

Agenda Item

Subject	Annual Review of Responsible Investment Policies	Status	For Publication
Report to	Authority	Date	16 th March 2023
Report of	Director		
Equality Impact Assessment	Not Required	Attached	No
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1 Purpose of the Report

- 1.1 To secure approval for the Authority's various responsible investment policy documents following their annual review.

2 Recommendations

- 2.1 Members are recommended to:
- a. **Approve the following revised policy documents appended to this report**
 - i. **The Responsible Investment Policy (Appendix A)**
 - ii. **The Climate Change Policy (Appendix B)**
 - iii. **The Net Zero Action Plan (Appendix C)**
 - iv. **The Annual Commitment to the Impact Investing Principles for Pensions (Appendix D)**

3 Link to Corporate Objectives

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

Responsible Investment

To develop our investment options within the context of a sustainable and responsible investment strategy.

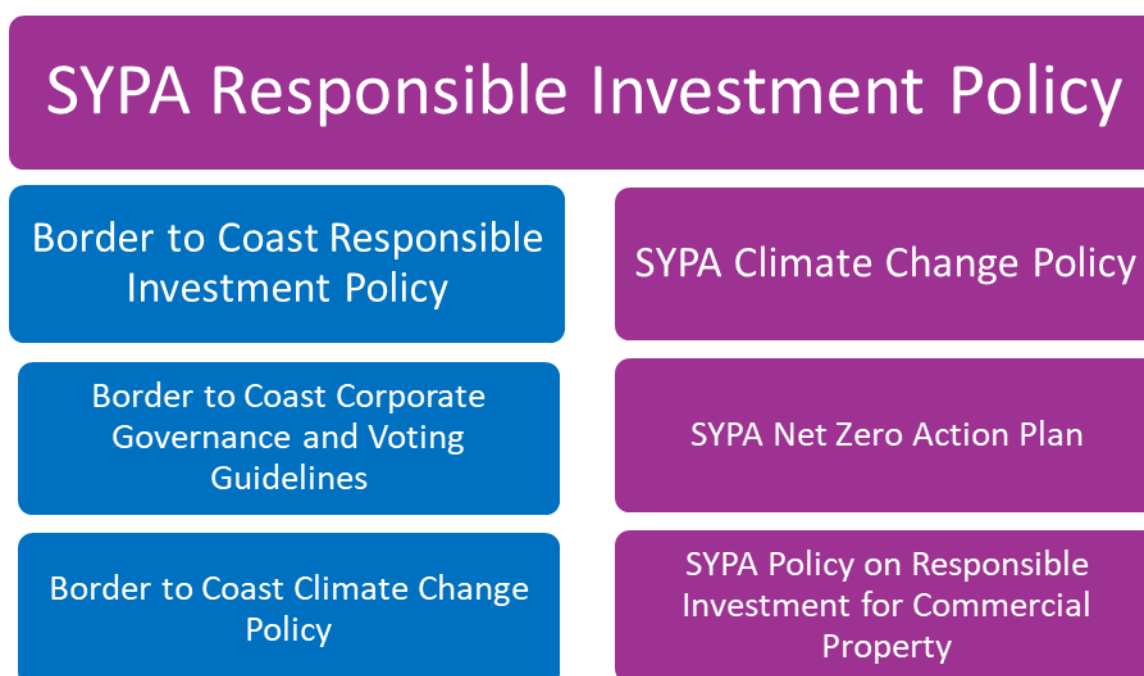
Regularly reviewing and updating policy documents related to Responsible Investment ensures that the Authority's policy stance continues to evolve to address the ever widening and more complex range of issues facing investors in this area.

4 **Implications for the Corporate Risk Register**

- 4.1 The actions outlined in this report specifically address the climate related risks include in the Corporate Risk Register and the various risks related to the maintenance of an effective investment process.

5 **Background and Options**

- 5.1 Each year the Authority conducts a review of its various responsible investment policies to ensure that they remain up to date and relevant and that the policy stance articulated continues to seek to move the collective policies adopted by the Border to Coast Pensions Partnership in a direction which the Authority can support. The diagram below shows the various aspects of the Responsible Investment policy framework and how they related together and also their relationship to the various collective Border to Coast policies.



- 5.2 The Commercial Property policy does not require any updating this year and it is proposed to not review this further given the proposed timing of the launch of the Border to Coast property products at which point a specific SYPA policy of this sort will no longer be required although some changes will be required to the main Responsible Investment policy.
- 5.3 In addition to these documents an annual review has also been conducted of the Statement of Commitment to the Impact Investing Principles for Pensions. A review of this sort is good practice for any standard like this to which the Authority subscribes and it is presented here for convenience.

Responsible Investment Policy (Appendix A)

- 5.4 The Responsible Investment Policy has not required major changes. However, there are some significant changes at the detailed level in terms of the stance the Authority is proposing in relation to certain issues and how it wishes to influence the Border to Coast Partnership in future. In particular this spells out a wish to see the revenue

threshold for exclusion of companies exposed to pure coal and coal sands to be set on a trajectory reducing to zero before 2030. In addition, it commits the Authority to seeking a more defined approach to assessing the effectiveness of engagement processes together with the defining of clear criteria for the failure of engagement and of the consequences of failure up to and including disinvestment in individual companies. In addition to these changes further changes have been made to include the option of “denying debt” in relation to fixed income portfolios. This can, for some companies, be a more impactful approach than disinvestment, and is something that is reflected in the latest Border to Coast policies. Again, the Authority would wish the criteria for denying debt as a result of the failure of engagement to be clear and automatic.

- 5.5 Achieving these objectives will not be easy and partners may have differing views on these issues. However, the views articulated by elected members which have influenced this position are clearly that for a policy of engagement to have “teeth” there needs to be clearer definition of and more automaticity in the consequences of failure. It is also likely that the Authority will more often consider voting in a different way to the rest of the partnership particularly where companies’ plans for the climate transition lack credibility. However, given the constraints of resources and the timescales to undertake the necessary analysis to support such decisions it remains the case that such occasions are likely to remain the exception.

Climate Change Policy (Appendix B)

- 5.6 This Policy is at a very high level and sets out the Authority’s broad approach to the issue and the allocation of responsibility as between officers and members in line with the Task Force on Climate Related Financial Disclosures. The limited revisions to the Policy reflect the tightening of the position set out more clearly in the overall RI policy.

Net Zero Action Plan (Appendix C)

- 5.7 This document sets out the actions proposed in the coming year to move the Authority along the road to decarbonising its investment portfolios. The most significant changes to the document this year are the inclusion of more information about the approaches to decarbonisation for individual asset classes and some additional information on the progress against emissions reduction targets. In addition, the document reflects actions to secure the more stringent position in relation to engagement set out in the RI policy.

Statement of Commitment to the Impact Investing Principles for Pensions (Appendix D)

- 5.8 This Statement sets out the additional actions undertaken in relation to each of the principles over the last year. This reflects the significant steps taken to carve out a specifically impact focussed portfolio which are elsewhere on the agenda for this meeting.

6 **Implications**

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

Financial	There are no direct financial implications arising from this report.
Human Resources	None
ICT	None
Legal	It is a requirement of the relevant LGPS regulations that the Authority set out its position in relation to Environmental, Social and Governance issues in its Investment Strategy Statement. These documents set out the arrangements for the detailed implementation of this statement and also set out the strategic arrangements which are required as the foundation of arrangements for meeting the requirements of the Task Force on Climate Related Financial Disclosure which will become a regulatory requirement within the next 12 months.
Procurement	None directly.

George Graham

Director

Background Papers	
Document	Place of Inspection