



Border to Coast Pensions Partnership Ltd Joint Committee

Date of Meeting: 21st March 2023

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 which includes embedding environmental, social and governance issues into investment decision making and practicing active ownership through voting and engagement. This report provides an update on Responsible Investment activity and reporting.
- 1.2 An engagement plan incorporating the Net Zero stewardship strategy has been developed to support delivery of Border to Coast's priority engagement themes. Analysis has been conducted with current engagement mapped across the themes. Additional initiatives have been identified to further support engagement.
- 1.3 We have supported several collaborative engagement initiatives over the last few months covering climate change, modern slavery, and water.
- 1.4 We were notified by the FRC in early February that we have retained our UK Stewardship Code signatory status.

2 Recommendations

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

3 Engagement – Priority Themes Mapping

- 3.1 Our four priority themes for engagement are 1) low carbon transition; 2) waste and water; 3) social inclusion through labour management and 4) diversity of thought. An engagement plan has been developed incorporating the Net Zero engagement strategy, with a proposed programme of engagement across these four priority themes. The themes have been mapped back to engagement currently being undertaken.

- 3.2 **Low carbon transition:** analysis was conducted to determine current engagement coverage. Gaps in coverage were identified to address the goal of engaging 80% of financed emissions by 2025. Priorities include:
- joining the IIGCC Net Zero engagement initiative (4.4);
 - expectations of external managers to engage with high emitters across their portfolios;
 - internal engagement conducted by RI team and portfolio managers;
 - expectations for Robeco to increase engagement coverage and support the Border to Coast RI team.
- 3.3 **Waste and water:** to increase coverage we have joined a collaborative engagement led by one of our Sterling Investment Grade Credit managers engaging with the UK water utility companies (4.2). As none of the companies are listed this also demonstrates our ability to engage across our fixed income portfolios.
- 3.4 **Social inclusion through labour management:** current engagement to support this theme is through two of Robeco's engagement themes. We also engage with companies through our support of the Workforce Disclosure Initiative (WDI). Robeco will be launching a new engagement in 2023 focusing on forced labour and modern slavery (4.5). We have also joined the Rathbone Votes Against Slavery initiative and a complementary collaboration 'Find it, Fix it, Prevent it' led by CCLA, to further support this theme (4.3).
- 3.5 **Diversity of thought:** this theme is currently supported by our membership of 30% Club Investor Group and Robeco's engagement theme Diversity and Inclusion. We are a member of the 30% Club Race Equity Working Group and are engaging with FTSE 250 companies not meeting the Parker Review recommendations.
- 3.6 There are several proposed initiatives that will further support the priority themes that have yet to go through the formal governance route for discussion and approval.
- 3.7 A framework will be developed to monitor/track the engagement programmes and track the progress of companies against objectives.

4 Engagement – Collaborative Engagement Initiatives

- 4.1 We continue to work with other investors (asset owners and asset managers) to maximise Border to Coast's influence on behalf of Partner Funds and joined a number of collaborative engagement initiatives in recent months.
- 4.2 We have recently joined an initiative engaging with the UK water utility sector led by one of our UK sterling investment grade credit managers. The engagement will focus on issues including pollution, climate adaptation, biodiversity, and governance. It supports one of the priority engagement themes – waste and water and we will be looking to lead the engagement with one company.
- 4.3 In January we joined the Rathbone-led Votes against Slavery initiative to support our social engagement theme. This is the fourth year that Rathbone has been engaging with companies ahead of the proxy voting season. The focus is on disclosure in line with section 54 of the Modern Slavery Act. To compliment this engagement on modern

slavery we have also joined the CCLA 'Find it, Fix it, Prevent it' collaboration which is engaging with companies across the high-risk hospitality and construction sectors to increase efforts to identify human trafficking, forced labour, and modern slavery in company supply chains.

- 4.4 The Institutional Investors Group on Climate Change (IIGCC) has launched a new collaborative net zero engagement initiative targeting companies outside the scope of Climate Action 100+ (CA100+). We have signed up to join and are awaiting to hear if we have been selected to be a lead engager with one of the target companies.
- 4.5 Robeco announced three new engagement themes which will be launched during 2023. This followed input from clients including Border to Coast. Two of the new themes directly support our priority themes:
- Forced Labour and Modern Slavery with engagement focusing on companies predominantly linked to the Asia-Pacific region operating in sectors highly exposed to forced labour risks, such as Consumer discretionary, Consumer staples, Technology, Healthcare.
 - Just Transition with engagement focusing on companies in emerging markets that are enabling and/or contributing to the just energy transition.
 - Tackling Tax Transparency where engagement will focus on improving the transparency of companies over their tax status, and what they actually pay to the governments of the countries in which they operate.

5 Signatory Status

- 5.1 We are a signatory to the UN-supported Principles for Responsible Investment (PRI). Signatories report annually against the PRI's Reporting Framework which was revised in 2021. There were significant issues with the revised Reporting Framework and following this a group of UK asset owners have been in active conversation with the PRI regarding future reporting options, with several being discussed. The revised Reporting Framework for 2023, which is an interim measure, has been published. We are expecting clarification in March on reporting expectations for UK asset owners.
- 5.2 We were notified by the FRC in early February that we have been successful in retaining our signatory status to the UK Stewardship Code. Feedback has been received which will be reflected in the report currently being prepared for the 2022-23 reporting year.

6 Recruitment

- 6.1 Recruitment to fill additional positions in the RI team is continuing, with a number of recent additions. A Stewardship Manager and a trainee RI Analyst have recently joined the team, and we have a Climate Change Manger starting in late March.

7 Reporting

- 7.1 We produce quarterly and annual reports detailing our responsible investment activities. The quarterly stewardship reports produced by Border to Coast and Robeco, along with the voting reports for the fourth quarter can be found on our [website](#).

8 Risks

- 8.1 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.
- 8.2 There is a risk that insufficient resources are in place to realise the Responsible Investment strategy.

9 Conclusion

- 9.1 An engagement plan incorporating our Net Zero commitment has been developed for each of our priority engagement themes. This includes supporting several new collaborative initiatives.
- 9.2 We continue to work collaboratively with other investors to increase our influence and have supported a number of new initiatives aligned with our priority engagement themes.
- 9.3 We have published the regular quarterly reports on stewardship (voting and engagement) which detail our activities as an active steward. All reports can be found on the website.
- 9.4 The Committee is asked to note the report.

10 Author

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1 March 2023

Important Information

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