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AT A MEETING of the Hampshire Pension Fund Panel and Board of HAMPSHIRE COUNTY COUNCIL held at Ashburton Hall, Ell Court, Winchester on Friday, 25th March, 2022

PRESENT

Chairman:

* Councillor Mark Kemp-Gee

Vice-Chairman:

* Councillor Tom Thacker

Elected members of the Administering Authority (Councillors):

* Councillor Alex Crawford	* Councillor Andrew Joy
* Councillor Alan Dowden	* Councillor Derek Mellor
* Councillor Jonathan Glen	* Councillor Rob Mocatta
* Councillor Dominic Hiscock	

*Present

Co-opted members

Employer Representatives (Co-opted members):

Cllr Cal Corkery, Employer Representative - Portsmouth City Council

Cllr Rob Harwood, Employer Representative - Southampton City Council

Cllr Paul Taylor, Employer Representative - HLOWLGA

* Liz Bartle, Employer Representative - Other Employer

Scheme Member Representatives:

* Dr Clifford Allen, Scheme Member Representative - Pensioner Member

Sarah Manchester, Scheme Member Representative Substitute

* Neil Wood, Scheme Member Representative - Active Member

Lindsay Gowland, Scheme Member Representative - Deferred Member

Also present with the agreement of the Chairman: Councillor Drew as an observer

Broadcast Announcement

The Chairman announced that the press and members of the public were permitted to film and broadcast the meeting. Those remaining at the meeting were consenting to being filmed and recorded, and to the possible use of those images and recording for broadcasting purposes

50. APOLOGIES FOR ABSENCE

Councillor Harwood, Ms Gowland and Mrs Manchester sent their apologies.

51. DECLARATIONS OF INTEREST

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare

that interest at the time of the relevant debate and, having regard to the circumstances described in Part 3 Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Personal interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 4 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with the Code.

52. **CONFIRMATION OF MINUTES (NON-EXEMPT)**

The minutes of the Pension Fund Panel and Board held on 10 December 2021 were confirmed.

53. **DEPUTATIONS**

The Panel and Board received a deputation from Ms. Wendy Waghorn representing the Dirty Money Campaign. Ms. Waghorn began by thanking the Pension Fund for their revised decarbonisation plans and her group appreciated the commitment the Fund was showing. She thanked the Pension Fund for listening to her group's previous deputations concerning this subject.

Ms. Waghorn said that the Hampshire Pension Fund's attitude toward Responsible Investment (RI) has transformed in the past five years and its approach is now consistent with current good practice in this area, putting Hampshire in the top tier of schemes in the country.

However Ms. Waghorn asked the Pension Fund to go further; amending its proposed commitment to the goals to the Paris Agreement, from a 'well below 2 degrees Celsius' temperature rise, to be a 1.5-degree warming limit, explaining that this is supported by a number of leading voices.

Ms. Waghorn suggested that instead of the Pension Fund's proposal to join the Institutional Investor Group on Climate Change, it should join the Asset Owner Alliance, which is more robustly committed to a 1.5 degree warming limit. Ms. Waghorn made the following specific amendments to the Pension Fund's proposed new RI policy:

- add "developing and implementing a plan to meet the Pension Fund's net-zero-by-2050 commitment" to its RI priorities,
- formalise the net-zero commitment through becoming a signatory to the Net Zero Asset Owner Alliance. Or, as a stepping stone, become a signatory to the Institutional Investors Group on Climate Change's (IIGCC) Paris Aligned Investment Initiative,
- change the new investment belief to reference 1.5 degrees not 'well below 2 degrees'.
- broaden the focus to include deforestation.

Ms. Waghorn concluded by again thanking the Pension Fund, stressing that combating climate change needed maximum ambition, which she and her group would not give up on.

Cllr Kemp-Gee thanked Ms. Waghorn for her deputation.

54. CHAIRMAN'S ANNOUNCEMENTS

The Chairman began by stating his dismay about Russia's invasion of Ukraine and that we stand shoulder to shoulder with the people of the Ukraine. He highlighted that the Pension Fund and the ACCESS pool have been proactive and had both published statements on this issue.

