Public Document Pack

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Oakwell House
2 Beevor Court
Pontefract Road
Barnsley
S71 1HG

www.sypensions.org.uk

NOTICE OF AUTHORITY MEETING

You are hereby summoned to a meeting of the South Yorkshire Pensions Authority to be held at Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley, S71 1HG on Thursday, 7 December 2023 at 10.00 am for the purpose of transacting the business set out in the agenda.

Sarah Norman
Clerk

This matter is being dealt with by:	Governance Team	Tel: 01226 666405
Email	governanceteam@sypa.org.uk	

WEBCASTING NOTICE

This meeting may be filmed for live or subsequent broadcast via the Authority's website. At the start of the meeting the Chair will confirm if all or part of the meeting is being filmed.

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Distribution

Councillors: J Dunn (Chair), M Havard (Vice-Chair), R Bowser, S Clement-Jones, S Cox, A Dimond, D Fisher, C Gamble Pugh, J Mounsey, D Nevett, A Sangar and M Stowe.

Contact Details

For further information please contact:

Governance Team
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SOUTH YORKSHIRE PENSIONS AUTHORITY

THURSDAY, 7 DECEMBER 2023 AT 10.00 AM - OAKWELL HOUSE, 2 BEEVOR COURT, PONTEFRACT ROAD, BARNSLEY, S71 1HG

Agenda: Reports attached unless stated otherwise

SOUTH YORKSHIRE PENSIONS AUTHORITY

7 SEPTEMBER 2023

PRESENT: Councillor J Dunn (Chair) Councillor M Havard (Vice-Chair)
Councillors: R Bowser, S Clement-Jones, S Cox, , J Mounsey, C. Gamble-Pugh, A Sangar and M Stowe

Non-voting Coopetes: N Doolan-Hamer (Unison) and G Warwick (GMB)

Investment Advisors: T Castledine and A. Devitt

Officers: G Graham (Director), J Stone (Head of Governance & Monitoring Officer), S Smith (Assistant Director - Investments Strategy), G Taberner (Assistant Director - Resources & Chief Finance Officer), W Goddard (Head of Finance

Chris Hitchen and Jessica Wilson from Border to Coast.

Apologies for absence were received from Councillors D Nevett, A Dimond and D Fisher

1 APOLOGIES

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

2 ANNOUNCEMENTS

None

3 URGENT ITEMS

None

4 ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PUBLIC AND PRESS

Resolved: Items 21 and 22 shall be considered in the absence of Public and Press by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972

5 DECLARATIONS OF INTEREST

None

6 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None

7 MINUTES OF THE MEETING HELD ON 08/06/2023

RESOLVED: That the minutes of the meeting held on 8 June 2023 be agreed as a true record.

8 QUESTIONS FROM THE PUBLIC

Questions were received from Mr Ashton, Mrs Smith and Ms Cattell.

The Director replied on behalf of the Authority.

Electronic versions of the questions and responses will be e-mailed to the relevant members of the public. The written replies are attached as appendices at the end of this pack.

9 Q1 PERFORMANCE REPORT

The Assistant Director – Resources and Head of Finance presented the Q1 Corporate Performance Report for members to consider and approve.

Key areas for consideration were highlighted to members who raised a number of questions.

Members queried the new risk added to the strategic risk register in relation to the pensions administration backlog and asked what the root cause of the issue was.

Assurance was also sought that staff sickness was being monitored with rigour and appropriate measures put in place to manage.

In response the Director explained that this type of backlog is not unusual, with other Administering Authorities having similar issues, however the issue still needs addressing. A detailed analysis of the pensions administration workload has taken place and identified the need for additional staff and also highlighted the imbalance of the workforce with more experienced pensions practitioners required to assess the more complex cases. It was confirmed that these issues will be addressed as part of the report to be presented to the Staffing Committee in October.

The Assistant Director - Resources confirmed that staff sickness levels are still relatively low compared to pre covid levels. Assurance was given that sickness is monitored rigorously in line with the Managing Attendance Policy and that the HR Business Partner works closely with all managers to support this process.

It was explained that staff working from home seems to have reduced the sickness levels along with working creatively with hybrid working and the flexi scheme.

Members also questioned if the Authority is using more agency staff than necessary.

The Director confirmed that this is not the case, the only current agency member of staff is the interim Assistant Director - Pensions, due to the specialist nature of the role and subsequent recruitment process.

RESOLVED: Members noted, commented on and accepted the report.

10 ADVISOR MARKET COMMENTARY

The Independent Advisers presented the Market Commentary Report for members to consider and note.

Members sought the views of the advisers around the stability of the funding level and how this could be affected by the rise or fall in the Stirling along with the balance of liabilities.

The advisors responded that as a global investor a weaker Stirling can be more beneficial as portfolios not denominated in Stirling will rise. Returns will be eroded with a stronger Stirling. Whilst it is not felt that the funding levels will drop as dramatically as they have just risen, they could and need to be managed by controlling the asset number, which currently has a significant buffer. The current exposure is being monitored with a view to modifying our position, if necessary, for example if the dollar weakened. The liability number is also being carefully monitored, recognising that it is the present value of those liabilities and not the liabilities themselves.

Members also sought clarification on page 62 of the report in relation to ESG, around the claim that some environmental resolutions were overly prescriptive and not sufficiently flexible, and what course of correction can be taken.

The advisors confirmed that there is a lot of debate in this area. A key thought is for businesses to aim for a sustainable business plan that is compatible with minimising environmental damage whilst still achieving their goal – trying to couch environmental objectives in a commercial reality.

Members discussed the change in China’s position in the global market and how this would develop over the next 10 years, along with the concern over being driven by the US markets.

The advisers commented that a lot of China has already moved into a consumer class with an ageing population, and it could be argued that a lot of the growth is now coming out of the US.

Further discussion took place around pharmaceutical investment “bubbles” which reflected on the importance of diverse portfolios.

RESOLVED: Members thanked the advisers and noted the report

11 Q1 INVESTMENT PERFORMANCE REPORT

The Assistant Director – Investments delivered the Q1 Investment Performance Report highlighting key areas of performance over the last quarter.

RESOLVED: Members noted and accepted the report.

12 Q1 RESPONSIBLE INVESTMENT UPDATE

The Director presented the regular quarterly report on Responsible Investment Activity for Members to note and comment upon.

Members queried the Shell vote and asked at what stage does the voting have a real impact.

The Director advised that companies do pay attention to these votes, a 20% vote against is not insignificant, and could impact at the margin. Continued engagement does chip away and there is the opportunity for petrochemical companies to evolve to become an energy company and engage in other renewable areas

RESOLVED: Members noted and accepted the report.

13 DISCRETIONS POLICY STATEMENT

The Director presented the Discretions Policy Statement, explaining that it is a statement of existing policy and was being presented to ensure that policies had been reviewed and were now presented in a consolidated form.

RESOLVED: Members noted and accepted the current version of the Policy

14 REGULATORY AND POLICY UPDATE

The Director presented the Regulatory and Policy update, highlighting key areas of focus and work taking place in relation to these.

RESOLVED: Members noted the contents of the report and the work underway in relation to various policy and regulatory updates.

15 INVESTMENT CONSULTATION

The Director presented the Investment Consultation Report to allow members to review the Authority’s response to the Government’s consultation “Local Government Pension Scheme (England and Wales): Next steps on investments”.

The Chair of the Border to Coast Board supported the approach taken in the report and commented that B2C and partner funds have already implemented pooling in the way that the government would wish it to have been done. He emphasised that the pooling company can not act on anything that the partner funds or shareholders do not agree with.

The Independent Advisers commented that the consultation response is exceptionally detailed and well thought out. They discussed the need to be mindful of the reporting requirements to make sure resourcing these will not offset any potential efficiencies. It was also highlighted that staffing investment pools can be a challenge, not being too overly ambitious at this stage in terms of consolidation could be a positive step. Common benchmarks were discussed, with a need to push back on this area to protect local control.

The size of pools, in terms of participants, is an important factor. B2C reiterated that no other funds would be joining Border to Coast without the partner funds approval.

Members discussed the response and agreed that the current pooling arrangement did seem to be in line with the government's requirements. It was commented on that other local government pension funds have a different approach and there is a lack of consistency across funds.

Members asked if there was a deadline for further comments on the consultation.

The Director confirmed that the Government require responses by 2 October 2023, it is expected that the Chancellor will make an announcement on the consultation outcomes in November. The LGPS will create the new regulations and guidance which will likely not be available until summer 2024.

Members questioned how other partner funds are engaging with responsible investment. They were advised that B2C have a joint responsible investment policy that is currently under review. The policy generally aligns with the partner funds directions.

Members concluded with the statement that it is key that the local Authority's voice is not lost as part of this process and is still strengthened.

The Director agreed to reflect this in the response.

RESOLVED: Members:

a. Approved the consultation response set out in Appendix A and delegate authority to the Director in consultation with the Chair to finalise the response in the light of any further feedback from advisers and Border to Coast partners.

b. Noted the work identified in the body of this report which will be undertaken in preparation for the introduction of the changes set out in the consultation.

16 DECISIONS TAKEN BETWEEN MEETINGS

The Head of Governance presented the report to inform members of decisions taken between meetings of the Authority due to the time sensitive nature of the matters involved.

RESOLVED: Members noted the decisions taken between meetings of the Authority using the appropriate urgency procedures.

17 APPROVAL OF LPB CONSTITUTION AND TERMS OF REFERENCE

The Head of Governance presented the Annual Review of the Local Pension Board Constitution for Members' consideration and approval.

RESOLVED: Members:

a. Approved the adoption of the revised Constitution of the Local Pension Board attached at Appendix A.

b. Agreed that subject to the conclusion of consultation with the Constituent Authorities to authorise the Head of Governance to amend the Local Pension Board Constitution to increase the term of office of Councillor members to 3 years.

18 POLICY STATEMENT ON REPRESENTATION

The Head of Governance presented the Policy Statement on Representation for members to approve.

RESOLVED: Members approved the Policy Statement on Representation

19 BORDER TO COAST FUNDING MODEL

The Director presented the Border to Coast Funding Model to secure members approval for changes to the legal agreements concerned with the operation of Border to Coast to accommodate a change in the company's funding model.

Members raised concerns around SYPA contributions being higher than other partner funds due to our early transfer of assets into the pool.

The Director confirmed that SYPA will pay a little more but clarified that we are also the largest investor in Border to Coast and their products and therefore this is a logical position.

RESOLVED: Members:

a. Supported the proposed changes to the funding model for the Border to Coast operating company.

b. Authorised the Head of Governance in consultation with the Director and subject to the receipt of appropriate legal advice commissioned by the 11 Partner Funds to execute the relevant legal documents on behalf of the Authority.

20 BORDER TO COAST ANNUAL REVIEW 2022/23 (Exemption Paragraph 3)

The Director presented the Border to Coast Annual Review 2022/23.

RESOLVED: Members:

a. Noted the conclusions of the Annual Review of the Border to Coast Pensions Partnership set out in Appendix A.

b. Endorsed the recommendations for action set out in Appendix A.

21 INDPENDENT ADVISERS APPRAISAL 2022/23 (Exemption Paragraph 3)

The Director presented the Independent Advisers Appraisal report 2022/23.

RESOLVED: Members considered the performance of the arrangements in place for independent investment advice and identified any areas for potential improvement.

22 APPENDIX A – WRITTEN REPLY TO PUBLIC QUESTIONS

Authority Meeting 7th September 2023 – Public Questions

Question 1 – Ms Hilary Smith

The Department of Levelling Up, Housing and Communities is proposing that all Local Government Pension funds should be transferred into less than 8 pools by 2025, with 5% of funds allocated to levelling up.

We see this proposed change as a severe curtailment of local democracy. It will mean that local councils have almost no control over their pension funds, to which the people they represent have contributed their earnings, handing the funds over to companies which could be controlled by government favoured consultants and hedge funds. We have seen the result of handing over public assets to private companies with the water companies.

What will be your response to the consultation, and will South Yorkshire Pension Authority defend local democracy and oppose these proposed changes?

Response

A draft of the Authority's proposed response to the consultation referred to in the question is on the agenda for this meeting of the Authority. While the Authority is supportive of what it prefers to call Place Based Impact Investing as part of its investment strategy the response very clearly makes the point that pension funds exist to pay the pensions of scheme members when they fall due, and they are not an instrument of policy.

The question makes a wider point which is about the nature of control or influence over the activities of those managing money on behalf of the Authority. The largest contributor to the investment performance of the Fund is the decision on the balance between different types of assets (for example shares and bonds). This remains a decision for the Authority to make both now and in the model of pooling envisaged by the Government.

In considering the control or influence that the Authority has over those managing money it is important to remember that the pool (in our case Border to Coast) is owned by the Pension Funds participating in it and therefore the operating company cannot act in ways that partners do not want, although clearly consensus among partners needs to be achieved. Building a strong asset manager (in the case of Border to Coast the largest UK asset manager outside London or Edinburgh) owned by LGPS funds with strong internal capabilities is in fact likely to reduce the dependency of funds on external consultants, not that SYPA has ever used consultants for anything other than very detailed technical modelling.

The process of consolidation referred to in the question has not yet begun, but the Government's preferred model of pooling described in the consultation is an endorsement of the approach taken by the Border to Coast partnership. The Government's driver is for the pools to achieve greater scale which research indicates will drive lower cost and can drive improved performance. How this is achieved seem likely to be left to the partners involved and SYPA and the other partners in Border to Coast will want to ensure that any larger pool continues to operate in line with the principles that have been central to its success so far.

Question 2 – Mr Sean Ashton

On page 3 of the Climate Change policy it states that SYPA "recognise that while active shareholder engagement should be the first option, the Authority encourages Border to Coast (and other fund managers) to consider actively reducing exposure to high-carbon intensity companies that fail to respond to engagement by not demonstrating a decrease in carbon intensity or carbon risk and/or by failing to develop credible plans for the transition to a low/no carbon economy." While we approve of this statement it is, unfortunately, vague in detail. For example BP has recently scaled back on its climate targets (https://www.bbc.co.uk/news/business-64544110) and does not publish its scope 3 emissions, certain proof, if it were needed, that engagement is not working. Similarly, Shell are not increasing their investments in renewables (https://www.theguardian.com/us-news/2023/jul/16/big-oil-climate-pledges-extreme-heat-fossil-fuel). However, SYPA continue to invest in these companies.

Directly related to this, on page 11 of the Action Plan for Delivering the Net Zero Goal, you say that "The Authority will work through the Partnership to seek to define much clearer success criteria for climate engagements and clearer escalation of consequences up to and including divestment in the event of engagement not meeting those criteria." In addition, also on page 11, you state that it is SYPA's intention to vote against the chair of companies that fail the first four indicators of the CA100+ benchmark. The first four indicators are desperately weak and companies like Shell and BP scrape through, just by publishing an ambition to be net zero by 2050 (indicator 1). We believe that the key CA100+ indicators are 3.3, 4.3, 5.1b and 6.1b *which measure alignment or targets towards limiting warming to 1.5°C in the short and medium term, all of which are failed by Shell and BP.*

Based on the above, we would like to ask:

1. At what point will SYPA decide that a company is not responding to engagement?
2. What targets/thresholds will be used and when will they be made public so that the authority can be held accountable?
3. Will SYPA consider the more stringent CA100+ tests (3.3, 4.3, 5.1b and 6.1b) of a company's ambitions as their benchmark?
4. At what point will divestment be considered?

Response

The voting policy agreed by SYPA with Border to Coast partners states that votes will be cast against the Chair of the Board of oil and gas companies which fail to meet one of the first four indicators of the Climate Action 100+ Net Zero Company Benchmark, which includes short, medium, and long-term emission reduction targets. Failing to meet these indicators can be seen as a proxy for not responding to engagement. Votes were therefore cast against the Chairs of both BP and Shell, in line with our climate voting policy, as they failed to fully meet indicators 3 and 4 of the CA100+ Net Zero Company Benchmark (specifically, both companies failed sub-indicators 3.3 and 4.3). The table below set out how votes were cast on behalf of SYPA at the most recent BP and Shell AGM's.

Company	Item	Border to Coast Vote Decision	Rationale
BP	4. Elect Helge Lund	Against	Voted against the chairs of all oil and gas companies that have not fully met the first four CA100+ indicators. BP have only partially met indicators 3 and 4 (medium and short-term net zero targets).
	25. Shareholder Proposal Regarding Reporting and Reducing Greenhouse Gas Emissions	For	Supported this shareholder proposal as it requests that BP aligns its climate targets with the Paris Agreements goals. Specifically, it wants to see the company's 2030 targets match the ambitions of its 2050 targets by fully including scope 3 emissions.
Shell	14. Reappoint Sir Andrew Mackenzie	Against	Voted against the chair at Shell as the company fails to fully meet CA100+ indicators 3 and 4 (medium- and short-term GHG reduction targets).
	25. Approve Shell's energy transition plan	Against	Voted against this item as we believe the company has made insufficient progress towards the energy transition.
	26. Shareholder resolution regarding scope 3 GHG target and alignment with Paris Agreement.	For	Shell's 2030 scope 3 emissions reduction target should be aligned with the Paris Agreement.

Neither BP nor Shell, or indeed any oil and gas holdings, can meet our voting requirements simply by setting a net zero target or partially meeting any of the other CA100+ Net Zero Company Benchmark indicators. Instead, oil and gas companies must fully meet each of the first four indicators by passing all sub-indicators. This means that Oil and Gas companies must have short-(2025), medium-(2035) and long-term (2050) GHG reduction targets that cover 95% of their scope 1+2 emissions as well as their most material scope 3 emission; and these targets must be aligned to limiting global warming to 1.5ºC at every stage.

Regarding sub-indicator 6.1, indicator 6 (Capital Alignment) is a focus of planned follow up engagement with Shell. This is considered a highly important issue and, while it does not currently factor into the agreed voting policy, it is a significant consideration in terms of engagement and the attainment of Net Zero more broadly.

Border to Coast held meetings with both BP and Shell in March 2024, ahead of AGM season to discuss several matters relating to climate strategy and continued to push for disclosures around capital alignment and how, in the longer term, this would be aligned to a net zero by 2050 pathway. While positive dialogue with both companies is welcome and will continue, there remain some significant points of difference which were articulated to both companies ahead of the votes being cast. Border to Coast, in line with the agreed policy, therefore triggered its next step in its escalation approach by publicly disclosing its voting intention. Engagement is due to continue in the second half of the year and ahead of the 2024 AGM.

In terms of the scale of holdings as a high-level summary, in absolute terms, exposure has fallen since 2019 which is the year used by Border to Coast as a baseline by:

- Energy sector by 3%
- BP by 0.16%
- Shell by 1.3%

Divestment is a last resort and as has been stated previously (and as reflected in both the Border to Coast and SYPA policies) would only be considered where the overall case for holding a particular company had been undermined to the extent that continuing holding cannot be financially justified. The issues raised in the question particularly around capital alignment are factors that influence that decision, however, they are not, and cannot be the only factors that are taken into account in making such decisions.

Question 3 - Ms J Cattell

I assume that the Economic Activity of Public Bodies (overseas matters) Bill, which represents a significant reduction of the democratic rights of Local Authority Pension Funds and the people they represent, has been discussed by representatives of SYPA . As a member I am keen to know how SYPA view the bill, if you have made representations to the government and discussed how it will impact on your Responsible Investment Policy.

Response

The Regulatory Update on the agenda for this meeting sets out the current assessment of the implications of this legislation and includes some information setting out the potential challenges that might be faced in the event the legislation is passed. Answering the specific question SYPA has not made any representations to the Bill Committee considering the legislation. The Local Government Association and the Scheme Advisory Board have made representations which raise the concerns reflected in the report on the agenda and the Secretary to the Board and Vice Chair gave evidence to the Bill Committee which is available in Hansard on the UK Parliament website at the link below:

Economic Activity of Public Bodies (Overseas Matters) - Hansard - UK Parliament

The full impact of this legislation will only become clear when the relevant statutory guidance is drafted and consulted on which will be some time after the passage of the legislation.

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2 APOLOGIES

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Apologies were noted as above.

3 ANNOUNCEMENTS

None

4 URGENT ITEMS

None

5 ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PUBLIC AND PRESS

Resolved: Items 21 and 22 shall be considered in the absence of Public and Press by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972

6 DECLARATIONS OF INTEREST

None

8 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None

9 MINUTES OF THE MEETING HELD ON 08/06/2023

RESOLVED: That the minutes of the meeting held on 8 June 2023 be agreed as a true record.

9 QUESTIONS FROM THE PUBLIC

Questions were received from Mr Ashton, Mrs Smith and Ms Cattell.

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RESOLVED: Members noted, commented on and accepted the report.

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Further discussion took place around pharmaceutical investment "bubbles" which reflected on the importance of diverse portfolios.

RESOLVED: Members thanked the advisers and noted the report

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The Director advised that companies do pay attention to these votes, a 20% vote against is not insignificant, and could impact at the margin. Continued engagement does chip away and there is the opportunity for petrochemical companies to evolve to become an energy company and engage in other renewable areas

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23 DISCRETIONS POLICY STATEMENT

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RESOLVED: Members noted and accepted the current version of the Policy

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RESOLVED: Members noted the contents of the report and the work underway in relation to various policy and regulatory updates.

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The Chair of the Border to Coast Board supported the approach taken in the report and commented that B2C and partner funds have already implemented pooling in the way that the government would wish it to have been done. He emphasised that the pooling company can not act on anything that the partner funds or shareholders do not agree with.

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Members asked if there was a deadline for further comments on the consultation.

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Members concluded with the statement that it is key that the local Authority's voice is not lost as part of this process and is still strengthened.

The Director agreed to reflect this in the response.

RESOLVED: Members:

a. Approved the consultation response set out in Appendix A and delegate authority to the Director in consultation with the Chair to finalise the response in the light of any further feedback from advisers and Border to Coast partners.

b. Noted the work identified in the body of this report which will be undertaken in preparation for the introduction of the changes set out in the consultation.

26 DECISIONS TAKEN BETWEEN MEETINGS

The Head of Governance presented the report to inform members of decisions taken between meetings of the Authority due to the time sensitive nature of the matters involved.

RESOLVED: Members noted the decisions taken between meetings of the Authority using the appropriate urgency procedures.

27 APPROVAL OF LPB CONSTITUTION AND TERMS OF REFERENCE

The Head of Governance presented the Annual Review of the Local Pension Board Constitution for Members' consideration and approval.

RESOLVED: Members:

a. Approved the adoption of the revised Constitution of the Local Pension Board attached at Appendix A.

b. Agreed that subject to the conclusion of consultation with the Constituent Authorities to authorise the Head of Governance to amend the Local Pension Board Constitution to increase the term of office of Councillor members to 3 years.

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The Head of Governance presented the Policy Statement on Representation for members to approve.

RESOLVED: Members approved the Policy Statement on Representation

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The Director presented the Border to Coast Funding Model to secure members approval for changes to the legal agreements concerned with the operation of Border to Coast to accommodate a change in the company's funding model.

Members raised concerns around SYPA contributions being higher than other partner funds due to our early transfer of assets into the pool.

The Director confirmed that SYPA will pay a little more but clarified that we are also the largest investor in Border to Coast and their products and therefore this is a logical position.

RESOLVED: Members:

a. Supported the proposed changes to the funding model for the Border to Coast operating company.

b. Authorised the Head of Governance in consultation with the Director and subject to the receipt of appropriate legal advice commissioned by the 11 Partner Funds to execute the relevant legal documents on behalf of the Authority.

30 BORDER TO COAST ANNUAL REVIEW 2022/23 (Exemption Paragraph 3)

The Director presented the Border to Coast Annual Review 2022/23.

RESOLVED: Members:

a. Noted the conclusions of the Annual Review of the Border to Coast Pensions Partnership set out in Appendix A.

b. Endorsed the recommendations for action set out in Appendix A.

31 INDPENDENT ADVISERS APPRAISAL 2022/23 (Exemption Paragraph 3)

The Director presented the Independent Advisers Appraisal report 2022/23.

RESOLVED: Members considered the performance of the arrangements in place for independent investment advice and identified any areas for potential improvement.

32 APPENDIX A – WRITTEN REPLY TO PUBLIC QUESTIONS

Authority Meeting 7th September 2023 – Public Questions

Question 1 – Ms Hilary Smith

The Department of Levelling Up, Housing and Communities is proposing that all Local Government Pension funds should be transferred into less than 8 pools by 2025, with 5% of funds allocated to levelling up.

We see this proposed change as a severe curtailment of local democracy. It will mean that local councils have almost no control over their pension funds, to which the people they represent have contributed their earnings, handing the funds over to companies which could be controlled by government favoured consultants and hedge *funds. We have seen the result of handing over public assets to private companies with the water companies.*

What will be your response to the consultation, and will South Yorkshire Pension Authority defend local democracy and oppose these proposed changes?

Response

A draft of the Authority's proposed response to the consultation referred to in the question is on the agenda for this meeting of the Authority. While the Authority is supportive of what it prefers to call Place Based Impact Investing as part of its investment strategy the response very clearly makes the point that pension funds exist to pay the pensions of scheme members when they fall due, and they are not an instrument of policy.

The question makes a wider point which is about the nature of control or influence over the activities of those managing money on behalf of the Authority. The largest contributor to the investment performance of the Fund is the decision on the balance between different types of assets (for example shares and bonds). This remains a decision for the Authority to make both now and in the model of pooling envisaged by the Government.

In considering the control or influence that the Authority has over those managing money it is important to remember that the pool (in our case Border to Coast) is owned by the Pension Funds participating in it and therefore the operating company cannot act in ways that partners do not want, although clearly consensus among partners needs to be achieved. Building a strong asset manager (in the case of Border to Coast the largest UK asset manager outside London or Edinburgh) owned by LGPS funds with strong internal capabilities is in fact likely to reduce the dependency of funds on external consultants, not that SYPA has ever used consultants for anything other than very detailed technical modelling.

The process of consolidation referred to in the question has not yet begun, but the Government's preferred model of pooling described in the consultation is an endorsement of the approach taken by the Border to Coast partnership. The Government's driver is for the pools to achieve greater scale which research indicates will drive lower cost and can drive improved performance. How this is achieved seem likely to be left to the partners involved and SYPA and the other partners in Border to Coast will want to ensure that any larger pool continues to operate in line with the principles that have been central to its success so far.

Question 2 – Mr Sean Ashton

On page 3 of the Climate Change policy it states that SYPA "recognise that while active shareholder engagement should be the first option, the Authority encourages Border to Coast (and other fund managers) to consider actively reducing exposure to high-carbon intensity companies that fail to respond to engagement by not demonstrating a decrease in carbon intensity or carbon risk and/or by failing to develop credible plans for the transition to a low/no carbon economy." While we approve of this statement it is, unfortunately, vague in detail. For example BP has recently scaled back on its climate targets (https://www.bbc.co.uk/news/business-

64544110) and does not publish its scope 3 emissions, certain proof, if it were needed, that engagement is not working. Similarly, Shell are not increasing their investments in renewables (https://www.theguardian.com/us-news/2023/jul/16/big-oil-climate-pledges-extreme-heat-fossil-fuel). However, SYPA continue to invest in these companies.

Directly related to this, on page 11 of the Action Plan for Delivering the Net Zero Goal, you say that "The Authority will work through the Partnership to seek to define much clearer success criteria for climate engagements and clearer escalation of consequences up to and including divestment in the event of engagement not meeting those criteria." In addition, also on page 11, you state that it is SYPA's intention to vote against the chair of companies that fail the first four indicators of the CA100+ benchmark. The first four indicators are desperately weak and companies like Shell and BP scrape through, just by publishing an ambition to be net zero by 2050 (indicator 1). We believe that the key CA100+ indicators are 3.3, 4.3, 5.1b and 6.1b which measure alignment or targets towards limiting warming to 1.5°C in the short and medium term, all of which are failed by Shell and BP.

Based on the above, we would like to ask:

1. At what point will SYPA decide that a company is not responding to engagement?
2. What targets/thresholds will be used and when will they be made public so that the authority can be held accountable?
3. Will SYPA consider the more stringent CA100+ tests (3.3, 4.3, 5.1b and 6.1b) of a company's ambitions as their benchmark?
4. At what point will divestment be considered?

Response

The voting policy agreed by SYPA with Border to Coast partners states that votes will be cast against the Chair of the Board of oil and gas companies which fail to meet one of the first four indicators of the Climate Action 100+ Net Zero Company Benchmark, which includes short, medium, and long-term emission reduction targets. Failing to meet these indicators can be seen as a proxy for not responding to engagement. Votes were therefore cast against the Chairs of both BP and Shell, in line with our climate voting policy, as they failed to fully meet indicators 3 and 4 of the CA100+ Net Zero Company Benchmark (specifically, both companies failed sub-indicators 3.3 and 4.3). The table below set out how votes were cast on behalf of SYPA at the most recent BP and Shell AGM's.

Company	**Item**	**Border to Coast Vote Decision**	**Rationale**
BP	4. Elect Helge Lund	Against	Voted against the chairs of all oil and gas companies that have not fully met the first four CA100+ indicators. BP have only partially met indicators 3 and 4 (medium and short-term net zero targets).
	25. Shareholder Proposal Regarding Reporting and Reducing Greenhouse Gas	For	Supported this shareholder proposal as it requests that BP aligns its climate targets with the Paris Agreements goals. Specifically, it wants to see the company's 2030 targets match the ambitions of its 2050 targets by fully including scope 3

	Emissions		emissions.
Shell	14. Reappoint Sir Andrew Mackenzie	Against	Voted against the chair at Shell as the company fails to fully meet CA100+ indicators 3 and 4 (medium- and short-term GHG reduction targets).
	25. Approve Shell's energy transition plan	Against	Voted against this item as we believe the company has made insufficient progress towards the energy transition.
	26. Shareholder resolution regarding scope 3 GHG target and alignment with Paris Agreement.	For	Shell's 2030 scope 3 emissions reduction target should be aligned with the Paris Agreement.

Neither BP nor Shell, or indeed any oil and gas holdings, can meet our voting requirements simply by setting a net zero target or partially meeting any of the other CA100+ Net Zero Company Benchmark indicators. Instead, oil and gas companies must fully meet each of the first four indicators by passing all sub-indicators. This means that Oil and Gas companies must have short-(2025), medium-(2035) and long-term (2050) GHG reduction targets that cover 95% of their scope 1+2 emissions as well as their most material scope 3 emission; and these targets must be aligned to limiting global warming to 1.5^{o}C at every stage.

Regarding sub-indicator 6.1, indicator 6 (Capital Alignment) is a focus of planned follow up engagement with Shell. This is considered a highly important issue and, while it does not currently factor into the agreed voting policy, it is a significant consideration in terms of engagement and the attainment of Net Zero more broadly.

Border to Coast held meetings with both BP and Shell in March 2024, ahead of AGM season to discuss several matters relating to climate strategy and continued to push for disclosures around capital alignment and how, in the longer term, this would be aligned to a net zero by 2050 pathway. While positive dialogue with both companies is welcome and will continue, there remain some significant points of difference which were articulated to both companies ahead of the votes being cast. Border to Coast, in line with the agreed policy, therefore triggered its next step in its escalation approach by publicly disclosing its voting intention. Engagement is due to continue in the second half of the year and ahead of the 2024 AGM.

In terms of the scale of holdings as a high-level summary, in absolute terms, exposure has fallen since 2019 which is the year used by Border to Coast as a baseline by:

- Energy sector by 3%
- BP by 0.16%
- Shell by 1.3%

Divestment is a last resort and as has been stated previously (and as reflected in both the Border to Coast and SYPA policies) would only be considered where the overall case for holding a particular company had been undermined to the extent that continuing holding cannot be financially justified. The issues raised in the question particularly around capital alignment are factors that influence that decision, however, they are not, and cannot be the only factors that are taken into account in making such decisions.

Question 3 - Ms J Cattell

I assume that the Economic Activity of Public Bodies (overseas matters) Bill, which represents a significant reduction of the democratic rights of Local Authority Pension Funds and the people they represent, has been discussed by representatives of SYPA . As a member I am keen to know how SYPA view the bill, if you have made representations to the government and discussed how it will impact on your Responsible Investment Policy.

Response

The Regulatory Update on the agenda for this meeting sets out the current assessment of the implications of this legislation and includes some information setting out the potential challenges that might be faced in the event the legislation is passed. Answering the specific question SYPA has not made any representations to the Bill Committee considering the legislation. The Local Government Association and the Scheme Advisory Board have made representations which raise the concerns reflected in the report on the agenda and the Secretary to the Board and Vice Chair gave evidence to the Bill Committee which is available in Hansard on the UK Parliament website at the link below:

Economic Activity of Public Bodies (Overseas Matters) - Hansard - UK Parliament

The full impact of this legislation will only become clear when the relevant statutory guidance is drafted and consulted on which will be some time after the passage of the legislation.

CHAIR

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Question 1.

Kate Stott

One of the early statements made by SYPA about its policy of tilting away from carbon intensive industries was a commitment back in 2015 to not invest in companies whose business model was 'pure' coal or tar sands, the dirtiest fossil fuel industries.

However, included in BCPP's Listed Alternatives Fund is Enbridge, the Canadian company heavily invested in tar sands infrastructure. Enbridge have invested billions of Canadian dollars in capital projects designed to transport hundreds of thousands of barrels of oil a day from the tar sands in Canada's Alberta province (https://gogel.org/line-3-pipeline). SYPA have a significant investment in the Listed Alternatives Fund. Is the committee happy with holding Enbridge stock within the SYPF portfolio and, if not, what steps will be taken to remove it?

Question 2.

Sean Ashton

At the recent SYPA AGM it was clear that communication with pension fund members is an issue and that some members no longer receive communication from the Authority. We suggest a survey of members including questions to gather their views on where their money is invested and whether the Authority should continue to hold shares in fossil fuel companies given the climate and biodiversity emergencies we are facing. Will the committee consider such a survey and, if so, could we be part of the consultation process in developing the questions?

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SOUTH YORKSHIRE
PENSIONS AUTHORITY

Delivering for our Customers – Corporate Performance Report

Quarter 2 2023/24

Contents

1. Introduction

1.1 South Yorkshire Pensions Authority only exists to provide services to our customers whether they be scheme members or employers.

1.2 This Corporate Performance Report provides a summary view of overall performance in achieving the Authority's objectives, bringing together information on progress against the corporate strategy, a range of key performance measures, financial monitoring, and an ongoing assessment of the risks to the delivery of the Corporate Strategy. By providing this single view of how we are doing it will be easier for councillors and other stakeholders to hold us to account for our performance.

1.3 This report presents the information on overall performance during the second quarter of the 2023/24 financial year. More detailed information on the performance of the Authority's investments and the pension administration department during the quarter are contained in other reports which are available on the Authority's website.

Recommendation

1.4 The financial measures set out within Section 4 of the report include details regarding forecast unavoidable over-spends for which a Supplementary Estimate of £197,500 is now being requested by the Assistant Director – Resources as Chief Finance Officer.

1.5 The Authority's approval for a Supplementary Estimate is required in line with the Financial Regulations in Part 4 of the Constitution and Members are recommended to:

a) Approve a Supplementary Estimate of £197,500 as set out in paragraphs 4.27 to 4.33 of the report.

2. Headlines

2.1 Key messages for the quarter are highlighted here. The detail and underlying context behind these are set out in the sections of the report that follow.

Sickness absence levels have reduced in this quarter.

Despite market conditions, a strong funding level is being maintained.

Enhancements have been made to the risk register based on recent training delivered to management in preparation for increasing involvement of middle managers and the addition of an operational risk register.

There are risks and delays relating particularly to some of the 'Data' themed objectives in the Corporate Strategy.

Performance in pensions administration processing remains well below target, although showing some improvement.

Unavoidable over-spends against the budget, reflecting the pressures in Pensions Admin primarily, are currently forecast leading to the need to request a Supplementary Estimate.

3. Delivering the Corporate Plan & Supporting Strategies

3.1 This section provides an update on progress made in delivering the corporate objectives of the organisation.

3.2 The update to the Corporate Strategy for the period 2023-2026 was approved in February 2023 and reflects the continuing ambition to build a stronger, more resilient organisation focussed on delivering for our customers.

3.3 The detailed objectives and plans have been divided into the following programmes of work.

a) Data – which focuses on a range of data related projects including the valuation and a number of statutory exercises such as GMP rectification and the implementation of the McCloud remedy.

b) Process Improvement – with a particular focus on getting the most out of our investment in technology including automating processes and improving reporting.

c) Investment – which focuses on activity to develop and refine the investment strategy to support the overall funding of the pension scheme.

d) Organisational Infrastructure – which focuses on all those things that make the business work.

3.4 The following table provides updates in respect of developments that have taken place during the quarter in delivering these programmes of work.

3.5 Key to abbreviations used in the table that follows:

Key to Responsible Managers:	
ADIS	Assistant Director - Investment Strategy
ADP	Assistant Director - Pensions
ADR	Assistant Director - Resources
Ben	Service Manager - Benefits
Cus	Service Manager - Customer Services
Dir	Director
Gov	Governance Team Leader
HoF	Head of Finance
HoG	Head of Governance
ICT	Head of ICT
INF	Service Manager - ICT Infrastructure
OMO	Operations Management Officer
PP	Service Manager - Programmes and Performance
S&E	Service Manager - Support and Engagement
Sys	Service Manager - Pensions Systems
TA	Technical Adviser

Key to Status Icons Used	
✓	On track for original timescale, no significant concerns
⇔	Some risks being addressed but remains achievable either within or close to target timescale
✗	Not expected to be achieved within the timescale

Ref	Project / Action	Timescale Start	Timescale Finish	Responsible Manager	2023/24 Progress Updates Quarter 2	On Track:
Data						
D03	**McCloud Remedy-**	**Mar-22**	**Apr-24**	**ADP**		✘
	System Upgrades	*Apr-23*	*Oct-23*	*Sys*	System testing ongoing. Software deliveries from supplier delayed. A significant number of routine software patches are being applied to enable the new software once it has been signed off to be placed in the live environment	✘
	Processing and Case Reviews	*Apr-23*	*Mar-24*	*Ben*	Some processing around transfers has been adapted to reflect McCloud. However, the processing of reviews of previous retirements requires the software to be in place	✘
	Member Communications	*Apr-22*	*Mar-24*	*Cus*	McCloud Information Hub is live on the SYPA website using a combination of LGA and locally created resources	✓
	Employer Communications	*Oct-21*	*Mar-24*	*S&E*	Ongoing communication continues, the next period will see the development of agreed policy positions around data elements for communication to managers.	✓
D04	**Complaints – Undertake root cause analysis of complaints which occur on multiple occasions**	**Jun-23**	**Dec-23**	**Ben**	Limited progress made. Some process changes have been implemented in relation to specific cases. However, priority needs to be given to work to address backlogs etc., which will ultimately address identified causes of the most common complaint concerning timeliness.	✘
D06	**Deliver annual data improvement plan**	**Apr-22**	**Mar-25**	**TA**	Regulator's Data Scores show improvement. A significant amount of work resulted in improvements to the annual pensions increase and benefits statement processes. An increased priority for data has been identified as part of the work to address challenges in Pensions Admin.	✓

Ref	Project / Action	Timescale		Responsible Manager	2023/24 Progress Updates Quarter 2	On Track:
		Start	Finish			
Process Improvement						
P01	**Implement contractual improvements to the Core UPM Pension Administration System –**	**Feb-22**	**Mar-25**	**ADP**	There has been some improvement in the supplier relationship. However, delivery remains behind schedule. An audit of the UPM installation is planned to identify whether it is being deployed in the optimum configuration.	⇔
P02	**Monthly Data Collection (MDC) -**	**Mar-22**	**Mar-25**	**Ben**	Performance in processing monthly data has significantly improved due to the work of the team now dedicated to this. Focus continues to be placed on employers who struggle to provide accurate data. However, significant further progress depends on the reconfiguration of the system by *Civica* to provide front end validation.	⇔
P03	**Reporting – Implement improvements to the completeness and degree of automating of reporting across the organisation –**	**Apr-22**	**Mar-25**	**Dir**	Corporate approach to this area will be progressed further when new Service Manager - Programmes & Performance in post (from Dec 2023) and following initial settling in and information gathering period.	✓
	Pension Administration Regular Management Information	*Apr-22*	*Mar-24*	*Ben / Sys / PP*	Some limited progress made in areas of focus such as Monthly Data Collection. New Assistant Director will begin to grip this as part of implementing an overall improvement plan.	⇔
P04	**Financial Process Improvements -**	**Apr-22**	**Jun-24**	**ADR**		
	Review custodian arrangements and procure as necessary	*Feb-22*	*Jun-24*	*HoF*	The first phase of this work - research of options and development of a specification and procurement plan (via the LGPS national framework) has been completed. The timetable determined is for implementation of the new custodian service from 1 June 2024 - to avoid interfering with annual processes and closedown work taking place in the March to May 2024 period.	✓

Ref	Project / Action	Timescale Start	Timescale Finish	Responsible Manager	2023/24 Progress Updates Quarter 2	On Track:
P05	**Certifications aimed at embedding process improvements across the organisation –**	**Apr-22**	**Mar-25**	**Dir**		
	Maintain Customer Services Excellence accreditation	*Apr-22*	*Mar-24*	*Cus*	Accreditation retained as at March 2023 following a full review.	✓
	Achieve initial Investors in People accreditation	*Apr-23*	*Mar-25*	*HR*	This is not a current priority due to other work streams of higher importance. Will keep under review.	-
	Achieve initial Pensions Administration Standards Association (PASA) accreditation	*Apr-22*	*Mar-25*	*ADP / Ben*	Not started. Continuation of this approach to be reviewed	-
Investment						
I01	**Strategic Issues –**	**Apr-22**	**Mar-25**	**Dir**		
	Implement new requirements related to TCFD Reporting	*Apr-22*	*Ongoing*	*Dir / ADIS*	Continued discussions with Border to Coast. New regulations have still not emerged so it is difficult to specify information requirements	⇔
I02	**Tactical and Transactional Issues –**	**Apr-22**	**Ongoing**	**ADIS**		
	Implement revisions to the Strategic Asset allocation	*Apr-23*	*Ongoing*	*ADIS*	Initial changes to benchmark have been implemented	✓
	Determine the approach to the Border to Coast property proposition and transition assets as necessary	*Mar-22*	*Dec-24*	*Dir / ADIS*	Report on the Border to Coast UK property proposition is going to Authority meeting in December. Subscription to the global real estate fund is due to be signed in December	✓

Ref	Project / Action	Timescale		Responsible Manager	2023/24 Progress Updates Quarter 2	On Track:
		Start	Finish			
	Conclude Project Chip	*Sep-21*	*Sep-23*	*Dir*	Completion now likely during January 2024 due to delays in certain property searches	✘
	Review legacy portfolios and determine the ultimate exit routes in each case	*Apr-22*	*Ongoing*	*ADIS*	Work is being undertaken on cash flow analysis of each of the legacy assets	✓
Organisation						
O01	**Governance –**	**Dec-21**	**Mar-25**	**ADR**		
	Complete roll out of workflows etc. within Modern.gov and implement paperless meetings	*Apr-22*	*Sep-23*	*Gov*	Mostly complete except for full implementation of reporting workflows internally for officers. Delay due to technical issues requiring resolution by the supplier.	⇔
O03	**ICT –**	**Jun-21**	**Mar-25**	**ICT**		
	Complete the roll out of Microsoft 365 tools and the migration to the M365 infrastructure	*Jun-21*	*Dec-23*	*ICT*	We've commenced the migration of documents to OneDrive online.	✓
	Strengthen Cyber Security	*Apr-22*	*Ongoing*	*ICT / INF*	M365 Security assessment completed including the action of key recommendations. Evaluation of Cyber Security awareness training solutions and targeted phishing campaigns.	✓
O04	**Project and Programme Management –**	**Jun-22**	**Mar-24**			
	Determine a stripped down and appropriately scaled programme and project management process	*Jun-22*	*Mar-24*	*PP*	Good progress made during 2022/23 with establishment of a small team and implementation of project management methodology tailored appropriately to our size and scale. New Service Manager - Programmes and Performance recruited successfully and due to start in post from December 2023.	✓

Ref	Project / Action	Timescale Start	Timescale Finish	Responsible Manager	2023/24 Progress Updates Quarter 2	On Track:
O05	**Business Continuity –**	**Apr-22**	**Ongoing**	**ADR**		
	Produce revised corporate business continuity plan	*Apr-22*	*Dec-23*	*ICT / OMO*	A business continuity plan covering operational aspects of the Oakwell House building is being developed. This will feed into the new Corporate Plan.	✓
	Reinstate annual testing of ICT Disaster Recovery arrangements.	*Sep-22*	*Ongoing*	*ICT / INF*	A 3 day test of the ICT Disaster Recovery Plan has been booked for November 2023.	✓

4. How are we performing?

4.1 This section sets out a range of performance measures which give an overall indication of how the organisation is doing in terms of delivering the services for which it is responsible.

Corporate Measures

4.2 The level of sickness absence during July to September 2023 is as follows.

Measure	Performance Quarter 2 2023/24	Performance Quarter 1 2023/24	Performance YTD 2023/24	Performance in Previous Year Q2: 2022/23	Movement
Short Term Sickness Absence – Days Lost per FTE	0.82	0.96	1.78	1.24	↓
Long Term Sickness Absence – Days Lost per FTE	1.33	1.38	2.71	2.05	↓
Total Days Lost per FTE	**2.15**	**2.34**	**4.49**	**3.29**	↓

4.3 Sickness absence is reported as 'Days lost per FTE' rather than as a percentage and the measures are calculated as annualised figures to enable comparison from year to year.

4.4 The sickness absence in this second quarter of the year has fallen slightly compared to the previous quarter and has fallen quite substantially compared to the same quarter last year.

4.5 The total days lost per FTE for year to date of 4.49 compares favourably with this time last year when the figure was 4.72.

4.6 Sickness absence is actively monitored under the Authority's managing attendance policy, and data on the application of this policy is reported quarterly to SMT. Human Resources have been carrying out additional measures to support and ensure line managers take appropriate steps to manage attendance in line with the policy – such measures include providing additional notifications to service managers on sickness absence triggers each month, copied to the relevant Assistant Director.

4.7 Occupational health services are provided by Barnsley MBC and referrals for this service are made as appropriate for individuals, for example, providing assessment reports to advise managers in supporting return to work following long-term absence, and access to additional resources such as counselling for employees. The usage of these services is also monitored and reported quarterly to SMT.

4.8 The Authority's Health, Safety and Wellbeing Committee continue to promote a range of initiatives to help support staff with their wellbeing.

Investment Measures

4.9 The following table presents a high-level summary of the key indicators of investment performance. A more detailed quarterly report on investment performance, including commentary on market conditions and performance, is provided elsewhere on the agenda.

Measure	Performance Quarter 2 2023/24	Quarterly Benchmark	Performance YTD 2023/24	2023/24 Benchmark	2023/24 Actuarial Target	RAG Indicator
Investment Return – Whole Fund	0.30%	0.40%	0.50%	0.40%	2.20%	

4.10 We have continued to meet our benchmark return, although given the current market conditions, we are behind the actuarial target for the year.

4.11 The total Fund value at 30 September 2023 was £10.285bn.

4.12 The Funding Level at 30 September 2023 is estimated at 158%. The value of liabilities has continued to fall, whilst the valuation of assets was flat over the quarter, leading to a further slight increase in the funding level from 156% at Q1 to 158% at Q2.

4.13 At the end of the quarter, 70.0% of the Fund's assets were being managed in pooled structures provided by Border to Coast. We have continued to have drawdowns to Border to Coast alternatives, but because listed bonds and equities underperformed, the total proportion being managed by them has fallen very slightly from 70.4% to 70.0% in this quarter.

Pension Administration Measures

4.15 The key performance indicators for Pension Administration are presented in the table below. A more detailed report on the performance of the Pension Administration service is provided for each meeting of the Local Pension Board.

Measure	2023/24 Quarter 2	2023/24 Quarter 1	2023/24 YTD	Previous Year: 2022/23	Target 2023/24	Movement
Proportion of priority cases processed on time	67%	57%	61%	79%	100%	↑
Proportion of non-priority cases processed on time	65%	69%	70%	73%	100%	↓
Proportion of all cases processed on time	65%	67%	69%	68%	100%	↓
Proportion of employer data submissions on time	93%	94%	94%	95%	100%	↓

4.16 Performance in relation to Priority processing has improved this quarter. The non-priority performance has fallen slightly compared to Quarter 1.

4.17 There continues to be a challenging workload as reported in Quarter 1, but some progress is being made as evidenced by the increase in the priority performance.

