

Responsible Investment Statement

London Borough of Hammersmith and Fulham Pension Fund • 2022

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Introduction

Responsible Investment is defined by the United Nation's 'Principles for Responsible Investment' document as an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and to generate sustainable, long-term returns.

The London Borough of Hammersmith and Fulham Pension Fund is committed to being a responsible investor and a long-term steward of the assets in which it invests. The Fund has a fiduciary duty to act in the best interests of its beneficiaries and this extends to making a positive contribution to the long-term sustainability of the global environment.

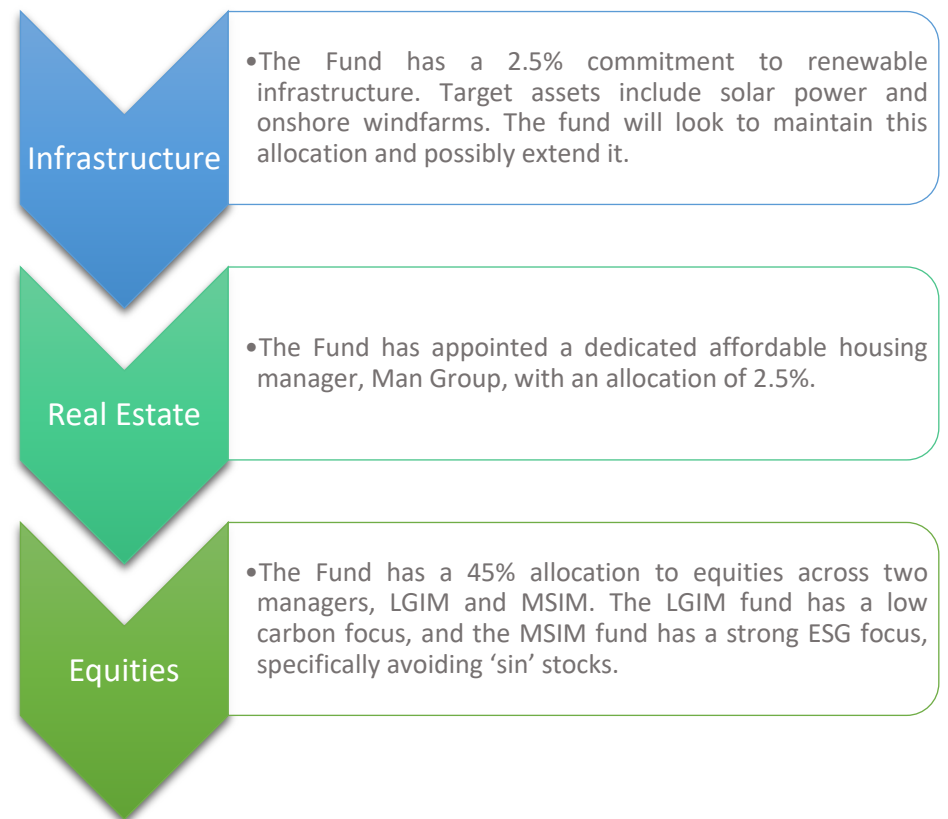
There are a wide range of ESG issues, with none greater currently than climate change and carbon reduction. The Pension Fund recognises climate change as the biggest threat to global sustainability alongside its administering authority employer, Hammersmith and Fulham, which has committed itself to achieving carbon neutrality by 2030.

The Pension Fund acknowledges that the neglect of corporate social responsibility and poor attention paid to environmental, social and governance issues is more likely to lead to poor or reduced shareholder returns. Therefore, the ESG approach has become integral to the Fund's overall investment strategy and recognises ESG factors as central themes in measuring the sustainability and impact of the Fund's investments

Investment Horizon

The London Borough of Hammersmith and Fulham Pension Fund Investment Strategy Statement (ISS) sets out the Fund's policy on investment, risk management, LGPS pooling and environmental, social and governance issues. Alongside this the Fund's core investment beliefs set out the foundation of discussions, regarding the structure of the Fund, its strategic asset allocation and the selection of investment managers, incorporating ESG factors into this decision-making process.

The Fund's investment priorities over the coming years will be centred around the following topics:



Carbon Journey

Historically, the London Borough of Hammersmith and Fulham Pension Fund has had a strong focus on ESG which was formalised in its first Investment Strategy Statement, published in 2017. Shortly after a 2.5% commitment was made towards furthering the infrastructure mandate to specifically include renewables.

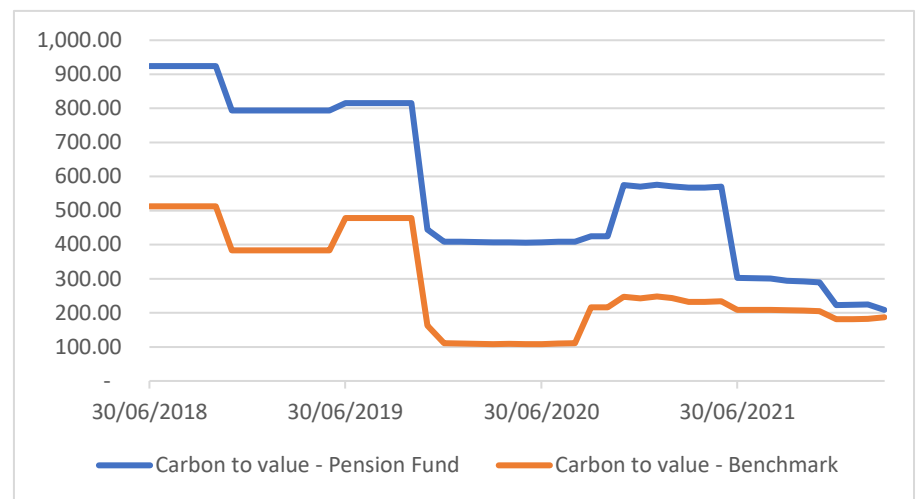
This also led to an investigation into the risks of holding fossil fuel companies, where consideration was given to the impact of divesting. The Fund has since committed to reducing its carbon emissions, alongside Hammersmith and Fulham. The Pension Fund commissioned a carbon mapping of the Fund's equity and property investments as at 30 June 2018. This included metrics such as carbon intensity, carbon emissions, stranded assets, and energy transition.

