

Responsible Investment Policy

London Borough of Harrow Pension Fund

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Introduction

The London Borough of Harrow (the “Council”), in its capacity as Administering Authority, is responsible for administering the London Borough of Harrow Pension Fund (the “Fund”).

The Council has delegated to the Pension Fund Committee (the "Committee") all the powers and duties of the Council in relation to its functions and authority. The Committee is therefore responsible for making all investment decisions regarding the Fund.

The Committee recognises that it is their fiduciary duty to act in the best financial interest of members of the Fund and to ensure that the objectives of the Fund are met. The Committee therefore aims to seek the best investment return to meet the funding objective subject to an appropriate level of risk and liquidity.

Purpose

This policy sets out the Fund’s approach to Responsible Investment (“RI”) including where responsibility lies; how environmental, social and governance (“ESG”) considerations are embedded in the Fund’s investment processes; and how the Fund stewards its investment assets in the interests of its beneficiaries.

The Committee expects the approach outlined in this policy will enhance and protect the value of its assets over the long term and is therefore consistent with its fiduciary duty. This RI Policy forms part of the Fund’s overall investment strategy, which is articulated in the Fund’s Investment Strategy Statement: <https://www.harrowpensionfund.org/resources/lb-harrow-investment-strategy-statement-2024>.

Governance

The Committee is responsible for approving this RI Policy and overseeing its implementation.

Following the Government’s Fit for the Future Consultation on the LGPS, the Fund is expected to have all assets pooled with the London CIV by 31 March 2026. While the Administering Authority retains responsibility for setting the Fund’s RI policy, the Fund will implement its RI objectives via the London CIV, which has its own RI Policy applicable to all pooled assets.

As an asset owner, the Fund works with the London CIV, which in turn appoints external asset managers and service providers. These parties play a critical role in delivering and discharging the Fund’s RI objectives.

This policy sets out the Fund’s key requirements and expectations for its appointed asset managers and service providers.

Regulatory Background

The Local Government Pension Scheme (Management and Investment of Funds) Regulations (2016) require the Fund to set out its policy on how ESG considerations are

taken into account in the investment approach, and to explain how it exercises the rights (including voting rights) attaching to investments.

Committee Beliefs and Principles

The Fund's investment strategy aims to ensure it has sufficient assets to meet pension liabilities as they fall due. The Committee has identified several RI beliefs that guide its approach.

Area	Belief
Financial materiality of ESG factors	ESG factors are financially material and integral to the Committee's decision making. Considering these factors is consistent with, and necessary to fulfil, the Committee's fiduciary duty to Fund members.
Investment time horizon	As a long-term investor, the Fund adopts an investment approach aligned with this outlook. Integration of ESG factors over this time horizon is expected to generate greater and more sustainable risk-adjusted returns. Accordingly, the Committee expects appointed fund managers to make decisions with longer-term ESG risks in mind.
Management of negative consequences	While risk and return remain central to fulfilling the Fund's fiduciary duty, wider considerations also influence investment decisions. These include the stewardship and engagement practices of investment managers appointed by the London CIV, as well as the broader social and environmental impacts of investments. In particular, the Fund seeks to be aware of and mitigate any negative environmental or social consequences arising from its investments.
Climate change	Climate change is a significant risk that may affect the Fund's ability to meet its investment return objectives over time. The Fund therefore assesses and monitors climate-related risks and opportunities, recognising the transition to a low-carbon economy.
Net zero target	The Committee has sought advice on climate risk management and has committed to managing the Fund's assets in line with a net zero target by 2050 or sooner.
Responsible Stewardship	Responsible stewardship of capital is a priority. The Committee values active engagement and expects the Fund's voting rights to be exercised fully. Fund managers are expected to engage with underlying companies to encourage continued development of sustainable business practices, transparency, and thus inform their decision making on investment selection, realisation, and retention.
Member views	The Committee recognises that Fund members may have an interest in how RI is incorporated into the Fund's investment strategy. Accordingly, the Committee will incorporate the RI policy and approach into member communication and engagement.

The Fund's RI Approach

The Committee follow the procedures below to ensure their investment strategy aligns with their RI beliefs and principles.

