COUNTY COUNCIL – 1 DECEMBER 2020

QUESTIONS FROM MEMBERS OF THE PUBLIC

Note: Questions 1 to 11 relate to the East Sussex Pension Fund exposure to fossil fuel investments, the response to climate emergency and related issues. The answer to these questions is set out after question 11 below

1. The same or similar questions were asked by:

Polly Charlton, Brighton
Sophie Larsen, Lewes, East Sussex
Jessica Denison, Newhaven, East Sussex
Jane Wilde, St Leonards on Sea, East Sussex
Philippa Smith, Brighton
Adam Rose, Eastbourne, East Sussex
Ed Baker, Brighton
Anne-Megan Griffiths, Lewes, East Sussex
Rachel Goldhill, Brighton
Jason Evans, Saltdean
Susan Churchill, Hastings, East Sussex
Carol Jefferson, St Leonards on Sea, East Sussex
Carl Jackson, Hastings, East Sussex
Ting Plaskett, Eastbourne, East Sussex
Sue Fasquelle, Lewes, East Sussex
Andrea Corso, St Leonards on Sea, East Sussex
Les Gunbie, Brighton
Katherine Beaven, Forest Row, East Sussex
Annabel Faraday, Fairlight, East Sussex
Iain Sheard, Battle, East Sussex
Oliver Darlington, Lewes, East Sussex
Michael Barnard, Bexhill on Sea, East Sussex
Ian Cairns, Seaford, East Sussex
Richard Pike, Forest Row, East Sussex
Andrea Needham, Hastings, East Sussex
Anne Massey, Hove
Cherry Lavell, Polegate, East Sussex
Sally Atwood, Lewes, East Sussex
Eveline Tijs, Hastings, East Sussex
Richard Moore, Lewes, East Sussex
Rebecca Francomb, Seaford, East Sussex
Andy Moore, Hastings, East Sussex
Anne Tyndale, Brighton
Melissa McClements, Brighton
Venetia Carter, Brighton
Marion Reynolds, Alfriston, East Sussex
Frances Witt, Lewes, East Sussex
Sarah Macbeth, Hastings, East Sussex
Mary-Jane Wilkins, Lewes, East Sussex
Anna Cole, Brighton

Marylin Thomas, Arlington, East Sussex
Michael Gilbert, Brighton
Gail Greaves, Brighton
Susan Murray, Lewes, East Sussex
Annette Unsworth, Brighton
Ali Ghanimi, Brighton
Naphia Reggiani, Forest Row, East Sussex
Georgia Taylor, Forest Row, East Sussex
Tim Beecher, Brighton
Richard Pike, Forest Row, East Sussex
Claire Duc, Lewes, East Sussex
Carol Turner, Eastbourne, East Sussex
Adrian Briggs, Lewes, East Sussex
Mike Clemens, Brighton
Gary French, St Leonards on Sea, East Sussex
Sally Cranfield, Brighton
Max Glaskin, Brighton
Dan Lake, Brighton
Svenja Czubayko, Brighton
Sarah Hazlehurst, Brighton
Karen Shaw, Crowborough, East Sussex
Ginny Smith, Taring Neville, East Sussex
Karl Horton, Hastings, East Sussex
Sara Birch, Lewes, East Sussex
Arnold Simanowitz, Lewes, East Sussex
Sonia Blakeley, Heathfield, East Sussex
Gus Garside, Brighton
Andrew Durling, Pevensey, East Sussex
Nina Thair, Brighton
Jane Clare, Crowborough, East Sussex
Anna Taylor, North Chailey, East Sussex
Patricia Rigg, Lewes, East Sussex
Jane McIntosh, Lewes, East Sussex
Julia Hilton, Hastings, East Sussex
Hugh Dunkerley, Brighton
Ursula Pethick, Robertsbridge, East Sussex
Jane Loftin, Fairlight, East Sussex
Jean Gould, Lewes, East Sussex
Margaret Fletcher, Seaford, East Sussex
Polly Gray, Bexhill on Sea, East Sussex
Janet Sharples, Groombridge, East Sussex
Esme Needham, Hastings, East Sussex
Caroline Garton, Brighton
Fran Seballos, Seaford, East Sussex
Elizabeth Ottosson, Eastbourne, East Sussex
Norman Wright, Hove
John Doherty, Bexhill on Sea, East Sussex
Rosalind Clayton, Bexhill, East Sussex
Paul Taylor, Brighton
Denzil Jones, Lewes, East Sussex