Since this mapping took place, the Fund transitioned its London CIV (LCIV) UK Equity allocation and Legal & General (LGIM) Global Passive Equities into the LCIV Global Sustain Fund and LGIM World Low Carbon Target Index Fund. The Global Sustain Fund seeks to provide a concentrated high-quality global portfolio of companies, however, excludes tobacco, alcohol, gambling, weapons, fossil fuels, and gas or electrical utilities. The LGIM World Low Carbon Target Index Fund tracks the MSCI World Low Carbon Target whereby an Environmental, Social and Governance screening of companies takes place to remove those companies which do not meet the required ESG criteria.

During 2021, the Fund commissioned a review of its property mandates with a view to investing within social supported or affordable housing. Man Group was appointed to manage a 2.5%

allocation to affordable housing. Determining the carbon cost of alternative assets has to date been difficult, however, one key driver in the decision to appoint Man Group was their commitment to providing the fund with data on the carbon impact of its activities and ensuring where possible that electric vehicle charging points and solar panels are installed on its developments.

The *carbon to value invested* metric is used to reflect how efficient companies are at creating shareholder value, relative to the carbon emissions produced. The following graph depicts the Fund's carbon to value invested journey across its equity allocations against the FTSE World Index, from 30 June 2018 to 31 March 2022. The weighted average carbon to value invested of the Fund has fallen by circa 77% during this time.





The Greenhouse Gas (GHG) emissions of the Pension Fund are reported in tonnes of CO₂ (tCO₂e). These carbon emissions can be broken down into three reporting categories as follows:



- **Scope 1:** emissions directly attributable to a company e.g. vehicles



- **Scope 2:** indirect emissions relating to a company e.g. heating and electricity supply of buildings



- **Scope 3:** emissions not directly attributable to a company but those further up and down its value chain e.g. buying products from suppliers¹

.1 tonne of CO₂ is equal to...



• 1 month's emissions of the average UK person²



• 2.6 economy flights from Amsterdam to Rome³

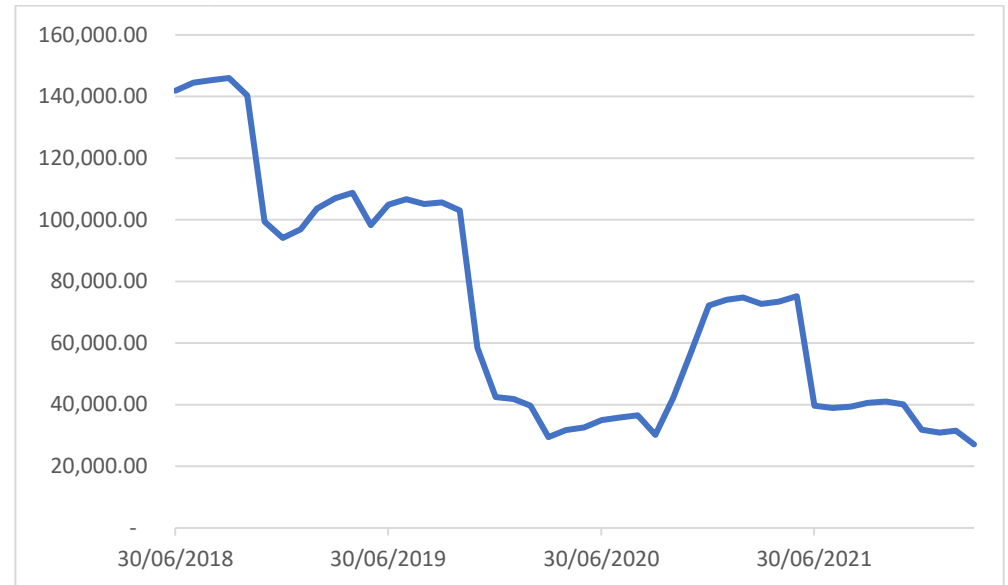


• 6,000 km by Citroen Picasso model car⁴

The following chart plots the Fund's equity allocation by absolute tonnes of CO₂ emissions from 30 June 2018 to 31 March 2022. It is estimated that the Fund has reduced its CO₂ emissions by circa 81% over this period.

Where possible the Fund reports on scope 1, 2 and 3 emissions, however as this data can be difficult to collect, this may vary amongst the Fund's asset classes and managers.

