

Avon Pension Fund Committee

Meeting of 9th December 2016

Public Questions and Statements

1. Councillor Lin Patterson

Written question

Since it would be helpful for the Committee to know, as well as for those campaigning to stop damaging the climate, please can you provide information as to the sum total of direct investment in fossil fuel companies and also give the total invested indirectly in fossil fuels. If this is sensitive information for the current year, the data for last year will be acceptable, to give some indication.

Written Answer

In our revised Responsible Investing Policy it was agreed we will be measuring our carbon exposure.

Oral question from Councillor Patterson

It would be helpful if we are all cognisant of exactly what we are talking about. The answer that is given here is "it was agreed we will be measuring our carbon exposure." My follow-up question is "what do you mean by 'carbon exposure' exactly, and what do you mean by 'measuring' it, and when will those measurements be available to the public?"

Oral Answer

Carbon exposure is exactly what it says. We need to understand the carbon exposure of all of our holdings. We need to work out exactly how we are going to do it. Our methodology and the results will be reported to the Committee and will be in the public domain. This will be done next year.

2. Lynda Newbury

Written statement

Good afternoon, may I firstly thank you for giving us an opportunity to speak to you. Can I also say we welcome the priority given in the Responsible Investment Policy to managing climate change risk.

You will be aware that Waltham Forest Pension Fund has recently started the process of full divestment from fossil fuels over a five-year period. Councillor Simon Miller, chairman of the Pension Fund Committee, said: "Waltham Forest Pension Fund is proud to commit to divesting from fossil fuels. Not only does this mean that the fund will not be invested in stranded assets, but will be actively investing in

cleaner, greener investments to the benefit of our community, borough, and environment.”

Earlier this year, Haringey Pension Fund divested from Coal and invested £200m in a Low-Carbon Fund.

This puts these pension funds into a global movement that currently represents a value of \$3.4 trillion. That's divestment by 641 institutions, plus over 50,000 individuals who have divested about \$5.2 billion worth of fossil fuel investments.

Appendix 1 to the new RI policy indicates APF plans to catch up fast with the likes of the Environment Agency, Haringey and Waltham Forest when it comes to managing the impact of climate change on the pension fund.

Written question:

Could the committee confirm when the members and the local community will find out more about the how the committee plans to deliver on the commitments made in the RI policy and particularly the initiatives in Appendix 1 regarding climate change?

Written answer:

The Fund will begin its review of the investment strategy in 2017 once the actuarial valuation has been completed

3. Eleanor Field

Written statement

Last week EU institutions reached a deal on a reform of the IORPs (Institutions for Occupational Retirement Provision) Directive that affects workplace pension funds holding assets worth EUR 3.2 trillion on behalf of around 75 million citizens of the Union.

The changes include a clear requirement for EU workplace pension funds to:

- 1. consider climate risk and risks related to the depreciation of assets due to regulatory change (“stranded assets”) in investment decisions*
- 2. not limit investment decisions to financial considerations only, but include environmental, social, and governance (ESG) issues as well.*
- 3. consider the needs of both future and current generations by taking a long term view*

The UK Pensions Minister has confirmed the directive will become UK law as the deadline for implementation will expire before Brexit takes effect. For those coal companies, that hadn't gone bankrupt, the election of Donald Trump has given their share prices a temporary boost - now is an ideal time to start the process of reducing

climate risk that you committed to in the RI policy, by selling investments in coal companies.

Written question:

Can the committee please outline their initial plan for complying with this directive?

Written answer:

The Responsible Investing Policy complies with the directive in that it:

- (i) considers the impact of climate change risks in its investment decisions;**
- (ii) takes into account all risks that can have a financial impact on the assets and**
- (iii) acts as a long term investor.**

4. Dave Searby

Oral Statement

I just want to touch briefly again on the issue of stranded assets, about which I spoke to you at the March meeting. Just to reiterate that the concept of stranded assets means that there are not just environmental and social drivers behind divesting from fossil fuels, but also financial drivers. After the Paris Agreement fossil fuel companies must leave in the ground something in the order of two thirds of what they believed their extractable assets were. Their share prices are based on a much higher rate of extraction, so the concept is that their share prices are overvalued, and therefore financially a bad place for council and pension fund investments.