SHEFFIELD CITY COUNCIL

COUNCIL MEETING – 2ND FEBRUARY 2022

ITEM OF BUSINESS NO. 5.2 – MEMBERS' QUESTIONS ON THE DISCHARGE OF THE FUNCTIONS OF THE SOUTH YORKSHIRE JOINT AUTHORITIES FOR FIRE & RESCUE AND PENSIONS

Questions relating to the South Yorkshire Pensions Authority to be asked at the meeting by Councillor Martin Phipps – to be answered at the meeting by Councillor Garry Weatherall (Pensions Authority Spokesperson)

(provided in written form, in advance of being asked and answered at the meeting, for the benefit of attendees)

Questions of Councillor Martin Phipps

How much does the South Yorkshire Pensions Authority scheme have invested in factory farming?

Noting that the five biggest meat and dairy companies worldwide have been shown to collectively emit more greenhouse gases than oil and gas giant ExxonMobil, and more than Shell or BP, by Institute for Agriculture and Trade Policy calculations, will the pension scheme commit to divesting from factory farming given its high carbon footprint?

Answer of Councillor Garry Weatherall

This question arises from a report published by World Animal Protection highlighting investment by local government pension funds in certain agricultural companies. The South Yorkshire Pension Fund is highlighted as having around £9m of investments in companies identified by World Animal Protection as a concern. For information the current total value of the Pension Fund is £10.8bn. Unfortunately, the authors of the report do not disclose which holdings these are, but it is logical to assume that they are shares held in the equity portfolios.

Investments of this sort are made through pooled products, in line with the investment regulations requiring the pooling of investments, so the Pension Fund does not directly own the shares. The investment approach for these products while not exactly tracking the benchmark index concentrates on selecting the best stocks in each business sector and therefore it is to some degree inevitable that there will be holdings in large agricultural companies. Changes to the investment approach would require the agreement of all the investors involved in the pooling process and would take some considerable time to agree and implement, if the could be agreed. Changes are already in hand to, in effect, reflect a more realistic carbon price in the evaluation of companies and this may impact agricultural companies emitting large quantities of methane.

The Pensions Authority's long-standing policy in line with the UK Stewardship Code is to engage with companies to seek to influence their behaviour before considering disinvestment and this is done by those who manage portfolios on the Authority's behalf. As no specific engagement on these issues has taken place with these companies it would not be in line with the policy to disinvest immediately. It is also the case that given that the holdings highlighted in the World Animal Protection report are financially immaterial they would not be a priority for investment. While immaterial the Authority is not in a position to sell the holding as it is within a pooled product.

While it is permissible and entirely right for the Pensions Authority and its fund managers to consider non-financial factors when making investment decisions these have to be considered as risks in the context of their potential impact on the financial returns that are required. The sole function of the Pensions Authority and the Pension Fund for which it is responsible is to provide funds to meet pension liabilities when they are due, other policy impacts it achieves are incidental to this function.

It is also worth pointing out that the Authority has since the 1980's owned a UK agricultural business valued at c£184m which is entirely focussed on arable farming producing a range of crops including potatoes, onions and salad crops, the positive environmental potential of which the Authority is seeking to enhance.