Absolute tCO₂e per annum

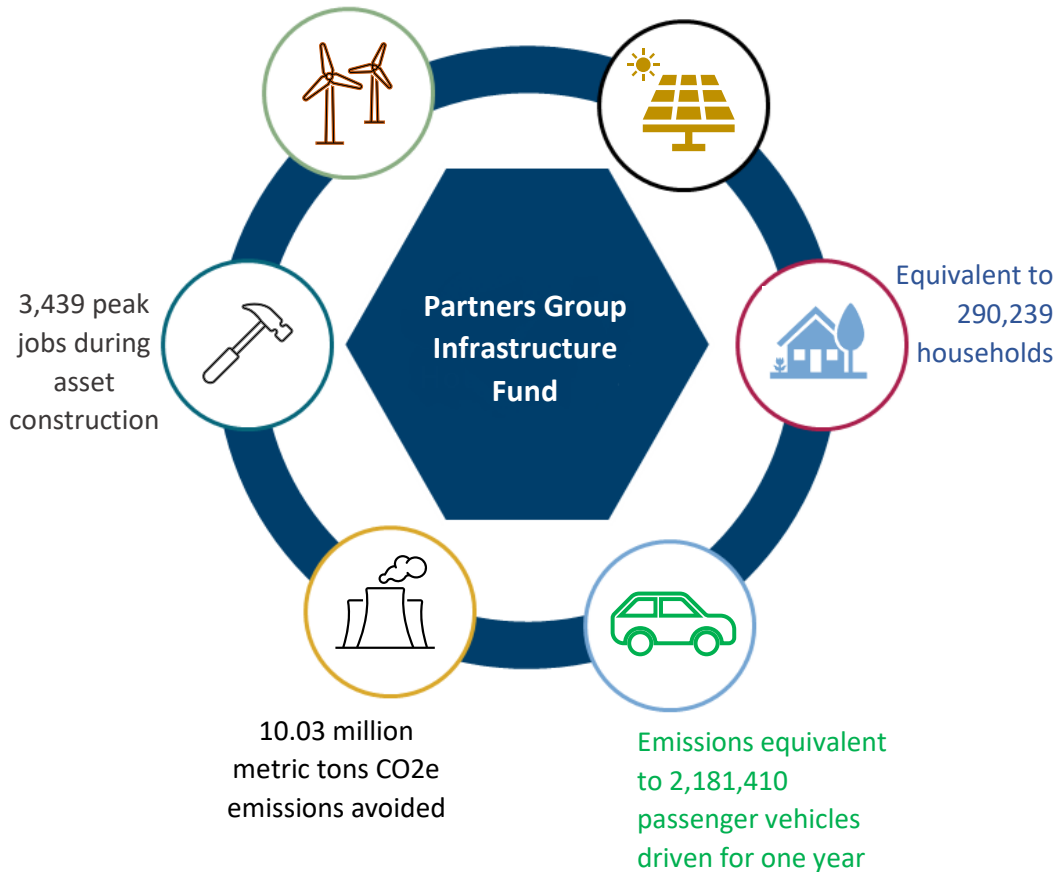


¹: https://www2.deloitte.com/uk/en/focus/climate-change/zero-in-on-scope-1-2-and-3-emissions.html?gclid=FAIalQobChMIjsWNhfKu9QIVqeJtCh3FSQ0lEAAAYASAAEgLiifD_BwE ²: <https://www.nulacarbon.com/some-notes-on-climate-action/whats-in-a-tonne#:~:text=As%20an%20example%2C%20one%20tonne,person%20living%20in%20Sri%20Lanka> ³: <https://www.climateneutralgroup.com/en/news/what-exactly-is-1-tonne-of-co2/> ⁴: <https://www.planete-energies.com/en/medias/close/mechanisms-putting-price-carbon>

Impact Modelling

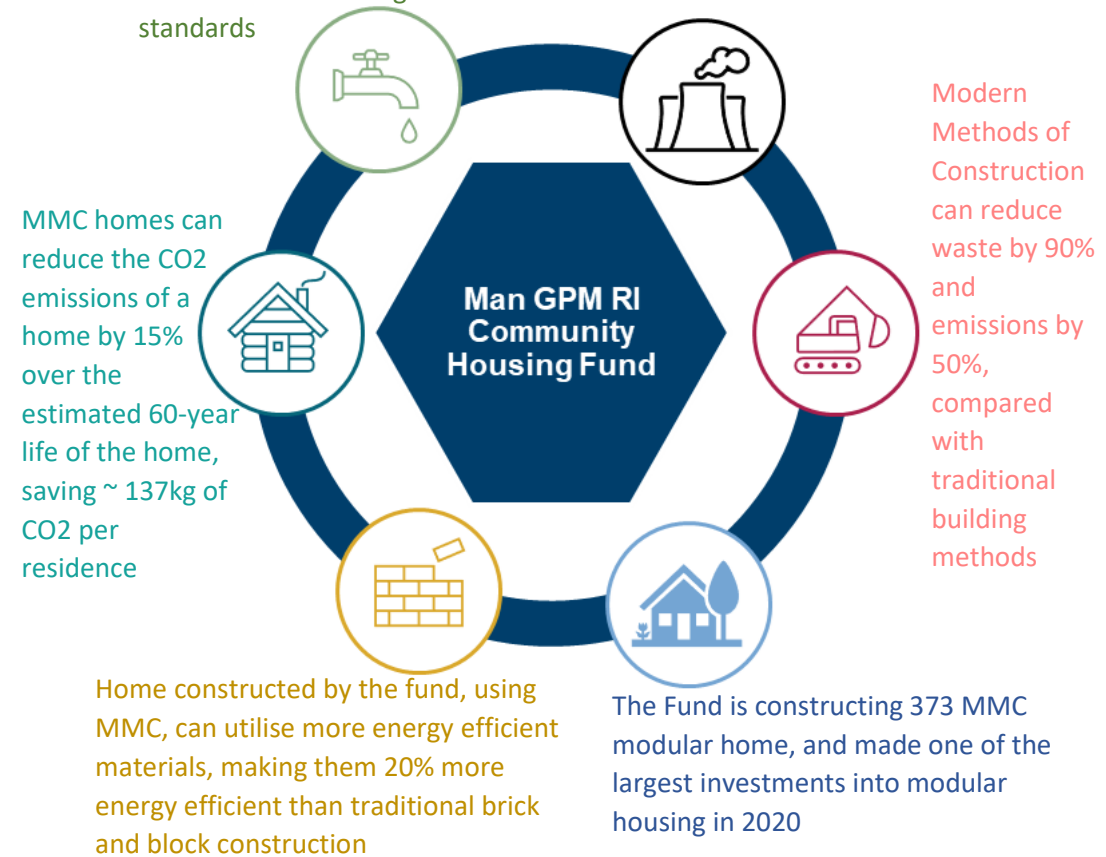
Grassroots & Murra Wirra wind farms will generate 2.8% of Australia's electricity needs

