SOUTH YORKSHIRE
PENSIONS AUTHORITY

Responsible Investment Update Quarter 4 2021/22

May 2022

Contents

Highlights and Recommendations

Highlights over the quarter to the end of March include:

- An increase of 1/3 in the number of votes cast as we move into peak voting season.
- An increase in votes against management reflecting the tightening of the voting guidelines in a number of areas including board diversity and having credible plans to achieve Net Zero.
- A reduction in engagement activity following the peak around CoP26 in the last quarter.
- A move back to a position where over 50% of engagement activity involved direct interaction with the relevant company after last quarter's peak in letter writing due to CoP26.
- The closure of an engagement around single use plastics which achieved some positive movement on the issue.
- Maintenance of strong ESG ratings for the three equity portfolios and the publication of the first assessment of the ESG performance of the Investment Grade Credit portfolio.
- The availability for the first time of clear metrics for the Commercial Property portfolio indicating a reduction in GHG emissions and reduced energy consumption.
- A mixed picture for the end of year carbon emissions data, although in the context of a broadly improving position. However, a very high risk does remain that when looked at for these portfolios in isolation the 2030 Net Zero goal will not be achieved.
- Continued collaborative activity particularly around nature-based disclosures.

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 an updated version of which appears elsewhere on the Authority's agenda.

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.
- 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 sees the start of “peak voting” or proxy season. Given this Robeco who act as the proxy voting adviser for Border to Coast have set out their focus for this season as set out below

The Annual General Meeting (AGM) is a key moment for investors to exercise their stewardship duties by using voting rights. Even though most agenda items are related to governance topics, environmental and social topics get increasing attention at AGMs. Rubber stamping proposals is a thing of the past, and management can no longer expect high support rates for all their proposals.

Climate expectations have steadily developed beyond setting public long-term carbon reductions targets, to now include concrete plans on how to make progress in the short and medium-term. Additionally, 2022 will be the second year in which several companies will propose a so-called Say on Climate, a management proposal requesting shareholders’ approval on the company’s climate transition plan. Last year shareholders still had to get used to these proposals, which resulted in high degrees of shareholder support. We expect that this year shareholders will have further developed their voting approaches on Say on Climate and might take a stricter stance on these plans.

The Social (S) in ESG is also increasingly receiving the spotlight during AGMs. Investors become more aware of the relevance of human resource management, providing a fair workplace, and having diversity in oversight. As evidenced by the rise in shareholder proposals focusing on these issues and improvements in investors’ stewardship policies e.g. by pushing for broader diversity on boards.

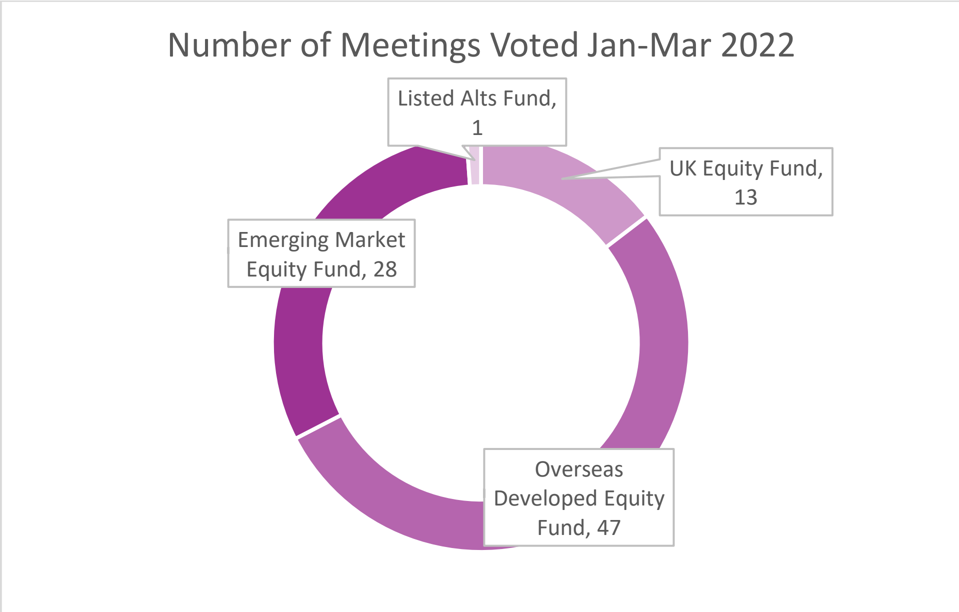
While investors’ push for incorporation of ESG under variable pay is partially successful, often the chosen metrics are not that material, and it is unclear how performance is measured. The ESG metrics should be treated the same way as financial metrics in remuneration; they should be measurable, require management effort to achieve, and should be underpinned by a strategy. Like the rest of incentive pay, ESG in remuneration should also be pay for performance.

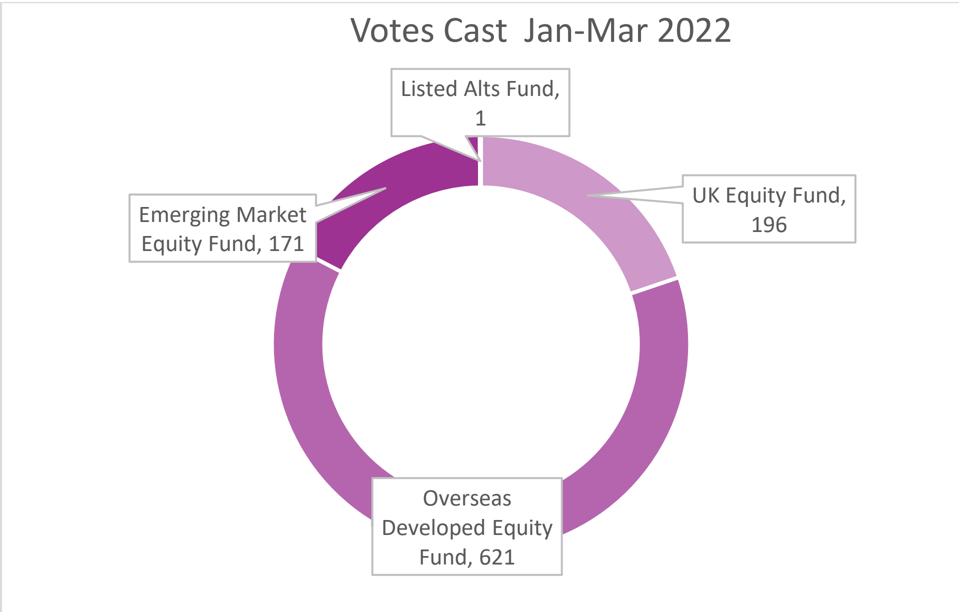
As well as the increased number of environmental and social topics making it on to agendas, governance remains a key topic. We are content to see that, after years of lagging other developed peers, Japan is raising its expectations for the percentage of independent directors. Similarly, initial positive steps are being taken by the Brazilian stock exchange and exchange commission in improving its proxy voting mechanisms for foreign investors.