David Allen, Brighton
Caroline Donegan, Ticehurst, East Sussex
John Enefer, Hastings, East Sussex
Jacqueline Currie, Brighton
Emma Dennett, Brighton
Gabriel Carlyle, St Leonards on Sea, East Sussex
Nicholas Davies, St Leonards on Sea, East Sussex
Ian Bunch, Hastings, East Sussex
Mathew McDonnell, St Leonards on Sea, East Sussex
Jules McBride, St Leonards on Sea, East Sussex
Sarah Cuming, St Leonards on Sea, East Sussex
Jemima Dury, Hastings, East Sussex
Ann Link, Lewes, East Sussex
Vanessa Fulkes, St Leonards on Sea, East Sussex
Erica Smith, St Leonards on Sea, East Sussex
Chloe Mathews, St Leonards on Sea, East Sussex
Karen Beal, St Leonards on Sea, East Sussex
Abigail Nicol, St Leonards on Sea, East Sussex
Jane Wigan, St Leonards on Sea, East Sussex
Hattie Embleton, Brighton
Lesley Restorick, Hastings, East Sussex
Jennifer Allan, Seaford, East Sussex
Lesley Ann Dawes and Alistair Dawes, St Leonards on Sea, East Sussex

Does the East Sussex Pension Committee accept that, because burning fossil fuels is the key driver of global warming, the goals of the Paris Climate Agreement (to keep global warming to 'well below 2 °C', pursuing 1.5°C) cannot be achieved without the rapid alignment of the big fossil fuel companies with a 1.5°C pathway*?

Can the chair of the East Sussex Pension Committee give a single example of an oil or gas major that is currently aligned with a 1.5°C pathway*?

And – given the rapidly shrinking window for action – when will the Fund divest from those oil and gas companies that fail to align themselves with a 1.5°C pathway*?

* By a 1.5°C pathway we mean one that: (a) yields a 50% or better chance of keeping global warming below 1.5°C; and (b) does so without assuming the future creation of global scale 'negative emissions technologies' (ie. ones that remove carbon dioxide from the atmosphere) that don't currently exist.

2. Question from Dirk Campbell, Lewes East Sussex

As ESCC declared a climate emergency in October 2019, and it is not disputed that the burning of fossil fuels is the main driver of global warming, why is the ESCC Pension Fund still investing in oil and gas when there are better alternatives both in terms of financial returns and climate change mitigation?

3. The same or similar questions were asked by:

Alison Cooper, St Leonards on Sea, East Sussex
Jane Munro, Winchelsea Beach, East Sussex

Philippa Hislop, Lewes, East Sussex
Jane Carpenter, Lewes, East Sussex
Carol Mills, Eastbourne, East Sussex
Duncan Armstrong, Lewes, East Sussex
Amy Pedder, Hove
Anthony Bradnum, St Leonards on Sea

Does the East Sussex Pension Committee accept that, because burning fossil fuels is the key driver of global warming, the goals of the Paris Climate Agreement (to keep global warming to ‘well below 2 °C’, pursuing 1.5°C) cannot be achieved without the rapid alignment of the big fossil fuel companies with a 1.5°C pathway?

Does the council also accept that current investments in fossil fuels are not in line with your fiduciary duty to protect your pensioners as those investments are failing?

4. The same or similar questions were asked by:

Jane Wright, Lewes, East Sussex
Judy Scott, Hastings, East Sussex

Can the Chair of the East Sussex Pensions Committee give a single example of an oil and gas company that is currently aligned with a 1.5 degree pathway?

5. The same or similar questions were asked by:

Carol Mills, Eastbourne, East Sussex
Michael Wyatt, Bexhill on Sea, East Sussex
Sylvia Goddard, Lewes, East Sussex
David Sudbery, Uckfield, East Sussex
Roy Francomb, Seaford, East Sussex

Given the rapidly shrinking window for action – when will the Fund divest from those oil and gas companies that fail to align themselves with a 1.5°C pathway? (i.e.one that yields a 50% or better chance of keeping global warming below 1.5°C; and does so without assuming the future creation of global scale ‘negative emissions technologies’ that don’t currently exist)?

6. Question from Liz Prince-Harding, Brighton

When will the council recognise the grave danger that our levels of fossil fuel use are posing to our climate and so our health and survival, and divest from fossil fuel industries?

7. Question from Natasha Padbury, Lewes, East Sussex

What evidence does ESCC have that it is treating the declared climate emergency as an emergency and is on track to help meet the Paris Agreement and UK climate targets when it is still investing in the fossil fuel industry such as with the East Sussex Pension Scheme?

8. Question from Ben Clench, Hove

You declared a Climate Emergency in October 2019. As such it is your responsibility to protect our climate as much as possible. You have done nothing to follow your responsibility to do this by investing in fossil fuel activities in your pension scheme.

I urge you to divest from supporting these activities by changing the investment you have made with the pensions of your staff. Climate breakdown is something we are starting to experience and I really feel that the council would not want to support this. As such please make sure pension contributions are not supporting the fossil fuel industry.

9. Question from James Meek, Seaford, East Sussex

Why is East Sussex County Council doing nothing to divest its pension investments from fossil fuel companies? Why has Cllr Gerard Fox singularly failed to answer any of the questions put to him at the last Full Council meeting in respect of the pension fund investments?
When will ESCC divest its pension fund investments from fossil fuel industries?

10. Question from Fiona MacGregor, St Leonards on Sea, East Sussex

Why is the East Sussex Pension Committee continuing to invest in fossil fuels when it is an accepted scientific fact that emissions from the burning of oil and gas are driving climate change? When will it be switching to invest in renewable energy?

