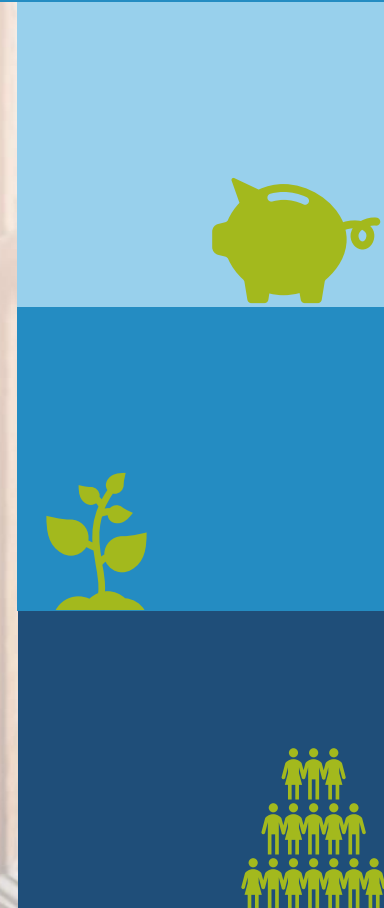


Surrey Pension Fund

Responsible Investment Policy – Survey Findings

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Introduction

Surrey Pension Fund believes that investments made on behalf of their scheme members should be sustainable and so the Fund recently reviewed their Responsible Investment Policy to reflect these beliefs. The draft Responsible Investment Policy sets out the Fund’s approach in addressing Responsible Investment issues associated with its investment strategy.

From September to November 2022, Surrey Pension Fund invited LGPS members, Employers, Board or Committee members and the general public to share their feedback on the Fund’s draft Responsible Investment (RI) policy. The Surrey Pension team are keen to better understand members views and will use the findings presented in this report to inform future investment.

A total of **7,337** consultation responses were collected through Snap Survey, Surrey Says and via postal surveys. The majority of respondents (91%) were received from LGPS members, with the remaining from the general public (5%), Employers (3%) and Board or Committee members (<1%).

The five pillars of Surrey Pension Fund’s Responsible Investment (RI) Policy:

- 1: Governance:** sets out the background, objectives and governance arrangements of the Fund, and introduces Surrey’s RI Beliefs.
- 2: Process:** explains the approach employed by the Fund in identifying RI risks, expectations of where RI risks should be addressed in the investment process, and highlights some examples of the investment risks and opportunities that arise from RI considerations.
- 3: Implementation:** describes how the Fund’s RI beliefs and objectives are best delivered over short, medium and long-term investment timeframes, sets out some high-level expectations of any third parties working on behalf of the Fund, and covers the topic of working collaboratively with other likeminded investors.
- 4: Stewardship:** focusses on the main tools available for the delivery of Surrey’s RI Policy, which are through voting (for all listed assets) and engagement (for a wider set of assets).
- 5: Monitoring and Reporting:** sets out the Fund’s views on reporting on RI matters, including defining some reporting expectations of its investment managers, and covers the Fund’s own bespoke RI reporting needs, including communicating with scheme members and other stakeholders.

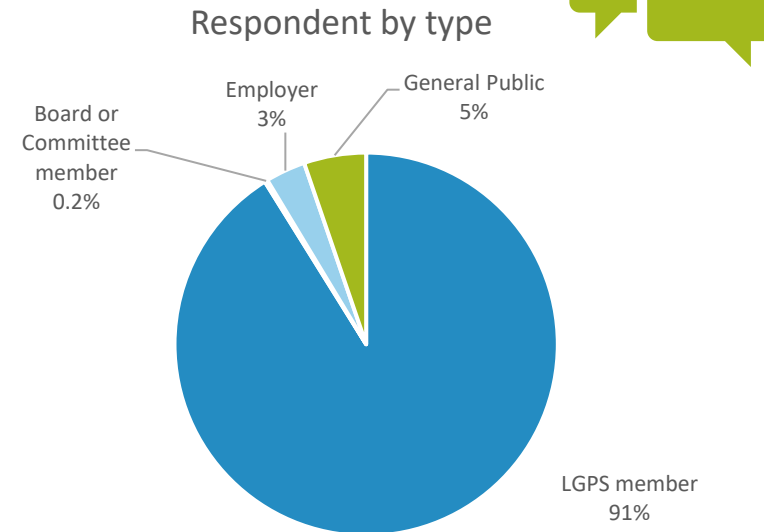


Figure 1: Breakdown of respondents by type (Base size: 7,337)

UN Sustainable Development Goals

The United Nations (UN) Sustainable Development Goals (SDGs) are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all".

The Sustainable Development Goals (SDGs) are led by United Nations Development Programme (UNDP). The 17 SDGs include new development challenges, such as climate change, sustainable consumption and peace and justice. They place increased importance on issues of disability, gender and equality.

