South Yorkshire Pensions Authority

Impact Reporting Project

March 2022

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1 Foreword

South Yorkshire Pensions Authority is strongly committed to being a responsible investor, and has been a long-term supporter of a number of initiatives in this area, including the Institutional Investors Group on Climate Change ('IIGCC'), being a Tier 1 signatory to the previous version of the Financial Reporting Council ('FRC') Stewardship Code, and being a member of the Local Authority Pension Fund Forum ('LAPFF') since its creation. The Authority also reports in line with the Financial Stability Board's ('FSB') Taskforce on Climate-related Financial Disclosures ('TCFD') recommendations as part of its Annual Report and Accounts.

The Authority is now committed to its investment portfolios being 'Net Zero' in terms of carbon emissions by 2030, has signed up as a supporter of Make My Money Matter, and is also committed to demonstrating the greatest possible degree of compliance with - and support for - the objectives of the new 2020 Stewardship Code. For asset owners such as SYPA the key aspect of Make My Money Matter and the 2020 Stewardship Code is to ensure that investments and organisational values are aligned, as well as being transparent with scheme members over how their money is invested and the impacts which it creates. We realise that if we are to achieve either of these things, we need to better understand how the assets in which we are invested interact with society. This understanding will allow us to engage with our partners within the Border to Coast Pensions Partnership (a Local Government Pension Scheme - 'LGPS' - investment pool) and with others managing our assets in order to seek changes which will ensure the achievement of our objectives, such as to achieve net zero by 2030.

At the beginning of 2021, the Authority appointed Minerva Analytics to produce this first 'Impact Report' on the whole of the Authority's portfolio. The intention behind this report was that, in addition to placing significant amounts of valuable information into the public domain and encouraging the development of reporting within the LGPS, such a report will be used to facilitate engagement with scheme members to gain greater insight into their views about how their pension savings should be invested.

This latter element of wider engagement with scheme members and the soliciting of views represents work in progress, and scheme members will hear more from us on this shortly. However, we hope that this initial 'Impact Report' represents an important disclosure step, as it seeks to illustrate how the totality of the Authority's investments may impact the achievement of the UN Sustainable Development Goals ('SDGs').

George Graham

Director – South Yorkshire Pensions Authority

March 2022

2 Introduction

In early 2021 the South Yorkshire Pensions Authority, as the administering authority of the South Yorkshire Pension Fund ('the Fund'), appointed Minerva Analytics ('Minerva') to create this Impact Report, with the key objective being to consider the potential impact – both positive and negative – that the Fund's existing investments may have on the successful delivery of the United Nations Sustainable Development Goals.

In carrying out this work, we followed the project approach set out below, which we determined would best deliver the Authority's requirements:

Step	Details	Status
Examine	Collect quantitative and qualitative information relating to the Fund's investments managed internally, those held within the Border to Coast pool and those managed externally by third party asset managers	Completed
Benchmark	Review the information gathered and undertake assessment of alignment of the existing investments with the SDGs	Completed
Inform	Hold a meeting with Officers where our initial findings were delivered and discussed	Completed
Deliver	Take on board feedback, refine any proposals, and create a final Impact Report	Completed
Influence	Present and discuss the findings with key stakeholders to answer questions and gain buy-in	Current

In this Impact Report, we begin with an Executive Summary, before restating the Authority's full requirements and then detailing the approach we took to meet these requirements. We set out the steps taken to illustrate how the totality of the Authority's investments have impacted on the achievement of each of the UN Sustainable Development Goals.

The findings in this report have both a **qualitative** (the results of a questionnaire) and a **quantitative** (assessment of investment data gathered) perspective of the Fund's potential impact on the delivery of the SDGs, and we conclude our report with some suggestions as to how the Fund could best use this work going forward, in terms of helping to deliver the SDGs through its investment activities.

Minerva Analytics

March 2022

3 Executive Summary

Key objective of the project – assessing impact of all investments against the SDGs – has been achieved

We contacted all 128 investment managers and collected data on 266 different portfolios containing 7,817 individual investments

SYPA's asset managers provided data for c.89% / £8,756m of the Fund's total assets that could be used in this exercise

72 of the Authority's asset managers completed an online questionnaire, covering £6,902m worth of assets

63 of the Authority's asset managers managing £6,859m have heard of the SDGs – but only 29 have tried to integrate them into their investment process

We successfully created a link between the sectors where the Authority is invested and their potential impact on individual SDGs

Sectors in which SYPA is invested can be both CONTRIBUTORS and DETRACTORS in terms of their impact on individual SDGs

2/3rds of the Authority's investments are found in just 5 sectors, potentially helping focus on specific SDG-impacting issues

SYPA can relatively easily extend its existing approach on RI matters to include the SDGs, for almost all asset classes

Not all of the Authority's investment managers were able to provide the data requested for this exercise

A number of risk and opportunities were identified, in terms of the impact of the Authority's investments on the delivery of the SDGs

Almost all of the Authority's investments have the potential to support the delivery of the SDGs by 2030

4 What are the SDGs?

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

UN Office for Sustainable Development

Whilst the SDGs were originally interpreted for use at the state level to assist policymakers, they have rapidly moved beyond that sphere of influence, and are becoming of increasing interest and relevance to organisations such as the Authority. They provide a comprehensive, easy to understand framework that sits neatly with the concept of responsible, sustainable stewardship and fiduciary duty. The SDGs are effectively a lens through which investments can be viewed to assess their contribution towards – or detraction from – the delivery of the 'shared blueprint'.

There are 17 SDGs, covering a range of issues and themes:

SDG #	Goal Description	Objective of Goal
SDG1	No Poverty	End poverty in all its forms everywhere
SDG2	Zero Hunger	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
SDG3	Good Health and Wellbeing	Ensure healthy lives and promote well-being for all at all ages
SDG4	Quality Education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
SDG5	Gender Equality	Achieve gender equality and empower all women and girls
SDG6	Clean Water and Sanitation	Ensure availability and sustainable management of water and sanitation for all
SDG7	Affordable and Clean Energy	Ensure access to affordable, reliable, sustainable, and modern energy for all
SDG8	Decent Work and Economic Growth	Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all
SDG9	Industry, Innovation and Infrastructure	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
SDG10	Reduced Inequalities	Reduce inequality within and among countries
SDG11	Sustainable Cities and Communities	Make cities and human settlements inclusive, safe, resilient and sustainable
SDG12	Responsible Consumption and Production	Ensure sustainable consumption and production patterns
SDG13	Climate Action	Take urgent action to combat climate change and its impacts
SDG14	Life Below Water	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
SDG15	Life On Land	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
SDG16	Peace, Justice and Strong Institutions	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
SDG17	Partnership for the Goals	Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

As can perhaps be deduced from the list, not all the SDGs immediately lend themselves for use as investment themes; however, most of them can be impacted in one way or another by the investment activity of institutional investors such as the Authority.

The 17 SDGs are in turn supported by 169 targets, which add specificity to the SDGs: for example, targets supporting **SDG 1 – No Poverty** range from eradicating extreme poverty for all people everywhere, to creating sound policy frameworks at the national, regional and international levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication actions.

For the 17 SDGs to be delivered by 2030, there needs to be a **'Decade of Action'**:

Decade of Action to deliver the Global Goals

Today, progress is being made in many places, but, overall, action to meet the Goals is not yet advancing at the speed or scale required. 2020 needs to usher in a decade of ambitious action to deliver the Goals by 2030.

The Decade of Action calls for accelerating sustainable solutions to all the world's biggest challenges — ranging from poverty and gender to climate change, inequality and closing the finance gap.

In September 2019, the UN Secretary-General called on all sectors of society to mobilize for a decade of action on three levels:

1) global action to secure greater leadership, more resources and smarter solutions for the Sustainable Development Goals;

2) local action embedding the needed transitions in the policies, budgets, institutions and regulatory frameworks of governments, cities and local authorities; and

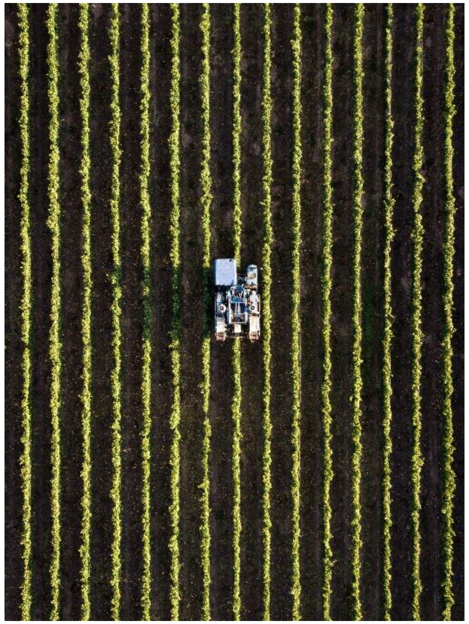
3) people action including by youth, civil society, the media, the private sector, unions, academia and other stakeholders, to generate an unstoppable movement pushing for the required transformations.

