

<b>Subject</b>	<b>Investment Beliefs</b>	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	18 <sup>th</sup> March 2021
<b>Report of</b>	Director		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
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## **1 Purpose of the Report**

- 1.1 To secure approval for an updated statement of investment beliefs providing greater clarity and focus in relation to responsible investment, following the evolution of the Authority's policy position in this area.
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## **2 Recommendations**

- 2.1 Members are recommended to:
- a. **Approve the statement of Investment Beliefs set out in the body of this report.**
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## **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.

The Authority has long considered responsible investment a cornerstone of its approach to the management of its investment portfolio. The proposed statement of beliefs is intended to provide more focus to this activity and set other actions such as the commitment to net zero in a broader policy context. Further to the decision of the authority on September 30, 2020, the Authority's goal is for carbon emissions from the totality of its investment portfolio to be zero by 2030.

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

- 4.1 The actions outlined in this report do not address specific risks identified in the Corporate Risk Register, however, they do support a general approach to investment intended to focus on the long term sustainability of what is being invested in and to therefore ensure the liabilities of the Fund are met in the longer term.

## 5 **Background and Options**

5.1 In September 2019 the Authority approved the following statement of investment beliefs:

*“SYPA is an **active, global, long term** investor and looks to maintain a **diversified** portfolio of assets managed through the Border to Coast Pensions Partnership in a **responsible** way which gives due regard to **Environmental, Social and Governance** issues aiming to achieve superior **net of fees risk adjusted returns**. The overall approach to risk can be summarised as **moderate**.”*

5.2 This statement is supported by further definitional statements setting out what SYPA means by each of the terms in bold. Since the approval of this statement the Authority’s thinking and policy position has evolved in a number of ways, in particular through the adoption of the goal of achieving net zero portfolios by 2030. It is therefore appropriate to expand somewhat on the responsible investment element of this statement, given that members have made clear that this is absolutely central to how they wish the Authority to manage the Fund’s investments.

5.3 In order to support this process and ensure that the end product reflects the views of Authority members during November 2020 members participated in a workshop facilitated by Pensions for Purpose the aim of which was to provide greater refinement and focus to the Authority’s approach to Responsible Investment. The workshop used the framework of the UN Sustainable Development Goals (SDG’s) to provide a framework for considering the issues which members considered presented the greatest risks and also the greatest investible opportunities. The intention behind this work was to create a statement of what SYPA means by responsible investment beliefs to support the overall statement of investment beliefs.

5.4 While members’ considered a wide range of the 17 sustainable development goals to be significant priorities for global action when refined to those which were considered as investible the top 3 areas were:

- SDG 13 – Climate Action
- SDG 6 - Clean Water and Sanitation
- SDG 7 – Affordable and Clean Energy

5.3 Clearly it is possible to make successful investments across the wider range of SDG’s, and the Authority will wish to do so where appropriate within the overall investment strategy, but these were the three where members saw a combination of high priority alongside investment potential.

5.4 When taken with existing policy positions it is proposed to translate this prioritisation into the following beliefs statement:

*South Yorkshire Pensions Authority believes that investing in well governed and sustainable assets is key to delivering the long term investment returns required by the Pension Fund. The Authority’s goal is for carbon emissions from the totality of its investment portfolio to be zero by 2030 (the “Net Zero Goal”) and has developed a net zero action plan to chart its route to this goal. This action plan includes the*

*incorporation of this Net Zero Goal in the Authority's investment beliefs and investment strategy, and contemplates frequent review of the performance of its investments within the context of this goal, as well as monitoring of the delivery of the commitment and the transition towards it.*

*We believe that well governed assets will present the following characteristics:*

- A recognition of the key risks to the long term sustainability of the business, in particular climate change, and will have created action plans to address these risks over reasonable but not unduly prolonged timescales;*
- Transparency in their governance, balancing the interests of shareholders, executives and other stakeholders including the workforce;*
- Respect for the human rights of the communities with which they interact and their various stakeholders;*
- Acknowledges the environmental impacts of their activities and takes steps to minimise and/or mitigate them.*

*The Authority expects those managing money on its behalf to reflect these factors in their investment process and where specific risks or concerns are identified to engage with assets in order to ensure that these characteristics are met. Engagement activity will:*

- Have clear and specific objectives;*
- Be time limited;*
- Where unsuccessful link to clear consequences reflecting the degree to which the investment thesis for the asset has been undermined by non-compliance.*

*The Authority will report each year on the impact of its investment portfolio on society using the framework of the UN Sustainable Development Goals and will where possible, given the constraints of pooling, seek to prioritise investments which address the opportunities presented in relation to:*

- SDG 13 – Climate Action*
- SDG 6 - Clean Water and Sanitation*
- SDG 7 – Affordable and Clean Energy*

*The Authority's fundamental belief is that this approach is entirely consistent with securing the long term returns the Pension Fund is required to deliver, and that it is therefore in the best interests of both scheme members and employers.*

*In line with the net zero action plan the Authority will also report every year on the performance of its investments within the context of its Net Zero Goal, as well as on the delivery of the Net Zero Goal and the transition towards it.*

- 5.5 The statement provides clarity on what we expect both of underlying assets and those managing money on our behalf while not being inconsistent with the broad approach taken over many years, or with the policy framework developed collaboratively through the Border to Coast partnership.

## 6 **Implications**

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

Financial	None directly.
Human Resources	None
ICT	None
Legal	None directly from approval of the statement, however, the Authority will need to continue to carefully weigh the both financial and non-financial issues in its decision making in order to ensure that it is complying with its statutory duties.
Procurement	None

**George Graham**

**Director**

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