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Minutes of the Border to Coast Joint Committee

Thursday, 26 September 2024 - Border to Coast Offices, Toronto Square, Leeds,
LS1 2HJ

Present Members: Chair:
Cllr George Jabbour, North Yorkshire Pension Fund

Vice-Chair:
Cllr Doug McMurdo, Bedfordshire Pension Fund

Cllr David Sutton-Lloyd, Durham Pension Fund
Cllr Paul Hopton, East Riding Pension Fund
Cllr Eddie Strengeil, Lincolnshire Pension Fund
Cllr Jayne Dunn, South Yorkshire Pension Fund
Cllr Nick Harrison, Surrey Pension Fund
Cllr John Kabuye, Teesside Pension Fund
Cllr Joyce Welsh, Tyne & Wear Pension Fund- (as substitute for Cllr Ken Dawes)
Cllr Christopher Kettle, Warwickshire Pension Fund

Scheme Member Representatives:
Nicholas Wirz (remote)
Lynda Bowen

Fund Officers:
Andy Watkins, Bedfordshire Pension Fund
Mike Batty, Bedfordshire Pension Fund
Kate McLaughlin-Flynn, Cumbria Pension Fund (remote)
Paul Cooper, Durham Pension Fund
Tom Morrison, East Riding & North Yorkshire Pension Funds
Jo Kempton, Lincolnshire Pension Fund
George Graham, South Yorkshire Pension Fund
Neil Mason, Surrey Pension Fund
Nick Orton, Teesside Pension Fund
Paul McCann, Tyne & Wear Pension Fund
Chris Norton, Warwickshire Pension Fund

Partner Fund Nominated Non Executive Directors:
Cllr David Coupe

**Border To Coast
Representatives:** Rachel Elwell – Chief Executive Officer
Joe McDonnell – Chief Investment Officer
Chris Hitchen – Chair
Milo Kerr - Head of Customer Relationship
Management

Secretariat: Gina Mulderrig – South Yorkshire Pensions Authority

Apologies: Cllr Doug Rathbone (Cumbria Pension Fund), Cllr Ken Dawes (Tyne and Wear Pension Fund) and Cllr John Holtby (Non Executive Director)

1 APOLOGIES FOR ABSENCE/ DECLARATIONS OF INTEREST

The Chair welcomed everyone to the meeting including members of the public. The apologies were noted as above. Nicolas Wirz and Kate McLaughlin- Flynn attended remotely.

Cllr Jabbour declared a non-pecuniary interest in relation to the nature of his campaigning work, including the way public sector pension funds manage their funds.

The following members declared that they held pensions that were part of the Local Government Pension Scheme:

Cllr Doug McMurdo
Cllr Jayne Dunn,
Cllr Joyce Welsh,
Cllr Paul Hopton
Cllr Nick Harrison and
Nicolas Wirz

2 QUESTIONS FROM THE PUBLIC

Four questions had been received from members of the public (Ms A Whalley, Mr S Ashton, Mr M Ashraf and Ms J Cattell) that the Chair had agreed should be responded to. The Chair provided the responses prepared by the Border to Coast company in terms of the approach it takes as it acts in line with policies agreed by partner funds on the issues raised. Questions three and four were answered with a single response due to the similar nature of the questions. A full copy of the questions and the responses is appended to the minutes.

3 MINUTES OF THE MEETING HELD ON 20 JUNE 2024

The minutes were received, and members were asked to approve.

Members noted typographical errors relating to date and spelling in minute 7.

Members requested that in minute 10 the word 'praised' be changed to 'welcomed' to clarify the Joint Committee's reaction to the annual review of the Global Equity Alpha, UK Equity Alpha and Emerging Market Equities.

RESOLVED – That the minutes of the meeting held on 20 June 2024 be agreed as a true record once the above amendments were made.

4 ELECTION OF VICE CHAIR

George Graham as Secretary to the Joint Committee announced the results of the ballot held prior to the meeting to elect a Vice Chair of the Joint Committee.

Councillor McMurdo received the majority share of votes and was therefore elected Vice Chair of the Joint Committee and immediately took up the position.

RESOLVED - The Committee agreed to the immediate appointment of Councillor Doug McMurdo as Vice Chair of the Joint Committee for a term of 2 years.

5 SCHEME MEMBER REPRESENTATIVE ELECTION RESULTS

George Graham as Secretary to the Joint Committee presented the report which provided members with the result of the election for a Scheme Member representative held during August 2024.

