



Responsible Investment Policy

This Responsible Investment Policy details the approach that BCPP will follow in fulfilling its commitment to the partner funds in the delegation of RI and stewardship responsibilities.

1. Introduction

The primary objective of the Border to Coast Pensions Partnership (BCPP) is to ensure that all funds can meet their pension liabilities. This has to be achieved by producing superior financial returns whilst not undertaking undue levels of risk and protecting returns over the long term. Environmental, social and governance (ESG) issues can have a material impact on the value of financial assets and on the long term performance of investments, and therefore need to be considered across all asset classes in order to better manage risk and generate sustainable, long term returns. Well-managed companies with strong governance are more likely to be successful long-term investments. BCPP will be an active owner and steward of its investments, both internally and externally managed, across all asset classes. The commitment to responsible investment is communicated in the BCPP UK Stewardship Code compliance statement.

2. What is responsible investment?

Responsible investment (RI) is the practice of incorporating ESG issues into the investment decision making process, to better manage risk and generate sustainable, long-term returns. Investment stewardship, which involves being an active owner and using shareholder rights to improve long-term performance, is also an integral part of the process. The incorporation of ESG factors in the investment process is part of the fiduciary duty to beneficiaries of funds. The Law Commission's 2014 report 'The Fiduciary Duties of Investment Intermediaries' states that Trustees should take into account any factors which are financially material to the performance of an investment including ESG factors.

3. Governance and Implementation

The Responsible Investment Policy is jointly owned and created after collaboration and engagement with the 12 Partner Funds. Implementation and oversight of the policy is by the Chief Investment Officer (CIO). The policy will be monitored with regular reports to the CIO, Board, Joint Committee and Partner Funds. It will be reviewed at least annually or whenever revisions are proposed, and updated as necessary.

4. Skills and competency

BCPP will, where needed, take proper advice in order to formulate and develop policy. The Board and investment staff will maintain appropriate skills in responsible investment

and stewardship through continuing professional development; where necessary expert advice will be taken from suitable RI specialists to fulfil these responsibilities.

5. Integrating RI into investment decisions

BCPP will consider material ESG factors when analysing potential investments. ESG factors tend to be longer term in nature and can create both risks and opportunities. It is therefore important that BCPP, as a long term investor, take them into account when analysing potential investments. The factors considered are those which can cause financial and reputational risk, ultimately resulting in a reduction in shareholder value. ESG issues will be considered and monitored in relation to internally managed assets and also within externally managed mandates. Integration and implementation will be via the CIO.

Issues considered include, but are not limited to:

Environmental	Social	Governance	Other
Climate change Resource & energy management	Human rights Child labour Supply chain Human capital Employment standards	Board independence/ diversity Executive pay Tax transparency Auditor rotation Succession planning Shareholder rights	Business strategy Risk management Cyber security Bribery & corruption

5.1 Climate change

BCPP will actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact will affect its investments. It poses significant investment risks and opportunities with the potential to impact the long-term shareholder value of investments across all asset classes. Risks and opportunities can be presented through a number of ways and include: physical impacts, technological changes, regulatory and policy impact, transitional risk, and litigation risk. BCPP will therefore look to:

- Assess its portfolios in relation to climate change risk where practicable
- Incorporate climate considerations into the investment decision making process
- Engage with companies in relation to business sustainability and disclosure of climate risk inline with Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD)¹ recommendations
- Encourage companies to adapt their business strategy in alignment with a low carbon economy
- Support climate related resolutions at company meetings where appropriate
- Co-file shareholder resolutions at company AGMs where appropriate on climate risk disclosure
- Monitor and review its fund managers in relation to climate change approach and policies
- Collaborate with other investors including other pools and groups such as LAPFF
- Engage with policy makers with regard to climate change
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¹ The Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD) - The TCFD developed recommendations on climate-related financial disclosures that are applicable to organisations (including asset owners) across sectors and jurisdictions. <https://www.fsb-tcfd.org/publications/final-recommendations-report/>

6. Stewardship

As a shareowner the BCPP has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It will practice active ownership through voting, monitoring companies, engagement and litigation. As a responsible shareholder, BCPP is a signatory to the UK Stewardship Code² and its statement of compliance can be viewed here xxxxxx. All external fund managers will be expected to be signatories or comply with international standards applicable to their geographical location.

