MINUTES of the meeting of the **SURREY PENSION FUND COMMITTEE** held at 10.00 am on 11 September 2020 at REMOTE - https://www.surreycc.gov.uk/council-and-democracy/councillors-and-committees/webcasts.

These minutes are subject to confirmation by the Committee at its next meeting.

Elected Members:

* Ms Charlotte Morley
* Mr Tim Evans (Chairman)
* Mr Ben Carasco (Vice-Chairman)
* Mr John Beckett
* Mr David Mansfield
* Mrs Hazel Watson

Co-opted Members:

* Kelvin Menon
* Borough Councillor Ruth Mitchell, Hersham
* District Councillor Tony Elias, Bletchingley and Nutfield
* Philip Walker, Employees

41/20 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

An apology was received from Mr John Beckett.

42/20 MINUTES OF THE PREVIOUS MEETING [12 JUNE 2020] [Item 2]

The Minutes were approved as an accurate record of the previous meeting.

43/20 DECLARATIONS OF INTEREST [Item 3]

There were none.

44/20 QUESTIONS AND PETITIONS [Item 4]

There were five questions from members of the public. These and the responses are attached as an annex to the minutes.

Supplementary questions:-

Jennifer Condit did not accept the reply to her question which she reiterated and asked if the Committee did not see that as owner of Exxon that it was complicit in the crimes against humanity and the planet. The Chairman responded that her question had been answered.

Janice Baker asked if the Committee were going to push investments in renewables so that it was a more significant part of its interests? The Chairman responded that investment in renewables was considered as and when they became available.

Chris Neill, on behalf of Ian Chappell, stated that losses in fossil fuels was predicted and Surrey did nothing about this. He asked if each individual

Member would buy those shares today if they didn't own them already? The Chairman explained that Members were aware that investments could go up and down and that Investment Managers manage those and the Committee reviewed them regularly.

Simon Hallett stated that it was easy to provide an approximation of losses and asked the Committee if they disputed the value loss of fossil fuels was at least £50m and did it consider this loss irrelevant? The Chairman reiterated the response he gave to a previous question in that Investment Managers make the decisions within the remit given to them and the Committee reviewed regularly.

45/20 FORWARD PLAN [Item 5]

Resolved:

The Committee noted the Forward Plan.

46/20 CASH FLOW ANALYSIS [Item 6]

Declarations of interest:
None

Speakers:
Ayaz Malik Pensions Finance Specialist

Key points raised during the discussion:

1. The Chairman introduced the report for which there were no further questions or comments from Members.

Actions/ further information to be provided:
None.

Resolved:

1. The cash-flow position for quarters four and one were noted.

2. That no change was required to the investment or funding strategy as result of the current cash-flow position.

Reason for decision:
Cash-flow movements in the Fund influences both the investment and funding strategy. The Pension Fund Committee monitors cash-flow consistent with the Fund's strategic funding objectives.

47/20 LOCAL PENSION BOARD REPORT [Item 7]

Declarations of interest:
None

Speakers:
Nick Harrison, Chairman, Local Pension Board

Anna D'Alessandro, Director for Corporate Finance
Ayaz Malik - Pensions Finance Specialist

Key points raised during the discussion:

1. The Chairman of the Local Pension Board introduced the report to the Committee.
2. The Director for Corporate Finance explained that there were issues for the service and the report focussed on what was being done to ameliorate those issues. She also reported that a Programme Manager, Sonia Sharma, had been recruited in June and that there had been many changes made since then, mostly around governance arrangements and setting up projects to get the service into a better position.
3. A Member asked about the knowledge assessment and training policy and how the committee performed according to the assessment. The Chairman of the Board responded that the Committee were one of the higher performers and were still awaiting comments from some members of the board and committee.
4. The Pension Finance Specialist reported that all comments had since been received and a that a report would be drafted and reported to the December meeting of the Committee. He also reported that work would be undertaken with Hymans to produce a draft training plan which would also be presented to the December Committee meeting.

Actions/ further information to be provided:

1. Democratic Services to invite Sonia Sharma to the next meeting of the Board.
2. That the National Knowledge Assessment and Training Plan report be added to the forward plan for December 2020.

Resolved:

1. The minutes of the informal Local Pension Board meeting of 31 July 2020 were noted.

2. The following changes to the risk register were approved:
    - Risk A8 (conflicting priorities [Orbis v the Surrey Pension Fund]) on the Administration Register should be raised to amber;
    - Risk A5 (poor reconciliation process) to be should be raised to amber.

Reason for decision:

The Public Sector Pensions Act 2013, requires Local Pension Boards to assist the Scheme Manager in securing compliance with the LGPS Regulations and requirements imposed by the Pensions Regulator. This report provides the Pension Fund Committee with insight in to the activities of the Local Board and furthers the successful collaboration of the Committee and Board in managing risk and compliance and promoting effective governance.

This meets the Fund's strategic governance and delivery objectives.

48/20 2019 VALUATION UPDATE [Item 8]

Declarations of interest:
None

Speakers:
Ayaz Malik - Pensions Finance Specialist
Gemma Sefton – Fund Actuary, Hymans
Neil Mason - Strategic Finance Manager (Pensions)

Key points raised during the discussion:
1. The Pension Finance Specialist introduced the report and set out the work undertaken so far on multiple employer strategies and that the paper provided by Hymans would be used for a training session.
2. The Chairman highlight paragraph five of the report which summarises the materiality of what was happening.
3. The Fund Actuary explained that strategies were used to assist employers meet their funding objectives.
4. A Member asked about the reaction of employers on the proposals. The Strategic Finance Manager responded that the Pension Finance Specialist had met with the cohort of effected employers and had constructive conversations. It was highlighted that it was prudent for employers to reduce their liability risk as they went through their exit strategies. Only one employer had requested to remain on the core strategy.
5. A Member asked if the fund was ring fenced for the strategies or can they call on the rest of the fund if their strategy is not as successful. The Fund Actuary explained that it was notional and reallocation could take place.

Actions/ further information to be provided:
None.

Resolved:
The progress on the implementation of multiple strategies for employers was noted.

Reason for decision:
To allow the fund to meet its strategic funding objectives as set out in 2019 Valuation.

Phil Walker joined the meeting at 11am.

49/20 INVESTMENT CORE BELIEFS AND THE UNITED NATION'S SUSTAINABLE DEVELOPMENT GOALS [Item 9]

Declarations of interest:
None

Speakers:
Mamon Zaman, Senior Pensions Finance Specialist
Niall O’Shea
David Crum, Sarah Wilson and Niall O’Shea - Minerva

Key points raised during the discussion:
1. The Senior Pensions Finance Specialist introduced the report and highlighted the strong Environmental, Social and Governance (ESG) credentials of the Fund and that work commissioned on mapping showed 70% coverage against the United Nations Sustainable Development

Goals (UN SDGs) benchmark, the World Benchmarking Alliance Sustainable Development Goals 2000 Index (WBA SDG) .

2. David Crum, Minerva, explained that they had worked with Surrey officers, reaching out to external fund managers and highlighted their initial findings as contained within the report. He went on to explain that the (WBA SDG is a list of 2000 companies identified as most likely to be able to advance the delivery of the SDG's. A report would be provided to the Fund and will make suggestions for further actions from the Fund. A workshop would also be set up to look in details at where the Fund is and where it would like to go from there.
3. Members were happy with the work undertaken and looked forward to the workshop.
4. A Member asked David Crum if, in Minerva's opinion, there were any changes suggested to the Fund's roadmap following the work undertaken so far. David Crum explained that this was the first LGPS Fund to look at doing this and did not feel any changes to the roadmap were needed at this point.

Actions/ further information to be provided:
None.

Resolved:

1. The initial findings from the Fund's SDG Mapping provider were noted.

2. The follow up actions leading into December Committee were approved.

Reason for decision:
To keep the Pension Fund Committee apprised of the progress made in reviewing the Fund's investment strategy with a view to ensuring that it is in line with its Mission Statement and the emphasis on environmental, social and governance (ESG) considerations.

50/20 INVESTMENT MANAGER ISSUES AND PERFORMANCE AND ASSET/LIABILITIES UPDATE [Item 10]

Declarations of interest:
None

Speakers:
Mamon Zaman, Senior Pensions Finance Specialist

Key points raised during the discussion:
The Committee considered a report that summarised all manager issues that needed to be brought to the attention of the Pension Fund Committee, as well as an update on investment performance and the values of assets and liabilities.

Actions/ further information to be provided:
None.

Resolved:

The main findings of the report were noted; The Fund's 3 year annualised performance return for the period ending 31 March 2020 was 2.63% against its target return of 3.76%. The funding level as at 30 June 2020 was 97.7%.

Reason for decision:
In order to judge the performance of the Fund's investment managers against the Fund's target returns, and whether it is meeting its Strategic Investment objective in line with its Business Plan.

51/20 DRAFT ANNUAL REPORT & STATEMENT OF ACCOUNTS [Item 11]

Declarations of interest:
None

Speakers:
Mamon Zaman, Senior Pensions Finance Specialist

Key points raised during the discussion:
The Committee considered a report that provided the annual report which contains the unaudited statement of accounts together with other information about the Fund's performance during 2019/20.

Actions/ further information to be provided:
None.

Resolved:
The Draft Annual Report with the Audited Pension Fund Accounts for publication subject to audit approval were noted and approved.

Reason for decision:
Under the Local Government Pension Scheme (Administration) Regulations 2008, administering authorities of LGPS funds are required to prepare a pension fund annual report. This therefore meets the requirements of the Regulations, the Local Government Scheme Advisory Board (SAB) as well as wider stakeholders who have an interest in the Fund. The Pension Fund Committee must approve all financial statements produced for the Pension Fund.

52/20 COMPANY ENGAGEMENT AND VOTING REPORT [Item 12]

Declarations of interest:
None

Speakers:
Mamon Zaman, Senior Pensions Finance Specialist
David Crum – Minerva
Sarah Wilson - Minerva

Key points raised during the discussion:

1. The Senior Pensions Finance Specialist introduced a report explaining that a co-signed letter had been written to the Brazilian embassy in relation to deforestation in Brazil, attached as annex 1 the report. Also, Minerva had provided a report on issues experienced last quarter around voting. The Investor groups had since met with Brazilian authorities to

discuss further outcomes. A positive short-term outcome was that Brazil banned forest fires for the four months of dry season and set up military operations due to this investor pressure. Due to the success of this investor dialogue, a working group had been set up to continue this work going forward, of which the Fund has chosen to participate in going forward.

2. David Crum updated the Committee that Minerva has still been unable to go back to the office to check through the paperwork but they intended to do. Some analysis had been done on meetings missed:
    - There had been 45 companies meetings where Surrey votes were not cast. Of those meetings there were:
    - 782 individual resolutions that Surrey could have voted on
    - 702 of those Surrey would have voted in favour
    - 56 Surrey would have voted against
    - There would have been very few abstentions
    - There were no instances where Surrey's vote, if given, would have swayed the outcome on those resolutions one way or another.

3. Sarah Wilson spoke to Members about the issue that had arisen over securities lending as outlined in annex 2 to the submitted report. Further procedures had been put in place in terms of mandate changes to ensure that there are more eyes to do the sign off on any mandate changes. New elements had also been introduced to the stock lending support service so they could identify contentious upcoming meetings which may have an impact on stock lending so that clients could exercise their right to vote to retain the revenue of stock lending or to maintain the balance. Apologies were given but lessons had been learned and things were back on track.
4. A Member asked if it was only Surrey affected by the voting issue and why are stocks borrowed. Sarah Wilson responded that Surrey was the only one affected. David Crum explained stock lending in terms of assuring liquidity and would impact on the price and from Surrey's perspective, stock lending was good. However, short selling had received some bad press. Sarah Wilson reported that a good practice guidance around stock lending had recently been published.
5. A Member spoke of caution needed as stock lending may affect contentious voting.

Actions/ further information to be provided:

None.

