

Subject	SYPA Responsible Investment Policies – Annual Review	Status	For Publication
Report to	Authority	Date	March 2019
Report of	Fund Director and Head of Investment Strategy		
Equality Impact Assessment	Not Required	Attached	No
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1 Purpose of the Report

- 1.1 To present to members for approval the annual review of the Authority’s own policies in relation to responsible investment.

2 Recommendations

- 2.1 Members are recommended to:
- a. **Approve the following updated policy documents:**
 - i. **The Authority’s Responsible Investment Policy (Appendix A)**
 - ii. **The Authority’s Climate Change Policy (Appendix B)**
 - iii. **The Authority’s Policy on Responsible Investment for Commercial Property (Appendix C)**

3 Link to Corporate Objectives

- 3.1 This report links to the delivery of the following corporate objectives:

Responsible Investment

To develop our investment options within the context of a sustainable and responsible investment strategy.

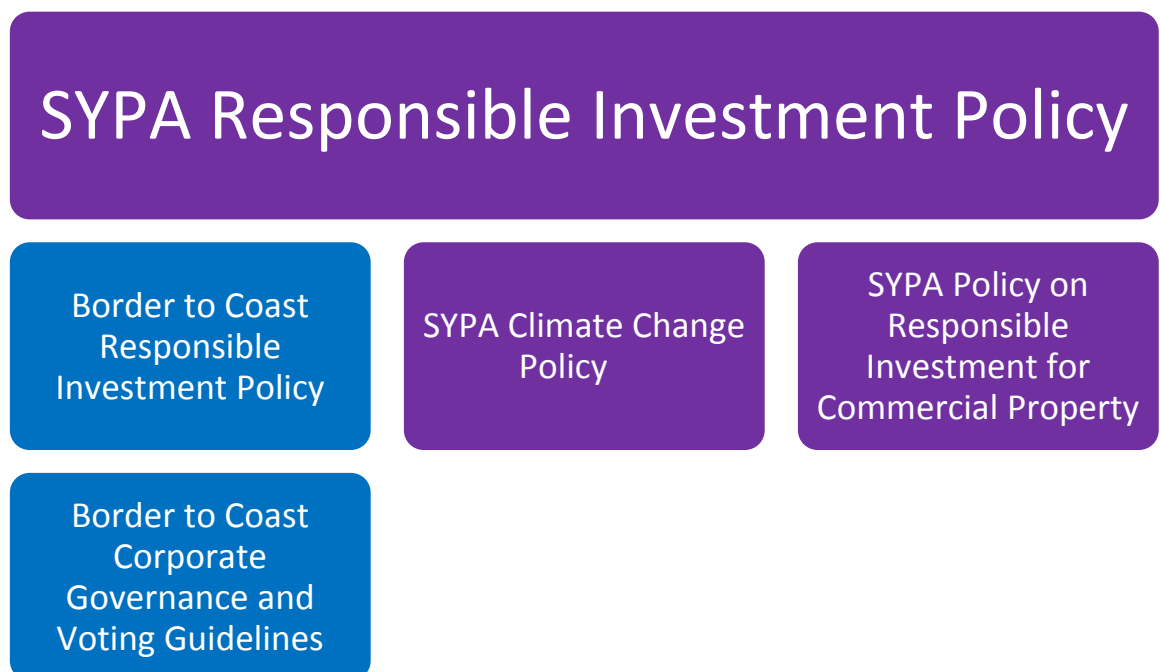
While much operational responsibility in relation to Responsible Investment is now exercised by Border to Coast on the Authority’s behalf in line with policies agreed collectively by the 12 Partner Funds the Authority remains responsible for the overall policy framework in this important area, as well as remaining responsible for RI activity in relation to investments which have yet to be pooled. It is important that this policy framework is kept up to date and sets a clear direction for officers in their work to influence the development of Border to Coast’s collective framework.