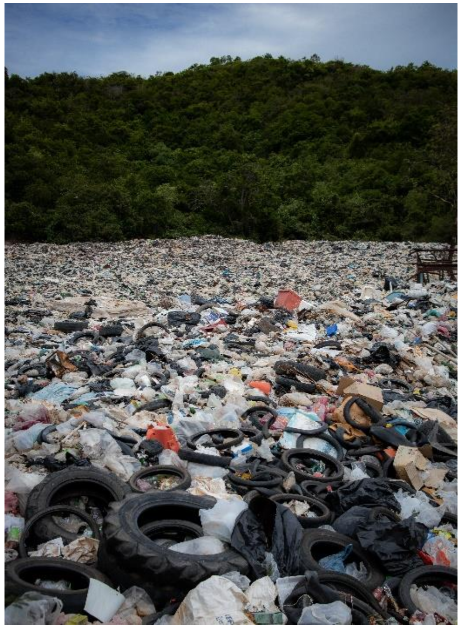
The COVID-19 pandemic and its impact on all 17 SDGs has shown that what began as a health crisis has quickly become a human and socio-economic crisis. While the crisis is imperilling progress towards the SDGs, it also makes their achievement all the more urgent and necessary. It is essential that recent gains are protected as much as possible. A transformative recovery from COVID- 19 should be pursued, one that addresses the crisis, reduces risks from future potential crises and relaunched the implementation efforts to deliver the 2030 Agenda and SDGs during the Decade of Action.

Source: United Nations SDG Website

Given the Authority's position and the nature of the Fund's investments, we believe it can support all three levels of action:

- **Global** – in terms of engaging with multinational investee companies to promote more sustainable and responsible practices;
- **Local** – in terms of its statutory role, and in terms of its stewardship of any local investments; and
- **People** – in terms of engaging with scheme members on alignment with the principles behind the Sustainable Development Goals.



5 SDG Contributors and Detractors

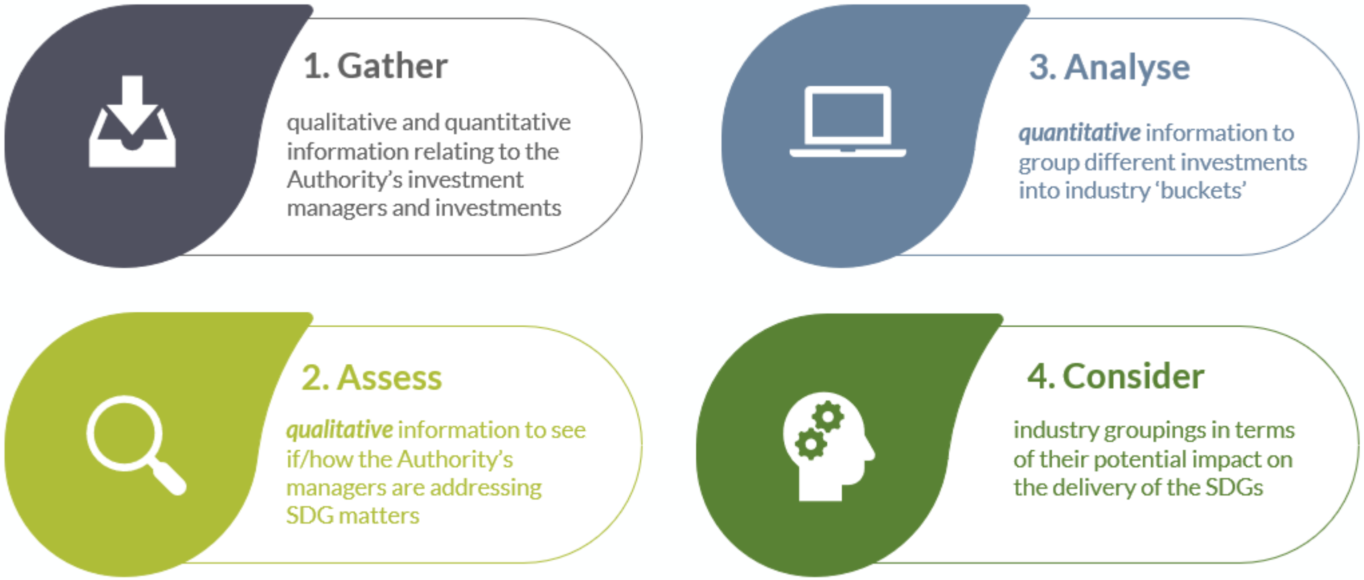
In seeking to play its part towards the delivery of the SDGs, the Authority identified the core activity of its 'Impact Reporting' project as being able to demonstrate as clearly as possible '*...how the totality of the Authority's investments has impacted on the achievement of each of the UN Sustainable Development Goals*'.
To better understand how institutional investors might impact the delivery of the SDGs, Minerva considered the issue from two sides, in terms of investments that are effectively:

SDG CONTRIBUTORS	Operations that may positively interact with the SDGs (supportive actions, behaviours and factors).
SDG DETRACTORS	Operations that may negatively interact with the SDGs (detrimental actions, behaviours and factors).

From the Authority's perspective, we think this concept of **Contributors** and **Detractors** affecting delivery of the SDGs ties neatly into existing work that it does in paying close attention to ESG factors associated with their investments (the Authority has a dedicated section on its website where it publicly discloses its approach towards Responsible Investment, with specific mention given to ESG factor consideration).

Minerva's Approach

Minerva's approach to this exercise was comprised of four key steps:



Later in this report we talk more about the assessment of the qualitative and quantitative information – but the relative success of this whole exercise relies upon grouping disparate investment assets into sector 'buckets' to see how these industries might positively or negatively impact the delivery of the SDGS.

The interoperability and accessibility of data has been a significant consideration in this project. The approach we took needed a standardised way of grouping assets, and it is our view that the Statistical Classification of Economic Activities in the European Community NACE code system[1] provides the required standard classification. There are other industry classification systems used in the investment industry, for example the Industry Classification Benchmark (ICB) and Global Industry Classification Standard (GICS), however they are both proprietary solutions that require licences. NACE on the other hand is open source, free to use and aligned with emerging ESG regulation. A further benefit for the Authority is that NACE categories are already in use in their service procurement activity which uses the NACE categorisation for goods and services.

There are 21 NACE sectors covering all areas of economic activity, and by using this taxonomy we were able to group together assets from across the Fund's range of investments including equities, bonds, property, private equity, private debt and infrastructure assets, with assistance from the Authority's managers.

[1] More information on the NACE system is set out in the Appendices to this report

	Sector activity CONTRIBUTES towards targets assigned to an individual SDG
	Sector activity is NEUTRAL towards targets assigned to an individual SDG
	Sector activity DETRACTS from targets assigned to an individual SDG

The next step was to assess the potential positive and negative impacts of each of the 21 industry groupings in relation to the SDGs themselves. To do this, Minerva's stewardship team looked at the underlying targets of each individual SDG and used their ESG experience and expertise to consider the potential impacts of each high-level industry on these specific SDG targets. The key above shows the broad assessment approach taken when looking at each industry and individual SDG target, in terms of impact.

Through using this 'net of Contributors and Detractors' assessment approach, we were able to combine the 21 NACE sectors with the 17 SDGs to create an Impact Heat Map:

		No Poverty	Zero Hunger	Good Health & Wellbeing	Quality Education	Gender Equality	Clean Water & Sanitation	Affordable / Clean Energy	Decent Work/ Economic Growth	Industry, Innovation, & Infrastructure
Code	Sector	SDG1	SDG2	SDG3	SDG4	SDG5	SDG6	SDG7	SDG8	SDG9
A	Agriculture, Forestry and Fishing									
B	Mining and Quarrying									
C	Manufacturing									

This heat map uses colour to show the net effect of each NACE sector grouping on each individual SDG. Red means that the net effect of this sector detracts from the delivery of the SDG, and green means the sector broadly contributes towards the delivery of the SDG. Yellow means that the sector is broadly neutral, in terms of its impact on the delivery of the specific SDG. Given that there are a different number of underlying targets for each SDG, a colour range was used to capture the overall assessment of the impact of each sector on the underlying targets. The darker red/green means the more detracting/contributing the sector, and lighter colours means a less defined outcome.