4.18 Following the detailed capacity planning exercise, the Staffing Committee approved an increase of 6 FTE Pensions Officers to the Benefits Team establishment at their meeting on 31 October 2023. The implementation of this and the recruitment to be undertaken will need to be planned and phased over an appropriate timescale but should result in significant performance improvements once in place.

4.19 Some operational changes in the way in which the system is used to allocate case work have recently been implemented with the aim of improving efficiency which should also have a positive impact overall.

4.20 There has been a focus on clearing backlogs of leaver and deferment cases in the quarter. Due to the age of these cases, completing them has had a negative impact on non-priority performance, and this is expected to continue into Q3 as this work continues in clearing these backlogs.

4.21 At the end of the quarter, membership of the Fund stood at 177,550.

4.22 25 new employers were admitted to the scheme during the quarter, reflecting a significant number of new contractors (for e.g., catering, cleaning) in academies at the beginning of the new academic year. One termination was completed in the quarter.

4.23 There were 556 participating employers with active members at 30 September 2023.

Financial Measures

2023/24 Q2 Forecast Outturn

4.24 The quarter 2 forecast expenditure for the year and variance against the budget is as follows. Details of the significant variances are shown beneath the table.

South Yorkshire Pensions Authority Operational Budget	2022/23 Actuals £	2023/24 Budget £	2023/24 Q2 Forecast £	2023/24 Q2 Forecast Variance £	2023/24 Q2 Forecast Variance %
Pensions Administration	2,870,210	3,077,530	3,370,220	292,690	9.50%
Investment Strategy	526,760	635,770	585,140	(50,630)	(8.00%)
Resources	942,210	1,033,720	1,081,630	47,910	4.60%
ICT	720,340	972,975	973,840	865	0.10%
Management & Corporate	693,470	869,650	876,560	6,910	0.80%
Democratic Representation	152,540	145,920	175,840	29,920	20.50%
Subtotal - Cost of Services	**5,905,530**	**6,735,565**	**7,063,230**	**327,665**	**4.90%**
Capital Expenditure Charge to Revenue	89,820	72,000	72,000	0	0.00%
Subtotal before transfers to reserves	**5,995,350**	**6,807,565**	**7,135,230**	**327,665**	**4.80%**
Appropriations to / (from) Reserves	(66,360)	(150,000)	(285,000)	(135,000)	90.00%
Total	**5,928,990**	**6,657,565**	**6,850,230**	**192,665**	**2.90%**

4.25 The forecast outturn for the year before transfers from reserves is an over-spend of £328k. After the transfers from reserves, we are currently forecasting a remaining over-spend of £193k, equivalent to 2.9% of the budget total.

4.26 This remaining over-spend after transfers from reserves includes specific items of expenditure that have arisen in the year and now represent unavoidable over-spends that cannot be resourced within the budgetary limits. As a result, I am submitting the request below for approval of a supplementary estimate of £197,500 to uplift the base budget to meet these costs.

2023/24 Supplementary Estimate Request

4.27 In accordance with paragraph 4.3 (e) of the Financial Regulations in Part 4 of the Constitution, member approval for a supplementary estimate is now requested in order to meet unavoidable expenditure that is over and above the previously approved budget that was set in February 2023.

4.28 The table below sets out the specific areas of expenditure for which this supplementary estimate is now being requested.

Departmental Budget	Item	Forecast Over-spend £	Supplementary Estimate Requested £
Pensions Administration	Staffing Costs Due to Capacity Shortage and for Addressing Backlogs	115,000	115,000
	Additional Costs for Interim Assistant Director - Pensions from Apr to Nov 2023	50,000	50,000
	Fees for Specialist Recruitment to Assistant Director - Pensions	10,500	10,500
Democratic Representation	Member Allowances Scheme Approved Changes	22,000	22,000
	Total	**197,500**	**197,500**

4.29 Following the interim Assistant Director – Pensions taking up post in March 2023, significant workload backlogs and shortage of staff capacity were identified and a number of measures implemented to begin addressing these issues. The measures implemented include overtime and casual staff cover – as explained in further detail in paragraph 4.40 below. This has resulted in a total forecast over-spend of £115k. Further measures such as additional outsourcing of some work relating to tax calculations for Pensions Savings Statements and Annual Allowances have been covered by budget underspends in other areas.

4.30 The new Assistant Director – Pensions Administration is now in post and looking to work through the outstanding backlog. Work between the relevant officers is ongoing to better understand the budget requirements for 2024/25.

4.31 The requirement to employ an Interim Assistant Director – Pensions to cover the vacancy in this role from March to 6 Nov 2023 has incurred necessary additional costs of £50k in this financial year over and above the budget saving from the vacancy in the same period.

4.32 In order to ensure a successful appointment to this key senior management position of Assistant Director – Pensions, a specialist recruitment service was used, and this has resulted in additional cost of £10.5k.

4.33 At the June 2023 Authority meeting, Members approved changes to the Members Allowances Scheme in order to provide remuneration for Non-Voting Authority Members, Local Pension Board Members and, should one be recruited, an Independent Adviser for the Audit & Governance Committee. There is therefore a forecast over-spend of £22k on the budget for Members Allowances required as a result.

2023/24 Local Government Pay Award and Salary Expenditure Variances

4.34 The pay award for 2023/24 has been agreed at an amount of £1,925 on all pay points up to 43, and at 3.88% for pay points above this, with effect from 1 April 2023.

4.35 The total forecast cost arising from this is approximately £287k, equivalent to 6.05% of the budget for employee pay and on-costs. The 2023/24 budget was set incorporating a pay award assumption of 2%, plus a corporate contingency budget of £75k. The additional cost of the pay award above the total of these is £119k. Separately, a vacancy allowance of -2.5% of the pay budget was included to allow for staff turnover and the time that would be needed to recruit to several newly established posts included in the budget. However, the level of underspend due to turnover and vacancies has remained in excess of this by a total of (£125k).

4.36 The net total impact across the above two items is therefore a forecast underspend of just over (£6k) – as summarised in the first two columns of Table 1 on the next page.

4.37 The work following the pay and benefits review has now been completed and a package of proposals was approved by the Staffing Committee on 31 October 2023, subject to final consultation with the trades union and with staff to be concluded by 6 December 2023. The estimated total cost of the proposals for 2023/24, as approved by the Staffing Committee is £167k.

4.38 The above is in addition to the cost relating to a change arising from the pay and benefits review that was already implemented with effect from 1 April 2023. This was to increase the pay of Apprentices from the previous rate of just above the minimum wage level, to move them onto the bottom of the main pay spine instead. This decision was taken after the budget had been approved, therefore resulting in a forecast over-spend of £31k.

4.39 The total cost in 2023/24 arising from both the pay and benefits changes outlined above is £198k. This cost is to be met in year from the Pay & Benefits Reserve that was set up for this purpose and has a balance of £200k available.

4.40 When setting the budget, there has historically been no requirement for a separate budget for staff overtime or for the use of casual staff cover. In recent years, expenditure on overtime and casual cover in the Pensions Administration department has been fully met from underspends on the staffing budget arising from carrying vacancies – the level of vacancies leading to the need for overtime and casual cover. However, the use of overtime and additional hours from casual staff has increased significantly for this year, partly due to the requirement to target additional staff resources on addressing backlogs of casework processing. Also reflecting the evidence from a recent capacity planning exercise which demonstrated that the benefits team requires additional staff resource of six FTE pensions officers. It has therefore not been possible to absorb the overtime and casual cover staffing costs within the approved budget for this year and there is an unavoidable overspend of £115k currently forecast as a result.

4.41 The following table summarises the above variances by department.

Table 1 Salaries Budgets – Variances by Type and Department	**Additional Cost of Pay Award Offset by Corporate Contingency Budget £**	**Underspends Due to Recruitment Delays Offset by Vacancy Allowance £**	**Pay and Benefits Review Proposals £**	**Apprentice Pay Grade Uplift £**	**Overtime and Casual Staff Cover £**	**Total Variances on Salaries Budgets £**
Pensions Administration	112,000	(108,000)	109,000	17,000	115,000	**245,000**
Investment Strategy	9,000	(3,000)	5,000	0	0	**11,000**
Resources	49,000	(45,000)	30,000	14,000	0	**48,000**
ICT	15,000	(60,000)	17,000	0	0	**(28,000)**
Management & Corporate - Departmental Budget	8,000	(28,000)	6,000	0	0	**(14,000)**
Democratic Representation	1,000	0	0	0	0	**1,000**
Subtotal	**194,000**	**(244,000)**	**167,000**	**31,000**	**115,000**	**263,000**
Management & Corporate – Corporate Budgets for Contingency and for Vacancy Allowance	Q(75,000)	118,550	0	0	0	**43,550**
	119,000	**(125,450)**	**167,000**	**31,000**	**115,000**	**306,550**
Net Totals	**(6,450)**		**198,000**		**115,000**	**306,550**

2023/24 Forecast and Explanation of Other Variances

4.42 The significant variances against budget for each of the departments are explained below.

4.43 Pensions Administration – Forecast Over-Spend £293k:

4.44 £245k forecast over-spend on salary budget as detailed in Table 1 and paragraphs 4.34 to 4.41 above.

4.45 There is an additional over-spend forecast on agency costs relating to interim cover for the Assistant Director – Pensions from April to November, partly covered by the saving due to the vacancy for the same period, the net over-spend is £50k.

4.46 Costs relating to hybrid mail are forecast to be (£7k) under budget, through the continuing reduction in the number of physical documents being sent. The budget for 2024/25 will be set to reflect the reduction in usage.

4.47 The actuarial fees budget is forecast to be under-spent by (£20k), as one of the additional tools offered by the actuary and included in the budget has not yet been taken up. This is still under review and could be implemented later in the year or in 2024/25.

4.48 The address tracing budget is forecast to be under-spent by (£10k), due to a new licencing arrangement that has resulted in savings. The reduction in costs will be reflected in a reduced budget for 2024/25.

4.49 The other professional fees budget is forecast to be over-spent by £19k due to the outsourcing of a one-off piece of work. The unexpected work was in relation to the pensions administration backlog; requirements in relation to the backlog are being assessed for the 2024/25 budget.

4.50 The recruitment fees budget is forecast to be over-spent by £6k. The main driver of the over-spend is due to the costs of specialist, targeted recruitment undertaken for the Assistant Director – Pensions role, which was successful. Some of this over-spend is offset by a reduced number of recruitment advertising campaigns overall.

4.51 An over-spend for Legal fees of £5k is forecast. During 2023/24 there has been a growth in the use of external legal fees for primarily employer-related work; the 2024/25 budget will be set to reflect the increased requirement for legal fees.

4.52 HMRC late payment interest is forecast to be over-spent by £3k. The cost in this area fluctuates based on the timing of the information we receive for member accounting for tax returns. A budget is not normally included for these costs due to their nature, the spend is usually covered by under-spends in other areas.

4.53 An over-spend of £2k is forecast in relation to the annual employer forum – the budget assumed this event would be held at Oakwell House, however due to the very large number of attendees for this popular event, there was a need to hire an external venue with sufficient capacity. The venue hire cost will be reflected in the 2024/25 budget.

4.54 Investment Strategy – Forecast Under-Spend (£51k):

4.55 £11k forecast over-spend on salary budget as detailed in Table 1 and paragraphs 4.34 to 4.41 above.

4.56 An over-spend of £3k is forecast on benchmarking costs following a new agreement with the provider entered this year after a number of years without any inflationary increases being applied.

4.57 The performance measurement budget is forecast to be over-spent by £8k. Following the previous contract ending, the performance measurement is now being done by Hymans Robertson, this new relationship resulted in an on-boarding fee which is driving the majority of the over-spend.

4.58 An under-spend of (£2k) is forecast for professional training. During 2023/24 it is not expected that any professional training will go ahead. For the 2024/25 budget we will be reflecting known training costs for the department, with a planned responsible investment course.

4.59 The professional fees budget is forecast to be under-spent by (£48k). The budget reflected estimated needs and costs for a number of items in relation to TCFD and impact reporting that are not going ahead in this year; some of the work is being covered by internal staff and the remainder is not currently required.

4.60 An under-spend of (£23k) is currently forecast on legal and other professional fees based on the expected activity and requirements for this year. The main driver of this forecast under-spend is an additional professional licence for Bloomberg budgeted for, that has yet to be implemented.

4.61 <u>Resources – Forecast Over-Spend £48k:</u>

4.62 £48k forecast over-spend on salary budget as detailed in Table 1 and paragraphs 4.34 to 4.41 above.

4.63 The recruitment budget is forecast to be over-spent by £4k due to having required the services of a specialist agency for a second transactions officer; two posts were required, one of which was filled during 2022/23, however the second was delayed until 2023/24.

4.64 Additional income of (£4k) is forecast due to not including fee income for providing secretariat services for the Border to Coast Joint Committee when setting the budget as this was yet to be agreed at that time. The 2024/25 budget will be set to reflect the agreed fees for this going forward.

4.65 <u>ICT – Forecast Over-Spend (£1k):</u>

4.66 (£28k) forecast under-spend on salary budget as detailed in Table 1 and paragraphs 4.34 to 4.41 above.

4.67 The training budget is forecast to over-spent by £3k due to several additional courses being undertaken. is a management & corporate underspend on training, which allows for additional training spend in individual departments.

4.68 At this stage in the year, a net over-spend of £37k is forecast on the budgets for various software systems:

a) Investment accounting system forecast under-spend (£9k) – the supplier went into liquidation in May 2023 without notice. A contingency has been put in place to replace the system in the short term, at no cost to the Authority, using internal staff resource to develop a spreadsheet-based system.

b) HR & Payroll system forecast under-spend (£7k) – the procurement and implementation of the new system has been delayed until at least January 2024.

c) UPM (Pensions Administration system) forecast over-spend £53k – a number of additional upgrades to the system are required in 2023/24. The requirements to upgrade were not disclosed when setting the budget;

communications with Civica are taking place to get more accurate estimates for the 2024/25 budget.

4.69 An under-spend of (£16k) is forecast on the hardware budget. The budget was set to include a roll-out of member devices; a new solution has been found by the ICT team, which means the new devices are no longer required.

4.70 The accessories and consumables budget is forecast to be over-spent by £5k. The main driver of the overspend is growing numbers of staff requiring equipment. A budget in this area will be created in 2024/25 to cover the ongoing cyclical costs and costs involved with staff growth.

4.71 <u>Management and Corporate – Forecast Over-Spend £7k:</u>

4.72 £30k forecast over-spend on salary budget as detailed in Table 1 and paragraphs 4.34 to 4.41 above, comprising an under-spend of (£14k) on the departmental budget and £43.5k net cost from the corporate contingency and corporate vacancy allowance budgets.

4.73 An under-spend of (£47k) is forecast in relation to various budgets relating to Oakwell House:

a) The utility bills budget is forecast to be under-spent by (£20k), mainly due to the price of electricity reducing in recent months. The budget was set on a prudent basis without building in these potential reductions.

b) The facilities management and other premises budgets are forecast to be under-spent by (£4k), following the reduction of some charges on the monthly contract. The under-spend in relation to the facilities management contract is offset by additional costs for miscellaneous building items.

c) Office furniture is forecast to be over-spent by £5k. A number of different furniture needs have been assessed following the appointment of the Operations Management Officer. Further requirements will be taken into consideration when setting the 2024/25 budget.

d) A budget for Oakwell House repairs and maintenance was created in 2023/24 and is forecast to be underspent by (£28k). The purpose of the budget is to spread the cost of any significant works over a number of years, such as a new roof. The under-spend will be transferred to Reserves at the end of the year.

4.74 External audit costs are forecast to be over-spent by £30k. When setting the budget for 2023/24 we increased the budget significantly in line with the estimates provided by PSAA (Public Sector Audit Appointments) which indicated an increase of at least 150% on the previous scale fees. Following conclusion of the audit procurement by PSAA, they have now provided an updated scale fee for 2023/24 which includes consolidation of fees that previously had to be separately agreed in relation to additional requirements (such as VFM work, new auditing standards) and also uplifted by 150%, leading to this forecast over-spend.

4.75 The recruitment budget is forecast to be over-spent by £5k. A one-off additional recruitment campaign requiring services of an agency for the Programmes and Performance Manager role is the main drive of the over-spend. This recruitment did lead to an appointment, with the role holder due to start in December 2023.

4.76 An under-spend of (£15k) is forecast in the corporate training budget. Whilst training budgets have been historically under-utilised at the Authority, in the last year or so there has been increased focus on training provision and this is borne out in the smaller under-spend forecast for 2023/24. This will be further improved following the appointment to the new role of Business Support Officer – Learning and Development in the HR team from October 2023.

4.77 The budget for HR services provided by Barnsley MBC under a service level agreement is forecast to be over-spent by £6k as a result of increasing the service provided from 3 days to 4 days per week with effect from September 2023, in order to provide the resource needed for the increasing workload and increase to the team establishment.

4.78 The Multi-Functional Device (Photocopier) budget is forecast to be under-spent by (£3k). As the Authority has moved to being paperless the need for two MFDs dropped to one, and there has been a significant reduction in associated consumables. The reduction in costs will be reflected in a reduced budget for 2024/25.

4.79 The Health, Safety & Wellbeing budget is forecast to be over-spent by £1k. The main drivers are occupational health costs and office related health and safety costs, which are both gradually having increased demands. This area will be kept under review through 2023/24 to ensure we set the budget for 2024/25 at the appropriate level.

4.80 <u>Democratic Representation – Forecast Over-Spend £30k:</u>

4.81 £1k forecast over-spend on salary budget as detailed in Table 1 and paragraphs 4.34 to 4.41 above.

4.82 The forecast additional cost of the 2023/24 pay award for existing members allowances is £4k. The nationally agreed pay award applied was 3.88%.

4.83 Following the decision approved by the Authority in June 2023 to expand the members' allowances scheme to include allowances for non-voting members of the Authority and for Local Pension Board members, there is now a forecast over-spend of £18k for this year on the budget for member allowances. This will be built into the budgets from next year onwards.

4.84 The Authority members' training budget is forecast to be over-spent by £4k. This reflects an increased use of external training providers as part of the approved Member Learning & Development Strategy and is part of achieving the aim of enhancing support for member knowledge and skills development.

4.85 A small over-spend of £3k is currently forecast on miscellaneous items such as travel and catering based on the expected activity and requirements for this year, and the newly introduced Members Away Day.

<u>Earmarked Reserves</u>

4.86 The table below shows the forecast transfers to and from all four of the earmarked reserves in 2023/24.

Reserve	Balance at 01/04/2023 £	Contributions to Reserves £	Contributions from Reserves £	Forecast Balance at 31/03/2024
Corporate Strategy Reserve	110,220	11,000	(66,000)	55,220
Pay & Benefits Reserve	200,000	0	(200,000)	0
ICT Reserve	78,030	10,000	(25,000)	63,030
Subtotal Revenue Reserves	**388,250**	**21,000**	**(291,000)**	**118,250**
Capital Projects Reserve	34,290	15,000	(30,000)	19,290
Total Earmarked Reserves	**422,540**	**36,000**	**(321,000)**	**137,540**
Net Total Transfer		**(285,000)**		

4.87 The planned transfers out of the Corporate Strategy reserve are to meet costs associated with the legal fees for the final stage of the Constitution review and providing for the costs of the retentions scheme this year. The transfer into the reserve is for setting aside of funds to meet the costs of the next investment strategy review due in 2026.

4.88 The Pay & Benefits reserve was created to meet the then unknown costs in 2023/24 of the pay & benefits review outcomes. This work has now been concluded with a forecast cost of £198k and therefore the balance available in this reserve will be fully used to meet this cost.

4.89 The ICT reserve transfers relate to setting aside the income from software sales and funding the costs of developments on areas such as the pensions administration software system.

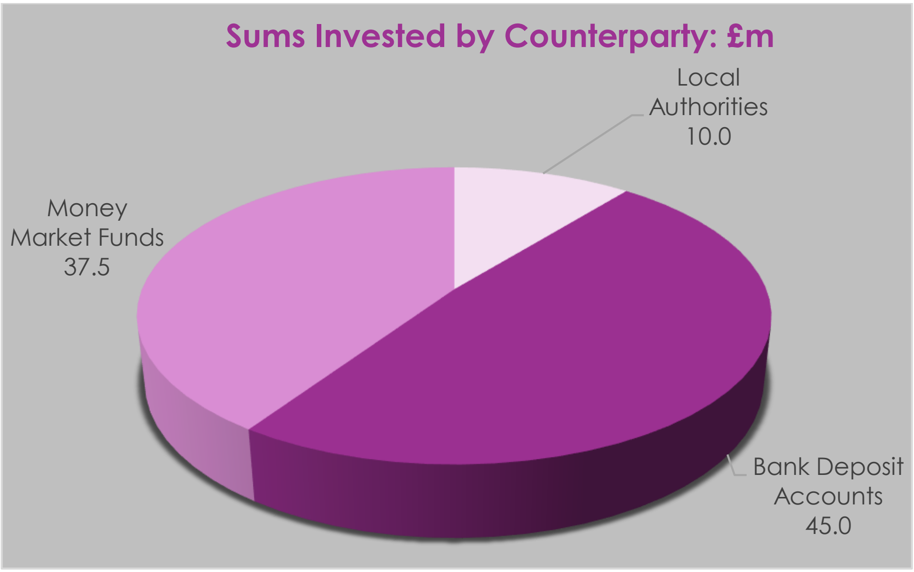
4.90 The transfer out of the Capital Projects reserve is to finance the capital expenditure incurred this year on laptop replacements. The transfer into this reserve is setting aside of funds for meeting future costs of upgrades required to the office building.

4.91 The result of the above is a net total transfer out of reserves of (£285,000).

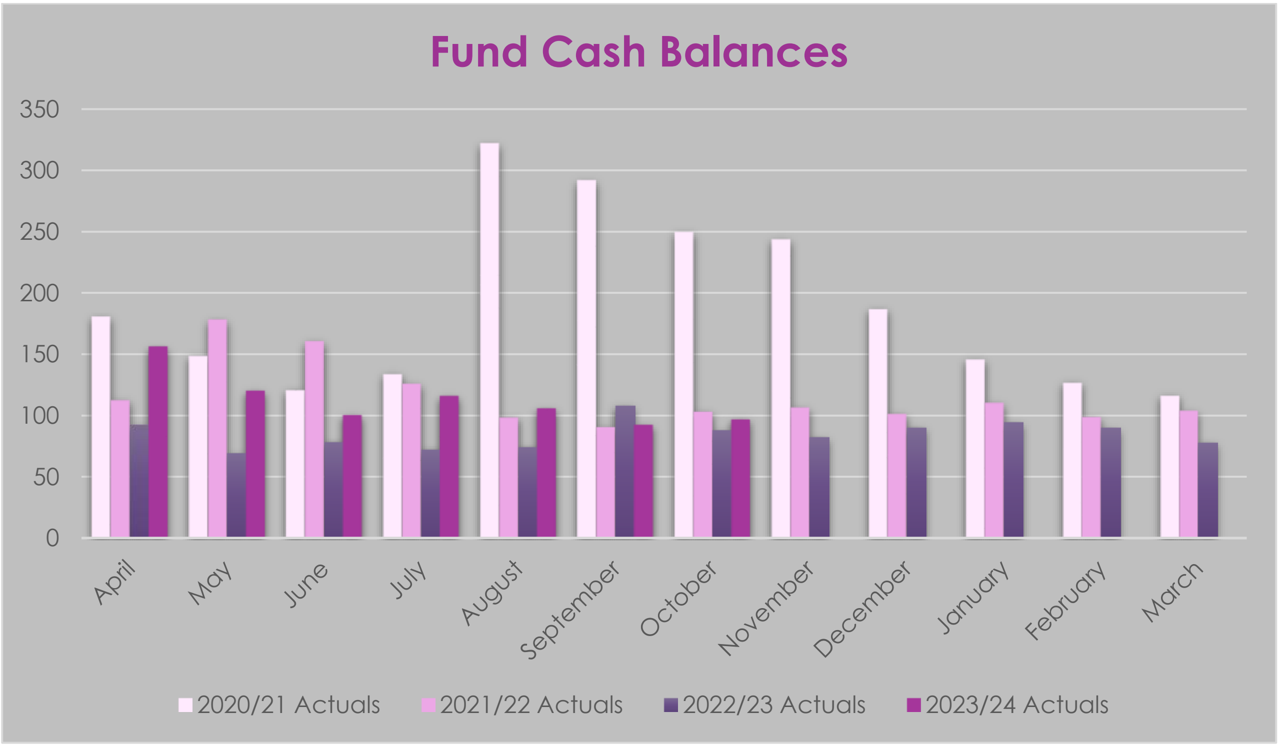
4.92 The forecast total balance in reserves following the transfers proposed, is £138k of which the revenue reserves total is £118k, equating to 1.8% of the Authority's total revenue budget, and is well within the limit of 10% that we set for ourselves in the Medium-Term Financial Strategy for 2023/24 onwards.

Treasury Management

4.93 The Fund's cash balances at 30 September 2023 stood at £92.5 million. The chart below shows how the balances have been invested with different counterparties in line with the approved treasury management strategy for the year.



4.94 The following chart shows the movement in cash balances held for the current year to date and the previous three financial years.



4.95 Cash is only held pending Fund investment and the balance of cash at the end of the quarter represents 0.90% of the Fund, compared with 0.97% at 30 June 2023.

5. What is getting in the way – Risk Management

5.1 We regularly review the things which might get in the way of us achieving our objectives – these are the risks that are set out in detail in the corporate risk register.

5.2 The Strategic Risk Register is attached at Appendix A.

5.3 As part of agreed management actions arising from an internal audit review of risk management arrangements, a training course on risk management was delivered to SMT and Middle Managers during the quarter alongside a plan to introduce an additional layer of operational risk register managed by the Heads of and Service Managers that will feed into the strategic risk register.

5.4 Outcomes from the training and wider preparation for the additional layer of risk management have resulted in some changes to the format of the strategic register that are incorporated in Appendix A. These include separating out the risk into the component parts of the 'Risk Event' from the 'Risk Causes' and the 'Risk Effects'. The measures to manage the risks – both the existing ones in place and the planned actions – now include the preventative measures designed to reduce the likelihood of the risk event occurring and the mitigating measures designed to reduce or mitigate the impact should the risk event occur.

5.5 The results of the full review of the Authority's strategic risks undertaken in November 2023 include the following changes.

Risk Scores Changed:

Risk G3 – Breakdown of Control Environment.

Current risk score reduced from 6 to 4. Now at target and will be removed from the register.

5.6 This risk was originally identified in relation to the specific COVID risk register that was put in place to cover risks arising from lockdown and moving to fully remote working in 2020. The controls and processes and any changes since then have been fully embedded with assurance from internal and external audit.

5.7 The control environment is continually kept up to date and risk assessed as part of business as usual activities such as the annual plans for internal audit work, the planning and interim work undertaken by external audit, and the review for annual governance statement assurance. Additionally, operational risk registers will deal with the management of controls and assurance at each service level and any concerns will be escalated to SMT as part of the regular review.

Risk I1 – Material changes to the value of investment assets and/or liabilities due to major market movements.

Current risk score reduced from 12 to 9.

5.8 Evidence over the last 12 months indicates that the Fund has broadly held its value during a period of market volatility, indicating that the impact score can be reduced and the target score achieved.

5.9 Given nature of this risk however it will remain on the register to be kept under review.

Risk P2 – Reduced levels of technical knowledge and senior management capacity during period of AD – Pensions vacancy.

Current risk score reduced from 12 to 9. Now at target and will be removed from the register.

5.10 This risk was originally added in relation to a specific SMT vacancy to which we have now successfully appointed. This specific risk has therefore been fully mitigated, reached the target score and will be removed from the risk register.

New Risks Added:

Risk P3 – Single point of failure due to unexpected vacancies or long term absence/s in specialist knowledge roles.

5.11 This is a new risk and has a moderate risk score at 12 (yellow) reflecting an assessed likelihood of Medium and impact of High. The risk is present partly due to the size of the organisation meaning that some team sizes are very small, and some individual roles carry out a range of specialist tasks without any deputising capacity in place for example.

5.12 The measures identified for this risk include those aimed at improving recruitment and retention generally, focus on wellbeing and prevention of absence, maintenance of detailed procedure manuals / work instructions, learning and development strategies to support knowledge transfer, and the intention to produce succession plans and identify specific issues and actions to improve resilience in each of the different teams.

6. Learning from things that happen

6.1 Inevitably when dealing with the number of customers that we do things can go wrong and we try to ensure that we learn from these things. Equally we should celebrate where things go particularly well or where customers feel members of our team have gone the extra mile to help them. This section provides information on the various sources of feedback we receive.

	Received in Q2 2023/24	Received in Q1 2023/24	Received YTD 2023/24	Received in Previous Year: 2022/23
Complaints	8	7	15	24
Appeals Stage 1	1	0	1	4
Appeals Stage 2	0	2	2	4

6.2 A detailed report of complaints and action taken is provided to the Local Pensions Board for scrutiny.

6.3 The bulk of complaints continue to be concerned with the quality and timeliness of information provided. It is clear that some of the identified backlog issues are resulting in complaints.

6.4 One Stage 1 Appeal was determined during the quarter; the appeal was upheld. Actions by SYPA caused a delay in processing a transfer into the Fund resulting in a lower value than anticipated being added to the member's pension account. In addition, the initial response to the complaint was inadequate causing additional distress to the scheme member. The member's account has been adjusted in line with the decision considered likely if the case were to be considered by the Ombudsman and compensation of £200 awarded to the member.

Breaches of Law and Regulation

6.5 We are required to maintain a register of breaches, the detail of which is reported to the Local Pension Board at each meeting as part of their oversight role.

6.6 Three breaches were recorded this quarter, taking the total for this year to date to five.

6.7 All three breaches in this quarter resulted from human error, in two cases the actions of scheme members prevented further release of information and in the third case additional controls have now been put in place to prevent recurrence.

6.8 We are still in the process of settling claims in relation to five transfer cases which will result in a breach being reported to the Regulator in the next quarter.

Satisfaction Surveys

6.9 A survey of retiring members between May and July found that 91% of the 45 respondents were satisfied with the service they received.

6.10 A customer centre survey showed that of the 376 respondents, 86% were satisfied with the service they received.

South Yorkshire Pensions Authority Risk Register As At 22 November 2023

Key:

IMPACT					
5 Very High	5	10	15	20	25
4 High	4	8	12	16	20
3 Medium	3	6	9	12	15
2 Low	2	4	6	8	10
1 Very Low	1	2	3	4	5
	1 Very Low	2 Low	3 Medium	4 High	5 Very High
	LIKELIHOOD				

Risk Score

Risk Score	RAG Rating
0 – 5	Low
6-14	Moderate
15-25	High

Risk scores changed since last review:

Risk No	Risk Type	Risk Event	Prev Score	New Score	Risk Change at Review
G3	Governance	Breakdown of the control environment	**6**	**4**	
I1	Investment and Funding	Material changes to the value of investment assets and/or liabilities due to major market movements	**12**	**9**	
P2	People	Reduced levels of technical knowledge and senior management capacity during period of vacancy	**12**	**9**	
P3	People	Single point of failure due to unexpected vacancies or long term absence/s in specialist knowledge roles	**N/A**	**12**	

Risk No	Risk Type	Risk Event	Risk Causes	Risk Effects	Existing Preventative Measures (Designed to Reduce Likelihood Score) Existing Mitigation Measures (Designed to Reduce Impact Score)	Current Score	Likelihood & Impact	Target Score	Likelihood & Impact	Additional Preventative Actions (May Reduce Likelihood Score) Additional Mitigation Action (May Reduce Impact Score)	Comment on Current Status	Owner	Risk Change at Review	Last Review Date
G1	Governance	**Failure of members of the Authority and Local Pension Board to maintain adequate levels of knowledge and understanding to enable them to fulfil their role.**	Lack of suitable and appropriate training and development provided to members Ineffective identification of skill gaps	Poorly informed decision making Regulatory / legislative non-compliance Insufficient questioning and challenge of officers.	Member Learning and Development Strategy and associated mandatory training requirements in place. Annual effectiveness review and action plan Identify changes to legislation and key regulatory requirements that require enhanced knowledge and skills development Continuation of collaborative engagement of Independent Advisors, Internal Auditors and Officers	9	L=M I=M	6	L=L I=M	Any municipal year or ad hoc changes in members will be require new members to undertake mandatory training to ensure the Authority and Local Pensions Board has 100% compliance. Continuous review of the pensions landscape for legislative and regulatory change	***20/11/2023*** ***This risk was previously on the register as two separate risks (G1 and G2), one applyng to the Authority and one to the Local Pensions Board. As part of the November reveiew it was agreed that these be merged into one risk for the purposes of the strategic register. The operational risk register will assess and manage any differences in training needs between the two.*** ***The Local Pension Board and Authorty are currently 100% compliant with the mandatory training requirements, however there is no justification to change the score at this stage, due to upcoming changes in trade union membership.***	Head of Governance		20/11/2023
G3	Governance	**Breakdown of the control environment**	Lack of applied and documented processes supported by structured assurance procedures.	Exposure to the risk of loss due to fraud or error. Critical external audit reports leading to regulatory action.	Documented internal controls. Effective Internal Audit service to provide assurance to management in relation to the control framework. Senior Management review of controls to provide assurance as part of the process for developing the Annual Governance Statement. Ongoing replacement of aging systems which require manual controls with more modern systems which allow controls to be automated	4	L=L I=L	4	L=L I=L	Internal audit work in the year and other sources of assurance such as the actuary's review of valuation data continue and indicate that any potential control failure is unlikely to fundamentally destabilise the organisation. Completion of system replacement and upgrade programmes. Extension of management assurance process to Team Managers. Adoption of Governance Assurance Framework suggested by Internal Audit	***Comment 13/11/2023*** ***This risk was only identified in relation to the specific COVID risk register that was put in place to cover risks arising from lockdown and moving to fully remote working in 2020. The controls and processes and any changes since then have been fully embedded with assurance from internal and external audit and this risk score has now reached its target and will be removed from the register. The control environment is continually kept up to date and risk assessed as part of BAU activities such as the annual plans for internal audit work, the planning and interim work undertaken by external audit, and the review for annual governance statement assurance. Additionally, operational risk registers will deal with the management of controls and assurance at each Service level and any concerns will be escalated to SMT as part of the regular review.***	Assistant Director Resources	↓	13/11/2023
G4	Governance	**Failure to deliver key objectives included within the Corporate Strategy**	Lack of consistent programme management framework Insufficient human resource dedicated to programme management Insufficient systems resource dedicated to programme management	We will not deliver the service to our scheme members set out in our mission statement.	Programmes and Performance Management Team Established Installed Programmes and Performance Management System Regular monitoring and review of objectives delivery	12	L=M I=H	6	L=L I=M	Development and implementation of a programme management framework Implementation and go live of Programme and Performance System	***Comment 08/11/2023*** ***Since the last review an appointment to the Service Manager - Programmes and Performance role has been made and will be in post December 2023.*** ***At this stage there is no justification for a reduction in the score however it is expected that this risk will reduce at future reviews due to the increased resource being in place.***	Service Manager - Programmes and Performance		08/11/2023
I1	Investment and Funding	**Material changes to the value of investment assets and/or liabilities due to major market movements**	Major market volatility Significant change to inflation/deflation Geo-political events	Sharp and sudden movements in the overall funding level	Having a diversified Investment Strategy focussed on relatively lower risk and less volatile investments. Element of inflation protection built into the asset allocation both through specific assets (such as index linked gilts) and proxies such as property and infrastructure	9	L=M I=M	9	L=M I=M	Ability to implement protection strategies if market circumstances indicate they are appropriate.	***20/11/2023*** ***Evidence over the last 12 months indicates that the fund has broadly held its value during a period of market volatility indicating that the impact score can be reduced and the target score achieved.*** ***Given nature of the risk it will remain on the register.***	Assistant Director Investment Strategy	↓	20/11/2023

Risk No	Risk Type	Risk Event	Risk Causes	Risk Effects	Existing Preventative Measures (Designed to Reduce Likelihood Score) Existing Mitigation Measures (Designed to Reduce Impact Score)	Current Score	Likelihood & Impact	Target Score	Likelihood & Impact	Additional Preventative Actions (May Reduce Likelihood Score) Additional Mitigation Action (May Reduce Impact Score)	Comment on Current Status	Owner	Risk Change at Review	Last Review Date
I2	Investment and Funding	**Failure to mitigate the impact of climate change on the value of the Fund's investment assets and liabilities**	Climate change issues	Significant deterioration in the funding level	Climate Change Policies and Net Zero Goals adopted by both the Authority and Border to Coast. Asset allocation tilted to favour more climate positive investments. Review of Investment Strategy following the 2022 Valuation to integrate the achievement of Net Zero within the Strategic Asset Allocation. Reporting in line with the requirements of TCFD and regular monitoring of the level of emissions from portfolios, with outline targets for reductions.	20	L=H I=VH	12	L=H I=M	Provide more comprehensive data on private market investments. Clear targets for emission reduction to be set for remaining portfolios. Additional engagement with Border to Coast to identify potentially climate positive investments. Analysis of end of year climate data to gain a detailed understanding of the current emissions trajectory.	***20/11/2023*** ***There is no justification to reduce the score at this stage.***	Director		20/11/2023
I3	Investment and Funding	**Failure to manage the key risks identified in the Border to Coast Strategic Plan**	Ineffective risk management within the Border to Coast business	Decline in investment performance. Increased costs as a result of the need to move to more expensive products. Potential changes in the risk and volatility levels within the portfolio	Process of engagement between the Company and stakeholders to agree the Company's Strategic Plan and Budget containing appropriate mitigations. Succession and contingency planning arrangements in place within the Company Programme of specific risk mitigations agreed as part of the 2022 - 2025 Strategic Plan and Budget	9	L=M I=M	6	L=L I=M	Ongoing monitoring of Programme of specific risk mitigations set out in 2022 - 2025 strategic plan.	***Comment 20/11/2023*** ***The implementation of the plan is ongoing however there are no major changes and no justification to reduce the score.***	Director		20/11/2023
I4	Investment and Funding	**Imbalance in cashflows**	Insufficient investment income to support the payment of benefits	Inability to pay pensions without resorting to borrowing or "fire sale" liquidation of investments. Potential negative impacts on individual pensioners.	Maintenance of "cash buffer" of liquidity sufficient to cover more than one monthly payroll. Process for monitoring and forecasting cashflows	5	L=VL I=VH	5	L=VL I=VH	Implementation of strategies to more regularly harvest income from investments. Further improvements in cashflow forecasting,.	***Comment 20/11/2023*** ***Still at target score on this risk. There are no changes since the last review but it will remain on the register due to potential fluctuating circumstances.***	Assistant Director Investment Strategy		20/11/2023
I5	Investment and Funding	**Employer contributions become unaffordable**	Failure of the investment strategy to deliver returns Economic or financial failure of the employer Significant increase in liabilities	Increased contribution rates to the extent that they become unaffordable. Default on the making of contributions by employers	Investment strategy that is focused on long term returns and reduced volatility Reviews of employer covenant and ongoing monitoring of funding levels Phasing of increases and stabilisation mechanism in the valuation	9	L=M I=M	6	L=M I=L	More systematic review of employer covenants More systematic use of the funding monitoring tools that the actuary gives us access to Employer Team Manager - Debbie	***Comment 09/11/2023:*** ***As last update - Whilst the actual funding level has improved the underlying position remains the same. There is no justification for a reduction in the score at this stage.***	Director		09/11/2023
O1	Operational	**Cyber security attack**	Failure to maintain effective cyber defences Malicious attack Human error (internal)	Significant disruption to the provision of services. Loss / unauthorised release of key data. Reputational damage and financial penalties	Regularly updated policies, software and hardware e.g. firewalls etc. to ensure multi layer cyber security defences. Regular penetration testing. Cyber Security Essentials Plus Certification Regular refresher training on cyber security for all staff with a requirement to achieve a minimum level of pass. Policies and Codes of Practice in place Targeted threat protections Regular internal and external audits Effective ICT business continuity plan in place. Incident response retainer with specialist security provider Cyber Security Incident Management Policy in place.	16	L=H I=H	12	L=M I=H	Ongoing review and implementation of ICT action plan to enhance cyber security defences	***20/11/2023*** ***Additional staff cyber awareness training solution has now been implemented with a schedule of structured phishing exercises.*** ***Whilst the above action does further strengthen our assurances the risk score remains the same.***	Head of ICT		20/11/2023

Risk No	Risk Type	Risk Event	Risk Causes	Risk Effects	Existing Preventative Measures (Designed to Reduce Likelihood Score) Existing Mitigation Measures (Designed to Reduce Impact Score)	Current Score	Likelihood & Impact	Target Score	Likelihood & Impact	Additional Preventative Actions (May Reduce Likelihood Score) Additional Mitigation Action (May Reduce Impact Score)	Comment on Current Status	Owner	Risk Change at Review	Last Review Date
O2	Operational	**Poor data quality**	Employers providing inaccurate data. Software not updated accurately Software inconsistency in calculations Inaccurate input of detail (staff) Out of date data due to casework backlogs	Reputational Impact Regulatory and financial penalties Failure to deliver key projects such as McCloud rectification on time. Provision of inaccurate information and payment of benefits to members Inaccurate data impacting the valuation of liabilities during the triennial valuation. Increased delays to backlogs contributing to further increases	Implementation of front end validation of employer data submissions. Use of DART to run daily validations (200 per day) New system testing, releases and updates Dedicated systems team in place Issues and errors reported to System Providers Checking process in existing systems. Targeted staff overtime worked with focus on priority casework Ongoing development of data improvement plan. Dedicated Programmes and Performance Team Use of DART to run daily validations (200) Projects Team resource to target highlighted issues - bulk data corrections. Use of Hymans data cleansing tool as part of valuation process.	12	L=M I=H	6	L=M I=L	Further development of a robust data improvement plan Further preventative measures to be assessed to address route cause Capacity exercise outcomes to be implemented and a dedicated team resourced Targeted staff training for consistency of processes Systems Team to carry out review to ID in house improvements and efficiencies to system. Ensure robust contract and performance management with External Providers	***Comment 20/11/2023*** ***The existing data improvement plan will be reviewed and built on to identify a clear programme of actions and implementation dates.*** ***Whilst there are a number of ongoing actions being progressed there is no justification at this stage to reduce the risk score.***	Assistant Director Pensions		20/11/2023
O3	Operational	**Failure to retain or circulate personal or sensitive data in line with data protection requirements.**	Information Governance Framework not yet implemented and embedded Cyber Attack (Illegal access of personal or sensitive data)	Financial or Regulatory penalties. Reputational damage to the organisation. Inability to deliver the service.	Access to expertise through BMBC Internal Audit Team and DPO. ICT control measures. Data protection policies, procedures and training in place. Data breach process followed to identify areas for improvement. Close liaison with DPO. Reporting to ICO and implementing any recommendations. Implementation of data recovery plan.	12	L=M I=H	6	L=M I=L	Implement and embed the Information Governance action plan in collaboration with Internal Audit at each stage of review. Delivery of additional Data Protection training in roles and responsibilities for all staff, middle managers, and SMT.	***22/11/2023*** ***Work is ongoing to further develop and embed the updated suite of Data Protection Policies. These should be in place and ready to share with staff by the end of 2023 with training early in the new year.***	Assistant Director Resources		22/11/2023
O4	Operational	**Failure of the Authority to comply with relevant Regulations**	Lack of access to latest regulatory updates Authority policies and procedures not kept up to date in line with regulatory updates Delays in issue of regulatory updates	Enforcement action by relevant regulatory authorities	Service areas are aware of key points of reference for relevant regulations Reporting of compliance within relevant standards. Basic assessment of compliance with TPR CoP 14 in place. Regular reviews of key policies and processes Ongoing process of awareness raising and training for staff in relation to operational matters Oversight of key updates and awareness of milestone approvals	12	L=M I=H	8	L=L I=H	More detailed assessment of compliance with emerging regulatory requirements. TPR Single Code with associated action plan and enhanced regular reporting. Additional training for Authority and Pension Board Members to enable improved oversight. Central tracker that is regularly reviewed to ensure timely updates to all policies, procedures and frameworks Review potential of building compliance actions on Pentana for items such as TPR Single Code	***Comment 23/11/2023*** ***This risk has previously focused on pensions regulations however, from a strategic perspective, this needs to capture overall regulatory compliance. Each service area will review this at an operational risk level and a central policy tracker will be put in place which will identify the regulatory source and ensure that updates are carried out in a timely manner.*** ***At this stage there is no justification for the reduction in this risk score.***	Head of Governance		23/11/2023
O6	Operational	**Backlogs in work flows**	Mismatch of resources and workload Priority of work to be processed Systems limitations Changes to regulations - late statutory guidance	Declines in the overall level of service performance. Regulatory penalties Reputational Damage	Improved processes and staff training Targeted overtime to focused areas Changes to work tray allocations Pre live launch testing processes in place. Capacity planning exercise has been undertaken. An action plan considering a range of specific actions to address aspects of problems identified has been developed and is being worked through.	16	L=H I=H	6	L=M I=L	Overarching action plan to be developed Review of processes and policies Capacity planning exercise and focus group outcomes will be considered by members over the Autumn. However this may take some time to have an impact. Continuation of implementation of the action plan (particularly the automation of certain bulk processes) will provide some mitigation in the interim.	***Comment 20/11/2023*** ***Further review and action planning need to be implemented before there is any justification to change the risk score/***	Assistant Director Pensions		20/11/2023

Risk No	Risk Type	Risk Event	Risk Causes	Risk Effects	Existing Preventative Measures (Designed to Reduce Likelihood Score) Existing Mitigation Measures (Designed to Reduce Impact Score)	Current Score	Likelihood & Impact	Target Score	Likelihood & Impact	Additional Preventative Actions (May Reduce Likelihood Score) Additional Mitigation Action (May Reduce Impact Score)	Comment on Current Status	Owner	Risk Change at Review	Last Review Date
P1	People	**High level of vacancies within the organisation**	Limited availability of LGPS specialists and current labour market. Change in working practices since the COVID pandemic - recruitment market much more challenging	Inability to deliver the service Negative impact on staff wellbeing Poor staff retention resulting in loss of specialist knowledge	Career grade scheme in place to develop in-house specialists. Targeted advertising including using social media Hybrid working and existing flexi scheme. Capacity planning to identify additional resources. Regular one to ones, review of workload and work life balance. Promotion of wellbeing initiatives. Provision of Counselling, Occupational Health and Employee Assistance Programme. Investment in training and development. Market supplements where necessary and evidenced to recruit & retain key specialist roles.	**12**	L=H I=M	**6**	L=M I=L	Implementation of Pay & Ben review and talent attraction via Employee Value Proposition Increase in staffing following capacity planning Develop action plan following 2023 employee survey	***Comment 15/11/2023*** ***The pay and benefits review is being progressed and in the final stages of approval. The score for this risk will remain at this level until the review outcomes have been implemented and success measured.***	Director		15/11/2023
P2	People	**Reduced levels of technical knowledge and senior management capacity during period of vacancy**	Loss of key members of staff - single point of failure	Impact of a period of vacancy at senior management level reducing the ability of the organisation to deliver on key projects and potential inability to address certain technical issues.	Interim management arrangements involving the whole of the Senior Management and other managers making best use of available capacity Identification and prioritisation of key projects	**9**	L=M I=M	**9**	L=M I=M	Appointment of an interim Senior Manager focussed on delivering key pieces of work Set up and deliver a robust recruitment process as soon as practical including use of executive search	***Comment 22/11/2023:*** ***This risk was in relation to a specific SMT vacancy which has now been successfully appointed to. This risk has now been fully mitigated and reached the target score and will be removed from the risk register.***	Director		22/11/2023
P3	People	**Single point of failure due to unexpected vacancies or long term absence/s in specialist knowledge roles**	Experienced staff leave or are absent for an extended period Organisational size limits deputising roles Some roles are responsible for broad range of specialist areas	Failure to deliver service and reduced service quality. Reputational damage. Impact on staff morale and wellbeing.	Revised pay and benefits package Range of policies for supporting wellbeing Documented procedures and work instructions Learning and development plans and knowledge transfer Organisational Resilience Plan. Lessons learned to identify single points of failure. Ability to call on external third party support. Regular one to ones, review of workload and work life balance. Promotion of wellbeing initiatives. Provision of Counselling, Occupational Health and Employee Assistance Programme.	**12**	L= M I= H	**9**	L= M I= M	Further measures to identify single points of failure across all teams Enhance knowledge transfer Further develop succession planning Implementation of Pensions Administration Review Identify specialist areas to call on third party support	***22/11/2023*** ***This is a new risk to address the potential of future single points of failure and the challenges this could create in specialist roles***	Director		22/11/2023

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SOUTH YORKSHIRE PENSIONS AUTHORITY

Agenda Item

Subject	**Levy 2024/25**	**Status**	For Publication
Report to	Authority	**Date**	7 December 2023
Report of	Assistant Director – Resources (CFO) And Director		
Equality Impact Assessment	Not Required	Attached	N/a
Contact Officer	Will Goddard, Head of Finance	**Phone**	01226 666421
E Mail	wgoddard@sypa.org.uk		

1 Purpose of the Report

1.1 To approve the Levy for 2024/25 under the Levying Bodies (General) Regulations 1992.

2 Recommendations

2.1 Members are recommended to:

a. **Approve a total levy of £286,792 for 2024/25 in accordance with The Levying Bodies (General) Regulations 1992, to be allocated to the District Councils in proportion to their approved council tax base shares.**

3 Link to Corporate Objectives

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

Effective and Transparent Governance

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

The approval of the Levy ensures the Authority demonstrates transparency and complies with regulations in the recovery of costs associated with the former South Yorkshire County Council and South Yorkshire Residuary Body.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report have no direct implications for the Corporate Risk Register.

