advise of any Gifts or Hospitality that they receive and this is updated as and when such a notice is received. Before each Committee meeting members are asked to advise of any declarations of interest and this is noted in the minutes and made transparent to the members of the public.

Annually members are required to complete a Related Parties disclosure for assessment and inclusion where relevant in the Statement of Accounts and Pension Fund Annual Report. Members are also provided with Conflicts of Interest training.

Individuals on the Board and Committee are made aware of, and are reminded of, key responsibilities, and all decisions are made in the interests of members and employers.

As mentioned, within the Conflict of Interest Policy which is routinely followed and will continue to be, there are various routes in which an actual or potential conflict of interest is identified or raised, however to date there has been no actual conflicts of interests identified to report on and below we illustrate one potential conflict which was raised in relation to investment advice and was managed in accordance with the police, but concluded that there was no actual conflict.

Case Study: Potential conflict in investment advice

The Committee challenged their investment advisor, Isio, on an area where they thought there may be a potential conflict of interest. In a presentation to the Committee on their Diversified Private Credit proposition, BlackRock referenced that Isio had been involved in discussions around the development of the fund. The Committee asked Isio to draft a letter describing their role in these arrangements and whether this created a conflict of interest.

In the letter, Isio clarified that they had not been engaged to provide any paid work on the development or design of the fund presented to the Committee, nor had they received renumeration from BlackRock in relation to any investment product it offers. Isio explained that BlackRock's reference to Isio being involved in the discussions was correct, as they had provided some input to explain what Isio believed would reflect a "best-in-class" investment proposition for their clients might look like, based on their views on markets and other managers. Isio were not paid for this input and provided this information to the manager in the best interests of their clients. Following further development of propositions from managers, Isio undertook further investment due diligence and ultimately shortlisted two asset managers that they believe offer best in class propositions (BlackRock was one of these managers).

Isio also had a role in providing advice to the LCIV on the selection of a Direct Lending manager. In this case, an Isio research team, separate from the core client team that advises the Committee on an ongoing basis, was engaged to provide manager research input to support the LCIV team in selecting direct lending managers for the fund they are offering to London Boroughs for investment. The LCIV was responsible for all decisions on the mandate structure and manager selection, drawing on Isio's manager research input where appropriate. The team that advises the Hillingdon Fund was purposefully kept separate from the research team working with LCIV in order for them to be able to provide the Fund with an independent and objective view on the LCIV mandate, to offer challenge and to advise on how the LCIV mandate compares to best in class alternatives if that is desired. Isio discussed this with the Fund ahead of completing any work with the LCIV.

The Committee were satisfied that this involvement did not present an actual conflict of interest for Isio and both matters were resolved.

PRINCIPLE 4 - PROMOTING WELL-FUNCTIONING MARKETS

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Activity

The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS. The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance of the Fund at a strategic and operational level. The Risk Management Policy has a 5-step process which includes: risk identification; risk analysis and evaluation; risk response; risk monitoring and review; and risk reporting.

<u>Identification and response</u>

The Fund monitors and manages a wide range of market and systemic risks, including market price risk, interest rates and inflation, liquidity, ESG risks (including climate change), credit risk, longevity and currency, amongst others, and looks to mitigate these risks where possible.

These risks are constantly monitored through various sources including news feeds, manager communications, advisor support, market and governance updates, government news and peer groups. These all feed into regular review and action. This can be evidenced in thematic reviews undertaken by the Fund's investment advisor (Isio) and considered by the Fund in terms of Covid-19 and inflation. The Pension Fund Senior Officer and Pension Committee Chair discuss all risks, with input from the Pension Board Chair, and these are presented to the Committee on a quarterly basis for review and consideration.

The Committee logs and maintains a risk register detailing all relevant risks to the Fund, including a rating with consideration of likelihood and expected impact, as well as actions taken to mitigate or manage each risk, as well as progress made against each.

The Committee also reviews the most pertinent risks to the Fund, including inflation risk, which given the uncapped nature of the Fund's liabilities to movements in inflation is considered a significant risk to the Fund. A review and discussion of the Fund's exposure to inflation risk and possible actions was conducted in Q4 2021, including consideration of high-level inflation scenarios and their impact on the current investment strategy and potential actions the Fund could take to mitigate further against higher inflation, although the strategy already has allocation to inflation hedging assets. It was decided to monitor forward-looking inflation indicators on a regular basis and consider further options if deemed necessary. A Covid-19 review was also done in June 2020 to establish the impact of the crisis on the Fund.

The Committee ensures a sufficiently well-diversified investment strategy to mitigate market risks as far as possible.

ESG as a Financially Material Risk

The Fund's RI Policy and Investment Strategy Statement describes ESG risks as being financially material. The Fund's Implementation Statement (see Appendix) details how the Fund's RI Policy is implemented, and outlines the Committee's ESG beliefs used in evaluating the Fund's managers' ESG policies and procedures.

Climate change is a systemic risk for markets and investors and as such requires explicit attention by the Fund. This includes both risks arising from the transition to a low carbon economy (the transition from high to low carbon energy and transport) and physical risks arising from climate change (including natural disasters and shifts in weather patterns).

The below table outlines the areas which the Committee assessed the Fund's investment managers on when evaluating their ESG policies and engagements.

Areas for engagement	**Method for monitoring and engagement**	**Circumstances for additional monitoring and engagement**
Environmental, Social, Corporate Governance factors (including climate change) and the exercising of rights and engagement activity	- Through the manager selection process, ESG considerations will form part of the evaluation process; - The Committee and the Fund's investment advisor, Isio, will monitor managers' ESG policies on an ongoing basis; - When attending Committee meetings, investment managers will be asked to present on actions they have taken in respect of ESG factors and their exercise of rights and engagement activity; - The Committee is provided with a report detailing the managers' ESG policies as well as a summary of actions the Fund has engaged with managers on in relation to ESG.	- The manager has not acted in accordance with their policies and frameworks. - The investment managers' ability to abide by the Committee's RI Policy ceases due to a change in the managers ESG policies.

Industry initiatives and working with other investors/investment managers

The Fund seeks to work collaboratively with a range of other institutional shareholders and third parties in order to maximise the influence that it can have on individual companies in relation to ESG issues. Examples include collaboration with the LCIV pool, together with the Local Authority Pension Fund Forum (LAPFF), as well as the TCFD, to which the Fund has signed up as a supporter and committed to report in line with their requirements. The Committee also set expectations for their investment managers against which they engage and collaborate on a regular basis to drive improvements in relation to ESG issues. More information is included under Principle 10 in relation to collaborative engagement.

Outcomes

Effectiveness in identifying and responding to systemic risks

The Fund maintains a risk register to assist in monitoring and identifying market-wide risks that are relevant to the Fund, including ESG risks as well as cyber security, market, governance and other risks. The risk register also details persons with responsibility for maintaining oversight of these risks, or the ‘Lead Officer/Committee Member’. The risk register is reviewed on a regular basis, and to illustrate this, following the outbreak of the global Covid-19 pandemic, a new risk factor ‘Threat of Covid-19 to Business Continuity’ was added to the risk register. The approach taken by the Fund will be continually reviewed in partnership with asset managers and service providers, to ensure this remains fit for purpose.

Case Study: London CIV engagement

The Fund has been actively engaging with London CIV in order to improve their overall governance arrangements and manager reporting. A number of meetings have taken place between the London CIV Chief Executive Officer and the London Borough of Hillingdon Pension Committee Chairman, along with respective officers, setting out a manifest of improvements. During 2021 the majority of requests have been implemented by the London CIV. Engagement continues to ensure momentum is maintained and further improvements can be discussed. While not directly related to this engagement the London CIV has become the first Local Authority pension pool to target net zero emissions by 2040, and was a result of collective engagement investors, of which the Fund is one, and a bid in supporting needs of clients and to manage systemic market risks, including climate change. The Committee and officers are looking to engage further in 2022 in order to further understand how LCIV intend to reach their net zero target by 2040, and to set associated interim targets.

Case Study: Aligning holdings with climate change commitments

Following a strategic asset allocation review carried out in late 2019 and considered by the Committee in early 2020, the Committee made the decision to reduce the bias to UK equities in favour of a passive, global, broad ESG focused approach (with LGIM Future World) following advice and a manager selection exercise conducted by the Fund's investment advisor. Demonstrating the Fund's commitment on climate change and TCFD, the Fund has further restructured its equity portfolio over the past year. In doing so and again followed by a review of appropriate asset managers on and outside the LCIV pool, and with a preference for a growth style, the Fund invested in the LCIV Global Alpha – Paris Aligned Fund (Baillie Gifford), an equity fund with holdings aligning to the commitments of the Paris Agreement.

This Paris Aligned version of the Baillie Gifford Global Alpha fund on the LCIV pool includes an additional process to screen out carbon intensive companies that do not or will not play a major role in the energy transition, and commits to having a weighted average greenhouse gas intensity lower than that of the MSCI ACWI EU Paris Aligned Requirements Index. The carbon intensity of this index is 50% lower than the standard index and incorporates a decarbonisation rate of 7% p.a., which the fund aims to beat. The fund applies two screens as follows: companies that generate more than 10% of revenues from the extraction and production of coal, oil, and gas; and companies that generate more than 50% of revenues from services provided to coal, oil and gas extraction and production are excluded. In addition, the highest emission companies are subject to a proprietary framework designed to assess the risks they face in the low-carbon transition across three dimensions – is the company providing an essential product/service; can emissions be mitigated in an economically viable way; and is the company part of the problem or the solution.

PRINCIPLE 5 - REVIEW & ASSURANCE

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Activity

Policies

The Fund has a number of policies in place which it adheres to in order to support effective stewardship. A number of these have been referenced elsewhere in this report. Please refer to the table below for further details on a selection of these:

Policy	Document	Comments
Responsible Investment	Click here	This Policy details the Fund's approach to ESG issues, including the objectives and beliefs of the Fund. The Policy details the Fund's approach to engagement and stewardship and ensures consistency of approach. The Policy was most recently reviewed and updated in May 2021. This update included the inclusion of bespoke ESG beliefs.
Governance	Click here	This Policy details the Fund's governance structure and objectives. The Policy was most recently reviewed and updated in September 2020. This update included more robust wording around the governance structures and policies.
Conflicts of Interest	Click here	This Policy sets out the process for managing conflicts (including actual and potential conflicts as well as bias) in the operation and management of the Fund. The Policy was most recently reviewed and updated in September 2021, to explicitly include comments that conflicts specifically relating to stewardship are identified, monitored, reported and managed throughout the document as well as to include examples of what constitutes a conflict relating to stewardship.

There are a number of other policies available on the Fund website, including a Risk Management Policy and Training Policy, but we believe the above selection to be the most relevant.

In order to ensure the above policies remain fit for purpose and are supporting the Fund in exercising effective stewardship, they are reviewed on a regular basis (at least annually) and effort is made to maintain consistency in wording and approach across all policies.

