

## Notice of Meeting

# Surrey Pension Fund Committee



### Date and Time

Friday, 21 June 2024  
11.15 am

### Place

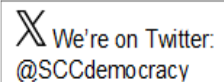
Council Chamber,  
Woodhatch Place, 11  
Cockshot Hill,  
Reigate, Surrey, RH2  
8EF

### Contact

Angela Guest  
angela.guest@surreycc.gov.uk

### Web:

[Council and  
democracy  
Surreycc.gov.uk](#)



### **Committee/Board Members:**

#### **Elected Members**

Nick Harrison (Chairman), David Harmer, Trefor Hogg (Vice-Chairman), Robert Hughes,  
George Potter and Richard Tear

#### **Co-opted Members:**

Robert King (Borough & Districts) Steve Williams (Borough & Districts),  
Kelvin Menon (Employers) and Duncan Eastoe (Employees)

If you would like a copy of this agenda or the attached papers in another format, e.g. large print or braille, or another language, please email Angela Guest on [angela.guest@surreycc.gov.uk](mailto:angela.guest@surreycc.gov.uk).

This meeting will be held in public at the venue mentioned above and may be webcast live. Generally the public seating areas are not filmed. However, by entering the meeting room and using the public seating area or attending online, you are consenting to being filmed and recorded, and to the possible use of those images and sound recordings for webcasting and/or training purposes. If webcast, a recording will be available on the Council's website post-meeting. The live webcast and recording can be accessed via the Council's website:

<https://surreycc.public-i.tv/core/portal/home>

If you would like to attend and you have any special requirements, please email Angela Guest on [angela.guest@surreycc.gov.uk](mailto:angela.guest@surreycc.gov.uk). Please note that public seating is limited and will be allocated on a first come first served basis.

## **AGENDA**

### **1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

### **2 MINUTES OF THE PREVIOUS MEETING [22 MARCH 2024]**

(Pages  
1 - 12)

To agree the minutes as a true record of the meeting.

### **3 DECLARATIONS OF INTEREST**

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter

- (i) Any disclosable pecuniary interests and / or
- (ii) Other interests arising under the Code of Conduct in respect of any item(s) of business being considered at this meeting

#### **NOTES:**

- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest
- As well as an interest of the Member, this includes any interest, of which the Member is aware, that relates to the Member's spouse or civil partner (or any person with whom the Member is living as a spouse or civil partner)
- Members with a significant personal interest may participate in the discussion and vote on that matter unless that interest could be reasonably regarded as prejudicial.

### **4 QUESTIONS AND PETITIONS**

To receive any questions or petitions.

#### **Notes:**

1. The deadline for Member's questions is 12.00pm four working days before the meeting (17/06/2024).
2. The deadline for public questions is seven days before the meeting (14/06/2024).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

### **5 GLOSSARY, ACTION TRACKER & FORWARD PLAN**

(Pages  
13 - 36)

For Members to consider and comment on the Pensions Fund Committee's recommendations tracker and workplan.

### **6 SUMMARY OF THE LOCAL PENSION BOARD**

(Pages  
37 - 46)

This report provides a summary of administration and governance issues reviewed by the Local Pension Board (the Board) at its last meeting (17 May 2024) for noting or actioning by the Pension Fund Committee.

- 7 SURREY PENSION TEAM OVERVIEW - QUARTER 4** (Pages 47 - 58)
- This paper is to give an overview of the entire service at a macro level.
- 8 CHANGE PROGRAMME UPDATE - QUARTER 4** (Pages 59 - 62)
- This paper details the Change Team Quarterly Report of activity for the period January – March 2024.
- 9 SURREY PENSION TEAM STRATEGIC PLAN OUT-TURN REPORT - 2023/24 FINANCIAL YEAR** (Pages 63 - 70)
- This report summarises the activities that have been completed against Year 1 of the Surrey Pension Team (SPT) Strategic plan.
- 10 INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE** (Pages 71 - 88)
- This report is a summary of manager issues for the attention of the Pension Fund Committee, as well as an update on investment performance and the values of assets and liabilities.
- NB: Part 2 annex at item 17.
- 11 COMPANY ENGAGEMENT & VOTING** (Pages 89 - 120)
- This report is a summary of various Environmental, Social & Governance (ESG) engagement and voting issues that the Surrey Pension Fund (the Fund), Local Authority Pension Fund Forum (LAPFF), Robeco, and Border to Coast Pensions Partnership (BCPP) have been involved in, for the attention of the Pension Fund Committee (Committee).
- 12 INVESTMENT STRATEGY - FIDUCIARY DUTY AND INVESTMENT BELIEFS** (Pages 121 - 124)
- Investment decisions made by the Pension Fund Committee must be within the regulations, in accordance with fiduciary duty and aligned with agreed investment beliefs. Committee is asked to agree to set up a sub-committee.
- 13 COMPETITION & MARKETS AUTHORITY (CMA): INVESTMENT CONSULTANT STRATEGIC OBJECTIVES** (Pages 125 - 132)
- Local Government Pension Schemes (LGPS) are required to set strategic objectives for their Investment Consultant (IC) Provider and monitor performance against these objectives at least every three years.
- 14 LGPS UPDATE (BACKGROUND PAPER)** (Pages 133 - 142)
- This report considers recent developments in the Local Government Pension Scheme (LGPS).

- 15 RESPONSIBLE INVESTMENT UPDATE** (Pages 143 - 210)
- It was agreed that the RI policy be reviewed annually for industry best practice and that the investable universe with regard to Net Zero dates be analysed annually as well. The Committee also requested an analysis of the potential impact of excluding the largest 25 fossil fuel companies from Fund investment.
- 16 EXCLUSION OF THE PUBLIC**
- Recommendation:** 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.
- 17 INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE** (Pages 211 - 212)
- Part 2 Annex to item 10 attached.
- 18 ACTUARIAL UPDATE** (Pages 213 - 220)
- This report provides an update on actuarial services to the Fund Actuary.
- 19 ASSET CLASS FOCUS - EQUITY** (Pages 221 - 236)
- As part of good governance, the Committee periodically reviews the performance of the Fund's investments with a further focused review of different asset classes. This paper concentrates on Equities.
- 20 REAL ESTATE UPDATE** (Pages 237 - 260)
- Border to Coast Pension Partnership (BCPP) has developed a range of Real Estate funds for Partner Funds to invest in. Government guidance expects the LGPS to use pooling when products are available.
- 21 BORDER TO COAST UPDATE** (Pages 261 - 264)
- This paper provides the Pension Fund Committee with an update of current activity being undertaken by the Border to Coast Pensions Partnership.
- 22 PUBLICITY OF PART 2 ITEMS**
- To consider whether the item considered under Part 2 of the agenda should be made available to the Press and public.



**23 DATE OF NEXT MEETING**

The next meeting of the Surrey Pension Fund Committee will be on 13 September 2024.

**Michael Coughlin**  
**Interim Head of Paid Service**  
Published: Thursday, 13 June 2024

## **MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE**

Members of the public and the press may use social media or mobile devices in silent mode during meetings. Public Wi-Fi is available; please ask the committee manager for details.

Anyone is permitted to film, record or take photographs at Council meetings. Please liaise with the committee manager prior to the start of the meeting so that the meeting can be made aware of any filming taking place.

The use of mobile devices, including for the purpose of recording or filming a meeting, is subject to no interruptions, distractions or interference being caused to any Council equipment or any general disturbance to proceedings. The Chairman may ask for mobile devices to be switched off in these circumstances.

Thank you for your co-operation.

## **QUESTIONS AND PETITIONS**

Cabinet and most committees will consider questions by elected Surrey County Council Members and questions and petitions from members of the public who are electors in the Surrey County Council area.

### **Please note the following regarding questions from the public:**

1. Members of the public can submit one written question to a meeting by the deadline stated in the agenda. Questions should relate to general policy and not to detail. Questions are asked and answered in public and cannot relate to “confidential” or “exempt” matters (for example, personal or financial details of an individual); for further advice please contact the committee manager listed on the front page of an agenda.
2. The number of public questions which can be asked at a meeting may not exceed six. Questions which are received after the first six will be held over to the following meeting or dealt with in writing at the Chairman’s discretion.
3. Questions will be taken in the order in which they are received.
4. Questions will be asked and answered without discussion. The Chairman or Cabinet members may decline to answer a question, provide a written reply or nominate another Member to answer the question.
5. Following the initial reply, one supplementary question may be asked by the questioner. The Chairman or Cabinet members may decline to answer a supplementary question.

**MINUTES** of the meeting of the **SURREY PENSION FUND COMMITTEE** held at 11.15 am on 22 March 2024 at Council Chamber, Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, RH2 8EF.

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

**Elected Members:**

\*Present

- \* Nick Harrison (Chairman)
- \* David Harmer
- \* Trefor Hogg (Vice-Chairman)
- George Potter
- \* Richard Tear
- \* Robert Hughes

**Co-opted Members:**

- \* Duncan Eastoe, Employees
- \* Robert King, Borough & Districts
- Steve Williams, Borough & Districts
- \* Kelvin Menon, Employers

**In attendance**

Tim Evans, Chair of Local Pension Board (online)  
 Jane Firth – Border to Coast (online)  
 Nicole Russell – Head of Change Management (online)  
 Teju Akande – Climate Change Manager, Border to Coast (online)

**1/24 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

Apologies were received from Steve Williams and George Potter who attended online.

**2/24 MINUTES OF THE PREVIOUS MEETING [15 DECEMBER 2023] [Item 2]**

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

**3/24 DECLARATIONS OF INTEREST [Item 3]**

There were none.

**4/24 QUESTIONS AND PETITIONS [Item 4]**

There were five public questions submitted. These and the responses were published as a supplement to the agenda.

There were five supplementary questions:

1. Jackie Macey asked on behalf of Kevin Clarke if it would be possible to have a separate list of main fossil fuel holdings on the website to assist those that have limited financial knowledge.

The Head of Investment & Stewardship would consider what could be done regarding this request.

2. Janice Baker asked if there had been any concrete steps implemented as a result of Robeco's engagement plan.  
Border to Coast responded by encouraging Janice to read Robeco's quarterly reports to the Committee, suggesting a couple of examples, for instance plastics, where there had been some good engagement.
3. Jennifer Condit asked if the Committee was comfortable with the fact that Surrey now has approaching £8 million invested in ConocoPhillips.  
Border to Coast explained that this was held by one of the external managers and the process that B2C undertakes with them was the same as with internal portfolio managers. With any big emitters in portfolios, it was expected that detailed investment rationales were developed as to why they hold those companies. Also, ConocoPhillips was on the priority list of companies for voting this year. Border to Coast also explained the challenging and deep-dive into the transition processes of the heaviest emitters.
4. Lindsey Coeur-Belle stated that in September 2023, the UK Department of Energy Security and Net Zero announced that the UK would review its membership of the Energy Charter Treaty (ECT) if progress in the modernisation was not made at the November conference. On 22 February this year, the Minister confirmed that the UK would withdraw, citing failure of the parties to align to Paris or to support the energy transition. Considering this recent government decision and similar concern in the EU, does the Committee agree that protection for fossil fuel companies was evaporating and the risk of stranded assets increasing?  
The Chair stated that the Committee had an RI policy which was reviewed annually, and these developments would be considered at the next review. The Committee also expects its managers to operate within those guidelines.
5. Lucianna Cole asked when banks were contacted ahead of their AGM's and if that included setting out clear consequences for inaction if they don't change their practices as a result of the engagement.  
Border to Coast responded that the point of writing to the companies is to let them know when Border to Coast was intending to vote against management. For those companies on the priority list this will be done prior to the AGM, so that there is the opportunity of dialogue ahead of the meeting. It can also lead to possibly changing voting intentions, depending upon company response. For other companies where Border to Coast votes against management, they will be informed after the AGM. Border to Coast's escalation process is clear in their voting guidelines, which are available for companies and stakeholders.

## **5/24 GLOSSARY, ACTION TRACKER & FORWARD PLAN [Item 5]**

### **Speakers:**

Neil Mason, LGPS Senior Officer  
Chair

### **Key points raised during the discussion:**

1. The LGPS Senior Officer highlighted an item on the forward plan for the next meeting in June, which is when the Committee will agree the scope and process for reviewing its investment beliefs. Following agreement of the scope it was proposed to hold a workshop where experts in the investment field would be invited, to discuss fiduciary duty and to

understand the relationship with Border to Coast and how that affects the strategy and its implementation. Depending on when the General Election was to be held it was hoped to have a paper ready for either the September or the December committee meeting.

2. One Member suggested that it may be better for this to take place after County elections in 2025. The LGPS Senior Officer responded that this was being done now because more and more investment decisions were coming to the Committee and Members were being asked to make decisions on items which may contravene the current set of investment beliefs.

**Actions/ further information to be provided:**

None.

**Resolved:**

1. That the report be noted. There were no recommendations to the Local Pension Board.
2. That progress on the action tracker was noted.
3. That the forward plan be noted.

**6/24 SECOND YEAR OF THE STRATEGIC PLAN FOR THE SURREY PENSIONS TEAM [Item 6]**

**Speakers:**

Neil Mason, LGPS Senior Officer

**Key points raised during the discussion:**

1. The LGPS Senior Officer gave a detailed overview of the strategic plan contained within the submitted report.
2. A Member praised officers for the work put into this document and asked the LGPS Senior Officer what he felt less confident about and what was going to require more attention to ensure success. The LGPS Senior Officer stated that succession planning and staff management were uppermost in mind, with the need to ensure investment in people so that the Surrey pensions team was an attractive place to work.

**Actions/ further information to be provided:**

None.

**Resolved:**

That the plans contained in the submitted report and Annexe be approved.

**7/24 CHANGE PROGRAMME UPDATE - QUARTER 3 [Item 7]**

**Speakers:**

Nicole Russell, Head of Change Management

Neil Mason, LGPS Senior Officer

Paul Titcomb, Head of Accounting & Governance

### **Key points raised during the discussion:**

1. The Head of Change Management introduced the report by highlighting a few areas she was proud of. These included:
  - the dashboard, on which there had been much feedback;
  - the workforce strategy put in place, with a positive change in nearly every metric on the people side;
  - the refreshed Communications Policy, and
  - the new Members website.
2. The Head of Change Management explained that the Digital Design Team had been working in her area to understand how much progress was made towards the mission and vision of the team. The team was also looking at any areas that would benefit from a digital solution or enhancement. The findings of this work would be reported to the next committee meeting.
3. A Member queried the issues around banking controls and Unit 4. The Head of Accounting & Governance explained that the banking controls concerned the upload of data from the bank account into Unit 4. That was the only piece of the process that not under the Pensions team's control and new practices therefore were being developed.
4. A Member asked for further details around audit ratings and what they meant. Another Member, who was also a Member of the Audit Committee, explained that there were historic issues, but good progress was being made with their resolution.
5. The LGPS Senior Officer introduced and explained in detail the annex to the report on training. He explained that training would be specific to the quickly changing regulatory, administration and investment landscape of the LGPS. There was significant pressure from the Scheme Advisory Board and the Department for Levelling up Housing and Communities on this, reiterated by the Minister in his speech last week, that Pension Fund committees should essentially have the same level of training as professional trustees. Officers had taken soundings across the industry, and in particular amongst partner funds, and were proposing a residential course on 23 and 24 October 2024.
6. The Chair reiterated the benefits of the proposal for a residential development course which would enable more detailed dialogue between the Committee, Board Members and the officers. Also, the Committee was signing up to the Stewardship Code which required programmes of continuing professional education. Long-standing Members were encouraged to take up the development courses as there had been many changes over the last decade and refresher training was essential.
7. A few Members commented on the need for a backup plan for those unable to make the residential course and for newcomers that may start after the residential. The LGPS Senior Officer stated that this had been considered and assured the Committee that the residential course did not replace any of the existing training arrangements but was an extension.

### **Actions/ further information to be provided:**

That the Democratic Service Officer share explanations of the audit ratings with Committee Members.

### **Resolved:**

That the report be noted.

**8/24 COMMUNICATION POLICY STATEMENT 2024/25 [Item 8]****Speakers:**

Neil Mason, LGPS Senior Officer

**Key points raised during the discussion:**

1. The LGPS gave a brief introduction to the Communication Policy document which is required to be approved annually. It explains the different methods and frequency of communication with stakeholders.

**Actions/ further information to be provided:**

None.

**Resolved:**

1. That the Communication Policy Statement 2024/25 be approved.
2. That the policy be reviewed on an annual basis was noted.

**9/24 TRAINING POLICY 2024/2025 [Item 9]****Speakers:**

Neil Mason, LGPS Senior Officer

**Key points raised during the discussion:**

1. The LGPS gave a brief introduction to the Training Policy which set out the approach to training and development, which applies to Members of the Committee, Members of the Board and officers. It also incorporated the new residential course.

**Actions/ further information to be provided:**

None.

**Resolved:**

That the training policy be approved and agreed that Members should prioritise attendance at training events wherever practicable.

**10/24 SUMMARY OF THE LOCAL PENSION BOARD REPORT [Item 10]****Speakers:**

Chair of the Pension Board, Tim Evans

Neil Mason, LGPS Senior Officer

Tom Lewis, Head of Service Delivery

**Key points raised during the discussion:**

1. The Chair of the Pension Board explained that the main issue over the last nine months was the implementation of My Surrey / Unit 4. The challenge has been to get the administration systems operating effectively and to make sure its functionality is absolutely fit for the purposes of the Pension Fund. This work has moved forward significantly through the participation of the Head of Service Delivery with the main IT project delivery team.

2. In response to a Member question around Payroll IT issues, the Head of Service Delivery explained the work being undertaken to work around the issues and to ensure benefits were recorded and paid accurately. A Member referred to a Resources and Performance Committee task and finish group which was investigating the range of issues with this software, to make recommendations and to learn lessons.

**Actions/ further information to be provided:**

None.

**Resolved:**

1. That the support of the Pension Board be noted, and
2. That no recommendations to the Pension Board were needed.

**11/24 LOCAL PENSION BOARD - PROPOSED AMENDMENT TO THE TERMS OF REFERENCE [Item 11]**

**Speakers:**

Neil Mason, LGPS Senior Officer

**Key points raised during the discussion:**

1. The LGPS Senior Officer introduced the report that detailed the updated terms of references, including definitions of roles and the appointment process; the revisions have already been agreed by full Council.
2. A further change was to allow the two representatives of active scheme members to be drawn from any trade union, rather than roles being reserved for a specific trade union. The Chair of the Local Pension Board assured the Committee that subject to this change there was no problem with filling other places on the Board.

**Actions/ further information to be provided:**

None.

**Resolved:**

1. That the report be noted.
2. That the proposed amendments to the Terms of Reference of the Local Pension Board be agreed.

**12/24 BUDGET 2024/25 [Item 12]**

**Speakers:**

Paul Titcomb, Head of Accounting & Governance

**Key points raised during the discussion:**

1. The Head of Accounting & Governance introduced the budget report. Previously these reports were not reviewed by the Committee, and the change was being made to improve governance. The report assessed the operational costs for the coming year. The main costs revolved around staff and associated expenditure, with allowance made for project work, as there are several high priorities with mandated deadlines. Budgets would be monitored and reported back to the Committee.



**Actions/ further information to be provided:**

None.

**Resolved:**

That the Fund's Budget for 2024/25 be approved.

**13/24 INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE [Item 13]****Speakers:**

Lloyd Whitworth, Head of Investment & Stewardship

**Key points raised during the discussion:**

1. The Head of Investment & Stewardship gave some highlights from his report which included:
  - In terms of the fund's performance, it was a strong quarter in absolute terms for all asset classes.
  - There was added commentary on the private markets and how it compared against the global listed equity benchmark.
  - As requested by Committee, there was an annexe that showed the sector exposure split for the equity portfolios, comprising all the actively managed portfolios and the Future World Fund.
  - Regarding the funding of capital calls, predominantly the Fund has used the B2C Listed Alternatives Fund to meet capital calls. As that has now reduced to just under around £100 million, going forward the Fund was more likely to be use the Newton investments to meet capital calls and some of the balances with Legal & General.

**Actions/ further information to be provided:**

None.

**Resolved:**

That the main findings of the report in relation to the Fund's valuation and funding level, performance returns and asset allocation be noted.

**14/24 COMPANY ENGAGEMENT & VOTING [Item 14]****Speakers:**

Lloyd Whitworth, Head of Investment & Stewardship

**Key points raised during the discussion:**

1. The Head of Investment & Stewardship introduced the report on engagement. Engagement is delegated to each manager and the report included information from Robeco and the LAPFF. The report also showed how Surrey had voted over the last quarter on the Newton assets.

**Actions/ further information to be provided:**

None.

**Resolved:**

- 1) That it was reaffirmed that ESG Factors were fundamental to the Fund's approach, consistent with the Responsible Investment Policy through:
  - a) Continuing to enhance its own RI approach and Sustainable Development Goal (SDG) alignment.
  - b) Acknowledging the outcomes achieved for quarter ended 31 December 2023 by LAPFF and Robeco through their engagement.
  - c) Note the voting by the Fund in the quarter ended 31 December 2023.

**15/24 ASSET CLASS FOCUS - CREDIT MARKETS [Item 15]****Speakers:**

Lloyd Whitworth, Head of Investment & Stewardship

Anthony Fletcher, MJ Hudson

Steve Turner, Mercer

Milo Kerr, Border to Coast

**Key points raised during the discussion:**

1. The Head of Investment & Stewardship reported that last year the Committee had approved switching assets into the Border to Coast Multi Asset Credit Fund, reflecting the Fund's overall investment strategy. Although not all purchases had been completed at the time of this report, the aim was to increase the weighting to that fund to around 15%. In addition, last year the Fund had changed how the exposure to Gilts was derived through LGIM, switching from direct conventional gilts into a fund managed by them.
2. The Independent Advisor explained his report included performance of the Border to Coast Multi Asset Credit Fund. He explained the reasons behind the performance data for each sub-fund. Bearing in mind the global economy, he thought Border to Coast had performed reasonably over the two years. He also suggested that officers and the Committee look in more detail at the three-year anniversary of the fund, highlighting areas to be considered.
3. The Independent Advisor advised that the benchmark for PGIM be reviewed because the selected performance benchmark would appear to be inconsistent with how the fund was allocated.
4. The Independent Advisor advised the Committee to put pressure on Border to Coast to demonstrate that they have the resources in terms of analytic systems and the skilled people.
5. The Chair stated that the Independent Adviser had raised several credible points that should be followed up and suggested this happen as part of the three-year review with a report coming to a future Committee meeting.
6. Border to Coast thanked the Independent Adviser for his comments and stated that the next deep dive had been earmarked for Multi Asset Credit and for it to be more thorough. Border to Coast explained that they had added structure and resources recently towards the asset allocation committee, to help making decisions on relative positioning.
7. In response to a question from Mercer, Border to Coast confirmed their review of Multi Asset Credit would include the structure of the fund, and the strategic allocation to the sub asset classes in the strategy.
8. Members raised a number of detailed questions to be looked at as part of the Border to Coast three-year review.

**Actions/ further information to be provided:**

None.

**Resolved:**

1. That the Fund's credit market holdings, respective funds' investment performance and review from the Fund's independent investment adviser be noted.
2. That a review at the three-year point by Border to Coast be brought to this Committee in due course including the question raised by George Potter in relation to information to properly manage and provide oversight by Border to Coast was agreed.

*At 13.04pm the Committee adjourned for 15 minutes and reconvened at 13.21pm*

**16/24 RESPONSIBLE INVESTMENT IMPLEMENTATION REPORT [Item 16]****Speakers:**

Lloyd Whitworth, Head of Investment & Stewardship  
 Tristan Ainsworth, Finance Graduate Trainee  
 Steve Turner, Mercer

**Key points raised during the discussion:**

1. The Head of Investment & Stewardship highlighted the following areas of the report:
  - As part of the Responsible Investment policy last year, one of the priorities was to apply to become a signatory to the Stewardship Code. Thanks to the secondment of a Finance Graduate Trainee this huge piece of work had taken 6-7 months and the application would be made in May.
  - If the application was not approved this time, then any feedback would be considered, to allow an improved re-application.
2. The Head of Investment & Stewardship also informed the Committee of elements that would be expected to the June committee meeting including:
  - the annual sense check of the RI policy in terms of best practice, provided by Minerva,
  - a review of the net zero investable universe, and
  - a review of the impact if the Fund excluded the largest 25 fossil fuel companies in terms of the potential risk / return for the Fund.
3. The Chair urged Members to let the Training Officer know of any recent training undertaken not already included in the report.

**Actions/ further information to be provided:**

None.

**Resolved:**

1. That the draft Stewardship Code application document be noted.
2. That the delegation to the Chair for the final approval of the application for the Fund to become a signatory of the UK Stewardship Code be agreed.

**17/24 LGPS UPDATE (BACKGROUND PAPER) [Item 17]****Speakers:**

Neil Mason, LGPS Senior Officer  
Sandy Armstrong, Technical Manager

**Key points raised during the discussion:**

1. The LGPS Senior Officer highlighted the new General Code of Practice from the Pensions Regulator, which replaces the existing 10 codes. The team were currently looking at how to assess compliance against the new Code. The assessment will go initially through the Pensions Board for a deep dive and then in summary to this Committee. There will also be a need to ensure that Members understood the new Code as it directs how the scheme is managed.
2. A Member thanked the LGPS Senior Officer for the report covering Sharia Law, which union members had asked about.

**Actions/ further information to be provided:**

None.

**Resolved:**

That the report be noted.

**18/24 EXCLUSION OF THE PUBLIC [Item 18]**

**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.

**PART TWO – IN PRIVATE****19/24 INVESTMENT MANAGER PERFORMANCE AND ASSET/LIABILITIES UPDATE [Item 19]****Resolved:**

That the Part 2 annexe to item 8 on the agenda (Minute 13/24) be noted.

**20/24 NEW INVESTMENT PROPOSITIONS [Item 20]****Speakers:**

Lloyd Whitworth, Head of Investment & Stewardship  
Milo Kerr, Border to Coast  
Steve Turner, Mercer  
Neil Mason, LGPS Senior Officer

**Key points raised during the discussion:**

1. The Head of Investment & Stewardship referred to the training received by Members prior to the Committee regarding the two proposals in the Part 2 report. The UK Real Estate presentation was an update and a final paper

for decision would come to the next meeting of the Committee. The UK Opportunities Fund was for decision at this meeting.

2. Border to Coast explained the proposals in some detail with inputs from the Head of Investment & Stewardship and Mercer.
3. Border to Coast explained that they had held a webinar in January with various economic development stakeholders across the councils in the Border to Coast pool to introduce the strategy of the UK Opportunities Fund, its aims and goals.
4. The Chair asked Border to Coast to share the webinar presentation with the Committee.

**Actions/ further information to be provided:**

That Border to Coast be requested to share the webinar presentation with Members of the Committee.

**Resolved:**

1. That delegated authority be approved for the Director of Finance Corporate & Commercial, in consultation with the Assistant Director – LGPS Senior Officer and the Chair of the Pension Fund Committee to invest in the Border to Coast UK Opportunities Fund, subject to necessary conditions being met.
2. That the development of the Border to Coast UK Real Estate proposition be noted and that Officers, Investment Consultant and Independent Advisor to consider the appropriateness of the investment, and work towards the necessary conditions being met, be agreed.

**21/24 BORDER TO COAST PENSIONS PARTNERSHIP UPDATE [Item 21]**

**Speakers:**

Neil Mason, LGPS Senior Officer

Milo Kerr, Ewan McCulloch and Jane Firth, Border to Coast

**Key points raised during the discussion:**

1. The Committee considered a Part 2 report which gave an update of current activity being undertaken by the Border to Coast.
2. The LGPS Senior Officer explained the governance around the Border to Coast Strategic Plan in that it is approved by the shareholder representatives. The shareholder representative at Surrey is the Section 151 officer and has approved this Strategic Plan. Therefore, the Committee was being asked to note the Plan and the approval of it by the S151 officer.
3. There was a Member question around a particular Border to Coast investment in tar sand oil extraction, which he understood to be excluded under the Responsible Investment policies of Border to Coast. Border to Coast explained that when exclusions were first introduced into the climate change policy and into the Responsible Investment policy, it was at a very high revenue threshold of tar sands being at 90% of a company's revenue. There had been a significant shift over the last couple of years when that had been reduced down to 70%, and then quite significantly for this year down to 25%. The company referred to by the Member was under the current exclusion threshold. All portfolios and benchmarks were screened when reassessing exclusions policies and feedback from all

partner funds was taken on board. This would be assessed again this year and on an annual basis going forward.

**Actions/ further information to be provided:**

None.

**Resolved:**

That the shareholder approval of the Border to Coast Strategic Plan 2024-27 be noted.

**22/24 PUBLICITY OF PART 2 ITEMS [Item 22]**

**Resolved:**

That items considered under Part 2 of the agenda should not be made available to the Press and public.

**23/24 DATE OF NEXT MEETING [Item 23]**

The next meeting of the Surrey Pension Fund Committee will be on 21 June 2024.

Meeting ended at: 14:02

---

**Chairman**

**SURREY COUNTY COUNCIL**

**SURREY PENSION FUND COMMITTEE**



5

**DATE: 21 JUNE 2024**

**LEAD OFFICER: ANNA D'ALESSANDRO, INTERIM EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICES**

**SUBJECT: GLOSSARY, ACTION TRACKER & FORWARD PROGRAMME OF WORKS**

**SUMMARY OF ISSUE:**

For Members to consider and comment on the Pensions Fund Committee's (Committee) recommendations tracker and workplan.

**RECOMMENDATIONS:**

It is recommended that the Committee is asked to -:

1. Note the content of this report and make recommendations to the Local Pension Board if appropriate.
2. Monitor progress on the implementation of recommendations from previous meetings in Annexe 2.
3. Review and note any changes on the Forward Programme of Works in Annexe 3.

**REASON FOR RECOMMENDATIONS:**

A glossary has been provided as Annexe 1 so the Committee is able to reference the abbreviations and acronyms throughout the reports and agenda.

A recommendations tracker recording actions and recommendations from the previous meetings are attached as Annexe 2, and the Committee is asked to review progress on the items listed. The Committee's workplan is attached as Annexe 3 for noting.

---

**Contact Officer:** Neil Mason, Assistant Director, LGPS Senior Officer

**Annexes:**

1. Annexe 1 - Glossary
2. Annexe 2 - Action Tracker
3. Annexe 3 - Forward Programme of Works

**Sources/background papers:**

1. None
-

This page is intentionally left blank



# Glossary

---

FOR SURREY LOCAL PENSION BOARD REPORTS  
& SURREY PENSION FUND COMMITTEE

Surrey Pension Team



---

Providing our customers with  
a better tomorrow

---

# Glossary

## Explanation of Abbreviations and Acronyms

The following is a list of abbreviations and acronyms that have occurred in reports to the Surrey Local Pension Board or Surrey Pension Fund Committee, It is not intended to be an exhaustive list of those used throughout the Surrey Pension Fund, however it will be reviewed prior each Meeting and updated should new examples occur.

### Definition - A to Z

[A](#)    [B](#)    [C](#)    [D](#)    [E](#)    [F](#)    [G](#)    [H](#)    [I](#)    [J](#)  
[K](#)    [L](#)    [M](#)    [N](#)    [O](#)    [P](#)    [Q](#)    [R](#)    [S](#)    [T](#)  
[U](#)    [V](#)    [W](#)    [X](#)    [Y](#)    [Z](#)

Index	Definition
-------	------------

<b>A</b>	<u><a href="#">Back to Index</a></u>
----------	--------------------------------------

AAF	Audit and Assurance Faculty
ABS	Annual Benefit Statement
ACGA	Asian Corporate Governance Association
ACS	Authorised Contractual Scheme, the collective investment scheme used by Border to Coast for asset pooling
AI	Artificial intelligence
AICPA	American Institute of Certified Public Accountants
AIFM	Alternative Investment Fund Manager
APR	Annual Percentage Rate

ARE	Asia Research Engagements
ASB	<b>Accounting Standards Board:</b> UK body that sets accounting standards. A subsidiary body of the Financial Reporting Council
AUM	Assets Under Management
AVC	Additional Voluntary Contributions
<b>B</b>	<b><u><a href="#">Back to Index</a></u></b>
B of E	Bank of England
BAU	Business as usual
BBB	British Business Bank
BCE	Benefit Crystallisation Events
BCP	Business Continuity Plan
BCPP	Border to Coast Pensions Partnership
BIA	Business Impact Assessments
<b>C</b>	<b><u><a href="#">Back to Index</a></u></b>
CARE	Career Average Revalued Earnings
CAY	Compensatory Added Years
CBRE	Coldwell Banker Richard Ellis
CCB	China Construction Bank
CDP	Climate Disclosure Projects
CETV	Cash Equivalent Transfer Value
CI	Continuous Improvements
CIO	Chief Investment Officer
CIPFA	The Chartered Institute of Public Finance and Accountancy

CLG	Communities and Local Government (former name of MHCLG)
CMA	Competition and Markets Authority
COD	Contracted Out Deduction
COO	Chief Operating Officer
COP	Conference of Parties, A UN conference on climate change
CPI	Consumer Price Index
CRC	Compliance and Reporting Committee
CRT	Customer Relationship Team
CRR	Council Risk and Resilience Forum
CSR	Corporate Social Responsibility, a term under which companies report their social, environmental, and ethical performance

## **D** [Back to Index](#)

DAA	Dynamic Asset Allocation
DCU	Deferred choice underpin
DGF	Diversified Growth Fund
DLUHC	Department for Levelling up, Housing and Communities
DWP	Department for Work and Pensions

## **E** [Back to Index](#)

ECB	European Central Bank
ELT	Extended Leadership Team
EM	Emerging Markets
EMEA	Europe, The Middle East & Africa
EMT	Emergency Management Team

ESG	Environmental, Social and Governance – factors in assessing an investments sustainability
ESOG	Effective System of Governance
EU	European Union
EY	Ernst and Young
<b>F</b>	<b><a href="#">Back to Index</a></b>
FAIRR	Farm Animal Investment Risk and Return
FED	Federal Reserve
FCA	Financial Conduct Authority
FOI	Freedom of Information
FRC	Financial Reporting Council
FSS	Funding Strategy Statement
FTA	FTSE Actuaries UK Gilts Index Series
FTSE	Financial Times Stock Exchange
FX	Foreign Exchange
<b>G</b>	<b><a href="#">Back to Index</a></b>
GAAP	Generally Accepted Accounting Practice
GAD	Government Actuary’s Department
GDP	Gross Domestic Product
GEM	Global Emerging Markets
GMP	Guaranteed Minimum Pension
GRESB	Global ESG Benchmark for Real Assets

**H** [Back to Index](#)

HMRC His Majesty's Revenue and Customs

HMT His Majesty's Treasury

**I** [Back to Index](#)

IAASB International Auditing and Assurance Standards Board

ICARA Internal Capital and Risk Assessment

ICGN International Corporate Governance Network

IDRP Internal Dispute Resolution Procedure

IFAC International Federation of Accountants

IIGCC Institutional Investor Group on Climate Change

INFRA. Infrastructure

IPDD Investor Policy Dialogue on Deforestation

IRR Internal Rate of Return

ISAE3402 The International Standard on Assurance Engagements (ISAE) number 3402 supersedes SAS70, "Assurance Reports on Controls at a Service Organisation", was introduced in December 2009 by the International Auditing and Assurance Standards Board (IAASB), which is part of the International Federation of Accountants (IFAC).

ISSB International Sustainability Standards Board

ISS Investment Strategy Statement

ISP integrated service providers

**J** [Back to Index](#)

JC Joint Committee

**K**      [Back to Index](#)

KOSPI      Korea Composite Stock Price Index

KPIs      Key Performance Indicators

KRX      Korea Exchange

**L**      [Back to Index](#)

LAC      Lifetime Allowance Charge

LAEF      Lifetime Allowance Enhancement Factor

LAPFF      Local Authority Pension Fund Forum

LGA      Local Government Association

LGE      Local Government Employers

LGIM      Legal and General Investment Management

LGPS      Local Government Pension Scheme

LIBOR      London Inter Bank Offered Rate, a benchmark interest rate at which global banks lend to one another

LOLA      Local Government Pension (LGPS) Scheme Online Learning Academy

LPB      Local Pension Board

LSA      Lump Sum Allowance

LSDBA      Lump Sum and Death Benefit Allowance

LSE      London Stock Exchange

LTA      Lifetime Allowance

**M**      [Back to Index](#)

MAC      Multi Asset Credit

MaPS      Money and Pensions Service

MHCLG	Ministry of Housing, Communities and Local Government
MI	Management Information
MSCI	Formerly Morgan Stanley Capital International, publisher of global indexes
<b>N</b>	<b><a href="#">Back to Index</a></b>
NED	Non-Executive Director
NRA	Normal Retirement Age
NT	Northern Trust, Global Custodian
<b>O</b>	<b><a href="#">Back to Index</a></b>
OECD	Organisation for Economic Co-operation and Development
OOG	Officer Operations Group
ORA	Own Risk Assessment
OTA	Overseas Transfer Allowance
<b>P</b>	<b><a href="#">Back to Index</a></b>
PASA	Pension Administration Standards Association
PCLS	Pension Commencement Lump Sum
PDP	Pensions Dashboard Programme
PF	Pension Fund
PFC	Pension Fund Committee
PLSA	Pensions and Lifetime Savings Association
PMI	Purchasing Managers' Index
PRI	The UN-supported Principles for Responsible Investment
PSLT	Pension Senior Leadership Team



PSPS	Public Service Pension Scheme
<b>Q</b>	<b><a href="#">Back to Index</a></b>
QROPS	Qualifying Recognised Overseas Pension Schemes
<b>R</b>	<b><a href="#">Back to Index</a></b>
RBCE	Relevant Benefit Crystallisation Events
RI	Responsible Investment
RPI	Retail Price Index
<b>S</b>	<b><a href="#">Back to Index</a></b>
S&P	Standard and Poors, ratings agency and provider of equity indices
S151	An officer with responsibilities under s151 of the Local Government Act 1972.
SAB	Scheme Advisory Board
SAS70	Statement on Auditing Standards (SAS) No. 70 – relating to service organisation control reports – successor reports include information about a service organisation’s controls and risk management procedures relating to financial reporting (SSAE16/ISAE3402) or to security, availability, processing integrity, confidentiality and privacy (SOC2)
SCC	Surrey County Council
SCAPE	Superannuation Contributions Adjusted for Past Experience
SDG	Sustainable Development Goals
SEC	Security and Exchange Commission
SLA	Service Level Agreements
SLA	Standard Lifetime Allowance
SILB	Sterling Index Linked Bonds

SOC2	System and Organisation Controls type 2 - SOC 2, aka Service Organization Control Type 2, is a cybersecurity compliance framework developed by the American Institute of Certified Public Accountants (AICPA). The primary purpose of SOC 2 is to ensure that third-party service providers store and process client data in a secure manner.
SONIA	Sterling Over Night Index Average, the overnight interest rate paid by banks
SPA	State Pension Age
SPT	Surrey Pension Team
SSA16	SSAE 16, or the Statement on Standards for Attestation Engagements No. 16, is a set of auditing standards and guidance on using the standards published by the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA) for redefining and updating how service companies report on compliance control
<b>T</b>	<b><a href="#">Back to Index</a></b>
TCFD	Taskforce on Climate Related Financial Disclosures
TPO	The Pension Ombudsman
tPR	The Pensions Regulator
TPAS	The Pension Advisory Service (formerly OPAS)
TPS	Teachers' Pension Scheme
TV	Transfer Value
<b>U</b>	<b><a href="#">Back to Index</a></b>
UFPLS	Uncrystallised Funds Pension Lump Sum
UN SDGs	United Nations Sustainable Development Goals
<b>W</b>	<b><a href="#">Back to Index</a></b>
WBA	World Benchmarking Alliance

WCA      Web Content Accessibility  
WDI      Workforce Disclosure Initiative

# Accounting Terms

## Definition - A to Z

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	H	I	<u>J</u>
K	<u>L</u>	M	<u>N</u>	<u>O</u>	<u>P</u>	Q	<u>R</u>	<u>S</u>	<u>T</u>
<u>U</u>	V	<u>W</u>	X	Y	Z				

## **A** [Back to Accounting Definitions](#)

### Accounting Period

The length of time covered by the accounts. In the case of these accounts, it is the year from 1 April to 31 March.

### Accrual Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

### Accrued Expense

Expenses that have been incurred but not yet paid.

### Accrued Revenues

Revenues that have been earned but not yet received.

### Actuarial Gains and Losses

Changes in the estimated value of the pension fund because events have not coincided with the actuarial assumptions made or the assumptions themselves have changed.

### Actuarial Valuation

A three yearly valuation of the Fund undertaken by the Actuary to ensure that the Pension Fund is sufficiently well managed and that its assets meet its liabilities. Employer contribution rates are set as part of the valuation process.

### Actuary

A professionally qualified independent person appointed by the administering authority in order to value the Pension Fund and therefore set contribution rates.

### **Amortisation**

A measure of the cost of economic benefits derived from intangible assets that are consumed during the period.

### **Asset**

Any resource owned by an entity that has economic value and is expected to provide future benefits.

### **Audit**

An independent examination of an organisation's financial statements and related operations to ensure accuracy and compliance with applicable laws and regulations.

## **B Back to Accounting Definitions**

### **Balance Sheet**

A financial statement that shows an organisation's assets, liabilities, and equity at a specific point in time.

### **Balances**

These represent the accumulated surplus of revenue income over expenditure.

### **Book Value**

The value of an asset as it appears on the balance sheet, calculated as the asset's original cost minus accumulated depreciation.

### **Budget**

An expression, mainly in financial terms, of the Authority's intended income and expenditure to carry out its objectives.

## **C Back to Accounting Definitions**

### **Capital Adjustment Account**

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance Capital expenditure. The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

### **Capital**

Financial assets or the financial value of assets such as cash, equipment, and property.

### Capital Expenditure

Payments for the acquisition, construction, enhancement, or replacement of non-current assets that will be of use or benefit to the Authority in providing its services for more than one year.

### Cash Equivalents

Short term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

### Cash Flow Statement

A financial statement that shows the cash inflows and outflows from operating, investing, and financing activities.

### Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the main professional body for accountants working in public services.

### Contingent Liability

A contingent liability is either:

- A possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Authority; or
- A present obligation arising from past events where it is not probable that there will be an associated cost, or the amount of the obligation cannot be accurately measured.

### Creditors

Amounts owed by the Authority for work done, goods received, or services rendered, for which payment has not been made at the balance sheet date.

### Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

## D Back to Accounting Definitions

### Debit

An entry that represents an increase in assets and a decrease in liabilities or equity. It represents the ownership interest.

### Debtors

Amounts due to the Authority that have not been received at the balance sheet date.

## Depreciation

The measure of the consumption, wearing out or other reduction in the useful economic life of non-current assets that has been consumed in the period.

## **E** Back to Accounting Definitions

### Employee Benefits

Amounts due to employees including salaries, paid annual leave, paid sick leave, and bonuses. These also include the cost of employer's national insurance contributions paid on these benefits, and the cost of post-employment benefits, i.e. pensions.

### Equity

The residual interest in the assets of an entity after deducting liabilities. It represents the ownership interest.

### Expected Rate of Return on Pensions Assets

The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the pension scheme.

## **F** Back to Accounting Definitions

### Fair Value

The amount for which an asset could be exchanged, or a liability settled, in an orderly transaction between market participants at the measurement date.

### Fair Value Hierarchy and Inputs

In measuring fair value of assets and liabilities, the valuation technique used is categorised according to the extent of observable data that is available to estimate the fair value – this is known as the fair value hierarchy. Observable inputs refers to publicly available information about actual transactions and events in the market. Unobservable inputs are used where no market data is available and are developed using the best information available. The fair value hierarchy has three levels of inputs: Level 1: Quoted prices for identical items in an active market – i.e. the actual price for which the asset or liability is sold; Level 2: Other significant observable inputs – i.e. actual prices for which similar assets or liabilities have been sold; Level 3: Unobservable inputs – i.e. where market data is not available and other information is used in order to arrive at a best estimate of fair value.

### Financial Accounting

The branch of accounting focused on recording summarizing and reporting an organisation's financial transactions to external users.

### Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities, from straightforward trade receivables (invoices owing) and trade payables (invoices owed) to complex derivatives and embedded derivatives.

### Financial Ratios

Metrics used to evaluate a company's financial performance and Liquidity such as current ratio, debt to equity ratio, and return on equity.

## **G** [Back to Accounting Definitions](#)

### General Fund

The main revenue fund of the Authority which is used to meet the cost of services paid for from the Pension Fund for which the Authority is the administering authority.

### General Ledger

A complete record of all financial transactions of a business organised by accounts.