As can be seen from the table extract above, sectors can be both positive and negative, in terms of their impact on certain SDGs. For example, when looking at the Mining and Quarrying sector, it can be said to be a:

Contributor to the delivery of **SDG1 No Poverty** – by providing employment opportunities;

Detractor to the delivery of **SDG6 Clean Water & Sanitation** –potential problems caused by mine tailings runoff and water table contamination.

Minerva's approach has **successfully created a framework** for the consideration of the impact of the totality of Authority's investments against the delivery of the SDGs. It has also demonstrated that **investments can be both contributors and detractors** to different SDGs.

6 Current Investment Strategy

Asset Class	£m Value at 31/03/21	Target Allocation %	Tolerance +/- %	No. of Managers
UK Equities	1,025.9	10.0	5	1
Global Equities	3,778.2	35.0		2
Private Equity	880.6	7.0	2	69
Total 'Growth' Assets		52.0		72
Multi Asset Credit	539.1	6.0	2	1
Infrastructure	634.2	8.0	3	19
Private Debt	487.9	5.5	1	29
UK Property	861.9	10.0	2	4
Total 'Income' Assets		29.5		53
UK Index Linked Gilts	1,029.9	12.0	3	1
£ Investment Grade Credit	487.3	5.0	1	1
Cash	116.5	1.5	1	1
Total 'Protection' Assets		18.5		3
Total	9,841.5	100.0		128

The Authority's investment strategy covers a range of asset classes and assets and seeks to target an appropriate investment return that will see the pension liabilities fully funded over the longer term. The strategy is set following consultation with the Authority's investment consultant, actuary and independent advisors, and is currently structured as shown in the table above.

Assets are grouped into three categories of 'Growth', 'Income' and 'Protection', highlighting the different characteristics of each and which set out the rationale behind the decision made to invest. It is through a mixture of capital growth, income generation and liability-like investments that the Authority seeks to deliver long term success.

Strategy Implementation

The Authority manages some of these investments in-house and has in place a number of third-party asset managers to manage the remainder of the assets, with the total number of managers per asset class also shown in the table above. The Authority is also a founding member of the Border to Coast Pensions Partnership, which manages assets on behalf of several LGPS Funds and which will over time manage almost all the assets of the Fund.

Investment Strategy and the SDGs

The specific objective of this Impact Reporting exercise is to attempt to assess '…how the totality of the Authority's investments has impacted on the achievement of each of the UN Sustainable Development Goals'. To do that, we have had to consider the fundamental nature of the different kinds of investments that the Authority holds, and how they might each be assessed to consider their potential to impact (positively or negatively) on the achievement of the SDGs:

Asset Class	Nature of Investments	Potential to Help Deliver a Range of SDGs	Availability of Information to Assess SDG Impact	Location of Information to Assess SDG Impact	Ability of SYPA to Influence Behaviour to Help Deliver the SDGS
UK Equities	Publicly Listed Companies	HIGH	GOOD	PUBLIC	HIGH
Global Equities	Publicly Listed Companies	HIGH	GOOD	PUBLIC	HIGH
Private Equity	Privately Listed Companies	HIGH	POOR	PRIVATE	HIGH
Multi Asset Credit	Publicly & Privately Traded Instruments	MEDIUM	MIXED	BOTH	MEDIUM
Infrastructure	Publicly & Privately Traded Instruments	HIGH	MIXED	BOTH	MEDIUM
Private Debt	Privately Traded Instruments	HIGH	POOR	PRIVATE	HIGH
UK Property	Publicly & Privately Traded Instruments	HIGH	GOOD	BOTH	HIGH
UK Index Linked Gilts	Publicly Traded Instruments	HIGH	GOOD	PUBLIC	MEDIUM
Corporate Bonds	Publicly Traded Instruments	HIGH	GOOD	PUBLIC	HIGH
Cash	Bank Deposits / Publicly Traded Instruments	MEDIUM	MIXED	BOTH	MEDIUM

In the table above, we've set out our assessment of the potential that exists within the Authority's existing investments to help deliver the SDGs, which in summary is:

- Almost all investments held by the Authority have the potential to help deliver the SDGs – with the possible exception of Government Bonds (due to the lack of leverage over the Government issuer when it comes to standard Government debt) and Cash (due to the typically short-term nature of the asset class);
- Some asset classes have more (and more easily accessible) information available to facilitate discussions and assessments about the impact of the assets on the achievement of the SDGs (typically publicly listed investments);
- Some asset classes (Private Equity and Private Debt in particular) are not as well advanced in terms of making relevant information available to their investors; and
- Most of the Authority's investments provide the Authority with an opportunity to have an active say in how they are being managed.

The vast majority of the Authority's assets are invested in such a way as to allow it to 'have its say' as a responsible owner, in terms of how individual investments have the potential to help achieve the SDGs. Some areas, however, currently have informational challenges to overcome.

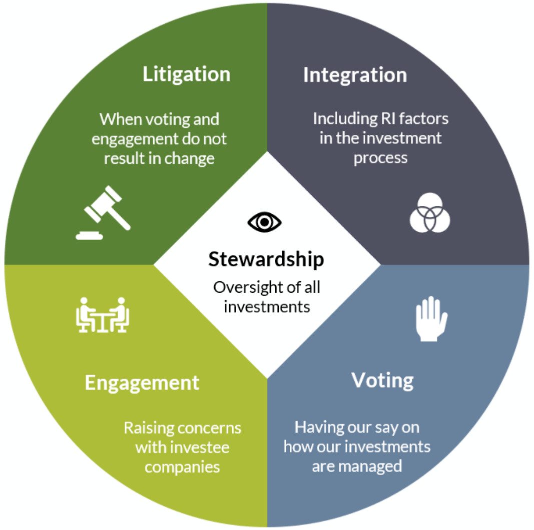
7 SYPA's RI approach

The way the Authority will help support the delivery the SDGs is primarily through its Responsible Investment (RI) approach. RI is the practice of incorporating Environmental, Social and Governance (ESG) issues into the investment decision-making process and practising investment stewardship, to better manage risk and generate sustainable, long-term returns. Financial and ESG-factor analysis together identify broader systemic risks, leading to better informed investment decisions that can improve performance, as well as risk-adjusted returns.

Investment stewardship covers a broad range of interconnected activities. It not only includes being active owners (i.e., using voting rights and engaging with investee companies), but also influencing regulators and policy makers, and collaborating with other investors to improve long-term performance. SYPA has for many years adopted a proactive stance in relation to addressing RI and ESG issues and its approach is set out in a number of policy documents which can be found on the Authority's website at www.sypensions.org.uk.

The Authority's RI Approach comprises five elements:

Stewardship	Ensuring the authority's RI expectations cover all assets and are being met through monitoring
Integration	ESG factors being included into the analysis process of investments managed by the authority and its external asset managers
Voting	Using shares to 'have its say' by voting at the meetings of the companies owned
Engagement	Talking to companies in which it invests about issues of concern and encouraging them to adopt better practices
Litigation	Acting against companies where voting and engagement have not solved specific issue(s) of concern

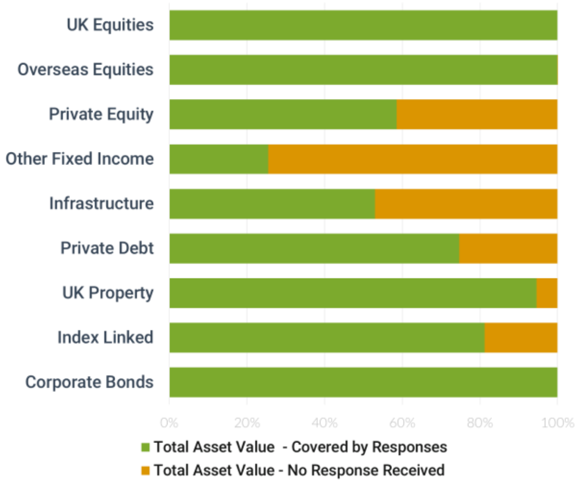


The Authority's existing RI approach is well suited to accommodate some additional stewardship focus on the investments in the context of helping with the delivery of the Sustainable Development Goals.