11. Question from Richard Boyle, Eastbourne, East Sussex

Why not just move your carbon portfolio to renewable energy generating (wind and Solar) and battery companies?
There are dozens of safe harbour green companies with huge growth potential and you won't be left with stranded assets. Also, you won't be part of the Global Heating problem but part of the solution.

Response by the Chair of the Pension Committee to questions 1 to 11 above

A large number of the questions ask whether as Chair of the Pension Committee I can give a single example of an oil and gas major that is currently aligned with a 1.5ºc pathway. The research shows that there are none, despite some bold moves by European companies. According to the Transition Pathway Initiative five oil and gas majors are on track to align with the Paris emissions pledges, three of which are getting closer to a 2ºc climate pathway by 2050 but additional measures are required. Most economies, including the United Kingdom, are not yet on track to align with commitments made under the Paris Agreement and much policy detail has yet to follow. It goes without saying therefore that a very substantial proportion of major companies and sectors are also not operationally aligned with Paris ambitions because policy does not fully support that outcome. It is not the role of the Fund to police the Paris Agreement and the fund seeks to monitor and manage energy transition risks at an overall portfolio level. Whether an individual company or sector is currently on track for 1.5 or 2 degrees is not a direct determining factor for investment by the Fund. That decision lies with the Fund's Investment Managers who must weigh up all risks of the underlying holdings. The Fund monitors the performance, philosophy and actions of those managers as they make investments on behalf of the fund in line with the mandate of the investment.

The Fund's principal fiduciary responsibility is to provide pensions to the fund beneficiaries. To this end, it must have attention to adequate diversification of risk, limiting of fund volatility and provision of sufficient income from its holdings through dividends to pay the pensions. As a responsible investor it must reconcile the unfolding energy transition with its need for income to pay those pensions and it has an overriding interest in maximising the investable set of companies in its portfolio. As a consequence it pursues a policy of active engagement around the Energy Transition primarily via its membership of the Institutional Investor Group on Climate Change (IIGCC) & Climate Action 100+ which seeks to pressure and assist companies and sectors, no matter what position they start from, in aligning their long run operations with net zero ambitions and decarbonisation pathways.

The Fund acknowledges very clearly in its Statement of Responsible Investment Principles approved in September 2020 that an energy transition is underway over the next 30-40 years and that there are risks and opportunities associated with that which it has sought to identify. East Sussex Pension Fund has outperformed its investment benchmark over the last 5 years and ranks among the top LGPS Funds in terms of solvency. As a Responsible Investor it continues to evolve its approach.

The Fund does not directly invest in any specific company; instead it invests through a combination of holdings in passive index funds and active fund managers. An investment to a passive index means exposure to all companies within the index, there is no ability to divest from any specific company within it; to divest from a single company within the index would require the fund to divest from the whole strategic allocation. Up to 75% of the Fund's fossil fuel exposure has historically come via exposure to these passive index funds.

The Fund has taken substantial measures this year to better align itself with challenges associated with the *Energy Transition*. These measures include moving 2/3 of the Fund's index equity exposure into Climate & Sustainability Active Impact Equity and into an index fund provider which excludes fossil fuel companies, investing instead in climate solutions, while weighting other holdings in favour of green revenues. Additionally, it has committed to regularly carbon foot print its portfolio, become a UNPRI reporting signatory, joined the Institutional Investor Group on Climate Change (IIGCC) in pursuit of company engagement, and committed to report annually under the updated 2020 UK Stewardship code and to the Taskforce for Climate related Financial Disclosures (TCFD). It also requires that its fund managers join IIGCC and are PRI signatories.

As a consequence of these and a number of other measures, the Fund's direct exposure to Fossil Fuel assets will fall significantly below 2% by year end. Fossil fuel exposure published by gofossilfree.org in 2015 was reported to be 6.6% of the fund value; changes made by the Pension Committee since then has dropped exposure to 3.4% in September 2020 and will further drop below 2% after the current investment implementation is complete. This is a reduction of over 60% exposure in the past 5 years. They may fall further once it addresses regional index equity holdings in upcoming Committee meetings.

The Committee regularly debates the merits of Engagement vs. Divestment in relation to fossil fuels. It does not currently recognise blanket divestment from entire sectors as an effective or fiduciary approach. Blanket divestment from fossil fuels would have meaningful operational implications for the fund reducing its ability to invest in a diverse range of assets and significantly reduce the scope of fund managers in which it could invest, further increasing financial risk to the fund beneficiaries. None of the investor action groups for climate action that the fund is a member suggest blanket divestment of a sector at this time

Note: Questions 12 to 21 relate to a similar issue. The answer to these questions is set out after question 21 below

12. The same of similar questions were asked by:
Helen Stollar, Brighton
Duncan Taylor. Lewes, East Sussex
Adrian Briggs, Lewes, East Sussex
Patricia Shobaki, Hove
Kathleen McMullen, Hove
Alison Brownlie Bojang
Helen Stollar, Brighton
Karen Vincent Jones, Hove

I was one of many residents who submitted questions to the October meeting of the County Council, expressing my grave concerns about the East Sussex Pension Fund's investments in companies complicit in human rights abuses and violations of international law by the Israeli state.

