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Investment Strategy Statement

London Borough of Havering Pension Fund

September 2026

Havering
LONDON BOROUGH

1. Introduction

This is the Investment Strategy Statement ("ISS") of the London Borough of Havering Pension Fund ("the Fund"), which is administered by Havering Council ("the Administering Authority"). The ISS is made in accordance with the Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 and the statutory guidance on preparing and maintaining an Investment Strategy Statement.

The Council has delegated the responsibility for exercising the functions of the Administering Authority in relation to investment matters to the Pension Fund Committee ("the Committee"). The Committee's responsibilities, terms of reference and delegated powers are set out in the Council's Constitution.

The ISS has been prepared by the Committee in the context of the Fund's Funding Strategy Statement ("FSS"), having taken advice from its asset pool, London CIV, and its investment consultant, Hymans Robertson. In preparing this ISS, the Committee has considered advice covering the high-level investment objectives, strategic asset allocation, risk approach, cash-flow requirements, responsible investment, stewardship, local investment and implementation considerations.

This ISS, which was approved by the Committee on 29 September 2026, is subject to periodic review from time to time and, in any event, within 18 months of each valuation date.

In reviewing the ISS, the Fund has formally consulted with employers, scheme members, and the Greater London Authority.

2. Regulatory and Governance Framework

2.1. Regulatory Background

In accordance with Regulation 11 of the LGPS Regulations 2026, the investment strategy must include the following:

a) a requirement to invest fund money in a wide variety of investments
b) the authority's high-level financial objectives
c) the authority's approach to risk, including the ways in which risks are to be assessed and managed
d) 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
e) the authority's policy on the exercise of the rights (including voting rights) attaching to investments
f) a high-level objective on local investments including a target range for those investments as a proportion of the total value of the pension fund,
g) a high-level strategic asset allocation.

2.2. Governance Arrangements

The Pensions Committee has the fiduciary responsibility for the management of the Fund, including investment strategy, funding, risk management and oversight of pooling arrangements. Day-to-day operational responsibilities are delegated to senior officers.

In accordance with the LGPS Regulations 2026, the Local Pension Board assists the Administering Authority in ensuring compliance with relevant legislation, regulations and guidance, and maintaining effective and efficient governance of the Fund. The Local Pension Board is engaged during the formulation and review of the ISS and provides oversight and challenge to support the development of the Fund's investment strategy, including consideration of employer and member perspectives.

2.3. Role of the LGPS Senior Officer

The LGPS Senior Officer supports the Pension Committee and Local Pension Board by providing professional advice, coordinating implementation of the Fund's investment strategy by the asset pool, and overseeing ongoing monitoring arrangements.

The Officer is also responsible for maintaining the ISS in line with relevant regulations and guidance, and for supporting the Committee in fulfilling its responsibilities under the Fund's pooling arrangements.

2.4. Asset Pooling and the Role of London CIV

The Administering Authority is a shareholder and participating fund in the London CIV asset pool, an FCA authorised Alternative Investment Fund Manager (CIV) operating a UK Authorised Contractual Scheme (ACS Fund).

Since 30 June 2026, all Fund assets are required to be invested and managed by London CIV. The Administering Authority remains responsible for setting the Fund's high-level investment strategy including the strategic asset allocation. London CIV is responsible for implementation under the terms of the agreed Investment Management Agreement, including manager selection, fund construction, portfolio management and rebalancing within the agreed tolerance ranges.

3. Fund objectives

The primary objective of the Fund is to provide pension benefits to scheme members on a defined benefit basis, including benefits to dependants in the event of a member's death before or after retirement.

LGPS benefits are funded through contributions from scheme members and employers, together with the investment returns generated on the Fund's assets. Scheme member contribution rates are set nationally by central government in accordance with the LGPS Regulations. Employer contribution rates are determined by the Fund Actuary at each triennial actuarial valuation, in line with the Funding Strategy Statement (FSS), to ensure that future benefit costs can be met. The funding position is also reviewed as part of each valuation and may be assessed more frequently where there are material changes in the Fund's circumstances.

