

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Responsible Investment Sub-Committee
Date:	3 September 2019
Title:	Global Real Estate Sustainability Benchmarking (GRESB)
Report From:	<i>Director of Corporate Resources – Corporate Services</i>

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Purpose of this Report

1. This report provides information on the Pension Fund participating in the Global Real Estate Sustainability Benchmark (GRESB) for its UK property portfolio.

Recommendations

2. That the RI sub-committee recommends to the Pension Fund Panel and Board that Hampshire Pension Fund commissions its UK property investment manager (CBRE) to commission GRESB for its portfolio and to carry out the additional work on the portfolio described in this report to improve the sustainability of the portfolio.

Executive Summary

3. The Pension Fund has contracted with CBRE to manage an investment portfolio of UK commercial property, which is made up of over 50 directly held properties and a minority of investments in pooled funds. Due to the nature of this asset class each directly owned property has its own unique characteristics and will therefore present individual opportunities to improve sustainability.
4. CBRE made their annual presentation on their portfolio to the Pension Fund Panel and Board in July 2019, which included giving a brief overview of different approaches to managing Environmental, Social and Governance (ESG) factors in a property portfolio. CBRE are recommending that the Pension Fund adopts a 'gold' standard for its portfolio; including participating in and aiming to outperform the GRESB as well as increased tenant

engagement and improved asset planning. CBRE have stated that the increased cost of this approach will future proof the portfolio to mitigate potential loss of value or rental income and prepare for strengthening regulation which will result from the UK's commitment to net zero carbon emissions by 2050.

GRESB

5. GRESB is an independent body whose members include more than 100 institutional investors representing over USD 22 trillion in institutional capital globally. Participation in the GRESB has been growing year on year since its formation by large pension funds in 2009. CBRE consider it to be the best independent, comparable and reliable assessment of ESG performance for a property portfolio and formally adopted GRESB as the preferred tool for ranking ESG performance in 2018.
6. Each year GRESB collects ESG information on each participating fund (903 globally in 2018), creates peer groups to enable useful comparisons of each fund, scores each fund's ESG performance, compares each fund against its peer group, and produces a detailed assessment report. The GRESB report for each fund includes a clear ESG score from 0 to 100 as well as data on fund performance and peer benchmarking of overall ESG performance, seven key ESG aspects, and each of the over 70 underlying questions.

Additional costs

7. 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.

REQUIRED CORPORATE AND LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	No
People in Hampshire live safe, healthy and independent lives:	No
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no
OR	
This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because: For 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.)

DocumentLocation

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 member.