The response to these questions from Councillor Fox, in his capacity as Chair of the Pension Committee, was helpful in many respects. I was particularly pleased to see that he acknowledged that the companies I cited in my question 'operate and profit from stolen land'. I was also pleased to note that the Pension Fund is now planning to divest from these companies, despite the fact that the investments are 'passive'. Especially welcome was Councillor Fox's statement that Responsible Investment is 'at the heart of all investment decisions and provides increased transparency and monitoring of these investments'.

His response was, however, unclear and noncommittal on a number of crucial points. Accordingly, I am seeking unambiguous answers to the following questions:

In his response, Councillor Fox refers to 'these investments'. Could he specify which investments the Fund is planning to divest from, and in particular whether the plans include Elbit Systems and the 11 companies in the Pension Fund portfolio that are named on the UN Human Rights Office list and which I cited in my question?
Could Cllr Fox provide a timetable for the Fund's planned divestment from these

complicit companies?
Could Councillor Fox confirm that the Fund’s investments in Elbit Systems and the 11 companies named on the UN Human Rights Office list run counter to the Fund’s Responsible Investment policy?

13. The same or similar questions have been asked by:

Guy Harris, Udimore, East Sussex
Katy Colley, Brede, East Sussex
David Wilson, Hastings, East Sussex
Chris Sanderson, Hastings, East Sussex
Anne Wells, Robertsbridge, East Sussex
Jon Griffith, Hastings, East Sussex
Paul Rainey, Brighton
Edward Cuzner, Brighton
John Fowler, Bexhill, East Sussex

Since June this year, there has been a growing number of emails sent to the County Council objecting to the East Sussex Pension Fund's investments in companies complicit in abuses of human rights and violations of international law. These violations relate to Israel's settlements on occupied land which are illegal under international law; the International Criminal Court prosecutor is investigating their construction as a war crime.

The chair of the Pension Committee has made some helpful comments, stating that Responsible Investment Principles are 'at the heart of all investment decisions and provides increased transparency and monitoring of these investments.' Also, he acknowledged that companies mentioned in the questions 'operate and profit from stolen land.' Any pension fund operating with ethical and responsible principles would surely be divesting from such companies.

A commitment by the Pension Committee chair indicated that the fund will divest from some of the complicit companies in due course. These companies are included in the United Nations list of companies involved in Israel's illegal settlement economy. The United Nations High Commissioner for Human Rights (OHCHR) has undertaken a lengthy and extensive process of engagement with these companies. The pension fund has investments in 13 of these companies. They are: Bank Hapoalim, Bezeq, booking.com, Delek Group, Expedia Group, First International Bank, General Mills, Israel Discount Bank, Mercantile Discount Bank, Mizrahi Tefahot Bank, Motorola, Paz Oil Company and TripAdvisor. This is far more than any other local government pension fund. The vast majority have no investments in these companies at all.

Please will you specify which of the above 13 companies you plan to divest from and provide a timetable for divestment?

Elbit Systems produces a range of banned weapons including cluster munitions, weaponised white phosphorus and flechette projectiles. It produces the weaponised Hermes 450 and 900 drones. All these weapons have been used repeatedly to target the civilian population in Gaza. The Norwegian state pension fund has divested from Elbit. So have numerous other funds such as Dutch pension giant ABP, Sweden's largest pension fund Första AP-Fonden, Danish bank Danske Bank, AXA, Folksam (Sweden), ABN AMRO and Europe's largest bank HSBC. Norges Bank, the central bank of Norway, excludes Elbit Systems due to 'particularly serious violations of fundamental ethical norms.' There are only 3 local government pension funds with investments in Elbit. This company is clearly regarded as toxic, a company that any pension fund with ethical and 'responsible' policies would keep clear of.

Will the Pension Committee confirm that the fund intends to divest from Elbit Systems, and if so, please state when?

Could the Pension Committee chair confirm that the Fund's investments in Elbit Systems and the 13 companies named on the UN Human Rights Office list run counter to the Fund's 'Responsible Investment Principles?'

Do you accept that, regardless of whether these assets are pooled or held in segregated portfolios, it is the pension fund's obligation, in line with its own 'Responsible Investment Principles,' to ensure that it does not invest in companies operating from stolen land?

Do you intend to implement screening and due diligence procedures to ensure that scheme members' money is not used to support the violation of international law relating to other companies not mentioned here?

14. Richard and Janet Cox, Litlington, East Sussex

Will the Pension Committee chair confirm that the fund intends to divest from Elbit Systems, which provides Israel with weapons which it uses to perpetrate war crimes against the Palestinians?

