

Surrey Pension Fund Committee – 21 June 2024

Item 4b - Public Questions

Q1 – submitted by Jackie Macey

The Guardian newspaper recently asked lead authors and editors (scientists) of all the IPCC reports since 2018 what their predictions were for temperature rise and climate impacts this century. 380 scientists replied, showing their desire to sound the alarm and frustration over a lack of urgent action.

Numerous experts [said they had been left feeling hopeless, infuriated and scared by the failure of governments to act](#) despite the clear scientific evidence provided. They see a future, with famines, conflicts and mass migration, driven by heatwaves, wildfires, floods and storms of an intensity and frequency far beyond those that have already struck. Gretta Pecl, from the University of Tasmania said, 'I could not feel greater despair over the future'. Almost 80% of those questioned predicted at least 2.5C of global heating, while almost half anticipate at least 3C. Most blamed a lack of political will, while 60% also blamed vested corporate interests, such as the fossil fuel industry.

One scientist commented 'We live in an age of fools'.

Will Surrey Pension Fund Committee heed this warning and show that informed people are willing to act by divesting from fossil fuels at speed?

Reply:

The Surrey Pension Fund's approach to responsible investment can be found in the Responsible Investment Policy published on the Fund's website.

[Surrey responsible investment policy \(surreypensionfund.org\)](https://www.surreypensionfund.org)

This policy is based on the UN Sustainable Development Goals and has been communicated to the pool and equity managers.

Surrey believes in an 'Engagement with Consequences' approach towards its investments - constructively engaging with investee companies on any identified ESG & RI issues, rather than immediate divestment. As Surrey is externally managed, the actual implementation of the 'engagement with consequences' approach in relation to individual investments falls to its investment managers. Engagement is a legitimate step by our managers in an escalation process where issues are identified, communicated to company management and their responses are assessed. However, Surrey does not believe that engagement should be an open-ended process without resolution. It is important that the materiality of each engagement is analysed, and that the response is carefully considered, so a conclusion can be reached as to whether the original issue has been resolved, has a reasonable expectation of being resolved, or is not likely to be resolved at all.

If initial engagement does not lead to the desired results, escalation by the managers may be necessary. Options for this escalation include collaborating with other investors, supporting shareholder resolutions, voting against directors or other relevant meeting agenda items, attending Annual General Meetings (AGMs) in person to raise concerns, publicly expressing concerns and co-filing shareholder resolutions.

If, after the escalation process, the investment case is still seen as fundamentally weakened, the decision may be taken by the manager to sell the company's shares. Regulatory, legal, reputational, environmental, social and governance issues are all risks that may be considered.

Q2 – submitted by Kevin Clarke

According to the Make My Money Matter website, UK pension schemes invest £88bn in fossil fuel companies. That's an average of £3,000 per pension holder! These companies are continuing to expand operations and develop new sources, despite the science clearly showing this must end.

Will SPF report their investment in the FF companies in the next SPF newsletter to pension members because this is the promise (see below)?

“Every year we produce a newsletter for our pensioner members. This newsletter is produced to keep members who are currently receiving a pension updated on any changes to the Local Government Pension Scheme (LGPS), or in the wider pensions industry, which may affect them.”

Reply:

The Fund sends out active member, deferred member and pensioner member newsletters. Important topics recently covered have been the pension increase, pension pay dates, cyber security, McCloud remedy, avoiding pension scams and investment update. The most recent newsletter was the deferred members newsletter. The investment update had two articles, the movement of emerging market equity exposure from a passive fund to an active one and a comment on responsible investment and Net Zero. It was highlighted that the switch in emerging market exposure could lead to better returns than the market, whilst also leading to a reduction in the carbon footprint of the investment. In the other article, a link to the Fund's Task Force on Climate-Related Financial Disclosures report was given as well as a reminder that the Fund had set a Net Zero date of 2050 or sooner.

The newsletters carry links to the Fund's website, [Surrey Pension Fund](#), where all the Fund's investment information and disclosure can be found, including underlying equity holdings.

Q3 – Submitted by Lindsey Coeur-Belle

Saturday 22 June will see the whole nature and climate sector unite in an event entitled “Restore Nature Now” including the RSPB, the Climate Coalition, WWF-UK, the National Trust, WWT, the Woodland Trust, Wildlife and Countryside UK and Rewilding Britain to name a few. All are concerned about nature, wildlife and climate.

The UK is one of the most nature depleted countries in the world and this event is designed to show the level of support for action now because the next generation deserves a world free from climate catastrophe.

In light of growing public concern and the UK's commitment to the Global Biodiversity Framework, will this Committee step up and agree to decarbonise their portfolio by 2030?

Reply:

The Fund's responsible investment beliefs and policy are underpinned by the UN Sustainable Development Goals, (UN SDGs).

The UN SDGs are wide ranging and include SDG 13, Climate Action, SDG 14, Life Below Water and SDG 15, Life on Land. The SDGs correlate and impact on one another, sometimes positively and sometimes negatively. Therefore, the Fund expects its managers to integrate all elements into decision making, rather than focus on just one. For example, the LGIM Future World Global fund takes into account over 30 factors including temperature alignment, biodiversity, deforestation and water management.

The Fund has been decarbonising for a number of years. For example, between 2018 and March 2023, the weighted average carbon intensity of the listed equity portfolio fell by over 58%. Despite it not being a requirement, the Fund has produced a Task Force on Climate-Related Financial Disclosure report since 2019 and further details on the Fund's carbon exposure and decarbonisation can be found here, [Surrey TCFD report September 2023 \(surreypensionfund.org\)](https://www.surreypensionfund.org/surrey-tcf-report-september-2023)

After extensive analysis, in June 2023 the Fund set a target for Net Zero of 2050 or sooner.

Q4 – Submitted by Lucianna Cole

It was encouraging to see that SPF are members of Pensions for Purpose. I was interested learning more about what this membership entails and if SPF have found their training resources useful?

Reply:

The Pensions for Purpose membership community has over 400 organisational members and 1,200 individuals, bringing together stakeholders to share best practice and promote understanding of environmental, social and governance (ESG), sustainable and impact investment.

The Surrey Pension Fund (SPF) has been a member since February 2018 and has provided case studies to the member community to further the debate regarding integrating ESG into decision-making.

Membership gives SPF access to a useful wide range of educational material, invitations to regular webinars and networking and collaboration opportunities.

More can be found on their website [Home | Pensions For Purpose](https://www.pensionsforpurpose.com/)

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