



Surrey Local Pension Board

12 October 2017

Environmental, Social and Governance Compliance

Recommendations:

The Board is asked to **review** the relevant documentation from peers and consider whether further recommendations are required to the Surrey Pension Fund Committee.

Detail:

1. The Surrey Local Pension Board conducted a review of Environmental Social and Governance (ESG) compliance in spring 2017. It reported its recommendations to the Surrey Pension Fund Committee on 2 June 2017. These were:
 - That the Local Pension Board continue to gather evidence from peers, such as South Yorkshire Pension Authority, the Environment Agency and Avon, with a view to recommending proposals to the Committee for long term ambition in regard to sustainable investment for consideration later in 2017.
 - That the Fund publishes its Stewardship Statement with the Financial Reporting Council (FRC) as part of the Strategy review.
 - To develop a set of principles on its approach to climate change as part of its Investment Strategy Statement (ISS).
 - To consider what additional transparency and reporting arrangements could be made in regard to its Responsible Investment activities, including reporting its interaction with the Local Authority Pension Fund Forum (LAPFF), annual Environment, Social and Governance (ESG) ratings and stewardship reports.
 - That UN Principles for Responsible Investment (PRI) be followed but not to be a member.
 - To request that Mercer undertake further research into the fiduciary prudence of adopting a target of investment in low carbon assets.
 - That the Committee support the following expectations with the Border to Coast Pensions Partnership (BCPP) asset pool:
 - That portfolio level monitoring of ESG metrics and carbon foot printing is developed as part of the pooling arrangements.
 - That the pooled fund use its scale and influence to develop a consistent RI approach.
 - That the pooled fund appoint managers with clear ESG policies in place.
 - That the pooled fund retain specialist expertise in respect of responsible investment.

- That the pooled fund make arrangements to develop a specific low carbon passive investment vehicle
- 2. The Committee accepted the recommendations and they are being progressed by officers. A letter from the Chairmen of the Board and the Committee has recently been sent to Border to Coast Pension Partnership (BCPP). A response will be shared on receipt. A copy of the letter is attached as **annex 1**.
- 3. It was resolved:
 - That the Local Pension Board continue to gather evidence from peers, such as South Yorkshire Pension Authority, the Environment Agency and Avon, with a view to recommending proposals to the Committee for long term ambition in regard to sustainable investment for consideration later in 2017.
- 4. The relevant policy documents are attached as **annexes 2-7**. The Board is asked to review these and consider where areas of good practice can be identified and shared.
- 5. It is noted to the Board that the South Yorkshire Pension Authority is a member of the Border to Coast Pension Partnership (BCPP) along with the Surrey Fund. The Board may consider it appropriate to liaise with the South Yorkshire Pension Authority to explore ESG practice that is also consistent with the BCPP approach
- 6. The Board is invited to make recommendations to the Surrey Pension Fund Committee as appropriate.

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Sources/background papers:

LOCAL PENSION BOARD REPORT ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMPLIANCE – Surrey Pension Fund Committee agenda, 2 June 2017

Annexes:

Annex 1: Joint letter to Border to Coast Pension Partnership

Annex 2 – 5: South Yorkshire Pension Authority Responsible Investment Policy and other key documents

Annex 6: Avon Pension Fund Responsible Investment Policy

Annex 7: Environment Agency Pension Fund Responsible Investment Policy