Two eligible nominations were received but, due to the withdrawal of one nominee, one candidate remained for appointment to the position of Scheme Member Representative to the Joint Committee: Nicholas Wirz from the Tyne and Wear Pension Fund.

RESOLVED - The Committee agreed to the appointment of Nicholas Wirz as Scheme Member Representative for a 3 year term.

6 JOINT COMMITTEE BUDGET

A verbal report updating the Joint Committee on the current position of the agreed budget confirmed that there had been no expenditure to date in this financial year. Upcoming costs would include secretariat support, legal work and travel and subsistence for members and it was confirmed that these costs would be reported regularly to the Joint Committee.

RESOLVED - Members noted the budget position.

7 CALENDAR OF MEETINGS

The most recently updated schedule of meetings was included in the agenda for members to note.

RESOLVED – Members noted the scheduled dates for meetings of the Joint Committee, Border to Coast Conference and member workshops for the next three years.

8 JOINT COMMITTEE EFFECTIVENESS REVIEW

George Graham as Secretary to the Joint Committee presented a report which set out the proposed arrangements for conducting a review of the effectiveness of the Joint Committee and explained that an internal review process supported by peers from another pool was the preferred option based on cost and the ability to bring thinking from elsewhere into the process.

Members shared their insight and discussed the value of peer review. The Chair explained that he had undertaken to visit other pools that operate with a joint committee with the view to having a better understanding of others and greater collaboration with peers in general.

Members questioned the independence of a peer review and whether the alternative option of obtaining an independent governance review as presented in the report would be worth the expenditure of between £10,000 and £20,000 particularly given the scale of funds managed by the pool and the potential value added to the review by engaging an external reviewer. It was also expressed that choosing a peer to conduct the review could prove problematic.

The Chief Executive Officer explained that the company actively engages with other pools to share learning and improve effectiveness of the LGPS ecosystem as a whole. She expressed the view that it could be a mistake to go outside of the sector given the unique environment, and that a specialist, nuanced governance review was needed.

Some members expressed hesitation to go to an independent body to conduct the review at the risk the process turn into an assessment rather than a review.

The Vice Chair proposed an amendment to the recommendation:

To contract the Local Government Association to provide independent leadership of the review.

The amendment was seconded.

RESOLVED – The Joint Committee agreed to:

- a). conducting an effectiveness review as set out in the body of the report.**
- b). contracting the Local Government Association to provide independent leadership of the review.**

9 RESPONSIBLE INVESTMENT UPDATE

Tim Manuel, Head of Responsible Investment, presented a report providing the Committee with an update on the Responsible Investment activity undertaken by

the Company on behalf of Partner Funds over the period since the last meeting giving an overview of engagement and voting statistics following the peak AGM voting season.

Members questioned the implications and value of pre-declared voting and voting against company chairs as part of Border to Coast's engagement escalation as detailed in the report.

The Head of Responsible Investment explained that these escalation methods were an effective way to express dissatisfaction to the individual company and to the public to promote change and that pre-declared voting demonstrated strong leadership from Border to Coast in the sector.

The Joint Committee sought explanation for why pre-declaration hadn't been used more if it was effective and queried whether voting against a company chair could cause a company to view or treat Border to Coast negatively.

The Head of Responsible Investment and the Chief Executive explained that escalation methods come with extensive engagement and that there is an optimum level of use of these methods to ensure that change is encouraged. The Chief Investment Officer added that, as a tier 1 asset owner, the voting record of Border to Coast carried weight in the sector.

Members asked whether the engagement and escalation demonstrated by Border to Coast affected the behaviour of peers and influenced similar actions from other investors. It was also asked what happens if escalation does not have the desired effect of affecting policy from within.

The Head of Responsible Investment explained that the level of influence was difficult to isolate and measure but stated that Border to Coast were not an outlier in the sector and work with many different investors who are likeminded when it comes to responsible investment. He added that there was power in being open and collaborating with other investors when embedding environmental, social and governance issues into investment decision making and there was also the opportunity to take positive leadership in the sector. The Head of Responsible Investment stated that the aim of the Responsible Investment Policy was to support better investment outcomes and, if there comes a point where the risk outweighs the investment value and escalation does not mitigate the risk, then the company may decide to pull back investment.

Noting the information already shared publicly in quarterly and annual stewardship reports, Members reiterated the importance of sharing this information with pool members (with examples) to demonstrate that Border to Coast is taking responsible investment seriously and engaging effectively to challenge the companies identified.