5 Background and Options

5.1 Responsibility for early retirement compensation payments awarded by the former South Yorkshire County Council and South Yorkshire Residuary Body passed to the Pensions Authority when it was created in 1988. The statutory instrument under which the Authority was created (*The Local Government Reorganisation (Pensions etc.) (South Yorkshire) Order 1987*) made provision for the four District Councils to reimburse the Pensions Authority for the cost of those payments on a proportional basis according to the size of their population. The Levy is the mechanism by which that reimbursement is achieved.

5.2 The Levy is calculated in November each year based on an estimate of the costs of these payments in the following financial year less any balances owed to the councils. The total Levy amount is allocated to each district in proportion to their council tax base for the year.

5.3 The forecast outturn on the Levy account for 2023/24 is as follows.

Levy Account 2023/24	Balance Brought Forward 1 April 2023 £	Plus: 2023/24 Levy Income £	Plus: Nov 2023 Forecast of Costs 2023/24 £	= Forecast Balance Owed (To)/From Districts at 31 March 2024 £
Barnsley MBC	(6,307)	(57,444)	55,704	**(8,047)**
City of Doncaster Council	(8,014)	(74,450)	72,078	**(10,386)**
Rotherham MBC	(6,768)	(62,439)	60,484	**(8,723)**
Sheffield City Council	(13,575)	(130,279)	125,802	**(18,052)**
Total	**(34,664)**	**(324,612)**	**314,068**	**(45,208)**

5.4 The costs for 2024/25 have been estimated as £332,000; the estimation methodology takes account of actual movements in the costs during the current financial year and applies the inflationary increase expected to take effect in April 2024, which is forecast as 6.7% based on September 2023 CPI. Taking into account the estimated closing balance from 2023/24 of (£45,208) as per the table above, this results in a total Levy for 2024/25 of £286,792.

5.5 The estimated apportionment of the 2024/25 Levy, based on 2023/24 Council Tax Base shares, is shown in the table below. Please note the actual apportionment of the 2024/25 charges will be re-calculated to reflect the approved 2024/25 Council Tax Base figures for each district as soon as this information is available.

Levy 2024/25	Forecast Balance at 1 April 2024 £	Plus: Estimated 2024/25 Costs £	= Total Levy 2024/25 £	Proportion
Barnsley MBC	(8,047)	58,885	**50,838**	17.73%
City of Doncaster Council	(10,386)	76,194	**65,808**	22.95%
Rotherham MBC	(8,723)	63,938	**55,215**	19.26%
Sheffield City Council	(18,052)	132,983	**114,931**	40.06%
Total	**(45,208)**	**332,000**	**286,792**	**100.00%**

6 Implications

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

Financial	The issuing of the Levy to the four districts enables the Authority to recover costs relating to the former SYCC / Residuary Body.
Human Resources	None
ICT	None
Legal	The Levy approval as outlined in this report ensures that the Authority complies with The Levying Bodies (General) Regulations 1992.
Procurement	None

Gillian Taberner

Assistant Director – Resources & Chief Finance Officer

George Graham

Director

Background Papers	
Document	**Place of Inspection**
None	

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SOUTH YORKSHIRE PENSIONS AUTHORITY

Agenda Item

Subject	**Staff Engagement Survey 2023**	**Status**	For Publication
Report to	Authority	**Date**	7 December 2023
Report of	Assistant Director - Resources		
Equality Impact Assessment	Not Required	Attached	n/a
Contact Officer	Gillian Taberner Assistant Director – Resources	**Phone**	01226 666420
E Mail	gtaberner@sypa.org.uk		

1 Purpose of the Report

1.1 To present the results of the 2023 Staff Engagement Survey for Members' information and consideration.

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2 Recommendations

2.1 Members are recommended to:

a. **Note and comment on the results of the staff survey and the actions outlined in relation to the areas for further improvement.**

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3 Link to Corporate Objectives

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

Valuing and Engaging Our Employees

to ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.

Listening to Our Stakeholders

to ensure that stakeholders' views are heard within our decision making processes.

Effective and Transparent Governance

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

3.2 Our staff are an important stakeholder group and are crucial to our success as an organisation. By considering the results of the survey at this time, in advance of the update to the corporate strategy due in February 2024, members can ensure that appropriate actions are being taken in response to the results.

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4 Implications for the Strategic Risk Register

4.1 The actions outlined in this report seek to address the ‘People’ risks in the strategic risk register.

5 Background and Options

5.1 The Authority aims to undertake staff engagement surveys on a regular basis in order to assess progress and direction of travel. The last such survey was undertaken in November - December 2020 and the intention was to carry out a further survey in late 2022 / early 2023. However, due to the knock-on effects on management capacity from the role of Assistant Director – Pensions becoming vacant at around that time, this was deferred by several months. The 2023 Staff Survey was therefore carried out during September 2023 with the results reported to SMT, HR and the Trades Union representative in October.

5.2 The previous survey in 2020 was undertaken with an external consultant – Reed – who designed the survey in such a way as to make it repeatable in future years to enable direct comparison of results and assess improvements or any decline in particular aspects of engagement. For the 2023 survey, we again commissioned Reed to administer the survey on this basis and collate and analyse the results.

5.3 A summary of the survey results is attached at Appendix A.

5.4 The survey response rate was high at 83% - just slightly above the 82% response rate achieved in 2020.

5.5 The survey provides a measure of employee satisfaction by asking a single question which leads to what is called the ‘Net Promoter Score’. The question asks employees:

On a scale of 0 – 10, how likely are you to recommend working here to a friend or colleague?

The responses are then grouped as follows:

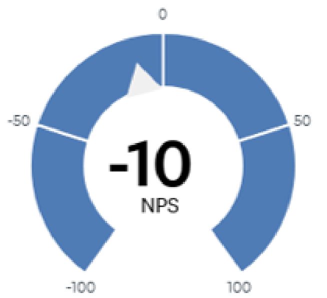
- Employees giving scores of 9 – 10 are categorised as Promoters.
- Employees giving scores of 7 – 8 are categorised as Passives.
- Employees giving scores of 0 – 6 are categorised as Detractors.

An overall score is then calculated as the percentage of employees who are Promoters minus the percentage of employees who are Detractors.

5.6 The results for 2023 show a marked improvement in our Net Promoter Score since 2020 as shown below:

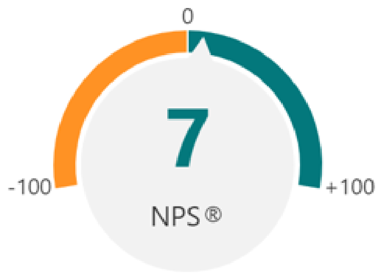
2020

Promoters (9-10)	**18**
Passives (7-8)	37
Detractors (0-6)	26



2023

Promoters (9-10)	**28**
Passives (7-8)	44
Detractors (0-6)	21



5.7 The net promoter score has increased by a total of 17; from a score of minus 10 in 2020, reflecting that more employees were detractors than promoters, to a score of plus 7 this time – with more employees now promoters than detractors.

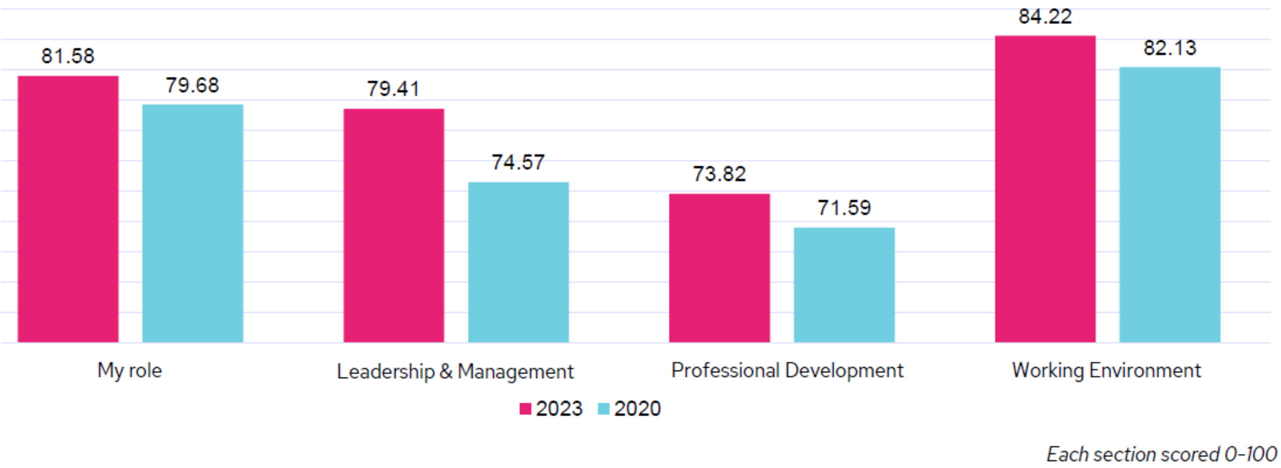
5.8 This a pleasing result, demonstrating that actions taken since the last survey in 2020 have helped to improve the overall level of employee satisfaction.

5.9 The results of the rest of the survey also reflect marked improvements in all four measures of engagement assessed when compared to 2020.

5.10 The measures of engagement are:

Engagement Measure	Includes questions about:
My Role	Having access to resources and information needed to do the job well, being trusted to make decisions, and employees knowing what is expected of them in their role.
Leadership and Management	Receiving regular feedback on performance, that the employee feels their opinions count, being aware of the organisation's values and goals and the employee's role in achieving these.
Professional Development	Availability of training, support from manager in improving skills, feeling stimulated by the role and understanding the next steps for the employee's career here.
Working Environment	Being treated fairly by manager, working within a collaborative and supportive team, having a good work-life balance and availability of good wellbeing initiatives. An additional question was also included in 2023 for the first time to focus on diversity and inclusion by asking the extent to which employees feel comfortable expressing their authentic selves at work.

5.11 The results across the four measures in 2023 when compared to the results in 2020 are shown below, illustrating the improved scores in all measures in 2023:



5.12 The Working Environment remains the highest of the four measures overall, as it was in 2020, with My Role remaining the second highest scoring measure.

5.13 The most significant improvement since 2020 is in the measure of Leadership and Management which has increased by 4.8 points to 79.4. This indicates that the actions taken since 2020 in this area have been effective. This includes increased focus on supporting and developing the skills of our people managers and ensuring they hold regular one-to-ones as well as annual appraisals to provide feedback on performance.

Actions taken in this area over recent years also include an emphasis on engaging with the workforce more actively and improving communication around corporate goals and the organisational values and behaviours – for example, with the introduction of staff away days and a bi-annual 'SMT Question Time' event where all employees can ask questions of SMT directly on any topic.

5.14 Other positive highlights:

a. Being treated fairly by my manager is the highest scoring question as it was in 2020.
b. Regularly receiving feedback is the most improved question, up 10% on 2020.
c. Significant improvement on 2020 in wellbeing, supportive team, and feeling that opinions count.
d. There is excellent engagement at entry level grades (A-C), whose responses showed they feel trusted to make decisions and are treated fairly by managers.
e. In relation to tenure, the highest level of engagement was among those who've been with the Authority for just 1 to 2 years – providing an opportunity to develop this group into future leaders.

5.15 The specific areas that did not score as highly as others and where some of the qualitative comments reflected a level of dissatisfaction are as follows. (Note that the individual question scores referred to below are out of a maximum score of 5).

5.16 Having Access to Resources and Information – this question scored 3.9 in 2023 which is 2% lower than in 2020. The comments made show that the main issue here seems to be in relation to a lack of clarity, user-friendliness and consistency in the availability of guides and information resources for pensions administration processing work. This is an issue that has already been identified and should be addressed by changes being planned in the re-organisation of teams in the Pensions Administration department, by having a team focussed on technical training and support.

5.17 Within the measure for Professional Development, the question 'I feel stimulated by my role' scored 3.48, a fall of 1% from 2020; and the question 'I clearly understand the next steps in my career here' scored 3.33, which has increased by 3% since 2020 but remains the lowest scoring question overall. Again, this is not unexpected as we have previously identified a need for greater attention to these areas, particularly in relation to career pathways. As above, this is another area where plans are already in place that should help to address the concerns here. These include:

a. Greater resource for supporting learning and development activity and opportunities across the organisation with the establishment and appointment of a new Business Support Officer for L&D, in post since October;
b. Two planned programmes to be held in the first half of 2024 – a group coaching programme for female staff to support confidence building and career progression, and a management skills development programme for new and aspiring managers. This latter programme will target senior practitioner level role holders which should help to address the finding from the survey that this group was particularly low scoring on professional development;
c. Work to be undertaken on reviewing and revising career grade development schemes across the organisation with the aim of improving and enhancing these to ensure a clear progression plan that is based on a set of central principles consistent across departments and teams, with tailored and bespoke arrangements for progression and assessment appropriate to each of the various career-graded roles specific to each service area.
d. The planned changes in the Pensions Administration department, as approved by the Staffing Committee meeting on 31 October, will introduce a small number of opportunities to apply for new management level roles.

5.18 The new question added for 2023 within the Working Environment section of 'I feel comfortable expressing my authentic self at work' scored 3.82, making it the lowest scoring question in this section although this is still a fairly good score in absolute terms. It is possible this may have been interpreted in different ways by different individuals given it was a new question for this year. However, the theme of equality, diversity and inclusion is an area that we have identified as requiring further attention in the forthcoming year and plans will be developed to achieve improvement in this area, and develop an updated and fully revised Equality, Diversity and Inclusion strategy forming part of the corporate strategy framework refresh due in 2025.

Conclusion

5.19 The survey results show a very clear improvement across all four measures of engagement compared to 2020, demonstrating that significant progress has been made and that the actions taken since then have been effective.

5.20 Employees have provided some useful feedback through the survey around the areas requiring further improvement – and as detailed above, these are known issues with plans already in place aiming to address these. The qualitative results (i.e., the detailed comments provided by respondents) will help to inform how these plans are taken forward.

5.21 The Authority now has an opportunity to use the learning from the survey outcomes to maintain and build on the progress made since 2020 with the aim of ensuring a further increase on the high bar that has now been set the next time we run the survey in two years' time.

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 budget included the funds required for carrying out the survey. The funding for the actions outlined in the report as aiming to address some of the findings are or will be resourced appropriately from the relevant budget or corporate reserves and separately approved.
Human Resources	As outlined in the body of the report in terms of actions planned to address areas for further improvement to support the aims of achieving a continuing increase in the level of employee satisfaction and engagement between now and the next survey to be undertaken in two years' time.
ICT	None
Legal	None
Procurement	None

Gillian Taberner

Assistant Director - Resources

Background Papers	
Document	**Place of Inspection**
None	-

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Reed Talent Solutions

Results Overview

South Yorkshire Pensions Authority

Staff Survey

Survey distributed

11th – 29th September 2023

Appendix A

Overview of the Approach

Staff Survey 2023

Objectives:

- Update previously created survey and comparison index.
- Collect responses online.
- Present back results in multiple formats:
  - Presentation
  - Report
  - Survey data

Key Dates

- Survey distributed 11th – 29th September 2023.
- Presentation 18th October, followed by final report and survey data.

NPS®

Net Promoter Score

The NPS lets you measure employee satisfaction with a single question. Your score represents the net percentage of your employees who are promotors of your organisation.

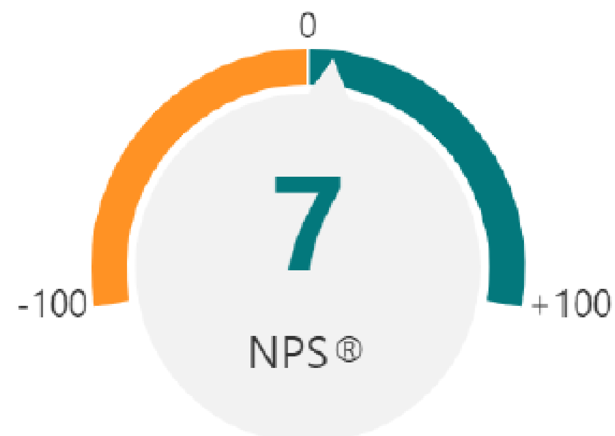
On a scale of 0-10, how likely is it you will recommend working here to a friend or colleague?

Based on their responses, your employees will fall into one of three groups.

Promotors: 9-10. Loyal enthusiasts who will recommend your company as a good place to work to their friends and family.
Passives: 7-8. Satisfied but unenthusiastic who could be swayed.
Detractors: 0-6. Unhappy employees who have the potential to damage your reputation.

The score is calculated using: (% of customers who are Promoters) - (% of customers who are Detractors) = Net Promoter Score.

2023 Results



Promoters (9-10)	28
Passives (7-8)	44
Detractors (0-6)	21

- Increase of 17 points from a score of -10 in 2020.
- SYPA now has more promoters than detractors.

Staff Survey Index

How to use the index

The SYPA staff survey index provides an overall survey score, along with a score for each section of the survey. The index is used throughout the report to compare results with the previous staff survey conducted in 2020.

The score for each question is calculated as the mean average response, with a range of 1 to 5. Each section will then produce a score of between 0 and 100. With the overall score also being between 0 and 100. Any score above 50% means that any "agree" or "strongly agree" responses outweigh "disagree" or "strongly disagree" responses.

There is an overall score for each section, with each question being given equal weighting within the section.

The overall index score is a total of the index points, which gives a higher weighting to Leadership & Management, and Working Environment.

Average of the responses

		Weighting	Score	Index Points
My Role	Access to resources	33.3%	5.00	33.33
	Trusted to make decisions	33.3%	5.00	33.33
	Know what is expected	33.3%	5.00	33.33
	SECTION SCORE	20.0%	100.00	20.00
Leadership and Management	Receive feedback	25.0%	5.00	25.00
	Opinions count	25.0%	5.00	25.00
	Aware of goals and values	25.0%	5.00	25.00
	Understand how to contribute	25.0%	5.00	25.00
	SECTION SCORE	30.0%	100.00	25.00
Professional Development	Training available	25.0%	5.00	25.00
	Coaching support	25.0%	5.00	25.00
	Stimulated by my role	25.0%	5.00	25.00
	Career path	25.0%	5.00	25.00
	SECTION SCORE	20.0%	100.00	25.00
Working Environment	Treated fairly	20.0%	5.00	20.00
	Insprired by my team	20.0%	5.00	20.00
	Work/life balance	20.0%	5.00	20.00
	Wellbeing support	20.0%	5.00	20.00
	Authentic self	20.0%	5.00	20.00
	SECTION SCORE	30.0%	100.00	30.00
	TOTAL INDEX SCORE		100.00	

Total survey score

Overall section score

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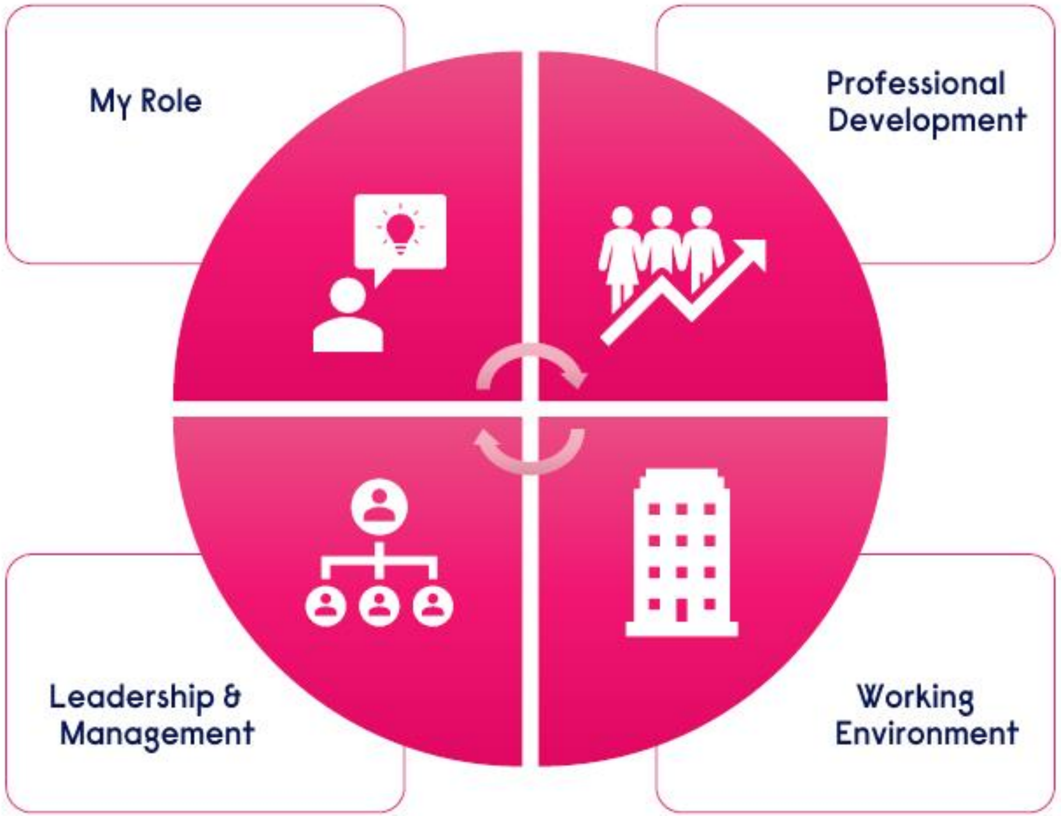
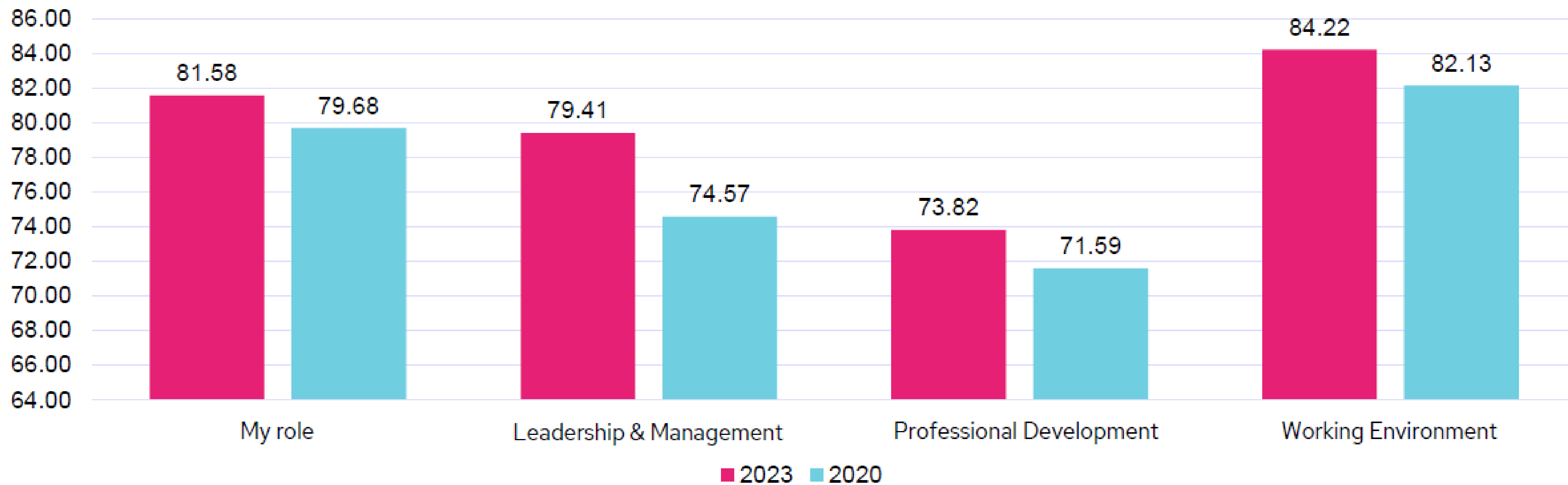
4 Measures of Engagement



4 Measures of Engagement vs 2020



Each section scored 0-100

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Job Grade Mapping

Your Defined Job Grade	Maps to	Number of Responses	Percentage of Responses
Apprentices and Practitioners	Up to Grade C	16/19	84%
Practitioners	Grade D – E	34/43	79%
Senior Practitioners	Grade F – G	20/22	91%
Team Leaders and Managers	Grade H – L	20/25	80%
Senior Managers	Grade M – N	3/3	100%

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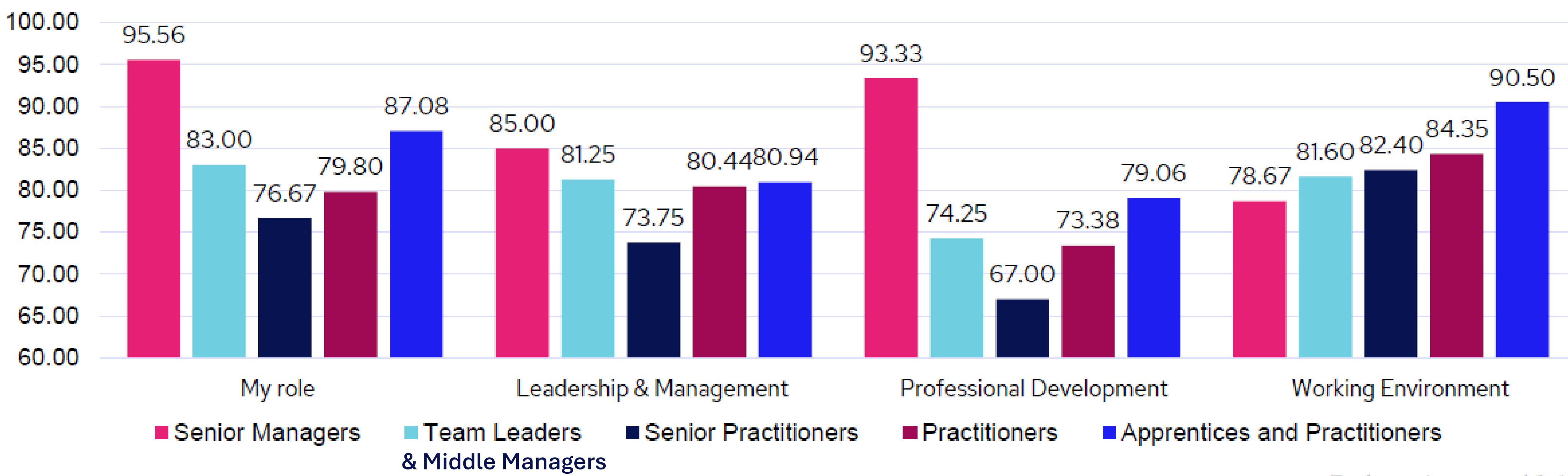
Job Grade Mapping



Each section scored 0-100

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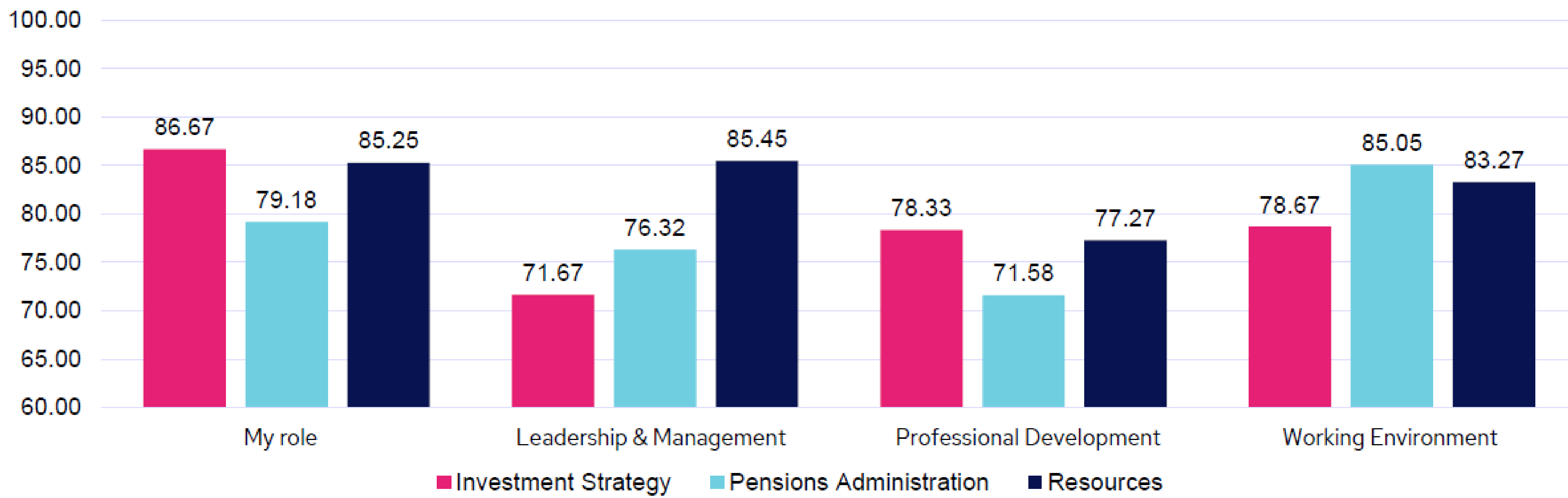
Function Mapping

SYPA Function	Number of Responses	Percentage of Responses
Investment Strategy	3/4	75%
Pensions Administration	57/68	84%
Resources	33/40	83%

Function Mapping



Each section scored 0-100

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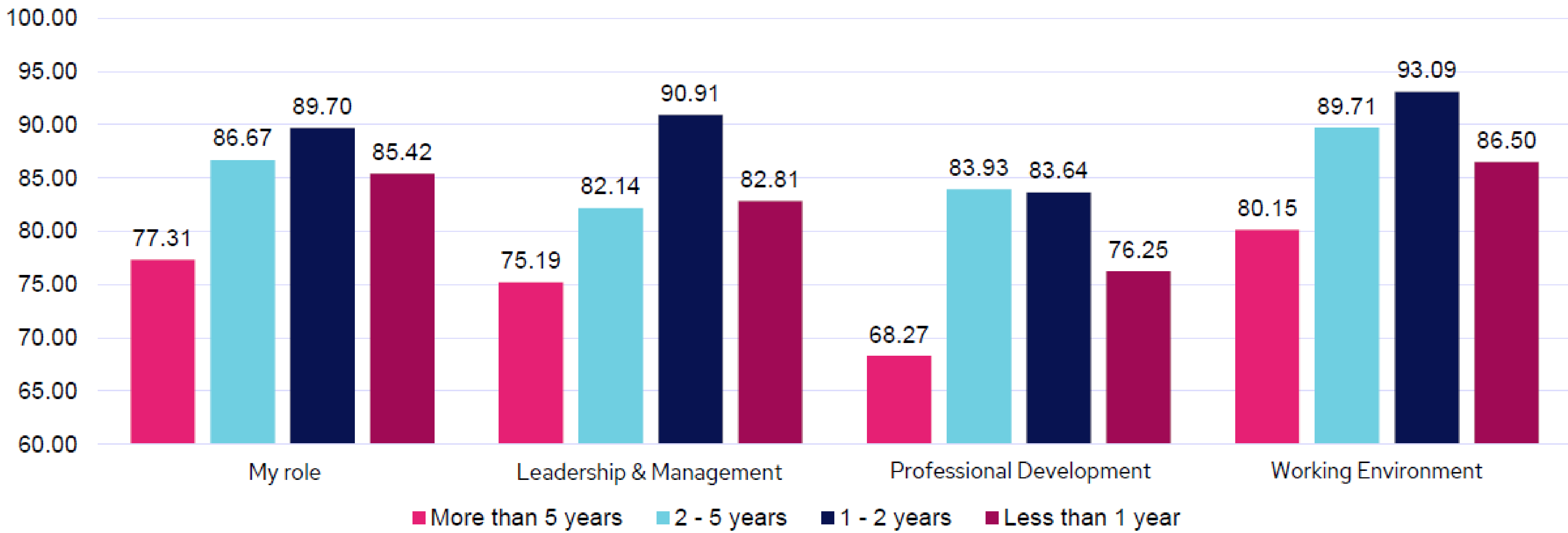
Tenure Mapping

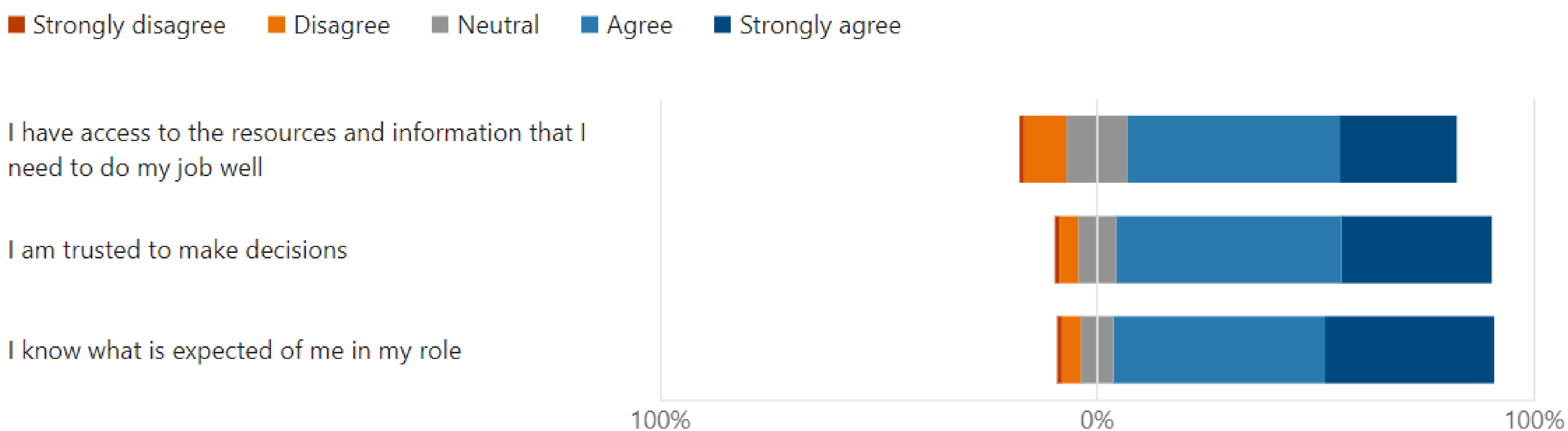
SYPA Tenure Length	Number of Responses
Less than 1 year	16
1 – 2 years	11
2 – 5 years	14
More than 5 years	52

Tenure Mapping



Each section scored 0-100

Your role


Strongly disagree
Disagree
Neutral
Agree
Strongly agree
I have access to the resources and information that I need to do my job well
I am trusted to make decisions
I know what is expected of me in my role
100%
0%
100%

Your Role: vs 2020 Benchmark

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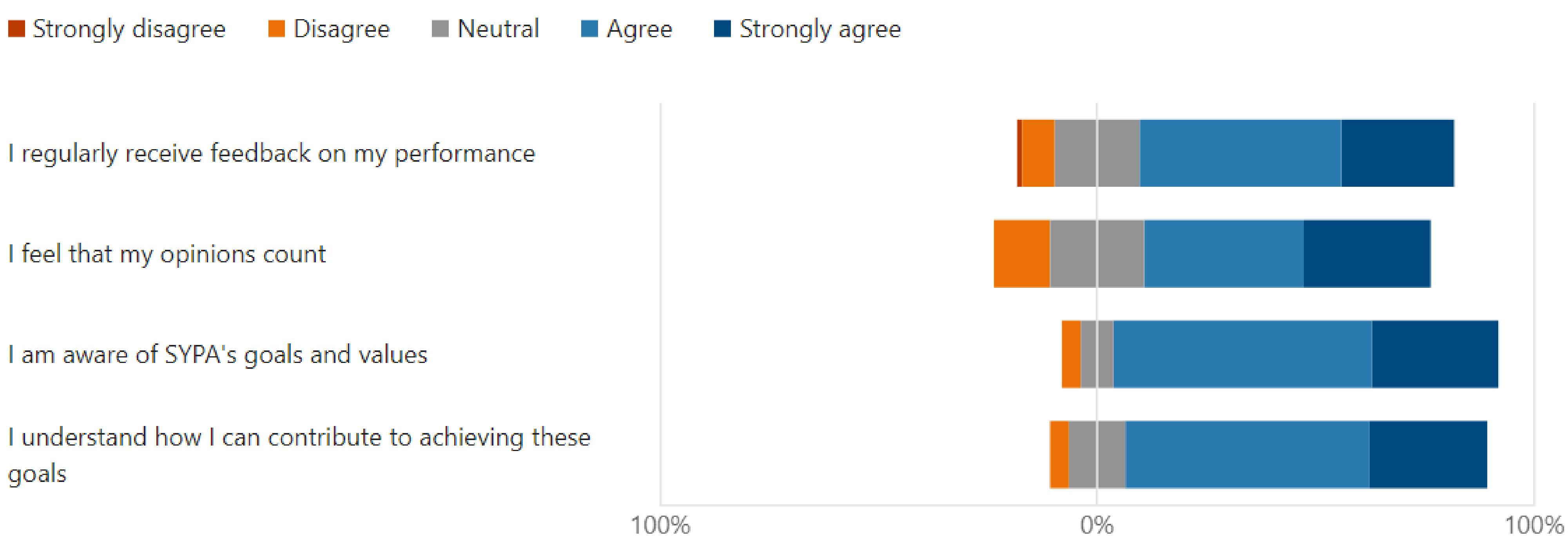
Question	Question Score	% change vs 2020
I have access to the resources and information that I need to do my job well	3.90	-2%
I am trusted to make decisions	4.14	3%
I know what is expected of me in my role	4.19	5%

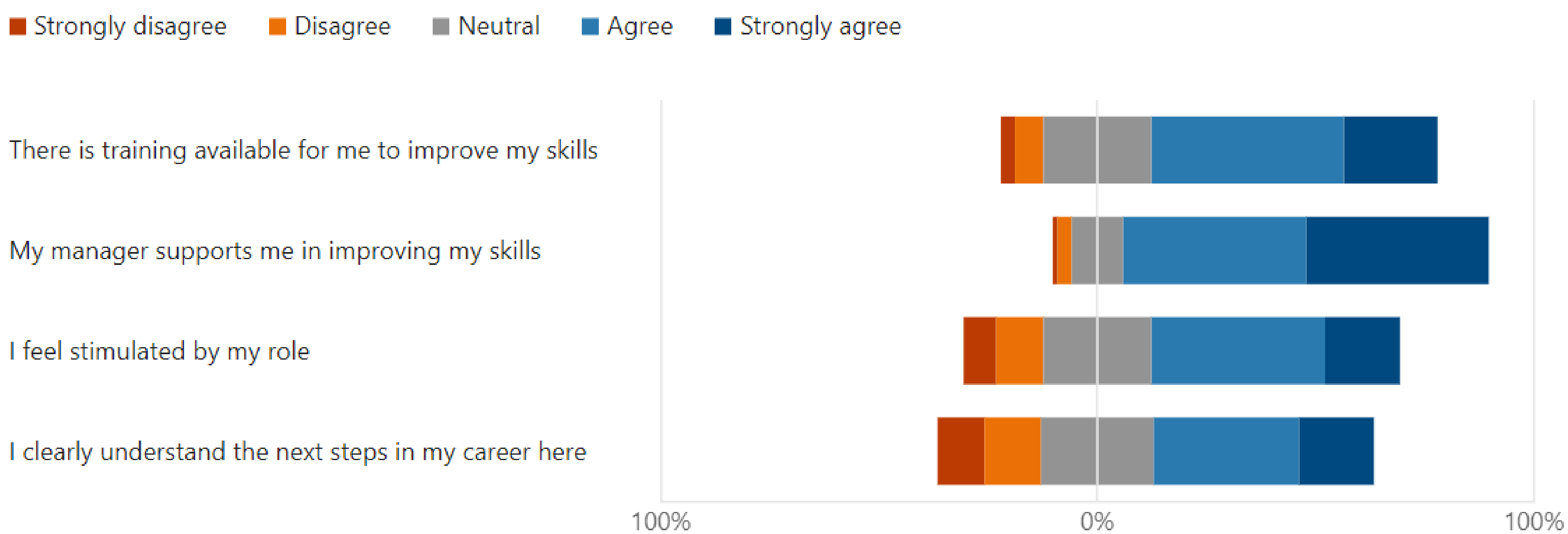
Leadership & Management



Leadership & Management: vs 2020

Question	Question Score	% change vs 2020
I regularly receive feedback on my performance	3.88	10%
I feel that my opinions count	3.82	7%
I am aware of SYPA's goals and values	4.13	3%
I understand how I can contribute to achieving these goals	4.05	4%

Professional Development



Professional Development: vs 2020 Benchmark

Question	Question Score	% change vs 2020
There is training available for me to improve my skills	3.74	4%
My manager supports me in improving my skills	4.20	5%
I feel stimulated by my role	3.48	-1%
I clearly understand the next steps in my career here	3.33	3%

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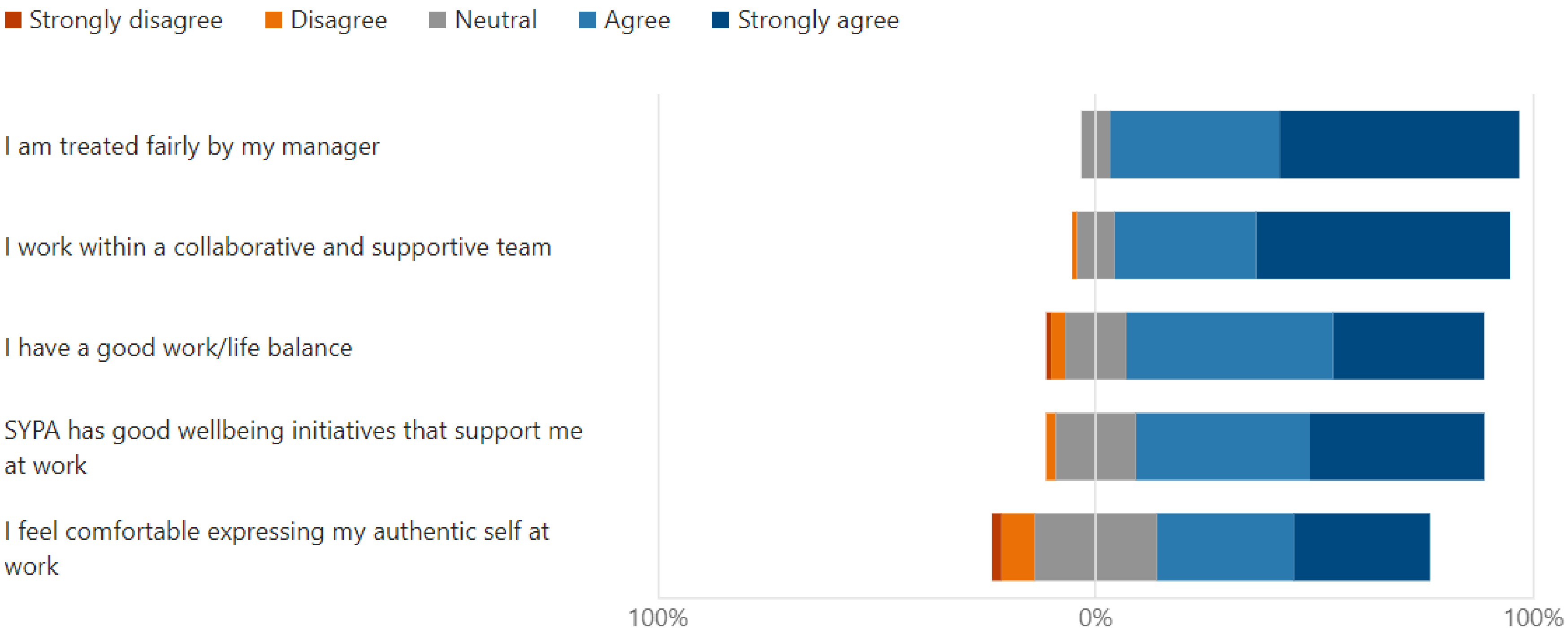
Working Environment



Working Environment: vs 2020 Benchmark

Question	Question Score	% change vs 2020
I am treated fairly by my manager	4.48	4%
I work within a collaborative and supportive team	4.47	6%
I have a good work/life balance	4.11	2%
SYPA has good wellbeing initiatives that support me at work	4.17	6%
I feel comfortable expressing my authentic self at work	3.82	-

Analysis

Strengths

- 83% response rate, against a UK companies benchmark of 69%.
- Improvements in almost every measure on the 2020 results.
- There is now a positive NPS score of 7, up from -10.
- Response to leadership and management significantly up on 2020.
- There is excellent engagement at entry level grades (A-C), who are trusted to make decisions and are treated fairly by managers.
- Being treated fairly by my manager is the highest scoring question as it was in 2020.
- Regularly receiving feedback is the most improved question, up 10% on 2020.
- Significant improve on 2020 in wellbeing, supportive team, and feeling that opinions count.

Weaknesses

- Lowest response rate amongst Grade D – E, albeit still well above UK benchmark at 79%.]
- Whilst a small increase on 2020, professional development remains the lowest performing section. Feeling stimulated by the role is slightly down on 2020.
- Senior practitioners (Grade E – F) lowest performing in most areas, particularly low on professional development.
- Staff with a tenure of over 5 years are the least engaged group.
- Having access to resources has the biggest drop from 2020, falling 2%.
- Understanding next steps in career has not changed since 2020, and remains the lowest scoring question
- Bringing authentic self to work is the lowest score in the working environment section.

Analysis

Opportunities

- Most highly correlated question is my manager supports me in improving my skills. Improving this will have a greater impact across all engagement levels.
- Highest level of engagement in those with 1-2 years tenure, opportunity to develop this group into future leaders.
- Develop and ED&I strategy to build upon the positive working environment, and enable everyone to bring their authentic self to work.

Threats

- Engagement does drop off with increased tenure, therefore threatening productivity, and potentially a threat of losing experienced talent.
- Bringing authentic self to work was the lowest scoring question in working environment, potentially a ED&I issue that could be explored further.
- Feeling stimulated by the role, career pathways, and having access to the right resources are similar issues to those from 2020, suggesting any initiatives may not have had a big impact.
- Understanding organisational goals and values has improved, however the qualitative feedback suggests there is a divide in the organisation and it could benefit from renewed purpose and values.

