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Date 08 September 2022



To: Members of the Pensions Authority
cc: Appropriate Officers

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This matter is being dealt with by: Gill Richards Telephone
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Dear Member

SOUTH YORKSHIRE PENSIONS AUTHORITY
8 SEPTEMBER 2022

Please find enclosed the a Sheffield CC s41 update

Yours sincerely



Gill Richards
Governance Officer

Encs

SOUTH YORKSHIRE PENSIONS AUTHORITY

10.00 AM AT THE OAKWELL HOUSE, 2 BEEVOR COURT, PONTEFRACT ROAD, BARNSELY, S71 1HG

AGENDA Reports attached unless stated otherwise

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Questions / Petitions Dealt with as S41 Business at Sheffield City Council July Full Council Meeting

Climate and Net Zero Investment

Question from Ms Kate Stott – South Yorkshire Fossil Free

"Sheffield City Council declared a climate emergency in 2019. A commissioned analysis by the Tyndall Centre states that the city needs to reach zero or near zero carbon no later than 2038 for Sheffield to make it's fair contribution to the Paris Climate Change Agreement.

However, one of the largest investors in South Yorkshire, the South Yorkshire Pension Authority (SYPA), still invests directly in fossil fuel companies to the tune of £230 million. With five Sheffield Councillors on the pension committee broadly supportive of the need to reduce the carbon exposure of the fund, and similar support from other committee members, the fund still refuses to disinvest from fossil fuels. Money that could be reinvested in the local economy in one of the many exciting opportunities such as the Ultimate Battery Company based at the AMRC.

To add insult to injury, the pension fund provides pensions for Council employees across the region, and continued investment in fossil fuels puts those pensions at risk.

The excuse, or stalling tactic, given by the pension fund, is that the Border to Coast Pension Pool (BCPP) don't offer a carbon-free investment vehicle for equities and that SYPA don't want to invest outside the pool.

We ask Sheffield City Council to deliver on their climate emergency declaration by applying pressure on SYPA to disinvest their holdings in fossil fuel companies, either via a fossil-free equity fund within the BCPP or if this is not forthcoming, outside the pool."

Response Provided

*The Pensions Authority has agreed a Net Zero goal which aligns with the City Council's this is amongst the most ambitious such goals set not just within the Local Government Pension Scheme but within the wider Pensions Industry and the Authority's officers are working to try to deliver this. However, the role of the Pensions Authority is **not** to be an instrument of policy but to pay pensions and while risks such as climate change rightly form part of the decision-making process it is this overriding duty that must be the Authority's priority.*

This year being the year in which the actuarial valuation of the Fund is being undertaken also provides the opportunity for the periodic review of the investment strategy. This review will incorporate consideration of changes to the allocation of assets to individual products that will support both the achievement of required returns and the achievement of the Net Zero goal. However, it is worth emphasising that emissions related to the Funds equity portfolios, which are the focus of this question, have reduced by 49% compared to the 2019 starting point. The Strategy Review will need to consider the type of products that the Fund invests in but simply changing the product you invest in does not remove one tonne of emissions from the atmosphere and also needs to be considered within the context of the partnership with 10 other funds within which the Authority operates to make investments. The Strategy must, however, generate at least a 70% probability of achieving the required investment return in order to ensure that the Fund's liabilities can be met without seeking significant additional employer contributions which would impact directly on the Council's budget.

The Authority has a long-standing policy of investing in climate solutions and already has more money invested in renewable energy than in fossil fuel companies. Beyond this a 3-year commitment of £240m has been made to a specific Climate Opportunities product. This together with ongoing commitments to infrastructure investment and other private market products will continue to increase exposure to climate solutions. However, the Authority is not equipped to make individual direct investments into local businesses and private equity investments of this sort would need to be made through fund managers who have the necessary expertise and whose involvement avoids potential conflicts of interest.

Divestment Petition

The following petition signed by 53 people was presented to the Full Council meeting.

We the undersigned petition the council to undertake the following actions in respect of Pension divestment:

**Join the call by Palestinian civil society for international support for the Boycott, Divestment and Sanctions (BDS) movement as a means of achieving justice for Palestinian people*

**Accept the conclusion of the Amnesty International report of 2022 (Israel's Apartheid against Palestinians) that Israel is an apartheid state, thus reaffirming the Sheffield City Council Declaration of 1981 that it is an apartheid free zone.*

**Condemn the government's attack on the democratic rights of public sector pension committees and pension scheme members to express ethical preferences in the investment of their pension fund*
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**Campaign for South Yorkshire Pensions Authority to commit to divestment in companies shown to be complicit in human rights abuses, including those in the ongoing oppression of the Palestinian people, in line with the remit of its Responsible Investment Policy, and in compliance with the UN Guiding Principles on Business and Human Rights*

++ *A Last minute amendment to the 'Public Service Pensions and Judicial Offices Bill' 2022 was passed into law to prevent public sector pensions schemes making investment decisions that conflict with UK foreign policy as a first step in preventing private and public sector involvement in boycott, divestment and sanctions campaigns.*

This petition has been organised by Sheffield Campaign for divestment from companies complicit with human rights abuses in Palestine. Four organisations form the above campaign and support the petition:-

Sheffield Trades Union Council, Sheffield Palestine Solidarity Campaign, Sheffield Labour Friends of Palestine, Palestine General Federation of Trade Unions.

Response Provided

The petition was responded to by Cllr Terry Fox, Leader of the Council who asked for it to be remitted to the Council's Strategy and Resources Committee. The following response was provided for the s41 Member.

While recognising the importance of the specific issues raised it must be recognised that the sole purpose of the Pensions Authority is to ensure that funds are available to pay pensions when they are due, and also the fact that as one of four constituent councils that SCC is not in a position to instruct SYPA, although clearly able to influence the Authority's position. The Authority can take non-financial

issues into account in making investment decisions, but these issues have to demonstrably have a negative impact on the longer term value of the investment. An example of this in the human rights area would be the behaviour of some mining companies towards indigenous communities where actions by companies have resulted in a significant loss of shareholder value with consequent restructuring of management.

In line with the requirements of the LGPS investment regulations SYPA invests in products provided by the Border to Coast pool. This means that the Authority cannot unilaterally decide that specific companies should be excluded from the investment universe. Such decisions would require the agreement of all 11 participants in the pool. For context c0.04% of the £10bn Pension Fund is invested in bonds issued by companies on the UN list of companies operating on the Palestinian Territories. While the issues raised are important this investment is not financially material in the context of the fund and financial materiality must be a criterion for prioritising issues in line with the provisions of the UK Stewardship Code.

The Pool has, working with its partner organisation Robeco, begun a project to engage with companies to encourage them to undertake more effective human rights due diligence over their operations. This work is ongoing and updates will be# provided in the regular Responsible Investment updates published on the SYPA website when available. Significant engagement with any company must be a precursor to any decision to divest. The Authority has already raised with the Pool the weight that is given in its investment process to both human rights risks and wider geo-political risks and will continue to do so in the context of the need to achieve its sole purpose which use be to pay pensions.

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