

Subject	Annual Review and Update of the Border to Coast Responsible Investment Policies	Status	For Publication
Report to	Authority	Date	8 th December 2021
Report of	Director		
Equality Impact Assessment	Not Required	Attached	No
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1 **Purpose of the Report**

- 1.1 To secure the Authority's endorsement for the various Border to Coast Responsible Investment policies following their annual review.

2 **Recommendations**

- 2.1 Members are recommended to:
- a. **Endorse the various Border to Coast policies at Appendices A to C**
 - b. **Note the publication by the Company of its Net Zero Road Map.**

3 **Link to Corporate Objectives**

- 3.1 This report links to the delivery of the following corporate objectives:

Responsible Investment

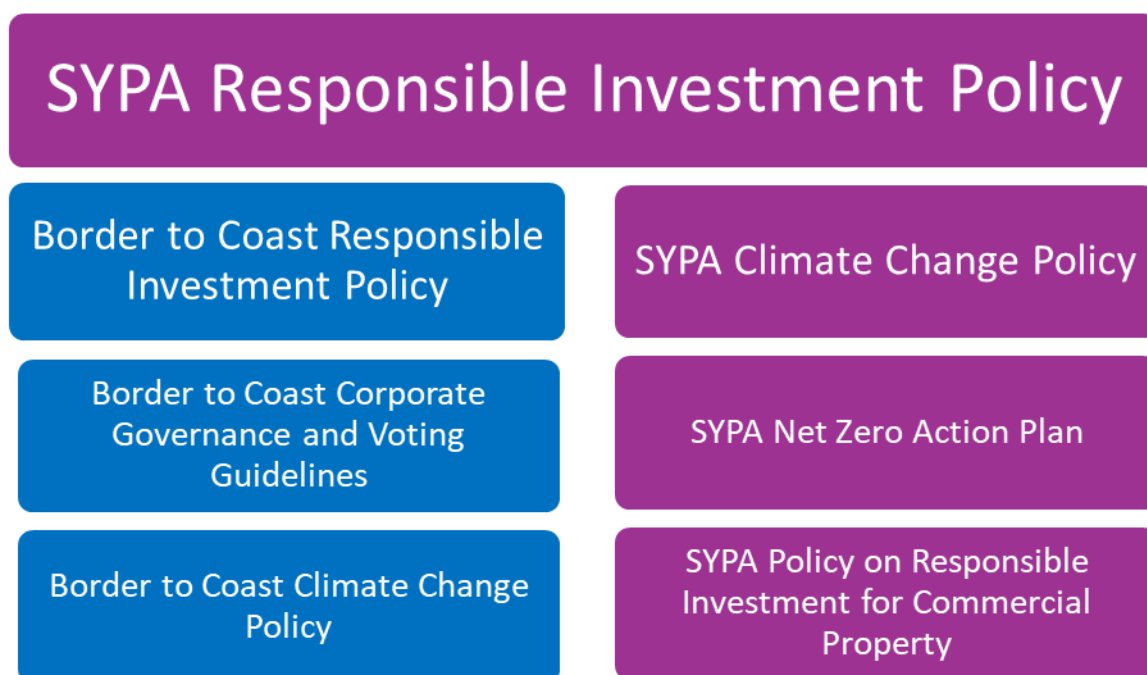
To develop our investment options within the context of a sustainable and responsible investment strategy.

4 **Implications for the Corporate Risk Register**

- 4.1 The actions outlined in this report will directly impact on the Authority's ability to achieve the necessary mitigations of the identified corporate risk relating to the impact of climate change on the value of investment assets, as well as the more general investment related risks that are mitigated by ensuring that effective stewardship arrangements are in place.

5 Background and Options

- 5.1 Each year Border to Coast conducts a review of its Responsible Investment Policy and Voting Guidelines so that they can be updated for the following voting season. It is important to recognise that these are all collective documents which represent the company's position based on the consensus position of the partner funds. As such there is, inevitably, a degree of compromise in relation to the positions of the individual partner funds. The diagram below sets out the relationship between these documents and the Authority's own policy framework in this area, and the documents themselves are attached at Appendices A to C.



- 5.2 The Responsible Investment Policy has been updated to reflect the ongoing evolution of the approach in this area. In particular a new section covering exclusions has been included reflecting the long-standing exclusion for pure coal and tar sands (although with a lower revenue threshold) and a new exclusion for cluster munitions. This is an area that is likely to continue to develop over time. Work has also been done to ensure the policy aligns with the Climate Change Policy. Other changes are minor and reflect a process of ensuring the policy aligns with the expectations of the Stewardship Code. As engagement priorities were set for 3 years these remain the same.
- 5.3 The main changes to the Voting Guidelines are:
- The inclusion of a new section on human rights reflecting the fact the Company has joined a collaborative engagement in this area and also because of the increasing profile of this area.
 - Changes to reflect the updating of the Climate Change Policy and to reflect the evolution of Robeco's approach to climate issues.
 - Setting out clear expectations in relation to Board diversity for both FTSE 100 and FTSE 250 companies.
 - Setting out standards in relation to the nature of long term incentive packages to cover a wider range of markets.

- 5.4 These are all changes which would support the Authority's general position and reflect an ongoing ratcheting up of expectations with clear consequences in terms of the way in which votes are cast. This is an approach which is consistent with the long-standing approach that the Authority has taken and it would therefore be appropriate for the Authority to endorse these guidelines.
- 5.5 The Climate Change policy has been updated to reflect the setting out of the Company's Net Zero road map with milestones to 2050. Beyond this the policy has been amended to set the actions proposed in the context of a Just Transition to a low / no carbon economy which is in line with the Authority's policy position. Further detail has been included on the expectations of external managers, which is helpful in providing clarity for the Authority on the extent to which the company will exert pressure on managers to ensure change. There have also been changes in the sections referring to voting and engagement to bring them in line with other policies.
- 5.5 The thresholds for exclusion in relation to pure coal and tar sands have been altered to 70% of revenues in public markets with a new lower threshold of 25% for private markets. While this is a welcome move in this area it is worth noting that it does not involve the disposal of any individual holding. This is an area where while welcoming the movement the Authority will wish to see more rapid progress in future iterations of the policy and this will be reflected in the next review of our own policy.
- 5.6 These changes are broadly evolutionary and are in line with the broader market. There are areas where the Authority might wish to see more rapid progress and these will be reflected in the next review of the Authority's own policies in March which will then influence our input into the next iteration of the Border to Coast policies.

6 **Implications**

- 6.1 The proposals outlined in this report have the following implications:

Financial	None directly
Human Resources	None
ICT	None
Legal	The policies properly address the wider range of risks which can impact shareholder value while ensuring that decisions are made on appropriate investment grounds.
Procurement	None

George Graham

Director

Background Papers	
Document	Place of Inspection
Border to Coast Responsible Investment Policies	Responsible Investment - Border To Coast - Sustainable Pension Investments