A total of 68% respondents agreed or strongly agreed that the UN SDGs should be the guiding principle for any involvement relating to Environmental, Social or Governance engagement.

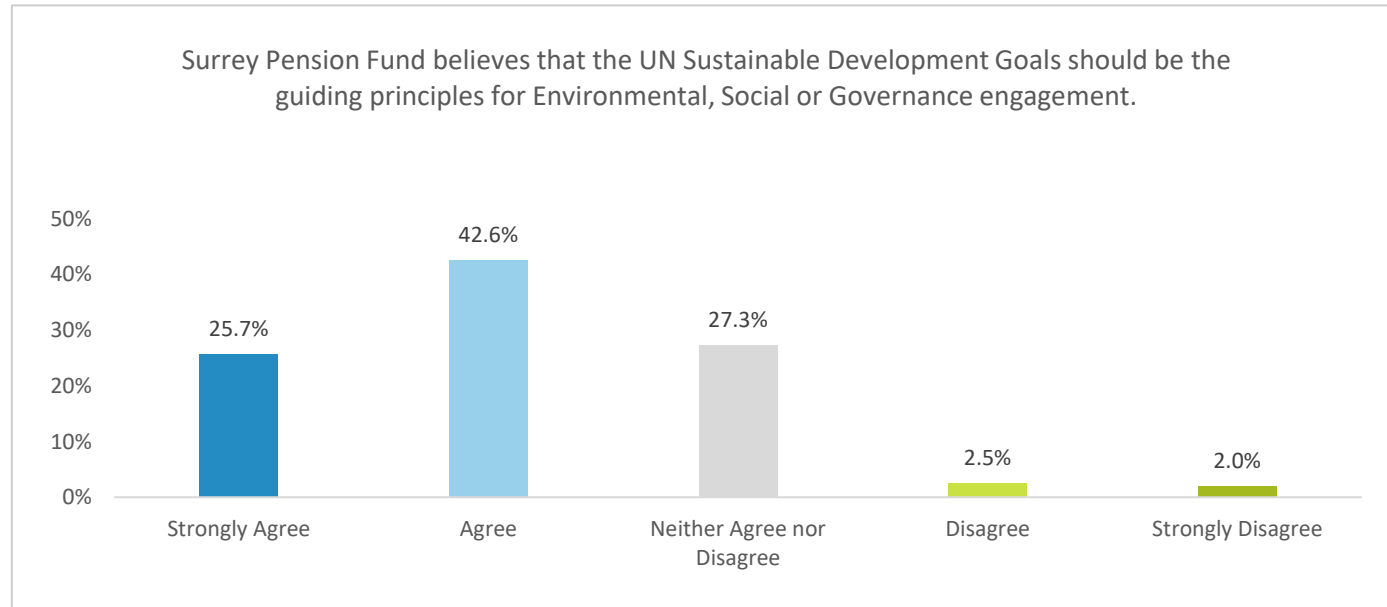


Figure 2: The UN SDGs should be the guiding principles for ESG engagement. (Base size: 7,085)

Responsible Investment beliefs

The consultation set out each of the 11 individual Responsible Investment (RI) beliefs. Respondents were able to select the extent to which they agreed with each of the beliefs on a 5-point scale from 'Strongly Agree' to 'Strongly Disagree'.

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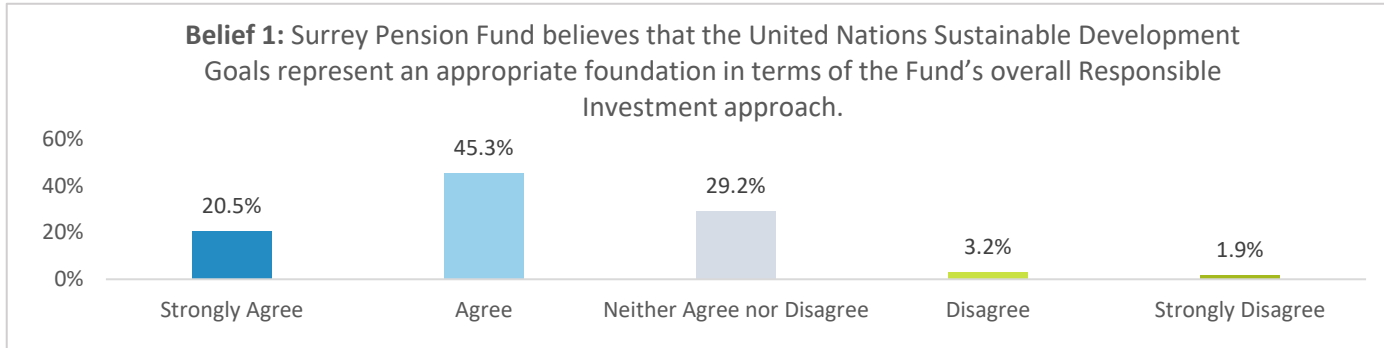


Figure 3: The UN SDGs represent an appropriate foundation. (Base size: 7,337)



The majority of respondents (66%) agreed or strongly agreed that UN SDGs represent an appropriate foundation of the Fund's overall Responsible Investment approach.