3.1. Relationship with the Funding Strategy Statement

The Committee aims to ensure the Fund is appropriately funded such that, over the long term, the investment strategy is expected to generate sufficient returns for the Fund's assets to meet all accrued liabilities, while employer contribution rates are set at a level consistent with meeting the cost of future benefit accrual.

In setting the investment strategy, the Committee has regard to the Fund's FSS, including the funding position, liability profile and expected pattern of future cashflows.

4. High-Level Investment Objectives

The Committee has established the following high-level investment objectives to provide a framework for setting and implementing the Fund's investment strategy. These objectives are aligned with the to the FSS and are intended to:

- support the long-term payment of pension benefits,
- maintain an appropriate balance between risk and return,
- ensure sufficient liquidity is available to meet benefit payments and expenses
- support contribution rate stability where reasonably possible

The high-level investment objectives are set out below:

Returns objective – to achieve a long-term return of at least 5.5% per annum.

Risk objective – to invest in such a way that the funding level is maintained above 100% with at least a 75% likelihood over a 20-year horizon. The investment strategy should aim to achieve this with expected forward-looking volatility of returns of 10 – 12% per annum. in normal market conditions.

Cashflow objective – to ensure the level of income generated by investments is appropriate in the context of the Fund's overall cashflow position, consistent with the Fund's Cashflow Policy.

Local Investment objective – to invest up to 10% of fund assets in local assets which have quantifiable benefits to the London Borough of Havering of the authority and geographical area of the pool.

5. Investment Beliefs

The Committee has established a set of investment beliefs which provide the framework for developing and implementing the Fund's investment strategy. These beliefs reflect the Fund's long-term objectives, funding requirements and fiduciary responsibilities and are considered when making strategic investment decisions.

The Committee believes that:

- The primary purpose of the investment strategy is to deliver the long-term risk-adjusted returns required to pay pension benefits as they fall due.
- Clear and well-defined objectives are essential to reflect the Funds long-term strategic direction of travel and to help build a plan for achieving these objectives.
- The Fund and its liabilities are long-term in nature, and the Committee supports long term investing as a means of enhancing returns, reducing transaction costs, encouraging improved governance and delivering stable contribution rates.
- Diversification across asset classes, sectors and sources of return can improve the risk-adjusted characteristics of the portfolio.
- Maintaining adequate liquidity is an important consideration in ensuring that pension benefits can be paid when due.
- Active management can add value to overall investment performance over long investment horizons.
- Benchmarks matter, particularly where they dictate the manner in which assets are invested.
- Environmental, social and governance factors can be financially material to long-term investment performance and should be considered as part of the investment process. However, excluding assets from portfolios for non-financial reasons is unlikely to be appropriate in the majority of circumstances.
- Effective stewardship and active ownership can help protect and enhance long-term shareholder value.

- Climate change and the expected transition to a low carbon economy represents a long-term financial risk to Fund outcomes and should be considered as part of the Committee's fiduciary duty.
- Working collaboratively with the Fund's asset pool can improve efficiency, deliver economies of scale and strengthen stewardship and responsible investment outcomes.
- Decision making can be improved through the greater disclosure of information, and the Fund should both support and demonstrate high standards of disclosure.

These beliefs are reviewed periodically and may be updated where appropriate to reflect changes in the Fund's circumstances.

6. Strategic Asset Allocation

6.1. Investing Fund Money in a Wide Variety of Investments

The Committee seeks to ensure that the Fund's investments are appropriate, well understood, and consistent with the knowledge and skills requirements set out in relevant legislation. In doing so, the Committee will have regard to the suitability of investments in the context of the Fund's objectives, risk profile, and liabilities.

