

AT A MEETING of the Hampshire Pension Fund Responsible Investment Sub-Committee of HAMPSHIRE COUNTY COUNCIL held at the Castle, Winchester on Wednesday, 30th November, 2022

Chairman:
*Councillor M. Kemp-Gee

Vice-Chairman:
*Councillor T. Thacker

Elected members of the Administering Authority (Councillors)
*D. Hiscock *R. Mocatta

Employer Representatives (Co-opted members):
*Cllr J. Symthe

Scheme Member Representatives (Co-opted members):
*Dr C. Allen

Observing
*Cllr A Crawford

*present

24. APOLOGIES

There were no apologies.

25. 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.

26. ELECTION OF CHAIRMAN

Mr Hodgson opened the meeting and asked for nominations for Chairman.

RESOLVED:

That Cllr Kemp-Gee was confirmed as Chairman.

27. **ELECTION OF VICE-CHAIRMAN**

The Chairman proposed Cllr Thacker as Vice-Chairman.

RESOLVED:

That Cllr Thacker was confirmed as Vice-Chairman.

28. **MINUTES**

The minutes of the Responsible Investment (RI) Sub-Committee held on 4 March 2022 were confirmed.

29. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had no announcements.

30. **DEPUTATIONS**

No deputations were received.

31. **SCHEME MEMBER COMMUNICATIONS**

The RI Sub-Committee received and noted the report from the Director of Corporate Operations (Item 8 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 ESG issues.

The Pension Fund had received slightly less correspondence in the 6 months to September 2022. There was correspondence on climate change that continued feedback received in the Fund's RI consultation that ran from April to May 2022. Further correspondence had 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, and a new issue related to shareholder voting at the Alphabet (Google) annual general meeting. Both of these issues are covered in the Stewardship Report next on this agenda.

32. **STEWARDSHIP HIGHLIGHT REPORT**

The RI Sub-Committee received and noted the report from the Director of Corporate Operations (Item 9 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 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.

33. **CONSULTATION ON CLIMATE CHANGE RISK REPORTING**

The RI Sub-Committee received and noted a report from the Director of Corporate Operations (Item 10 in the Minute Book) reporting the Pension Fund's response to the Department for Levelling Up Homes and Communities (DLUHC) consultation on Climate Risk Reporting. The consultation proposes that the requirements of the Taskforce of Climate-related Financial Disclosures (TCFD) recommendation apply to all LGPS funds for the financial year 2023/24.

As Hampshire has already adopted the TCFD recommendations and produced reports aimed to meet the requirements, the Pension Fund was supportive of the consultation. However in several key areas it cautioned that expectations need to be managed:

- There are significant gaps in both the coverage and quality of data. Scope 3 emissions are only starting to be reported for some listed equities and there is no emissions data at all for most unlisted investments.
- Given that there is an incomplete data set, it is unsurprising that the knowledge and understanding in this area is also evolving. Pension Funds cannot rely on a similar set of established standards that they typically would for general investment advice.
- This creates a challenge given the increased burden for knowledge and skills that Climate Risk Reporting places on all those charged with managing and governing LGPS funds, which will also take time to evolve to the levels that we would aim for.

34. **RI CONSULTANCY REVIEW**

The RI Sub-Committee received a report from the Director of Corporate Operations (Item 11 in the Minute Book) on analysis that has been

commissioned by the Pension Fund from the RI consultants MJ Hudson. The work built on initial work commissioned in 2022.

MJ Hudson's high-level analysis showed Hampshire's action to date on responding to Climate Change in its RI policy was comparable to other large pension funds taking action in this area. The analysis of the Pension Fund's equity investment managers showed that Dodge & Cox were lagging behind other managers in not having made a commitment to any Climate Change target or action group. However, since MJ Hudson's initial analysis Dodge & Cox have joined Baillie Gifford and UBS in signing the UK Stewardship Code and have shared with officers their updated tools for measuring companies' alignment to limiting global temperature rises and for prioritising company engagement.

MJ Hudson used the latest 2021 values from the Sustainalytics database for Scope 1, 2 and 3 emissions for the Pension Fund's active and passive listed equity holdings (46% of the Pension Fund's total investments). MJ Hudson's data is in line with the data that the Pension Fund has previously published. It shows a further reduction in the carbon intensity of equity investments, although MJ Hudson have cautioned that the combined effect of the economic contraction resulting from Covid-19 combined with increasing asset value in 2021 will have had a downward movement in carbon intensity figures that may be reversed in the following reporting periods.

The final phase of MJ Hudson's work will consider approaches to carbon reduction and the setting of an interim reduction target. MJ Hudson have set out a range of potential actions including the Pension Fund engages with its investment managers to ask for their assessment of the forecast carbon emissions of their portfolios by 2030.

RESOLVED:

That the RI sub-committee noted the advice from MJ Hudson for the Hampshire Pension Fund in achieving its aim for net-zero green-house gas emissions from investments by 2050 at the latest, including the following the next steps including:

- a. MJ Hudson providing a briefing for members, that includes their advice on the Fund's current position in terms of approaches to carbon reduction and specific ESG issues in the portfolio.
- b. The Director of Corporate Operations write to Dodge & Cox (copying to the other ACCESS investors) to encourage them that strategic commitment to tackling climate change is required.
- c. The further reductions in the Scope 1 and 2 carbon intensity of the Pension Fund's equity investment and the first assessment of Scope 3 emissions.
- d. That the Pension Fund engages with its investment managers to ask for their assessment of the forecast carbon emissions of their portfolios by 2030, based on the current investment process, and what (if any) further changes could reduce forecast emissions further.

35. **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.

36. **CONFIRMATION OF THE EXEMPT MINUTES OF THE PREVIOUS MEETING**

The exempt minutes of the RI Sub-Committee held on 4 March 2022 were confirmed.

Chairman,