EAPF holds its first members' AGM

We want our Fund to reflect the values of our members.

In November 2021, we held our first ever member Annual General Meeting (AGM). This was not the first conversation we've had with our members – we hold an annual series of popular member webinars and ran an extensive member engagement exercise with members last year on responsible investment.

Our members are aware of the power of finance to drive positive change and we welcome the fact they are never afraid to share their views.

What made our first members' AGM different was that its express purpose was for our members to meet and challenge their Pensions Committee on anything they wanted.

And these are the main things on our members' minds.

- They want us to act with ever more urgency to tackle climate change.
- They think our net zero target of 2045 is too late.
- They want to know why we still invest in fossil fuels.
- They want a secure, well run fund.

So this is what we told them….

9% of our assets are invested in climate solutions, for example in net zero industrial warehouses in Wallingford, windfarms in Kenya, and in the public tram system in Nottingham. This is the largest percentage of any pension fund we know of and equates to £363m as of March 21.

And our investment continues to grow. In the last few months alone, we've found exciting new investments worldwide. For example, we are helping to fund a sustainable forest in Paraguay which will reduce carbon permanently, enhance biodiversity and support local job creation. We are also providing finance to companies in Europe to help them transition to a lower carbon economy.

Like members, we also really want to get to net zero earlier than 2045. But quite frankly it's difficult even for a green fund like ours and it will take time.

The first reason is that we need the 2000 or so companies in our supply chain - those companies we invest in - to reduce their emissions to get us there earlier. And to achieve that we need systemic change globally to move to a lower carbon economy.

We work collectively with other investors to put pressure on companies to change. We are asking asset managers to provide investment products which deliver the right investment returns, risks and emissions for our open defined benefit fund. We are asking companies for better data disclosure. And we need to keep reviewing all of these asks regularly, alongside the climate science, to see if the net zero target date is correct.

The second reason we can't move to an earlier date is that we're not offsetting.

Offsetting allows companies to bring forward their net zero dates. We recognise the important role offsetting can play in addressing climate change when it's done to the right environmental standards and extracts carbon permanently from the atmosphere.

We invest in companies which offset and we invest in sustainable forests which provide carbon offsets for everyone. But for a pension fund to offset, we need to consider carefully the legal and financial issues for our fund. That needs way more thought both by our Fund and the wider investment community.

So at this stage, to pretend we can move to net zero any earlier than 2045 would quite frankly be greenwashing.

It's worth saying too that our net zero approach is more than just about reducing emissions. While we continue to watch the world warm around us, we're co-leading international efforts within the investment community to make sure companies are adapting to the physical risks from climate change.

Where and how we invest is just as big a concern to us as it is to our membership. We have over 84 times as much invested in renewable energy and energy efficiency as we do in fossil fuels.

We currently have investments in 9 oil and gas companies – 0.2% of our equity holdings, which represent 0.09% of our total investments. An average index would probably hold 15 times that amount in fossil fuels.

We want oil and gas companies to decarbonise. We want every company that relies on oil and gas to decarbonise. We want this to happen internationally and change the reliance on carbon intensive fuels supplied not just by oil and gas companies which are listed on stock exchange but also by national-operated oil and gas companies too.

How we will do this is all set out in our net zero policy. Again, part of this is through collaboration – over the past couple of years we've supported resolutions co-filed through the Brunel Pension Partnership to ask those banks who lend money to fossil fuels company to make sure they're aligned to the Paris Agreement.

We have a policy of denying debt to those companies who want to lend money from us if they are not Paris aligned, unless there are special covenants in place to assist with their transition. We'll be working with our partners in Brunel to take this forward.

But going back to those oil and gas companies, a key part of our net zero strategy is moving to Paris-Aligned benchmarks. In the last month, we committed £300m to Brunel's new Paris aligned passive index. This will take out the majority of those 9 oil and gas companies we still hold. The ones that remain will be reviewed over the next year.

If oil and gas companies align with 1.5 degrees, they may in due course make it back into the Paris-Aligned index.

Quite co-incidentally, on the day that we held the AGM, we learnt for the first time ever that this was a possibility.

The Transition Pathway Initiative (TPI) offers authoritative and free information to investors on companies' transitions plans. It's an initiative we co-foundered with the Church of England Pensions Board.

The TPI told us that 3 oil and gas companies would align with a 1.5 degrees pathway. These companies are Total, Eni and Occidental Petroleum. Expect close scrutiny by investors to make sure their decarbonisation plans are followed through.

Last summer, our members told us they couldn't find out easily within which companies our assets are invested. For those that did find the information on our website, they found the format to be pretty dull. So since then, we've teamed up with Tumelo.

We're proud to be the first defined benefit pension scheme in the country to use Tumelo to give clear and accessible information about the listed companies we invest in. And this information is not just available to our members, it's there for the whole world to see.

Visit our Tumelo platform today!

We also offered some reassurance for our members on how secure our Fund is. Our investments returned 18.2% last year. Over the past 10 years, it has returned on average 10.7% year on year, outperforming the market on average by 1.1% each year. We've clearly demonstrated that taking into account environmental and social issues also delivers strong financial returns.

And having explained all this to the members, the feedback at the end of the AGM was fantastic. 93% thought the event it was worthwhile and 88% would like it repeated next year (with the remaining 12% preferring to run this event bi-annually).

We share our members' passion to go further, faster. We expect them to hold us to account again next year if we don't deliver for them.