

# DYFED PENSION FUND COMMITTEE

24/06/2020

## County Council Notice of Motion 9 October 2019 to divest from fossil fuels

**Members of the committee to consider the Notice of Motion from the County Council meeting held on the 9 October 2019 to divest from fossil fuels**

### Recommendations / key decisions required:

To consider the attached Notice of Motion which was referred to the Dyfed Pension Fund Committee from the County Council meeting held on the 9<sup>th</sup> October 2019 and the facts contained within this report

### Reasons:

Members of the committee to consider the Notice of Motion from the County Council to divest from fossil fuels.

Relevant scrutiny committee to be consulted

NA

Exec Board Decision Required NA

Council Decision Required NA

Directorate:Corporate Services

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# EXECUTIVE SUMMARY

## DYFED PENSION FUND COMMITTEE

### 24/06/2020

#### COUNTY COUNCIL NOTICE OF MOTION 9 OCTOBER 2019 TO DIVEST FROM FOSSIL FUELS

Notice of Motion was presented to County Council on the 9 October 2019 which read as follows:

“This Council:

- Notes that Carmarthenshire Council unanimously declared a climate emergency earlier this year, with a commit to make the County Council a net zero carbon local authority by 2030.
- Notes the conclusions of the Intergovernmental Panel on Climate Change (IPCC) that “we are already seeing the consequences of 1°C of global warming through more extreme weather, rising sea levels and diminishing Arctic sea ice”;
- Notes that the IPCC report stated that global emissions of carbon dioxide must peak by 2020 to keep the planet below 1.5C; Page 3
- Notes the campaigning and research by Extinction Rebellion, Friends of the Earth and others, on the holdings Local Government Pension funds, including Dyfed, have in fossil fuels companies;
- Believes that current plans are nowhere near strong enough to keep temperatures below the so-called safe limit.
- Calls on Dyfed Pension Fund to divest from fossil fuels within the next two years and invest the funds in local renewable energy schemes.”

**After a significant debate including consideration of an amendment the original Motion was supported and it was agreed that it would be referred to the Dyfed Pension Fund Committee for consideration.**

Carmarthenshire County Council is the administering authority for the Dyfed Pension Fund and one of approximately 50 employers in the Fund.

The Dyfed Pension Fund pension committee has a fiduciary duty to seek to obtain the best financial return that it can for its members. This is a fundamental principle of the management of Pension Funds that has been established in law. However, as a long-term investor responsible for looking after the interests of beneficiaries over many decades into the future, the committee recognises climate change as a significant risk factor for our pension fund investments. The Fund shares many of the concerns over climate and carbon issues and works both at a fund and a collective level (whether via the Wales Pension Partnership (WPP) or with other LGPS Funds to further climate action. At this point in time, the Fund believes active engagement with investee companies instead of full divestment is the preferred option to bring about change whilst managing overall investment risk issues.

The Fund takes the approach to engage actively and productively with companies in the sector through its participation in the Local Authority Pension Fund Forum (LAPFF). LAPFF’s engagement strategy is to push for an orderly carbon transition by requiring companies to identify and tackle carbon

risks in their business models. The Fund was one of the prime movers/supporters of the strategic resilience shareholder resolutions put to BP and Shell's recent AGMs. These resolutions were unique in that they were supported by the boards and galvanised investor support and built on a history of previous engagement with resources companies on carbon asset risk.

The Dyfed Pension Fund, via the investment managers also votes on resolutions at global AGMs seeking transparency and disclosure of climate risks and setting emission reduction targets. In this manner our view is directly communicated to individual boards.

It should be noted that the Dyfed Pension Fund does have an increasing level of investment in renewable and low carbon energy production via pooled funds and will continue to make such investments where the risk/return profile fits the pension fund's investment strategy. The Fund also has and is increasing its investments in the BlackRock UK Strategic Alternative Income Fund where some of the core strategies are in the renewable energy sector and a number of different sectors that have a direct impact on local communities including healthcare and social housing. Later during this committee meeting there will be a consideration of the BlackRock Low carbon equity tracker fund and the Baillie Gifford Global Alpha Paris Aligned fund. BlackRock currently hold passive equity investments on behalf of the Fund and Baillie Gifford hold active equity investments for the Fund via the WPP.

The WPP has developed a detailed Responsible Investment Policy which is the umbrella policy for all 8 Welsh LGPS funds and will consider a specific Climate Risk Policy at the next Joint Governance Committee meeting.

The Dyfed Pension Fund pension committee chair, officers and Baillie Gifford held a well-attended training session for county councillors on 21 February 2020. The session provided an in depth and balanced view on divestment from fossil fuels from a committee and an investment manager perspective.

The Fund has a comprehensive Investment Strategy Statement (ISS) which is on the Dyfed Pension Fund website and can be found through the following link. The ISS will be developed further during 2020. <http://www.dyfedpensionfund.org.uk/media/1647/investment-strategy-statement-18-19.pdf>

This response has highlighted a number of changes that have been made and continue to be made to demonstrate the Fund's commitment to be a responsible investor, that further address the risks and issues associated with climate change and improve its engagement activities with companies on those issues.

### **Recommendation**

To consider the attached Notice of Motion which was referred to the Dyfed Pension Fund Committee from the County Council meeting held on the 9<sup>th</sup> October 2019 and the facts contained within the report.

**DETAILED REPORT ATTACHED ?**

**NO**

## IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: **C Moore**

Director

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>NONE</b>	<b>NONE</b>	<b>YES</b>	<b>NONE</b>	<b>YES</b>	<b>NONE</b>	<b>NONE</b>

### Finance

There could be a potential increase in costs and reduced performance from divestment which will need to be assessed prior to making any detailed decisions, maintaining overall fiduciary responsibilities.

### Risk

Potential risk of reduced investment performance and increased costs from divestment.

# CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: C Moore

Director

**1. Scrutiny Committee**

NA

**2. Local Member(s)**

NA

**3. Community / Town Council**

NA

**4. Relevant Partners**

NA

**5. Staff Side Representatives and other Organisations**

NA

**Section 100D Local Government Act, 1972 – Access to Information**

**List of Background Papers used in the preparation of this report:**

**THERE ARE NONE**

Title of Document	File Ref No.	Locations that the papers are available for public inspection