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Staff Survey Index: 2023/2020/2018

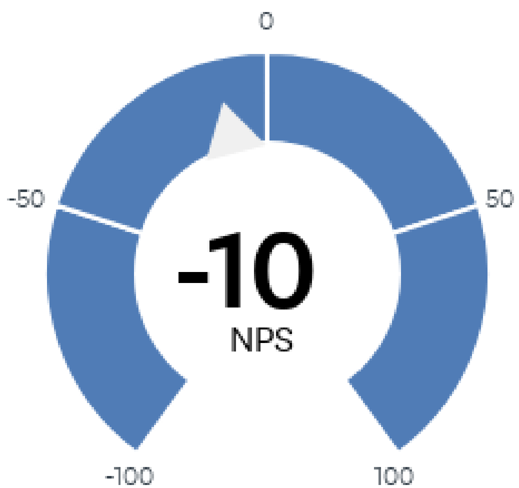
		2023			2020			2018		
		Weighting	Score	Index Points	Weighting	Score	Index Points	Weighting	Score	Index Points
My Role	Access to resources	33.3%	3.90	26.02	33.3%	3.98	26.50	N/A	N/A	N/A
	Trusted to make decisions	33.3%	4.14	27.60	33.3%	4.01	26.75	50.0%	4.00	40.00
	Know what is expected	33.3%	4.19	27.96	33.3%	3.96	26.42	50.0%	3.94	39.38
	SECTION SCORE	20.0%	81.58	16.32	20.0%	79.67	15.93	20.0%	79.38	15.88
Leadership and Management	Receive feedback	25.0%	3.88	19.41	25.0%	3.49	17.44	50.0%	3.63	36.30
	Opinions count	25.0%	3.82	19.09	25.0%	3.54	17.68	50.0%	3.07	30.68
	Aware of goals and values	25.0%	4.13	20.65	25.0%	4.01	20.06	N/A	N/A	N/A
	Understand how to contribute	25.0%	4.05	20.27	25.0%	3.88	19.39	N/A	N/A	N/A
	SECTION SCORE	30.0%	79.41	23.82	30.0%	74.57	22.37	30.0%	66.98	20.09
Professional Development	Training available	25.0%	3.74	18.71	25.0%	3.61	18.05	50.0%	3.61	36.10
	Coaching support	25.0%	4.20	21.02	25.0%	3.98	19.88	N/A	N/A	N/A
	Stimulated by my role	25.0%	3.48	17.42	25.0%	3.51	17.56	N/A	N/A	N/A
	Career path	25.0%	3.33	16.67	25.0%	3.22	16.10	50.0%	3.41	34.08
	SECTION SCORE	20.0%	73.82	14.76	20.0%	71.59	14.32	20.0%	70.18	14.04
Working Environment	Treated fairly	20.0%	4.48	17.94	25.0%	4.32	21.59	33.3%	3.99	26.58
	Inspired by my team	20.0%	4.47	17.89	25.0%	4.18	20.91	33.3%	4.37	29.15
	Work/life balance	20.0%	4.11	16.43	25.0%	4.01	20.06	33.3%	4.08	27.17
	Wellbeing support	20.0%	4.17	16.69	25.0%	3.91	19.57	N/A	N/A	N/A
	Authentic self	20.0%	3.82	15.27	N/A	N/A	N/A	N/A	N/A	N/A
	SECTION SCORE	30.0%	84.22	25.26	30.0%	82.13	24.64	30.0%	82.89	24.87
	TOTAL INDEX SCORE		80.17			77.26			74.87	

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Net Promoter Score®

2020

Promoters (9-10)	**18**
Passives (7-8)	37
Detractors (0-6)	26



2023

Promoters (9-10)	**28**
Passives (7-8)	44
Detractors (0-6)	21

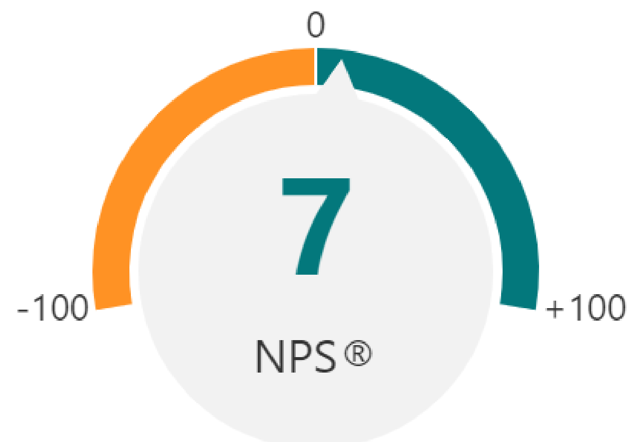


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Table of Contents

Reflections on Recessions

What a different a year makes.

In preparation for this year's year end meeting I wanted to set a scene of contrast – by firstly painting a picture of how the world looked a mere 12 months ago. In late November 2022, the state of tumult in UK financial markets was central to any piece discussing the world economy. An already bruising year in both equity and bond markets had crested with a brutal Autumn as the Truss/Kwarteng mini-budget had sparked a sell-off in UK government bonds and a crisis of confidence that required Bank of England intervention.

In early November 2022, global markets were down around 20-30% for the year, with the FTSE a notable exception (-1.5%), more to do with the cheapening of Sterling than any inherent strength. Inflation remained top of mind, having touched 10.1% in September 2022 (a 40 year high) and bond markets were reeling as central banks remained mid-hiking cycle, at aggressive instalments of 75 bps. Geopolitical concerns had risen as Russia's invasion of Ukraine passed the 10-month mark and the approaching winter stoked anxiety around energy prices. The consolidation of power of China's leader undermined confidence in that area, leading to continued weakness. Finally, in stark contrast to today's dialogue, there was no widespread discussion of AI tools like Chat GPT.

This year things look somewhat different:

- Market performance is a mirror image. Markets are positive in the 10-30% range, with the notable exception of the FTSE 100 which remains stuck at more or less the same year to date number (flattish – +0.5%) as it sat at one year ago. The resilience in equity markets has confounded critics who have been forced to shelve their predictions of a recession in 2023.

- Inflation seems to have turned a corner. European inflation levels were recently their lowest in two years, and in the US and the UK latest numbers have been more subdued.
- Central banks seem to close to the end of their hiking cycle with a sustained pause/hold in the US for the past two cycles and a hold in both the Bank of England and the ECB.
- Geopolitical risk has amplified with the outbreak of war in Gaza, which erupted in the aftermath of the October 7 terrorist attacks on Israel, and this element of surprise initially shook markets, which had not anticipated this development. To date the oil price has stabilized despite some initial volatility.
- The sharp rise in interest rates (and fall in bond values) started to show collateral damage with the collapse or rescue of three regional banks in the US in the Spring, and while this development seems to have been stemmed – for now – there remain hints that financial institutions are bearing much of the brunt of the rise in rates.
- China concerns seem to have receded somewhat, although its market performance remains lack lustre. With eyes on other geopolitical flashpoints, even the Russia/Ukraine conflict is no longer making headlines.
- Chat GPT and other natural language processing AI tools have captured imaginations and driven the dominance of the Magnificent Seven Tech stocks (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla) which have lifted the entire US stock market year to date.

The contrast with last year's market environment underscores how quickly cycles now occur in markets – how quickly information is disseminated, digested and discounted into market activity. That perhaps should be a reminder of maintaining a long-term time horizon, and one's investment nerve!

Key Developments since the last quarterly update:

- **Inflation continues to recede** As of the end of October UK grocery inflation dropped (barely) into single digits (9.7%) but further drops were expected by the Bank of England. Overall inflation was lower at 6.7%.
- **The sudden end to the "higher for longer narrative"** The Bank of England has kept its policy rate unchanged now (at 5.25%) for two meetings in a row (its run of 14 straight rake hikes ended in September) and the US Federal reserve has also paused twice. While initially this pointed to a pause it now looks more like a "hold" and the consensus around "higher for longer" has ebbed significantly in recent weeks.
- **Recession, what recession?** Despite widespread forecasts of a recession in 2023, this has failed, so far, to materialize, although in Europe corporate earnings changes remain mired in

negative territory (as discussed below). Economic growth has been stubbornly resilient, and in the UK earnings revisions to the second quarter 2023 showed growth from pre-pandemic numbers (1.8% higher than in 4Q 2.19 v. 6.1% higher in the US).

- **Middle East tensions strain.** The explosion of tensions in Israel and Gaza followed by a ground war has stirred tensions in the region, although, to date, there has been little explicit involvement of other nations, namely Iran. Were this to happen, this would be likely to provoke an oil price spike as well as a host of other unknown geopolitical consequences, so it remains a region to watch carefully.

***

Current Macro Snapshot

An economy stirs to life?

Last quarter we asked if the UK economy was "stuck in the mud" as inflation remained high and an outlier within global markets and the stock market, too, failed to generate any gains for the year to date, in contrast to US and European markets. Ultimately, however, the economy has started to move more in sync. Inflation is starting to weaken, albeit at a slower pace than elsewhere – in September UK CPI was 6.7% and the highest among other advanced economies although the Bank of England suggested it would fall below 5% in October numbers. The sluggish – but perceptible – economic growth is another sign of life, and the fact that the Bank of England has now paused in its rate rise cycle is now driving speculation of rate cuts from mid 2024. The jobs picture is a little less positive as job openings rise, attrition – or the "great resignation" – grinds to a halt and job cuts continue to be announced.

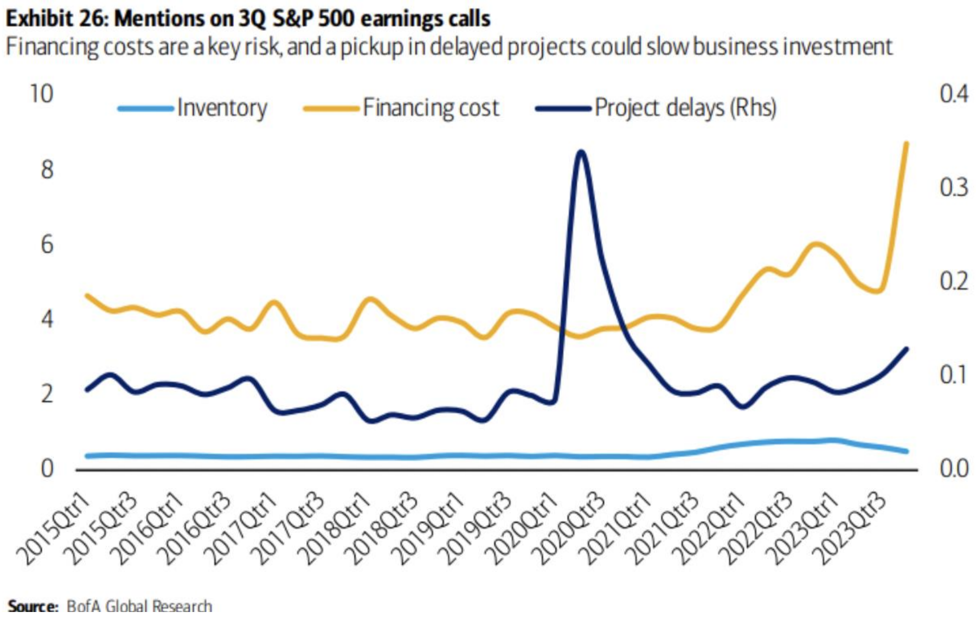
Sterling actually lost some ground over the past 3 months – falling 3% against the dollar but remains slightly stronger year to date (+1.29%).

Time out for central banks

While last quarter central banks seemed to be "on the fence" about where to go next – to continue tightening or pause, doing one thing and often signaling the other, this time around it seems that conviction is a little stronger. The ECB signaled that rate hikes were "over" pending any shocks down the line, while the US Fed warned that it would remain data dependent but seemed content to pause two meetings in a row. This development removes some of the uncertainty regarding where rates go from here, and although mortgage rates remain high (close to 22 year highs in the case of the US) the suggestion that they are currently peaking will bring some relief. This also brings clarity to corporates, who can once more plan debt issuance, as well as banks.

Meanwhile, over in equity markets, AI is still on the table, but no longer a singular obsession, and investors have actually been fairly picky in response to earnings season. Tech stocks were punished for not showing growth in every area – and September and October were both negative months for global markets. Renewable energy stocks have had a disastrous year, with the recent casualty being the European stock market darling – Orsted – down almost 60% year to date, as woes mount in the area of offshore wind generation.

Last quarter we showed a word bubble showing the incidence of AI in corporate earnings, this time around we can see that it is financing concerns and the cost of capital which seem to have risen to the fore:



Individual Asset Class Performance.

- Equities
- Fixed income
- Real Estate and Real Assets

The chart below shows recent performance in main equity indices (at November 27, 2023)

Equity Index	**Last 3 months**	**Year to date (November 27, 2023)**
FTSE 100	-2.14%	0.49%
S&P 500	4.18%	18.75%
Nasdaq	5.84%	36.16%
Dax (Europe)	2.54%	15.12%
Hang Seng	-2.21%	-11.23%

Shanghai Comp	-0.75%	-1.56%
Nikkei 225	4.15%	28.86%

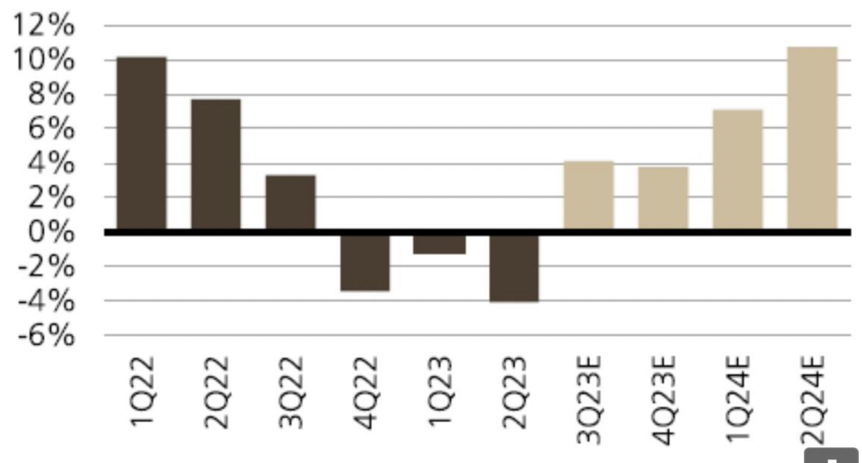
Equities: Zero Tolerance around Earnings

Equity markets blinked a little in the last quarter, perhaps surprised at their own strength for the year, but saw a strong rally over the month of November. The September effect is the term given for the fact that September tends on average to be the worst month of the year for the stock market and that played out in classic fashion, followed by another tough month in October. There were no obvious triggers for this, although the October 7 events in Israel did send a chill through markets briefly and investors weren't particularly cheerful about corporate earnings. US markets continued to perform strongly on a global scale, although, in Asia, Japan was a rare bright spot, while Hong Kong flailed.

As the chart below shows, the earnings "recession" or more accurately recession fears in the US were actually very mild, and expectations have now come back around resilient earnings – led by expanding margins and supported customer demand.

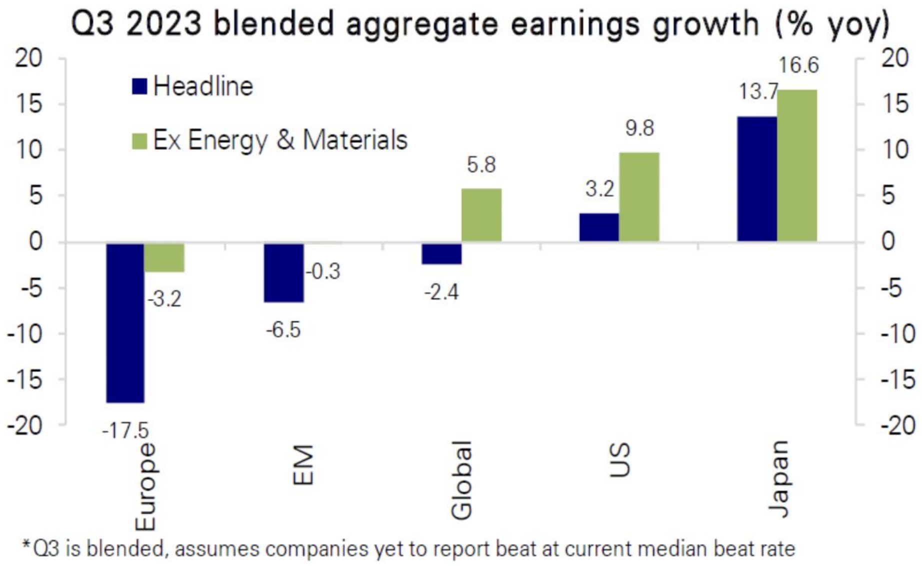
Fig. 1: The earnings recession is likely over

S&P 500 EPS, year-over-year growth, actuals and consensus estimates

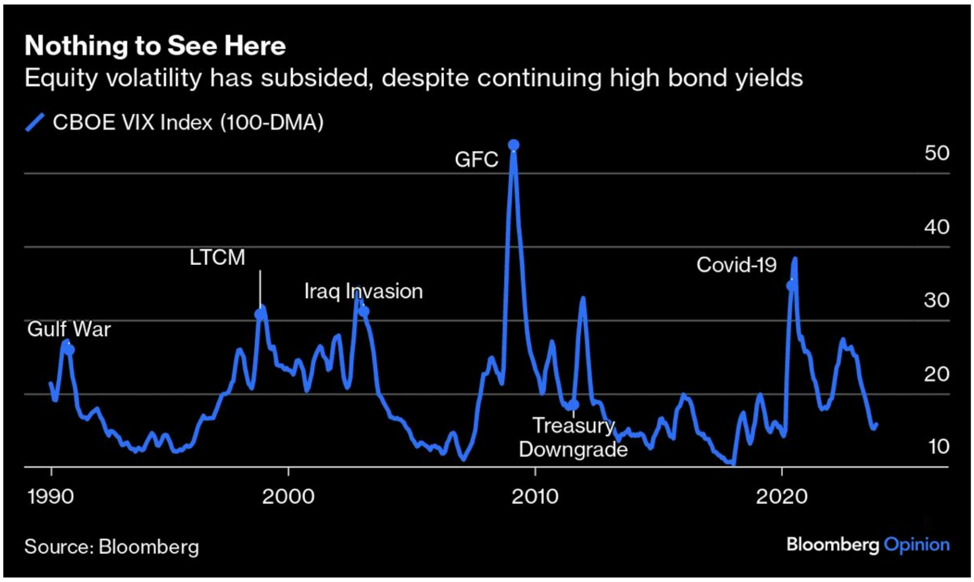


Source: FactSet, UBS, as of 2 November 2023

The picture in Europe diverges quite sharply from the rest of the world though as can be seen from this chart, and energy and materials earnings growth continue to be a positive backstop.

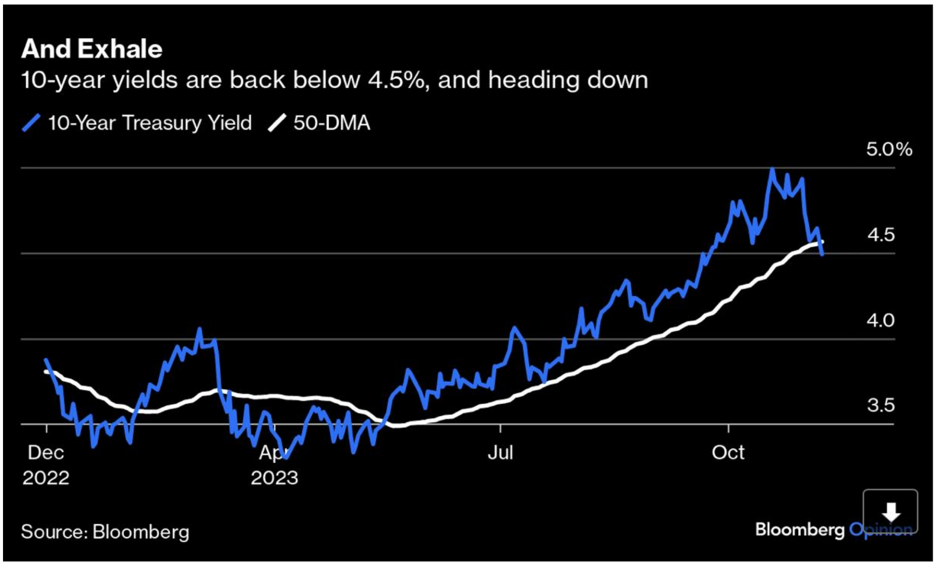


Volatility is now more modest than in recent months:



Fixed Income: Volatility Rules

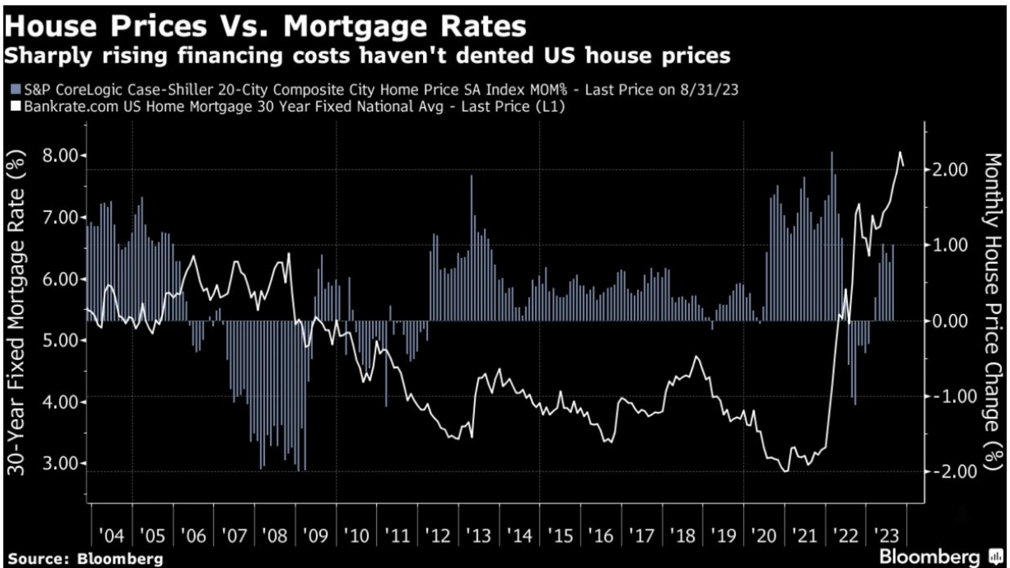
Not so in the bond market. Volatility now seems par for the course in bond markets as yields moved around vigorously both in the UK and the US. Some of this was in response to a perceived course correction by central banks, but mounting fears of budget shortfalls and incoming large bond issuance in the US also drove a sell-off. As can be seen below, the trajectory on longer dated debt is now firmly downwards once more.



While fixed income now presents compelling yields – even in shorter dated money market funds – vacillating bond prices have been problematic and returns haven't always matched the promise of the "yield" set on the tin. The increase in return on cash does change asset allocation considerations though. We continue to be supportive of using more fixed income – particularly cash generative strategies – in the portfolio at current levels.

Real Estate and Real Assets:

As an illiquid asset, most property prices/values are slower to respond than those of liquid assets. Only listed real estate trusts are a daily traded proxy. The poor performance of REITs year to date (-6.54% average performance in the US) even as equity markets have been in the black is a sure sign of the uncertainty around and lack of appetite for real estate at this juncture. This sits against a backdrop of some property price anomalies. In the US, despite record high interest rates and mortgage approvals being down (a natural relationship) the CASE Schiller home price index shows prices remain high.



In the UK home prices were said to be in a “slow puncture” phase, yet had apparently ended a six month declining streak in October, as property supply remained tight. Average prices remain lower than a year ago, although higher than pre-Covid levels. New home construction has also fallen, although forecasters were not expecting high rates to have an ongoing effect on prices.

Sustainable energy stocks and some infrastructure and real asset returns continued to be battered. Offshore wind projects suffered a blow both in the UK, Eurozone and the US as rising costs and supply chain issues shifted the economic models. Orsted, the Danish wind developer – and stock market favourite – announced that two projects off the coast of the US were being cancelled after its demand for higher subsidies was rejected and the firm took $4 billion in impairment losses. This comes after a surprise lack of bidders in a UK offshore wind auction in September again because minimum price support commitments were not deemed high enough. It turns out high energy prices (and windfall profits) had a very short runway indeed in the current high energy environment.

Utilities stocks – a proxy for mainstream infrastructure - are down close to 11% year to date (US), while ICLEAN – a global clean energy ETF is down almost 30%. This negative sentiment may reflect some of the push back we discussed to ESG in last quarter’s letter and a fear of weaker demand, but it does so far appear to be overblown. Oil has also been somewhat weaker in recent weeks and is now back to the same levels $80 + that it hovered at one year ago.

Spotlight on Natural Capital:

Many pools and local authorities now have committed to net zero goals and at a conference this week aimed at LGPS investors and their advisors the topic of natural capital received a large amount of attention and coverage. Increasing natural capital, which can be captured by a range of terms including “nature based solutions” or “nature positive” investing, is targeted as a portfolio ingredient both to increase a portfolio’s investment in nature and the benefits that flow from that as well as to accomplish a net zero (carbon emissions) outcome. Investing in nature includes forestry investments, including afforestation and reforestation, which can act as a source of return (through sales of timber) as well as carbon sequestration. New forests – afforestation – can generate carbon credits – which can be sold to enhance return of the forestry investment or can be used by an investing institution to offset other carbon emissions across the rest of the portfolio.

Natural capital is also defined as the stock of renewable and non-renewable natural resources on earth (planet's air, land, water, animals, and minerals) which are responsible for ecosystem services that drive the global economy and human wellbeing. It is currently estimated that $44 trillion of economic value generation – *more than half of the world's total GDP* – is moderately or highly dependent on nature and its services, so damage to nature has material financial consequences. As this area continues to attract more attention and investment products mature, we expect impact metrics to improve and the return profile to be supported.

Outlook

As we near the end of 2023, it is likely to be seen as the "comeback year" or the year of resilience. Maybe time will tell as to why. Whether it is lingering Covid-era largesse such as savings, the lower employment participation rate driving a stronger jobs picture or simply inherent strength, time will tell. In coming months we will be watching in particular:

- **Fixing the transmission.** Last quarter we noted that we were still watching the experiment of significantly higher rates. While "higher for longer" is no longer as prevalent a concern, there is still the matter that higher rates typically take 12-24 months to be felt throughout the economy – they don't have an instant effect. Consumers on fixed mortgages or companies with longer dated borrowing won't – yet – have felt their effect. The long-term effect (the "transmission") of these higher rates is key to observe.
- **The stamina of the Magnificent Seven**. The concentration and lack of breadth in the US equity market continues to be unusual and as the year comes to an end it will be interesting to watch if the popular support for the seven mega-tech stocks starts to bleed over into other sectors such as healthcare, industrials and consumer stocks.
- **Geopolitics at the forefront.** Although the relationship between geopolitical tensions and market performance is hard to draw at times, it has taken on heightened importance in media coverage and political life. We will continue to watch developments carefully as markets seem to remain fragile with little mood for volatility and surprise.

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November 27, 2023

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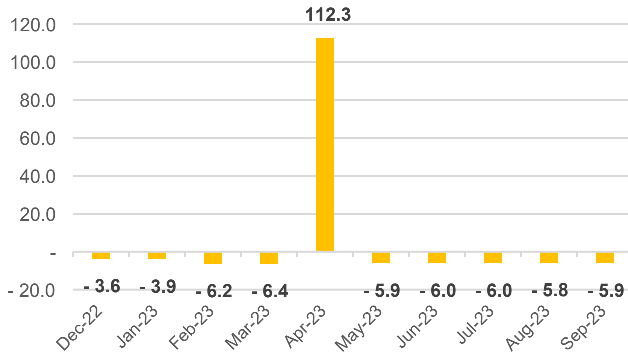
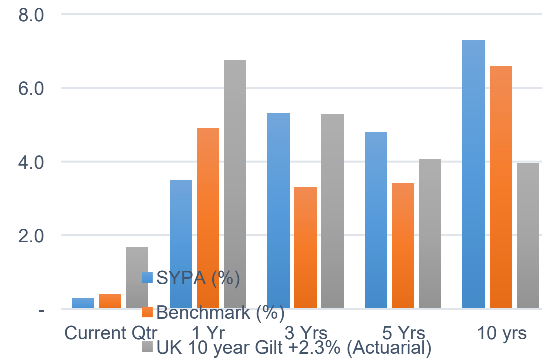
SOUTH YORKSHIRE PENSIONS AUTHORITY

QUARTERLY REPORT
TO 30 SEPTEMBER 2023

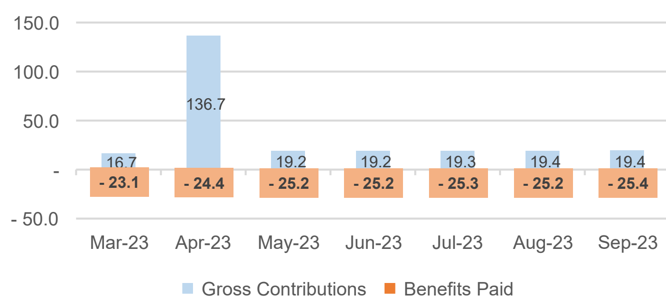
NET CONTRIBUTIONS



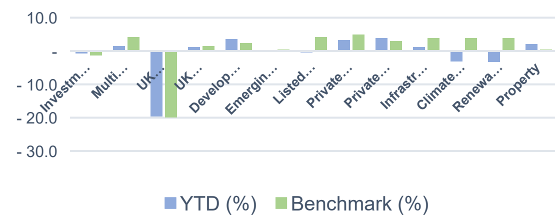
TOTAL FUND RETURN



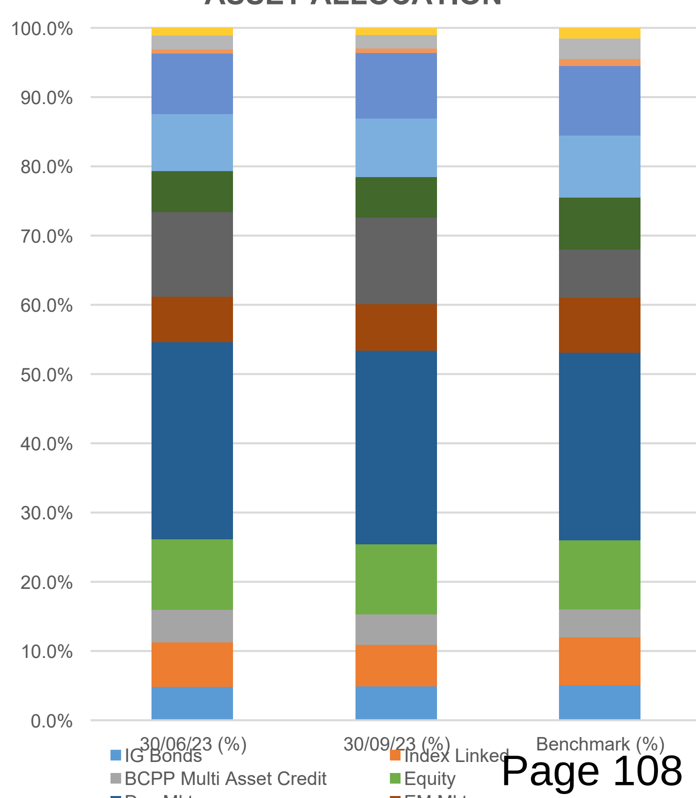
BREAKDOWN OF NET CONTRIBUTIONS



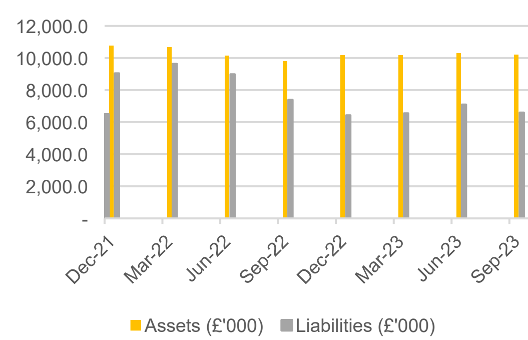
ASSET PERFORMANCE BY TOTAL ASSET CLASS- YEAR TO DATE



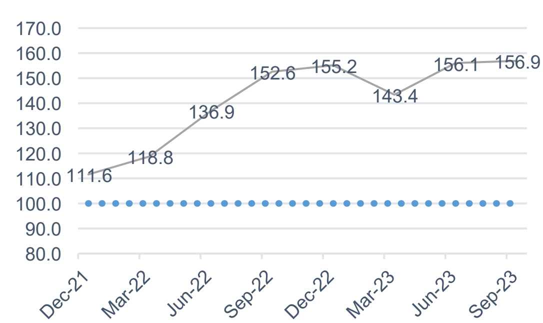
ASSET ALLOCATION



ASSET LIABILITY RATIO SINCE DEC 2021



FUNDING LEVEL %



Market background

This quarter a downbeat mood dominated global stock markets as investors finally started to focus on the Central Banks ‘higher for longer’ rhetoric. Government bonds also declined as yields rose. A potential US government shutdown also weighed on sentiment before legislators reached a last-minute deal to prevent one.

Survey indicators suggested that economic activity weakened during the quarter with services activity losing momentum and the manufacturing sector contracting. Europe looked particularly weak. Inflation has been reducing but core inflation which excludes energy and food prices has been falling more slowly. The Federal Reserve and the Bank of England both raised rates 0.25% to 5.5% and 5.25% respectively and then left rates unchanged at their September meetings. The ECB raised its rate twice to 4%. The bank of Japan loosened its yield curve control policy in July. The comments from the central banks suggest that policy rates are either at or close to peaking, but cuts will be more gradual than previously thought.

In sterling terms, the global equity index showed a small positive return with the UK, Japan and emerging markets outperforming other regions. Japan outperformed as yen weakness supported the earnings of the export heavy market. UK equities overall were positive given the above average exposure of the index to the energy sector, Europe ex-UK underperformed given the weak business surveys and a large exposure to a struggling manufacturing sector and the US underperformed due to the poor performance this quarter of the tech sector.

UK Index-Linked bonds had significant negative returns as the UK 10-year yield continued to rise, although performance began to improve towards the end of the quarter as signs of slowing inflation allowed the B0E to keep rates unchanged in September. Sterling Investment Grade credit outperformed government bonds with spreads narrowing across both investment grade and high yield bonds.

Market background

Commodity indexes rose driven by sharply higher energy prices after Russia and Saudi Arabia cut oil production. Industrial metals rose modestly as price gains for zinc, lead and aluminium offset weaker prices for nickel and copper. The weakest component of the index was precious metals with weaker prices for both gold and silver.

The property index was almost flat over the quarter, returning -0.2%. Capital value declines in the office and retail sectors offset the income received. The office and retail sectors continue to see month-on-month capital value declines, while the industrial sector has recovered some of the falls seen at the end of 2022 having recorded seven consecutive months of growth.

Fund Valuation
as at 30 September 2023

	Jun-23		Quarterly Net	Sep-23		Benchmark	Range
	£m	%	Investment	£m	%	%	%
FIXED INTEREST							
Inv Grade Credit - BCPP	496.2	4.8	0.0	501.4	4.9	5	
UK ILGs - BCPP	633.3	6.2	55.0	617.7	6.0	7	
UK ILGs SYPA	33.6	0.3	-31.1	0.0	0.0		
MAC - BCPP	484.7	4.7	-34.5	450.6	4.4	4	
TOTAL	**1647.8**	**16.0**	**-10.6**	**1569.7**	**15.3**	**16**	**11_21**
UK EQUITIES	**1053.9**	**10.2**	**-35.0**	**1034.2**	**10.1**	**10**	**5 _ 15**
INTERNATIONAL EQUITIES							
Developed Market - BCPP	2922.6	28.4	-50.0	2875.1	28.4	27.125	
Emerging Market - BCPP	683.3	6.6	0.0	696.3	6.6	7.875	
Emerging Market - SYPA	0.7	0.0	0.0	0.7	0.0		
TOTAL	**3606.6**	**35.0**	**-50.0**	**3572.1**	**34.7**	**35**	**30-40**
LISTED ALTERNATIVES -BCPP	**156.1**	1.5	**0.0**	**155.2**	1.5	0	
PRIVATE EQUITY							
BCPP	279.4		16.8	294.6			
SYPA	825.7		-19.1	845.0			
TOTAL	**1105.1**	**10.7**	**-2.3**	**1139.6**	**11.1**	**7**	**5_9**
PRIVATE DEBT FUNDS							
BCPP	129.5		7.3	137.3			
SYPA	473.7		-20.6	468.5			
TOTAL	**603.2**	**5.9**	**-13.3**	**605.8**	**5.8**	**7.5**	**5.5-9.5**
INFRASTRUCTURE							
BCPP	375.8		21.3	391.7			
SYPA	476.4		-18.3	468.6			
TOTAL	**852.2**	**8.3**	**3.0**	**860.3**	**8.4**	**9**	**6_12**
RENEWABLE ENERGY	**209.5**	**2.0**	**0.7**	**205.9**	**2.0**	**3**	**1_5**
CLIMATE OPPORTUNITIES	**60.2**	**0.6**	**4.1**	**62.1**	**0.6**	**1**	**0-3**
PROPERTY	**890.9**	**8.6**	**85.3**	**974.6**	**9.5**	**10**	**8_12**
CASH	**116.7**	**1.1**		**105.2**	**1.1**	**1.5**	**0-2.5**
TOTAL FUND	**10302.2**	**100.0**		**10284.7**	**100.0**	**100**	
COMMITTED FUNDS TO ALTERNATIVE INVESTMENTS	**1562.4**			**1584.9**			

Asset Allocation Summary

We continued to reduce our overweight position to listed equity funds. We sold £35m from UK equities with £25m of this switched to Index-Linked bonds at a time when index-linked bonds had underperformed significantly. £50m was also raised from overseas developed equities.

Within bonds we switched £30m from the Multi asset Credit fund into index-linked bonds while we sold down the remaining legacy index-linked bonds that we held directly.

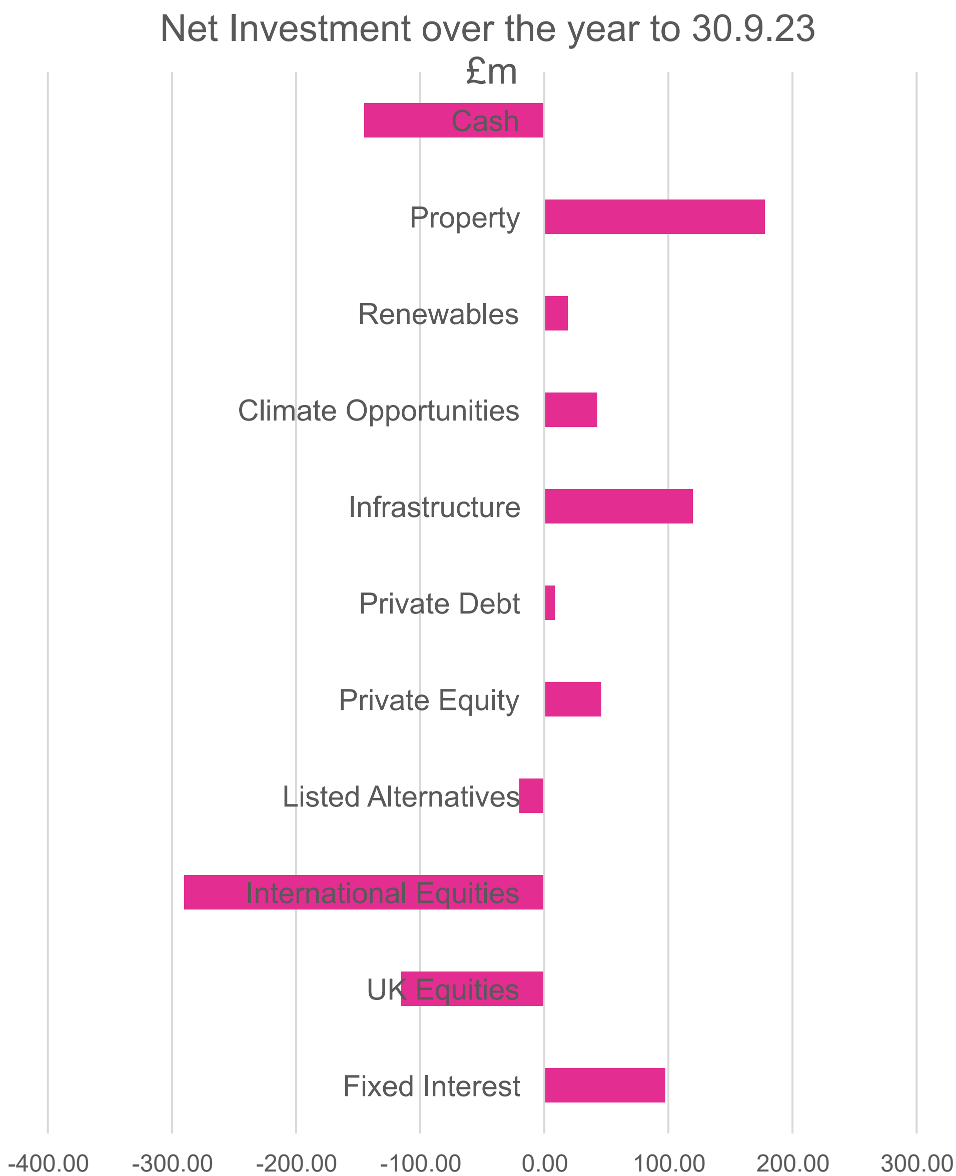
Within the property portfolios there were a further £13m of drawdowns on the CBRE local loans and £17m drawdowns into property impact funds that we hold, and we purchased £23m of agricultural land which is adjacent to existing holdings.

After the trades mentioned above there is still only one category that is outside its tactical range, and that is private equity.

The changes in net investment for the categories over the last year are also shown below. It shows that we have been de-risking the Fund in line with the strategic benchmark

The current Fund allocation can also be seen in the chart below.

Asset Allocation Summary



Asset Allocation Summary

Strategic vs Current Asset Allocation					
Asset Class	**SAA Target**	**Range**	**Current Asset Allocation**		
	%	%	£m	%	OW/UW
Index Linked Gilts	7	5 - 9	617.7	6.0	**-1.0**
Sterling Inv Grade Credit	5	4 - 6	501.4	4.9	**-0.1**
Multi Asset Credit	4	2 - 6	450.6	4.4	**0.4**
UK Equities	10	5 - 15	1034.2	10.1	**0.1**
Overseas Equities	35	30 - 40	3572.1	34.7	**-0.3**
Private Equity	7	5 - 9	1139.6	11.1	**4.1**
Private Debt	7.5	5.5-9.5	605.8	5.9	**-1.6**
Infrastructure	9	6 - 12	860.3	8.4	**-0.6**
Renewables	3	1-5	205.9	2.0	**-1.0**
Listed Infrastructure	0	0-2	155.2	1.5	**1.5**
Climate Opportunities	1	0-2	62.1	0.6	**-0.4**
Property	10	8 - 12	974.6	9.5	**-0.5**
Cash	1.5	0.5 - 2.5	105.2	1.0	**-0.5**
Total	100		10284.7	100	

OW/UW 'RAG' ratings

Green ratings indicate that current asset allocation is within agreed tolerances

Amber ratings indicate that current asset allocation is beyond 70% of the difference between the maximum/minimum range and the strategic target allocation

Red ratings indicate that current asset allocation is out of range

Performance

as at 30 September 2023

	Qtrly Performance		Financial Y.T.D.	
	SYPA	Benchmark	SYPA	Benchmark
	%	%	%	%
FIXED INTEREST				
Investment Grade Credit - BCPP	2.2	2.3	-0.6	-1.2
UK ILGs	-10.6	-10.7	-19.6	-19.8
Multi Asset Credit - BCPP	0.1	2.2	1.4	4.1
UK EQUITIES	**1.5**	**1.9**	**1.2**	**1.4**
INTERNATIONAL EQUITIES				
Developed Market - BCPP	0.1	0.1	3.5	2.4
Emerging Market - BCPP	1.9	2.5	0.1	0.4
TOTAL	**0.4**	**0.6**	**2.8**	**0.8**
PRIVATE EQUITY	**3.4**	**2.4**	**3.3**	**4.9**
PRIVATE DEBT FUNDS	**2.9**	**1.5**	**3.9**	**3.0**
INFRASTRUCTURE	**0.7**	**1.9**	**1.2**	**3.9**
RENEWABLES	**-1.8**	**1.9**	**-3.2**	**3.9**
CLIMATE OPPORTUNITIES	**-3.1**	**1.9**	**-3.1**	**3.9**
PROPERTY	**0.8**	**-0.2**	**2.1**	**0.4**
CASH	**1.4**	**1.3**	**2.1**	**2.4**
TOTAL FUND	**0.3**	**0.4**	**0.5**	**0.4**

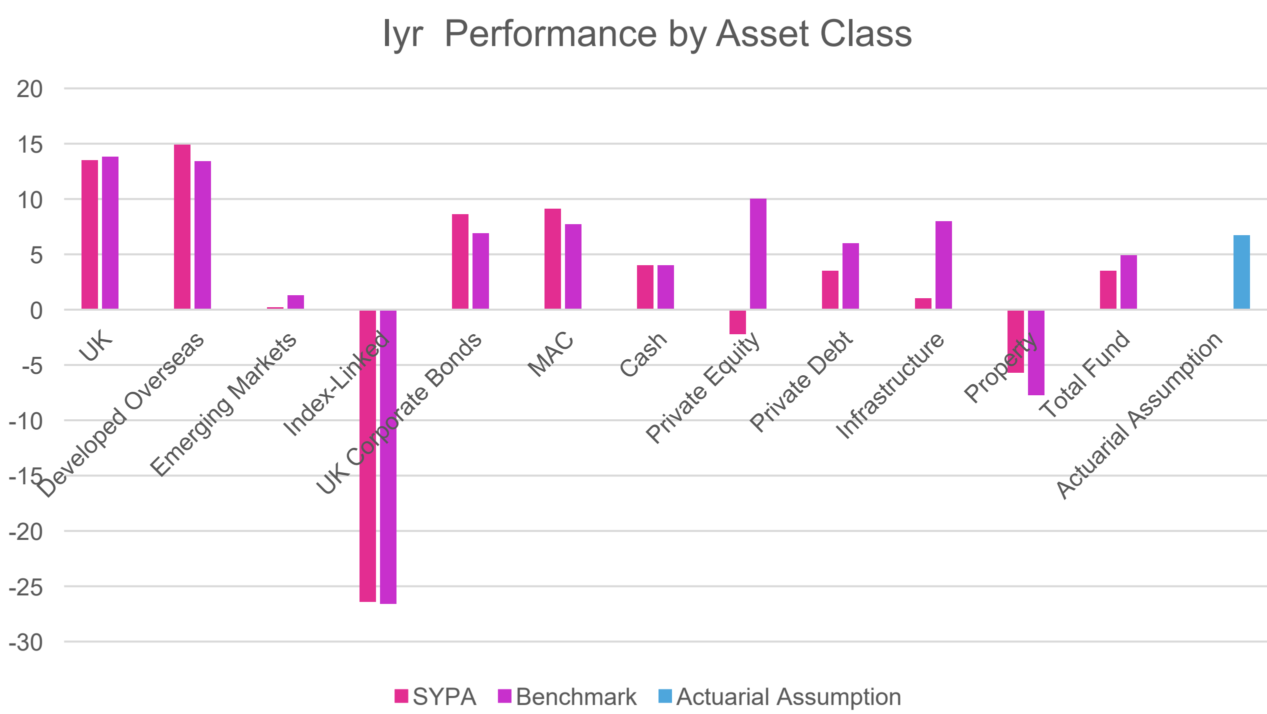
Performance Summary

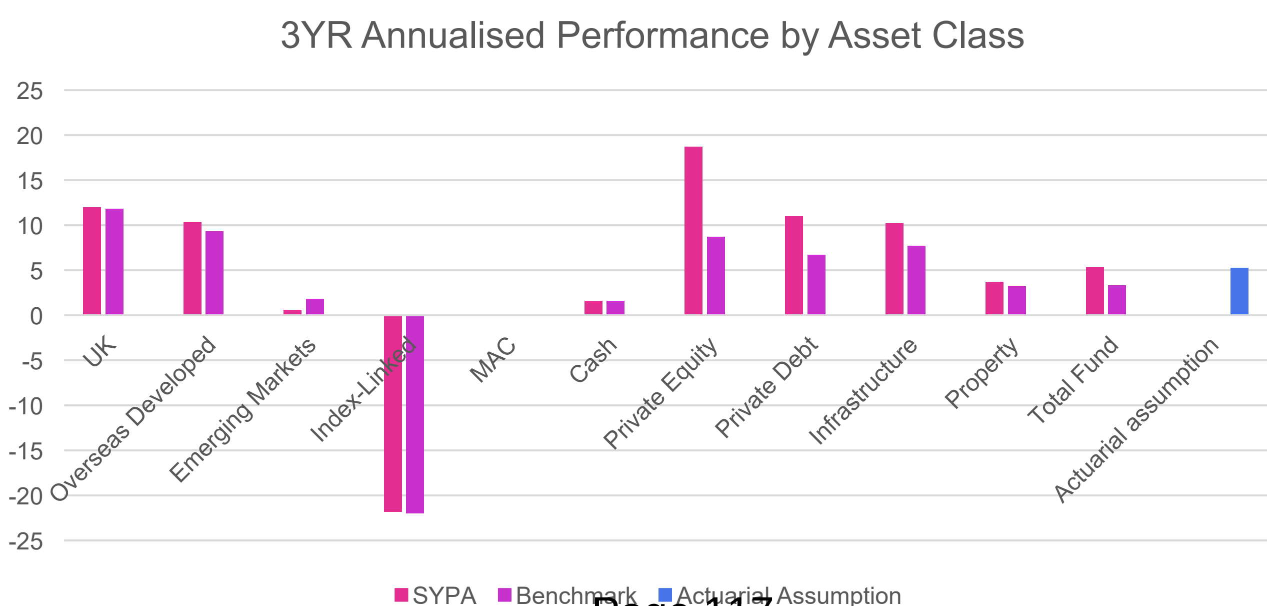
For the quarter to the end of September, the Fund returned 0.3% against the expected benchmark return of 0.4%. Asset allocation decisions taken together had no impact with stock selection having a slightly negative impact overall.
The breakdown of the stock selection is as follows:-

Total equities	-0.1%
MAC fund	-0.1%
Infrastructure funds	-0.1%
Renewables	-0.1%
Private Equity funds	0.1%
Private Debt funds	0.1%
Property	0.1%

Year to date the Fund has returned 0.5% against the expected return of 0.4%.