The policies are initially developed internally by members of the Committee with the support from officers and the advice of external advisors. Each policy is formally reviewed and approved by the full Committee.

A draft RI Policy was reviewed by the Local Pensions Board prior to its approval by the Committee on 29 January 2019. An updated Policy was subsequently reviewed in May 2021.

Although no external verification is undertaken in relation to stewardship, the Committee continue to engage with investment managers to ensure their voting and engagement efforts are in line with Fund beliefs as well as fund-level stewardship reporting is included in annual ESG or other reporting, to members and other stakeholders. We also ensure the presence of case study examples to bring these efforts to life for our members.

Outcomes

The Fund holds a policy register with prescribed review intervals to ensure they remain fit for purpose and up-to-date, with immediate reviews taking place if and when required. As mentioned above recent reviews and updates (in 2020 and 2021) have been made to a number of polices, including the Fund’s approach to responsible investment as well as stewardship, ensuring improvements and incorporating ESG considerations into investment decision-making, evidenced under a multiple of other Principles in this report.

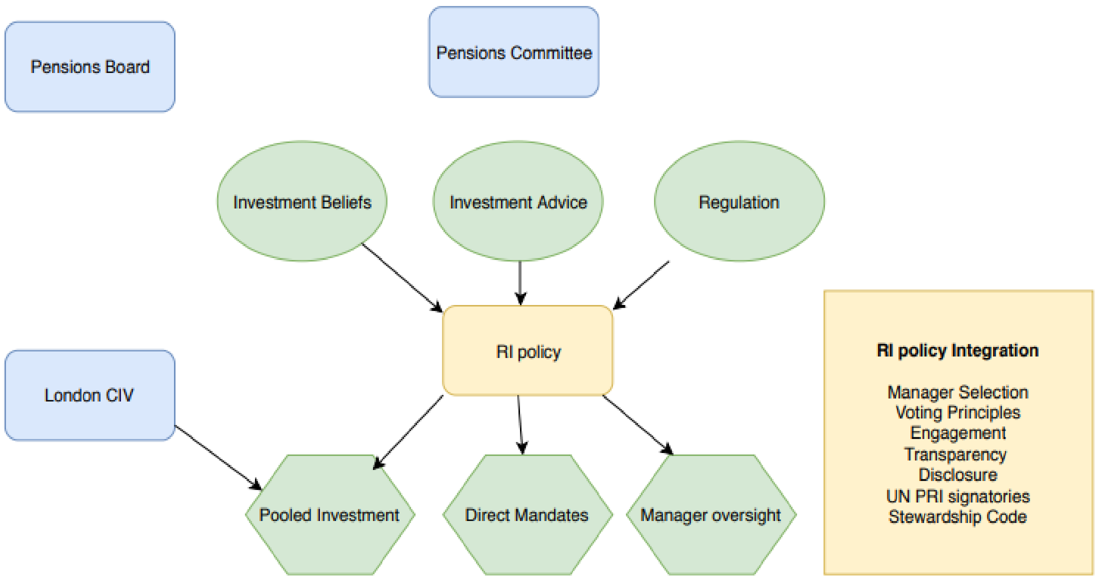
In addition, the Committee review LCIV’s proposed changes to processes and policies and engage with them on these. For example, recent and ongoing discussions around their achievement of achieving their target of net zero by 2040 as mentioned in Principle 4 and 9.

Case study example – Responsible Investment Policy

The Fund's RI Policy as well as other policies are made publicly available to members on the Fund's website. The RI Policy was initially developed through a working group consisting of three members of the Committee with support from officers, who met a number of times to outline and develop the Policy, and the Committee's investment advisor, Isio. As part of this, training on responsible investment and ESG was provided for all Committee and Local Pension Board members.

A draft Policy was reviewed by the Local Pensions Board prior to its approval by the Committee on 29 January 2019. An updated Policy was subsequently reviewed in May 2021. This update was primarily to ensure alignment of the Policy to the UK Stewardship Code 2020. The Fund has considered guidance and information from the Department for Levelling Up, Housing and Communities (DLUHC) (previously Ministry of Housing, Communities and Local Government (MHCLG)), the Local Government Association (LGA), Scheme Advisory Board (SAB), Pensions and Lifetime Savings Association (PLSA), the Law Commission, and the UK Stewardship Code in establishing this Policy.

This thorough approach to developing the Fund's RI Policy was necessary to ensure that it accurately reflects the views of the variety of stakeholders in the Fund, and most importantly its beneficiaries. The Fund pursues a policy of transparency and accountability to its stakeholders for the effective management of the Fund and its investment portfolio.



INVESTMENT APPROACH

PRINCIPLE 6 - CLIENT & BENEFICIARY NEEDS

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Context

The Fund is an LGPS, located in the London borough of Hillingdon with over £1bn of assets under management. The Fund's members currently comprise the following as at November 2021:

Type	Number of Members	Average Age[1]
Active	8,924	53 years
Deferred	6,468	52 years
Pensioner	6,796	69 years

Notes: [1] Average age as at the 2019 valuation.

As custom for LGPS, the Fund remains open to new members and the future accrual of benefits and thus has a very long-term investment horizon. This is considered as part of the investment strategy decisions and in setting the objectives of the Fund.

As set out in the RI Policy, the Fund's primary investment objective is to ensure that over the long-term the Fund will have sufficient assets to meet all pension liabilities as they fall due, on an ongoing basis. In order to meet this overriding objective, the Fund will act in the best financial interests of its members. Instead of solely pursuing the highest possible investment return, it will take into account all financial risks within its investment strategy, including ESG risks and considerations. Pension Committee and Board meetings are open to members to attend and these are publicised ahead of each meeting. Members are able to communicate with the Fund and any enquiries are considered and responded to in a timely manner. Information relating to the Fund's activities are published in the Pension Fund annual report and in communications to members. Responsible investment topics, engagement, manager stewardship and voting is presented to Committee on a quarterly basis. Any instances where further information, engagement or scrutiny is required is directed to fund managers.

Activity

The Fund has a fiduciary duty to ensure the needs of members are met, which includes ensuring we have the required funds to pay benefits and have the required funding level to maintain fund stability and solvency. Aligned to this is establishing an investment strategy to support a sustainable environment. Information on the Fund's ESG journey and progress is provided to members through the Pension Fund Annual Report and Board Annual Report.

The intention is to promote the Fund's ESG activities by raising awareness through direct member communications and giving greater prominence on the Fund's website. Members are also able to attend Pension Committee and Board meetings to observe ESG agenda items.

Transparency in approach is key for the Fund, and as such the Committee look to provide an array of communication to keep our members updated on the activities of the Fund via the website. In addition, Fund members and the wider general public are free to attend all meetings. These include, but are not limited to:

- Quarterly Pension Committee meetings (including agenda and minutes)
- Website updates and articles
- Annual reports
- Annual general meetings
- Updates to policies

The Committee and/or Board may consider members views as appropriate when it comes to managing the assets and there are two employee/scheme member representatives on the Local Pensions Board.

Outcomes

As mentioned in Principle 5, the Fund’s policies have been reviewed recently and are reviewed on a regular basis to ensure fit for purpose and up to date. The Pension Board (including members and employer representation) contribute to discussions at Committee and review draft policies, and employers and members are engaged with in relation to governance. See case study under Principle 5.

PRINCIPLE 7 - STEWARDSHIP, INVESTMENT & ESG INTEGRATION

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Context

Issues prioritised within investments

The Committee, with support of their investment advisors, assess investments (or asset classes) and respective managers against a wide range of criteria including business and operations, investment approach or philosophy, risk management, investment team, as well as ESG issues and considerations (including climate change). The Committee must firstly have a thorough understanding of the asset class before investing and assess the suitability of the investment within the wider portfolio in terms of investment process or philosophy and risk management.

The RI Policy sets out what the Committee expect from all asset managers and covers all elements and risks which are to be considered in investment decision-making and risk management, including ESG factors. We expect the highest standards across all managers and do not dilute for certain geographies or asset classes. Compliance with a variety of ESG factors are included and assessed in every mandate award. We do not set specific time limits but expect these to be ongoing and continually improving over the investment period.

ESG issues as a priority within investments

As previously mentioned, the Fund is committed to being a long-term steward of the assets in which it invests., and in so doing will take into account all financial risks, including ESG considerations. The Committee believe this approach will protect and enhance the value of the Fund over the long-term and act in the best financial interests of its members. The Committee has a fiduciary responsibility for the Fund and its members for the determination and oversight of investment policies and the conduct of those policies. The Fund regularly appraises, with the assistance of its investment advisor, the ESG credentials and performance of London CIV and its other fund managers in order to ensure that its ESG principles are properly reflected within the investment portfolio. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making.

Responsible investment principles and considerations, including climate change are addressed in investment manager and other service provider appointments and included in the Investment Management Agreements (where relevant) in place between the Fund and its respective investment managers. The Committee believes that the companies that manage assets on behalf of the Fund should at the least be signatories to the UK Stewardship Code and UNPRI. As previously noted, existing investment managers who operate outside of these frameworks should have a valid reason not to sign up, for example are signed up to other relevant bodies for their industry or specific asset class or region, but the Committee will encourage them to do so in any case. New investments will not be made into managers who are not signatories to the UK Stewardship Code and UNPRI.

Committee and Local Pension Board members have received and will continue to receive training and education on ESG matters including climate, governance and other risks, in order to keep up to date on the latest sustainable investment regulations and opportunities. Training will be recorded in a training log and reviewed under regular training needs analysis assessments. Key ESG issues will be considered and included on the Fund risk register, where they are material. ESG will also be considered in all investment decisions, whether investing through direct segregated mandates or into pooled funds and will incorporate ESG criteria as part of new mandate selection exercises.

Activity

Responsible investment approach

Responsible investment activity is carried out by:

- the Fund's investment managers who are required to exercise the Fund's voting rights, in line with the Fund's RI Policy, are also required to incorporate analysis of ESG issues into their investment analysis and are expected to engage on an ongoing basis on these issues with the companies in which they invest;
- the assessment of each investment manager in relation to their capabilities and consideration of their overall ESG approach and management of ESG related risks, including climate change, has been completed with the support from the Fund's investment advisor. Each fund is rated on its ESG integration credentials across five criteria; investment approach, risk management, voting and engagement, reporting, and collaboration, as well as an overall rating. This assessment includes proposed actions for each investment manager, followed by direct engagement with the managers, to drive improvements within the Fund;
- likewise for new manager selection exercises a thorough due diligence process is followed, against agreed evaluation criteria, across investment and stewardship, including the integration of material ESG issues; and
- lastly, collaboration with other investors through collaborative organisations and bodies, including the LCIV, together with LAPFF (of which the LCIV is a member and engage with them on behalf of the Fund and other London Borough LGPS funds), and TCFD. The Fund has signed up as a supporter of the TCFD framework and are committed to reporting in line the recommendations over the coming years irrespective of regulatory requirements.

