

# Public Document Pack



**PENSIONS PARTNERSHIP**

**BCPP JOINT COMMITTEE**

## **AGENDA**

**Venue:** Border to Coast Offices, Toronto Square, Leeds, LS1 2HJ

**Date:** Tuesday, 26 November 2024

**Time:** 11.15 am

### **Membership:**

#### **Chair:-**

Cllr George Jabbour

North Yorkshire Pension Fund

#### **Membership:-**

Cllr Doug McMurdo

Bedfordshire Pension Fund

Cllr Doug Rathbone

Cumbria Pension Fund

Cllr David Sutton-Lloyd

Durham Pension Fund

Cllr Paul Hopton

East Riding Pension Fund

Cllr Eddie Strengiel

Lincolnshire Pension Fund

Cllr John Kabuye

Teesside Pension Fund

Cllr Jayne Dunn

South Yorkshire Pension Fund

Cllr Nick Harrison

Surrey Pension Fund

Cllr Ken Dawes

Tyne & Wear Pension Fund

Cllr Christopher Kettle

Warwickshire Pension Fund

#### **Scheme Member Representatives**

Lynda Bowen

East Riding LPB

Nicholas Wirz

Tyne & Wear LPB

***Border to Coast Joint Partnership Mission Statement:  
As a group of equal partners, we commit our assets and collective efforts  
alongside Border to Coast to responsibly deliver better outcomes for our  
stakeholders.***

## **Terms of Reference of the BCPP Joint Committee**

1. The primary purpose of the Joint Committee is to exercise oversight over investment performance of the collective investment vehicles comprised in the BCPP Pool.
2. The Joint Committee will provide effective engagement with the Authorities as the BCPP Pool vehicles are established and ultimately operated. It will encourage best practice, operate on the basis that all partners have an equal say and promote transparency and accountability to each Authority.

The remit of the Joint Committee is:

### **2.1 Phase 2 – Post Establishment and Commencement of Operations**

- 2.1.1 To facilitate the adoption by the Authorities of relevant contracts and policies.
- 2.1.2 To consider requests for the creation of additional ACS sub-funds (or new collective investment vehicles) and to make recommendations to the BCPP Board as to the creation of additional sub-funds (or new collective investment vehicles).
- 2.1.3 To consider from time to time the range of sub-funds offered and to make recommendations as to the winding up and transfer of sub-funds to the BCPP Board.
- 2.1.4 To review and comment on the draft application form for each additional individual ACS sub-fund on behalf of the Authorities prior to the Financial Conduct approval (or the draft contractual documents for any new collective investment vehicle).
- 2.1.5 To formulate and propose any common voting policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.
- 2.1.6 To formulate and propose any common ESG/RI policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.
- 2.1.7 To formulate and propose any common conflicts policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.
- 2.1.8 To agree on behalf of the Authorities high level transition plans on behalf of the Authorities for approval by the Authorities for the transfer of BCPP assets.
- 2.1.9 To oversee performance of the BCPP Pool as a whole and of individual sub-funds by receiving reports from the BCPP Board and taking advice from the Officer Operations Group on those reports along with any external investment advice that it deems necessary.
- 2.1.10 To employ, through a host authority, any professional advisor that the Joint Committee deems necessary to secure the proper performance of their duties.

## **AGENDA**

<b>Item</b>	<b>Subject</b>	<b>Page</b>
1	<b>Apologies</b>	
2	<b>Declarations of Interest</b>	
3	<b>Questions from the Public</b>	
4	<b>Minutes of the Meeting held on 26 September 2024</b>	5 - 12
5	<b>Joint Committee Budget</b>	13 - 14
6	<b>Calendar of Meetings</b>	15 - 16
7	<b>Effectiveness Review</b>	
8	<b>Responsible Investment Policies Annual Review 2025</b>	17 - 28
9	<b>Responsible Investment Update</b>	29 - 32
	Part 2 - Restricted	
*10	<b>Annual Review of UK Listed Equity and Overseas Developed Equity (Exemption Paragraph 3)</b>	33 - 62
*11	<b>Development of Investment Capabilities (Exemption Paragraph 3)</b>	63 - 88
*12	<b>Alternatives Series 3 (Exemption Paragraph 3)</b>	89 - 100
*13	<b>Overview of Pooling Progress (Exemption Paragraph 3)</b>	101 - 122
*14	<b>Update on Emerging Matters (Exemption Paragraph 3)</b>	