Performance-Medium term





Performance – Border to Coast Funds

The UK equity portfolio showed marginal underperformance of its benchmark this quarter but is still outperforming since inception. The portfolio was impacted by stock selection decisions in financials, industrials and telecommunications.

The Overseas Developed Market portfolio continued to outperform the benchmark return. The key contributor to relative performance was the European exposure, although both the US and Asia ex-Japan also contributed positively to performance. Sector wise positions in Novo Nordisk and Eli Lilly within the healthcare sector which both gained more than 20% were material contributors to performance. The portfolio is ahead of its target since inception.

The Emerging Market portfolio had positive absolute performance of 1.9% but underperformed the benchmark by 0.6%. On a since inception basis the Fund has also delivered positive absolute performance of 2.5% but it remains behind the benchmark by 1.7% per annum. Over the quarter the only manager to outperform the benchmark was UBS who marginally outperformed the benchmark by 0.2%.

The index-linked portfolio generated a total return of -10.76% during the quarter, compared to the benchmark return of -10.67%. The underperformance was driven in equal measure by a widening in credit spreads on the corporate holdings, the duration overweight as yields rose and the overweight to ultra long dated gilts as the curve dis-inverted. The portfolio has met its target since inception.

The Sterling Investment Grade Credit fund generated a return of 2.24% but this was marginally behind the benchmark return of 2.27%. All managers performed within +/- 0.2% of the benchmark with M&G being the only manager to deliver positive excess returns over the quarter. The Fund has performed well over the year adding 1.6% in excess return and there was positive relative contributions from all three managers. From inception all the managers have achieved outperformance of their target.

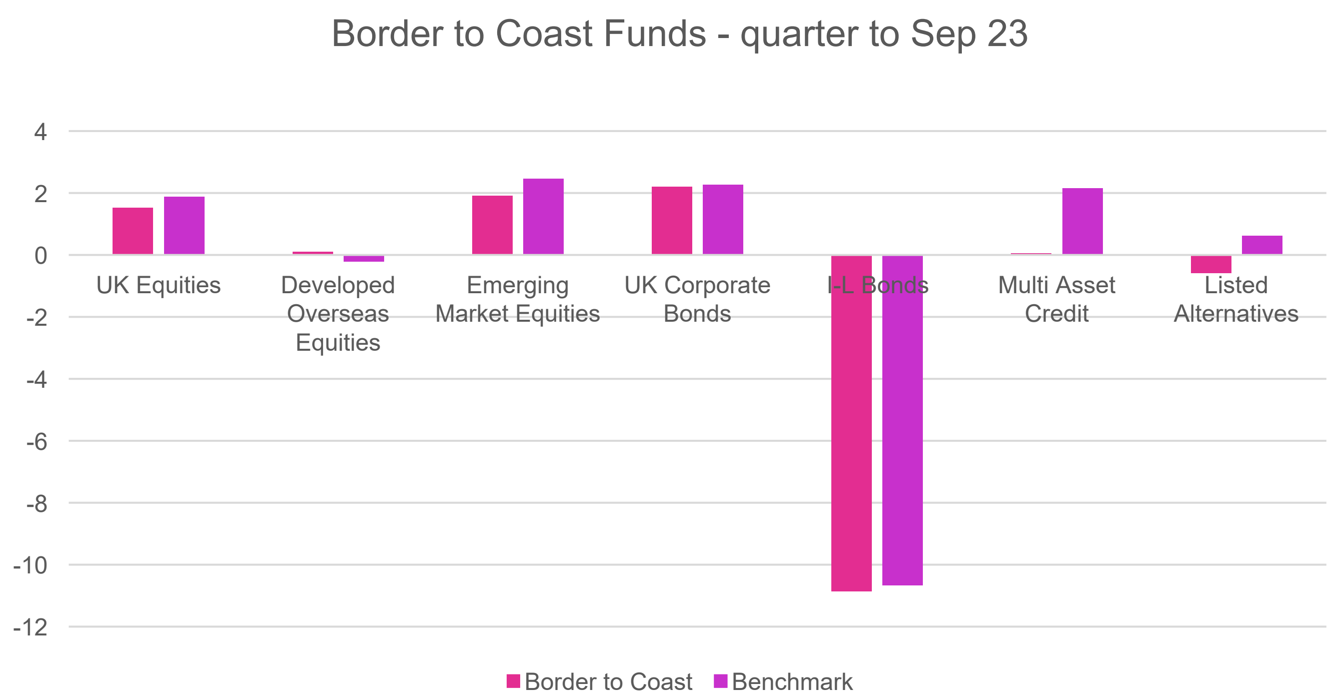
The Multi-Asset Credit fund has an absolute return benchmark and this quarter although it returned a positive return of 0.1% it was still behind its cash benchmark. All managers underperformed their benchmarks. The fund is still behind target from inception with only the internal team and Wellington outperforming their benchmark.

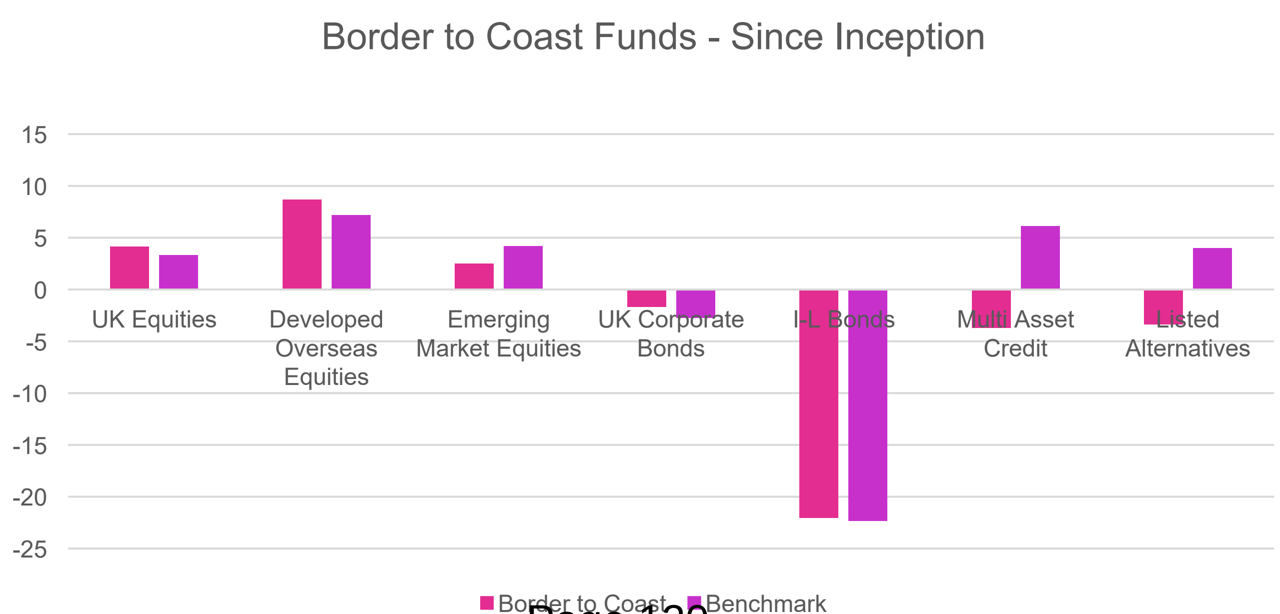
Performance – Border to Coast Funds

The Listed Alternatives fund showed underperformance for the quarter. The portfolio has a diversified portfolio which includes listed assets in infrastructure, specialist real estate, private equity and alternative credit. The Fund returned -0.58% over the quarter, taking returns since inception to -3.37%. Listed Alternative assets have lagged global equity markets over the period, with the MSCI ACWI Index returning 0.62% in the last quarter and 4.01% since the launch of the Fund. The Fund’s sensitivity to interest rates was the primary driver of underperformance, with a historically aggressive monetary tightening cycle proving challenging for many long-duration assets including real estate and long-dated bonds.
The PM is leaving and there is the risk that there is insufficient resource going into the end of 2023/Q1 2024.

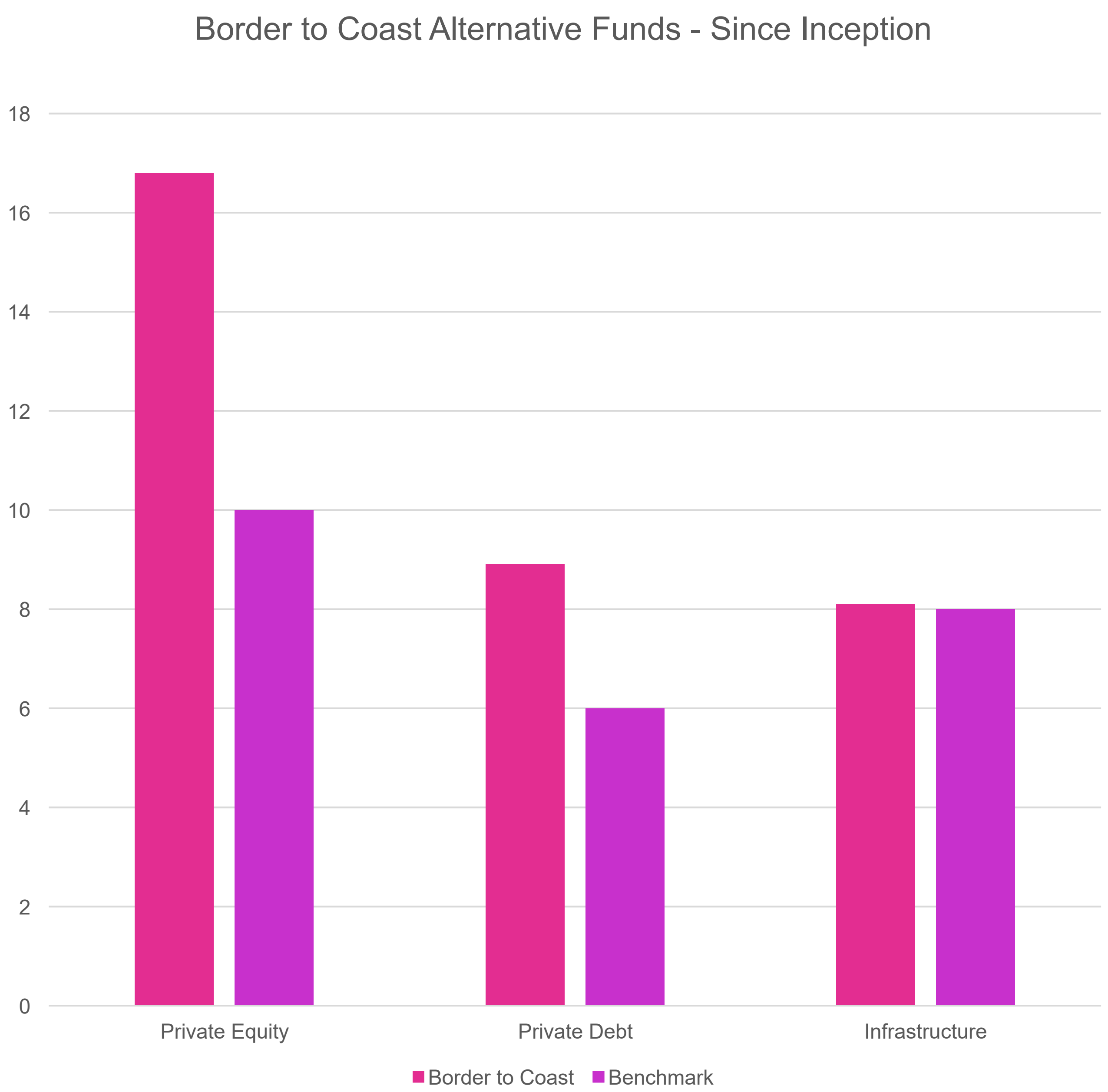
The charts below show quarterly returns but also the longer-term position of each of the Border to Coast funds that we hold.

Performance-Border to Coast Funds





Performance-Border to Coast Alternative Portfolios



Funding Level

The funding level as at 30 September 2023 is estimated to be 158.2%

The breakdown is as follows:

Fund’s Assets at 30 September		£10,284.7
Funds estimated Liabilities at 30 September	£6,500	

Caveat
This estimate is calculated on a rollforward basis. This means that there is no allowance made for any actual member experience since the last formal valuation on 31 March 2022

SOUTH YORKSHIRE PENSIONS AUTHORITY

Outlook

Central Banks have raised policy rates sharply over the last eighteen months. While headline rates of inflation have been falling, core inflation remains high due to ongoing pressures in service sectors. These pressures are expected to ease gradually over 2024 and inflation should be closer to targets. However, it may remain above target in most major economies and so there is still a risk that Central banks may need to tighten policy more than anticipated.

UK Equities

With UK rates now nearing their peak the outlook for the UK economy and corporates is looking modestly brighter. Markets expect the Bank of England will be on hold until late in 2024 but if the economy remains sluggish the Bank could reverse course earlier in the year. The short-term outlook is still uncertain and recession risk is greater in the UK than elsewhere. However, the UK stock market is only loosely tied to the health of the UK economy and in terms of valuations the FTSE 100 is currently trading on less than 11 times expected earnings which is a huge discount to the US market and is also cheaper than shares in any other developed market. Would like to have a neutral weighting.

Overseas equities

We expect market conditions to remain volatile. By some measures the US stock market looks expensive relative to history, but this is largely due to gains in leading technology companies. The fact that the US economy looks to be in relatively good shape should help to support profits in 2024 and suggests that the US is not as expensive as it might appear. European and Japanese company shares are trading below their historical averages and so have attractions. We would prefer to be weighted towards the developed markets rather than emerging markets given the weaker outlook for China. Will look to continue rebalancing total overseas weighting towards neutral.

Outlook

Bonds

As we are nearing the top of the interest rate tightening cycle, bonds are beginning to look more attractive. We have benefited from being underweight bonds as rates have been increasing and have taken the opportunity to rebalance our bond weighting. We are currently weighted towards higher risk bonds but will use market opportunities to rebalance across the different bond categories

Real Estate

The outlook for UK real estate has clouded given a weaker economy. Occupational performance is expected to be the predominant driver of real estate returns in the near term with no substantive improvement anticipated until the second half of 2024.

The portfolio remains heavily weighted towards industrials and very underweight in offices, with a marginal overweight position in ‘other’ and an underweight holding in retail.

The strongest rental and capital growth over the next five years is expected to be seen in the residential and industrial sectors and in selected alternative markets. The recommendation is to maintain the overweight industrial position and deploying capital to build a position in the residential sector.

The focus will still be on good quality assets with strong ESG credentials. Will look to selectively increase our weighting.

Alternatives

We are looking to add further investments into this asset class with the allocations being weighted more towards private credit which tend to benefit from the linkage to floating rates in a period of rising rates and to infrastructure investments, in particular to renewable energy funds that have a particularly high level of linkage to inflation and have secure income characteristics. We are also adding further to climate opportunity funds.

Outlook

Cash

The deployment to the alternative sectors has reduced cash to a level that further cash requirements would necessitate switching among the asset classes.

SOUTH YORKSHIRE PENSIONS AUTHORITY

Responsible Investment Update Quarter 2 2023/24

December 2023

Contents

Highlights and Recommendations

Highlights over the quarter to the end of September include:

- The casting of over 950 votes at close to 100 company meetings.
- Despite the passing of peak voting season the overall level of engagement activity, with invested companies, increased as LAPFF stepped up engagement.
- High ESG ratings have been maintained for those portfolios where ratings are available.
- Continued focus on engaging with companies to provide clearer plans for the transition to Net Zero and their business strategies to achieve these plans.
- The commercial property portfolio achieved an increase in GRESB score to 78% compared to a peer average score of 73% in the latest assessment with a year-on-year fall of 11% in total like-for-like emissions (scope 1, 2 & 3).
- The overall ESG performance of the listed asset portfolios with Border to Coast has continued to be strong.
- Overall financed emissions of the Border to Coast invested assets have remained flat over the quarter however the UK Equity Fund saw a positive reduction the financed emissions.

The Authority are recommended to note the activity undertaken in the quarter.

Background

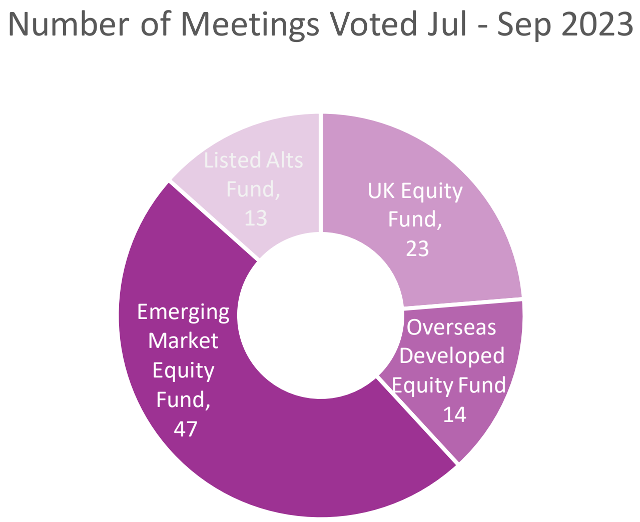
The Authority has developed a statement which sets out what it believes Responsible Investment is and how it will go about implementing it within its overall approach to investment. This statement is set out in the Responsible Investment Policy which is available on the website here.

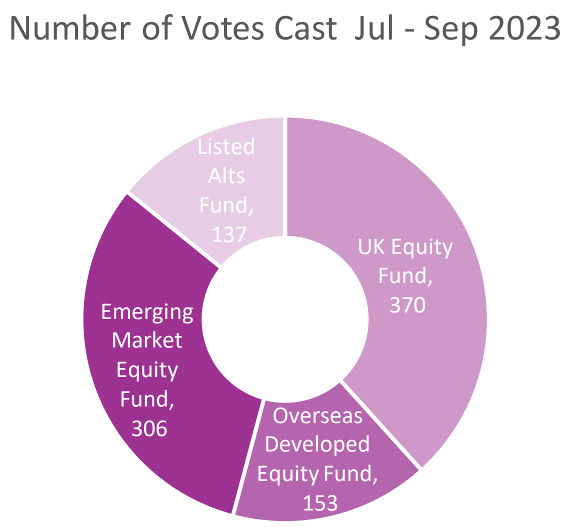
Our approach is largely delivered in collaboration with the other 10 funds involved in the Border to Coast pool. This report provides an update on activity in the last quarter covering:

- Voting – Information on how the voting rights attached to shareholdings have been used over the period to influence the behaviour of companies to move in line with best practice.
- Engagement – Information on the volume and nature of work undertaken on the Authority's behalf to engage in dialogue with companies in order to influence their behaviour and also to understand their position on key issues.
- Portfolio ESG Performance – Monitoring the overall ESG performance of the various products in which the Authority is invested, and on the commercial property portfolio.
- Progress to Net Zero – Monitoring the carbon emissions of the various portfolios where data is available in order to identify further actions required to support progress to Net Zero.
- Stakeholder Interaction – There is considerable interaction between the Authority and stakeholders around responsible investment issues which is summarised for wider accountability purposes.
- Collaboration – Working with others to influence the behaviour of companies and improve stewardship more generally.
- Policy Development – An update on broader policy developments in the Responsible Investment space some of which directly involve the Authority and others which are of more general interest.

Voting Activity

This quarter saw a fall in both the number of meetings and votes cast as we moved past peak voting season. Detailed reports setting out each vote are available on the Border to Coast website here. The charts below show a breakdown of the meetings and votes cast by Border to Coast on behalf of SYPA investments.





Robeco highlighted the below in their Q3 2023 Active Ownership report around how investors have used their shareholder rights to push for more reasonable business practices.

Japan's proxy voting season: Embracing ESG, Diversity and Shareholder Activism

This year's proxy voting season in Japan has emerged as a pivotal time for shareholders to influence corporate governance and advocate for change. Several notable trends have emerged, highlighting a shifting landscape that prioritizes and call for greater transparency and accountability on environmental, social, and governance (ESG) factors, pushes for greater diversity and inclusion, and demands stronger shareholder rights and accountability.
For example, at the recent shareholder meeting of a Japanese ''mega-bank'', shareholders voted on resolutions requesting the company to issue and disclose a transition plan to align its lending and investment with the Paris Agreement.

In addition, Japanese companies' shareholders are asserting their rights and demanding stronger participation in the decision-making process. A record number of shareholder proposals were submitted to companies, urging improvements in governance and calling for higher returns.

Robeco assesses these shareholder proposals on a case by case basis, and are generally supportive of proposals that aim to increase transparency on material ESG issues and enhance long-term shareholder value creation. Nevertheless, when reviewing the merits of these shareholder proposals, Robeco identified numerous instances where the text of the resolution was overly prescriptive, and therefore decided not to support them.

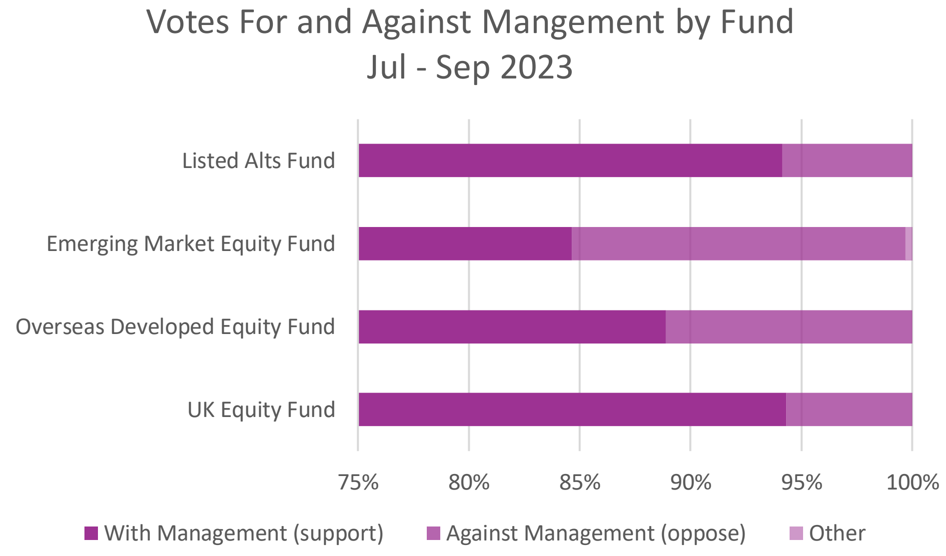
There has been a growing emphasis in Japan on greater gender diversity in corporate boards. Shareholders are increasingly advocating for concrete targets to be integrated into listing rules and the Corporate Governance Code, signalling their commitment to promoting diverse and inclusive leadership.

The Asian Corporate Governance Association (ACGA), of which Robeco is a member, has recommended changes to the Corporate Governance Code over the following years to encourage both prime and non-prime market-listed companies to enhance the role of women on boards and in management.

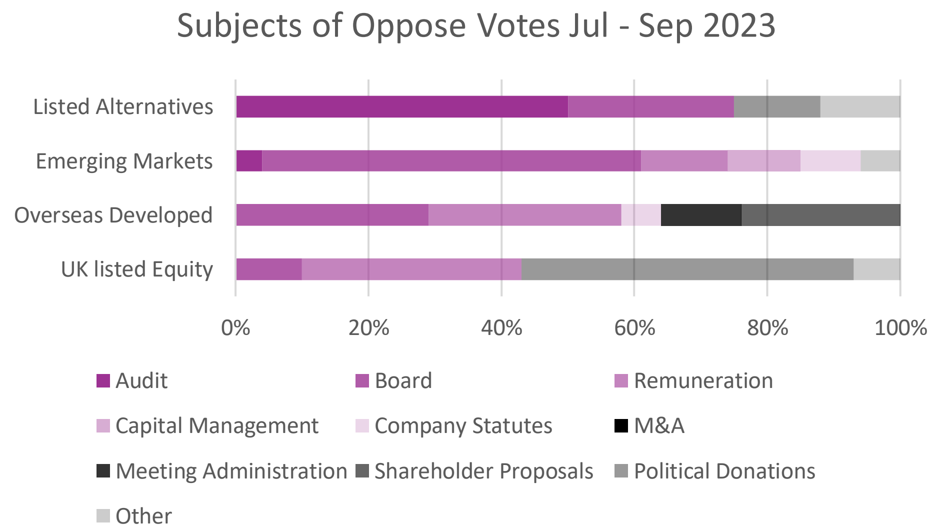
To conclude, this proxy voting season in Japan has witnessed a significant shift in shareholder priorities, with ESG considerations, diversity, shareholder rights, governance reforms and long-term value creation at the forefront. Shareholders continue to leverage their voting power to drive positive change, promote transparency, and hold companies accountable. These trends are reshaping the Japanese corporate landscape as shareholders actively contribute to the evolution of corporate governance practices and pave the way for a more sustainable and inclusive future.

Robeco Active Ownership Report October 2023

The breakdown of support and oppose votes, which align with votes for or against management, is shown in the chart below.



The above graph shows the breakdown of votes cast for (in support of management) and against (in opposition to management) resolutions during the quarter. Compared to last quarter, the proportion of votes against the line taken by company management has increased. As has been previously reported, this reflects the "ratcheting up" of the voting guidelines in a number of areas, as can be seen from the analysis below of the subjects of oppose votes.



The above graph indicates that votes against are slightly more concentrated across topics than has been the case in previous quarters. The three largest areas where we have opposed management relate to Board composition, remuneration, and in the case of the Listed Alternatives fund, Audit. As in previous quarters, votes against political donations remains close to 50% of the votes made against management of UK listed companies. It is worth reviewing the reasons why it is the case that votes are made against management.

- In the case of Board composition there are a number of things which under the voting guidelines automatically trigger an oppose vote. These include insufficient independence, insufficient diversity within the Board, and insufficient progress in terms of adapting the business to the risks posed by climate change.
- In the case of remuneration votes against are triggered by executive pay packages which are either excessive in absolute terms and/or where incentive packages are not aligned with shareholder interests and/or the performance targets are poorly defined or too easily achieved.
- In the case of votes against political donations in the UK, this reflects the fact that in the UK donations must be put to a shareholder vote and the voting guidelines oppose any donations of this kind.
- Auditor appointments are automatically opposed if reappointment would result in an unduly long term which is viewed as compromising the independence of the Auditor.

Shareholder resolutions, as can be seen within the information on notable votes in these reports linked below, can cover a whole range of issues. It can be seen that, in the last year the focus, aside from climate issues, has tended to be on diversity and human rights issues, particularly for US companies. The voting policy does not automatically support such resolutions, rather analysis is undertaken on a case-by-case basis covering both the company's and proponent's positions before votes are decided by Border to Coast on the advice of Robeco.

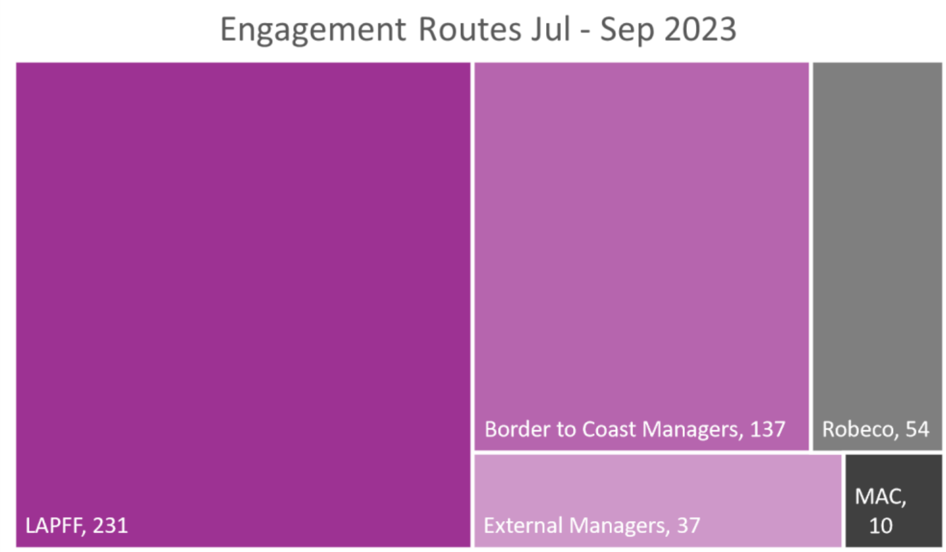
Notable votes in the quarter are summarised below and further details on the voting undertaken can be found here.

SSE Plc - SSE is a UK-based energy company with exposure to gas and renewables and transmission infrastructure. The AGM featured a vote on its 'Net Zero Transition Report', in which it outlined how it made progress towards its climate ambitions. After assessing the company's climate and decarbonisation strategy, Robecoidentified that there were a series of gaps. Based on these concerns, the company failed Robeco's 'Say on Climate' framework and the Transition Report was voted Against. The report received 2.5% of votes cast Against the resolution and hence the report was approved.

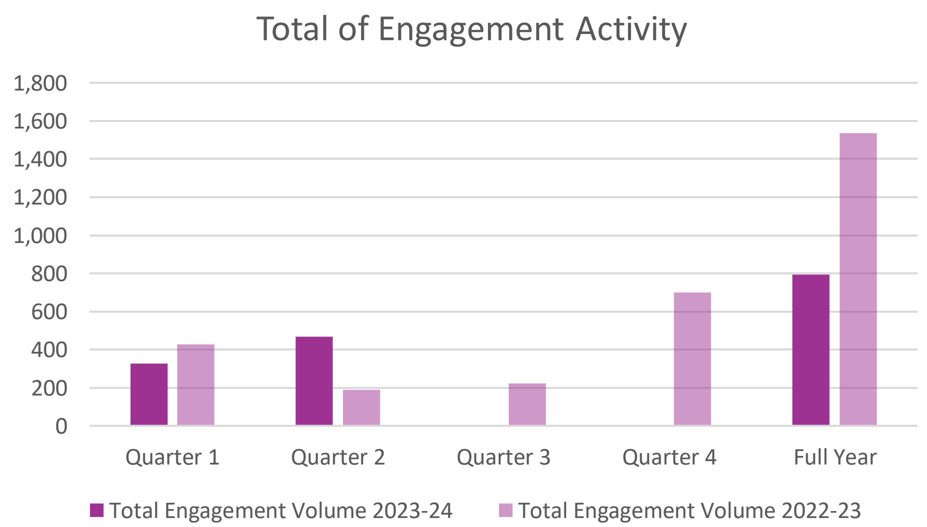
Nike, Inc. At Nikes 2023 AGM, shareholders voted on a number of resolutions routinely encountered on US firm ballots, as well as two management opposed shareholder proposals. The first shareholder proposal on the agenda requested that "Nike report on median pay gaps across race and gender, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent." The second asked that the company "issue a report assessing the effectiveness of its existing supply chain management infrastructure in ensuring alignment with Nike's equity goals and human committments." Robeco supported both proposals after assessing that there was further room for improvement and the disclosures would allow shareholders to better assess the firm's risk profile.

Engagement Activity

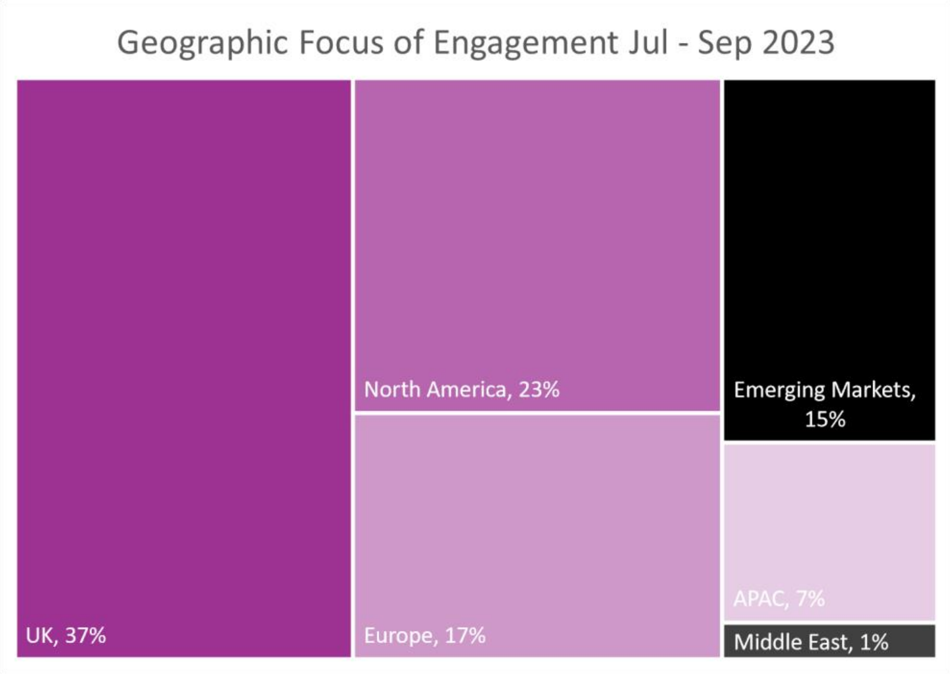
Engagement is the process by which the Authority, working together with other like-minded investors, seeks to influence the behaviour of companies on key issues. Engagement (in distinction to voting) is an ongoing process and is undertaken by those directly managing money for the Authority. This includes the investment team at Border to Coast and the external managers in the Investment Grade Credit fund together with Robeco who act on behalf of Border to Coast and the Local Authority Pension Fund Forum ("LAPFF") which acts on behalf of all its member funds. The graphs below illustrate the scale (in terms of the total number of pieces of engagement activity), the route for and the focus of engagement activity undertaken in the quarter, as well as the method of engagement undertaken.



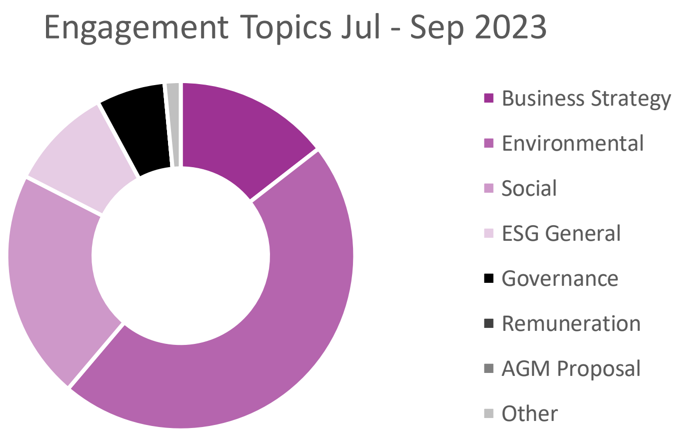
The graph below shows the level of engagement activity in the quarter has increased compared to the same quarter last year, as well as the previous quarter (Q1 2023-24). Total activity increased quarter-on-quarter due to an increase in engagement with companies from both Border to Coast and LAPFF.



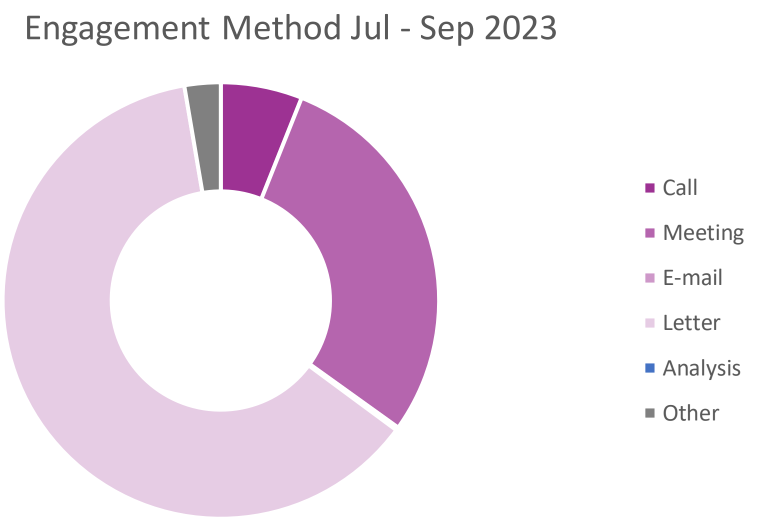
The chart below shows a breakdown of the geographic market focus in engagement over the last quarter. The focus of engagement shifted to a greater proportion being in the UK which is likely reflective of an element of home market bias.



The range of topics covered through engagement is set out in the chart below with a continuing strong focus on environmental and climate issues although business strategy, governance and social issues also received a high degree of focus.



The method by which companies are engaged is important. Letters and emails are much more easily ignored or likely to generate a stock response from companies, whereas calls or meetings allow for more effective and genuine interaction with the company. During the quarter, there was a fall in engagement taking place via calls or meetings from c45% to c35%.



More details of the engagement activities undertaken by Border to Coast and Robeco in the quarter are available here. Significant aspects of this work by Robeco in the quarter include:

- Robeco provided updates over the quarter on their engagement covering the following areas: the Just Transition in Emerging Markets; Corporate Governance in Emerging Markets; and Sovereign Engagement. The highlights from Robeco's engagement report are summarised below.

  - **The Just Transition in Emerging Markets**
    - Efforts of companies transitioning from fossil-based and resource-depleting economies to more sustainable practices are ever-growing. In this process, they should not only account for the transition of their own operations, but also the impacts that these transitions will have on their key stakeholders. A Just Transition is crucial for achieving a sustainable and climate-resilient future.
    - The transition to a low-carbon economy is expected to affect nearly 1.5 billion workers globally. The UN Framework Convention on Climate Change identified 1.47 billion jobs in sectors critical to climate stability: agriculture (1 billion); manufacturing (200 million); buildings (110 million); transport (88 million); and energy (30 million).
    - While the Just Transition is a global challenge, it is especially relevant for emerging markets. Emerging markets account for over 95% of the increase in global emissions and are projected to account for 90% of global population growth. Given their strong dependence on high-emitting sectors like coal mining and agriculture, they face a significant risk of unsustainable, inequitable development.
    - Transition-related job losses, exacerbated by weak social protection policies, will affect billions of people. However, there are also huge opportunities for emerging markets. A Just Transition can reshape their economic landscape, create jobs, advance the Sustainable Development Goals (SDGs) and elevate their global standing by showcasing a proactive response to climate change and social equity. By capitalizing on these opportunities, emerging economies and companies place themselves on a sustainable growth trajectory, benefiting their people and the planet.
    - The growing global dialogue on the Just Transition has prompted the establishment of various frameworks and initiatives from diverse stakeholders who seek to facilitate a global Just Transition. These include the International Labour Organization's Just Transition Guidelines, the UN Guiding Principles for Business and Human Rights,

Climate Action 100+ initiative, and the World Benchmark Alliance's Just Transition Methodology. These frameworks and benchmarks offer a foundation for asset managers to set clear objectives when engaging with investee companies on the Just Transition, ensuring credibility while avoiding greenwashing. The frameworks were imperative for us in developing the five engagement objectives that will structure Robeco's Just Transition dialogues.
  - The first engagement objective covers a company's Just Transition ambitions and governance. The second objective addresses stakeholder engagement, ensuring that companies identify potentially affected stakeholders and commit to ongoing social dialogues with them. The third objective focuses on the need for a Just Transition Plan, including a defined strategy towards Just Transition-related risks and opportunities. The fourth objective concerns risk identification, assessment and management, with a focus on social risks and impacts. Finally, the fifth objective addresses the company's transparency and disclosures in relation to its Just Transition progress.
  - Just Transition-related challenges and opportunities will inevitably vary across regions. To overcome these challenges and capitalize on the opportunities described above, a comprehensive, 'tailor-made' approach is essential. This includes strategic investments in sustainable solutions, tailored policies that balance economic growth, social equity and environmental sustainability, as well as collaborations with governments, corporates and civil society.

- **Corporate Governance in Emerging Markets**
  - As companies transition from fossil-based economies to more sustainable practices, they should not only account for the transition of their own operations, but also the impacts that these transitions will have on their key stakeholders; workers, communities, customers.
  - The main objective of disclosure is to ask companies to improve their provision of 'non-financial' reporting on material issues and setting targets.
  - A further objective of engagement is to improve how companies allocate capital by doing this more transparently and effectively.

- **Sovereign Engagement**
  - Over the last years, countries around the world have repeatedly come together to pledge collective action on topics ranging from poverty and health to climate to biodiversity, but progress is often too slow. For the first time in decades, progress that was being made in meeting the United Nations' Sustainable Development Goals (SDGs), has reversed, with one-third of the 17 SDGs now showing negative progress.
  - A similar story holds true when it comes to biodiversity. While almost 200 countries have agreed to implement the new Kunming-Montreal Global Biodiversity Framework formulated at the end of 2022, including the '30 by 30 target' to protect 30% of the planet's biodiversity by 2030, clear National Biodiversity Strategies and Action Plans (NBSAPs) have yet to be set.
  - So, while national ambitions are there, actions must be accelerated. Investors in sovereign debt hold an important role here, as they can encourage and support sovereign issuers to safeguard and invest in the environmental services that their economies and their citizens' livelihoods depend on.
  - However, investors need to tread carefully as elected government represents the needs of its people, its key responsibility being the country's long term well-being. While this should not discount the materiality of our current environmental crisis, engagements must be in line with a government's key stakeholder needs, and solutions must be appropriate and beneficial to the people they are representing.

- In 2020 Robeco started engagement with the Brazilian government to support the ending of deforestation in the Amazon. Since then engagements have been extended to Indonesia and Australia, including dialogues with a range of stakeholders; from (sub-)national authorities to civil society actors.
- Engagements focus on key nature-related SDGs which are of particular materiality for investors, and where Robeco believe each country would benefit from the international financial sector’s support. Talks regarding meeting SDG 15 (Life on land), focusing on ending deforestation, are being conducted with Brazil and Indonesia, while the talks with Australia focus on SDG 13 (Climate action).
- In April 2023, Robeco and other IPDD members travelled to Brazil to discuss deforestation actions under the new government. Robeco met with among other representatives of the Ministry of the Environment, Planning and Indigenous People, as well as with governmental sub-organizations such as IBAMA, the environmental enforcement agency, to understand whether political promises were being upheld.
- From an incentivization angle, Robeco’s recent trip to Brazil included numerous discussions focused on unlocking new channels to finance the country’s green transition. Robeco engaged with the Brazilian Central Bank and the Bank of Brazil to explore how to strengthen local sustainable credit markets, pushing the development of clearer taxonomies and verification systems. The discussions reflect both the growing local and international demand for green investment vehicles into the real economy.
- Overall, with Brazilian President Lula’s environmental promises and a first fall of 34% in deforestation rates having been witnessed during the first half of 2023, a fresh wind seems to be blowing through the Brazilian rainforest.

Border to Coast produced their Proxy Voting AGM Season Report for 2023 which can be viewed here. Overall, the last quarter was quieter for voting as the main season in most markets passed. However, Border to Coast continued to engage with investee companies and was one of 32 supporters of the letter from the CEOs of Institutional Investors Group on Climate Change (IIGCC), the UN-supported Principles for Responsible Investment and the UK Sustainable investment Forum, Border to Coast are urging the UK Prime Minister not to backtrack on vital policy measures that support the UK's transition to net zero. The letter focused on the importance of an ‘enabling policy environment’ to create the conditions for investors to be able to make long-term investment decisions.

Earlier in 2023 Border to Coast joined the ‘Find it, Fix it, Prevent it’ (FFP) engagement collaboration, into stopping modern slavery, led by the investment manager CCLA, targeting 30 companies who operate across the high-risk hospitality and construction sectors. Modern slavery is a widespread and criminal activity. Weak law enforcement, complex supply chains, and migration have fuelled the exploitation of people through forced labour.

Border to Coast is leading on the engagement with house builder, Crest Nicholson on behalf of the investor coalition and met with them in August to discuss how they identify and mitigate human trafficking, forced labour, and modern slavery in their supply chain. Border to Coast discussed an assessment of the company's risk management and a forthcoming public benchmarking.

The Just Transition also featured as a key theme of Border to Coast’s engagement during the quarter. Just transition is the integration of social risks and opportunities, and a place-based lens, into decarbonisation strategies. It enables investors to address systemic threats to long-term stability and value creation and is a key consideration for Border to Coast in their RI and voting policies.

In September, Border to Coast held their first meeting with CLP Holdings, an energy utility with significant operations in emerging markets, including coal power plants in India. The objective of the engagement was to secure a formal approach to a just transition strategy. This would be a global first for a high emitting company operating in emerging markets.

Border to Coast are also collaborating with Royal London Asset Management to engage four UK banks. Banks have a key role to play in the low carbon transition, both via capital allocation and support for customers to transition and have significant social risks that require management.

In September, Border to Coast met NatWest bank to request greater integration of just transition throughout its climate plan, and to demonstrate Product, Sector, and Regional integration. Engagement with both CLP Holdings and NatWest bank will continue.

Local Authority Pension Fund Forum ("LAPFF") are another relevant organisation that SYPA are members of where LAPFF carry out activity and engagement with invested companies. A detailed report of the work undertaken by LAPFF in the quarter is available here. The key issues worked on during the quarter include:

- LAPFF has continued to engage with a number of financial institutions on climate change, most notably it has issued voting alerts for Barclays, HSBC and Standard Chartered. with the aim of asking how they approached climate change from a strategic perspective.
- In 2020, LAPFF also sent letters to 11 insurers asking how they approached climate change from a strategic perspective. In total, LAPFF has now written to 13 global insurers to engage on their approaches to decarbonisation and natural resources. There have been responses from four companies so far. LAPFF will continue to send letters and set up meetings with these companies over the course of the year.
- Over the past two years, LAPFF has sent letters to the FTSE All-Share companies requesting a vote on climate transition plans. While LAPFF has been encouraged by the substantive responses, in order to continue to encourage companies to provide shareholders with such a vote, LAPFF organised a letter to 35 companies in high-emitting sectors considered to face heightened climate risks, whose actions are essential to the accelerated action required to meet the Paris goals and where the risks investors face are substantial. The letter urged companies to provide such votes to enable shareholders to first express their view on climate strategies through a specific AGM vote rather than immediately voting against the chair or another board member.
- LAPFF will be tracking the responses to the letter and will continue to engage with companies about holding a climate transition plan vote.
- LAPFF continued to engage with Anglo American, BHP, Glencore, Rio Tinto, and Vale on their human rights practices. The main objective of these engagements is to ensure that the companies understand that any failure to respect human rights and environmental impacts could have financial consequences for them and for their shareholders.
- LAPFF was pleased that both the Anglo American and Vale groups in the PRI Advance initiative have recognised the importance of stakeholder engagement and there are plans for both groups to engage with relevant affected stakeholders.

LAPFF has also continued to respond to wider developments and consultations, for example the UN Working Group on Business and Human Rights and will continue to respond to consultation opportunities where it believes it can contribute helpfully.

Portfolio ESG Performance

Equity Portfolios

Each of the equity portfolios is monitored by Border to Coast in terms of its overall ESG performance with data reported quarterly. This section of the report provides a summary of performance and of changes over time. The full reports are available for Authority members in the on-line reading room, but this summary provides a high-level indication of the position.

