

Response to the All-Party Parliamentary Group for Local Authority Pension Funds' Inquiry into Responsible investment for a Just Transition

The Hampshire Pension Fund recognises that Responsible Investment (RI) is important to the Pension Fund in fulfilling its role to pay scheme members benefits and for its reputation with scheme members, employers and the wider Hampshire community. The Pension Fund's approach to RI, includes consideration of the Principles for Responsible Investment (PRI), a set of six principles that provide a global standard for responsible investing as it relates to Environment, Social and Governance (ESG) factors in investment decisions.

The Hampshire Pension Fund believes that Climate Change is a systemic risk and thus, a material long-term financial risk for any investor that must meet long-term obligations. As a long-term investor, the Pension Fund welcomes the inquiry highlighting the importance of not just reducing carbon emissions, but the way economies and societies go about reducing carbon emissions. Whilst the Pension Fund welcomes this focus, on the potential unintended risks of otherwise positive adaptations to Climate Change, it would want to stress that it feels the primary responsibility for delivering a Just Transition should be with companies themselves, working within suitable controls, regulations and incentives set by Central Government.

The Pension Fund believes that investors, such as itself, still have an important role to play, albeit through a continuation of their roles as responsible investors maintaining a strong stewardship role. This extends to engagement with companies to test that they are not only actively tackling Climate Change, but doing so in a way that does not unfairly disadvantage any group or groups or stakeholders. In this respect it highlights the importance that investors maintain a broad focus on the full spectrum of ESG factors, and the potential interlinkages between them, whilst naturally wanting to focus of Climate Change.

Whilst the potential long-term focus of the inquiry is welcomed, it is important to highlight that there are important short-term actions that investors would benefit from. Hampshire has welcomed and embraced the availability of carbon data by public companies, which it reports on. But it is therefore frustrating that this information isn't equally available for private companies. Central Government could do more to assist investors in this area, as being able to fully monitor the carbon footprint of its investments is a prerequisite to being able to consider if managing a reduction in carbon output is being managed in a considered way.

Like the majority of the LGPS, the Hampshire Pension Fund contracts with specialist external investment managers who manage portfolios for the Pension Fund within certain guidelines that it sets; this includes managing in accordance with the Pension Fund's Responsible Investment policy. The policy sets out how the Fund expects its investment managers to consider ESG factors in their investment decisions and ongoing stewardship on behalf of the Pension Fund. The Pension Fund Panel and Board (responsible for the management of the Hampshire Pension Fund), its RI sub-committee and the Fund's officers continually test that the Fund's investment managers operate in accordance with the RI policy through their monitoring and

ongoing engagement with the investment managers and as such have raised the issue of a Just Transition and the focus of the APPG's inquiry.

Hampshire Pension Fund

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