



HILLINGDON

LONDON

Update from the Hillingdon Pension Fund 2023

The Pension Fund Committee is responsible for overseeing the governance of the London Borough of Hillingdon Pension Fund, including investment management and pensions administration. It monitors the Fund closely to ensure the Fund is delivering the requisite level of governance and administration and that its investments are being managed effectively.

The Fund works closely with its LGPS pool, the London Collective Investment Vehicle (LCIV), to achieve efficiencies through pooling of Pension Fund assets. This allows the Fund to benefit from the lower fees negotiated by LCIV on its Legal and General Passive Equities Portfolio, as well as lower fees with Active Equity, Diversified Growth, and Alternative Investment managers. The Fund's proportion of assets pooled now is over 82%, making the London Borough of Hillingdon Pension Fund one of the biggest investors within the London CIV pool. This commitment reinforces the Fund's support for LCIV and pooling, and is in line with the direction of travel being prescribed by the Government.

The Pension Fund is committed to being a responsible investor and in the last year signed up to the new UK Stewardship Code to demonstrate its commitment to active and engaged monitoring of corporate governance in the interests of its members. To this end, the Fund actively engages with its fund managers through various means to incorporate Environmental, Social and Governance (ESG) considerations into investment processes and ensure active engagement with invested companies in key areas. The Hillingdon Pension Fund is only one of two local authority funds in London to have met the criteria and be approved as a signatory to the new UK Stewardship Code.

The Pension Fund launched its inaugural Responsible Investment Policy in 2020, setting out the Fund's commitment to environmental, social and governance factors as a core part of its investment decision making. This Responsible Investment Policy is aligned with the Fund's Investment Strategy Statement where an overview on ESG and voting is included. In addition, the policy is aligned with the Fund's, Funding Strategy Statement with consistency of objectives and return expectations to support the funding level. This Responsible Investment Policy is reviewed annually to ensure it remains up-to-date and relevant.

The Fund has also reorganised its equity portfolio to reduce its carbon exposure. An example of this can be seen through the transferring of a previous active UK equity portfolio to a Paris Aligned Fund managed by LCIV. This Fund is in alignment with the Paris Climate Agreement and screens out carbon intensive companies that do not, or will not, play a role in the transition to a low-carbon future.

The Fund is signed up to the Taskforce on Climate Related Financial Disclosures (TCFD) and can report that it has reduced its carbon footprint by approximately 50% over the last three years through targeted portfolio realignment as shown in the example above.

The Fund undertakes an annual ESG impact assessment of its portfolios by rating all fund managers on a set of traditional criteria to determine if they meet expected minimum level rating. At an overall level, the Fund complies with the "meets traditional criteria" level which is positive and demonstrates that fund managers are delivering in line with expectations.

The Fund always works in the best interest of its members to ensure investment return objectives are achieved whilst also integrating ESG issues into the portfolio of investments.

More information on the fund can be found at: <https://www.hillingdon.gov.uk/article/8154/Hillingdon-Pension-Fund>

Pensions

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