

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Pension Fund Responsible Investment Sub-Committee
<b>Date:</b>	6 March 2020
<b>Title:</b>	Responsible Investment policy review
<b>Report From:</b>	<i>Director of Corporate Resources – Corporate Services</i>

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#### **Purpose of this Report**

1. To provide the RI sub-committee with a summary of the output from the specialist RI consultants, MJ Hudson Spring, who have reviewed the Pension Fund's RI policy.

#### **Recommendations**

2. That the updates to the RI policy contained in Annex 1 of this report, based on the feedback from MJ Hudson Spring are approved and recommended to the Pension Fund Panel and Board.
3. That the sub-committee note the suggested RI roadmap for Hampshire from MJ Hudson Spring and approve and recommend to the Pension Fund Panel and Board the proposal for the baseline RI assessment of the Fund's investment managers contained in the confidential appendix.

#### **Review of the RI policy**

4. The Pension Fund's revised RI policy was originally agreed in July 2019. The specialist RI consultants, MJ Hudson Spring, were commissioned to review the policy and recommend to the Pension Fund where improvements could be made. MJ Hudson Spring provided feedback to the Pension Fund Panel and Board at a training session on 28 January 2020.
5. Following the changes recommended by MJ Hudson Spring the Fund's RI policy has been amended and is contained in Annex 1 to this report with tracked changes. There are a small number of other changes and it has been restructured in line with MJ Hudson Spring's framework for RI:

1. Rationale and definition
2. Investment strategy
3. Framework and approach
4. Exercising of rights attached to investments
5. Monitoring and reporting

## **RI Roadmap**

6. MJ Hudson Spring's feedback included a suggested RI roadmap for the Pension Fund, shown in Appendix 1. The roadmap includes suggestions for further improving and developing the Pension Fund's approach to RI, starting with greater transparency of the Fund's investment managers' RI capabilities and the ESG risks in the Fund's holdings, which can be incorporated into future RI reporting. It is recommended that MJ Hudson Spring are commissioned to conduct a baseline RI assessment of the Fund's investment managers and a small sample of the Fund's alternative investments for an approximate cost of £20,000.

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

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	no
<b>People in Hampshire live safe, healthy and independent lives:</b>	no
<b>People in Hampshire enjoy a rich and diverse environment:</b>	no
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	no
<b>OR</b>	
<b>This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because:</b> For 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.

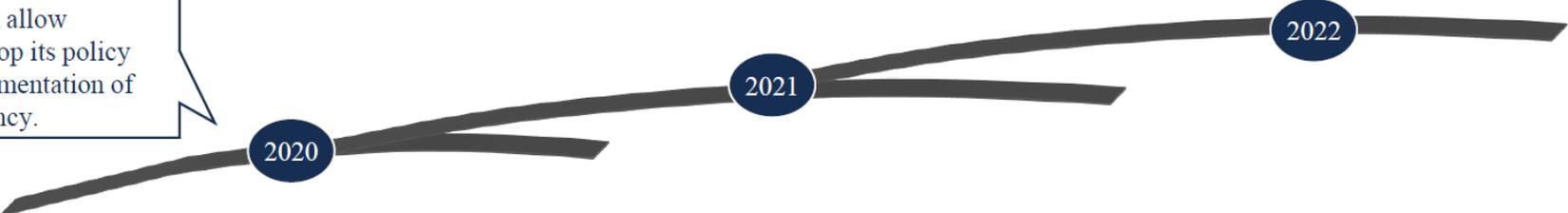
### **2. Equalities Impact Assessment:**

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

# Hampshire’s suggested RI roadmap

FOR DISCUSSION

Investor ESG policies often are subject to an annual review. Annual reviews can allow Hampshire to develop its policy alongside the implementation of increased transparency.



**Elements**

**Stepping stones**

**Policy**

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| <ul style="list-style-type: none"> <li>• Focus on transparency of investments through managers</li> <li>• Approach to assess and engage with managers</li> </ul> | <ul style="list-style-type: none"> <li>• Transparency of investments, directly</li> <li>• View of which industries are ‘contentious’</li> </ul> | <ul style="list-style-type: none"> <li>• Best-in-class policy, including 5 elements: rationale &amp; definition, investment strategy, framework &amp; approach, engagement &amp; voting, and monitoring&amp; reporting</li> </ul> |
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**Assessment & transparency**

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|--|--|---|
| <ul style="list-style-type: none"> <li>• Baseline manager assessment, for all managers (113)</li> <li>• Request reports from managers</li> <li>• Sample analysis of invested industries</li> </ul> | <ul style="list-style-type: none"> <li>• All managers assessed on specific criteria Hampshire views as important</li> <li>• Categorisation of holdings into “Embrace”, “Neutral”, “Challenge” buckets</li> </ul> | <ul style="list-style-type: none"> <li>• Engagement with investment managers on sustainability topics</li> <li>• Full portfolio screened (and reporting of progress)</li> <li>• Consider reporting on % in “Embrace”, “Neutral”, “Challenge” buckets</li> </ul> |
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**Reporting**

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|--|---|---|
| <ul style="list-style-type: none"> <li>• Report on stated intentions</li> <li>• Report on managers’ ESG performance</li> </ul> | <ul style="list-style-type: none"> <li>• Report on engagements with managers</li> <li>• Reporting on % of portfolio screened</li> </ul> | <ul style="list-style-type: none"> <li>• Report on actions taken</li> </ul> |
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