

# London Borough of Waltham Forest Pension Fund (“the Fund”)

## RESPONSIBLE INVESTMENT POLICY – MARCH 2026

### 1. INTRODUCTION

At the time of writing, draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026) and associated guidance has been tabled and is expected to come into force in England and Wales later in 2026. While the regulation and guidance may be subject to change, this Responsible Investment Policy has been prepared based on the proposals set out in the draft regulation and guidance.

The London Borough of Waltham Forest Pension Fund’s Pension Committee (“the Committee”) has a fiduciary duty to act in the best interests of members. To do this effectively, the Committee recognises the importance of managing Environmental, Social and Governance (“ESG”) issues, including Climate Change, that are financially material to the Fund, both in terms of opportunities and risks. This policy sets out how the Fund manages those ESG risks and opportunities. It outlines the key principles that have been established, and our approach to considering sustainability risk and other ESG factors.

There is a growing urgency and continual regulatory development with regard to long-term sustainability issues, such as The Climate Change Act 2008 that legally binds the UK to bring all greenhouse gas emission to net-zero by 2050, and the comprehensive ‘apply and explain’ requirements for asset owners set out in the UK Stewardship Code framework. Therefore, it is imperative that ESG and stewardship (or active ownership) considerations are integrated throughout investment processes and that they are taken into account as part of funding and investment strategy setting.

Responsible Investment (“RI”) has been defined as encompassing both financial and non-financial factors, bringing together ESG factors and broader systemic issues, e.g. climate change and sustainable development, along with active ownership (stewardship and voting) as these can have a material impact on financial performance.

The Fund is required by the draft 2026 Regulations to include in the Investment Strategy Statement (ISS):

- The authority’s priorities and preferences regarding responsible investment, including how social, environmental and corporate governance considerations are to be taken into account in the selection, non-selection, retention and realisation of investments; and
- the policy on the exercise of the rights (including voting rights) attaching to investments.

This standalone Responsible Investment Policy (“RI Policy”) document sets out further details on the Fund’s approach to ESG risks and opportunities.

The RI Policy that follows has been approved by the Committee following a series of training and information events presented by the Fund’s advisers and London CIV (“LCIV”). RI issues have many facets for which authoritative and consistent sources of data are in their infancy. Seemingly simple investment changes may have unintended consequences for the operation of free markets, local communities and the environment as well as the value of the Fund’s investments.

The Fund needs to take a holistic approach that takes into account how its policies will impact all citizens and communities as well as direct stakeholders of the Fund whilst adhering to the principles of fiduciary duty.

## 2. Role and Responsibilities

The London Borough of Waltham Forest Council (the “Council”) is the Administering Authority of the Pension Fund and administers the Fund on behalf of the participating employers and members.

The Local Authority (Functions & Responsibilities) (England) Regulations 2000 (as amended), state that functions relating to the Fund are the responsibility of the full Council. The Council has delegated these functions to the Pensions Committee and to the Council’s Head of Pensions and Treasury. The Committee undertakes training on a regular basis and this will include training and information sessions on matters of social, environmental and corporate governance.

The Administering Authority has established a Pension Board in accordance with Section 5 of the Public Service Pensions Act 2013. The Board assists the Pension Fund in securing compliance with the Fund regulations and other legal and regulatory requirements.

The Fund pools its assets within the London Collective Investment Vehicle (“LCIV”). The Fund does not directly manage its investments. LCIV and/or the investment managers used by the LCIV have discretion to buy and sell investments within the various portfolios, within the guidelines of their mandates. These guidelines may include ESG considerations.

The London CIVs Responsible Investment Policy can be found here:

<https://londonciv.org.uk/block/download/7169/file>

The draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 and associated guidance, details of the roles and responsibilities of the Administering Authority and LCIV with respect to the Fund’s investment policy were set out. These are summarised below.