Responsible investment and ESG considerations will be specifically referenced when conducting fund manager due diligence. They will be factored into the selection and appointment process, and included in investment management agreements. Managers will be expected to include ESG issues within their investment decision making process and take into account both financial and “extra-financial” considerations. Managers will be required to report back to BCPP regarding their RI activities on a regular basis.

6.1 Voting

Voting rights are an asset and BCPP will exercise its rights carefully to promote and support good corporate governance principles. It will aim to vote in every market in which it invests where practicable. In order to leverage scale and for practical reasons, BCPP has developed a collaborative voting policy to be enacted by BCPP on behalf of the Partner Funds which can be viewed here xxxxxxxx. A specialist proxy voting advisor will be employed to provide analysis of voting and governance issues. A set of detailed voting guidelines will be implemented on behalf of BCPP by the proxy voting advisor to ensure that votes are executed in accordance with policies. The voting guidelines are administered and assessed on a case-by-case basis. A degree of flexibility will be required when interpreting the guidelines to reflect specific company and meeting circumstances.

Where possible the voting policies will also be applied to assets managed externally. Policies will be reviewed annually. There may be occasions when an individual fund wishes BCPP to vote its pro rata holding contrary to an agreed policy; there is a process in place to facilitate this.

BCPP has an active stock lending programme. Where stock lending is permissible, lenders of stock do not generally retain any rights on lent stock. BCPP has created procedures along with its external providers to enable stock to be recalled prior to a shareholder vote in certain circumstances. This will only occur if the benefits of voting outweigh the benefits of stock lending. Stock will be recalled ahead of meetings when:

- The resolution is contentious
- The holding is of a size which could potentially influence the voting outcome
- BCPP needs to register its full voting interest
- A shareholder resolution has been filed.
- A company is seeking approval for a merger or acquisition
- BCPP deems it appropriate

² The UK Stewardship Code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. <https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Stewardship-Code.aspx>

Lending can also be restricted in these circumstances.

Where appropriate BCPP will consider co-filing shareholder resolutions and will notify Partner Funds in advance.

6.2 Engagement

The best way to influence companies is through engagement; therefore BCPP will not divest from companies principally on social, ethical or environmental reasons. As responsible investors, the approach taken will be to influence companies' governance standards, environmental, human rights and other policies by constructive shareholder engagement and the use of voting rights. The services of specialist providers may be used when necessary to identify issues of concern.

Meeting and engaging with companies is an integral part of the investment process. As part of our stewardship duties we regularly monitor investee companies and take appropriate action if investment returns are at risk. Engagement takes place with companies across all markets where possible, as well as with external fund managers.

BCPP will encourage companies to improve disclosure in relation to ESG and to report and disclose in line with the TCFD recommendations.

BCPP will seek to work collaboratively with other like-minded investors and bodies in order to maximise its influence, particularly when deemed likely to be more effective than acting alone. This will be achieved through actively collaborating with various other external groups e.g. The Local Authority Pension Fund Forum (LAPFF), other LGPS pools and other investor coalitions.

BCPP will engage with regulators, public policy makers, and other financial market participants as and when required.

6.3 Litigation

Where BCPP holds securities which are the subject of individual or class action securities litigation, it will, where appropriate, participate in such litigation. There are various litigation routes available dependent upon where the company is registered. BCPP will use a case-by-case approach to determine whether or not to participate in a class action after having considered the risks and potential benefits. BCPP will work with industry professionals to facilitate this.

7. Communication and reporting

BCPP will be transparent with regard to its RI activities and will keep beneficiaries and stakeholders informed. This will be done by making publicly available RI and voting policies; publishing voting activity on BCPP's website quarterly; reporting on engagement and RI activities to the Partner Funds; and in the annual report.

Consideration will also be given to voluntarily reporting in line with the TCFD recommendations.

8. Training and assistance

BCPP will offer the Partner Funds training on RI and ESG issues. Where requested, assistance will be given on identifying ESG risks and opportunities in order to help develop individual fund policies and investment principles for inclusion in the Investment Strategy Statements.

9. Conflicts of interest

BCPP's Conflicts of Interests policy will be disclosed and applied to identify and manage any conflicts of interest between the Partner Funds and BCPP.

