

Subject	Net Zero Action Plan	Status	For Publication
Report to	Authority	Date	18 th March 2021
Report of	Director		
Equality Impact Assessment	Not Required	Attached	No
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1 **Purpose of the Report**

- 1.1 To gain approval for the Authority's action plan for the achievement of its Net Zero Goal

2 **Recommendations**

- 2.1 Members are recommended to:
- a. Approve the Net Zero Action Plan set out in Appendix A.**

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.

In focussing on delivering the Net Zero goal the Authority must maintain its focus on the achievement of the investment returns required to meet its liabilities when they fall due. The action plan at Appendix A seeks to achieve this balance between two of the corporate objectives which must have equal priority given the statutory duties of the Authority.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report specifically address the risks in relation to climate change included in the Corporate Risk Register which are the highest scoring risks facing the Authority at present.

5 Background and Options

- 5.1 At its meeting on 30th September 2020 the Authority agreed to set the goal of making its investment portfolios net zero in terms of carbon emissions by 2030. This is, as was explained at the time, a very aggressive time scale for action of this sort. The BT Pension Scheme which is considerably larger than SYPA has committed to a 2035 goal and other schemes are looking at or have committed to 2040 or 2050, in line with the Paris agreement. Thus SYPA is looking to move further and faster than its peers to net zero and has to do so within the context of the pooling process which to some extent, particularly when looked at together with key elements of our investment beliefs, limits our flexibility.
- 5.2 Achieving Net Zero is a journey and the Authority's view in setting the 2030 goal was clearly that the journey needed to begin and be undertaken at pace. Thus we will need to do a number of things at the same time rather than wait for the completion of one piece of work before beginning the next. This is reflected in the Action Plan attached for approval at Appendix A. We do need to understand our starting point through the measurement and reporting work that has already been commissioned but we do know that achieving the goal will be heavily dependent on reducing emissions from the listed equity portfolios which are the largest single asset class in which we are invested. The Action Plan therefore seeks to initiate progress on a number of fronts now in order to create momentum towards the goal.
- 5.3 The road to Net Zero is not going to be a straight line, and while more precise targets will be developed when better data is available it is clear that progress is likely to be lumpy, with key strategic changes having a significant impact while the actions of investee companies contribute a steadier underlying positive trend in emissions. Thus it will be important to maintain focus on the end goal and the direction of travel rather than individual way points, which is what the approach laid out in the Action Plan seeks to do.
- 5.4 On its own this Action Plan will not get us to Net Zero, we will need further iterations that make adjustments to reflect the progress made, and at the next review of the investment strategy Net Zero needs to become a key part of how we do investment rather than an overlay added in later. We will also need to devote considerable resource in terms of member and officer time to managing the implications of the Net Zero goal for our involvement within Border to Coast.

6 **Implications**

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

Financial	There are no direct financial implications arising from this report. The Action Plan highlights the need to use a number of processes, such as the investment strategy review, which are already budgeted to facilitate delivery of the Net Zero goal.
Human Resources	There will need to be an increased level of training in this area for some staff directly involved in the delivery of the Action Plan which will be identified through the appraisal process and can be delivered within existing training budgets.
ICT	None
Legal	As indicated in the body of the report and in the action plan the Authority must ensure that it continues to demonstrate a focus on its duty to meet the obligation to pay pensions when due while at the same time positively addressing climate change. The two need not be incompatible, but there is a tension of which the Authority must remain aware and stay on the right side of.
Procurement	None

George Graham

Director

Background Papers	
Document	Place of Inspection
IIGCC Net Zero Investment Framework	Presentation: Net Zero Investment Framework – IIGCC