

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 25 November 2025

Subject: Responsible Investment Update

Report author: Siân Cogley, Pension Fund Manager

Director: Phil Triggs, Tri-Borough Director of Treasury and Pensions

SUMMARY

The Pension Fund's Responsible Investment Policy is founded on ESG integration, stewardship and alignment with the long-term interests of beneficiaries. While climate change remains the Fund's most material ESG challenge, recent geopolitical conflicts have raised new questions around responsible ownership, particularly in relation to the Middle East conflict and exposure to the defence sector.

The purpose of this paper is to finalise the addendum to the Pension Fund's Responsible Investment Statement to set out the Fund's approach to conflict linked investments, clarify expectations for investment managers, and establish a transparent framework for decision-making.

Recommendations

1. That the Pension Fund Committee approve the Responsible Investment Statement 2025 with the Addendum on Conflict and Human Rights for publication and, should there be any changes requested, delegate the approval of the final version to the Director of Treasury and Pensions in consultation with the Chair.

Wards Affected: None

Our Values	Summary of how this report aligns to the H&F Values
Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax payer.

Financial Impact

None

DETAILED ANALYSIS

1. Background

- 1.1 At the 9 September 2025 meeting, the Committee reviewed the Fund's Responsible Investment Policy in the context of recent geopolitical developments and the Fund's exposure to defence-related holdings. The existing Responsible Investment approach remains grounded in ESG integration, effective stewardship, and alignment with the long-term interests of scheme members, with climate change continuing to represent the most significant systemic risk to the portfolio.
- 1.2 The Committee acknowledged that recent global conflicts have raised new questions regarding responsible ownership, particularly in relation to investments linked to defence and security sectors. In considering these issues, the Committee emphasised the need to balance humanitarian considerations, fiduciary responsibility, and the importance of a consistent, transparent decision-making framework.
- 1.3 To support this approach, a three-tier investment classification methodology was proposed to distinguish between holdings with:
 - (1) no grounds for divestment;
 - (2) exposure that requires further scrutiny and engagement; and
 - (3) reasonable grounds for divestment where links to controversial activities are evidenced.
- 1.4 This framework is intended to provide clarity and support structured, evidence-based discussion.
- 1.5 The Committee also discussed incorporating a new Conflict and Human Rights section into the Responsible Investment Strategy. This would formally reference international humanitarian law, UN Global Compact principles and LAPFF guidance, and would introduce clearer expectations around investment manager disclosure and engagement reporting.
- 1.6 Appendix 1 sets out the Responsible Investment Statement with the Addendum on Conflict and Human rights, which has been revised following the discussion of the Pension Fund Committee on 9 September 2025.
- 1.7 The policy will be updated again after the final enactment of the Pensions Schemes Bill and the results of the 2025 triennial valuation.

2. The Role of the London Collective Investment Vehicle (LCIV)

- 2.1 On the 17 September 2025, the London CIV updated its position with regard to the Responsible Investment policies of their partner funds in a statement made to London local authority pension committee chairs, S151 officers and officers.
- 2.2 London CIV has reaffirmed that the responsibility for determining Responsible Investment policies lies with individual Partner Funds through their pension

committees. These policies are likely to remain in effect for some time after the reforms under the proposed Pension Schemes Bill are enacted and the London CIV's role is to support the implementation of these policies by managing pooled investment vehicles, overseeing fund managers, and coordinating stewardship and engagement activity.

- 2.3 Where Partner Funds make changes to their RI policies, including decisions relating to exclusions or divestment, London CIV will work to ensure that portfolios are adjusted accordingly. London CIV emphasised that its fiduciary duty is to ensure the sustainable delivery of pension benefits, while engagement is employed to promote improved governance, human rights due diligence, and responsible corporate conduct.
- 2.4 The Pool is developing a Responsible Investment matrix to help Partner Funds align policy decisions with investment options in a clear and structured manner.

APPENDIX

Appendix 1: Responsible Investment Statement 2025 and Addendum