Surrey Pension Fund Committee – 10 December 2021

Item 4 - Public Questions

Q1 – submitted by Lucianna Cole

In September you implemented a switch from RAFI and Low Carbon into the Future World fund. Congratulations on this 20% reduction in the carbon footprint. Do you have any plans to publicise this good move to your members? Equally, how will you plan to publicise your new Responsible Investment Policy to your members when it is finalised?

Reply:

We will be including updates on our approach to Responsible Investments on both our website and as part of the regular newsletters we issue to members and employers (the next newsletter is currently scheduled for Q4 2021/22).

We are also in the process of restructuring communications in the newly integrated pensions team and will be exploring how we can most effectively reach out to all the Pension Fund's stakeholders.

Q2 – submitted by Ian Chappell

"A number of companies owned by SPF have been widely accused of greenwashing, including Shell. Client Earth has recently exposed Shell's greenwashing activities:

https://www.clientearth.org/projects/the-greenwashing-files/shell/

In what way will your Responsible Investment policy address your ownership of companies who greenwash and/or undermine climate science?"

Reply:

As outlined in the Responsible Investment update papers in this Pension Fund Committee meeting (Public Pack)Agenda Document for Surrey Pension Fund Committee, 10/12/2021 14:00 (surreycc.gov.uk), the Surrey Pension Fund's Responsible Investment policy will be structured in to 5 key holistic themes; governance, investment, implementation, stewardship and monitoring and reporting.

The Committee have also stated a priority to develop a robust framework, by reference to the United Nations Sustainable Development Goals, to consider the consequences of engagement, including engagement.

It should be noted that the Surrey Fund is generally not the direct owner of companies and instead has interests has interests in companies through funds, mostly through Border to Coast.

All Border to Coast's mandates are actively managed, and as such climate risk is integrated into the investment decision making process. Stewardship, including engagement with companies held in the portfolio is undertaken as part of monitoring and managing portfolios at both the portfolio manager and underlying portfolio level to understand if a company's business strategy is sustainable over the long-term. This includes (but is not limited to) assessing what net zero targets companies

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have made, if they are Paris-aligned and specifically in line with the Science-based Targets Initiative, what Transition Pathway Initiative rating they have, and what short, medium and long-term emission targets have been made. There is also an expectation that companies are transparent regarding lobbying activities in relation to climate change and will assess whether a company's climate change policy is aligned with the industry association(s) it belongs to.

Q3 – submitted by Jennifer Condit

- I note that Border to Coast Pension Partnership now allows for the exclusion of companies earning more than 90% of revenues from either coal extraction or tar sands extraction.

- I also see that in your welcome adoption of new engagement themes for the coming year, you have not only named climate change as a key theme, but have addressed the need to engage with major funders of companies driving climate change.

- As you probably know, **Barclays** is the largest European funder of fossil fuel companies, lending more than $145 billion to them since 2015. The bank also continues to expand its support of the tar sands and coal sectors. Barclays has provided more finance for coal mining and coal power than any other UK bank since 2015, and its funding for 'extreme' fossil fuel sectors – fracking, tar sands and Arctic oil and gas – increased by 32 per cent in 2020 compared to 2019.

My question is:
Does the Committee feel it must engage with companies that finance businesses which the Surrey Pension Fund would not invest in directly? Does SPF own shares of **Barclays**? If so, could you disclose how many and where held? Will you instruct your engagement advisors to focus on Barclays in forming their target lists for the coming year?

Reply:

Although not the direct owner of Barclays shares, through its investments in pooled Funds managed by Newton, LGIM and Border to Coast, the Surrey Pension does have an interest in this company's shares. We have requested the current allocation from our managers and will provide this information as soon as possible.

The Surrey Pension Fund recognises that banks, via their lending activity, have a substantial role to play in financing the transition to a low-carbon economy, with significant investment required to meet Paris Agreement targets for annual global temperature increases. Much of this investment will come from the financial sector, including bank loans.

In Q1 2021, Border to Coast's engagement partner, Robeco launched a new engagement theme on the climate transition of financial companies. Ten banks (including Barclays), spread across a variety of markets, were selected for engagement based on their exposure to carbon-intensive sectors, their current lending practices, and overall sustainability ranking. The engagement objectives are based on the TCFD recommendations, with the aim of improving disclosures around how banks develop and report on their climate transition strategies.

In Q2 2021, Border to Coast voted to support a shareholder proposal on climate change strategy at this year's Barclays AGM. The proposal required that the Company set, disclose, and implement a strategy with improved targets to phase out provision of financial services to fossil fuels. As a consequence of the engagement around the

climate resolution, Barclays announced a plan to cut its net greenhouse-gas emissions to zero over the next three decades and said it planned to adjust its lending and capital-markets activities to be compatible with the goals of the Paris accord. It added further details at the end of last year, saying it had joined an industrywide group that measures emissions from lending and underwriting, and is now developing a methodology for calculating funded emissions.

In Q3 2021, the UK hosted UN COP26 in Glasgow. As part of the Race to Zero and Glasgow Financial Alliance for Net Zero Initiative (GFANZ), 43 banks, including Barclays agreed to join the TCFD-supported Net Zero Banking Alliance. TCFD - the Financial Stability Board-convened Task Force on Climate-related Financial Disclosures (TCFD) developed guidance published in 2017 on how companies should disclose clear, comparable, and consistent information about the risks and opportunities presented by climate change.

Q4 – submitted by Janice Baker

I understand that you are working on a new Responsible Investment Policy. Is it the case that you will cease to engage with a fossil fuel company if that engagement is seen to be ineffective? What instructions are you giving to the officers conducting engagement on determining the point of withdrawal?

Reply:

As mentioned in an answer to an earlier question, the Surrey Pension Fund's the Responsible Investment policy will be structured in to 5 key holistic themes; governance, investment, implementation, stewardship and monitoring and reporting.

The Committee have also stated a priority to develop a robust framework, by reference to the United Nations Sustainable Development Goals, to consider the consequences of engagement, including engagement.

In accordance with the recently approved Investment Strategy Statement of the Surrey Pension Fund https://www.surreypensionfund.org/media/6719/210910-investment-strategy-statement.pdf the Committee prefers to take an engagement-led approach to Environmental, social and governance issues for the stocks held in the portfolio.

Engagement with companies needs to be focused, structured and robust. However, the Committee "does reserve the right to disinvest from companies where engagement has not driven the changes expected."

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