Overseas Developed

- Weighted ESG Score 7.3
- 51.5% of portfolio ESG leaders v 50.1% in the benchmark.
- 1.4% of portfolio ESG laggards v 2.3% in the benchmark.
- 4.4% of portfolio not covered all of which are investment trusts etc higher than benchmark
- Lowest rated 5 companies 1.2% of portfolio
- Emissions below benchmark on all metrics.
- Weight of fossil fuel holdings greater than benchmark
- All 5 top emitters rated on the Transition Pathway with 3 TPI scoring of 4
- 4 of 5 top emitters engaged through Climate Action 100+

United Kingdom

- Weighted ESG Score 7.9
- 74.6% of portfolio ESG leaders v 71.9% in the benchmark
- 0% of portfolio ESG laggards
- 6.9% of portfolio not covered, mainly investment trusts marginally less than benchmark
- Lowest rated 5 companies 7.9% of portfolio, all MSCI rated BBB or above
- Financed emissions and coarbon intensity metrics are below or inline with the benchmarkLower weight of fossil fuel holdings than in benchmark.
- Top 5 emitters rated 4 or 4* (highest ratings) on the Transition Pathway and all engaged through Climate Action 100+

Emerging Markets

- Weighted ESG score 5.8
- 24.2% of portfolio ESG leaders v 20.0% in the benchmark
- 10.6% of portfolio ESG laggards v 14.7% in the benchmark
- 4.1% of portfolio not covered largely investment trusts etc
- Lowest rated 5 companies 4.2% of portfolio.
- Emissions materially below benchmark on all metrics
- Greater weight of oil and gas holdings than in benchmark.
- 2 of the top 5 emitters engaged with the Transition Pathway with low scores of 3 or 1
- 2 of top 5 emitters engaged through Climate Action 100+

Listed Alternatives

- Weighted ESG score 7.3
- 38.0% of portfolio ESG leaders v 43.3% in the benchmark
- 0.5% of portfolio ESG laggards v 2.9% in the benchmark
- 39.9% of portfolio not covered largely investment trusts etc
- Lowest rated 5 companies 9.2% of portfolio.
- Emissions below benchmark on 2 of 3 measures
- Materially lower weight of fossil fuel holdings than in benchmark.
- 4 of the top 5 emitters engaged with the Transition Pathway with two scoring TPI level 4 and further scores of 3 and 2
- 2 of 5 top emitters engaged through Climate Action 100+

In general, this shows a broadly positive picture, with all funds continuing to score better than, or inline with, the benchmark overall. However, the overall trajectory of improvements within these funds has slowed with progress largely flat during the quarter.

Each quarter Border to Coast's reporting on carbon emissions features particular stocks and their plans for decarbonisation. In order to increase the level of transparency on the engagement undertaken with companies and the assessment of their future decarbonisation plans, case studies for each listed fund are included below.

Overseas Developed Fund

Featured Stock: POSCO

Within the Overseas Developed Fund POSCO Holdings is one of the largest steel producers in the world, based in Korea. POSCO has committed to reduce greenhouse emissions with a 2050 carbon neutral goal. POSCO has also set interim goals with a short-term carbon reduction target of -20% by 2030 (vs. 2017-2019 levels) and a medium-term target of -50% by 2040; and a long-term carbon neutral ambition by 2050. POSCO is aiming to achieve this through the establishment of a climate-resilient business model with a low carbon impact focusing on a "green" process (improving efficiency and introducing the usage of scraps and carbon capture), products (for a low-carbon industry ecosystem) and partnership (with diverse stakeholders to achieve its target of "Corporate Citizenship: Building a Better Future Together").

The Transition Pathway Initiative (TPI) covers POSCO and gives it a management quality score of 4 ("Strategic Assessment" of climate) which is the highest score and rates POSCO's climate targets as being 1.5°C aligned by 2050. This is supported by Climate Action 100+ where it meets all criteria for the first two indicators of the Net Zero Benchmark (net zero emissions by 2050 and long-term 1.5°C aligned GHG reduction targets). However, as the company does not meet any CA100+ criteria for Short-term GHG Reduction Targets (up to 2026) Border to Coast voted against the Chair at the 2023 AGM and will be following up with management to explain their decision.

Robeco has an ongoing engagement with POSCO under the Acceleration to Paris Theme; with key engagement topics on how the net zero ambition can be substantiated by shorter-term targets, reducing investments in thermal coal and its policy advocacy in Korea. Robeco will continue to monitor this engagement and follow up on the company's progress towards its targets.

UK Listed Equity Fund

The weighted ESG score remained consistent over the quarter and remains above the benchmark. This is due to the Fund holding a higher weighting of companies considered to be 'Leaders'.

Featured Stock: easyJet

easyJet is a European airline operating mainly from slot-constrained primary airports including Gatwick, Amsterdam, Geneva and Paris CDG, raising barriers to entry and limiting direct route competition with ultra low-cost carriers. Typically, the largest or number two airline at its airports, easyJet combines scale efficiencies with convenience through operating dense route networks, considered important factors for frequent flyers/business travellers in particular, whilst also supportive of premium pricing. easyJet Holidays, launched as recently as 2019, has already established itself as one of the largest holiday operators in the UK, adding a further growth driver.

The aviation industry is one of the most challenging sectors to decarbonise. easyJet has an MSCI ESG rating of AA (no airline has a higher rating) and has set an emissions intensity reduction target of 35% by 2035 compared to 2019, and to achieve net zero by 2050 (representing a 78% intensity reduction), principally through the increased use of sustainable aviation fuels and introduction of more fuel-efficient aircraft, with an accelerated fleet renewal programme recently announced. Border to Coast is co-leading engagement with the Company as part of the IIGCC Net Zero Engagement Initiative

Emerging Markets Equity Fund

The ESG weighted score remained flat over the quarter and above the benchmark. This is due to the Fund holding a higher weighting of companies considered to be 'Leaders'.

During the quarter carbon emissions remained flat but remained significantly below that of the benchmark.

Featured Stock: Shanghai Friendess Electronic Technology

During the quarter Shanghai Friendess Electronic Technology (CCC) was added to the Fund. An overview of the Company is provided below. Tal Education (Feature Stock in Q4 2022) was upgraded from 'CCC' to 'B' in the quarter.

Shanghai Friendess Electronic Technology (Friendess) is a dominant player in low-power, industrial laser cutting control systems with ~70% of market share in China. The laser industry (market size: ~13bn USD in China) is likely to continue to grow above the rate of GDP in the foreseeable future driven by continued laser market penetration (e.g., replacing traditional machine tools), labour substitution and demand for higher quality and precision. The market has underestimated the pace of growth and demand for high-end manufacturing in China and COVID has accelerated this growth even further. Friendess is expected to grow its sales over the next 5 years.

Friendess's main business of laser cutting tools and associated industrial software, reduces waste and the release of associated by-products by improving the efficiency of commercial cutting. Friendess is rated as 'CCC' by MSCI due in large part to its rating on corporate governance. These governance concerns can be somewhat typical of companies based in China, which include board independence, combined CEO and Chair positions and controlling shareholders. MSCI also has concerns relating to non-disclosure or the absence of certain policies and initiatives, which are not common for Chinese companies to disclose. Friendess has a best-in-class customer service provision which results in a price premium of up to 2x versus domestic peers. Friendess has only experienced one full MSCI rating cycle and positively the ESG Score has increased over this period.

Sterling Investment Grade Credit Fund

Similar information is now available for the Investment Grade Credit portfolio as is available for the equity portfolios. It is important to note that while the availability and quality of ESG data has been improving in recent years, there can still be material gaps across the fixed income market. This is particularly prevalent where a debt-issuing entity does not also issue publicly listed equity, which, in most cases, the fixed income issuer maps to. The highlights from this report are set out below:

Weighted ESG score 7.2 which is less than benchmark of 7.6	42.6% of portfolio ESG leaders compared to 57.8% in the benchmark	0.6% of portfolio ESG laggards compared to 0.9% In the benchmark
22.2% of portfolio not covered compared to 9.2% in the benchmark	Lowest rated issuers represent 1.8% of the portfolio	Emissions above benchmark on two out of three carbon emission and intensity metrics.
Materially below benchmark weight of companies with fossil fuel reserves.	4 of top 5 emitters being engaged by Climate Action 100+ and all four rated 4 on the Transition Pathway	

The ESG score and MSCI ESG rating remained stable over the quarter remaining below the benchmark on ESG scoring and inline on the overall MSCI ESG rating.

The Investment Grade Credit portfolio has, as mentioned previously, seen a significant improvement in data availability with the overall position remaining below the benchmark on all metrics.

Commercial Property Portfolio

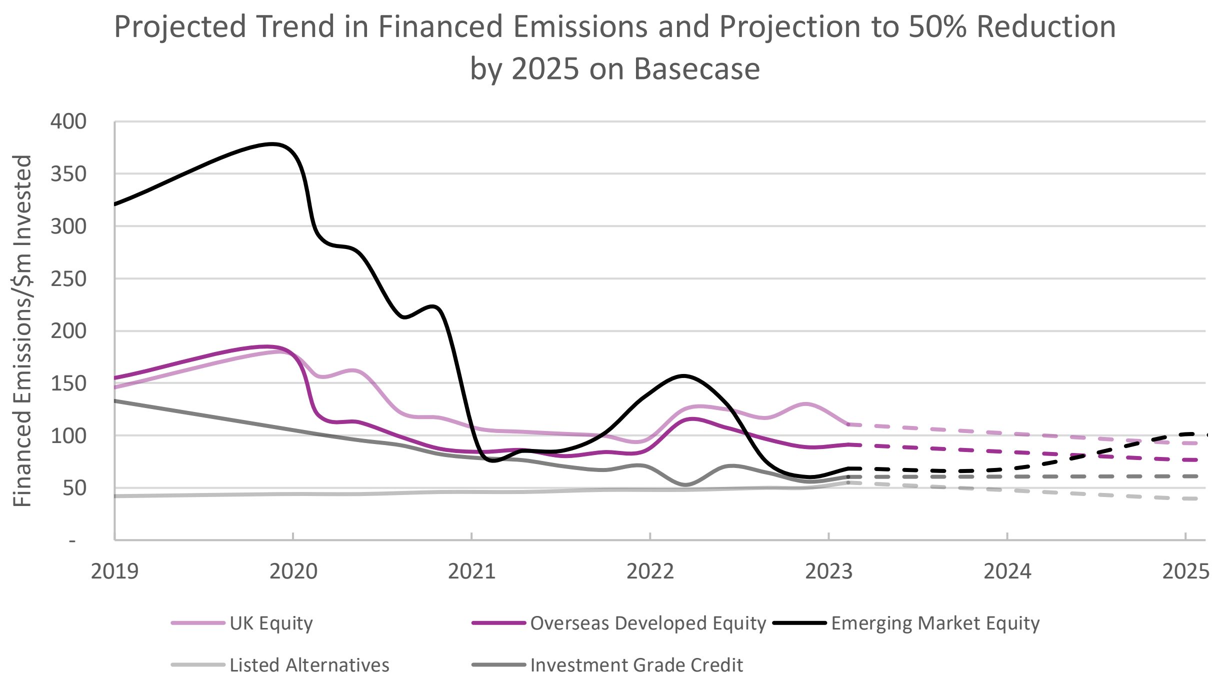
As reported previously, the overall ESG performance of the commercial property portfolio as measured by the GRESB (Global Real Estate Sustainability Benchmark) has improved over the last year with the portfolio now achieving a 3 star score with an increase in the percentage score increasing from 74% to 78% compared to a peer average score of 73%. In comparative terms the portfolio's ranking, over the year, moved up to 22 out of 100 from 22 of 80, reflecting the increased focus on these issues by abrdn. Like-for-like total emissions (scope 1, 2 & 3) also showed positive have fallen year-on-year by 11%.

In terms of the more routinely measured metrics, the proportion of the portfolio with EPC ratings A-C remains at 78%.

Abrdn have concentrated on retaining the best performing assets, and divesting from the worst performing, in both financial and sustainability terms. As a result, the proportion of the portfolio AUM with sustainability green building certification has been on an upward trajectory year-on-year from 10% to 37%. As noted in previous reports, given the costs of in use certification, this measure is expected to increase as all new properties have been rated either BREEAM very good or excellent.

Progress to Net Zero

This section of the report considers progress towards Net Zero using the emissions data provided on a quarterly basis by Border to Coast. The graph below shows the trend for what is now termed financed emissions (i.e. absolute carbon emissions) which is the main indicator for which targets have to be set. This now includes emissions data for the Listed Alternatives fund therefore covers five publicly traded funds held with Border to Coast for which carbon emissions data is available.



It can be seen in the above graph that only the Emerging Markets Equity Fund and Investment Grade Credit Fund are currently tracking below target in order to meet the overall portfolio carbon emissions interim target of a 50% reduction in portfolio emissions from listed assets, by 2025, against the base case. The reductions required are most significant for the UK Equity Fund however financed carbon emissions did decrease this quarter following an increase between Q2 2022 and Q2 2023. Following an increase in financed emissions in 2022, the Overseas Developed Equity Fund saw its level of financed emissions marginally increase after decreasing during the first half of 2023. Due to the weighting of assets in the portfolio, the most significant changes to the overall portfolio emissions comes from the Overseas Equity and UK Equity funds. Both funds, along with the Listed Alternative Fund will need to reduce financed emission if the 2025 interim target is to be met.

Overseas Developed Markets Equity

Financed emissions increased slightly during the quarter but remain below the benchmark. This was largely driven by strong performance in some of the higher emitting companies such as POSCO and Rio Tinto. POSCO is covered above as this quarter’s Feature Stock in the Overseas Developed Markets Equity Fund.

UK Equity

The Fund remains slightly above the benchmark for Weighted Average Carbon Intensity (“WACI"), however both WACI and financed emissions decreased in the quarter. This was largely due to a restatement of Shell's carbon emissions in an annual update and is more aligned to the Q1 2023 figure. Furthermore, CRH was removed from the FTSE All Share following a switch of the main listing to the US and the Fund's position was subsequently reduced in size. CRH previously accounted for ~13% of financed emissions.

Emerging Markets Equity

The fund is significantly below the benchmark for all three measures of carbon emissions and carbon intensity. The Fund saw a further reduction during the quarter due, in part, to exiting the position in PT United Tractors which previously accounted for ~6% of fund financed emissions.

Listed Alternatives

The Listed Alternatives portfolio has seen a continued increase in the availability of Carbon Emissions Data. During the quarter, the overall weighted average carbon intensity (WACI) of the fund decreased following a reduction in portfolio weight of NextEra energy and a lower reported WACI figure for Cheniere Energy.

Investment Grade Credit

As mentioned previously, the Investment Grade Credit portfolio has previously seen a significant improvement in data availability with the overall position being below the benchmark on all metrics and with no one holding dominating portfolio emissions. The largest contributors to emissions include power European producers Enel, Engie and Eon. This supports the revised position proposed in the Authority's annual policy review of using debt denial as a means of encouraging companies to actively decarbonise their operations through the use of science-based targets.

Coverage

The proportion of companies covered is an important metric when assessing the progress made to Net Zero. Without a high level of coverage, the picture will not be complete or accurate. The table below outlines the level of coverage in the funds held with Border to Coast. Over time the % of the funds covered has increased, with further improvements to be made, particularly on the Sterling Investment Grade Credit Fund.

Fund	ESG (%)	Carbon (%)
Overseas Developed Markets Equity	95.6%	95.6%
UK Listed Equity	93.1%	93.4%
Emerging Markets Equity	95.9%	98.1%
Listed Alternatives	60.1%	88.8%
Sterling Investment Grade Credit	77.8%	73.8%

As has been made clear previously, the forecast reduction in emissions shown is dependent upon Border to Coast delivering the targets set out in their own Net Zero Strategy. This further depends on changes within the investment process as well as on the actions of individual companies. Officers continue to engage with Border to Coast to further understand both the nature of the changes being made to the investment process and their likely impact.

Beyond this the recently revised investment strategy, that is undergoing implementation, will result in changes to the mix of assets that reduce the level of emissions from the portfolio. However, this process is too early stage to determine the scale of any reduction. As has previously been reported there remains a very strong probability that the Net Zero Goal will be missed although there is a possibility, should all portfolios achieve the reductions targeted by fund managers, that a date earlier than 2050 could be achieved.

It should also be borne in mind that while there is, rightly, a significant focus on emissions there is no credit in the calculations for the emissions avoided by the significant investment by the Authority in renewable energy and other climate solutions and this is something that we will look to begin reporting on in future.

Stakeholder Interaction

Over the quarter there has been stakeholder interaction covering the issues of companies operating in the Palestinian territories as well as on the matter of nuclear power. Responses were made by the director, in line with policy, addressing these issues.

Collaborative Activity

This section focuses on the activity undertaken in the quarter through the various collaborations in which the Authority is either directly involved or indirectly involved through Border to Coast.

Local Authority Pension Fund Forum

LAPFF held its most recent business meeting at the beginning of October, alongside its AGM. The AGM considered the usual business including the election of members of the Executive. Members include two Border to Coast colleagues, Cllr Doug McMurdo of Bedfordshire as Chair and Cllr Wilf Flynn from Tyne and Wear as a member of the Executive. Of note is the fact that all elections were unopposed and that there is a lack of diversity with for example only 4 women amongst 16 executive places. The Executive has identified this as an issue and set up a working group to examine options to address the issue.

The meeting also approved the accounts which indicated an underspend during the year and the maintenance of healthy reserves.

The Forum is operating in line with its budget and membership now stands at 87 Funds and 7 pools after welcoming its newest member during 2023, the ACCESS pool.

The business meeting considered the following topics:

- Capital Markets - Threats to Quality of UK Listing Regime
  - A UKLA Consultation has been issued called 'Primary Markets Effectiveness Review'. LAPFF proposed to respond to the FCA consultation and set up meetings with the FCA to push for investor led changes to the UK Listing Regime.
- Climate Metrics and Executive Pay
  - As the issue of climate and ESG metrics are increasingly integrated into executive pay and become a more prominent feature for engagement, LAPFF produced a report that set out a more explicit policy stance on these pay policies. LAPFF recommended an update to their 'Responsible Investment Policy Guide' to include a section on climate metrics and executive remuneration with the aim of improving transparency and disclosure.
- Proposed Shareholder Resolution on Human Rights to Mining Companies
  - Following engagement with mining companies, LAPFF noted that these companies rarely undertake appropriate social, environmental or human rights impact assessments and in particular, water impact assessments due to mining activities was lacking. These concerns can and do create significant operational, reputational, legal and financial risks for companies, and consequently investors.
  - LAPFF took away to better understand the feasibility on a shareholder resolution for the 2024 Rio Tinto AGM asking the company to undergo independent water impact assessments and to publicly report on the findings and steps taken to remediate any problems by the 2025 AGM.

During the quarter, Climate Action 100+, the world's largest investor engagement initiative on climate change, produced its Net Zero Standard for Diversified Mining. The first of its kind in this sector, the new Standard will help investors assess the progress of diversified mining companies as they move towards net zero.

The Standard will provide investors with the necessary metrics to help assess diversified mining companies' transition plans to net zero through a transparent, systematic, and evidence-backed tool. The Standard has been designed to complement the sector-neutral Climate Action 100+ Company Benchmark. The reflects the outcome of extensive consultation with investors and mining companies themselves.

The CEOs of IIGCC, PRI and UKSIF, organisations working with a significant number of investors and financial services institutions, have sent a letter to UK Prime Minister Rishi Sunak focused on the importance of an 'enabling policy environment' to create the conditions for investors to be able to make long-term investment and asset allocation decisions.
The letter – supported by 32 investors and financial institutions – argues that delaying key targets and lowering the ambition of existing government policies would be 'misguided'.

The letter acknowledges that while the government announcement included some positive policies, like the commitments to provide greater levels of financial support under the Boiler Upgrade Scheme and plans to speed up and enhance grid connectivity, overall the delay to key targets and lowering of ambition on existing government policies risks the UK missing out on investment to other regions and nations that are taking a more consistent, long-term approach.

During the quarter, The Authority was shortlisted for an award in the Pensions for Purpose Annual Awards. This submission was in the category of the Place Based Impact Investing Award. This submission primarily related to the work we have carried out with CBRE in our local loans portfolio to support local commercial building projects whilst improving local infrastructure and making a difference in the local economy.

Following the end of the quarter the awards ceremony was held and South Yorkshire's submission and work was recognised as a leader in this category and winner of the award.

Policy Development

This section of the report highlights the key pieces of policy related activity which have taken place that will impact SYPA in the future.

Taskforce on Nature-related Financial Disclosures (TNFD)

During the quarter the final recommendations for reporting TNFD disclosures was published It includes a set of general requirements for nature-related disclosures and a set of recommended disclosures structured around the four pillars of governance, strategy, risk and impact management, and metrics and targets. The published recommendation document can be found here.

The TNFD was established to encourage and facilitate a shift in the mindset and behaviour of companies and financial institutions through enterprise and portfolio risk management and mainstream corporate reporting. Building on the market's experience with climate-related reporting over the past decade and the work of the Task Force on Climate-related Financial Disclosures (TCFD), the TNFD recommends 14 disclosures to promote the provision of clear, comparable and consistent information by companies to investors and other providers of capital. The Taskforce provides a set of metrics for measurement and a suite of guidance to help organisations get started on nature-related assessment and disclosure.

By building on existing frameworks and standards, including those of the International Sustainability Standards Board (ISSB) and the GRI, and by using an open innovation approach, market participants and other stakeholders have played a critical role in the development of these recommendations. Of the organisations that are already starting to use these recommendations, many are seeing the advantages of taking an integrated approach to nature and climate assessment.

In future, it is anticipated that, SYPA will be required to align reporting to TNFD recommendations as we have done in accordance with the TCFD reporting framework.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

Agenda Item

Subject	**Annual Update of the Border to Coast Responsible Investment Policies**	**Status**	For Publication
Report to	Authority	**Date**	7th December 2023
Report of	Director		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham Director	**Phone**	01226 666439
E Mail	ggraham@sypa.org.uk		

1 Purpose of the Report

1.1 To secure the Authority's endorsement of the revised Border to Coast Responsible Investment policies prior to the next voting season.

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2 Recommendations

2.1 Members are recommended to:

a. Endorse the various Border to Coast policies as Appendices A to C.

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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.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report will directly impact on the Authority's ability to achieve the necessary mitigations identified in the corporate risk register related to climate change on the value of investment assets as well as the more general investment related risks that are mitigated by ensuring that effective stewardship arrangements are in place.

5 Background and Options

5.1 Each year Border to Coast conducts a review of its Responsible Investment Policy and Voting guidelines so that they can be updated for the following voting season. It is important to recognise that these are all collective documents which represent the company's position based on the consensus position of the partner funds. As such there is, inevitably, a degree of compromise in relation to the positions of the individual partner funds. The diagram below sets out the relationship between these documents and the Authority's own policy framework in this area and the documents themselves are attached at appendices B to C while a table setting out the key changes as a result of the review is at appendix A.

5.2 The process of review is undertaken over the summer following peak voting season and involves looking at feedback from service providers such as Robeco (the voting and engagement partner) and input from partner funds as well as a review of general movements in industry practice. SYPA's input into the process this year concentrated on the following areas:

- Ratcheting down the revenue threshold for the exclusion of pure coal and tar sands companies from the investment universe.
- Achieving greater clarity on the exclusion for controversial weapons revenues such as cluster munitions.
- Achieving greater clarity on the escalation process in relation to human rights issues and breaches of the UN Guiding Principles.

5.3 The majority of changes made reflect general industry developments, for example in relation to expectations around transparency and reporting. However, there are some significant changes in some area identified below.

Responsible Investment Policy

5.4 The policy has been updated to reflect the further broadening of the product range including real estate and to present information on the RI approach for different asset classes in a more consistent way and provide more depth to the information provided. More information is also provided on the way in which managers are selected including the way in which support for Net Zero and assessment of the overall RI approach are assessed. More emphasis has also been placed on the Just Transition.

5.5 Significant changes have been made to the approach to exclusion of companies with particular characteristics from the investment universe based on an assessment of the risk that these characteristics present to the long term viability of the company. These have been extended as follows:

- Companies with more than 25% of revenues derived from thermal coal and tar sands will be excluded. This is reduced from 70%. This is intended to send a clearer signal to companies in these spaces that the risk of stranded assets and the significant emissions from these fuels means that they are not regarded as sustainable businesses in the long term. This results in 46 companies being excluded from the total investment universes (the number excluded from funds in which SYPA invests is likely to be smaller as this figure relates to all Border to Coast products).
- Companies with more than 50% of revenues from thermal coal power generation (70% in emerging markets) will be excluded. This is a new exclusion which is intended to send a clear message that such companies need to accelerate their progress towards delivering clean energy. This results in the exclusion of 39 companies from the investment universe. The different position in emerging markets reflects the fact that these countries start from a much higher dependency on coal generation and the principles of the Just Transition mean that consideration needs to be given to the different transition timelines in these markets.
- Further work had been done to make the existing exclusion for controversial weapons clearer. This is to be broadened to exclude companies manufacturing whole cluster munition weapon systems and companies that manufacture components that were developed or are significantly modifies for exclusive use in cluster munitions. This is to be extended to cover companies with any tie to the production of landmines and biological and chemical weapons. The UK is a signatory to international agreements banning the productions and use of chemical and biological weapons and landmines. This results in the exclusion of 14 companies from the investment universe.

5.6 These changes to the exclusion approach have a very limited impact in terms of the need to sell out of stocks at portfolio level because through the investment process portfolio managers are giving due weight to the risks of climate change and stranded assets when constructing portfolios. If a company held in a portfolio breaches the revenue thresholds the expectation would be that the holding would be sold as soon as practicable and within 6 months taking into account market conditions and liquidity.

5.7 The changes made are in line with the positions which SYPA suggested in particular demonstrating a clear ratcheting up of pressure on companies to accelerate their climate transition.

Voting Guidelines

5.8 Expectations around Board diversity have been made more market specific reflecting the differences in legal requirements relating to gender balance between markets. Clearer expectations and voting consequences are also set out in relation to the ethnic diversity of boards in the UK and US.

5.9 Some additional flexibility has been built in in relation to the rotation of auditors at UK companies provided companies have a plan in place to retender the service.

5.10 A statement setting out that shareholder resolutions aligned with the objectives of the Paris agreement will generally be supported is made. This is in effect the current position. Where it is not possible to support such resolutions the rationale for the decision will be publicly disclosed.

5.11 In order to encourage the acceleration of climate transition by companies a tighter policy in relation to voting at company meetings where the company scores at the lower end of the scale on the Transition Pathway or similar relevant benchmarks like the Climate Action 100+ Net Zero Benchmark. The thresholds differ between Oil and Gas companies and other companies with those for Oil and Gas companies being more stretching. Votes will be cast against and "Say on Climate" resolutions that are not following analysis believed to be aligned with the Paris agreement.

Climate Change Policy

5.12 The main revisions to the Climate Change policy focus on bringing it into line with other documents in terms of descriptions of the governance arrangements and responsibilities and processes. This reflects more recent information reflected in the most recent TCFD report. In addition the information on the revised exclusions within the RI policy are included.

5.13 The fact that there have not been significant changes to this policy reflects the fact that this document sets the broad policy framework rather than looking at specific actions which are contained in the Company's Net Zero road map and other documents rather than in this broad policy.

Conclusion

5.14 The changes and updates made to the various policies are from an SYPA point of view welcomed and very much in line with the direction of travel proposed in SYPA's input into the consultation process which supported the annual review. While there has not been specific progress in the policies in relation to human rights issues it is acknowledged that this is a particularly difficult area and on a case by case basis the Company does act in the way in which we would expect and also encourages managers to do so.

6 <u>Implications</u>

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

Financial	None directly
Human Resources	None
ICT	None
Legal	None

Procurement	None

George Graham

Director

Background Papers	
Document	**Place of Inspection**
SYPA Responsible Investment Policy	Policies (sypensions.org.uk)

Responsible Investment Policy

Border to Coast Pensions Partnership

January 2024

Responsible Investment Policy

This Responsible Investment Policy details the approach that Border to Coast Pensions Partnership follows in fulfilling its commitment to our Partner Funds in their delegation of the implementation of certain responsible investment (RI) and stewardship responsibilities.

1. Introduction

Border to Coast Pensions Partnership Ltd is an FCA-authorised investment fund manager (AIFM). It operates investment funds for its eleven shareholders which are Local Government Pension Scheme funds (Partner Funds). The purpose is to make a difference to the investment outcomes for our Partner Funds through pooling to create a stronger voice; working in partnership to deliver cost effective, innovative, and responsible investment now and into the future; thereby enabling great, sustainable performance.

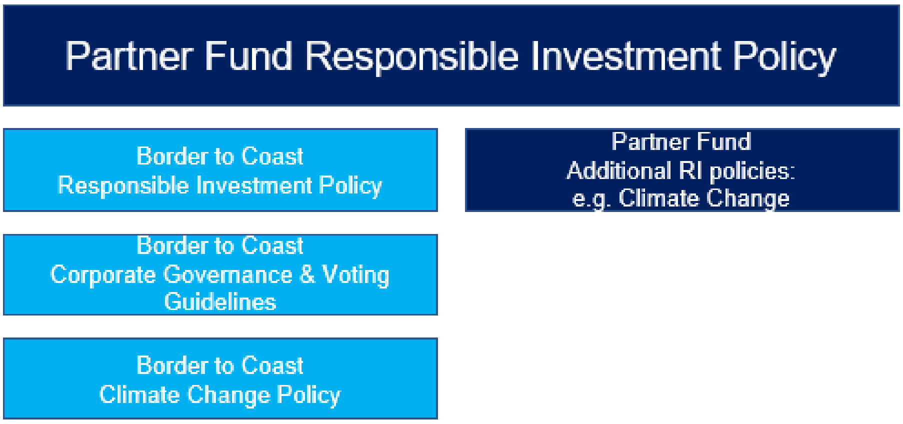
Border to Coast takes a long-term approach to investing and believes that businesses that are governed well, have a diverse board and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. Diversity of thought and experience on boards is significant for good governance, reduces the risk of 'group think' leading to better decision making. Environmental, social and governance (ESG) issues can have a material impact on the value of financial assets and on the long-term performance of investments, and therefore need to be considered across all asset classes in order to better manage risk and generate sustainable, long-term returns. Well-managed companies with strong governance are more likely to be successful long-term investments.

Border to Coast is an active owner and steward of its investments across all asset classes. This commitment is demonstrated through achieving signatory status to the Financial Reporting Council UK Stewardship Code. As a long-term investor and representative of asset owners, we hold companies and asset managers to account regarding environmental, societal and governance factors that have the potential to impact corporate value. We incorporate such factors into our investment analysis and decision making, enabling long-term sustainable investment performance for our Partner Funds. As a shareowner, Border to Coast has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It practices active ownership through voting, monitoring companies, engagement and litigation.

1.1. Policy framework

The LGPS (Management and Investment of Funds) 2016 regulations state that the responsibility for stewardship, which includes shareholder voting, remains with the Partner Funds. Stewardship day-to-day administration and implementation have been delegated to Border to Coast by the Partner Funds, on assets managed by Border to Coast, with appropriate monitoring and challenge to ensure this continues to be in line with Partner Fund requirements. To leverage scale and for operational purposes, Border to Coast has, in conjunction with Partner Funds, developed this RI Policy and accompanying Corporate Governance & Voting Guidelines to ensure clarity of approach on behalf of Partner Funds. This collaborative approach results in an RI policy framework illustrated below with the colours demonstrating ownership of the various aspects of the framework:

RI Policy Framework



2. What is responsible investment?

Responsible investment (RI) is the practice of incorporating ESG issues into the investment decision making process and practicing investment stewardship, to better manage risk and generate sustainable, long-term returns. Financial and ESG analysis together identify broader risks and the opportunities leading to better informed investment decisions and can improve performance as well as risk-adjusted returns.

Investment stewardship includes active ownership; using voting rights, engaging with investee companies, influencing regulators and policy makers, and collaborating with other investors to improve long-term performance. We believe that our responsible investment approach and associated activities help identify and manage non-financial risks and so should add value to our investment portfolios over the long-term.

3. Governance and Implementation

Border to Coast takes a holistic approach to the integration of sustainability and responsible investment, which are at the core of our corporate and investment thinking. Sustainability, which includes RI, is considered and overseen by the Board and Executive Committees. Specific policies and procedures are in place to demonstrate the commitment to RI, which include the Responsible Investment Policy and Corporate Governance & Voting Guidelines (available on the [website]). Border to Coast has dedicated staff resources for managing RI within the organisational structure.

The RI Policy is owned by Border to Coast and created after collaboration and engagement with our eleven Partner Funds. The Chief Investment Officer (CIO) is accountable for implementation of the policy. The policy is monitored with regular reports to the CIO, Investment Committee, Board, Joint Committee and Partner Funds. It is reviewed at least annually or whenever revisions are proposed, taking into account evolving best practice, and updated, as necessary.

4. Skills and competency

Border to Coast, where needed, takes proper advice in order to formulate and develop policy. The Board and staff maintain appropriate skills in responsible investment and stewardship through continuing professional development; where necessary expert advice is taken from suitable RI specialists to fulfil our responsibilities.

5. Integrating RI into investment decisions

Border to Coast considers material ESG factors when analysing potential investments. ESG factors tend to be longer term in nature and can create both risks and opportunities. It is therefore important that, as a long-term investor, we take them into account when analysing potential investments.

The factors considered are those which could cause financial and reputational risk, ultimately resulting in a reduction in shareholder value. ESG issues are considered and monitored in relation to all asset classes. The CIO is accountable for the integration and implementation of ESG considerations. Issues considered include, but are not limited to:

Environmental	**Social**	**Governance**	**Other**
Climate change Resource & energy management Water stress Single use plastics Biodiversity	Human rights Child labour Supply chain Human capital Employment standards Pay conditions (e.g. living wage in UK) Just transition	Board independence Diversity of thought Executive pay Tax transparency Auditor rotation Succession planning Shareholder rights	Business strategy Risk management Cyber security Data privacy Bribery & corruption Political lobbying

When considering human rights issues, we believe that all companies should abide by the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. Companies should have processes in place to both identify and manage human rights risks across their business and supply chain. We engage with companies on human rights as part of our social priority engagement theme, engaging on modern slavery and labour practices and human rights due diligence where companies operate in high-risk areas. We have incorporated considerations into how we exercise our votes at company meetings.

Biodiversity loss is increasingly seen as posing a risk to financial markets. Over half of global GDP is dependent on nature-based services[1], and looking ten years out, six of the top ten global risks identified by the World Economic Forum are climate and environmental related. We currently address biodiversity issues through engagement with companies and governments on issues including deforestation, natural resource management and climate change.

Further detail on our voting approach is included in the Corporate Governance & Voting Guidelines.

[1] World Economic Forum

Whilst the specific aspects and form of ESG integration and stewardship vary across asset class, the overarching principles outlined in this policy are applied to all assets of Border to Coast. More information on specific approaches is outlined below.

5.1. Listed equities (Internally managed)

Border to Coast looks to understand and evaluate the ESG-related business risks and opportunities companies face. We consider the integration of ESG factors into the investment process as a necessary complement to the traditional financial evaluation of assets; this results in a more informed investment decision-making process. Rather than being used to preclude certain investments, it is used to provide an additional context for stock selection. It is an integral part of the research process and when considering portfolio construction, sector analysis and stock selection.

We use third-party ESG data and research from specialist providers alongside general stock and sector research. ESG factors are incorporated into analysis and research templates as part of the decision-making process. We consider the financial materiality of ESG factors, which will vary depending on the geography, industry and individual company. For companies subject to very severe controversies as defined by our third-party data provider, UN Global Compact breaches, with elevated ESG risk, or subject to securities litigation, a more detailed research and climate risk template is completed which is also used to inform engagement and voting. The RI team as subject matter experts support the portfolio managers, and the Head of RI works with colleagues to ensure they are knowledgeable and fully informed on ESG issues. Voting and engagement are also part of the investment process with information from engagement meetings shared with the team to increase and maintain knowledge, and portfolio managers involved in engagement meetings and the voting decision making process..

5.2. Private markets

Border to Coast believes that ESG risk forms an integral part of the overall risk management framework for private market investment. An appropriate ESG strategy will improve downside protection and help create value in underlying portfolio companies. Border to Coast takes the following approach to integrating ESG into the private market investment process:

- The assessment of ESG issues is integrated into the investment process for all private market investments.
- A manager's ESG strategy is assessed through a specific ESG questionnaire agreed with the Head of RI and reviewed by the alternatives investment team with support from the RI team as required.
- Managers are requested to complete an annual monitoring questionnaire which contains both binary and qualitative questions, enabling us to monitor several key performance indicators, including RI policies, people, and processes, promoting RI, RI-specific reporting and progress on measuring and reporting GHG emission
- Managers are requested to report annually on the progress and outcomes of ESG related values and any potential risks.
- Ongoing monitoring includes identifying any possible ESG breaches and following up with the managers concerned.

- Work with managers to improve ESG policies and ensure the approach is in-line with developing industry best practice.

- We engage in a range of industry initiatives which seek to improve transparency and disclosure of ESG and carbon data within private markets.

5.3. Fixed income

ESG factors can have a material impact on the investment performance of bonds, both negatively and positively, at the issuer, sector and geographic levels. ESG analysis is therefore incorporated into the investment process for corporate and sovereign issuers to manage risk. The challenges of integrating ESG in practice are greater than for equities with the availability of data for some markets lacking.

Third-party ESG data is used along with information from sources including UN bodies, the World Bank and other similar organisations. This together with traditional credit analysis is used to determine a bond's credit quality. Information is shared between the equity and fixed income teams regarding issues which have the potential to impact corporates and sovereign bond performance.

The approach to engagement can also differ as engagement with sovereigns is much more difficult than with companies.

5.4. Real Estate

Border to Coast is preparing to launch funds to make Real Estate investments through both direct properties and indirect through investing in real estate funds. For real estate funds, a central component of the fund selection/screening process is an assessment of the General Partner and Fund/Investment Manager's Responsible Investment and ESG approach and policies.

A Responsible Investment framework has been developed for Real Estate to ensure the integration of ESG factors throughout the investment process. This covers the stages of selection, appointment and monitoring and a feedback loop to report performance and review processes. It includes pre-investment, post-acquisition and post-investment phases. An ESG scorecard will be developed tailored to the direct or indirect property fund, monitoring key performance indicators such as energy performance measurement, flood risk and rating systems such as GRESB (formerly known as the Global Real Estate Sustainability Benchmark), and BREEAM (Building Research Establishment Environmental Assessment Method). For direct real estate, the RI Policy will be implemented through ESG strategies embedded into the asset management plans of individual properties; this is to ensure a perpetual cycle of review and improvement against measurable standards.

5.5. External manager selection

RI is incorporated into the external manager appointment process including the request for proposal (RFP) criteria and scoring and the investment management agreements. The RFP includes specific requirements relating to the integration of ESG by managers into the investment process which includes assessing and mitigating climate risk, and their approach to engagement. We expect to see evidence of how material ESG issues are considered in research analysis and investment decisions. Engagement needs to be structured with clear aims, objectives and milestones.

Voting is carried out by Border to Coast for both internally and externally managed equities where possible and we expect external managers to engage with companies in alignment with the Border to Coast RI Policy and to support our Net Zero commitment.

The monitoring of appointed managers also includes assessing stewardship and ESG integration in accordance with our policies. All external fund managers are expected to be signatories or comply with international standards applicable to their geographical location. We encourage managers to become signatories to the UN-supported Principles for Responsible Investment[2] ('PRI') and will consider the PRI assessment results in the selection and monitoring of managers. We also encourage managers to make a firm wide net zero commitment and to join the Net Zero Asset Manager initiative (NZAM) or an equivalent initiative. Managers are required to report to Border to Coast on their RI activities quarterly.

5.6. Climate change

The world is warming, the climate is changing, and the scientific consensus is that this is due to human activity, primarily the emissions of carbon dioxide (CO_2) from burning fossil fuels. We support this scientific consensus; recognising that the investments we make, in every asset class, will both impact climate change and be impacted by climate change. We actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact will affect investments. We believe that we have the responsibility to contribute and support the transition to a low carbon economy in order to positively impact the world in which pension scheme beneficiaries live in.

Climate change is a systemic risk with potential financial impacts associated with the transition to a low-carbon economy and physical impacts that may manifest under different climate scenarios. Transition will affect some sectors more than others, notably energy, utilities and sectors highly reliant on energy. However, within sectors there are likely to be winners and losers which is why divesting from and excluding entire sectors may not be appropriate.

In addition, the transition to a low-carbon economy will undoubtedly affect the various stakeholders of the companies taking part in the energy transition. These stakeholders include the workforce, consumers, supply chains and the communities in which the companies' facilities are located. A just transition involves minimising and managing social risks, seeking to maximise social opportunities, and a focus on the place based economic impacts of the

[2] The UN-supported Principles for Responsible Investment (PRI) is the world's leading advocate for responsible investment enabling investors to publicly demonstrate commitment to responsible investment with signatories committing to supporting the six principles for incorporating ESG issues into investment practice.

transition to net zero. We expect companies to consider this social dimension in decarbonisation strategies and engage with companies, directly and through collaboration with other investors. .

We have committed to a net zero carbon emissions target by 2050, or sooner for our assets under management, in order to align with efforts to limit temperature increases to under 1.5ºC and have developed an implementation plan which sets out the four pillars of our approach.

Stewardship is an important element of meeting this goal and we engage with companies on climate-related risks and opportunities and use our voting rights to hold boards to account.

Detail on Border to Coast's approach to managing the risks and opportunities associated with climate change can be found in our Climate Change Policy on our website.

6. Stewardship

As a shareholder Border to Coast has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It practises active ownership through the full use of rights available including voting, monitoring companies, engagement and litigation, where appropriate. As a responsible shareholder, we are committed to being a signatory to the UK Stewardship Code[3] and were accepted as a signatory in March 2022. We are also a signatory to the PRI.

6.1. Voting

Voting rights are an asset and Border to Coast exercises its rights carefully to promote and support good corporate governance principles. It aims to vote in every market in which it invests where this is practicable. To leverage scale and for practical reasons, Border to Coast has developed a collaborative voting policy to be enacted on behalf of the Partner Funds which can be viewed on our **website**. Where possible the voting policies are also be applied to assets managed externally. Policies are reviewed annually in collaboration with the Partner Funds. There may be occasions when an individual fund may wish Border to Coast to vote its pro rata holding contrary to an agreed policy; there is a process in place to facilitate this. A Partner Fund wishing to diverge from this policy will provide clear rationale in order to meet the governance and control frameworks of both Border to Coast and, where relevant, the Partner Fund.

6.1.1. Use of proxy advisors

Border to Coast use a Voting and Engagement provider to implement the set of detailed voting guidelines and ensure votes are executed in accordance with policies. Details of the third-party Voting and Engagement provider and proxy voting advisor are included in Appendix A.

A proxy voting platform is used with proxy voting recommendations produced for all meetings voted managed by the Voting & Engagement provider. The proxy voting advisor provides voting recommendations based upon Border to Coast's Corporate Governance & Voting Guidelines ('the Voting Guidelines'). A team of dedicated voting analysts analyse the merit of each agenda item to ensure voting recommendations are aligned with the Voting Guidelines. Border to Coast's Investment Team receives notification of voting recommendations ahead of

[3] The UK Stewardship Code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. https://www.frc.org.uk/directors/corporate-governance-and-stewardship

meetings which are assessed on a case-by-case basis by portfolio managers and responsible investment staff prior to votes being executed. A degree of flexibility is required when interpreting the Voting Guidelines to reflect specific company and meeting circumstances, allowing the override of voting recommendations from the proxy adviser.

The Voting and Engagement provider evaluates its proxy voting agent at least annually, on the quality of governance research and the alignment of customised voting recommendations and Border to Coast's Voting Guidelines. This review is part of the control framework and is externally assured. Border to Coast also monitors the services provided monthly, with a six monthly and full annual review.

Border to Coast has an active stock lending programme. Where stock lending is permissible, lenders of stock do not generally retain any voting rights on lent stock. Procedures are in place to enable stock to be recalled prior to a shareholder vote. Stock is recalled ahead of meetings, and lending can also be restricted, when any, or a combination of the following, occur:

- The resolution is contentious.
- The holding is of a size which could potentially influence the voting outcome.
- Border to Coast needs to register its full voting interest.
- Border to Coast has co-filed a shareholder resolution.
- A company is seeking approval for a merger or acquisition.
- Border to Coast deems it appropriate.

Proxy voting in some countries requires share blocking. This requires shareholders who want to vote their proxies to deposit their shares before the date of the meeting (usually one day after cut-off date) with a designated depositary until one day after meeting date.

During this blocking period, shares cannot be sold; the shares are then returned to the shareholders' custodian bank. We may decide that being able to trade the stock outweighs the value of exercising the vote during this period. Where we want to retain the ability to trade shares, we may refrain from voting those shares.

Where appropriate Border to Coast considers co-filing shareholder resolutions and notifies Partner Funds in advance. Consideration is given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

6.2. Engagement

The best way to influence companies is through engagement; therefore, Border to Coast will not divest from companies principally on social, ethical or environmental reasons. As responsible investors, the approach taken is to influence companies' governance standards, environmental, human rights and other policies by constructive shareholder engagement and the use of voting rights.

The services of specialist providers may be used when necessary to identify issues of concern. Meeting and engaging with companies are an integral part of the investment process. As part of our stewardship duties, we monitor investee companies on an ongoing basis and take appropriate action if investment returns are at risk. Engagement takes place between portfolio managers and investee companies across all markets where possible.

Border to Coast has several approaches to engaging with investee holdings:

- Border to Coast and all eleven Partner Funds are members of the Local Authority Pension Fund Forum ('LAPFF'). Engagement takes place with companies on behalf of members of the Forum across a broad range of ESG themes.
- We seek to work collaboratively with other like-minded investors and bodies in order to maximise Border to Coast's influence on behalf of Partner Funds, particularly when deemed likely to be more effective than acting alone. This is achieved through actively supporting investor RI initiatives and collaborating with various other external groups e.g. LAPFF, the Institutional Investors Group on Climate Change, other LGPS pools and other investor coalitions.
- Due to the proportion of assets held in overseas markets it is imperative that Border to Coast is able to engage meaningfully with global companies. To enable this and complement other engagement approaches, Border to Coast use an external Voting and Engagement service provider. We provide input into new engagement themes which are considered to be materially financial, selected by the external engagement provider on an annual basis, and also participate in some of the engagements undertaken on our behalf.
- Engagement takes place with companies in the internally managed portfolios with portfolio managers and the Responsible Investment team engaging directly across various engagement streams; these cover environmental, social, and governance issues as well as UN Global Compact[4] breaches or OECD Guidelines[5] for Multinational Enterprises breaches.
- We expect external managers to engage with investee companies and bond issuers as part of their mandate on our behalf and in alignment with our RI policies.

Engagement conducted with investee holdings can be broadly split into two categories: engagement based on financially material ESG issues, or engagement based on (potential) violations of global standards such as the UN Global Compact or OECD Guidelines for Multinational Enterprises.

When engagement is based on financially material ESG issues, engagement themes and companies are selected in cooperation with our engagement service provider based on an analysis of financial materiality. Such companies are selected based on their exposure to the engagement topic, the size and relevance in terms of portfolio positions and related risk.

For engagement based on potential company misconduct, cases are selected through the screening of news flows to identify breaches of the UN Global Compact Principles or OECD Guidelines for Multinational Enterprises. Both sets of principles cover a broad variety of basic corporate behaviour norms around ESG topics. Portfolio holdings are screened on the validation of a potential breach, the severity of the breach and the degree to which

[4] UN Global Compact is a shared framework covering 10 principles, recognised worldwide and applicable to all industry sectors, based on the international conventions in the areas of human rights, labour standards, environmental stewardship and anti-corruption.

[5] OECD Guidelines for Multinational Enterprises are recommendations providing principles and standards for responsible business conduct for multinational corporations operating in or from countries adhering to the OECD Declaration on International and Multinational Enterprises.

management can be held accountable for the issue. For all engagements, SMART[6] engagement objectives are defined.

In addition, internal portfolio managers and the Responsible Investment team monitor holdings which may lead to selecting companies where engagement may improve the investment case or can mitigate investment risk related to ESG issues. Members of the Investment Team have access to our engagement provider's thematic research and engagement records. This additional information feeds into the investment analysis and decision making process.

We encourage companies to improve disclosure in relation to ESG and to report and disclose in line with the TCFD recommendations.

As a responsible investor we also engage with regulators, public policy makers, and other financial market participants on systemic risks to help create a stable environment to enhance long-term returns.

6.2.1. Engagement themes

Recognising that we are unable to engage on every issue, we focus our efforts on areas that are deemed to be the most material to our investments - our key engagement themes. These are used to highlight our priority areas for engagement which includes working with our Voting and Engagement provider and in considering collaborative initiatives to join. We do however engage more widely via the various channels including LAPFF and our external managers.

Key engagement themes are reviewed on a three yearly basis using our Engagement Theme Framework. There are three principles underpinning this framework:

- that progress in the themes is expected to have a material financial impact on our investment portfolios in the long-term;
- that the voice of our Partner Funds should be a part of the decision; and
- that ambitious, but achievable milestones can be set through which we can measure progress over the period.