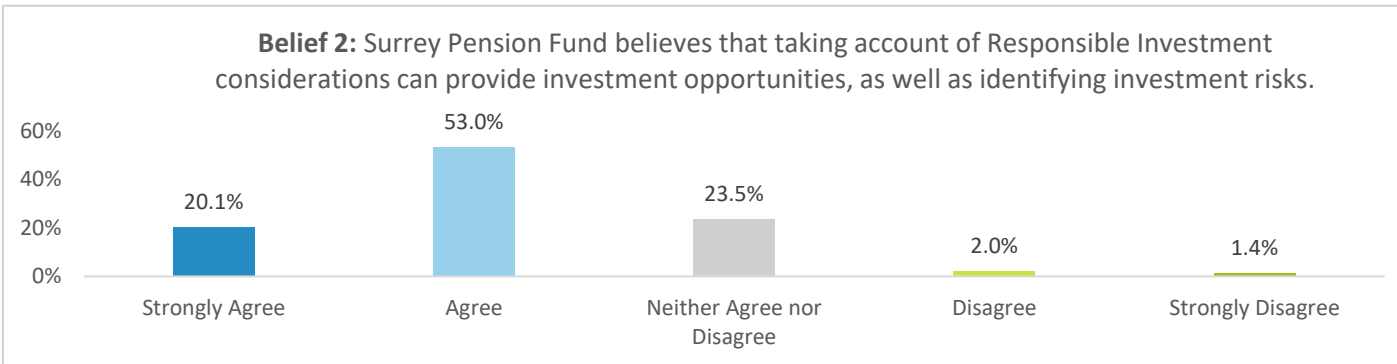


Figure 4: Taking account of Responsible Investment considerations can provide investment opportunities. (Base size: 7,331)

Just under 3 in 4 respondents agreed or strongly agreed that taking account of RI consideration can provide investment opportunities, in addition to identifying investment risks.



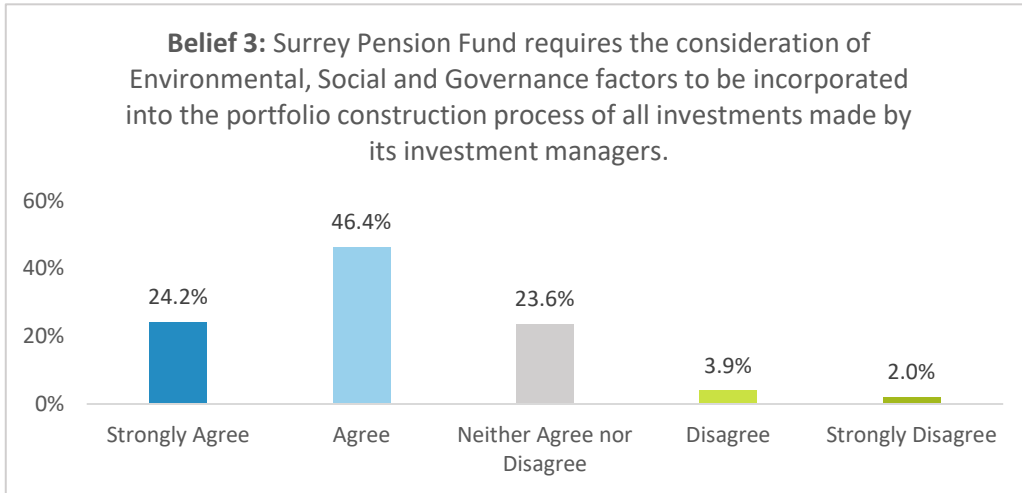


Figure 5: Consideration of ESG factors. (Base size: 7,336)

- When thinking about investments made by investment managers, over 7 in 10 respondents agreed there should be consideration of ESG principles and factors into the portfolio construction process.
- Around 72% of respondents agreed or strongly agreed that RI considerations are important regardless of asset class.
- Just under 3 in 4 respondents agreed or strongly agreed that RI investment considerations are important across all time horizons, both in terms of protecting and enhancing long-term investment return and also stakeholder interests .