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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

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Cllr David Sutton-Lloyd, Durham Pension Fund  
Cllr Paul Hopton, East Riding Pension Fund  
Cllr Eddie Strenghiel, 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.***

CHAIR

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## **Border to Coast Pensions Partnership Limited**

### **Joint Committee**

**Date of Meeting:** 26<sup>th</sup> November 2023

**Report Title:** Joint Committee Budget

**Report Sponsor:** Nick Orton, Chair Officer Operations Group

#### **1.0 Recommendation**

1.1 The Joint Committee is asked to note the budget position for 2024/25.

#### **2.0 2024/25 Joint Committee Budget**

2.1 At the Joint Committee meeting in March 2024 a budget of £50,000 was approved for 2024/25. This is an increase from the budget in previous years to reflect inflation.

2.2 The Budget is intended to cover costs incurred by the Joint Committee and the partner funds, including the secretarial services to convene and run meetings, and for collective advice and support (internal from partner funds and external sources) which may be required from time to time by all partner funds.

2.3 It is also considered reasonable that this budget is used to cover travel costs and expenses for any members or officers who are attending meetings to represent all partner funds. This will include but will not be limited to meetings with the Ministry of Housing and Communities and Local Government (MHCLG). This budget will not be used where members and officers are attending meetings to represent their own funds including Joint Committee meetings and Officer Operations Group Meetings.

2.4 The budget will also be used to cover travel expenses for scheme member representatives appointed as non-voting members to the Joint Committee. This is because they will be deemed to be representing the scheme members from all partner funds.

2.5 In line with the cost sharing principles these costs will be shared equally between the partner funds.

2.6 As the time of writing total expenditure incurred for the year to date against this budget was £4,995. This all relates Secretariat support to the Joint Committee, from South Yorkshire Pensions Authority.

2.7 Other expenditure which will be incurred on the current year, includes:

- Legal work to review the UK Property legal documentation (circa £5,000).
- Travel and subsistence for the scheme member representatives on the Joint Committee.

### **3.0 Conclusion**

3.1 For 2024/25 the expenditure incurred to date is within the Joint Committee Budget.

#### **Report Author:**

Neil Sellstrom, [neil.sellstrom@southtyneside.gov.uk](mailto:neil.sellstrom@southtyneside.gov.uk)

#### **Further Information and Background Documents:**

N/A



**Border to Coast Joint Committee Schedule of Meetings and Other Significant Events**

2024/25 Municipal Year		2025/26 Municipal Year		2026/27 Municipal Year	
Date of Meeting	Review of Performance for Quarter Ended	Date of Meeting	Review of Performance for Quarter Ended	Date of Meeting	Review of Performance for Quarter Ended
Thursday 20 <sup>th</sup> June 2024 (Annual Meeting and Responsible Investment Workshop)	31 <sup>st</sup> March 2024	Tuesday 17 <sup>th</sup> June 2025 (Annual Meeting and Responsible Investment Workshop)	31 <sup>st</sup> March 2025	Tuesday 16 <sup>th</sup> June 2026 (Annual Meeting and Responsible Investment Workshop)	31 <sup>st</sup> March 2026
Thursday 26 <sup>th</sup> Sept. 2024	30 <sup>th</sup> June 2024	Wednesday 24 <sup>th</sup> Sept. 2025	30 <sup>th</sup> June 2025	Thursday 24 <sup>th</sup> Sept. 2026*	30 <sup>th</sup> June 2026
Tuesday 12 <sup>th</sup> November 2024 (Responsible Investment Workshop) Virtual		Tuesday 11 <sup>th</sup> November 2025 (Responsible Investment Workshop) Virtual		Tuesday 10 <sup>th</sup> November 2026 (Responsible Investment Workshop) Virtual	
Tuesday 26 <sup>th</sup> Nov. 2024	30 <sup>th</sup> Sept 2024	Tuesday 25 <sup>th</sup> Nov. 2025	30 <sup>th</sup> Sept 2025	Tuesday 24 <sup>th</sup> Nov. 2026	30 <sup>th</sup> Sept 2026
Tuesday 25 <sup>th</sup> March 2025	31 <sup>st</sup> Dec 2024	Tuesday 24 <sup>th</sup> March 2026	31 <sup>st</sup> Dec 2025	Tuesday 23 <sup>th</sup> March 2027	31 <sup>st</sup> Dec 2026

Where meetings are in person all meetings will take place in Leeds and timings will be set to allow for travel.