Manager selection, retention, and engagement

The Committee has undertaken direct engagement activities with its two key investment managers; namely, London CIV and Legal and General Investment Management (LGIM).

As mentioned previously, the Committee have been actively engaging with London CIV in order to improve their overall governance arrangements and manager reporting. A number of meetings have taken place with the London CIV CEO and London Borough of Hillingdon Pension Committee Chair, along with respective officers, setting out a manifest of improvements. During 2021 the majority of requests have been implemented by London CIV. Engagement continues to ensure momentum is maintained and further improvements can be discussed.

With almost 60% of our funds managed by LGIM, LGIM are a key manager for the Fund. The Committee has engaged specifically with LGIM to understand their approach to ESG integration, and how the approach can be developed further, and specifically how ESG issues are reflected in the Future World Fund and Long Lease Property mandates held by the Fund. As a result, the Fund receives regular reporting and in-depth analysis from LGIM. Other engagements are conducted with the Fund's other investment managers through the Fund's investment advisor, Isio, and the Committee are provided regular progress updates. The Committee's stewardship activity covers the whole spectrum of ESG issues and risks. The Committee have also set bespoke ESG beliefs which have been included in the latest review of the RI Policy.

ESG metrics and targets

In 2021 key priorities for the Fund were identified using the UN Sustainable Development Goals (UN SDGs) framework. This framework was used to set specific priorities for the Fund including metrics chosen to be aligned to the Committee's ESG beliefs. The Committee agreed to prioritise SDGs #7 (Affordable & Clean Energy) and #13 (Climate Action) as key objectives for the Fund and agreed relevant metrics and targets in line with these objectives. These are intended to be used to meaningfully engage with the Fund's investment managers. The chosen metrics the Committee are looking to monitor and engage with asset managers on in relation to the above key priorities are as follows:

SDG 13 (Climate Action)	Scope 1,2 carbon emissions/footprint/WACI* (tonnes of CO_2e / £m revenue)
	Scope 3 carbon emissions/footprint/WACI (tonnes of CO_2e / £m revenue)
	% companies with climate transition plan
	No. of engagements on climate change in year
SDG 7 (Affordable & Clean Energy)	% of energy usage from renewable sources
	Energy consumption (kWh) per £m revenue

Noting this is a developing area and data continues to evolve, the Committee intend to reassess and refresh the framework as data improves over time. The data related to some metrics are currently inconsistent across the Fund's invested managers but will continue to improve with regulations like TCFD coming into force, which the Committee are supportive of. For example, Scope 4 emission data (i.e. total avoided carbon emissions) is currently not widely available and so the approach of the Fund is to not monitor Scope 4 data yet until such time as data has improved. Some data is also difficult to compare across multiple managers as a result of different methodologies used and ways of reporting not currently standardised, although we also expect this to improve over time.

However, the Committee believe the framework implemented will enable the Fund to identify whether its investment managers are improving over time in line with the Committee's objectives and what action is required – improving disclosure, driving incremental year on year metric improvements through engagement, or managing exposures (for example, to reduce the carbon footprint/emissions of the Fund) and use this to engage with asset managers on key priority areas for the Fund and to drive improvements over time. The Committee will look to review and implement more specific, relevant, and quantifiable targets for these metrics once data becomes more readily available.

Outcomes

As mentioned, in 2021, the Fund set specific ESG beliefs and objectives which are aligned and underpin the Fund's RI Policy, which has also been reviewed and updated in reflection of these. In addition, the Fund maintains and has reviewed separate governance, risk management (including a regularly updated risk register with consideration of ESG risks) and conflict of interest policies (see principles 2, 3 and 4 for additional detail).

Given the ESG beliefs and objectives (aligned with prioritised SDGs), the Fund has started integrating ESG considerations and opportunities into the investment strategy and have in the last couple years made a number of strategic changes to drive improvement in the above metrics, starting with the equity portfolio, and has already made some progress against the proposed objectives and metrics over the last year. For example, the Fund has made two strategic changes, as the Committee did not believe the UBS UK Active Equity Fund and the LCIV (EPOCH) Equity Income Fund were doing enough, and these were accounting for the highest proportion of carbon emissions. As a result, these were replaced with the LGIM Global Future World Index Fund and the LCIV Global Alpha - Paris Aligned Fund (Baillie Gifford) (c.13% strategic allocation of overall portfolio in each) respectively, which offered improved ESG integration, while also significantly reducing the carbon emissions and carbon footprint of the portfolio (the new funds in aggregate have more than 50% reduction in emissions compared to the previous respective funds). It is worth noting that not all managers/funds are currently able to provide all metrics, however this is expected to improve over time given the incoming TCFD regulations, and through regular engagement with investment managers.

The above metrics are also aligned with TCFD reporting requirements and the Fund has started to engage with the above equity managers on reporting these metrics and plan to focus our reporting and engagement efforts further to include the remainder of the portfolio (including fixed income and illiquid assets) in 2022.

PRINCIPLE 8 - MONITORING MANAGERS & SERVICE PROVIDERS

Signatories monitor and hold to account managers and/or service providers.

Activity

As mentioned previously, asset managers are assessed on their investment capabilities relevant to the mandate and asset class, including an assessment of how ESG considerations and risks, including climate change, are accounted for within the portfolio.

In 2021, the Committee, with the support of its investment advisor, undertook an ESG impact assessment. This was a benchmark assessment of the ESG capabilities of each investment manager which the Fund invests in, with each manager rated as follows: 1 (below satisfactory), 2 (satisfies requirements) and 3 (above satisfactory) across five ESG criteria. Each of which involve a due diligence assessment based on a number of underlying criteria. This due diligence aimed to assess the elements key to ESG integration, resulting in overall assessment of each mandate, with an additional category in relation to views for specialist ESG or impact/sustainable funds. As part of this assessment, proposed actions were also outlined for each manager, with the intention that these are used to engage with and drive improvement in the respective manager's ESG approach and to align with best practice indicators. These actions are not an exhaustive list but the areas which are considered priority areas and will make the most significant improvements from an ESG perspective. An example of a manager ESG assessment and associated framework/criteria is shown overleaf.

Views

Manager X – Passive Equity

Criteria	Risk Management	Investment Approach/Framework	Voting & Engagement	Reporting	Collaboration
Isio View	3	3	3	2	3
3 Manager X has shown a strong commitment to highlighting, identifying and managing ESG risks across their entire fund range, including their passive equity funds. Manager X is a market leader in their approach to ESG. They have developed a clear and comprehensive framework for scoring portfolio companies on ESG factors. They actively communicate these scores to the companies and engage with them directly to help mitigate ESG risks moving forwards.	– Manager X has a dedicated Investment Stewardship team who are responsible for the evolution and implementation of their firm-wide policies. – Manager X has identified 28 ESG indicators that are used to establish an ESG score for each underlying portfolio company. These scores are aligned with how manager X engage with and vote on the companies in which they invest. Manager X publish these scores and explain the metrics on which they are based, to help facilitate the engagement process. – Due to the passive nature of the funds in question, Manager X cannot base a no investment / sell decision on ESG factors. – Manager X has targets in place to increase gender and ethnic diversity at the Board level.	– Manager X analyse and measure all of their funds underlying holdings against their established metrics, including those specific to ESG related risks. – Alongside the traditional metrics of risk and return, Manager X also consider a third dimension; "Impact", driven by their belief that there is a growing expectation to quantify the societal or environmental contribution of investments. – The passive funds do not have specific ESG objectives, however, Manager X set company-level objectives, regarding engagement, based on the results of the ESG metrics.	– Manager X's Investment Stewardship team manage the voting and engagement across all funds, leveraging all possible capital to maximise effectiveness. – Engagement activity is recorded in a dedicated data management system. This system is also used to oversee progress and quantify engagement effectiveness. – Manager X share their finalised ESG scorecards with portfolio companies, highlighting the metrics on which they are based, Manager X's key focus areas and the improvements companies could make to better their score. – Manager X produce an annual Active Ownership report to summarise how they have worked towards creating sustainable value for clients.	– Manager X obtain a large amount of ESG related data from third parties. They typically prefer raw data, as opposed to third party ESG scores/ratings, as Manager X believe their knowledge and expertise of investing and engaging with companies is best placed to identify material and relevant ESG factors. – An Active Ownership/ESG Impact report is available to all investors each quarter, detailing case studies of their recent voting and engagement activities. – Manager X's voting records are published to their website monthly to support external reporting requirements. – Manager X do not currently report on ESG metrics in standard client reporting, however, they aim to integrate these by the end of 2020.	– Manager X is a signatory / member of key organisations, including the UNPRI. Manager X has an UNPRI score of A+. – Manager X use their membership of global governance associations and connections with other global asset managers to leverage their engagement with portfolio companies. Manager X were able to provide a number of case studies highlighting this. – Manager X is a member of the Institutional Investor Group on Climate Change, their Head of Sustainability and Responsible Investment was appointed to the board in 2016 and they co-author public guides on the issue.

Scoring Framework

Underlined	**Underlined**: The underline denotes that the fund is a specialist ESG fund with ESG-focused objectives being equal in importance to more traditional financial objectives such as risk and return targets. To receive the underline means that the fund will need to fulfil the minimum criteria to receive an "Above Satisfactory" rating whilst also meeting additional ESG evaluation criteria. The additional ESG evaluation criteria asses whether the fund has a risk framework that is related to its ESG objectives, if the allocation decisions are in line with the stated ESG objectives and also that the fund is delivering on meeting these objectives. The manager will be expected to have enhanced reporting on ESG factors and produce formal impact reporting for the fund on a regular basis. We also expect the manager to actively engage in line with their ESG objectives with portfolio companies and be able to evidence the effectiveness of these engagements.
3	**Above satisfactory**: The manager is well resourced and displays strong knowledge on key ESG issues. There is significant evidence of support from the business to build and maintain ESG capabilities. The manager incorporates ESG factors as a source of investment return and as a tool to mitigate risk at the portfolio management level. This is supported by evidence of how ESG factors are applied and measured. The manager acts as an active owner by taking responsibility of voting and engagement with companies. The manager collaborates with other market participants to encourage best practice on various ESG related issues. The manager provides detailed ESG related reporting to clients.
2	**Satisfies requirements**: The manager has good knowledge of ESG issues and collaborates with market participants to encourage best practice in the wider market. There is evidence of support from the business to build and maintain ESG capability, but evidence of how ESG factors are applied at the portfolio management level may be limited. The manager takes responsibility for voting and engagement and provides high level reporting to clients.
1	**Below satisfactory**: The manager displays limited knowledge of ESG issues at the business and portfolio management level. The manager is unable to provide evidence of voting and engagement. The manager relies heavily on voluntary codes, such as the UNPRI, to reflect their ESG capabilities.

