Public Questions

Question 1 – Mr S Ashton

We asked a question in September 2024 about the progress of the various funds towards Net Zero with the response being that to achieve Net Zero some of the investments would be carbon negative, “negating the impact of the remaining positive emissions”.

We understand now, that despite your ambition, it is unlikely that South Yorkshire Pension Authority’s fund will be Net Zero by 2030. We also understand that the fund’s emissions have reduced by 50% from the 2019 baseline, which is obviously a positive.

We would like to ask therefore:

· How much you anticipate the reduction in emissions from the 2019 baseline to be by 2030?

· When would you anticipate that the fund is going to be Net Zero?

· What do the Committee think about missing the 2030 target – we are particularly interested in the views of Councillors on the Committee?

· What are the most significant barriers to you hitting Net Zero by 2030 – why can’t it be done?

· What could Border to Coast Pensions Partnership do to help you achieve your aim of Net Zero by 2030?

Response

Based on target reductions provided by Border to Coast, we expect to see a 67% reduction in financed emissions, of existing reported assets, by 2030 compared to the 2019 baseline. This is based on the average financed emissions weighted by the asset value for the invested portfolios that Border to Coast were able to report on in 2019 compared to the current invested portfolios where Border to Coast is able to provide financed emissions, assuming that the weight of each portfolio in the total SYPA Fund remains consistent to year end 2024. It should be noted that this reduction will be impacted by any new portfolios that Border to Coast include in reporting and SYPA is invested in, as well as any future changes in SYPA’s investment strategy and market movements of underlying companies’ share price.

As can be seen from the regular reporting to the Authority achievement of Net Zero based on the current forecast methodology would likely be sometime between 2040 and 2050.

Clearly the views of councillors on missing the 2030 Goal will vary. However, the Authority has been clear throughout that this was a very ambitious goal, particularly given that it was to be achieved through a commitment to real world change rather than through any artifical restructuring of investment portfolios and within the context of investment pooling where the Pool’s overall goal was for 2050.

The most significant barriers are around getting complete data across the whole portfolio and on measuring the positive benefits achieved through climate positive investments such s *renewables and natural capital. These could significantly change the overall picture although it is unlikely that they would fundamentally alter the overall trajectory of emissions reduction.*

We continue to engage with Border to Coast with regard to these issues and in relation to specific investments (such as BP discussed in answer to a different public question). In terms of what the Partnership could do to help accelerate the pace of emissions reduction ensuring that there are sufficient investments available to allow full delivery of the Strategic Asset Allocation would be the obvious starting point and this is something that is actively discussed with the pooling company on a regular basis and will form a key part of the debates which will form part of the forthcoming investment strategy review.

Question 2 - Mr Mohammed Yaqoob Ashraf

As-Salaam Alaikum

Good Morning Chair, Councillors and Officers,

Are there any UK laws, that the SYPA, the Chair, the Councillors, and the officers are not subject to? If so could you provide details?

The rest of my question will be in regards to how the decisions are actually made, by whom and the power relationships between the various parties.

So I would like to ask how much control do the SYPA officers have and how titular are the Councillors?

What role does the Chair and or the officers play in the decisions and the processes of the Councillors? Can the Chair and or officers frustrate the decisions of the Councillors? How can the Councillors overcome any attempts by the Chair or the officers to frustrate their decisions?

Are the Councillors genuinely able to affect change and has this ever occurred previously? What decisions and processes do the 12 Councillors need to make, in order to enact actual change?

Thank you in advance to the officers for taking the time to answer my question.

Response
The Pensions Authority like all public institutions is a creature of statute and is subject to all relevant laws. Individual officers also have specific statutory responsibilities which given them duties to the public under certain laws, for example the fiduciary responsibility of the Chief Finance Officer to local taxpayers.

The role of the members of the Pension Authority is as quasi-trustees, rather than as political representatives. This limits the actions that councillors may take to those which are considered in the best interest of the members of the scheme, which is defined in law as the best financial interests. In making decisions in relation to pensions matters the relevant regulations require that councillors must have regard to appropriate professional advice. Depending on the nature of the decision such advice could come from officers, independent advisers, investment consultants or the actuary, or combinations of all of these.

The members of the Authority are responsible for approving policies, based on appropriate advice and officers are responsible for implementing them and are then held to account for their performance in implementing policy.

It is also the case that with the advent of the pooling of investments many detailed decisions are now made by fund managers in line with policies agreed through the Border to Coast Pensions Partnership over which the Pensions Authority has influence but not direct control.

