

<b>Subject</b>	<b>Annual Review of Border to Coast Responsible Investment Policies</b>	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	10 <sup>th</sup> December 2020
<b>Report of</b>	Director		
<b>Equality Impact Assessment</b>	Not Required	<b>Attached</b>	No
<b>Contact Officer</b>	George Graham Director	<b>Phone</b>	01226 772887
<b>E Mail</b>	<a href="mailto:ggraham@sypa.org.uk">ggraham@sypa.org.uk</a>		

## **1 Purpose of the Report**

- 1.1 To secure approval for the collaborative policies in relation to Responsible Investment and Voting guidelines to be used by Border to Coast over the next 12 months.

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## **2 Recommendations**

- 2.1 Members are recommended to:
- a. **Approve the Border to Coast Responsible Investment Policy and Voting Guidelines at Appendices A and B.**

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## **3 Link to Corporate Objectives**

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

### **Investment Returns**

To maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long term liabilities.

### **Responsible Investment**

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

### **Effective and Transparent Governance**

To uphold effective governance showing prudence and propriety at all times.

Ensuring that Environmental Social and Governance issues are properly taken into account in the investment process and that voting rights are exercised in line with a clear and consistent policy framework that promotes the highest standards in all these areas will support the Authority in driving the long term returns which are required of any pension investor.

#### **4 Implications for the Corporate Risk Register**

The policies presented for approval begin to make some specific targeted movement towards addressing the climate risks identified in the Corporate Risk Register. However, at this stage this will not impact the degree of risk as for the reasons set out in the body of the report there remains a degree of misalignment between the collective policy position and the Authority's position.

#### **5 Background and Options**

- 5.1 Each year at this time Border to Coast reviews its Responsible Investment Policy and Voting Guidelines so that the latest versions are in place before "peak voting season" in the early part of the calendar year. This year's iterations of these documents are attached at Appendices A and B and representatives of Border to Coast will be present at the Authority's meeting to present them and answer questions. These documents are developed in consultation with partner fund officers over a period of a number of months.
- 5.2 The broad thrust of the documents is unchanged with additional clarifications in a number of areas. There are, however, substantial steps in some areas which support the Authority's overall policy position including:
- Stronger actions to oppose political donations by companies;
  - Stronger actions where Boards are seen not to be promoting diversity
  - Stronger actions (including voting against the reappointment of the Chair) at companies not making progress in adapting their business to a low carbon economy.
  - A commitment that Border to Coast will develop a specific policy in relation to climate change.
- 5.3 These revised policies were endorsed by the Border to Coast Joint Committee, made up of the Chairs of the 11 partner funds at its meeting in November.
- 5.4 This year the review cycle for Border to Coast policies and the review of the Authority's own policies in this area have become misaligned. This means that the significant changes to the Authority's position on climate change agreed at its last meeting have not been able to be fed into the development of this iteration of the policies, although there is a recognition of the need to do more in this area and a commitment to the development of a specific policy response contained in the Responsible Investment Policy. In addition the actions proposed in the voting guidelines in relation to specific votes where companies are not progressing along the transition pathway represents something of a step change in the position, and will begin to raise these issues in places where previously it has not been considered.

5.5 Border to Coast’s Responsible Investment policies continue to progress in a direction that accords with the Authority’s broad policy position, and while SYPA would always like to see a more rapid evolution of the position we must accept the reality of the position in that we are one voice amongst 11. The clarification of the Authority’s priorities and goals in this area following the recent seminar will feed into the work that officers do over the coming year to influence the next iteration of these policies.

**6 Implications**

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

Financial	There are no direct financial implications arising from the approval of these policies.
Human Resources	None
ICT	None
Legal	The Authority is required by the LGPS Investment Regulations to state its position in relation to ESG issues in its investment strategy statement. Approval of these policies translates that statement into Border to Coast’s investment mandate.
Procurement	None, Border to Coast is constituted as a Teckal company and it is therefore permissible for the Authority to award work directly to the Company in the same way as it would for an internal department.

**George Graham**

**Director**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>