

**SURREY COUNTY COUNCIL**

**PENSION FUND COMMITTEE**



**DATE: 11 SEPTEMBER 2020**

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

**SUBJECT: INVESTMENT CORE BELIEFS AND THE UNITED NATION'S SUSTAINABLE DEVELOPMENT GOALS**

**SUMMARY OF ISSUE:**

Strategic objectives	
Investment	Governance

Surrey Pension Fund is reviewing its investment strategy with a view to ensuring that it is in line with its Mission Statement and the emphasis on environmental, social and governance (ESG) considerations, in the wider context of the United Nation's Sustainable Development Goals (SDGs).

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Committee:

1. Note the initial findings from the Fund's SDG Mapping provider
2. Approve follow up actions leading into December Committee

**REASON FOR RECOMMENDATIONS:**

To keep the Pension Fund Committee apprised of the progress made in reviewing the Fund's investment strategy with a view to ensuring that it is in line with its Mission Statement and the emphasis on environmental, social and governance (ESG) considerations.

**DETAILS:**

**Background**

1. At its meeting of 7 June 2019, the Pension Fund Committee approved the following mission statement:

*"The Surrey Pension Fund will deliver a first-class service through strong partnerships with scheme members, employers, the Border to Coast Pool and the wider LGPS community. Environmental, Social and Governance factors are fundamental to our approach which is underpinned by risk management, informed decision making, the use of technology and the highest standards of corporate governance".*

2. Further to this, at its meeting of 20 December 2019, the Pension Fund Committee approved for a Committee sub-group to be convened to develop the Fund's RI Approach. To include, but not limited to:
  - The Fund's positioning of Responsible Investment in its Core Investment Beliefs;
  - The Fund's relationship with BCPP, more specifically BCPP's RI approach to the Fund's pooled assets;
  - The Fund's RI approach to existing legacy portfolios yet to be transitioned to BCPP;
  - The Fund's RI approach to its Indexed Funds currently held with Legal & General Investment Management (LGIM);
  - Reaching a recommendation on the position of The Fund on the Spectrum of Capital;
  - Exploring the analysis of scenario mapping The Fund's portfolio in line with the United Nations' (UN) Sustainable Development Goals (SDGs) (Paragraph 17), carried out by an independent provider.

3. On 24 January 2020, officers issued an invitation to tender for the following scope of work:

To examine the existing Investment Portfolio holdings of Surrey Pension Fund and their relationship (positive/ negative) to the United Nations Sustainable Development Goals, and identify the risks and opportunities associated with the analysis.

In particular to comment on:

- The Core Investment Beliefs of the Committee; informing and assisting the Fund in identifying its Core Investment Beliefs against specific SDGs and how it fits into its Investment Strategy;
  - The starting position of the Fund against the UN's SDGs;
  - How the Fund can continue further as Impact Investors and integrate the SDGs into its Investment Strategy;
  - Where there is an Investment risk/ opportunity to the Fund, within its assets, in relation to the transition to sustainability and a low carbon economy;
  - The methods used to map sustainability to investment strategy and how robust they are;
  - The Fund's own Responsible Investment Approach and in the context of Border to Coast Pensions Partnership.
4. After a competitive tender process, with a selection panel of the Vice Chairman of the Committee, the Independent Advisor and officers, Minerva were appointed to support the Fund in this work.

### **Initial Findings on External Manager approach to ESG**

5. Some of the initial findings on the Fund's external managers have been summarised below;
  - They have varying levels of internal ESG and sustainability personnel, which are not necessarily linked to the size of the firm;
  - Most are developing, or have developed, some kind of an approach towards the SDGs; and
  - Most are signatories to the Taskforce for Climate-Related Financial Disclosures (TCFD) and the Transition Pathway Initiative (TPI)

### **Initial Findings on Benchmarking against World Benchmarking Alliance's SDG 2000 Index**

6. Initial findings from the Fund's mapping against the WBA SDG 2000 have been summarised below;
  - Approximately 70% of the Fund's equity and corporate bond portfolio holdings are also in the WBA SDG 2000 Index
  - The overlap against the WBA SDG 2000 is purely coincidental, but does present an opportunity to focus on these holdings, and how these companies are managed. Improving the management of these companies can allow them to make progress in aligning against the SDGs.

### **Next steps**

7. It was agreed that any reporting needs to be in step with Local Pensions Board and Pensions Committee meetings over 2020.
8. Minerva will look to hold a virtual workshop in October to discuss the project, findings and how this will be integrated into the Fund's investment approach.
9. Final report(s) on the project outcomes, including details on what the project means for the Fund's wider investment strategy and Voting & Engagement policy for the December Pension Fund Committee.

### **CONSULTATION:**

10. The Chairman of the Pension Fund Committee has been consulted on this report.

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

11. 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**

12. There are no financial and value for money implications contained in this report.

**DIRECTOR OF CORPORATE FINANCE COMMENTARY**

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

**LEGAL IMPLICATIONS – MONITORING OFFICER**

14. There are no legal implications or legislative requirements.

**EQUALITIES AND DIVERSITY**

15. There are no equality or diversity issues.

**OTHER IMPLICATIONS**

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

**WHAT HAPPENS NEXT**

17. The following next steps are planned:

- Officers to work with Minerva on delivery of the project.

**Contact Officer:**

Neil Mason, Strategic Finance Manager (Pensions),  
Mamon Zaman, Senior Pensions Finance Specialist

**Consulted:**

Pension Fund Committee Chairman

**Annexes:**

1. Initial Findings from Minerva

**Sources/background papers:**