The Fund	LCIV
<ul style="list-style-type: none"> <li>• Aim to deliver positive real-world outcomes</li> <li>• Should consider all factors, including ESG factors, that are financially material to performance of their investments and the impact of their investments.</li> <li>• May also take non-financial considerations into account provided that doing so would not involve risk of significant financial detriment to the fund, and where they have good reason to think that scheme members would support their decision.</li> <li>• May include a preference for investments which have a positive impact as well as an acceptable financial return. AAs may also choose to indicate that a lower return on a limited proportion of their portfolio is acceptable in order to achieve ESG-related goals.</li> <li>• Partner Funds should agree on common priorities and use the collective scale of the pool to influence companies and sectors towards genuine change.</li> </ul>	<ul style="list-style-type: none"> <li>• Solely responsible for all investment management decisions.</li> <li>• LCIV must endeavour to respect the RI approach set by the Fund but this must be balanced with delivering the other objectives of the Fund.</li> <li>• Undertake stewardship activity on behalf of Partner Funds. Stewardship activities should be based on a pool-wide policy developed in discussion with Partner Funds.</li> <li>• Not appropriate to establish multiple sub-funds or other vehicles to deliver minor differences between the responsible investment strategies of different Partner Funds.</li> <li>• If a Partner Fund’s Responsible Investment Policy is impossible to implement efficiently, LCIV should prioritise implementation of the Fund’s high-level objectives and any common ground with Partner Funds.</li> <li>• High standards of corporate governance and corporate responsibility in investee companies</li> </ul>

The Fund	LCIV
<ul style="list-style-type: none"><li>• Priorities should be high-level and aligned across AAs where possible.</li><li>• Should not set exclusions for individual countries, investment styles or companies</li><li>• Should not engage in stewardship activities themselves but should expect their pool (or an organisation acting on behalf of the pool) to carry these out on their behalf.</li></ul>	<p>are important to protect and enhance the value of the assets to the benefit of LGPS funds.</p> <ul style="list-style-type: none"><li>• Stewardship and engagement should be delivered in line with a pool-wide policy developed by the pool in discussion with partner AAs.</li></ul>

### 3. RI BELIEFS

The Fund is committed to embedding RI into all aspects of the investment process and has adopted a set of Responsible Investment Beliefs as set out in the table below. These beliefs have informed the policy set out in section 4, below.

Belief	Explanation
<b>Summary</b>	ESG issues, including climate change, create material risks and opportunities which will influence long-term investment performance and the ability of the Fund to achieve its investment and funding objectives. Therefore, robust ESG and stewardship practices should be integrated throughout the investment process of the Fund. The Fund recognises that the responsible management of RI issues by LCIV is a reputationally important issue.
<b>ESG integration and broad risk management</b>	Effective management of ESG issues is a key determinant of long-term shareholder value and good risk management. Their consideration is part of the Fund's fiduciary duty to beneficiaries. The Fund therefore recognises the importance of LCIV integrating all material financial and non-financial factors, including ESG considerations, into the decision-making process for investments and the ongoing monitoring of these same issues.
<b>ESG Investments</b>	With respect to ESG Investments, the Fund recognises that there is a broad range of investment opportunities. The Fund considers investments that are expected to generate positive social and/or environmental benefits with competitive financial returns.
<b>Stewardship</b>	Good stewardship can protect and enhance value for companies and markets as a whole. The Fund is committed to being a long-term steward of the assets in which it invests. It believes in the importance of LCIV acting as an active asset owner through proactive voting and engagement with companies; either directly or via underlying investment managers which are used.
<b>Climate change risk</b>	The Fund believes that climate change presents financial risks to the Fund over the short-, medium- and long-term and that the Fund should better understand and mitigate where possible.
<b>Pooling</b>	<p>The Fund sets clear expectations to LCIV of how ESG considerations are incorporated into investment activities. LCIV should integrate ESG these into the investment process and develop a consistent policy approach to stewardship and climate change.</p> <p>The Committee will ensure that reporting provided by LCIV is appropriate in order that progress can be monitored against the RI Policy.</p> <p>The Fund recognises that the pool must endeavour to respect the RI approach set by the Fund, but this must be balanced with delivering the other objectives of the Fund.</p> <p>The ability of the pool to fully implement the Fund's Responsible Investment Priorities and Preferences is subject to the pool being able to accommodate these without running counter to the fundamental aims of pooling.</p> <p>The Fund has ongoing engagement with the pool and other participating Partner Funds with the long-term aim of being able to fully implement our Objectives, Priorities and Preferences while maintaining consistency with the fundamental aims of pooling.</p>

Belief	Explanation
<b>Ongoing commitment</b>	Responsible investment is a rapidly developing area and the Fund should commit to staying informed, developing its approach and increasing its ambition with regard to these issues.