All in all, this proxy season is prone to be an exciting one with a varied range of ESG issues likely to receive improved attention during this AGM season.

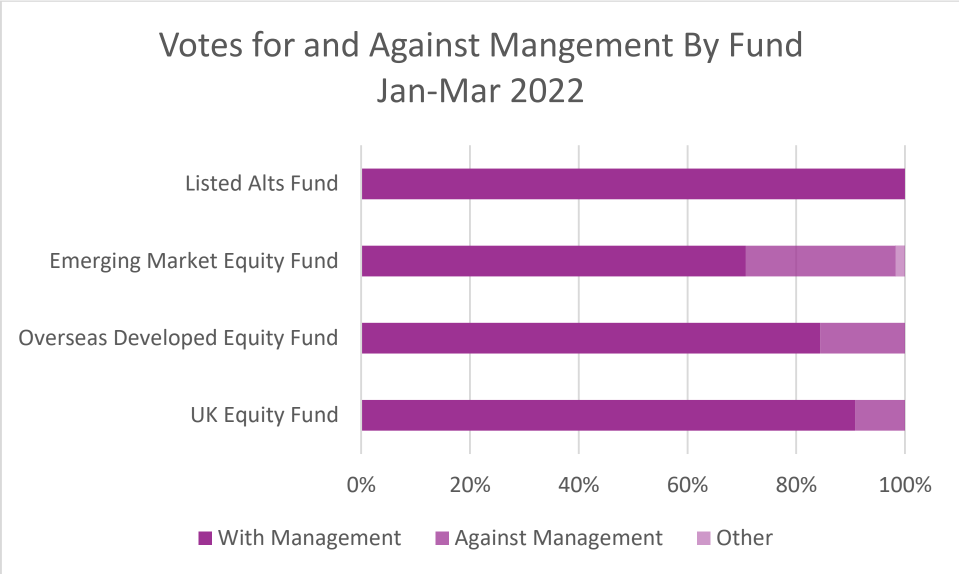
Robeco – May 2022

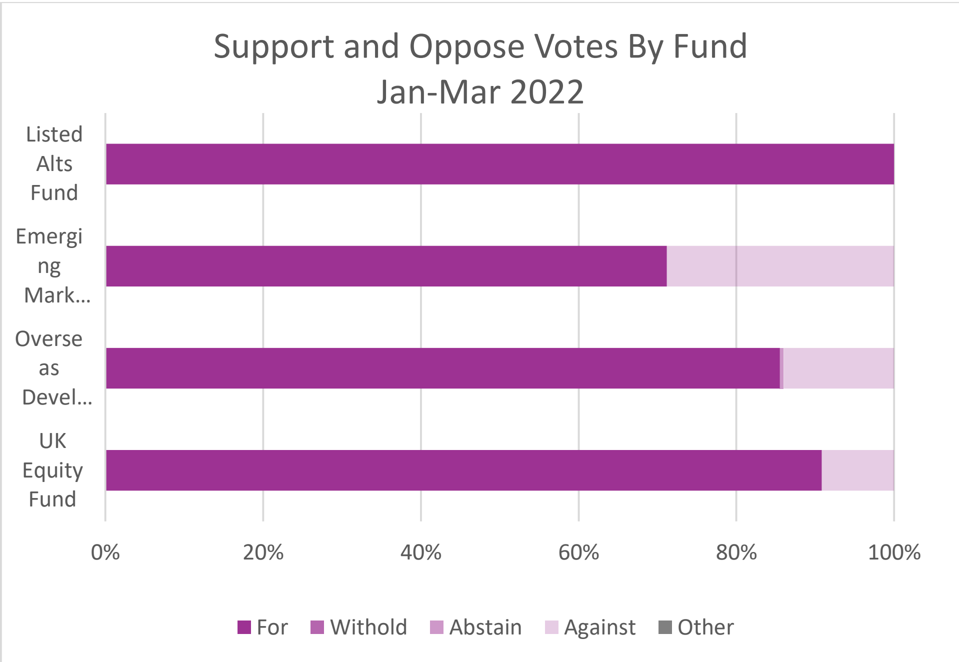
The level of activity this quarter rose in terms of votes cast (by 32%) although fewer meetings were attended than in the last quarter. This is largely due to the concentration of meetings in the developed markets where annual meetings tend to consider more resolutions. In addition, the launch of the Listed Alternatives Fund has added a further range of meetings to be attended and voted at, although its launch late in the quarter means that there has been no significant impact on the figures as yet. The charts below show how the Authority's holdings in listed equities were voted in the period to the end of March 2022. Detailed reports setting out each vote are available on the Border to Coast website [here.](#)





The pattern of support and oppose votes and votes for or against management is shown in the charts below.





The conclusion that can be drawn from this and from the data from previous quarters is that the tightening of voting guidelines in particular in relation to Board diversity and climate where there are now automatic triggers for oppose votes has resulted in an increase in both votes against resolutions and votes against management. Over the course of the year the proportion of resolutions voted against has risen from 10.6% last year to 12.1% this year and votes against management from 11.7% last year to 13.5% this. While this is a marked increase it does not reflect any philosophical change, policy and the voting guidelines remain supportive of management that acts in the long term interests of shareholders. This is also in line with the expectations set out in Robeco’s statement quoted above.

Notable votes in the quarter are illustrated in the graphic below.

Apple - Apple is a major IT company held in the overseas fund. We voted against the remuneration report on the grounds that the overall quantum of remuneration was too great and that the incentive plan was overly reliant on a single metric. We also supported resolutions to ask the company to disclose pay gaps across race and gender, to undertake a civil rights audit which would be particularly relevant to some concerns previously raised about operations in China and a resolution askiing for a public report on the use of what in the UK would be called Non Disclosure Agreements

Costco - Costco is a Wholesale warehouse operator based in the US with global operations held in the overseas fund. We supported a resolution which received around 70% support requiring the setting of science based targets to achieve net zero by 2050 accompanied by annual public reporting. We supported a resoultion aimed to improve transparency by requiring hte company to report on its sustainability commitment in order to address sturcutral racism, nutrition insecurity and health disparities. These issues represent significant reputational and operational risks for the company. The resolution received 17% support, but was the first of its sort at this company