1,421,598 MWh renewable energy generated



MMC homes can significantly reduce residential water usage, using 29% less water than home built to regulation standards

Buildings currently account for 40% of carbon emissions in the UK – emitting 58.5m tonnes of CO2 per year – and 60% of all waste produced



Based on a fund size of EUR 1080 million (Hammersmith and Fulham Pension Fund's commitment is EUR 55 million), and up to September 2020. Source of information is the Partner's Group LIFE Impact Report 2020.. *based on achievements in 2020, source Partner's Group Corporate Sustainability Report 2020.

Source: Man GPM RI Community Housing Fund

Task Force on Climate Related Financial Disclosures



The Department for Work and Pensions (DWP) has announced a phased introduction of the planned new mandatory measures that ensure trustees are legally required to assess and report on the financial risks of climate change within their investment portfolios.

Although not yet compulsory for public sector pension schemes, it is anticipated these regulations will be extended to the public sector and therefore the LGPS by 2023.

The proposed new measures will ensure that trustees are legally required to assess and report on the financial risks of climate change within their portfolios, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The Financial Stability Board’s Task Force on Climate Related Financial Disclosures is a global, private, independent body formed in December 2015.

The Board has advised a number of TCFD recommendations in relation to climate change, which can be split into four thematic areas.

Governance: Establish and maintain oversight of relevant climate risks and opportunities for your scheme

- Define clear roles and responsibilities for the management of climate related risks/opportunities.
- Formulate governance policies, including role and responsibilities in relation to climate change.
- Improve training and knowledge in relation to climate change

Strategy: Identify climate risks and opportunities which will affect the scheme’s investment strategy and consider the resilience of the strategy.

- Identify related risks and opportunities and define clear goals over the short, medium and long term.
- Conduct scenario testing for the scheme’s assets and liabilities e.g how a temperature risk of 1.5C to 2.0C will affect the fund

Risk Management: Establish and maintain processes to identify, assess and manage relevant climate risks and opportunities

- Create a risk register of climate related risks and maintain assessments over the short to long term horizons.
- Incorporate these risks into the wider integrated risk management process

Metrics and Targets: Select and monitor a minimum of three climate metrics for the scheme’s investment portfolio, setting targets to measure performance

- Establish the quality of data available to identify an appropriate third climate metric for the scheme.
- Select at least one appropriate target and measure performance against and review annually.

ESG Case Studies

Environmental



Social



Governance



Environmental, Social and Governance factors are key indicators in measuring the sustainability and suitability of an investment. There is growing research which suggests, when integrated into business decisions and portfolio construction, these can offer stability in future returns.

The Fund expects managers to integrate ESG factors into investment analysis and decision making. Monitoring these effectively can assist with resolving issues at early stages through effective engagement with companies and board members. The Fund expects asset managers where possible to engage and collaborate with other institutional investors, as permitted by relevant legal codes to ensure the greatest impact.

The measurement of ESG performance is still developing and benefitting from significant improvements. There are several performance benchmarks and disclosure frameworks that exist to measure the different aspects of available ESG data which include carbon emissions and a variety of social impact scores.

Environmental: Murra Wirra Wind Farm

In September 2018 Partners Group entered into an agreement to acquire and construct Murra Wirra Wind Farm, a wind power project in Victoria, Australia.

The project comprises the installation of 613.7MW Turbines with an aggregate capacity of 226MW.

As at September 2020 all 61 turbines have been erected, commissioned, and are producing electricity. To that date 675,095.51 MWh had been generated.



Source: Partner's Group Life Impact Report 2020

Social: Man Group case study

The Pension Fund holds the Man GPM RI Community Housing Fund. The fund seeks to achieve the dual objective of providing financial returns alongside well defined social and environmental outcomes by accelerating the provision of new affordable homes in the United Kingdom. The fund is focused on addressing the shortage of new, high-quality housing in the UK, which is affordable to those earning the median income and below, including young families and the key workers that have been priced out of the housing market. It seeks to provide new homes across multiple rental and ownership tenures, with a strong focus on creating sustainable communities.

To date, the fund has committed to 827 new homes in England, with a target of at least 3,000 homes by 2026. Their target is to offer at least 50% at sub-market rates (discounted rent or shared ownership), with a target of 70%.



Source: Man Group

Governance: Cardinal Health case study

In May 2021, LGIM America co-filed a shareholder resolution, together with our investor colleagues within The Investors for Opioid Accountability (IOPA), asking the company to publish annually an in-depth report disclosing its direct and indirect lobbying activities and expenditures, as well as its policies and procedures governing such activities (a 'Political Contributions and Activities Report').

Following engagements with the company, the board agreed to expand its Political Contributions and Activities Report to include all disclosures relating to state lobbying expenses exceeding US\$25,000; payments to trade associations and other organisations (including to those that draft and support model legislation); and the approach the company will take when a trade association of which it is a member takes a position which differs from the company's corporate position.