The Independent Investment Adviser to the Lincolnshire Pension Fund had submitted a question to officers regarding this item. The Head of Responsible Investment provided written responses following the meeting. Details are appended to the minutes.

RESOLVED – To note the contents of the report.

10 MARKET REVIEW

Joe McDonnell, Chief Investment Officer, presented a report giving an overview of the macroeconomic and market environment and the medium-term investment outlook noting that it had been a strong year to date for equity markets, that no recession is expected but that there had been significant market volatility.

Members asked for more detail on the emerging markets situation in China and the risks that this posed to the company.

The Chief Investment Officer explained that European and US institutional investors had partially pulled back from investment in China. He explained that China had launched a domestic stimulus package, which was a positive move in terms of recent performance, but that there were still long-term challenges for the market. It was stated that the effect on the portfolio won't be known until the impact of the stimulus package is felt (temporary or follow-up and more long-lasting improvement). Nevertheless, given its importance to Global GDP and technology, China could not be ignored as a major investment market.

Members questioned market performance around Artificial Intelligence companies. The Chief Investment Officer explained that AI companies were hugely important in the market and very profitable but that pricing/valuation in the industry is very high making their future advantage versus the rest of the market dependent on continued strong earnings growth.

RESOLVED – To note the contents of the report.

Exclusion of the Public and Press RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

11 ANNUAL REVIEW OF ALTERNATIVES AND LISTED ALTERNATIVES

Nick Orton, Chair of the Officer Operations Group presented a report providing an update on performance review activity since the previous meeting and presenting the annual reviews of the Alternatives Programme and Listed Alternatives Fund. It was explained that it was agreed at the March Joint Committee meeting that the Committee would no longer receive quarterly performance information as a standing item but review the performance of individual propositions through the cycle of in depth annual reviews which has already been established. The report included the Schedule of Annual Reviews, the Border to Coast Alternatives Annual Review report and the Border to Coast Listed Alternatives Annual Review.

Members discussed the report and commented that the newly introduced status rating system of each proposition following review was useful and that any changes to ratings intra-annual reviews should be added to future reports for the attention of the Joint Committee. Members queried whether an annual report to the Committee over quarterly reporting was sufficient, noting that it was important members be made aware of any issues as they occurred and progressed.

In discussing work undertaken following the reviews reported at the previous meeting, Members asked officers for additional information to provide assurance that appropriate actions were in hand and having the desired effect.

Officers assured the Joint Committee that they would be kept up to date with any important developments and that any funds on watch would continue to be closely monitored. They would look at suggestions for ways of keeping members briefed on performance.

RESOLVED - The Committee noted the report.

12 OVERVIEW OF POOLING PROGRESS

Milo Kerr, Head of Customer Relationship Management presented the report giving an overview on the progress of pooling including Partner Fund engagement, transition progress and plans, proposition launches and collective voice, as well as the risks to pooling.

RESOLVED - The Committee noted the report.

13 UPDATE ON EMERGING MATTERS

Rachel Elwell, Chief Executive Officer, gave a verbal update on current issues affecting the company focussing on the Government Call for Evidence on the first phase of the Pensions Review. The Chief Executive explained that Border to Coast Pensions Partnership, in collaboration with Partner Funds, had responded and that the response had been shared and published on the website [Pensions Review 2024 Phase 1: Call for Evidence - Border To Coast](#).

The Committee discussed the next steps of the Pensions Review and the potential impact on the LGPS.

Officers explained that the pool would continue to work collaboratively with peers to share and gain information and that the Joint Committee would be regularly briefed on any developments and how they affect the company.

RESOLVED - The Committee noted the update.

14 APPENDIX A - QUESTIONS FROM THE PUBLIC

15 APPENDIX B - DIVESTMENT AND ENGAGEMENT QUERY FROM LINCOLNSHIRE PENSION FUND

CHAIR



Border to Coast Joint Committee – 26th September 2024

Public Questions

Question 1 – Ms. A Whalley

The Chancellor, Rachel Reeves, has announced a pension review and her wish to create a “mega -fund” by merging the 86 funds that compose the LGPS. She sees it as a mechanism to increase investment in the UK, and has announced plans looking to create a “Canadian-style” pension model. She has been quoted in a 7th August Financial Times article, saying *“I want British schemes to learn lessons from the Canadian model and fire up the UK economy, which would deliver better returns for savers and unlock billions of pounds of investment.”*

These changes envisaged by the Chancellor of the Exchequer seem to have major implications for BCPP and the partner pension funds.