#### 4. RI POLICY

This section sets out the RI Policy based upon the Responsible Investment Beliefs set out in section 3, above. The Fund has responsibility for setting its investment strategy and its approach to Responsible Investment, as well as Objectives, Priorities and Preferences for LCIV to take account of when taking investment management decisions.

##### Approach to Responsible Investment

The approach to Responsible Investment will be reviewed at least every valuation period to ensure it remains relevant and up to date.

The Fund recognises the systemic risk associated with climate change as well as the Council’s targets in this regard and the views and aspirations of other scheme employers and scheme members.

The Committee supports the objectives of the Paris Agreement and believes that keeping global temperature rises well below 2°C relative to pre-industrial levels is entirely consistent with the fiduciary duty of the Fund.

The Fund is a member of both the Local Authority Pension Fund Forum (LAPFF) and the Pension and Lifetime Savings Association (PLSA) and in this way joins with other LGPS Funds to magnify its voice and maximise the influence of investors as asset owners.

##### Responsible Investment Objectives

The Fund sets its investment strategy on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return.

The Fund requires LCIV to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all investment management decisions.

The Fund expects LCIV to undertake appropriate monitoring of current investments with regard to its policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund, such as corporate governance and environmental factors. The Fund expects LCIV to integrate material ESG factors within its investment analysis and decision making.

<b>Net Zero Objective</b>	<ul style="list-style-type: none"> <li>Total Fund decarbonisation target of net zero by 2050.</li> </ul>
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## Responsible Investment Priorities

### Climate Change and Net Zero

<b>Net Zero Priorities</b>	<ul style="list-style-type: none"><li>• Listed equity portfolio carbon reduction targets of net zero by 2050, 35% emissions reduction by 2025 and 60% emissions reduction by 2030 versus the 2020 baseline (in line with LCIV targets).</li><li>• Target 70% of financed emissions in material (high impact) sectors either net zero, aligned or under engagement in Listed Equities by 2026, increasing to 90% by 2030.</li><li>• Target 100% of assets in material sectors in developed Listed Equity net zero/aligned/aligning by 2030. To be extended to emerging markets by 2040.</li></ul>
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### Stewardship and Engagement

The Fund recognises the importance of LCIV's role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries.

LCIV (and any underlying investment managers) should act as active asset owners through engagement with companies where there are concerns over ESG issues. Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects LCIV to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

<b>Stewardship / Engagement Priorities</b>	<ul style="list-style-type: none"><li>• Environmental issues: including conserving energy, promoting alternative energy sources, recycling, avoiding pollution and using environmentally friendly and sustainable resources</li><li>• Human rights: including child labour issues in foreign subsidiaries of UK companies or operations in countries with oppressive regimes</li><li>• Employment standards: including equal opportunities, health and safety, trade union recognition and employee participation</li></ul>
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Furthermore, where this is consistent with the agreed investment strategy, the Fund will aim to invest in assets that positively address these same environmental, social and governance policy issues.

LCIV's Stewardship Policy can be found here: <https://londonciv.org.uk/block/download/6923/file>

The Fund expects LCIV to follow good practice and use its influence as a major institutional investor and long-term steward of capital to promote good practice in the investee companies and markets to which the Fund is exposed. LCIV (and any underlying investment managers) should exercise their rights as owners of investments to actively participate in company level decisions tabled as shareholder votes at General Meetings.

## Responsible Investment Preferences

The Fund generally supports a policy of engagement over divestment. However, the Fund targets the exclusions set out in the table below.