In particular, the Committee will consider investments that:

- are sufficiently understood by the Committee, having regard to the knowledge and skills requirements set out in legislation;
- are consistent with the Fund's risk and return objectives;
- make a meaningful contribution to the portfolio by improving overall return and/or risk characteristics and;
- support diversification through exposure to a broad range of asset classes.

The Fund may invest in both public and private global markets. This includes a wide variety of asset classes such as equities, fixed income, cash, property, infrastructure, and other alternative asset classes.

6.2. Strategic Asset Allocation

The Committee determined target allocations to each asset class which it believes to be best suited to meeting the long-term objectives of the Fund. The target asset allocations and tolerance ranges are shown in Table 1.

Table 1: Strategic Asset Allocation

Asset Class	Strategic Asset Allocation	Tolerance Range (+/- %)
Listed Equity	40.0%	35% - 45%
Private Equity	2.5%	0% - 5%
Private Credit	10.0%	7.5% - 12.5%
Property	12.5%	10% - 15%
Infrastructure	12.5%	10% - 15%
Other alternatives	10.0%	7.5% - 12.5%
Credit	10.0%	7.5% - 12.5%
UK Government Bonds	2.5%	0% - 5%
Investment Cash	0.0%	0% - 5%

6.3. Rationale for the Strategic Asset Allocation

The strategic asset allocation has been developed having regard to the Fund's funding objectives, funding position, liability profile, risk appetite, cashflow requirements and investment beliefs, together with advice from the asset pool and other professional advisers.

Based on the assumptions adopted when setting the investment strategy, the strategic asset allocation was expected to generate a return of approximately 7.7% per annum over the long term, compared with the Fund's return objective of 5.5% per annum. The Committee believes this provides an appropriate margin above the return objective to support the achievement of the Fund's funding objectives whilst taking an acceptable level of investment risk.

The strategic asset allocation provides an appropriate balance between growth assets, which are expected to generate returns over the long term, and income-generating and defensive assets, which help support liquidity requirements and reduce overall portfolio risk.

6.4. Rebalancing Framework

The Fund has delegated responsibility to London CIV for managing asset allocation within the tolerance ranges set out above, subject to implementation and liquidity constraints. London CIV will discuss any planned rebalancing activity with Fund officers as part of ongoing implementation discussions.

7. Local Investment

In accordance with the LGPS Regulations 2026, the Fund has set a local investment objective as one of its four high-level investment objectives.

The Fund recognises that local investment can contribute to economic, social and environmental benefits within areas connected to the Fund and the wider asset pool, while also providing opportunities to generate appropriate risk-adjusted investment returns. The Fund's primary objective remains the payment of pension benefits as they fall due and any local investment objective is therefore pursued within the context of the Fund's fiduciary duties and overall investment objectives.

The Fund has taken account of advice from both its asset pool and its appointed investment consultant, Hymans Robertson, when developing its local investment objective and will work collaboratively with the pool and partner funds to identify suitable investment opportunities capable of delivering both financial and local impact outcomes.

7.1. Target Area for Local Investments

For the purposes of this ISS, the Fund defines “local investment” as investments made within, or for the benefit of persons living or working within the geographical area covered by the Fund’s asset pool, London CIV, including the London Borough of Havering, with a focus on supporting local employment and housing related outcomes, where consistent with the Fund’s fiduciary duty.

7.2. Target allocation to local investments

The Fund has established a target allocation of up to 10% of total invested assets to local investments.

This target range reflects the Fund's long-term objective of supporting investment within the target area while maintaining an investment strategy that remains consistent with the Fund's overall funding and investment objectives.

The Fund recognises that suitable opportunities may not always be available and therefore the target range should be viewed as a long-term objective rather than a short-term requirement. The Fund does not expect the asset pool to invest in unsuitable assets solely to achieve the target allocation range.

7.3. Return and Risk Considerations

The Fund expects local investments to make a positive contribution towards the achievement of the Fund's long-term investment objectives and funding requirements.