### Goodwill

The excess of the purchase price of a business over the fair value of its identifiable assets and liabilities.

## **I** [Back to Accounting Definitions](#)

### Income Statement

A financial statement that shows an organisation revenues, expenses and net income or loss over a specific period.

### Intangible Assets

Assets that do not have physical substance but are identifiable and controlled by the Authority. Examples include software and licences.

### Interest Cost

For defined benefit pension schemes, the interest cost is the present value of the liabilities during the year as a result of moving one year closer to being paid.

## **J** [Back to Accounting Definitions](#)

### Journal Entry

The recording of a financial transaction in the accounting system.

### Journal

The record where all financial transactions are initially recorded before they are posted to ledger accounts.



## **L** [Back to Accounting Definitions](#)

### **Leasing**

A method of acquiring the use of capital assets for a specified period for which a rental charge is paid.

### **Liability**

An amount due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are those that are payable within one year of the balance sheet date.

## **N** [Back to Accounting Definitions](#)

### **Net Book Value**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value, less the cumulative amount provided for depreciation.

### **Non-Current Asset**

An item that yields benefit to the Authority for a period of more than one year.

## **O** [Back to Accounting Definitions](#)

### **Operating Expenses**

Expenses incurred in the ordinary course of business such as rent, salaries and utilities.

### **Overhead**

The indirect costs of running a business such as administrative expense and utilities.

## **P** [Back to Accounting Definitions](#)

### **Past Service Cost**

Past service costs arise from decisions taken in the current year but whose financial effect is derived from service earned in earlier years.

### **Prepaid Expenses**

Expenses paid in advance which will be recognised as expense in future accounting periods.

## **R** [Back to Accounting Definitions](#)

### **Reserves**

The residual interest in the assets of the Authority after deducting all of its liabilities. These are split into two categories, usable and unusable. Usable reserves are those reserves that contain resources that an authority can apply to fund expenditure of either a revenue or capital nature (as defined). Unusable reserves are those that an

authority is not able to utilise to provide services. They hold timing differences between expenditure being incurred and its financing e.g. Capital Adjustment Account.

### **Retained Earnings**

The cumulative earnings of a company that have not been distributed to shareholders as dividends.

### **Revenue Expenditure**

Spending incurred on the day-to-day running of the Authority. This mainly includes employee costs and general running expenses.

## **S** [Back to Accounting Definitions](#)

### **Statement of Retained Earnings**

A financial statement that shows the changes in retained earnings over a specific period, including net income, dividends and prior period adjustments.

## **T** [Back to Accounting Definitions](#)

### **Tax Accounting**

The branch of accounting focused on calculating and managing taxes owed by an organisation to governmental agencies.

### **Trial Balance**

A list of all the account balances in the ledger to check the accuracy of the debits and credits

## **U** [Back to Accounting Definitions](#)

### **Useful Economic Life**

The period over which the Authority expects to derive benefit from non-current assets.

## **W** [Back to Accounting Definitions](#)

### **Write off**

The difference between current assets and current liabilities representing the short-term financial health of a business.

### **Working Capital**

The difference between current assets and current liabilities, representing the short-term financial health of a business.

Further definitions A- Z glossary of pension terms and abbreviations and what they mean can be found on the [Surrey Pension website](#)

## Surrey Pension Fund Committee Action Tracker

## ACTIONS

Number	Meeting Date	Item	Recommendation / Action	Action by whom & when	Action update
9/23	15 Dec 2023	Public Questions	For the Chair to consider the best course of action on the requests for future agenda items.	Chair	The Chair notes officer updates to the Committee on COP 28 (January 8 <sup>th</sup> from Border to Coast and February 19 <sup>th</sup> from the investment consultant, Mercer) and is satisfied that the Committee have been provided with appropriate information on the outputs and the implications for the investment approach of COP 28 and that a specific dedicated agenda item is not required at this stage.
1/24	22 March 2024	Change Programme Update - Quarter 3	Share explanations of the audit ratings with Committee Member.	Governance Manager	Email sent to Committee Member Audit Opinions and Definitions 8/4/2024 <b>COMPLETE</b>
2/24	22 March 2024	New Investment Propositions	That Border to Coast be requested to share the webinar presentation with Members of the Committee.	Head of Investment & Stewardship	BCPP UK Opportunities presentation to economic development stakeholders within Partner Fund Councils. - Circulated Slides to Pension Fund Committee members -12/04/2024 <b>COMPLETE</b>

This page is intentionally left blank

## Annexe 3: Surrey Pension Fund Committee: Forward Programme of works

Date	Investment & Stewardship	Accounting & Governance	Service Delivery	Change Management
21 Jun 2024	a) Outturn Report for Strategic Business plan 2024/2025 b) Surrey Pension Team Overview			
	a) Border to Coast Pension Partnership update b) Investment and Funding update c) Engagement and Voting update d) Asset class focus e) Responsible Investment Update f) Investment Strategy – UK Real Estate g) Investment Consultant roles and responsibilities h) Agree the scope and process for reviewing the Investment Beliefs of the Committee	a) Local Pension Board update a) Glossary, Action Tracker, Forward Programme of Works b) LGPS Update c) Actuarial Update		a) Change Programme Update – Quarter 4
13 Sep 2024	a) Surrey Pension Team Overview b) Draft Annual Report 2023/24			
	a) Border to Coast Pension Partnership update b) Investment and Funding update c) Engagement and Voting update d) Asset class focus e) Responsible Investment Update f) CEM investment benchmarking	a) Local Pension Board update a) Glossary, Action Tracker, Forward Programme of Works b) LGPS Update		a) Change Programme Update- Quarter 1
TBC – Sep 2024	a) Governance Project			
23 & 24 Oct 2024	Two day - Board & Committee Residential Training			

## Annexe 3: Surrey Pension Fund Committee: Forward Programme of works

Date	Investment & Stewardship	Accounting & Governance	Service Delivery	Change Management
13 Dec 2024	a) Surrey Pension Team Overview			
	a) Border to Coast Pension Partnership update b) Investment and Funding update c) Engagement and Voting update d) Asset class focus e) Responsible Investment Update f) Investment Consultant CMA review g) Consider findings of the Investment Beliefs review	a) Local Pension Board update a) Glossary, Action Tracker, Forward Programme of Works b) LGPS Update		a) Change Programme Update – Quarter 2
21 March 2025	a) Surrey Pension Team Overview			
	a) Border to Coast Pension Partnership update b) Investment and Funding update c) Engagement and Voting update d) Asset class focus e) Responsible Investment Update f) Investment Consultant CMA review	b) Local Pension Board update a) Glossary, Action Tracker, Forward Programme of Works b) LGPS Update		a) Change Programme Update – Quarter 3 b) Communication Policy c) Training Policy

All items are subject to review and content.

\*This report may be carried over until the December 2024 Committee meeting, subject to member availability

**SURREY COUNTY COUNCIL**

**SURREY PENSION FUND COMMITTEE**



**DATE: 21 JUNE 2024**

**LEAD OFFICER: ANNA D'ALESSANDRO, INTERIM EXECUTIVE DIRECTOR,  
FINANCE AND CORPORATE SERVICES**

**SUBJECT: SUMMARY OF THE LOCAL PENSION BOARD**

#### **SUMMARY OF ISSUE:**

This report provides a summary of administration and governance issues reviewed by the Local Pension Board (the Board) at its last meeting (17 May 2024) for noting or actioning by the Pension Fund Committee (the Committee).

#### **RECOMMENDATIONS**

This report recommends that the Committee:

1. Note the contents of this report.
2. Make any recommendations to the Board if required.

#### **REASONS FOR RECOMMENDATIONS:**

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

#### **DETAILS:**

#### **Glossary, Action Tracker, & Forward Plan**

1. The Board considered the Action Tracker and Forward Plan and the Glossary. The Assistant Director – LGPS Senior Officer highlighted to the Board items on the Action Tracker, which are now complete and propose to close the following items:
  - a) 2/23 – The revised Training Policy has been approved at the last Committee
  - b) 56/23 – Update provided in Item 9 Administration Performance Report.
2. It was agreed for Change Management to arrange for the Training Officer to provide a summary of the Training Policy and the expectation to be circulated to Board and Committee members.

### **Summary of the Pension Fund Committee Meeting on 22 March 2024**

3. The Chair of the Pension Fund Committee (Committee) presented a summary of the Committee held in March. The Chair highlighted a number of key issues, which included that, over the next six months, the Committee will be exploring their investment beliefs, and this work will be fundamental to setting a strategic plan. This will involve a number of workshops.
4. It was agreed that, once agreed by the Committee, the scope of work relating to the activity around Investment beliefs would be circulated to Board Members for their observations.
5. The Assistant Director, LGPS Senior Officer also confirmed that the Committee had agreed the changes to the Terms of Reference to allow representation from any trade union.

### **Surrey Pension Team Overview - Dashboard Update**

6. The Head of Change Management presented a report on Surrey Pension Team Overview - Dashboard Update, which covered the period January – March 2024 in [Annexe 1](#). It was brought to the attention of the Board that there are three items which are below the desired target on Investment – Fund Performance, People – Retention, and Service Delivery – Transfers Paid.
7. A Board member asked for the running rate on vacancies within the Surrey Pension Team to be added to the dashboard. This was agreed as an action.

### **Change Programme Update – Quarter 4**

8. The Board received an update on the activities of the Change Management Team. This included Communication implementation on the first stages of the Amplifying our Presence plan. The survey on Engagement with the Board and Committee members has resulted in promoting the Governance SharePoint Site. Learning & Development – Staff of the One Pension Team have attended a Lunch and Learn session on Cyber Security and motivation. Planning for the residential Training for Board and Committee date set for 23 & 24 October has commenced.

### **Administration Performance Report and Update**

9. The Head of Service Delivery provided an update on performance for quarter four. During this period performance levels achieved the overall score of 88% which is the same level as the previous quarter. Processing of retirements has stabilised this quarter and the issuing of the death notifications has improved with most issued within 24 hours. There are areas for improvement which include notification of Ill health and death benefits.



10. The Board received five annexes to review and comment: -

Title of Annexe	Summary of Annexe
<a href="#">Annexe 1</a>	Provides an update on performance for this quarter, along with commentary explaining performance and any challenges faced in meeting the Service Level Agreements (SLAs).
<a href="#">Annexe 2.</a>	Provides a comparative quarterly performance trend analysis
<a href="#">Annexe 3</a>	A summary of the most common categories of cases being terminated.
<a href="#">Annexe 4</a>	Provides details of ten complaints received during this period
<a href="#">Annexe 5.</a>	Provides the top 5 queries for the quarter received by the Customer Relationship Team.

11. The Board was advised that during this quarter the CRT handled a total of 9,764 enquiries. An average of 87% of all enquiries were successfully resolved at first point of contact.

12. The Chair of the Board asked for an explanation on complaints regarding the login issues, covered in [Annexe 5](#). The Head of Service Delivery advised this is a combination of members not remembering the password and not being the easiest of systems to reset your password. This is an area that is on the list of improvements to be addressed with the system supplier and to be implemented in the future as part of an upgrade.

#### Guaranteed Minimum Pension (GMP) Reconciliation

13. The Board was advised following the decision to postpone the delivery of this work prior to pension increase that further investigation has not yet concluded. In recent weeks the officers working on this project have prioritised pension increases and McCloud implementation. The aim is to have this work completed before the next pension increase in 2025.

#### McCloud Remedy

14. The Head of Service Delivery informed the Board that in the test environment the administration software “Altair” has now been upgraded to the latest version, which ensures that the regulatory changes are fully implemented. Testing of this software is being carried out in May and June, with a view to this being moved into the live environment and fully operational from the end of June 2024.

#### Monthly Employer Returns (iConnect) rollout

15. The Board was provided with an update on the rollout of iConnect. As of 31 March 2024, 72 employers (21%) have been onboarded, which represents 54% of the active membership. A further 114 employers are expected to be onboarded as part of the year end process, taking the number to 186 (54%), this will represent 70% of the total active membership.

16. The Board was also advised within Q1 of the 2024/25 tax year a further 104 employers will be live on iConnect, with Surrey Police being one of the first from April 2024.
17. Discovery work is currently ongoing to look at using iConnect as an employer portal for employer contributions, strain costs and invoices, rather than using a separate system. We are looking to expand the system over the next 12-18 months.

#### Legacy Case Reduction

18. The Head of Service Delivery advised the Board that at the 1st of April 2024 the legacy reduction progress stood at 63% complete, with 7,802 cases completed and circa 4,500 remaining. The remaining cases will tend to be more complicated and time consuming than those already completed.

#### **Risk Register Update 2023/24 Quarter 4**

19. The Board received a report which advised that two risk scores have been reduced, while not reducing or diluting the focus of the team on making progress. Full details of the Risk Register are found in [Annexe 1](#).

Risk	Skills / knowledge gaps lead to inefficiency and poor performance	Work volume mismatch with operational capacity leading to backlogs
Risk ID	9	11
Score	16 to 9	16 to 9
Comment	Progress on workforce and talent plans has reduced 'major' and 'likely' scores. This risk remains with some potential single points of failure within the organisational structure.	Legacy issues have been highlighted as a result of recent improvement focus. Backlogs are receiving attention and being addressed.
Residual risk	Remains a risk – with some potential single points of failure within the organisational structure to be addressed.	Remains a risk pending full resolution of legacy issues.

20. The issues previously reported relating to Unit4/MySurrey financial system implemented in June 2023 remain an area of significant focus – and the risk score is unchanged. The Board were provided with a detailed update which can be [read here](#). A further update on MySurrey can be found in Annexe 1 attached to this report.

### Top risk area commentary

21. Commentary is provided below on the specific risk with the highest combined likelihood and impact scores.

Risk	<b>Implementation of new financial systems leads to delayed processing, data integrity issues or financial loss</b>
Risk ID	16
Score	16
Comment	Ongoing issues with MySurrey – Engagement with project team continues. Consequential issues from ongoing payroll interface challenges continue.
Residual risk	Remains a risk pending progress on resolution of issues

22. The Chair asked to review the likelihood scores on risk IDs 13 and 14 to see if they should be reduced for the next Local Pension Board meeting. This would be done as part of the usual quarterly review.

### MySurrey Unit 4

23. The Head of Service Delivery provided an overview of the current position. We are not receiving payroll leaver information from Surrey County Council in a timely manner and new starters have not been added to the Pension system since the go live date.
24. Regular meetings continue to take place with the Chairs of Board and Committee and the council. It is considered that the next few weeks are critical to determine appropriate next steps. The Assistant Director, LGPS Senior Officer explained to the Board that there is a traffic light system regarding the assessment of whether to report possible breach issues to the Pension Regulator and that this was currently at 'amber' status. Further evaluation is ongoing.
25. Board Members expressed their concern and would like to review the risk assessment on the Risk Register and update as appropriate; this would be done following the outcome of the Chairs' next meeting. It was agreed that a written update following this meeting would be circulated to Board members.

### **Business Continuity Plan**

26. The Head of Accounting and Governance provided the Board with an outline of the current work in progress to establish a Fund specific Business Continuity Plan. The Board was asked to note the content of the report with a further update to be issued in July 2024.

## Cyber Security

27. The Head of Accounting and Governance introduced the cyber security report, which noted that a formal training session had been undertaken; this was made mandatory for all of the Surrey Pension Team to attend, and it covered the following areas:
- a) To define what is meant by cyber security and cyber risk.
  - b) To consider the requirements of The Pension Regulator.
  - c) To provide an update on emerging cyber security issues.
  - d) To cover skills and knowledge needed to manage cyber risk.
  - e) To familiarise staff with the steps to take in the event of an incident.

## Internal Audit update

28. The Principal Auditor provided the Board with an update on the work completed by Internal Audit in quarter four; this included transfers. Further details can be found in [Annexes A & B](#).
29. The Principal Auditor also provided the board with a summary of the planned activities by Orbis Internal Audit in its delivery of an [annual programme of audit work](#) of the Surrey Pension Fund for 2024-25. It includes investment, Business Continuity Plans and Governance.

## 2022/23 External Audit Update

30. The Board received an update from the Head of Accounting and Governance, confirming Grant Thornton had provided the signed audit report for the 2022/23 Pension Fund Financial Statements on 27 March 2023.
31. The audited accounts have been provided to the Scheme Advisory Board and the [final version](#) has been published on the Surrey Pension Fund website.
32. The Head of Accounting and Governance also confirmed that the audit plan for the 2023/24 Financial Statements will be put to the Council's Audit & Governance Committee in July.

## Local Government Pension Scheme (LGPS) Update (Background Paper)

33. The Board received information on issues impacting the LGPS, highlighting four key points:
- a) McCloud guidance
  - b) Lifetime Allowance (LTA) abolished; new limits introduced.
  - c) Pensions Increase and CARE revaluation confirmed for 2024.
  - d) Spring Budget implications for the LGPS.
34. The Assistant Director, LGPS Senior Officer highlighted to the Board that there continues to be considerable interest from Central Government regarding the LGPS in particular on the progress of pooling. Board Members were also reminded of the Border to Coast conference, which is to be held on 18 & 19 July. Border to Coast will be talking through their 2030 strategy.

## **CONSULTATION:**

35. The Chairs of the Committee and the Board have been consulted on this report.

## **RISK MANAGEMENT AND IMPLICATIONS:**

36. Risk related issues have been discussed and are included within the report where relevant.

## **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

37. The performance of administration and governance presents potential financial and value for money implications to the Pension Fund.

## **INTERIM EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICES COMMENTARY**

38. The Interim Executive Director, Finance and Corporate Services is satisfied that all material, financial and business issues, and possibility of risks have been considered and addressed.

## **LEGAL IMPLICATIONS – MONITORING OFFICER**

39. A Local Pension Board is a requirement under the Public Service Pensions Act 2013. There are no legal implications or legislative requirements.

## **EQUALITIES AND DIVERSITY**

40. N/A

## **OTHER IMPLICATIONS**

41. There are no potential implications for council priorities and policy areas.

## **WHAT HAPPENS NEXT**

42. The following next steps are planned:

- a) The Committee will receive further reports and continue to work with the Board where necessary and appropriate.

### **Contact Officer:**

Neil Mason- The Assistant Director, LGPS Senior Officer

**Annexes:** MySurrey update – Annexe 1

### **Sources/background papers:**

1. [Administration Performance – KPI Annexe 1](#)
2. [Administration Performance- KPI Trend Analysis – Annexe 2](#)
3. [Administration Performance-Terminated Case Summary Annexe3](#)
4. [Administration Performance – Q3 Complaints Summary- Annexe 4](#)
5. [Administration Performance- CRT Top 5 Query Summary – Annexe 5](#)
6. [Risk Register – Annexe 1](#)
7. [LPB MySurrey Update 17/05/2024 – Annexe 2](#)
8. [Internal Audit – Progress Report May 2024 Annexes A&B](#)
9. [Internal Audit – Internal Audit Strategy and Plan 2024-25.](#)
10. [Published Annual Report 2022/23](#)

This page is intentionally left blank

## Financial System Update

The new financial system for Surrey County Council was implemented in early June 2023. As with any large-scale change there have been a number of teething problems as the new system beds in.

This annexe provides an update on the specific issues relating to Service Delivery and supplements the earlier update to the Local Pension Board dated 17 May 2024. [Link to ANNEXE 2](#)

- |  |   |
|--|---|
| <p>1 <b>Monthly Returns via iConnect</b></p>     | <p>Employer monthly returns have not been submitted since May 2023, leading to personal member data being out of date, pay information not being received, notifications of new joiners, optants out, and leavers outstanding.</p> <p>If the set deadline of 31 May for the final submission of the iConnect data was not met, the risk rating should be increased to severe. A second deadline was agreed in that if the issue was not resolved by 14 June, Surrey Pension Team would assess and determine a course of action in accordance with the Breaches Policy.</p> <p>The data was submitted on 5 June and is currently being reviewed under normal end of year validation checks. This has reduced the risk significantly in this area. Risk Number 16 from Risk register.</p> |
| <p>2 <b>Leaver Notifications</b></p>             | <p>Leaver notification submissions have been infrequent, delayed and inaccurate, leading to delays in paying member benefits. These issues have impacted on the ability to process casework accurately and on time.</p> <p>Whilst leaver reports for April and May report have been received, these are not reporting the reason for leaving in all cases. A working group has been set up to fix this error in the system / reporting. This information is being provided on a case-by-case basis in the interim.</p> <p>Reports for October–December last year need to be re-submitted due to the above issue, although early indications suggest most of the missing reasons for leaving are due to TUPE transfers, academy conversions or a payroll provider change.</p>            |
| <p>3 <b>Configuration and Data Cleansing</b></p> | <p>MySurrey payroll system is undertaking re-configuration development and testing throughout June, to ensure it's fully compliant with the pension scheme regulations. Changes will be effective from the July payroll along with retrospective adjustments to member pension contribution deductions where relevant.</p> <p>Data rectification is still required on certain members to ensure the accuracy of the contribution information supplied by SCC. This applies to AVC deductions as well. At present it is not clear when this work will be completed.</p>  |

---

4	<b>Finance Reporting</b>	<p>Provision of the information on contributions and pay required for the SCC FRS102 exercise was delayed and, when received, found to be inaccurately reporting cashflow totals. Whilst agreed data was provided and subsequently submitted to the SPF actuary, there continues to be reporting issues that require rectifying.</p> <p>SPT are working with SCC to assist with the development required to report accurate cashflows going forward.</p>
---	--------------------------	--

---



**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE: 21 JUNE 2024****LEAD OFFICER: ANNA D'ALESSANDRO, INTERIM EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICES****SUBJECT: SURREY PENSION TEAM OVERVIEW – QUARTER 4****SUMMARY OF ISSUE:**

This paper is being presented for the first time. The intention is to give an overview of the entire service at a macro level in order to set the context for the following micro level reports from each area. The One Pensions Team Dashboard is the primary vehicle for providing this overview. Now that the dashboard is “business as usual” as opposed to “in development” it is appropriate to give it a central role in the pension service update rather than have it contained in the Change Management report. The dashboard covers the period January – March 2024.

Please note that as the dashboard contains metrics which are rolled up to macro level there will be subtle differences within service level reports which deconstruct these metrics to baseline level.

As previously mentioned in the summary of the Local Pension Board last meeting (17 May 2024), paragraph 7, a Board member asked for the current running rate for vacancies be added to the dashboard. This was agreed as an action and will be completed for the July Board meeting.

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Committee (Committee):

1. Notes the content of this report.

**REASON FOR RECOMMENDATIONS**

To provide an update to the Pension Fund Committee (Committee) and stakeholders on the macro Surrey Pension Team activities.

**DETAILS:**

1. The dashboard can be viewed on slide 2 of Annexe 1.
2. Across the Board we are doing well, and our Key Performance Indicators (KPI's) have maintained or improved in nearly all areas. In this iteration of the dashboard, there are 3 items which are below our desired target:
  - Investment – Fund Performance
  - People - Retention
  - Service Delivery – Transfers Paid

3. Some of the fund performance figures are still slightly below benchmark but as previously reported these are not of concern and are reflective of normal fluctuations.
4. Our retention metric has decreased since last time. The change represents 3 people leaving out of 72 (permanent employees) and is within normal attrition rates.
5. The Service Delivery figures show an increase in two out of the three focus areas and most KPI figures are now consistently within or close to target. There was a decrease in Transfers Paid. There were only 8 cases in total reflected in this reports KPI calculation, with 2 missing the target. At the previous reporting this metric was above target so at this point there is no further action, and we will await the next iteration to determine if further action is required.
6. The Legacy Reduction is also progressing well for both Accounting and Governance and Service Delivery.

#### **CONSULTATION:**

7. The Chair of the Committee has been consulted on this report.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

8. There are no risk management implications.

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

9. Any relevant financial and value for money implications have been considered and are contained within the report.

#### **INTERIM EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICES COMMENTARY**

10. The Interim Executive Director, Finance and Corporate Services is satisfied that all material, financial and business issues, and possibility of risks have been considered and addressed.

#### **LEGAL IMPLICATIONS – MONITORING OFFICER**

11. . There are no legal implications.

#### **EQUALITIES AND DIVERSITY**

12. There are no equality or diversity issues.

#### **OTHER IMPLICATIONS**

13. There are no potential implications for council priorities and policy areas.

#### **WHAT HAPPENS NEXT**

14. Quarter 1 report will be released for your next meeting.

---

**Contact Officer:**  
**Nicole Russell, Head of Change Management**  
**Consulted:** Chair of the Committee

**Annexes:**

1. Pensions Team Dashboard and Metrics Glossary– Annexe 1

**Sources/background papers:** None

---

This page is intentionally left blank

# Surrey Pension Team Dashboard Metrics Glossary

1 April 2024

# Surrey Pension Team Dashboard



Last Update 01/04/2024

## Service Delivery

**% Within SLA**

Grants & Surv..	85.8%	▲
Retirements..	96.3%	▲
Transfers Paid	81.5%	▼

**Target Adherence**

8.0%	Above last KPI
10.3%	Above last KPI
-9.0%	Less than previo..

**Data Score**

Common Data Score	96.0%	No Change	◆
Scheme Specific	98.0%	No Change	◆

**Pass Rate Adherence**

**1st Point Fix**

85.0%

Page 52

Last Update 31/12/2023

## Fund Performance

**Fund Value**

£5.56bn

**Funding Level**

130%

	3 Month	Rolling 1 Year Fund Performance	Rolling 3 Year Fund Performance
Fund Performance	4.7%	9.3%	4.6%
Performance Relative to Benchmark	-0.6%	-2.7%	-1.4%
Strategic Target Return	5.0%		

Last Update 01/04/2024

## People

Retention	95.8%	▼	-4.2%
Health & Wellbeing	82.0%	▲	1.7%
Diversity	80.8%	▲	0.7%
Engagement	73.9%	▲	2.1%

Last Update 28/02/2024

## Accounting and Governance

**Internal Audit Ratings**

Substantial	1
Reasonable	1
Partial	0
Minimal	0
No Opinion	1

4 Not yet started

**Admission Agreements**

New Agreements	8
Pending	27

**Contributions**

Contributions In	£56.60m
Contributions Out	£60.90m

Last Update 08/04/2024

## Legacy Reduction

**Accounting & Governance**

35.0%

**Service Delivery**

63.0%

Last Update 05/01/2024

## Strategy

Strategic Levers	72.6%	▲	1.7%
Strategic Enablers	70.8%	▲	2.0%

# Metrics Glossary

## Fund Performance



Value of the pension fund up to the most recent quarterly update.



Compares Fund Value to Funds required to meet obligations (pay members)

100% + = Able to cover obligations



Measure of the previous quarter's fund performance percentage.

	3 Month	Rolling 1 Year Fund Performance	Rolling 3 Year Fund Performance
<b>Fund Performance</b>	XX	XX %	XX %
<b>Performance Relative to Benchmark</b>	XX %	XX %	XX %
<b>Strategic Target Return</b>			XX %

Measures a rolling 3-year fund performance percentage rate.

Measures a rolling 1-year fund performance percentage rate.

Indicates percentage difference between actual performance and the benchmark performance percentage

The Strategic target for return measured over a rolling 3-year period.

Update Frequency:  
Quarterly: All Measures

Updated 03/05/24



# Metrics Glossary



## Accounting and Governance

Substantial is the highest rating available for internal audit, followed by Reasonable, Partial and then Minimal.

No Opinion indicates further audit work required to produce rating.

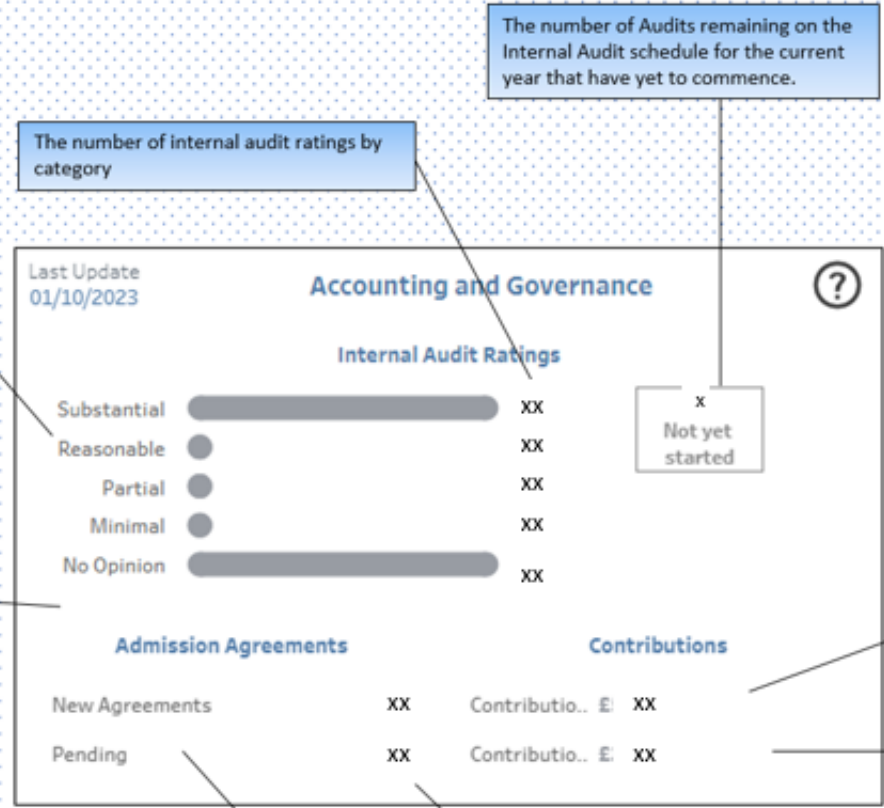
Target is to have ratings fall within the Substantial & Reasonable categories.

Admission Agreements facilitate the joining of an Admission Body to the fund, a company performing certain functions for a scheme employer, and as a result of this is eligible to join the pension scheme.

Agreements are required to go through a signing & sealing process, the majority of which requiring wet-ink signatures until recently where an E-Signature & Sealing process was introduced. With the involvement of several parties, this made for a cumbersome exercise and has created a backlog of agreements to process. With the new electronic process, this has sped-up processing times.

**Update Frequency:**

- Quarterly: Admission Agreements; Contributions
- Annually: External Audit
- Quarterly: Internal Audit Ratings



The number of internal audit ratings by category

The number of Audits remaining on the Internal Audit schedule for the current year that have yet to commence.

Contributions In = Receipts from members paying into the pension fund

Contributions Out = Money paid to retired members of the pension fund

The number of Admission Agreements Pending processing, and the number of Admission Agreements that have been added to the queue since the last update

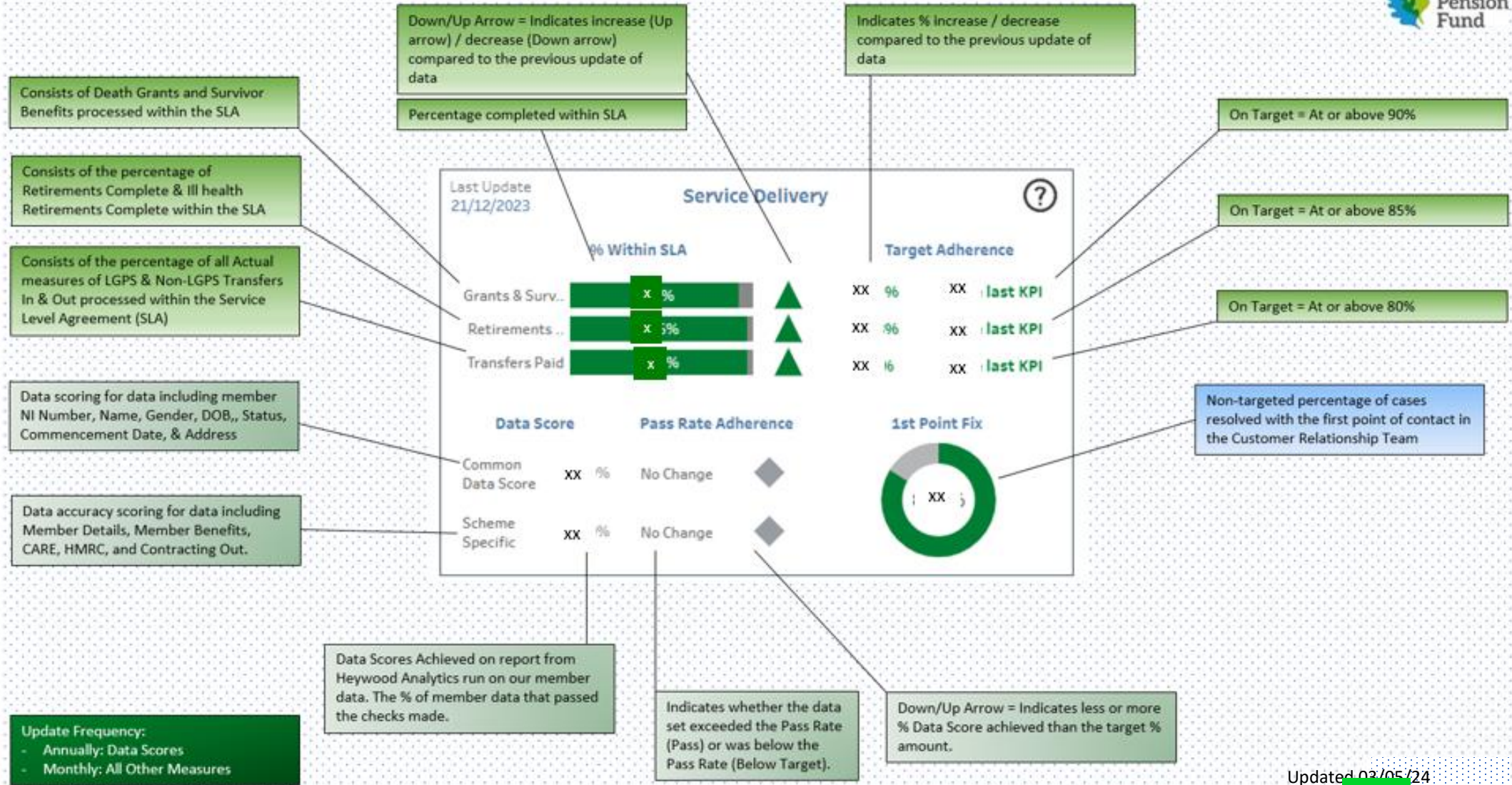
The goal is to reduce the number of agreements pending processing.



# Metrics Glossary



## Service Delivery







# Metrics Glossary

## Legacy Reduction

Key project defined on Surrey Pension Fund strategic plan to reduce legacy backlog to Business As Usual levels

Both the Accounting & Governance and Service Delivery departments have legacy backlogs to reduce within the scope of this project.

Percentage reduction of Accounting & Governance legacy cases to date



Percentage reduction of Service Delivery legacy cases to date

Update Frequency:  
Monthly: Percentage Progress

Updated 03/05/24

# Metrics Glossary



## Strategy

**Communication:**  
Weighted percentage average based on responses to the following questions from the PULSE survey: 44 \*

**Ready For Tomorrow:**  
Weighted percentage average based on responses to the following questions from the PULSE survey: 29, 61 \*

**Investment Expertise:**  
Weighted percentage average based on responses to the following questions from the PULSE survey: 63 \*

**Customer Focus:**  
Weighted percentage average based on responses to the following questions from the PULSE survey: 62 \*

The Strategic Plan introduced in 2023 is built around Strategic Levers and Strategic Enablers. Measures of these have been captured here via weighted percentage averages of the related PULSE survey responses.

Up Arrow = Above Previous Figure  
Down Arrow = Below Previous Figure

Indicates percentage change since previous set of data.



Weighted percentage average of all questions per metric, based on the following:

Strongly Agree = 100%;  
Agree = 75%;  
Neither Agree nor Disagree = 50%;  
Disagree = 25%;  
Strongly Disagree = 0%

Yes = 100%; No = 0%

Produce average percentage based on number of responders divided by weighted responses.

Benchmark = 70%+

**Systems & Processes:**  
Weighted percentage average based on responses to the following questions from the PULSE survey: 64 \*

**Culture & Values:**  
Weighted percentage average based on responses to the following questions from the PULSE survey: 25, 26 \*

**Update Frequency:**  
Every 6 Months: All Measures

\* PULSE Survey Questions on Page 8

Updated 03/05/24



# Metrics Glossary



## People

The retention rate is based on the headcount of permanent staff within the Surrey Pension Team. Benchmark = 90%

Indicates percentage change since previous set of data.

Employee retention rate for the most recent quarter.

Weighted percentage average based on responses to the following questions from the PULSE survey: 32, 34, 35, 36 \*

Weighted percentage average based on responses to the following questions from the PULSE survey: 37, 38, 39, 40 \*

Weighted percentage average based on responses to the following questions from the PULSE survey: 11, 12, 16, & 31 \*

Update Frequency:  
Every 6 Months: PULSE Survey Measures  
Quarterly: Retention

\* PULSE Questions listed on Page 6



Up Arrow = Above Previous Figure  
Down Arrow = Below Previous Figure

Weighted percentage average of all questions per metric, based on the following:

- Strongly Agree = 100%;
- Agree = 75%;
- Neither Agree nor Disagree = 50%;
- Disagree = 25%;
- Strongly Disagree = 0%

Yes = 100%; No = 0%

Produce average percentage based on number of responders divided by weighted responses.

Benchmark = 70%+

**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE:** 21 JUNE 2024**LEAD OFFICER:** ANNA D'ALESSANDRO, INTERIM EXECUTIVE DIRECTOR,  
FINANCE AND CORPORATE SERVICES**SUBJECT:** CHANGE PROGRAMME UPDATE – QUARTER 4**SUMMARY OF ISSUE:**

This paper details the Change Team Quarterly Report of activity for the period January – March 2024.

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Committee

1. Notes the content of this report.

**REASON FOR RECOMMENDATIONS**

To provide an update to the Pension Fund Committee (Committee) and stakeholders on the Change Management team activities.

**DETAILS:**

1.
  - a) This report details the following areas of interest.

Item	Number	Details
	i	<p>Communications</p> <p>Over the last quarter the Communications team have sent out all planned communications within the agreed timelines as set out by the Communication policy. In addition, we have continued to implement the first stages of our Amplifying our Presence plan.</p> <p>Our refreshed member website (<a href="http://www.surreypensionfund.org">www.surreypensionfund.org</a>) launched on 31 January 2024.</p> <p>The Board &amp; Committee survey on how Members want to be communicated with closed on 31 March. Key findings were that Members were happy to continue with Neil's weekly updates and that more was to be done in order to promote the Governance SharePoint.</p> <p>During this period, Surrey Pension Team were shortlisted for the Pension Scheme of the</p>

Item	Number	Details
		Year - Professional Pensions UK Pension Award and Pension Administration - Pension Age Awards 2024.
ii	Learning & Development	<p>Results from the Pulse survey which took place in December were analysed to measure progress in key areas of our workforce strategy and to identify areas for further improvement.</p> <p>Lunch and Learn sessions were presented on Motivation and Cyber Security, the latter of which was to address an Internal Audit requirement.</p> <p>The training team also launched a new training course covering Annual Allowance. We socialised plans for alternative Board &amp; Committee training with the Chairs and Vice-Chairs; following on from this, we have incorporated this into our training policy and progressed plans by identifying a suitable date and venue and we have been developing a detailed agenda.</p>
iii	Project Management	<p>The Continuous Improvement (CI) Project Manager is currently managing 17 projects. Since the last report 2 projects have commenced. All projects are currently on track.</p> <p>We anticipate being able to close, or move to business as usual, 8 of the 17 projects by our next update.</p>
iv	Transformation	<p>The Digital Design team have completed their discovery work within Surrey Pension Team (SPT). Their findings are currently being worked into a Digital Transformation Roadmap.</p> <p>The Year 2 strategic plan has been approved and is available to view on our website. Work on evolving the culture of the SPT has started with a series of informal chats with a wide cross-section of staff. Early stages of designing initial interventions for this and building the capability of the extended leadership team will cascade from this.</p>

**CONSULTATION:**

1. The Chair of the Committee has been consulted on this report.

**RISK MANAGEMENT AND IMPLICATIONS:**

2. There are no risk management implications.

### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

3. Any relevant financial and value for money implications have been considered and are contained within the report.

### **INTERIM EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICES COMMENTARY**

4. The Interim Executive Director, Finance and Corporate Services is satisfied that all material, financial and business issues, and possibility of risks have been considered and addressed.

### **LEGAL IMPLICATIONS – MONITORING OFFICER**

5. . There are no legal implications.

### **EQUALITIES AND DIVERSITY**

6. There are no equality or diversity issues.

### **OTHER IMPLICATIONS**

7. There are no potential implications for council priorities and policy areas.

### **WHAT HAPPENS NEXT**

2. In the next quarter Change Management will be working on a number of areas including the following highlights:
  - a) Designing our Digital Transformation roadmap.
  - b) Preparing a communication on our governance ideas to share with stakeholders.
  - c) Further developing the Board & Committee training proposal.
  - d) Researching and preparing for the implementation of the new trainee programme.
  - e) Launching the third Pulse Survey.
  - f) Alignment on the Culture strategy for SPT.

---

**Contact Officer:**  
**Nicole Russell, Head of Change Management**

**Consulted:** Chair of the Committee

**Annexes:** None

**Sources/background papers:** None

---

This page is intentionally left blank



## SURREY COUNTY COUNCIL

## SURREY PENSION FUND COMMITTEE



DATE: 21 JUNE 2024

LEAD OFFICER: ANNA D'ALESSANDRO, INTERIM EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICES

SUBJECT: SURREY PENSION TEAM STRATEGIC PLAN OUT-TURN REPORT – 2023/24 FINANCIAL YEAR

**SUMMARY OF ISSUE:**

This report summarises the activities that have been completed against Year 1 of the Surrey Pension Team (SPT) Strategic plan. Strategic plan items flow through into individual service area business plans where they are combined with some additional service specific initiatives. This report therefore covers all activities in Change Management, Service Delivery, Accounting & Governance and Investment & Stewardship for the 2023/24 Financial Year.

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Committee

1. Notes the content of this report.

**REASON FOR RECOMMENDATIONS**

This retrospective report details Year 1 Strategic Plan activities. It is an opportunity to recognise the successes over the last year. Items which are continuing and new strategic plan items and resulting business plans for Year 2 have already been provided for approval and are now in flight.

**DETAILS:**

1.
  - a) This report details the following areas of interest.

Item	Number	Details
	i	<p><b>Change Management</b> consists of 4 key areas.</p> <p><b>Transformation:</b> this part of the team is responsible for the strategic plan implementation. Activities successfully completed include:</p> <ul style="list-style-type: none"> <li>• Development of the 3-year strategic plan and the adjacent Workforce strategy</li> <li>• Development of a Surrey Pensions One Team Dashboard</li> </ul>

Item	Number	Details
------	--------	---------

- Completion of a thorough organisation review to ensure that the organisational design remains fit for purpose
- Completion of the discovery phase to determine a specific SPT Digital Transformation.
- Design and delivery of key workshops for Border to Coast partner funds to refresh their uniting principles and refine their organisation meeting design.

**Communications:** responsible for delivering all items in the communications policy both strategic and business as usual. Successes in this area include:

- Derived a plan to “amplify our presence” with our 6 stakeholder groups
- Delivered all newsletters to members, employers and other stakeholders as set out in the communications policy
- Refreshed the employer website

**Learning and Development:** responsible for delivering the Workforce strategy. Successes in this area include:

- Launch a model to help identify career pathways for SPT
- Devising and launching an SPT Pulse Staff Survey to check in on the feelings of the Team in a variety of areas.
- Implementing a calendar of activities designed to monitor and improve the effectiveness of development planning, performance management and succession planning.
- Launched a “Lunch and Learn” format to focus on technical skill enhancement and Team wellbeing
- Devised and launched a number of technical training courses in the Service Delivery area.

**Project Management:** responsible for the oversight and injection of project management rigour into key projects in SPT including regulatory changes and continuous improvement.