4 Implications for the Corporate Risk Register

- 4.1 Maintaining an up to date policy framework in relation to Responsible Investment which sits above the collective framework agreed through Border to Coast ensures that the Authority is addressing the risk of not meeting its regulatory obligations. In addition Climate Change is highlighted on the Authority's corporate risk register as a very significant risk and as such maintaining an up to date policy framework in this area supported by an annual action plan is one of a number of actions which allow the Authority to demonstrate that it is seeking to address this risk.

5 Background and Options

- 5.1 Responsible Investment as an approach is central to the Authority's investment beliefs and how it wants to see its money invested. It is therefore important that the policy framework in this area fully reflects members' intentions and is kept up to date. This report presents the annual review of key aspects of this framework for approval.
- 5.2 While pooling, through Border to Coast, changes the way in which the Authority makes investments the Authority retains responsibility for setting out its approach and intentions in relation to responsible investment matters, although now these may well be implemented in different ways. Border to Coast has taken a strongly collaborative approach to the development and implementation of its Responsible Investment approach very much building on its inheritance from its partner funds in particular SYPA. This approach results in an RI policy framework as illustrated below with the colours illustrating ownership of the various aspects of the framework:



- 5.3 SYPA's own policies are reflected in the Border to Coast policies, but also apply to assets which have not yet transferred into the pool. In addition SYPA's policies set out the direction in which the Authority will seek to influence the other partner funds within Border to Coast to move over the coming years.

- 5.4 The Climate Change Policy (2018) and Commercial Property Policy (2016) have not been reviewed for some time and it is therefore appropriate to review all the SYPA policies together in order to ensure consistency and place them on a common review cycle.

SYPA Responsible Investment Policy

- 5.5 The latest iteration of the Authority's overarching Responsible Investment Policy is set out at Appendix A. The policy has not been significantly changed but has been tidied up in some areas to ensure it reflects how the relationship with the collective policies agreed through Border to Coast works in practice.

SYPA Climate Change Policy

- 5.6 The proposed revised Climate Change Policy is at Appendix B. Again this update has not made fundamental change to the policy position, but clarifies the relationship with and expectations of Border to Coast. Further revision to the policy may be required when work being undertaken by Border to Coast in this area is concluded and agreed through the relevant decision making processes.

SYPA Policy on Responsible Investment for Commercial Property

- 5.7 The proposed revised policy on the application of responsible investment principles to the management of the Commercial Property portfolio is set out in Appendix C. The main changes proposed are:

- Setting out the policy in terms of matters that apply to properties already owned, to properties being considered for purchase, and consideration of development proposals.
- Making explicit reference to the expected environmental quality of purchases and developments using the BREEAM standards. It should though be noted that in terms of purchases not all buildings have a BREEAM certification and therefore to avoid unduly reducing the investment universe for purchases the Authority will look to acquire buildings that are either certified as BREEAM Good or meet that standard but are not certified.
- An intention to produce travel plans for multi-let properties is also set out. This is particularly relevant for the various retail park properties and multi-let offices where some wider benefits may be achieved through working with relevant local authorities and tenants to promote the use of public transport and active travel modes (walking and cycling).

- 5.8 SYPA is the only one of the four Border to Coast funds with a directly held property portfolio to have a policy of this sort and it is therefore likely that this will provide a platform for the development of the specific policy that will be required for any pooled vehicle(s) developed for property. It is therefore important that it is kept up to date and relevant to both the portfolio and developments across the industry.

Implications

6.1 The proposals outlined in this report have the following implications:

Financial	Approval of these reviewed policies in itself does not have any financial implications. Any implications arising from the policy in relation to the commercial property portfolio will be dealt with as now on the basis of an investment case either calling for some capital investment from the Authority or funded by tenants through service charges.
Human Resources	None
ICT	None
Legal	The LGPS Investment Regulations require the Authority to clearly state its position in relation to Environmental, Social and Governance issues. The maintenance and review of this policy framework fulfils that requirement.
Procurement	None

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Background Papers	
Document	Place of Inspection