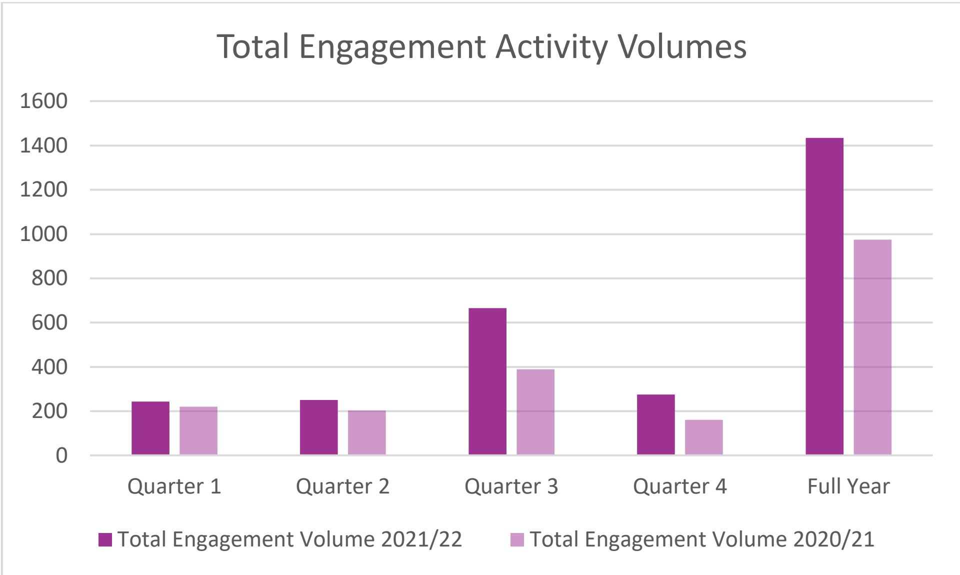
Banco Bradesco - This is a Brazilian bank held in the Emerging Markets Fund. While by offering the Board up for individual election the Company to some extent follows global best practice the influence of family ownership and affiliates limits the independence of the Board. We voted against a number of directors on grounds of their lack of indenpendence and against the remuneration policy which was opaque and it is not clear that incentives are aligned with longer term shareholder interests.

Particular trends in the quarter, in addition to the broader ratcheting up of voting in relation to Board diversity and climate were:

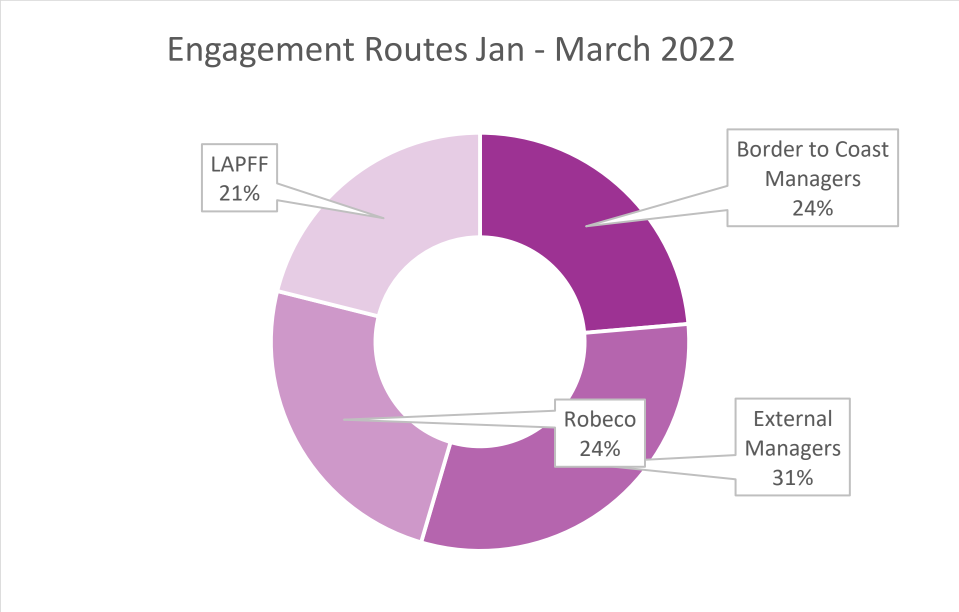
- The continuation of engagement with the authorities in Brazil around rules on the election of directors which do not conform with international best practice and rules which make it more difficult for international investors to effectively exercise their stewardship responsibilities. This has had positive outcomes in terms of revised guidelines for companies on their AGM voting arrangements and the setting up of a working group to develop further regulatory improvements. The revised guidelines will benefit international shareholders in this voting season.
- An increasing number of resolutions calling for transparency around social issues particularly at US companies, this included the resolutions at Apple and Costco referred to above but also at Disney where a resolution to require reporting on pay gaps across race and gender received 60% support.
- Continuing votes against the appointment of directors not regarded as sufficiently independent.

Engagement Activity

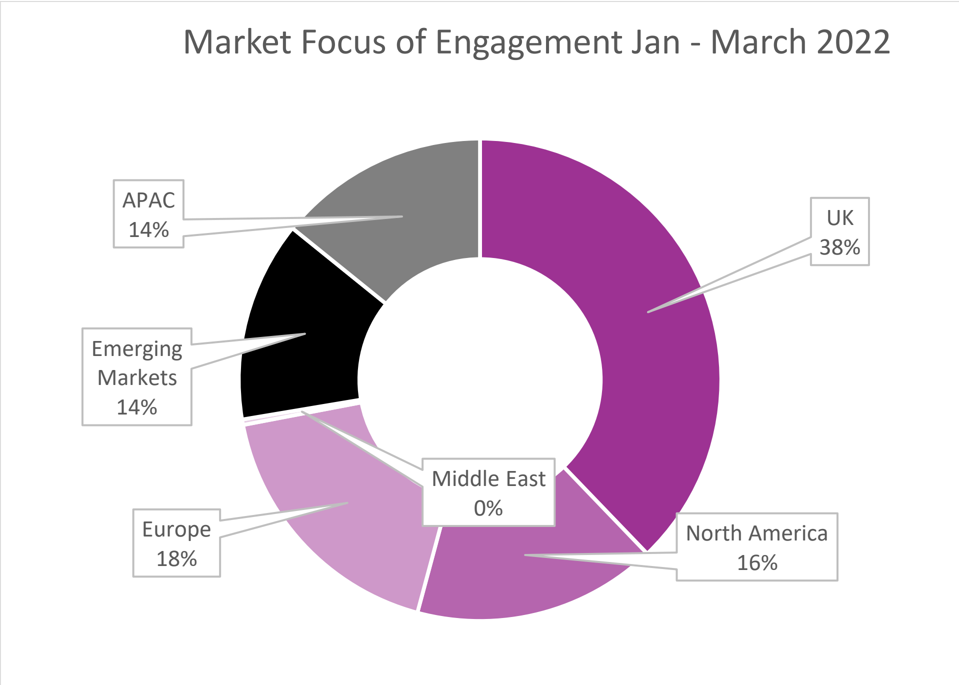
Engagement is the process by which the Authority working together with other like-minded investors seeks to influence the behaviour of companies on key issues. Engagement (in distinction to voting) is an ongoing process and is undertaken by those directly managing money for the Authority such as the 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 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.