15. Question from Philip Colley, Rye, East Sussex

We cannot ignore the oppression of the Palestinian people. They need the help of the outside world. Relentlessly bullied and humiliated, they remain defenseless and are being treated like animals in their own land. That treatment, at the hands of what would appear to be systemically racist oppressors, and the collective, safety-in-numbers, blind eye of the world, is a terrible stain on humanity. It is apartheid. It is cruel, inhuman and utterly unjust. What was meant to be “a homeland for the Jews in Palestine” is becoming the wholesale takeover of an entire country and the ejection, imprisonment, ghettoization or plain murder of its original inhabitants. Why? Because other people want to take Palestinian property for themselves. It is theft, pure and simple. Refugees from all over Palestine now remain imprisoned, festering, in Gaza, the West Bank and elsewhere with only their property deeds and rusting iron house keys to remind them of the homes they were driven out of by death squads in the Naqba catastrophe. Those homes are now lived in, without any payment or compensation whatsoever, by settlers invited in from all over the world. All automatically granted, on the basis of their ‘race’, the full political and legal rights denied to those whose houses and land is being stolen. Why do the universal concepts of equality, human rights and democracy seemingly have no bearing when it comes to the experience of the Palestinians? It seems such universal concepts, trumpeted loudly when it suits them, can be ignored by our political leaders when it is expedient to do so. It is politically and morally obscene. Despite all the efforts by the perpetrators of this crime, and their supporters, to smear and suppress the truth of what is happening, through whatever nefarious means at their disposal, there remains a growing number of people, of all faiths and none, in East Sussex and elsewhere, who, from good conscience, refuse to turn a blind eye. And refuse to be silenced. In the light of the above, my question is why are you, my local political leaders, when it comes to the East Sussex Pension Fund, prepared to be clearly seen by those you represent to justify compromising the rule of law by investing in companies complicit in the abuse of human rights and violations of international law?

16. Question from Sally Philips, Hastings, East Sussex

Would you not agree that by holding East Sussex Pension Funds in companies that are functioning in violation of International Law and in firms such as Elbit that produce weapons that have been repeatedly used to target civilian populations that the Trustees of these funds are currently behaving in an immoral and indiscriminate manner?
Would you explain when you will divest from these companies and banks that are supporting them so that you can show discrimination and a moral investment plan.

17. Question from David Rodger, Brighton

I wrote on this matter at the time of the October meeting concerning our investing in companies complicit in humans rights abuses and violations of international law as listed by the United Nations and NGO s such as Amnesty International and War on Want .The Chair indicated that that divestment would proceed.

I would just seek clarity on
1}Which companies will be divested from and do they encompass Elbit Systems and the 11 companies in the Pension Fund Portfolio named on the UN Human Rights list?
2} What is the timetable for disinvesting ?
3} Can Cllr Fox confirm that investment in Elbit and the 11UN identified companies runs counter to the Councils ethical investments policy

18. Question from Hilda Kean, Hastings, East Sussex

As you may recall I wrote to the recent October council meeting in which some aspects of the Pension Fund were considered and responded to. However, I was not clear that any action would immediately be taken to change funding of matters under the aegis of the United Nation as High Commissioner for Human Rights. The UNHCHR noted here lists companies involved in Israeli's illegal settlement economy. I understand that the East Sussex County Council pension fund seems to have investments in many of the companies included in the UN information.

While I was pleased to note that the Chair of the Pensions Committee had acknowledged the role of certain companies who 'operate and profit from stolen land.' it is not clear when such positive action against them will take place. I trust that any pension fund operating with ethical and responsible principles would surely be divesting from such companies?

Although the chair has indicated that the pension fund will divest from some of the complicit companies this seems to only be referred to in a somewhat unspecified time.

Please specify from which of the many companies will the council be divesting? When will this take place?

I realise that there are indeed many companies with which East Sussex places investments but would like to know against which companies, such as the Elbit Systems, will action be taken quickly.

19. Question from Ann Hallam, Hove

I welcome the commitment by the Pension Committee chair that the fund will divest from some of the companies profiting from illegal Israeli settlements. The United Nations has listed companies involved in Israel's illegal settlement economy. The pension fund has investments in 13 of these companies. They are: Bank Hapoalim, Bezeq, Booking.com, Delek Group, Expedia Group, First International Bank, General Mills, Israel Discount Bank, Mercantile Discount Bank, Mizrahi Tefahot Bank, Motorola, Paz Oil Company and TripAdvisor. The vast majority of local government pension funds have no investments in these companies.

Elbit Systems produces a range of banned weapons including cluster munitions, weaponised white phosphorus and flechette projectiles. It produces the weaponised Hermes 450 and 900 drones. All these weapons have been used repeatedly to target the civilian population in Gaza. The Norwegian state pension fund has divested from Elbit. So have numerous other funds such as Dutch pension giant ABP, Sweden's largest pension fund Första AP-Fonden, Danish bank Danske Bank, AXA, Folksam (Sweden), ABN AMRO and Europe's largest bank HSBC. Norges Bank, the central bank of Norway, excludes Elbit Systems due to 'particularly serious violations of fundamental ethical norms.' There are only 3 local government pension funds with investments in Elbit. This company is clearly regarded as toxic, a company that any pension fund with ethical and 'responsible' policies would avoid.

