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AT A MEETING of the Hampshire Pension Fund Responsible Investment Sub-Committee of HAMPSHIRE COUNTY COUNCIL held at the Castle, Winchester on Friday, 4th March, 2022

Chairman:

* Councillor Mark Kemp-Gee

Councillor Tom Thacker
Councillor Alan Dowden
* Councillor Derek Mellor

Councillor Dominic Hiscock
* Councillor Andrew Joy

Employer Representative (Co-opted Member):
Liz Bartle

Scheme Member Representative (Co-opted Member):
Lindsay Gowland (deferred scheme member representative)

13. **APOLOGIES**

Councillors Dowden and Thacker sent their apologies.

14. **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 Non-Pecuniary interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 2 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.

15. **MINUTES**

The minutes of the Pension Fund Responsible Investment Sub-Committee held on 7 September 2021 were confirmed.

16. **DEPUTATIONS**

Dr Christelle Blunden spoke on behalf of a group of Southampton-based pension fund members deeply concerned about climate-related financial risk. The group were encouraged that the sub-committee's agenda contained climate-related financial reporting including modelling how

climate change will impact the Fund.

Dr Blunden highlighted the research across the Local Government Pension Scheme (LGPS) by Platform, showing the Hampshire Pension Fund had £136m (2% of the Fund) invested in fossil fuel companies. Dr Blunden said she did not understand why the Fund has yet to adopt a formal position on limiting global warming to 1.5 degrees Celsius and moved away from the fossil fuel industry altogether.

With reference to the meeting's agenda Dr Blunden said that she celebrated the Pension Fund's engagement that had identified the need for Exxon Mobile to reduce their carbon emissions and that the Pension Fund's investment manager had disinvested due to the company's weak ambitions in this area.

Dr Blunden highlighted research from the Tyndall Centre for Climate Change Research that at the current rate of climate change under a business as usual scenario one can expect that by the turn of the century this planet will only be able to support 1/8th of the current global population. Decisions taken in this decade will be the most likely determinant of whether the planet avoids that future or not. Recent events in Ukraine show that energy companies don't have a moral conscience until they are forced into a position.

Dr Blunden concluded by asserting that if the Pension Fund were to ask its scheme members they would support decarbonisation. If the Pension Fund were to write the Paris Agreement and the Glasgow Climate Pact's 1.5C goal into its central investment position it would help pull through the broader business and political will for the huge employment-generating programmes needed for home and business building retrofits. It would help those responsible business and civil society leaders who are dedicating their lives to trying to get the planet to a safe, sustainable economic model; one that's safe for everyone - not just the fortunate few.

Ms Christine Holloway spoke on behalf of a group of Hampshire Pension Fund members – Hampshire Pension Fund Divest. Ms Holloway last made a deputation to the Pension Fund Panel and Board in July 2020. She expressed her disappointment that in her view ACCESS had made no obvious progress and of Hampshire's policy that 'disinvesting from fossil fuel companies at the current time is not the most appropriate action to transition to a low carbon economy'.

Ms Holloway continued by stating that a 1.5C warming limited had been accepted by governments and confirmed at the Glasgow Climate Pact but seemingly not accepted by the Hampshire Pension Fund.

Ms Holloway asked the Pension Fund to do two things:

1. Ask Pension Fund members their views, and
2. Listen to the Intergovernmental Panel on Climate Change (IPCC) whose recent report warned that an increase above 1.5 degrees looks likely on current trends and would result in irreversible impacts.

The Chairman thanked Dr Blunden and Ms Holloway for their deputations and said that they would see action from the Pension Fund furthering its response to climate change as part of the papers for the Pension Fund Panel and Board meeting on 25 March 2022.

17. CHAIRMAN'S ANNOUNCEMENTS

The Chairman expressed his devastation at the events in Ukraine and that he was in discussion with the Pension Fund's officers monitoring the reports of the Fund's investment managers and the Fund's minimal investments in Russia.

18. STEWARDSHIP HIGHLIGHT REPORT

The RI Sub-Committee received and noted the report from the Director of Corporate Operations (Item 6 in the Minute Book) providing a summary of how the Pension Fund's investment managers have voted on behalf of the Fund for the equities that they are invested in and engaged with company management. The Pension Fund is a signatory to the UN Principles for Responsible Investment and the UK Stewardship Code and as such recognises its role of promoting best practice in stewardship, which is considered to be consistent with seeking long term investment returns.

The analysis showed that the majority of votes cast against companies' management were for the following reasons:

- nominees for company directors being not sufficiently independent,
- remuneration policies where the level of pay was felt to be excessive
- to improve the empowerment of investors, and
- the appointment of auditors where the incumbent audit firm has been in place too long or the disclosure of non-audit fees to the company was not clear.

The full details of how votes have been cast for the Pension Fund is published on its RI webpage:

[Responsible Investment | Hampshire County Council \(hants.gov.uk\)](https://www.hants.gov.uk/responsible-investment)

The Director's report also included a number of examples of the company engagement activities that the Pension Fund's equity, asset-backed securities and multi-asset credit investment managers had undertaken. The examples deliberately focused on issues related to Climate Change and companies with operations in Israel, which scheme members had shown their interest in.

19. SCHEME MEMBER COMMUNICATION

The RI Sub-Committee received and noted the report from the Director of Corporate Operations (Item 7 in the Minute Book) updating the sub-committee on communication from scheme members since the last

meeting of the sub-committee. The Director highlighted to the sub-committee that its terms of reference include the action to engage directly and indirectly with scheme members and employers to hear representations concerning environmental, social and governance (ESG) issues. The Pension Fund continues to receive correspondence expressing strong views, particularly that relate to investments in companies with operations in Israel and climate change, including two deputations to the last two Pension Fund Panel and Board meetings. The correspondence to date has been received from a very small minority of the nearly 183,000 scheme members.

20. UK STEWARDSHIP CODE AND TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)

The RI Sub-Committee received a report from the Director of Corporate Operations (Item 8 in the Minute Book) which included draft updates to the Pension Fund's UK Stewardship Code report and TCFD report for 2022. The Director reported that Hampshire was very pleased to have been one of only six LGPS funds accepted as a signatory to the revised Code. The revised 2020 version of the Code included 12 principles which investors must demonstrate that they meet. The Financial Reporting Council (FRC – who produced the Code) gave feedback to signatories where their reporting against the Code could be improved. Hampshire's draft report addressed this feedback and included updated engagement examples from its investment managers.

The Pension Fund first agreed to support the recommendations of TCFD in 2021 and updating the Fund's TCFD report continues that commitment. In 2021 the Department for Work and Pensions (DWP) issued updated regulations phasing in the requirement for private sector pensions to report according to the TCFD recommendations. It is expected that the Department for Levelling Up, Housing and Communities (DLUHC) will issue similar regulations for the LGPS. By maintaining its own TCFD report Hampshire should be well positioned when the updated regulations are published. Hampshire's TCFD report will be brought up to date with the Fund's current responsible investment activities.

RESOLVED:

That the updated UK Stewardship Code report and Taskforce on Climate Related Financial Disclosure report for 2022 are approved for publication.

21. EXCLUSION OF 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.

22. CONFIRMATION OF THE EXEMPT MINUTES OF THE PREVIOUS MEETING

The exempt minutes of the RI Sub-Committee held on 7 September 2021 were confirmed.

23. UPDATES TO THE RESPONSIBLE INVESTMENT POLICY

The Panel and Board considered the exempt report from the Director of Corporate Operations (Item 11 in the Minute Book) to consider proposed updates to the Responsible Investment Policy. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

Chairman,

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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