

SURREY COUNTY COUNCIL**SURREY PENSION FUND COMMITTEE****DATE:** 15 DECEMBER 2023**LEAD OFFICER:** ANNA D'ALESSANDRO, DIRECTOR OF FINANCE - CORPORATE AND COMMERCIAL**SUBJECT:** RESPONSIBLE INVESTMENT UPDATE**SUMMARY OF ISSUE:**

The Fund's Responsible Investment (RI) policy takes an 'engagement with consequences' approach to responsible investment issues. A key element of this approach is the escalation policy if issues persist. As this engagement is delegated to the investment managers, the Committee asked Border to Coast Pensions Partnership (BCPP) to present some case studies showing this process in action. Investment managers were also asked to provide data showing the underlying exposure to the largest fossil fuel companies and engagement approaches.

RECOMMENDATIONS:

It is recommended that the Committee:

1. Note the engagement case studies presented by BCPP.
2. Note the underlying exposure to the largest 25 fossil fuel companies within the global equity mandates and the engagement approaches by BCPP, Legal & General Investment Management (LGIM) and Newton Investment Management.

REASON FOR RECOMMENDATIONS:

The Committee requested engagement case studies from BCPP, and data related to the exposure to the largest fossil fuel companies within the global equity mandates.

BACKGROUND:

1. The Fund's RI policy has taken an 'engagement with consequences' approach to engaging with companies on RI issues. During 2023, Committee Members asked BCPP to provide case studies of real-world engagement in action.
2. At the September 2023 Committee meeting, officers were asked by the Committee to analyse the Fund's exposure to the largest 25 fossil fuel companies, by turnover, within the global equity mandates and ask the investment managers for comment on engagement.

DETAILS:

Case Studies

3. In response to the request for engagement case studies, please find four BCPP case studies in Annexe 1.

Largest 25 fossil fuel companies

4. The report in Annexe 2 shows the exposure the Fund has within its global equity mandates to the largest 25 oil related companies globally, by turnover, as at end June 2023. As shown in the table in Annexe 2, all the Fund's global equity mandates have a smaller exposure to these companies than the broad FTSE All-World Index.
5. Each investment manager was asked to comment on engagement and data verification for these companies and the energy sector. Their responses can also be found in Annexe 2.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

7. 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

8. Responsible investment decisions can have an impact on the Fund's risk and return.

DIRECTOR CORPORATE FINANCIAL & COMMERCIAL

9. 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

10. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

11. There are no equality or diversity issues.

OTHER IMPLICATIONS

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

WHAT HAPPENS NEXT

13. The following next steps are planned:

- a. Application for becoming a signatory to the UK Stewardship Code.

Contact Officer:

Lloyd Whitworth, Head of Investment & Stewardship

Consulted:

Pension Fund Committee Chair

Annexes:

1. BCPP Engagement Case Studies – Annexe 1
2. Comment related to the largest 25 fossil fuel companies – Annexe 2

Sources/background papers:

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