Deputation from Dr Christelle Blunden to Hampshire Pension Fund Responsible Investment Subcommittee 4 March 2022

Hello and thank you for having me here today. I am here to represent a group of Southampton-based pension fund members deeply concerned about climate-related financial risk.

We are encouraged to see your agenda item today on climate-related financial disclosures, and that you have recently taken steps to model how climate change will impact the fund.

We also note the minutes of your last meeting in which you note that 100 members had written to you about aligning your portfolio with a 1.5-degree Celsius global temperature rise however you note this is a small percentage of fund members.

The board may not appreciate that until this time last year there were no figures in the public domain about the pension fund's fossil fuel investments. Fund members submitting FOI requests over the preceding two years had received no detail in response to questions about the actual sums involved but instead rather long bamboozling lists of individual investments requiring significant work to decipher the answer to the question. Platform et al however produced a report last year having done these analyses which listed the HPF in the top ten LGPS for financial losses as a result of continued investment in fossil fuels, tabling the sum invested at the time of writing as £136 million, representing just under 2% of the fund, and detailing financial losses of £68 million over the preceding 3 years as a result of these investments. I hope you have seen and read this report because a number of members of the public have, resulting in the recent correspondence you've noted from Union members. I'd suggest that it is not difficult to imagine that fund members who become aware of these figures will feel exactly the same way about the moral and financial questions arising and our growing coalition of members, Unions and political party groups will continue making them aware.

We just don't understand why, in the context of a climate crisis, financial losses to the fund, a cost-of-living crisis in this country and widespread conflict fuelled by access to oil and gas, the fund has yet to adopt a formal position on limiting global warming to 1.5 degrees Celsius. It's not a huge percentage of the fund to have invested in fossil fuels, and renewables are performing well financially in comparison, so why not move away from the industry altogether?

We know that central government is encouraging pension funds to continue with engagement in pushing companies towards net zero and we note in the reports presented to this meeting the exclusion of Exxon Mobile Corp from the Climate Aware fund due to weak ambitions. We celebrate this type of engagement, which results in disengagement from those companies who fail to take a commitment to align with the Paris agreement seriously, however the position of the HPF on the Paris agreement is not clear. Reports refer to guarding a 2 degree temperature rise, but this is a death sentence for some countries in sub-Saharan Africa, plus the concern is of course, what happens if these targets, weak in and of themselves, are not met, as many climate targets have historically not been, and we get climate feedback loops which trigger instead a 3 or 4 degree temperature rise, which renders multiple continents uninhabitable? At the current rate of climate change under a business-as-usual scenario we can expect that by the turn of the century this planet will only be able to support $1/8^{th}$ of the current global population, according to the Tyndall Institute for climate research. Decisions taken in this decade will be the most likely determinant of whether we avoid that future or not. This committee has the power to exclude investors not aligned with limiting global

temperatures to a 1.5 degree rise from ALL of the funds. In a board meeting last year, you, chair, were asked by a sitting member if the board could make a position statement on the Paris agreement. You declined, stating that you would await advice from the newly appointment ESG consultant from Minerva. Surely however, this consultant will primarily advise the board on how to meet its' own commitments, so that isn't in and of itself an answer that is reassuring to us.

I daresay that you like most of us will have spared a thought for Ukraine since waking up today. Shell have just pulled the plug on oil operations in Russia and the Nordstrom pipeline has been shut down – but too late of course. Perhaps a few weeks ago this might have been effective. Energy companies don't have a moral conscience until they are forced into a position, and it is for investors, in particular those responsible for public money, to force them when the stakes are as high as they are. We submit that only the threat of divestment will force them from a financial point of view. There is a correlation, indirect though it may seem, between the decisions you make on this committee and civilians getting blown up or displaced. You have an opportunity still, just about, especially you chair given your position in the wider ACCESS pool, to make £30 billion count towards a liveable future.

The UN Principles for Responsible Investment, to which you're a signatory, says clearly that pension fund fiduciary duties absolutely include supporting, via your investment policy settings, the need for rapid decarbonisation.

The Wiltshire Pension Fund, after asking its members their view about decarbonisation, and receiving full support for strong decarbonisation, have signed up to the Net Zero Investment Framework, an initiative of the Institutional Investor Group on Climate Change. That initiative is about responsibly and profitably decarbonising fund portfolios in a way that ensures money is funding the most responsible companies. And this may include some of the oil and gas majors but only if they have a credible plan for decarbonising consistent with the scale and speed needed.

The WPF adopted this statement as an investment belief and objective:

In order to protect the Fund's investments into the future, the Fund supports a global warming scenario of well below 2°C, and states an ambition to achieve net-zero carbon emissions across all investment portfolios by 2050.

This is especially important given that US banks, including JP Morgan, are fighting to water down rules on climate risk disclosure. We question your choice therefore of JP Morgan as a custodian if you are serious about the climate crisis.

I think if you asked your members directly whether they support the fund on rapid decarbonisation they would be very likely to have similar views to that of the residents of Wiltshire.

It is unconscionable - given all the wasted years since Mark Carney's speech in 2015 and since the Stern Review - that we're still in a situation where big investors like yourselves have not written the Paris Agreement and the Glasgow Climate Pact's 1.5C goal into your central investment position.

If you did this it would help pull through the broader business and political will for the huge employment-generating programs needed for home and business building retrofits and help those responsible business and civil society leaders who are dedicating their lives to trying to get us to a safe, sustainable economic model. One that's safe for everyone - not just the fortunate few.