Source: LGIM ESG Impact Report December 2021

Voting & Engagement

The Committee has delegated the Fund's voting rights to the investment managers, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the investment managers to vote in the best interests of the Fund. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

The Fund will continue to collaborate with the London CIV on maintaining a shared voting policy for the equity managers on the London CIV platform and actively seek to align these policies with manager insights. Lobbying with other London CIV clients will give the Pension Fund greater control and impact over our voting choices and a centralised process will ensure our voting remains consistent and has the greatest impact.

The Pension Fund views engagement with companies as an essential activity and encourages companies to take positive action towards reversing climate change. The Hammersmith and Fulham Pension Fund is a responsible owner of companies and cannot exert that positive influence if it has completely divested from all carbon intensive producing companies. The Pension Fund will continue to encourage positive change whilst officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including carbon and other ESG considerations.

Engagement: Mizuho case study

As part of the LGIM World Low Carbon Fund, LGIM have been engaging with Mizuho Financial Group, a global bank based in Japan, over a number of years on climate-related issues.

LGIM have maintained continual engagement with the company as part of their Climate Impact Pledge and monitored the company's progress.

At Mizuho's 2020 AGM, LGIM supported a climate-related shareholder resolution for disclosure of a Paris-Aligned business strategy for the company. This was the first such resolution of its kind within the Japanese banking sector.

Following this, in June 2021, Mizuho published its first TCFD report ahead of its 2021 AGM, with the report committing to accelerate the banks coal phase-out by 10 years. Alongside this, Mizuho has addressed concerns over lack of scope 3 emissions disclosure and pledged to set and disclose interim scope 3 targets by the end of 2022.



MIZUHO

Source: Morgan Stanley ESG Report Q3 2020

LCIV Global Sustain



53

Total Management Meetings



41

ESG Engagements

ESG Engagements by Topic:



30

Environment



22

Social



17

Governance

Of which, engagements on:



28

Climate Change



14

Diversity



5

Cyber Security

LGIM Low Carbon



Source: Morningstar Report Q3 2021



158

Total number of engagements over quarter

126

Number of companies engaged with

ESG Engagements by Topic:



88

Environment



84

Social



84

Governance



27

Other

Top 5 engagement topics:

1.  Climate Change

3.  Diversity

2.  Remuneration

4.  Energy

5.  Climate impact pledge
Remuneration Energy
Source: LGIM ESG Report Q1 2022

Connected Organisations

The Pension Fund recognises that significant value can be achieved through collaboration with other stakeholders. The Pension Fund works closely with its LGPS pool company, other LGPS funds and member groups such as the Local Authority Pension Fund Forum (LAPFF), to ensure corporate interests are aligned with the Pension Fund's values.

The Pension Fund actively contributes to the engagement efforts of pressure groups, such as LAPFF and requires investment managers to vote in accordance with the LAPPF's governance policies. In exceptional cases, investment managers will be required to explain their reason for not doing so, preferably in advance of the AGM.

The Local Authority Pension Fund Forum are a collection of over 83 local authority pension funds, with assets under management of over £300bn, promoting the highest standard of governance with the aim of protecting the long-term value of pension funds. The LAPFF engage directly with companies, on behalf of all asset owners and pension fund trustee members, on issues such as executive pay, reliable accounting and a transition to a net carbon zero economy.

LAPFF Case Study

The LAPFF produce quarterly engagement reports, covering all ESG related issues from climate change, governance, human rights and cyber security.

Over the quarter to 31 March 2022, the LAPFF engaged with 50 companies, including Shell, BHP and Astra Zeneca.

During the quarter to March 2022, LAPFF met with BHP to discuss concerns regarding the company's progress on house building in the affected area of Mariana, Brazil, after the dam collapse in 2015.

In 2021 only 3 houses, to a total of 10 had been built, however, by the time of the meeting a total of 47 had been built. LAPFF expressed their view that this was still inadequate but welcomed the progress whilst recognising the work to still be done