Cllr Kemp-Gee continued by inviting any members of the committee to share any recent highlights from their training:

- Dr Bartle thanked the Pension Fund's officers for the recent cyber risk training, which she and other Members thought was very effective.
- Cllr Dowden shared that he attended a recent Federated Hermes events which had good coverage of environmental, social and governance (ESG) issues.

55. RESPONSIBLE INVESTMENT SUB-COMMITTEE MINUTES - 4 MARCH 2022

The minutes of the RI sub-committee meeting held on 4 March 2022 were received.

56. ACCESS JOINT COMMITTEE MINUTES 6 DECEMBER 2021

The minutes of the ACCESS Joint Committee (JC) meeting held on 6 December 2021 were received.

57. GOVERNANCE: ACCESS BUSINESS PLAN

The Panel and Board considered the report from the Director of Corporate Operations (Item 8 in the Minute Book) including the ACCESS Business Plan for 2022/23, which had been agreed and recommended for approval to the member authorities by the ACCESS Joint Committee.

The budget for ACCESS for 2022/23 was £1.37m, of which Hampshire's equal share would be £124,000.

RESOLVED:

- (a) That the ACCESS Business Plan for 2022/23 was approved.

58. **GOVERNANCE: PENSION FUND PANEL AND BOARD MEETINGS**

The Panel and Board considered the report from the Director of Corporate Operations (Item 9 in the Minute Book) reviewing the committee's meeting requirements following the first year of changing the calendar of meetings. During 2021/22 the Panel and Board had met four times as planned. The Panel and Board had received all the necessary governance and investment papers required for the management of the Pension Fund. In addition, six virtual investment manager briefings had been held this year. These briefings had been well attended with 50-75% attendance. Virtual meetings had reduced the travel requirements for both Members and the Fund's investment managers.

The Director highlighted that historically concerns were raised that the number of Panel and Board meetings reduced the opportunities for interactions with scheme members. There had been a single deputation made to each of the committee's meetings this municipal year. Within the County Council's deputation rules there remains significant further capacity for more deputations and the number of Panel and Board meetings is not a constraint.

It has been reported that 20,000 scheme members (of a total of 183,000 members) are 'disenfranchised' because they are not Hampshire residents and therefore cannot make a deputation to the Panel and Board. Further investigation will take place on the required governance to amend the deputation rules specifically for the Pension Fund Panel and Board.

The Director reported that at its latest meeting on 7 March 2022 the ACCESS JC agreed to invite observers to Joint Committee meetings on a rotational basis, allowing two observers from each Local Pension Board to be in attendance in person at least once each a year. Observers from Local Pension Boards are intended to further assist ACCESS with the assurance of transparent reporting and to demonstrate the effective implementation of local investment strategies by the JC on behalf of the Councils. The Panel and Board will be kept up to date on when the arrangements for Local Pension Board observers will begin and when representatives from Hampshire will be invited.

RESOLVED:

- (a) That the current schedule of four quarterly meetings of the Pension Fund Panel and Board and separate investment manager briefings remains in place.
- (b) That the investment manager briefings remain virtual but the option is available for face-to-face meetings by exception.
- (c) That the ACCESS Joint Committee arrangements to invite two observers from each of the Councils' Local Pension Boards at least once a year are noted, and that the Scheme Member and Employer representatives on the Panel and Board are asked to agree amongst themselves who will take the first invitation at being Hampshire's observers.

59. INVESTMENTS: UPDATE TO THE RESPONSIBLE INVESTMENT POLICY

The Panel and Board considered the report from the Director of Corporate Operations (Item 10 in the Minute Book) introducing proposed amendments to the Pension Fund's Responsible Investment (RI) policy. The Director presented a draft of the RI policy including updates based on feedback received from the RI consultants Minerva and key areas that have been brought out in Members' discussions and representations from scheme members. The most significant additions to the policy are:

- that the Pension Fund supports the objectives of the Paris Agreement, and believes that keeping a global temperature rise this century to well below 2°C relative to pre-industrial levels is entirely consistent with securing strong financial returns;
- to address Climate Change there needs to be a transition to a low carbon economy, but that must be an orderly transition that is inclusive and does not leave anyone behind – this is referred to as a Just Transition; and
- that the Pension Fund commits to the aim for its investments to have net-zero greenhouse gas emissions by 2050.