Resolved:

1. That ESG Factors were fundamental to the Fund's approach, consistent with the Mission Statement through was affirmed;
    - Continuing to enhance its own Responsible Investment Approach, its Company Engagement policy, and SDG alignment with its external provider Minerva Analytics.
    - Commending the outcomes achieved for quarter ending 30 June 2020 by Robeco in their Active Ownership approach and the LAPFF in its Engagement with multinational companies as at 30 June 2020.
2. That Minerva's Voting Services Issue Update report in Annexe 2, was noted.

Reason for decision:
In accordance with The Fund's Mission Statement, as well as its Investment Strategic Objectives, the Fund is required to fulfil its fiduciary duty to protect the value of the Pension Fund, to meet its pension obligations. Part of this involves consideration of its wider responsibilities in Responsible Investment as well as how it exercises its influence through engaging as active shareholders.

53/20 TASKFORCE FOR CLIMATE RELATED FINANCIAL DISCLOSURE REPORT 2019-20 (TCFD) [Item 13]

Declarations of interest:
None

Speakers:
Mamon

Key points raised during the discussion:
The Committee considered a report that summarised the Fund's first report complying with the Taskforce for Climate Related Financial Disclosures. The report supported the Fund's Strategic Investment Objectives, with particular focus on how it fulfilled its role as a Responsible Investor.

Actions/ further information to be provided:
None.

Resolved:

1. The 2019-20 Taskforce for Climate Related Financial Disclosure report was noted.
2. That the Committee continue to enhance its approach to Climate Risk in the context of its SDG Mapping work was agreed.

Reason for decision:
In accordance with The Fund's Mission Statement, as well as its Investment Strategic Objectives, the Fund is required to fulfil its fiduciary duty to protect the value of the Pension Fund, to meet its pension obligations. The role of the Fund as an investor includes being aware of its wider responsibilities in Responsible Investment, as well as how it exercises its influence through engaging as active shareholders.

Part of this consideration of Environmental, Social and Governance factors, is the systemic risk that Climate Change poses to economies as well as to the Fund's investments.

54/20 EXCLUSION OF THE PUBLIC [Item 14]

Resolved: That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information under the relevant paragraphs of Part 1 of Schedule 12A of the Act.

11.49 The Committee adjourned for seven minutes for a comfort break

Cllr Tony Elias left the meeting.

PART TWO – IN PRIVATE

55/20 BORDER TO COAST UPDATE [Item 15]

Declarations of interest:
None

Speakers:
Neil Mason - Strategic Finance Manager (Pensions)
Steve Turner,
Mamon Zaman, Senior Pensions Finance Specialist

Key points raised during the discussion:

1. Members were reminded of activities and the annual conference on 2 October 9.30am-3pm.
2. The Committee in June 2019 approved the delegation of authority to the Director of Corporate Finance, in consultation with the Chairman of the Pension Fund Committee, to transition the Multi-Asset Credit portion of the Surrey Pension Fund portfolio to the BCPP national pool.
3. It was reported that PIMCO had been selected as the Core MAC manager to be complemented with smaller (specialist) satellite managers.
4. The Chairman noted that the report was not about agreeing the strategic asset allocation as that had already been agreed but set out how the Fund would do it in practice.
5. Steve Turner highlighted that the timings when the Fund chooses to invest must be considered when setting return targets so that they are not easily outperformed as there must be a balance between the full market cycle and the prevailing market conditions.
6. A Member noted the substantial 1% saving for the new portfolio and asked if the Committee would get an update to those savings achieved over time. In response, the Senior Pensions Finance Specialist explained that there was a working group with the BCPP on establishing standardised methods across all partner funds concerning projected savings and identifying realised savings going forward.

Actions/ further information to be provided:
The Strategic Finance Manager would share the extensive set of Q&As from the property meeting held in September, to Members.

Resolved:

1. Notes recent updates in BCPP activity, including details of the BCCP joint committee meeting of 16 June 2020.

2. Notes the update on the Multi-asset credit (MAC) fund, including the appointment of the satellite managers to complement PIMCO as the core MAC manager.

