Appendix 2

Responses to Investment Strategy Statement (ISS)

The Consultation asked specific questions of the employers given that the investment strategy directly impacts their contribution plans. Other consultees were asked for general comments. The views expressed are those of the responders; in some cases they have been paraphrased. The intention has been to represent the comments concisely and as accurately as possible. Inevitably some of the detailed supporting material has had to be omitted.

University of the West of England

1) Whether you think that the strategy will enable employers to sustain contributions at their present levels or do you think the Fund should take on more risk in an effort to reduce potential contributions?

No, the Fund should not take on more risks. Given the profile of our members, which is maturing, the balance of risks, growth against income generation is broadly acceptable.

We have to ensure the on-going long-term affordability of the Fund.

Affordability of a pension fund is of two parameters, investments and liabilities - arguably the more crucial part. Whilst we accept that the Fund's liability is mainly driven by the benefit structure, which is beyond the remit of the Committee, we would advocate that the Committee should review its strategies in managing other aspects of the Fund's liabilities, including legacy issues, protection from failing employer members, trivial commutations, transfer values and buyouts.

2) Would you be prepared to pay for a more aggressive divestment approach or do you support the Paris alignment and the rationale of a 'Just Transition' approach?

No. It will bring into the question of the long-term affordability of the Fund for the University.

We would also advocate that the Fund to continue to take good governance and investment advice, so as investment strategy and asset allocation decisions are continued to be taking with professionalism, with evidence and sound reasoning, and not based on any particularly Committee member, members of the Fund (employees or employers) nor any political or pressure groups' persuasion or agenda.

3) Do you think the Fund is overly diversified and if so why?

No

4) Do you think that the Fund is too heavily invested in illiquid assets and if so why?

No. Most large employer members are committed to the Fund on a long term basis. However, at each ISS review point, reference should be taken with respect to the potential increasing maturity of the Fund as a whole.

5) What do you think the key risk is to the Fund's investment objectives and how do you think it should be addressed?

We note the increasing role that the Brunel Pension Partnership (BPP) will play in the management of the Fund's assets. As the portfolio under BPP management increases, individual fund members might find their influence and authority eroded. It is imperative that the Fund ensures that, particularly of the delegated oversight Committee members, are appropriate trained and equipped to scrutinise, extract safeguarding and accountability of the BPP.

Yate Town Council

1. Whether employers think that the strategy will enable employers to sustain contributions at their present levels or do employers think the Fund should take on more risk in an effort to reduce potential contributions?

It is the considered view from Yate Town Council that this is a very difficult question to answer in light of the present COVID-19 environment and its impact, now and ongoing, on the world's economies. However, based on what information is available at the moment, and on best 'guesstimate' of the present investment environment, the strategy is as suitable as it can be, in this rather remarkable period of time. But with the present world/economic 'unknowns' that exist now and will be ongoing, Yate Town Council do not believe that the Fund should take on more risk at this moment in time - there are simply too many uncertainties to be playing with Risk with pension funds. However, in six months time, this may well change.

2. Would employers be prepared to pay for a more aggressive divestment approach or do employers support the Paris Alignment and the rationale of a 'Just Transition' approach?

Bearing in mind the present financial environment, with the impact of COVID-19 crisis, this is more difficult to answer. It depends on a great number of factors, of which not all of them have been presently revealed in the aftermath of COVID-19 at the moment.

So would currently not support quite an aggressive approach.

3. Do Employers think the Fund is overly diversified?

Yate Town Council do not believe that the Fund is overly diversified - the Fund, quite rightly, has been cautious in it's strategy, and while past performance is no indication of future performance, this has proved to be a safe and steady approach.

For a Pension Fund responsible for pensions for some of the most low paid/vulnerable individuals in the country, the responsibility for the Fund should be to protect the Fund from any unnecessary risk for those members.

4. Do Employers think that the Fund is too heavily invested in illiquid assets and if so, why?

Yate Town Council's initial answer is no, it's about the right balance – but with the impact of COVID on the economies around the world, it is difficult to judge whether, in hindsight, it is/will be the right decision at the time.

5. What do Employers think the key risk to the Fund's investment objectives and how do Employers think it should be addressed?

Yate Town Council believe the impact of COVID-19 and its effect on the world's economies is a major key risk given it is something that we've not had to deal with before.

The risk of the far reaching impact of COVID-19 will be quite devastating, not just for financial economies, but for political and social implications, such as political upheaval and social unrest.

The Fund should be monitoring the situation on a frequent basis, to be alert for upcoming events, and trends developing, and have appropriate strategies to deal with its impact and contingency plans.

Yate Town Council appreciate that this is a challenge, but with flexibilities in its potential options, the impact can be lessened on the Fund.

Unison (B&NES, Bristol and North Somerset Branches)

The Unison response focussed on the Fund's policy for investments in and engagement with fossil fuel companies as follows:

The draft 2020 Investment Strategy Statement as it currently stands continues the fund's policy of engagement with fossil fuel companies as a shareholder. Item 6.4 of the Investment Strategy Statement states that;

"The most recent investment strategy review analysed the reduction in carbon emission and reserves across the spectrum of investment approaches from fully invested to fossil free portfolios. The Fund concluded that low carbon strategies that 'significantly reduce exposure to fossil fuel reserves and carbon emissions across all companies', combined with robust engagement with companies regarding their climate strategies, is currently a more effective approach to meeting the Fund's climate objectives."

Furthermore, Item 8.7 states that the Fund will use its

"… power as a shareholder to encourage change' and 'will independently support investor led initiatives such as ClimateAction100+ and Institutional Investors Group on Climate Change to increase pressure on companies and governments to align with the Paris goals."

We are fully supportive of the Fund using its power as a shareholder to press for a just transition to a low carbon economy. Alongside this, we continue to support the Fund adopting a target to divest entirely from fossil fuel companies over a 5-year period. We believe the fossil-free investment portfolio is the approach that fully aligns with the goals of the Paris Agreement.

We would like to highlight our justification for taking this position.

1. *Burning all the oil and gas from currently operating fields would take global warming beyond 1.5°C (ref Price of Oil). Therefore, it is imperative that we stop all new fossil fuel infrastructure and fossil fuel industry expansion.*
2. *A recent report by the Carbon Tracker shows that fossil fuel companies are still opening new fossil fuel sites. The company Shell, which Avon Pension Fund is invested, plans to greenlight more that 35 new oil and gas projects by 2025 (according to an investor presentation from June 2019). Engagement has so far failed to stop this.*
3. *Successful engagement with the fossil fuel industry would require no new extraction sites and the winding down of fossil fuel production of those companies. Instead, Shell has advocated 'net zero' emissions. This implies the continuation of fossil fuel extraction, relying on unreliable technologies such as carbon capture and storage, or vast tree plantations to suck carbon out of the atmosphere.*
4. *Whilst they have some renewable assets, fossil fuel companies are not leading the transition to renewable energy. Most of the global capital investment in low-carbon technologies is coming from other companies (ref IEA)*

There is a strong financial case for divestment from fossil fuels to avoid future losses. Carbon Tracker has shown that fossil fuel use will peak in the 2020s, after which investors in the industry can expect to see significant losses. There are an increasing number of investors divesting from fossil fuels, purely on financial grounds.

We therefore consider full divestment from fossil fuel companies to be aligned with the fiduciary duty of the Fund to scheme members.