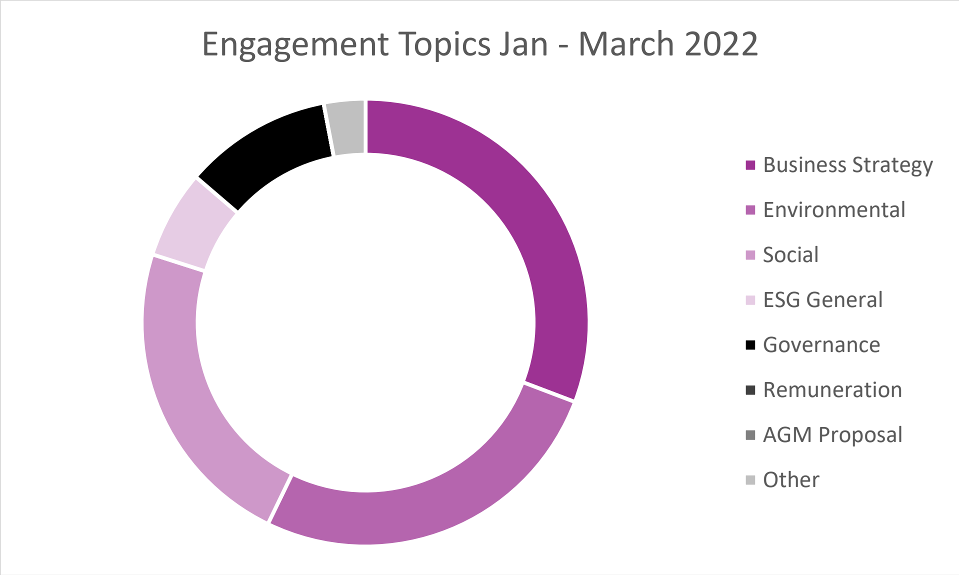
As can be seen the level of engagement activity in the quarter fell to a more normal level following a peak of activity in the third quarter driven by CoP 26 in November 20221 which contributed to a 47% increase in the volume of activity for the year. As can be seen in the chart below the reduction in activity for the quarter was particularly marked in the work being undertaken by LAPFF which last quarter represented 2/3 of activity. While Robeco’s activity also reduced to a much lesser extent the activity of the external managers on the investment grade credit fund and the Border to Coast portfolio managers both increased significantly in the quarter driven to some extent by the lead up to AGM season.



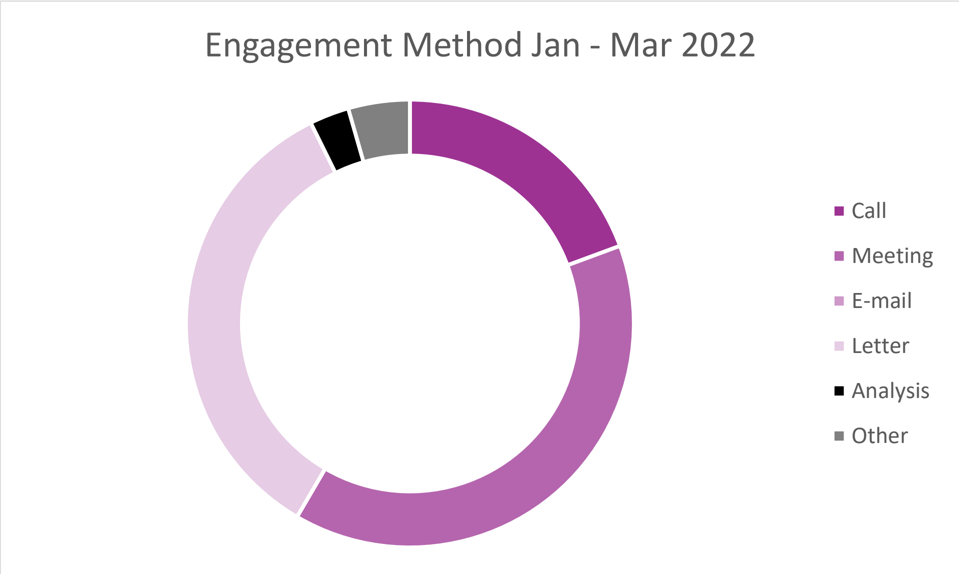
The focus of activity in the UK reduced in the quarter with a much more even spread of activity across the other regions. Again this was driven a significant focus on engagement with UK companies by LAPFF in the last quarter leading up to CoP 26.



The influence of CoP 26 dropping out of the figures for this quarter is also apparent when looking at the subjects engaged on where environmental issues have dropped from 74% of the total last quarter to 26% this time with a more even spread of issues overall and a significant increase in business strategy focussed engagements in the lead up to AGM season.



Again the method by which companies are engaged has significantly changed this quarter as the significant letter based engagement by LAPFF around CoP 26 drops out of the figures as shown below. A move to a situation where over half of engagement involves direct interaction with companies reflects a move towards a greater quality to the interaction,



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

- Robeco's engagement begun in 2019 around Single Use Plastics was closed. This involved active dialogue with a range of companies. Five companies within the Border to Coast portfolios were engaged and over the three-year period positive progress was made with all the companies. Examples relevant to SYPA's portfolio are:
    - Nestle: Made progress in its roadmap to eliminate harmful plastics and deforestation mitigation. The process is expected to complete in 2024 through fully eliminating products made up of a mix of plastics and papers, including laminates, caps and pvc liners.

  - PepsiCo: Has established best practice in avoiding waste via its SodaStream platform. The platform enables users to track their intake, set goals and measure their positive environmental contribution via plastic bottles avoided.

- The engagement around global controversy continues and the need for engagement around these issues has been emphasised by the war in Ukraine and ongoing events in Myanmar. Robeco have updated their approach to this area aiming to ensure robust governance around oversight and strengthened assessment of a company's behaviour in relation to commonly accepted international norms such as the UN Global Compact. Specifically this includes:

  - A strengthened oversight through a newly established Controversial Behaviour Committee, focusing on assessment of company behaviour and implications.
  - The sourcing of robust data on UN Global Compact and OECD Guidelines breaches
  - Onboarding a dedicated controversy engagement specialist to lead the renewed process and enhanced engagements with companies.

- Robeco have extended the scope of their engagement around palm oil to cover more companies. A specific focus is around encouraging companies to work with groups of smallholders to get organised to achieve certification as sustainable producers. Progress towards the goal of achieving universal sustainability certification was dented by the pandemic and the process now being undertaken is intended to re-energise this and highlight to companies the potential of new technologies such as drones in the monitoring of producer practices.

- Work is also being undertaken on an engagement around sustainable mining addressing the issue that many transition technologies are more mineral intensive than traditional fossil fuel technologies. Robeco have engaged with companies around their water management practices which SYPA has previously highlighted as a particularly negative impact of mining operations. This work has resulted in significant improvements in disclosure both around water management and tailings dam issues which has been another longstanding area of concern. The focus of this work is now moving on to "asset retirement planning" or decommissioning which represents both a significant potential liability for companies and a significant environmental and social risk if not managed correctly. Given the potential financial impact of this issue on companies (and thus on shareholder value) this is a logical priority for focus over the remaining period of this engagement.

