

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Pension Fund Responsible Investment Sub-Committee
<b>Date:</b>	3 September 2019
<b>Title:</b>	Principles for Responsible Investment
<b>Report From:</b>	<i>Director of Corporate Resources – Corporate Services</i>

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#### **Purpose of this Report**

1. This report provides information on signing the United Nations Principles of Responsible Investment (PRI).

#### **Recommendations**

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

#### **Executive Summary**

3. In 2005 the United Nations invited a group of the world's largest institutional investors to join a process to develop the PRI, which were launched the following year. There are now nearly 500 asset owners with over \$10tr of assets that are signatories to the principles. The PRI is an internationally recognised standard and allows signatories to publicly demonstrate their commitment to responsible investment.
4. The PRI is a not-for-profit independent body. It encourages investors to use responsible investment to enhance returns and better manage risks. It engages with global policymakers but is not associated with any government; it is supported by, but not part of, the United Nations. Signing up to the PRI is open to asset owners, investment managers and service providers. A list of other LGPS funds/pools and Hampshire's investment managers (all of which are signatories) that are existing signatories is shown in Appendix 1.

- The request that Hampshire become a signatory to the PRI was mentioned by a number of the respondents to the Pension Fund’s consultation on its revised RI policy, including the deputation received from Winchester Action on Climate Change.

**PRI**

- The six PRI are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. 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’.
- The table below lists the principles and a summary of Hampshire’s current position in relation to them. If the Hampshire Pension Fund was to become a signatory the reporting of progress against the principles would become a feature of the Fund’s annual RI report, which it has committed to produce as part of its updated RI policy.

**Table 2: Principles for Responsible Investment**

	Criteria	Current position
1	We will incorporate ESG issues into investment analysis and decision-making processes.	The RI policy describes how the Pension Fund requires its investment managers to account for ESG factors in their investment decisions
2	We will be active owners and incorporate ESG issues into our ownership policies and practices.	The RI policy requires the Pension Fund’s investment managers to work in a consistent and transparent manner with the companies they invested in to ensure they achieve the best possible outcomes for the Pension Fund, including forward-looking ESG standards. This includes requiring investment managers to exercise the Fund’s responsibility to vote on company resolutions wherever possible.
3	We will seek appropriate disclosure on ESG issues by the entities in which we invest.	
4	We will promote acceptance and implementation of the Principles within the investment industry	In its selection of investment managers, the Pension Fund considers their ability to manage ESG issues. All of the Pension Fund’s investment managers are

		PRI signatories
5	We will work together to enhance our effectiveness in implementing the Principles	The Pension Fund will play a full part in developing ACCESS' approach to RI
6	We will each report on our activities and progress towards implementing the Principles	In its updated RI policy, the Pension Fund has committed to annual reporting, which will include its implementation of the Principles

8. There are three minimum criteria to meet to become a PRI signatory, which are listed below along with a brief summary of the Pension Fund's current ability to meet these criteria.

**Table 2: PRI minimum criteria**

	Criteria		Current position
1	Investment policy that covers the firm's responsible investment approach, covering >50% of assets under management	✓	The Pension Fund's RI policy covers all its investments and specifies the RI requirements for different asset classes
2	Internal/external staff responsible for implementing RI policy	✓	All of the Pension Fund's assets are managed by external investment managers who are required where appropriate to demonstrate how they have considered ESG factors in investment decisions, engage with company management and vote at shareholder meetings. This is monitored by the Pension Fund's officers and reported to the Pension Fund Panel and Board and RI sub-committee
3	Senior-level commitment and accountability mechanisms for RI implementation	✓	The RI policy has been approved by the Pension Fund Panel and Board who have created the RI sub-committee in order to more closely monitor and scrutinise the Fund's RI activity

## **Requirements of signatories**

9. 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 reporting framework is relatively comprehensive including providing a breakdown of the Fund's assets under management and information on company engagement and voting. Reporting for asset classes that are less than 10% of the total fund is optional, which lessens the reporting burden.

**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

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

<b>Section 100 D - Local Government Act 1972 - background documents</b>	
<p><b>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.)</b></p>	
<u>Document</u>	<u>Location</u>
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 members.

**Extract of PRI signatories**

Local Pensions Partnership  
LGPS Central  
London CIV  
Brunel Pension Partnership

Kent County Council Superannuation Fund  
Greater Manchester Pension Fund  
West Midlands Pension Fund  
Merseyside Pension Fund  
Environment Agency Pension Fund

Aberdeen Standard Investments  
Acadian Asset Management  
Alcentra  
Baillie Gifford  
Barings  
CBRE Global Investors  
Dodge & Cox  
Grosvenor Europe  
JP Morgan Asset Management  
Morgan Stanley Investment Management  
Schroders  
UBS Asset Management

Hymans Robertson LLP