

Pensions Sub-Committee

Supplementary Agenda

Tuesday 27 February 2018

7.00 pm

Committee Room 3 - Hammersmith Town Hall

MEMBERSHIP

Administration	Opposition
Councillor Iain Cassidy (Chair) Councillor PJ Murphy Councillor Guy Vincent	Councillor Michael Adam Councillor Nicholas Botterill

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Item

Pages

12. LOW CARBON STRATEGY UPDATE

1 - 3

This paper updates Members on the Fund's approach to fossil fuel investment and any possibilities for divestment in the future.

<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">PENSIONS SUB-COMMITTEE</p> <p style="text-align: center;">27 February 2018</p>	
<p>LOW CARBON STRATEGY</p>	
<p>Report of the Strategic Finance Director – Hitesh Jolapara</p>	
<p>Open Report</p>	
<p>Classification - For Decision Urgent Request</p> <p>This urgent report has been requested by the Chair in order for a low carbon proposal to be formulated in time for the next investment strategy review which will take place at its next meeting.</p> <p>Key Decision: No</p>	
<p>Wards Affected: None</p>	
<p>Accountable Director: Philip Triggs, Director of Pensions and Treasury</p>	
<p>Report Author: Matt Hopson, Strategic Finance Manger – Treasury and Pensions</p>	<p>Contact Details: Tel: 0207 641 4126 E-mail: mhopson@westminster.gov.uk</p>

1. EXECUTIVE SUMMARY

1.1 This paper updates Members on:

- a. The Fund's current approach to fossil fuel investment.
- b. Any possibilities for divestment in the future

2. RECOMMENDATIONS

2.1 The Committee is recommended to approve:

- a. The Pension Fund signing up to become a member of the LAPFF.
- b. Approving a reduced fossil fuel exposure plan to be drafted along with the next investment strategy review in consultation with the Fund's investment consultant.

2.2 The committee is recommended to note:

- a. The Pension Fund's current approach to fossil fuel investing.

3 LOW CARBON STRATEGY

Options for Engagement

- 3.1 The Pension Fund requires all of its fund managers to actively engage with the companies they are invested in and promote good corporate governance.
- 3.2 The Fund has the option to join the Local Authority Pension Fund Forum (LAPFF), a pressure group organisation made up of Local Authority Pension Funds that seeks to lobby organisations to make better ESG decisions.
- 3.3 The collective large equity holdings in the passive and actively managed funds of these LGPS funds provide significant levels of voting rights and are better able to influence large energy companies such as BP and Royal Dutch Shell.
- 3.4 The Committee is recommended to Join the LAPFF, as doing so would allow the London Borough of Hammersmith and Fulham to engage and support the work of the organisation to ensure better environmental, social and governance decisions are taken within its portfolio.

Options for Divestment

- 3.5 Currently, the Pension Fund's largest allocation to fossil fuel companies remains in its passive equity portfolio, which is procured via the London CIV.
- 3.6 The significant cost savings of using the London CIV mean that the Fund would like to remain on the passive fund platform; the London CIV currently does not have any passive equity trackers that exclude fossil fuels.
- 3.7 The Hammersmith and Fulham Pension Fund does, however, have representation on a London CIV working group that has been set up to assist in selecting a manager who can provide a passive equity ex-fossil fuel mandate. Once this has been set up, it would provide a credible option for divesting should the Committee wish to go down this route.
- 3.8 There is also a separate working group that has been set up specifically for pension fund committee members should a member of this group like to attend.
- 3.9 The investment strategy statement is due for review in 2018 and the Committee will need to consider its future approach to fossil fuels at this time. It is recommended that the committee approves officers to start work with the Fund's investment consultants in looking at a proposal for any divestment in the future as part of this investment strategy review.

4 CONSULTATION

4.1 Not Applicable

5 EQUALITY IMPLICATIONS

5.1 Not applicable

6 LEGAL IMPLICATIONS

6.1 None

7 FINANCE AND RESOURCES IMPLICATIONS

7.1 None

8 IMPLICATIONS FOR BUSINESS

8.1 Not applicable

9 RISK MANAGEMENT

9.1 None

10 PROCUREMENT IMPLICATIONS

10.1 None

11 IT STRATEGY IMPLICATIONS

11.1 None

LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	None		

LIST OF APPENDICES:

None