When considering local investment opportunities, the Fund will generally prefer investments that are expected to generate appropriate risk-adjusted returns that align with its long-term return objective and supports portfolio diversification. Local investments should contribute positively to the Fund’s overall balance of risk and return.

7.4. Role of London CIV

London CIV is responsible for identifying, evaluating and implementing suitable local investment opportunities consistent with the Fund's local investment objective and wider investment strategy.

The Fund will retain responsibility for setting its high-level local investment objective, target range and desired outcomes. London CIV will retain responsibility for investment selection, due diligence, portfolio construction and implementation.

The Fund expects London CIV to take all reasonable steps to implement the local investment objective whilst ensuring that investment decisions remain consistent with regulatory requirements, fiduciary duties and the Fund's overall investment strategy.

8. Risk Management

The Committee recognises that the Fund needs to take on risk such as, investing in growth assets, in order to achieve its funding objectives. To address this, it has established an active risk management program to identify, measure, monitor, and, where possible, minimise the risks involved.

The main risks impacting the Fund are outlined below, together with the measures in place to manage them and the current contingency arrangements.

8.1. Funding-related risks

Financial mismatch

The risk that the Fund's assets will fail to grow at the same rate as the cost of meeting future liabilities. The Fund's strategic asset allocation was set based on asset-liability modelling, which takes into account the probability of success and the level of downside risk. Additionally, the Committee carries out a strategic review following the completion of an actuarial valuation exercise.

Longevity risk

The risk that scheme participants will live longer than expected. This risk is carefully considered in each actuarial valuation exercise, and the assumptions used in any analysis and modelling are thoroughly examined.

Inflation risk

The risk that actual inflation exceeds expectations, increasing pension liabilities and potentially reducing the Fund's funding level. The Committee has set a strategic asset allocation taking into account asset-liability modelling and actuarial advice. The Committee has set the strategic asset allocation taking into account the asset-liability modelling and actuarial advice. It includes a diversified range of asset classes, including assets expected to provide some long-term protection against inflation.

Interest rate risk

The risk that changes in interest rates affect the value of liabilities and lead to adverse movements in the Fund's funding position. The Committee regularly reviews the Fund's funding position and performance of the investment strategy on a quarterly basis. London CIV monitors market and portfolio risks and provides regular reporting as part of the Quarterly Performance Report to support the Committee's oversight of the Fund's exposure to interest rate movements.

8.2. Asset-related risks

Concentration risk

The risk that a significant allocation to any single asset category, and its underperformance relative to expectations, could result in challenges in meeting the Fund's objectives. To mitigate this risk, the Committee has set a diversified strategic asset allocation that invests in a wide range of assets.

Illiquidity risk

The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets. To address this risk, the Committee has allocated a portion of the Fund's portfolio to liquid asset classes, such as global publicly listed equities and credit. Additionally, the Fund can opt to receive income distributions from certain investments and regularly reviews its cashflow forecasts.

Currency risk

The risk that foreign currency fluctuations may affect the value of the Fund's foreign denominated assets relative to Sterling. To manage this risk, the Committee has decided to hedge 50% of the Fund's global equity exposure to protect the value of these investments in Sterling and reduce the volatility caused by exchange rate movements. The currency hedge is implemented by the appointed investment manager.

Environment, social and governance (ESG) risk

The risk that ESG-related factors might impact the Fund's ability to generate long-term sustainable returns. Further detail on the Fund's general policy on integrating ESG considerations into its investment strategy is outlined later in this document.

9. Responsible Investment

9.1. Fund's approach to responsible investment

The Fund is committed to being a responsible investor and long-term steward of its assets. The Committee recognises that environmental, social and governance (ESG) factors can be financially material to long-term investment performance and, accordingly, these factors are incorporated into the development of the Fund's investment strategy, alongside other relevant financial considerations.

The Fund believes that effective consideration of financially material ESG factors can contribute to improved risk-adjusted returns and support the long-term sustainability of the Fund.