Can the Pension Committee chair confirm that the Fund's investments in Elbit Systems and the 13 companies named on the UN Human Rights Office list run counter to the Fund's 'Responsible Investment Principles?

Will the Pension Committee confirm that the fund intends to divest from Elbit Systems and specify which of the above UN named 13 companies you plan to divest from

Please provide a timetable for divestment.

Do you intend to implement screening and due diligence procedures to ensure that scheme members' money is not used to support the violation of international law relating to other companies not mentioned here?

20. Question from Aidan Pettitt, Brighton

I was one of many pension scheme members who submitted questions to the October meeting of the County Council, expressing my grave concerns about the East Sussex Pension Fund’s investments in in such companies.

I was interested to read an acknowledgement that the companies mentioned in my letter ‘operate and profit from stolen land’ and pleased to see that the Pension Fund is now planning to divest from these companies. I believe that this statement applies to ‘passive’ as well as ‘active’ investments. The response from the meeting, however, failed to respond, adequately and fully to a number of important questions. Consequently, I am now asking for unambiguous answers to the following questions:

1. Could the Chair of the Pensions Committee specify which investments the Fund is planning to divest from, and in particular whether the plans include Elbit Systems and the 11 companies in the Pension Fund portfolio that are named on the UN Human Rights Office list? Could the Chair provide a timetable for the Fund’s planned divestment from these complicit companies?

2. Could the Pension Committee Chair confirm that the Fund’s investments in Elbit Systems and the 11 companies named on the UN Human Rights Office list run counter to the Fund’s Responsible Investment policy?

3. Could the Pension Committee Chair explain how the Pension Fund’s investment strategy takes account of ESG issues in relation to both ‘passive’ and ‘active’ funds? Pension Funds are clearly able to restructure investments in response to concerns over funds that contribute to climate change and can also restructure funds in relation to concerns over investments in arms companies such as Elbit Systems. Earlier this year, the Universities Superannuation Scheme, the UK’s largest pension scheme, announced that over the next two years it will be divesting from companies involved in tobacco manufacturing, coal mining and weapons manufacturers. This amounts to a reported £1.6bn in assets and is perhaps the largest recent example of the changing approach to sustainable investing in pensions.

4. Could the Pension Committee Chair tell me if the Pension Fund is acting on research from Bloomberg that shows that the average ESG fund fell in value by just half the decrease registered of other funds in the S&P 500 index over the same period? Similarly, BlackRock analysis indicates that funds tracking the performance of companies with stronger ESG credentials lost less money than those including worse performers in 94% of cases since the start of the current pandemic. Why would the East Sussex Pension Fund not shift its investments to better performing ESG funds?

The administration of a Pension Scheme needs to be open and transparent and to take into account the views of those who have contributed to and benefit from the Scheme. I welcome the Pension Fund’s Committee’s Chair’s statement that Responsible Investment is ‘at the heart of all investment decisions and provides increased transparency and monitoring of these investments’. Accordingly, I believe it is essential that the Pension Committee provides clear and unambiguous answers to my questions.

21. Question from Laurie Holden, Burwash, East Sussex

It is clear that there is a growing disquiet concerning a number of investments that the East Sussex Pension Fund (ESPF) holds. I'm sure that you can imagine that when someone who has paid into the ESPF all his or her life finds that this money has been invested in companies such as the armaments company Elbit Systems, this can lead to a certain amount of unease, even anger.

Out of 88 government pension funds, only 3 have investments in Elbit. This company provides the Israeli airforce with the Hermes 450 weaponised drone – each one equipped with 2 Hellfire missiles. As you know, the IDF is known for targetting civilians. During operation 'Protective Edge,' approximately 85% of fatalities were civilians. Elbit boasts that its weapons are 'battle tested.' Battle tested on Palestinian men, women and children. So when a Palestinian child gets incinerated by a hellfire rocket, or when a woman gets crushed to death under the rubble caused by a hellfire rocket, I think we have a right to question any investment in Elbit.

ESPF's Statement of Responsible Investment Principles states: “RI (Responsible Investment) is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions....”

- Can you explain how investing in a company such as Elbit adheres to the principles of “environmental, social and governance” factors?

A growing number of pension funds and investment funds in the UK and throughout Europe are divesting from Elbit.

- Isn't it time that the ESPF also divests?

Out of 88 government pension funds, just 13 have companies that are listed by the United Nations High Commissioner for Human Rights (OHCHR) as involved in Israel's illegal settlement economy. In fact no government pension fund has investments is as many of these companies as the ESPF has. The eleven companies are: Bank Hapoalim, Bezeq, Booking.com, Delek Group, Expedia Group, First International Bank, General Mills, Israel Discount Bank, Mercantile Discount Bank, Mizrahi Tefahot Bank, Motorola, Paz Oil Company and TripAdvisor. The OHCHR has undertaken a lengthy and extensive process of engagement with these companies. This shows that these companies have no intention of ending their operations in this illegal activity.

- Can you explain how investing in companies that the UN has shown to be in breach of international law adheres to the ESPF's Statement of Responsible Investment Principles, specifically “environmental, social and governance” factors?