\*Subject to confirmation of the date of the Border to Coast Annual Conference



## **Border to Coast Joint Committee Schedule of Meetings and Other Significant Events**

Note:

The Annual General Meetings of the Border to Coast Operating Company will, subject to final confirmation by the Company take place on the following dates

Tuesday 23<sup>rd</sup> July 2024 to approve the report and accounts for 2023/24

Tuesday 22<sup>nd</sup> July 2025 to approve the report and accounts for 2024/25

Tuesday 21<sup>nd</sup> July 2026 to approve the report and accounts for 2025/26

The Border to Coast Annual Conference will (subject to final confirmation) take place on the following dates

Thursday – Friday 26<sup>th</sup> – 27<sup>th</sup> Sept 2024

Thursday – Friday 25<sup>th</sup> – 26<sup>th</sup> Sept 2025

Thursday – Friday 24<sup>th</sup> – 25<sup>th</sup> Sept 2026





## **Border to Coast Pensions Partnership Limited**

### **Joint Committee**

**Date of Meeting: 26 November 2024**

**Report Title: Responsible Investment Policies Review**

**Report Sponsor: CIO – Joe McDonnell**

#### **1 Executive Summary**

- 1.1 The Responsible Investment (RI) Policy and Corporate Governance & Voting Guidelines (Voting Guidelines) were developed in 2017, and the Climate Change Policy was developed in 2023, all in conjunction with the Partner Funds (collectively, The Policies). The Policies are reviewed annually and updated as necessary through the appropriate governance channels. The latest policies are available on the [Border to Coast website](#). The process for review includes the participation of all the Partner Funds; this is to ensure that we have a strong, unified voice. This paper covers the annual review of The Policies.
- 1.2 The Policies have been evaluated by Robeco using the International Corporate Governance Network (IGCN) Global Governance Principles and to reflect market best practice. The Policies have also been reviewed against asset managers and asset owners considered to be RI leaders. A gap analysis has also been undertaken against the IIGCC Net Zero Voting Guidelines.
- 1.3 As agreed with Partner Funds earlier in the year, we are undertaking a 'light touch' review this year. The only material proposed change to highlight is a change on voting in relation to deforestation as a climate change issue.
- 1.4 The annual review needs to be completed ahead of the 2025 proxy voting season, with The Policies approved and ready to implement.
- 1.5 Partner Fund Officers provided early feedback on draft proposed revisions at a workshop in October, and the Joint Committee provided further feedback at the 12 November workshop.
- 1.6 The Border to Coast company board (the Board) has approved the revisions to The Policies, considering the feedback received so far, and approved to share with the Joint Committee.

## **2 Recommendation**

- 2.1 That the Joint Committee reviews and approves the proposed revisions to the Responsible Investment Policy (Appendix 1), Corporate Governance & Voting Guidelines (Appendix 2), and Climate Change Policy (Appendix 3).
- 2.2 That the Joint Committee supports taking the revised policies to Pensions Committees for comment and for them to consider adoption of the principles in their own RI policies in line with industry best practice.

## **3 Annual review process**

- 3.1 The Policies are reviewed annually or when material changes need to be made. The annual review process commenced in July to ensure any revisions are in place ahead of the 2025 proxy voting season.
- 3.2 The Policies were evaluated by Robeco, our voting and engagement provider, considering the global context and shift in best practice. This included consideration of the ICGN Global Governance Principles and the changing regulatory environment.
- 3.3 The policies of a selection of best-in-class asset managers and asset owners were examined by the RI team to determine how best practice has developed and identify emerging gaps. Policies assessed included Brunel, Aviva, RLAM, and Church of England.
- 3.4 A gap analysis was undertaken against the IIGCC Net Zero Voting Guidelines.
- 3.5 Regular workshops have been held during the year for pension committees and the Joint Committee on RI issues. A separate working group has been set up with Partner Funds' officers covering TCFD reporting.
- 3.6 CRM has reported no Partner Fund requests for specific policy changes.
- 3.7 An RI Officer Operation Group workshop was held with Partner Fund officers on 14 October with no material changes requested.
- 3.8 On 31 October, The Policies were re-presented to the Investment Committee, which has recommended Board approval. There was also a workshop on 12 November for the Joint Committee to provide feedback on draft proposed revisions.
- 3.9 The Board has approved the revisions to The Policies, considering the feedback received so far, and approved to share with the Joint Committee.
- 3.10 With the Joint Committee's agreement, we expect Partner Funds to now begin their internal process of aligning policies, and share with their pension committees for approval. The Policies need to be in place ahead of the 2025 proxy voting season.

