



Border to Coast Pensions Partnership Joint Committee

Date of Meeting: 13th June 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 update is provided on collaborative engagement initiatives we are supporting, as well as engagement undertaken by Robeco.
- 1.3 Peak AGM voting season is underway. As part of the escalation in engagement with the oil and gas sector we have voted against the chair of several oil and gas companies that are not meeting our assessment framework on climate risk.
- 1.4 We continue to respond to consultations related to responsible investment either directly or through our membership of industry bodies such as the Investment Association.
- 1.5 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](#).

2 Recommendations

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

3 Engagement update

- 3.1 We have several strands to our engagement strategy which includes direct engagement, engagement through Robeco (our voting and engagement partner), our external asset managers engaging, and working collaboratively with other investors (asset owners and asset managers) to maximise Border to Coast's influence on behalf of Partner Funds.

- 3.2 As part of the collaborative engagement initiative led by Royal London Asset Management with the UK water utility sector, initial meetings with all 11 companies are underway. We are leading engagement with Yorkshire Water and will be supporting engagement with the other 10 companies.
- 3.3 The Rathbones led engagement initiative - 'Votes Against Slavery', to improve supply chain transparency focused upon 38 non-compliant companies from the FTSE 350. Of the 12 that Border to Coast is invested, 8 are now compliant. Failure to comply results in votes against the acceptance of the company's annual report and accounts during the 2023 AGM season. Engagement is ongoing.
- 3.4 Robeco closed its engagement theme Lifecycle Management of Mining at the end of March. This theme was launched in 2020 on the back of the engagement on tailings dams led by Robeco as part of the Investor Mining & Tailings Safety Initiative. The aim of the theme was for companies to mitigate their impacts on the environment and included specific objectives relating to improving water management, increasing the safety management of tailing dams, and improving asset retirement planning. This theme targeted five mining companies held by Border to Coast. Progress was made on the management of water risk and disclosure of tailings facilities. However less progress was seen on the phasing out of high-risk tailing storage facilities and asset retirement. Engagement with the sector will continue through Robeco's involvement in the Mining 2030 initiative which was launched earlier this year. This is looking to address key systemic risks that challenge the mining sector's ability to meet increasing mineral demand for the low carbon transition.
- 3.5 We have supported The Workforce Directors Investor Guidance and accompanying Statement developed by Railpen. The Guidance was developed by Railpen following requests from some portfolio companies for the investor perspective on workforce directors. The Guidance was launched in April and supported by eight asset owners and asset managers. A roundtable event has been held at the Institute of Directors which we attended. This was an informal discussion bringing investors and companies together on how to raise awareness and engagement mechanisms for firms and boards.

4 Voting

- 4.1 The Voting Guidelines are revised annually, with input from Partner Funds and continue to be strengthened regarding climate change. This includes a climate risk assessment framework for the oil and gas and banking sectors. We are in the midst of peak AGM voting season and have voted against the chair of several oil and gas companies that are not meeting our assessment framework. This includes Transition Pathway Initiative (TPI) scores and meeting Climate Action 100+ Net Zero Benchmark indicators. We are also voting against the chair of the sustainability committee at banks not meeting the climate voting framework. Up to 26th May we have voted against 16 company chairs and sustainability committee chairs; this includes BP and Shell where we also pre-declared our voting intentions. We have contacted all companies prior to the AGM and have asked Shell for a follow up meeting post the AGM.

5 RI strategy

- 5.1 One of the RI strategy pillars is engagement and advocacy with the investment industry, this includes responding to consultations. We recently fed into the Investment Association's response to the FCA's discussion paper on Finance for Positive Sustainable Change with the final version including the point we raised in terms of meeting the skills challenge around sustainability. We also submitted a response to the ASCOR (Assessing sovereign climate-related opportunities and risk) consultation which closed at the end of March. This framework when published will assist investors in assessing sovereign debt from a climate change perspective.
- 5.2 A working group has been set up with Partner Funds to support future TCFD reporting. Two sessions have been held so far which have been positively received. It was expected that LGPS Funds would be required to produce TCFD reports for the current financial year by December 2024. However, in an update to the Cross-Pool RI Group the LGA indicated that due to the large number of responses to the consultation (many were long, detailed and technical) which are being reviewed by DLUHC, the earliest that reporting will be required will be for the 2024/25 financial year (December 2025), but it could slip beyond this. Although disappointing the LGA also see this as an opportunity. For example, to see how occupational schemes are reporting and giving smaller schemes more time to prepare.
- 5.3 We have received and analysed responses to the third iteration of the Alternatives Annual ESG Monitoring Questionnaire. We have seen a strong year on year improvement to both the content and overall quality of responses. This is particularly impressive given the growth in the number of General Partners (GPs) and funds we have. Although it is hard to compare our data to the market, generally our GPs appear more advanced in the key areas of responsible investment, including climate change, than the broader market.

6 Reporting

- 6.1 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](#).
- 6.2 As a signatory to the UN-supported Principles for Responsible Investment (PRI) we are expected to report annually against the PRI's Reporting Framework. Last year, due to significant issues with the new framework the PRI paused reporting for signatories. A revised Reporting Framework for 2023 has now been published and will be open to signatories to report against from June to September.

7 Risks

- 7.1 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.
- 7.2 There is a risk that insufficient resources are in place to realise the Responsible Investment strategy.

8 Conclusion

- 8.1 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.
- 8.2 We continue to work collaboratively with other investors to increase our influence and have supported several new initiatives aligned with our priority engagement themes.
- 8.3 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.
- 8.4 The Committee is asked to note the report.

9 Author

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