

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 60m in fossil fuels, including 1.5m in a tar sands company. Will the council listen to 600+ 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.