If ESG factors are not a priority, then it seems that these 11 companies are not even giving members of the fund “sustainable, long-term returns” as ESPF's Statement of Responsible Investment Principles claims. It's not known when these investments were taken, but a portfolio of these 11 companies (weighted as per the PSC

research) shows that over a 5 year period, this would have given a 7.2% return. The S&P 500 return has been 71%. Most international MSCI ETFs show returns of between 25% to 40%. Over a 10 year period, the difference in returns are even more noticeable.
Therefore it would seem that the ESPF is losing its members money by investing in these companies.

ESPF's Statement of Responsible Investment Principles states: “RI (Responsible Investment) is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and to generate sustainable, long-term returns (according to Principles for Responsible Investment).”

- So, would you agree that the ESPF is not living up to its stated 'Responsible Investment Principles' policy?

Whether you have invested in these companies directly, through tracker funds or through pooled funds, don't you think it's time to make decisions to divest from these toxic companies? Other government pension funds have done so.

- Finally, do you intend to implement screening and due diligence procedures to ensure that scheme members' money is not used to support the violation of international law relating to other companies not mentioned here?

Response by the Chair of the Pension Committee to questions 12 to 21 above

The response to these questions draws upon much of what was explained in the response to the questions on divestment of fossil fuels, however, is included again for completeness of answering these specific questions.

The East Sussex Pension Fund (the Fund) does not directly invest in any specific company; instead it invests through a combination of holdings in passive index funds and active fund managers. As the owner of an index fund, we are passive recipients of the index and we can’t pick and choose the constituents of the global or regional indices and there is no way in which the fund can influence the holdings in that index or divest from an asset without divesting from the whole strategic asset allocation. Many Pension Funds typically follow an investment model which includes a proportion of their equity exposure in passive index funds. Ordinarily, passive funds are viewed as a cheap and efficient way to gain global equity market exposure with reduced volatility. MHCLG guidance encourages the use of index funds as an intrinsic part of investment strategy at an LGPS Fund pool level due to the lower costs associated with investing in these funds compared to active mandates. None of the Pension Funds active managers have any exposure to Elbit Systems or the 11 named companies in question 13, the only exposure the fund has is within the passive index tracker. To divest fully from the passive index to remove these companies from the portfolio is a major strategy decision and will result in significant final cost to the fund which needs to be taken into account when acting in the interests of the funds beneficiaries. In mid September, the fund had exposure to 8 of the named companies valued at just under £1.8m and had a further £16k with Elbit Systems, less than 0.05% of the portfolio invested. To enact divestment of these companies the fund would have to sell approximately £400m of assets across nearly 5,000 companies to remove these 9 companies. The allocation to passive equities has been reduced in the past 6 months from 33% to 10% of the fund. The figures quoted above on exposure to these companies is before this reduction in passive equity allocation; until the transition of these assets has been completed, we are unable to confirm which of the companies we will continue to hold. The passive equities have also been restructured into regional allocation, so some companies could have dropped out entirely but this information is not yet available as we have no control of the underlying companies in the passive index allocation. The remaining 10% allocation to passive equities held by the fund will be considered at the next Pensions Committee on 1 March 2021 as to its continued place in the portfolio.

In making any investment decision the Fund will seek to follow its published Investment Strategy Statement and its Statement of Responsible Investment Principles, to balance the duties they have to all scheme stakeholders, weigh up the potential financial impact and take into consideration the views of beneficiaries where any non-financial factor is taken into account. Responsible investment is a substantial factor in driving returns alongside other investment considerations and the fund has outperformed its benchmark in all its reporting periods. The fund is not an "Ethical" or "unethical" investor, it is a responsible steward of capital where we identify and mitigate financial risks and we are guided by the legal principle of fiduciary duty where our primary function is to pay pensions to the fund beneficiaries when they become due. The objectives of the pension fund RI policy are to reduce the likelihood that ESG issues and Climate Risk will negatively impact asset values and returns and inform stakeholders on the action the Fund is taking to address and manage ESG and Climate Risk issues. The choice of passive index is an important deliberation. Where possible, the Fund seeks to acquire exposure to indices that are tilted in favour of companies that benefit from greener revenues, are less carbon intensive, and are better positioned than their peers to adapt to the Energy Transition which is a new position in the fund. In some markets this option is not possible such as Emerging Markets and in these cases the market cap indices are not currently adjusted to reflect ESG or responsible investment criteria, however as previously stated this strategic allocation is to be reviewed at the next Pension Committee. In addition to taking into account ESG risks into decision making the fund is a signatory to a number of engagement groups with the intention on making companies that we invest more responsible and deliver to ESG expectations.

One of the engagement groups the fund is a member, LAPFF (Local Authority Pension Fund Forum), have been liaising with Palestinian and Jewish interest groups in respect 16 companies operating in the region where member funds have investment. The LAPFF Research and Engagement partner has written to and arranged several engagement meetings with those companies.