3. Approves the delegation of authority to the Director of Corporate Finance, in consultation with the Chairman of the Pension Fund Committee, to transition the property portion of the Surrey Pension Fund portfolio to the UK and Global property sub-funds of the Border to Coast Pensions Partnership (BCPP) national pool when its design has been established to the satisfaction of officers and Fund advisors and assuming that the “necessary conditions” of governance have been satisfied.

Reason for decision:
To keep the Pension Fund Committee apprised of the progress made by the Officer Operations Group (OOG), Joint Committee and BCPP Shareholder Board in the drive to maintain a fully functioning asset pool, which will manage the significant majority of the Surrey fund assets. This is consistent with the Fund's strategic investment and governance objectives.

56/20 LOCAL PENSION BOARD REPORT [Item 16]

Declarations of interest:
None

Speakers:
Neil Mason - Strategic Finance Manager (Pensions)

Key points raised during the discussion:
1. The Strategic Finance Manager highlighted the Pensions Administration Turnaround (PAT) programme objectives and the PAT programme structure with the Director of Corporate Finance as the Senior Responsible Owner, the External Commercial Advisor as the Programme Manager and the Strategic Finance Manager – Pensions as the Pensions Lead. Quarterly reports would be presented to the Local Pension Board and the Committee and monthly updates given to the Chairmen of the Committee and the Local Pension Board.
2. The Chairman noted that the dissolution of the Orbis Pension Partnership, along with reversion to sovereign authorities and London Borough fund relationships were complex operations and noted the robust approach.

Actions/ further information to be provided:
None.

Resolved:
The Part 2 Annex to the main report at item 7 was noted.

57/20 INVESTMENT MANAGER ISSUES AND PERFORMANCE AND ASSET/LIABILITIES UPDATE [Item 17]

Declarations of interest:
None

Speakers:
None.

Key points raised during the discussion:
Members considered this Part 2 annex to Item 10 on the agenda.

Resolved:
The Part 2 Annex to the main report at Item 10 was noted.

58/20 DRAFT ANNUAL REPORT & STATEMENT OF ACCOUNTS [Item 18]

Declarations of interest:
None

Speakers:
None.

Key points raised during the discussion:
Members considered this Part 2 annex to Item 11 on the agenda.

Resolved:
The Part 2 Annex to the main report at Item 11 was noted.

59/20 INVESTMENT STRATEGY REVIEW [Item 19]

Declarations of interest:
None

Speakers:
Neil Mason - Strategic Finance Manager (Pensions)
Steve Turner and Ross Palmer, Mercer

Key points raised during the discussion:

1. Members considered this Part 2 report that reviewed the Fund's current Investment Strategy, in line with current progress made within BCPP's asset offerings, as well as taking account of its current Fund Managers' performance returns, since inception. This report developed the approvals of the Pension Fund Committee at its meetings of 12 September 2019 and 12 June 2020.
2. The recommendations were discussed in detail and agreed.
3. With regards to Annex 1, Mercer noted the long term strategy for property and was not envisaging any new changes in the next 12-18 months due to the structural difficulties as a result of Covid-19 with the UK market reliant on the affected high street, retail, leisure, hotels and office sectors; an increase in the property allocation to global markets to 50% of the property portfolio would address that as the US/EU markets were exposed to residential areas – less affected by the pandemic.
4. It was noted that at the last year's strategy review the Committee agreed to material changes. Mercer explained that those assets would be sourced from the Fund's listed equity and Diversified Growth Fund (DGF) and would take 3-5 years to be drawn down; therefore the Investment Consultant sets out proposals for exploring liquid alternative asset classes in the interim as 'warehousing' investments. The Investment Consultant suggested the use of listed private equity and listed infrastructure, for example companies listed on stock exchanges/passive vehicle by Legal and General (LGIM); as well as global loans, for example funds that invest in bank loans to corporations looking to expand businesses within secondary markets. As passive vehicles do not exist for loans an active manager search would be needed, linking in with BCPP. To do this successfully the routes must be consistent with pooling.
5. The Committee discussed in detail the information provided on gilts in Annex 4 to the report.
6. It was reported that the view from the property session, held with Paul Campbell, was the need for flexibility in the future particularly concerning property in respect of the new real asset class and long lease property was to be explored as likely to be delivered outside of the BCPP property portfolio.