Proposed Actions

Manager X – Passive Equity Fund

Category	Proposed Action	Action Log
Risk Management	– Manager X to consolidate the ESG scores of the underlying portfolio companies to generate a portfolio level score, making it easier for investors to digest the ESG impact of the fund.	– **February 2021**: This is to be picked up as part of the project to report ESG metrics, and we expect this action to be implemented in before the end of 2021. Isio plan to continue to engage with Manager X and will monitor further progress. **No change to 3 rating for risk management.**
	– Manager X should provide further evidence that they are making progress towards diversity at a firm level and also within the portfolio management team.	– **February 2021**: Manager X provided a range of materials on their progress on diversity at the board and firm level, listing a number of encouraging initiatives promoting this. **No change to 3 rating for reporting.**
Reporting	– Manager X should integrate ESG reporting into their standard, quarterly client reports. While Manager X currently produce numerous, comprehensive reports on ESG, they are separate from the standard reporting.	– **February 2021**: Manager X noted a timeline for reporting ESG metrics, earmarking before the end of 2021 for release of quarterly client ESG reports. We will engage with Manager X again and monitor progress of the release of these documents and provide a further update. **No change to 2 rating at this date and continue to monitor progress in reporting capabilities.**
Overall		No change

The Fund complies with the requirements set under the Competition and Market Authorities' (CMA's) Investment Consultancy and Fiduciary Management Market Investigation Order 2019. With effect from 10 December 2019, the Fund has set strategic objectives for Isio as their investment consultant/advisor, with the aim for the Committee to better assess and evaluate the quality of their investment consultant, and were prepared with reference to TPR's guidance, combining a mixture of quantitative and qualitative measures. Approach to ESG forms part of this assessment. These objectives are reviewed periodically, at least every three years and after any significant changes to the Fund's investment strategy. Additionally, consideration of aligning the Fund's processes in relation to climate considerations are on the horizon in the near term, with TCFD recommendations likely to become a regulatory requirement for LGPS shortly and as a result we will shortly be looking to also assess investment managers climate capabilities.

The Committee has confirmed the Fund's compliance with the CMA Order for both 2020 and 2021, and will continue to do so on an annual basis, while we expect TPR to issue further information about how regularly the Committee need to review their investment consultants against the agreed objectives. In the meantime, the Committee assess Isio and their other advisors on a regular basis and in relation to the services received and consider a re-tender process on a rolling basis. For a number of service providers, services are provided on a contract basis and KPIs are reported and monitored.

Outcomes

Under the ESG assessments, we have in parallel assessed alignment with the Fund's ESG and stewardship-related beliefs and policies and expectations, to ensure the approach continues to meet our needs.

The Committee, with the support from their investment advisor, both off the back of the ESG impact assessment and independently, have engaged with investment managers and LCIV to understand and critique their ESG approach and have noted progress across the board. Examples include a session with LGIM on ESG and their approach, requested information from Baillie Gifford on their ESG approach, and have discussed ESG with AEW (large property asset manager, with significant assets invested). In addition, the Committee has directly requested all managers sign up to the UK Stewardship Code (or local equivalent) and/or UN PRI and have had take up on this request.

As also mentioned under principle 2, the Fund has engaged with LCIV and oversee progress on a number of proposed items in relation to responsible investment, governance and stewardship, including engagement on achieving their net zero target and improvements to reporting of ESG metrics and climate analytics, which has been developed recently. The Committee intend to continue engaging with all investment managers and service providers, including LCIV, in 2022 and beyond.

ENGAGEMENT

PRINCIPLE 9 - ENGAGEMENT

Signatories engage with issuers to maintain or enhance the value of assets.

Activity

Processes

The Fund’s ESG approach is set out in its RI Policy and distributed to fund managers for consideration when voting and engaging with companies. Further, the Committee expect managers to vote in the best interest of the Fund, while maintaining our fiduciary duty. Day-to-day responsibility for managing investments and stewardship activities (including engagements) are delegated to the Fund’s appointed asset managers, and the Fund expects them to monitor companies, intervene where necessary, and report regularly on activities undertaken. Reports from the fund managers on voting and engagement activities are reported to the Committee quarterly. The effectiveness of the Fund’s managers' engagement activities is appraised through responses gleamed 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.

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 the Committee’s interest and opinions on the issue and provide the Fund and Committee with their views and steps being taken to ensure the invested company take on board such views. On occasions, the Fund may participate in escalation of poignant issues, principally through fund managers' engagements with parties of concern.

The Fund has in the past directed fund managers to divest from companies in a particular sector. For example, from 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. The Fund will consider similar actions in other sectors looking forward should engagement not result in the desired outcome (for example in relation to climate change or fossil fuels).

Annual reviews

Following the initial ESG impact assessment, the Committee, with the help of its investment advisor, produce a progress report. This entails reporting on each investment manager’s progress against the proposed actions set out within the Impact Assessment as well as any changes to the investment manager’s ESG approach. This is something the Fund intends to continue to do on a regular and ongoing basis.

Lastly, the Committee has produced an Implementation Statement (see Appendix) to provide evidence that the Fund continues to follow and act on the principles outlined in the ISS. This report details:

- actions the Committee has taken to manage financially material risks and ESG risks, including climate change, and implement the Fund's key policies;
- the current policies and approach with regards to ESG and the actions taken with managers on managing ESG risks;
- the extent to which the Committee have followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies they invest; and
- the voting behaviour of the Fund's investment managers covering the reporting year up to 31 March 2021 (noting the Committee's delegation of Fund voting rights to the investment managers through its investment in pooled fund arrangements).

The Fund, through its participation in the LCIV, will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which it invests. The Fund's investments through the LCIV are covered by the Voting Policy advising managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum (LAPFF) as far as practically possible. The London CIV will hold managers to account where they have not voted in accordance with these directions.

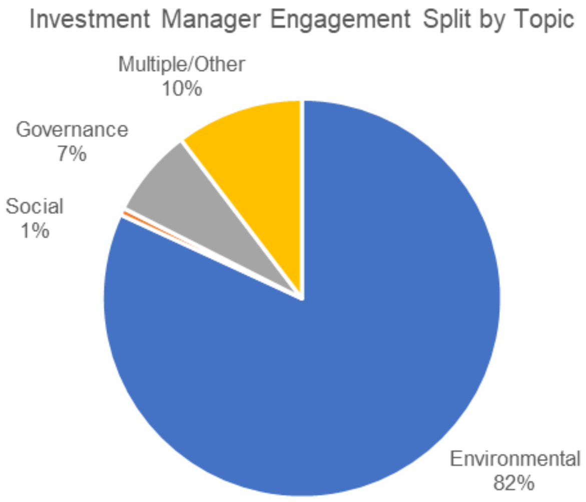
To ensure effective and consistent use of the voting rights, investment managers are tasked with exercising the voting rights accruing to the Fund. If important issues impacting local residents do emanate from actions of invested companies, the Pensions Committee will contact investment managers in charge of assets of such a company to make their opinion known and ask for such to be presented at meetings with the company or reflected in their voting pattern.

The Fund's approach to engagement recognises the importance of working in partnership to magnify the voice and maximise the influence of investors as owners. The Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders more broadly. The Fund appreciates that to gain the attention of companies in addressing governance concerns; it needs to join with other investors sharing similar concerns.

Outcomes

Following the ESG assessments and proposed actions fed back to investment managers, and engagement on these points, we have noted improvements in a number of ratings across the funds in the portfolio, either at the overall level or for a number sub-criteria ratings. Most notably, the Macquarie infrastructure portfolio ESG integration capabilities have markedly improved across a number of elements which the Fund's advisors engaged on. No overall ratings declined, while in some cases we continue to monitor and engage with managers to encourage further improvements to be made before upgrading any further ratings.

In addition, the below chart and table shows a summary of investment manager engagements by topic (across both equity and fixed income funds) over the 12 month period to 31 March 2021 (the Fund's accounting year end):



Engagement Topic	
Environmental	285
Social	2
Governance	25
Multiple topics/Other	36
Total	**348**

Notes: Some managers were unable to provide engagement data due to available systems and/or nature of the fund structure, however the Committee, with the support of their investment advisor, are working with these managers to report on this going forward. Environmental engagement topic includes individual instances of the manager requesting utility consumption data from underlying property companies and tenants.

A few examples of relevant engagement including outcomes, which are aligned to the Fund's key priorities and objectives are shown below with more detail shown in the Appendix.

Engagement:

JP Morgan Global Bond Opportunities Fund	Total engagements: 8 Environmental: 2 Governance: 4 Environmental & Governance: 2	**Repsol** – JPM engaged with the CFO of Repsol to discuss the credit and ESG implications of the recently announced strategic plan to 2025, which builds on its commitments to drive further decarbonisation and achieve net zero emissions by 2050. We expect that with €5.5bn (about 30%) of the planned capex being devoted to low carbon generation, Repsol will seek to return to the green/transition bond market in time and is also considering the issuance of

		SDG-linked bonds, which would allow it to use proceeds for overall carbon reduction and not necessarily just for new solar/wind projects.
LCIV Absolute Return Fund (Ruffer)	Total engagements: 32 ESG: 3 Environmental & Governance: 8 Environmental & Social: 1 Social & Governance: 4 Environmental only: 2 Social Only: 2 Governance only: 12	**General Motors Company (GM)** – Ruffer has been in continual engagement with GM on emissions standards, and governance. Given the importance of EVs to the company's overall strategy, and its recent commitment to increase its combined investment in electric and autonomous vehicles to $27 billion by 2025, they spent significant time discussing the topic. The company stated that it expects to be compliant with emissions standards across its fleet, and that its commitment to an all-electric future is a key component to delivering this and fully committed to delivering on the strategy. The company also explained that it expects to announce detailed alignment of remuneration with ESG, including EV transition, targets next year. Ruffer welcomed this and stressed the importance of these targets being quantitative and sufficiently ambitious. On governance, Ruffer communicated that they voted against two directors that they consider to be entrenched. The company explained that it has launched a formal five year board succession plan. It is looking to add members with experience in technology, disruptive industries and venture capital to reflect its transition to EV technology.

From 1 November 2021 onwards, LCIV have appointed Hermes EOS (a UK Stewardship Code 2020 signatory) to consolidate all voting activities for the LCIV segregated listed equities funds. Furthermore, Hermes EOS also provides engagement services to all segregated public market funds (public equities and corporate fixed income). They believe that by consolidating voting, rather than outsourcing the voting activity to the fund managers, can drive positive outcomes that is more tailored to priority themes. The development of the LCIV Voting Guidelines further encapsulates best industry standards, their priorities, and Client Funds' priorities. Those strategies held via pooled vehicles in LCIV Funds are voted by the appointed fund managers. LCIV also vote in the small number of votes issued in private market funds.

As mentioned, the Committee has, on behalf of the Fund, undertaken engagement activities with all its key investment managers. Included below are example case studies in relation to the LCIV, LGIM, and M&G.