Our question is:

What impacts, either positive or negative, do you think this will have on the pension funds and their current partnership with BCPP? In particular, could this be an opportunity to remove investments in fossil fuel companies like Conoco Philips, Equinor, Shell, BP and re-direct investment that will positively contribute towards net zero and benefit the UK economy?

Response

The means and timescale for achieving the Government’s policy intent are not yet clear and will be delivered as part of the Pensions Review, the relevant phase of which is due to report before Christmas. The Government’s broad intent is that through creating larger pools of capital LGPS funds should be able to use more of their available risk budget to invest in assets which support the growth of the UK economy.

Whatever means is used to deliver these larger pools of capital the pools will still be owned by the underlying partner funds who will be responsible for agreeing relevant policies including the exclusion of specific types of company from the investment universe. Thus, as now consensus amongst partner funds will be required to make the sort of changes envisaged in the question.

Question 2 – Mr. S Ashton

On page 11 of your Responsible Investment Policy, section 6.2.2 talks about escalation if engagement is not seen to be working

We are pleased to notice that in your Climate Change report 2023/24 (page 28) you have started the escalation process with BP and Shell by joining other UK pension funds to engage BP on the weakening of its short and medium-term emissions targets. You also joined other investors to pre-declare your support for shareholder resolutions aligned with the Paris climate agreement at BP and Shell ahead of their AGMs.

Returning to the point on escalation, you state that if the investment case has been fundamentally weakened, the decision may be taken to sell the company's shares.

At what point will you consider this to be the case for BP and Shell and what timelines do you apply to the process?

Response

Border to Coast believes that engagement and constructive dialogue with the companies we invest in is more effective than divestment, and that by remaining engaged we can effect change at those companies. This is a fundamental part of our responsible investment approach and, supported by our recent research work, is how we believe we can most effectively push for alignment with net zero goals in our portfolio companies.

Our Responsible Investment Policy, which is available on our website, sets out the escalation process if our 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 our voting intentions, and filing or co-filing shareholder resolutions.

The case-by-case nature of engagement and the many other investment criteria we consider, means that we do not have a singular threshold for divestment. If our engagement is unsuccessful or unsatisfactory, we assess both the feasibility of future engagement steps and the existing investment case. If we identify a fundamental weakening of the investment case, a decision may be taken to sell, or reduce our holding in, a company's shares.

Over the last two years we have escalated our engagement with BP and Shell. 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 our votes against management ahead of the AGMs to encourage other shareholders to do the same.

The following questions deal with the same issues and a single response has been provided.

Question 3 – Mr. M Ashraf

Ladies and gentlemen whether I am here amongst yourselves or opposite the edl supporters that were about to batter the police, continuously riot for hours on end, and try to burn down a building full of people.

I only expect equality before the law and equal law for all.

Nothing more, nothing less.

With that in mind could the officers provide specific answers to the following.

Do you have any investments in Russian companies?

If not, why not?

Your four priority engagement themes are low carbon transition, diversity, labour, and waste and water.

If you believe engagement works why haven't you made the Occupation, Apartheid, Ethnic Cleansings and the Genocide of Palestinians a priority engagement theme?

Ladies and gentlemen South Africa is a real world example where shameful engagement merely prolonged Apartheid and all the suffering and misery that entailed.

Divestment with the laudable help of over a hundred UK local councils such as Rotherham, Sheffield and many, many others via its membership of the Local Authorities Against Apartheid (LAAA) instead worked to end it.

Real world actions, deliver actual results and always beat untested academic theory no matter how nuanced.

Those of you who are politicians I think will understand the political and media implications of what I am about to say better than most.

Investing in a state that has numerous financial and arms links with multiple terrorist groups proscribed by the UK government should not be morally conscienable.

The personal and business legal implications are not to be sniffed at either.

isis that was found guilty of the Manchester Arena bombing is not an organisation that you would want to be associated with even if there is only a couple of degrees of separation.

As I have on the 18th of September 2024 provided Borders to Coast clear and fair notice.

What concrete actions have been taken that show Borders to Coast as behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law in relation to isis funding israel?

And could you provide a copy of your legal advice following my detailed revelations please?

As you all know due diligence should have been enacted before making such investments in order to keep all your fiduciary actions lawful under the relevant UK and international laws that are legally binding on all UK subjects.