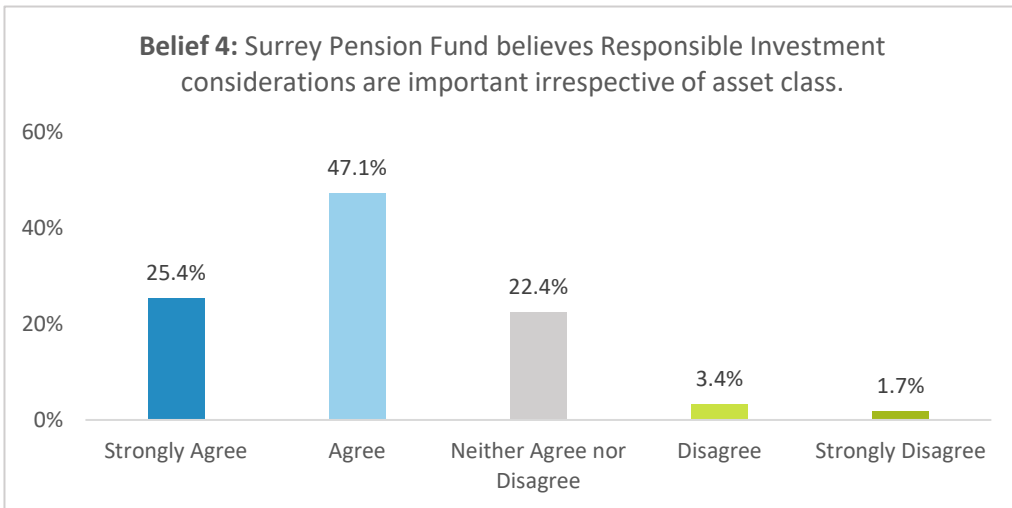


Figure 6: RI considerations are important irrespective of asset class. (Base size: 7,335)

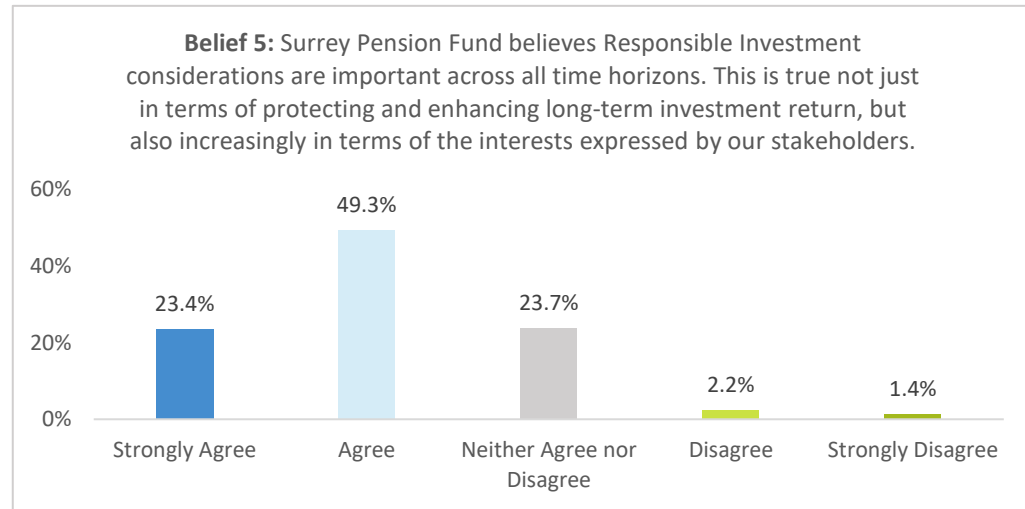


Figure 7: RI considerations are important across all time horizons (Base size: 7,329)

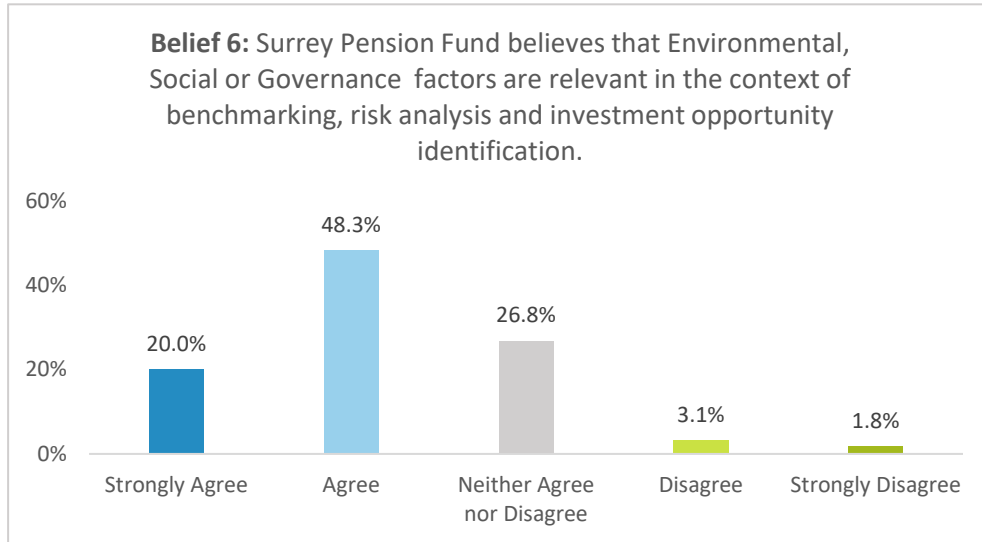


Figure 8: Relevance of ESG factors (Base size: 7,328)

