

AT A MEETING of the Hampshire Pension Fund Responsible Investment Sub-Committee of HAMPSHIRE COUNTY COUNCIL held at the Castle, Winchester on Thursday, 2nd March, 2023

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. Smyth

Scheme Member Representatives (Co-opted members):

*Dr C. Allen

Observing

*Cllr A Crawford

*present

37. APOLOGIES

Cllrs Thacker and Mocatta sent their apologies.

38. 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.

39. MINUTES

The minutes of the Pension Fund Responsible Investment Sub-Committee held on 30 November were confirmed.

40. DEPUTATIONS

No deputations were received.

41. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had no announcements.

42. **TASKFORCE FOR CLIMATE RELATED FINANCIAL DISCLOSURE REPORT**

The RI Sub-Committee received and noted the report from the Director of Corporate Operations (Item 6 in the Minute Book) updating the sub-committee on the Pension Fund's report under the framework of the Taskforce on Climate Related Financial Disclosure (TCFD). The Director reminded the sub-committee that in September 2022 the Department for Levelling-up, Homes and Communities (DLUHC) published a consultation (Governance and reporting of Climate Change risks), which proposed to make reporting based on the TCFD requirements mandatory for LGPS funds starting for 2023/24 reporting. However Hampshire is continuing with its early adoption of TCFD reporting, producing its third annual TCFD report.

DLUHC's requirements confirmed the adoption the original TCFD recommendations, which had been previously reflected in Hampshire's reporting. The most significant addition was the requirement to capture total carbon emissions and the percentage of investments that are Paris Aligned (with strategies to limit temperature rises to no more than +1.5- 2°C). The report also includes Climate Change scenario analysis of the Fund's funding position from the Pension Fund's Actuary – Aon, based on three different scenarios.

The Director highlighted to Members that the Pension Fund's latest carbon footprint figures for 2023 show the Pension Fund has achieved a 62% reduction since 2020, well below the Net-Zero Asset Owners Alliance trajectory. As the Fund's RI consultants MJ Hudson had highlighted was possible, the Fund's carbon footprint rose in 2022 as a result of world's economies emerging from COVID-19 lockdown and the challenging market conditions in 2022 reducing the value of low emissions companies, particularly technology companies, and increasing the value of higher emitting companies especially energy companies.

43. **SCHEME MEMBER COMMUNICATIONS**

The RI Sub-Committee received and noted the report from the Director of Corporate Operations (Item 7 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, but that no new correspondence had been received since the sub-committee's last meeting.

In his report the Director shared with the sub-committee the Pension Fund's fourth annual RI update for scheme members. The update will be printed and included in the paper payslips that are still printed for pensioners and published on the Fund's website for scheme members that log onto the Portal. In line with the responses to the RI policy consultation last year, that showed scheme members prioritised environmental factors significantly above any of

Environmental, Social and Governance (ESG) factors, the update focused on the Fund's continued response to Climate Change.

44. **STEWARDSHIP HIGHLIGHT REPORT**

The RI Sub-Committee received and noted the report from the Director of Corporate Operations (Item 8 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 full details of how votes have been cast for the Pension Fund are published on its RI webpage <https://www.hants.gov.uk/hampshire-services/pensions/responsible-investment>

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 Director shared with the sub-committee the Pension Fund's Annual Stewardship Code report, which is required to maintain the Fund's status as a signatory of the Code. The report set out the Fund's approach to stewardship and a number of recent engagement examples provided by the Pension Fund's investment managers. The Pension Fund's investment managers had been challenged to provide engagement examples for the companies identified by MJ Hudson as the highest ESG risk, in the recent work that the Pension Fund commissioned.

Chairman, 12 September 2023