

Surrey Pension Fund Committee – 21 June 2024**Item 4b - Public Questions****Written Response to supplementary question(s)****Extract from the minutes:**

sQ1 - Jackie Macey - Thank you for your reply, however, change happens, and the judgement given by the Supreme Court yesterday is an example of this. It recognised the significance of downstream emissions and why these cannot be dismissed. Perhaps it is time for Surrey Pension Fund to demand that its investment managers urgently assess the value of any investments in the UK fossil fuel sector to quantify the likely downside impact on valuation and assess the risk of holding potentially stranded assets.

The Chair stated that the court judgement was only yesterday and that a written response would be sent.

RESPONSE from Border to Coast:

The supreme court's ruling referenced in the query (and attached) rules that the downstream emissions from the eventual combustion of the oil produced in The Horse Hill Oil Well Site are the direct effect of the project and should be assessed as part of the project's environmental impact assessment (EIA).

In substance, the supreme court ruling aligns with the spirit of responsible investment and the principle of integrating all material risks into decision making. As a responsible investor we expect the assessment of financially material risks to be integrated into investment decision making. Where downstream (scope 3) emissions are significant and indicate material risks (i.e. regulatory risks or carbon pricing risks associated with high emitting products) Border to Coast expect both internal and external managers to integrate appropriate risk assessment into decision making.

Internally, for both listed and private market investments, Border to Coast integrate the analysis of ESG factors (including scope 3 emissions where data is available) and associated financially material risks into our research and investment decision making. The consideration of material climate risks and the risks of stranded assets is therefore integrated into our approach when scoping potential investments. As with all financially material risks, our risk management processes monitor existing and arising climate risks that may impact valuation. Border to Coast expect external managers to also integrate the assessment and monitoring of financially material risks (including climate risks) into their investment approach and have review mechanisms to ensure that managers meet our expectations.

Engagement is integral to our approach in managing financially material risks. A focus of Border to Coasts engagement with the fossil fuel sector is medium term targets (including the setting of relevant scope 3 absolute targets). Border to Coast have engaged with Shell and TotalEnergies to set such targets and with BP to challenge the weakening of their interim emissions targets. Border to Coast is escalating our engagement with the fossil fuel sector. For example, at Shell's 2024 AGM, Border to Coast voted against the re-election of the Chair due to inadequate targets and decarbonisation strategy. In line with our voting policy, we also supported a shareholder proposal calling for a medium-term target that covers Scope 3 emissions and that is aligned with the Paris Agreement. As part of engagement escalation, we signalled our concern by publicly pre-declaring these votes ahead of the AGM.

The impact of climate risks (including downstream emissions) is integrated into our investment and stewardship approach to all investments including our investments in the UK fossil fuel sector.