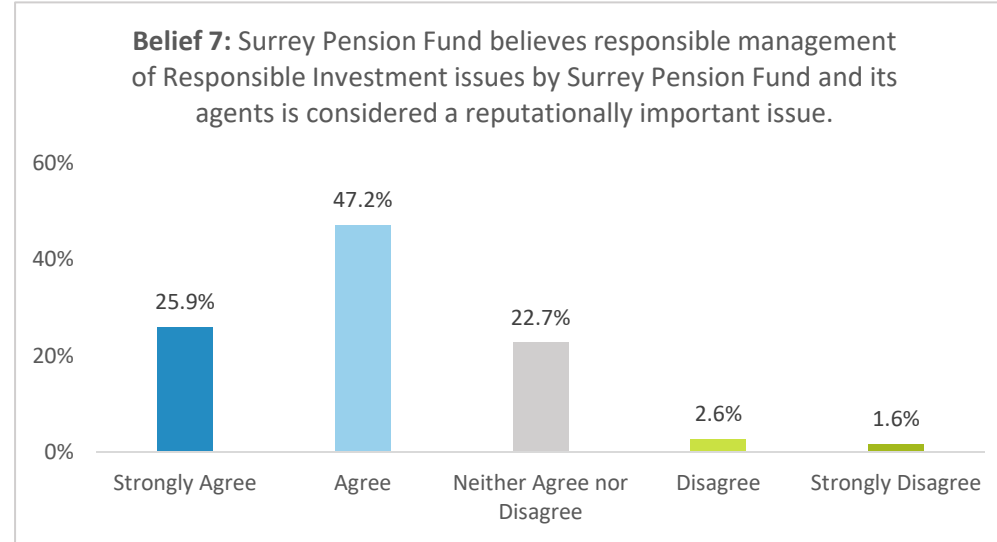


Figure 9: Responsible management is reputationally important (Base size: 7,330)

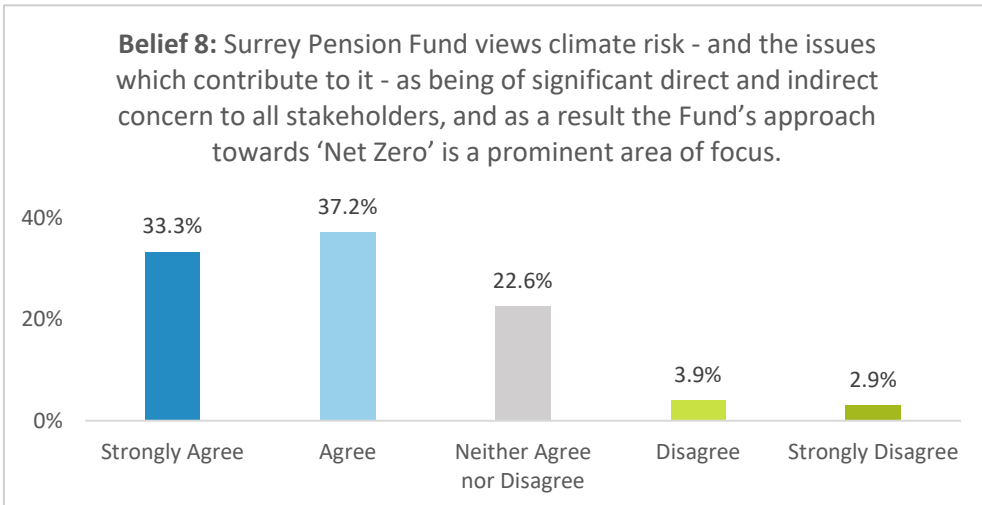


Figure 10: Climate risk as a concern (Base size: 7,331)

- Most respondents (68%) believed that ESG factors are relevant for benchmarking, risk analysis and identification of investment opportunities.
- Just under 3 in 4 respondents agreed that responsible management of RI issues is a reputationally important issue.
- A further 7 in 10 respondents were in agreement that the Fund's approach towards 'Net Zero' should be a prominent area of focus. 'Net Zero' means cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere. Around 7% of respondents either disagreed or strongly disagreed with this belief.



