

Subject	Net Zero Action Plan Update	Status	For Publication
Report to	Authority	Date	17 th March 2022
Report of	Director		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham Director	Phone	01226 666439
E Mail	ggraham@sypensions.org.uk		

1 **Purpose of the Report**

- 1.1 To secure agreement to the first annual update to the Net Zero Action Plan

2 **Recommendations**

- 2.1 Members are recommended to:
- a. **Approve the update Net Zero Action Plan**

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.

Scheme Funding

To maintain a position of full funding (for the fund as a whole) combined with stable and affordable employer contributions on an ongoing basis.

Failing to address the challenge of climate change effectively within the Authority's investment strategy risks a significant negative impact both on asset values and on the funding level (and hence contribution rates). The Net Zero Action Plan is a central

part the Authority's approach to managing its investments through the climate transition and as such it impacts all the investment related corporate objectives.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report address the identified corporate risks related to the impact of climate change on the investment portfolio. However, they also address some of the other investment risks around market volatility and the availability of suitable investment products the first being a potential consequence of failure to effectively address wider environmental risks by market participants and the second a potential brake on the Authority's ability to address these climate risks.

5 Background and Options

- 5.1 In March 2021 the Authority approved its first Net Zero Action Plan following the agreement in September 2021 of a goal to make the investment portfolios Net Zero in terms of carbon emissions by 2030. This report presents for approval the first update to that action plan.
- 5.2 While the last 12 months have seen significant progress on climate issues in a number of areas not least the setting of a Net Zero target by Border to Coast the achievement of the Authority's goal remains extremely challenging and currently it needs to be recognised that there is a high risk that it will not be achieved. The forthcoming valuation and the associated review of the Investment Strategy provide the opportunity to test how far it is possible to progress to the Goal based on the Authority's current approach to "doing investment" reflected in its investment beliefs, in particular those related to active management and internal management.
- 5.3 The context provided by CoP 26 in Glasgow and the greater acceptance by the whole world community of the need for action in relation to climate change, although the nature and scope of action remain a matter of debate, has resulted in the wider recognition of the investment opportunities presented by the climate transition as well as a ramping up of the expectations of investee companies, together with the development of new regulation and reporting requirements. All of this is positive and supportive of the direction of travel the Authority wishes to see.
- 5.4 The updated Net Zero Action Plan set out in the Appendix reflects the progress that has been made in the last 12 months and sets out the further steps required in this stage of the Authority's journey. These will require a significant input of officer time and other resource to meet the additional more prescriptive reporting requirements and to identify how the investment strategy needs to be adapted to achieve the Net Zero goal within the constraints of the Authority's investment beliefs and the available investment products.

6 Implications

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

Financial	The Authority will need to provide additional resources to undertake the measurement of further elements of portfolio emissions and produce additional metrics which are not currently available. These resources are likely to be greater in the first cycle and will be provided from the Corporate Strategy Reserve and then incorporated in future budgets.
Human Resources	There are learning and development needs for existing staff in this area which will need to be factored into individual learning plans. This area will also be addressed in the member learning and development strategy.
ICT	None apparent
Legal	In seeking to achieve its Net Zero Goal the Authority must also ensure that it achieves a return at least equivalent to the actuarial assumption in order to demonstrate that it is complying with its fiduciary duty.
Procurement	Where it is necessary to procure external advice procurement will if possible be undertaken using existing frameworks in order to reduce the timescales and costs of the process.

George Graham

Director

Background Papers	
Document	Place of Inspection