## 4 Policy changes proposed

- 4.1 This year's review has been 'light touch'. However, it also reflects minimal suggested improvements from Robeco and resulting from asset owner and asset manager assessments. All changes are shown as track changes in the attached Appendices.
- 4.2 The exclusion approach has been reviewed as part of this annual review, with no changes proposed.
- 4.3 One area that was identified where Border to Coast has less explicit policy than peers is on the issue of nature/biodiversity, with some asset managers and asset owners disclosing specific policies or approaches. Aviva and Church of England are members of the Finance Sector Deforestation Action (FSDA) initiative and have a 2025 target to "eliminate agricultural commodity-driven tropical deforestation from our portfolio."
- 4.4 In May 2024, a TNFD Gap Analysis paper was presented to the IC and the decision was taken not to become an 'TNFD early adopter'. Border to Coast's current activity on biodiversity centres on company engagement, including dedicated Robeco engagement programmes, integration into our Waste and Water and Climate Change engagement themes, and support for the Investor Policy Dialogue on Deforestation Initiative (IPDD). We have also commenced quarterly monitoring of external manager activity on biodiversity. Border to Coast has no explicit voting policy, engagement theme, or integration of risk specific for nature/biodiversity.
- 4.5 This year's proposed changes relate to voting and deforestation as a climate change issue and are reflected in revisions to the Voting Guidance and Climate Change Policy. This supports progress on nature/biodiversity as a larger theme and addresses the absence of related voting policy.

## 5 RI Policy – key changes

- 5.1 The proposed amendments to the RI policy are highlighted in the table below.

Section	Page	Type of Change	Rationale
5.2 Private markets	5	Amendment	Updated to remove 'believes' and clarify that ESG risk forms part of the risk management framework.
5.4 Real estate	6	Amendment	Updated following fund launches and ESG scorecard.

## 6 Voting Guidelines - key changes

- 6.1 Last year, Robeco introduced voting policy in relation to deforestation, which we did not adopt at the time. This year's assessment of best practice asset owners and asset managers' voting policies identifies deforestation as a gap in Border to Coast voting

policy. Brunel and Aviva have specific deforestation voting policy, which take the same approach as Robeco.

- 6.2 The only material proposed change to voting policy this year relates to deforestation as a climate change issue, mirroring Robeco’s approach.
- 6.3 Regulatory pressures on companies to curb deforestation are increasing, with the EU agreeing regulation which will require companies to conduct due diligence on commodity imports to ensure they are deforestation free. It is now widely recognised that deforestation can result in the loss of market access, more expensive financing, stranded assets, regulatory costs, and reputational risk.
- 6.4 To give a sense of policy impact, if these changes had been introduced for the 2024 AGM season, we would have voted against the Chair of the Sustainability Committee (or most appropriate agenda item) at seven companies with high exposure to deforestation risk commodities and inadequate policies. Only one holding was subject to a shareholder proposal requesting mitigation of deforestation risk in 2024, which Border to Coast supported. Adding specific wording to the policy to support such resolutions formalises our current approach.
- 6.5 The proposed amendments to the Voting Guidelines are highlighted in the table below.

Section	Page	Type of Change	Rationale
Shareholder proposals	12	Addition	General stance on proposals requesting mitigation of deforestation risk.
Climate change	13	Addition	Stance on companies with high exposure to deforestation risk commodities.

## 7 Climate Change Policy - key changes

- 7.1 The Climate Change Policy has been reviewed by Robeco and the RI Team has compared against those of other asset managers and asset owners including Brunel, RLAM, Aviva, and Church of England, to determine developments across the industry.
- 7.2 The Robeco review states “Overall, it is a very well-developed policy, covering all relevant areas and components”
- 7.3 The changes are detailed below and primarily relate to voting policy on deforestation.

