



Our commitment to Responsible Investment

We believe in the importance of **Responsible Investment** – considering social, environmental and corporate governance factors, and their influence on investment returns.

We, like our stakeholders, consider **climate change** and the issues that contribute to it as a major concern – and rightly so, it lies at the heart of our Responsible Investment activities.

We support the Paris Agreement, and the Hampshire Pension Fund is committed to the aim for its investments to have **net-zero greenhouse gas emissions by 2050**.

Engaging with fossil fuel companies

We believe that there are significant climate change mitigation benefits that come from our engagement as a shareholder with fossil fuel companies.

Simply disinvesting from all fossil fuel companies is not a straightforward solution to tackling climate change. This is because:

- The necessary transition to a lower carbon economy needs to be managed carefully to ensure that it is a *Just Transition* - that the benefits of a low carbon economy transition are shared widely, ensuring that those who lose economically from the transition are supported. Simply disinvesting from fossil fuels will not achieve this.
- Some fossil fuel companies are playing an important role in the transition to a lower carbon economy, for example developing and investing in renewable energy. These companies need support from investors as they develop these new carbon efficient alternative fuel sources.
- If the Pension Fund sells its shares in fossil fuel companies, we will lose our ability as a Responsible Investor to engage with

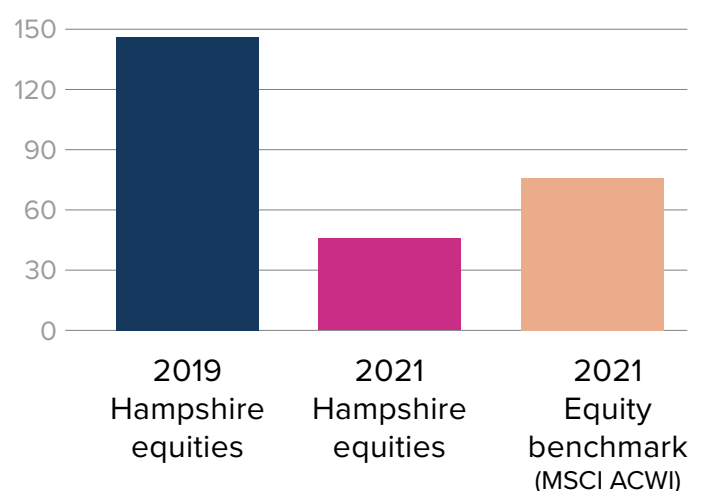
those companies, to hold them to account and to influence and support them in their move towards a lower-carbon economy. The investors that would buy these shares from us may not do this.

- In the short to medium term, there remains a reliance on fossil fuels to support our daily lives and the transition to a low carbon economy, such as producing the steel to build wind turbines. However, by investing in and engaging with these companies we can support and quicken their transition to lower carbon alternatives to enable the required transition to a lower carbon economy.

Our progress so far

The carbon footprint of the Companies which the Pension Fund invests in through owning shares has dropped by 69% since 2019 and is 40% below the current benchmark for equities¹, as shown below:

**Carbon footprint (tCO₂e/£m invested)
31 December 2021**



¹The benchmark we compare our share/equity holdings against is the MSCI ACWI benchmark www.msci.com/our-solutions/indexes/acwi



This reduction in carbon footprint has been achieved through measuring the carbon footprint of all the companies we invest in, not just fossil fuel companies, and working with our investment managers to find ways to reduce the overall carbon footprint, for example setting limits for carbon output and moving to investment strategies that are aligned to the Paris Agreement or

are *Climate Aware*; these lower carbon investment strategies now account for 85% of the Fund's shareholdings/equity investments.

At the 31st December 2021, the value of the Pension Fund's investments was £9.9bn; of which £323m (3.3%) was invested in renewable energy and £214m (2.2%) was invested in fossil fuel companies².

Your feedback

The Pension Fund will be consulting from **4 April 2022 to 31 May 2022** on scheme members' and employers' views on our Responsible Investment Policy and in particular our policy on managing the Funds impact on climate change.

This consultation can be accessed online on the Pension Funds website and we would encourage you to provide your feedback:

hants.gov.uk/hampshire-services/pensions/responsible-investment

²Some third-party sources may report a lower level of investment in fossil fuels – our figure includes companies involved in all aspects of the fossil fuel supply chain, rather than simply those with reserves of fossil fuels.