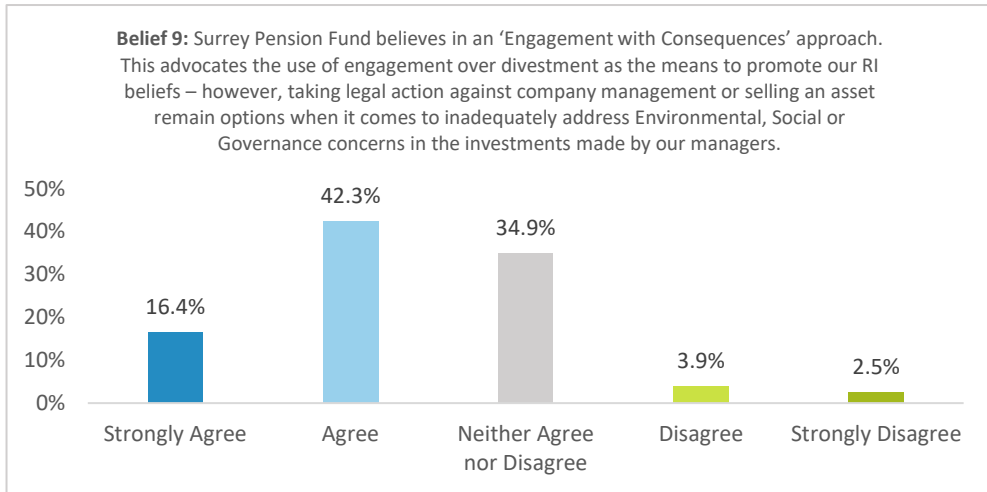


Figure 11: Engagement with consequences approach (Base size: 7,333)

- Many agreed (59%) with the Fund’s ‘Engagement with Consequences’ approach to advocate the use of engagement over divestment. Over one third of respondents neither agreed nor disagreed with this belief, suggesting that Surrey Pension Fund could provide further clarity on the meaning of this term.
- Most respondents (70%) recognised the value in engaging collaboratively with other like-minded investors to leverage greater influence.
- Belief 11 demonstrated the highest level of agreement, with 78% of respondents believes that exercise of the Fund’s ownership of rights through voting is an important part of RI beliefs.

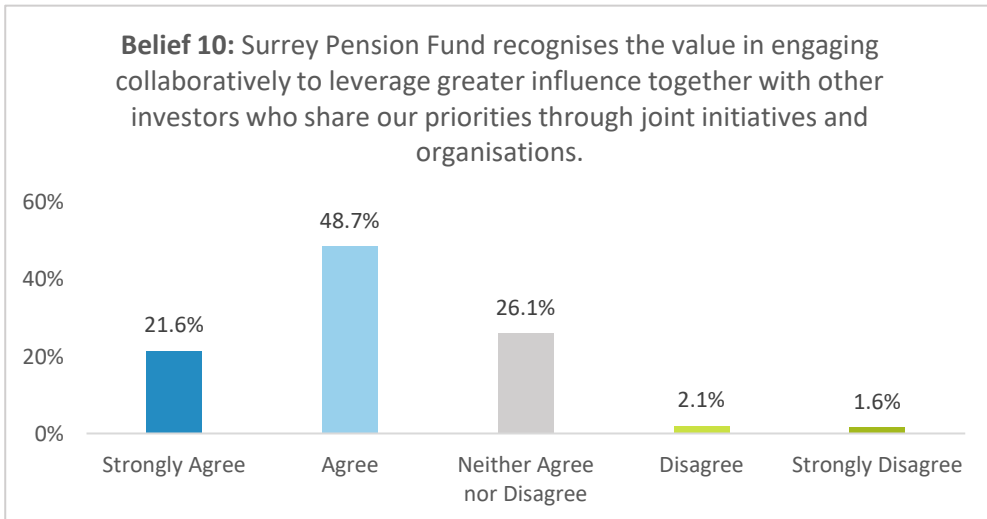


Figure 12: Engaging collaboratively to leverage greater influence (Base size: 7,334)

