

PENSION COMMITTEE – 3rd March 2022

PUBLIC QUESTIONS

<p>1. Questioner's name: Mark Marshall</p>	<p>Respondent's name: Cllr Lynden Stowe, Chair of Pensions Committee</p>
<p>As a contributing member of the scheme I wish to raise a question for the meeting of the 5th March 2022 regarding the scheme's complicity in violations of international law via its investments in illegal Israeli settlements. Given that Israel is now recognised as an apartheid state, as defined in the 1998 Rome Statute of the International Criminal Court, by both Amnesty International and Human Rights Watch it is my view that as a matter of urgency the LGPS begins to divest from any such investments. The question I wish asked is are the Committee aware of the issues detailed below? (copied from a campaign organised by the Palestine Solidarity Campaign).</p> <p><i>I am deeply concerned that the Local Government Pension Scheme continues to hold over £4.4bn of investment in companies which are complicit in Israel's grave breaches of international law and Palestinian rights. I am writing to express my support for the LGPS Divest campaign, led by scheme members and their representative trade unions UNISON, Unite the Union, and GMB, which is pressuring LGPS funds to cease investment in companies complicit in the violation of international law. I am asking you to raise my concerns with councillors on the pension committee of the local LGPS fund.</i></p> <p><i>Israel continues to violate the basic principles of international law, through: the illegal settlement of Palestinian land in the occupied Palestinian territory (oPt), a presumptive war crime under the Rome Statute of the International Criminal Court; the</i></p>	<p>I can confirm that the Committee are aware of the issues that you have raised. The Fund aims to deliver stronger investment returns over the long term, protecting our interests through contributing to a more sustainable and resilient financial system, which supports sustainable economic growth and a thriving society.</p> <p>Our partnership (Brunel) manage the investment of the assets of the Fund, in conjunction with nine other LGPS Funds in the Southwest. As such, Brunel own and maintain a Responsible Investment and Stewardship Policy on behalf of us all within the partnership. We participated in its develop to ensure it met our needs and we fully support the policy.</p> <p>Our partnerships position on investment relating to the Occupied Palestinian Territory (OPT) is as follows:</p> <p>“Brunel is a leader in responsible investment and does not operate thematic exclusions across its portfolios. Brunel selects, appoints, and monitors asset managers who undertake the day-to-day stock selection within its portfolios. Brunel scrutinises asset managers investment and risks processes, including their approach to stewardship and integration of environmental, social and governance risks.</p> <p>We acknowledge the concerns raised regarding the activities of companies</p>

inhumane land, sea and air blockade on Gaza, deemed a flagrant violation of international human rights and humanitarian law by UN experts; the denial of the fundamental human right of dispossessed Palestinian refugees to return to the land from which they, or their family members, were expelled, in violation of UN Resolution 194.

Companies are complicit in these human rights violations in several ways, including through activity in, or with, Israel's illegal settlement enterprise.

In February 2020, the Office of the United Nations High Commissioner for Human Rights (OHCHR) published a database of business enterprises involved in certain specified activities related to the Israeli settlements in the Occupied Palestinian Territory. The Database identifies 112 business enterprises involved in one or more activities that raised particular human rights concerns in a UN-led investigation. These companies are involved in serious human rights abuses. As noted by Amnesty International, any preliminary risk mapping exercise undertaken for due diligence would conclude that is no way of doing "business in or with settlements in a way that is consistent with international humanitarian and human rights law."

LGPS Divest campaign research identified that 85% of funds whose investments could be ascertained have holdings or exposure to companies on the list.

In developing the Database, the OHCHR conducted advanced engagement with all companies listed.

Given the extremely serious nature of the human rights breaches linked to settlement activity in occupied territory, the

operating or sourcing from West Bank and East Jerusalem. Whilst we remain politically neutral and do not have a position on the conflict itself, we do take scrutiny of poor business conduct seriously. In addition, we expect our managers to be aware of all the material investment risks relating to the companies in which they invest, including those with significant exposure in areas of conflict.

Brunel Pension Partnership manages nearly £35bn of assets investing in thousands of companies globally, Brunel prioritise engagement activity based on client priorities, investment risk and the probability of being able to make a successful intervention.

Human rights is a priority theme for our engagement and we will use the information presented in the UN report (which itself covers 130 companies) to inform Brunel's engagement strategy and our challenge of manager holdings. The UN clearly states in its covering note that in listing the companies it "does not provide a legal characterization of the activities in question, or of business enterprises' involvement in them". We continue to engage with several of the companies identified in the UN report. We believe this is more effective in achieving change than immediately exiting companies.