When building a case and developing potential new themes we firstly assess the material ESG risks across our portfolios and the financial materiality. We also consider emerging ESG issues and consult with our portfolio managers and Partner Funds. The outcome is for the key themes to be relevant to the largest financially material risks; for engagement to have a positive impact on ESG and investment performance; to be able to demonstrate and measure progress; and for the themes to be aligned with our values and important to our Partner Funds.

The key engagement themes following the 2021 review are:

- Low Carbon Transition
- Diversity of thought
- Waste and water management

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[6] SMART objectives are: specific, measurable, achievable, relevant and time bound.

- Social inclusion through labour management

6.2.2. Escalation

Border to Coast believe that engagement and constructive dialogue with the companies in which it invests is more effective than excluding companies from the investment universe. However, if engagement does not lead to the desired result escalation may be necessary. A lack of responsiveness by the company can be addressed by conducting collaborative engagement with other institutional shareholders, registering concern by voting on related agenda items at shareholder meetings, attending a shareholder meeting in person, making a public statement, publicly pre-declaring our voting intention, and filing/co-filing a shareholder resolution. If the investment case has been fundamentally weakened, the decision may be taken to sell the company's shares.

6.2.3 Exclusions

We believe that using our influence through ongoing engagement with companies, rather than divestment, drives positive outcomes. This is fundamental to our responsible investment approach. Our investment approach is not to divest or exclude entire sectors, however there may be specific instances when we will look to sell or not invest in some industries based on investment criteria, the investment time horizon, and the likelihood for success in influencing company strategy and behaviour.

When considering whether a company is a candidate for exclusion, we do so based on the associated material financial risk of a company's business operations and whether we have concerns about its long-term viability. We initially assess the following key financial risks:

- regulatory risk
- litigation risk
- reputational risk
- social risk
- environmental risk

Thermal coal and oil sands:

Using these criteria, due to the potential for stranded assets and the significant carbon emissions of certain fossil fuels, we will not invest in public market companies or illiquid assets with more than 25% of revenues derived from thermal coal and oil sands, unless there are exceptional circumstances. We will continue to monitor companies with such revenues for increased potential for stranded assets and the associated investment risk which may lead to the revenue threshold decreasing over time. ~~For illiquid assets the threshold will be 25%. This is due to the long-term nature of the investments and less ability for investors to change requirements over time.~~

We will exclude public market companies in developed markets with >50% revenue derived from thermal coal power generation. For companies in emerging markets the revenue threshold is >70%, this is to reflect our support of a just transition towards a low-carbon economy which should be inclusive and acknowledge existing global disparities. We recognise that not all countries are at the same stage in their decarbonisation journey and need to consider the different transition timelines for emerging market economies. We will assess the implications of the exclusion policy and where we consider it appropriate, may operate exceptions.

Any public market companies excluded will be reviewed with business strategies and transition plans assessed for potential reinstatement.

Controversial weapons:

Certain weapons are considered to be unacceptable as they may have an indiscriminate and disproportional impact on civilians during and after military conflicts. Several International Conventions and Treaties have been developed intended to prohibit or limit their use. We will therefore not invest in companies contravening the Anti-Personnel Landmines Treaty (1997), Chemical Weapons Convention (1997), the Biological Weapons Convention (1975), and the Convention on Cluster Munitions (2008). It is illegal to use these weapons in many jurisdictions and in some countries legislation also prohibits the direct and indirect financing of these weapons. Therefore, as a responsible investor we will not invest in the following, where companies are contravening the above treaties and conventions:

- Companies where there is evidence of manufacturing such whole weapons systems.
- Companies manufacturing components that were developed or are significantly modified for exclusive use of such weapons.

Companies that manufacture "dual-use" components, such as those that were not developed or modified for exclusive use in cluster munitions, will be assessed and excluded on a case-by-case basis.

Restrictions relate to the corporate entity only and not any affiliated companies.

Any companies excluded will be monitored and assessed for progress and potential reinstatement at least annually.

6.3. Due diligence and monitoring procedure

Internal procedures and controls for stewardship activities are reviewed by Border to Coast's external auditors as part of the audit assurance (AAF) control review. The external Voting and Engagement provider is also monitored and reviewed by Border to Coast on a regular basis to ensure that the service level agreement is met.

The Voting and Engagement provider also undertakes verification of its stewardship activities and the external auditor audits stewardship controls on an annual basis; this audit is part of the annual International Standard for Assurance Engagements control.

7. Litigation

Where Border to Coast holds securities, which are subject to individual or class action securities litigation, where appropriate, we participate in such litigation. There are various litigation routes available dependent upon where the company is registered. We use a case-by-case approach to determine whether or not to participate in a class action after having considered the risks and potential benefits. We work with industry professionals to facilitate this.

8. Communication and reporting

Border to Coast is transparent with regard to its RI activities and keeps beneficiaries and stakeholders informed. This is done by making publicly available RI and voting policies; publishing voting activity on our **website** quarterly; reporting on engagement and RI activities to the Partner Funds quarterly, and in our annual RI report.

We also report in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and provide an annual progress report on the implementation of our Net Zero Plan.

9. Training and assistance

Border to Coast offers the Partner Funds training on RI and ESG issues. Where requested, assistance is given on identifying ESG risks and opportunities in order to help develop individual fund policies and investment principles for inclusion in the Investment Strategy Statements.

The Investment Team receive training on RI and ESG issues with assistance and input from our Voting & Engagement Partner and other experts where required. Training is also provided to Border to Coast colleagues, the Board and the Joint Committee as and when required.

10. Conflicts of interest

Border to Coast has a suite of policies which cover any potential conflicts of interest between itself and the Partner Funds which are applied to identify and manage any conflicts of interest, this includes potential conflicts in relation to stewardship.

Appendix A: Third-party Providers

Voting and Engagement provider	Robeco Institutional Asset Management BV	June 2018 - Present
Proxy advisor	Glass Lewis	June 2018 - Present

Corporate Governance & Voting Guidelines

Border to Coast Pensions Partnership

January 2024

1. Introduction

Border to Coast Pensions Partnership believes that companies operating to higher standards of corporate governance along with environmental and social best practice have greater potential to protect and enhance investment returns. As an active owner Border to Coast will engage with companies on environmental, social and governance (ESG) issues and exercise its voting rights at company meetings. When used together, voting and engagement can give greater results.

An investment in a company not only brings rights but also responsibilities. The shareholders' role includes appointing the directors and auditors and to be assured that appropriate governance structures are in place. Good governance is about ensuring that a company's policies and practices are robust and effective. It defines the extent to which a company operates responsibly in relation to its customers, shareholders, employees, and the wider community. Corporate governance goes hand-in-hand with responsible investment and stewardship. Border to Coast considers the UK Corporate Governance Code and other best practice global guidelines in formulating and delivering its policy and guidelines.

2. Voting procedure

These broad guidelines should be read in conjunction with the Responsible Investment Policy. They provide the framework within which the voting guidelines are administered and assessed on a case-by-case basis. A degree of flexibility will be required when interpreting the guidelines to reflect specific company and meeting circumstances. Voting decisions are reviewed with the portfolio managers. Where there are areas of contention the decision on voting will ultimately be made by the Chief Executive Officer. A specialist proxy voting advisor is employed to ensure that votes are executed in accordance with the policy.

Where a decision has been made not to support a resolution at a company meeting, Border to Coast will, where able, engage with the company prior to the vote being cast. In some instances, attendance at AGMs may be required.

Border to Coast discloses its voting activity on its website and to Partner Funds on a quarterly basis.

We will support incumbent management wherever possible but recognise that the neglect of corporate governance and corporate responsibility issues could lead to reduced shareholder returns.

We will vote **For**, **Abstain** or **Oppose** on the following basis:

- We will support management that acts in the long-term interests of all shareholders, where a resolution is aligned with these guidelines and considered to be in line with best practice.
- We will abstain when a resolution fails the best practice test but is not considered to be serious enough to vote against.
- We will vote against a resolution where corporate behaviour falls short of best practice or these guidelines, or where the directors have failed to provide sufficient information to support the proposal.

3. Voting Guidelines

Company Boards

The composition and effectiveness of the board is crucial to determining corporate performance, as it oversees the running of a company by its managers and is accountable to shareholders. Company behaviour has implications for shareholders and other stakeholders. The structure and composition of the board may vary between different countries; however, we believe that the following main governance criteria are valid across the globe.

Composition and independence

The board should have a balance of executive and non-executive directors so that no individual or small group of individuals can control the board's decision making. They should possess a suitable range of skills, experience and knowledge to ensure the company can meet its objectives. Boards do not need to be of a standard size: different companies need different board structures, and no simple model can be adopted by all companies.

The board of companies, excluding the Chair, should consist of a majority of independent non-executive directors although local market practices shall be taken into account. Controlled companies should have a majority of independent non-executive directors, or at least one-third independent directors on the board. As non-executive directors have a fiduciary duty to represent and act in the best interests of shareholders and to be objective and impartial when considering company matters, the board must be able to demonstrate their independence. Non-executive directors who have been on the board for a significant length of time, from nine to twelve years (depending on market practice) have been associated with the company for long enough to be presumed to have a close relationship with the business or fellow directors. We aspire for a maximum tenure of nine years but will review resolutions on a case-by-case basis where the local corporate governance code recommends a maximum tenure between nine and twelve years.

The nomination process of a company should therefore ensure that potential risks are restricted by having the right skills mix, competencies and independence at both the supervisory and executive board level. It is essential for boards to achieve an appropriate balance between tenure and experience, whilst not compromising the overall independence of the board. The re-nomination of board members with longer tenures should be balanced out by the nomination of members able to bring fresh perspectives. It is recognised that excessive length of tenure can be an issue in some markets, for example the US where it is common to have a retirement age limit in place rather than length of tenure. In such cases it is of even greater importance to have a process to robustly assess the independence of long tenured directors. Where it is believed an individual can make a valuable and independent contribution, tenure greater than nine years will be assessed on a case-by-case basis.

The company should, therefore, have a policy on tenure which is referenced in its annual report and accounts. There should also be sufficient disclosure of biographical details so that shareholders can make informed decisions. There are a number of factors which could affect independence, which includes but is not restricted to:

- Representing a significant shareholder.
- Serving on the board for over nine years.

- Having had a material business relationship with the company in the last three years.
- Having been a former employee within the last five years.
- Family relationships with directors, senior employees or advisors.
- Cross directorships with other board members.
- Having received or receiving additional remuneration from the company in addition to a director's fee, participating in the company's share option or performance-related pay schemes, or being a member of the company's pension scheme.

If the board has an average tenure of greater than 10 years and the board has had fewer than one new board nominee in the last five years, we will vote against the chair of the nomination committee.

Leadership

The role of the Chair is distinct from that of other board members and should be seen as such. The Chair should be independent upon appointment and should not have previously been the CEO. The Chair should also take the lead in communicating with shareholders and the media. However, the Chair should not be responsible for the day-to-day management of the business: that responsibility rests with the Chief Executive. The role of Chair and CEO should not be combined as different skills and experience are required. There should be a distinct separation of duties to ensure that no one director has unfettered decision making power.

However, Border to Coast recognises that in many markets it is still common to find these positions combined. Any company intending to combine these roles must justify its position and satisfy shareholders in advance as to how the dangers inherent in such a combination are to be avoided; best practice advocates a separation of the roles. A senior independent non-executive director should be appointed, in-line with local corporate governance best practice, if roles are combined to provide shareholders and directors with a meaningful channel of communication, to provide a sounding board for the chair and to serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair's performance. Where the Chair and CEO roles are combined and no senior independent non-executive director has been appointed, we will vote against the nominee holding the combined Chair/CEO role, taking into consideration market practice.

Non-executive Directors

The role of non-executive directors is to challenge and scrutinise the performance of management in relation to company strategy and performance. To do this effectively they need to be independent; free from connections and situations which could impact their judgement. They must commit sufficient time to their role to be able to carry out their responsibilities. A senior independent non-executive director should be appointed to act as liaison between the other non-executives, the Chair and other directors where necessary.

Diversity

Board members should be recruited from as broad a range of backgrounds and experiences as possible. A diversity of directors will improve the representation and accountability of boards, bringing new dimensions to board discussions and decision making. Companies should broaden the search to recruit non-executives to include open advertising and the process for board appointments should be transparent and formalised in a board nomination policy. Companies should have a diversity and inclusion policy which references gender, ethnicity, age, skills and experience and how this is considered in the formulation of the board. The policy should give insight into how diversity is being addressed not only at board level but throughout the company, it should reflect the demographic/ethnic makeup of the countries a company is active in and be disclosed in the Annual Report.

We support the government-backed FTSE Women Leaders Review and Parker Review which set goals for UK companies regarding the representation of women and ethnic minorities on boards, executive teams and in leadership positions. The Financial Conduct Authority (FCA) has also set targets on diversity for certain companies for boards and senior board positions. Therefore, in the UK we expect boards to be composed of at least 40% female directors. For developed markets without legal requirements the threshold will be 33%. Where relevant, this threshold will be rounded down to account for board size. Recognising varying market practices, we generally expect emerging market and Japanese companies to have at least one female on the board. We will vote against the chair of the nomination committee where this is not the case and there is no positive momentum or progress. On ethnic diversity, we will vote against the Chair of the nomination committee at FTSE 100 companies where the Board does not have at least one person from an ethnic minority background, and from 2024, we will also vote against the Chair of the nomination committee at FTSE 250 companies unless there are mitigating circumstances or plans to address this have been disclosed. In the US we will generally vote against the nomination committee chair at Russel 1000 companies that fail to disclose sufficient racial and ethnic board demographic information.

Succession planning

We expect the board to disclose its policy on succession planning, the factors considered and where decision-making responsibilities lie. A succession policy should form part of the terms of reference for a formal nomination committee. The committee should comprise of a majority of independent directors or comply with local standards and be headed by the Chair or Senior Independent Non-executive Director except when it is appointing the Chair’s successor. External advisors may also be employed.

Directors’ availability and attendance

It is important that directors have sufficient time to devote to the company’s affairs; therefore, full time executives should not hold more than one non-executive position in a FTSE 100 company, or similar size company in other regions; nor the chairmanship of such a company. In the remaining instances, directors working as full-time executives should serve on a maximum of two publicly listed company boards.

With regard to non-executive directors, there can be no hard and fast rule on the number of positions that are acceptable: much depends upon the nature of the post and the capabilities of the individual. Shareholders need to be assured that no individual director has taken on too many positions. Full disclosure should be made in the annual report of directors’ other commitments and attendance records at formal board and committee meetings. A director should attend a minimum of 75% of applicable board and committee meetings to ensure commitment to responsibilities at board level.

Re-election

For a board to be successful it needs to ensure that it is suitably diverse with a range of skills, experience and knowledge. There is a requirement for non-executive directors to be independent to appropriately challenge management. To achieve this, boards need to be regularly refreshed to deal with issues such as stagnant skill sets, lack of diversity and excessive tenure; therefore, all directors should be subject to re-election annually, or in-line with local best practice. As representatives of shareholders, directors should preferably be elected using a majority voting standard. In cases where an uncontested election uses the plurality[1] voting standard without a resignation policy, we will hold the relevant Governance Committee accountable by voting against the Chair of this committee.

Board evaluation

A requisite of good governance is that boards have effective processes in place to evaluate their performance and appraise directors at least once a year. The annual evaluation should consider its composition, diversity and how effectively members work together to achieve objectives. As part of the evaluation, boards should consider whether directors possess the necessary expertise to address and challenge management on key strategic topics. These strategic issues and important areas of expertise should be clearly outlined in reporting on the evaluation. The board should disclose the process for evaluation and, as far as reasonably possible, any material issues of relevance arising from the conclusions and any action taken as a consequence. Individual director evaluation should demonstrate the effective contribution of each director. An internal evaluation should take place annually with an external evaluation required at least every three years.

Stakeholder engagement

Companies need to develop and maintain relationships with key stakeholders to be successful in the long-term. The board therefore should take into account the interests of and feedback from stakeholders which includes the workforce. Considering the differences in best practice across markets, companies should report how key stakeholder views and interests have been considered and impacted on board decisions. Companies should also have an appropriate system in place to engage with employees.

Engagement and dialogue with shareholders and wider stakeholders on a regular basis are key for companies; being a way to discuss governance, strategy, and other significant issues. Companies should engage with shareholders ahead of the AGM in order that high votes against resolutions can be avoided where possible.

Where a company with a single share class structure has received 20% votes against a proposal at a previous AGM, a comprehensive shareholder and stakeholder consultation should be initiated. A case-by-case approach will be taken for companies with a dual class structure where a significant vote against has been received. Engagement efforts and findings, as well as company responses, should be clearly reported on and lead to tangible improvement. Where companies fail to do so, the relevant board committees or members will be held to account.

Directors' remuneration

[11] A plurality vote means that the winning candidate only needs to get more votes than a competing candidate. If a director runs unopposed, he or she only needs one vote to be elected.

Shareholders at UK companies have two votes in relation to pay; the annual advisory vote on remuneration implementation which is non-binding, and the triennial vote on forward-looking pay policy which is binding. If a company does not receive a majority of shareholder support for the pay policy, it is required to table a resolution with a revised policy at the next annual meeting.

It must be noted that remuneration structures are varied, with not one model being suitable for all companies; however, there are concerns over excessive remuneration and the overall quantum of pay. Research shows that high executive pay does not systematically lead to better company performance. Excessive rewards for poor performance are not in the best interests of a company or its shareholders. Remuneration levels should be sufficient to attract, motivate and retain quality management but should not be excessive compared to salary levels within the organisation and with peer group companies. There is a clear conflict of interest when directors set their own remuneration in terms of their duty to the company, accountability to shareholders and their own self-interest. It is therefore essential that the remuneration committee is comprised solely of non-executive directors and complies with the market independence requirement.

Remuneration has serious implications for corporate performance in terms of providing the right incentives to senior management, in setting performance targets, and its effect on the morale and motivation of employees. Corporate reputation is also at risk. Remuneration policy should be sensitive to pay and employee conditions elsewhere in the company, especially when determining annual salary increases.

Where companies are potentially subject to high levels of environmental and societal risk as part of its business, the remuneration committee should also consider linking relevant metrics and targets to remuneration to focus management on these issues. The selection of these metrics should be based on a materiality assessment that also guides the company's overall sustainability strategy. If environmental or social topics are incorporated in variable pay plans, the targets should set stretch goals for improved ESG performance, address achievements under management's control, and avoid rewarding management for basic expected behaviour. Where relevant, minimum ESG standards should instead be incorporated as underpins or gateways for incentive pay. If the remuneration committee determines that the inclusion of environmental or social metrics would not be appropriate, a clear rationale for this decision should be provided in the remuneration report.

The compensation provided to non-executive directors should reflect the role and responsibility. It should be structured in a manner that does not compromise independence, enhancing objectivity and alignment with shareholders' interests. Non-executive directors should, therefore, not be granted performance-based pay. Although we would not expect participation in Long-term Incentive Plans (LTIPs), we are conscious that in some exceptional instances non-executives may be awarded stock, however the proportion of pay granted in stock should be minimal to avoid conflicts of interest.

To ensure accountability there should be a full and transparent disclosure of directors' remuneration with the policy published in the annual report and accounts. The valuation of benefits received during the year, including share options, other conditional awards and pension benefits, should be provided. Companies should also be transparent about the ratio of their CEO's pay compared to the median, lower and upper quartiles of their employees.

- **Annual bonus**

  Bonuses should reflect individual and corporate performance targets which are sufficiently challenging, ambitious and linked to delivering the strategy of the business and performance over the longer-term. Bonuses should be set at an appropriate level of base salary and should be capped. Provisions should be in place to reduce or forfeit the annual bonus where the company has experienced a significant negative event. For large cap issuers, we expect the annual bonus to include deferral of a portion of short-term payments into long-term equity scheme or equivalent. We will also encourage other companies to take this approach.

- **Long-term incentives**

  Remuneration policies have over time become more and more complex making them difficult for shareholders to adequately assess. Border to Coast therefore encourages companies to simplify remuneration policies.

  Performance-related remuneration schemes should be created in such a way to reward performance that has made a significant contribution to shareholder value. Poorly structured schemes can result in senior management receiving unmerited rewards for substandard performance. This is unacceptable and could adversely affect the motivation of other employees.

  Incentives are linked to performance over the longer-term in order to create shareholder value. If restricted stock units are awarded under the plan, the vesting period should be at least three years to ensure that the interests of both management and shareholders are aligned in the long-term. Executives' incentive plans should include both financial and non-financial metrics and targets that are sufficiently ambitious and challenging. Remuneration should be specifically linked to stated business objectives and performance indicators should be fully disclosed in the annual report.

  The performance basis of all such incentive schemes under which benefits are potentially payable should be clearly set out each year, together with the actual performance achieved against the same targets. We expect clawback or malus provisions to be in place for all components of variable compensation, taking into account local market standards. We encourage Executive Directors to build a significant shareholding in the company to ensure alignment with the objectives of shareholders. These shares should be held for at least two years post exit.

  The introduction of incentive schemes to all employees within a firm is encouraged and supported as this helps all employees understand the concept of shareholder value.

Directors' contracts

Directors' service contracts are also a fundamental part of corporate governance considerations. Therefore, all executive directors are expected to have contracts that are based upon no more than twelve months' salary. Retirement benefit policies of directors should be aligned with those of the majority of the workforce, and no element of variable pay should be pensionable. The main terms of the directors' contracts including notice periods on both sides, and any loans or third-party contractual arrangements such as the provision of housing or removal expenses, should be declared within the annual report. Termination benefits should be aligned with market best practice.

Corporate reporting

Companies are expected to report regularly to shareholders in an integrated manner that allows them to understand the company's strategic objectives. Companies should be as transparent as possible in disclosures within the report and accounts. As well as reporting financial performance, business strategy and the key risks facing the business, companies should provide additional information on ESG issues that also reflect the directors' stewardship of the company. These could include, for example, information on a company's human capital management policies, its charitable and community initiatives and on its impact on the environment in which it operates.

Every annual report should include an environmental section, which identifies key quantitative data relating to energy and water consumption, emissions and waste etc., explains any contentious issues and outlines reporting and evaluation criteria. It is important that the risk areas reported upon should not be limited to financial risks.

We will encourage companies to report and disclose in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and the Workforce Disclosure Initiative in relation to human capital reporting.

Audit

The audit process must be objective, rigorous and independent if it is to provide assurance to users of accounts and maintain the confidence of the capital markets. To ensure that the audit committee can fulfil its fiduciary role, it should be established as an appropriate committee composition with at least three members who are all independent non-executive directors and have at least one director with a relevant audit or financial background. Any material links between the audit firm and the client need to be highlighted, with the audit committee report being the most appropriate place for such disclosures. Audited financial statements should be published in a timely manner ahead of votes being cast at annual general meetings.

FTSE 350 companies should tender the external audit contract at least every ten years. Reappointment of the same firm with rotation of the audit partner, will not be considered as sufficient. If an auditor has been in place for more than ten fiscal years, their appointment will not be supported unless there are plans in place to address this.

For the wider market, the external audit contract should be put out to tender at least every ten years. Where an auditor has resigned, an explanation should be given. If the accounts have been qualified or there has been non-compliance with legal or regulatory requirements, this should be drawn to shareholders' attention in the main body of the annual report. If the appropriate disclosures are not made, the re-appointment of the audit firm will not be supported.

Non-Audit Fees

There is concern over the potential conflict of interest between audit and non-audit work when conducted by the same firm for a client. Companies must therefore make a full disclosure where such a conflict arises. There can be legitimate reasons for employing the same firm to do both types of work, but these need to be identified. As a rule, the re-appointment of auditors will not be supported where non-audit fees are considerably in excess of audit fees in the year under review, and on a three-year aggregate basis, unless sufficient explanation is given in the accounts.

Political donations

There are concerns over the reputational risks and democratic implications of companies becoming involved in funding political processes, both at home and abroad. Companies should disclose all political donations, demonstrate where they intend to spend the money and that it is the interest of the company and shareholders. Where these conditions are not met, or there is insufficient disclosure that the money is not being used for political party donations, political donations will be opposed. Any proposals concerning political donations will be opposed.

Lobbying

A company should be transparent and publicly disclose direct lobbying, and any indirect lobbying through its membership of trade associations. We will assess shareholder proposals regarding lobbying on a case-by-case basis; however, we will generally support resolutions requesting greater disclosure of trade association and industry body memberships, any payments and contributions made, and requiring alignment of company and trade association values. This includes expectations of companies to be transparent regarding lobbying activities in relation to climate change and to assess whether a company's climate change policy is aligned with the industry association(s) it belongs to.

Shareholder rights

As a shareowner, Border to Coast is entitled to certain shareholder rights in the companies in which it invests (Companies Act 2006). Boards are expected to protect such ownership rights.

- **Dividends**

  Shareholders should have the chance to approve a company's dividend policy and this is considered best practice. The resolution should be separate from the resolution to receive the report and accounts. Failure to seek approval would elicit opposition to other resolutions as appropriate unless there is a clearly disclosed capital management and allocation strategy in public reporting.

- **Voting rights**

  Voting at company meetings is the main way in which shareholders can influence a company's governance arrangements and its behaviour. Shareholders should have voting rights in equal proportion to their economic interest in a company (one share, one vote). Dual share structures which have differential voting rights are disadvantageous to many shareholders and should be abolished. We will not support measures or proposals which will dilute or restrict our rights.

- **Authority to issue shares**

Companies have the right to issue new shares in order to raise capital but are required by law to seek shareholders' authority. Such issuances should be limited to what is necessary to sustain the company and not be in excess of relevant market norms.

- **Disapplication of Pre-emption Rights**

  Border to Coast supports the pre-emption rights principle and considers it acceptable that directors have authority to allot shares on this basis. Resolutions seeking the authority to issue shares with and without pre-emption rights should be separate and should specify the amounts involved, the time periods covered and whether there is any intention to utilise the authority.

Share Repurchases

Border to Coast does not necessarily oppose a company re-purchasing its own shares but it recognises the effect such buy backs might have on incentive schemes where earnings per share measures are a condition of the scheme. The impact of such measures should be reported on. It is important that the directors provide a full justification to demonstrate that a share repurchase is the best use of company resources, including setting out the criteria for calculating the buyback price to ensure that it benefits long-term shareholders.

Memorandum and Articles of Association

Proposals to change a company's memorandum and articles of association should be supported if they are in the interests of Border to Coast, presented as separate resolutions for each change, and the reasons for each change provided.

If proposals to adopt new articles or amend existing articles might result in shareholders' interests being adversely affected, we will oppose the changes.

Mergers and acquisitions

Border to Coast will normally support management if the terms of the deal will create rather than destroy shareholder value and makes sense strategically. Each individual case will be considered on its merits. Seldom will compliance with corporate governance best practice be the sole determinant when evaluating the merits of merger and acquisition activity, but full information must be provided to shareholders on governance issues when they are asked to approve such transactions. Recommendations regarding takeovers should be approved by the full board.

Articles of Association and adopting the report and accounts

It is unlikely that Border to Coast will oppose a vote to adopt the report and accounts simply because it objects to them per se; however, there may be occasions when we might vote against them to lodge dissatisfaction with other points raised within this policy statement. Although it is a blunt tool to use, it can be an effective one especially if the appropriate Chair or senior director is not standing for election.

Virtual Shareholder General Meetings

Many companies are considering using electronic means to reach a greater number of their shareholders. An example of this is via a virtual annual general meeting of shareholders where a meeting takes place exclusively using online technology, without a corresponding in-person meeting. There are some advantages to virtual only meetings as they can increase shareholder accessibility and participation; however, they can also remove the one opportunity shareholders have to meet face to face with the Board to ensure they are held to account. We would expect an electronic meeting to be held in tandem with a physical meeting. If extraordinary circumstances rule out a physical meeting, we expect the company to clearly outline how shareholders' rights to participate by asking questions and voting during the meeting are protected. Any amendment to a company's Articles to allow virtual only meetings without these safeguards will not be supported.

Shareholder Proposals

We will assess shareholder proposals on a case-by-case basis. Consideration will be given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

Shareholder proposals are an important tool to improve transparency. Therefore, we will, when considered appropriate, support resolutions requesting additional reporting or reasonable action that is in shareholders' best interests on material business risk, ESG topics, climate risk and lobbying.

We will generally vote in favour of shareholder resolutions that are aligned with the objectives of the Paris climate agreement, taking a 'comply or explain' approach, publicly disclosing our rationale if we vote against.

Human rights

When considering human rights issues, we believe that all companies should abide by the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. We expect companies exposed to human rights issues to have adequate due diligence processes in place to identify risks across their business and supply chain, in line with the UN Guiding Principles on Business and Human Rights. Where a company is involved in significant social controversies and at the same time is assessed as having poor human rights due diligence, we will vote against the most accountable board member or the report and accounts.

Climate change

Climate change is a systemic risk which poses significant investment risks, but also opportunities, with the potential to impact long-term shareholder value. We believe it is vital we fully understand how companies are dealing with this challenge, and feel it is our duty to hold the boards of our investee companies to account.

Our primary objective from climate related voting and engagement is to encourage companies to adapt their business strategy in order to align with a low carbon economy and reach net zero by 2050 or sooner. The areas we consider include climate governance; strategy and Paris alignment; command of the climate subject; board oversight and incentivisation; TCFD disclosures and scenario planning; scope 3 emissions and the supply chain; capital allocation alignment, climate accounting, a just transition and exposure to climate-stressed regions.

For companies in high emitting sectors that do not sufficiently address the impact of climate change on their businesses, we will oppose the agenda item most appropriate for that issue. To that end, the nomination of the accountable board member takes precedence. Companies that are not making sufficient progress in mitigating climate risk are identified using recognised industry benchmarks including the Transition Pathway Initiative (TPI), the Climate Action 100+ (CA100+) Net Zero Benchmark and the Urgewald Global Coal Exit List. We use TPI scores and will vote against the Chair (or relevant agenda item) where companies are scored 2 or lower, and for Oil and Gas companies scoring 3 or lower unless more up to date information is available. Where a company covered by CA100+ Net Zero Benchmark fails indicators of the Benchmark, which includes a net zero by 2050 (or sooner) ambition, short, medium and long-term emission reduction targets, and decarbonisation strategy, we will also vote against the Chair of the Board.

Additionally, an internally developed framework is used to identify companies with insufficient progress on climate change and not covered by the industry benchmarks.

Where management put forward a ‘Say on Climate’ resolution, we will vote against the agenda item if, following our analysis, we believe it is not aligned with the Paris Agreement.

Banks will play a pivotal role in the transition to a low carbon economy, and we will therefore be including the sector when voting on climate-related issues. We will assess banks using the IIGCC/TPI framework and will vote against the Chair of the Sustainability Committee, or the agenda item most appropriate, in the case where we have significant concerns regarding the bank’s transition plans to net zero.

We support a just transition towards a low-carbon economy which should be inclusive and acknowledge existing global disparities. We recognise that not all countries are at the same stage in their decarbonisation journey and need to consider the different transition timelines for emerging market economies. Therefore, in the interests of a just transition we will assess the implications when considering our voting decisions on a case-by-case basis.

Investment trusts

Border to Coast acknowledges that issues faced by the boards of investment companies are often different to those of other listed companies. The same corporate governance guidelines do not necessarily apply to them; for example, investment companies can operate with smaller boards. However, the conventions applying to audit, board composition and director independence do apply.

The election of any representative of an incumbent investment manager onto the board of a trust managed or advised by that manager will not be supported. Independence of the board from the investment manager is key, therefore management contracts should not exceed one year and should be reviewed every year. In broad terms, the same requirements for independence, diversity and competence apply to boards of investment trusts as they do to any other quoted companies.

We may oppose the adoption of the report and accounts of an investment trust where there is no commitment that the trust exercises its own votes, and there is no explanation of the voting policy.

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PLY59-I-B
Climate Change Policy

Border to Coast Pensions Partnership

Policy Owner: The Chief Investment Officer
Live from: January 2024

Climate Change Policy

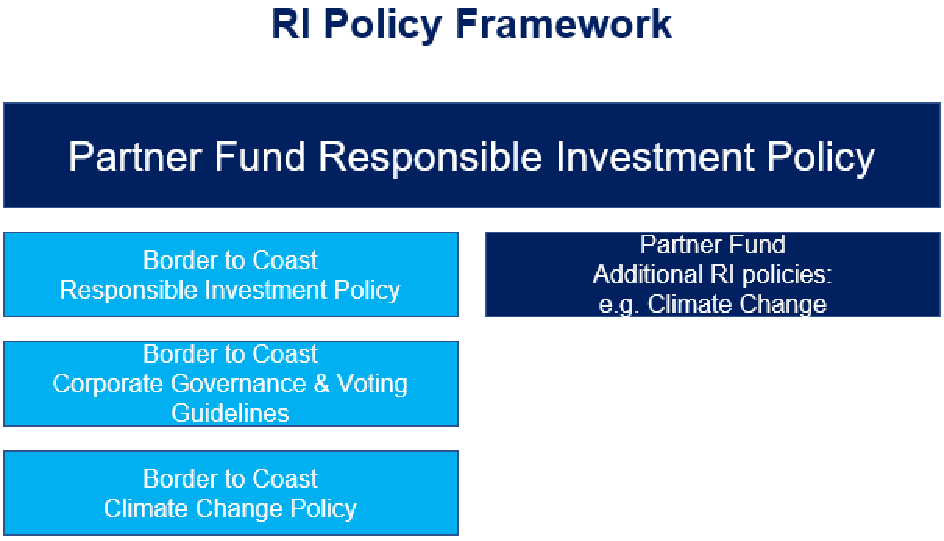
This Climate Change Policy details the approach that Border to Coast Pensions Partnership will follow in fulfilling its commitment to managing the risks and opportunities associated with climate change across the assets managed on behalf of our Partner Funds.

1 Introduction

Border to Coast Pensions Partnership Ltd is an FCA regulated and authorised investment fund manager (AIFM), operating investment funds for its eleven shareholders which are Local Government Pension Scheme funds (Partner Funds). As a customer-owned, customer-focused organisation, our purpose is to make a sustainable and positive difference to investment outcomes for our Partner Funds. Pooling gives us a stronger voice and, working in partnership with our Partner Funds and across the asset owner and asset management industry, we aim to deliver cost effective, innovative and responsible investment thereby enabling sustainable, risk-adjusted performance over the long-term.

1.1 Policy framework

Border to Coast has developed this Climate Change Policy in collaboration with our Partner Funds. It sits alongside the Responsible Investment Policy and other associated policies, developed to ensure clarity of approach and to meet our Partner Funds' fiduciary duty and fulfil their stewardship requirements. This collaborative approach resulted in the RI policy framework illustrated below with the colours demonstrating ownership of the various aspects of the framework:



2 Policy overview

2.1 Our views and beliefs on climate change

The world is warming, the climate is changing, and the scientific consensus is that this is due to human activity, primarily the emissions of carbon dioxide (CO_2) from burning fossil fuels. Our planet has warmed by over 1ºC relative to the pre-industrial average temperature, and we are starting to experience the significant effects of this warming. This changes the world in which we live, but also the world in which we invest.

Atmospheric CO_2 is at unprecedented levels in human history. Further warming will occur, and so adaptation will be required. The extent of this further warming is for humankind to collectively decide, and the next decade is critical in determining the course. If the present course is not changed and societal emissions of CO_2 and other greenhouse gases (GHG) are not reduced to mitigate global warming, scientists have suggested that global society will be catastrophically disrupted beyond its capability to adapt, with material capital market implications.

Recognising the existential threat to society that unmitigated climate change represents, in 2015, the nations of the world came together in Paris and agreed to limit global warming to 2ºC and to pursue efforts to limit the temperature increase to 1.5ºC. A key part of the Paris Agreement was an objective to make finance flows consistent with a pathway towards low GHG emissions and climate resilience. This recognises the critical role asset owners and managers play, reinforcing the need for us and our peers to drive and support the pace and scale of change required.

In 2018, the Intergovernmental Panel on Climate Change (IPCC) published a special report, "Global warming of 1.5ºC"[1], which starkly illustrated how critical successful adaptation to limit global warming to 1.5ºC is. The report found that limiting global warming to 1.5°C would require "rapid and far-reaching" transitions in land, energy, industry, buildings, transport, and cities. This includes a need for emissions of carbon dioxide to fall by approximately 45 percent from 2010 levels by 2030, and reach 'net zero' around 2050. We support this scientific consensus; recognising that the investments we make, in every asset class, will both impact climate change and be impacted by climate change. Urgent collaborative action is needed to reach net zero greenhouse gas emissions globally by 2050, and everyone has a part to play in ensuring the goal is met.

2.2 Why climate change is important to us

The purpose of embedding sustainability into our actions is twofold: we believe that considering sustainable measures in our investment decisions will increase returns for our Partner Funds, in addition to positively impacting the world beneficiaries live in.
As a long-term and responsible investor, we have a duty to ensure our investments are well-positioned to manage the physical climate risks, regulations, and policies that are developed to promote a Net Zero economy. Being an active investor, we have the skills and capabilities to deliver investments that will support the necessary transition to Net Zero. Representing our asset owners, we have a role to play in influencing those companies and organisations in which we invest to take into account climate change; this includes providing better climate-related financial disclosures, which assist us in making better-informed investment decisions.

While climate change creates risks to investors, there are also investment opportunities related to the transition to a lower carbon economy. The transition to a Net Zero economy will require new business models, new companies and new infrastructure. These represent potentially profitable investments that will help our Partner Funds look after beneficiaries for decades to come.

Our exposure to climate change comes predominantly from the investments that we manage on behalf of our Partner Funds. We develop and operate a variety of internally and externally managed investments across a range of asset classes both in public and private markets for our Partner Funds to invest in.

We try to mitigate these exposures by taking a long-term approach to investing as we believe that businesses that are governed well and managed in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. Climate change can have a material impact on the value of financial assets and on the long-term performance of investments, and therefore needs to be considered across all asset classes in order to better manage risk and generate sustainable, long-term returns.

Climate change is a systemic risk which poses significant investment risks, but also opportunities, with the potential to impact long-term shareholder value. There are two types of risks that investors are exposed to, the physical risk of climate change impacts and the transitional risk of decarbonising economies, both can also impact society resulting in social risks.

[1] https://www.ipcc.ch/sr15/

Transition to a low carbon economy will affect some sectors more than others, and within sectors there are likely to be winners and losers, which is why divesting from and excluding entire sectors may not be appropriate. We actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact will affect investments. We believe that we have the responsibility to contribute and support the transition to a low carbon economy in order to positively impact the world in which pension scheme beneficiaries live in.

In addition, the transition to a low-carbon economy will undoubtedly affect the various stakeholders of the companies taking part in the energy transition. A just transition refers to the integration of the social dimension into net zero transition strategies and is part of the Paris Agreement, the guidelines adopted by United Nations' International Labour Organization (ILO) in 2015, and the European Green Deal. These stakeholders include the workforce, communities in which the companies operate, supply chains, and customers. Whilst our specific expectations differ depending upon the sector and market, we expect all companies to consider the potential stakeholder risks and opportunities associated with decarbonisation.

Our climate change strategy is split into four pillars**: Identification and Assessment, Investment Strategy, Engagement and Advocacy, and Disclosures and Reporting.** We continue to monitor scientific research in this space; evolving and adapting our strategy in order to best respond to the impacts of climate change.

2.3 How we execute our climate change strategy

We integrate climate change risks within our wider risk management framework and have robust processes in place for the identification and ongoing assessment of climate risks.

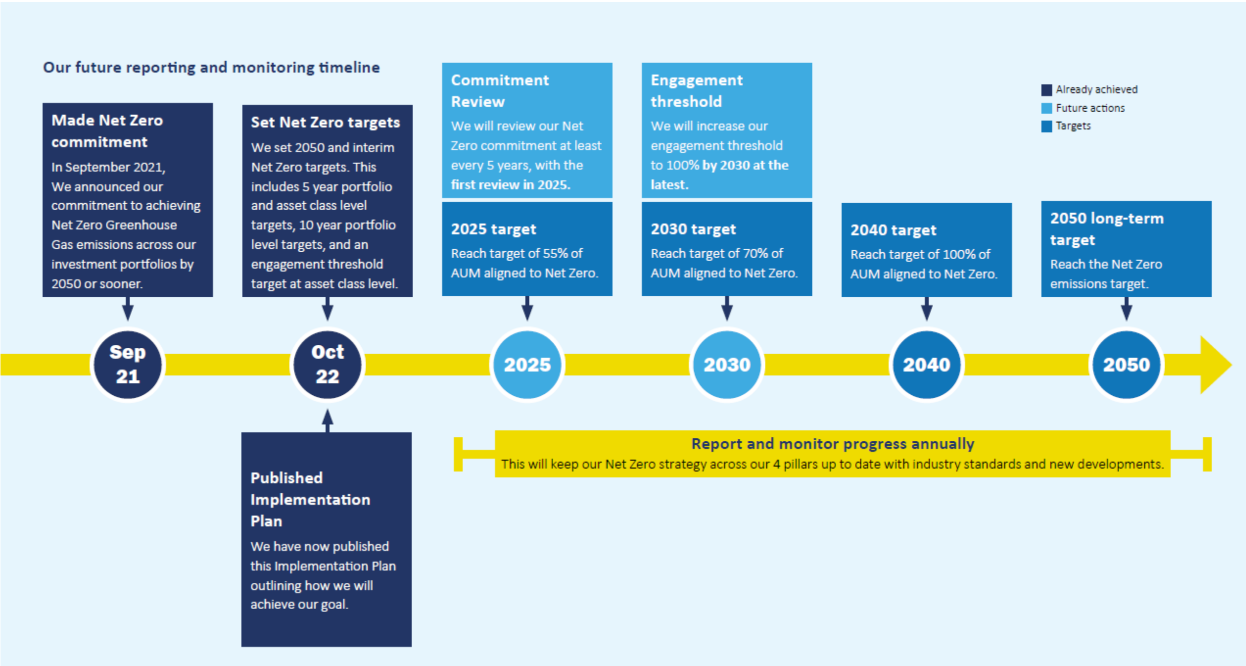
We consider climate change risks and opportunities within our investment decision making process.

We are committed to transparency regarding our climate change issues and activities.

Border to Coast, as a large investor, aims to influence companies to adapt and articulate their climate change strategy, to enable them to be well prepared for the transition to a low carbon economy. This in turn will improve investment outcomes.

2.4 Roadmap

The roadmap demonstrates the future reporting and monitoring timeline for implementing our Net Zero plan.



3 Climate change strategy and governance

3.1 Our ambition – Net Zero

Our climate change strategy recognises that there are financially material investment risks and opportunities associated with climate change which we need to manage across our investment portfolios. We have therefore committed to a net zero carbon emissions target by 2050 at the latest for our assets under management, in order to align with efforts to limit temperature increases to under 1.5ºC.

We recognise that assessing and monitoring climate risk is under constant development, and that tools and underlying data are developing rapidly. There is a risk of just focusing on carbon emissions, a backwards looking metric, and it is important to ensure that metrics we use reflect the expected future state and transition plans that companies have in place or under development. We continue to assess the metrics and targets used as data and industry standards develop.

As a supporter of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we continue to embed climate change into our investment process and risk management systems, reporting annually on our progress in the Climate Change report.

To demonstrate our Net Zero commitment, we joined the Net Zero Asset Manager initiative (NZAM) pledging to decarbonise investment portfolios by 2050 or sooner.

We are using the Net Zero Investment Framework (NZIF) to support us in implementing our strategy to being Net Zero by 2050.We have developed an implementation plan which sets out the four pillars of our approach: governance and strategy, targets and objectives, asset class alignment, and stewardship and engagement. We believe success across these four elements will best enable us to implement the change needed.

To meet our commitment to reach net zero carbon emissions by 2050 or sooner, we have developed targets for our investments in line with NZIF. We have set targets at two levels: portfolio level, which refers to our combined total investments in the asset classes covered by this plan, and asset class level, which refers to our investments split by investment type (i.e. listed equity, corporate fixed income etc). This covers approximately 57% of our AUM (at 31/03/2023) and we will look to increase coverage across the rest of our investments when appropriate.

We have set short and medium-term reduction targets for carbon emissions, targeting a 53% reduction in financed emissions (normalised by AUM) by 2025 and a 66% reduction by 2030 in order to reach 100% emission reductions by 2050 or sooner. We have also set Net Zero alignment targets for our portfolios based on specific assessment criteria with the aim of reaching 100% Net Zero alignment by 2040 and asset class level engagement targets with 80% of finance emissions to be under engagement by 2025, reaching 100% coverage by 2030.

More detail can be found in the Net Zero Implementation Plan on our website.

3.2 Governance and implementation

We take a holistic approach to the integration of sustainability and responsible investment; it is at the core of our corporate and investment thinking. Sustainability, which includes RI is considered and overseen by the Board and Executive Committee. We have defined policies and procedures that demonstrate our commitment to managing climate change risk, including this Climate Change Policy, our Responsible Investment Policy and Corporate Governance & Voting Guidelines which can be found on our website.

3.3 Division of roles and responsibilities

The Board determines the Company's overall strategy for climate change and with support from the Board Risk Committee, more broadly oversees the identification and management of risk and opportunities. The Board is responsible for the overarching oversight of climate related considerations as part of its remit with respect to Border to Coast's management of investments. The Board approves the Responsible Investment strategy and policies, which includes the Climate Change Policy. Updates on Responsible Investment are presented to the Board at regular intervals, this includes activities related to climate change. The Board reviews and approves the Climate Change report prior to publication.

The Climate Change Policy is owned by Border to Coast and created after collaboration and engagement with our Partner Funds. We will, where needed, take appropriate advice in order to further develop and implement the policy.

The Chief Investment Officer (CIO) is responsible for the implementation and management of the Climate Change Policy, with oversight from the Investment Committee, which is chaired by the Chief Executive Officer. The remit of the Investment Committee includes overseeing progress and reporting against our Net Zero targets. Each year the CIO reviews the implementation of the policy and reports any findings to the Board. The policy is reviewed annually, taking into account evolving best practice, and updated as needed.

The Investment Team, which includes a dedicated Responsible Investment Team, works to identify and manage environmental, social and governance (ESG) issues including climate change, with support and oversight from the Risk and Compliance function. Climate change is one of our responsible investment priorities and sits at the core of our sustainability dialogue. We are on the front foot with UK, European and Global climate change regulation, horizon scanning for future regulation and actively participate in discussions around future climate policy and legislation through our membership of industry bodies.

3.4 Training

Border to Coast's Board and colleagues maintain appropriate skills in responsible investment, including climate change, maintaining and increasing knowledge and understanding of climate change risks, available risk measurement tools, and policy and regulation. Where necessary expert advice is taken from suitable climate change specialists to fulfil our responsibilities. We also offer our Partner Funds training on climate change related issues.

3.5 Regulatory change management

Regulatory change horizon scanning is a key task undertaken by the Compliance function, which regularly scans for applicable regulatory change. This includes FCA, associated UK financial services regulations, and wider regulation impacting financial services including Responsible Investment, and climate change. The relevant heads of functions and departments, as subject matter experts, also support the process and a tracker is maintained to ensure applicable changes are appropriately implemented.

4 Identification and assessment

4.1 How we identify climate-related risks

The Identification and Assessment pillar is a key element of our climate change strategy. Our investment processes and approach towards engagement and advocacy reflect our desire to culturally embed climate change risk within our organisation and drive change in the industry.

The risk relating to climate change is integrated into the wider Border to Coast risk management framework and considered within the related components of our Risk Appetite Framework, such as strategy, customer outcomes and stewardship. The Company operates a risk management framework consistent with the principles of the ‘three lines of defence' model. Primary responsibility for risk management lies with the Investment and Operations teams. Second line of defence is provided by the Risk and Compliance functions, which report to the Board Risk Committee, and the third line of defence is provided by Internal Audit, which reports to the Audit Committee and provides risk-based assurance over the Company’s governance, risk and control framework.

We consider both the transition and physical risks of climate change. The former relates to the risks (and opportunities) from the realignment of our economic system towards low-carbon, climate-resilient and carbon-positive solutions (e.g. via regulations). The latter relates to the physical impacts of climate change (e.g. rising temperatures, changing precipitation patterns, increased risk arising from rising sea levels and increased frequency and severity of extreme weather events).

4.2 How we assess climate-related risks and opportunities

We currently use a number of different tools and metrics to measure and monitor climate risk across portfolios. We acknowledge that this is a rapidly evolving area, and we are developing our analytical capabilities to support our ambition. Carbon data is not available for all equities as not all companies disclose, therefore there is a reliance on estimates. Data is even more unreliable for fixed income and is only just being developed for Private Markets. We will work with our managers and the industry to improve data disclosure and transparency in this area.

