



Subject:	NILGOSC : Divestment
Date:	21st June, 2019
Reporting Officer:	Stephen McCrory, Democratic Services Manager
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Restricted Reports	
Is this report restricted?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If Yes, when will the report become unrestricted?	
After Committee Decision	<input type="checkbox"/>
After Council Decision	<input type="checkbox"/>
Some time in the future	<input type="checkbox"/>
Never	<input type="checkbox"/>

Call-in	
Is the decision eligible for Call-in?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

1.0	Purpose of Report or Summary of main Issues
1.1	To advise the Committee of the previous position taken by NILGOSC in relation to a Council motion on Divestment.
2.0	Recommendations
2.1	For information only.
3.0	Main report
	<u>Key Issues</u>
3.1	Members will be aware that, in accordance with notice on the agenda, Councillor long will be raising the following: <i>“This Council calls on the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) to divest the Local Government pension scheme from any fossil fuel companies within 5 years.”</i>

3.2	Standing Order 45 indicates that, in considering an issue raised in advance by a Member, if it would be helpful to the Committee in considering the matter, a short covering report may be prepared which highlights that a named Member has asked that the issue is raised and give some important factual information.
3.3	<p>By way of background, the Council, at its meeting on 1st December, 2015, considered the following motion:</p> <p><i>“This Council notes the warning from the Bank of England’s Prudential Regulation Authority of a serious financial risk associated with investments in fossil fuels; recognises that, in order to prevent dangerous global warming over two degrees centigrade, three-quarters of fossil fuel reserves must remain in the ground; believes that by investing in fossil fuels NILGOSC is therefore acting contrary to promoting the success of the company for the benefit of its members and employers and calls on NILGOSC to divest from fossil fuels.”</i></p>
3.4	The matter was referred to the Strategic Policy and Resources Committee which deferred the matter to enable correspondence to be received from NILGOSC.
3.5	<p>The undernoted email was subsequently received from the Chief Executive of NILGOSC outlining its position at that time:</p> <p><i>On Friday (18th December 2015) the Green Party is proposing a motion at a committee meeting of Belfast City Council that NILGOSC should divest from fossil fuels.</i></p> <p><i>Following the UN Climate Change summit in Paris and with the recent student sit-in at Queen’s University the issue of Fossil Fuel investments is a matter of interest. This briefing note is designed to give you an overview of NILGOSC’s position should such a matter be raised by your own Council in the near future.</i></p> <p><i>The NILGOSC pension fund is the largest in Northern Ireland. Currently valued at £5.7bn investments are made in a range of asset classes across the world. NILGOSC has a duty to obtain the best return for the beneficiaries of the</i></p>

pension scheme but it also goes further. It is a responsible investor, it works with other large schemes on Environmental, Social and Governance (ESG) issues and is signatory of the United Nations Principles of Responsible Investment.

NILGOSC has a specific Climate Risk policy which sets out a range of measures it is taking to mitigate climate risk however wholesale disinvestment from companies which extract fossil fuels is not part of its strategy as this would mean that NILGOSC would lose its power to engage with the relevant companies.

NILGOSC shares concerns over climate change and carbon issues and works at both a fund and an industry level to further climate action. NILGOSC delegates the selection of investments to its fund managers and does not impose restriction on ESG grounds alone. NILGOSC has instructed its active fund managers to take account of climate risk in their decision making process provided the primary financial obligation is not compromised. When appointing a fund manager NILGOSC ensures that they have the necessary expertise in assessing climate risk.

NILGOSC is a signatory to the Carbon Disclosure Project, CDP's Carbon Action Initiative and the 2014 Global Investor Statement on Climate Change. NILGOSC has also collaborated with other major global funds to engage with Oil and Mining companies to encourage greater transparency around the business risks of climate change. In 2015 NILGOSC was successful in co-filing resolutions at the company meetings of BP and Shell calling for greater disclosure on sustainability reporting, which received wide spread support from shareholders and the companies themselves. It is currently co-filing similar resolutions at the AGM's of Rio Tinto and Anglo American.

As well as a policy on Climate Risk NILGOSC also has a wider Statement of Responsible Investment which states that it will not undertake investments on the basis of ESG factors alone. This policy is based on legal advice. In other words we cannot make investments/disinvestments on the basis of non-financial motives, we can only make investments on the basis of investment factors. In October 2015 NILGOSC held its own summit with all of its investment

	<i>managers to discuss climate risk and is satisfied that each is taking climate risk into account when making investment decisions.</i>
3.6	This response was circulated to the Members and no further action was taken.
3.7	It should be emphasised that this is for background information only and not meant to deflect from any decision the Committee might wish to make.
	<u>Financial & Resource Implications</u>
3.8	None associated with this report.
	<u>Equality or Good Relations Implications/Rural Needs Assessment</u>
3.9	None associated with this report.
4.0	Appendices – Documents Attached
	None.