The Director reminded the committee it had been reported by Friends of the Earth that the Pension Fund had £136m of investments in fossil fuel companies. This figure was based on the Carbon Underground 200 index, which only includes companies owning reserves of fossil fuels, and not in wider supply chain for example in processing or selling fossil fuels. With the assistance of its investment managers the Pension Fund has reviewed its exposure to fossil fuels and renewable energy based on a fuller definition. As at 31 December 2021 the Pension Fund was valued at £9.9bn; £323m (3.3%) was invested in renewable energy and £214m (2.2%) was invested in fossil fuel companies.

The Director shared a draft of the Fund's third annual RI update for scheme members, prepared on the basis of the proposed changes to the RI policy. The RI update contains an explanation of why the Pension Fund continues to not believe in disinvesting from fossil fuel companies which is also listed as follows. It is hoped this will improve dialogue with scheme members.

- Transitioning to a lower carbon economy needs to be managed carefully to ensure that it is a Just Transition - that the benefits of a low carbon economy transition are shared widely.
- Some fossil fuel companies are playing an important role in the transition to a lower carbon economy and these companies need support from investors.
- If the Pension Fund sells its shares in fossil fuel companies, it will lose its ability to engage with those companies. The investors that would buy these shares may not choose to engage with these companies.

The Director presented figures showing the Pension Fund's very small investments in thermal coal. Thermal coal is the greatest challenge for the Fund's RI policy and the proposed aim for net-zero by 2050 due to the very high carbon emissions and lack of possible transition to lower carbon alternatives,

therefore in spite of the very low current investment in thermal coal, following the agreement of the RI sub-committee it was recommended that the Fund works to remove this exposure from the Fund's portfolios and this is included in the RI policy.

It is 3 years since the Pension Fund consulted on its RI policy and so given the changes proposed the Director recommended that the Pension Fund consults with its stakeholders on what they consider should be the Fund's priorities when considering RI. It is proposed that the consultation would run from 4 April to 31 May 2022 and the results will be reported to the Pension Fund Panel and Board on 28 July 2022 with a recommendation on finalising the policy at that point.

RESOLVED:

- a) The proposed updates to the Responsible Investment policy were agreed for consultation with scheme members and employers.
- b) That the annual Responsible Investment update is published.
- c) That a further tranche of work from the Responsible Investment consultants, MJ Hudson (formerly MJ Hudson Spring), is commissioned to again review the Pension Fund's investment portfolios and produce a plan for meeting the 2050 net-zero aim.

60. **EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED:

That the public be excluded from the meeting during the following items of business, as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would be disclosure to them of exempt information within Paragraphs 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the reports.

61. **CONFIRMATION OF THE EXEMPT MINUTES OF THE PREVIOUS MEETING**

The exempt minutes of the Pension Fund Panel and Board held on 10 December 2021 were confirmed.

62. **RESPONSIBLE INVESTMENT SUB-COMMITTEE - 4 MARCH 2022 - EXEMPT MINUTES**

The exempt minutes of the RI sub-committee held on 4 March 2022 were noted.

63. **ACCESS JOINT COMMITTEE - 6 DECEMBER 2021 - EXEMPT MINUTES**

The exempt minutes of the ACCESS Joint Committee held on 6 December 2021 were confirmed.

64. **INVESTMENTS: PENSION FUND'S CUSTODIAN PERFORMANCE REPORT**

The Panel and Board received an exempt report of the Director of Corporate Operations (Item 15 in the Minute Book) on the Pension Fund's custodian. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

65. **INVESTMENT - INVESTMENT UPDATE**

The Panel and Board received an exempt report of the Director of Corporate Operations (Item 16 in the Minute Book) on the progress on the Pension Fund's investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

66. **INVESTMENTS - ALTERNATIVE INVESTMENTS PORTFOLIO UPDATE**

The Panel and Board received an exempt report of the Director of Corporate Operations (Item 17 in the Minute Book) on the progress on the Pension Fund's alternative investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

Chairman,

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