

COUNTY COUNCIL – 21 MARCH 2017

QUESTION FROM MEMBERS OF THE PUBLIC

1. Question from Gabriel Carlyle, St Leonards on Sea, East Sussex

Both Hastings Borough Council and Lewes Town Council have now passed cross-party motions calling on East Sussex County Council to divest the East Sussex Pension Fund of its holdings in fossil fuels. What steps are being taken by the Pension Committee to find out from its investment consultants and fund managers whether the Fund's investments can be restructured so as to meet the Fund's fiduciary duties without investing in fossil fuels?

Response by Councillor Stogdon, Chair of the Pension Committee

In accordance with the Local Government Pension Scheme Regulations and associated legislation, the Pension Committee exercises functions and responsibilities for dealing with the East Sussex Pension Fund in conjunction with other bodies. The Committee (rather than the investment consultants and fund managers) make arrangements for the investment, and agree the Investment Strategy/Allocation having regard to the advice of the investment consultants.

2. Question from Karl Horton, Hastings, East Sussex

As a pension fund holder with East Sussex Pension Fund, I welcome the recent addition to the Fund's Investment Strategy Statement stating that "The Fund believes that climate change poses material risks to the Fund but that it also presents positive investment opportunities." In the light of this addition, what tangible steps is the Pension Fund going to take to make sure that their Investment Strategy addresses these risks?

Response by Councillor Stogdon, Chair of the Pension Committee

Following a detailed discussion regarding fossil fuel investments including wider Environmental, Social and Corporate Governance (ESG) responsibilities, and the approval of the Fund Investment Strategy Statement by the Pension Committee at its February 2017 meeting, the Committee and the Board have scheduled 13 June 2017 for a joint training session focusing on ESG responsibilities. This session will be facilitated in conjunction with the investment managers, advisers and industry experts, to explore fully the financial and/or non financial impacts including range of options open to the Fund in relation to ESG investments.

The Pension Committee is committed to an ongoing development of its ESG knowledge with particular emphasis on obtaining further information on the long term financial return in regard to fossil fuel investment, which will further be considered at the fund investment strategy day discussion/meeting in July 2017.

3. Question from Arnold Simanowitz, Lewes, East Sussex

At its 8 September 2016 meeting, the East Sussex Pension Committee resolved "to agree that the Fund should continue to seek to use its influence as a corporate investor to positively influence companies' behaviour. What steps have Fund managers taken, over the past five years, to "positively influence" the behaviour of the fossil fuel companies, such as Exxon and Chevron, with whom it currently has millions of pounds of local people's pension monies invested, and what have been the result of these steps.

Response by Councillor Stogdon, Chair of the Pension Committee

As long term investors, having a fiduciary duty to 69,000 members and 120 employers within the East Sussex Pension Fund (ESPF), the Pension Committee takes its role of safeguarding the investment assets of the Fund very seriously. As part of its responsibility, the Committee recognises that Environmental, Social and Corporate Governance (ESG) can have a material impact on the long term performance of the investments of the Pension Fund.

East Sussex Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which recognises the issue of stranded assets and continued fossil fuel extraction as a collective investment risk for all asset owners. LAPFF engages by meeting with companies and participating in collaborative investor initiatives including filing and supporting relevant shareholder resolutions to companies. For companies engaged in fossil fuel extraction, LAPFF's approach is to undertake robust engagement on aligning their business models with limiting climate change to a 2°C increase in global temperatures and to push for an orderly low carbon transition. For oil and gas companies, an important engagement focus is the restriction of capital expenditure on high cost resource extraction and promotion of the return of any additional cash generated to shareholders.

Monitoring of progress and outcomes includes LAPFF's participation in the Transition Pathway Initiative, which aids understanding of where companies are placed in the transition to a low carbon economy and their competence to manage this transition.