Progress on these engagements will continue to be communicated as transparently as possible and to external stakeholders in line with our current reporting practices."

In addition, below is the public statement we have received from our partnership's engagement partner Hermes EOS regarding Occupied Palestinian Territories.

previous engagement undertaken by the OHCHR, and the severe reputational risks that could stem from continued investment in these companies, please act to ensure that the fund will begin the process of removing investments from companies appearing on the Database.

It is also to be noted that, by the OHCHR's admission, its Database of business enterprises does not cover all companies who are active in, or with, the illegal Israeli settlement enterprise in occupied territory. We therefore ask the fund to implement adequate positive and negative screens to ensure the exclusion of any business enterprises active in, or with, Israel's illegal settlements.

Business enterprises are also complicit in violations of international law through other activity, such as supplying to Israel weapons, components, and other military technology, which are used in unlawful militarised repression against the Palestinian population. Israel's military attacks on besieged Gaza are characterised by indiscriminate force being deployed on a civilian population living under a land, air, and sea blockade.

Companies supplying Israel with these products have consistently failed to meet basic human rights standards.

For example, Amnesty International "contacted 22 arms companies from 11 countries asking them to explain how they meet their responsibilities to respect human rights under internationally-recognised standards. None of the companies were able to provide an adequate explanation, or demonstrate proper due diligence.

Finally, please pressure the fund to integrate these human rights concerns within a robust investment strategy

"We analysed 10 companies potentially engaging in activities of concern in the Occupied Palestinian Territories (OPT), which may impact upon the basic freedoms of Palestinians. The companies provided us with information about how their due diligence and investigations had been strengthened to reflect the high-risk region and an overview of the grievance mechanisms in place. One company confirmed a cessation of activities linked to the construction of illegal or contested settlements."

The Committee supports this approach on all priority issues, which includes the OPT, identified in our policies and will continue to work in collaboration with the nine other Funds within our partnership.

We will continue to publicly report on all our engagement and stewardship activities each year on the Funds website: LGPS Investments - Gloucestershire County Council as well as via Brunels website: Home - Brunel Pension Partnership

<p><i>statement/statement of investment principles, to ensure that our pension fund cannot be invested in companies that contribute to a breach of international law or are complicit in human rights abuses.</i></p> <p><i>Please pass on my concerns to your fellow councillors, including those on the pension committee of your local fund's administering authority. I hope you will support me in ensuring that public service workers have decent pensions, but not at the expense of some of the most oppressed and vulnerable people in the world.</i></p> <p><i>If you require more information about companies complicit in Israeli violations of international law, please contact info@palestinecampaign.org</i></p>	
<p>2. Questioner's name: Rob Brookes</p>	<p>Respondent's name: Cllr Lynden Stowe, Chair of Pensions Committee</p>
<p>1. In October 2021 The International Energy Agency stated that if we are to reach net-zero by 2050 and meet the Paris targets then all fossil fuel companies must stop new oil and gas exploration projects this year. Not one of the ten fossil fuel companies most heavily invested in by LGPS members has yet to make this commitment. https://www.divest.org.uk/resources/Protecting our pensions and the planet: briefing for councillors</p> <p>For both moral and long term financial reasons will the Gloucestershire Pension Committee request that Brunel Pension Partnership divests from any companies that are continuing to invest in new coal, oil and gas developments and exploration and invests the proceeds in sustainable ethical and renewable investments?</p>	<p>Response to question 1: The Gloucestershire Pension Fund aims to deliver stronger investment returns over the long term, protecting our interests through contributing to a more sustainable and resilient financial system, which supports sustainable economic growth and a thriving society.</p> <p>Our partnership (Brunel) manages the investment of the assets of the Fund, in conjunction with nine other LGPS Funds in the Southwest. As such, Brunel own and maintain a number of policies such as the Responsible Investment and Stewardship and Climate Change policies on behalf of us all within the partnership. The Fund participated in the development of all the partnerships policies to ensure they met our needs and we fully support these policies.</p>

The current Brunel policy on Engagement & Divestment states:

‘On the issue of divestment, Brunel supports divestment from specific fossil fuel and other carbon-intense companies, if they present a material investment risk – such as due to ‘stranded assets’ – but this is based on analysis by our asset managers. Brunel expects managers to take these decisions independently.

In addition, we have committed to review this approach and, indeed, the holdings themselves; and to evaluate whether companies are taking steps to manage climate risks and to enable our overall alignment with the Paris Agreement.

