

COUNCIL ASSEMBLY

(ORDINARY)

WEDNESDAY 25 NOVEMBER 2015

PUBLIC QUESTIONS

1. QUESTION FROM LIAM CROSBY TO THE CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE

Globally \$2.6 trillion has been divested from fossil fuels on environmental and financial grounds. Southwark Council invests 60 million in fossil fuels, including 1.5 million in a tar sands company. Will the council listen to 600 plus petitioners asking them to protect pensioners, people, and the environment by reviewing investments in fossil fuels?

RESPONSE

The first priority of Southwark Council's pension fund is to ensure that the council is able to meet its commitments to our staff - past and present - to provide them with their pensions. We have a responsibility to minimise running costs, maximise returns and importantly protect council tax payers from the risk of future costs of the pension fund. We take this responsibility very seriously and therefore, take professional investment advice to ensure our fund is best placed to meet this.

However, in this context we also take seriously our opportunity to be a socially responsible investor and therefore take an approach of active engagement with the companies we invest in. The Southwark Council pension fund is a member of the Local Authority Pension Fund Forum (LAPFF) allowing us to work hand in hand with 64 other local authority pension funds, with combined assets of over £175 billion. As a group, local authority funds are now amongst the most important domestic asset owners, and typically account for a significant slice of the ownership of UK-listed companies. The powerful influence exercised by such funds acting together as shareholders on issues of common concern has considerable potential in relation to companies where they invest. Membership in LAPFF ensures Southwark Council's pension fund is represented in challenging particular policy stances and is at the forefront of pro-active engagement with oil, gas and resources companies.

There are clearly competing views on whether ongoing shareholder activism or one-off divestment is the most effective way investors can have a positive impact in the fight against climate change. With this in mind I have invited members of Fossil Free Southwark to meet with me and the strategic director of finance and governance to discuss this issue.

SUPPLEMENTAL QUESTION FROM LIAM CROSBY TO THE CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE

Well thank you for your offer to meet with us, look forward to that and we really agreed that this other pension fund needs to focus on commitments to staff and avoiding costs to taxpayers. Given that Suncor Energy in which the pension fund has a direct investment is going into tar sands even at the time when Shell Oil and the US government are pulling out on the grounds of financial and environmental

risk, wouldn't you agree that investment such as that pose a real risk not just to the environment but also to the finances of Southwark Pension Fund?

RESPONSE

Thank you for your question and thank you indeed that you and your group are going to come in to meet with me. Since your group has raised issues about Suncor investments with us, we have got in touch with Newton, our investment managers and it is they, as our fund managers to take these investment decisions rather than the Council's Pension Advisory Panel itself, to ask them for a lot more detail on why they believe Suncor are good investment for this council pension fund. In their assessment they see Suncor as a medium risk. Now I've got a very, very long explanation, I'm not going to read it out now because we'll be here all night but which I'm very happy to discuss at the meeting. I think there is a matter principle about us not trying to second guess our fund managers but I agree it is important to ask these questions of our managers as indeed I did last time, so I suggest we talk about it in more detail at our forthcoming meeting.