

HAMPSHIRE COUNTY COUNCIL

Decision Report

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| Decision Maker: | Pension Fund Responsible Investment Sub-Committee |
| Date: | 13 September 2022 |
| Title: | Scheme Member Communication |
| Report From: | <i>Director of Corporate Operations</i> |

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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 2022.

Recommendations

2. That the communication to and from scheme members on Responsible Investment issues is noted.

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'.

The majority of the Pension Fund's RI communication in the last 6 months have been in relation to 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. There has been one follow-up communication in relation to the revised RI policy and three separate communications regarding specific issue; investments in companies with operations connected with the

Occupied Palestinian Territory and proposals at the Alphabet Annual General Meeting.

Deputations

4. Deputations were received at the March 2022 meeting of the RI sub-committee and the Pension Fund Panel and Board. All of the deputations continued to focus on the climate change impacts of the Pensions Fund's investments and investments in fossil fuel companies.
 - One of the deputations to the RI sub-committee asked specifically for the Pension Fund to consult with its scheme members on RI. The Fund did this in April and May 2022 consulting on changes to the RI policy, the results of which were reported to the Pension Fund Panel and Board in July 2022.
 - A further deputation from the Dirty Money campaign was received by the March 2022 Panel and Board meeting following the publication of the draft revised RI policy. Having read the revised policy the depute commented that in her view 'the Hampshire Pension Fund's attitude towards RI has transformed in the past five years and its approach is now consistent with current good practice in this area'.

Other correspondence

Occupied Palestinian Territory

5. Two pieces of correspondence have been received on the ongoing issue of companies that are listed by the UN as involved in specified activities related to the Israeli settlements in the Occupied Palestinian Territory. The Pension Fund has responded to confirm it is aware of the UN's list, of which the Pension Fund has investments with a very small number of companies on the list (which are a very small proportion of the Fund's total investments) and has raised the issue of the companies on the list with the relevant investment managers. The engagement with companies that have business in the Occupied Palestinian Territory is reported to the RI sub-committee as examples of the Pension Fund's stewardship activities.

Alphabet

6. Correspondence was received from a campaign in relation to the shareholder vote at the Alphabet (Google) Annual General Meeting. The campaign was in favour of two proposals addressing the company's responsibilities to protect human rights in its operations. Details of how the Pension Fund's investment

managers cast these votes is reported in the Stewardship report on this meeting agenda.

Climate Change

7. A number emails were received in relation to the Pension Fund's consultation on its revised RI policy and correspondents were encourage to participate in the consultation. Following the conclusion of the consultation and the Panel and Board's consideration of the results and agreement of the revised strategy, the trade union UNISON wrote to the Panel and Board to express their disappointment in the outcome of the updated policy. Cllr Kemp-Gee's reply to UNISON was copied to all of the Panel and Board members.

Climate Change Impact Assessments

8. 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.
9. 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).
10. 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

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| Hampshire maintains strong and sustainable economic growth and prosperity: | yes/no |
| People in Hampshire live safe, healthy and independent lives: | yes/no |
| People in Hampshire enjoy a rich and diverse environment: | yes/no |
| People in Hampshire enjoy being part of strong, inclusive communities: | yes/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.)

Document

Location

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.