Section	Page	Type of Change	Rationale
2.1 Our views and beliefs on climate change	3	Amendment	Correction regarding the objective of the Paris agreement

3.1 Our ambition – Net Zero	5	Amendment	Correction regarding 1.5C target
6.1 Our approach to engagement	10	Addition	General stance on proposals requesting mitigation of deforestation risk.  Stance on companies with high exposure to deforestation risk commodities.

## 8 Impact Assessment

- 8.1 Any financial implications are in respect of implementation and fulfilment of the policies. The cost of implementing the new voting policy on deforestation is negligible. Based on the 2024 AGM season, we would need to write to circa seven companies to advise of votes against management.

## 9 Risks

- 9.1 Responsible Investment and sustainability are central to Border to Coast’s corporate and investment ethos and a key part of delivering the Partner Funds’ objectives. Increasing regulation and pressure from beneficiaries and stakeholders has propelled RI and ESG up the agenda for investors and our Partner Funds. There may be reputational risk if we are perceived to be failing in our commitment of this objective.

Mitigation: We have a 3-year RI strategy which is developed to reflect the shift in best practice. Reports on RI and stewardship are produced and published on our website to publicly disclose our activities in this area.

## 10 Author

Colin Baines, Stewardship Manager  
colin.baines@bordertocoast.org.uk  
14 November 2024

## 12 Supporting Documentation

Appendix 1: Revisions to Border to Coast Responsible Investment Policy  
Appendix 2: Revisions to Corporate Governance & Voting Guidelines  
Appendix 3: Revisions to Climate Change Policy

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## Appendix 1 – Extracts showing proposed amendments

# Responsible Investment Policy

## 5.2. Private markets

~~Border to Coast believes that~~ ESG risk forms an integral part of the overall risk management framework for private market investment.

## 5.4. Real Estate

Border to Coast ~~is preparing to launch funds to make~~manages Real Estate investments through both direct properties and indirect through investing in real estate funds. For real estate funds, a central component of the fund selection/screening process is an assessment of the General Partner and Fund/Investment Manager's Responsible Investment and ESG approach and policies.

A Responsible Investment framework has been developed for Real Estate to ensure the integration of ESG factors throughout the investment process. This covers the stages of selection, appointment and monitoring and a feedback loop to report performance and review processes. It includes pre-investment, post-acquisition and post-investment phases. An ESG scorecard ~~will be~~has been developed tailored to the direct or indirect property fund, monitoring key performance indicators such as energy performance measurement, flood risk and rating systems such as GRESB (formerly known as the Global Real Estate Sustainability Benchmark), and BREEAM (Building Research Establishment Environmental Assessment Method). For direct real estate, the RI Policy will be implemented through ESG strategies embedded into the asset management plans of individual properties; this is to ensure a perpetual cycle of review and improvement against measurable standards.

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## Appendix 2 – Extracts showing proposed amendments

# Corporate Governance & Voting Guidelines

## Shareholder Proposals

We will assess shareholder proposals on a case-by-case basis. Consideration will be given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

Shareholder proposals are an important tool to improve transparency. Therefore, we will, when considered appropriate, support resolutions requesting additional reporting or reasonable action that is in shareholders' best interests on material business risk, ESG topics, climate risk and lobbying.

We will generally vote in favour of shareholder proposals that are aligned with the objectives of the Paris climate agreement, taking a 'comply or explain' approach, publicly disclosing our rationale if we vote against.

We will generally vote in favour of shareholder proposals that ask companies to mitigate deforestation risks, taking a 'comply or explain' approach, publicly disclosing our rationale if we vote against.

## Climate change

Climate change is a systemic risk which poses significant investment risks, but also opportunities, with the potential to impact long-term shareholder value. We believe it is vital we fully understand how companies are dealing with this challenge, and feel it is our duty to hold the boards of our investee companies to account.

Our primary objective from climate related voting and engagement is to encourage companies to adapt their business strategy in order to align with a low carbon economy and reach net zero by 2050 or sooner. The areas we consider include climate governance; strategy and Paris alignment; command of the climate subject; board oversight and incentivisation; TCFD disclosures and scenario planning; scope 3 emissions and the supply chain; capital allocation alignment, climate accounting, a just transition and exposure to climate-stressed regions.

