

Surrey Pension Fund Committee – 9 July 2021

Item 4 - Public Questions

Q1 – submitted by Janice Baker

The petition from Divest Surrey has been presented today to persuade this committee to remove all investments in gas, oil and coal. Please explain what the barriers are to pursuing this policy. To do so would enable Surrey County Council to drastically reduce its carbon footprint as promised in a motion of 2019. There are plenty of investment opportunities for the divested funds in renewable energy sources and in furthering innovation research. What barriers remain that cannot be removed totally within the foreseeable future?

Reply:

As noted in the response to the petition from Divest Surrey, the previous Pension Fund Committee held the view that divestment is a blunt and ineffective strategy, that engagement is a more effective long term process for reducing carbon emissions and that combating the climate emergency is about more than just the oil, gas and coal companies.

The new Committee is forming its own approach to its investment strategy, with a report on responsible investing laid out in published papers for the Pension Fund Committee meeting of 9 July 2021 ([Public Pack](#))[Agenda Document for Surrey Pension Fund Committee, 09/07/2021 10:00 \(surreycc.gov.uk\).](#)

Q2 – submitted by Stephen McDonald

Surrey Pension Act Now recently issued their assessment of Surrey Pension Fund's past record on fossil fuel investments (attached) to all Committee members. This assessment covered six areas:

- A. Engagement, the Fund's chosen investment strategy, isn't working
- B. Abysmal financial returns from the fossil fuel sector.
- C. The risk of stranded assets vs the energy opportunity of this decade
- D. Fund members are ill-informed and not consulted
- E. The compelling moral argument for divestment
- F. Border to Coast Pension Pool

and made 9 recommendations.

Acknowledging that the committee is new, could you please commit to respond to the report and in particular to the recommendations as soon as you have a chance to discuss fully, and certainly before your next quarterly meeting.

Reply:

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It will respond to the report once the Committee's approach is agreed.

Q3 – submitted by Ian Chappell

BP have just announced yet another huge fossil fuel project. Off the coast of Mauritania, on the edge of the largest known cold water reef in the world and teeming with aquatic life, BP have started to develop a new gas field. They say it is the first step in establishing the basin as a world-class gas province.

This flies in the face of the recent report by the world leading energy think tank, the International Energy Agency, <https://www.iea.org/reports/net-zero-by-2050> which states that there is no need for any further investment in new oil, gas and coal supply to meet the world's future energy needs.

Further, the Transition Pathway Initiative shows clearly that BP plans are totally at odds with international agreements such as Paris. The graph at <https://www.transitionpathwayinitiative.org/companies/bp> shows that

- BP had a carbon intensity of 73.5 gCO₂/MJ in 2019;
- This is projected to reduce only to 58.6 in 2050
- The required emissions intensity to achieve below 2°C is 9.98.
- **Unless BP's plans change radically, they will contribute to an increase of over 3.5°C.**

So, my question to the new committee is:

How will your new proposed Responsible Investment Policy affect your ownership of BP shares?

Reply:

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It notes the questioner's points, but is not in a position to pre-empt the Committee's conclusions.

Q 4 – submitted by Jenifer Condit

As a prelude to my question - I am pleased to be able to put a question to the new Surrey Pension Fund Committee, and to thank each of you for your service to the taxpayers and pensioners of this county with your work on the Committee. I appreciate the ability to enter into limited dialogue via this statutory quarterly meeting question process, and I look forward to the opportunity to more dialogue with you in future.

Pending anything that may be proposed at this meeting, you have inherited a Responsible Investment Policy from your forbears which favours 'Engagement' as the preferred method with which to respond to the climate crisis, and its affect on the shares you own. While I don't support that choice, favouring divestment of fossil fuel extracting companies at a minimum, I believe that Engagement must be robust and broad based to have any credibility. It is in the springtime -corporate AGM time - that most high profile Engagement moments occur. So you have inherited also a voting history at the important AGM's that have recently occurred.

Would you please now disclose - and explain - how SPF voted on the following resolutions at two companies in which we own shares:

1. **SHELL** - SPF holdings at 31/12/21 of £33.3 million, held largely in the Border to Coast UK Equity fund, but also in the LGIM RAFI fund

AGM Resolution 20, in which Shell asked shareholders to approve its Energy Transition Strategy. Many climate activist organisations found fault with the strategy because (among other shortcomings) it is overly reliant on offsetting and currently non-existent carbon capture technology to reach its targets. Further it allows Shell to plan that 75% of its investment this decade will be directed to its fossil fuel business.

How did SPF vote on this resolution, and why?

