

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Responsible Investment Sub-Committee
Date:	12 September 2023
Title:	Scheme Member Communications
Report From:	Director of Corporate Operations

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Purpose of this Report

1. The purpose of this report is to update the sub-committee on communication to and from scheme members since its last meeting in March 2023.

Recommendations

2. That the sub-committee note the communication from scheme members on Responsible Investment (RI).

Executive Summary

3. The sub-committee's terms of reference include the actions:
 - 'to engage directly and indirectly with scheme members and employers to hear representations concerning Environmental, Social or Governance (ESG) issues as appropriate',
 - 'to report annually on the Pension Fund's Responsible Investment to demonstrate progress to the Pension Fund's stakeholders'.
4. Since the consultation on amendments to the Fund's RI policy, the results of which were reported to the Pension Fund Panel and Board in July 2022, the trend of a reduction in scheme member communication on RI has continued. Since the sub-committee's last meeting a County Councillor (not a member of the Pension Fund Panel and Board) received an email from a resident advocating that the Pension Fund disinvests from fossil fuels. A response was

provided that reiterated the Fund's RI policy of why it believes it is better to remain invested and engaged with fossil fuel companies where investment managers have selected them in the Fund's investment portfolios.

5. The Assistant Director received an email from a scheme member highlighting recent research published by The Carbon Tracker Initiative. The research warned that pension funds are risking their investments by under-estimating the impact of global warming in scenario analysis commissioned from investment consultants and actuaries.
6. As part of the Taskforce for Climate Related Financial Disclosure (TCFD) reporting which is proposed to be mandatory for LGPS pension funds, but already adopted by Hampshire, scenario analysis of climate risk is required. Hampshire's most recent TCFD report included climate scenario analysis from the Pension Fund's Actuary as part of the 2022 Actuarial Valuation. The analysis showed the best long-term outcome for the Pension Fund was an orderly transition to a low carbon economy (an implied temperature rise of +1.3-2°C), with the worst outcome being (no transition (an implied temperature rise of +4°C by 2100). This is consistent with the Pension Fund's support for the objectives of the Paris Agreement; keeping a global temperature rise this century to well below 2°C (taken to be 1.5°C) and its commitment to the aim for its investments to have net-zero greenhouse gas emissions by 2050 at the latest.

Climate Change Impact Assessments

7. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.
8. The Pension Fund itself has a negligible carbon footprint, but it recognises that the companies and other organisations that it invests in will have their own carbon footprint and a significant role to play in the transition to a lower carbon economy. Therefore, the Pension Fund recognises the risk that ESG factors, including the impact of climate change, can materially reduce long-term returns. The Pension Fund has a role to play as an investor, in ensuring that its investment managers are suitably considering the impact and contribution to climate change in their investment decisions and acting as a good steward to encourage these companies to play their part in reducing climate change. This is explained further in the Pension Fund's RI policy [Responsible Investment | Hampshire County Council \(hants.gov.uk\)](https://www.hants.gov.uk/responsible-investment).

9. This paper captures the views of scheme members that have been shared with the Pension Fund on RI issues, including the risks and impacts of Climate Change, so that the sub-committee can consider these views in their future decision making.

REQUIRED CORPORATE AND LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	no
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no
OR	
This proposal does not link to the Strategic Plan but, nevertheless, requires a report because of the ongoing management of the Hampshire Pension Fund.	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic.
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by the proposals in this report as the proposals do not directly affect scheme members.