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AT A MEETING of the Hampshire Pension Fund Responsible Investment Sub-Committee of HAMPSHIRE COUNTY COUNCIL held at the Castle, Winchester on Tuesday, 3rd September, 2019

Chairman:
p Councillor M. Kemp-Gee

Elected members of the Administering Authority (Councillors):
p P. Latham
p B. Tennent
a J. Glen

Employer Representatives (Co-opted members):
p Councillor S. Barnes-Andrews (Southampton City Council)

Scheme Member Representatives (Co-opted members):
p Dr C. Allen (pensioners' representative)

BROADCASTING ANNOUNCEMENT

The Chairman announced that the press and members of the public were permitted to film and broadcast the meeting. Those remaining at the meeting were consenting to being filmed and recorded, and to the possible use of those images and recording for broadcasting purposes.

1. ELECTION OF CHAIRMAN

Cllr Kemp-Gee was elected as Chairman.

2. ELECTION OF VICE CHAIRMAN

Cllr Latham was elected as Vice-Chairman.

3. APOLOGIES FOR ABSENCE

No apologies were received.

4. 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.

5. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had no announcements.

6. **DEPUTATIONS**

There were no deputations.

7. **SUB-COMMITTEE WORK PLAN**

The Panel and Board considered a report of the Director of Corporate Resources (item 7 in the Minute Book) proposing a work plan for the sub-committee. The work plan was principally taken from the sub-committee's terms of reference agreed by the Pension Fund Panel and Board in July 2019. A number of items from the work plan featured later in the meeting and one of the sub-committee's key outputs; the Pension Fund's annual report on responsible investment, would be drafted for review at the sub-committee's next meeting.

RESOLVED:

- (a) That the work plan was approved.

8. **UK STEWARDSHIP CODE**

The Panel and Board considered a report of the Director of Corporate Resources (item 8 in the Minute Book) on signing the UK Stewardship Code. The Code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. Becoming a signatory does not direct the Pension Fund to manage its investment strategy in a particular way or invest or disinvest in any particular companies or industries. 32 of the 89 LGPS funds in England and Wales have signed up to and reported their compliance against the Code, which is one of two major standards for investors to demonstrate their commitment to RI.

There is no annual fee for being a UK Stewardship code signatory. The FRC expects signatories of the Code to publish on their website a statement that describes how they have applied each of the seven principles of the Code, discloses the specific information requested in the guidance to the principles and explains why the signatory has not complied with and principles of the Code or elements of guidance.

RESOLVED:

- (a) That the RI sub-committee recommends to the Pension Fund Panel and Board that Hampshire Pension Fund signs the UK

Stewardship Code.

9. **PRINCIPLES FOR RESPONSIBLE INVESTMENT**

The Panel and Board considered a report of the Director of Corporate Resources (item 9 in the Minute Book) on signing the Principles for Responsible Investment (PRI). The PRI is an internationally recognised standard and is the second of two (after the UK Stewardship Code) major standards enabling signatories to publicly demonstrate their commitment to RI. Becoming a signatory does not direct the Pension Fund to manage its investment strategy in a particular way or invest or disinvest in any particular companies or industries.

There is an annual fee for being a PRI signatory. For 2019/20 this would be £6,529 for a fund of Hampshire's size. Signatories are required to report under the PRI framework each year (after their first year of joining), which is due for submission between January and March. The PRI describe its principles as 'for most signatories, the commitments are a work-in-progress and provide direction for their responsible investment efforts, rather than a checklist with which to comply'.

RESOLVED:

- (a) That the RI sub-committee recommends to the Pension Fund Panel and Board that Hampshire Pension Fund signs the PRI.

10. **GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARKING (GRESB)**

The Panel and Board considered a report of the Director of Corporate Resources (item 10 in the Minute Book) participating in the GRESB. The Pension Fund's UK property investment manager CBRE is recommending the Pension Fund uses GRESB as it considers it to be the best independent, comparable and reliable assessment of ESG performance for a property portfolio.

The cost to Hampshire of participating in GRESB will be nearly £4,000 per annum. The information provided in the GRESB reporting will practically benefit the Pension Fund in highlighting the areas in the portfolio for CBRE to focus their efforts in improving sustainability. CBRE estimate that the cost of work to improve the portfolio's sustainability would be an additional £40,000 per annum in professional fees in managing tenants and capital expenditure to improve the quality of the properties in the portfolio. CBRE recommend that this approach is necessary as delay in managing these issues can lead to higher costs and weaker performance in the long run.

RESOLVED:

- (a) That the recommendation was changed and this item was deferred until the RI sub-committee's next meeting when further details will be sought from CBRE on the additional costs to the portfolio of implementing issues identified in the benchmarking and how these related to the portfolios ongoing maintenance.

11. **SHAREHOLDER VOTING**

The Panel and Board noted a report of the Director of Corporate Resources (item 11 in the Minute Book) on the Pension Fund's shareholder voting record. The Director highlighted that shareholder votes are an important tool for company engagement alongside more direct communication (such as meetings) with company management. Voting provides an ultimate sanction for shareholders to show their disapproval with how a company is operating. How votes are cast will be determined by the voting policy, which for Hampshire varies depending on how the equity investment is held between its directly held equities, or pooled investments, either pooled within ACCESS or in investment managers' own pooled funds.

In line with best practice the Pension Fund will publish its full shareholder voting record on its website. The RI sub-committee noted the exception reports from the Fund's investment managers on the instances where they voted against company management or shareholder resolutions.

12. **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.

13. **SHAREHOLDER VOTING - EXEMPT APPENDICES**

The Panel and Board received and noted an exempt appendix from the Director of Corporate Resources (Item 13 in the Minute Book) on an investment managers exception report of its shareholder voting. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION].

14. **ACADIAN'S PORTFOLIO ESG CONSIDERATIONS**

The Panel and Board received and noted an exempt appendix from the Director of Corporate Resources (Item 14 in the Minute Book) on Acadian's portfolio's operation in relation to the Pension Fund's Responsible Investment Policy. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION].

Chairman,

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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