

CABINET 4 SEPTEMBER 2019

PUBLIC QUESTION TIME

1 Question Submitted by Sharuff Morsa

Has the council been successful in getting its contractors and all those in its supply chain to commit to zero carbon emissions; have any of them expressed concerns, and if so what are they and will a clause to adopt zero carbon emissions policies be added to all new purchase orders.

Response from Portfolio Holder for Adult Social Services and Climate Change:

As you might imagine the Council literally has thousands of individual suppliers of goods and services. Since declaring our climate emergency earlier this year we have been reviewing our standard contract evaluation criteria to determine how under the 'social value' section we can both increase the value of that score and include carbon reduction commitments as part of that.

A large number of our contracts were let before we made our declaration and therefore it will take a full cycle of contract replacement and renegotiation to realise the benefits we aspire for. For example we have already identified just over 300 contracts that are due to expire within the next two years with a value of over £30m.

Given the size of our supplier base and the early stage of this initiative we do not yet have a full picture of our supply chains carbon reduction targets and performance, but we are working to develop that in the future

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2 Question Submitted by Mark Fermor

Given the declaration of a climate emergency in May this year, it is recognised that all Shropshire Council plans and strategy will need fundamental review, which will take some time. Is the Council committed to this review and over what timescale do you anticipate this review being completed?

Response from Portfolio Holder for Adult Social Services and Climate Change:

I can confirm that the Council is on track to consider and adopt a Corporate Carbon Reduction Strategy at the Cabinet meeting on 16th October and our Climate Change Strategy/Action Plan by the end of this year. This is completely consistent with the commitment I gave at Full Council in May this year. These key policies will then shape and inform all other policies and strategies the Council has.

3 Question Submitted by Jo Blackman

Given that Shropshire Council has declared a climate emergency and given that Blackrock is deeply invested in the sectors most responsible for tropical forest destruction in the Amazon and around the world; what plans does the Council have to divest any of its own funds from Blackrock and lobby for the Shropshire County Pension Fund to do the same?

For reference, please see:

<https://amazonwatch.org/news/2019/0830-as-the-amazon-burns-blackrock-named-as-worlds-largest-investor-in-deforestation>

Quote from above report:

“A report released today (30 August) reveals that BlackRock, the world's largest institutional investor with \$6.5 trillion USD in assets, is deeply invested in the sectors most responsible for tropical forest destruction in the Amazon and around the world. BlackRock's Big Deforestation Problem, released by Friends of the Earth U.S.; Amazon Watch; and Profundo, a Dutch financial research firm, tracked financial data between 2014 and 2018 to show that BlackRock is among the top three shareholders in 25 of the world's largest publicly listed "deforestation-risk" companies – companies active in producing and trading soy, beef, palm oil, pulp and paper, rubber and timber – and among the top ten shareholders in 50 more of the world's largest deforestation-risk companies. The data further reveals that BlackRock's holdings in these sectors has increased by more than half a billion dollars since 2014.”

Response from Portfolio Holder for Adult Social Services and Climate Change:

Shropshire Council currently does not invest with Blackrock.

Shropshire County Pension Fund has two separate mandates with Blackrock in their Fixed Income Global Opportunities Fund and their Fund of Hedge Fund Strategy, not in the Equity Index Funds referenced in the question.

The Pension Committee has an overriding duty to consider its financial responsibilities above any other considerations but it remains committed to important issues such as Responsible Investment, ESG issues and climate change issues. It therefore does not restrict its investment managers in the companies in which they can invest as this is contrary to the overriding financial responsibility of the Pension Committee. Although the Fund does not restrict its managers in the investments they make it takes corporate governance and environmental and social responsibility seriously. The Pension Committee believe it is more important to influence company behaviour from the inside as a shareholder. The Shropshire Fund is addressing these responsibilities through a strategy of responsible engagement with companies. Shropshire County Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which represents over 70 public sector pension funds in the UK. LAPFF recognises issues such as stranded assets and continued fossil fuel extraction as a collective investment risk for all asset owner funds and this is an engagement and policy priority. For companies engaged in fossil fuel extraction, LAPFF's approach is to undertake a robust engagement on aligning their business models to limiting global average temperature increases to a maximum of 2°C and to push for an orderly low carbon transition. The Fund also employs BMO Global Asset Management to engage with companies on the Fund's behalf. BMO have been at the forefront of raising concerns around potential asset stranding with a wide range of companies and the concept has begun to resonate within these industries. BMO's main engagement objectives include ensuring companies' stress test and disclose the range of possible future energy scenarios used for their strategic planning and set clear targets for mitigating these risks. In conclusion, the Fund takes seriously its obligations to pension fund members through its engagement policies and LAPFF membership but it does not restrict investment managers from investing in companies which they feel will produce the best financial returns for the Fund.

A presentation on Responsible Investment was included in the last Pension Fund AGM meeting in November which was a public meeting and all members of the Fund were invited to and the link to the presentation which covers this topic in much more detail is below for information. Only one question was asked about responsible investment following this presentation.

<https://shropshirecountypensionfund.co.uk/about-us/annual-report-annual-meeting/>