More details of the activity undertaken by LAPFF in the quarter is available here. Key issues being worked on include:

- Engagement with government around the new framework for the setting and policing of accounting standards through the new UK Endorsement Board. The key issue is to ensure that the system has sufficient independence of both the auditing profession and management interests so that shareholder and creditor interests are at the heart of the new system.
- LAPFF continued engagement with Shell and Total both around issues of decarbonisation and human rights and geo-political issues, particularly in relation to Ukraine but also in the case of Total in terms of their decision to withdraw from Myanmar.

- The Forum has continued to engage with mining companies around community relations and in particular the impact of their operations on indigenous communities.

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 members in the on-line reading room, but this summary provides a high-level indication of the position.

Overseas Developed

- Weighted ESG Score above benchmark (6.9 v 6.7)
- 39.7% of portfolio ESG leaders above benchmark.
- 2.2% of portfolio ESG laggards 1% below banchmark.
- 5.1% of portfolio not covered all of which are pooled funds
- Worst scoring companies 1.5% of portfolio
- Emissions below benchmark on all metrics.
- Weight of fossil fuel holdings greater than in benchmark
- All 5 top emitters rated on the Transition Pathway with thre scoring 4, and 4 of the 5 are being engaged by Climate Action 100+.

United Kingdom

- Weighted ESG Score above benchmark (7.8 v 7.7)
- 70.8% of portfolio ESG leaders above benchmark
- 0% of portfolio ESG laggards below benchmark (0.4%)
- 6.6% of portfolio not covered mainly pooled vehicles (6.5%)
- Worst scoring companies 6.4% of portfolio
- Emissions belpw benchmark on 2 metrics and above for WACI.
- Less weight of fossil fuel holdings than in benchmark.
- Top 5 emitters all rated 4 or 4* (highest ratings) on the Transition Pathway and all engaged through Climate Action 100+

Emerging Markets

- Weighted ESG score above benchmark (5.6 v 5.3)
- 23.2% of portfolio ESG leaders above benchmark
- 15.1% of portfolio ESG laggards lower than benchmark (15.9%)
- 4.9% of portfolio not covered mainly pooled vehicles
- Worst scoring companies 5.5% of portfolio.
- Emissions materially below benchmark on all metrics
- Marginally greater weight of fossil fuel holdings than in benchmark.
- 4 of the top 5 emitters engaged with the Transition Pathway with one scoring 4 and two engaged through Climate Action 100+.

In general, this shows a broadly positive picture, with some limited improvement from a relatively high base.

The most significant movements in the quarter were:

- In the Overseas Developed Fund a downgrade for Hyundai Mobis from B to CCC reversing the previous upgrade. This was due to corporate governance concerns related to the complex cross ownership structure with Hyundai Motor Group. The Company is under engagement by Robeco as part of their Corporate Governance in Emerging Markets theme (note Korea is classified as an emerging market for some purposes).
- Within the Emerging Market Fund Formosa Plastics has been rated CCC as a result of the convoluted corporate structure which allows the founding family to maintain control, although this does have some advantages in terms of hedging against some volatility risks.

The carbon metrics are addressed later in this report.

Investment Grade Credit Portfolio

For the first time 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 firs report are set out below:

Weighted ESG score less than benchmark (7.0 v 7.3) - largely due to proportion of the portfolio not ESG rated (c24%), but AA rated overall

37% of portfolio ESG leaders compared to 52.8% in the benchmark

2% of portfolio ESG laggards compared to 2.7% on the benchmark

24.4% of portfolio not covered of which 18.1% is companies not covered and 6.3% collective vehicles

Lowest rated issuers represent 1.9% of the portfolio

Emissions below benchmark on 2 of 3 metrics but materially over benchmark for carbon intensity.

Meterially lower than benchmark weight of comapnies wiht fossil fuel reserves.

2 of top 5 emitters being engaged by Climate Action 100+ and both rated 4 on the Transition Pathway

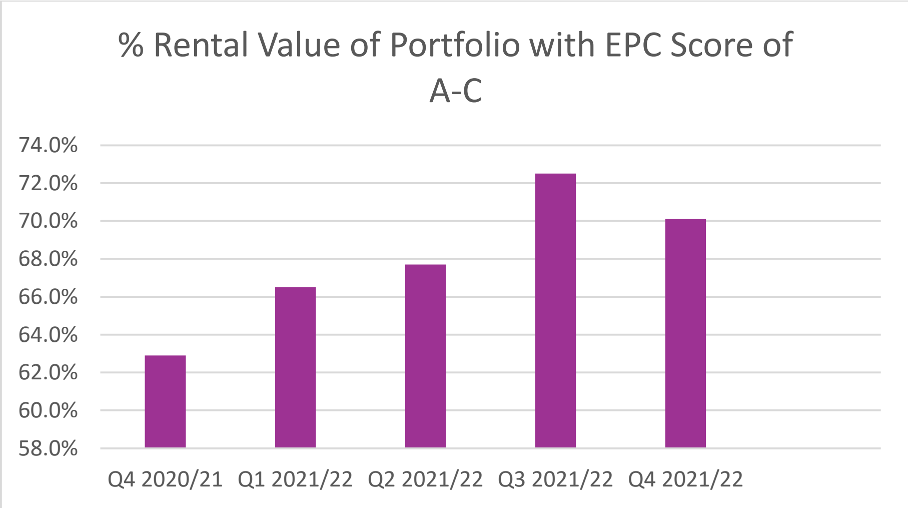
There is a degree to which an actively managed bond portfolio might be expected to have a below benchmark ESG rating in that the manager is seeking credits with better yields which within the investment grade universe might tend to be companies which are slightly less well ESG rated. Despite this the Fund is still rated AA (Leader) overall.

The issues of data are also reflected in the proportion of coverage with nearly a quarter of the portfolio not covered which compares to 6.6& for the UK equity fund.

No one holding dominates emissions within the portfolio, and those of the top 5 emitters which are not covered by the Transition Pathway and Climate Action 100+ engagement are UK power network providers and Transport for London which is a state entity.

