Annexe B

SURREY PENSION FUND COMMITTEE – 12 JUNE 2020

PROCEDURAL MATTERS – SUPPLEMENTARY QUESTIONS AND RESPONSES

1. Supplementary Question asked by Ian Chappell on behalf of Steve McDonald

In your answer you referred to your open letter of 9 April 2020. In this letter, you gave as a reason for not divesting, a concern to protect the employees of fossil fuel companies. Did the Committee not see BP's announcement this week, making 15% job cuts, some 10, 000 employees. Can the Committee not see that the longer fossil fuel companies delay their transition to renewables, the greater the damage to their employees. Can you not see that it is engagement which is damaging employees?

You also expressed concern for worldwide communities if fossil fuel companies stop using fossil fuels in an instant. This is hardly a realistic scenario. The world is unhealthily dependent on fossil fuels. Getting out of that dependency is a priority and must be tackled radically and energetically, but it won't happen overnight. If concern for communities is a high priority, what about the communities all around the world that fossil fuel companies have put at risk by (a) direct damage to the local environment and (b)their deliberate undermining, over at least two decades, of policies to address the twin dangers of climate change and ecological degradation?

No doubt there are arguments against divestment, but you could please avoid facile arguments such as these?

Supplementary response:

The Pension Fund stated, in the open letter on 9 April 2020 specifically that a just transition is required, to ensure developing economies and those who have been reliant on fossil fuels, are not put at risk. The letter didn't use this to reason that the world needs to continue to use fossil fuels but that the manner in which we move away from fossil fuels should be just and not harmful to economies. ***Rather than stopping all fossil fuel consumption as soon as possible, the goal is to transition away from the use of fossil fuels in a just manner, as soon as possible.***

The Fund completely recognises that the world needs to move away from fossil fuels, but also is of the view that there isn't evidence that demonstrates a clear link between divestment of shares in companies and reducing carbon emissions. The Fund reiterates the view that divestment is short sighted and does not achieve anything after the point in which shares have been divested, in terms of how this leads to a company reducing its carbon emissions.

3. Supplementary Question asked by Ian Chappell on behalf of Nina Mileksic

What fossil fuel stocks have been sold completely from the portfolio since January?

In particular can I ask about holdings in Exxon Mobil? In response to our Freedom of Information request at the end of the year, Exxon Mobil was the second largest energy holding in L&G funds and also present in the Majedie Fund.
As you may know Exxon has persistently rejected attempts at engagement, to the extent that the Church Of England commented last month about "Exxon's blatant disregard for Climate Change 100+...pursuing a strategy which is destructive of both shareholder value and the planet".

What has been the extent of your holdings of Exxon Mobil - how much and over what time period? Further, could you please confirm that Exxon Mobil is no longer in any part of your portfolio?

Supplementary response:

As at 29 May 2020, Surrey Pension Fund held roughly £1.3m in Exxon Mobil within its LGIM RAFI Multi Factor Fund compared to its Total Fund Value of £4.2bn which equates to roughly 0.03% of the Fund.

The LGIM RAFI Multi Factor Fund is a passive equity portfolio and moves in accordance with a number of market factors, rather than as a result of active stock picking. We are discussions with our Border to Coast partners about our future passive strategy and will have further information on this later in the year.

4. Supplementary Question asked by Jenifer Condit

The market has yet again been turbulent, the major world indices were down by 6%, Shell/BP/Exxon Mobil down by 9%. The Fund reduced exposure to fossil equities from 3.6% at the end of March 2019 to less than 3% at the end of December, however during that period the markets went up by 11%, fossil fuels went down by 10-15% so fossil fuels underperformed by more than the percentage of the Fund's portfolio that they represent. Does that show the likelihood that you divested nothing? Fossil fuels significantly underperformed by 25% relative to the rest of the portfolio, how much longer will the SPF watch the value of these positions fall when you could just sell them and be done with it?

I would like to submit a Freedom of Information (FOI) request for disclosure of all fossil fuel holdings, in £ value, and as a % of equity holdings, as of May 31 2020. As part of this request could you also please disclose the number of shares held in each of your fossil fuel holdings as well as the decrease and increase comparing the positions in fossil fuels?

In the previous FOI response which you provided comparing the positions in fossils fuels for Mar 31, 2019, May 31, 2019 and December 31, 2019, this information was not disclosed - could you supply the share information for each of these dates? Only once this information is disclosed will it be possible for the public to understand what investment decisions the Committee has actually made in this sector.

Supplementary response:

The Freedom of Information request above has been noted and the information will be provided to the questioner in due course.

5. Supplementary Question asked by Chris Neill

My original question asked you to address the contradictions inherent in a policy of engagement, which seems to mean that ultimately, the more harmful or immoral the behaviour of a company, the more important it is for you to invest with them. Your reply, doesn't address the philosophical conundrum which I presented but instead points me to various documents in which I seem to be invited to search for the answer for myself.

So, here's another related question about moral relativism: What difference does the Committee perceive between the 18th century slave trade and the oil industry today? Each

have been the foundation of economic prosperity and the object of indignant opposition and moral revulsion. I invite each of you to imagine that you are fulfilling your role as the member of a committee responsible for investing pension funds not now but say 220 years ago, around 1800, and to imagine that the fund had a financial interest, as so many investors did, not in the oil industry but in the slave trade. Would you be one of those on the committee who felt it correct to resist the demands of abolition campaigners in order to protect your investments and in order to lead the industry towards kinder and less cruel practices; or would you be one of those who recognised that, whatever the economics or theories about gradual behavioural change, it was imperative now, as a symbolic gesture as well as a matter of practical prudence, to end immediately your association with an industry based on exploitation and greed and causing irreparable harm? Would you be one of those later to be remembered as standing unequivocally for right and justice or would you be one of those destined, centuries later, to have a statue of them lowered sadly into a river?

Supplementary response:

The reply to the original question referred you to the Regulatory framework in which the Fund operates. This was specifically in relation to the Fund's policy on social, environmental or corporate governance factors and how these are expressed in the Fund's Investment Strategy Statement.

The Fund believes a comparison of its investment strategy with activities over 200 years ago is an entirely false equivalence.

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