Brunel set out clear expectations for its asset managers and a deadline of 2022 for reviewing companies – our climate stock take is now underway throughout 2022. The criteria to evaluate companies and managers is being developed with our clients. It will take into account different investment mandates and starting points, but always with reference to Paris alignment.

We chose not to use exclusion lists with our active managers. Instead, we require them to analyse the companies and other entities they invest in, and to justify their investments in those companies with higher greenhouse gas emissions. We do not currently issue exclusion lists because what is most needed is change in the way investment managers work. Simply enforcing exclusions, or requiring divestment from specific stocks or sectors, will not compel investment managers to develop their capacity on climate change or to drive change in the companies they hold. Climate then becomes a technical operational matter, not an investment priority.

2. The Environmental Agency Pension Fund, another client of Brunel Pension Partnership, are completely transparent about where their funds are invested
<https://transparency.platform.tumelo.com/environmentagency>
and about their investment strategy e.g.
<https://www.eapf.org.uk/investment/responsible-investment>.
Will Gloucestershire Pension Committee be similarly open about their investments and their investment strategy?

However, we acknowledge that we may need to take other action and have reserved the right to implement specific, and stock-specific, exclusions as part of our Climate Stock Take in 2022.'

The Fund supports this policy and looks forward to working in collaboration with our partners on the outcomes of the Climate Stock Take throughout 2022.

Response to Question 2.

The Gloucestershire Pension Fund is committed to being as transparent as possible around all of the Funds activities and we continue to look at ways of improving that transparency.

Currently our partnership publish details of the holdings contained in our partnerships investment portfolios in which the Fund invest. A link to these details are provided here: Holdings Records - Brunel Pension Partnership

As Brunel (our partnership) manages the investment of the assets of the Fund, they own and maintain a number of policies such as the Responsible Investment policy on behalf of us all within the partnership. The Fund participated in the development of all the partnerships policies to ensure they met our needs and we fully support this policy and this is available of our Funds website along with our other Fund policies. A link is provided here: LGPS Investments - Gloucestershire County Council

One of the key partnership objectives for 2022 is to continue to enhance and improve our report.

<p>3. Questioner's name: Penny Kent</p>	<p>Respondent's name: Cllr Lynden Stowe, Chair of Pensions Committee</p>
<p>South West Action on Pensions (SWAP) has recently had a meeting with Brunel Pension Partnership at which Brunel's Chief Responsible Investment Officer Faith Ward strongly emphasised her commitment to engaging with companies that invest in fossil fuels, rather than to divestment/disinvestment. Although SWAP have a clear preference for rapid and total divestment, we are interested in how such engagement might lead to some good outcomes when it comes to dealing with fossil fuel investments.</p> <p>In a podcast last week, David Vickers, Chief Investment Officer at Brunel (who was also present at our meeting) said, "We believe in engagement but there comes a point where, if you are not having an impact, you disinvest."</p> <p>SWAP are keen to hear of any experiences our Gloucester County Council Pensions Committee has had in attempting to engage with companies in which it invests. Has the Committee had any positive outcomes to such engagement? It would be interesting to know the facts regarding such engagement/s.</p>	<p>The Gloucestershire Pension Fund aims to deliver stronger investment returns over the long term, protecting our interests through contributing to a more sustainable and resilient financial system, which supports sustainable economic growth and a thriving society.</p> <p>Our partnership (Brunel) manages the investment of the assets of the Fund, in conjunction with nine other LGPS Funds in the Southwest. As such, Brunel own and maintain a number of policies such as the Responsible Investment and Stewardship and Climate Change policies on behalf of us all within the partnership. We are pleased that SWAP has recently been able to engage directly with our partnership and hope that the dialogue was productive.</p> <p>The Fund participated in the development of all the partnerships policies to ensure they met our needs and we fully support those policies.</p> <p>The Fund are also members of the Local Authority Pension Fund Forum (LAPFF). Their mission is the protection of local authority pensions by promoting the highest standards of corporate governance and corporate responsibility. Information of all the engagements, the purpose and outcomes undertaken on behalf of the Fund are published quarterly here: Engagement records - Brunel Pension Partnership</p> <p>We will continue to publicly report on all our engagement and stewardship activities each year on the Funds website: LGPS Investments - Gloucestershire County Council as well as via Brunels website: Home - Brunel Pension Partnership</p>

The annual responsible investment and stewardship outcomes report (Brunel-Outcomes-Report-2021.pdf (brunelpensionpartnership.org)) contains case studies, such as the shareholder resolution co-filed by Brunel with ShareAction at HSBC, which resulted in a positive outcome in relation to aligning the Banks provision of finance with the goals of the Paris Agreement.