8 SYPA Managers and Impact

As part of our project work, we asked each of the Authority's managers to complete an online questionnaire. The primary purpose of the questionnaire was to gather information on their current approaches to the SDGs, but we also took the opportunity to ask some wider questions about their approaches to ESG and RI matters. Set out below are some key outcomes from the questionnaire that relate to the Authority's managers' approaches to the SDGs:

72 of the Authority's asset managers submitted a completed questionnaire, covering £6,902m worth of assets



Responses received covered almost all equities, but the responses were less comprehensive for Private Equity, Private Debt and Infrastructure assets

63 firms managing £6,859m have heard of the SDGs

29 firms managing £518m have tried to integrated the SDGs into their investment process

13 firms managing £178m are planning on doing so within the next 12 months

18 firms have prioritised one or more SDGs in their investment approach

11 firms managing £304m have prioritised engagements based on one or more SDG

Of the 18 asset managers that said they prioritised one or more SDGs in their investment approach, the top 5 individual SDGs are shown above

We noted that whilst almost all the respondents were aware of the SDGs, relatively few of them had tried to integrate the SDGs into their investment approach. Clearly, most of the Authority's investment managers are also at the start of their SDG 'journey'.

9 Assessing Impact

Data Gathering and Cleansing

As part of the impact assessment process, we needed to understand how the Authority's investments were split across different NACE sectors, to then be able to consider those sectors' potential when it came to the delivery of the SDGs. To do that, we needed to collect information on all the Authority's individual investments, from each of the Authority's 128 managers on the 266 portfolios or funds that they manage. This challenging task started in April 2021 and seemed to present some logistical challenges for a not insignificant number of asset managers. As a result, it took a considerable amount of time to collect, verify and then analyse the data.

Despite some differences in terms of the date of valuation information provided by some of the Authority's managers, the value of information provided for inclusion in the exercise was **£8,755.9m** – which is approximately **89%** of the Fund's total value at 31 March 2021. We think that this is a good result, given the challenges experienced in the data collection.

Asset Categorisations Provided	Value (£m)
GICS	734.6
ICB	6,231.1
Govt Bonds	962.7
Cash, Derivatives and Forward Currency	-54.9
No Categorisation Provided	882.4
Total	8,755.9

Grouping Assets

The next step in the data management process was to allocate the individual investments across all asset classes to specific NACE sectors. Since none of the Authority's managers use NACE codes as standard, we created mappings to convert the more commonly used GICs and ICB codes into their correct NACE counterparts. This process relied in part on the asset managers providing accurate ICB or GICS codes that could be converted, and not all managers met this challenge. This table shows the categorisation of the data that we received. From this result, we then sought to convert the data labelled with GICS, ICB and the Government Bonds (which don't 'fit' into GICs or ICB categories) into appropriate NACE codes. The next table shows the results of the NACE mapping process:

	UK Equities	Overseas Equities	GBP Inv. Grade Credit	Index Linked Gilts	Other Fixed Income	Private Equity	Private Debt	Infrastructure	Property	Cash, Derivs. & FFX	Total
Assets successfully attributed to a NACE sector (£m)	1,012.3	3,755.7	115.1	889.4	159.8	348.2	83.1	320.7	788.6	-	7,472.9
Assets not successfully attributed to a NACE sector (£m)	7.1	4.7	366.5	139.9	473.2	113.4	141.5	91.5	-	-54.9	1,283.0
Total asset values (£m)	1,019.4	3,760.5	481.6	1,029.3	632.9	461.6	224.7	412.2	788.60	-54.9	8,755.9

Overall, **85%** of the data we received from the Authority's managers was successfully mapped over to NACE sectors. However, some of the Authority's Fixed Income, Private Equity, Private Debt and Infrastructure managers each had material levels of assets that could not be mapped.

Having generated NACE codes for 85% of the data we received, we were then able to create a table showing NACE sector exposure vs asset class:

NACE Code	NACE Level 1	UK Equities	Overseas Equities	GBP Inv. Grade Credit	Index Linked Gilts	Other Fixed Income	Private Equity	Private Debt	Infrastructure	Property	Cash, Derivs. and FFX	Total Exposure (£m)	Total Exposure %
A	Agriculture, forestry & fishing	-	-	-	-	0.8	0.7	-	-	182.0	-	183.5	2.1
B	Mining and quarrying	77.2	131.7	-	-	3.1	4.6	0.7	2.1	-	-	219.3	2.5
C	Manufacturing	313.8	1,448.2	7.3	-	13.2	75.5	31.4	20.3	-	-	1,909.6	21.8
D	Electricity, gas, steam, and air conditioning supply	100.6	146.4	-	-	9.6	0.5	-	184.3	-	-	441.5	5.0
E	Water supply; sewerage; waste management and remediation activities	3.7	16.6	-	-	2.5	2.2	-	1.1	-	-	26.1	0.3
F	Construction	19.6	83.9	7.8	-	4.4	3.2	7.9	-	-	-	126.8	1.4
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	49.4	277.8	-	-	2.8	65.2	0.1	0.0	-	-	395.2	4.5
H	Transportation and storage	7.1	69.3	18.7	-	6.3	10.3	4.7	22.0	-	-	138.5	1.6
I	Accommodation and food service activities	24.9	19.6	-	-	6.3	3.1	-	-	-	-	54.0	0.6
J	Information and communication	51.6	412.0	-	-	15.1	111.8	11.7	21.6	-	-	623.7	7.1
K	Financial and insurance activities	262.3	812.7	-	-	83.9	26.8	7.6	32.8	-	-	1,226.2	14.0
L	Real estate activities	18.9	77.9	8.0	-	6.1	0.6	1.8	33.9	606.6	-	753.7	8.6
M	Professional, scientific, technical activities	10.4	18.0	-	-	0.1	9.9	4.8	-	-	-	43.1	0.5
N	Administrative & support service activities	52.4	102.8	-	-	2.7	15.3	1.5	-	-	-	174.7	2.0
O	Public administration and defence	11.4	33.9	73.3	889.4	-	-	-	-	-	-	1,008.0	11.5
P	Education	-	-	-	-	-	2.5	-	0.1	-	-	2.5	0.0
Q	Human health and social work activities	-	11.0	-	-	1.4	12.1	8.0	2.4	-	-	34.8	0.4
R	Arts, entertainment, and recreation	2.5	49.6	-	-	0.4	2.1	-	-	-	-	54.7	0.6
S	Other service activities	6.7	44.2	-	-	1.0	2.0	3.0	0.1	-	-	57.0	0.7
T	Activities of Households as Employers	-	-	-	-	-	-	-	-	-	-	0.0	0.0
U	Activities of Extraterritorial Organisations	-	-	-	-	-	-	-	-	-	-	0.0	0.0
#N/A	Assets not mapped to NACE	7.1	4.7	366.5	139.9	473.2	113.4	141.5	91.5	-	-54.9	1,283.0	14.7
	Total Value (£m)	1,019.4	3,760.5	481.6	1,029.3	632.9	461.6	224.7	412.2	788.6	627.0	8,755.9	100.0%
	% Assets	11.6%	42.9%	5.5%	11.8%	7.2%	5.3%	2.6%	4.7%	9.0%	-0.6%	100.0%	

This table shows the Authority's biggest exposures – for all asset classes - in terms of the different NACE sectors. **Manufacturing** represents the largest overall investment of the Fund, followed by **Financial and Insurance Activities**, then **Public Administration and Defence**. In terms of the smallest exposures, there are four NACE sectors where the Authority has few (or no) allocations, which is in part due to the nature of some of the sectors.

Grouping Assets

Having identified the Authority's investment allocation to each NACE sector and having created a NACE sector/SDG heat map showing the impact of each NACE sector on the individual SDGs, we could then bring them together. The following tables represent the core output of this Impact Reporting project

NACE Code	NACE Level 1	Total Exposure (£m)	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
A	Agriculture, forestry & fishing	183.5									
B	Mining and quarrying	219.3									
C	Manufacturing	1,909.6									
D	Electricity, gas, steam, and air conditioning supply	441.5									
E	Water supply; sewerage; waste management and remediation activities	26.1									
F	Construction	126.8									
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	395.2									
H	Transportation and storage	138.5									
I	Accommodation and food service activities	54.0									
J	Information and communication	623.7									
K	Financial and insurance activities	1,226.2									
L	Real estate activities	753.7									
M	Professional, scientific, technical activities	43.1									
N	Administrative & support service activities	174.7									
O	Public administration and defence	1,008.0									
P	Education	2.5									
Q	Human health and social work activities	34.8									
R	Arts, entertainment, and recreation	54.7									
S	Other service activities	57.0									
T	Activities of Households as Employers	0.0									
U	Activities of Extraterritorial Organisations	0.0									
#N/A	Assets not mapped to NACE	1,283.0									
	Total Value (£m)	8,755.9									

NACE Code	NACE Level 1	Total Exposure (£m)	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
A	Agriculture, forestry & fishing	183.5								
B	Mining and quarrying	219.3								
C	Manufacturing	1,909.6								
D	Electricity, gas, steam, and air conditioning supply	441.5								
E	Water supply; sewerage; waste management and remediation activities	26.1								
F	Construction	126.8								
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	395.2								
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Q	Human health and social work activities	34.8								
R	Arts, entertainment, and recreation	54.7								
S	Other service activities	57.0								
T	Activities of Households as Employers	0.0								
U	Activities of Extraterritorial Organisations	0.0								
#N/A	Assets not mapped to NACE	1,283.0								
	Total Value (£m)	8,755.9								

These tables show the net effect of each NACE sector grouping on each individual SDG, along with the Authority's investments in each sector. Red means that, on balance, the sector detracts from the delivery of the SDG, and green means the sector broadly contributes towards the delivery of the SDG. Orange means that the sector is broadly neutral, in terms of its impact on the delivery of the specific SDG. It is important to remember that there will be investments within each Sector that the Authority holds that are more positively – and negatively – dispositioned towards the delivery of each individual SDG.