Case study - LGIM

With almost 60% of the Fund's assets under management held with LGIM, LGIM are a key manager for the Fund. Hillingdon has engaged specifically with LGIM to:

- understand their approach to ESG integration, and how the approach can be developed further and specifically how this is reflected in the Future World Fund and Long Lease Property mandates in which the Fund is invested;
- ensure the Fund receives regular ESG reporting and in-depth analysis from LGIM. We have seen some improvements already to date across the mandates with LGIM.
- understand LGIM's engagement activity with portfolio companies on ESG issues.
    - For example, LGIM engaged with BHP, one of the world's largest mining companies, and voted in relation to its climate transition plan, and while noting BHP has made substantial progress in its environmental footprint, LGIM opposed the climate transition plan as deemed the targets to be insufficient and fell short of the level of ambition required to support a net zero pathway.
    - From a social perspective, LGIM launched its ethnicity engagement campaign and voting strategy in September 2020, and in 2022 will begin voting against the board chair of UK companies and Chair of Nomination Committee of US companies with no ethnic diversity on the board. Another example is in early 2019, the Social Media Collaborative Engagement of 104 global investors was established, representing £7 trillion AUM, in response to the live streaming of the Christchurch terror attack on 15 March 2019 on Meta (formerly Facebook), Alphabet, and Twitter. The purpose of the collaboration was to engage these three social media companies with a single focus: to strengthen controls to prevent livestreaming and dissemination of objectionable content. The collaboration has now closed and the results and impact show how powerful working together can be, where speaking with a united voice on an important issue can yield positive change. As a result Meta strengthened its the Audit & Risk Oversight Committee charter to explicitly include a focus on the sharing of content that violate its policies (to prevent and mitigate such abuse).
    - In terms of governance, LGIM file shareholder proposals and resolutions in relation to a wide range of governance issues including board independence, remuneration or executive pay, and governance structures. Every year, LGIM's stewardship team responds to over 100 remuneration consultations.

Case study – London CIV

As mentioned, the Fund has been actively engaging with London CIV in order to improve their overall governance arrangements and manager reporting. A number of meetings have taken place with the London CIV Chief Executive Officer and London Borough of Hillingdon Pension Committee Chair, along with respective officers, setting out a manifest of improvements. During 2021 the majority of requests have been implemented by London CIV and:

- they have become the first Local Authority pension pool to target net zero emissions by 2040;
- engagement continues to ensure momentum is maintained and further improvements can be discussed.

Case study – M&G Debt Opportunities Fund

The M&G Debt Opportunities Fund is akin to a private equity structure whereby they have majority control or ability to influence the underlying business and its strategy. The Fund engaged with an Irish Real Estate Development to target and improve the sustainability of their residential developments.

- Actions included:
  - Hiring a Head of ESG to lead the ESG framework.
  - The CEO of the Irish firm became an ambassador for the Irish Green Building Council #BuildingLife campaign, a leading role in policymaking for setting carbon emissions in the infrastructure sector in Ireland.
  - Signed up to Irish Green Building Council Environmental Product Declarations (EPD) campaign which commits to promoting and requesting the use of EPD's on all projects.
  - Architects, engineers, and developers have been tasked with ensuring incorporation of sustainable design concepts and materials in the planning and construction process.
- Outcomes:
  - Over 320,000 sq. ft. of commercial portfolio has been certified Leadership in Energy & Environmental Design (LEED) Gold or Platinum by U.S. Green Building Council (USGBC).
  - All consultants have been appointed to achieve (Home Performance Index (HPI) certifications.
  - All residential developments have: green roofs which are designed to encourage biodiversity and improve air quality
  - Introduced one of Ireland's first residential Blue Roof – an urban drainage technology designed to manage rainwater at roof level for biodiversity; use of an environmentally sustainable waste management system which reduces carbon footprint by 93% compared to standard wheelie bin collection; and all buildings are SMART metered which allows tenants to manager their energy consumption.

PRINCIPLE 10 - COLLABORATION

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Activity

The Fund seeks to engage collaboratively with the broader market including other investors and recognised bodies on key issues and in relation to the Fund's ESG priorities and key objectives. The Fund's approach to engagement recognises the importance of working in partnership to magnify the voice and maximise the influence of investors as owners. The Fund also expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders more broadly. The Fund appreciates that to gain the attention of companies in addressing governance concerns and other ESG issues; it needs to join with other investors sharing similar concerns.

Industry initiatives

The Fund seeks to work collaboratively with other institutional shareholders and asset owners in order to maximise the influence that it can have on individual companies. These are listed and described in the table below:

Initiative / Body	Description
London CIV	The London CIV, which takes direction from LAPFF in respect to ESG 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.
TCFD	The TCFD recommendations advocate for better disclosure in relation to climate risks and metrics. The Fund considers climate issues of paramount importance and a primary risk to the investments it holds and as a result the Fund signed up to being a supporter of TCFD in 2021 and committed to reporting in line with TCFD requirements over the coming years and as part of this look to collaborate with other TCFD supporters.

Expectations of investment managers

The Committee believes that the companies that manage assets on behalf of the Fund should at the least be signatories to the UK Stewardship Code and UN PRI and are encouraged to collaboratively engage with a wide set of other relevant bodies, organisations and initiatives, including in relation to climate change which is considered a current priority. Existing managers outside of these frameworks should have a valid reason not to sign up, for example are signed up to other relevant bodies for their industry or specific asset class or region (for example the Global ESG Benchmark for Real Assets (GRESB)), but the Committee will regardless encourage them to do so. New investments will not be made into managers who are not signatories to the UK Stewardship Code and UN PRI at a minimum but an expectation to sign up to others in addition (for example Net Zero Asset Manager Initiative, TNFD, Climate 100+, etc).

As part of the ESG impact assessment, one of the five criteria in which asset managers are assessed is collaboration and as a result, the Committee, through its investment advisor, engage with the Fund's asset managers in relation to their collaboration with the wider industry to drive broad improvements across the board. Engaging with investment managers in this way not only asserts the Fund's views but also uses the weight of the Fund's investment advisors across other clients to drive change. The Fund also expects investment managers to consider the usage of resources of companies and the implications of targets for reduced carbon emissions to support the achievement of the Paris Agreement principles as well as the Fund's key objectives and targets discussed in Principle 7.

Outcomes

Engagement and collaboration has to date been focused directly on investment managers of the underlying portfolio to drive improvement in the assets the Fund holds (as shown in Principle 9 and further detail in the Appendix). The Committee looks to collaborate with LAPFF through the LCIV (who collaborate on behalf of the Fund) and in addition, following recently signing up as a supporter of TCFD, intend to collaborate on climate risks and opportunities with other TCFD supporters from 2022, as climate change has been identified as a key priority and objective for the Fund.The hope is this will result in positive outcomes in relation to the disclosure of climate-related metrics. While, as mentioned, there is the expectation investment managers themselves also collaborate to broaden their scope and impact to drive company improvements (examples of collaborative engagement included from the investment managers are shown in the Appendix).

The Committee is also committed to pooling and working with and improving the pooling structure and approach by working closely with LCIV, and have been a leading force in LCIV's governance improvements and financial reporting. The Committee also engaged with LCIV to in turn engage with Epoch (previous income equity fund manager) through a period of unsatisfactory performance.

PRINCIPLE 11 - ESCALATION

Signatories, where necessary, escalate stewardship activities to influence issuers.

Activity

The Committee, and their advisors, have set minimum expectations of managers including through collaborative initiatives they should be party to (see Principle 10), as well as in relation to ESG integration and investment approach.

The Committee believes that engaging with managers is more effective to initiate change than divesting and so will seek to communicate key ESG actions to the managers in the first instance. Divestment will be considered on a pragmatic basis in the event that the engagement with the investment manager has not produced positive results.

As highlighted previously, responsibility for day-to-day interaction with companies is delegated to the Fund's investment 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 UK Stewardship Code and the Committee expect this to be in line with the Fund's objectives and beliefs stated within the RI Policy. On occasions, the Fund may participate in escalation of poignant issues, principally through the Fund's investment managers' engagements with parties of concern and in relation to investments in certain sectors (for example, tobacco and fossil fuels).

The Committee also believes that the companies that manage assets on behalf of the Fund should at the least be signatories to the UK Stewardship Code and UN PRI and are encouraged to collaboratively engage with a wide set of other relevant bodies, organisations and initiatives. Given the Committee's focus on climate, we further expect investment managers to have net zero pledges and interim targets and look to escalate this where investment managers currently have no such pledges and/or engage with them on how they will meet their pledges.

The LAPFF issues voting alerts to members (including LCIV) where deemed necessary or helpful, and where serious ESG concerns have been identified, as well as if attempts to engage with the company have been unsuccessful. LAPFF outlines the rationale behind the vote via several platforms, such as by means of a press release or in the public LAPFF quarterly engagement report. LAPFF believes in engaging constructively with members' investee companies and explaining the escalation in activity is deemed another form of engagement with the company, therefore extending the opportunity for dialogue and debate on material responsible investment concerns. LAPFF engagements and voting alerts are disclosed in their quarterly engagement reports are publicly available at:
https://lapfforum.org/publications/category/quarterly-engagement-reports/
and in their annual report which is also publicly available at:
https://lapfforum.org/wp-content/uploads/2020/12/LAPFF_annual-report-2020_final2-1.pdf.

Outcomes

The Fund has had no direct escalations to its service providers in relation to stewardship or governance matters, however as mentioned in other areas of this report there is constant engagement and collaboration with investment managers and other service providers in order to drive improvements on an ongoing basis and have seen positive outcomes as a result.

As mentioned, responsibility for day-to-day interaction with companies is delegated to the Fund's investment managers, including the escalation of engagement when necessary which is done through proxy voting on behalf of investors (including the Fund). Please see appendix for details of investment manager's engagement and voting, including outcomes of where matters have been escalated with underlying companies' boards and executives to drive improvement in policies and processes.

<u>Case study – AEW Property</u>

While the landlord-tenant relationship is contractual and ultimately, if the terms of that contract do not require the tenant to collaborate or engage, many will not, AEW focus on "green lease clauses", and while many occupiers still refuse to sign, AEW have a regular programme of trying to engage with tenants, seeking their collaboration on matters primarily focused on climate change and carbon emissions and seeking their co-operation on sharing their energy consumption data to better inform the Net Zero pathway. Frustratingly levels of engagement on such matters are low, despite multiple calls, requests for meetings, and site visits. Where AEW do get a response then, they look to escalate that engagement in a positive way, as it means that a tenant would likely be more willing to allow AEW to install automatic meter readers, and to adopt our suggestions on how they could reduce energy consumption or improve biodiversity, and even contemplate the installation of Solar PV panels that would replace their consumption of electricity generated by fossil fuels, with renewable energy.

Although outcomes remain varied, the vast majority (by area) of most portfolios is controlled by tenants. Where AEW do have common areas controlled by them as landlord, they are able to introduce carbon saving initiatives, for example they have installed Solar PVs and re-landscaped with plants that absorb greater amounts of carbon and/or provide greater biodiversity at a number of portfolio properties. While this is often done by AEW (as landlord) despite tenants' ambivalence to these steps they want to take in order to reduce the impact on climate change.