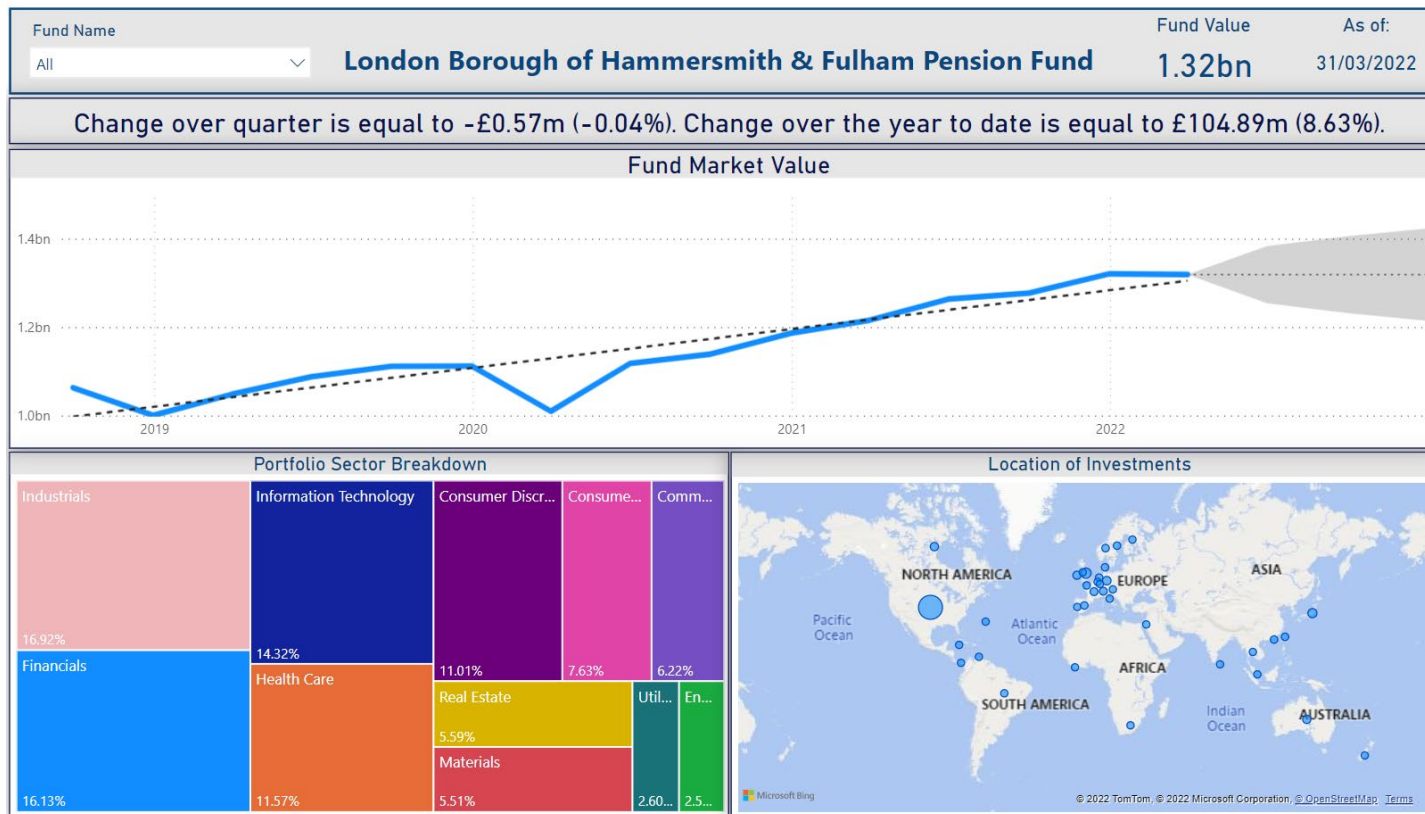
Source: LAPFF Quarterly Engagement Report 31 March 2022

ESG Dashboard

Pension Fund officers have developed an interactive dashboard that provides an overview of the fund, specially focusing on ESG. The intention of the dashboard is to provide further accountability and allow members of the Fund to explore the impact of its investments. The dashboard is available to access at the following URL:

<https://app.powerbi.com/view?r=eyJrIjoiYjc2ZTEyZjltODI0Yi00NzY2LWJkNTMtODAwYjNINWNjYTQ5IiwidCI6IjUwZDhjMTE1LWI3N2YtNDM5NS1hM2JhLTNiNDhDA3Y2FmMGQ4OCIsImMiOjh9>

The following images provide a sample of what the dashboard contains:



Fund Name	Equities Value	As of:
All <input type="text" value="London Borough of Hammersmith & Fulham Pension Fund"/>	692.7M	31/03/2022

The below scores are determined using a series of quantitative and qualitative metrics that carry different weights feeding into the score category. You can filter by the fund manager in the top left to see the average scores for companies held by them specifically.



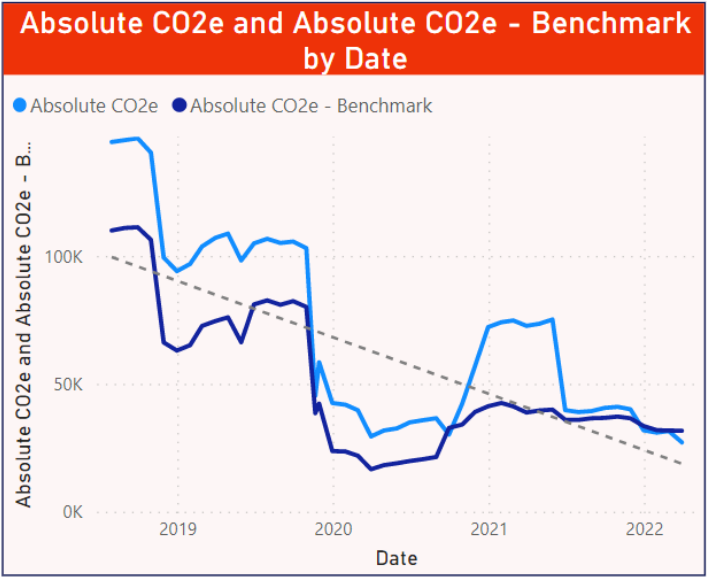
Accenture Plc

Select a company from the dropdown above to see information on it below. The list comprises of all companies held within our equity portfolio that have readily available information and is combined across all managers. Therefore the value of holdings in the fund is the aggregate value of holdings across all managers.

Value of Holdings in Fund 10.24M	Location Ireland	Sector IT Services / Consulting	Environmental Score 100	Social Score 77	Governance Score 83
% of Total Equities Holdings 1.45%	Sector Information Technology				

Fund Name	London Borough of Hammersmith & Fulham Pension Fund	Fund Value	As of:
All		1.32bn	31/03/2022