We have now launched our partnerships Climate Stocktake, which will take place throughout 2022. This provides us with a chance to conduct a comprehensive review of our partnerships Climate Change Policy, to see what is working and how we can ensure we continue to deliver our objectives. Through the partnership we will be engaging with a range of stakeholders to elicit their views during the consultation phase.

Finally, we would like to emphasise two points. Firstly, there may be more than one effective approach to climate investing, but it is always important to look at the data – and through our partnerships actions, we are showing radical improvements in carbon exposure across our portfolios, because of the Climate Change Policy. Secondly, we continue to review both performance and our partnerships policies on an ongoing basis, but the 2022 Climate Stocktake will be especially comprehensive on this front and this will determine the actions we will need to undertake to meet our Funds objectives.

4. Questioner’s Name: Alan Mossman

Respondent’ name: Cllr Lynden Stowe, Chair of Pensions Committee

Re: Agendum 6 & 8

1. What is said in the risk register about the importance of avoiding "stranded assets", for example related to companies

Response to question 1: The following is an identified risk and contained

that are deeply involved in extraction of coal gas and oil?

2. What consideration has the Committee given to divestment from assets linked with extraction of coal gas and oil?

on the Funds Risk Register:

- Failing to adequately take account of, and monitor and report on, Environmental, Social and Governance ("ESG") factors, including Climate Change, in relation to the investment of the Funds' assets. (Governance Risks – Risk 9)

Response to question 2: The Gloucestershire Pension Fund aims to deliver stronger investment returns over the long term, protecting our interests through contributing to a more sustainable and resilient financial system, which supports sustainable economic growth and a thriving society.

Our partnership (Brunel) manages the investment of the assets of the Fund, in conjunction with nine other LGPS Funds in the Southwest. As such, Brunel own and maintain a number of policies such as the Responsible Investment and Stewardship and Climate Change policies on behalf of us all within the partnership. The Fund participated in the development of all the partnerships policies to ensure they met our needs and we fully support these policies.

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In addition, we have committed to review this approach and, indeed, the holdings themselves; and to evaluate whether companies are taking steps

to manage climate risks and to enable our overall alignment with the Paris Agreement.

Brunel set out clear expectations for its asset managers and a deadline of 2022 for reviewing companies – our climate stock take is now underway throughout 2022. The criteria to evaluate companies and managers is being developed with our clients. It will take into account different investment mandates and starting points, but always with reference to Paris alignment.

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However, we acknowledge that we may need to take other action and have reserved the right to implement specific, and stock-specific, exclusions as part of our Climate Stock Take in 2022.’

The Fund supports this policy and looks forward to working in collaboration with our partners on the outcomes of the Climate Stock Take throughout 2022.

Re: Agendum 7 & 9

3. What action has the committee taken in the last three years to find the investment priorities of the members of the County Pension Fund - contributing, deferred and pensioners?

Response to question 3: The Fund holds at Annual Meeting each year (normally in December), which is open to all members and employers within the Fund. The last meeting has held in 2019. We were unable to hold the meetings in 2020 and 2021 due to the covid pandemic, but we are hoping to hold a meeting in 2022. We have previously found these meetings a fantastic opportunity for the members and employers to understand how the Fund operates and all the elements that are taken into consideration in the decision-making process, as well as the positive investments that the Fund are involved in.

Additionally, the Pensions Committee constitution contains both Member and Employer representatives. These representative roles are designed to ensure that the views of those that they represent are factored into the debate.

Re: Agenda page 36 BPP Engagement Report

4. It is great to see that BrunelPP are engaging with companies that they are invested in on Environmental, Social and Ethical and Governance issues among others. In a recent podcast David Vickers, Chief Investment Officer at Brunel said, "We believe in engagement but there comes a point where, if you are not having an impact, you disinvest." How long would this committee expect Mr Vickers to wait for evidence of an effect, before making a decision to divest?

Response to question 4: I refer to the answer provided to Question 2. For clarity, we expect all decisions to be taken at the appropriate time by our asset managers after consideration of all related factors.

5. When does the Committee expect the results of (pp 64-5):

Response to question 5: We are currently advised that we should expect

<ul style="list-style-type: none"> • Taskforce for Climate Related Financial Disclosure (TCFD) regulations • Consultation and/or regulations in relation to TCFD • Our partnerships Climate Stocktake outcomes 	<p>the consultation on the TCFD regulations will be issued by the Department for Housing and Levelling Up (DHLUC) in Summer 2022. The outcomes of our partnerships climate stock is anticipated towards the end of 2022, which will then instigate a review of the partnerships climate change policy in early 2023.</p>