We utilise third party carbon portfolio analytics to conduct carbon footprints across equity and fixed income portfolios, analysing carbon emissions, carbon intensity and weighted carbon intensity and fossil fuel exposure when assessing carbon-related risk, on a quarterly basis. The Transition Pathway Initiative (TPI)[2] tool and Climate Action 100+ Net Zero Company Benchmark analysis is used to support portfolio managers in decision making with respect to net zero assessments. We use research from our partners and specific climate research, along with information and data from initiatives and industry associations we support.

We continue to develop climate risk assessments for our listed equity investments that combines several factors to assess overall whether a company is aligned with the Paris Agreement (to limit global warming to 2ºC), so that we can both engage appropriately with the company on their direction of travel and also track our progress. This is an iterative process, recognising that data, tools and methodologies are developing rapidly.

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[2] The Transition Pathway Initiative (‘TPI’) is a global initiative led by asset owners and supported by asset managers. Aimed at investors, it is a free-to-use tool that assesses how prepared companies are for the low carbon transition.

We understand that scenario analysis can be useful for understanding the potential risks and opportunities attached to investment portfolios and strategies due to climate change. We note that scenario analysis is still developing, with services and products evolving as data quality and disclosure from companies continues to improve and are aware of the current limitations of the models and associated risks of using this information to make informed investment decisions. We have used the Climate Financial Risk Forum's selection framework to consider climate scenario options and based on this framework will use the Regional Model of Investment and Development ("REMIND") model scenarios which come from the Network for Greening the Financial System ("NGFS"), a group of central banks and supervisors in the financial system. We will be considering a 1.5°C disorderly scenario, 2.0°C scenarios (orderly and disorderly) and the 3.0°C 'Hot House World' scenario. We will initially conduct scenario analysis on our listed equity and investment grade credit funds.

5 Investment strategy

5.1 Our approach to investing

We believe that climate change should be systematically integrated into our investment decision-making process to identify related risks and opportunities. This is critical to our long-term objective of improving investment outcomes for our Partner Funds.

Border to Coast offers Partner Funds a variety of internally and externally managed investment funds covering a wide-ranging set of asset classes with different risk-return profiles. Partner Funds then choose the funds which support their strategic asset allocation.

Partner Funds retain responsibility for strategic asset allocation and setting their investment strategy, and ultimately their strategic exposure to climate risk. Our implementation supports Partner Funds to deliver on their fiduciary duty of acting in the best interests of beneficiaries.

We consider climate change risks and opportunities in the process of constructing and developing investment funds. Engaging with our investee companies and fund managers is a key lever we will use to reach our Net Zero goals, but we also recognise the role of screening, adjusting portfolio weights, and tilted benchmarks in decarbonising our investments.

Climate change is also considered during the external manager selection and appointment process. We monitor and challenge our internal and external managers on their portfolio holdings, analysis, and investment rationale in relation to climate-related risks.

We monitor a variety of carbon metrics, managing climate risk in portfolios through active voting and engagement, whilst also looking to take advantage of the long-term climate-related investment opportunities.

We believe in engagement rather than divestment and that by doing so can effect change at companies. Our investment approach is not to divest or exclude entire sectors, however there may be specific instances when we will look to sell or not invest in some industries based on investment criteria, the investment time horizon and if there is limited scope for successful engagement. When considering whether a company is a candidate for exclusion, we do so based on the associated material financial risk of a company's business operations and whether we have concerns about its long-term viability. Using these criteria, due to the potential for stranded assets, and the significant carbon emissions of certain fossil fuels we will not ~~longer~~ invest in public market companies or illiquid assets with >25% of revenue derived from thermal coal and oil sands, unless there are exceptional circumstances.. ~~For illiquid assets a revenue threshold of 25% is in place, this is due to the long-term nature of these investments.~~

We will exclude public market companies in developed markets with >50% revenue derived from thermal coal power generation. For companies in emerging markets the revenue threshold is >70%, this is to reflect our support of a just transition towards a low-carbon economy which should be inclusive and acknowledge existing global disparities. We recognise that not all countries are at the same stage in their decarbonisation journey and need to consider the different transition timelines for emerging market economies. We will assess the implications of the exclusion policy and where we consider it appropriate, may operate exceptions.

Any public market companies excluded will be reviewed with business strategies and transition plans assessed for potential reinstatement.

5.2 Acting within different asset classes

We integrate climate change risks and opportunities into our investment decisions within each asset class. The approach we take for each asset class is tailored to the nature of the risk and our investment process for that asset class. The timeframe for the impact of climate change can vary, leading to differing risk implications depending on the sector, asset class and region. These variations are considered at the portfolio level. This policy gives our overall approach and more detail on the processes and analysis can be found in our annual Climate Change Report.

Climate risks and opportunities are incorporated into the stock analysis and decision-making process for **listed equities** and **fixed income**. Third-party ESG and carbon data are used to assess individual holdings. We also use forward looking metrics including the TPI ratings, Climate Action 100+ (‘CA100+) Net Zero Company Benchmark and the Science Based Targets initiative (SBTi) to assess companies’ transition progress. Internal, sell-side and climate specific research, and engagement information are also utilised. Carbon footprints are conducted relative to the benchmark. Climate scenario analysis is also conducted for listed equity and fixed income portfolios using third-party data.

For our **alternative funds**, ESG risks, which includes climate change, are incorporated into the due diligence process including ongoing monitoring. Across both funds and co-investments, we consider the impact of carbon emissions and climate change when determining our asset allocation across geographies and industries. We assess and monitor if our GPs track portfolio metrics in line with TCFD recommendations. Climate change presents real financial risks to portfolios but also provides opportunities with significant amounts of private capital required to achieve a low-carbon transition. We have therefore launched a Climate Opportunities offering and will be facilitating increased investment in climate transition solutions taking into account Partner Fund asset allocation decisions.

ESG risks, including climate change, are an integral part of the due diligence process, including ongoing monitoring for our **Real Estate** funds. For all funds, we consider the impact of carbon emissions and climate change when determining our asset allocation across geographies, sectors and assets. We will look to assess and monitor all the funds against portfolio metrics in line with TCFD recommendations. For UK real estate, there is a blueprint and roadmap for Net-Zero Carbon, prepared by the selected third-party Investment Manager (TPIM) working with an external expert (Verco) to understand (I) current carbon baselines (II) carbon reductions and costs to reduce global warming to 1.5 degrees (III) high risk assets within their client portfolios. This will be of significant benefit to Border to Coast and the real estate funds as they evolve.

5.3 Working with External Managers

Assessing climate risk is an integral part of the External Manager selection and appointment process. It also forms part of the quarterly screening and monitoring of portfolios and the annual manager reviews. We monitor and review our fund managers on their climate change approach and policies. Where high emitting companies are held as part of a strategy managers are challenged and expected to provide strong investment rationale to substantiate the holding. We expect managers to engage with companies in line with our Responsible Investment Policy and to support collaborative initiatives on climate, and to report in line with the TCFD recommendations. In addition, we encourage managers to make a firm wide net zero commitment. We work with External Managers to implement specific decarbonisation parameters for their mandate. We monitor our managers’ carbon profiles and progress against targets on a quarterly basis and as part of our annual reviews. We also consider the suitability of those targets on an annual basis. Where carbon profiles are above target, this acts as a prompt for discussion with the manager to understand why this has occurred, any appropriate actions to be taken to bring them back to target, and the timescales for any corrective action.

6 Engagement and advocacy

As a shareholder, we have the responsibility for effective stewardship of all companies or entities in which we invest, whether directly or indirectly. We take the responsibilities of this role seriously, and we believe that effective stewardship is key to the success for our climate ambition. As well as engaging with our investee companies it is important that we engage on systemic risks, including climate change, with policymakers, regulators and standard setters to help create a stable environment to enhance long-term investment returns.

6.1 Our approach to engagement

As a long-term investor and representative of asset owners, we hold companies and asset managers to account regarding environmental, social and governance issues, including climate change factors, that have the potential to impact corporate value. We support engagement over divestment as we believe that constructive dialogue with companies in which we invest is more effective than excluding companies from the investment universe, particularly with regard to promoting decarbonisation in the real world. If engagement does not lead to the desired results, we have an escalation process which forms part of our RI Policy, this includes voting against management on related AGM voting items, amongst other steps. We practice active ownership through monitoring companies, engagement, voting and litigation where considered to be appropriate. Through meetings with company directors, we seek to work with and influence investee companies to encourage positive change. Climate is one of our key engagement themes. We believe it is vital we fully understand how companies are dealing with this challenge, and feel it is our duty to hold the boards of our investee companies to account.

Our primary objective from climate related engagement is to encourage companies to adapt their business strategy in order to align with a low carbon economy and reach net zero by 2050 or sooner. The areas we consider in our engagement activities include climate governance; strategy and Paris alignment; command of the climate subject; board oversight and incentivisation; TCFD disclosures and scenario planning; scope 3 emissions and the supply chain; capital allocation alignment, a just transition and exposure to climate-stressed regions.

Engagement is the primary mechanism for driving alignment to Net Zero in our portfolio companies and thereby meeting our Net Zero targets, both at asset class and portfolio level, as well as for driving real-world decarbonisation. We have therefore set asset class level engagement targets with 80% of financed emissions to be under engagement by 2025, reaching 100% coverage by 2030.

In order to increase our influence with corporates and policy makers we work collaboratively with other like-minded investors and organisations. This is achieved through actively supporting investor RI initiatives and collaborating with various other external groups on climate related issues, including the Institutional Investors Group on Climate Change (IIGCC), CA100+, the UN-supported Principles for Responsible Investment, the Local Authority Pension Fund Forum and the TPI.

In particular, we are currently focusing on the following actions:

- When exercising our voting rights for companies in high emitting sectors that do not sufficiently address the impact of climate change on their businesses, we will oppose the agenda item most appropriate for that issue. To that end, the nomination of the accountable board member takes precedence. Companies that are not making sufficient progress in mitigating climate risk are identified using recognised industry benchmarks including the TPI,CA 100+ Net Zero Company Benchmark and the Urgewald Global Coal Exit List. Additionally, an internally developed framework is used to identify companies with insufficient progress on climate change. Our voting principles are outlined in our Corporate Governance & Voting Guidelines. We are also transparent with all our voting activity and publish our quarterly voting records on our website.

- We will generally vote in favour of shareholder resolutions that are aligned with the objectives of the Paris climate agreement, taking a ‘comply or explain’ approach, publicly disclosing our rationale if we vote against.
- We will vote against management ‘Say on Climate’ resolutions that are not aligned with the Paris climate agreement.
- We will co-file shareholder resolutions at company AGMs on climate risk disclosure, emission reduction targets, transition plans, and lobbying, after conducting due diligence, that we consider to be of institutional quality and consistent with our Climate Change Policy.
- Engage with companies in relation to business sustainability, disclosure of climate risk and to publish greenhouse gas emissions reduction targets in line with the TCFD recommendations.
- Engage with the largest emitters across our portfolios on transition plans and science aligned capital expenditure plans.
- Engage with the banking sector as it plays a pivotal role in the transition to a low-carbon economy.
- Engage with our largest portfolio emitters and all fossil fuel companies and banks subject to votes against management due to failure to meet our climate policies.
- Support a Just Transition through collaboration with other investors and consider in our engagement and voting.
- Work collaboratively with other asset owners in order to strengthen our voice and make a more lasting impact for positive change. Engagement is conducted directly, through our engagement partner and through our support of collaborations. We also expect our external asset managers to engage with companies on climate-related issues.
- Implementing our net zero stewardship strategy developed using IIGCC’s Net Zero Stewardship Toolkit.
- Use carbon footprints, the TPI toolkit, CA100+ Net Zero Company Benchmark, SBTi along with other data sources to assess companies and inform our engagement and voting activity. This will enable us to prioritise shareholder engagement, set timeframes and monitor progress against our goals.
- Engage collaboratively alongside other institutional investors with policy makers through membership of organisations such as the IIGCC. We will engage with regulators and peer groups to advocate for improved climate related disclosures and management in the pensions industry and wider global economy.

7 Disclosures and reporting

Border to Coast is transparent with regard to its RI activities and keeps beneficiaries and stakeholders informed We disclose our RI activity on our website, publishing quarterly stewardship and voting reports, annual RI & Stewardship reports and our TCFD report. We are committed to improving transparency and reporting in relation to our RI activities, which include climate change related activities.

We keep our Partner Funds and our stakeholders informed on our progress of implementing the Climate Change Policy and Net Zero commitment, as well as our exposure to the risks and opportunities of climate change. This includes:

- Reviewing annually how we are implementing this policy with findings reported to our Board and Partner Funds. Report in line with the TCFD recommendations on an annual basis, including reporting on the actions undertaken with regards to implementation of this policy and progress against our Net Zero commitment.

- We disclose our voting activity and report on engagement and RI activities, including climate change, to the Partner Funds quarterly and in our annual RI & Stewardship report.
- Disclose climate metrics and targets that help to analyse the overall exposure of our portfolios to the risks and opportunities presented by climate mitigation and adaption.

Agenda Item 16

SOUTH YORKSHIRE PENSIONS AUTHORITY

Agenda Item

Subject	**Place Based Impact Investment – Memorandum of Understanding with South Yorkshire Mayoral Combined Authority**	**Status**	For Publication
Report to	Authority	**Date**	7th December 2023
Report of	Director		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham Director	**Phone**	01226 666439
E Mail	ggraham@sypa.org.uk		

1 Purpose of the Report

1.1 To authorise the Director to sign a memorandum of understanding (MoU) with the South Yorkshire Mayoral Combined Authority (SYMCA) in relation to the place based impact investment strategy.

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2 Recommendations

2.1 Members are recommended to:

a. **Authorise the Director to sign the Memorandum of Understanding at Appendix 1 on behalf of the Authority.**

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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.

Effective and Transparent Governance

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

The proposal set out in this report sets out transparently for all stakeholders the commitment by the Authority to a process of sharing information and providing feedback on potential investment opportunities between the Authority and SYMCA.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report do not directly impact any risks identified in the corporate risk register but the arrangements set out in the MoU mitigate the risk of the Authority's independence in relation to the making of investment decisions being compromised when considering certain types of local investment.

5 Background and Options

5.1 In March 2023 the Authority approved its strategy for place-based impact investment which is intended to deliver return and impact which over time will be increasingly focussed in South Yorkshire. In developing this strategy members engaged with SYMCA officers with regard to identifying the priorities for investment across the sub region. Thus the priorities for investment identified in the strategy reflect those sub regional priorities which can generate the returns which the Authority needs to provide in order to pay pensions.

5.2 Following the development of the strategy discussions have taken place between the Authority's officers and SYMCA to identify ways in which the two organisations can cooperate in relation to the delivery of SYPA's place based strategy while respecting the different roles and responsibilities of the two organisations. This process has resulted in the development of the Memorandum of Understanding at Appendix 1. A memorandum of understanding is a legal agreement which sets out the way in which the parties to the agreement intend to work together on particular issues.

5.3 The proposed MoU with SYMCA in essence commits SYPA to ask its various fund managers to consider and provide feedback on potential investments passed on by SYMCA. There is no obligation to invest in any particular project. The intent is that this process may make fund managers aware of potential investments which they otherwise may not have seen and also through the provision of feedback it may be possible to gradually improve the overall quality of investment submissions. It is worth pointing out that Border to Coast propose a similar arrangement in relation to their UK Opportunities product so having this arrangement in place may mean that South Yorkshire is well positioned to take advantage of this larger pool of capital and wider range of specialist fund managers. It is important to note that there is specific language in the MoU acknowledging that the role of SYPA is to pay pensions and that it will only invest in projects which deliver an appropriate return.

5.4 The SYMCA Board will consider this MoU at its meeting in January and following approval by both organisations it will be signed by officers and come into operation.

6 Implications

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

Financial	None. Any work required by fund managers to examine potential investments is covered by the fees SYPA already pays.

Human Resources	None
ICT	None
Legal	The MoU commits SYPA to consider potential investments but not to make any particular investment and therefore does not compromise the Authority's fiduciary duty.
Procurement	None

George Graham

Director

Background Papers	
Document	**Place of Inspection**

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MEMORANDUM OF UNDERSTANDING ON CO-OPERATION BETWEEN

SOUTH YORKSHIRE MAYORAL COMBINED AUTHORITY AND SOUTH YORKSHIRE PENSION AUTHORITY

XX December 2023

The South Yorkshire Mayoral Combined Authority (SYMCA) and South Yorkshire Pension Authority (SYPA) agree to form a strategic partnership to collaborate on supporting early stage business finance, local development, housing delivery and progress towards decarbonising the economy. Delivery will be in liaison with, and supported by, the four South Yorkshire Local Authorities in Barnsley, Doncaster, Rotherham and Sheffield districts, where appropriate.

SYMCA recognises that the purpose of SYPA and its pension fund is to provide the resources to ensure that pensions can be paid when due and not to be an instrument of policy. Equally SYPA recognises that it is possible for some investments to achieve policy impacts in addition to the required financial return.

Purpose of the Memorandum of Understanding

Following the SYPAs recent announcement of a Place-Based Investment Portfolio, this Memorandum of Understanding sets out how the two parties will deliver the Productivity and Community missions in the Portfolio to mutual benefit. It sets out the mutual objectives of the respective parties, areas for engagement and nature of engagement.

This Memorandum of Understanding does not guarantee any specific opportunities for SYPA, nor does it assume SYPA as being more than a willing partner to support SYMCA with the policy outcomes which the Mayoral Combined Authority is ultimately responsible for delivering.

It is not intended to be legally binding except as specifically set out below.

Nothing in this document should be taken as undermining the responsibilities of either party under the relevant aspects of English law and relevant regulations. Nor should the existence of this Memorandum of Understanding be taken to imply any approval or endorsement of any particular investment proposal.

SYPA Place-Based Investment Portfolio Objectives

SYPA is targeting investments to create a diverse portfolio that would create well-paying jobs, stimulate innovation, improve living standards, provide SME and start up finance and drive the use of Net Zero Technologies.

- Early stage start-up and innovation support for Small to Medium Sized businesses
- Development of new homes, be it build-to-rent or for sale, including affordable and specialist housing.
- Local commercial development and infrastructure including town and city centre regeneration or redevelopment of major assets.

- Support for businesses which are making the net zero transition SYPA is keen to utilise its available resources in responsible way to support the Government's Levelling Up agenda in South Yorkshire.

South Yorkshire – The Opportunity

South Yorkshire has particular sector strengths including world-leading innovative businesses and research capabilities in advanced manufacturing, health and life sciences, and aerospace and defence technologies, as well as pioneering clean energy technologies such as hydrogen and nuclear fusion. The region benefits from a supportive public sector and universities, open to working more closely in partnership with private investors and a skills base actively transitioning to meet these new sector and growth opportunities.

The region has a lower proportion of new start-up small-medium sized enterprises (SME) than other comparable regions and a lack of innovation and dynamism in existing businesses that is dampening economic growth and job creation in South Yorkshire. There are significant opportunities in the region for new business creation in growing sectors such as clean energy, health, decarbonisation, and manufacturing, building on the world class research and development being undertaken both by the Universities and the various research centres. However, there is a lack of business start-up finance and support for new and local businesses to establish and grow, due to few financial investors being focussed in the region.

The housing Vision for South Yorkshire is to ensure that everyone has access to good quality, warm homes that are affordable and meet needs, whilst helping achieve ambitions for a net zero economy and sustainable, attractive places to live, work and invest. There is a significant historic undersupply of affordable housing across the region, which needs to be addressed, alongside a growing need for specialist housing related to an ageing population. There are significant opportunities, particularly in our urban centres, not only for new housing but also for new commercial development and infrastructure to contribute to wider regeneration and renewal ambitions, and helping drive a net zero transition for places across South Yorkshire.

As part of this Memorandum of Understanding, both parties agree to share and test proposals to check their suitability for investment by SYPA, either solely or as a co-investment opportunity. Any potential investments referred to SYPA will be passed by SYPA officers on to an appropriate third-party fund manager for evaluation against the criteria for investment agreed for their particular mandate. SYPA officers will select this fund manager with which SYPA has an existing relationship and dependent on the 'fit' of the opportunity received. This may include referring proposals to the 'Border to Coast' partnership for investment, of which SYPA is party to, if proposals are a more suitable investment 'fit.'

Potential investments will be considered for either equity or debt support by SYPA, or a mix of both depending on the nature of the development and other tangible criteria. Clear feedback will be provided where proposals do not accord with SYPA's investment criteria.

The work will focus initially on three areas:

1. Early Stage Finance for Local Businesses

SYMCA strategic objective – increase the number of new businesses forming in South Yorkshire and support businesses to grow.

To support the South Yorkshire economy to take advantage of new growth opportunities, the two parties agree to engage with both inward investors, existing businesses and umbrella business groups, to identify tangible new start-up and business growth opportunities.

With SYPA, SYMCA agrees to refer suitable new business investment opportunities to SYPA, and provide ‘wrap-around’ support where required to seek to strengthen the sustainability and resilience of local businesses and to minimise investment risks.

2. Housing Delivery

SYMCA strategic objective - to identify a robust pipeline of new housing growth investment opportunities to deliver more affordable new homes and specialist homes.

To support community renewal and new housing provision opportunities, the two parties agree to engage stakeholders where there are areas of common interest, including but not limited to local authorities, registered housing providers, developers and financial institutions. Consideration will be given to both sole housing schemes or mixed-use schemes with a sizeable housing element, particularly where high environmental standards are being applied to support net zero ambitions and help address the cost of living crisis.

This area of cooperation will also look beyond housing provision to consider the existing housing stock and sustainable, place-based infrastructure solutions and investments to support the wider regeneration and growth of places.

3. Commercial Development and Net Zero Infrastructure

SYMCA strategic objective - to support new commercial development and infrastructure through a well-designed, deliverable pipeline of capital projects to support regeneration and a net zero transition.

To enable transformational change and regeneration in our major centres across South Yorkshire and support the transition to a new zero economy and society, the two parties agree to collaborate on developing a dynamic and viable investment pipeline of investable propositions for potential investment by SYPA.

SYMCA will lead on identifying these propositions in liaison, with local authorities and other local partners. Where a viable and regulatory compliant case can be made, SYPA will give consideration to entering into suitable investment and delivery partnerships for large scale area proposals, including Joint Venture arrangements.

Ways of Working

The two parties will meet on at least a quarterly basis. These stocktakes will:

i. Track the performance of the investment portfolio against its objectives and the challenges identified in the sections above;
ii. Provide SYPA with local intelligence and business referrals from SYMCA officers; and,
iii. Discuss future opportunities for collaboration and engagement.

Both parties recognise that collaboration of this nature requires open and proactive engagement, so commit to operating in a transparent manner and sharing relevant information and ideas. Where additional input is required to facilitate activity, SYMCA will in the first instance look to source; however, both parties will remain open to co-supporting required inputs.

Any material or other information provided by either party to the other is provided without liability for its accuracy or fitness for the purpose relied upon, and a non-disclosure agreement between the two parties will be entered into to cover any commercially sensitive information supplied by either party. SYPA acknowledges that any information provided by SYMCA will be available to other parties willing to engage in strategic partnerships with SYMCA. Both parties recognise that this is a non-exclusive partnership, however SYMCA will advise of intentions to enter into other strategic partnerships which may compete with SYPA's areas of expertise.

SYPA acknowledges that SYMCA is subject to the requirements of the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.

Nothing in this Memorandum of Understanding is intended to, or shall be deemed to, establish any legal partnership or joint venture between any of the parties, constitute any party, act as the agent of another party, nor authorise any party to make or enter into any commitments for or on behalf of any other party.

We recognise that each party will act in its own interests.

This Memorandum of Understanding is not exhaustive and is not intended to be legally binding unless otherwise stated.

Any publicity or other related communications about this strategic partnership will be agreed in writing by both parties prior to issue or release.

Term and Termination

This paragraph is legally binding.

This Memorandum of Understanding shall commence on the date of signature by both parties and shall end five (5) years after this date, unless extended with the formal consent of all parties.

Either party may terminate its involvement in the strategic partnership by giving three months' notice in writing to the other.

Costs

This paragraph is legally binding.

Unless otherwise agreed, each party shall be responsible for its own costs in preparation and in complying with their obligations under this Memorandum of Understanding.

Governing Law

This paragraph is legally binding.

This memorandum of understanding, and all negotiations and any legal agreements prepared in connection with the Purpose, and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with them or their subject matter or formation shall be governed by and construed in accordance with the law of England and Wales.

Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this memorandum of understanding, the negotiations relating to the Purpose and any legal agreements prepared in connection with the Purpose.

Each party hereby confirms its agreement to the terms contained in this memorandum of understanding.

.... Director / Authorised Signatory,

duly authorised for and on behalf of SOUTH YORKSHIRE MAYORAL COMBINED AUTHORITY

Date:...................................... 2023

.... Director / Authorised Signatory,

duly authorised for and on behalf of SOUTH YORKSHIRE PENSION FUND

Date:....................................... 2023

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SOUTH YORKSHIRE PENSIONS AUTHORITY

Agenda Item

Subject	**Policy and Regulatory Update – LGPS Investment Consultation Outcome**	**Status**	For Publication
Report to	Authority	**Date**	7th December 2023
Report of	Director		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham Director	**Phone**	01226 666439
E Mail	ggraham@sypa.org.uk		

1 Purpose of the Report

1.1 To update members of the Authority on the outcome of the consultation on LGPS investments which was announced alongside the Autumn Statement and the implications for SYPA.

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2 Recommendations

2.1 Members are recommended to:

a. Note the contents of this report and the implications of the consultation outcome for future work programmes.

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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.

The proposals set out by Government have implications for how the Authority invests and hence potential returns and the ability to achieve particular responsible investment goals. In addition the continuing development of the pooling process is likely to require further evolution of the Authority's governance arrangements.

4 Implications for the Corporate Risk Register

4.1 Implementation of the outcomes of the consultation will potentially impact various investment and governance risks already contained in the Corporate Risk Register and there may be new risks which emerge when the proposed statutory guidance is produced.

5 Background and Options

5.1 The Government published the outcome of the consultation on LGPS Investments which closed on 2nd October alongside the Autumn Statement on 22nd November 2023 (see link in background papers). The Authority had previously considered its response at its September meeting. The more rapid response to a consultation than the sector is accustomed to possibly indicates the strength of the drive from the Treasury behind the broader package of Mansion House reforms of which this exercise forms a part.

5.2 There was a significant level of response to the consultation with 82 of the 86 administering authorities and all 8 pools responding among a total of 152 responses. As members will be aware there was a significant degree of collaboration between Border to Coast partners to agree a common core approach to the issues raised in the consultation.

5.3 Broadly the Government now propose to proceed with all of the proposals which they outlined in the original consultation with some small variations and softening in some areas, in particular:

- The March 2025 timeline for transitioning listed assets will remain but will be on a comply or explain basis, which will reduce some of the practical challenges that a hard deadline would have posed for some funds although this is not an issue for SYPA.
- The proposal to adopt standardised asset class benchmarks has been dropped.
- There is clarity that the proposals in relation to private equity and so called "levelling up" investments are not intended to cut across fiduciary duty but point to wider opportunity sets.

5.4 The following sections of this report deal with the main issues considered in the consultation in turn the Government's response and the implications for SYPA.

Pooling and Driving Scale

5.5 The response to the Governments proposal that pools should target a minimum size of £50bn is at best described as cautious scepticism. The Government continues to believe that fewer pools is an optimum position but does not intend to force the issue although it makes clear based on an estimate of future asset values that by 2040 it would want to see 4 or 5 pools of in excess of £200bn rather than the current 8. Government encourages greater collaboration between pools to exploit specialism and avoid duplication.

5.6 With regard to the timetable for transition of listed assets there was significant opposition to the proposed 2025 date for a variety of practical reasons. The Government's view is that they need to provide some clearer direction to deliver a step change in the rate of progress being made in pooling assets. Therefore they propose that funds should either transition listed assets or provide in their Investment Strategy Statement a detailed rationale for those that remain outside the pool including any value for money considerations and when the decision not to pool will be reviewed.

5.7 The Government set out a view about how funds and pools should work together including a clearer division of responsibilities and pool entities being more actively involved in advising on investment strategy. There was significant opposition to this approach, and in particular to a more active advisory role for pools. The Government propose to provide revised guidance which includes a preferred model which pools will be expected to adopt over time. This model will be based on characteristics and outcomes rather than prescribed structures.

5.8 There was almost unanimous support for proposals to formalise requirements for a training policy for members of pension committees (in SYPA's case the Authority). The Government intends to enact there proposals through further guidance which stops short of setting the requirements around knowledge and understanding as called for by the Scheme Advisory Board in the Good Governance review.

5.9 The Government made proposals to increase the transparency of reporting around asset allocation and around the savings delivered by pooling, including additional reporting by the Scheme Advisory Board. There was broad support for these proposals. The area of most contention was the suggestion of reporting asset class returns against standardised benchmarks. The Government will bring forward guidance to implement these proposals and will work with the SAB to develop a scheme return looking to achieve some consistency with other parts of the pensions industry. The proposal to use standardised asset class benchmarks will not be taken forward.

LGPS and "Levelling Up"

5.10 There was broad support for the Government's proposed definition of a "levelling up" investment. The Government will therefore proceed on this basis although guidance will provide additional clarity to the definition.

5.11 The Government sought views on the ability of pools to invest in another pools products. This was broadly supported although in many cases with significant caveats. The Government will take forward this proposal through guidance although it will be a matter for each pool whether it pursues this approach.

5.12 The Government sought views on a requirement for Funds to publish a plan to invest 5% of assets in projects to support "levelling up". A majority of respondents opposed this on the ground that it was dictating asset allocation and therefore not in line with Funds' fiduciary responsibilities. The Government intends to proceed with these proposals but has accepted the "levelling up" investment are not an asset class in their own right.

5.13 A large proportion of responses opposed the Government's proposals in terms of reporting in relation to "levelling up" in particular drawing attention to the increasing reporting burden on funds. The Government intends to proceed with these proposals and will work with SAB on proposals to minimise the burden of these requirements including through producing reporting templates.

Investment in Private Equity

5.14 The Government consulted on whether Funds should have an "ambition" to invest 10% of AUM in private equity. This was opposed by 84% of respondents largely on the grounds that direction of asset allocation was contrary to Funds' fiduciary responsibilities. The Government believes that the well funded position of LGPS and its long time horizon means the scheme is well place to benefit from more illiquid but **potentially** (emphasis added) higher returning investments and will therefore proceed with their proposals. The Government has clarified that this requirement is not restricted to the UK private equity investments, but has not widened the definition to include other forms of growth capital.

Other Issues

5.15 The other issues covered in the consultation including the use of investment consultants were largely technical and received a significant weight of support.

Implications for SYPA

5.16 The direct implications of the proposals for accelerating pooling on SYPA are limited as we have completed the transition of listed assets. However, there are requirements in this area that will impact and in particular the need to provide a clear transition plan. Work has already begun on this plan with a view to bringing it to the March meeting of the Authority and if appropriate this will be incorporated in revisions to the Investment Strategy Statement. We already comply with the spirit of the reporting requirements suggested in this area but will need to await clarity on the templates and forms of reporting in order to understand whether there are significant implications.

5.17 The more significant implications in this area are around the development of the relationship with Border to Coast and the impact of any consolidation amongst the pools, although the Government's preferred model reflects existing practice within the Pool. These have already been recognised as part of the 2030 Strategy on which members have been briefed. In the short term it is likely that the operating company will require further regulatory permissions and the need to facilitate the pooling of listed assets by 2025 may necessitate some alterations to the order in which new products are delivered.

5.18 In relation to "levelling up" or as SYPA has termed it place based impact we have already developed a strategy although the outline requirements for a plan do indicate that this will need some further work to ensure compliance. If possible this work will be undertaken to allow it to be considered at the March Authority, if not this will come to the June Authority alongside any amendments necessary to the Investment Strategy Statement.

5.19 SYPA already reports on the impact achieved through the place based impact strategy. However, the consultation indicates some additional requirements in this area which do not seen unduly onerous and which we will seek to meet in the next annual report.

5.20 In terms of the Private Equity issue the current Strategic Asset Allocation is for this to be 7.5% of AUM. In the overall context of the Fund, its risk appetite and importantly the requirement to access regular income this for the moment seems sufficient and is 50% greater than the average across the LGPS. However, this is an issue that will need to be examined at the next strategy review which will be conducted to reflect the results of the 2025 valuation.

Conclusion

5.21 Overall the outcome of this consultation is as anticipated and there does seem to be a broad political consensus around the direction of travel, if not always about some of the detail. The Government has indicated an intention to publish revised guidance next summer although given both past performance and the wider political timetable this may be a little optimistic.

6 <u>Implications</u>

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

Financial	None directly although there may be budget pressures resulting from the increased reporting burdens included in the Government's proposals.
Human Resources	None identified
ICT	None
Legal	The Government proposes to enact most of its proposals through the issuing of statutory guidance. While this does allow more detail to be provided on specific requirements it also increases the latitude for individual funds in terms of how they comply which can result in issues in terms of the comparison of performance and other metrics between funds.
Procurement	Some of the changes proposed by Government (for example the extension of the pool role in provision of advice) may need careful consideration to ensure that the nature of the arrangements put in place do not run counter to the requirements of procurement law to ensure proper and fair competition for work.

George Graham

Director

Background Papers	
Document	**Place of Inspection**
Government Response to the consultation on LGPS Investments	Local Government Pension Scheme (England and Wales): Next steps on investments - government response - GOV.UK (www.gov.uk)
SYPA response to the original consultation on LGPS Investments	Auth Sept 23 - Investment Consutlataion Response Appendix A.pdf (sypensions.org.uk)

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SOUTH YORKSHIRE PENSIONS AUTHORITY

Subject	**Decisions Taken Between Meetings of the Authority**	**Status**	For Publication
Report to	Authority	**Date**	07 December 2023
Report of	Head of Governance		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jo Stone Head of Governance	**Phone**	01226 666418
E Mail	jstone@sypa.org.uk		

1 Purpose of the Report

1.1 To update the Authority on any decisions taken as a matter of urgency between Authority meetings.

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2 Recommendations

2.1 Members are recommended to:

a. Note the decisions taken between meetings of the Authority using the appropriate urgency procedures.

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3 Link to Corporate Objectives

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

Effective and Transparent Governance

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

4 Implications for the Corporate Risk Register

4.1 There are no implications to the Corporate Risk Register.

5 Background and Options

5.1 It is often necessary for decisions to be taken between meetings of the Authority due to the time sensitive nature of the matters involved. These decisions are taken by the Chair in consultation with the s41 members and the Director, then published on the Authority's website and reported to the next Authority meeting for transparency.

5.2 One decision has been required since the previous meeting of the Authority.

5.3 In September 2023, a decision was taken to implement the 2023 national pay award in the September payroll based on the employer side final offer. Whilst the award had not yet been finally agreed by the NJC, this decision was made on the basis that the largest union involved had failed to gain a majority in a ballot for strike action and intended to move for a settlement based on the final offer. Given the balance of union membership it was apparent that a settlement at the employers' final offer was inevitable.

5.4 Unison were consulted and raised no objection. The Chair and Vice Chair of the Authority were also consulted and supported this decision.

5.5 Since that decision was made, the agreement of the pay award was subsequently confirmed by the NJC on 1 November 2023.

6 Implications

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

Financial	The level of the pay award implemented is above the assumptions set in the budget for salaries but additional resource was also provided in the corporate contingency budget to meet any additional costs. An update on the budget position at Quarter 2 is provided in the Corporate Performance Report elsewhere on this agenda.
Human Resources	By implementing the pay award at the earliest opportunity, this was in the best interests of maintaining good workforce relations.
ICT	None
Legal	None
Procurement	None

Jo Stone, Head of Governance

Monitoring Officer

Background Papers	
Document	**Place of Inspection**
Published Decision Records	

SOUTH YORKSHIRE PENSIONS AUTHORITY

Subject	**Governance Meetings and Training Calendar 2024-25**	**Status**	For Publication
Report to	Authority	**Date**	7 December 2023
Report of	Head of Governance		
Equality Impact Assessment	Not Required	Attached	Na
Contact Officer	Jo Stone Head of Governance	**Phone**	01226 666418
E Mail	jstone@sypa.org.uk		

1 Purpose of the Report

1.1 To present Members with the proposed 2024-25 Governance Meetings and Training Calendar for review and approval.

2 Recommendations

2.1 Members are recommended to:

a. Approve the 2024/25 Governance Meetings and Training Calendar.

3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:
Effective and Transparent Governance.

3.2 To uphold effective governance always showing prudence and propriety.

3.3 The planned programme of meetings and training events supports the operation of effective and transparent governance arrangements.

4 Implications for the Corporate Risk Register

4.1 The provision of dates for training and development events is a key part of addressing the strategic risk around Member knowledge and understanding.

5 Background and Options

5.1 Attached at Appendix A is a schedule of meeting dates for the 2024/25 municipal year. Dates for training and development events are also included.

5.2 The Appendix contains a front page summary of the scheduled meeting dates for the Authority, its committees and for the Local Pension Board. A separate page for each one of these is also included setting out an outline of the draft work programme for the 2024/25 year.

5.3 A full review has been undertaken and meeting dates have, where possible, been checked against the meeting calendars of the four district councils.

5.4 Members are asked to consider and approve the schedule of meeting dates for 2024/25 shown at Appendix A.

6 Implications

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

Financial	None
Human Resources	None
ICT	None
Legal	None
Procurement	None

Jo Stone

Head of Governance

Background Papers	
Document	**Place of Inspection**
None	-

Appendix A

SOUTH YORKSHIRE PENSIONS AUTHORITY

Authority Meeting Dates 2024/25		
Date of Meeting	**Time**	**Venue**
Thursday 06 June 2024	13:00 - 15:30	Oakwell House
Thursday 12 September 2024	10:00 - 12:30	Oakwell House
Thursday 12 December 2024	10:00 - 12:30	Oakwell House
Thursday 13 February 2025	10:00 - 12:30	Oakwell House
Thursday 13 March 2025	10:00 - 12:30	Oakwell House

Audit & Governance Committee Meeting Dates 2024/25		
Date of Meeting	**Time**	**Venue**
Thursday 18 July 2024	10:00 - 12:00	Oakwell House
Thursday 26 September 2024	10:00 - 12:00	Oakwell House
Wednesday 04 December 2024	10:00 - 12:00	Oakwell House
Wednesday 04 December 2024: Effectiveness Review	12:30 - 13:30	Oakwell House
Thursday 06 March 2025	10:00 - 12:00	Oakwell House

Staffing Committee Meeting Dates 2024/25
To be arranged as required.

Appointments and Appeals Committee Meeting Dates 2024/25
To be arranged as required.

Local Pension Board Meeting Dates 2024/25		
Date of Meeting	**Time**	**Venue**
Thursday 08 August 2024	10:00 - 12:00	Oakwell House
Thursday 07 November 2024	10:00 - 12:00	Oakwell House
Thursday 20 February 2025	10:00 - 12:00	Oakwell House
Thursday 27 March 2025: Effectiveness Review	13:00 - 16:00	Oakwell House
Thursday 24 April 2025	10:00 - 12:00	Oakwell House

SOUTH YORKSHIRE PENSIONS AUTHORITY

Authority Meeting Dates and Outline Work Programme 2024/25		
Date of Meeting	**Time**	**Venue**
Thursday 06 June 2024	13:00 - 15:30	Oakwell House
Thursday 12 September 2024	10:00 - 12:30	Oakwell House
Thursday 12 December 2024	10:00 - 12:30	Oakwell House
Thursday 13 February 2025	10:00 - 12:30	Oakwell House
Thursday 13 March 2025	10:00 - 12:30	Oakwell House

June 2024 Meeting
Membership, Political Balance & Appointments to Committees
Corporate Performance Report 2023/24 (Q4)
Q4 Investment Performance Report 2023/24 (Incl. Advisers' Report)
Q4 Responsible Investment Update 2023/24
Policy and Regulatory Update
Members' Learning and Development Strategy
Audit & Governance Committee Annual Report 2023/24
Annual Report of Local Pension Board 2023/24
Annual Governance Statement
Decisions taken between meetings

September 2024 Meeting
Quarter 1 Corporate Performance Report 2024/25
Quarter 1 Investment Performance Report 2024/25 (Incl. Advisers' Report)
Q1 Responsible Investment Update 2024/25
Policy and Regulatory Update
Governance Update
Decisions taken between meetings
Border to Coast Annual Review
Independent Advisers Appraisal

December 2024 Meeting
Quarter 2 Corporate Performance Report 2024/25
Approval of the Levy 2025/26
Quarter 2 Investment Performance Report 2024/25 (Incl. Advisers' Report)
Policy and Regulatory Update
Q2 Responsible Investment Update 2024/25
Update on Pensions Administration Improvement Plan
Governance Meetings and Training Calendar 2025/26
Decisions taken between meetings
Annual Review of Border to Coast Responsible Investment Policies

February 2025 Meeting
Corporate Strategy 2025 to 2028
Budget 2025/26
Medium Term Financial Strategy 2025/26 to 2027/28
Treasury Management Strategy 2025/26
Pay Policy Statement
Governance Update
Decisions taken between meetings
Valuation 2025
Debt Write Offs

March 2025 Meeting
Quarter 3 Corporate Performance Report 2024/25
Quarter 3 Investment Performance Report 2024/25 (Incl. Advisers' Report)
Q3 Responsible Investment Update 2024/25
SYPA Responsible Investment Policies Annual Review & Net Zero Action Plan Update
Decisions taken between meetings
Director's Appraisal

SOUTH YORKSHIRE PENSIONS AUTHORITY

Audit & Governance Committee Meeting Dates and Outline Work Programme 2024/25		
Date of Meeting	**Time**	**Venue**
Thursday 18 July 2024	10:00 - 12:00	Oakwell House
Thursday 26 September 2024	10:00 - 12:00	Oakwell House
Wednesday 04 December 2024	10:00 - 12:00	Oakwell House
Wednesday 04 December 2024: Effectiveness Review	12:30 - 13:30	Oakwell House
Thursday 06 March 2025	10:00 - 12:00	Oakwell House

July 2024 Meeting

External Auditors - Progress Report on Audit for 2023/24
Draft Statement of Accounts 2023/24
Internal Audit Annual Report 2023/24
Internal Audit Charter 2024 to 2027
2024/25 Quarter 1 Internal Audit Progress Report
Progress on Agreed Management Actions
Annual Review of Members Register of Interests

September 2024 Meeting

External Auditor's Final Report on the 2023/24 Audit
External Auditors Annual Report 2023/24
Approval of the Statement of Accounts 2023/24
Letter of Representation 2023/24
2024/25 Quarter 2 Internal Audit Progress Report
Internal Audit Effectiveness Report
2023/24 Authority Annual Report
Progress on Agreed Management Actions

December 2024 Meeting

External Auditor Item/s (TBC)
2024/25 Quarter 3 Internal Audit Progress Report
Annual Review of Risk Management Framework
Information Governance Framework
Progress on Agreed Management Actions
Review Terms of Reference and Work Cycle 2025/26
Review Future Meeting dates 2025/26

December 2024 Effectiveness Review Meeting

Audit & Governance Committee Internal Effectiveness Review with Officers

March 2025 Meeting

External Audit Plan - Audit of Year Ending 31 March 2025
Accounting Policies for Year Ending 31 March 2025
2024/25 Quarter 4 Internal Audit Progress Report
Internal Audit Plan 2025/26
Audit & Governance Committee Annual Report 2024/25
Progress on Annual Governance Statement Action Plan
Draft Annual Governance Statement 2024/25
Annual Review of Governance Compliance Statement 2024/25
Progress on Agreed Management Actions
Audit & Governance Committee Effectiveness Review Report 2024/25

Local Pension Board Meeting Dates and Outline Work Programme 2024/25		
Date of Meeting	**Time**	**Venue**
Thursday 08 August 2024	10:00 - 12:00	Oakwell House
Thursday 07 November 2024	10:00 - 12:00	Oakwell House
Thursday 20 February 2025	10:00 - 12:00	Oakwell House
Thursday 27 March 2025: Effectiveness Review	13:00 - 16:00	Oakwell House
Thursday 24 April 2025	10:00 - 12:00	Oakwell House

August 2024 Meeting

Review of the Constitution & LPB TOR
Regulatory and Policy Update
Breaches, Complaints and Appeals
Compliance with Pensions Regulator Code of Practice 14
Local Pension Board Membership & Training updates
Governance Update
Pensions Administration Quarterly Report
Progress on Actions resulting from audits/inspections
Planning of Local Pension Board Next Meeting Agenda
Private papers (if any) from Authority Meeting June 2024

November 2024 Meeting

Review of Annual Report
Investments Update
Governance Update
Risk Register
LPB Budget - 2024/25 Forecast and Recommendation to Authority for Budget 2025/26
Pensions Administration Quarterly Report
Members and Employer Surveys
Data Quality, Improvement Plans and Progress Updates
Breaches, Complaints and Appeals
Planning of Local Pension Board Next Meeting Agenda
Border to Coast Annual Review
Private papers (if any) from Authority Meeting September 2024

February 2025 Meeting

Benchmarking Results
Governance Update
Meeting Calendar 2025/26
Governance Compliance Statement
Compliance with Pensions Regulator Code of Practice
Regulatory Update
Pensions Administration Quarterly Report
Breaches, Complaints and Appeals
Relevant Policies of the Authority including Internal Controls and Anti-Fraud (If required)
Planning of Local Pension Board Next Meeting Agenda
Private papers (if any) from Authority Meeting December 2024

March 2025 Effectiveness Review Meeting

Internal Effectiveness Review - Led by Independent Advisor

April 2025 Meeting

Annual Report of LPB
Governance Update
Members Learning & Development Strategy
Effectiveness Review Findings and Review Work Programme
Risk Register
Regulatory Update
Data Quality, Improvement Plans and Progress Updates
Review of Key Communications
Pensions Administration Quarterly Report
Breaches, Complaints and Appeals
Planning of Local Pension Board Next Meeting Agenda
Private papers (if any) from Authority Meeting March 2025

SOUTH YORKSHIRE PENSIONS AUTHORITY

Training and Development Events - 2024/25					
Event	**Dates**	**Time**	**Venue**	**Expected Attendance:**	**Optional Attendance:**
Authority Induction	Thursday 06 June 2024	09:00 - 12:00	Oakwell House	All Authority Members	
PLSA Local Authority Conference	TBC - Expected to be Monday 17 June 2024 to Wednesday 19 June 2024	TBC	Gloucestershire	Chair and Vice Chair	
Audit & Governance Training*	Thursday 18 July 2024	13:00 - 14:00	Oakwell House	All A&G Committee Members	
Local Pension Board Training**	Thursday 08 August	13:00 - 14:00	Oakwell House	All LPB Members	
LGC Investment Summit	Thursday 7 September & Friday 8 September 2024	TBC	Birmingham	None	Authority Members LPB Members
Authority Seminar*	Thursday 12 September 2024	13:30 - 14:30	Oakwell House	All Authority Members	Possibly LPB (TBC)
Audit & Governance Training*	Thursday 26 September 2024	13:00 - 14:00	Oakwell House	All A&G Members	
Authority Seminar*	Thursday 08 October 2024	10:00 - 12:00	Oakwell House	All Authority Members	Possibly LPB (TBC)
Border to Coast Responsible Investment Seminar	Tuesday 12 November 2024	TBC	Virtual TBC	Chair Only	
LGPS Governance Conference	Thursday 18 January 2025 & Friday 19 January 2025	TBC	York	None	Authority Members LPB Members
Authority Seminar*	Thursday 13 February 2025	13:00 - 14:00	Oakwell House	All Authority Members	Possibly LPB (TBC)
Local Pension Board Training**	Thursday 20 February 2025	13:00 - 14:00	Oakwell House	All LPB Members	
Audit & Governance Training*	Thursday 06 March 2025	13:00 - 14:00	Oakwell House	All A&G Committee Members	
Authority Seminar*	Thursday 13 March 2025	13:00 - 14:00	Oakwell House	All Authority Members	Possibly LPB (TBC)
Local Pension Board Training**	Thursday 24 April 2025	13:00 - 14:00	Oakwell House	All LPB Members	

* Authority and A&G Committee Training / Seminar topics to be advised. February or March Authority Seminar topic will be Valuation Assumptions
** LPB Training - Topics to be advised; there will be a topic on the pensions dashboard at the appropriate time for updates

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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