Item	Number	Details
		<ul style="list-style-type: none"> <li>• Introduced a Project Review Board to regularly review and revise the status of all projects in the programme portfolio.</li> <li>• The project team managed a portfolio of circa 16 projects throughout the course of the year.</li> </ul> <p><b>Key Highlights</b></p> <ul style="list-style-type: none"> <li>• The People and Strategy related metrics on the Dashboard all showed a significant uplift between the first and second staff Pulse survey indicating that the interventions stages from the Strategic Plan and Workforce strategy had the desired impact.</li> <li>• The Communications Team delivered 16 newsletters, multiple external Linked In posts, a new look team newsletter, all newsletters were moved to an accessible format. The Pension Awareness week activity attracted 420 views across all articles.</li> </ul> <p><b>Items Not Completed</b></p> <p>A workshop to lead the industry on a key pensions topic was postponed to Year 2 due to the focus on a second (unplanned) workshop with the Border to Coast partner funds.</p>
ii	Accounting and Governance	<p>In <b>Accounting and Governance 2023/24</b> was characterised by engaging with the change in financial systems following the introduction of Unit4/MySurrey. This meant deferral of some objectives for the year, that are now programmed for later execution. Progress was made in many areas relating to the overall governance of the fund.</p> <p><b>Finance</b></p> <ul style="list-style-type: none"> <li>• The Unit4/MySurrey transition took up much of the time of the Finance team during 2023/24 – work is ongoing in this area.</li> <li>• The Pension Fund Annual Report was produced to required timescales – with the report containing the audited financial statements subsequently completed.</li> </ul>

Item	Number	Details
		<ul style="list-style-type: none"> <li>• A budget for the team for 2024/25 was produced. Monitoring against this is the next objective.</li> <li>• Recharges were moved to a business-as-usual position.</li> <li>• Further work is now required on completion of the finance manual and improvements in transaction processing.</li> </ul> <p><b>Employer</b></p> <ul style="list-style-type: none"> <li>• Progress continued addressing long outstanding admission agreements during the year.</li> <li>• Planning for the 2025 valuation and a review of the actuarial unitisation process will now be undertaken after the actuarial services tender process.</li> </ul> <p><b>Governance</b></p> <ul style="list-style-type: none"> <li>• The Board and Committee cycle was reviewed during the year, with ongoing improvements in document production in train.</li> <li>• A comprehensive review of all policy documents is due.</li> <li>• The Board Chair appointment process was successfully concluded.</li> </ul> <p><b>Risk and Compliance</b></p> <ul style="list-style-type: none"> <li>• Cyber security was a theme for the year – including preliminary contractual reviews and officer training.</li> <li>• The process for production and review of the risk register has been carried forward for future assessment.</li> </ul> <p><b>Technical</b></p> <ul style="list-style-type: none"> <li>• Regulatory areas continued to be highlighted for action – including work on Guaranteed Minimum Pension and Lifetime Allowance changes.</li> <li>• The regulatory landscape remains complex. Future projects include Pension Dashboards.</li> </ul>
iii	Investment and Stewardship	<p><b>Investment and Stewardship</b> had a successful year delivering on the business plan across Investment, Responsible Investment and Operational issues.</p>

Item	Number	Details
------	--------	---------

**Investment Transactions**

- Participation in the launch of the Border to Coast (BCPP) Emerging Markets Alpha Fund. The movement of capital from an index tracking product with Legal and General Asset Management to an actively managed one through BCPP gives outperformance potential as well as lowering the carbon footprint by approximately 50%.
- Realignment of assets following a review of employer strategies. Within the Fund there are three employer strategies and they are now backed by suitably risked investments.

**Responsible Investment**

- A key priority for the year was to set a Net Zero date for the Fund. In June 2023, the Committee agreed a date of 2050 or sooner, after extensive research and analysis.
- A new voting policy was also agreed, further fulfilling the commitments made in the new Responsible Investment policy.
- For most of the year a project was ongoing to apply to become a signatory to the UK Stewardship code.

**Operational**

- The Fund continues to benchmark investment cost, risk and return against peers, and work was completed to improve the data quality and thus the output.
- Internal processes continue to be reviewed for efficiency and discussion over resourcing requirements is ongoing.

iv	Service Delivery	<p><b>Service Delivery</b> had 5 key areas of focus in 2023/24 and the key objective was to stabilise the case performance levels, reduce the legacy cases and meet the statutory deadlines for all scheduled events. Significant progress has been made across the service which are outlined below.</p>
----	------------------	---

**Benefits**

- Overall, the key performance levels were at 85%, with all transfer and refund cases

Item	Number	Details
------	--------	---------

exceeding the baseline performance target set. The performance levels for case types whereby an immediate benefit was due had fluctuations throughout the year with mixed success, and the 2024/25 target will be improving the level of consistency in all areas.

- There was a successful production and issuance of annual benefits hitting 99.5% by August 31<sup>st</sup> 2023 and, a xx% of annual allowance correspondence issued by October 5<sup>th</sup> 2023.
- Improvements were made to key processes such as transfers during this period, which was confirmed by the internal audit ratings received.

**Data**

- The roll out of iConnect (the monthly employer return) set a target to onboard 50%. Due to an unexpected number of schools moving to new payroll providers from Surrey County Council, attention turned to supporting these employer's transition. The level enrolled by 31<sup>st</sup> March stood at 21%, which represents 54% of the memberships. The roll out is expected to catch up quickly and onboard close to 100% by the end of the next financial year.
- The GMP project was paused due to delays leaving this too close to pension increase. This project will resume in the coming year.

**Customer Relations**

- The customer insights project was initiated with the first phase of customer feedback provider by a cohort of employers. This work is still in progress as the interviews extend to various members and customers of the scheme. Once this feedback has been fully received and analysed, it will formulate a pipeline of improvement.
  1. Phase 2 of this project will be to embed a 'Voice of the Customer' mechanism within business as usual, allowing a constant flow of vital feedback that will drive meaningful service improvements.

Item	Number	Details
------	--------	---------

**Systems**

- Pension Dashboard staging dates were delayed meaning the work to procure a Integrated Service Provider (ISP) that will connect the administration database to the dashboard eco-system, will move into the next year.
- The contract with our administration database system expires in April 2026. The procurement tender has been initiated, with the tender pack being collated. This work will continue into the next year.

**Legacy**

2. The overall completion of legacy cases was ahead of the expected milestone at this stage, standing at 63%.
3. The breakdown of completed cases at this stage were:
  4. 88% deferred
  5. 99% refunds
  6. 18% Transfers In cases
  7. 48% Transfers Out cases
  8. 14% Concurrent cases

**CONSULTATION:**

9. The Chair of the Committee has been consulted on this report.

**RISK MANAGEMENT AND IMPLICATIONS:**

10. There are no risk management implications.

**FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

11. Any relevant financial and value for money implications have been considered and are contained within the report.

**INTERIM EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICE COMMENTARY**

12. **The Interim Executive Director, Finance and Corporate Service** is satisfied that all material, financial and business issues, and possibility of risks have been considered and addressed.

**LEGAL IMPLICATIONS – MONITORING OFFICER**

13. There are no legal implications.

## **EQUALITIES AND DIVERSITY**

14. There are no equality or diversity issues.

## **OTHER IMPLICATIONS**

15. There are no potential implications for council priorities and policy areas.

## **WHAT HAPPENS NEXT**

- a) The following steps are planned:
- i. We will monitor Year 2 progress as part of the usual Surrey Pension Team Dashboard overview at quarterly interviews and will action as required.

---

**Contact Officer:**  
**Neil Mason – Assistant Director, LGPS Officer**  
**Consulted:** Chair of the Committee  
**Annexes:** None  
**Sources/background papers:** None

---



**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE: 21 JUNE 2024****LEAD OFFICER: ANNA D'ALESSANDRO, INTERIM EXECUTIVE DIRECTOR  
FINANCE AND CORPORATE SERVICES****SUBJECT: INVESTMENT MANAGER PERFORMANCE AND  
ASSET/LIABILITIES UPDATE****SUMMARY OF ISSUE:**

This report is a summary of manager issues for the attention of the Pension Fund Committee, as well as an update on investment performance and the values of assets and liabilities.

**RECOMMENDATIONS:**

It is recommended that the Committee:

- 1) Notes the main findings of the report in relation to the Fund's valuation and funding level, performance returns and asset allocation.

**REASON FOR RECOMMENDATIONS:**

To assess and acknowledge performance of the Fund's investment managers against the Fund's target returns, and whether it is meeting its Strategic Investment objective.

**DETAILS:****Funding Level**

1. The funding level is derived as the ratio of the value of the Fund's assets to the value of its liabilities. The Fund's liabilities are the future benefit payments due to members in respect of their service accrued in the Fund. The Fund's assets are used to pay member benefits accrued to date.
2. For the purpose of providing the quarterly funding updates following the 2022 valuation, it is appropriate (and the Fund Actuary's recommendation) that the 70% level of prudence remains fixed in the determination of the discount rate. This dynamic discount rate each quarter-end would therefore reflect the change in investment return expectations since the 2022 valuation date.
3. Assessing the liabilities using the dynamic discount rate also ensures that the factors leading to a change in asset values are being reflected in liability values. There is not a direct relationship (ie assets and liabilities do not react in the exact same way to changes in market conditions) but measuring the liabilities using the dynamic discount rate means that the assets and liabilities are being measured on a consistent market basis over time.

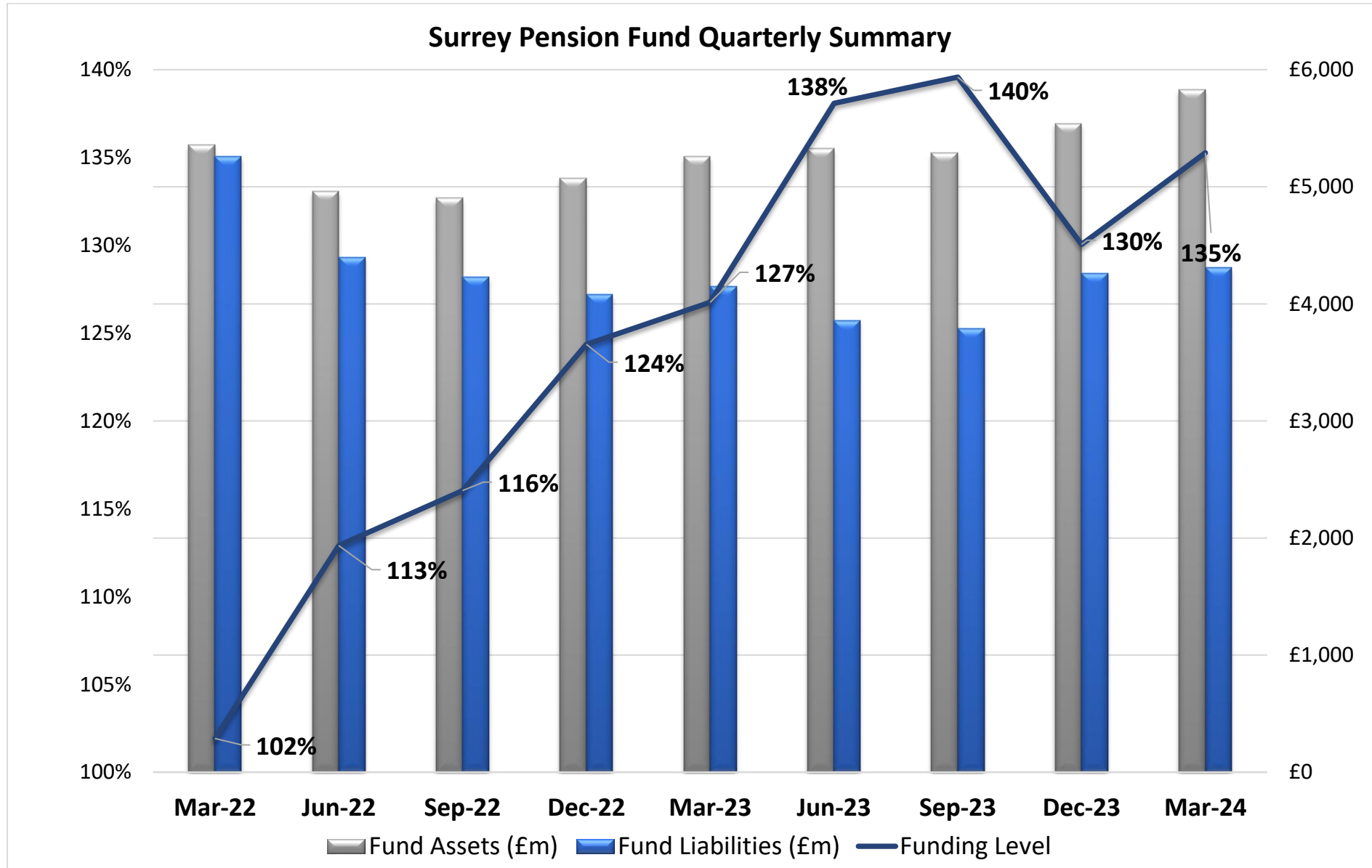
#### 4. Results and assumptions

Dynamic Discount Rate	31 March 2022	31 December 2023	31 March 2024
Assets (£bn)	5.36	5.54	5.83
Past service liabilities (£bn)	5.26	4.26	4.30
<b>Surplus (£bn)</b>	<b>0.10</b>	<b>1.28</b>	<b>1.52</b>
Funding level	102%	130%	135%
<b>Assumptions</b>			
Discount Rate	4.4%	6.1%	6.3%
Salary Increases	3.7%	3.2%	3.4%
Pension Increases	2.7%	2.2%	2.4%
Likelihood of success	70%	70%	70%
Required return to be 100% funded	4.3%	4.5%	4.5%

- The liability values in the above table as at 31 December 2023 and 31 March 2024 make allowances for both the April 2023 Pension Increase Order of 10.1% and the April 2024 Pension Increase Order of 6.7%.
- The funding level has increased over the quarter from 31 December 2023. Liability values are broadly unchanged since 31 December 2023 however, a return of around 5.3% was achieved on the Fund's assets over the quarter which explains the rise in the funding level.
- The net position has increased from a surplus of £1.28bn at 31 December 2023 to a surplus of £1.52bn at 31 March 2024.
- The improvement in the funding level since the 2022 valuation, whilst welcome, is primarily due to an increase in the expected rate of future investment returns, i.e. the discount rate. In the absence of these higher return expectations, it is likely that the funding level would have fallen since the 2022 valuation due to higher than expected inflation experience and lower than expected asset returns. To illustrate this, the required return (the level of returns required to ensure the Fund remains 100% funded) is higher as at 31 March 2024 (4.5%) than it was as at 31 March 2022 (4.3%) i.e. higher asset returns are now required to maintain a funding level of 100%.
- For comparison purposes, the actuaries have also estimated the updated funding position of the Fund as 31 March 2024 based on the fixed discount rate of 4.4%, which was set at the 31 March 2022 valuation. See table below.

Static Discount Rate	31 March 2024
Assets (£bn)	5.83
Past service liabilities (£bn)	5.97
<b>Surplus (Deficit) (£bn)</b>	<b>(0.15)</b>
Funding level	98%
<b>Assumptions</b>	
Discount Rate	4.4%
Salary Increases	3.4%
Pension Increases	2.4%
Likelihood of success	88%

10. The graph below shows the development of the funding ratio since the last valuation.



## Market Review

---

11. Global equities rose over the first quarter, driven by resilient US economic data and hopes that major central banks will begin to cut interest rates during 2024. US equities performed strongly, with the S&P 500 and Nasdaq indices hitting record highs. Economic data was strong, with fourth-quarter GDP surprising to the upside and the composite purchasing managers' index (PMI) hitting an eight-month high in February. However, inflation remained elevated, contributing to the US Federal Reserve (Fed) holding interest rates at 5.25%–5.5% at its January and March meetings.
12. European equities rose but trailed the global index, weighed down slightly by signs of economic weakness. Eurozone inflation continued to fall, declining to 2.4% in March. Like the Fed, the European Central Bank maintained interest rates during its first-quarter meetings, but officials hinted at a potential June rate cut.
13. UK equities were likewise weighed down by weak economic data, falling in January and February before joining the global rally in March and ultimately rising over the period. Markets are now expecting three interest rate cuts over the course of the year.
14. Japanese stocks performed especially strongly, with the Nikkei index hitting a 34-year high in March as the Bank of Japan (BoJ) raised its short-term rate to 0%–0.1%, seeing the end of eight years of negative interest rates in the country. Emerging markets rose modestly but underperformed global equities.
15. Government bond yields rose, and so prices fell, over the first quarter of 2024. Benchmark 10-year yields in the US, the UK, Germany and Japan all ended the quarter higher. Yields on the 10-year US treasury rose from 3.87% to 4.21%. Early year hopes for as many as seven 2024 rate cuts by the Fed were pulled back, with expectations for the first rate cut pushed out to June.
16. Ten-year gilt yields rose from 3.60% to 3.94%. UK inflation continued its downward trend to 3.4% in February, but core inflation came in at 4.5%. On the announcement of fourth-quarter GDP data (-0.3%), it emerged that the UK was in a technical recession in the latter half of 2023.
17. In line with government bond yields, corporate credit yields rose in the US, eurozone and the UK. However, credit spreads over government debt tightened.
18. The US dollar rose against the euro, sterling and Japanese yen over the first quarter of 2024. This was driven in part by expectations that other major central banks may start cutting interest rates before the Fed. Ongoing global geopolitical tensions further added to the currency's safe-haven appeal.
19. Sterling fell slightly against the US dollar but rose against the euro and the yen. The yen fell against the US dollar, the euro and sterling, as markets had already anticipated the rate hike. BoJ officials have since signalled a willingness to intervene in markets to stabilise the currency if required.

## Performance Review

---

20. Overall, the Fund returned 5.28% in Q4 2023/24 (January-March 2024), in comparison with the benchmark of 6.65%.
21. Whilst it was another strong quarter for absolute performance from all the listed equity mandates, the performance from the actively managed equity mandates was mixed. The standout positive performance came from Newton Global Equity, which returned an absolute 11.87%, outperforming its benchmark by 2.68% in the process. This mandate is now ahead of benchmark over all periods. BCPP Emerging Markets

Alpha also outperformed, by 1.12%. Disappointingly, BCPP Global Equity Alpha (BCPP Global) and BCPP UK Equity Alpha (BCPP UK) continued to underperform and are now behind benchmark over all periods since inception. BCPP Global is underweight a relatively narrow range of companies that continued to perform very strongly whilst UK Alpha has a bias to Mid and Small Cap. companies.

22. As discussed in the market review, Government bond prices fell over the quarter, producing a negative return for the Gilts Index Fund. However, the Multi-Asset Credit fund had a positive return of 1.78% as credit spreads narrowed, although this was still behind the cash-based benchmark.
23. As discussed last quarter, the private market exposure continues to drive the Fund's overall relative underperformance as its return is failing to keep pace with the listed equity benchmark. BCPP Listed Alternatives Fund had another extremely poor quarter. However, the Fund's exposure to this fund is now down to approximately £50m after a sale completed during the first quarter of 2024/25.

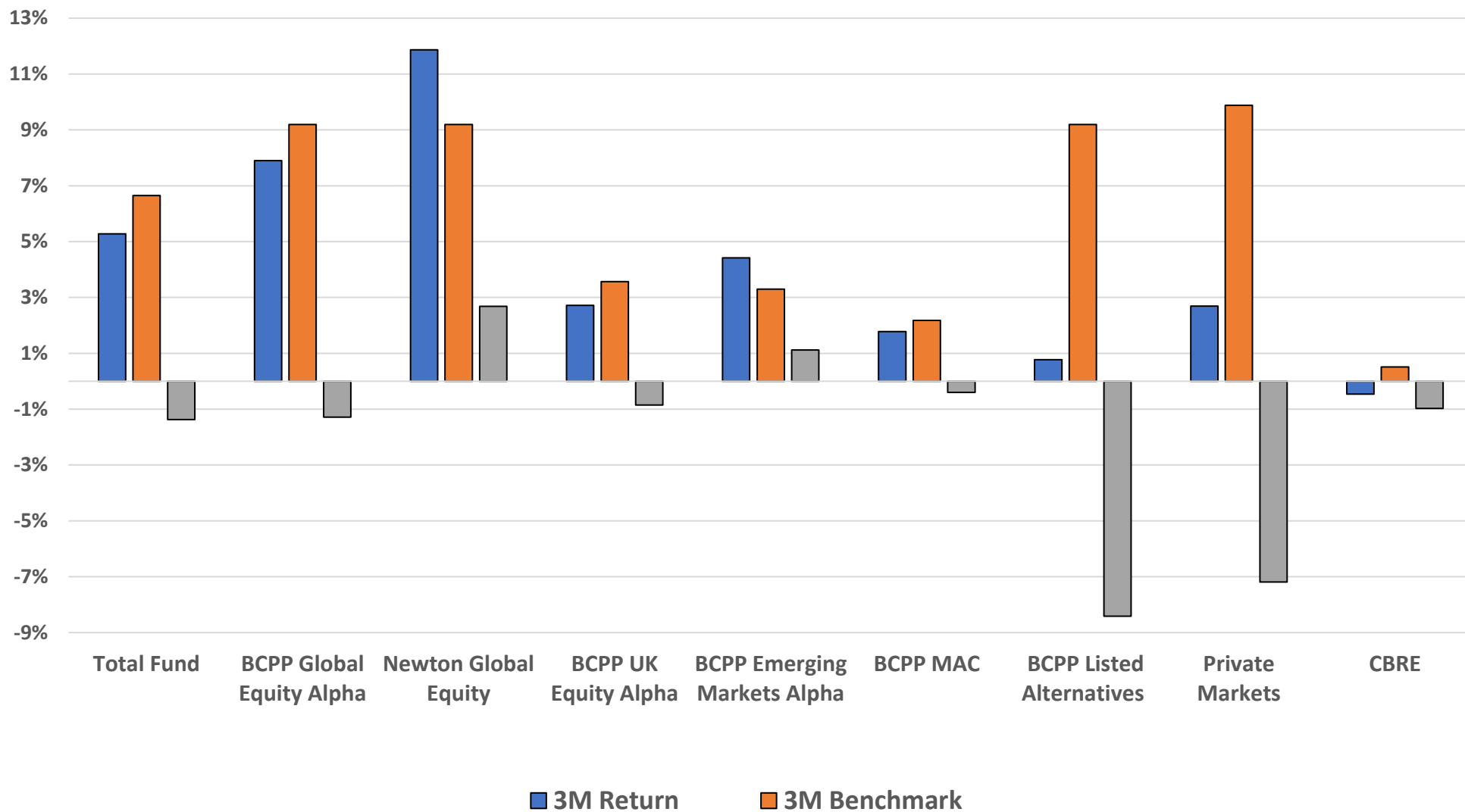
## Fund Performance - Summary of Quarterly Results

The table below shows manager performance for Q4 2023-24 (December 2023-March 2024), net of investment manager fees, against manager specific benchmarks using Northern Trust data.

As at 31 March 2024	£m	3M Return	3M Benchmark	3M Relative Return	1Y Return	1Y Benchmark	1Y Relative Return	3Y Return	3Y Benchmark	3Y Relative Return
<b>Total Fund</b>	<b>5,844.59</b>	5.28%	6.65%	-1.37%	11.30%	15.34%	-4.04%	5.25%	7.44%	-2.19%
<b>Active Global Equity</b>	<b>1,353.9</b>	-	-	-	-	-	-	-	-	-
BCPP Global Equity Alpha	875.4	7.90%	9.19%	-1.29%	18.38%	20.60%	-2.22%	9.72%	10.15%	-0.42%
Newton Global Equity	478.5	11.87%	9.19%	2.68%	25.44%	20.60%	4.84%	11.27%	10.15%	1.12%
<b>Active Regional Equity</b>	<b>653.7</b>	-	-	-	-	-	-	-	-	-
BCPP UK Equity Alpha	368.4	2.72%	3.57%	-0.85%	5.11%	8.43%	-3.31%	2.77%	8.05%	-5.27%
BCPP Emerging Markets Alpha	285.3	4.42%	3.30%	1.12%	-	-	-	-	-	-
<b>Passive Global Equity</b>	<b>1,307.0</b>	-	-	-	-	-	-	-	-	-
LGIM - Future World Global	1,307.0	9.32%	9.28%	0.04%	21.44%	21.05%	0.39%	-	-	-
<b>Passive Regional Equity</b>	<b>127.2</b>	-	-	-	-	-	-	-	-	-
LGIM - Europe Ex-UK	61.3	6.66%	6.80%	-0.14%	13.05%	13.42%	-0.37%	9.08%	9.25%	-0.17%
LGIM - Japan	19.8	11.58%	11.59%	-0.01%	22.37%	22.32%	0.04%	6.78%	6.80%	-0.02%
LGIM - Asia Pacific ex-Japan	46.1	0.22%	0.23%	-0.01%	4.60%	4.64%	-0.04%	0.91%	0.97%	-0.06%
<b>Fixed Income</b>	<b>974.1</b>	-	-	-	-	-	-	-	-	-
BCPP MAC	849.6	1.78%	2.18%	-0.40%	9.37%	8.67%	0.69%	-	-	-
LGIM - 15 Yr+ Gilts Index Fund	124.6	-3.56%	-3.56%	-0.01%	-	-	-	-	-	-
<b>Private Markets Proxy</b>	<b>80.1</b>	-	-	-	-	-	-	-	-	-
BCPP Listed Alternatives	80.1	0.77%	9.19%	-8.41%	11.27%	20.60%	-9.34%	-	-	-
<b>Private Markets</b>	<b>929.2</b>	-	-	-	-	-	-	-	-	-
Private Markets	929.2	2.69%	9.88%	-7.19%	-1.87%	22.45%	-24.32%	9.47%	11.84%	-2.38%
<b>Real Estate</b>	<b>288.1</b>	-	-	-	-	-	-	-	-	-
CBRE	288.1	-0.46%	0.51%	-0.97%	-4.00%	-0.69%	-3.31%	1.37%	1.51%	-0.14%
<b>LGIM Currency Overlay</b>	<b>(3.3)</b>	-	-	-	-	-	-	-	-	-
<b>LGIM Sterling Liquidity Fund</b>	<b>63.0</b>	1.35%	1.32%	0.03%	-	-	-	-	-	-
<b>Liquidity*</b>	<b>71.5</b>	-	-	-	-	-	-	-	-	-

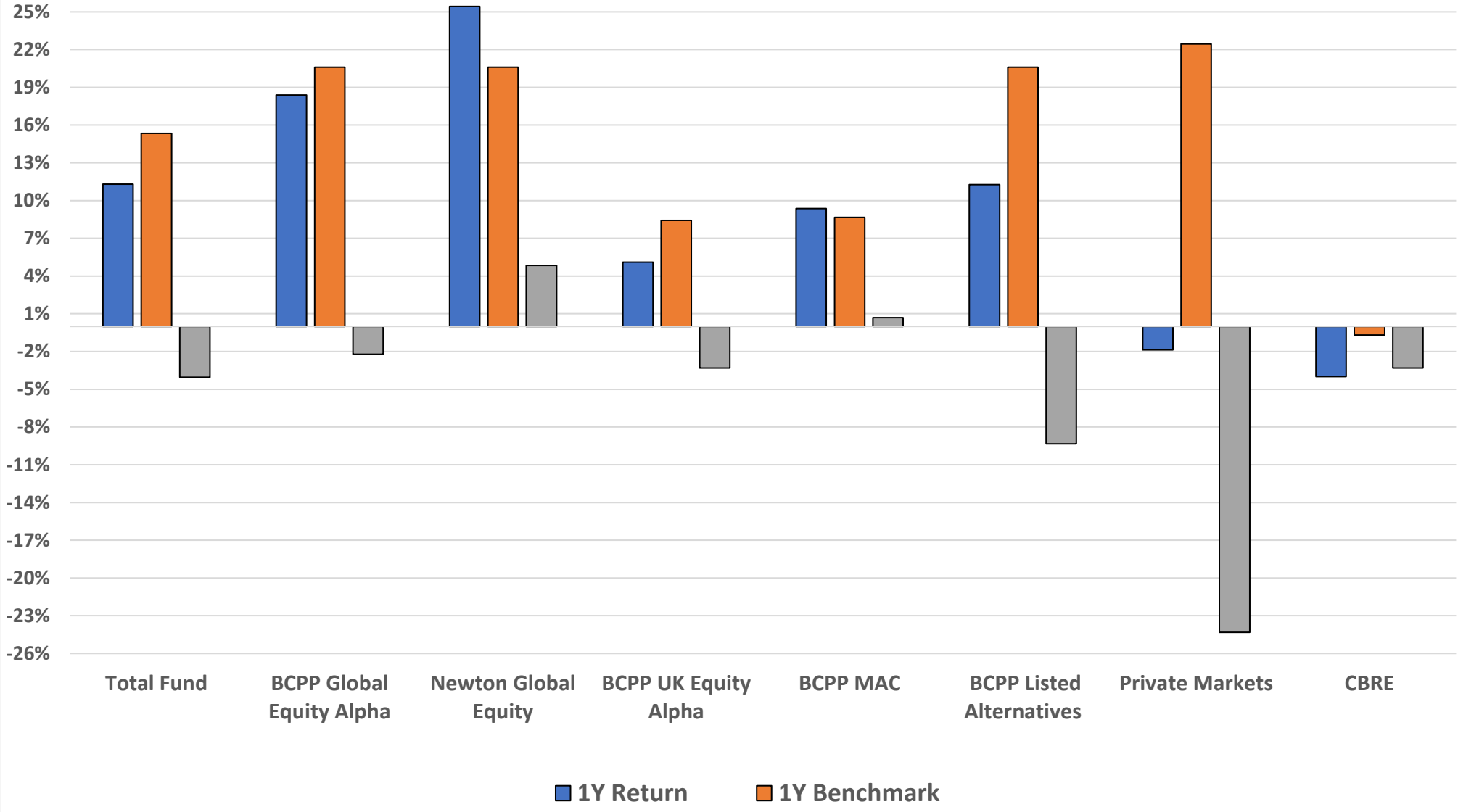
\* Includes £40.6m of money market funds

### 3 Months to 31 March 2024 Active Manager Performance Relative to Benchmark



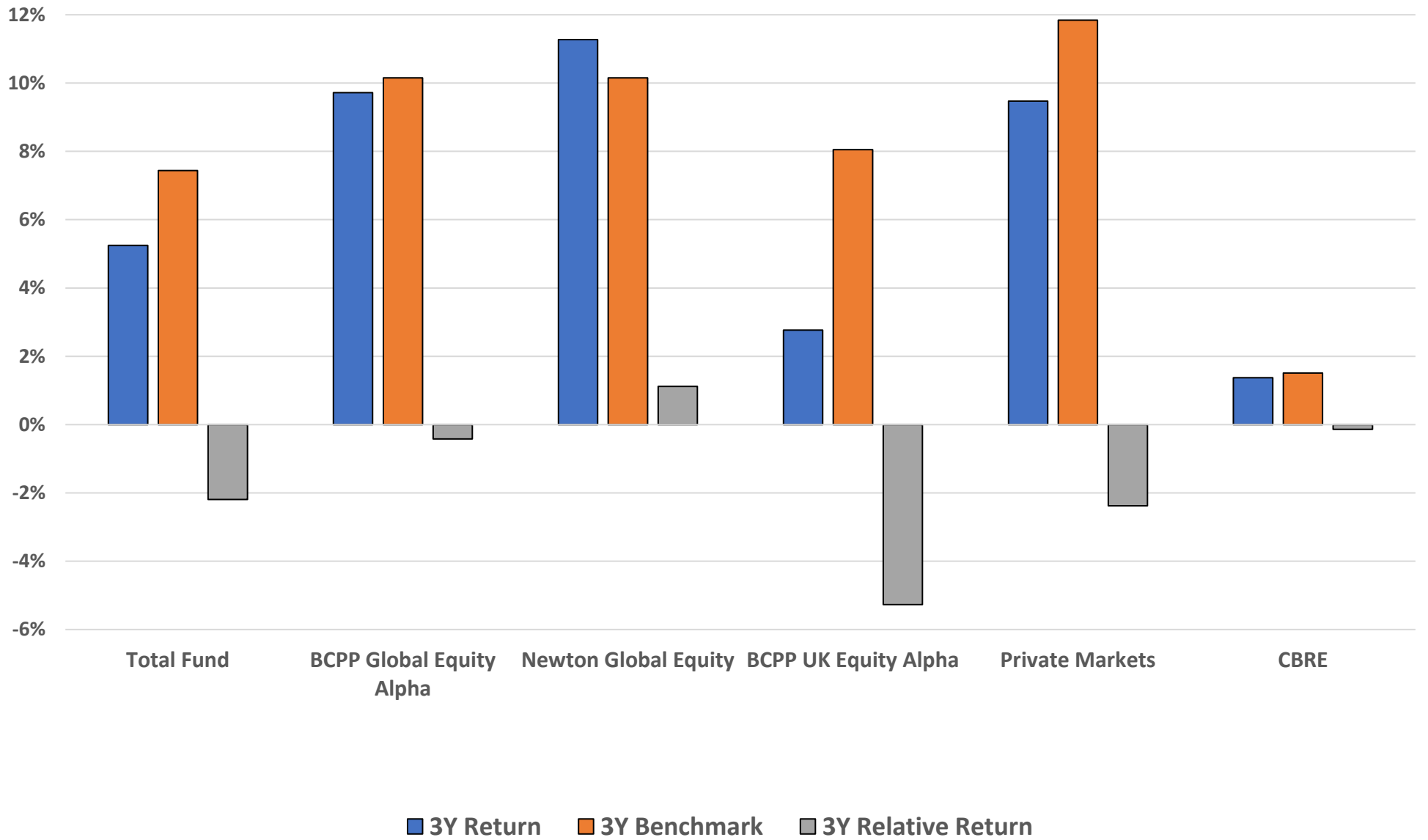
### 1 Year to 31 March 2024 Active Manager Performance Relative to Benchmark

Page 78





### 3 Years to 31 March 2024 Performance Relative to Benchmark



## Recent Transactions

24. From the second half of 2022 the Fund has used BCPP Listed Alternatives, BCPP UK Equity Alpha and LGIM Liquidity Fund as a source of funds for private market capital calls.
25. As part of the new asset allocation agreed in the December 2022 Committee meeting, a series of transactions has taken place during 2023.
26. In April 2023, the Fund invested another £100m into the LGIM Future World Global Equity Index Fund. This was funded by the redemption of £89m from the BCPP UK Equity Alpha Fund and an £11m in specie transfer out of LGIM Future World Emerging Markets Fund, which itself was an in-specie transfer from the LGIM Emerging Markets Fund in March 2023. Also in April 2023, £60m was switched from LGIM Bespoke to the LGIM Sterling Liquidity Fund to reduce fees.
27. In July 2023, the Fund invested £267m into the BCPP Emerging Markets Equity Alpha Fund. This was funded by the complete redemption of the Fund's remaining holding in the LGIM Emerging Markets Fund.
28. Since December 2022, £240m has been redeemed from BCPP Listed Alternatives Fund to fund capital calls in private markets.
29. Following the Committee's approval of the Investment Strategy Statement in June 2023, the MAC fund exposure was increased. As at 30 September 2023, £60m of BCPP UK Equity Alpha had been sold and £60m of MAC purchased. In October 2023, £60m of Newton Global Equity was sold and £60m of MAC purchased. In November 2023, a further £60m of MAC was purchased.
30. The re-structure of the legacy LGIM Bespoke fund was approved by the Committee in September 2023. In November 2023, in line with that decision, the LGIM Bespoke Fund was liquidated, and a corresponding amount was purchased in the LGIM Over 15Y Gilt fund. The amount of the transaction was £111.4m.
31. To align the exposure to MAC to the Investment Strategy Statement (ISS), the final purchase was completed in January 2024. This amounted to a £60m purchase of MAC and takes the weighting to approximately 15%. There was a corresponding £60m sale of Newton Global Equity. These transactions took place after the reporting period for this paper.
32. A sale of £20m in Listed Alternatives was completed in January 2024 to help fund ongoing private market capital commitments and drawdowns.
33. Capital calls have predominantly been funded by the BCPP Listed Alternatives Fund. Going forward, these calls may increasingly be funded by Newton Global Equity and LGIM Sterling Liquidity Fund assets.
34. The private market commitments to the BCPP programme for April 2024 are £50m to Climate Opportunities, £80 to Private Credit and £90m to UK Opportunities, as agreed at the Committee meeting in March 2024.
35. A sale of £20m in LGIM Sterling Liquidity Fund was completed in April 2024 to help fund ongoing private market capital commitments and drawdowns.
36. Funding was requested from BCPP for the first transaction in the BCPP Global Real Estate Fund.

## Stock Lending

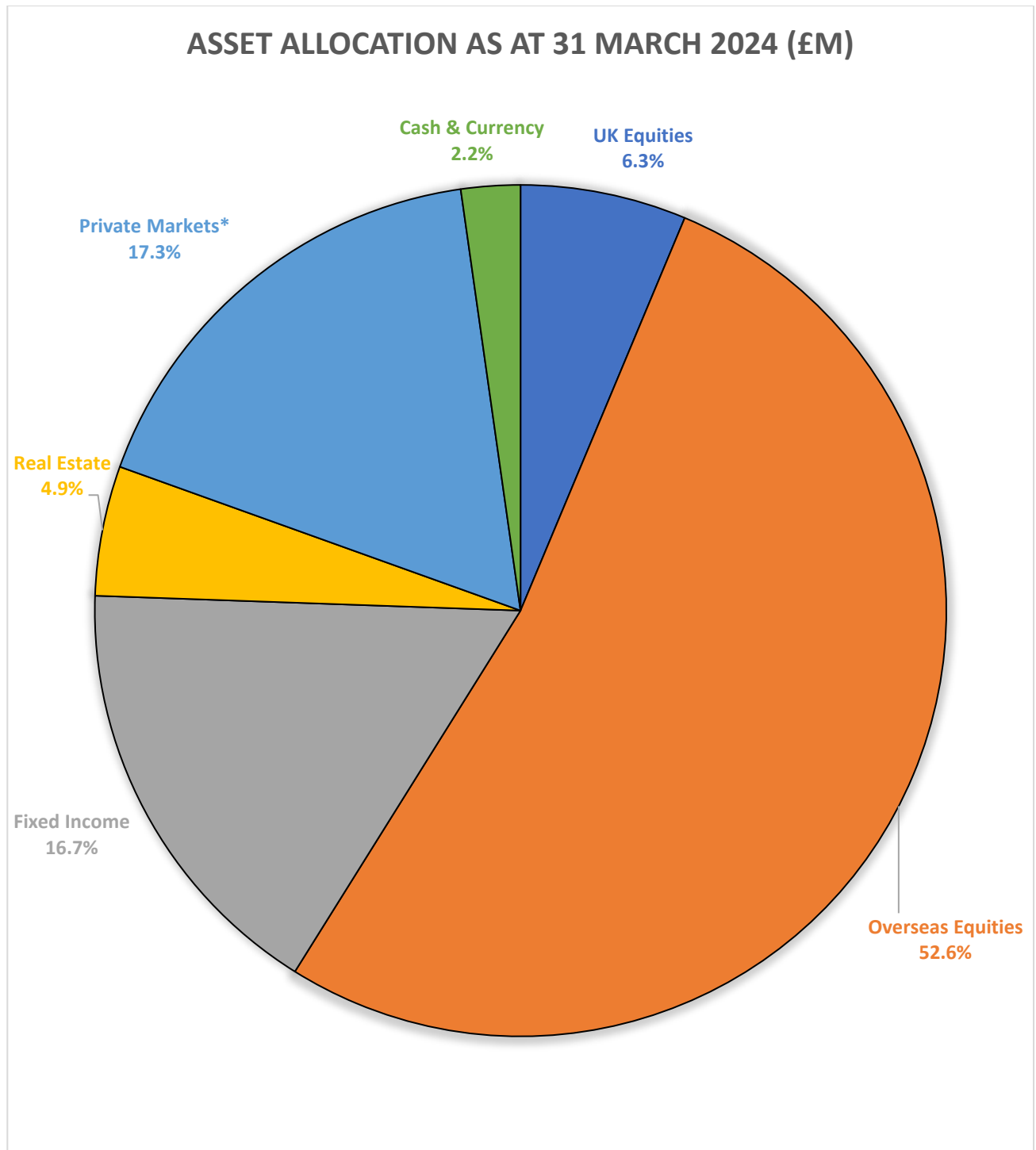
37. In the quarter to 31 March 2024, stock lending earned a net income for the Fund of £1,494 compared with £3,038 for the quarter ended 31 December 2023.

## Asset allocation

38. The table and the graph below show the target and actual asset allocations for the quarter ending 31 March 2024. These allocations were agreed by the Pension Fund Committee in the June 2023 meeting.

As at 31 March 2024	Total Fund (£M)	Actual (%)	Target (%)	Advisory ranges %	Role(s) within the strategy
<b>Listed Equities</b>	-	<b>58.9%</b>	<b>55.8</b>	<b>52.8 – 58.8</b>	Generate returns in excess of inflation, through exposure to the shares of domestic and overseas companies.
UK	368.4	6.3%	6.7	-	-
Global Market Cap	1,353.9	23.2%	21.8	-	-
Global Regional	127.2	2.2%	2.2	-	-
Emerging Markets	285.3	4.9%	5.6	-	-
Global Sustainable	1,307.0	22.4%	19.5	-	-
<b>Alternatives</b>	-	<b>22.2%</b>	<b>27.3</b>	<b>22.3-32.3</b>	Generate returns in excess of inflation, through exposure to illiquid assets that are not publicly traded, whilst providing some diversification away from listed equities and bonds.
Private Equity	328.3	5.6%	5	2.0-8.0	-
Infrastructure	367.6	6.3%	6	3.0-9.0	-
Private Debt	165.3	2.8%	6	2.0-8.0	-
Climate Opportunities	68.0	1.2%	3	0.0-6.0	-
Listed Alternatives	80.1	1.4%			-
Real Estate	288.1	4.9%	7.3	4.3–10.3	-
<b>Credit</b>	-	<b>16.7%</b>	<b>16.9</b>	<b>12.1-21.7</b>	Offer diversified exposure to global credit markets to capture both income and capital appreciation of underlying bonds.
Multi Asset Credit	849.6	14.5%	15.1	12.1-18.1	-
Fixed Interest Gilts	124.6	2.1%	1.8	0.0-3.6	-
<b>Cash &amp; Currency Overlay</b>	131.2	<b>2.2%</b>	-	-	-
<b>Total</b>	<b>5,844.6</b>	-	<b>100</b>	-	-

The graph below shows the asset allocation for the quarter ending 31 March 2024.