For companies in high emitting sectors that do not sufficiently address the impact of climate change on their businesses, we will oppose the agenda item most appropriate for that issue. To that end, the nomination of the accountable board member takes precedence.

Companies that are not making sufficient progress in mitigating climate risk are identified using recognised industry benchmarks including the Transition Pathway Initiative ('TPI'), the Climate Action 100+ ('CA100+') Net Zero Benchmark and the Urgewald Global Coal Exit List. We use TPI scores and will vote against the Chair (or relevant agenda item) where companies are scored 2 or lower, and for Oil and Gas companies scoring 3 or lower, unless

more up to date information is available. Where a company covered by CA100+ Net Zero Benchmark fails indicators of the Benchmark, which includes a net zero by 2050 (or sooner) ambition, short, medium and long-term emission reduction targets, and decarbonisation strategy, we will also vote against the Chair of the Board.

Additionally, an internally developed framework is used to identify companies with insufficient progress on climate change and not covered by the industry benchmarks.

Where management put forward a 'Say on Climate' resolution, we will vote against the agenda item if, following our analysis, we believe it is not aligned with the Paris Agreement.

We expect companies that have high exposure to deforestation risk commodities (palm oil, soy, beef, and timber, paper and pulp) to take action to address those risks within their operations and supply chains. For companies that have such exposure, but either don't have adequate policies and processes in place to reduce their impact or are involved in severe deforestation-linked controversies, we will oppose the re-election of the Chair of the Sustainability Committee (or most appropriate agenda item). Assessments of the quality of mitigating actions are based on external benchmarks such as the Forest500.

Banks will play a pivotal role in the transition to a low carbon economy, and we will therefore be including the sector when voting on climate-related issues. We will assess banks using the IIGCC/TPI framework and will vote against the Chair of the Sustainability Committee, or the agenda item most appropriate, in the case where we have significant concerns regarding the bank's transition plans to net zero.

We support a just transition towards a low-carbon economy which should be inclusive and acknowledge existing global disparities. We recognise that not all countries are at the same stage in their decarbonisation journey and need to consider the different transition timelines for emerging market economies. Therefore, in the interests of a just transition we will assess the implications when considering our voting decisions on a case-by-case basis.

## Appendix 3 – Extracts showing proposed changes

# Climate Change Policy

## 2.1 Our views and beliefs on climate change

Recognising the existential threat to society that unmitigated climate change represents, in 2015, the nations of the world came together in Paris and agreed to limit global warming to well below 2°C and to pursue efforts to limit the temperature increase to 1.5°C. A key part of the Paris Agreement was an objective to make finance flows consistent with a pathway towards low GHG emissions and climate resilience. This recognises the critical role asset owners and managers play, reinforcing the need for us and our peers to drive and support the pace and scale of change required.

## 3.1 Our ambition – Net Zero

Our climate change strategy recognises that there are financially material investment risks and opportunities associated with climate change which we need to manage across our investment portfolios. We have therefore committed to a net zero carbon emissions target by 2050 at the latest for our assets under management, in order to align with efforts to limit temperature increases to under 1.5°C.

## 6.1 Our approach to engagement

In particular, we are currently focusing on the following actions:

- When exercising our voting rights for companies in high emitting sectors that do not sufficiently address the impact of climate change on their businesses, we will oppose the agenda item most appropriate for that issue. To that end, the nomination of the accountable board member takes precedence. Companies that are not making sufficient progress in mitigating climate risk are identified using recognised industry benchmarks including the TPI, CA 100+ Net Zero Company Benchmark and the Urgewald Global Coal Exit List. Additionally, an internally developed framework is used to identify companies with insufficient progress on climate change. Our voting principles are outlined in our Corporate Governance & Voting Guidelines. We are also transparent with all our voting activity and publish our quarterly voting records on our website.
- We will generally vote in favour of shareholder resolutions that are aligned with the objectives of the Paris climate agreement, taking a ‘comply or explain’ approach, publicly disclosing our rationale if we vote against.
- We will vote against management ‘Say on Climate’ resolutions that are not aligned with the Paris climate agreement.

