PQ 03/22

Isle of Wight Pension Fund Committee – 16 February 2022

Written question from Sylvia May of Totland to the Isle of Wight Pension Fund Committee

Over the past 5 years, the IWC Pension Scheme invested more than 7% of its funds in fossil fuels, directly to fossil fuel companies and indirectly through banks and organisations supporting this industry. During the same period the Isle of Wight Council formally recognised the climate emergency, encouraged increased biodiversity and re-wilding of our environment, rejected the government's demand for unsustainable housing development, producing an Island Plan alongside an Environment and Climate Strategy to reduce habitat loss and cut local emissions. Last October the Planning Committee unanimously rejected plans for oil production on the Island and recently initiated an independent Biosphere Steering Group to develop a holistic approach towards achieving economic and environmental balance through a net zero agenda.

Will the committee commit to build on these important achievements, by divesting all pension funding for fossil fuels into more sustainable environmental and social portfolios and green energy development?

Response

The Pension Fund is a long-term investor, and the investments should be able to generate sustainable returns to pay pensions for scheme members. Environmental, Social and Governance ("ESG") issues can have a material impact on the long-term performance of its investments. The Pension Fund Committee continues to develop its investment beliefs in respect of ESG factors and its responsible investment activities, and is working together with other funds in the ACCESS pool to develop its approach to stewardship and engagement matters.

In implementing the investment strategy following the 2019 triennial valuation, the fund has reduced its overall allocation to actively managed equity funds, and has added investments in private debt, infrastructure, and a passively managed climate aware global equity fund. As at 31 December 2021, the total value of the fund's investments was £765.5 million, all held within pooled funds. Approximately £16.7m (2.2%) of investments were in companies with a significant involvement in fossil fuels. In addition, approximately £19.4m (2.5%) had exposure to renewable energies.

When identifying the managers for the new asset classes, the selection process considered how the managers take into account ESG factors when developing their investment portfolio, and their approach to engagement with the companies in which they were invested. At each committee meeting, one of the fund's investment managers is invited to present their portfolio's performance, and to report on their reasons for holding investments in fossil fuel related companies.

The fund believes that engagement with fossil fuels companies in order to determine their approach to a "Just Transition" to a greener economy is preferable to immediate disinvestment from those companies. However, selling an asset remains an option when it comes to unaddressed ESG concerns in the investments made by our managers.