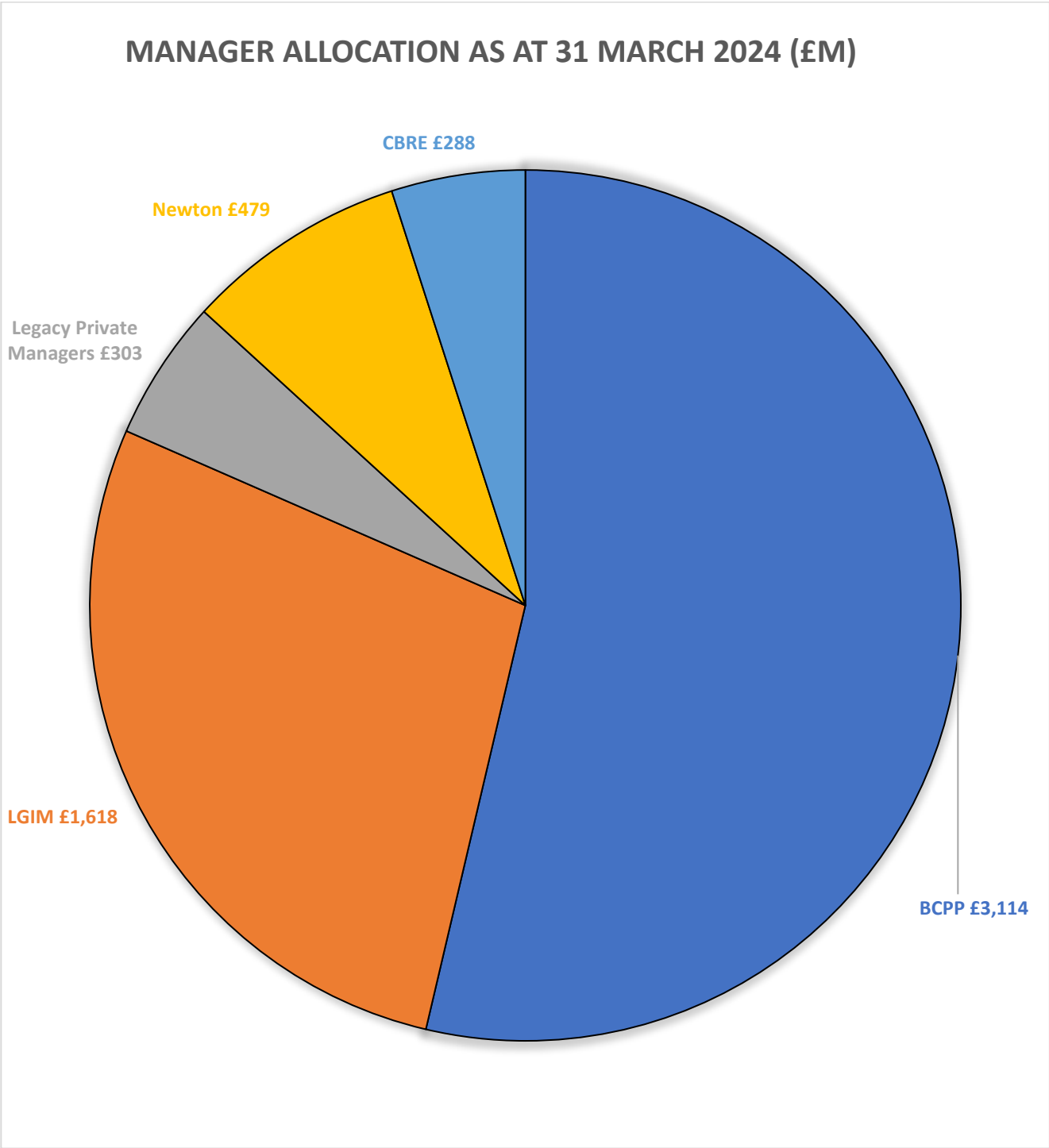


10

\*Private Investment in this chart, includes Listed Alternatives

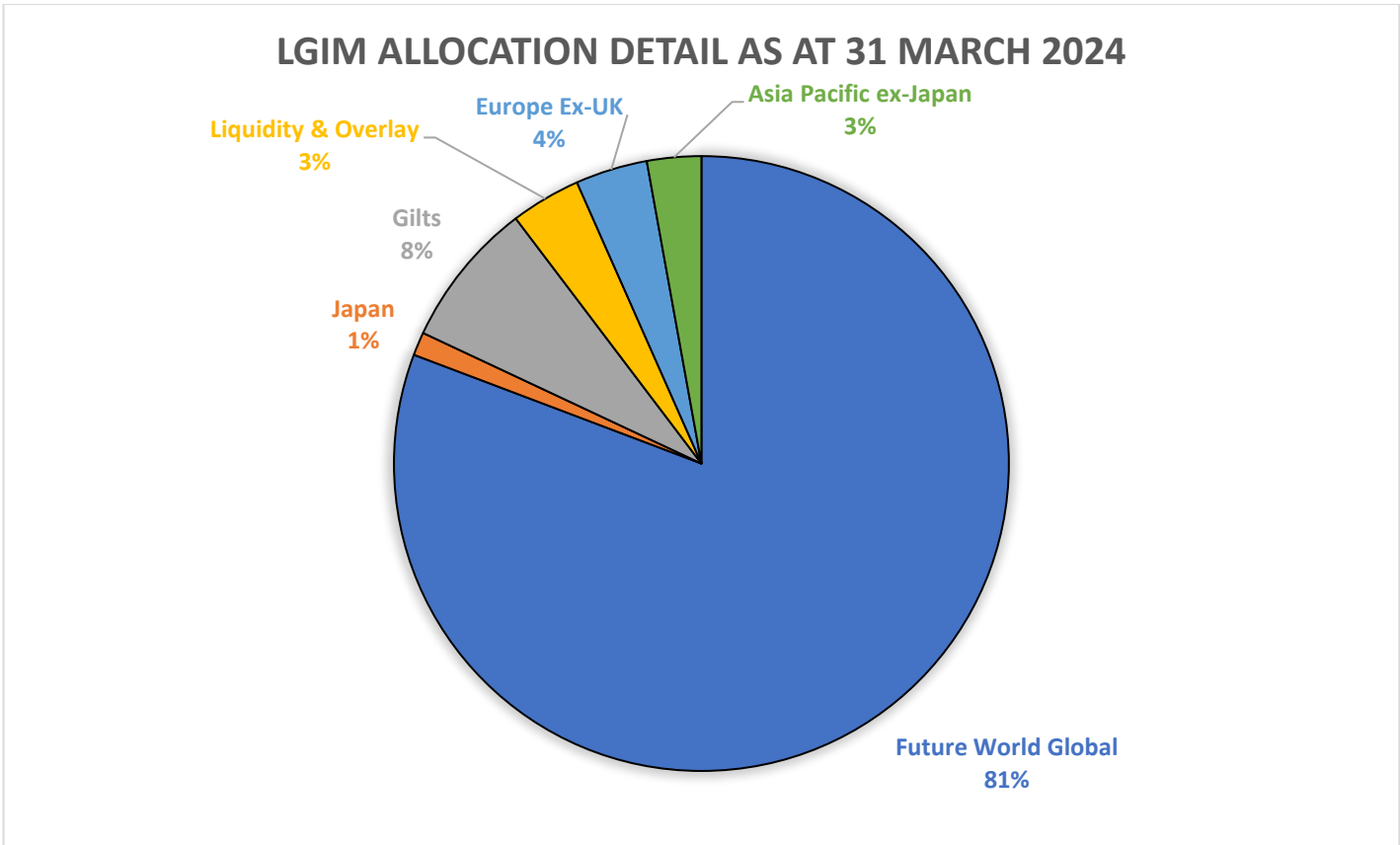
**Manager Allocation**

The graph below shows the manager allocation for the quarter ending 31 March 2024.

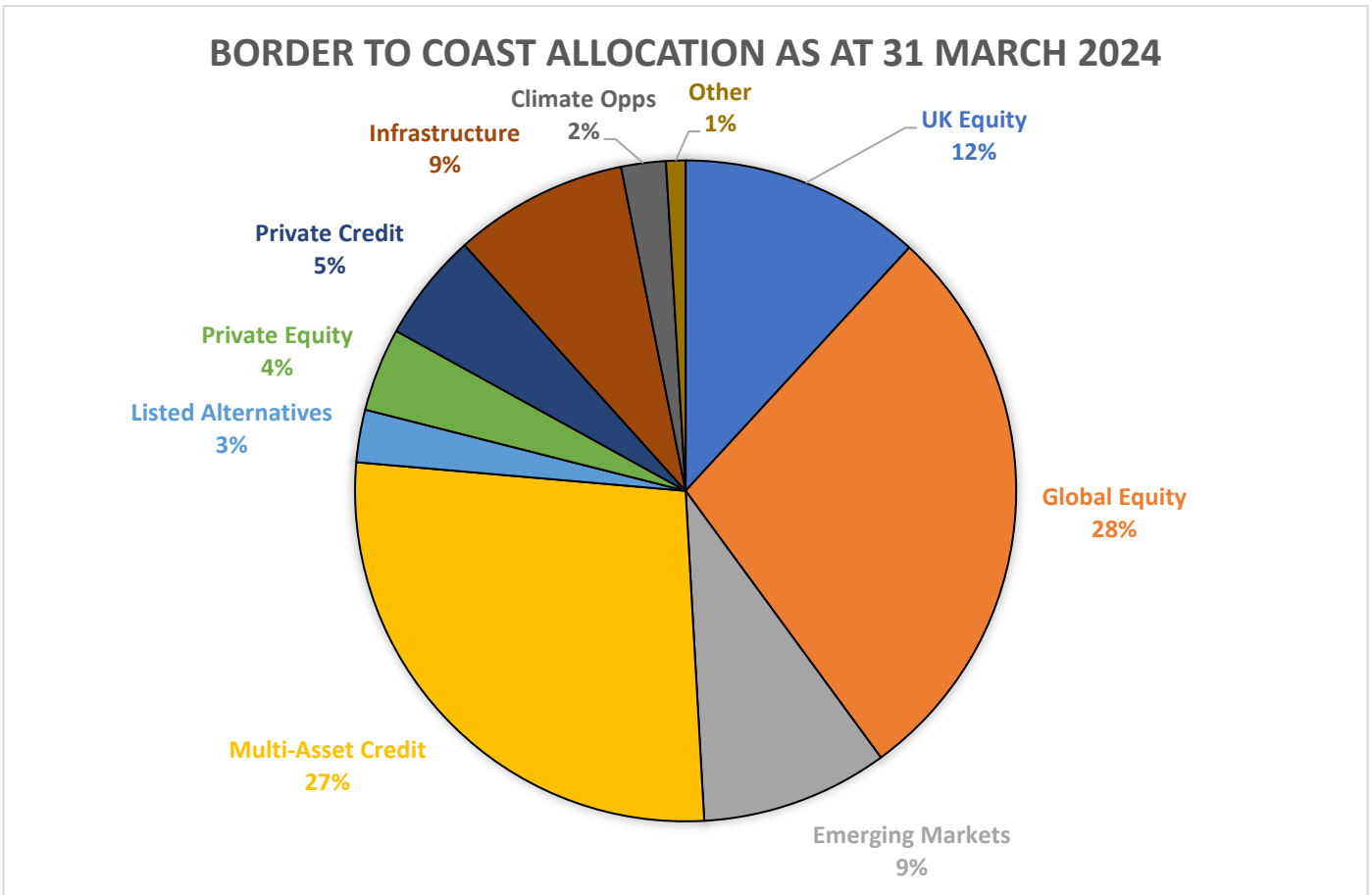


10

This graph shows the allocation with LGIM as at 31 March 2024.



This graph below shows the allocation of assets with BCPP as at 31 March 2024.



## Cashflow

39. Contributions are derived from employers and employees. Pension benefits are derived from pensions and lump sum benefits paid to retired members and benefits paid to employees on leaving the Fund.

<b>Period</b>	<b>Total contributions received £m</b>	<b>Total pension benefits paid £m</b>	<b>Net cash-flow £m</b>
Quarter 3 2023/24  (1 Oct 2023 – 31 Dec 2023)	56.6	60.9	-4.3
Quarter 4 2023/24  (1 Jan 2024 – 31 Mar 2024)	54.9	60.4	-5.5

Quarterly cashflow information has been derived from the finance system Unit4 / MySurrey so there may be timing differences due to issues with reporting for the periods shown.

40. An indication of the current membership trends is shown by movements in membership over Q2 and Q3. Member data listed below.

<b>Period</b>	<b>Active members</b>	<b>Deferred members</b>	<b>Pension members</b>	<b>Total members</b>
Quarter 3 2023/24  (1 Oct 2023 – 31 Dec 2023)	34,498	46,394	31,374	112,266
Quarter 4 2023/24  (1 Jan 2024 – 31 Mar 2024)	34,329	46,695	31,688	112,712

## Fund Manager Benchmarks

Fund	Portfolio	Benchmark Index	Performance Target relative to Benchmark
Surrey Pension Fund	Total Portfolio	Weighted across fund	+1.0%

Manager	Portfolio	Benchmark Index	Performance Target relative to Benchmark
BCPP	UK Equities Alpha	FTSE All Share	+2.0%
BCPP	Global Equities Alpha	MSCI ACWI	+2.0%
BCPP	MAC	SONIA	+3.5%
BCPP	Listed Alternatives	MSCI ACWI	
BCPP	Emerging Markets Equity Alpha	MSCI EM Index	+2.0%
Newton	Global Equities	MSCI ACWI	+2.0%
Various	Private Markets	MSCI World Index	+5.0%
CBRE	Real Estate	MSCI/AREF UK QPFI All Balanced Property Fund Index (for UK Assets)  Global Alpha Fund Absolute Return 9-11%	+0.5%
LGIM	Europe ex-UK Equities Index  Future World Global Equity Index  Japan Equity Index  Asia Pacific ex-Japan Development Equity Index  Sterling Liquidity  15 Yr+ Gilts Index	FTSE Developed Europe ex-UK Net Tax (UKPN)  Solactive L&G ESG Global Markets Net  FTSE Japan NetTax (UKPN) FTSE Developed Asia Pacific ex-Japan NetTax (UKPN)  SONIA  FTA Over 15 Yr Total Return	To track the performance of the respective indices within a lower level of tracking deviation (gross of fees) over rolling 3-year periods

### **CONSULTATION:**

41. The Chair of the Pension Fund Committee has been consulted on this report.

### **RISK MANAGEMENT AND IMPLICATIONS:**

42. Risk related issues have been discussed and are contained within the report.

### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

43. Financial and value for money implications are discussed within the report.

### **INTERIM EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICES COMMENTARY**

44. The Interim Executive Director, Finance and Corporate Services is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

### **LEGAL IMPLICATIONS – MONITORING OFFICER**

45. There are no legal implications or legislative requirements.

### **EQUALITIES AND DIVERSITY**



46. The approval of the various options will not require an equality analysis, as there is no major policy, project or function being created or changed.

#### **OTHER IMPLICATIONS**

47. There are no potential implications for council priorities and policy areas.

#### **WHAT HAPPENS NEXT**

48. The following next steps are planned:

- Continue to implement asset allocation shifts as agreed by the Committee.
- Continue to monitor performance and asset allocation.

---

#### **Contact Officer:**

Lloyd Whitworth, Head of Investment & Stewardship

#### **Consulted:**

Pension Fund Committee Chair

#### **Annexes:**

1. Annexe 1 - Manager Fee Rates (Part 2)

#### **Sources/background papers:**

This page is intentionally left blank

**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE: 21 JUNE 2024****LEAD OFFICER: ANNA D'ALESSANDRO, INTERIM EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICES****SUBJECT: COMPANY ENGAGEMENT & VOTING****SUMMARY OF ISSUE:**

This report is a summary of various Environmental, Social & Governance (ESG) engagement and voting issues that the Surrey Pension Fund (the Fund), Local Authority Pension Fund Forum (LAPFF), Robeco, and Border to Coast Pensions Partnership (BCPP) have been involved in, for the attention of the Pension Fund Committee (Committee). Also included in this paper are links to the Quarterly Engagement Report from LAPFF and the Active Ownership Reports from Robeco and Legal & General Investment Management (LGIM). The Fund is a member of LAPFF so enhances its own influence in company engagement by collaborating with other Pension Fund investors through the Forum. Robeco has been appointed to provide voting and engagement services to BCPP, so acts in accordance with BCPP's Responsible Investment (RI) Policy, which is reviewed every year by all 11 partner funds within the Pool.

**RECOMMENDATIONS:**

It is recommended that the Committee:

- 1) Reaffirms that ESG Factors are fundamental to the Fund's approach, consistent with the RI Policy through:
  - a) Continuing to enhance its own RI approach and Sustainable Development Goal (SDG) alignment.
  - b) Acknowledges the outcomes achieved for quarter ended 31 March 2024 by LGIM, LAPFF and Robeco through their engagement.
  - c) Note the voting by the Fund in the quarter ended 31 March 2024.

**REASONS FOR RECOMMENDATIONS**

The Fund is required to fulfil its fiduciary duty to protect the value of the Fund, with a purpose to meet its pension obligations. Part of this involves consideration of its wider responsibilities in RI as well as how it exercises its influence through engaging as active shareholders.

**Background****DETAILS:**

1. The informed use of shareholder votes, whilst not a legal duty, is a responsibility of

shareholders and an implicit fiduciary duty of pension fund trustees and officers to whom they may delegate this function. Such a process is strengthened by the advice of a consultant skilled in this field.

2. The Fund has commissioned Minerva Analytics (formerly Manifest) since 2013 to provide consultancy advice on share voting and the whole spectrum of company corporate governance. Minerva Analytics has assisted in ensuring the Fund's RI and voting policies reflect the most up-to-date standards and that officers learn of the latest developments and can reflect these developments in the Investment Strategy Statement (ISS). Minerva operates a customised voting policy template on behalf of the Fund and provides bespoke voting guidance in accordance with the Fund's policies.
3. LAPFF is a collaborative shareholder engagement group representing most of the Local Government Pension Scheme (LGPS) Funds and UK Pension Pools, including BCPP. Its aim is to engage with companies to promote the highest standards of corporate governance and corporate responsibility amongst investee companies
4. BCPP appointed Robeco as its voting & engagement provider to implement a set of detailed voting guidelines and ensure votes are executed in accordance with BCPP's Corporate Governance & Voting Guidelines. A proxy voting platform is used with proxy voting recommendations produced for all meetings, managed by Robeco.
5. LGIM is the Fund's passive fund manager. With nearly 1.5 trillion USD in AUM, the annual active ownership report is an in-depth document which covers the vast array of engagement and stewardship efforts performed by LGIM for the year.

#### **LGIM Active Ownership report**

6. The annual Active Ownership Report from LGIM can be found at the link below. This report details how the Investment Stewardship and Investment teams at LGIM exercised voting rights and engaged with companies, policymakers and other stakeholders on topics including deforestation, income inequality, human rights and artificial intelligence.

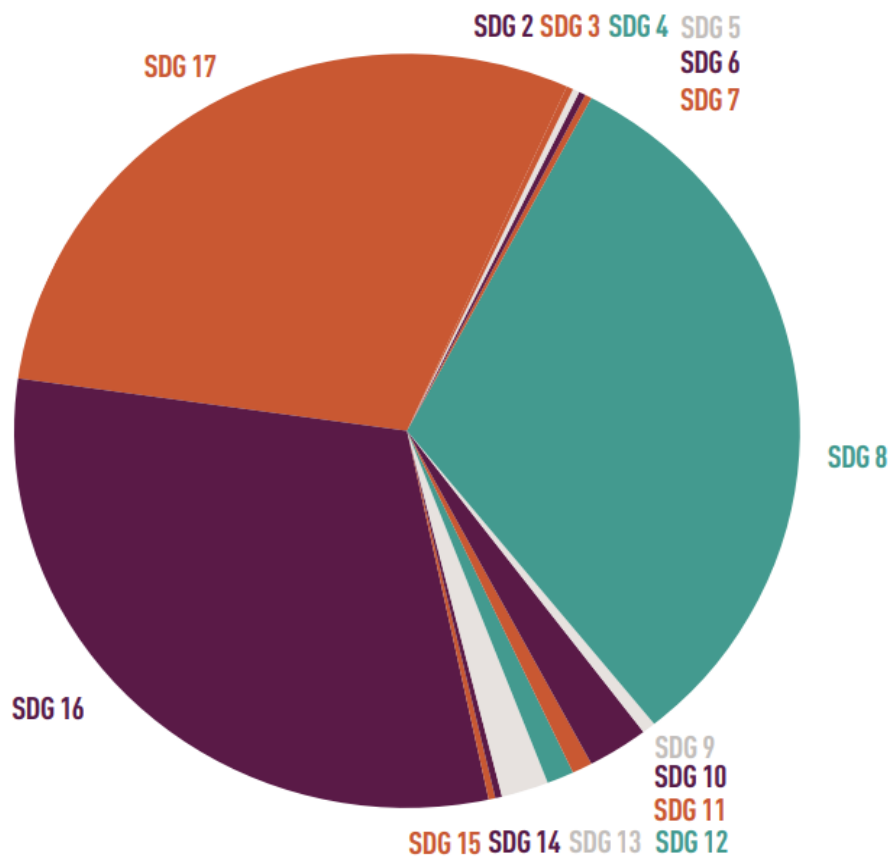
[Active ownership report 2023 | LGIM Institutional](#)

#### **LAPFF Engagement**

7. The LAPFF Quarterly Engagement Report details progress on engagements over the quarter ended 31 March 2024 and can be found at the link below. Highlights include engagement with banks on climate change, continued engagement with Drax Energy, engagements with UK water companies, and human rights in two sectors - mining and luxury goods.

[LAPFF-Q1-2024-QER.pdf \(lapfforum.org\)](#)

8. The chart below shows how LAPFF engaged over the quarter in relation to the UN Sustainable Development Goals (SDGs). The largest SDG categories were 8, 16 and 17 driven by the Votes Against Slavery initiative spearheaded by Rathbones. Companies in the FTSE350 and AIM indexes received letters signed by LAPFF and sent by Rathbones regarding compliance with s54 of the Modern Slavery Act. A further 42 companies outside of this theme were also engaged over the quarter.



#### LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	0
SDG 2: Zero Hunger	1
SDG 3: Good Health and Well-Being	2
SDG 4: Quality Education	0
SDG 5: Gender Equality	2
SDG 6: Clean Water and Sanitation	1
SDG 7: Affordable and Clean Energy	2
SDG 8: Decent Work and Economic Growth	220
SDG 9: Industry, Innovation, and Infrastructure	5
SDG 10: Reduced Inequalities	18
SDG 11: Sustainable Cities and Communities	6
SDG 12: Responsible Production and Consumption	7
SDG 13: Climate Action	13
SDG 14: Life Below Water	2
SDG 15: Life on Land	3
SDG 16: Peace, Justice, and Strong Institutions	213
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	206

9. Banks play a significant role in addressing climate change through providing finance to the energy transition. LAPFF’s priority in the banking sector has been the two UK banks HSBC and Barclays, and the objective is to see clear policies, evidence of progress in supporting renewable and clean energy, managing and scaling down fossil fuel exposure and a clear commitment to assessing all relevant client businesses. Both banks have

published transition plans and Barclays also included coverage of its lending to the fossil fuel industry in response to external pressures. LAPFF seeks to encourage stronger restrictions on lending to the fossil fuel sector, proper disclosure and analysis of transition plans and robust commitments to financing the energy transition. Alongside the UK banking engagement, LAPFF has decided to expand its activity to include five Canadian banks - Toronto Dominion, Royal Bank of Canada, Bank of Montreal, Scotia Bank and CIBC - because some of the Canadian banks have been seen as laggards on climate action.

10. The engagement with Drax this quarter focused on the time scale over which new growth of trees will compensate for its carbon emissions and the sustainability of the supply chain for wood pellets used at Drax Power Station. These are mainly imported, and their cost, considering that gas and renewables offer cheaper alternatives, is of interest.
11. Over the past two years, LAPFF has been engaging UK water utility companies on sewage overflows to ensure reductions against targets and the delivery of future improvements. At the same time, the engagement has included the publicly listed companies on the financial resilience of the sector. Discussions were held around investment needed in infrastructure, delivering value for money and ensuring affordability.
12. Legislation globally is increasingly incorporating human rights considerations, including potential fines for companies found to have forced labour or other human rights abuses in their supply chains. Managing such human rights risks is a crucial component of sustainable company practices and increasingly a financially material issue for investors. During the quarter, LAPFF engaged with five luxury goods companies. The requests were varied due to the differing levels of disclosure and transparency and the aim is to ensure robust human rights risk management is viewed as a company responsibility.
13. LAPFF continued its work with mining companies and affected communities and attended the 2024 African Mining Indaba in Cape Town, South Africa this quarter. LAPFF will continue to work with the UN Working Group and other stakeholders to inform best practice on mining and human rights.

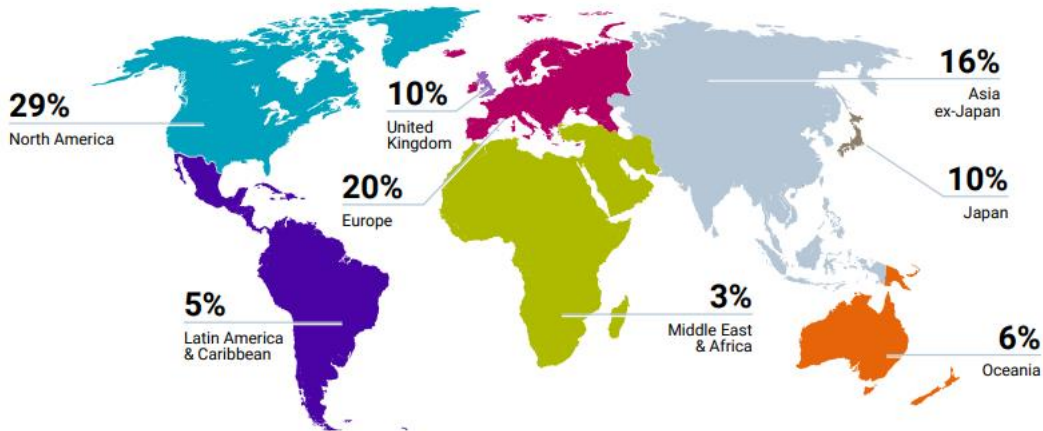
### **Robeco Engagement**

14. In the quarter ended 31 March 2024, Robeco voted at 156 shareholder meetings, voting against at least one agenda item in 58% of cases. The Robeco report can found by following the link below. Some of the engagements from the quarter are shown in the graphics and highlights are described below.

[Border-to-Coast-Public-Engagement-Report-2024-Q1.pdf \(bordertocoast.org.uk\)](https://www.bordertocoast.org.uk/wp-content/uploads/2024/04/Border-to-Coast-Public-Engagement-Report-2024-Q1.pdf)

# Q1|24 figures engagement

Engagement activities by region



15. The quarterly report from Robeco typically focuses on four themes which are at different stages in the engagement cycle. There is also a section for proxy voting. The themes for the quarter ending 31 March 2024, are Fashion Transition, Tax Transparency, Natural Resource Management and the Social Impact of Gaming.
16. **Fashion Transition:** This is a cross-thematic engagement helping to address water, air and soil pollution, as well as worker rights and wages throughout the supply chains. Robeco have developed a framework to rank companies according to a sustainability classification which goes from Nascent, to Maturing, Pioneering and Advanced. The vision for the Fashion Transition is to enable positive change on the identified sustainability issues and move companies towards Advanced status. The theme engages with publicly listed companies across the entire global fashion value chain and product lifecycle includes clothing, footwear, accessories, jewellery and cosmetics companies from luxury to sportswear and the mass market. Fibre makers, textile manufacturers, retailers and technology companies can enable the shift to circular economic models. Key exposure however is on fashion brands and more specifically, four main areas covering decent work, natural resources, circular models and stakeholder engagement and governance.
17. **Tax Transparency:** The aim of this new engagement theme is to promote better disclosures from companies on tax transparency. A company's effective tax rate dictates the level of profit distributions and affects any modelling of discounted future cash flows, and thus affects the returns for investors. New legislation between authorities increasingly target corporate structures set up with the main purpose of minimizing tax burdens. A prominent example of this trend is the OECD/G20 Inclusive Framework on BEPS (Base Erosion and Profit Shifting), where more than 135 jurisdictions are collaborating on the implementation of 15 measures aimed at tackling corporate tax avoidance. When profits and taxes are shifted away from countries that have insufficient financial resources to invest in basic healthcare, education, and other necessities, tax optimisation strategies can be detrimental to many of the UN Sustainable Development Goals. The goal of the Tax Transparency engagement theme is to push for more accountability and meaningful disclosures on corporate tax practices. Engagement candidates were chosen by first screening for companies with low effective tax rates of 15% or less, news flow indicating tax disputes or controversies, and relevant investment exposure. The most relevant and engageable

companies selected are mainly located in the US and are operating in the healthcare and information technology sectors.

18. **Natural Resource Management:** This engagement theme focuses on companies where the management of water and waste is a financially material issue, or where they have a significant actual or potentially negative environmental impact. The aim is to improve companies' performance by zooming in on several environmental indicators related to water and waste. In July 2022, the first batch of companies were engaged, from three high water use or water scarce sectors: Chemicals, Oil & Gas, and Paper & Pulp. In November 2022, companies from the Breweries sector were added and the number nearly doubled. In 2023, the engagement was closed with the first couple of companies, 50% successfully. At the end of 2023, some cases were transferred to a more aligned, holistic themes, and the remaining companies will be engaged with for another one-and-a-half years. The latter part of this engagement theme will be steered more towards waste, where the focus is on companies that generate hazardous waste and are at risk of polluting the environment and adversely affecting the communities that host them.
19. **Social Impact of Gaming:** From 2021 to 2023, Robeco engaged with some of the world's largest listed video game publishers. The engagement aimed to address the social impacts of video games related to depictions of violence and diversity, the safeguards for harassment, and the amount of time and money spent playing them. Stakeholder management and human capital management were also discussed as objectives that more broadly relate to the social impacts of these companies. One company was transferred to the Sustainable Development Goals (SDGs) theme, cybersecurity and corporate governance has been added to the discussions. Of the remaining companies, 80% of cases were successfully closed.

## Surrey Share Voting

20. The full voting report produced by Minerva is included in Annexe 1. The table below shows the total number of resolutions which the Fund was entitled to vote, along with the number of contentious resolutions voted during the quarter as produced by Minerva.

### Votes against Management by Resolution Category:

Resolution Category	Total Resolutions	Voted Against Management	% Against Management	% All Votes Against Management
Audit & Reporting	12	4	33.33%	13.79%
Board	61	12	19.67%	41.38%
Capital	7	0	0.00%	0.00%
Corporate Action	6	0	0.00%	0.00%
Other	0	0	-	-
Political Activity	1	1	100.00%	3.45%
Remuneration	11	8	72.73%	27.59%
Shareholder Rights	4	0	0.00%	0.00%
Sustainability	6	4	66.67%	13.79%
<b>Total</b>	<b>108</b>	<b>29</b>	<b>26.85%</b>	<b>100.00%</b>

21. Surrey was more active than the average shareholder in expressing concerns through votes at corporate meetings. Whereas general shareholder dissent stood at 4.21%,



Surrey opposed management on 26.85% of resolutions.

22. Resolutions opposed by Surrey received average general shareholder dissent of 9.47%, a much higher level than the dissent received on resolutions that Surrey supported (2.19%), highlighting that Surrey has a robust policy which is consistent and aligned with other investors' governance concerns.

### **Vote Outcomes**

23. The UK Corporate Governance Code recommends boards take action where 20% or more of votes are cast against the board recommendation on a resolution. As such, a shareholder dissent level of 20% is generally considered to be significant. During the quarter, Surrey voted against management on four resolutions that received shareholder dissent of more than 20%. This compares with three in the previous quarter.
24. The four resolutions that received 20% or more dissent were shareholder proposals filed at Apple Inc, Applied Materials Inc and Bank Mandiri (Persero) Tbk PF. The areas of concern highlighted by Surrey's voting policy included pay gaps and diversity & inclusion practices, managing and mitigating AI-related risks, insufficient disclosure to make informed voting decisions and concerns regarding Board independence.
25. Seven resolutions voted during the period were proposed by shareholders. All of the shareholder resolutions were proposed in the North America region.
26. During 2024 Q1, no resolutions proposed by management were defeated and no shareholder-proposed resolution was successful. On average, the shareholder proposals received 17.03% dissent during the Quarter.

### **BCPP Responsible Investment**

27. Annexes 2, 3, 4 & 5 provide a high-level overview of ESG performance for Global Equity Alpha, UK Equity Alpha, EM Equity Alpha and Listed Alternatives using a variety of measurements. The reports highlight specific examples which provide insight into how ESG integration works in practice.

#### **CONSULTATION:**

28. The Chair of the Pension Fund Committee has been consulted on this report.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

29. There are risk related issues contained within the report.

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

30. There are financial and value for money implications.

#### **INTERIM EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICES COMMENTARY**

31. The Interim Executive Director, Finance and Corporate Services is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

## **LEGAL IMPLICATIONS – MONITORING OFFICER**

32. There are no legal implications or legislative requirements.

## **EQUALITIES AND DIVERSITY**

33. The Company Engagement Review does not require an equality analysis, as the initiative is not a major policy, project or function being created or changed.

## **OTHER IMPLICATIONS**

34. There are no potential implications for council priorities and policy areas.

## **WHAT HAPPENS NEXT**

35. The Pension Fund will continue to monitor the progress of the voting and engagement work carried out by BCPP, LAPFF and Robeco over the medium and long term, and how this can impact investment decisions.

---

### **Contact Officer:**

Lloyd Whitworth, Head of Investment & Stewardship

### **Consulted:**

Pension Fund Committee Chair

### **Annexes:**

1. Annexe 1 – Surrey Voting Report (Minerva) Q1 2024
2. Annexe 2 – BCPP ESG Global Equity Alpha Q1 2024
3. Annexe 3 – BCPP ESG UK Equity Alpha Q1 2024
4. Annexe 4 – BCPP ESG Emerging Markets Equity Alpha Q1 2024
5. Annexe 5 – BCPP ESG Listed Alternatives Q1 2024



# 1. VOTING VOLUMES

This section shows the number of Meetings, Meeting Types & Resolutions voted by the Surrey pension fund.

## 1.1 MEETINGS

Table 1 below shows that Surrey voted at seven AGMs and three non-AGMs during the Quarter under review.

Table 1: Meetings Voted

Region	Meeting Type							Total
	AGM	Class	Court	EGM	GM	OGM	SGM	
Asia & Oceania: Developed	1	0	0	0	0	0	0	1
Asia & Oceania: Emerging	1	0	0	0	0	2	0	3
Europe: Developed	1	0	0	1	0	0	0	2
Japan	1	0	0	0	0	0	0	1
North America	3	0	0	0	0	0	0	3
<b>Total</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>10</b>

In all tables:

AGM	The Annual General Meeting of shareholders, normally required by law.
Class	A Class Meeting is held where approval from a specific class of shareholders is required regarding a business item.
Court	A Court Meeting, where shareholders can order an annual meeting or a special meeting from a court or where a meeting is called by a Court of Law to approve a Scheme of Arrangement.
EGM	An Extraordinary General Meeting of shareholders, where a meeting is required to conduct business of an urgent or extraordinary nature. Such business may require a special quorum or approval level.
GM	A General Meeting, a term often used interchangeably with the terms EGM and OGM depending on the term used by the company in question.
OGM	An Ordinary General Meeting, a term often used interchangeably with the terms EGM, and GM depending on the term used by the company in question.
SGM	A Special General Meeting of shareholders, where a meeting is required to conduct special business. Often business which requires a special quorum or approval level.

## 1.2 RESOLUTIONS

Table 2 shows the total number of resolutions voted by region, broken down by meeting type.

In the Quarter under review, the fund was eligible to vote on 108 resolutions.

Table 2: Resolutions Voted

Region	Meeting Type							Total
	AGM	Class	Court	EGM	OGM	GM	SGM	
Asia & Oceania: Developed	4	0	0	0	0	0	0	4
Asia & Oceania: Emerging	8	0	0	0	12	0	0	20
Europe: Developed	20	0	0	6	0	0	0	26
Japan	11	0	0	0	0	0	0	11
North America	47	0	0	0	0	0	0	47
<b>Total</b>	<b>90</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>108</b>

## 1.3 MEETINGS BY MONTH

The table below shows the majority of the meetings voted at by Surrey in the Quarter were held in March. The higher number of meetings in March reflects the earliest of the AGMs for companies with financial years ending on 31<sup>st</sup> December 2023.

Table 3: Meetings Voted Per Month

Event	January	February	March	Total
AGM	1	1	5	7
Class	0	0	0	0
Court	0	0	0	0
EGM	0	0	1	1
GM	0	0	0	0
OGM	1	0	1	2
SGM	0	0	0	0
<b>Total</b>	<b>2</b>	<b>1</b>	<b>7</b>	<b>10</b>

## 2. VOTING PATTERNS

This section analyses some patterns of voting by resolution category and voting policy.

### 2.1 VOTES AGAINST MANAGEMENT

Table 4 shows the total number of resolutions which Surrey was entitled to vote along with the number of contentious resolutions voted during the Quarter. Surrey voted against management on 26.85% of the resolutions for which votes were cast during 2024 Q1, which is a slightly lower dissent rate than the proportion of resolutions opposed in the previous quarter (2023: Q4: 26.98%, 2023 Q3: 18.37%, 2023 Q2: 28.98%, Q1: 23.71%).

Board resolutions accounted for 56.48% of all resolutions voted and 33.33% of the total resolutions voted against management. Surrey voted against 12 management-proposed director candidates primarily due to board independence and diversity concerns.

72.73% of Remuneration resolutions were voted against management. Of the eight resolutions voted against, four were remuneration report approvals, two were resolutions seeking approval of the fees payable to the Board of Directors, one was a long-term incentive plan approval, and one was a resolution to approve the remuneration policy.

Surrey voted against four resolutions in the Audit & Reporting category. Three of the dissenting votes concerned the re-appointment of an external auditor where concerns were held with audit tenure and the lack of disclosure regarding a recent tender and/or planned tender of the audit contract. The remaining dissenting vote was a vote cast against the report & accounts due to disclosure concerns over the reporting provided on internal audit and internal control processes.

All resolutions in the Sustainability category were shareholder proposed resolutions. Surrey voted in favour of four of the shareholder proposals (66.67%). Surrey also voted in favour of a shareholder proposal in the Political Activity category.

Surrey voted in line with management recommendation on all resolutions in the Capital, Corporate Action and Shareholder Rights categories and did not vote in any resolutions in the Other category.

Table 4: Votes Against Management By Resolution Category

Resolution Category	Total Resolutions	Voted Against Management	% Against Management	% All Votes Against Management
Audit & Reporting	12	4	33.33%	13.79%
Board	61	12	19.67%	41.38%
Capital	7	0	0.00%	0.00%
Corporate Action	6	0	0.00%	0.00%
Other	0	0	-	-
Political Activity	1	1	100.00%	3.45%
Remuneration	11	8	72.73%	27.59%
Shareholder Rights	4	0	0.00%	0.00%
Sustainability	6	4	66.67%	13.79%
<b>Total</b>	<b>108</b>	<b>29</b>	<b>26.85%</b>	<b>100.00%</b>

## 2.2 DISSENT BY RESOLUTION CATEGORY

Table 5 shows the number of resolutions voted by Surrey, broken down by resolution category, along with Surrey's level of dissent and average general shareholder dissent in each category.

Surrey was more active than the average shareholder in expressing concerns through votes at corporate meetings. Whereas general shareholder dissent stood at 4.21%, Surrey opposed management on 26.85% of resolutions.

Resolutions opposed by Surrey received average general shareholder dissent of 9.47%, a much higher level than the dissent received on resolutions that Surrey supported (2.19%). This highlights that Surrey has a robust policy which is consistent and aligned with other investors' governance concerns.

Table 5: Dissent by Resolution Category

Resolution Category	Total Resolutions	% Surrey Against Management	Average Shareholder Dissent %
Audit & Reporting	12	33.33%	2.96%
Board	61	19.67%	3.19%
Capital	7	0.00%	1.54%
Corporate Action	6	0.00%	0.01%
Other	0	-	-
Political Activity	1	100.00%	17.97%
Remuneration	11	72.73%	4.57%
Shareholder Rights	4	0.00%	13.88%
Sustainability	6	66.67%	16.87%
<b>Total</b>	<b>108</b>	<b>26.85%</b>	<b>4.21%</b>

Poll data was collected for 89.81% of resolutions voted by Surrey during the Quarter.

### 2.2.1 VOTE OUTCOMES

The UK Corporate Governance Code recommends boards to take action where 20% or more of votes are cast against the board recommendation on a resolution. As such, a shareholder dissent level of 20% is generally considered to be significant. During the Quarter, Surrey voted against management on four resolutions that received shareholder dissent of more than 20%. This compares to three resolutions opposed with high dissent in the previous quarter.

Table 6: High Dissent Resolutions

Company	Resolution	Shareholder Dissent	Surrey Policy Concern
Apple Inc	To request the Board to prepare a report to shareholders on Racial and Gender Pay Gaps	31.59%	The shareholder proposal if enacted, would enhance transparency on pay gaps and diversity & inclusion practices.
Apple Inc	To request the Board to prepare a report to shareholders on Use of AI	39.24%	The shareholder proposal if enacted, would enhance disclosure on the Company's approach to managing and mitigating AI-related risks.
Applied Materials Inc	To request the Board to prepare a report to shareholders on pay equity reporting	22.10%	The shareholder proposal if enacted, would enhance transparency on pay gaps and diversity & inclusion practices.
Bank Mandiri (Persero) Tbk PT	To approve the changes in the Composition of the Company's Management	30.67%	Insufficient disclosure provided to make an informed voting decision and concerns regarding Board independence.

During 2024 Q1, no resolutions proposed by management were defeated and no shareholder-proposed resolution was successful. This was also the case in the previous quarter.



## 2.3 RESOLUTION TYPES AND SUB-CATEGORIES

### 2.3.1 SHAREHOLDER PROPOSED RESOLUTIONS

Seven resolutions voted during the period were proposed by shareholders. All of the shareholder resolutions were proposed in the North America region. Surrey voted on nine shareholder proposals in the previous quarter.

Shareholder proposals are resolutions put forward by shareholders who want the board of a company to implement certain measures, for example around corporate governance, social and environmental practices. Although they are generally not binding, they are a powerful way to advocate publicly for change on policies such as climate change and often attract relatively high levels of votes against management.

On average, the shareholder proposals received 17.03% dissent (i.e., a vote against management recommendation) during the Quarter. In all cases, management recommended shareholders to vote against the shareholder proposal. No shareholder proposal was successful during 2024 Q1.

Table 7: Shareholder Proposed Resolutions

Company	Shareholder Proposal	Surrey Vote	% Dissent
Apple Inc	To request the Board to prepare a report to shareholders on EEO Policy Risk	Against	2.43%
Apple Inc	To request the Board to prepare a report to shareholders on ensuring Respect for Civil Liberties	Against	3.06%
Apple Inc	To request the Board to prepare a report to shareholders on Racial and Gender Pay Gaps	For	31.59%
Apple Inc	To request the Board to prepare a report to shareholders on Use of AI	For	39.24%
Apple Inc	To request the Board to prepare a report to shareholders on Privacy and Human Rights	For	2.79%
Applied Materials Inc	To request the Board to prepare a report to shareholders on lobbying	For	17.97%
Applied Materials Inc	To request the Board to prepare a report to shareholders on pay equity reporting	For	22.10%

## 2.3.2 REMUNERATION

Votes against remuneration resolutions in 2024 Q1 reflected the principles advocated in Surrey's voting policy. Fix distinct concerns informed Surrey's remuneration voting during the Quarter:

- **Disclosure:** There was incomplete forward-looking disclosure on the performance conditions applicable to the long-term incentive awards to be granted in the coming year. This was a factor in five of the resolutions opposed by the fund.
- **Alignment:** There was an insufficient link between the performance measures used in incentive pay and a company's reported key performance indicators. This was a factor in four of the resolutions opposed by the fund.
- **Individualised Disclosure:** The remuneration of directors had not been disclosed on an individualised basis and reported in aggregate only. This was a factor in four of the resolutions opposed by the fund.
- **Below Median Vesting:** A long-term incentive plan utilised a relative performance condition that allowed for the partial vesting of awards for below-median performance. This was a factor in four of the resolutions opposed by the fund.

All remaining concerns featured in less than four resolutions opposed during the Quarter. These concerns included concerns over the size of the severance provisions available to executive directors, the performance period and/or vesting period for long-term incentives was considered too short, a lack of disclosure on the quantitative targets used in the annual bonus plan and a lack of transparency on the upper individual limit in respect of a long-term incentive plan.

Table 8: Remuneration Votes Against Management

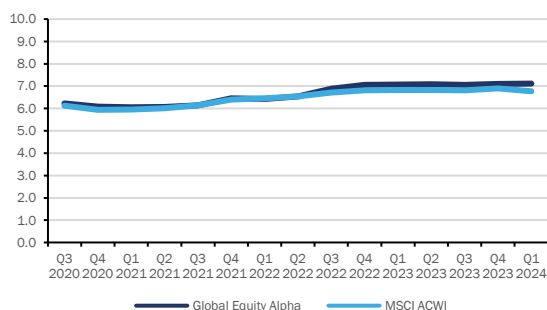
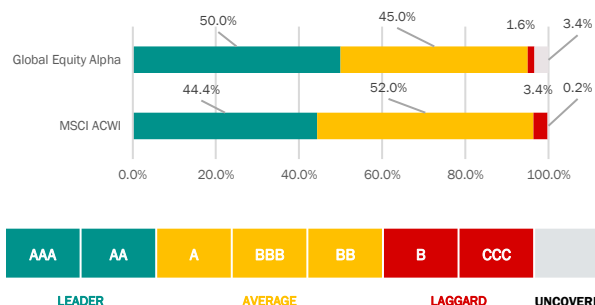
Resolution Category	Total Resolutions	Voted Against Management	% Against Management
Remuneration - Non-executive	4	2	50.00%
Remuneration - Report	4	4	100.00%
Remuneration - Policy (Overall)	1	1	100.00%
Remuneration - Policy (All-employee Share Plans)	1	0	0.00%
Remuneration - Policy (Long-term Incentives)	1	1	100.00%
<b>Total</b>	<b>11</b>	<b>8</b>	<b>72.73%</b>

**BORDER TO COAST  
GLOBAL EQUITY ALPHA  
FUND**

ESG &amp; CARBON REPORT

**Q1  
2024**
**MSCI ESG  
RATING  
A**


	End of Quarter Position <sup>1</sup>			Key
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark	
<b>Global Equity Alpha</b>	A <sup>1</sup>	7.1 <sup>1</sup>		Fund has an equal or better <i>Weighted ESG Score</i> than the benchmark.
<b>MSCI ACWI</b>	A <sup>1</sup>	6.8 <sup>1</sup>		Fund has a <i>Weighted ESG Score</i> within 0.5 of the benchmark.
				Fund has a <i>Weighted ESG Score</i> more than 0.5 below the benchmark.