6.1. Committee decision making

The Committee aims to integrate consideration of ESG issues throughout all aspects of their investment decision making process, including modelling and setting investment strategy and monitoring the Fund's investment managers. They are supported in these aims through regular and ongoing input from, and engagement with, their investment advisors.

The Committee does not apply personal, ethical or moral judgments when making investment decisions. Instead, they focus on the primary objective of acting in the best financial interests of the Fund's members. With the support of their advisors, they consider the availability, suitability and depth of conviction in an idea or strategy before investing and will take into account the expected cost versus potential benefit from a scheme member's perspective in line with their fiduciary duty.

The Committee undertakes periodic training on RI to understand how ESG factors, including climate change, could impact the Fund's assets/liabilities and members' retirement outcomes.

6.2. ESG risk monitoring and assessment

The Fund's approach to monitoring and assessing ESG-related risks and opportunities includes:

Area	Approach
Monitoring of external managers' ESG integration and commitment	Ongoing monitoring of the Fund's underlying managers by the investment advisors, including detailed due diligence on their ESG integration and commitment. Where relevant, the Committee discuss and monitor the level of ESG integration of the Fund's investment managers on an ongoing basis.
Monitoring industry developments	The Fund recognise that developments will continue in this area. The Committee asks their investment advisors to highlight appropriate opportunities to invest in RI strategies for consideration.
Regular review	Immediately after each triennial Actuarial Valuation, the Fund will formally undertake a triennial review of the investment strategy. Both during these reviews and in the Fund's ongoing investment monitoring activity, the Committee will specifically consider RI issues, including the merits of strategies which seek to generate positive financial returns while also seeking to make a wider positive impact on society.
Risk register	Inclusion of ESG-related risks, including climate change, on the Fund's risk register for ongoing risk assessment and monitoring.
Adherence to regulatory	To support the Fund's risk and opportunity identification and management, as these become a requirement for LGPS funds, the Committee will make use of the recommendations of the Taskforce on

Area	Approach
reporting requirements	Climate-related Financial Disclosures (“TCFD”), since incorporated into relevant Standards of the International Sustainability Standards Board (“ISSB”).
Scenario analysis	As part of future climate reporting, consideration of qualitative and quantitative climate change scenario analysis to review the potential risks and consider mitigating action as required.
Stakeholder alignment	Expectation that the Fund’s investment managers and the London CIV understand and adhere to the RI principles, beliefs and requirements. The Committee provide their Policy to their Investment Consultant, advisors, appointed fund managers and the London CIV and ask them to confirm their adherence.
Stakeholder engagement	In the event that any fund manager, the London CIV or service provider does not meet any of the expectations listed in this policy, Officers will engage with the respective stakeholders to encourage improvements in processes, transparency or activity as required.

6.3. Expectations and monitoring of investment managers

As part of the Fund’s delegated responsibilities, the Committee expect the Fund's investment managers to take account of financially material ESG considerations (including climate change) in the selection, retention and realisation of investments.

Whilst the Fund do not expect the London CIV (and appointed investment managers) to explicitly take into account non-financial ESG considerations (e.g. exclusion of investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the UK Government), the Committee do expect transparency on these matters in order to facilitate a full understanding of the Fund’s investments.

The Fund, with the support from the investment advisors, carry out a periodic review of the ESG profile, including climate-related metrics, of the Fund’s investments. The use of third-party data, underlying manager data from the PRI, and alongside commentary from the advisor, can support the Committee in identifying areas of potential ESG risk and engagement points.

The Fund expects investment managers to align with the UK Stewardship Code Principles and PRI objectives. Where managers are not signatories to these codified principles, the Committee will assess with the London CIV how the manager is implicitly aligned as part of their monitoring.

6.4. Implementation

Where applicable, the Fund invest in assets that meet at least a minimum threshold ESG requirement, and this threshold will be reviewed on a periodic basis to ensure that it meets the evolving requirements.

The Fund recognise that new investment approaches often come to market which aim to address both the risks and opportunities presented by global challenges. The Committee will consider such new investment approaches (across all asset classes) that are raised by the

London CIV and the Fund's investment advisors and will assess the suitability of such investments within the context of the wider Fund.

