

Hampshire Pension Fund

Responsible Investment Update 2021

Why the Hampshire Pension Fund makes investments

The Hampshire Pension Fund has over 178,000 members. It makes investments so that it can pay pensions to these members when they reach retirement age. Some members will already be retired and receiving their pensions, whereas others will just be starting out in their careers. The Pension Fund employs a specialist (known as an actuary) to work out how much money will be needed to pay these pensions. This indicates what investment returns are likely to be needed each year. The Pension Fund Panel and Board then sets an investment strategy with the aim of achieving these returns. The Pension Fund is currently valued at about £9bn.

The Pension Fund Panel and Board has decided to invest in multiple different types of investments (known as asset classes) so that not all of its eggs are in one basket. It has appointed external specialists in each asset class to manage these investments.

Responsible Investment

Responsible investment is about making sure environmental, social and governance (ESG) factors are part of your investment decision making process. Once you decide to buy an investment, it's also about how you act as the owner of that investment.

This includes things like climate change, use of resources, sustainability, pollution, working conditions, child labour, slavery, inclusion and diversity, health and safety, executive pay, board composition, company governance, bribery and corruption, and unjust tax strategies.

The Pension Fund believes that Responsible Investment (RI) is an important part of achieving what the Fund is here to do and that ESG factors can have a positive or negative effect on the Pension Fund and its investments.

The Pension Fund:

- **Has an RI policy, which is part of its investment strategy.** This explains how ESG factors will be considered when making investment decisions for different asset classes and how the Pension Fund expects its investment managers to talk to companies about ESG issues and take part in shareholder voting.
- **Has set up a group to focus on Responsible Investment.** The RI sub-committee is made up of members of the Panel and Board and makes recommendations to the Panel and Board.
- **Is a signatory to the UN Principles for Responsible Investment (PRI)** which sets out six principles for responsible investors to follow.
- **Is a signatory to the UK Stewardship Code** which is about how investors should act when making and owning investments.
- **Asked a specialist RI consultant to review the Fund's investments** which gave the Panel and Board an independent opinion on the effectiveness of its current investment managers and suggestions for how to challenge them to do more on RI.
- **Provides training for the Panel and Board on RI**

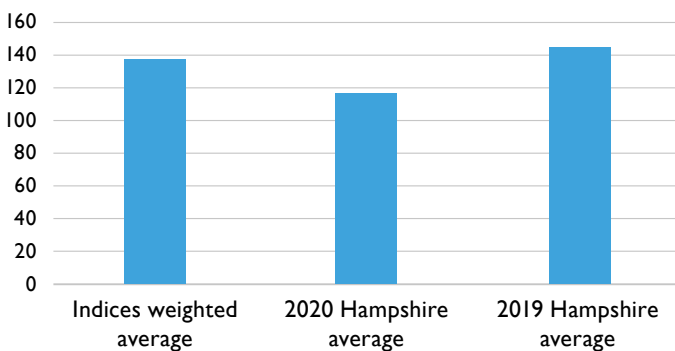
Addressing climate change concerns

With climate change set to have a large impact on all of us over time, the Pension Fund must make sure this is reflected in how it invests.

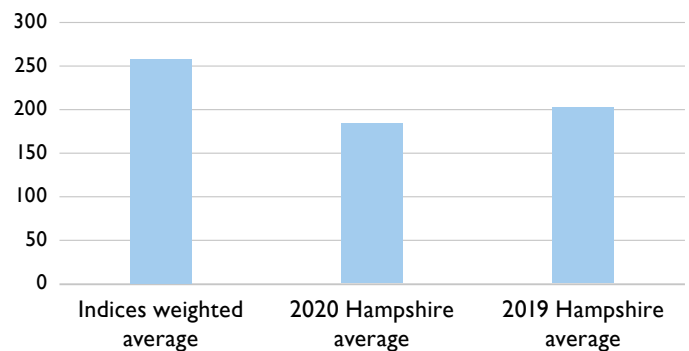
The Pension Fund:

- Holds its portfolio of global passive shares (that track world stock markets) in a Climate Aware Fund, which skews its investments towards companies in each sector that have the best environmental credentials.
- Has a carbon footprint for its largest shares portfolio that is only 6% of the world average.
- Has agreed to change one of its actively managed equity (shares) portfolios so that it is aligned with the climate change goals of the Paris Agreement.
- Is talking to its other equity managers about greener options for their funds.
- Continues to challenge all its investment managers to improve their reporting on carbon emissions and to justify their decisions.
- Has agreed to use GRESB benchmarking to assess the ESG performance of its property portfolio.
- Holds a global infrastructure portfolio where 14% of commitments are to renewable energy investments.
- Can measure the carbon emissions of 53% of its investments (50% last year).
- Has lower carbon emissions for these investments than the world average (using the relevant indices for its investments as the benchmark).

Carbon footprint (tCO₂e/£m invested) 31 December 2020



Carbon intensity (tCO₂e/£m revenue) 31 December 2020



The impact on emissions can be measured either as the CO₂ emissions relative to the size of companies (carbon footprint) or CO₂ emissions relative to how much revenue companies generate (carbon intensity).

Further actions

Other actions that the Pension Fund is taking as a responsible investor include:

- Reporting on RI activity on its website and improving reporting and transparency.
- Regularly reviewing shareholder voting and company engagement conducted by its investment managers.
- Challenging its investment managers to give concrete examples of how they are considering ESG factors when making decisions.

Your thoughts

We would love to hear your thoughts on how we are doing as a responsible investor and how we're acting on your behalf as scheme members.

Please email us at

responsible.investment@hants.gov.uk

or write to

Hampshire Pension Services, The Castle,
Winchester, Hampshire, SO23 8UB

You can also contact your Pension Fund Panel and Board scheme member representative for pensioners, Dr Cliff Allen, cliffallen203@aim.com