Assessing Largest Potentially Detracting Impacts

Having identified the Authority's largest NACE sector exposures – **Manufacturing, Financial & Insurance Activities, Public Administration & Defence, Real Estate Activities and Information & Communication** – we then sought to establish the combined potentially negative impact that these sectors might have on the delivery of individual SDGs. To do that we weighted the size of the Authority's investment in the largest 5 NACE sectors against the potential negative impact of each sector on the individual SDGs, to come up with the following analysis:

The relative size of the box in the diagram above relates to the amount of Fund investments that have the potential to negatively impact the delivery of each individual SDG – the bigger the box, a larger proportion of the Authority's assets have the potential to detract from the delivery of the specific SDG. The point of this analysis is that it helps the reader visualise the relative importance of the Authority's current investment against specific SDGs. This also allows the Authority to consider focussing on how the assets invested in the top 5 NACE sectors are being 'stewarded' in terms of their potential impact on specific SDGs.

Cleary there is a lot of information contained in the core outputs from the exercise. We seek to summarise what we believe are the key takeaways as follows:

The exercise has confirmed that – to a greater or lesser extent depending on the specific asset and sector - the Authority's investments are currently impacting the delivery of the SDGs.

Specific investments in the Authority's strategy – such as the renewable energy assets in the Electricity sector – can be shown to be demonstrably positive influences helping towards the achievement of specific SDGs such as SDG 13 Climate Action.

However, there are also some sectors in the Authority's strategy – such as Manufacturing – that can also be shown to be net negative influences slowing the delivery of specific SDGs such as SDG 14 Life Below Water.

Given that most of the Authority's investments are held in just 5 NACE sectors, the opportunity exists to prioritise assessing the contributing and detracting issues affecting these sectors, in terms of their impact on the SDGs.

Whilst small in terms of overall percentage of assets, some of the unlisted asset managers had problems in terms of both providing investment information, and of helping to categorise these investments prior to NACE sector allocation.

The opportunity exists to effectively incorporate SDG impact considerations into the Authority's existing Responsible Investment (RI) approach, to engage with asset managers on them to promote contributing factors and to identify and address detracting factors in the way the Fund's investments are made and run.

The analysis has shown that a link exists between the sectors in which the Authority has investments, and the SDGs. However, the heat map analysis shows net impact at sector level – the underlying individual investments in each sector will also differ in terms of whether they are net contributors or detractors in terms of the achievement of individual SDGs.

10 SYPA and Sustainable Stewardship

Set out in the following table are some example investments from each of the Authority's asset classes, showing 3 key potential positive and negative SDG detractors of each investment's sector. For Equities, Bonds and Property directly held by the Authority we have provided a short description of some stewardship activity undertaken by, or on behalf of, the Authority (either directly, via Border to Coast, or working with the Local Authority Pension Fund Forum). For the Private Equity, Private Debt and Infrastructure asset classes we have added examples of specific investments the Authority has made alongside other investors in vehicles that have a specific sustainable purpose:

<table>
<tr><th>Asset Class</th><th>NACE Sector</th><th>Company</th><th>Key Potential SDG Contributors of Sector</th><th>Key Potential SDG Detractors of Sector</th></tr>
<tr><td>UK Equities</td><td>K – Financial & Insurance Activities</td><td>Barclays</td><td>1 No Poverty; 13 Climate Action; 16 Peace, Justice and Strong Institutions</td><td>5 Gender Equality; 10 Reduced Inequalities; 12 Responsible Consumption and Production</td></tr>
<tr><td colspan="5">Stewardship Activity: Voting</td></tr>
<tr><td colspan="5">At the 2020 AGM management and shareholders put forward separate climate proposals, an unprecedented occurrence. Having engaged with Barclays Chair and the proponents of the shareholder resolution we supported the management resolution (99.9% support) and abstained on the shareholder resolution (24% support) to give management time to implement their proposals.</td></tr>
<tr><td>Overseas Equities</td><td>J – Information & Communication</td><td>Alphabet Inc</td><td>4 Quality Education; 8 Decent Work and Economic Growth; 13 Climate Action</td><td>6 Clean Water and Sanitation; 12 Responsible Consumption and Production; 15 Life on Land</td></tr>
<tr><td colspan="5">Stewardship Activity: Engagement</td></tr>
<tr><td colspan="5">The benefits of artificial intelligence ('AI') are promising. However, various social issues have surfaced showing that AI's ethical development and deployment cannot be guaranteed unless these concerns are appropriately addressed by users. As a leading technology company, Alphabet Inc. is exposed to financially material risks from its development and use of AI. The objective of the engagement was to promote strong governance and human rights practices to mitigate undesirable social impact from AI. Companies that have clear policies, risk management systems and strong structures of accountability are less likely to be adversely impacted by incoming regulations.

Following persistent efforts to enter a constructive dialogue with the company, engagement remained challenging. In escalation, Robeco co-led the filing of a shareholder proposal at Alphabet's AGM asking for a human rights risk oversight committee to be established, comprised of independent directors with relevant experience. Some 16% of shareholders voted in favour of the resolution, which is a substantial part of the non-controlling shareholder votes. In response, Alphabet announced an update of its Audit Committee Charter, which now includes the review of major risk exposures around sustainability and civil and human rights. This is in line with the request to formalise board oversight and is a first step towards getting this in place on specific sustainability related issues, such as human rights.</td></tr>
</table>

Asset Class	NACE Sector	Company	Key Potential SDG Contributors of Sector	Key Potential SDG Detractors of Sector
Sterling Investment Grade Credit	E - Water Supply; Sewerage, Waste Management & Remedial	Yorkshire Water Finance 3.625% Redemption 01/08/2029	1 NO POVERTY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 17 PARTNERSHIPS FOR THE GOALS	5 GENDER EQUALITY; 13 CLIMATE ACTION; 14 LIFE BELOW WATER

Stewardship Activity: Engagement

Following conclusions drawn from the performance assessment conducted by the Environment Agency (EA) in 2019, Yorkshire Water was identified as an outlier within the water utilities sector in the UK and was among the lowest scoring. This, coupled with the increasing pressures that ever-changing weather patterns bring, as a result of climate change, means that through investments in such companies, portfolios are potentially exposed in the medium-long term to the impacts of climate risk. Engagement was needed to better understand the reason for the company's weak performance within the water utilities sector in pollution, leakage and meter rates, and determine whether its current strategy is strong enough to ensure improvement in its management of climate risk.

Engagement has been driven by both information discovery of Yorkshire Water's specific climate-related risk exposure to understand the relative investment position (and re-evaluate if necessary) and to encourage change and influence improvements in pollution, leakage and meter rates, which were among some of the worst in the industry according to the EA's report. Research revealed that the unusually low performance from the company had been somewhat influenced by extreme weather during the EA's reporting year (2018). Cognisant of extreme weather events likely to occur over the coming years, Yorkshire Water appears to be investing significant amounts into data-driven systems and physical infrastructure that combat leakages and limit pollution. The company are also investing in bio-resource plants which will help them to increase self-generated renewable energy, applying a more circular and energy efficient approach to the business structure. The company is taking serious steps to significantly improve performance, which will ultimately strengthen credit ratings. Monitoring of the progress will continue and further investigation around pollution levels may be required.