The Fund expect the London CIV to be transparent in their approach, including their approach to stewardship, how they integrate ESG into their investment decision making process and consideration of social and environmental impact matters.

The Fund expect the London CIV to share their RI policy periodically, including details of their approach to stewardship, how they integrate ESG into their investment decision making process and approach to non-financial factors. When the pool appoints a new investment manager, the Committee will request them to provide confirmation that this appointment meets their RI policy.

6.5. Training

The Committee will receive training on a regular basis from the Fund's investment advisors on relevant RI matters, including but not limited to evolving regulatory requirements.

Stewardship – Voting and Engagement

The Fund regards the exercise of ownership rights, including voting rights, as a critically important activity that enhances value and supports the maintenance of a sustainable financial system in which the interests of the Fund's beneficiaries are effectively accounted for when companies make important strategic decisions.

As an asset owner that implements its investment strategy with the London CIV via appointed external asset managers, voting rights are exercised by asset managers in line with their own respective voting policies. These managers also carry out direct engagement activities with companies in which the Fund invests, on the Fund's behalf. Additionally, the London CIV pool has established voting guidelines, which it expects asset managers appointed to the pool to adhere to.

In practice, this means that the Fund is unlikely to engage directly with underlying companies in normal circumstances. Instead, the Fund's role is to ensure that as an asset owner, both the Fund and the London CIV pool have adequate arrangements in place for selecting, appointing and monitoring external asset managers and service providers to ensure that voting and engagement activities are carried out in accordance with the highest corporate governance standards and in alignment with the Interests of the Fund's beneficiaries.

For the investment chain described above to work effectively for the Fund's beneficiaries, the Fund must set clear expectations for the London CIV and appointed asset managers.

The Committee therefore expect the London CIV and asset managers to use their influence as major institutional investors to exercise their rights and duties as a shareholder including voting, along with – where relevant and appropriate – engaging with underlying investee companies. The Committee request details on an annual basis of how the Fund's investment managers are undertaking voting and engagement activity. Voting information should include details of voting actions and rationale with relevance to the Fund, in particular, where:

- votes were cast against management;
- votes against management generally were significant and
- votes were abstained

Similarly, engagement activity disclosures should be of relevance to the Fund's investments and include information on the rationale and outcome of engagement activity. The Committee will review the stewardship activities on an annual basis with input from the Fund's investment advisors and will engage with the London CIV as required.

Initiatives and Industry Collaboration

The Fund recognises that as a single asset owner, the efficacy of its individual stewardship actions should not be overstated. The Fund seeks to amplify its influence by acting in concert with other institutional investors through the London CIV where this is consistent with the Fund's fiduciary duties.

The Fund recognise that collaboration with others and support of broader initiatives can be a powerful tool to influence behaviour.

The Fund expect the London CIV and the investment managers to consider collaboration with others, as permitted by relevant legal and regulatory codes, where collaboration is likely to be the most effective mechanism for encouraging positive change at investee companies/issuers.

The Committee expect their advisors to keep them informed of relevant global and industry initiatives and may consider participating in opportunities where there is appropriate alignment with their beliefs and principles. The Fund is already a participating member of the Local Authority Pension Fund Forum ("LAPFF"), which is active in furthering RI issues across participating LGPS members.

Evolving the Fund's Approach

The Committee acknowledges that the Fund's approach to RI will need to continually evolve, due to both the changing landscape with respect to ESG issues and broader industry developments.

They are committed to making ongoing improvements to their approach and the processes that underpin the delivery of this policy and are focused on making sure that it remains relevant and appropriate for their members.

Disclosure and Reporting

The Fund is committed to transparency around its RI activities and it expects high levels of transparency from the London CIV, appointed asset managers and service providers.

The Fund commits to meeting climate-related disclosure requirements as and when these come into force.

Monitoring and Review

The Committee will review this RI Policy annually alongside the Committee's annual review of the Fund's climate-related metrics or as required in response to changing regulations or broader governance developments.

The Committee will consider how well the policy is being implemented and whether its goals and targets are being achieved. The Fund expects best practice in this area to evolve and it is committed to working with stakeholders (including the London CIV and other service providers) to ensure the Fund's approach to RI remains appropriate in the context of the Fund's investment objectives and consistent with regulatory and legal requirements.

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