MSCI Weighted Score Trend<sup>1</sup>MSCI ESG Weightings Distribution<sup>1</sup>

Highest ESG Rated Issuers <sup>1</sup>				Lowest ESG Rated Issuers <sup>1</sup>			
	% Portfolio Weight	% Relative Weight	MSCI Rating		% Portfolio Weight	% Relative Weight	MSCI Rating
ASML	2.8%	+2.2%	AAA <sup>1</sup>	Jiangsu Hengli Hydraulic	0.1%	+0.1%	CCC <sup>1</sup>
Intuit	1.7%	+1.5%	AAA <sup>1</sup>	Hyundai Motor Company	<0.1%	0.0%	CCC <sup>1</sup>
Taiwan Semiconductor	1.2%	+0.4%	AAA <sup>1</sup>	Amber Enterprises	<0.1%	+0.0%	CCC <sup>1</sup>
Nvidia	1.0%	-2.1%	AAA <sup>1</sup>	Meta Platforms	0.7%	-0.8%	B <sup>1</sup>
Relx	0.9%	+0.8%	AAA <sup>1</sup>	PetroChina	0.1%	+0.1%	B <sup>1</sup>

**Quarterly ESG Commentary**

- The Fund has continued to have a higher ESG rating than the benchmark, this is driven by the much larger proportion of leaders and smaller proportion of laggards held relative to the benchmark.
- Over the quarter, the number of CCC companies held by the Fund portfolio increased by one. Shanghai Friendless Electronic Technology Corp Ltd was upgraded to a B from a CCC, Amber Enterprises was downgraded to a CCC and the Fund acquired a small position in CCC rated Hyundai Motor Company.

**Feature Stock: Amber Enterprises**

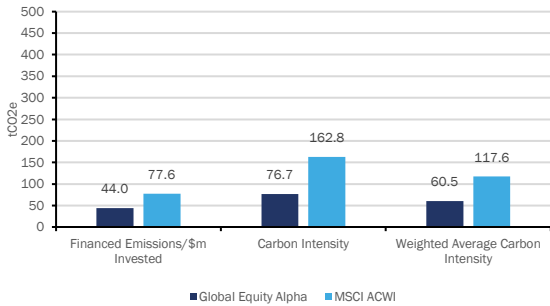
Amber Enterprises is India's largest air conditioning energy management system player which provides manufacturing services to almost all air conditioning brands in India. The Company is also incrementally moving into commercial applications such as office buildings and rail and bus coaches.

Amber is in a good position to capitalise on opportunities due to climate change and driven by India's import structure. As air conditioning becomes more of a necessity rather than a luxury due to climate change, the demand for Amber's products is expected to grow at a brisk pace going forward. India's restrictions on imports of fully built air conditioning units and the introduction of an import duty structure also favours Amber as a major domestic manufacturer in India. Amber is also managing the seasonality risk of its business by focusing on non air conditioning components, such as for washing machines.

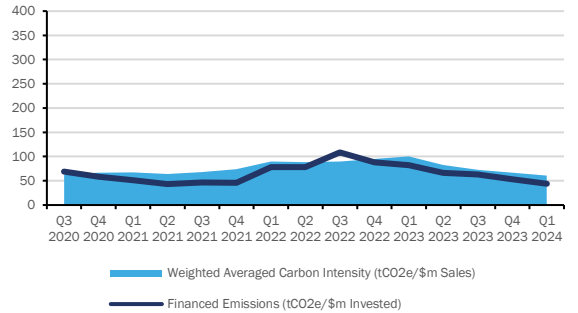
Amber has manufacturing and assembly operations which are labour intensive and rely on in-house manufacturing. The seasonal nature of its business means that workers are more contractual in nature, therefore the Company is exposed to potential labour management challenges. The incorporation of these labour management risks resulted in the downgrade by MSCI to a CCC. The Company needs to further improve its disclosures and reporting on sustainability and is making progress in improving e-waste management and renewable energy application in its operations.



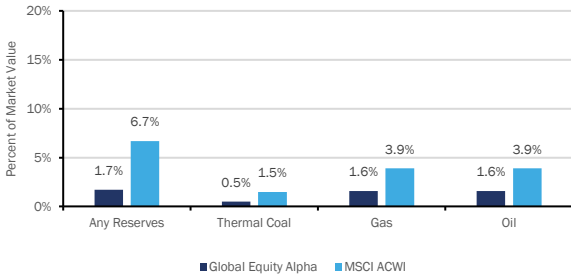
**Carbon Emissions and Intensity<sup>1</sup>**



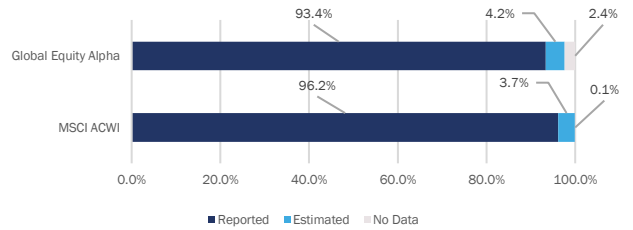
**Carbon Trends<sup>1</sup>**



**Weight of Holdings Owning Fossil Fuel Reserves<sup>1</sup>**



**Availability of Carbon Emissions Data (% of Market Value)<sup>1</sup>**



11

**Largest Contributors to Financed Emissions<sup>1</sup>**

Company	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Heidelberg Materials	0.4%	+0.4%	35.7% <sup>1</sup>	Yes	4
Holcim	0.2%	+0.1%	7.2% <sup>1</sup>	Yes	4
Jet2 plc	0.4%	+0.4%	6.9% <sup>1</sup>	No	N/A
Linde	1.1%	+0.8%	4.2% <sup>1</sup>	No	4
Phillips 66	0.4%	+0.3%	4.1% <sup>1</sup>	Yes	3

**Quarterly Carbon Commentary**

- Consistent with prior quarters, the Fund is materially below the benchmark on all emissions metrics driven by the Fund's relatively smaller holdings in high emitting sectors including oil and gas.
- Financed emission dropped by 16.8% in the quarter. This was largely driven by exiting from easyJet and Southwest Airlines, which in combination accounted for 11.6% of emissions in Q4 2023. There were no new significant positions in high emitting companies resulting in a net reduction across all metrics.

**Feature Stock: Phillips 66**

Phillips 66 is a downstream energy provider with midstream, chemicals, refining, and marketing and specialties businesses. Phillips 66 is well positioned to create financial returns for shareholders owing to its strong market position and robust corporate governance.

Phillips 66 demonstrates awareness of material risks related to the energy transition and is taking action to address these risks. The Company has set targets to reduce its direct (Scope 1 and 2) greenhouse gas emissions and is also investing in non-fossil technologies such as sustainable aviation fuel and biodiesel. As part of this, Phillips 66 has converted an entire refinery in California into a 100% renewable fuels facility. Crucially, the Company has demonstrated that it can make these products profitable. Investing in technologies such as these will not only enable Phillips 66 to make a meaningful contribution to a shift towards lower carbon sources of energy, but crucially ensure its continued ability to create financial value for shareholders as the transition progresses.

<sup>1</sup>Source: MSCI ESG Research 31/03/2024

**Issuers Not Covered <sup>1</sup>**

Reason	ESG (%)	Carbon (%)
Company not covered	2.1%	1.9%
Investment Trust/ Funds	1.3%	0.5%

**Important Information**

The material in this report has been prepared by Border to Coast Pensions Partnership Limited (“Border to Coast”) and is designed for the use of professional investors and provides investor information about this Fund. The MSCI ESG Fund Ratings and material in this document are for information purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy, or investment product. There is no assurance that any socially responsible investing strategy and techniques employed will be successful. Past performance is not a guarantee or reliable indicator of future results. The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested. Border to Coast accepts no liability for any loss or damage arising from any use of, or reliance on, any information provided in this document. Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority (FRN 800511).

Although Border to Coast information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the “ESG Parties”), obtain information (the “Information”) from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use\*, may not be reproduced or re-disseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

11

\* In accordance with the licence agreement between Border to Coast and MSCI

This page is intentionally left blank

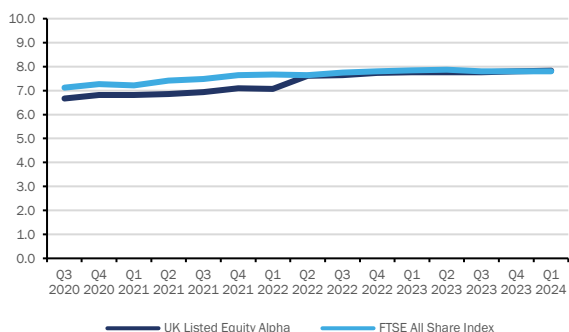
**BORDER TO COAST  
UK LISTED EQUITY  
ALPHA FUND**

ESG & CARBON REPORT

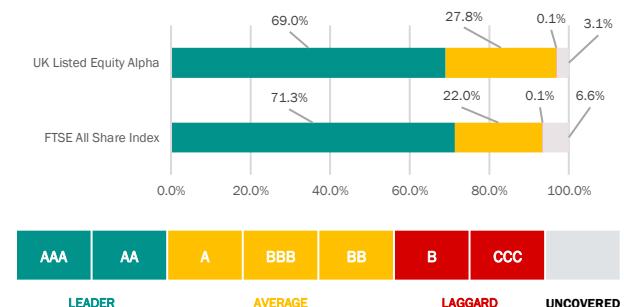


	End of Quarter Position <sup>1</sup>			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark		
<b>UK Listed Equity Alpha</b>	AA <sup>1</sup>	7.8 <sup>1</sup>			Fund has an equal or better <i>Weighted ESG Score</i> than the benchmark.
<b>FTSE All Share Index</b>	AA <sup>1</sup>	7.8 <sup>1</sup>			Fund has a <i>Weighted ESG Score</i> within 0.5 of the benchmark.
					Fund has a <i>Weighted ESG Score</i> more than 0.5 below the benchmark.

**MSCI Weighted Score Trend<sup>1</sup>**



**MSCI ESG Weightings Distribution<sup>1</sup>**



Highest ESG Rated Issuers <sup>1</sup>				Lowest ESG Rated Issuers <sup>1</sup>			
	% Portfolio Weight	% Relative Weight	MSCI Rating		% Portfolio Weight	% Relative Weight	MSCI Rating
Diageo	3.7%	+1.0%	AAA <sup>1</sup>	Young & Cos Brewery	0.1%	+0.1%	B <sup>1</sup>
The Sage Group	2.7%	+2.2%	AAA <sup>1</sup>	FeverTree Drinks	2.8%	+2.8%	BB <sup>1</sup>
Relx	2.7%	-0.1%	AAA <sup>1</sup>	Learning Technologies Group	0.2%	+0.2%	BB <sup>1</sup>
Unilever	2.3%	-1.9%	AAA <sup>1</sup>	Alpha Financial Markets Consulting	0.1%	+0.1%	BB <sup>1</sup>
Burberry Group	2.0%	+1.8%	AAA <sup>1</sup>	CLS Holdings	0.1%	+0.0%	BB <sup>1</sup>

**Quarterly ESG Commentary**

- The Fund's weighted ESG score was stable over the period and remains in-line with the benchmark.
- In the quarter CLS Holding's entered the five lowest rated ESG issuers, dropping from a 'BBB' to a 'BB' rating in the period. CLS is the featured stock this quarter. The Fund saw six entities upgraded with four additional entities now classed as ESG 'leaders'.

**Feature Stock: CLS Holdings**

CLS is an investor in office property in UK, France, and Germany. The Company has a long-term track record of delivering shareholder value through geographical diversification, local expertise, and an active management approach. The Company looks to enhance the value of its office properties by re-development or re-letting and creating suitable, modern spaces that are attractive to new and existing tenants.

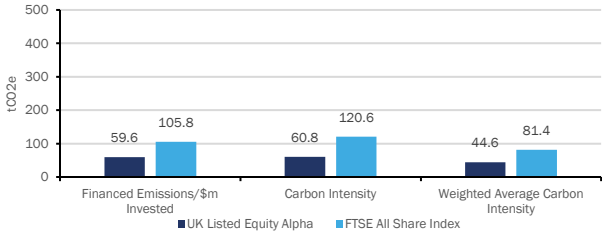
The Company has a family shareholding of over 50% and therefore CLS Holdings scores below peers from a corporate governance perspective in MSCI's ratings. However, the family interests are firmly aligned with nonfamily shareholders and external evaluations of the Board have found no issues with strong independence and challenge evident.

The quarter saw CLS Holdings downgraded to 'BB' from 'BBB' this was driven by the conversion of its UK operations to a Real Estate Investment Trust (REIT) and the change in rating weightings MSCI applied to account for this change. This included an increase in its human capital development-related exposure scores. As REITs are dependent on skilled professionals, staff turnover presents a level of risk. CLS has had a higher staff turnover than the industry average and this was responsible for the downgrade in CLS's ESG rating.

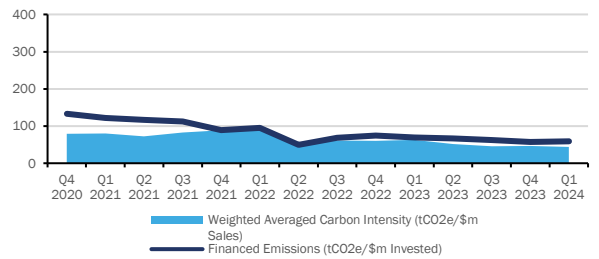
<sup>1</sup>Source: MSCI ESG Research 31/03/2024



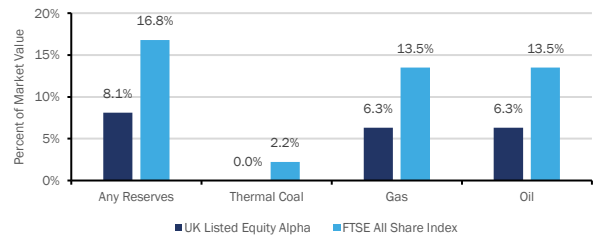
**Carbon Emissions and Intensity<sup>1</sup>**



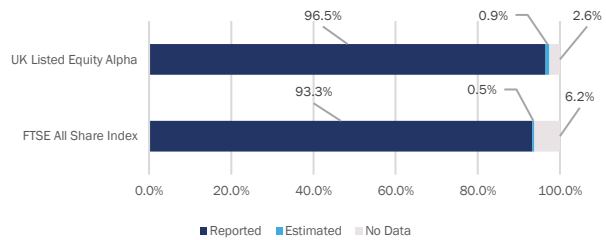
**Carbon Trends<sup>1</sup>**



**Weight of Holdings Owning Fossil Fuel Reserves<sup>1</sup>**



**Availability of Carbon Emissions Data (% of Market Value)<sup>1</sup>**



11

**Largest Contributors to Financed Emissions<sup>1</sup>**

Company	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
easyJet	0.8%	+0.7%	16.9% <sup>1</sup>	No	3
Shell	2.2%	-5.0%	16.0% <sup>1</sup>	Yes	4
BP	2.2%	-1.3%	12.6% <sup>1</sup>	Yes	4*
Wizz Air	0.3%	+0.2%	8.8% <sup>1</sup>	No	3
Anglo American	1.0%	+0.0%	6.7% <sup>1</sup>	Yes	4

**Quarterly Carbon Commentary**

- The quarter's increase in emissions and carbon intensity are driven by the Fund's increased weightings in its highest emission contributors; BP, Shell and easyJet. Despite this, the Fund remains significantly below the benchmark on all emissions metrics due to the underweight position in the energy sector. The Fund's holding in Shell is 5% below the benchmark.
- In the quarter Wizz Air's emissions data in MSCI was updated to reflect the 2023 annual report (31/03/2023). WizzAir's scope 1 and 2 emissions increased by 82% resulting in its rise into the top 5 largest contributors to the Fund's financed emissions. Wizz Air's emissions trend was driven by an 88.3 per cent increase in passengers in FY23 vs FY22 which is consistent with Airline activity following the impact of COVID 19.

**Feature Stock: Wizz Air Holdings**

Wizz Air Holdings Plc provides low cost short and medium haul air transportation across 45 countries in Europe, the Middle East and the Caucasus. Wizz operates as a low cost carrier across a collection of relatively immature markets for air travel, which offer the potential for significant growth.

Wizz currently has one of the youngest, most efficient fleets in the industry resulting in it having one of the lowest CO<sub>2</sub> emissions per passenger kilometer in Europe. Wizz's fleet renewal and composition is key to reaching its 2030 emission intensity reduction target of 25%. Low cost carriers are highly dependent on the innovation pathway of plane manufacturers and on the scaling of sustainable aviation fuel (SAF) supply. An integral step in Wizz's decarbonisation pathway is to secure future SAF supply. Wizz has begun to make direct equity investments in companies scaling SAF production.

<sup>1</sup>Source: MSCI ESG Research 31/03/2024



**Issuers Not Covered <sup>1</sup>**

Reason	ESG (%)	Carbon (%)
Company not covered	3.1%	2.6%
Investment Trust/ Funds	0.0%	0.0%

**Important Information**

The material in this report has been prepared by Border to Coast Pensions Partnership Limited (“Border to Coast”) and is designed for the use of professional investors and provides investor information about this fund. The MSCI ESG Fund Ratings and material in this document are for information purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy, or investment product. There is no assurance that any socially responsible investing strategy and techniques employed will be successful. Past performance is not a guarantee or reliable indicator of future results. The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested. Border to Coast accepts no liability for any loss or damage arising from any use of, or reliance on, any information provided in this document. Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority (FRN 800511).

Although Border to Coast information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the “ESG Parties”), obtain information (the “Information”) from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use\*, may not be reproduced or re-disseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

11

\* In accordance with the licence agreement between Border to Coast and MSCI

This page is intentionally left blank

**BORDER TO COAST  
EMERGING MARKETS EQUITY  
ALPHA FUND**

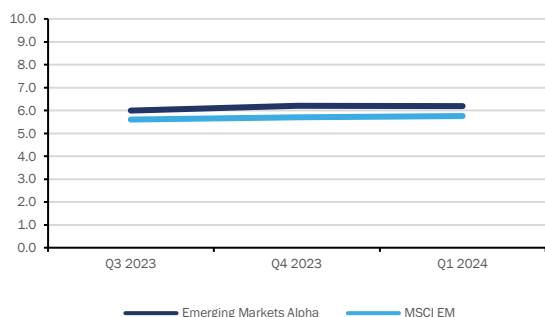
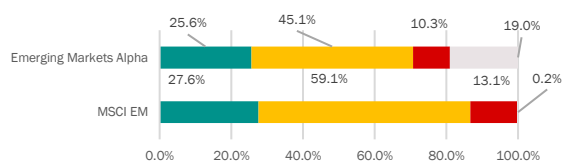
ESG &amp; CARBON REPORT

**Q1  
2024**

MSCI ESG  
RATING  
**A**



	End of Quarter Position <sup>1</sup>			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark		
<b>Emerging Markets Equity Alpha</b>	A <sup>1</sup>	6.2 <sup>1</sup>			Fund has an equal or better <i>Weighted ESG Score</i> than the benchmark.
<b>MSCI Emerging Index</b>	A <sup>1</sup>	5.8 <sup>1</sup>			Fund has a <i>Weighted ESG Score</i> within 0.5 of the benchmark.
					Fund has a <i>Weighted ESG Score</i> more than 0.5 below the benchmark.

MSCI Weighted Score Trend<sup>1</sup>MSCI ESG Weightings Distribution<sup>1</sup>

11

Highest ESG Rated Issuers <sup>1</sup>				Lowest ESG Rated Issuers <sup>1</sup>			
	% Portfolio Weight	% Relative Weight	MSCI Rating		% Portfolio Weight	% Relative Weight	MSCI Rating
Taiwan Semiconductor	10.1%	+1.6%	AAA <sup>1</sup>	Hyundai Motor Company	0.9%	+0.5%	CCC <sup>1</sup>
KB Financial Group	0.4%	+0.1%	AAA <sup>1</sup>	Jiangsu Hengli Hydraulic	0.5%	+0.5%	CCC <sup>1</sup>
Allegro	0.2%	+0.2%	AAA <sup>1</sup>	Saudi Tadawul Group	0.3%	+0.2%	CCC <sup>1</sup>
Samsung Electronics	6.5%	+1.8%	AA <sup>1</sup>	Kweichow Moutai	2.4%	+2.0%	B <sup>1</sup>
Grupo Financiero Banorte	1.1%	+0.7%	AA <sup>1</sup>	PetroChina	0.6%	+0.3%	B <sup>1</sup>

#### Quarterly ESG Commentary

- The Fund's weighted ESG score remains above the benchmark, primarily due to holding a lower proportion of ESG laggards.
- 19% of the Fund is not currently covered by MSCI, compared to 0.2% of the benchmark's holdings. The Fund's weighted ESG score and ESG Rating may be materially altered when further entities come into MSCI's scope.
- The number of 'CCC' rated companies in the Fund fell again this quarter to 3, with 5 companies downgraded and 8 upgraded in the quarter. Shanghai Friendess Electronic Technology received an upgrade to a 'B' from a 'CCC' with the Company being recognised as leading industry peers in monetising clean technology opportunities.

#### Feature Stock: Saudi Tadawul Group

Saudi Tadawul Group (STG) operates the Saudi Stock Exchange and looks set to benefit from the country's Vision 2030 privatisation programme and expansion of the equity market. STG also has opportunities for growth from greater foreign participation in Saudi markets and development in the variety of products and services offered. In developing the Saudi capital market, STG's long-term growth prospects are clearly interlinked with those of Saudi Arabia's.

Through an ESG lens, the country has many challenges. As long-term, growth investors, it is important that we invest for improvement and change, as this unlocks financial and societal value in the long run. The International Monetary Fund points to numerous indicators that Saudi Arabia is heading in a positive direction. From both an energy transition and social development perspective, steps are being taken. That being said there is clearly further to go, particularly with respect to human rights.

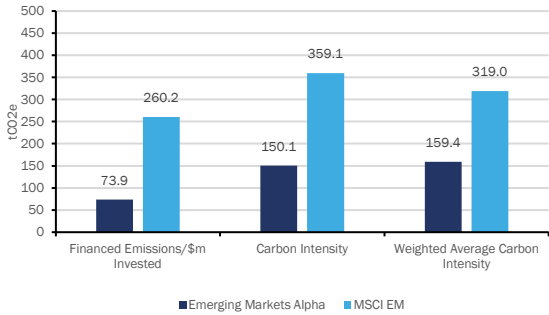
While STG has a low direct impact on these topics, it does have some leverage that it can use. Stock exchanges globally are playing an increasingly important role in promoting sustainable development. They are well placed to connect national markets to global ESG investment trends, and build capacity by promoting ESG standards, products, services, and practices. STG appears to recognise this and is taking action.

**BORDER TO COAST  
EMERGING MARKETS EQUITY  
ALPHA FUND**

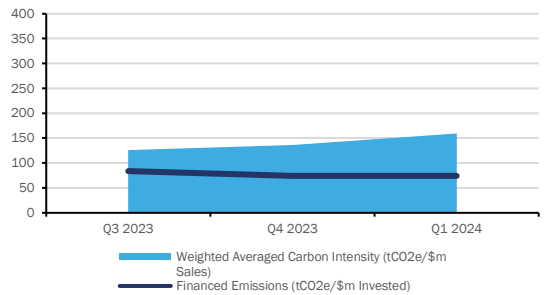
ESG & CARBON REPORT



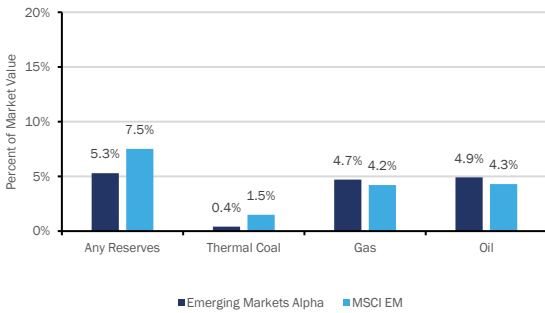
**Carbon Emissions and Intensity<sup>1</sup>**



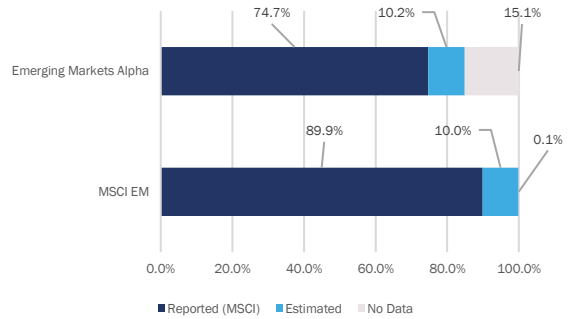
**Carbon Trends<sup>1</sup>**



**Weight of Holdings Owning Fossil Fuel Reserves<sup>1</sup>**



**Availability of Carbon Emissions Data (% of Market Value)<sup>1</sup>**



11



**Largest Contributors to Financed Emissions<sup>1</sup>**

Company	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Cemex	0.4%	+0.2%	18.0% <sup>1</sup>	Yes	4
Petroleo Brasileiro	1.4%	+0.5%	10.3% <sup>1</sup>	Yes	4
UltraTech Cement	0.3%	+0.1%	8.8% <sup>1</sup>	Yes	3
PetroChina	0.6%	+0.3%	6.6% <sup>1</sup>	Yes	3
Samsung Electronics	6.5%	+1.8%	4.9% <sup>1</sup>	Yes	4

**Quarterly Carbon Commentary**

- The Fund remains materially below the benchmark on all metrics. The Fund held a large position in the iShares MSCI India ETF. The emissions from this ETF are not included in the Fund's emissions, and as a result emissions may be currently underestimated.
- Financed emissions and carbon emissions remained stable in the quarter despite significant increases in the benchmark. The Fund's Weighted Average Carbon intensity (WACI) saw a 17% increase largely due to the additions of UltraTech Cement and Emirates Central Cooling Systems. These recent additions are the first and fifth largest contributors to the Fund's WACI.

**Feature Stock: Petrobras**

Petrobras is Brazil's national oil and gas company. The investment is underpinned by the quality of the Company's upstream asset base. The Santos pre-salt discovery is the world's lowest cost source of supply beyond the Middle East and is unusually productive, with relatively low decline rates and levels of carbon intensity. A barrel of pre-salt oil is notably less carbon intensive than the global standard and pre-salt will account for 78% of Petrobras' production by 2027. Petrobras' operations will be an important factor in maintaining Brazil's energy security during the energy transition.

In 2021 Petrobras set a goal of net zero operational emissions by 2050. With new government leadership, Brazil has restored and ramped up its climate commitments providing an opportunity for the Company to increase operational decarbonisation alongside effective capital allocation for new projects. Meeting with the CFO in December 2023 highlighted Petrobras' continued ambitions in oil and gas alongside the acknowledgement of the challenges and opportunities the energy transition brings. The CFO highlighted timelines for contracts and projects, current efforts for zero flaring and methane release and potential opportunities for electrification and hydrogen in operations. Complexities surrounding Petrobras's role in Brazil reinforce the need for some nuance regarding fossil fuel exposure as the energy transition unfolds.

<sup>1</sup>Source: MSCI ESG Research 31/03/2024

**Issuers Not Covered**

Reason	ESG (%) <sup>2</sup>	Carbon (%) <sup>1</sup>
Company not covered	4.8%	3.6%
Investment Trust/ Funds	12.2%	11.5%

**Important Information**

The material in this report has been prepared by Border to Coast Pensions Partnership Limited (“Border to Coast”) and is designed for the use of professional investors and provides investor information about this Fund. The MSCI ESG Fund Ratings and material in this document are for information purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy, or investment product. There is no assurance that any socially responsible investing strategy and techniques employed will be successful. Past performance is not a guarantee or reliable indicator of future results. The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested. Border to Coast accepts no liability for any loss or damage arising from any use of, or reliance on, any information provided in this document. Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority (FRN 800511).

Although Border to Coast information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the “ESG Parties”), obtain information (the “Information”) from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use\*, may not be reproduced or re-disseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

11

\* In accordance with the licence agreement between Border to Coast and MSCI

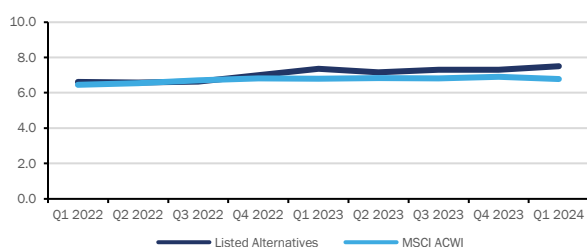
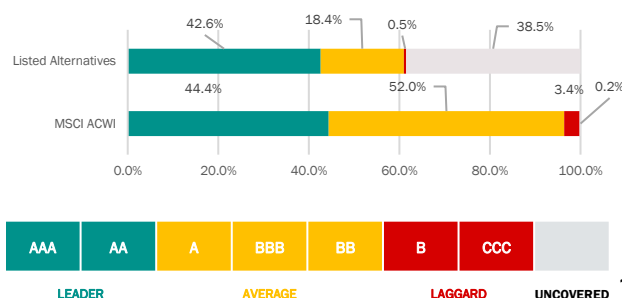
This page is intentionally left blank

**BORDER TO COAST  
LISTED ALTERNATIVES FUND**

ESG &amp; CARBON REPORT

**Q1  
2024**
**MSCI ESG  
RATING  
AA**


	End of Quarter Position <sup>1</sup>			Key
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark	
Listed Alternatives	AA <sup>1</sup>	7.3 <sup>1</sup>		Fund has an equal or better <i>Weighted ESG Score</i> than the benchmark.
MSCI ACWI	A <sup>1</sup>	6.8 <sup>1</sup>		Fund has a <i>Weighted ESG Score</i> within 0.5 of the benchmark.
				Fund has a <i>Weighted ESG Score</i> more than 0.5 below the benchmark.

**MSCI Weighted Score Trend<sup>1</sup>**

**MSCI ESG Weightings Distribution<sup>1</sup>**


Highest ESG Rated Issuers <sup>1</sup>				Lowest ESG Rated Issuers <sup>1</sup>			
	% Portfolio Weight	% Relative Weight	MSCI Rating		% Portfolio Weight	% Relative Weight	MSCI Rating
Iberdrola	2.8%	+2.7%	AAA <sup>1</sup>	Hercules Capital	0.5%	+0.5%	B <sup>1</sup>
3i Group	1.5%	+1.4%	AAA <sup>1</sup>	Blackstone Inc	0.9%	+0.8%	BB <sup>1</sup>
National Grid	1.3%	+1.2%	AAA <sup>1</sup>	KKR	3.5%	+3.4%	BBB <sup>1</sup>
Transurban	1.1%	+1.1%	AAA <sup>1</sup>	Alexandria Real Estate Equities	3.1%	+3.1%	BBB <sup>1</sup>
Orsted A/S	1.1%	+1.1%	AAA <sup>1</sup>	Blackstone Mortgage Trust	0.6%	+0.6%	BBB <sup>1</sup>

**Quarterly ESG Commentary**

- The ESG Weighted score has remained consistent with prior quarters and remains above the benchmark for weighted ESG Score.
- It should be noted that the % holdings not covered by MSCI's ESG data scope is high at 38.5%. The ESG weighted score may materially change as more data becomes available through MSCI.

**Feature Stock: Blackstone Inc**

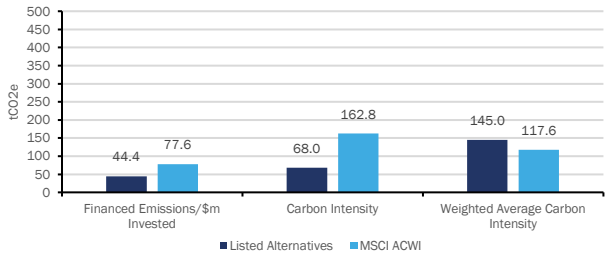
Blackstone represents a best-in-class operator in private markets. Its scale, reputation and history across Real Estate, Private Equity and Credit give it a near insurmountable lead which helps underpin not only its future growth and higher than industry profitability but also its ability to weather market volatility within its specific business units. It is a core holding within the Listed Alternatives portfolio offering both long-term attractive returns but also diversification and low liquidity risk.

Blackstone views Environmental, Social, and Governance (ESG) factors as important for building strong and resilient companies and believes that integrating such factors into the investment process can create long-term value for investors. This means investments are not limited to only ESG-focused investments, but that ESG factors are considered alongside other aspects when making investment decisions. The Company partners with portfolio companies to implement ESG initiatives and good governance practices are a priority within Blackstone itself.

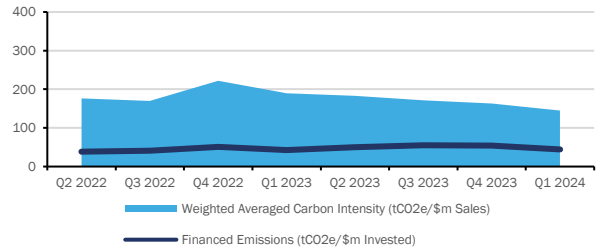
Blackstone has a dedicated ESG team and adheres to international frameworks like the Principles for Responsible Investment (PRI). There is a focus on two areas: decarbonisation and strong governance. For decarbonisation, the Company invests in the energy transition and works to reduce emissions within portfolio companies. Regarding governance, the Company emphasises transparency and ethical business practices throughout the firm and portfolios.



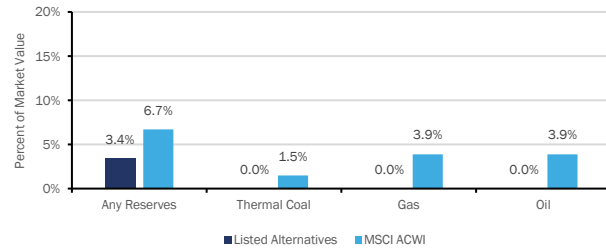
**Carbon Emissions and Intensity<sup>1</sup>**



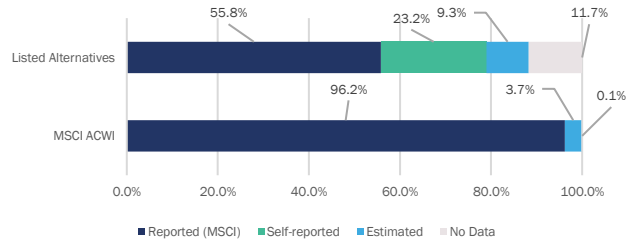
**Carbon Trends<sup>1</sup>**



**Weight of Holdings Owning Fossil Fuel Reserves<sup>1</sup>**



**Availability of Carbon Emissions Data (% of Market Value)<sup>1</sup>**



11

**Largest Contributors to Financed Emissions<sup>1</sup>**

Company	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
NextEra Energy	3.0%	+2.9%	24.8% <sup>1</sup>	Yes	4
Cheniere Energy	3.4%	+3.4%	23.3% <sup>1</sup>	No	4
Enbridge	2.7%	+2.6%	12.7% <sup>1</sup>	No	3
Iberdrola	2.8%	+2.7%	12.2% <sup>1</sup>	Yes	4
Eurazeo SE	1.7%	+1.7%	5.6% <sup>1</sup>	No	N/A

**Quarterly Carbon Commentary**

- When factoring in company reported data outside of MSCI data the Fund maintained emissions significantly below the benchmark for carbon emissions and carbon intensity.
- There was a significant fall across all carbon metrics this quarter. This was driven by Cheniere Energy where reported emissions replaced last quarters estimate resulting in a 52% drop in the Company's emissions. Cheniere Energy is included as this quarters' Feature Stock.

**Feature Stock: Cheniere Energy**

Cheniere Energy is a world-leading producer of Liquefied Natural Gas (LNG). About 80% of LNG volume is through long-term contracts of typically 10-15 years in length. The Company aims to minimise exposure to gas prices by linking prices to gas indexes and collecting a liquefaction fee as the difference between two index pegs. As most volume is sold through long-term agreements, future sales are largely secure.

While legacy fossil fuels are clearly not the long-term solution to global energy sustainability, LNG is a critical transition fuel that has a major part to play in reducing coal-fired power generation in emerging markets, particularly Asia. Even accounting for transportation, LNG is a cleaner source of energy than thermal coal and has a major advantage in respect to particulate pollution, a key source of mortality in China and other parts of Asia. Cheniere is at the forefront of emissions analysis and has a strong reputation for the quality of its environment oversight. Moreover, Cheniere operates in the strongly regulated US gas market which gives it a major governance advantage versus its Qatari competitors.

While Cheniere Energy has not yet set a net zero target it is ahead of many US LNG distribution peers having reported annual climate disclosures in line with TCFD recommendations. Cheniere also published a Climate Scenario Analysis Report as early as 2021 in which it shows a robust business model under well-below 2°C scenarios and high carbon prices (such as the IEA Sustainable Development Scenario).



**Issuers Not Covered <sup>1</sup>**

Reason	ESG (%)	Carbon (%)
Company not covered	15.5%	5.6%
Investment Trust/ Funds	23.0%	6.1%

**Important Information**

The material in this report has been prepared by Border to Coast Pensions Partnership Limited (“Border to Coast”) and is designed for the use of professional investors and provides investor information about this fund. The MSCI ESG Fund Ratings and material in this document are for information purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy, or investment product. There is no assurance that any socially responsible investing strategy and techniques employed will be successful. Past performance is not a guarantee or reliable indicator of future results. The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested. Border to Coast accepts no liability for any loss or damage arising from any use of, or reliance on, any information provided in this document. Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority (FRN 800511).

Although Border to Coast information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the “ESG Parties”), obtain information (the “Information”) from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use\*, may not be reproduced or re-disseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

11

\* In accordance with the licence agreement between Border to Coast and MSCI

This page is intentionally left blank

**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE: 21 JUNE 2024****LEAD OFFICER: ANNA D'ALESSANDRO, INTERIM EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICES****SUBJECT: INVESTMENT STRATEGY – FIDUCIARY DUTY AND INVESTMENT BELIEFS****SUMMARY OF ISSUE:**

Investment decisions made by the Pension Fund Committee must be within the regulations, in accordance with fiduciary duty and aligned with agreed investment beliefs.

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Committee (Committee):

1. Establish a sub-committee to consider how the Committee's fiduciary duty in law relates to the objectives of the Fund and reaffirm investment beliefs.
2. Accept the proposed agenda for the sub-committee sessions.
3. Agree any proposed changes to the investment beliefs by the sub-committee be brought back to Committee for consideration.

**REASON FOR RECOMMENDATIONS:**

To allow the sub-committee to consider fiduciary duty and investment beliefs in relation to existing and new investment propositions.

**BACKGROUND:**

4. Committee Members must make decisions that are within the regulations, in accordance with fiduciary duty and aligned to the agreed investment beliefs. The proposed training and discussions are aimed to establish the parameters of the factors above to enable effective decision making.

**DETAILS:**

5. It is proposed that the sub-committee meet on three occasions to consider the following agenda.
6. Session 1, Legal Requirements / Framework - July / August, hybrid
  - a. Current Fund Objectives and Investment Beliefs
  - b. Surrey Pension Fund and the UN Sustainable Development Goals
  - c. Regulations – General / LGPS
  - d. Fiduciary Duty
7. Session 2, Interpretation for Investment Themes - 13 September, before Committee meeting
  - a. Spectrum of capital, from profit only to philanthropy
  - b. Positioning of the RI policy relative to the spectrum of capital
  - c. Emerging Investment Themes
    - i. Levelling up
    - ii. Impact
    - iii. Local / Place-based
8. Session 3, Review of current Investment Beliefs - October off-site
  - a. Fiduciary recap
  - b. Potential new investment beliefs

**CONSULTATION:**

9. The Chair of the Pension Fund Committee has been consulted on this report.

**RISK MANAGEMENT AND IMPLICATIONS:**

10. The consideration of risk related issues, including investment, governance, and reputational risk, are an integral part of this project and will be considered as part of the project development.

**FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

11. There are financial and value for money implications contained in this report.

**INTERIM EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICES COMMENTARY**

12. The Interim Executive Director, Finance and Corporate Services is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

**LEGAL IMPLICATIONS – MONITORING OFFICER**

13. There are no legal implications or legislative requirements.

**EQUALITIES AND DIVERSITY**

14. There are no equality or diversity issues.

**OTHER IMPLICATIONS**

15. There are no potential implications for council priorities and policy areas.

**WHAT HAPPENS NEXT**

16. The following next steps are planned:

- a. Arrange each of the sessions - timing and presenters
- b. Determine if the current investment beliefs need to be updated

---

**Contact Officer:**

Lloyd Whitworth, Head of Investment & Stewardship

**Consulted:**

Pension Fund Committee Chair

**Annexes:****Sources/background papers:**

This page is intentionally left blank

**SURREY COUNTY COUNCIL****PENSION FUND COMMITTEE****DATE: 21 JUNE 2024****LEAD OFFICER: ANNA D'ALESSANDRO, INTERIM EXECUTIVE DIRECTOR,  
FINANCE AND CORPORATE SERVICES****SUBJECT: COMPETITION & MARKETS AUTHORITY (CMA): INVESTMENT  
CONSULTANT STRATEGIC OBJECTIVES****SUMMARY OF ISSUE:**

Local Government Pension Schemes (LGPS) are required to set strategic objectives for their Investment Consultant (IC) Provider and monitor performance against these objectives at least every three years.

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Committee:

- 1) Approve the updated Strategic Objectives for the IC of the Fund in line with CMA requirements.

**REASON FOR RECOMMENDATIONS:**

Performance monitoring of the IC meets CMA requirements and is consistent with the Fund's strategic investment objectives.

**DETAILS:**

1. At its meeting of 10 December 2021, the Surrey Pension Fund Committee approved the Strategic Objectives of the IC in line with CMA requirements, having previously agreed service level criteria on the IC's reappointment.
2. The CMA's expectation is that IC objectives will be reviewed at least every three years. At the December 2023 Committee meeting it was agreed that any revised objectives for the IC would be brought to the June 2024 Committee meeting.
3. The revised objectives are attached in Annexe 1. It is recommended that Objectives 8 and 12 be deleted, that 15 and 16 be merged and 17 have new wording.
4. The revised service level criteria are attached in Annexe 2. It is recommended that criteria i, l, o and p be removed as they are being fulfilled by the Responsible Investment consultant and/or officers.

## **CONSULTATION:**

5. The Chair of the Pension Fund Committee has been consulted on this report.

## **RISK MANAGEMENT AND IMPLICATIONS:**

6. Risk management implications of the strategic objectives could involve how the IC advises the Fund in monitoring the risk attrition of its portfolio.

## **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

7. There could be financial and value for money implications should the IC not meet its strategic objectives.

## **INTERIM EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICES COMMENTARY**

8. The Interim Executive Director, Finance and Corporate Services is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

## **LEGAL IMPLICATIONS – MONITORING OFFICER**

9. It is a legislative requirement to set and monitor performance against IC strategic objectives as part of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

## **EQUALITIES AND DIVERSITY**

10. There are no equality or diversity issues.

## **OTHER IMPLICATIONS**

11. There are no potential implications for council priorities and policy areas.

## **WHAT HAPPENS NEXT**

12. The following next steps are planned:

Assess performance of the IC versus the objectives. To be carried out in respect of 2024 and presented to the Committee at its meeting of 13 December 2024.