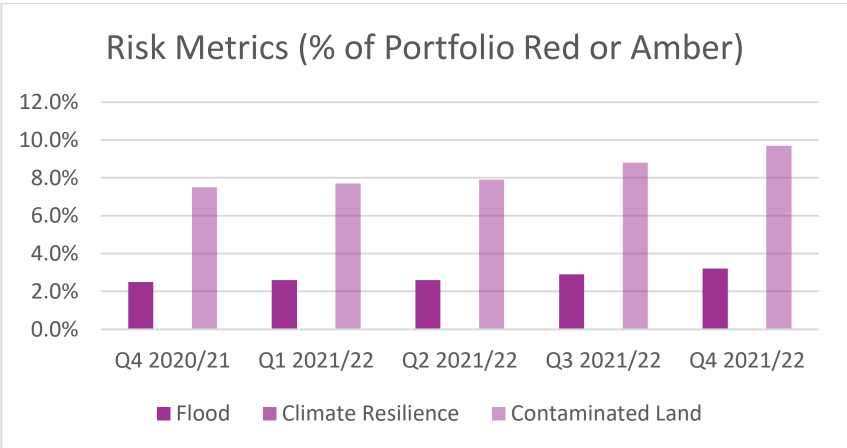
Commercial Property Portfolio

The work being done by Aberdeen Standard to improve the ESG performance of the Commercial property portfolio is now leading to the availability of additional data for this portfolio. The restructuring of the portfolio to remove smaller units and units with less long-term potential has also had an impact on the overall energy performance of the portfolio as shown below:



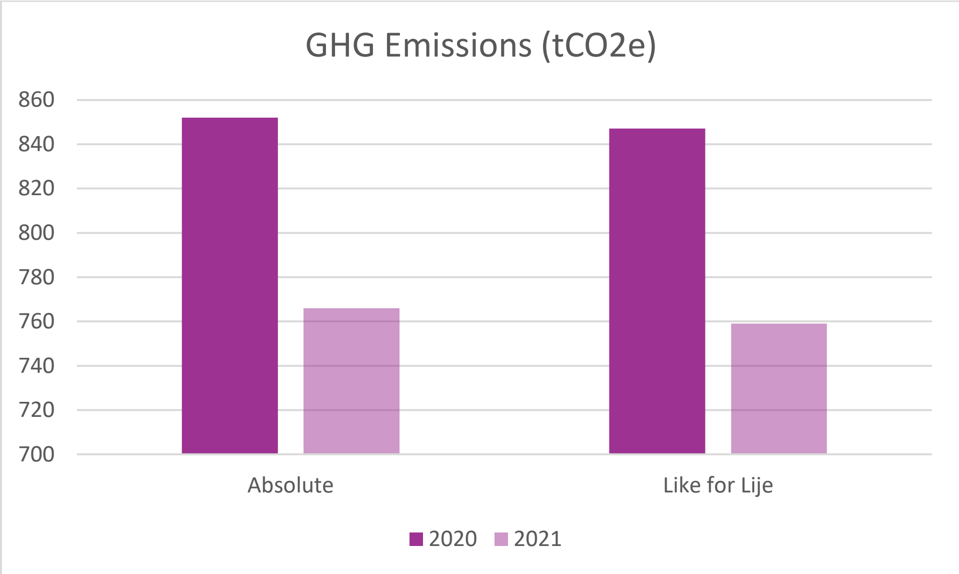
This shows a marked increase in the proportion of assets with higher energy performance since the end of the last financial year although disposals in the last quarter have slightly reduced this. Work is continuing to survey a small number of Scottish assets where EPC data are not available.

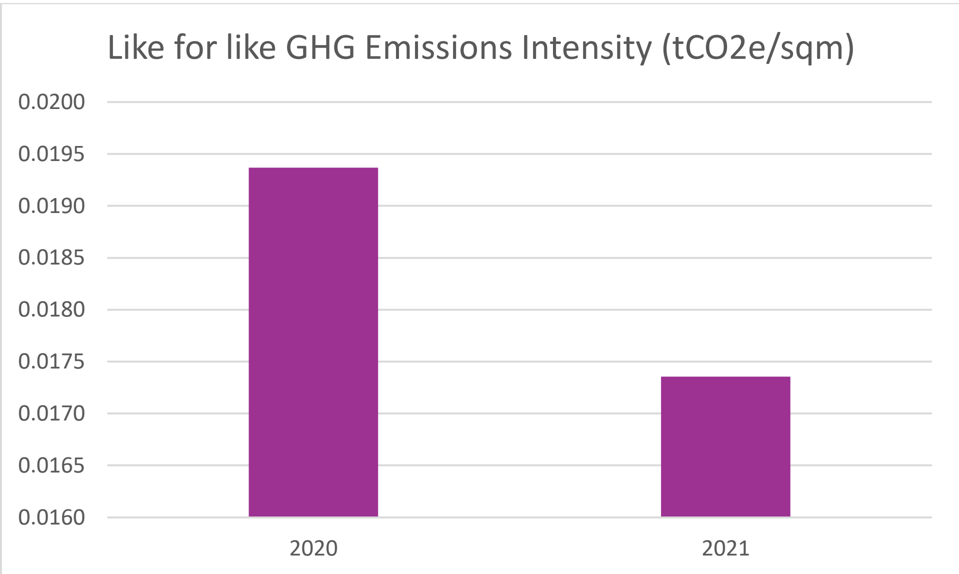
The portfolio restructuring process has also reduced the proportion of assets where specific environmental risks have been identified as shown below. These data have been rebased since the last quarter for updated information. All the identified risks are amber rather than red. Action plans are being developed for each property where such risks are identified to ensure they are addressed within a reasonable timescale.



An important piece of work which Aberdeen Standard have now completed for the first time is to make available GHG emissions data (covering scope 1 and 2) together with energy and water consumption data for the portfolio. These are available for both the portfolio as it is at a particular reference date and on a “like for like” basis, i.e., for those assets present in the portfolio at both reference dates. All these data are for the relevant calendar year due to the time required for data gathering from tenants.

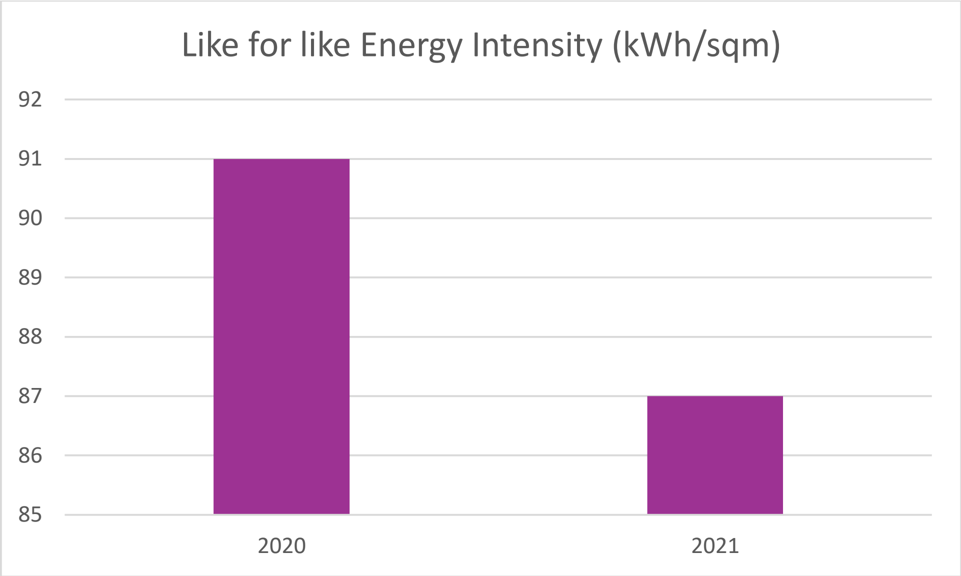
Looking at GHG emissions first. The graphs below show both absolute emissions and emissions intensity.