AGM Resolution 21, a resolution presented by shareholders, which states that shareholders support the company to set and publish targets that are consistent with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C. These quantitative targets should cover the short-, medium-, and long-term greenhouse gas (GHG) emissions of the company's operations and the use of its energy products (Scope 1, 2, and 3).

How did SPF vote on this resolution, and why?

2. **EXXON** - SPF Holdings at 31/12/20 of £1.3 million in the LGIM RAFI fund

Election of Directors. Led by shareholder Engine No 1 and supported by many of Exxon's largest investors, it was demanded that 4 new outside directors be elected to replace existing members of the Board of Directors of the company. Ultimately 3 new directors were elected.

This demand was a consequence of both poor operating performance of Exxon in recent years, and Exxon's complete lack of seriousness in responding to the climate crisis.

How did SPF vote in these elections, and why?

Reply:

Shell

AGM Resolution 20:

Shares held via Border to Coast: SCC voted against the resolution

We acknowledge the significant progress made by the company in setting targets which include Scope 3 emissions, changes to executive remuneration and business plans to increase low carbon investment. However, we remain concerned that the strength of the interim targets (up to 2035) and disclosed plans for oil and gas production fall short of the level of ambition required for a company to credibly claim alignment with a 1.5C pathway.

Shares held via LGIM: LGIM voted against the resolution

AGM Resolution 21:

Shares held via Border to Coast: SCC voted for the resolution

On this occasion we support the resolution, we do have reservations that the elsewhere stated objectives to use shareholder power to turn oil and gas companies into renewable

energy companies is restrictive. We are open to consider other strategies for aligning companies with the goal of the Paris Agreement.

Shares held via LGIM: LGIM voted for the resolution

ExxonMobil

Shares held via LGIM: LGIM voted as follows:

Summary of resolutions (White Proxy Card):

1.1 Elect Director Gregory J. Goff – FOR

1.2 Elect Director Kaisa Hietala - FOR

1.3 Elect Director Alexander A. Karsner – FOR

1.4 Elect Director Anders Runevad - FOR

1.9 Management Nominee Kenneth C Frazier - AGAINST

1.12 Management Nominee Darren W. Woods - AGAINST

4 Require Independent Board Chair - FOR

Rationale: Escalation of our engagement due to persistent climate and governance concerns with the company.

Q5 – submitted by Simon Hallett

On June 7th an independent report (as requested by the Prime Minister) was published by Professor Lord Nicholas Stern, on '[G7 leadership for sustainable, resilient and inclusive economic recovery and growth](#)'. The report points out that \$1.5-1.7 trillion more each year should be invested globally in low-carbon energy, including renewables, and the electrification of economies over the coming decade, while annual expenditure on fossil fuel energy should decrease by \$350-600 billion. Increases of \$100-250 billion a year are required for investments in protecting and restoring nature on land and in the sea. Additional investments of \$150 billion per year are needed in “productive, sustainable and efficient agricultural systems”.

The 12 March Surrey Pensions Committee paper on Core Beliefs and the UN SDGs contains much of value in terms of the monitoring and evaluation of existing managers. It is silent, however, on the prospect of new investments positively aligned what Lord Stern is recommending and with SDG 13 (Climate Action) such as in renewable energy, clean technology, energy efficiency or regenerative agriculture. Given the vast scale of investment required for the economy to achieve net zero emissions in line with science based targets, this provides an opportunity for the fund to go beyond engaging with existing businesses and provide capital directly to those essential to enabling a low carbon nature positive transition. The Fund can get ahead of the game by setting a specific target for these investments that offer both new sources of return while contributing positively to climate action.

Will the Fund's revised investment strategy statement set a specific target for climate positive investments?

Reply:

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Q6 – submitted by Isobel Griffiths

I write as a member of Surrey Pension Fund and believe that as members, we have a right to know how our money is invested. Do you agree with this, and if so, would you accept that Surrey Pension Fund therefore has a responsibility to communicate to members the investments it makes with their money, including data on shares held in fossil fuel companies, given that the reduction in fossil fuel use is now an urgent global imperative? Has the fund informed members of the extent of its shareholding in fossil fuel companies in the last three years?

Reply:

Members are provided with significant information regarding how the pension fund portfolio is invested. Apart from having access to Pension Fund Committee papers and policies, they are also sent quarterly newsletters including details of the investment strategy [2021-active-member-newsletter-v4-surrey.pdf \(surreypensionfund.org\)](#). That said the Fund continues to look at ways in which it can engage more with members and has been in contact with Make My Money Matter and other organisations in an effort to explore this.

We do not currently provide members sector specific information, but this granular data is available on request.

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