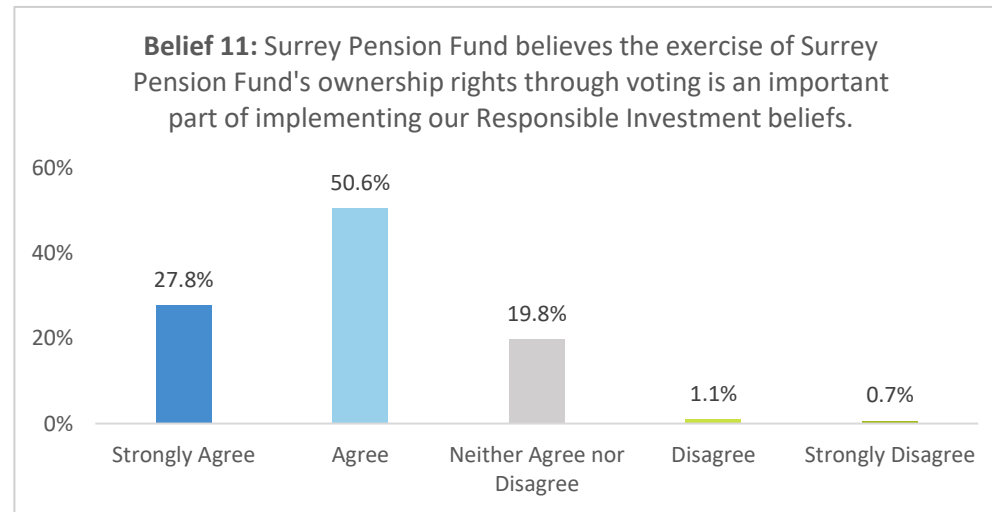


Figure 13: Ownership of rights through voting (Base size: 7,333)

Divestment

Divestment means selling an existing investment for a specific reason(s), which can include Environmental, Social or Governance reasons. Surrey Pension Fund's approach to responsible investment is to engage with companies to improve their business practices toward Environmental, Social or Governance issues.

Around 67% of respondents agree or strongly agree that the Fund should firstly engage with companies to improve their practices and move towards adopting ESG principles. Respondents agree that where companies do not seek to improve their practice, Surrey Pension Fund should carry out an escalation process with the ultimate sanctions of exclusion or divestment considered.

Surrey Pension Fund's approach to responsible investment is first to engage with companies to improve their business practices toward positive adoption of Environmental, Social or Governance principles. Where companies do not seek to improve their business practices then there should be a thorough escalation process where the Surrey Pension Fund works, including with its partners in pooled funds, to seek improvement in their business practices and with the ultimate sanctions of exclusion or divestment considered.

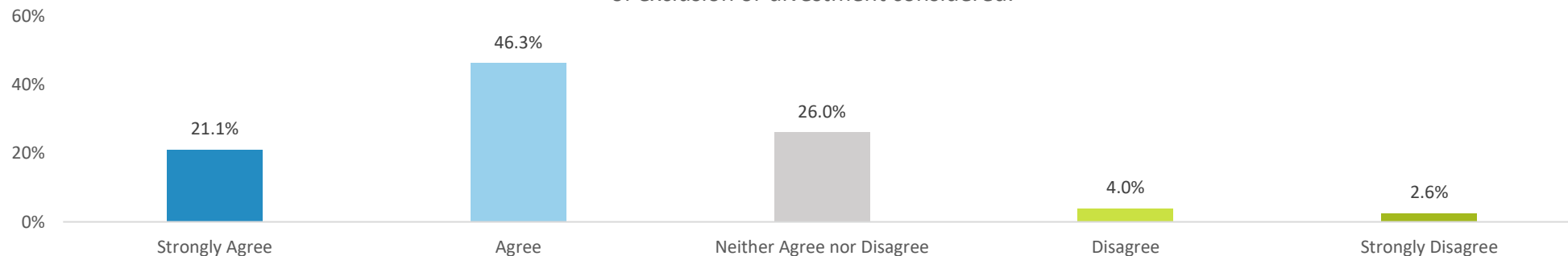
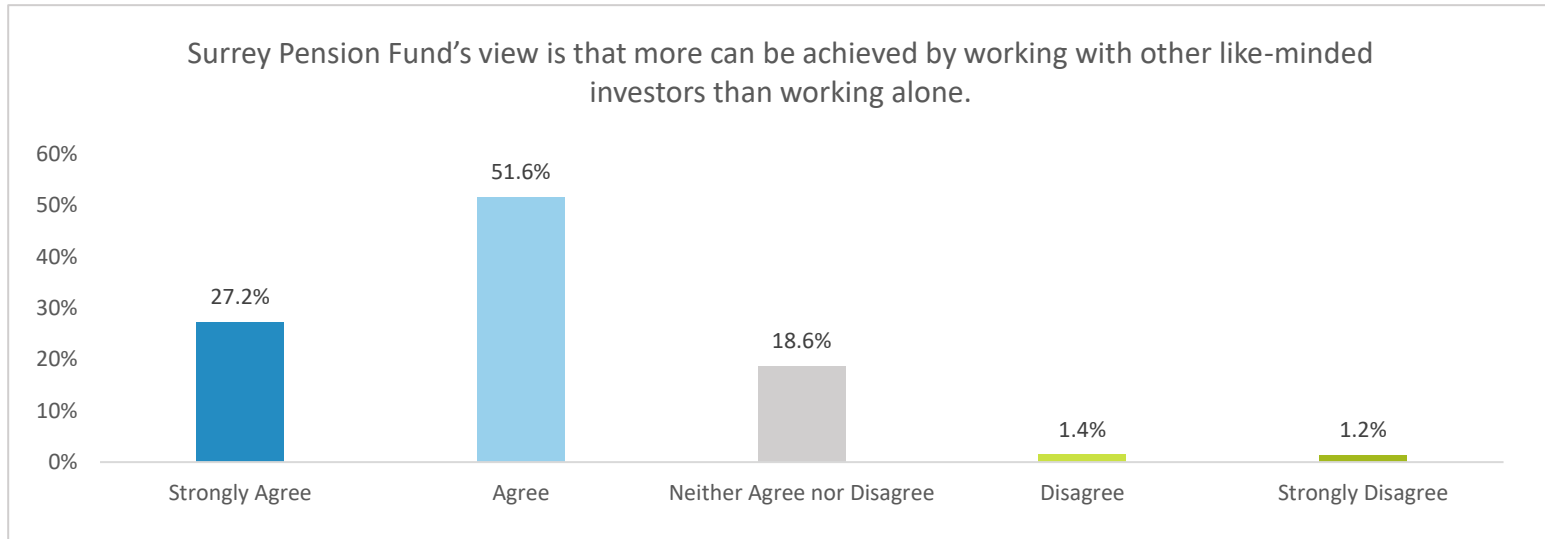