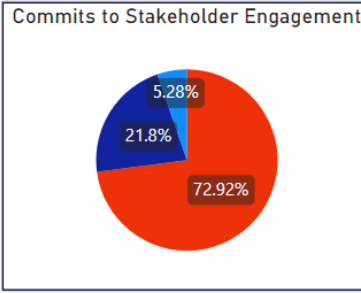
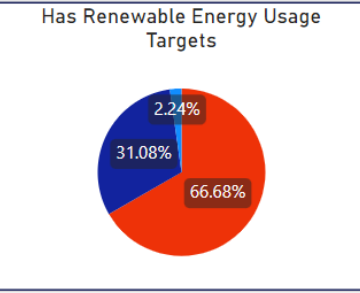
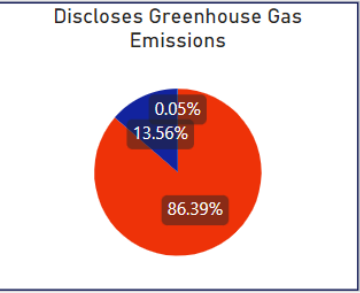
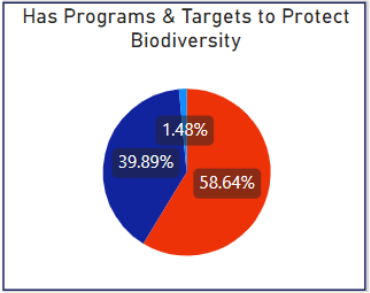
Top 10 Holdings by £	
Company	Fund Holdings
Accenture Plc	£10,244,338
Alphabet Inc	£17,917,150
Amazon.com, Inc.	£10,298,303
Apple Inc	£17,333,781
Link Administration Holdings Ltd	£13,158,214
Microsoft Corporation	£28,527,452
Procter & Gamble Co	£9,011,127
Reckitt Benckiser Group Plc	£9,663,361
SAP SE	£10,459,477
Visa Inc	£12,692,897



Highest Emissions (Scopes 1,2 & 3 in Tons)
Airbus SE
Chevron Corporation
Corning Incorporated
Cummins Inc.
Exxon Mobil Corporation
General Motors Company
Magna International Inc.
Mosaic Co
Procter & Gamble Co

Highest Waste Producers by Net Sales or Revenue
Agnico Eagle Mines Ltd
B2Gold Corp.
Kinnevik AB
Kirkland Lake Gold Ltd
Link Administration Holdings Ltd
Lundin Mining Corporation
Northern Star Resources Ltd
REA Group Limited
Wheaton Precious Metals Corp

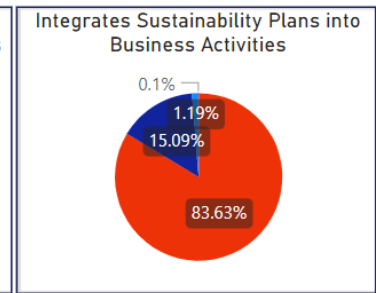
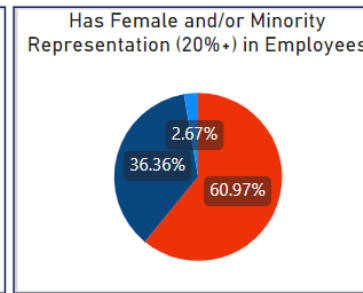
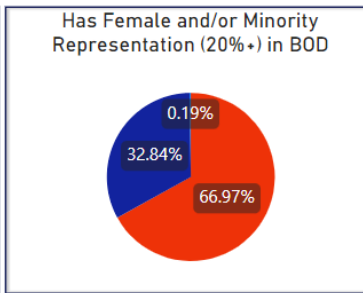
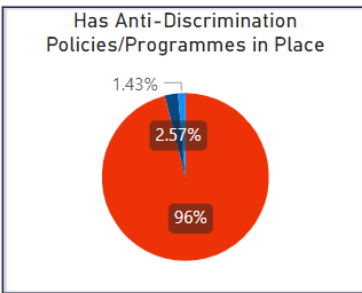
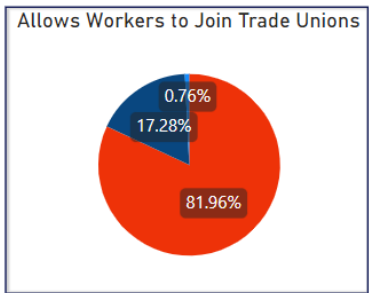
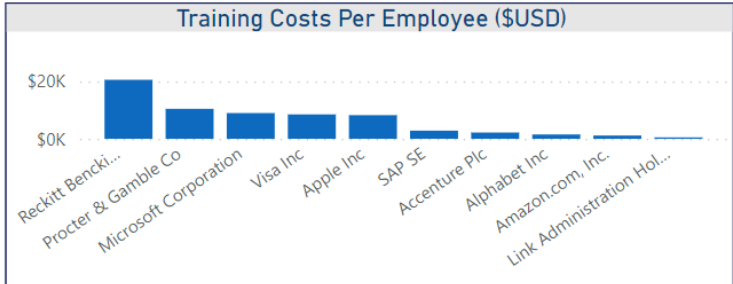
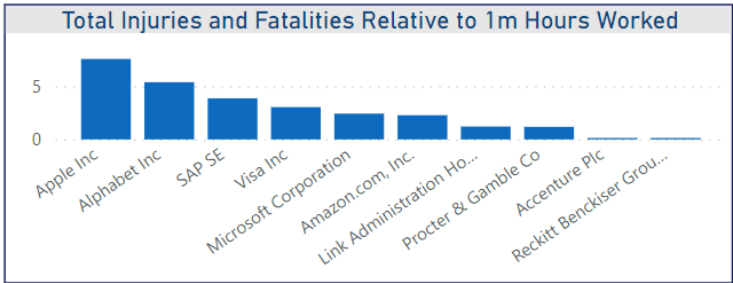
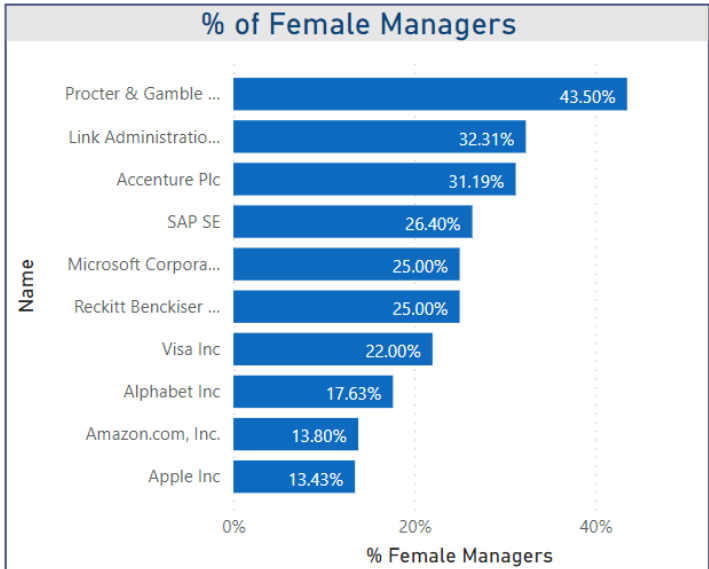
*the above is based on each company as a whole rather than each company in absolute terms and are not in any particular numerical order.