Asset Class	NACE Sector	Company	Key Potential SDG Contributors of Sector	Key Potential SDG Detractors of Sector
Index Linked Bonds	G – Wholesale & Retails Trade	Tesco IL 24/03/2036	1 NO POVERTY; 3 GOOD HEALTH AND WELL-BEING; 10 REDUCED INEQUALITIES	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 14 LIFE BELOW WATER

Stewardship Activity: Voting (at Parent Company AGM)

The Annual General Meeting saw Tesco receive a significant vote against its advisory vote on pay, which we voted against, with 67% of shareholders voting against the resolution. The defeat of the advisory vote is one of the largest shareholder revolts in UK corporate history. The main concern was amendments made by the remuneration committee and the exclusion of online grocer Ocado from peer benchmarking, boosting the long-term incentive pay out for both the CEO and finance director.

Asset Class	NACE Sector	Company	Key Potential SDG Contributors of Sector	Key Potential SDG Detractors of Sector
Other Fixed Income	K – Financial & Insurance Activities	HSBC Plc Variable Rate Bond Redemption 27/06/2023	1 No Poverty; 13 Climate Action; 16 Peace, Justice and Strong Institutions	5 Gender Equality; 10 Reduced Inequalities; 12 Responsible Consumption and Production

Stewardship Activities: Engagement

Like many major financial institutions HSBC continues to provide funding for the development of fossil fuel extraction projects with a life beyond 2050, which is the Paris Agreement target for the ending of fossil fuel dependency. This creates a risk that HSBC and others are investing in projects that will not be able to repay the loans made to them. This is clearly a risk to shareholder value. The objective of the engagement was to secure agreement to a shareholder resolution seeking the publication of a strategy with short-, medium- and long-term targets to reduce the Company's exposure to fossil fuel assets on a timeline aligned with the goals of the Paris Agreement.

The Company were open to meeting with collective groups of shareholders including the Local Authority Pension Fund Forum. These meetings and discussions included the company's CEO and Chair, so the issue received attention at the highest level. The Company engaged positively, and the proposed shareholder resolution was adopted by the Board. The company has acknowledged that 'expansion of coal-fired power is incompatible with the goals of the Paris agreement, and has committed to phasing out coal-fired power and thermal coal mining in the EU and OECD by 2030 and other regions by 2040. Further, in line with the resolution, HSBC has committed to set, disclose, and implement a strategy with short- and medium-term targets to align its financing across all sectors with the goals of the Paris climate agreement. It will use 1.5C pathways that are not overly reliant on negative emissions technologies. Commitments made by the company are set out in a special resolution tabled by the bank for its 2021 AGM. The bank committed to publishing a new coal policy by the end of 2021.

Private Equity	K – Financial & Insurance Activities	Bridges Sustainable Growth Fund III	1 No Poverty; 13 Climate Action; 16 Peace, Justice and Strong Institutions	5 Gender Equality; 10 Reduced Inequalities; 12 Responsible Consumption and Production

Stewardship Activities: Targeted Sustainable Investment

Bridges are thematic investors, whose investment strategy is based on analysis of 4 key impact themes which are closely aligned with the SDGs. By examining the key trends and challenges within these four themes, the manager has developed a thesis about the sectors or business models best suited to developing scalable commercial solutions. The four themes are:

1) Sustainable Planet – investing in solutions that will help reduce emissions and decarbonise the economy
2) Healthier Lives – investing in solutions that improve physical and mental health and well-being
3) Future Skills – investing in solutions that help people to fulfil their potential, while building the workforce of the future
4) Stronger Communities – investing in solutions that improve access to quality goods, services and opportunities

Asset Class	NACE Sector	Company	Key Potential SDG Contributors of Sector	Key Potential SDG Detractors of Sector
Private Debt	K – Financial & Insurance Activities	Sustainable Growth Management – Sustainable Growth Fund	1 NO POVERTY; 13 CLIMATE ACTION; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	5 GENDER EQUALITY; 10 REDUCED INEQUALITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Stewardship Activities: Targeted Sustainable Investment				
Sustainable Growth Management (SGM) provides growth capital in the form of Convertible Loan Notes (CLN) to aide in the expansion of growth capital companies that are addressing pressing global challenges in the energy generation, water, waste management, recycling, waste clean-up and efficiency industries. The investment philosophy identifies companies which have the greatest chance of impact and hence returns, while maintaining environmental, social and governance (ESG) issues coupled with sustainability as a key focal point.				
Infrastructure	D - Electricity, gas, steam, and air conditioning supply	Quinbrook Low Carbon Power Fund	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES	3 GOOD HEALTH AND WELL-BEING; 14 LIFE BELOW WATER; 15 LIFE ON LAND
Stewardship Activities: Targeted Sustainable Investment				
Quinbrook's Low Carbon Power Fund employs a differentiated investment strategy involving the creation of low carbon and renewable energy infrastructure assets in the US, UK and Australia and the acquisition and remediation or growth of what Quinbrook perceived to be impaired or undervalued energy assets and businesses. The Fund is guided by Quinbrook's commitment to environmental, social and governance principles as a core feature of its investment philosophy and has completed a diverse range of investments in onshore wind power, utility and distributed scale solar photovoltaic and battery storage, peaking power and grid support infrastructure, green electricity retailing, distributed energy solutions (including Virtual Power Plants) and flexible dispatch and demand response solutions.				
Property	A - Agriculture, Forestry & Fishing	Waldersey Farm	13 CLIMATE ACTION; 14 LIFE BELOW WATER; 15 LIFE ON LAND	1 NO POVERTY; 2 ZERO HUNGER; 17 PARTNERSHIPS FOR THE GOALS
Stewardship Activity: Direct Ownership				
Waldersey Farm is located in the Norfolk and Cambridgeshire Fens and has been an active farm for over 40 years. Under the ownership of the Authority, the farm operates in a sustainable manner. Wheat is the farm's main crop, and 20,000 tonnes is grown every year – enough to produce 50 million loaves of bread. One of the crop's harvesting by-products, straw, is baled as fuel for local power stations. The farm also grows 18,000 tonnes of potatoes each year, and 8,000 tonnes of onions which are harvested, dried and cured on site. Precision farming and crop-production techniques form part of the farm's sustainable approach – satellite GPS directed planting, live camera feeds and crop-area measurement are used, with constant data transfers between the farm office and operations in the field. The use of technology allows the farmers to be certain that the use of resources is accurate, measured and justified.				

11 Risks and Opportunities

When thinking about the Authority's investments in the context of the SDGs, there are four levels where these issues can be addressed:

Fund	Setting an overarching policy, generated from core Investment Beliefs, that shapes the direction of travel;
Asset Allocation	Directing capital at deliberate strategies to maximise sustainable outcomes;
Portfolio	Setting explicit SDG expectations at the investment manager mandate level; and
Individual Investment	Understanding whether an investment manager has the competence to incorporate consideration of the SDGS into their everyday investment selection, monitoring and engagement processes.

Carrying out this Impact Reporting exercise has already revealed a number of investment risk and opportunity issues. In the following table we have summarised several key issues emerging from our analysis, together with what we believe to be their associated investment risks and opportunities in relation to the Authority's objective of assessing impact on the SDGs:

Issue	Why Investment Risk?	Why Investment Opportunity?
Potential insufficient detail/rigour in the Selection, Appointment and Monitoring process on SDG/RI/ESG issues by the Fund	Greenwashing and grade inflation are significant issues across the investment industry, while there is still a large spread in the quality and sincerity of approaches by asset managers. Failure to uphold a high standard could encourage lacklustre approaches by managers and expose the Authority to the investment and reputational risk of being 'absentee'.	Having a well-considered process for assessing asset managers' approaches – across all asset classes - to sustainability has the potential to result in more risk-aware managers being appointed, investing in better run companies who should deliver better long-term investment returns.
Incorrect or missing application of the stated process in the Selection, Appointment and Monitoring process on SDG/RI/ESG issues by Border to Coast	Whilst our assessment of Border to Coast's approach to appointing and monitoring investment managers is good, there remains a risk that their stated process for assessing potential investment managers in terms of how they approach ESG factors is not applied, or not consistently applied.	By using – and demonstrating the use of – the stated policy, Border to Coast stand a good chance of ensuring any investment managers appointed will be ESG-factor cognisant and should therefore be a positive contributor towards the delivery of the SDGs.
The NACE sector SDG heat map shows areas where the Authority's investments are potentially negatively influencing the achievement of the SDGs	The analysis has identified sectors in which the Authority is invested that are net negative when it comes to the delivery of the SDGs. With a greater focus on ESG issues, in addition to the SDGs themselves, companies that are negatively impacting	By identifying 'net negative' areas, the opportunity now exists for the authority to look more closely at the issues associated with these sectors, and to in turn look more closely at any investments it has in these areas, to see what can be done to