Members of the Authority have on some occasions chosen, as is their right, to act against the advice of officers, most notably in setting an earlier Net Zero target than recommended.

The role of the Chair is principally to preside over the debates of the Authority and to represent the Authority to the outside world, for example through membership of the Border to Coast Joint Committee. The Chair has the same voting rights as any other member of the Authority, and in representing the Authority should reflect the Authority's agreed policies.

Question 3 – Mr I Pearson

BP have been in the news again over the last couple of weeks announcing their intention to increase investments in fossil fuels by 20% while at the same time scaling back investment in renewables by £3.9 billion (link below). Engagement clearly doesn't work with the fossil fuel majors. The share price has also been performing poorly recently giving no financial argument to remain invested.

What steps will the committee take to persuade BCPP and the partner funds that this investment is not in line with either BCPP's stated ambition to be Paris aligned or SYPA's objectives to be Net Zero by 2030?

https://www.bbc.co.uk/news/articles/c3374ekd11po

Response

As outlined in our RI policy available on our website, SYPA believes that engagement and constructive dialogue with invested companies is the best approach to influence their policies on governance, environmental, human rights, as well as other issues. By remaining engaged, Border to Coast can effect change at those companies and this is a fundamental part of SYPA's and Border to Coast's approach to responsible investment. SYPA believes that engagement, through Border to Coast, is more effective than excluding companies from the investment universe and is how we can most effectively push for the alignment of portfolio companies with a net zero pathway. SYPA's RI policy sets out the expectations on our investment managers to take escalation steps should the outcomes of engagement not lead to the desired result. Additionally, Border to Coast's RI policy sets out their escalation process if their engagements do not lead to the desired results. The methods of escalation vary, and depend on the circumstances, but include for example: voting against related agenda

items at shareholder meetings, attending shareholder meetings in-person to raise concerns, making public statements, publicly pre-declaring Border to Coast's voting intentions, and filing or co-filing shareholder resolutions.

SYPA looks to strike a balance between our RI commitments (including exclusions) and our fiduciary duty to deliver the fund's overall risk and performance mandate. The Border to Coast UK Listed Equity Fund performance is measured against the FT All Share Index which contains both BP and Shell as constituent stocks. In total, energy accounts for just over 9% of this benchmark. Shell and BP make up most of this sector weighting. As neither company is subject to exclusion from the UK Listed Equity Fund's benchmark, Border to Coast view non-ownership of either or both of these two large benchmark constituents as not possible from a risk perspective because it would lead to wide distortions of performance outcomes outside the acceptable parameters of the Fund's mandate. It is worth recapping that the UK Listed Equity Fund is a pooled vehicle and SYPA is one of a number of Partner Funds who are invested in this Fund with other Border to Coast Partner Fund's having a range of net zero targets.

Currently, Border to Coast prefer Shell over BP from a fundamental perspective. BP has a more stretched capital position than Shell and, arguably, a less attractive asset base. Border to Coast prefer Shell's management and the level of clarity it has provided on a more coherent and consistent strategy. Shell's cash flows are less dependent on energy prices that are set globally and are therefore outside of management control. Border to Coast believe that this instils a level of confidence that the quantum and sustainability of shareholder returns at Shell will be superior to those of BP – especially during any extended period of lower oil prices. BP's recent Capital Markets Day proposed several changes to group strategy including some divestments alongside ambitious cost cutting, which in Border to Coast's view increases the risk due to management skill required to execute this.

As an active owner, Border to Coast continue to engage with the highest emitters in their portfolios. Border to Coast have escalated their engagement with BP and Shell over the last two years. This has included voting against the re-election of both Chairs of the Board due to climate concerns, supporting independent shareholder resolutions aligned with the objectives of the Paris climate agreement, voting against management resolutions that present inadequate transition plans and publicly pre-declaring votes against management on climate issues.

Border to Coast were also the only Climate Action 100+ investor that publicly commented on reports BP was to weaken its climate commitments in late 2024. During early 2025, Border to Coast co-signed a letter with 48 other shareholders in BP to raise concerns and request a shareholder vote at the AGM, and since BP has confirmed its strategy re-set with lower climate ambitions, Border to Coast have again publicly announced that, as things stand, they will vote against the Chair at its forthcoming AGM. Border to Coast also have a meeting scheduled with BP to discuss its inadequate medium-term targets and decarbonisation strategy.