All of the fund's active managers screen companies in which they invest on the funds behalf and the fund itself carried out significant due diligence in appointing the manager where it appoints direct. Where investments are made through the investment pools, due to the change in manager selection responsibilities as a result of the changes through the 2016 regulation, the fund reviews due diligence approaches taken by the pool to ensure managers have appropriate screening in place and take into account ESG factors when investing the funds money.

22. Question from Sean MacLeod, Newhaven, East Sussex

I was pleasantly surprised to see Maria Caulifield MP post on social media that the A259 Bishopstone Junction will be undergoing a number of traffic works in the new year following a meeting with ESCC. The reason I ask this question is I can find no documented minutes of such a meeting on ESCC website and given these planned changes will be at the expense of local tax payers money it’s only right that a proper scrutiny of such expenditure is done in the public realm.
Maria says that the likely traffic changes that are coming are traffic lights so I assume a traffic impact assessment has been done and an environmental impact also.
Could you make it public record on what steps are being taken to the Bishopstone junction following Maria post, and can you explain how much this will cost and also is it now ESCC policy to announce expenditure through our MP rather than more appropriate channels.

Response by the Lead Member for Transport and Environment

I would like to allay Mr MacLeod’s concerns and that we are not proposing any traffic works in the new year at the A259 Bishopstone Road junction despite contrary reports.

The County Council is aware that this section of the A259 and, in particular, the turning movements at the A259 Bishopstone junction is an ongoing concern to the local community.

A feasibility study has been undertaken to identify potential junction and accessibility improvements on the A259 between the Bishopstone Road and Hill Rise junctions. These included the introduction of traffic signals and standard roundabouts at the Bishopstone Road, Marine Parade and Hill Rise junctions as well as a gyratory incorporating the Marine Parade and Hill Rise junctions.

The improvement scheme would be prohibitively expensive to implement using the County Council’s capital allocation for local transport improvements and therefore a scheme of this magnitude would require a business case to be developed for specific Government funding.

The County Council is also planning to undertake a study of the A259 South Coast Road between Eastbourne and Brighton. This will seek to identify a package of enhancements for public transport, improvements to enable people to cycle or walk for all or part of their journeys, alongside localised road and junction capacity improvements and the potential use of smart technology on this corridor. This study will, in turn, inform the development of a Strategic Outline Business Case to

Government to make the case for Major Road Network funding, which the A259 South Coast Road is part of.

In developing the Strategic Outline Business Case, we will consider the inclusion of the improvements to the Bishopstone junction as part of the package of improvements on the A259 corridor. Work on the A259 corridor study will start next year and is expected, alongside the Strategic Outline Business Case, to take between 8 and 12 months to complete.

In the process of seeking Government funding for such a scheme at the A259 Bishopstone Road junction, then we would undertake public consultation on any proposals. The outcomes of any consultation would then be reported back to a Lead Member for Transport and Environment decision making meeting with recommendations on next steps regarding progressing any scheme.

23. Question from Imogen Makepeace, Lewes East Sussex

ESCC bid for 1,608,080 it received 1,820,200 this results in difference of £212,120

Can you explain how the additional funds are to be used and where?

Given that Lewes District council received very little of what it requested can you tell us whether you have considered allocating this additional funding to Lewes DC, if not, why not?

https://www.eastsussex.gov.uk/roadsandtransport/planning/emergency-active-travel-fund/tranche-2-emergency-active-travel-fund/

Response by the Lead Member for Transport and Environment

The County Council received official notification from the Department for Transport of its £1.820m tranche 2 Emergency Active Travel Fund allocation on 20 November 2020, and the split between capital (£1.456m) and revenue (£0.364m). The grant letter also included the associated conditions for the funding and set out the Government's expectations in relation to scheme consultation and monitoring arrangements for tranche 2 schemes, as well as the delivery of the majority of the programme by March 2021, or if not feasible, demonstrating that there is a commitment to deliver in early 2021/22.

The tranche 2 programme already includes a package of over £420,000 of improvements in Lewes District focused on:

- a £90,000 contribution towards the resurfacing the Falmer to Woodingdean Cycle Route with Brighton & Hove City Council and South Downs National Park also each contributing £100,000;
- £152,179 capital expenditure on provision of dropped kerbs and tactile paving, footway resurfacing/tactile replacement, and footway widening in Lewes from Elm Grove to Brighton Road;

- £153,503 capital expenditure on new dropped kerbs, resurfacing footways, installing or repairing tactile paving, and increasing footway width in Newhaven from Drove Road to Denton Road.

In addition, one of the pilot schools in the School Streets revenue funded initiative within the programme will be focussed on Southover Primary school following requests locally.

We are currently reviewing the programme elements included in the original bid submission against the grant conditions. Due to the tight timescales related to bid submission in August, the costs included were estimates, and these need to be updated. Once this review exercise has been undertaken, we will allocate any additional capital and / or revenue funding to extend the existing programme to measures which meet with the requirements of Emergency Active Travel Fund Tranche 2 programme, and which are deliverable in the funding timescales, but we have yet to determine where any additional funding would be allocated.

An updated programme will be published on the County Council website in December.