The primary objective of the Fund remains the payment of pension benefits as they fall due. Accordingly, the Fund's approach to responsible investment is implemented in a manner consistent with its fiduciary responsibilities, funding objectives and long-term investment strategy.

9.2. Responsible Investment Beliefs

The Fund recognises that a range of factors, including environmental, social and governance (ESG) factors, can influence the return from investments. The Fund will therefore invest on the basis of financial risk and return, having considered a full range of factors contributing to financial risk, including ESG factors, to the extent that these directly or indirectly impact on financial risk and return.

The Fund recognises that climate change is a systemic risk with the potential to directly impact economic, financial and social systems. The Fund has developed a climate policy which sets out its long-term ambitions in addressing climate risk and the actions that the Fund will take to

align its investments with the transition to a low carbon economy. The Committee reviews its responsible investment beliefs periodically to ensure they remain relevant to the Fund's objectives and evolving market practices.

9.3. ESG Integration

In making investment decisions, the Fund seeks and receives proper advice from internal officers and external advisers with the requisite knowledge and skills.

The Committee expects London CIV to take account of the Fund's climate policy in the implementation of the Fund's investment strategy. The Committee also expects London CIV to integrate all material financial factors, including corporate governance, environmental, social, climate and ethical considerations, into the decision-making process for all Fund investments.

The Fund expects London CIV to undertake appropriate monitoring of underlying investments with regard to the 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 will engage with London CIV to understand what actions have been taken during regular review meetings.

The Fund expects that responsible investment considerations will form a component of the manager selection decisions undertaken by London CIV. The Fund will also encourage London CIV to adopt best practice standards in the evaluation and monitoring of managers employed for investment.

9.4. Voting rights & Stewardship

The Committee recognises that, as its equity assets are invested in pooled vehicles, it remains subject to the voting policies of the investment managers of these vehicles. Investments through London CIV are covered by the voting policy of London CIV, which has been agreed by the Pensions Sectoral Joint Committee. In respect of the Fund's investments outside London CIV, the Committee expects investment managers to use voting power with the objective of preserving and enhancing long-term shareholder value.

The Committee recognises the importance of its 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 Committee recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries.

The Committee has a commitment to actively exercising the ownership rights attached to its investments, reflecting the Committee's conviction that responsible asset owners should maintain oversight of the companies in which they ultimately invest.

Effective monitoring and identification of ESG 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 London CIV to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes. Where appropriate, the Fund will work with London CIV to promote collective engagement on behalf of all investors.

As the majority of Fund assets are invested through pooled vehicles, voting rights will generally be exercised by London CIV and/or its appointed investment managers on

The Fund will review voting and engagement activity periodically and may engage with the asset pool where it believes stewardship activity is not aligned with the Fund's long-term interests or responsible investment priorities.

9.5. Collaboration with London CIV

The Fund will work collaboratively with London CIV and other participating funds where appropriate to:

- share responsible investment priorities;
- support the development of pool-wide responsible investment initiatives;
- maximise stewardship impact through collective engagement; and
- benefit from the scale and resources available through the asset pool.

The Committee will receive regular reporting from London CIV on responsible investment matters and will review its approach periodically to ensure continued alignment with the Fund's objectives and investment beliefs.

10. Review & Consultation

The Committee will review this ISS from time to time and, in any event, within 18 months of each valuation date. The Committee may also review the ISS at any other time where it considers that significant changes to the Fund's circumstances, funding position, investment strategy, regulatory framework or pooling arrangements warrant a review.

When reviewing or revising the ISS, the Committee will consult such persons as it considers appropriate, including participating employers, scheme member representatives, the Local Pension Board and, where applicable, the relevant strategic authority. The Committee will also take advice from its asset pool as required by the Regulations.

Following approval, the ISS (and any subsequent revisions) will be published on the Fund's website and brought to the attention of relevant stakeholders.