

**Questions 1 to 4 from Jonathan Essex**

1. Surrey Pension Fund recently stated that, 'through its participation in the Local Authority Pension Fund Forum (LAPFF) it aims to push for an orderly carbon transition by requiring companies to identify and tackle carbon risks in their business models'. This differs from the commitments and statements made by London's new mayor and his Conservative mayoral challenger, Zac Goldsmith. London's new mayor has committed to 'take all possible steps to divest the London Pension Fund Authority of its remaining investments in fossil-fuel industries'<sup>1</sup>, a stance echoed by his Conservative opponent Zac Goldsmith<sup>2</sup>. Meanwhile, distinguished close observers including Sir Mark Moody-Stuart (for eight years chairman of Shell UK) and Sir Jonathan Porritt are on record despairing that any substantive amendment by global hydrocarbon companies of their climate-damaging practices and extractions will take place, including those funded in part by Surrey's Pension Fund.
  - i) In light of this, what specific evidence can the Surrey Pension Fund, its advisors or committee identify where an extractive programme or programmes has been halted by a hydrocarbon company, or a change or changes of policy, or a business model or models being amended by a hydrocarbon company, as a consequence of LAPFF's 'engagement strategy'?
  - ii) Please supply as many examples as possible, and with details.
  
2. Research such as by The Grantham Institute of Climate Change and the Environment (Unburnable Carbon: Wasted capital and stranded assets, 2014)<sup>3</sup> highlight the risk of 'stranded assets' due to investment in fossil fuels. This particular report calls for investors to re-evaluate energy business models against carbon budgets, to prevent a \$6 trillion carbon bubble in the next decade. In response:
  - i) What specialist advice has either the SPF committee, or alternatively the Local Government Pension Scheme, sought in the past 24 months relating to the increasingly systemic danger recognised by investment professionals of investments in high-carbon companies becoming 'stranded assets' and thus ultimately worthless? and
  - ii) What investment actions - including sales and liquidations - has the Surrey Pension Fund or the LGPS taken in the past 24 months, in consequence of the 'disclosure of climate risks' cited by the county's leader as a benefit of the LAPFF's 'engagement policy'?
  
3. Given the specific, widely confirmed environmental dangers of oil extraction from tar sands (which from extraction to use is one of the most damaging fossil fuels), how does the Surrey Pension Fund justify its continued £3 million holding in Suncor Ltd, a firm engaged in tar sands extraction in the Canadian Arctic?
  
4. Many different organisations have set out why they feel divestment is compatible with their fiduciary duty, for example as set out to the pension fund of the University of Toronto (March 2014)<sup>4</sup>. Reasons why divesting allow one's fiduciary duty to be met are outlined by various reports including by Smith School, University of Oxford (2013)<sup>5</sup>, IMPAX Asset Management (2013)<sup>6</sup>, HIP Investor Inc. (2013)<sup>7</sup> and Aperio Group LLC

<sup>1</sup> See [www.sadiq.london/a\\_greener\\_cleaner\\_london](http://www.sadiq.london/a_greener_cleaner_london).

<sup>2</sup> See [www.theguardian.com/environment/2016/apr/22/zac-goldsmith-backs-fossil-fuel-divestment-movement-london-mayor](http://www.theguardian.com/environment/2016/apr/22/zac-goldsmith-backs-fossil-fuel-divestment-movement-london-mayor)

<sup>3</sup> See [www.carbontracker.org/wp-content/uploads/2014/09/Unburnable-Carbon-2-Web-Version.pdf](http://www.carbontracker.org/wp-content/uploads/2014/09/Unburnable-Carbon-2-Web-Version.pdf)

<sup>4</sup> See [http://d3n8a8pro7vnm.cloudfront.net/to350/legacy\\_url/54/fossil-fuel-divest.pdf?1418320739](http://d3n8a8pro7vnm.cloudfront.net/to350/legacy_url/54/fossil-fuel-divest.pdf?1418320739), Section 4.

<sup>5</sup> See [www.smithschool.ox.ac.uk/research-programmes/stranded-assets/SAP-divestment-report-final.pdf](http://www.smithschool.ox.ac.uk/research-programmes/stranded-assets/SAP-divestment-report-final.pdf)

<sup>6</sup> See [https://s3.amazonaws.com/s3.350.org/images/Impax--20130704\\_white\\_paper\\_fossil\\_fuel\\_divestment\\_uk\\_final.pdf](https://s3.amazonaws.com/s3.350.org/images/Impax--20130704_white_paper_fossil_fuel_divestment_uk_final.pdf)

(2016)<sup>8</sup>. These state that divestment can remove exposure to significant risk without significantly increasing exposure to other risks, as well as evidencing that fossil free portfolios tend to perform better rather than worse than those which include fossil fuels.

Given the above please could you confirm and explain Surrey Pension Fund's current position regarding whether it believes that selling its investment in the top 200 fossil fuels companies<sup>9</sup> would be compatible with it meeting its fiduciary duty?

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<sup>7</sup> See <https://s3.amazonaws.com/s3.350.org/images/Resilient-Portfolios-and-Fossil-Free-Pensions-ByHIPinvestor-GoFossilFree-vFinal-2013Oct31.pdf>

<sup>8</sup> See [www.aperiogroup.com/resource/138/node/download](http://www.aperiogroup.com/resource/138/node/download)

<sup>9</sup> As defined by the Fossil Free Index: [fossilfreeindexes.com/wp-content/uploads/2015/11/CU200\\_Final\\_29-Oct-2015.pdf](http://fossilfreeindexes.com/wp-content/uploads/2015/11/CU200_Final_29-Oct-2015.pdf)