I have faced more due diligence from someone selling me chickens for the allotment than Borders to Coast, that handles a fund in excess of 50 billion pounds sterling, appears to have undertaken while investing in a nation that the leaders of which the International Criminal Court Prosecutor has war crimes and crimes against humanity arrest warrants for.

And the International Court of Justice has, ruled that the israeli occupation of Gaza, West Bank and East Jerusalem and all settlements, is entirely unlawful and declares israel is committing racial segregation and Apartheid in the Occupied Palestinian Territories. And it rules that israel must evacuate all settlers, dismantle settlements and the wall, provide full reparations to the Palestinian victims, and allow all Palestinians that were ethnically cleansed to return.

Could Borders to Coast provide details on what has been done over the previous 11 months especially following the ICC and ICJ actions and rulings?

Ladies and gentlemen the information I have provided is sourced, evidenced and referenced in detail via the United Nations, International Criminal Court, International Court of Justice, the government of the United Kingdom and in conjunction with multiple israeli and other media sources.

As self-serving and myopic as the israeli media is, in conjunction with the Secretary Generals UNDOF report to the UN Security Council it is unbelievably damning.

Even in peacetime israel has a military censor regime that has to preapprove before allowing publication. Thereby even the israeli military admits to the veracity of the facts I have highlighted to yourselves.

Ladies and gentlemen they are so open about such heinous terrorist associations because they expect craven acquiescence.

Please do not continue to acquiesce to such vile, odious and extremely repugnant associations.

Ladies and gentlemen I have barely scratched the surface and could bring further honest questions with detailed references.

Instead could you provide a timeline of when you will be expediting Borders to Coast divestment from all primary, secondary and all other investments from

isis funding israel

and company's that further aid and abet the Occupation, Apartheid, Ethnic Cleansings and multiple Genocides?

Ladies and gentlemen.

It is the decent thing to do.

It is the human thing to do.

Please do so.

Thank you.

Response

See response to question 4 below.

Question 4 – Ms. J Cattell

I worked for a local authority for 35 years contributing to the South Yorkshire Pension fund. I have always had the expectation that my money will be invested to do no harm to others.

The majority of South Yorkshire Pension funds are invested via Border to Coast. I was horrified to learn that Border to Coast has significant investment in arms companies including those that are contributing to the genocide in Gaza such as BAE systems and Airbus.

My understanding is that business and financial institutions have a responsibility to ensure they do not contribute to human rights abuses such as the Genocide in Gaza and the human suffering across the region. There is however a significant risk that your arms investments are doing so and also opening yourselves up to prosecution under international law.

An expert legal opinion, prepared by Irene Pietropaoli, commissioned by Al-Haq Europe and SOMO (The Centre for Research on Multilateral Corporations) to examine the legal consequences of the ICJ's order for Third States and corporations as part of their investigation into genocide in Gaza. reported;

“Arms, weapons, ammunition, vehicles and other military supplies, including technology and fuel, are essential for the activities of the Israeli air force, ground forces and navy, and make an essential contribution to violations of international humanitarian law in Gaza. Dozens of companies domiciled in Third States (especially in the US and Germany) are currently [providing Israel with weapons and other military equipment](#). They are doing so knowing that their supplies are used in Israel's war in Gaza. These companies and their managers risk charges of complicity in genocide and other international crimes in their home States or international courts. Banks and other financial institutions that finance companies selling arms or other military supplies to the Israeli military or that provide funds directly to the Israeli State may also be contributing to the commission of genocide in Gaza.”

In the recommendations of the same report it emphasises:

Third States engaged in commercial activities with companies potentially implicated in acts of genocide in Gaza, for example through public procurement, as shareholders, or through public pension funds and other investments should terminate such contracts and exclude such companies. Pension funds should also withdraw their investments from

Israeli banks and other financial institutions. Third States should also impose a trade ban on any products and services of companies that are implicated in the illegal settlements.”

Organisations like Border to Coast have a responsibility to ensure that their investments comply not just with British rule but International Law and the UN Guiding Principles for Business and Human Rights.

The use of my money for investments in the arms trade does not always correspond with the principles of responsible investment particularly investments in companies providing arms to Israel . You are beginning to recognise the impact of climate in your investment strategy. It would seem appropriate for you to review your strategy in relation to the arms trade, find a suitable alternatives to the investment in arms companies and make investments that do more public good. In doing this you will align yourself with people with humanitarian principles and those who seek peace in the world and condemn the slaughter of innocent individuals. I am requesting such a review into your investments in the Arms Trade.