7. The Strategic Finance Manager reported that it was likely the Committee would receive a report on the recommended direction of travel at the next Committee meeting in December.

Resolved:

1. That the increase in property allocation to global property assets to 50% of the property portfolio was approved.
2. That officers be authorised to work with the independent advisor, investment consultant and Border to Coast to explore a solution incorporating liquid alternatives as a proxy for the allocation to private market assets, while the transition to private market assets is incomplete.
3. That officers be authorised to work with the independent advisor, investment consultant and Border to Coast to explore a solution as a proxy for the target equity portfolio, while the transition to this target asset allocation is in build with Border to Coast.
4. That officers be authorised to work with the independent advisor, investment consultant and Border to Coast to explore alternatives to the gilts segment of the portfolio.

Reason for decision:
As part of the Fund's 2019 Investment Strategy Review, the Pension Fund Committee had agreed changes to the asset allocation (detail below) at its meetings on 12 September 2019 and 12 June 2020. As this was partly dependent on product offerings being available by Border to Coast Pensions Partnership (BCPP), the Fund will now explore options to move into its newly agreed asset allocation in the interim, while those products are being developed. The Purpose of this is to minimise risk and maximise returns through its asset allocation.

60/20 PUBLICITY OF PART 2 ITEMS [Item 20]

The Committee agreed that no confidential information within items considered under Part 2 of the agenda should be made available to the Press and public.

61/20 DATE OF NEXT MEETING [Item 21]

It was agreed that the next meeting of the Surrey Pension Fund Committee would take place on 11 December 2020.

Meeting ended at: 12.30 pm

Chairman

SURREY PENSION FUND COMMITTEE – 11 SEPTEMBER 2020

PROCEDURAL MATTERS – QUESTIONS AND RESPONSES

1. **Question Submitted by Jenifer Condit**

The Norwegian asset manager Storebrand has recently announced that they are divesting from Exxon Mobil and Chevron as part of a new climate policy targeting companies that use their political clout to block green policies. So the policy focuses on withdrawing support from those specific companies which have used their financial and political clout to distract, deny and delay action against climate change which threatens life on Earth. Will you consider adopting such a policy? I ask this in light of your investment in Exxon Mobil.

Response:

We share your concerns regarding those companies who lobby directly against environmental policies. The case for divestment from these companies requires a high bar to avoid the risk of a prescribed need to divest from all sectors that lobby their own interests to the detriment of others. Surrey makes investment decisions when there is compelling evidence that a company's practices are value-destructive to the point that they jeopardise any investment case.

2. **Question Submitted by Janice Baker**

Bloomberg NEF and UNEP [Trends in Renewable Energy by Investment 6/20] note the resilience, and falling price, of clean energy while the fossil fuel sector slumped due to Covid-19. They advise putting renewables at the heart of Covid-19 economic recovery instead of subsidizing the recovery of fossil-fuel industries. We consider this to be an essential element of a comprehensive strategy to protect funds from climate change risks, as well as ensuring a healthy natural world – the best insurance policy against global pandemics. Will the fund commit to increasing its share of low-carbon and renewable investments as a priority?

Response:

The Fund had made renewable energy investments in the past and will continue to seek these, although, the reality is that the market is still growing with most investment opportunities existing in private markets.

The Fund commissioned an independent provider in March 2020 to establish the Fund's starting position against the United Nations' 17 Sustainable Development Goals (UN SDGs). One of the elements we have asked our provider to undertake on our behalf is to assess how sophisticated our different asset managers are on the climate risk framework spearheaded by Mark Carney, the TCFD and even more importantly, how well the companies in those portfolios score for their own TCFD disclosures. This, along with an assessment of holdings potentially able to make large contributions towards the Sustainable Development Goals (which has climate at the heart of it). Phase 2 of this project will involve engaging with the Fund's Committee and Officers on exploring their investment beliefs and how this will integrate into the Fund's investment strategy. This will also mean the Fund will align itself against specific SDGs which is relevant to the Fund as an investor and represents its Investment Core Beliefs.

