

Border to Coast Pensions Partnership Ltd

South Yorkshire Pensions
Authority

19th March

Responsible Investment



Responsible Investment Myths

...it involves investing in a specific investment strategy or product

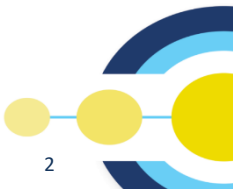
Responsible investment (RI) is not a specific strategy or product. It simply ensures all relevant factors are accounted for when assessing risk and potential returns.

...it leads to lower investment returns

Responsible investment is designed to *enhance* risk and return characteristics. Academic evidence to support Environmental, Social and Governance (ESG) integration leads to well-managed, better performing companies.

...it's about divestment, exclusion and negative screening

Responsible Investing does not seek to take a moral or ethical stance to investing. Emphasis is on integration of ESG criteria into investment decision making.



ESG & Sustainability Issues

Environmental, Social and Governance (ESG) factors enable investors to consider issues that could cause financial and reputational risk, impacting shareholder value.

Environment

- GHG Emissions
- Air Quality
- Energy Management
- Water & Wastewater Management
- Waste & Hazardous Materials Management
- Ecological Impacts

Leadership & Governance

- Business Ethics
- Competitive Behavior
- Management of the Legal & Regulatory Environment
- Critical Incident Risk Management
- Systemic Risk Management



Business Model & Innovation

- Product Design & Lifecycle Management
- Business Model Resilience
- Supply Chain Management
- Materials Sourcing & Efficiency
- Physical Impacts of Climate Change

Social Capital

- Human Rights & Community Relations
- Customer Privacy
- Data Security
- Access & Affordability
- Product Quality & Safety
- Customer Welfare
- Selling Practices & Product Labeling

Human Capital

- Labor Practices
- Employee Health & Safety
- Employee Engagement, Diversity & Inclusion

Source SASB.org

Responsible Investment in Practice

Active ownership:



Voting

To **encourage good governance** and sustainable corporate practices, looking to protect shareholder value through voting and co-filing shareholder resolutions.

846 shareholder meetings voted
Co-filed 1 shareholder resolution



Engagement

To **influence** companies' governance standards, environmental, human rights and other policies by constructive shareholder engagement, creating long-term sustainable value.

136 engagements held by Robeco

ESG integration:



ESG integration is the analysis of **all material factors** in investment analysis and investment decisions, including environmental, social, and governance factors which are financially relevant.

ESG and carbon screens on all portfolios

Reporting:



Transparency and disclosure on RI activities, keeping stakeholders and beneficiaries informed. Signatory to the UN backed Principles for Responsible Investment.

Quarterly voting & Stewardship reports
Annual RI report
PRI reporting

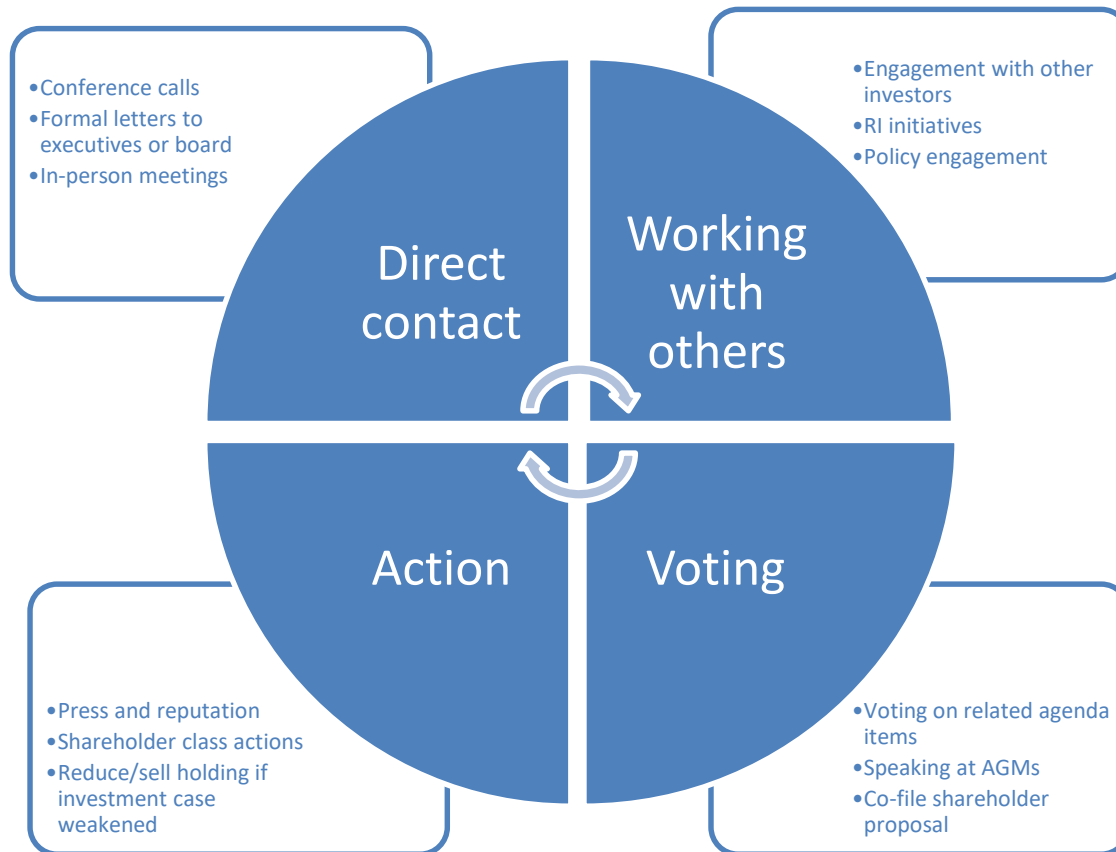
Voting:

BP – Using Shareholder Rights

Issue	Shareholder resolution	Vote	Corporate action
<p>Concerns that BP had not demonstrated its strategy was consistent with the Paris Climate goals</p>	<p>Institutional investors called for the company to broaden its corporate reporting to describe how its strategy is consistent with the goals of the Paris Agreement</p>	<p>99.14 % In favour</p>	<p>The BP Board announced it was supporting the resolution. The vote communicated a clear sign to the company about the importance of the resolution to investors. Will disclose on how business strategy is consistent with the Paris Agreement</p>

Engagement

Engagement and constructive dialogue is more effective than excluding companies but may need to escalate if objectives not achieved



Investor Mining & Tailings Safety Initiative

- Tailings dam collapse at mine owned by Vale
- Shares fell 24% wiping \$19 billion off market value
- \$6bn (10% of its market value) to cover reparations and decommissioning other dams
- Initiative supported by investors with over US\$12 trillion AUM
- Letter sent to over 700 companies asking to disclose data
- Systemic issue for the whole industry



fastFT Mining (+ Add to myFT)

One in ten tailings dams experience 'stability issues', report finds

Survey results raise safety concerns after fatal Brazilian collapse in January

THE WALL STREET JOURNAL.

WORLD | LATIN AMERICA

Deadly Brazil Mine Accident Puts Waste Dams in Spotlight

The deadly collapse raises questions on whether mining companies are spending enough to build and maintain waste-and-water dams

By *Scott Patterson*

Jan. 30, 2019 1:53 p.m. ET

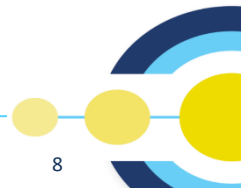


Climate Action 100+


A five- year investor led initiative engaging with 161 of the largest greenhouse gas emitters across a range of sectors

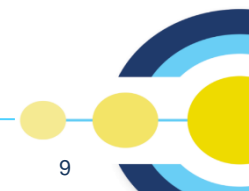
Achievements :

- **Shell, Repsol, Equinor and Total** - set long-term intensity targets to reduce emissions
- **BP** - to disclose how major investments are compatible with Paris Agreement
- **ArcelorMittal** - ambition to be carbon neutral in European operations by 2050
- **BHP Billiton** - committed to develop targets for its scope 3 emissions
- **Glencore** - to cap coal production to current levels of C145 million tonnes a year
- **Rio Tinto** - reviewed lobbying activity, exited from mining coal, committed to asset by asset review of its emission reduction targets
- **National Grid** - committed to net zero emissions by 2050



MSCI ESG Scores – Q4 2019

	 ESG Rating	Vs Benchmark	
Overseas Developed US	A	A	—
Overseas Developed Asia	A	A	—
Overseas Developed Europe	AA	AA	—
Overseas Developed Japan	A	BBB	↑
Emerging Markets	BB	BB	—
UK Listed Equity	AA	AA	—



Implementing the RI Strategy

ESG
Integration

Active
Ownership

Disclosure

Promote PRI

Collaboration

Reporting

Where we are

- Embedding ESG
- Developing external manager monitoring framework

- Creating process for selecting engagement themes
- Tracking engagements

- Reviewing industry initiatives and disclosures

- Reviewing procurement process
- Working with external managers

- Member of RI initiatives with medium level of involvement

- Produce quarterly & annual Stewardship reports
- Engagement reporting

Where we want to be

- ESG integral to all investment processes across asset classes
- Ext managers held to account

- Holistic approach to engagement
- Clear voting indications

- Standard approach to disclosures

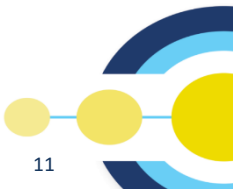
- Embedded in procurement process and contract monitoring

- Strong junior partner in collaborative engagement initiatives
- Building external profile

- Strong disclosures and reporting
- Standard reporting across external managers

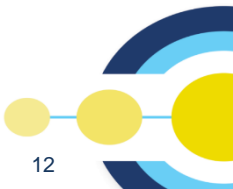
Key Takeaways

- RI is integral to our investment philosophy
- Still in build phase – strategic development
- Opportunities to make a difference
- Working together



Thank you

Your questions please



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