Figure 14: Divestment (Base size: 7,337)

Working Collectively

Surrey Pension Fund collaborates with a number of organisations including the the Local Authority Pension Fund Forum (LAPFF). Surrey Pension Fund is also one of 11 Local Government Pension Schemes Partner Funds within the Border to Coast Pensions Partnership. The Border to Coast Pensions Partnerships purpose is to make a difference for the Local Government Pension Scheme. We seek to do this by providing cost-effective, innovative, and responsible investment opportunities that deliver returns over the long-term.

While the assets within the Fund are in excess of £5 billion, this is small in comparison to market capitalisations, **hence collaborative efforts maximise impact.**



Around 8 in 10 respondents agree or strongly agree with the statement that Surrey Pension Fund can achieve more by working with other like-minded investors rather than working alone.



Figure 15: More can be achieved by working with other like-minded investors (Base size: 7,286)

Member's voice

At the end of the consultation, respondents were provided with an opportunity to share any further thoughts and feedback. Below is a snapshot of some of the feedback received from LGPS members:

“Continue to work towards strengthening the fund whilst always considering the environment and global warming by liaising with the experts in these issues.”

“While I welcome the process of engagement over divestment, I would like some time scales included. In the current policy, the process of engagement can potentially be so long and drawn out that divestment never becomes a real option.”

“Priority should be given to maximum financial return from investments to ensure the continued strength of the fund. Other considerations should be secondary to this as the financial consequences of inadequate pension funds will detrimentally impact wider national finances and consequently impact climate on other initiatives.”

“It is a reasonable expectation that any investment should be made with due thought for the ecological and social implications of the investment's policies and that a straightforward explanation of the Fund's approach to investment and the resultant selection of investments should be available to those for whose benefit the investment has been made..”

“My preference would be to see an overt commitment to a carbon-free investment portfolio by 2030 in the responsible investment policy and for this commitment to shape engagement/escalation practices.”

“Whilst I hold the same views on investing ethically and using leverage to require businesses the Fund invests in to improve their environmental and social performance, it must always be measured against the performance of the markets. As the Fund is for peoples future wellbeing, the primary aim must be to ensure the Fund's health..”

Note: All qualitative responses are being analysed by the Surrey Pension team independently from the quantitative consultation responses. The full list of qualitative responses includes general comments on the RI policy and beliefs, in addition to feedback on the consultation process, including questions tyle and format.



Key insights



Over 7,300 LGPS members (including active, deferred and pensioners), employers, Board or Committee members and the general public responded to Surrey Pension Fund's Responsible Investment Policy survey during September to November 2022.



Members were largely positive about the belief of working collectively. The majority of respondents, around 8 in 10, agreed or strongly agreed with the statement that Surrey Pension Fund can achieve more by working with other like-minded investors rather than working alone.



The majority of respondents felt the United Nations Sustainable Development Goals acted as a good foundation and guiding principle for the Fund. Almost 7 in 10 respondents agreed that UN SDGs should be the guiding principle for any involvement relating to Environmental, Social or Governance engagement.



When thinking about Environmental, Social and Governance factors, Most respondents (68%) agreed that ESG factors are relevant in the context of benchmarking, risk analysis and investment opportunity identification. Around 7 in 10 respondents also felt that ESG factors should be incorporated into the portfolio construction process of all investments made by its investment managers.