3. **Question Submitted by Helena Ritter**

How much autonomy do you have to divest your fossil fuel holdings? Please describe the process you would need to follow if you choose to eliminate an investment (of any kind) which you own by each of these three routes:

- directly via Newton or Majedie
- As part of an investment consortium in the case of Border to Coast
- As part of an investment fund, in the cases of Legal & General.

Response:

Surrey has ultimate authority to act independently, but, within the framework of MHCLG Guidance and LGPS Regulations. This means that the terms of engagement with its Fund Managers are detailed in its relevant Investment Management Agreement (IMA), which are agreed and signed prior to the assets being managed. It's then the Fund Manager's responsibility to pick investment holdings in accordance with that IMA with Surrey Pension Fund, having the freedom to terminate an agreement should it feel that the manager has not met the requirements of the IMA.

The Fund's passive holdings are overseen by Legal and General, and as such, are not actively managed. With our investments held with Border to Coast we act in partnership with other partner funds when determining investment decisions. All partner funds review and approve BCPP's Responsible Investment Policy, which is then integrated into Fund Manager Selection, internal investment decisions as well as its policies on Corporate Governance and Voting.

4. **Question Submitted by Ian Chappell**

Since your last meeting, fossil fuel companies have slashed tens of billions off their balance sheets in recognition of their permanent reduction in value. They've also cut dividends, recognising their substantial reduction in cash generating capability. And now Exxon has been kicked out of the Dow Jones average, reflecting the diminishing importance of fossil fuels in the new economy. Every day brings new signals that fossil fuels are in rapid decline

These stocks can and almost certainly will go lower. Indeed they have fallen further in price since your last meeting. Can I ask whether you continue to hold fossil fuels in the hope that there will be price recovery affording you the chance to sell at higher prices, or whether you hold fossil fuels as part of your long term investment outlook?

Response:

In reaching our investment strategy decisions we consult with investment professionals and BCPP and we appoint and scrutinise fund managers/BCPP in the delivery of our investment strategy. Our investment strategy, which includes our responsible investment policy, does anticipate all future developments.

5. **Question Submitted by Simon Hallett**

From data you provided in response to other questions (including an FOI request from J Condit), the value of fossil fuel shares in your fund declined from £151.4m at end May 2019 to £77.1m at end May 2020, a reduction in value of £74.3m. Since over this period the global energy sector index fell by 28% and BP alone by 43% I am inferring that most of this decline represents an investment loss to the portfolio.

During the same period the FTSE World Index rose 8.5% - from 1434.79 on May 31st 2019 to 1556.74 on May 31st 2020. Had you divested your fossil fuel shares on May 31, 2019 and reinvested in a broad market index this portion of your portfolio could have grown to £164.3m 12 months later. This means the opportunity cost could have been up to £164-77m, or £87m.

Although the information disclosed in your recent FOI reply (to J Condit) is of some help, it remains impossible to fully understand how much of the decline in your fossil fuel exposure results from any action on your part, and how much is simply the result of market movements. **Could you now quantify how much of this reduction is due to the collapse in oil share prices and how much is due to changes in the holdings of fossil fuel companies in your portfolio?**

In consideration of the fact that the collapse of oil share prices was both predictable and predicted, and the fact that numerous members of the Surrey Pension Fund and taxpayers have been imploring you to sell these share since before May 31, 2019, **how do you explain your losses in this sector to your stakeholders?**

Response:

To quantify and distinguish the exact difference in the Fund's actual fossil fuel exposure between the reductions in fossil fuel companies in our portfolio compared to the collapse in oil share prices, is not something the Fund views as a relevant area of work to commission internally or externally.

Our governance process entails regular review and scrutiny of our investment strategy and performance. This is communicated to our stakeholders through the documents shared in public meetings and is summarised in our annual report (add link). We allow ample opportunity for stakeholders to seek further information; including questions to this Committee.

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