---

### **Contact Officer:**

Lloyd Whitworth, Head of Investment & Stewardship

### **Consulted:**

Pension Fund Committee Chair

### **Annexes:**

1. Annexe 1 – Updated Strategic Objectives
2. Annexe 2 – Updated Service Level Criteria



**Sources/background papers:**

---

This page is intentionally left blank

Strategic Objectives for Investment Consultants (IC)				
The Trustees and those responsible for managing the Fund, seeks to ensure that it has sufficient assets to be able to meet its long term obligations to pay pensions to the Fund's members. It also has an objective to maintain employer contribution rates as reasonably stable and affordable as possible.				
Objectives as agreed at PFC Dec 2021 (Annexe 1)		Examples from Mercer Reappointment Criteria July 2021	Score (1-5)	Comments
#	Alignment of services with the Objective of the Fund			
1	The IC Provider should take into account the objective of the Fund, and in doing so, will give due consideration to relevant circumstances of the Fund when advising in its interests. Those relevant circumstances include, but are not limited to, the contributions policy, developments in the funding level of the Fund from whatever cause, the tolerance for investment risk of the Fund and the employers, economic and market conditions and outlook	<ul style="list-style-type: none"> <li>a) Review of investment strategy including strategic and tactical asset allocation to include a full range of asset classes including alternative investments and emerging products and services</li> <li>b) Investment beliefs</li> <li>c) The use of overlays</li> <li>d) Risk management and reporting</li> <li>e) Setting appropriate performance targets and benchmarks</li> <li>f) Working with the Fund Actuary to undertake asset liability modelling as required</li> <li>g) Working with the Fund Actuary on an on-going basis in respect of the integrated management of fund assets and liabilities</li> </ul>		
2	The IC Provider should consider the fiduciary duty of the Fund to act in the best interests of pension members as per the objective of the Fund, and consider Environmental, Social and Governance (ESG) factors and stewardship risks when providing advice			
3	The IC Provider should avoid potential conflicts of interest between the objectives of the IC Provider and the objectives of the Fund			
<b>Investment strategy objective</b>				
4	Where applicable, the IC Provider should guide the Fund in determining appropriate strategic investment objectives to achieve optimal funding levels to meet liabilities. This can be achieved through improved performance or management of investment risk over the long term	<ul style="list-style-type: none"> <li>a) Review of investment strategy including strategic and tactical asset allocation to include a full range of asset classes including alternative investments and emerging products and services</li> <li>b) Investment beliefs</li> <li>c) The use of overlays</li> <li>d) Risk management and reporting</li> <li>e) Setting appropriate performance targets and benchmarks</li> <li>f) Working with the Fund Actuary to undertake asset liability modelling as required</li> <li>g) Working with the Fund Actuary on an on-going basis in respect of the integrated management of fund assets and liabilities</li> <li>j) Advising on the investment market and solutions (at a strategic and fund investment strategy level) based upon the application of current market intelligence (or advising on investment markets and the outlook for different asset classes)</li> </ul>		
5	The IC Provider should develop an investment strategy robust enough in steering through volatile market movements which can impact asset and liability values	<ul style="list-style-type: none"> <li>a) Review of investment strategy including strategic and tactical asset allocation to include a full range of asset classes including alternative investments and emerging products and services</li> <li>b) Investment beliefs</li> <li>c) The use of overlays</li> <li>d) Risk management and reporting</li> <li>e) Setting appropriate performance targets and benchmarks</li> <li>f) Working with the Fund Actuary to undertake asset liability modelling as required</li> <li>j) Advising on the investment market and solutions (at a strategic and fund investment strategy level) based upon the application of current market intelligence (or advising on investment markets and the outlook for different asset classes)</li> </ul>		
6	The IC Provider should advise the Fund on setting a strategic asset allocation that is well diversified and expected to generate returns in excess of the expected rise of the Fund's liabilities	<ul style="list-style-type: none"> <li>a) Review of investment strategy including strategic and tactical asset allocation to include a full range of asset classes including alternative investments and emerging products and services</li> <li>b) Investment beliefs</li> <li>e) Setting appropriate performance targets and benchmarks</li> <li>f) Working with the Fund Actuary to undertake asset liability modelling as required</li> <li>g) Working with the Fund Actuary on an on-going basis in respect of the integrated management of fund assets and liabilities</li> <li>j) Advising on the investment market and solutions (at a strategic and fund investment strategy level) based upon the application of current market intelligence (or advising on investment markets and the outlook for different asset classes)</li> </ul>		
7	The IC Provider should, when advising on the overall level of risk in the strategic asset allocation, take into consideration the Fund's current risk appetite	<ul style="list-style-type: none"> <li>a) Review of investment strategy including strategic and tactical asset allocation to include a full range of asset classes including alternative investments and emerging products and services</li> <li>b) Investment beliefs</li> <li>c) The use of overlays</li> <li>d) Risk management and reporting</li> <li>j) Advising on the investment market and solutions (at a strategic and fund investment strategy level) based upon the application of current market intelligence (or advising on investment markets and the outlook for different asset classes)</li> </ul>		
8	The IC Provider should advise the Fund in maintaining sufficient liquid resources to meet its ongoing obligations	<ul style="list-style-type: none"> <li>a) Review of investment strategy including strategic and tactical asset allocation to include a full range of asset classes including alternative investments and emerging products and services</li> <li>b) Investment beliefs</li> <li>g) Working with the Fund Actuary on an on-going basis in respect of the integrated management of fund assets and liabilities</li> <li>j) Advising on the investment market and solutions (at a strategic and fund investment strategy level) based upon the application of current market intelligence (or advising on investment markets and the outlook for different asset classes)</li> </ul>		
9	The IC Provider should advise the Fund on new investment opportunities and emerging risks and periodically propose amendments to the investment strategy where appropriate	<ul style="list-style-type: none"> <li>a) Review of investment strategy including strategic and tactical asset allocation to include a full range of asset classes including alternative investments and emerging products and services</li> <li>b) Investment beliefs</li> <li>c) The use of overlays</li> <li>d) Risk management and reporting</li> <li>j) Advising on the investment market and solutions (at a strategic and fund investment strategy level) based upon the application of current market intelligence (or advising on investment markets and the outlook for different asset classes)</li> </ul>		

Objectives as agreed at PFC Dec 2021 (Annexe 1)		Examples from Mercer Reappointment Criteria July 2021	Score (1-5)	Comments
#	Investment manager selection objective			
10	The IC Provider should make recommendations on the appointment and retention of suitable investment managers and also on construction of prospective sub funds within the Border to Coast Pensions Partnership (BCPP), which are consistent with the Fund's strategic objectives	<ul style="list-style-type: none"> <li>a) Review of investment strategy including strategic and tactical asset allocation to include a full range of asset classes including alternative investments and emerging products and services</li> <li>b) Investment beliefs</li> <li>e) Setting appropriate performance targets and benchmarks</li> <li>j) Advising on the investment market and solutions (at a strategic and fund investment strategy level) based upon the application of current market intelligence (or advising on investment markets and the outlook for different asset classes)</li> <li>n) Advising on Pooled Fund design when transitioning assets to Border to Coast Pensions Partnership</li> </ul>		
11	The IC Provider should recommend investment managers/ sub funds that the IC Provider believes have a high degree of confidence in achieving the objective set for the investment manager after fees over a market cycle	<ul style="list-style-type: none"> <li>a) Review of investment strategy including strategic and tactical asset allocation to include a full range of asset classes including alternative investments and emerging products and services</li> <li>b) Investment beliefs</li> <li>c) The use of overlays</li> <li>d) Risk management and reporting</li> <li>e) Setting appropriate performance targets and benchmarks</li> <li>j) Advising on the investment market and solutions (at a strategic and fund investment strategy level) based upon the application of current market intelligence (or advising on investment markets and the outlook for different asset classes)</li> </ul>		
<b>Implementation objective</b>				
12	The IC Provider should assist with achieving timely and cost-effective implementation of the Fund's investment decisions where appropriate, also in the context of current market conditions	<ul style="list-style-type: none"> <li>a) Review of investment strategy including strategic and tactical asset allocation to include a full range of asset classes including alternative investments and emerging products and services</li> <li>b) Investment beliefs</li> <li>d) Risk management and reporting</li> <li>j) Advising on the investment market and solutions (at a strategic and fund investment strategy level) based upon the application of current market intelligence (or advising on investment markets and the outlook for different asset classes)</li> </ul>		
<b>Investment Strategy Statement</b>				
13	The IC Provider should provide guidance on any matters in respect of which the Fund is required by law to seek advice in relation to the preparation or revision of the Fund's Investment Strategy Statement	<ul style="list-style-type: none"> <li>a) Review of investment strategy including strategic and tactical asset allocation to include a full range of asset classes including alternative investments and emerging products and services</li> <li>b) Investment beliefs</li> <li>h) Advising on the Investment Strategy Statement and other statutory policy or reporting requirements including monitoring, reporting and assessment of investment management service providers</li> </ul>		
<b>Breaches of Law</b>				
14	The IC Provider has a legal duty to report any breaches of law, in relation to its investments, if they have reason to believe there has been a breach made by the Fund that is likely to be of material significance to the Pensions Regulator			
<b>Monitoring objective</b>				
15	Monitoring current legacy manager and asset class performance, and advising courses of action as and when required. Monitor design, structure and performance of investment funds and comment and advise courses of action when necessary	<ul style="list-style-type: none"> <li>a) Review of investment strategy including strategic and tactical asset allocation to include a full range of asset classes including alternative investments and emerging products and services</li> <li>b) Investment beliefs</li> <li>e) Setting appropriate performance targets and benchmarks</li> <li>n) Advising on Pooled Fund design when transitioning assets to Border to Coast Pensions Partnership</li> </ul>		
16	Monitoring performance of Fund Managers, asset classes of BCPP Sub-funds, and advising courses of action as and when required	<ul style="list-style-type: none"> <li>e) Setting appropriate performance targets and benchmarks</li> <li>n) Advising on Pooled Fund design when transitioning assets to Border to Coast Pensions Partnership</li> </ul>		
17	Monitoring the liquidity of the Fund in meeting its ongoing obligations and at what stage the Fund should begin to improve its cash flow requirements. Advise on potential asset allocation changes and income drawdown strategies in response to actuarial cash flow requirement forecasts	<ul style="list-style-type: none"> <li>a) Review of investment strategy including strategic and tactical asset allocation to include a full range of asset classes including alternative investments and emerging products and services</li> <li>b) Investment beliefs</li> <li>d) Risk management and reporting</li> <li>g) Working with the Fund Actuary on an on-going basis in respect of the integrated management of fund assets and liabilities</li> </ul>		
18	Monitoring current risk attrition of the Fund's portfolio in relation to its risk appetite and advising when the Fund should increase/ decrease risk in its portfolio	<ul style="list-style-type: none"> <li>b) Investment beliefs</li> <li>d) Risk management and reporting</li> </ul>		
19	General attendance, participation and response times	<ul style="list-style-type: none"> <li>k) Attend meetings and provide training to members of the pensions committee, local pension boards, officers etc in support of maintaining high standards of investment governance</li> </ul>		

Mercer Reappointment Service Level Criteria July 2021
a) Review of investment strategy including strategic and tactical asset allocation to include a full range of asset classes including alternative investments and emerging products and services.
b) Investment beliefs.
c) The use of overlays.
d) Risk management and reporting.
e) Setting appropriate performance targets and benchmarks.
f) Working with the Fund Actuary to undertake asset liability modelling as required.
g) Working with the Fund Actuary on an on-going basis in respect of the integrated management of fund assets and liabilities.
h) Advising on the Investment Strategy Statement and other statutory policy or reporting requirements including monitoring, reporting and assessment of investment management service providers.
<del>i) Advising on Responsible Investment and Stewardship policies which set how Social, Environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments on the exercise of the rights (including voting rights attached to investments).</del>
j) Advising on the investment market and solutions (at a strategic and fund investment strategy level) based upon the application of current market intelligence (or advising on investment markets and the outlook for different asset classes).
k) Attend meetings and provide training to members of the pensions committee, local pension boards, officers etc.in support of maintaining high standards of investment governance.
<del>l) Review and selection of Additional Voluntary Contributions providers.</del>
m) Climate risk reporting and scenario analysis in line with the Task Force for Climate Related Financial Disclosures (TCFD).
n) Advising on Pooled Fund design when transitioning assets to Border to Coast Pensions Partnership.
<del>o) Advising on compliance with the Stewardship Code.</del>
<del>p) Advising on the Fund's compliance in aligning its investment approach against the United Nations Sustainable Development Goals.</del>

This page is intentionally left blank

## SURREY COUNTY COUNCIL

## SURREY PENSION FUND COMMITTEE



DATE: 21 JUNE 2024

LEAD OFFICER: ANNA D'ALESSANDRO, INTERIM EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICES

SUBJECT: LGPS UPDATE (BACKGROUND PAPER)

**SUMMARY OF ISSUE:**

This report considers recent developments in the Local Government Pension Scheme (LGPS).

**RECOMMENDATIONS:**

The Pension Fund Committee (Committee) is asked to note the contents of this report.

**REASON FOR RECOMMENDATIONS:**

The report provides background information for the Committee.

**DETAILS:****Highlights**

1 <b>Letter from Simon Hoare MP</b>	On 15 May 2024, Simon Hoare MP (Minister for Local Government) wrote to the CEOs and Section 151 officers of LGPS Funds regarding efficiencies in the LGPS. More information can be found in paragraphs 5 to 7.
2 <b>Abolition of Lifetime Allowance (LTA)</b>	The Local Government Association (LGA) publish guidance to assist funds. More information on the abolition of LTA in paragraphs 2 and 29 to 33.
3 <b>Annual Report Guidance issued</b>	The Scheme Advisory Board (SAB) have updated The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance, last issued in 2019. More information can be found in paragraph 15.
4 <b>2020 Cost Control Valuation published</b>	Following publication, the Government is not proposing changes to scheme benefits. More information can be found in paragraph 20.

**LGPS updates**

1. The LGPS Governance conference took place on 18 and 19 January in York and the LGA would like to thank all speakers and attendees who joined in person or online. The 2025 Governance conference will take place in Bournemouth on 30 and 31 January 2025.

Those wishing to attend the next conference, either in person or online, can [register their interest](#).

2. The LGA, in conjunction with Aon, have produced an administrators guide following the abolition of the Lifetime Allowance, together with a 'previous pension benefits declaration form'. These represent the LGA's understanding of the Finance Act 2024, the Pension Tax Manual (PTM), along with HMRC's newsletters and frequently asked questions. The guide has had a few updates since and confirms His Majesty's Revenue and Customs (HMRC) have advised the new method of valuing crystallised rights when assessing if a trivial commutation lump sum can be paid is under review.
3. The Education and Skills Funding Agency has released new [LGPS guidance for Academies](#). Key areas of the guidance are an LGPS overview, regular valuations, LGPS academy guarantee from the Department for Education, pooling, academy conversions and transfers and engaging with the LGPS.
4. The LGA have setup a new webpage to advertise current [LGPS vacancies](#), which they plan to update every Monday. The LGPS investment pool Border to Coast has produced a short video that can be found on the webpage to help encourage interest in working in the LGPS, talking about the work of the funds and the importance of the LGPS for its members.

#### **Letter from the Minister for Local Government**

5. On 15 May 2024, Simon Hoare MP (Minister for Local Government) wrote to the CEOs and Section 151 officers of LGPS Funds regarding efficiencies in the LGPS (see Annex 1).
6. The ask from the minister is to gather information from Funds on the progress of asset pooling in the LGPS and the views of Funds on the opportunities for further efficiencies in the scheme.
7. Senior pension fund officers are working in concert with our 10 local authority partners of our jointly owned asset pool, Border to Coast, to address this.

#### **McCloud**

8. The Teachers' Pension Scheme (TPS) has produced a [video for employers](#) about excess service in the TPS, explaining what this means for affected members, together with an explanation of what employers need to do if they are contacted by TPS for affected members.
9. [The Public Service Pensions \(Exercise of Powers, Compensation and Information\) \(Amendment\) Directions 2024](#) came into force on 21 March 2024, amending the 2022 Directions. For the LGPS they delete the requirement setting out the interest rate to apply on an amount owed by a member to the scheme and the direction for netting this off as it was deemed unnecessary for the LGPS.
10. A closed consultation on draft McCloud statutory guidance was issued by DLUHC. The draft guidance covers issues relating to data collection and verification, identifying members in scope, prioritisation and compensation.
11. His Majesty's Revenue and Customs (HMRC) published [pension schemes newsletter 158](#) which covered the consequences of abolishing the Lifetime Allowance (LTA) on the McCloud remedy.



12. HMRC confirmed in [newsletter 159](#) an update to previous guidance issued regarding the tax treatment of interest payments on arrears as a result of a McCloud recalculation. The update confirms if the interest is paid on an authorised payment the whole interest payment will be an authorised payment.

### **Scheme Advisory Board (SAB)**

13. Following receipt of the commissioned report on Sharia Law and the LGPS from an Islamic finance expert, the SAB asked Counsel to further update their initial legal advice to address the outstanding questions from the initial advice before the receipt of the report. A summary of Counsel's advice can be found in the [Legal Opinions and Summaries page](#) of the SAB website, although the key message is that the legal risk of a case being successfully brought against a Scheme employer in an Employment Tribunal on the basis of indirect discrimination, or judicial review against an administering authority, or DLUHC for breach of the public sector equality duty, remains extremely low.
14. The SAB held a webinar on 6 March 2024 focusing on the new General Code of Practice which came into force on 27 March 2024, and there is a [recording of the webinar](#).
15. The SAB have reviewed and identified changes required to the 2019 The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance to bring this up to date and issued the [Annual Report Guidance](#). The guidance should be used for producing the 2023/24 Annual Reports, but it is acknowledged Funds may not be able to report on the new requirements in time for the annual reports that must be published by 1 December 2024 therefore best endeavours should apply. The SAB have published a [short document](#) giving a high-level overview of the key areas in the new guidance where there have been significant changes or new reporting added and the LGPS Live also addressed the new guidance on 10 April 2024. A recording of the session is available on the [LGPS Live website](#).
16. The next guidance the SAB Compliance and Reporting Committee (CRC) will work on will be the Funding Strategy Statement (FSS) guidance which was last updated in 2016.
17. On 20 February 2024 the LGA published a [further briefing](#) on the [Economic Activity of Public Bodies \(Overseas\) Matters Bill](#), together with a [technical briefing](#) published on 12 April 2024. These include matters raised in previous briefings, some suggested amendments the LGA would support and concerns about the Bill. The Bill is at [Committee stage](#) and discussed for a second time in the House of Lords on 17 April 2024. A recording of the session is available on [parliamentlive.tv](#), with the discussion starting from 16:28:35. The Bill seeks to ban administering authorities from making investment decisions influenced by political or moral disapproval of foreign state conduct, except where this is required by formal Government legal sanctions, embargoes and restrictions. To date none of the amendments proposed by peers, or the LGA, have been incorporated into the Bill.
18. The SAB together with the Institute for Chartered Accountants in England and Wales have commissioned an information note, to assist employers, administering authorities and auditors, which will set out the timeline and information flow for triennial valuation and the international accounting standard (IAS19), with the hope of this being available before this Summer.

19. The SAB [responded](#) to the Department for Levelling Up, Housing and Communities (DLUHC) [consultation on addressing the local audit backlog in England](#). This proposes to introduce a backstop date in order to allow those who prepare and audit local body accounts to focus on more current financial periods, replacing the duty for local bodies to publish a delay notice where the audit had not been concluded.
20. On 11 April 2024, the Government Actuary's Department published the [2020 cost control valuation](#) for the LGPS (England and Wales), which found the core 'cost cap' fell outside the 3% corridor, being 3.2% below the target cost. The new 'economic cost cap cost' also fell outside the 3% corridor, being 7.3% above the target cost. Overall, this means the mechanism as a whole is not breached therefore the Government is not proposing to make any changes to scheme benefits. The SAB are required to undertake a scheme cost assessment and the final report will be published shortly. Having already seen the initial results the SAB have agreed they are not minded in recommending to the Secretary of State any changes to scheme benefits through that process. More information can be found on the [SAB website](#).

### **Pensions Dashboard Programme (PDP)**

21. The PDP have published a [blog](#) on the central digital architecture, setting out what this is and how it works, together with a [blog](#) on addressing some common questions.
22. The PDP published its ninth [progress update report](#) on 26 April 2024, which looks back at the achievements since October 2023, together with looking ahead on focus areas for the next six months.
23. Recordings of previous webinars hosted by the PDP, along with the slides and Questions and Answers can be found [here](#).
24. The Financial Reporting Council (FRC) published a revised version of the [Actuarial Standard Technical Memorandum](#) (AS TM1) following a consultation in November 2023. Whilst the AS TM1 specifies the assumptions and methods to be used in statutory money purchase illustrations (SMPIs), these are used by LGPS AVC providers to project the AVC estimated retirement income and is data that will be shown on the Pensions Dashboard.
25. The Department for Work and Pensions (DWP) released guidance on the staged timetable accompanied by a written ministerial statement on 25 March 2024. This sets out the revised staging timetable for scheme connections to the dashboard ecosystem. The last connection date is 31 October 2026, public service pension schemes must connect by 31 October 2025 (originally in regulations this was 30 September 2025).
26. Following the above, the DWP published an update to the [guidance on deferred connection](#) to the Pensions Dashboards which sets out the issues that should be considered if an application for a deferral to the connection deadline is made.
27. The Pensions Regulator (TPR) have published a ['Check your connect by date' tool](#) to enable administrators work out their connection date to the dashboard's ecosystem. For the LGPS the connection date is 31 October 2025.
28. On 27 March 2024 the Financial Conduct Authority (FCA) launched a consultation, which closed on 8 May 2024, on [new guidance for firms intending to offer dashboards to customers](#).

## His Majesty's Treasury (HM Treasury)

29. On 22 February 2024, the Finance Bill 2023/24 received Royal Assent to become the [Finance Act 2024](#). This fully removes the Lifetime Allowance (LTA) from 6 April 2024 and introduces new lump sum limits to restrict the amount of tax-free cash an individual can take over their lifetime. These new limits are:
- a) the Lump Sum Allowance (LSA), with a limit of £268,275 and includes lump sum payments such as a pension commencement lump sum (PCLS) and uncrystallised funds pension lump sum (UFPLS),
  - b) the Lump Sum and Death Benefit Allowance (LSDBA), with a limit of £1,073,100 and includes PCLS, UFPLS, serious ill health lump sums (SIHLS) and authorised lump sum death benefits,
  - c) the Overseas Transfer Allowance (OTA), with a limit of £1,073,100 and includes transfers to Qualifying Recognised Overseas Pension Schemes (QROPS).
30. In addition, Benefit Crystallisation Events (BCE) are also removed and replaced on 6 April 2024 by Relevant Benefit Crystallisation Events (RBCE). Where a RBCE takes place on or after 6 April 2024 differing checks must now be undertaken to ensure the payment of either a lump sum, death benefit lump sum or QROPS transfer, remains within the member's available allowance limit. Members with LTA protections will be afforded the lump sum limit in accordance with the relevant protection. In order to undertake the checks, further information is required from members detailing past pension events that took place prior to 6 April 2024 and relevant tax-free lump sum payments received on or after 6 April 2024. For pension events occurring before 6 April 2024 a standard transitional calculation is performed on the basis the member took 25% of their used LTA as a tax-free lump sum. Members can apply for a Transitional Tax-Free Amount Certificate (TTFAC) before their first RBCE occurs and the certificate, if issued, provides the actual amount of relevant tax-free lump sum amounts the member received.
31. The Pensions (Abolition of Lifetime Allowance Charge etc) Regulations 2024 came into force on 6 April 2024 and amends relevant legislation to ensure the operation of the new pensions tax framework following the abolition of the LTA and includes transitional issues not addressed in the Finance Act 2024, along with issues identified through consultation after it was published.
32. HMRC have published a [consolidated version of all the frequently asked questions](#) on the abolition of the LTA.
33. HMRC have updated the [Pensions Tax Manual](#) (PTM) with the changes brought about by the abolition of the LTA. Any changes subject to further regulations will be highlighted in the PTM by pointing users towards the relevant LTA newsletters.
34. The [Spring Budget](#) on 6 March 2024 confirmed for the LGPS:
- a) The Government will work with the LGPS to consider the role they could play in unlocking investment in new children's homes.
  - b) The LGPS in England and Wales will be required to publicly disclose the breakdown of their asset allocations, including UK equities, as early as April 2024.

35. On 6 July 2023 HMT issued a written ministerial statement acknowledging an error in the earnings percentage used in HMT revaluation orders for 2020/21 and 2021/22 which are used to revalue CARE benefits in the Firefighters and Armed Forces CARE schemes. This may impact any inner-Club transfers received by the LGPS from those schemes where the relevant date was after 31 March 2021 and the member accrued CARE benefits during the affected years with the former scheme as the rate of revaluation applied to the transferred CARE should be the same rate as the sending scheme. The LGA are awaiting further clarity on the issue.

### **The Pensions Regulator (TPR)**

36. The Regulator published a [blog](#) on environmental, social and governance (ESG) risks and opportunities on 21 February 2024.
37. The Regulator also published a [blog](#) on 4 March 2024 on automatic enrolment.
38. On 26 March 2024 the Regulator published a blog on [equality, diversity and inclusion](#) and discusses transparency on TPR's pay gaps.
39. The Chief Executive of TPR [delivered a speech](#) on the evolving pensions industry landscape and TPR's growing role.
40. On 19 March 2024 TPR published the results of their first [diversity and inclusion survey](#), which was conducted between July and August 2023 with responses from trustees and public service pension scheme board members. The survey confirms trustees and pension board members are less diverse than the overall population with the results establishing a baseline to measure progress towards ensuring high standards of diversity and inclusion on pension boards.

### **Other news and updates**

41. The Carer's Leave Regulations 2024 have been introduced and effective from 6 April 2024. These regulations provide entitlement for employees in a 12 month period to take [one week's unpaid leave](#) to give or arrange care for a dependent (based on the dependent meeting the criteria).
42. GAD published an article on 14 February 2024 on [developing artificial intelligence \(AI\) skills](#) and is working with an AI partner to develop coding to perform quality assurance checks on administrator calculations.
43. The Taskforce on Social Factors has published guidance '[Considering Social Factors in Pension Scheme Investments](#)', and is aimed at supporting schemes in assessing the social risks and opportunities of their scheme's investments.
44. The Court of Appeal published its verdict on 17 April 2024 on the case of [The British Medical Association, R \(on the Application Of\) v His Majesty's Treasury & Anor 2024](#). Previously the High Court ruled that His Majesty's Treasury's (HMT) decision to include the McCloud remedy in the cost cap mechanism was not unlawful, following this the unions took their appeal to the Court of Appeal, which has also dismissed their appeal.
45. The Government Actuary's Department (GAD) have published the [2020 cost control valuation results](#) which covers 20 public service pension schemes across all regions of the United Kingdom.

### **CONSULTATION:**

46. The Chair of the Pension Fund Committee has been consulted on this report.

### **RISK MANAGEMENT AND IMPLICATIONS:**

47. None.

### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

48. None.

### **INTERIM EXECUTIVE DIRECTOR FINANCE AND CORPORATE SERVICES COMMENTARY**

49. The Interim Executive Director, Finance and Corporate Services is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

### **LEGAL IMPLICATIONS – MONITORING OFFICER**

50. None.

### **EQUALITIES AND DIVERSITY**

51. There are no equality or diversity issues.

### **OTHER IMPLICATIONS**

52. There are no potential implications for council priorities and policy areas.

### **WHAT HAPPENS NEXT**

53. No next steps are planned.

---

#### **Contact Officers:**

Sandy Armstrong, Technical Manager

**Consulted:** Pension Fund Committee Chair

#### **Annexes:**

1. Letter from the Minister for Local Government (15 May 2024)

**Sources/background papers:** None

---

This page is intentionally left blank





## Department for Levelling Up, Housing & Communities

**Simon Hoare MP**  
Minister for Local Government  
2 Marsham Street  
London  
SW1P 4DF

Chief Executives and Section 151 Officers of  
Administering Authorities in England

By email

15 May 2024

Dear Colleagues,

### Efficiencies in local government and the management of Local Government Pension Scheme (LGPS) funds

I wrote to all chief executives on 16 April setting out my expectations for the productivity plans to be developed by each authority as announced at the local government finance settlement. In this, I asked for plans covering service transformation, better use of technology and data and reduction of wasteful spend as well as views on barriers which government could remove (letter at annex A).

I am now writing to you to ask you to set out your approach to efficiencies in the management, governance and administration of your LGPS fund and asset pool in a separate letter. I am interested in what is happening across local government to deliver efficiencies in the management of the £359 billion of pension assets you hold, and in your administration of pension benefits for the 6.6 million members.

Since taking on ministerial responsibility for the LGPS I have been grateful for the generous engagement I have received, and I have been struck by the generally strong financial position of the scheme, as well as the strong commitment to serving scheme members. However, it is clear that there is also a need for improvements, including to meet the expectations set out on asset pooling and investments set out at the [Autumn Statement](#). More efficiencies in fund administration and management should also be achieved: across the scheme in 2022-3 investment management costs were £1.7 billion and £280 million on administration and governance.

Your response should consider the following themes on pensions.

- 1. How your fund will complete the process of pension asset pooling to deliver the benefits of scale.**
  - What proportion of assets have been pooled in your chosen LGPS asset pool? Is your fund on track to pool all listed assets by March 2025, and if not, what are the barriers to this?
  - Is there scope for minimising waste and duplication by making use of your LGPS asset pool's services and expertise in reporting and development of the pensions investment strategy? What is your expenditure on pensions investment consultancy?
  - Does your LGPS asset pool have an effective, modern governance structure in place, which is able to deliver timely decisions and ensure proper oversight? If not, what steps are you taking to make your pool's governance more effective?

**2. How you ensure your LGPS fund is efficiently run, including consideration of governance and the benefits of greater scale.**

- Does your LGPS fund have effective and skilled governance in place, which is able to hold officers, service providers and the pool to account on performance and efficiency?
- Would you be likely to achieve long-term savings and efficiencies if your LGPS fund became part of a larger fund through merger or creation of a larger pensions authority?

As set out in my previous letter I do not wish to impose excessive burdens. I expect your letter to be no more than two pages in length. Your plans must be returned by 19 July 2024, by email to [lgpensions@levellingup.gov.uk](mailto:lgpensions@levellingup.gov.uk). We will review your responses and consider the issues emerging and the implications for future national policy.

I look forward to working with you to deliver the best outcomes.

With every good wish  
Yours,  
Simon Hoare

**SIMON HOARE MP**  
Minister for Local Government



**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE: 21 JUNE 2024****LEAD OFFICER: ANNA D'ALESSANDRO, INTERIM EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICES****SUBJECT: RESPONSIBLE INVESTMENT UPDATE****SUMMARY OF ISSUE:**

The Fund continues to implement the agreed priorities of the Pension Fund Committee (Committee) in relation to Responsible Investment (RI). It was agreed that the RI policy be reviewed annually for industry best practice and that the investable universe with regard to Net Zero dates be analysed annually as well. The Committee also requested an analysis of the potential impact of excluding the largest 25 fossil fuel companies from Fund investment.

**RECOMMENDATIONS:**

It is recommended that the Committee:

- 1) Note alignment of the RI Policy to industry best practice.
- 2) Note the report by Mercer, the Fund's investment consultant, on the investable universe in relation to potential Net Zero dates.
- 3) Note the report by Mercer on the potential impact on the Fund from excluding the largest 25 fossil fuel companies globally from the Fund's investment universe.
- 4) Note the Fund's current underlying exposure to the largest 25 fossil fuel companies.

**REASON FOR RECOMMENDATIONS:**

To enable the Committee to fulfil previously agreed actions.

**BACKGROUND:**

1. When the Committee approved the Fund's RI policy at the meeting of June 2023, it was agreed that the policy would be reviewed annually for industry best practice.
2. When the Committee approved the Fund's Net Zero date of 2050 or sooner at the meeting of June 2023, it was agreed that the investable universe would be reviewed annually for varying Net Zero dates.

3. At the December 2023 meeting, the Committee agreed to request analysis of potential impacts on the Fund if the largest 25 fossil fuel companies globally were excluded from the Fund's investment universe.

#### **DETAILS:**

#### **RI Policy Review**

4. Minerva have reviewed the Fund's RI policy for industry best practice. The updated policy can be found in Annexe 1.
5. Pleasingly, the policy stacks up well against best practice guides, for example the Principles for Responsible Investment's (PRI) 'Developing and Updating a Responsible Investment Policy'.
6. The RI priorities in section 1.2.3 have been updated to reflect that a Net Zero date has been agreed and that the Fund's voting and conflicts of interest policies have been revised. The table in 4.2.2 has also been changed given the new voting policy covering areas such as sustainability and shareholder proposals. Other minor wording changes have also been made.
7. The Fund has not initiated any collaborations directly but continues to work through the Local Authority Pension Fund forum (LAPFF), Border to Coast Pensions Partnership (BCPP) and the Cross-Pool RI Group, all of which further extend the Fund's collaborative efforts to magnify its voice. (Section 3.3.1)
8. Through a gap analysis against the PRI's best practice guidelines referenced above, Minerva have highlighted some potential areas for future development, such as reporting on governance and fund history, better disclosure from all parties and the integration of RI into the Fund's Investment Beliefs. The latter point will be covered in the sub-committee sessions to be held over the summer, if agreed.

#### **Net Zero Investable Universe Review**

9. Mercer have produced a report reviewing the current investable universe for varying Net Zero dates. This report can be found in Annexe 2.
10. The investable universe for dates earlier than 2050 has not materially changed since the Net Zero date of 2050 or sooner was agreed. If company statements on their Net Zero targets are more stringently filtered for credibility, the investable universe shrinks, further limiting the diversification opportunities at earlier dates.

#### **Exclusion Review**

11. Mercer have produced a report analysing the potential risk / return impact from excluding the largest 25 fossil fuel companies from the Fund's investable universe. This report can be found in Annexe 3.
12. The report is focused on equities. There is no current or expected investment in these companies through the Alternatives asset class. There is minimal exposure through the BCPP Multi-Asset Credit fund. These 25

companies are usually able to raise finance through developed market investment grade bonds, which the BCPP fund has no allocation to. Benchmark analysis is also compromised with regard to bond indices. If the nature of the Fund's credit investments changed, there may be a greater impact on risk/ return metrics. For example, if in future there was an allocation to investment grade bonds.

13. This process has calculated the tracking error of a new index, with the 25 companies excluded, to the original index. This is done by using historic observed data that may or may not be representative in the future.
14. This analysis more naturally applies to a passive approach where the weighting to companies is in line with the benchmark weight. For active managers, the weighting to companies held is rarely in line with the benchmark weight. Therefore, the actual impact on return for the actively managed mandates may be significantly higher than this base line analysis suggests.
15. Excluding the 25 companies generally lowers the exposure to carbon for the benchmarks. Carbon metrics would be lower for the index tracking mandates. Carbon metrics may or may not be lower for the actively managed mandates. Other Environmental, Social and Governance (ESG) scores will be either positively or negatively affected. For the index tracking mandates the impact on these other scores is generally small, but there are exceptions. For example, excluding these companies from the LGIM Europe ex-UK fund lowers the biodiversity score by 6.2%.

#### **Current Fund underlying exposure to the largest 25 fossil fuel companies**

16. The Fund's current underlying exposure to the largest 25 fossil fuel companies, in sterling, can be found in Annexe 4.

#### **CONSULTATION:**

17. The Chair of the Pension Fund Committee has been consulted on this report.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

18. The consideration of risk related issues, including investment, governance, and reputational risk, are an integral part of this project and will be considered as part of the project development.

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

19. Responsible investment decisions can have an impact on the Fund's risk and return.

#### **INTERIM EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICES COMMENTARY**

20. The Interim Executive Director, Finance and Corporate Services is satisfied that all material, financial and business issues, and possibility of risks have been considered and addressed.

## **LEGAL IMPLICATIONS – MONITORING OFFICER**

21. There are no legal implications or legislative requirements.

## **EQUALITIES AND DIVERSITY**

22. There are no equality or diversity issues.

## **OTHER IMPLICATIONS**

23. There are no potential implications for council priorities and policy areas.

## **WHAT HAPPENS NEXT**

24. The following next steps are planned:
  - a. Produce TCFD for the year 2023-24
  - b. RI policy review in June 2025
  - c. Net Zero investable universe review in June 2025

---

### **Contact Officer:**

Lloyd Whitworth, Head of Investment & Stewardship

### **Consulted:**

Pension Fund Committee Chair

### **Annexes:**

1. Annexe 1 – RI Policy
2. Annexe 2 – Mercer report reviewing the current investable universe for varying Net Zero dates
3. Annexe 3 – Mercer report reviewing the potential impact on the Fund from excluding the largest 25 fossil fuel companies
4. Annexe 4 – Fund's exposure to largest 25 fossil fuel companies as at 31 March 2024

### **Sources/background papers:**

---



# Responsible Investment Policy

Responsible Investment Policy

June 2024

# Contents

EXECUTIVE SUMMARY	5
SECTION 1: GOVERNANCE	7
1.1    DEFINITIONS AND PURPOSE	7
1.1.1    Purpose Statement of the Fund	7
1.1.2    Surrey Pension Fund - Background Information	7
1.1.3    Purpose of the RI Policy	8
1.1.4    Definition of RI and Links to the SDGs	8
1.1.5    RI Links to Assets	9
1.2    RI BELIEFS	9
1.2.1    Surrey's RI Beliefs	9
1.2.2    RI Beliefs and Different Asset Classes	10
1.2.3    Surrey's RI Priorities	10
1.2.4    Surrey's Progress with the SDGs	11
1.3    GOVERNANCE ARRANGEMENTS	12
1.3.1    Surrey's Governance Structure	12
1.3.2    Surrey's RI Resources	12
1.3.3    Surrey Culture & RI Fit	12
1.3.4    Statement on Conflicts of Interest	13
SECTION 2: PROCESS	14
2.1    RI PERSPECTIVE	14
2.1.1    Process for Identifying RI Issues, Themes and Risk	14
2.1.2    Linkage of RI risks to Investment Strategy	14
2.1.3    Integrating RI Beliefs & Issues	14
2.1.4    Process for Reviewing and Revising RI Risks	15
2.2    RI FACTORS AND INVESTMENT PROCESS	15
2.2.1    Techniques Available to Help Identify RI Risks	15
2.2.2    RI Risk Expectations of Investment Managers	16
2.2.3    Defining ESG Factors, Issues and Considerations	16
2.2.4    Key RI Risks and Opportunities for Institutional Investors	17
SECTION 3: IMPLEMENTATION	19
3.1    RI PERSPECTIVE	19
3.1.1    Surrey's Approach to Implementing the RI Beliefs	19

3.1.2	Delivering RI Objectives in the Short / Medium / Long-term	19
3.1.3	Implementation Roles in Surrey's Governance Structure	20
3.2	RI EXPECTATIONS & AGENTS	21
3.2.1	Surrey's RI Beliefs and Agents	21
3.2.2	Surrey's Main Agents	21
3.2.3	Surrey's RI Expectations of Agents	21
3.2.4	Codifying and Monitoring RI Expectations	22
3.3	RI COLLABORATION	23
3.3.1	Surrey's Approach to Collaboration	23
3.3.2	Furthering RI Objectives Through Collaboration	23
3.3.3	Key Aims of Any Partnerships or Affiliations	23
<b>SECTION 4: STEWARDSHIP</b>		<b>24</b>
4.1	SURREY'S APPROACH TO STEWARDSHIP	24
4.1.1	Overview of Surrey's Approach	24
4.1.2	Surreys' Stewardship Policy	24
4.1.3	Combining Surrey's Approach with its Agents	24
4.1.4	Stewardship Monitoring	25
4.2	VOTING	25
4.2.1	Surrey's Approach to Voting	25
4.2.2	Surrey's Voting Policy	25
4.2.3	Surrey's Investment Managers & Voting	26
4.2.4	Use of Third Parties in Voting Activity	26
4.2.5	Voting and Securities Lending	27
4.3	ENGAGEMENT	27
4.3.1	Surrey's Approach to Engagement	27
4.3.2	Engagement Responsibilities	28
4.3.3	Engagement & RI Themes	28
4.3.4	Position on Divestment and a 'Just Transition'	29
4.3.5	Engagement Across Asset Classes	31
<b>SECTION 5: MONITORING AND REPORTING</b>		<b>33</b>
5.1	RI MONITORING	33
5.1.1	Surrey's Approach to RI Monitoring	33
5.1.2	Reporting Expectations of Surrey's' Asset Managers	33
5.1.3	RI Reporting Standards and Agents	35

5.1.4	RI Monitoring & Reporting	35
5.1.5	Monitoring Expectations of Border to Coast	36
5.2	RI REPORTING	36
5.2.1	Surrey's Approach to RI Reporting	36
5.2.2	RI Reporting Commitments	36
5.2.3	RI Reporting Delivery Methods	37
5.2.4	Key Reporting Expectations of Agents	37
5.2.5	Reporting Expectations of Border to Coast	38
5.3	STAKEHOLDER RI COMMUNICATIONS	38
5.3.1	Reporting RI Issues to Stakeholders	38
5.3.2	RI Reporting Content, Access, and Frequency	38
<b>GLOSSARY</b>		<b>40</b>



## Executive Summary

Surrey Pension Fund's Responsible Investment (RI) Policy has been developed around five pillars, to give structure to the Fund's approach:

- 1: Governance:** sets out the background, objectives and governance arrangements of the Fund, and introduces Surrey's RI Beliefs;
- 2: Process:** explains the approach employed by the Fund in identifying RI risks, expectations of where RI risks should be addressed in the investment process, and highlights some examples of the investment risks and opportunities that arise from RI considerations;
- 3: Implementation:** describes how the Fund's RI beliefs and objectives are best delivered over short, medium and long-term investment timeframes, sets out some high-level expectations of any third parties working on behalf of the Fund, and covers the topic of working collaboratively with other likeminded investors;
- 4: Stewardship:** focusses on the main tools available for the delivery of Surrey's RI Policy, which are through voting (for all listed assets) and engagement (for a wider set of assets); and
- 5: Monitoring and Reporting:** sets out the Fund's views on reporting on RI matters, including defining some reporting expectations of its investment managers, and covers the Fund's own bespoke RI reporting needs, including communicating with scheme members and other stakeholders.

The key high-level points of this policy are:

- As a large pension fund responsible for the investment arrangements of its members, it is important that **the Fund has a comprehensive RI Policy**, that is updated periodically;
- Surrey believes that the **United Nations Sustainable Development Goals** provide a useful frame of reference in helping identify and address Environmental, Social and Governance ('ESG') issues within its investment arrangements;
- Surrey believes that **RI issues have the potential to impact investment returns** over the short, medium and long-term
- RI issues and concerns should be addressed primarily (but not exclusively) **at the point of investment** by asset managers, whether that is in relation to an individual stock, or an entire portfolio;
- The **Surrey Pension Fund Committee will set out RI priorities** and will **review** these priorities – and progress made on them - **every year**.
- **Active stewardship remains the preferred approach** when it comes to investments – with engagement over divestment being the initial approach;
- **However, legal action and/or divestment remain appropriate options**, should an engagement process prove unsuccessful;

- Surrey will seek to ensure **appropriately structured RI reporting is provided by its agents**, so that the Fund can meet its own RI stewardship, reporting and communication objectives.

## Section 1: Governance

### 1.1 Definitions and Purpose

#### 1.1.1 Purpose Statement of the Fund

The **Surrey Pension Fund** ('Surrey' or 'the Fund') is part of the national **Local Government Pension Scheme** ('LGPS'). Surrey County Council is responsible for managing the fund and is known as the '**administering authority**'. There are over 350 employers participating in the Fund, including the county council, district and borough councils, universities, colleges, academies and private companies providing public services. The Fund has almost 113,000 current, deferred and pensioner members with assets of £5.8 billion.

The Fund's **Vision**, is:

'Providing our customers with a better tomorrow'

This is delivered through its **Mission Statement**:

'Responsibly delivering a first-class customer experience'.

#### 1.1.2 Surrey Pension Fund - Background Information

The **County Council** is the designated statutory body responsible for administering the Fund on behalf of the constituent Scheduled and Admitted Bodies. The Council is responsible for setting investment policy, appointing suitable persons to implement that policy and carrying out regular reviews and monitoring of investments.

Responsibility and governance for the Fund, including investment strategy, fund administration, liability management and corporate governance is delegated to the **Surrey Pension Fund Committee** ('the Committee'), which is made up of:

- six nominated members of the County Council;
- two representatives from the Borough/District Councils nominated by the Surrey Leaders;
- one representative from the external employers;
- one representative of the members of the Fund.

The Committee is advised by a representative of the Fund's professional investment consultant, an Independent Investment Advisor, the Director, Corporate Finance and Commercial and the Assistant Director – LGPS Senior Officer. The Committee meets on at least a quarterly basis.

Assisting, monitoring and scrutiny of the Fund are delegated to the [Local Pension Board](#), which is made up of:

- four employer representatives;
- four employee representatives;
- an independent chairman.

The Local Pension Board is advised by the Assistant Director – LGPS Senior Officer, the Head of Investments and Stewardship, the Head of Accounting and Governance and the Head of Service Delivery. The Local Pension Board meets on at least a quarterly basis.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

### 1.1.3 Purpose of the RI Policy

A standalone RI Policy was created in 2022, to reflect the increased importance of RI matters, and to capture recent changes in terms of institutional investors approaches towards RI and ESG factors.

It sets out the Fund's approach as a responsible asset steward in addressing RI issues associated with its investment strategy, and to communicate the Fund's position to stakeholders.

The expectation is that, given that approaches to RI and ESG factors are continually developing, the Fund's RI Policy will be reviewed annually and updated regularly to reflect developing good practice.

### 1.1.4 Definition of RI and Links to the SDGs

The Fund believe that investments made on behalf of scheme members should be sustainable in the short, medium and long-term through the fundamental identification and integration of ESG factors into the investment selection, monitoring and deselection process. Whilst the Fund has an overriding fiduciary and public law duty to act in the best long-term interests of scheme members to achieve the best possible financial returns with an appropriate level of risk, it also recognises that RI considerations increasingly reflect real financial risks, and as a result these factors should also be included in the investment decision-making process.