EXERCISING RIGHTS AND RESPONSIBILITIES

PRINCIPLE 12: EXERCISING RIGHTS & RESPONSIBILITIES

Signatories actively exercise their rights and responsibilities.

Context

The Fund takes its responsibilities as a shareholder seriously. It seeks to adhere to the UK Stewardship Code and expects appointed asset managers to be signatories to the Code and have publicly disclosed their policy 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.

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 engagement meetings undertaken and issues raised at AGMs and EGMs, as well as voting and engagement statistics are provided to members as part of the Committee meeting reports. Investment managers play a pivotal role in driving forward the global ESG agenda, as they have vast resources at their disposal to raise issues of concern with portfolio companies. Most investment managers combine these meetings with their investment due diligence as part of a holistic approach to management of funds entrusted into their care. Whilst all voting decisions were outsourced to managers, managers are expected to adhere to their ESG and climate policies, as well as any expectations set by the Fund in relation to ESG or climate.

The process described above ensures invested companies are aware of the opinion of shareholders such as the Fund regarding their stewardship approach and consider such opinion in their decision-making processes. Failure to heed such opinion has often been followed by the fund manager 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.

Activity

Details of the rights and responsibilities in relation to the Fund's voting and engagement activities is detailed in the RI Policy and specific details of voting and engagement activity over the Fund's accounting year is detailed in the implementation statement (see Appendix).

Responsibility for the exercising 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. Regular reports are received from the asset managers on how votes have been cast, and controversial issues can be discussed at panel meetings. The Fund publishes available summary voting data by manager as part of the quarterly report to the Pension Committee. The Fund also reports annually on stewardship activity through a specific section on "Responsible Investing" in its annual report. Via these quarterly and annual stewardship reporting, the Committee expect managers to provide an indication on shares invested on the Fund's behalf and exercise any voting rights they have, wherever feasible.

Equity and multi-asset

The below table shows a summary of voting activity from the Fund's investment managers (covering equity and multi-asset funds) over the period (see Appendix for more detail):

Meetings eligible to vote at	7,655
Resolutions eligible to vote	88,986
Voted with management	73,958 (83%)
Voted against management / Abstained	15,028 (17%)

Further information in relation to voting on equity and multi-asset funds can be found in the Appendix, including a summary on how resolutions were voted over the period, significant examples and information on voting policies.

Fixed Income

For fixed income assets, the Committee, with the support of their advisors, review the fund prospectus and conduct appropriate due diligence before appointing an investment manager. The Committee delegates the stewardship responsibility to the investment managers and expects prudent measures to be taken in relation to terms and conditions within contracts, deeds, and impairment rights. Further, the Committee expect managers to engage with credit issuers to drive improvements in relation to ESG risks. The Committee reviews information on engagements from the investment managers on a regular basis and uses this to engage with them on key ESG issues.

Given the Fund is an LGPS fund and has a commitment to pooling, the Fund works closely with the LCIV to improve the stewardship and governance of all assets across the platform (including both private and public markets as well as equity and fixed income). Private asset investments by their nature allow fund managers to directly influence decisions and provide the fund managers a degree of control over operations and governance issues.

Outcomes

Voting information and activity including outcomes from LGIM, a key manager for the Fund, and which are aligned to the Fund's key priorities and objectives are shown below with more detail and examples from other managers shown in the Appendix. Key engagement examples were included in Principle 9, with further detail also in the Appendix.

Voting:

LGIM Passive Equity	Meetings eligible to vote for: 2,823 Resolutions eligible to vote for: 35,043 Resolutions voted for: 99.8% Resolutions voted with management: 81.3% Resolutions voted against management: 18.7% Resolutions abstained from: 0.2%	**Qantas Airways Limited** – LGIM voted against the participation of Alan Joyce (CEO) in the Long-Term Incentive Plan (LTIP) Resolution but approved the remuneration report. The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. LGIM supported the remuneration report given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, LGIM's concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice.	LGIM's Investment Stewardship team are responsible for managing voting activities across all funds. LGIM's Investment Stewardship team uses ISS's 'Proxy Exchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. LGIM disclose voting rights and instructions including rationale for all votes cast against management and can be found at: LGIM Vote Disclosures (issgovernance.com).

APPENDIX

Appendix A: Definitions

Responsible Investment (RI)
The term Responsible Investment means the integration of Environmental, Social and corporate Governance (ESG) considerations into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance.

Environmental
Environmental considerations could include among other factors, energy usage, waste disposal, raw materials sourcing, carbon emissions, water usage and recycling processes.

Social
Social considerations could include among other factors, diversity, treatment of minorities, opportunities for women, employee rights, charitable activities, community work, use of agency workers and social infrastructure.

Governance
Governance considerations could include among other factors, composition of boards, external trustees, available share classes, interaction with shareholders, remuneration and voters' rights.

Appendix B: Implementation Statement
(covering period 12 months to 31 March 2021)

BACKGROUND

This document has been drafted by the London Borough of Hillingdon Council ("the Council") as the Administering Authority of the London Borough of Hillingdon Pension Fund ("the Fund"). This document has been reviewed and approved by the Pensions Committee ("the Committee").

The Department for Work and Pensions (DWP) has been increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and Funds need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that funds detail their policies in relation to these factors and demonstrate adherence to these policies in an implementation report, which includes a summary of the Fund's Responsible Investing (RI) Policy and its engagement with investment managers, including underlying voting and engagement activities.

While this is not yet a regulatory requirement for Local Government Pension Schemes (LGPS), the Department for Levelling Up, Housing and Communities (DLUHC) (previously Ministry of Housing, Communities and Local Government (MHCLG)) are considering following a similar path in terms of guidance. DLUHC (formerly MHCLG) changed requirements for LGPS Investment Strategy Statements in 2017, requiring Schemes to document how ESG considerations are taken into account in investment strategy decisions. The LGPS Scheme Advisory Board (SAB) have similarly advised Schemes to take into account ESG considerations.

This document also represents a necessary step in becoming aligned with the 2020 UK Stewardship Code, which is a stated objective of the Committee and Fund.

Investment Strategy Statement

The Investment Strategy Statement (ISS) is required by Regulation 7 of the Local Government Pension Scheme Regulations 2016 ("the Regulations") and must include:

- The authority's assessment of the suitability of particular investments and types of investments;
- the authority's approach to risk, including the ways in which risks are to be measured and managed;
- the authority's policy on how environmental, social or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- the authority's policy on the exercise of rights (including voting rights) attaching to investments.

The Fund updated its ISS in April 2020 in response to the requirements.

The ISS can be found online at the following web address: https://archive.hillingdon.gov.uk/article/6492/Pension-Fund

Implementation Report

This Implementation Report is to provide evidence that the Fund continues to follow and act on the principles outlined in the ISS. This report details:

- Actions the Committee has taken to manage financially material risks and implement the Fund's key policies;
- the current policies and approach with regards to ESG and the actions taken with managers on managing ESG risks;
- the extent to which the Committee have followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies they invest; and
- the voting behaviour of the Fund's investment managers covering the reporting year up to 31 March 2021 (noting the Committee's delegation of Fund voting rights to the investment managers through its investment in pooled fund arrangements).

Implementation Statement

This report demonstrates that the London Borough of Hillingdon Pension Fund has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

IMPLEMENTING THE CURRENT ESG POLICY AND APPROACH

ESG as a Financially Material Risk

The Fund's Responsible Investment policy and Investment Strategy Statement describes the ESG as a financially material risk. This page details how the Fund's Responsible Investment (RI) Policy is implemented, while the following page outlines the Committee's ESG beliefs used in evaluating the Fund's managers' ESG policies and procedures. The rest of this statement details a summary of the Committee's view of the managers, actions for engagement and an evaluation of the stewardship activity.

The below table outlines the areas which the Committee assessed the Fund's investment managers on when evaluating their ESG policies and engagements. The Committee intend to continue to review the Fund's ESG policies and engagements periodically to ensure they remain fit for purpose.

Implementing the Current ESG Policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights and engagement activity	- Through the manager selection process, ESG considerations will form part of the evaluation process; - The Committee and the Fund’s investment advisor, Isio, will monitor managers’ ESG policies on an ongoing basis; - When attending Committee meetings, investment managers will be asked to present on actions they have taken in respect of ESG factors and their exercise of rights and engagement activity; - The Committee is provided with a report detailing the managers’ ESG policies as well as a summary of actions the Fund has engaged with managers on in relation to ESG.	- The manager has not acted in accordance with their policies and frameworks. - The investment managers’ ability to abide by the Committee’s RI Policy ceases due to a change in the managers ESG policies.

ESG MANAGER SUMMARY

Manager and Fund	ESG Summary View	Actions Identified	Engagement details
Adam Street Private Equity	Adams Street Partners (ASP) integrate ESG within their investment process. This is also notable in the post-investment monitoring stage, which helps them to identify areas for engagement with existing portfolio companies.	ASP could set fund-specific ESG objectives and could improve their approach to assessing ESG during the pre-investment due diligence stage. Reporting on ESG factors including engagement activity in standard reporting is also clearly an area ASP are currently developing.	Engaged with ASP in Q1 2021 to review their ESG policies and set actions and priorities.
AEW UK Core Property Fund	AEW have provided evidence of a clear and succinct ESG policy focused on social impact and awareness of key climate issues. AEW have demonstrated the implementation of these policies within the Fund.	AEW could further demonstrate the role of ESG within the due-diligence process by clearly defining the process that filters the assets that are reviewed through to the assets invested in. AEW engage with tenants on ESG initiatives. However, there are not formalised incentives for tenants to address ESG issues and could do more to align interests.	Engaged with AEW in April 2021 to review their ESG policies and feedback and review proposed actions and priorities. As of the last engagement there has been fairly limited progress.

LCIV Equity Income Fund (Epoch)	The LCIV have appointed Epoch as the sub-manager of the LCIV Equity Income Fund. ESG integration is largely driven by the underlying manager. ESG is not currently integrated into Epoch's investment approach or risk management to the level it could be. However, it is clear that Epoch are investing in their ESG capabilities. They have developed a clear firm wide ESG policy, established a dedicated ESG team and identified a number of key priority areas.	A number of actions have been proposed including to develop a clear approach into integrating ESG considerations into the investment framework, develop an ESG scorecard, implement best practice voting and engagement practices and to integrate ESG reporting into standard client reports.	Engaged with Epoch and LCIV in Q1 2021 to review their ESG policies and set actions and priorities. We note the Fund has now fully disinvested from this fund.
JP Morgan Global Bond Opportunities Fund	ESG is integrated within the Fund's risk management process and investment approach. However, the lack of any ESG reporting needs to be addressed. Despite showing promise in the Fund's adoption of ESG into its processes and risk management, JPM as a company must consider their own impact on carbon emissions as well and their wider business practices.	JP Morgan should finish developing their ESG reporting and ensure this is included in regular client reporting including engagements with issuers. JP Morgan should also develop measurable ESG objectives for the Fund.	Engaged with JP Morgan in Q4 2020 to review their ESG policies and set actions and priorities. Plan to engage further with the manager in Q2 2021 and will report back with updates.