- For companies that have high exposure to deforestation risk commodities (palm oil, soy, beef, and timber, paper and pulp), but either don't have adequate policies and processes in place to reduce their impact or are involved in severe deforestation-linked controversies, we will oppose the re-election of the Chair of the Sustainability Committee (or most appropriate agenda item). Assessments of the quality of mitigating actions are based on external benchmarks such as the Forest500.
- We will generally vote in favour of shareholder proposals that ask companies to mitigate deforestation risks, taking a 'comply or explain' approach, publicly disclosing our rationale if we vote against.
- We will co-file shareholder resolutions at company AGMs on climate risk disclosure, emission reduction targets, transition plans, and lobbying, after conducting due diligence, that we consider to be of institutional quality and consistent with our Climate Change Policy.
- Engage with companies in relation to business sustainability, disclosure of climate risk and to publish greenhouse gas emissions reduction targets in line with the TCFD recommendations.
- Engage with the largest emitters across our portfolios on transition plans and science aligned capital expenditure plans.
- Engage with the banking sector as it plays a pivotal role in the transition to a low-carbon economy.
- Engage with our largest portfolio emitters and all fossil fuel companies and banks subject to votes against management due to failure to meet our climate policies.
- Support a Just Transition through collaboration with other investors and consider in our engagement and voting.
- Work collaboratively with other asset owners in order to strengthen our voice and make a more lasting impact for positive change. Engagement is conducted directly, through our engagement partner and through our support of collaborations. We also expect our external asset managers to engage with companies on climate-related issues.
- Implementing our net zero stewardship strategy developed using IIGCC's Net Zero Stewardship Toolkit.
- Use carbon footprints, the TPI toolkit, CA100+ Net Zero Company Benchmark, SBTi along with other data sources to assess companies and inform our engagement and voting activity. This will enable us to prioritise shareholder engagement, set timeframes and monitor progress against our goals.



## **Border to Coast Pensions Partnership Limited**

### **Joint Committee**

**Date of Meeting:** 26 November 2024

**Report Title:** Responsible Investment update

**Report Sponsor:** Rachel Elwell – CEO

#### **1 Executive Summary**

- 1.1 Border to Coast is a strong advocate for Responsible Investment (RI) which includes embedding environmental, social and governance issues into investment decision making and practicing active ownership through voting and engagement.
- 1.2 This report provides an update on our RI activity and reporting. An update is also provided on engagement supporting our priority themes, both direct and through our involvement in collaborations, our voting, and other RI activity.
- 1.3 The quarterly stewardship and voting reports produced by Border to Coast and Robeco for the quarter ended 30 September 2024 have been published on our [website](#).

#### **2 Recommendations**

- 2.1 The Joint Committee is asked to note the report.

#### **3 Engagement update**

- 3.1 Engagement is ongoing to support delivery of the four priority engagement themes through a mix of direct company engagement by the RI and Investment Team, engagement conducted by Robeco and external managers, and through collaboration with other institutional investors.
- 3.2 In collaboration with Royal London Asset Management (RLAM) and with the support of the London School of Economics, we are engaging four UK banks on the integration of Just Transition into their net zero plans. In August, we held meetings with NatWest Bank and HSBC Bank, and in November we met Barclays Bank, to discuss our new 'Investor expectations on Just Transition for Banks', which are being used to direct our engagement and will form the basis of our assessment of emerging Bank plans. HSBC and Barclays are making good progress.

- 3.3 Border to Coast is chairing the IIGCC's new Working Group on Just Transition, which launched in October. The working group will look at integrating just transition into the IIGCC's Net Zero Investment Framework (NZIF); a popular resource that investors use to develop strategies and plans to achieve net zero emissions, including Border to Coast. The group will also pilot engagement with an Indian bank to explore just transition integration in an emerging markets context. Robeco, RLAM, Schrodgers, and LGPS Central have joined Border to Coast to pilot the engagement.
- 3.4 In partnership with RLAM, we have been engaging UK water utilities to improve practice and encourage a faster pace of change. Specific areas of focus include sewage pollution, water leakage, climate change mitigation and adaption, nature-based solutions and biodiversity, affordability, and antimicrobial resistance. The 11 water utilities under engagement have been reassessed this quarter following collaborative engagement in 2023 and further company disclosure in 2024. Border to Coast is leading the engagement with Yorkshire Water and Northumbrian Water on behalf of the collaboration and is supporting the engagement with United Utilities (covering most Partner Fund regions). We have written to Yorkshire Water and Northumbrian Water to share their assessments, areas of improvement since 2023, and continued weakness, and have requested a meeting to discuss. In September, we joined a meeting with United Utilities to discuss its reassessment and raise place-based concerns, including sewage discharge and infrastructure investment at Lake Windermere.
- 3.5 As part of our engagement escalation with oil and gas, we made a public statement following reports that BP intends to weaken its climate targets and transition plans. We discouraged such action and called for any revised transition plan to be brought back to shareholders at its AGM for decision. In Q4 we will write to BP to set out our concerns and request a meeting to discuss further.
- 3.6 Border to Coast has joined the Good Work Coalition of investors, co-ordinated by ShareAction. We have joined two of the engagement programmes within this coalition:
- Living Wage; engaging with retail companies to pay the Real Living Wage to directly employed and third-party staff, and
  - Racial Inequity; engaging with food companies to publish their ethnicity pay gap and strategies to address such gaps.

