

AVON PENSION FUND COMMITTEE
MEETING OF THE 25TH SEPTEMBER 2015

AGENDA ITEMS 5 AND 6

A. QUESTION from Fund Member Susan Johnson

I welcome the Pension Fund's decision to review its responsible investing policy in the light of concerns about climate change and other aspects of sustainable and ethical investing. Obviously this is a large area and I understand you are appointing consultants to undertake the review. What will be the criteria for making assessments about what is sustainable and ethical with respect to climate change relative to what are seen as commercial criteria for running the fund to maximize returns to beneficiaries (and taxpayers such as myself). For example, some big investors have now taken positions to divest from coal (Norway Sovereign Wealth Fund; Axa Insurance) but this is not a complete divestment from fossil fuels which are harming our potential to keep to the 2 degree C change that experts believe is necessary.

ANSWER: The criteria is clear that the Fund's overriding responsibility is to maximise returns to beneficiaries within an acceptable level of risk. The analysis will look at the risks that climate change poses to maximising those returns in the future.

B. QUESTIONS from Fossil Free Bristol

1. *Item 5.4 says 'the subject matter [of the review] will be discussed at a number of workshops'. Who will be invited to attend these workshops?*

ANSWER - Committee members, officers and the consultant advising the review.

2. *Will members of the pension scheme be invited?*

ANSWER – No, policy development is the responsibility of the Pensions Committee.

3. *Item 5.4 also says 'a final report and recommendations will be presented no later than September 2016'. In light of the possibility of events impacting the portfolio before then, such as from the UN COP21 in Paris in December 2015, is APF planning immediate actions? For instance:*

- *Restricting new investment in highly climate sensitive sectors such as tar sands and coal. Or only allowing short term trading positions in these sectors.*
- *Carrying out an immediate audit of all climate sensitive investments and reviewing the situation in light of this audit.*

ANSWER – The Fund will comply with any regulatory requirement that emerges before the final report is produced and will consider other relevant information as part of the review process.

4. At our meeting it was explained by Liz and Tony that the fund is already making some renewable energy investments but your view was that a ‘tipping point’ (between fossil fuels and renewables) had not yet been reached. How will you ensure the fund is invested appropriately prior to this tipping point to ensure it avoids the underperformance of fossil fuels? - we are concerned that waiting until after the tipping point will mean the fund has to sell fossil fuel shares at low prices.

ANSWER - The Fund is undertaking the review of policy within an appropriate timeframe.

C. QUESTIONS from Councillor Lin Patterson, (Green), Lambridge ward

1. *How many members of the committee have seen the online videos of this month’s UNPRI conference in London (<http://www.unpri.org/events/pri-in-person-2015/>) where the CEO of PIMCO Investment company, Douglas Hodge, said “The conflict between our duty of care to those we directly serve and our broader obligation to society to allocate capital in ways that foster the six principles of responsible investing are no longer in conflict.” And that environmental, social and governance considerations (ESG), can be honoured “without sacrifice of return”, ending with the statement that “ESG investing is smart investing.”?*

ANSWER – (determined at the meeting) = 4

2. *My second, related question is: How many of the members of the committee are familiar with the ‘Six Principles of Institutional Investing’ referred to in the Investment Policy you are reviewing today? [NB The policy the Councillor refers to in her second question is the Fund’s Responsible Investing policy – Agenda item 11 describes the aims and scope of the proposed review of this policy to be completed in 2016] <http://www.unpri.org/about-pri/the-six-principles>.]*

ANSWER – (determined at the meeting) = 8