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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, 7th September, 2021

Chairman:

* Councillor M. Kemp-Gee

Vice-Chairman:

*Councillor T. Thacker

Elected members of the Administering Authority (Councillors)

A. Dowden

*D. Mellor

Employer Representatives (Co-opted members):

Dr. L. Bartle

Scheme Member Representatives (Co-opted members):

*Ms L. Gowland (active scheme member representative)

*present

Election of Chairman

Mr Paul Hodgson opened the meeting and asked for nominations for Chairman of the Sub-Committee.

Resolved:

that Councillor Kemp-Gee was confirmed as Chairman.

Election of Vice-Chairman

Cllr Kemp-Gee proposed Cllr Thacker as Vice-Chairman.

Resolved:

that Cllr Thacker was confirmed as Vice-Chairman.

1. APOLOGIES

Councillor Dowden and Dr Bartle sent their apologies.

2. 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.

3. **MINUTES**

The minutes of the Pension Fund Responsible Investment Sub-Committee held on 5 March 2021 were confirmed.

4. **DEPUTATIONS**

No deputations were received.

5. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman welcomed the new members of the committee and looked forward to the upcoming Local Government Chronicle conference in Leeds which had an Environmental, Social and Governance (ESG) focus.

The Chairman highlighted to members that since this meeting's agenda was published he had received over 100 emails from scheme members based on a template asking for the RI sub-committee to align the Fund's investment strategy with the goal of keeping the global temperature rise this century to no more than 1.5 degrees Celsius above pre-industrial levels, and to revisit a number of governance decisions made by the Pension Fund Panel and Board over the last year. The Chairman informed Members that a reply would be sent to all of the emails received and the Members asked to see a copy of the original email and the response that had been sent.

In addition, the Chairman drew Members' attention to an email that had been sent to the sub-committee in relation to the Pension Fund's investment in Suncor held in Dodge & Cox's global equities portfolio.

6. **SCHEME MEMBER COMMUNICATIONS**

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 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. The Pension Fund continues to receive correspondence expressing strong views, particularly that relate to investments in companies with operations in Israel and climate change, including a deputation to the Pension Fund Panel and Board and correspondence received by a number of Members of the County Council from the LGPS Divest Campaign. The correspondence to date has been received from a very small minority of the nearly 183,000 scheme members.

7. **STEWARDSHIP REPORT**

The RI Sub-Committee received and noted the report from the Director of Corporate Operations (Item 7 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 Pension Fund is a signatory to the UN Principles for Responsible Investment and the UK Stewardship Code and as such recognises its role of promoting best practice in stewardship, which is considered to be consistent with seeking long term investment returns.

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

[Responsible Investment | Hampshire County Council \(hants.gov.uk\)](https://www.hants.gov.uk/responsible-investment)

The Director's report also included a number of examples of the company engagement activities that the Pension Fund's equity and multi-asset credit investment managers had undertaken. The examples deliberately focused on issues related to Climate Change and companies with operations in Israel, which scheme members had shown their interest in.

8. **CLIMATE CHANGE SCENARIO ANALYSIS**

The RI Sub-Committee received and noted a report from the Director of Corporate Operations (Item 8 in the Minute Book) summarising an exercise engaging with its investment managers on scenario analysis on the impact of Climate Change on the Pension Fund's investments.

The Pension Fund is a signatory to the Principles for Responsible Investment (PRI) and has adopted the reporting principles of the Taskforce on Climate Related Financial Disclosures (TCFD). The TCFD framework includes the requirement to '*describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios*'. Having discussed with its consultants, MJ Hudson Spring, the Pension Fund has decided that for its first climate related scenario it would ask its investment managers to consider the impact of the *Inevitable Policy Response* policy forecasts developed by the PRI.

The Pension Fund received a variety of responses from its investment managers, ranging from those where further work would be required to be able to fully assess impact, to those that have undertaken their own detailed modelling in producing their response. Although the responses received have varied, this is partly due to this sort of exercise being fairly new to the sector, and as time passes it is expected that an improved level of information will be received, as it becomes more commonplace for investors to adopt the reporting principles of the TCFD. Therefore at this point it is too early to report on findings due to the range of depth in which investment managers are currently able to

respond. The engagement exercise between the officers and the investment managers has gone well, providing a number of learning points for the Pension Fund.

9. 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 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.

10. CONFIRMATION OF THE EXEMPT MINUTES OF THE PREVIOUS MEETING

The exempt minutes of the meeting of the Responsible Investment Sub-Committee held on 5 March 2021 were confirmed.

11. ACCESS DRAFT RESPONSIBLE INVESTMENT GUIDELINES

The Panel and Board considered the exempt report from the Director of Corporate Operations (Item 11 in the Minute Book) to allow the RI sub-committee to consider the draft ACCESS RI guidelines. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

12. UBS AND BARINGS PORTFOLIOS

The Panel and Board considered the exempt report from the Director of Corporate Operations (Item 12 in the Minute Book) on progress on considering options for reducing the carbon footprint of the investments in the UBS passive factor portfolios and proposals for reducing the carbon footprint of Barings' multi-asset credit portfolio. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

Chairman,