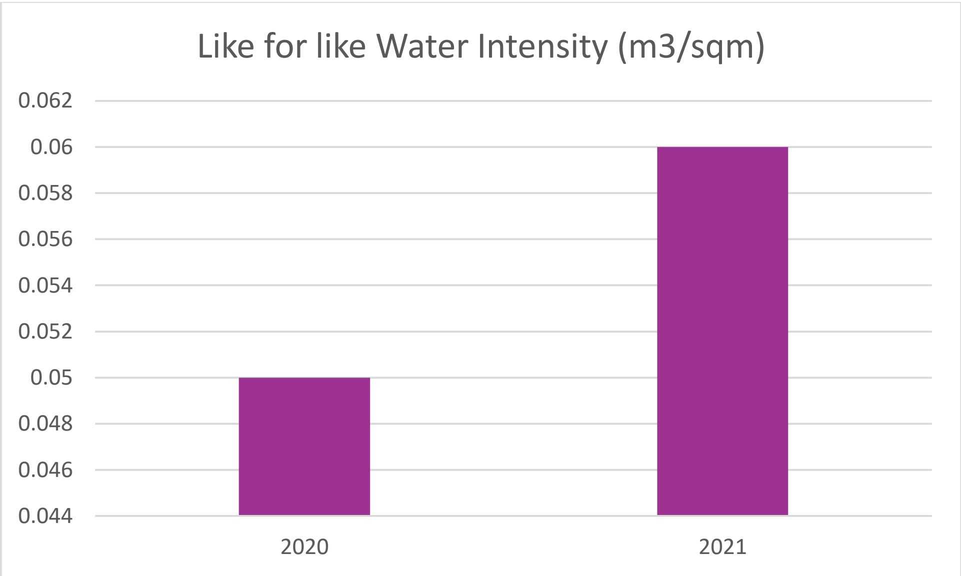




Overall, there is a 10% reduction in like-for-like GHG emissions. This is due to the reduction in energy consumption and improvements in the efficiency of the UK's electricity grid which means that each kWh used produces less CO2e emissions. While the bulk of the pandemic impact on these measures would be felt between 2019 and 2020 there is still likely to be some impact of lockdowns on consumption and the usage of properties, although given the large exposure to industrials this may not be as much of an issue as for a heavily office weighted portfolio. This would indicate that a reversion to previous patterns is less likely.

In terms of energy and water consumption the most informative measures are the like for like intensity of usage which is shown below.





For both these datasets information on commodities procured by the landlord is always reported and where tenants procure their own energy or water then this information is requested and included where possible.

The reduction in energy consumption over the year has largely been driven by the office assets, presumably driven by less intensive use due to increased levels of homeworking as well as specific initiatives.

The data in relation to water is subject to some uncertainty due to several metering and billing ussies and this is being investigated and a further update will be provided when these issues are resolved.

Some data on the way in which waste is disposed of are also available, however as there is only one year's data it is not being published at this stage as there is no context to understand whether it represents good or bad performance. The long-term target is to send 0% of waste to landfill with 80% to be recycled and 20% being recovered, although this can only apply to waste where the landlord has control of the disposal of waste.

Progress continues to be made at individual properties with the installation of solar PV and EV charging.

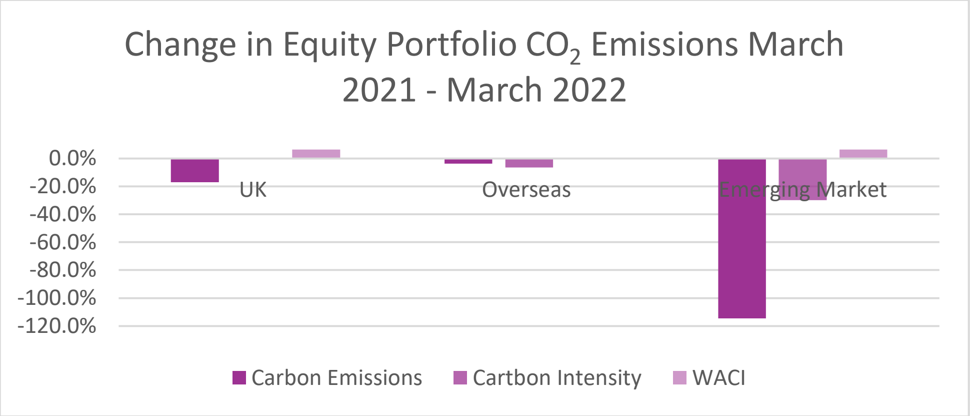
Another measure of the overall sustainability of the portfolio comes through sustainability certification. The most common type of certification is BREEAM and the Authority aspires through its agreed policy for its portfolio to achieve an overall level of Very Good or if built without certification which is often the case to be of an equivalent standard. Currently two properties representing 10.5% of the value of the portfolio are certified as BREEAM Very Good. This is likely to increase over time as further certified properties are added to the portfolio. There will remain a judgement for the Authority to make about whether it wishes to achieve "in use" certification for other buildings in the portfolio, but this is not currently a priority and would need to be cost justified.

The Authority is also progressing the development of a significant addition to its holding in Edinburgh. This is aiming for BREEAM Very Good certification and considerable attention is being paid to minimising the embodied carbon in the construction and optimising energy efficiency. This includes an exploration of design options including timber frame construction, recycled concrete, on-site renewable power generation, and best in class insulation systems.

Broadly progress is being made in this area in relation to the commercial property portfolio and these issues are taking a higher priority in terms of both ongoing asset management and the review of potential new investments.

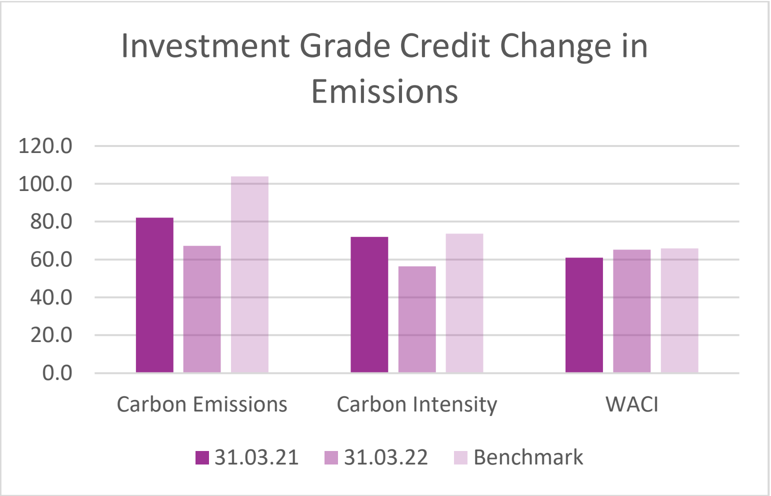
Progress to Net Zero

This section of the report considers the progress of the three equity portfolios towards Net Zero using the emissions data provided on a quarterly basis by Border to Coast. The graphs below show progress on the three equity portfolios and the investment grade credit portfolio over the last 12 months, with the initial data for the commercial property portfolio dealt with above.



