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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, 20th October, 2020

Chairman:

* Councillor M. Kemp-Gee

Vice-Chairman:

*Councillor T. Thacker

Elected members of the Administering Authority (Councillors):

* B. Tennent

A. Joy

Employer Representatives (Co-opted members):

* Councillor C. Corkery (Portsmouth Council)

Scheme Member Representatives (Co-opted members):

Mr N. Wood (active scheme member representative)

*present

25. **APOLOGIES**

Cllr Joy and Mr Wood sent their apologies.

26. **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 5 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.

27. **ELECTION OF CHAIRMAN**

Cllr Kemp-Gee was elected as Chairman.

28. **ELECTION OF VICE-CHAIRMAN**

Cllr Thacker was elected as Vice-Chairman.

29. **MINUTES**

The minutes of the Responsible Investment Sub-Committee held on 6 March 2020 were confirmed.

30. **DEPUTATIONS**

No deputations were received.

31. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman reminded the members that the sub-committee needed 3 members to be quorate.

32. **SCHEME MEMBER COMMUNICATION**

The RI Sub-Committee received and noted the report from the Director of Corporate Resources (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 Environmental, Social or Governance (ESG) issues. Although the Pension Fund continues to receive correspondence expressing strong views, particularly on investments that relate to climate change, including a deputation to the Pension Fund Panel and Board, the correspondence to date has been received from a very small minority of the nearly 179,000 scheme members.

The sub-committee noted the public interest in ESG issues in relation to the Pension Fund's investments and expressed a desire that the Pension Fund is as transparent as possible in its reporting of these issues, whilst respecting the commercial interest of the Pension Fund and its investment managers and consultants.

33. **SHAREHOLDER VOTING HIGHLIGHT REPORT**

The RI Sub-Committee received and noted the report from the Director of Corporate Resources (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. How votes are cast by the Pension Fund will be determined by the voting policy, which for Hampshire varies depending on how the equity investment is held between equities directly held by the Pension Fund, held in the ACCESS pool, or in pooled funds of external investment managers. Dodge & Cox's portfolio, which is invested in via an external pooled funds has more limited reporting than the Pension Fund's other investment managers as any additional information that Dodge & Cox provide would also have to be made available to all investors and their regulator. This will improve when Dodge & Cox move to a segregated portfolio within the ACCESS pool, as they have agreed.

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 <https://www.hants.gov.uk/hampshire-services/pensions/local-government/about-the-scheme/joint-pension-fund-panel/responsible-investment>

34. **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 and 4 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.

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

The exempt minutes of the RI Sub-Committee held on 6 March 2020 were confirmed.

36. **ENVIRONMENTAL, SOCIAL AND GOVERNANCE ASSESSMENT**

The Panel and Board considered the exempt appendix from the Director of Corporate Resources (Item 12 in the Minute Book) introducing a report from the consultants MJ Hudson Spring who were commissioned to assess how Environmental, Social and Governance (ESG) issues are being managed in the Pension Fund's investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

37. **BAILLIE GIFFORD GLOBAL ALPHA PORTFOLIO**

The Panel and Board considered the exempt appendix from the Director of Corporate Resources (Item 13 in the Minute Book) to propose a change to the Pension Fund's investment in Baillie Gifford's Global Alpha global equities portfolio. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

Chairman,

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