I am sure there are many other pensioners like me who would be ashamed and horrified of how their money is being used

Response

At Border to Coast we are strong advocates of Responsible Investment. Our approach considers environmental and social issues, including human rights, which could cause financial and reputational risk.

Border to Coast does not operate any explicit investment exclusions related to human rights violations. Instead, we identify all the risks a company faces to understand the materiality of these issues. We use a range of data providers during our due diligence and risk management processes to ensure that material issues are considered. For human rights indicators, we use UN Global Compact Company Assessments, the Plenitude Compass Country Risk List and ESG incident feeds. We also refer to watchlists related to a company’s involvement in Palestine and monitor the UN Human Rights Office of the High Commissioner and NGOs.

Border to Coast does have a controversial weapons exclusions policy. We have excluded 14 companies from the investment universe that manufacture whole weapons systems that have an indiscriminate and disproportional impact on civilians during and after military conflicts.

We prioritise engagement activity based on investment risk, the materiality of the issue and the probability of success.

We expect companies exposed to human rights issues to have adequate due diligence processes in line with the UN Guiding Principles on Business and Human Rights. Where a company is involved in significant social controversies and at the same time is assessed as having poor human rights due diligence, we vote against the most accountable board member or the report and accounts.

We work with an external provider to support our engagement activity. A current theme of engagement with them covers the human rights due diligence processes of companies operating in Israel, Palestine and the Occupied Palestine territories.

Border to Coast is monitoring the UK Government's legal and policy response to the Israel/Palestine conflict and will respond to any relevant developments. We rely on the UK Government's interpretation of international law. We are also expecting further guidance from the Scheme Advisory Board on fiduciary duty, which we will review once available.

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Query: *At what point does failed engagement / lack of change lead to divestment? What examples do you have of divestment in our portfolios? How do we measure the value of engagement?*

Border to Coast believes that engagement and constructive dialogue with the companies we invest in is more effective than divestment, and that by remaining engaged we can effect change at those companies. This is a fundamental part of our responsible investment approach and we believe is how we can most effectively push for alignment with net zero goals in our portfolio companies.

From the outset, engagements are structured with clear objectives specific to the business change Border to Coast expect to see. Engagement “*success*” is measured by the engaged company’s progress against these targets.

Our Responsible Investment Policy, which is available on our website, sets out the escalation process if our 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 our voting intentions, and filing or co-filing shareholder resolutions.

The case-by-case nature of engagement and the many other investment criteria we consider, means that we do not have a singular threshold for disinvestment. If our engagement is unsuccessful or unsatisfactory, we assess both the feasibility of future engagement steps and the existing investment case. If we identify a fundamental weakening of the investment case, a decision may be taken to sell, or reduce our holding in, a company’s shares.

A recent example of divestment following engagement is within the 2023/24 Annual Stewardship Report. United Tractors, listed in Indonesia, was a holding for several years until the decision to divest, given what is believed to be a challenged outlook for its core businesses in view of material environmental risks. Approximately 25% of the company’s revenues are derived from mine contracting services to several major open-cast coal mines in Indonesia. A further 30% of revenues relate to the sale and servicing of heavy machinery, much of which is utilised in its mining operations. The business was a profitable and cash generative one, however global efforts to reduce investment in coal generation have weighed on global thermal coal prices as well as investment in additional mine capacity. United Tractors’ mine contracting business could therefore be considered to have become ex-growth, which was not an appealing characteristic. Placing this concern alongside the company’s direct and indirect contribution to portfolio emissions, the investment case was further weakened. While the company had made progress regarding ESG commitments, including the promise to reduce Scope 1 and 2 emissions by 30% by 2030, the very nature of its business exposure to an energy source that is in terminal decline prompted the decision to divest in the fourth quarter. The capital raised was invested in other businesses in Indonesia and across emerging markets with more attractive and sustainable long-term growth prospects.

At a company level, engagement value is realised in the achievement of the specific business change Border to Coast expect to see. A company’s progress under public assessments, i.e. Climate Action 100 and Transition Pathway Initiative assessments, are good indicators of the real world contribution Border to Coasts’ particular engagement has. Border to Coast is a member of Climate Action 100 which is engaging 170 high emitting companies. Between 2021

and 2023 the number of companies under engagement that had adopted a net zero target increased from 25% to 57% and were disclosing in line with TCFD increased from 8% to 39%.

At a Border to Coast level, the value of climate engagement is found in the contribution engaged entities have to the achievement of firm wide decarbonisation and asset alignment targets.