Issue	Why Investment Risk?	Why Investment Opportunity?
	the delivery of the SDGs may face increased costs to improve their position, which may impact investment returns.	improve such investments to secure or enhance sustainable long term investment returns.
Most of the Authority's asset managers do not have a clearly defined position regarding the SDGs	Without considering the potential interaction between the SDGs and their investment approaches, some of the Authority's investment managers may be missing a potentially important driver of sustainable long-term investment returns.	The asset managers could add an additional important influencer of sustainable long term investment returns to their investment approaches by incorporating the recognition, and consideration of, the SDGs in what they do.
Some of the Authority's managers have been unable to provide the requested data for this exercise	The lack of information hinders the creation of a picture of the totality of the Authority's investments. This blind spot might contain investments that are detractors to the achievement of the SDGs, and which remain so due to their invisibility.	An opportunity exists to engage with these asset managers, to secure the missing information and to ensure that they are aware of the SDGs, and the needs of their clients to access basic portfolio information to assist them with their own objectives, which may include SDG alignment and Net Zero commitments.
Opportunity to implement new benchmarks aligned to SDGs	Limited experience with SDG investing due to relative youth of concept.	Incorporating SDGs into investment strategy can help to overcome "ethical subjectivity" often associated with ESG investing; new investment opportunities becoming available with pivot towards SDGs/Low Carbon transition.

By seeking to understand how the existing investments are impacting the SDGs, several investment risks and opportunities have been identified. This very process of SDG impact analysis has added more information to the Authority's risk approach, which can be developed further as the Authority continues to develop its approach towards helping achieve the SDGs.

12 Conclusions

Set out below are what we believe to be the key conclusions to draw from this first 'Impact Reporting' exercise:

- We have been able to establish that the Authority's investments are impacting on the achievement of the SDGs – in both a positive and a negative way
- It is possible to group the different investments held by the Authority into common sectors using the NACE taxonomy – which allows for a direct mapping between the sectors and the 17 individual SDGs
- The 21 NACE sectors can be net Contributors and Detractors to different SDGs at the same time – in coming to this conclusion we considered the impact of each Sector on the underlying Targets of each individual SDG
- The mapping that we have created looks at Sectors as a whole, in terms of their net impact on the individual SDGs – the Authority has lots of individual investments in the Sectors that may themselves be net positive or net negative contributors towards the SDGs
- Given that 2/3rds of the Authority's investments are held in just 5 NACE sectors, the opportunity exists to focus on those sectors in terms of what the underlying SDG Contributing and Detracting factors are, to help deliver the SDGs for these key sectors
- We believe that it should be relatively straightforward to extend the Authority's existing RI approach to include reference to the SDGs, and to work with its third parties to embed SDG considerations into the investment/reporting/voting/engagement process
- One main challenge during this exercise has been the lack of data from some of the Authority's asset managers – this will need to be rectified if future Impact Reports are to cover as much of the Authority's investments as possible

Having now completed this first 'Impact Reporting' exercise, and set out our findings, we suspect the main question from the Authority will be:

'How do we take the results of this exercise forward?'

We have some suggestions:

1) Engage with the external asset managers who did not provide data or complete a questionnaire response to ensure their inclusion in future Impact Reporting exercises;
2) Consider spending some time exploring the Contributors and Detractors associated with the Authority's top 5 NACE Sectors; this can then be used in discussions with asset managers, inclusion in voting activity, and form part of engagement activity undertaken on specific assets;
3) Share the results of this exercise with the external asset managers, for three main reasons:
    a. to emphasise the importance of their provision of data for future exercises
    b. to open the dialogue on how they themselves can help the Authority include SDG considerations into their investments
    c. to prepare them for the start of the Authority's 'Net Zero' data gathering exercise (which will need manager support);
4) Use the findings to explore prioritising certain SDGs that fit in with the Authority's wider RI focus;
5) Work with Border to Coast on the findings to see what they can do to include the SDGs into their investment process;
6) Share the findings with the Authority's stakeholders.

This list is not exhaustive but is intended to start the conversation in terms of considering next steps. We hope that this report does indeed answer the original question that was posed, and that the information contained within it is helpful in terms of establishing a starting point on the SDGs.

Minerva Analytics

March 2022

13 Appendix 1: Glossary

Border to Coast	Established in 2018, Border to Coast Pensions Partnership is one of the largest pension pools in the UK. One of eight national Local Government pools, Border to Coast oversees the investment of pensions assets, bringing together c.£55 billion investments of 11 like-minded Local Government Pension Scheme (LGPS) funds which includes SYPA.
Engagement	The process through which an asset stewards (such as SYPA or asset managers) communicate any issues or concerns they have identified relating to any specific investment they hold, to the appropriate management body.
Equities (Global)	Publicly listed companies traded on stock exchanges across the world, in which SYPA is invested.
Equities (UK)	Publicly listed companies traded on the UK Stock Exchange, in which SYPA is invested.
ESG	Environmental, Social and Governance – usually used in reference to ESG 'factors' or 'characteristics', in the content of a Fund's, portfolio's or investee company's approach to sustainability issues or risks.
FRC	Financial Reporting Council - regulates auditors, accountants and actuaries, and sets the UK's Corporate Governance and Stewardship Codes.
GICS	Global Industry Classification System - is a method for assigning companies to a specific economic sector and industry group that best defines its business operations, launched by MSCI and S&P Dow Jones Indices in 1999.
ICB	Industry Classification Benchmark - an industry classification taxonomy launched by Dow Jones and FTSE in 2005. It is used to segregate markets into sectors within the macroeconomy.
IIGCC	Institutional Investors Group on Climate Change - is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low carbon future. IIGCC has more than 375 members, mainly pension funds and asset managers, across 23 countries, with over €51 trillion in assets under management.
Index Linked Gilts	Index-linked gilts represent bonds with borrowing rates and principal payments linked to changes in the inflation rate.
Infrastructure	Refers to investment in physical and organizational structures and facilities (e.g., buildings, roads, power supplies) needed for the operation of a society or enterprise.
Investment Grade Credit	Refers to investments with an investment-grade rating that signals whether a corporate or municipal bond has a relatively low risk of default.
LAPFF	Local Authority Pension Fund Forum – an organisation comprised of LGPS funds whose aim is to promote the highest standards of corporate governance to protect the long-term value of local authority pension funds.

LGPS	Local Government Pension Scheme - the LGPS is a statutory pension scheme for employees of local authorities.
MMMM	Make My Money Matter - is an organisation campaigning for a world where pension scheme members know where their pension money goes, and where they can demand it is invested to build a better future.
Multi Asset Credit	Refers to a diversified investment discipline that aims to invest in a range of geographies, asset classes and credit instruments such as bank loans, high yield corporate debt, emerging market debt, and mortgage-backed securities.
NACE	"Nomenclature statistique des Activités économiques dans la Communauté Européenne" - NACE codes are a European Industry-standard classification system similar in function to GICS and ICB and are used primarily for classifying business activities.
Private Debt	Refers to the investment of capital to acquire the debt of private companies (as opposed to acquiring equity).
Private Equity	Refers to the investment of capital in companies that are not listed on a public exchange. Private equity is composed of funds and investors that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting of public equity.
RI	Responsible Investment – a broad term used to cover sustainability issues in investment management
SDGs	Sustainable Development Goals – refers to the United Nations Sustainable Development Goals, which recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth. For further information see: https://www.un.org/sustainabledevelopment/
Stewardship	Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
Stewardship Code	Created by the FRC, the UK Stewardship Code sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them.
SYPA	South Yorkshire Pensions Authority – is responsible for administering the Local Government Pension Scheme in South Yorkshire. The Authority was created in 1988 and is made up of 12 Councillors drawn from the 4 districts in the County.
TCFD	Task Force on Climate-related Financial Disclosures - created by the Financial Stability Board in 2015 to improve and increase reporting of climate-related financial information. For further information see: https://www.fsb-tcfd.org/
UK Property	Refers to investment in property assets in the UK primarily covering commercial, retail, office and industrial property assets. In SYPA's case this asset class also refers to agricultural investments.
Voting	The process through which an asset stewards (such as SYPA or asset managers) undertake stewardship by voting on resolutions at investee company meetings. This is the primary annual method through which asset stewards communicate their views of the effectiveness of the management of their investee companies.

14 Appendix 2: Details on NACE Codes

What Are NACE Codes?

NACE codes are a European Industry-standard classification system similar in function to GICS and ICB and are used primarily for classifying business activities. The acronym NACE designates the various statistical nomenclatures of economic activities developed since 1970 in the European Union. NACE codes are an open-source system used by the UK and all of the members of the EU, and provide a framework for the collection and presentation, based on economic activity, of a wide range of statistics in economic fields such as production, employment, national accounts, and others.