Some of the movements indicated above are driven by changes in market values rather than necessarily by changes in the absolute level of emissions, for example the increase in the WACI in the UK portfolio is largely driven by the strong performance of Shell in the last quarter which was at least in part driven by the impact of the war in Ukraine on oil prices.

The position for Investment Grade Credit is given below compared to the previous March. It should be stressed that the availability and quality of data for fixed income assets is not as good as for equity assets. Again, there will be some technical impacts particularly on the WACI measure, although the position is better than benchmark on two of the three measures and virtually unchanged on the third. As more regular data is produced for this portfolio it will be possible to gain a better understanding of what is driving both emissions and change within the portfolio. In the meantime care needs to be taken that fund managers are not encouraged to make precipitate decisions on the basis of such data changes until a clear pattern has emerged.



In terms of broad progress towards the Net Zero Goal the trajectory implied by the Border to Coast commitment would bring the Overseas and UK portfolios to Net Zero around 2045 if delivered and the Emerging Markets portfolio could achieve Net Zero in terms of absolute emissions but not the other measures in the same timescale. The Investment Grade Credit portfolio would if the same trajectory is applied (which may not be a valid assumption for this asset class) be slightly above Net Zero at 2050. The Property portfolio has delivered a material reduction in emissions but the rate of progress will need to be increased if it is to contribute significantly to the overall goal.

This remains broadly positive in terms of the overall trend, although market factors are causing some negative movements in some of the metrics due to the positioning of certain of the portfolios. As has been stated previously there is a high risk of non-achievement of the 2030 Net Zero Goal without other changes in the investment approach, which will be examined as part of the review of the investment strategy which will be undertaken over the course of 2022-23.

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.

LAPFF recently held its regular business meeting. Key issues address included the issues previously mentioned around the new UK Endorsement Board and the accounting standards regime, industrial livestock companies and the workplan for 2022/23. The workplan continues to focus on the transition to a low carbon economy, employment standards and supply chains and human rights with emerging themes around water risks which supports SYPA's specific priorities. The Treasurer's report indicated that the Forum continues to be in strong financial health with the pandemic having reduced costs in a number of areas. Following a further fund joining the Forum now has 85 of 98 funds as members (87%).

The Taskforce on Nature -related Financial Disclosures (TNFD) is a global initiative, with the aim of developing a risk management and disclosure framework for reporting and acting on nature - related risks and opportunities . March saw the release of the first beta version of its framework .

The framework consists of three main components ; key science -based concepts to enable users to define nature -based risks and opportunities ; disclosure recommendations that are in alignment with the Task Force on Climate -Related Financial Disclosures (TCFD) reporting framework ; and guidance on how nature can be incorporated into enterprise risk and portfolio management processes .

It is expected that the beta framework will be modified over the next 18 months in response to the experiences of testers, with the finalised framework scheduled for release in late 2023 . Border to Coast will be monitoring progress throughout the testing period as biodiversity loss is a key risk which is rising in prominence.

Climate Action 100+ published the second round of Net Zero Company Benchmark assessments during March. The results show some corporate climate progress against key climate indicators, but find much more action is required to support efforts to limit temperature rise to 1.5°C.

In line with the voting guidelines agreed across the Border to Coast partnership votes will be cast against company Chairs in high emitting sectors where the climate change policy does not meet our minimum standards. Where a company covered by the initiative fails the first four indicators of the Benchmark, we will also vote against the Chair of the board.

Policy Development

This section of the report highlights a number of the key pieces of policy related activity which have taken place during the quarter.

Enhancing Sustainability Disclosure
The establishment of the International Sustainability Standards Board (ISSB), which was announced at COP26 in November 2021, was seen as a major step to a single set of global ESG reporting standards.

The ISSB has now launched a consultation on its first two proposed standards : one setting out general disclosure requirements and the other specifying climate -related disclosure requirements . The proposals build upon the recommendations of the TCFD and incorporate industry -based disclosure requirements, derived from the Sustainability Accounting Standards Board (SASB) standards.

Additionally, the US Securities and Exchange Commission (SEC) recently announced proposals requiring companies to disclose climate -related information in their filings. Proposed disclosures, which would be subject to third -party attestation, include an assessment of :

- Climate -related risks deemed likely to have a material impact on the company's operations .
- The actual and potential impacts of those risks on the company's strategy and business model
- The company's governance of climate -related risks and relevant risk management processes .

The proposed disclosure enhancements have attracted significant attention across the industry and with both the ISSB and SEC building upon the existing TCFD framework, it is hoped that a standardised approach to such disclosures will become mainstream .

IPCC Assessment Report
The Intergovernmental Panel on Climate Change (IPCC) recently finalised the second and third parts of the Sixth Assessment Report on climate change for 2022 : Impacts, Adaptation and Vulnerability and Mitigation of Climate Change. The latter made clear that greenhouse gas emissions must stop rising before 2025 if the world is to avoid the worst impacts of climate change. The COP27 summit, being held in Egypt later this year, is a crucial opportunity for governments to work together to make progress.

LGPS and Sharia Compliance
The LGPS Scheme Advisory Board commissioned legal advice in relation to the risks associated with an equality challenge around the issue of whether or not LGPS investments comply with sharia law. The initial question of whether LGPS itself is compliant with sharia is one to which different scholars have provided different answers. There is clearly a potential risk of challenge and the Board is considering what further advice and guidance might be necessary in light of the opinion received which has been published. This issue is a particular concern for some funds. SYPA has so far received one member enquiry on this issue.

Boycotts, Divestment and Sanctions
The proposed bill which was not introduced in the last session of parliament was included in the recent Queen's Speech and is now the responsibility of the Department for Levelling Up Housing and Communities (DLUHC) rather than the Cabinet Office and it is expected to be introduced at an early opportunity, although the timescale is not yet known.

LGPS Investment Related Consultations
There are a significant number of investment related consultations expected from DLUHC in the next 12 months covering:

- Pooling
- TCFD and Climate Risk Reporting
- “Levelling Up” Plans and Investment
- Boycotts Divestment and Sanctions Statutory Guidance (depending on progress of the Bill on this subject).

These are all substantial issues in their own right and may come as separate consultations although relevant regulations may be made in one set of amendments. Currently timing on all of these is likely to be “autumn” (with October suggested as the current target) and it would be expected that a 12 week consultation would be carried out. Given the potential scale of these consultations and of any responses it may be necessary to arrange specific time for members to discuss the Authority’s responses at additional meetings.

As the data provided by Border to Coast in relation to ESG scores and carbon emissions is provided by an external third party the following legal wording is required to be included within this report.