<b>Exclusion Preferences</b>	<ul style="list-style-type: none"> <li>• <b>Fossil Fuels</b> - issuers whose primary business is directly involved in extracting, processing or transporting coal, oil or natural gas (“fossil fuels”).</li> <li>• <b>Weapons / Arms</b> - defined by London CIV’s exclusions policy with maximum revenue thresholds as follows: Controversial Weapons (0%*), Small arms (5%*), Integral military weapons (5%*), Weapon-related military contracting (5%*).</li> <li>• <b>Human Rights Abuses</b> – issuers who are officially listed as breaching human rights / international law in conflict zones; defined as those included on the United Nations Human Rights Office of the High Commissioner’s (“OHCHR”) database.</li> </ul>
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*\*London CIV use a 5% threshold for some weapons categories because involvement between 0–5% is usually “noise” (trace or unverified links).*

When seeking to define their Exclusion Preferences, the Committee has taken advice to ensure that adopting the preferred exclusions would not materially impact the financial performance of the Fund.

The ability to implement the Committee’s Exclusion Preferences is subject to appropriate investment vehicles available through London CIV. While no investment vehicles currently exist that would allow the Fund to implement the Weapons and Human Rights Abuses exclusions, London CIV are working with Partner Funds to agree a consistent set of exclusions which would allow London CIV to launch a fund with sufficient critical mass. Once launched this would allow the Weapons and Human Rights Abuses exclusion preferences to be implemented within the Fund’s Developed Equity Portfolio without materially impacting the financial performance of the Fund.

Officers and the Committee will continue to engage with London CIV to seek to broaden the implementation options across other asset classes (e.g. Emerging Market Equity) so that the Exclusion Preferences can be implemented across the Total Fund without impacting the financial performance of the Fund. The Committee acknowledge the ability of the pool to fully implement the Fund’s Responsible Investment Priorities and Preferences is subject to the pool being able to accommodate these without running counter to the fundamental aims of pooling.

Officers expect London CIV to report regularly on any exposure that is inconsistent with the Fund’s Exclusion Preferences.

## 5. IMPLEMENTATION

### ESG integration and broad risk management

LCIV are responsible for implementing the Fund’s investment strategy and all investment management decisions. This RI Policy serves as one component of the Committee’s guidelines for this strategy implementation.

Assurance will be sought through engagement with LCIV and as part of ongoing reporting and presentations that LCIV are appropriately integrating ESG into its investment processes and decision making.

### Stewardship - voting rights and engagement

The exercise of voting rights is delegated to LCIV and underlying investment managers, on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value.

LCIV and any underlying investment managers are expected to produce written guidelines and policies outlining their own stewardship process and practices (including voting and engagement). They are encouraged to vote in line with their respective guidelines, in respect of all resolutions, at annual and extraordinary general meetings of companies. As part of its monitoring process, the Fund reviews such guidelines and policies and ensures that the practices adopted are aligned with the Fund's own Responsible Investment Beliefs.

The Fund supports the principles of the Financial Reporting Council's UK Stewardship Code framework, and it expects LCIV to be signatories.

When it comes to engagement, LCIV and any underlying investment managers are expected to engage in constructive dialogue on behalf of the Fund and to use their influence to encourage companies to adopt best practice in key areas.

The Fund has delegated responsibility for voting rights to LCIV. LCIV's Voting Guidelines can be found here: <https://londonciv.org.uk/block/download/6985/file>

### **Climate change**

Comprehensive analysis is undertaken on a frequent basis to monitor the carbon footprint and transition alignment of assets for which there is available data. The Committee has adopted interim decarbonisation targets (outlined in section 4) for the equity portfolio. The scope of the analysis will be expanded to the other parts of the portfolio in due course, which will facilitate the setting of additional granular targets across decarbonisation and alignment.

Analysis has also been undertaken on multiple climate change scenarios with different warming outcomes that may have implications for the Fund's future asset allocation, which is intended to be repeated on a broadly triennial basis, or following a material change in investment strategy.

**For and on behalf of the London Borough of Waltham Forest Pension Fund Committee**

**March 2026**