Since early 2020, the Fund has worked to understand how its investments might impact on the delivery of the [United Nations Sustainable Development Goals](#) (SDGs). The SDGs are 'an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with

strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.’

The results of an SDG Mapping exercise were delivered in early 2021, which showed a link between the Fund’s investments and their potential impact on the delivery of the SDGs. The Pension Fund Committee determined that this link was worth exploring further, and as a result identified the link between the Fund’s investments and the SDGs to be an important part of any future RI activity.

### 1.1.5 RI Links to Assets

The views, beliefs and expectations set out in this RI Policy are important to the Fund, in terms of its governance activity as a ‘sustainable steward’. Accordingly, this RI Policy is of relevance to all the investment assets held by the Fund, managed on its behalf by its agents. Surrey is responsible for the creation, maintenance and communication of this Policy to its agents, and also for monitoring the results and outcomes of the implementation of the policy, with the assistance of its agents.

## 1.2 RI Beliefs

### 1.2.1 Surrey’s RI Beliefs

Surrey’s Key RI beliefs have been agreed and are set out below:

- **Surrey believes that the United Nations Sustainable Development Goals** represent an appropriate foundation in terms of the Fund’s overall RI approach
- Surrey believes that **taking account of RI considerations can provide investment opportunities, as well as identifying investment risks**
- Surrey **requires the consideration of ESG factors to be incorporated into the portfolio construction process** of all investments made by its investment managers.
- RI considerations are important **irrespective of asset class**
- **RI considerations are important across all time horizons.** This is true not just in terms of protecting and enhancing long-term investment return, but also increasingly in terms of the interests expressed by our stakeholders
- Going further, Surrey believes that ESG factors are relevant in **the context of benchmarking, risk analysis and investment opportunity identification**
- **Responsible management of RI Issues** by Surrey and its agents **is also considered a reputationally important issue**
- Surrey views **climate risk** - and the issues which contribute to it - **as being of significant direct and indirect concern to all stakeholders**, and as a result the Fund’s approach towards ‘Net Zero’ is a prominent area of focus

- Surrey believes in an ‘**Engagement with Consequences**’ approach. This advocates the use of **engagement over divestment** as the means to promote our RI beliefs – however, **taking legal action** against company management or **selling an asset** remain options when it comes to inadequately addressed ESG concerns in the investments made by our managers
- We also recognise the value in **engaging collaboratively** to leverage greater influence together with other investors who share our priorities through joint initiatives and organisations
- The **exercise of our ownership rights through voting** is an important part of implementing our RI beliefs

### 1.2.2 RI Beliefs and Different Asset Classes

Surrey expects its investment managers – **irrespective of the asset class they manage** – to take the Fund’s RI Beliefs into account when managing investments on behalf of the Fund.

Surrey readily acknowledges that – currently - incorporating ESG/RI issues into the process of making and then monitoring investments is more straightforward for some asset classes than others – for example, in relation to actively managed listed equities as opposed to Government bonds. The fact that some asset classes are at an earlier point of development in terms of ESG integration does not exclude them from Surrey’s objective to be a responsible asset steward. Accordingly, the Fund expects its investment managers for such asset classes to demonstrate leadership in addressing and communicating ESG/RI issues in their investment process.

Surrey expects its investment managers to report on their ESG/RI factor integration approaches for all asset classes. All investment managers will be required to describe how, and the extent to which, they incorporate ESG/RI issues into their investment processes, and any new investment managers appointed will also be required to disclose their ESG/RI approaches at the time of their consideration for appointment.

### 1.2.3 Surrey’s RI Priorities

The following topics have been identified as specific RI priorities for the Fund:

- 1) Actively seek to align the Fund’s RI approach with the United Nations Sustainable Development Goals;
- 2) Achieving ‘Net Zero’ in terms of all of the Fund’s investments by 2050 – or sooner, if possible;
- 3) Become a Signatory to the UK Stewardship Code 2020;
- 4) Report in line with the Recommendations of The Task Force On Climate-Related Financial Disclosures (TCFD);

- 5) Work with Border to Coast Pensions Partnership ('BCPP' – the Fund's regional asset pool) and the Fund's non-pooled investment managers to ensure understanding and integration of this Policy;
- 6) Identify and implement any required contract changes to formalise the RI Policy with all relevant agents;
- 7) Identify specific RI reporting requirements for the Fund, and communicate these to all relevant agents; and
- 8) Explore the range of third-party collaborations/bodies to identify best match for any RI priorities.

#### 1.2.4 Surrey's Progress with the SDGs

In 2020 and 2021, Surrey undertook ground-breaking work to understand the Fund's starting position against the SDGs and how it can further contribute towards the delivery of these goals.

The Fund used the World Benchmarking Alliance's (WBA) SDG 2000 Benchmark to understand its starting position against the SDGs, as the most robust approach in understanding how best to target systematic change with the world's most influential companies. The companies targeted within the SDG 2000 have the most potential to help deliver the SDGs if they are managed and run in a sustainable manner and become leaders in their sectors for others to follow as an example.

The findings from the Fund's mapping against the WBA SDG 2000 are summarised below;

- Approximately 63% of the Fund's equity and corporate bond holdings are also in the WBA SDG 2000 Index
- Whilst the overlap against the WBA SDG 2000 was purely coincidental, it presents an opportunity to focus on these holdings, and how these companies are managed. Improving the management of these companies can allow them to make progress in helping deliver the SDGs.

The Fund has since used this analysis and worked with the Pension Fund Committee to discuss how it can integrate the findings into its Investment Strategy as well as ensuring the SDGs form the foundation of its Investment Core Beliefs.

Some ongoing areas of focus in relation to the SDGs are:

- Working with BCPP in using its influence to engage with its invested companies.
- Seeking further SDG-friendly investment opportunities.
- Developing future Climate Impact (SDG 13: Climate Action) related performance reporting and how it impacts the Fund's investments.

## 1.3 Governance Arrangements

### 1.3.1 Surrey's Governance Structure

The Fund is part of the national Local Government Pension Scheme (LGPS). The County Council has appointed a Pension Fund Committee with responsibility for the management of the Pension Fund. The Pensions Committee oversees the management of the Surrey Pension Fund and act as trustees of the Fund

Governance arrangements for pension schemes in the public sector require Surrey County council, as an administering authority for the LGPS (Local Government Pension Scheme), to have in place a local pension board. The role of the Local Pension Board is to assist the Surrey Pension Fund Committee comply with all the legislative requirements to ensure the scheme is being effectively and efficiently governed and managed. The Local Pension Board:

- Plays a key advisory role in assisting the Surrey Pension Fund Committee in managing the Surrey Pension Fund;
- Ensures that the Surrey Pension Fund Committee is compliant with LGPS and other relevant regulations;
- Is made up of eight members, with equal representation of scheme members and employers; and
- Has regular meetings (at least twice a year).

### 1.3.2 Surrey's RI Resources

As at March 2024, there were 69 full time team members and 14 fixed term/agency staff associated with the oversight and administration of the Surrey Pension Fund, of which 2 Full Time Equivalents (FTEs) focus specifically on the investment arrangements of the Fund. The Fund also has in place an Investment Consultant, and an Independent Investment Advisor to assist in the management of the Fund's investments.

Surrey will make use of existing arrangement to their full potential and – with the approval of the Pension Fund Committee - will seek additional resources where deemed necessary to deliver the Fund's RI objectives and reporting requirements.

Surrey also expects its agents (BCPP, its master custodian and accounting service provider, Northern Trust, its non-pooled investment managers and Stewardship Advisor) to support it in terms of providing an appropriate level of information and cooperation to enable Surrey to meet its requirements and developing its RI monitoring and reviewing capabilities.

### 1.3.3 Surrey Culture & RI Fit

Surrey's aims to deliver a first-class service to stakeholders through strong partnerships with scheme members, employers, the Border to Coast Pool and the wider LGPS community. The



highest standards of corporate governance are fundamental to our approach, underpinned by informed decision making, taking ESG considerations into account, comprehensive risk assessment & management, and the use of technology. The Fund's prevailing RI approach was developed further in 2020, where it was agreed that the UN Sustainable Development Goals should play a key role in helping shape the Fund's stewardship activities. The recent expansion of the investment and pensions team reaffirms our commitment to providing stakeholders with a first-class service, whilst enabling Surrey to deal with the increasing RI challenges facing the Fund and scheme members' investments. The Fund has also demonstrated its commitment to high standards of corporate governance through its long history of voting and engagement activities, monitoring the stewardship activity of its investment managers, by its membership of the Local Authority Pension Fund Forum (LAPFF) and latterly by agreeing the stewardship approach of the Border to Coast pool with the other partner funds.

#### **1.3.4 Statement on Conflicts of Interest**

Surrey recognizes the need for the clear identification and consideration of any conflicts of interest – real or perceived, and also notes that having a Conflicts of Interests Policy is a requirement of becoming a UK Stewardship Code 2020 Signatory. Accordingly, a Conflicts of Interest Policy has been in place for a number of years, and can be found on the Fund's website.

## Section 2: Process

### 2.1 RI Perspective

#### 2.1.1 Process for Identifying RI Issues, Themes and Risk

RI issues, themes and risks typically cover ESG factors. Surrey's position is that these factors should be taken into consideration when investment decisions are made, and in ongoing monitoring of investments held, to enhance long-term sustainable financial performance.

Accordingly, Surrey believes that it is primarily the responsibility of its investment managers to effectively identify, mitigate and report on such risks, specifically those that may be financially material, as part of their investment selection, monitoring and deselection process. Surrey expects its investment managers to take a holistic approach to identifying risk as opposed to a stand-alone concern and believes that RI risks should be fundamentally integrated into a sustainable investment approach.

Surrey also considers the Pension Fund Committee's and Local Pensions Board's views on RI issues, themes and risks when formulating and updating its RI Policy.

#### 2.1.2 Linkage of RI risks to Investment Strategy

The Pension Fund Committee has the responsibility for setting investment strategy with due regard for Surrey's funding position and risk appetite. The Fund's investment strategy has allocations to different asset classes, including equities, bonds, real estate and infrastructure assets. It is primarily through the individual investments in these asset class that RI risks are identified, mitigated where possible, and reported. Whilst RI issues - such as climate change - have long-term financial implications for the Fund and its stakeholders, clearly short-term actions are necessary to start to address the long-term challenges.

Surrey's expectation is that its investment managers, having taken the Fund's RI views into account, are responsible for the identification, mitigation (where possible) and reporting of RI risks, over short, medium and long-term timeframes. The Fund's investment managers should be able to clearly identify the actions that they have taken to identify and mitigate (where possible) RI risks in the context of the short, medium and long-term - and then be able to report this activity to Surrey.

#### 2.1.3 Integrating RI Beliefs & Issues

Surrey firmly believes that the addressing of ESG factors and RI issues should be incorporated at a fundamental level into the investment selection, monitoring and deselection processes of their investment managers, irrespective of the asset class concerned.

Whilst Surrey remains responsible for setting its own investment strategy, it relies to an increasing extent on BCPP for ensuring appropriate investment arrangements and options are put in place. For any investment managers appointed – now, or in the future - Surrey expects BCPP to ensure that:

- the managers have in place processes to include ESG factors and RI issues into their investment process at a fundamental level;
- the managers report back on how these processes work; and
- BCPP reports back to Surrey their monitoring and assessment of these processes.

#### 2.1.4 Process for Reviewing and Revising RI Risks

Surrey will make use of a 'top-down' and 'bottom-up' approach to reviewing and revising the RI & ESG risks that the pool and its partner funds face:

**Top-down:** members of the Pension Fund Committee, with the support of Officers, the Investment Consultant and the Independent Advisor, can feed into the RI risk identification and management process, by providing any comments, views or priority concerns they might have to BCPP and their non-pooled investment managers, for further investigation and mitigation; and

**Bottom-up:** the Fund's asset managers investment activity and stewardship approaches can also generate RI or ESG issues or concerns that can be included in the Fund's RI risk identification and management process.

Surrey intends to use this twin track approach to further develop the Fund's existing Risk Register, to ensure it continues to cover a wide range of known ESG and RI risks that might affect the investments of the Fund.

## 2.2 RI Factors and Investment Process

### 2.2.1 Techniques Available to Help Identify RI Risks and Opportunities

Surrey believes that utilising a combination of both traditional financial and ESG factor analysis can enhance long-term performance of the Fund's assets through enabling the identification of a broader range of risks and opportunities. Statistical tools such as scenario models and company specific data can be used to help monitor and mitigate RI risks, and identify RI opportunities.

Different techniques that Surrey may utilise as part of RI risk management include measuring and reporting on carbon-equivalent emissions of individual investments, portfolios and managers; encouraging active engagement for business strategy alignment with the targets

of the Paris Agreement; and creating a Risk Register to monitor and identify possible future material risks.

Surrey actively encourages its agents such as BCPP, the master consultant, and the external non-pooled asset managers to provide relevant, transparent, and accessible ESG-related information through reporting. Reporting expectations may also be driven by other factors, such as reporting that is aligned with The Taskforce for Climate-related Financial Disclosures (TCFD) recommendations.

Surrey's agents are expected to evaluate RI risks on an ongoing basis, with regular reporting being used as a mechanism to inform decision-making and assess and monitor progress towards the Fund's RI objectives.

### 2.2.2 RI Risk Expectations of Investment Managers

Surrey's expectation is that its investment managers, having taken its RI views into account, are responsible for the identification, mitigation (where possible) and reporting of RI risks, over short, medium and long-term timeframes. Surrey's investment managers should be able to clearly identify any such actions that they have taken to identify and mitigate RI risks in the context of the short, medium and long-term and then be in a position to report this activity.

### 2.2.3 Defining ESG Factors, Issues and Considerations

The Fund expects RI activities undertaken by its agents to cover all asset classes across all markets in which the Fund invests, including equities, fixed income, property, infrastructure, and private markets.

ESG concerns should be embedded into the investment process of any investment managers appointed to manage Fund assets, and the impact of these factors must be considered on a regular basis. To help define ESG issues, the Pensions and Lifetime Savings Association ('PLSA') has provided a simple breakdown of some individual E, S and G factors – this is shown in the following diagram:



**ENVIRONMENTAL**

- Climate risk
- Carbon emissions
- Energy usage
- Raw material sourcing
- Supply chain management
- Waste & recycling
- Water management



**SOCIAL**

- Community relations
- Employee relations
- Health & Safety
- Human rights
- Product responsibility
- Workforce diversity



**GOVERNANCE**

- Board structure
- Executive remuneration
- Bribery and corruption
- CEO/Chair duality
- Shareholder rights
- Vision & business strategy
- Voting procedures

Source: 'ESG and Stewardship: A Practical Guide to Trustee Duties' PLSA June 2019

Surrey expects its agents to at least use these descriptions of ESG concerns as a starting point for their own approaches to defining these factors – but not be limited to just these specific areas of concern.

**2.2.4 Key RI Risks and Opportunities for Institutional Investors**

When thinking about responsible investment, there are four levels where RI issues can be addressed by the Fund:

<b>Investment level</b>	<b>Integration:</b> incorporating ESG & RI issues into the everyday individual investment selection, monitoring and engagement processes
<b>Manager level</b>	<b>Expectations:</b> setting explicit expectations at the investment manager mandate level
<b>Authority level</b>	<b>Policy:</b> setting an overarching policy, generated from core investment beliefs, that shapes the direction of travel
<b>Pool level</b>	<b>Policy:</b> through the BCPP RI Policy and Corporate Governance & Voting Guidelines (developed with input from Surrey)

The following table sets out several key investment risks and opportunities for institutional investors such as the Fund, in the context of identifying and managing RI issues:

Issue	Why Investment Risk?	Why Investment Opportunity?
Absence of explicit ESG / RI references in any of BCPP's investment manager management agreements	By not explicitly raising these issues, they could be unintentionally left out of the investment process	Adding the consideration of these topics to investment management agreements may help asset managers focus on, and then better understand, these issues
Insufficient detail/rigour in the asset manager selection, appointment and monitoring process on RI/ESG by BCPP (and by the Fund for any investments held outside the pool)	The market is rife with greenwash and grade inflation, while there is still a large spread in the quality and sincerity of approaches by asset managers. Failure to uphold a high standard could indulge lacklustre approaches by managers and expose the pool and the partner funds to the investment and reputational risk of being 'absentee'	Having a well-considered process for assessing asset managers' approaches to sustainability has the potential to result in more risk aware managers being appointed, investing in better run companies who should deliver better long-term investment returns
Historic drivers of equity performance, at the asset class level, may no longer be relevant	Any investment strategy modelling based on historic performance drivers is, by construction, unlikely to address recently emerging risks such as climate change	By incorporating sustainability and climate change factors into the investment strategy modelling process, the potential outcomes are more likely to reflect more closely the actual reality.
Opportunity to implement new benchmarks aligned to ESG/RI factors	Methodology for benchmark construction needs to be demonstrably 'competent', in terms of helping deliver targeted/required investment return	Incorporating RI issues formally into investment strategy can help to overcome "ethical subjectivity" often associated with ESG investing; new investment opportunities becoming available with pivot towards low carbon transition
'New' investment opportunities appear that are different from traditional investment choices	By moving into the relative 'unknown', there is a risk that the investments do not live up to expectations in terms of their investment performance and their diversifying potential	. Investing in new areas such as clean energy provide the potential to generate diversified investment returns away from historically core asset classes
Increased pressure on 'Governance Budgets' in terms of training and monitoring	There is a danger that by focussing on parts of the investment spectrum (e.g., 5% allocation to clean energy infrastructure) that a fund's 'Governance Budget' for considering all assets is put under unhelpful pressure	With a greater focus on RI matters, this presents a fine opportunity for asset stewards to review their Governance Budgets, and how they spend them

## Section 3: Implementation

### 3.1 RI Perspective

#### 3.1.1 Surrey's Approach to Implementing the RI Beliefs

There are a number of paths through which Surrey's RI beliefs can be implemented:

- 1) At the fundamental level of the investment process, by its investment managers;
- 2) Through active stewardship by the Fund and BCPP voting at listed company meetings, following their respective Voting policies;
- 3) Through the Fund's investment managers engaging with companies and entities associated with the investments they hold on behalf of Surrey; and
- 4) Through collective action between Surrey, BCPP, other LGPS pools and other third parties with common stewardship interests

The expectation is that the approach to the implementation of RI beliefs will not be static and is expected to change over time as good practice develops. Surrey does not expect one path to dominate the implementation approach; rather it expects a combination of the routes shown to be used.

#### 3.1.2 Delivering RI Objectives in the Short / Medium / Long-term

RI considerations are important across all time horizons, but especially in the medium and long-term. This is true not just in terms of protecting and enhancing long-term investment return, but also increasingly in terms of the interests expressed by the Fund's stakeholders.

Maintaining a strategic RI commitment includes the setting of objectives against which to measure progress. This means that it is appropriate to set RI objectives which are defined in the short, medium and long-term.

**Short-term objectives** - one to three years - may be more likely to be activity-related (for example, committing to a defined number of engagements, or a defined number or percentage of successful engagements). Output-related targets are not irrelevant (for example - annual reporting of climate risk related metrics such as asset-generated Green House Gas (GHG) emissions attributable to the investments) but are more likely to become significant when viewed over the longer term. Voting-related measures lend themselves particularly well to short-term objectives setting, such as the proportion of meetings voted, and alignment of voting with RI strategic engagement priorities. Additionally, there are a number of regulatory and market initiatives which themselves bring annual reporting

requirements, such as the Stewardship Code, TCFD and the PRI, all of which also provide a framework for reporting of metrics which can be included in short term objective setting;

**Medium-term objectives** – three to five years – will include output or impact-related metrics which should aim to demonstrate a positive trend over multiple years. In terms of climate risk, positive trends in terms of portfolio progress towards Paris Agreement alignment and climate scenario analysis might be reasonable to expect; and

**Long-term objectives** – over 5 years - may include fixed long-term strategic targets such as a commitment to ‘Net Zero’, achievement of Paris Agreement /COP26 alignment.

The Fund notes the position of Surrey County Council and a number of the Fund’s scheduled and admitted bodies who have declared a ‘climate emergency’. Climate risk is the most prominent thematic concern. As the regulatory environment evolves towards requiring the reporting of climate risk strategy and management by LGPS pension funds, short, medium and long-term metrics are equally significant. In the short term, activity-related metrics such as annual asset-related GHG emissions, investment manager reviews (including policy as well as performance review) and strategic engagement progress targets all contribute towards a consistent approach to medium and long-term objective delivery.

Medium term objectives should include positive progress towards long-term targets, using Paris Alignment and scenario analysis as metrics.

### 3.1.3 Implementation Roles in Surrey’s Governance Structure

The Pension Fund Committee is the official decision-making body for the Fund that has been created by Surrey County Council under its duty as the Administering Authority, and as such will have the ultimate say on the Fund’s RI Policy, and general RI approach. The Pension Fund Committee is assisted in its management of the Fund by the Local Pension Board made up from representatives of members and employers of the scheme.

The fulfilment of statutory duties ultimately lies with the Pension Fund Committee, who are responsible for the management and oversight of the Fund, including the following activities:

- Determining the Fund’s investment beliefs
- Setting the Fund’s strategic asset allocation
- Producing the Fund’s stewardship policies, including this RI Policy
- Arrangements for holding its agents (including BCPP) to account
- Requesting specific investment options from BCPP
- The timing of any transition of assets to BCPP



## 3.2 RI Expectations & Agents

### 3.2.1 Surrey's RI Beliefs and Agents

Investment manager selection, investment activity and ongoing monitoring processes are central to the effective implementation of the Fund's RI Policy. Surrey expects its appointed agents to clearly demonstrate how the identification, consideration and management of ESG factors and RI issues is embedded into their respective processes, and how those processes support the Fund's RI Policy. They must be prepared to enable Surrey to monitor and report on any RI-related objectives.

### 3.2.2 Surrey's Main Agents

**Border to Coast Pensions Partnership:** BCPP plays a central role in the investment arrangements of the Fund. This includes the investment management and monitoring of RI-specific elements of mandate delivery (for example, ensuring on-going strategic alignment between the BCPP-managed investments and the partner funds' RI Policies), with which BCPP can track progress towards RI objectives. BCPP also ensure that any external investment managers' procurement and selection processes contain ESG and RI considerations, including the request for proposal (RFP) criteria and scoring and the investment management agreements.

**Non-pooled Investment Managers:** Our directly appointed managers must be able to clearly demonstrate how the topic of ESG is embedded into their investment processes and are expected to fully support the Fund in monitoring and reporting on any RI-related objectives.

**Custodian:** The custodian of both the Fund and BCPP, Northern Trust, is expected to support our service providers in carrying out their respective roles in the execution of the Fund's RI Policy, as well as in relation to services provided by Northern Trust themselves which are relevant (for example securities lending and reporting).

**Advisors:** The Fund's advisors are expected to support and, where relevant to their engagement, help Surrey with the implementation and further development of the RI Policy.

### 3.2.3 Surrey's RI Expectations of Agents

Surrey expects all of its service providers to have a verifiable public commitment to Responsible Investment (for example, being a PRI signatory). We also expect all service providers to have their own standards regarding sustainable business practices which are also in alignment with the Fund's RI Policy, including socially responsible business practices and commitments in relation to environmental standards including, but not limited to, TCFD reporting.

Surrey expects its investment managers to manage assets in alignment with the Fund's RI Policy. Investment manager RI policies may be directly or independently reviewed to verify on-going alignment with the Fund's existing Policy and any applicable regulatory or best practice standards (including, but not limited to, the UK Stewardship Code 2020 and TCFD).

The Fund's investment managers are expected to provide reporting at least annually in terms of RI-related activity associated with their mandate, and more frequently where their mandates require them to do so (for example with quarterly reporting of voting and engagement activity). Investment managers are required to provide a robust explanation of any positions they have adopted which are not in alignment with either the Fund's RI Policy or any RI-related performance objectives set out in their mandate. Surrey also expects its investment managers to be signatories to/comply with any local 'sustainable stewardship' initiatives such as the Stewardship Code in the UK.

When it comes to engagement, the investment managers are expected to engage in constructive dialogue on behalf of the Fund, and to use their influence to encourage companies to adopt best practice in key ESG areas. Any engagements undertaken on investments held by the Fund should be reported, along with an assessment of the effectiveness of the engagement, and whether the engagement issue has been resolved or is ongoing.

Surrey expects its investment managers – including BCPP - to develop and provide adequate and appropriate reporting across all mandates for the Fund to use in its own stakeholder reporting. This might include information to support the Fund becoming a signatory to the UK Stewardship Code 2020, TCFD-aligned reporting, carbon footprinting, climate scenario analysis and Paris Alignment information.

### 3.2.4 Codifying and Monitoring RI Expectations

Agent Service Level Agreements (SLAs) will include provisions relating to supporting RI activity, resourcing, strategy, performance, progress towards objectives and reporting. Certain objectives will be contract-specific, reflecting the nature of the service (for example, in relation to the asset class in question for an investment manager, the range of ancillary services provided by a custodian, or the specialist services provided by a third party outsourced service provider).

New Investment Management Agreements (IMAs) will set out specific expectations regarding resourcing, deliverables, targets and/or objectives. Monitoring of these will be carried out and are expected to form a part of the routine investment manager engagement meetings, feeding into the existing investment manager reporting and review processes.

Changes required for existing IMAs to reflect the Fund's RI expectations will be discussed with the Fund's incumbent investment managers, and then properly incorporated into the existing contractual arrangements via a side letter or addendum.

## 3.3 RI Collaboration

### 3.3.1 Surrey's Approach to Collaboration

Surrey believes that collaborative action on ESG and RI matters is of fundamental importance to achieving change. Through working with like-minded investors, the expectation is that more can be achieved by having a 'louder' voice. Surrey continues to collaborate with others on key stewardship issues via the Local Authority Pension Fund Forum (LAPFF), with other Border to Coast Partner Funds, and via the Cross-Pool Responsible Investment Group.

### 3.3.2 Furthering RI Objectives Through Collaboration

To date, Surrey's main approach to collaborative action has been as a member of the [Local Authority Pension Fund Forum \(LAPFF\)](#). Surrey, however, recognizes the importance of wider collaboration in terms of helping deliver the Fund's RI beliefs and expectations, and so the Fund's ESG 'implementation process' also includes:

- Voting at listed company meetings;
- Engaging with investee companies at fund manager level; and
- Collaborating with other institutional investors on matters of prioritised importance

### 3.3.3 Key Aims of Any Partnerships or Affiliations

The key aims of any partnerships or affiliations are to ensure that:

- the Fund's RI beliefs and concerns are addressed as efficiently and effectively as possible;
- the long-term investment performance of the underlying investments is maximised through the identification and minimisation of ESG & RI risks;
- the Funds' views are amplified with likeminded investors to increase the chance of bringing about meaningful change; and
- that scheme members' invested monies continue to be managed in a sustainable manner.

## Section 4: Stewardship

### 4.1 Surrey's Approach to Stewardship

#### 4.1.1 Overview of Surrey's Approach

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.

Surrey endorse the [UK Stewardship Code 2020](#) which set high standards for those investing money on behalf of UK savers and pension scheme members. As a global investor, the partner Fund seeks to apply good stewardship standards globally, whilst recognising local markets specificities.

The Fund believes in making long-term sustainable investments, whilst integrating ESG risk considerations into the investment process and promoting good governance and 'sustainable stewardship'. They believe that good stewardship practices can have a material impact, in terms of:

- Avoiding value destructions
- Identifying significant risks; and
- Locating investment opportunities.

#### 4.1.2 Surreys' Stewardship Policy

By being a founding partner of BCPP and being responsible for the appointment of non-pooled asset managers, Surrey is able to set expectations of both, and also set expectations of BCPP when it comes to manager appointment, monitoring and termination.

Surrey have set certain stewardship expectations of their agents in terms of ESG factor and RI issue implementation – and the feedback from these agents will be used on an ongoing basis to ensure clarity of purpose and shared direction of travel.

#### 4.1.3 Combining Surrey's Approach with its Agents

One key intention of this RI Policy is to set out Surrey's approach as a 'sustainable steward' of the Fund's assets. This policy reflects current 'good practice' and will be updated periodically as good practice continues to develop. However, the Fund recognizes that its agents may already have in place their own RI policies that reflect current responsible stewardship good practice. The intention is not to completely override any existing well-considered RI approaches, but for any perceived gaps to be filled with the appropriate content of the Fund's RI Policy.

#### 4.1.4 Stewardship Monitoring

Surrey's stewardship activity takes place through 4 main routes:

- through the activities of its investment managers (such as voting at company meetings and undertaking direct engagements with investee companies);
- through the discretionary activities of the BCPP partner funds (such as collaborating on voting actions on specific shareholder resolutions at company meetings);
- through any activities directed by BCPP itself on behalf of the pool's asset owners (such as any prioritised engagement activity); and
- through working collaboratively with other investors (such as working with other LGPS pools on issues such as TCFD reporting from investee companies or asset managers).

The stewardship activities of the Fund's investment managers are regularly reported back to the Fund. Some of this information is publicly reported via the Council's website through reports submitted for consideration by the Pension Fund Committee – for example, the quarterly voting activity undertaken.

## 4.2 Voting

### 4.2.1 Surrey's Approach to Voting

Surrey aims to be an informed and responsible long-term investor of the companies in which it invests, directly or indirectly. The Fund has a commitment to encourage responsible corporate behaviour, which is based upon the belief that active oversight and stewardship of companies encourages good long-term value creation and performance. The Fund has a duty to protect and enhance the value of its investments, thereby acting in the best interests of the Fund's beneficiaries. To that end, the Fund has a Voting Policy in place which sets out its stewardship views and expectations of investee company managements. For the assets held by BCPP, the pool also has a Voting Policy which seeks to uphold high standards of corporate governance for the pooled listed assets.

### 4.2.2 Surrey's Voting Policy

Surrey has long had a Voting Policy, which sets out the principles of good corporate governance, and how Surrey seeks to exercise its influence on investee companies. The Fund takes seriously its responsibility to ensure that its voting rights are exercised in an informed, constructive and considered manner. The Fund aims to vote its shares in all markets wherever practicable. However, due to the relative size of its holdings, it will focus attention on the major asset holdings, i.e., UK, EU, US, Far East and Emerging Markets assets.

The Fund takes seriously its responsibility to ensure that its voting rights are exercised in an informed, constructive and considered manner. To that end, it has created [a bespoke Voting Policy](#). In general, the Fund aims to support corporate management in their stewardship role,

but for instances where the Fund cannot support management it either vote against company management or abstain.

The main areas of corporate governance covered by the Fund's Voting Policy are as follows:

Audit & Reporting	The Board
Remuneration	Shareholders' Rights
Capital	Other Resolutions
Sustainability	Shareholder Proposals
Investment Decisions	

Surrey periodically reviews its Voting Policy, taking current or developing stewardship issues into account, and incorporating any feedback received from the ongoing discussions with the investment managers. The Fund's Voting Policy was most recently updated in Q4 2023.

#### 4.2.3 Surrey's Investment Managers & Voting

Surrey's Voting Policy originally related to all the Fund's listed equity managers, but as more of the Fund's assets were transitioned into the Border to Coast pool over the last few years, the direct stewardship responsibility for these assets moved to BCPP. [BCPP have created their own Voting Policy](#), which is applied to the assets under their management.

As at May 2024, there remained only one non-pooled manager whose listed equity investments are currently covered by the Fund's own Voting Policy:

- Newton (Global Equities)

The expectation is that over time all these assets will either be transferred to BCPP, or the monies invested reallocated to other asset classes. In the meantime, the Fund's Voting Policy is still applicable to the proper stewardship oversight of these assets.

Surrey receives a report on all voting activity, including details of any votes which have not been cast and explanations where votes have not been cast in line with the Voting Policy, on a regular basis. This information is regularly submitted to the Pension Fund Committee for its consideration.

#### 4.2.4 Use of Agents in Voting Activity

Surrey has contracted with Minerva Analytics since 2013 to provide consultancy advice on share voting and the wider spectrum of company corporate governance. Minerva has assisted the Fund in ensuring that its stewardship approach reflects the most up-to-date

standards. This helps Officers and the Pension Fund Committee learn of the latest stewardship developments that can then be reflected in the Fund's Investment Strategy Statement (ISS).

Surrey expects that its UK-based investment managers will be signatories to, and comply with, the Financial Reporting Council's Stewardship Code (the Code). Surrey also expects its non UK-based investments managers to provide a formal statement on their approach to stewardship of client assets.

#### 4.2.5 Voting and Securities Lending

Securities lending is an activity where assets are borrowed by a third party, in return for a fee. Collateral is provided at the point of the asset being borrowed, which is held until the asset is returned. One aspect of securities lending is that the legal title of the asset is transferred to the borrower, which means that any votes attached to the asset transfer to the borrower.

Surrey is of the view that, as responsible asset stewards, they should vote at all company meetings for the assets they own. Accordingly, Surrey expects that any assets that are out on loan should be recalled with sufficient time to permit votes to be cast.

### 4.3 Engagement

#### 4.3.1 Surrey's Approach to Engagement

As long-term asset stewards, Surrey seeks to positively influence companies' ESG approaches through the use of voting rights and by formal shareholder engagement.

Surrey expects its investment managers to follow this model of responsible asset stewardship, but the services of other third-party providers may be sought when necessary to help identify issues of concern and engage with investee companies.

Surrey believes that the best way to influence companies on RI matters is through an ongoing process of responsible ownership:



**1) Assess:** the identification and consideration of all material issues and risk factors associated with any given investment (including ESG & RI factors);

**2) Invest / Divest:** having assessed the appropriateness of an investment opportunity, the active decision is made to buy (or sell) the asset;

**3) Steward:** responsible oversight of the asset involves engaging with the investee company, voting at listed company meetings and engaging with company management on issues of concern;

**4) Report:** providing the results of the stewardship back to the client, so that they are informed on how the asset is being managed, and whether there are any current concerns.

This process is circular and ongoing; however, it may be the case that after several attempts at constructive engagement with an investee company that the initial concerns expressed have not been addressed satisfactorily, and so either legal action (by way of a **Class Action** process with other investors) or divestment/sale of the asset is appropriate next steps in the Fund's 'Engagement with Consequences' approach.

#### 4.3.2 Engagement Responsibilities

The responsibility for undertaking engagements is shared between the Fund, BCPP and the investment managers insomuch as:

- individual investment managers follow their own approaches towards engaging with investee companies on all matters that have the potential to affect investment performance;
- BCPP currently uses the services of Robeco, to report on engagements undertaken by its managers;
- Surrey is able to set any engagement priorities for the investment managers – both those within BCPP, and the non-pooled managers; and
- Either Surrey or BCPP – working on their own or with other investors – are able to take legal action against investee companies through participating in a Class Action, where deemed appropriate.

#### 4.3.3 Engagement & RI Themes

Whilst the Fund has not currently explicitly set any engagement or RI-themed priorities, it supports those that have been set by Border to Coast. These are:

Environmental	Social	Governance
<ul style="list-style-type: none"> <li>▪ Low carbon transition</li> <li>▪ Waste and water management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Social inclusion through labour management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Diversity of thought</li> </ul>



The Pension Fund Committee has the right to determine any specific engagement or RI-themed priorities and will look to its agents to help with their monitoring and delivery.

#### 4.3.4 Position on Divestment and a 'Just Transition'

Surrey believes in an 'Engagement with Consequences' approach towards its investments - constructively engaging with investee companies on any identified ESG & RI issues, rather than immediate divestment. As Surrey is externally managed, the actual implementation of the 'engagement with consequences' approach in relation to individual investments falls to its investment managers. Engagement is a legitimate step by our managers in an escalation process where issues are identified, communicated to company management and their responses are assessed. However, Surrey does not believe that engagement should be an open-ended process without resolution. It is important that the materiality of each engagement is analysed, and that the response is carefully considered, so a conclusion can be reached as to whether the original issue has been resolved, has a reasonable expectation of being resolved, or is not likely to be resolved at all.

If initial engagement does not lead to the desired results, escalation by the managers may be necessary. Options for this escalation include collaborating with other investors, supporting shareholder resolutions, voting against directors or other relevant meeting agenda items, attending Annual General Meetings (AGMs) in person to raise concerns, publicly expressing concerns and co-filing shareholder resolutions.

If, after the escalation process, the investment case is still seen as fundamentally weakened, the decision may be taken by the manager to sell the company's shares. Regulatory, legal, reputational, environmental, social and governance issues are all risks that may be considered.

Surrey believes its investment managers should seek to first engage with investee companies on issues that they perceive to present a material financial risk. However, the reporting of these engagements, their materiality, the engagement outcomes and their implications have not always been clearly communicated. Surrey commits to work with its investment managers to improve the disclosure and reporting of engagement activities undertaken on its behalf. Surrey will ask its investment managers to justify specific investments where it feels that engagement is not being effective or where financial risk may not be reflected in valuations. Where engagement fails to mitigate perceived material financial risks then Surrey expects its investment managers to consider stronger measures including collaborative engagement and/ or investment action.

Surrey supports the objectives of the Paris Agreement, specifically Article 2, 1(a), which is:

“Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change.” Accordingly, the Fund expects its investment managers to make climate risk a key component of any engagement process on Surrey’s investments.

Surrey also believes in a ‘Just Transition’ to a low carbon economy that ensures fair treatment for employees and communities that would otherwise bear the brunt of rapid, wholesale industrial change.

The investment exclusions currently in place for the Fund are listed below:

**Russian restrictions:** All managers are abiding by governmental sanctions against Russia and Belarus and new investments into the region are prohibited. The Fund’s position is to review existing investments with a view to exiting in due course as and when markets permit, as long as the current circumstances prevail. The statement by the Surrey Pension Fund can be found [here](#), The Surrey Pension Fund is saddened by and strongly condemns the invasion of Ukraine by Russia. | Surrey Pension Fund

Equity restrictions currently in place, by fund manager

**BCPP:** BCPP have exclusions related to two areas - thermal coal & oil sands and cluster munitions.

BCPP will not invest in public companies where more than 70% of revenue is derived from thermal coal and/or oil sands. For illiquid investments in private markets, the threshold is reduced to 25%.

There will also be no investment in companies contravening the Convention on Cluster Munitions (2008). This excludes from investment companies where there is evidence of manufacturing cluster munition whole weapons systems and those manufacturing components that were developed or are significantly modified for exclusive use in cluster munitions.

**LGIM:** There are no exclusions relating to their market capitalisation linked index funds.

The Future World product range does execute exclusions. Future World products apply the Future World Protection List and the Climate Impact Pledge.

The Future World Protection List is a set of exclusions based on companies which fail to meet either globally accepted principles of business practice, or whose business is incompatible with a low-carbon transition. No company with over 20% of revenue derived from thermal coal mining and extraction and/or thermal coal power generation and/or oil sands can be considered for investment. Neither are manufacturers of controversial

weapons or companies in perennial breach of the UN Global Compact, an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies. More details on LGIM's Future World Protection List can be found here, [Future World Protection List Methodology \(lgim.com\)](#)

The Climate Impact Pledge is LGIM's engagement with consequences approach related to climate engagement. Using a set of metrics for assessment, companies that remain consisted laggards generate votes against the Chair for all products and divestment from the Future World funds. More details can be found here, [Climate Impact Pledge | Climate change | LGIM Institutional](#)

**Newton:** The Fund has not imposed any explicit exclusions related to the Newton mandate, other than those relating to Russia and Belarus. However, for their pooled range, the manager does have exclusions in companies involved in cluster munitions and this policy is taken into account when investment decisions are made for the Surrey Pension Fund.

#### 4.3.5 Engagement Across Asset Classes

Surrey believes that engagement is a key part of being a responsible asset owner; however, some assets are easier than others, in terms of undertaking engagement activity. Set out in the following table are some high-level views on how engagement is, and could be, carried out by Surrey or its agents – either individually, or collectively with other like-minded investors - across the asset classes in which the Fund is invested:

Asset Class	Engagement Options
Equities – Index	<ul style="list-style-type: none"> <li>Implementation of a bespoke Voting Policy for non-pooled assets that codifies Surrey's approach into specific voting actions</li> <li>Implementation of a bespoke Voting Policy for pooled assets that codifies BCPP's approach into specific voting actions</li> <li>Direct engagement by Robeco or by asset managers with companies held on an index-driven basis linked to engagements undertaken for any actively held holdings</li> </ul>
Equities - Active	<ul style="list-style-type: none"> <li>Implementation of a bespoke Voting Policy for non-pooled assets that codifies Surrey's approach into specific voting actions</li> <li>Implementation of a bespoke Voting Policy for pooled assets that codifies BCPP's approach into specific voting actions</li> <li>Direct engagement by Robeco or by asset managers with companies held on an active basis – via direct meeting / letter / email / call / attendance at investor events</li> </ul>
Fixed Interest – Government Bonds, Government	<ul style="list-style-type: none"> <li>Limited direct engagement options – consideration of RI issues affecting national Governments and their responses to them typically sits at the investment appraisal stage, prior to investing</li> </ul>

Index Linked Bonds	
Fixed Interest – Multi Asset Credit, Corporate Index Linked Bonds	<ul style="list-style-type: none"> <li>▪ Direct engagement is possible for Surrey’s asset managers or Robeco on listed companies that also issue debt owned by the Fund</li> <li>▪ Engagement with companies issuing debt – via direct meeting / letter / email / call / attendance at investor events</li> </ul>
Real Estate - Pooled	<ul style="list-style-type: none"> <li>▪ Investment via collective vehicles means that engagement activity has to be at investment manager level, particularly if a fund of funds is the chosen vehicle of investment</li> </ul>
Infrastructure - Pooled	<ul style="list-style-type: none"> <li>▪ Investment via collective vehicles means that engagement activity has to be at investment manager level, particularly if a fund of funds is the chosen vehicle of investment</li> </ul>
Private Debt / Equity / Venture Capital-Direct	<ul style="list-style-type: none"> <li>▪ Direct ownership of private companies, or loans to private companies means that RI considerations and expectations can be established from the outset, and influence can be exerted directly on these investments as a relatively small group of investors are the owners.</li> </ul>
Private Debt / Equity / Venture Capital - Indirect	<ul style="list-style-type: none"> <li>▪ Investment via collective vehicles means that engagement activity has to be at investment manager level, particularly if a fund of funds is the chosen vehicle of investment</li> </ul>
Cash	<ul style="list-style-type: none"> <li>▪ For banks holding cash deposits that are listed entities, engagement can take place in the same manner as for Equities, if the bank shares are held as part of an existing investment. Where money market funds are used, engagement would again be possible at a secondary level, engaging with the investment managers of the funds involved.</li> </ul>

## Section 5: Monitoring and Reporting

### 5.1 RI Monitoring

#### 5.1.1 Surrey's Approach to RI Monitoring

Surrey believes that monitoring RI activities and outputs is vital in ensuring alignment of RI performance with the Fund's stated approach. Surrey will monitor RI activities undertaken on its behalf in relation to the short, medium and long-term objectives set out in the RI Policy and in any individual Investment Management Agreements.

#### 5.1.2 Reporting Expectations of Surrey's' Asset Managers

Individual Investment Management Agreements (IMAs) or Service Level Agreements (SLAs) with investment managers should set out the information transparency requirements necessary for monitoring alignment between the RI performance of any mandate and the RI expectations set by the Fund.

Whilst specific asset classes bring their own specific requirements, all investment managers are expected to support the Fund in reporting on ESG factors together with climate risk mitigation objectives in alignment with TCFD, and other stewardship activity for the purposes of reporting under the UK Stewardship Code 2020.

Investment manager reporting should include some elements on their specific business which are universally applicable, including:

- any material updates to the firm's own RI policy during the year;
- RI governance developments; and
- any developments in their RI process.