LCIV Infrastructure Fund (Stepstone)	Stepstone and LCIV have illustrated a good level of commitment to ESG. Both have dedicated ESG teams responsible for integrating and developing ESG across their wider firms, with ESG clearly embedded within the investment process, particularly in due diligence. Due to the fund of funds nature, the ability to engage directly and standardise metric reporting is limited.	Going forward, the Fund would benefit from setting KPIs or quantifiable objectives for each underlying general partner and incorporating this, along with metric monitoring into regular Fund reporting.	Engaged with Stepstone and LCIV in Q4 2020 to review their ESG policies and set proposed actions. Stepstone confirmed on call that they are in the process of developing modelling to monitor metrics for the Fund and are hoping that this will be available in H1 2021 and planning to report in line with the TCFD framework.
LGIM Passive Equity	LGIM has shown a strong commitment to managing ESG risks in its passive equity fund range. As a passive investor, LGIM is unable to express ESG views through stock selection, but instead uses voting and engagement to do so. Alongside the traditional risk and return metrics, LGIM also considers the ‘impact’ of holdings to quantify their societal or environmental contributions.	It was proposed that LGIM should integrate ESG reporting into their standard quarterly reports and to provide fund-specific engagement reporting to satisfy regulatory requirements.	Engaged with LGIM in Q1 2021 to review their ESG approach and saw some progress, however ratings were unchanged at this time.

LGIM Future World Passive Equity	LGIM have developed a clear and comprehensive framework for scoring portfolio companies on ESG factors and actively engage on these factors with companies. The Future World range is well established and has been designed to tilt towards better performing ESG companies. LGIM has a sophisticated ESG framework as well as a market leading stewardship team.	It was proposed that LGIM should integrate ESG reporting on ESG metrics and stewardship activities into their standard quarterly reports and to provide fund-specific engagement reporting to satisfy regulatory requirements.	Engaged with LGIM in Q1 2021 to review their ESG approach and saw significant progress and upgraded the view on reporting.
LGIM LPI Income Property	LGIM have a strong and integrated ESG approach which follows a robust framework. At a firm level, LGIM have a strong history of active engagement and collaboration on ESG related topics. The use of third parties, to advise on ESG policies, shows strong commitment to ESG at both firm and fund level.	LGIM have identified key areas they must implement to become net zero carbon across their real estate portfolios by 2050, including: the introduction of a new property management model and technologies; setting more ambitious targets and understanding what this means for the organisation and investors/clients. LGIM should also look to log engagements with tenants and progress on ESG initiatives in their reporting.	Engaged with LGIM in Q1 2021 to review their ESG approach and saw some progress, however ratings were unchanged at this time.

LGIM Index-Linked Gilts	For the LGIM gilt funds, the firm's central ESG policies are applied at a strategy level. ESG factors are not expressed in the underlying holdings as these are limited in index-linked gilts. Instead LGIM analyse ESG-related criteria as part of their assessment. LGIM have a strong ESG framework and integrated ESG approach across the firm.	In line with LGIM's passive equity and property funds, the lack of inclusion of ESG in their regular reporting was highlighted as an area of progress.	Engaged with LGIM in Q1 2021 to review their ESG approach and saw some progress, however ratings were unchanged at this time.
LCIV Absolute Return Fund (Ruffer)	The LCIV have appointed Ruffer as the sub-manager of the LCIV Absolute Return Fund and ESG integration is largely driven by the manager. Ruffer have an integrated and proactive approach to ESG. ESG risks are considered and monitored from the outset of a new investment by a dedicated responsible investment team, supplemented by research from third party sources. Ruffer participate in a number of ESG focussed initiatives.	Ruffer should incorporate meaningful ESG metrics into regular client reporting. Ruffer should also include an official ESG scorecard to be used as part of the due diligence process.	Engaged with Ruffer in Q2 2020 to review their ESG policies, monitor progress, and set proposed actions. Ruffer are looking to incorporate ESG into quarterly reporting and to issue bespoke ESG reporting to clients in 2021.

Macquarie Infrastructure MEIF & MIP	The manager is clearly aware of ESG issues, however we believe a more standardised and consistent approach could be applied. They have introduced the analysis of ESG risks within the investment process and engage with companies where possible. However, we believe Macquarie could benefit from setting ESG priorities, a quantitative scorecard and KPIs.	Macquarie to adopt an ESG risk manager to oversee the ESG initiatives at fund level, with the aim of ensuring a consistent approach and is in line with the wider ESG policy and thereby implement a more standardised approach to scoring ESG risk factors within the due diligence stage and be able to include ESG reporting within the Fund's regular reporting.	Engaged with Macquarie in Q4 2020 to review their ESG policies and set actions and priorities. Plan to engage with the manager in Q2 2021 and will report back with updates.
M&G Debt Opportunities Fund II	M&G have made significant progress with regard to their ESG integration within their approach to risk management and investment processes, which has fed through at a Fund level. They also remain active participants in driving industry change.	We continue to encourage M&G to finalise their ESG scorecard, as well as improving ESG-specific firm-wide objectives, engagement and reporting capabilities, which remain limited.	Engaged with M&G in Q1 2021 to review their ESG policies and set actions and priorities.
Permira Direct Lending	Permira are performing in line with their peers in this area. Given that ESG policies are more difficult to assess and implement in private markets however, their ESG integration is weaker in comparison to the Fund's other investment managers. ESG is	The team are looking to further develop their ESG screening process for potential investments. The lack of client reporting has been raised with Permira, and this has been noted as an area which requires improvement.	Engaged with Permira in Q2 2020 to review their ESG policies and set actions and priorities.

	largely incorporated at the initial due diligence stage as a negative screening tool for potential investments.		
UBS Balanced Property	UBS clearly place importance on ESG factors across the firm, with a dedicated team, clear policy and due diligence process, as well as effective engagement and industry collaborative efforts. Given the nature of the Fund (fund of funds, unlisted property) as a limited partner, they are somewhat restricted in this Fund in ESG integration in terms of metrics and reporting.	UBS would benefit from setting quantifiable KPIs and metrics for the underlying funds, and incorporating ESG into regular reporting.	Engaged with UBS in Q4 2020 to review their ESG policies and set actions and priorities. Plan to engage with the manager in Q2 2021 and will report back with updates.

ESG ENGAGEMENT

Investment Managers' Engagement Activity

As the Fund invests via pooled funds managed by various investment managers, each manager provided details on their engagement activities including a summary of the engagements by category for the 12 months to 31 March 2021 (in line with the Fund's financial reporting year).

Fund Name	Engagement summary	Commentary
Adam Street Private Equity	Adams Street have considerable influence and a "seat at the table" at meetings of the Fund's underlying portfolio managers and are continuously engaging with underlying managers and management teams on ESG issues. They have provided a long list of instances where ESG	The fund primarily takes majority ownership positions in privately listed companies so they have a seat at Committee and Board meetings and will attempt to attain this where they do not automatically have it. This drives engagement with management and the board of investee companies. Given the nature of the fund, Adams Street engage on a number of matters with underlying managers. These engagements include ad-hoc

	engagement occurred at various meetings.	interactions with underlying managers in the Fund's portfolio; engagements via annual meetings, which managers typically organize to provide a broad review of their funds and processes; Advisory Committee meetings, where Adams Street sits on the AC of the underlying manager's fund and has an opportunity to discuss particular topics (including ESG) in further depth; and finally, ASP send managers an annual survey sent, which covers operational topics as well as ESG considerations, with the aim to collect quantifiable and usable information on underlying managers and is incorporated into the manager's ESG rating.
AEW UK Core Property Fund	Total engagements: 281 Environmental: 281	The Fund invests directly in UK commercial real estate and the majority of properties are occupied by a single tenant who has discretion over day-to-day management of the property. Therefore, AEW looks to actively engage with tenants on ESG issues where they can. All engagement examples provided by AEW in relation to the UK Core Property Fund were in relation to the Environment and were requests for utility data across the entire portfolio for portfolio analysis and to assist with improvement of portfolio properties. Consumption data allows AEW to work with tenants and look to make cost savings and reduce the impact (carbon emissions) on the environment. This is considered a focus area for AEW.
LCIV Equity Income Fund (Epoch)	Epoch were unable to provide engagement data.	Currently, Epoch's engagements have primarily related to climate change risks. They were able to talk through an example of where they engaged with a petro-chemical company on their use of single use plastics, introducing targets to reduce usage moving forwards. London CIV (LCIV) work with the underlying managers in relation to

		engagement and through deep research select annual engagement themes, define priorities, implement voting and engagement and collaborate to drive outcomes. Based on detailed research, LCIV has identified three key stewardship themes for engagement in 2021 including climate change, diversity and inclusions, and tax and cost transparency (within the broader theme of governance).
JP Morgan Global Bond Opportunities Fund	Total engagements: 8 Environmental: 2 Governance: 4 Environmental & Governance: 2	JPM's Sustainable Investment Leadership Team (SILT) lead engagements with issuers on ESG concerns. This enables JPM to use its fixed income and equity platforms to influence change. Fixed income analysts within the portfolio management team who come across ESG related issues in the fund work with the SILT to engage with the issuer. Two examples of significant engagements include: **Telefonica** – The stewardship team met to obtain an update on their ESG program and spoke about human capital management (during covid-19); governance and board; sustainability strategy; and stakeholder engagement (including cyber security and long-term alignment (executive remuneration). Telefónica presented their ESG efforts well, however this doesn't seem to translate into their overall strategy. JPM wanted to understand from the Company why the share price continues to fall despite the longevity of Telefonica's ESG strategy. They continue a dialogue with Management and the Board. Overall, Telefónica is transparent on their ESG efforts, and demonstrate that they have taken steps forward in areas such as gender diversity, where they now have 30% female representation at Board level. **Repsol** – JPM engaged with the CFO