## **4 Voting**

- 4.1 The beginning of Q3 2024 saw the end of peak proxy season. We voted at 169 meetings over the quarter compared with over 600 meetings in Q2.
- 4.2 A weekly update on our watchlist of 36 priority companies is provided to Partner Funds with all voting recommendations. By 30 September 2024, we had voted at all but one of our priority AGMs in 2024. All priority companies are notified of our voting decisions prior to the AGM.
- 4.3 We vote against the Chair of oil and gas companies that are not meeting our assessment framework which includes Transition Pathway Initiative (TPI) scores and

Climate Action 100+ Net Zero Benchmark indicators. We also vote against the Chair of the sustainability committee at banks not meeting the climate voting framework. To the end of September, we had voted against 23 oil and gas company Chairs and five bank sustainability committee Chairs. Four oil and gas companies on our watchlist were not voted against, due either to pre-AGM engagement, being reclassified as aligned with net zero, or being sold out of pre-AGM.

- 4.4 At BHP's AGM on 1 November, the final priority AGM of the year, we voted against the Chair of the Environment and Sustainability Committee due to BHP's human rights impacts and against the 2024 Climate Transition Action Plan as significant gaps remain on the future of coal assets and capex allocation.

## **5 RI strategy**

- 4.5 We have a 3-year RI strategy developed to reflect the shift in best practice covering four areas: integrating ESG, active ownership, industry engagement, and reporting and governance.
- 4.6 During the quarter, Border to Coast submitted a response to the Financial Conduct Authority's Consultation Paper CP24/12 on the new Public Offers and Admissions to Trading Regulations regime (POATRs). We provided a response to the proposal outlined in Chapter 6: Sustainability-related disclosures in prospectuses for admission to trading on a regulated market. Specifically, to question 40 – proposal for further guidance for mineral companies to assess reserve alignment with global climate goals.
- 4.7 In October, Border to Coast were signatory to a new blueprint launched by IFM Investors encouraging policy which can help unlock further investment in the net zero transition. The report called on government to take an active approach to renewables and industrial decarbonisation policies to give investors of pension capital greater confidence when investing in the UK. Key recommendations from the report include focusing the National Wealth Fund on higher risk net zero industry projects and improving the integration of UK and EU energy markets.

## **6 Reporting**

- 5.1 Reports on RI and stewardship are produced and published on the website to publicly disclose our activities in this area. The quarterly stewardship reports produced by Border to Coast and Robeco, along with the voting reports, for the quarter ended 30 September 2024 can be found on our [website](#).

## **6 Risks**

- 6.1 Responsible Investment and sustainability are central to Border to Coast's corporate and investment ethos and a key part of delivering our partner funds' objectives. There may be reputational risk if we are perceived to be failing in this area and our management of climate risk. To mitigate the risk, we have a 3-year RI strategy which is developed to reflect the shift in best practice. Reports on RI and stewardship are produced and published on the website to publicly disclose our activities in this area.
- 6.2 There is a risk that insufficient resources are in place to realise the RI strategy. To mitigate this risk the resourcing of the RI team has increased, and support is also provided by the Communications and Customer Relationship Management teams.

## **7 Conclusion**

- 7.1 Implementation of our engagement plan to support the priority engagement themes is progressing with direct engagement, collaborative engagement and that conducted by Robeco.
- 7.2 We continue to engage on policy issues through various forums and by responding to consultations.
- 7.3 The Committee is asked to note the report.

## **8 Author**

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8 November 2024

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