

SURREY COUNTY COUNCIL**PENSION FUND COMMITTEE****DATE: 23 SEPTEMBER 2022****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR CORPORATE FINANCIAL & COMMERCIAL****SUBJECT: RESPONSIBLE INVESTMENT POLICY UPDATE****SUMMARY OF ISSUE:**

This paper provides details of the progress made in developing the Surrey Pension Fund's (the Fund's) standalone Responsible Investment (RI) Policy and its consultation, consistent with the actions agreed in the Pension Fund Committee meetings of 10 September 2021, 10 December 2021, 10 March 2022 and 17 June 2022, and sub-Committee meetings of 19 November 2021, 11 February 2022 and 26 April 2022.

RECOMMENDATIONS:

It is recommended that the Pension Fund Committee:

1. Notes the progress of the consultation as agreed at the Pension Fund Committee meeting of 17 June 2022.
2. Approve for officers to continue work with the independent investment advisor, investment consultant, Minerva and Border to Coast Pensions Partnership (BCPP) to undertake planning to implement the RI Policy.

REASON FOR RECOMMENDATIONS:

To keep the Pension Fund Committee apprised of the progress made in producing a standalone RI Policy. This is consistent with the Fund's strategic investment objectives.

BACKGROUND:

1. At its meeting of 10 September 2021, the Pension Fund Committee approved the proposed structure for a standalone Responsible Investment Policy.
2. The Committee further approved for a responsible investment sub-committee (RISC) of Committee members to be convened to work with officers, Minerva and the Fund's consultants and independent advisors to progress the drafting of a policy for future consideration.
3. The RISC met on 19 November 2021, 11 February 2022, and 26 April 2022.
4. The discussions during these meetings and subsequent feedback were incorporated into the RI Policy.
5. The Responsible Investment Policy was approved at the Pension Fund Committee meeting of 17 June 2022, subject to consultation.

DETAILS:

6. The RISC held meetings on 19 November 2021, 11 February 2022, and 26 April 2022 where the RI Policy was discussed and developed in conjunction with officers the independent investment advisor, investment consultant and Minerva.
7. A draft RI policy was delivered in the February meeting and feedback was subsequently requested from and provided by RISC members. This feedback was collated, categorised, and distributed prior to the April meeting.
8. In the April meeting it was agreed that itemised queries would be distributed with an officer recommendation against each item. RISC members were asked to provide feedback for each item - Note, Agree or Decline. Space for comments for each item was made available and a window of 10 days was provided for RISC members to complete this process. Feedback was collated and summarised, opinions were tallied, and sections were amended where required.
9. The RISC recognises that having gone through a thorough escalation process, the ultimate sanction for a company not complying with the RI Policy is its divestment from the Fund's portfolio, subject to pooling restrictions. The primary mechanism will be engagement with monitoring to check its effectiveness in agreement with best practice of escalation.
10. Further Consultation – it was raised in the April RISC that a consultation should be launched with members and employers.
11. The Responsible Investment Policy was approved at the Pension Fund Committee meeting of 17 June 2022, subject to consultation with members, employers, Committee, Board and the general public.

RI Policy Consultation

12. The consultation will be run and managed by the independent BIA Research, who are within Surrey County Council, the Fund's Administering Authority. This team has managed many large-scale consultations on a myriad of topics. This allows the Fund to utilise the full resources and expertise available whilst maintaining standard processes.
13. There are two separate consultations, one for members, employers, Board and Committee members, and one for the general public. The questions will be the same, except for an additional question on the former survey to identify the responder's classification.
14. The consultation questions are attached in Annexe 1. The first question relates to the responder and their classification. The second question seeks to reaffirm the commitment to the UN SDGs. The third question, and its parts, relate to the core RI beliefs, as listed in the RI Policy. The fourth question regards the engagement escalation policy, and the fifth demonstrates the Fund's collaborative engagement. There is a text box at the end for further comment if required.

15. The email communication will have a link that leads to the questions and RI Policy. Each link will have a unique identifier associated with it in order to avoid duplicate entries.
16. For members where no email address is on record, notification will be sent in the post. The letter will provide instructions on how to access the on-line survey with the unique link. Where a member requests to receive the survey in paper format, this will be sent to them together with a reply-paid envelope.
17. Internet access is available at all libraries throughout Surrey to access the full RI Policy online. It is also possible to post the full RI policy if requested. In the interest of the environment, we would not encourage this approach, but it will be made available where necessary.
18. The consultation is expected to start in September 2022.
19. Results to be collated by the independent BIA Research and reviewed by officers, Pension Fund Committee members and consultants.
20. The consultation will run for 6 weeks. The public consultation will only be available on the website, including checks to avoid duplicate submissions.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

22. 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

23. There are no financial and value for money implications contained in this report.

DIRECTOR CORPORATE FINANCIAL & COMMERCIAL

24. The Director Corporate Financial & Commercial is satisfied that all material, financial and business issues, and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

25. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

26. There are no equality or diversity issues.

OTHER IMPLICATIONS

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

WHAT HAPPENS NEXT

28. The following next steps are planned:

- a) Analysis and consideration of results of the consultation with the Pension Fund Committee to review at the December 2022 meeting.
- b) Officers to continue work with the independent investment advisor, investment consultant, Minerva and BCPP to undertake planning for the implementation of the RI Policy.

Contact Officer:

Lloyd Whitworth, Head of Investment & Stewardship

Consulted:

Pension Fund Committee Chair

Annexes:

1. Consultation questions (Part 2)

Sources/background papers:
