

SURREY COUNTY COUNCIL

SURREY PENSION FUND COMMITTEE



DATE: 22 MARCH 2024

**LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF FINANCE
CORPORATE AND COMMERCIAL**

SUBJECT: RESPONSIBLE INVESTMENT UPDATE

SUMMARY OF ISSUE:

One of the Fund's Responsible Investment (RI) priorities is to apply to become a signatory of the Financial Reporting Council's UK Stewardship Code, in line with the RI policy.

RECOMMENDATIONS:

It is recommended that the Committee:

1. Note the draft Stewardship Code application document.
2. Agree the delegation to the Chair the final approval of the application for the Fund to become a signatory of the UK Stewardship Code.

REASON FOR RECOMMENDATIONS:

Officers have produced an application for the Fund to become a signatory to the UK Stewardship Code covering the 12 principles required. The document needs approval before it can be submitted by the deadline in May 2024.

BACKGROUND:

1. Following approval of the Fund's RI policy in 2023, it was agreed that the Fund should apply to become a signatory of the UK Stewardship Code.

DETAILS:

2. The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them.
3. The code comprises 12 'apply and explain' principles for asset owners. To become a signatory, the Fund must apply all the principles and explain how they have been applied over the last 12 months. The Code has a focus on reporting stewardship activities and outcomes.
4. The 12 principles are classified into 4 sections:
 - a) Purpose and Governance
 - b) Investment Approach

- c) Engagement
 - d) Exercising Rights and Responsibilities
5. Within Purpose and Governance there are 5 principles:
- a) Purpose, strategy and culture
 - b) Governance, resources and incentives
 - c) Conflicts of interest
 - d) Promoting well-functioning markets
 - e) Review and assurance
6. Within Investment Approach there are 3 principles:
- a) Client and beneficiary needs
 - b) Stewardship, investment and ESG integration
 - c) Monitoring managers and service providers
7. Within Engagement there are 3 principles:
- a) Engagement
 - b) Collaboration
 - c) Escalation
8. Within Exercising Rights and Responsibilities there is one principle:
- a) Exercising rights and responsibilities
9. The next application deadline for the Fund to become a signatory is 31 May 2024.
10. Annexe 1 contains the Fund's draft application to become a signatory of the UK Stewardship Code.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

12. 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

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

DIRECTOR OF FINANCE CORPORATE AND COMMERCIAL

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

LEGAL IMPLICATIONS – MONITORING OFFICER

15. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

16. There are no equality or diversity issues.

OTHER IMPLICATIONS

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

WHAT HAPPENS NEXT

18. The following next steps are planned:
- a. Apply to become a signatory to the UK Stewardship Code.
 - b. An analysis of excluding the largest 25 fossil fuel companies from the Fund.
 - c. A review of the investable universe in relation to Net Zero dates.
 - d. A best practice review of the RI policy.
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Contact Officer:

Lloyd Whitworth, Head of Investment & Stewardship

Consulted:

Pension Fund Committee Chair

Annexes:

1. Draft application for the Fund to become a signatory to the UK Stewardship Code – Annexe 1

Sources/background papers:

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