● Yes ● No ● In-conclusive

Top 10 Holdings by £

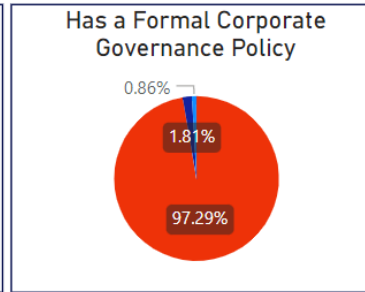
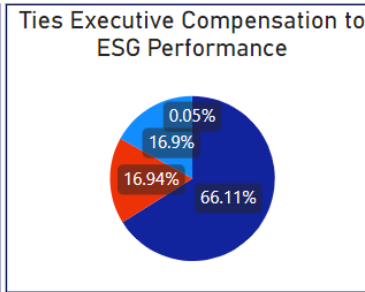
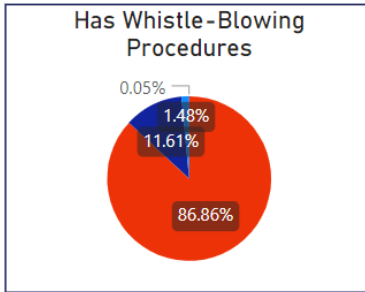
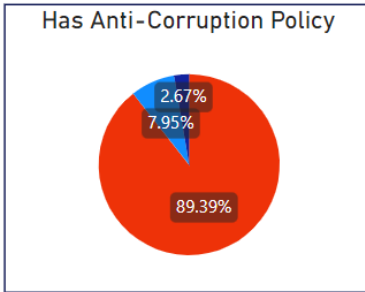
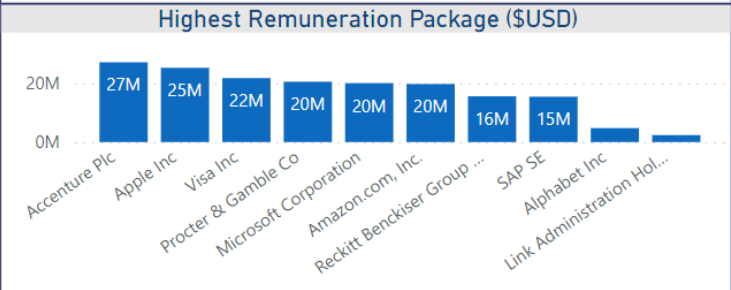
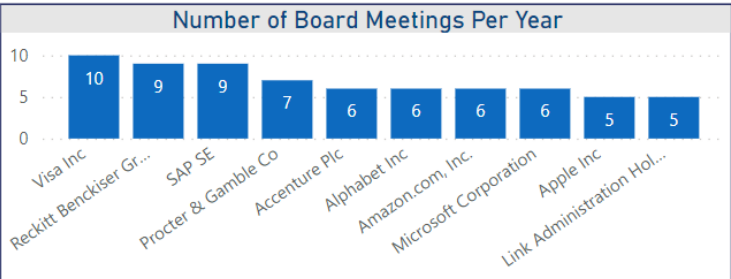
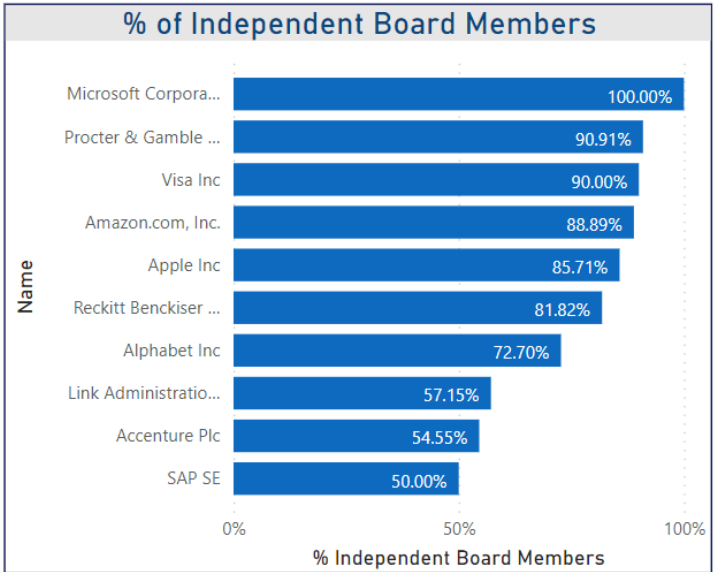
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