		of Repsol to discuss the credit and ESG implications of the recently announced strategic plan to 2025, which builds on its commitments to drive further decarbonisation and achieve net zero emissions by 2050. We expect that with €5.5bn (about 30%) of the planned capex being devoted to low carbon generation, Repsol will seek to return to the green/transition bond market in time and is also considering the issuance of SDG-linked bonds, which would allow it to use proceeds for overall carbon reduction and not necessarily just for new solar/wind projects.
LCIV Infrastructure Fund (Stepstone)	Total engagements: 12 (across 6 companies) ESG: 3 AGM: 1 Advisory board: 3 General update: 2 Onsite DD: 3	It is relatively early in the investment period of the Fund with only c. 15% of capital drawn down to date and so engagement is somewhat limited as a result. Engagements are managed by the individual at Stepstone allocated to monitor that specific investment, with their responsible investment team providing direction on engagement. When required, the responsible investment team head engagements directly with GPs. Two examples of significant engagements include: **Arcus Infrastructure Partners** – Stepstone engaged with Arcus on ESG strategy which included discussion of 2020 GRESB results, progress on TCFD reporting, and ESG reporting with LPs. The engagement also included the annual general meeting and advisory board meeting where an update on the ESG framework was presented and they released their first sustainability report. **First Sentier (FSI)** – Engagement related to FSI's ESG framework. Stepstone consider FSI a GP which exhibits best in class ESG policies within the sector and use their engagements to feed into discussions

		with other GPs. The engagement also included a general update regarding other business areas.
LGIM Passive Equity	LGIM currently do not provide details of their engagement activities at Fund level, however, this is something they are looking to implement, and they are considering how such information can be provided going forward. The intention is to remain in contact with LGIM surrounding the firm's engagement reporting.	LGIM's investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based. LGIM leverage the wider capabilities of the global firm to engage with companies meaningfully.
LGIM Future World	Same as above	Same as above
LGIM LPI Income Property	Same as above	Same as above LGIM can only engage with the tenants of the assets which are held in the Fund, and their overall influence as a landlord is limited. They maintain dialogue with all occupiers, and as part of this interaction ESG-related behaviours are encouraged.
LGIM Index-Linked Gilts	Same as above	Same as above
LCIV Absolute Return Fund (Ruffer)	Total engagements: 32 ESG: 3 Environmental & Governance: 8 Environmental & Social: 1 Social & Governance: 4 Environmental only: 2 Social Only: 2 Governance only: 12	Ruffer continually engage with companies on a case-by-case basis to drive shareholder value and look to achieve tangible ESG progress with investee companies. An Example of a significant engagement is: **General Motors Company (GM)** – Ruffer has been in continual engagement with GM on emissions standards, board structure and lobbying, Given the importance of EVs to the company's overall strategy, and its recent commitment to increase its combined investment in electric and autonomous vehicles to $27 billion by

		2025, they spent significant time discussing the topic. The company stated that it expects to be compliant with emissions standards across its fleet, and that its commitment to an all-electric future is a key component to delivering this and reiterated that it is fully committed to delivering on the strategy, regardless of the political landscape. The company also explained that it expects to announce detailed alignment of remuneration with ESG, including EV transition, targets next year. Ruffer welcomed this and stressed the importance of these targets being quantitative and sufficiently ambitious. On governance, Ruffer communicated that they voted against two directors that they consider to be entrenched and asked how the company plan to maintain sufficient diversity of experience and skillsets on the board. The company explained that it has launched a formal five year board succession plan. It is looking to add members with experience in technology, disruptive industries and venture capital to reflect its transition to an EV technology business.
Macquarie Infrastructure Funds - MEIF & MIP	Macquarie were unable to provide specific engagement data given the nature of these funds.	Macquarie Infrastructure and Real Assets (MIRA) take an active and involved approach to the investments the fund makes. Engagement with the management of the assets/companies in relation to sustainability and ESG considerations is continual, where they often have seats on the Board of Directors. Macquarie's voting and engagement policy is set centrally, and they were able to articulate examples of active engagements/ collaborations or initiatives that resulted in desired outcomes and supported sustainable outcomes of portfolio companies. Some examples of such initiatives are where MIRA is actively supporting AGS airports as it seeks to reduce the

		carbon footprint of its portfolio. Another initiative is in relation to the Jadcherla Expressways Private Ltd (JEPL) “Let there be light” solar lighting initiative in partnership with MIRA and the Macquarie Foundation.
M&G Debt Opportunities Fund II	The M&G Debt Opportunities Fund (DOF) is a private market credit team and as such engagement data is limited, however M&G continually engage with portfolio companies since investment. M&G have not been recording DOF II engagements so far, and are in the process of exiting the three remaining portfolio assets, however were able to provide examples of engagement efforts of the DOF team.	ESG-related engagements are primarily controlled and managed by credit analysts. Credit analysts will lead the engagement with companies to ensure there is a dialogue on ESG issues. The Sustainability and Stewardship Team (SST) works actively with analysts and attends company meetings as required. An example of such an engagement was as follows: **Health services company** – The engagement objective was to improve the effectiveness of the board to ensure independent oversight, and sufficient expertise in the right areas to support the business. M&G worked with other main shareholders to: 1) design an effective board infrastructure, and 2) select suitable board members. The engagement has involved active collaborations with other shareholders, search firms and with the company, primarily the CEO and existing board members. M&G have changed the constitution of the board, and put in place a 5-person board, including 4 Non-Executive Directors (NED) with a diversity of skills, backgrounds and nationalities. Comparing to the previous board with members having primarily financial experience.
Permira Direct Lending	Total engagements: 5 ESG strategy: 5	Permira maintain ongoing contact with the management teams of their portfolio companies, however, given their position as lenders they will typically rely on the equity sponsor to report ESG-related concerns and drive ESG improvements. Investing in private companies also reduces the transparency of the information

		available to assess ESG risks. Two examples of significant engagements include: **SoHo House -** Permira engaged with the management team on ESG pre and post-investment. In 2020, they developed foundations to pilot a sustainability linked loan (SLL). Permira engaged with external advisers Sustainability Group on strategy development and identification of ESG KPIs for SLL. SoHo House sustainability strategy was developed by the management team focusing on: Climate; Environment; Diversity and Inclusion; Social and Economy. **Kinaxia** – The ESG team, including the head of ESG, visited a Kinaxia facility to meet with management and discuss the company's progress on ESG topics identified back in 2017. This included interviews with managers, tours of key areas of selected sites, and discussions of issues such as health and safety, carbon reporting, gender pay gap reporting, cyber security and data protection. They highlighted potential areas for improvement. The also discussed new projects and ESG-related aspirations were also discussed. Kinaxia appointed a head of ESG in 2018 and developed comprehensive KPIs to track health and safety statistics.
UBS Balanced Property	Total engagements: 10 Governance: 9 Governance & Social: 1	The UBS Balanced Property portfolio is a fund of funds and therefore UBS engages with underlying fund managers and have limited oversight of the underlying portfolio assets. UBS's engagement and voting activities are overseen by the Stewardship Committee which is chaired by the head of investments. Annual GRESB scores, which assist UBS with monitoring investments' ESG performance which is used to inform

	engagement. Funds are made aware of ESG priority areas in quarterly meetings. Examples of engagements include: **Patrizia Hanover Property Unit Trust** – A meeting was held with Patrizia to get an update on a new credit facility with reduced margin if certain ESG KPIs are met. **Triton Property Fund** – Engaged with the manager to get an update on an ongoing initiation to measure social value of Triton's assets.

ESG VOTING (for equity/multi asset funds only)

Investment Managers' Voting Activity (for equity/multi asset funds only)

As the Fund invests via fund managers the managers provided details on their voting actions including a summary of the activity covering the financial reporting year up to 31 March 2021. The managers also provided examples of any significant votes.

Fund Name	Voting summary	Examples of significant votes	Commentary
LCIV Equity Income Fund (Epoch)	Meetings eligible to vote for: 112 Resolutions eligible to vote for: 1,737 Resolutions voted for: 100% Resolutions voted with management: 94% Resolutions voted against management: 6%	Epoch were unable to provide examples of significant votes.	The LCIV has delegated its voting rights to the Fund's investment managers and requires them to vote, except where it is impractical to do so. The LCIV also monitors voting alerts and where these are issued and requires the investment managers to take account of these alerts as far as practical to do so or provide justification for non-compliance. The LCIV reviews and monitors the voting policies and activities

	Resolutions abstained from: 0%		of its investment managers as part of its monitoring. The LCIV appointed Epoch Investment Partners (Epoch) as the manager for the LCIV Equity Income Fund. Epoch does not consult with clients before voting unless specifically requested to do so. Epoch proxy voting advisor is Institutional Shareholder Services.
LGIM Passive Equity	Meetings eligible to vote for: 2,823 Resolutions eligible to vote for: 35,043 Resolutions voted for: 99.8% Resolutions voted with management: 81.3% Resolutions voted against management: 18.7% Resolutions abstained from: 0.2%	**Qantas Airways Limited** – LGIM voted against the participation of Alan Joyce (CEO) in the Long-Term Incentive Plan (LTIP) Resolution but approved the remuneration report. The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as they wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In	LGIM's Investment Stewardship team are responsible for managing voting activities across all funds. LGIM's Investment Stewardship team uses ISS's 'Proxy Exchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.

	collaboration with their Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express LGIM's concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. LGIM supported the remuneration report given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, LGIM's concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice and so voted against the second resolution.	

LGIM Future World Passive Equity	Meetings eligible to vote for: 4,626 Resolutions eligible to vote for: 51,008 Resolutions voted for: 99.9% Resolutions voted with management: 83.8% Resolutions voted against management: 15.7% Resolutions abstained from: 0.5%	The above example is also applicable to the LGIM Future World Fund.	Same as above.
LCIV Absolute Return Fund (Ruffer)	Meetings eligible to vote for: 94 Resolutions eligible to vote for: 1,198 Resolutions voted for: 97% Resolutions voted with management: 91% Resolutions voted against management: 9% Resolutions abstained from: 2%	**Lloyds Bank** – Ruffer voted against a vote on CEO remuneration pay. Ruffer spoke to the company prior to the AGM to understand better the changes implemented in the revised voting policy and to communicate their concerns. Ruffer still decided to vote against the proposed remuneration policy as although it reduces the maximum pay-out at the time of the grant, it significantly relaxes the vesting criteria. Therefore, Ruffer did not think it sufficiently incentivises management to deliver shareholder value..	The LCIV has delegated its voting rights to the Fund’s investment managers and requires them to vote, except where it is impractical to do so. The LCIV also monitors voting alerts and where these are issued, requires the investment managers to take account of these alerts as far as practical to do so or provide justification for non-compliance. The LCIV reviews and monitors the voting policies and activities of its investment managers. Ruffer is the appointed investment manager for the LCIV Absolute Return

	Weaton Precious Metals – Ruffer voted against five non-executive director re-elections taking into account the average tenure of members of the board, the regions in which the company is domiciled and the sector in which the company operates, they did not support the re-election of a number of directors in the period because of concerns that they were not independent.	Fund. As a discretionary investment manager, Ruffer does not have a formal policy on consulting with clients before voting. However, they accommodate LCIV voting instructions for specific areas of concerns or companies where feasible. Ruffer proxy voting advisor is Institutional Shareholder Services (ISS). However they have developed their own internal voting guidelines and do not delegate or outsource stewardship activities, but rather take into account issues raised by ISS to assist in the assessment of resolutions and the identification of contentious issues. They voted against the recommendation of ISS 7.7% of resolutions over the period.