NACE codes have four levels:

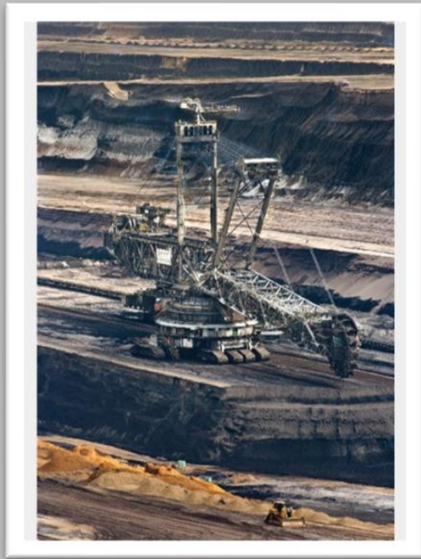
- Level 1: 21 sections identified by alphabetical letters A to U;
- Level 2: 88 divisions identified by two-digit numerical codes (01 to 99);
- Level 3: 272 groups identified by three-digit numerical codes (01.1 to 99.0); and
- Level 4: 615 classes identified by four-digit numerical codes (01.11 to 99.00).

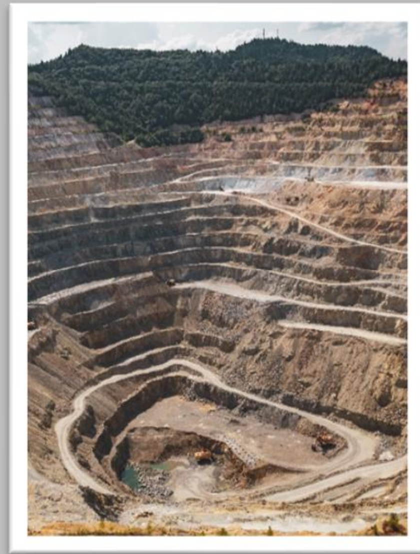
For the purposes of this impact reporting exercise, we determined that Level 1 is a sensible place to start, to provide the ability to group investments across different asset classes without too much additional complexity. Set out in the following table are the 21 NACE Sections, which we refer to in the report as 'Sectors':

NACE Level 1 Sections			
A	Agriculture, Forestry and Fishing	L	Real Estate Activities
B	Mining and Quarrying	M	Professional, Scientific and Technical Activities
C	Manufacturing	N	Administrative and Support Service Activities
D	Electricity, Gas, Steam and Air Conditioning Supply	O	Public Administration and Defence; Compulsory Social Security
E	Water Supply; Sewerage, Waste Management and Remediation Activities	P	Education
F	Construction	Q	Human Health and Social Work Activities
G	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	R	Arts, Entertainment and Recreation
H	Transportation and Storage	S	Other Service Activities
I	Accommodation and Food Service Activities	T	Activities of Households as Employers; Undifferentiated Goods and Services Producing Activities of Households for Own Use
J	Information and Communication	U	Activities of Extraterritorial Organisations and Bodies
K	Financial and Insurance Activities		

15 Appendix 3: Mining and Quarrying Sector and the SDGs

NACE Section Code & Description
B
Mining & Quarrying





Positive Contributing Factors

Mining and quarrying activities usually occur in less developed countries (LDCs) and therefore encourage the economic growth of LDCs which indirectly results in poverty reduction, as well as providing jobs for locals - hence indirectly contributes to Targets 1.1. and 1.2.

Mining generates significant revenues through taxes, royalties and dividends for governments to invest in economic and social development, in addition to opportunities for jobs and local businesses.

4 QUALITY EDUCATION

Mining can contribute to quality education through technical, vocational and educational training programmes for the current and future mining workforce. Mining companies can also invest in schools and teacher training and collaborate with government and communities to improve the quality and availability of educational opportunities. However, bringing in skilled workers from other areas without investing in upskilling local workers could marginalize community residents contribute to economic and educational inequities

8 DECENT WORK AND ECONOMIC GROWTH

Mining can positively contribute towards SDG8 as it can deliver economic growth for certain areas. Mining can generate new economic opportunities for citizens and members of local communities, including jobs, training, and business development relating to mining operations, associated support service providers, or new local economies linked to the mine.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Many mined products are used to construct basic infrastructure and can therefore be indirectly linked to the development of sustainable and resilient infrastructure, therefore contributing to Targets 9.1, and 9. 4.. Mining can help drive economic development and diversification through direct and indirect economic benefits and by spurring the construction of new infrastructure for transport, communications, water and energy contributing to Target 9.3

17 PARTNERSHIPS FOR THE GOALS

Through paying taxes, deploying environmentally sound technologies in their operations, employing people and inducing broader economic activity or in partnering with governments in shared infrastructure arrangements or public-private partnerships (PPPs), mining companies have a role to play in helping meet Targets 17.7 and 17.16.

Negative Detracting Factors

1 NO POVERTY

The dwindling access to productive land and exploitation of natural resources (e.g., minerals) in an area can add pressure to traditional livelihoods and populations living in rural communities where natural resources have been depleted by colonialism are often displaced from their land which they rely on for food and money. Detracting from Target 1.4.

3 GOOD HEALTH AND WELL-BEING

The methods used to mine materials can often be labour intensive, and methods such as artisanal mining put the miners at risk due to exposure to damaging chemicals. Mining itself produces lots of waste products which can run off into water supplies (acid mine drainage), which if used by local communities can affect the health and wellbeing of such communities. This detracts from Target 3.9 and 3.c

6 CLEAN WATER AND SANITATION

Mine development requires access to land and water, presenting significant adverse impacts on land and natural resources that can't always be mitigated or avoided. Mining of natural resources can lead to the contamination of water which can affect local communities' water supplies. Acid mine drainage is the primary source of water pollution from mining: this acidic wastewater is carried off the mine site by rainwater or surface drainage and deposited into nearby streams, rivers, lakes and groundwater. As a result, acid mine drainage severely degrades water quality, and can kill aquatic life and make water virtually unusable. This issues links to Targets 6.1, 6.3, 6.4 and 6.6.

8 DECENT WORK AND ECONOMIC GROWTH

Small scale mining often employs women and children in developing countries and can be linked to forced labour and labour rights issues. This type of mining often uses dangerous techniques to extract the mineral. For example, artisanal mining directly exposes the worker to injury, detracting from Targets 8.7 and 8.8. Although this aspect of small-scale mining seems dangerous, most mining occurring in LDC is this type of mining and therefore makes up a significant proportion of employment in such areas.

10 REDUCED INEQUALITIES

Many mining-dependent nations struggle with economic inequality. Much research exists examining the relationship between mining activities, poverty, income equality and government reinvestment of mining revenues, among other factors. Therefore, this industry generally detracts from Target 10.1, 10.2 & 10.3

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Mining is one of the most energy intensive industries and contributes towards the continued depletion of finite resources such as coal. Therefore, it is negatively affecting achieving targets 12.1 and 12.2. The harmful waste generated from the mining process such as acid drainage or wastewater with large amounts of metal in it detract from 12.4 and 12.5 which aim to reduce waste generation and achieve sound management of waste substances. It indirectly detracts from 12.c through encouraging the use of mined fossil fuels.

13 CLIMATE ACTION

This sector involves the mining and drilling for coal and natural gas. If done unconventionally, this process can be damaging to the surrounding environment, and so therefore indirectly detracts from 13.1. Mining activities are energy and emissions intensive, presenting opportunities for greater efficiency as well as expanding access to energy.

14 LIFE BELOW WATER

The mining of metals produces acid mine drainage (AMD) resulting in metals being released into the surrounding environment and result in surrounding waters having a lowered PH. AMD run off into surrounding marine ecosystems could result in them being devoid of living creatures and also the biological degradation of the environment. Therefore, this sector detracts from Targets 14.1, 14.2 and 14.3.

15 LIFE ON LAND

Mining degrades ecosystems and harms biodiversity in surrounding areas. Mining makes the economic development of an area dependent on the degradation of the environment due to the large amounts of pollution and waste produced from such sites. Things such as acid mine drainage can negatively impact the surrounding biodiversity. Therefore, it detracts from Targets: 15.1,15.2,15.3,15.4 and 15.5.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

The mining and quarrying of materials have strong connections to forced labour and child labour in their extraction process. This exposes children to extreme conditions and harsh chemical and exploits their size to crawl through narrow makeshift tunnels. This detracts from Targets 16.1, 16.2.

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