

# SURREY PENSION FUND COMMITTEE REPORT



**SURREY COUNTY COUNCIL**

**SURREY PENSION FUND COMMITTEE**

**DATE: 13 SEPTEMBER 2024**

**LEAD OFFICER: ANNA D'ALESSANDRO, EXECUTIVE DIRECTOR, FINANCE AND CORPORATE SERVICES**

**SUBJECT: RESPONSIBLE INVESTMENT UPDATE**

## **SUMMARY OF ISSUE:**

The Fund continues to implement the agreed priorities of the Pension Fund Committee (Committee) in relation to Responsible Investment (RI). It was agreed that the Fund attempt to become a signatory to the UK Stewardship Code and continue to publish a Task Force on Climate-related Financial Disclosures (TCFD) report on an annual basis.

## **RECOMMENDATIONS:**

It is recommended that the Pension Fund Committee:

1. Note the success of the Fund's submission to become a signatory to the UK Stewardship Code.
2. Approve the Fund's TCFD report for the year 2023/24.

## **REASON FOR RECOMMENDATIONS:**

To enable the Committee to fulfil previously agreed actions.

## **DETAILS:**

### Background

1. When the Committee approved the Fund's RI policy at the meeting of June 2023, it was agreed that the Fund should attempt to become a signatory to the UK Stewardship Code.
2. The Fund has previously voluntarily committed to producing a TCFD report on an annual basis.

### UK Stewardship Code

3. The Fund was notified of its successful application in July 2024. Details on the Stewardship Code and the Fund's full submission can be found via the Fund's website here [Investment | Surrey Pension Fund](#)

### TCFD

4. The draft TCFD report for the year 2023/24 can be found in Annexe 1.
5. The Weighted Average Carbon Intensity (WACI) of the Fund's listed equity assets fell c. 44% over the last year and is also c.44% below the benchmark level represented by the MSCI ACWI Index. It has fallen c. 77% since June 2018.
6. The carbon footprint fell c.39% over the last year and is now c.52% below the benchmark.
7. These falls in carbon exposure have been driven by a number of areas, for example general market dynamics, asset allocation, investment manager action and underlying investee company improvements.
8. General market dynamics, including inflation and rising equity markets, can impact the various equations that are used to calculate carbon metrics. It should be recognised that the opposite effect could occur in different environments.
9. Asset allocation changes have also made a difference to the carbon exposure of the Fund. The most significant impact was the switch from passive to active management of Emerging Markets (EM). There were also redemptions of Listed Alternatives to cover capital calls, as well as a decrease in UK exposure in favour of a higher allocation to LGIM's Future World, which lowered the Fund's carbon footprint.
10. The decision to move the EM equities from passive to active allowed the Fund to have an opportunity to outperform the asset class and maintain exposure to the region, whilst also reducing its carbon exposure. Despite a broadly similar allocation percentage, the EM contribution to the WACI decreased from nearly 32% to just under 20%.
11. Investment manager actions can also be driving the Fund's exposure lower, depending on their company and sector investment decisions. Meanwhile the individual investee companies are generally focused on reducing carbon impact.

#### **CONSULTATION:**

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

#### **RISK MANAGEMENT AND IMPLICATIONS:**

13. Any relevant risk related implications have been considered and are contained within the report.

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS:**

14. Any relevant financial and value for money implications have been considered and are contained within the report.

**EXECUTIVE DIRECTOR OF FINANCE & CORPORATE COMMENTARY:**

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

**LEGAL IMPLICATIONS – MONITORING OFFICER:**

16. There are no legal implications or legislative requirements.

**EQUALITIES AND DIVERSITY:**

17. There are no equality or diversity issues.

**OTHER IMPLICATIONS:**

18. There are no other implications.

**NEXT STEPS:**

19. The following steps are planned:

- a) Publish the TCFD report for the year 2023/24.
- b) Review the feedback from the Financial Reporting Council regarding the Fund's Stewardship Code submission.
- c) Consider the Fund's submissions for the Stewardship Code and TCFD for 2024/25.

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**Contact Officer:**

Lloyd Whitworth, Head of Investment & Stewardship

**Annexes:**

1. Annexe 1 – TCFD report 2023/24

**Sources/Background papers:**

None

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