Additionally, Surrey expects the investment managers to disclose some fund level information which is also universally applicable to all asset classes, including:

- details on alignment with any key RI objectives set by the Fund, and what measures (if any) remain to be carried out
- use of ESG data (e.g., details of data sources and tools used, verification, scope of portfolio coverage of the data)
- ESG Risk Management (e.g., updates or changes to ESG risk management processes, positive and negative examples of how ESG factors have impacted investment decisions)
- current key ESG risks and opportunities associated with the Fund's investments
- any material RI 'incidents' (details of incident, and explanation of any investment actions taken as a result)

- Performance Targets (e.g., material developments in progress towards targets; disclose whether assets are on target, exceeding or underperforming their ESG target; any RI related changes made to the performance benchmark)
- Asset class level reporting requirements are asset specific in nature: listed equity, fixed income, and private equity manager reporting should include, but not be limited to:
  - Portfolio composition
  - ESG factor incorporation
  - ESG performance and action plans
- Additionally, Private Equity should also include:
  - Monitoring and Incident Response
  - Exit strategy
- Infrastructure, Real Estate and Forestry are expected to report on all of the above, save for ESG incorporation

Surrey expects the following to be reflected in the stewardship reporting of its investment managers:

- explaining the implementation of their stewardship policies
  - how ownership rights have been exercised
  - any changes to the manager's engagement processes
  - examples of engagement and how they relate to monitoring and investment decisions
  - details on measurement of engagement success
  - details on whether engagements have been concluded successfully, concluded unsuccessfully, or are ongoing
  - information on how portfolio managers have been involved in active ownership activities
- Additionally, listed equity and fixed income investment managers should include details of any collaborative engagements and how they have contributed to their stewardship and engagement strategy

Any listed equity voting reporting should cover:

- Any changes in voting policy
- Specific results of voting activities and decisions, including summary statistics, policy alignment as well as case studies
- Stock-on-loan related voting issues (where investment managers are responsible for their own securities lending programme)
- Outcomes of voting audits
- Examples of results of resolutions voted
- Proportion of shares voted in the period

- Breakdown and rationale of votes cast against management

Surrey also expects its investment managers to provide climate change reporting in line with TCFD recommendations. This is to include:

- Climate Change: Governance
  - Engagement with companies regarding addressing climate change
  - Positive/negative changes in investee companies' oversight of climate issues
  - Describing management's role in assessing and managing risks and opportunities
- Climate Change: Strategy
  - Describe risks and opportunities over the short, medium and long-term (according to reporting horizon)
  - How these risk and opportunities are factored into strategies
  - Describe strategy resilience in the face of climate scenarios, including a +2 degrees Celsius or lower scenario
- Climate Change: Risk Management
  - Any changes in processes for integration of these risks into the overall risk management process
- Metrics and Targets
  - Disclose the metrics used and how these have changed over time
  - Scopes 1, 2 and (where currently possible) 3 GHG emissions, weighted average carbon intensity
  - Describe the targets used to manage climate related risks, opportunities and performance against targets

### 5.1.3 RI Reporting Standards and Agents

Where specialist agents (such as, for example, RI consultancy, third party ESG portfolio reporting, proxy voting services, engagement services or securities litigation specialists) are appointed to provide services to Surrey which contribute to the implementation of the Fund's RI Policy, reporting requirements will be set out in their contractual arrangements, reflecting by reference to the elements of this RI Policy to which the services relate.

### 5.1.4 RI Monitoring & Reporting

It is key to ensure that the scope and nature of the RI monitoring requirements placed upon the Fund's agents are proportionate and aligned with the Fund's RI Policy. It is Surrey's view that the reporting expectations placed on the Fund's agents, as set out in this RI Policy, should not be onerous. Surrey believes that they reflect what should reasonably be expected of a professional asset management firm, either because of regulatory requirement or from client interest and demand.

### 5.1.5 Monitoring Expectations of Border to Coast

As Surrey's primary source as the provider (or procurer) of investment management services, it is essential that Border to Coast is able to undertake appropriate monitoring of the Fund's investments and investment managers. Explicit monitoring expectations will be discussed with Border to Coast on an ongoing basis, but Surrey's position is that the pool should undertake comprehensive and ongoing monitoring of the Fund's investments and investment managers, which includes assessing how ESG factors are identified, incorporated into the investment process and managed. Investment and manager monitoring requirements are likely to grow over time, and so Surrey will work with Border to Coast and the other partner funds to ensure the pool is able to meet client monitoring requirements.

## 5.2 RI Reporting

### 5.2.1 Surrey's Approach to RI Reporting

Any reporting arrangements put in place need to be able to meet the varied reporting requirements of the Fund, now and in the future. Whereas historic investment reporting has predominantly focussed on asset holdings, valuation and performance, future reporting requirements are likely to place a greater emphasis on stewardship matters, such as:

- More detailed information on voting activity, and variances from the Fund's and BCPP's Voting Policies
- 
- Engagement activity, along with outcomes achieved
- Clearer information on asset sales/divestments, with a particular emphasis on asset disposals made primarily in relation to unacceptable ESG factor risks
- Carbon intensity of specific investments and portfolios
- Content to enable the Fund to complete their own Stewardship Code 2020 and TCFD reporting

### 5.2.2 RI Reporting Commitments

There is likely to be considerable overlap in terms of the content needed from the Fund's agents for the different reports produced by Surrey - such as those covering the Fund's Annual Report & Accounts, Stewardship Code 2020 Compliance, TCFD Reporting, Voting and Engagement Activity and scheme member communications.

Surrey expects that, whatever the reporting requirements - existing, regulatory-driven or aspirational - its agents work closely in cooperation with the Fund to help it meet these requirements through the provision of timely stewardship information.



### 5.2.3 RI Reporting Delivery Methods

Surrey will ensure that RI reporting is accessible to its stakeholders. The Fund's core position is that key RI information is communicated with its stakeholders via a number of routes:

- On the Surrey Pension Fund website
- In the Fund's Annual Report & Accounts
- Through regular reports submitted to the Pension Fund Committee and Local Pensions Board

Over time, the information disclosed is expected to expand to include more RI-related information, such as climate scenario modelling. Stakeholders will be kept up to date on progress to expand reporting requirements via the Fund's and Council's websites. Contact details will also be provided for stakeholders who have specific requirements in terms of reporting accessibility, to ensure that the information available can be accessed by all relevant parties.

### 5.2.4 Key Reporting Expectations of Agents

Surrey expects their agents to support them in the delivery of, and reporting against, these RI Guidelines and the RI expectations, in addition to their normal investment-related reporting. Set out in the table below is a short description of the information that Surrey expects its agents to provide, split across the three main current agents – BCPP, the Fund's master custodian Northern Trust and the non-pooled investment managers:

Agent	Reporting Expectations
BCPP	<ul style="list-style-type: none"> <li>▪ Monitoring of the external investment managers, covering their ongoing appropriateness to manage assets on behalf of the Pool and the partner funds</li> <li>▪ Any other existing reporting that Surrey currently receives from BCPP</li> </ul>
Northern Trust	<ul style="list-style-type: none"> <li>▪ Investment accounting &amp; valuation information relating to the investment arrangements managed by the non-pooled investment managers</li> <li>▪ Performance information relating to the investment arrangements managed by the non-pooled investment managers</li> <li>▪ Custody safekeeping reconciliations relating to the assets, derivatives and cash associated with the investment arrangements of the non-pooled investment managers</li> <li>▪ Securities lending activity, including information covering the recall of assets on loan for voting</li> <li>▪ Confirmation of the successful submission of votes cast on behalf of the Fund through its agents</li> <li>▪ Any other existing reporting that Surrey currently receives from NT</li> </ul>

### Non-pooled Investment Managers (including LGIM)

- Investment performance information relating to the investment arrangements managed by each investment manager
- Details of their specific ESG / RI policies
- Details of their approach towards TCFD reporting
- Details of their approach to climate modelling of their specific investments
- Details of any engagements undertaken in relation to the investments they manage on behalf of the Fund
- Any other existing reporting that Surrey currently receives from the non-pooled investment managers

#### 5.2.5 Reporting Expectations of Border to Coast

Reporting expectations of Border to Coast are determined collectively by the pool's partner funds. As a result, Surrey is able to have direct input in ensuring its reporting requirements are met. And whilst it is recognized that different partner funds are likely to have slightly different reporting requirements, there are likely to be common pieces of information that each fund needs. Surrey's RI reporting requirements of Border to Coast cover areas such as voting, engagement, portfolio carbon intensity measurement and other ESG reporting requirements as specified by the Fund. Surrey also expects Border to Coast to undertake regular reporting on the investment, stewardship and ESG-associated activities undertaken by any external investment managers appointed by the pool.

## 5.3 Stakeholder RI Communications

### 5.3.1 Reporting RI Issues to Stakeholders

In terms of stakeholder reporting requirements associated with RI, due consideration will be given to the reporting requirements of all key stakeholders, including:

- Surrey Pension Fund Committee and Local Pensions Board
- Scheme members and employers
- Interested third parties

RI issues are reported to stakeholders via several channels, including the Fund's websites, Pension Fund Committee papers, Annual Reports, and also by other avenues such as Stewardship Code 2020 reporting.

### 5.3.2 RI Reporting Content, Access, and Frequency

Surrey aims to report its RI activities in a manner which is deemed to be in line with best practice. This includes regular disclosures that demonstrate to stakeholders how Surrey oversees the implementation of the Fund's RI approach. From content prepared for the Fund's Annual Report & Accounts, member communications and for the Fund's own website, the intention is to provide RI information that is accurate, engaging, accessible and timely.



## Glossary

<b>Administering Authority</b>	An Administering Authority is responsible for maintaining and investing its own fund for the <b>LGPS</b> . This means the Administering Authority is responsible for making all decisions relating to the operation of the Fund.
<b>Agent</b>	Any third party working on behalf of the Fund. This covers <b>BCPP</b> , non-pooled investment managers, custodians and other third parties providing investment-related services.
<b>BCPP</b>	<b>Border to Coast Pensions Partners Limited</b> – the <b>LGPS</b> pool of which Surrey is one of the founding partner funds. Responsible for some of the investment arrangements of the Fund.
<b>Class Action</b>	A Class Action is a type of lawsuit where one of the parties is a group of people or investors who are represented collectively by a member or members of that group. <b>LGPS</b> Funds typically participate in class actions to seek financial redress from investee companies over destruction of shareholder value caused by company management actions.
<b>COP26</b>	The UK hosted the 26th UN Climate Change Conference of the Parties ( <b>COP26</b> ) in Glasgow on 31 October – 12 November 2021. The COP26 summit brought parties together to accelerate action towards the goals of the <b>Paris Agreement</b> and the UN Framework Convention on Climate Change.
<b>Custodian</b>	An entity – usually a bank – that provides custody of assets, along with associated services such as investment accounting, cash management, dividend collection and repatriation, proxy voting, securities lending and investment performance measurement & reporting
<b>ESG</b>	<b>Environmental, Social and Governance</b> – usually used in reference to ESG ‘factors’ or ‘characteristics’, in the content of a Fund’s, portfolio’s or investee company’s approach to sustainability issues or risks
<b>IMA</b>	<b>Investment Management Agreement</b> – the formal contract between the procurer of investment management services and the firm providing them. Contains specific details of the nature of the investment services required, along with other details such as any benchmark to be used, risk controls, fees paid and client reporting requirements.
<b>Investee Company</b>	Relates to an underlying investment in a listed equity, corporate bond or private equity in which an investment manager has made an investment on behalf of the pool
<b>LAPFF</b>	The <b>Local Authority Pension Fund Forum</b> is a voluntary association of 85 public sector pension funds and seven pool companies based in the UK with combined assets of over £300 billion. It exists to ‘promote the long-term investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest’.
<b>LGPS</b>	The <b>Local Government Pension Scheme</b> is a statutory pension scheme for employees of local authorities.
<b>Paris Agreement</b>	The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at COP 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

<b>PRI</b>	<b>Principles for Responsible Investment</b> – initially a United Nations-backed organisation but is now a freestanding commercial entity. Asset owners and asset managers can subscribe to have their responsible investment approaches assessed and graded by PRI.
<b>RI</b>	<b>Responsible Investment</b> – a broad term used to cover sustainability issues in investment management
<b>SDGs</b>	<b>United Nations Sustainable Development Goals</b> - a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs were set up in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030.
<b>SLA</b>	<b>Service Level Agreement</b> – a document put in place between the procurer and provider of services to establish certain aspects of the service delivery, usually around service standards, timeliness, deliverables and reporting
<b>Stakeholder</b>	Relates to parties that have an interest in the investment arrangements of the partner funds – this covers <b>LGPS</b> scheme members, employers and other bodies in the scheme, but also includes local taxpayers
<b>TCFD</b>	<b>Task Force on Climate-related Financial Disclosures</b> - created by the Financial Stability Board in 2015 to improve and increase reporting of climate-related financial information.
<b>UK Stewardship Code 2020</b>	Established by the Financial Reporting Council, The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them.

This page is intentionally left blank

# Net Zero Company Analysis: MSCI ACWI

Surrey Pension Fund

April 2024

# Key findings

- This is the second year Mercer has conducted this analysis to identify the projected number of companies targeting net zero at target dates of 2030, 2040 and 2050 within the MSCI AC World Index universe. The intention of this analysis is to investigate whether the opportunity set has increased in the last twelve months.
  - When comparing the 2023 and 2022 analyses on a like-for-like basis, the **key conclusion is that the universe has not materially changed**, albeit there is a positive trend that more companies have set net zero target dates.
- In this year's analysis, due to improvements in data and methodologies, a new universe has been provided in addition to the opportunity set shown in previous analysis. In the first iteration, companies intentions were taken at "face value" that if they had set a net zero target, they would achieve it, and thus be included in the opportunity set universe.
- This year an additional "credibility factor" has been applied to each company's target. This aims to assess whether a company is likely to achieve its net zero target date based on a range of factors. Whilst this "credibility factor" does add some subjectivity to the analysis it does represent an enhancement to the methodology used.
- We recommend Surrey continues to monitor for key changes in these results in order to incorporate findings into an overall net zero target date for the Fund.
- The MSCI ACWI universe of companies projected to achieve net zero at or before 2030 and 2040 remains too small for the Fund to set net zero targets by these dates.

**Targeting net zero target dates of 2030 or 2040 would lead to company level concentration (i.e. significant loss of diversification), with a number of sectors not represented at a 2030 net zero target date. Continue to assess broader market decarbonisation efforts as one factor in setting & monitoring credible net zero targets for the Fund.**



# Previous Methodology

## Used in 2022 analysis and again in 2023 for Year-on-Year comparison

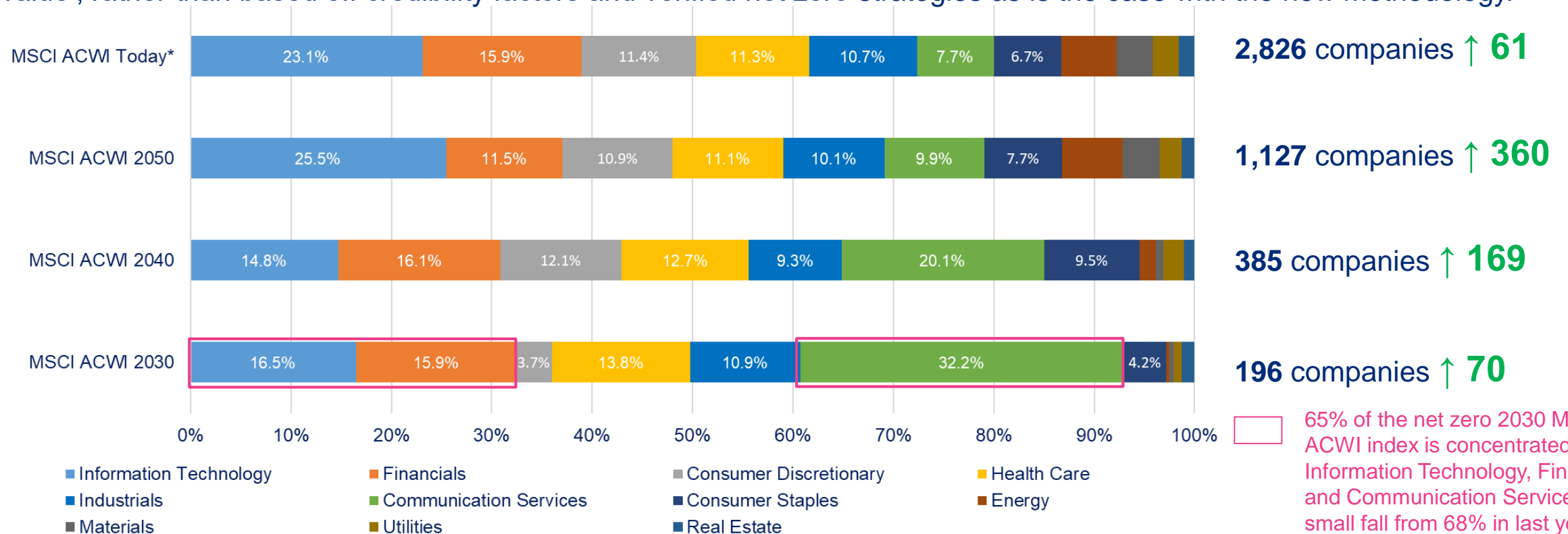
- MSCI have updated their Implied Temperature Rise (ITR) methodology and associated metrics since 2023.
- Factors used in the previous analysis were based off 'face-value' targets set by companies, with projected emissions based off these reduction targets.
- The factors used for the previous methodology are still available in MSCI, however we recommend using the updated methodology going forward.
- The below factors were used to match this analysis to the previous one, which takes company climate targets at face value to determine projected emissions

MSCI ESG Factor	Definition
Annual Projected Scope 1 and 2 Emissions with Targets at Face Value [tCO2e/year] (time series)	A company's projected Scope 1 and 2 greenhouse gas emissions in tCO2e for the specific year, taking any considered climate target at face value. These emissions are projected by taking into account the latest Scope 1 and 2 emissions data (reported, if available or estimated if not) and the company's pledged climate targets to reduce Scope 1 and 2 emissions, if available. This value may be different from that of Annual Projected Scope 1 and 2 Emissions with Target Credibility Assessment, which determines Implied Temperature Rise outputs.
Annual Projected Scope 3 Emissions with Targets at Face Value [tCO2e/year] (time series)	A company's projected Scope 3 greenhouse gas emissions in tCO2e for the specific year, taking any considered climate target at face value. These emissions are projected by taking into account the current estimated Scope 3 emissions and, when available, the company's pledged climate targets to reduce Scope 3 emissions. This value may be different from that of Annual Projected Scope 3 Emissions with Target Credibility Assessment, which determines Implied Temperature Rise outputs.
GICS Sub Industry	GICS Sub-Industry classification, mapped to Sector level in the analysis

# Investment Opportunity Set

## By projected Net Zero year – Previous MSCI methodology Year-on-Year comparison

The number of companies with net zero dates at 2030, 2040 and 2050 has increased since last year, as shown by the numbers in green which represents absolute change. Consistent with last year's analysis, these dates are taken on 'face value', rather than based off credibility factors and verified net zero strategies as is the case with the new methodology.



As at 31 Dec 2023, only 196 companies from a universe of 2,826 had verified targets of being Net Zero by 2030, representing 7% of the investable universe by number of companies or 13% by market cap

# Top 10 global companies with verified 2030 Net Zero targets

Modified 'net zero 2030' MSCI ACWI – Previous MSCI methodology for Year-on-Year comparison

Top 10 companies by market capitalisation within the portfolio

2023 Analysis			2022 Analysis		
COMPANY	SECTOR	PORTFOLIO WEIGHT WITHIN 2030 PORTOFLO**	COMPANY	SECTOR	PORTFOLIO WEIGHT WITHIN 2030 PORTOFLO**
ALPHABET INC.	Communication Services	15.4%	ALPHABET INC.	Communication Services	14.1%
META PLATFORMS, INC.	Communication Services	7.7%	JOHNSON & JOHNSON	Health Care	6.7%
ELI LILLY AND COMPANY	Health Care	4.6%	SAMSUNG ELECTRONICS CO., LTD.	Information Technology	6.0%
NOVO NORDISK A/S	Health Care	3.3%	META PLATFORMS, INC.	Communication Services	3.9%
Tencent Holdings Limited	Communication Services	2.5%	TENCENT HOLDINGS LIMITED	Communication Services	3.8%
THE GOLDMAN SACHS GROUP, INC.	Financials	1.2%	NOVO NORDISK A/S	Health Care	3.2%
CITIGROUP INC.	Financials	1.0%	ASML HOLDING N.V.	Information Technology	3.1%
UBS Group AG	Financials	1.0%	ASTRAZENECA PLC	Health Care	3.0%
Banco Santander, S.A.	Financials	0.7%	NOVARTIS AG	Health Care	2.8%
Mizuho Financial Group, Inc.	Financials	0.4%	THE WALT DISNEY COMPANY	Communication Services	2.3%
<b>Total</b>	-	<b>37.8%</b>	<b>Total</b>	-	<b>48.9%</b>

The top 10 companies represent ~40% of the 196 companies in the 'net zero 2030' MSCI ACWI by market capitalisation. The construction process followed only includes scope 1 + 2 emissions; if scope 3 emissions were included, there would be 48 companies in the 'net zero 2030' portfolio\*.

\*Analysis as at 31 Dec 2023

\*\*Portfolio weight reflected scaled up coverage to 100%

^Company numbers have varied considerably since 2022. We are in dialogue with MSCI to identify these changes before further insights can be extracted. There is no overlap in the top 10 contributors compared to last year as a result of the changes to MSCI's methodology for modelling projected emissions which were previously based off 'face value' company targets and are now based off credibility factors.

# Updated Methodology

- The following analysis compares the projected net zero year of companies in the MSCI ACWI index as at 31 December 2023 using target dates of 2050, 2040 and 2030
- The analysis has focused primarily on the Scope 1 and 2 level emissions, but Scope 3 emissions analysis has also been referenced briefly for context
- The following MSCI factors were used to identify the sector and projected net zero year of companies:

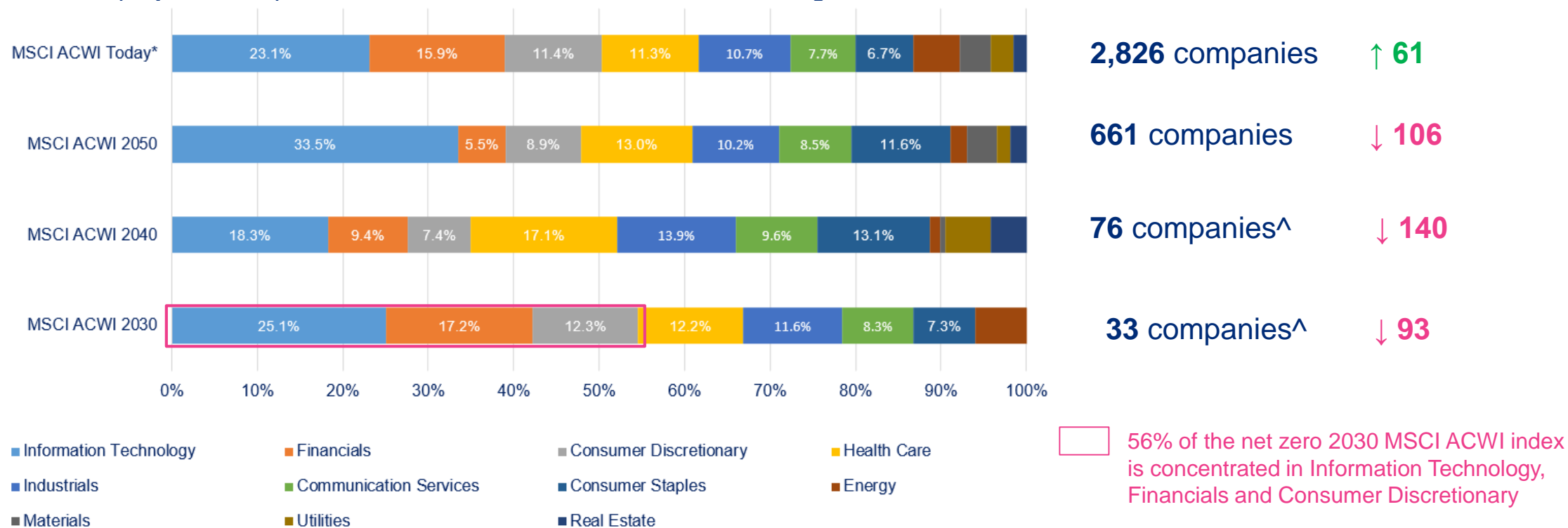
MSCI ESG Factor	Definition
Budget and Emissions Projections Year [time series]	Year of annual projected emissions, carbon budgets and intensity pathways.
Annual Projected Scope 1 and 2 Emissions with Target Credibility Assessment [tCO <sub>2</sub> e/ year] (time series)	A company's projected Scope 1 and 2 greenhouse gas emissions in tCO <sub>2</sub> e for the specific year. These emissions are projected by taking into account the latest Scope 1 and 2 emissions data (reported if available, or estimated if not), the company's pledged climate targets (if available), as well as target credibility weights.
Annual Projected Scope 3 Emissions with Target Credibility Assessment [tCO <sub>2</sub> e/ year] (time series)	A company's projected Scope 3 greenhouse gas emissions in tCO <sub>2</sub> e for the specific year. These emissions are projected by taking into account the latest estimated Scope 3 emissions, the company's pledged climate targets (if available), as well as target credibility weights.
GICS Sub Industry	GICS Sub-Industry classification, mapped to Sector level in the analysis.

- MSCI's methodology has been updated since last year and projected emissions are based off **more stringent credibility factors** rather than company 'face value' emissions targets
- Companies measured to reach net zero at 2050 are also measured against the Science Based Target initiative's (SBTi) verified targets

# Investment Opportunity Set

## By projected Net Zero year – Updated, more stringent methodology

This chart compares the total number of companies in the MSCI All Country World Index (ACWI) investment universe to the number of companies with projected scope 1 + 2 emissions consistent with net zero target dates of 2030, 2040, and 2050.



Page 195

**As at 31 Dec 2023, only 33 companies (from a universe of 2,825) had verified credible 2030 Net Zero targets, representing 1.2% of the investable universe by number of companies or 1.4% by market cap.**

\*Analysis as at 31 Dec 2023

<sup>^</sup>Company numbers have varied considerably since 2022 due to methodology changes in MSCI's ITR modelling. Targets are now based on more stringent credibility factors of company emissions targets. Companies reaching net zero at 2050 remain relatively unchanged as projected emissions are also based on SBTi verified targets.

# Top 10 global companies with verified 2030 Net Zero targets

## Modified 'net zero 2030' MSCI ACWI – Updated methodology

### Top 10 companies by market capitalisation within the portfolio

COMPANY	SECTOR	PORTFOLIO WEIGHT WITHIN 2030 PORTFOLIO**
ACCENTURE PUBLIC LIMITED COMPANY	Information Technology	15.4%
SAP SE	Information Technology	11.3%
S&P GLOBAL INC.	Financials	10.1%
PROLOGIS, INC.	Real Estate	8.6%
Sony Group Corporation	Consumer Discretionary	8.4%
Deutsche Telekom AG	Communication Services	5.5%
GSK PLC	Health Care	5.3%
ABB Ltd	Industrials	5.0%
Aon plc	Financials	4.1%
TRANE TECHNOLOGIES PLC	Industrials	3.9%
<b>Total</b>	-	<b>77.6%</b>

The top 10 companies represent nearly over two thirds of the 'net zero 2030' MSCI ACWI by market capitalisation. The construction process followed only includes scope 1 + 2 emissions; if scope 3 emissions were included, there would be 8 companies in the 'net zero 2030' portfolio\*.

\*Analysis as at 31 Dec 2023

\*\*Portfolio weight reflected scaled up coverage to 100%

^Company numbers have varied considerably since 2022. We are in dialogue with MSCI to identify these changes before further insights can be extracted. There is no overlap in the top 10 contributors compared to last year as a result of the changes to MSCI's methodology for modelling projected emissions which were previously based off 'face value' company targets and are now based off credibility factors.



References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

© 2024 Mercer LLC. All rights reserved.

This contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualised investment advice.

In addition, some of the underlying data has been provided by MSCI which is ©2024 MSCI ESG Research LLC. Reproduced by permission. Although information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein. None of the ESG Parties makes any express or implied warranties of any kind, and the ESG Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the ESG Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see [www.mercer.com/conflictsofinterest/Mercer](http://www.mercer.com/conflictsofinterest/Mercer)

Mercer Limited is authorised and regulated by the Financial Conduct Authority. Registered in England and Wales No. 984275. Registered Office: 1 Tower Place West, Tower Place, London EC3R 5BU

This page is intentionally left blank



# Fossil Fuel Exclusion Impact Analysis

Surrey Pension Fund

Page 199

June 2024

Steve Turner

Sandy Dickson

A business of Marsh McLennan



# Background

At the December 2023 Committee meeting of the Surrey Pension Fund (“the Fund”), the Fund’s exposure to the top 25 largest fossil fuel related companies, ranked by revenue, was shared with the Committee. It was agreed to undertake analysis to consider what potential impact excluding these companies from the investable universe might have on expected returns for the Fund (looking at positive and negative outcomes) relative to a benchmark index and green house gas metrics.

The proposal was to review two definitions of the “largest fossil fuel related” companies. The process being as follows:

- Mercer used the MSCI All Countries World Index (the parent index) as at 29 March 2023, to construct two lists.
- The index was filtered to those companies within the “Oil, Gas and Consumable Fuels” industry.
- With the lists to be based on “size”, Mercer used two different definitions of this, the first ranked companies by market capitalisation (i.e. size of company by investible market valuation) and the second ranked companies by trailing 12-month revenue.
- There were a number of companies which appeared on the list more than once, with the different entries representing different share classes. Mercer combined the market capitalisation for these companies so that they were only included once in the final list.

Following the creation of the lists, the Committee approved the exclusions list wherein companies were ranked by trailing revenue. Following agreement, the next step was for analysis to be conducted to assess the impact any exclusions of the companies would have on the respective investable universe. Border to Coast Pension Partnership (“BCPP”) and Legal & General Investment Management Ltd (“LGIM”) were asked to provide analysis for the mandates to which the Fund has exposure to, outlining the estimated impact on tracking error of the ‘new’ benchmark with the 25 companies excluded (as relevant), along with the impact on the benchmark’s green house gas metrics.

## Important notes

- Analysis in this paper comes from BCPP and LGIM for their respective equity funds in which the Fund invests in as at 31 March 2024; as such it is a single point in time and will be subject to change. The analysis looks at the impact of the exclusions to the benchmark index for the respective funds invested in. The tracking error analysis does not allow for any prevailing differences in the underlying portfolios relative to the respective index, for example, due to active management positions in the BCPP funds. The tracking error analysis for Global Equities is a reasonable proxy applicable to the BCPP and Newton Global equity assets.
- Analysis in this paper only considers the impact of the potential exclusions on the Fund’s listed equity portfolio (due to the availability of data and analysis). There could be exposure in other parts of the Fund’s assets.
- The analysis is intended to be illustrative in nature to aid discussion and is no guarantee of actual outcomes.
- This paper does not consider the practical implications of implementing an exclusions policy. This would need to be subject to further consideration, if required.

# Exclusions under consideration: top 25 companies by revenue

ISIN	Name	Revenue (USD millions)	Country	Weight of MSCI ACWI Index %
SA14TG012N13	Saudi Arabian Oil	494,795	Saudi Arabia	0.03
CNE1000002Q2, CNE0000018G1	China Ptl.& Chm	444,504	China	0.02
CNE1000003W8, CNE1000007Q1	Petrochina	425,242	China	0.03
US30231G1022	Exxon Mobil	334,697	USA	0.64
GB00BP6MXD84	Shell (Lon)	316,619	United Kingdom	0.30
FR0000120271	Total Energies	218,945	France	0.21
GB0007980591	BP	210,130	United Kingdom	0.15
US1667641005	Chevron	196,913	USA	0.39
US56585A1025	Marathon Petroleum	148,379	USA	0.11
US7185461040	Phillips 66	147,399	USA	0.10
US91913Y1001	Valero Energy	144,766	USA	0.08
INE002A01018	Reliance Industries	109,323	India	0.15
NO0010096985	Equinor	106,847	Norway	0.03
INE242A01010	Indian Oil	104,830	India	0.01
BRPETRACNPR6, BRPETRACNOR9	Petroleo Brasileiro	102,464	Brazil	0.09
IT0003132476	Eni	101,285	Italy	0.05
JP3386450005	Eneos Holdings	99,324	Japan	0.02
TH0646010Z00	PTT	90,379	Thailand	0.01
INE213A01029	Oil & Natural Gas Corp	85,287	India	0.01
PLPKN0000018	Orlen	85,258	Poland	0.01
ES0173516115	Repsol Ypf	63,742	Spain	0.03
JP3142500002	Idemitsu Kosan	61,561	Japan	0.01
KR7096770003	SK Innovation	59,647	Korea	0.01
INE029A01011	Bharat Petroleum	58,929	India	0.01
US20825C1045	Conocophillips	56,141	USA	0.21
<b>Total</b>				<b>2.70</b>

Source: Databank, Bloomberg for revenue, as at 15 April 2024. Please note, where multiple ISINs are included within the same line this is representative of multiple share classes within the same company

Companies in the **Energy** sector and **Oil, Gas and Consumables** industry as at 29 March 2024

# Summary – Financial Metrics

Currently invested with	BCPP (active)			Newton (active)	LGIM (passive)			
	UK	Global	Emerging Markets	Global	Future World Global	Europe ex UK	Japan	Pac ex Japan
Total Surrey assets, £m	£366.9m	£873.8m	£287.6m	£478.5m	£1,307m	£61.3m	£19.8m	£46.1m
Percentage of index excluded (i.e. reduction in opportunity set)	10.8%	2.7%	3.8%	2.7%	1.2%	2.3%	0.4%	0.2%
Tracking error vs. index % p.a.	2.1%	0.5%	0.6%	0.5%	0.2%	0.4%	0.1%	0.1%

Data as at 31 March 2024.

**Largest impact on expected tracking error is on UK equities; impact on other equity classes is modest**

# Summary – Carbon Metrics

Currently invested with	BCPP (active)			Newton (active)	LGIM (passive)			
Equity class	UK	Global	Emerging Markets	Global	Future World Global	Europe ex UK	Japan	Pac ex Japan
Weighted Average Carbon Intensity impact vs. benchmark	-21%	-3%	0%	-3%	-5%	-5%	-1%	0%
Carbon Intensity impact vs. benchmark	-24%	-4%	+1%	-4%	-5%	-6%	-3%	0%
Potential / Financed Emissions Impact vs. benchmark	-35%	-9%	-3%	-9%	-10%	-8%	-3%	-1%

Data as at 31 March 2024

Please note, the metrics provided by BCPP and LGIM are not direct comparators, for LGIM the Carbon Intensity metric represents the Carbon Reserves Intensity, while Financed Emissions represents LGIM's Value Chain Emissions. While Financed Emissions represent the emissions financed in the real economy, Value Chain Emissions is a measure of the emissions created by interaction with entities within the value chain.

Exclusion of the relevant stocks would have a day one positive impact on carbon metrics, but not necessarily so for achieving further progress after this. The impacts on other environmental, social and governance measures for LGIM funds are non-material

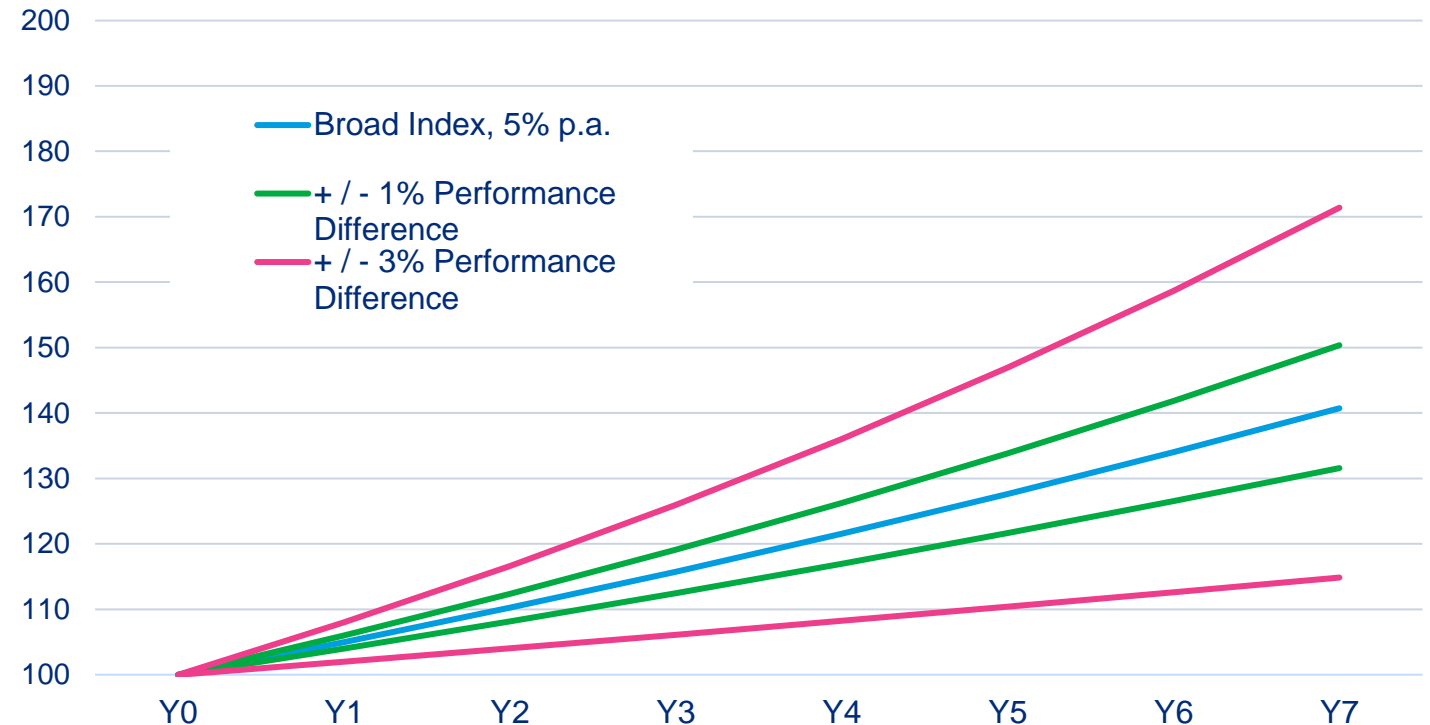
# Understanding potential impact on returns

- Tracking error is a statistical calculation of the expected performance relative to a particular index (e.g. the FTSE All-Share index for UK equities).
- A tracking error of say, 1% p.a., means that relative performance is expected to be within +/-1% p.a. two-thirds of the time, and outside of this range for the remaining one-third.

Greater tracking error means greater variation in relative performance (on both the upside and downside) and a wider range of possible outcomes.

- Use of tracking error as a risk measure won't capture all potential risks. For example, excluding large stocks from an index could lead to active management decisions that would otherwise not be taken and lead to further return variation. The impact of this is difficult to quantify.

Cumulative growth of £100 over 7 years



The above chart is an **illustrative** example of the cumulative growth of the index ("broad index") over 7 years, and the impact of tracking error (a proxy for different returns) over time, and the deviation it can cause from the index. The chart shows the 1% and 3% performance difference for both upside and downside scenarios. After 7 years the performance difference to the index is c. 7% for the 1% tracking error and c. 22% for the 3% tracking error.

Reducing the investable universe will introduce tracking error versus a relevant index. The impact could be positive or negative over a given period, which the Committee would need to understand and be comfortable with

# Divestment: potential benefits and trade-offs

## Potential benefits

**Risk & decarbonisation:** reduce portfolio exposure to 'stranded' assets and carbon intensity.

**Escalation tool** when engagement fails and companies are too slow to transition.

**Limited return impact** if divesting only impacts a small part of the portfolio.

**Signal to market** about Fund's ambition and views.

**Increase cost of doing business** if enough investors deny fossil fuel companies access to capital.

## Trade-offs

**Not sufficient for net zero** as other sectors / companies are also carbon intensive.

**Engagement more effective** when tackling systemic and non-diversifiable issues like climate change?

**Limits real world impact** if no longer supporting high emitters to transition through engagement.\*

**What about demand?** Investors still hold companies with strong demand for fossil fuels (e.g. utilities).

**Inconsistent with fiduciary duty** if reduced opportunity set impacts returns?

**How to implement** in a pooling context?

Divestment may be an effective tool when seeking **value-alignment**, where there is the risk of **stranded assets** and a **lack of opportunities for companies to transition to a sustainable business model**, or where an investor has exhausted all other escalation options.

# Summary



The Fund's overall long-term expected return (from all assets) was c. 5.9% p.a. as at 31 March 2022. Around half of this is attributable to the Fund's exposure to equities.



Translating the exclusions/tracking error analysis to a total fund level, in simple terms, we estimate that this would lead to an expected **return variation** of 5.8% to 6% p.a., relative to a baseline of 5.9% p. This **variation** is not material, with the central best estimate return of 5.9% p.a. remaining the same.



From a green house gas emissions exposure perspective, excluding the top 25 fossil fuels companies is expected to reduce the ongoing and potential emissions of the resultant investable universes, albeit, other than for UK equities, the reduction in the green house gas emissions intensity is fairly limited.



Overall, we consider the impact of the estimated tracking error as a result of the exclusions being considered to be relatively small. The actual impact of exclusions will only be known in time and could be positive or negative.



# Important notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

© 2024 Mercer LLC. All rights reserved.

This contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity without Mercer's prior written permission.

Mercer does not provide tax or legal advice. You should contact your tax advisor, accountant and/or attorney before making any decisions with tax or legal implications.

This does not constitute an offer to purchase or sell any securities.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see <http://www.mercer.com/conflictsofinterest>.

This does not contain investment advice relating to your particular circumstances. No investment decision should be made based on this information without first obtaining appropriate professional advice and considering your circumstances. Mercer provides recommendations based on the particular client's circumstances, investment objectives and needs. As such, investment results will vary and actual results may differ materially.

Information contained herein may have been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential, or incidental damages) for any error, omission or inaccuracy in the data supplied by any third party.

Not all services mentioned are available in all jurisdictions. Please contact your Mercer representative for more information.

This page is intentionally left blank

Underlying exposure in GBP (£m) as at 31 March 2024

Annexe 4

<u>Manager / Fund</u>	<u>BCPP</u>	<u>BCPP</u>	<u>BCPP</u>	<u>BCPP</u>	<u>BCPP</u>	<u>LGIM</u>	<u>LGIM</u>	<u>LGIM</u>	<u>LGIM</u>	<u>Newton</u>
<u>Company</u>	<u>Global Equity Alpha</u>	<u>UK Equity Alpha</u>	<u>EM Equity Alpha</u>	<u>MAC</u>	<u>Listed Alternatives</u>	<u>Future World</u>	<u>Europe-ex UK</u>	<u>Japan</u>	<u>Asia Pacific ex-Japan</u>	<u>Global Equities</u>
Saudi Arabian Oil	434,551	-	1,735,067	179,196	-	-	-	-	-	-
China Ptl & Chm	-	-	-	818,196	-	-	-	-	-	-
Petrochina	1,185,661	-	1,831,840	-	-	-	-	-	-	-
Exxon Mobil	-	-	-	-	-	-	-	-	-	-
Shell (Lon)	-	8,028,610	-	-	-	2,355,429	-	-	-	-
Total Energies	-	-	-	-	-	1,154,581	988,367	-	-	-
BP	-	7,928,069	-	-	-	998,267	-	-	-	-
Chevron	-	-	-	-	-	1,494,133	-	-	-	-
Marathon Petroleum	-	-	-	-	-	5,602,999	-	-	-	-
Phillips 66	3,600,035	-	-	-	-	315,765	-	-	-	-
Valero Energy	-	-	-	-	-	547,753	-	-	-	-
Reliance Industries	270,317	-	3,719,920	43,354	-	1,139,028	-	-	-	-
Equinor	-	-	-	-	-	-	-	-	-	-
Indian Oil	-	-	-	-	-	-	-	-	-	-
Petroleo Brasileiro	-	-	3,834,697	73,149	-	1,031,333	-	-	-	-
Eni	-	-	-	-	-	252,638	246,018	-	-	-
Theos Holdings	-	-	-	-	-	13,331	-	55,881	-	-
TT	-	-	-	-	-	29,015	-	-	-	-
Oil & Natural Gas Corp	-	-	-	-	-	-	-	-	-	-
Orlen	-	-	-	92,392	-	20,389	64,434	-	-	-
Pepsol Ypf	-	-	-	-	-	144,682	140,959	-	-	-
Idemitsu Kosan	-	-	-	-	-	92,795	-	31,313	-	-
SK Innovation	-	-	-	-	-	61,297	-	-	100,266	-
Bharat Petroleum	-	-	-	-	-	-	-	-	-	-
Conocophillips	4,542,350	-	-	-	-	-	-	-	-	-
Current investment value of top 25 (£)	10,032,913	15,956,678	11,121,524	1,206,287	0	15,253,436	1,439,778	87,195	100,266	0
Current investment value of top 25 (%)	1.1%	4.3%	3.9%	0.1%	0.0%	1.2%	2.3%	0.4%	0.2%	0.0%
Current total investment in Energy (%)	2.5%	4.8%	5.7%	3.2%	6.4%	1.9%	3.4%	0.8%	3.2%	0.0%
Benchmark weight to Energy (%)	4.6%	11.0%	5.3%	NA	4.6%	4.6%	3.4%	0.8%	3.2%	4.6%

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank



Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank



Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank