



Border to Coast Joint Committee

Date of Meeting: 28 September 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 has concluded with votes against Chairs of oil and gas and top carbon emitting companies significantly increasing this season in line with our strengthened Voting Guidelines for 2023.
- 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 annual Responsible Investment & Stewardship Report, Climate Change Report and quarterly stewardship reports produced by Border to Coast and Robeco, along with the voting reports for the quarter ended 30th June 2023 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 our Low Carbon Transition engagement theme, and the focus on the oil and gas sector and high carbon emitting companies, we have increased engagement with companies ahead of the 2023 AGM season. 29 priority companies were identified for pre-AGM engagement where we advised of our voting intentions and provided the rationale. The list was made up of companies in the oil and gas and banking sectors or those in our top 50 emitters, which were subject to a vote against management in line with our strengthened voting policy. Plus, those resolutions covered by LAPFF alerts and other high profile shareholder resolutions where we intended to vote against management.
- 3.3 On-going engagement led by Rathbones with FTSE 350 companies assessed as non-compliant with section 54 of the Modern Slavery Act has led to only one of the 12 companies held by Border to Coast now considered not compliant. Engagement will continue with this company ahead of its AGM in April 2024.
- 3.4 In June, a new Just Transition engagement programme was approved. As part of this we have joined the Financing a Just Transition Alliance co-ordinated by the London School of Economics Grantham Institute and have started a collaboration with RLAM to engage with UK banks. We will also pilot engagement with an emerging markets energy utility company.
- 3.5 We are a co-lead for engagement with easyJet as part of the IIGCC Net Zero Engagement Initiative. Engagement with the company is due to commence following the assessment of easyJet's net zero targets and transition plan.
- 3.6 We are collaborating with RLAM to engage 11 UK water utilities on sewage pollution, water leaks, and climate change. During the quarter, investor expectations have been developed and all the companies assessed against them. The engagement asks are being finalised by RLAM and the lead engagers ahead of the next stage of engagement with the companies.
- 3.7 Robeco engage across a variety of themes covering environmental, social and governance issues with themes tending to run for three years. An engagement programme which began in 2020 engaged with companies significantly exposed to forest risk commodities, including beef, soy, pulp and paper, cocoa and natural rubber. Engagement targeted companies active across consumer staples, consumer discretionary, healthcare and materials supply chains. Progress was seen for all companies engaged, with the majority having set zero deforestation commitments and having improved sustainability reporting. Engagement on biodiversity will continue through the Nature Action 100 initiative, and the sovereign engagement work focused on supporting government agencies in their efforts to reduce deforestation rates in Brazil and Indonesia.

4 Voting

- 4.1 The peak voting season has drawn to a close and due to the strengthened voting approach on climate change, which includes a climate risk assessment framework for the oil and gas and banking sector, we have voted against the re-election of Chairs,

alternate directors or other items (such as reports and accounts) at over 50 oil and gas and other high emitting companies.

5 RI strategy

- 5.1 We continue to engage with the wider industry on systemic issues and have responded to the FCA's consultation on the Primary Markets Effectiveness Review, supporting the Investment Association response and flagged three areas of concern: the removal of the vote on significant transactions; the proposed changes on related party transactions vote; and the proposed changes to dual class share structures.
- 5.2 The working group set up with Partner Funds to support future TCFD reporting has continued to meet. Four sessions have been held to date and the TCFD pillars of Governance and Strategy have been discussed with Partner Funds sharing their ideas and approaches.
- 5.3 The three RI-related policies are reviewed annually. The review process commenced in July to ensure any revisions to the policy are in place ahead of the 2024 proxy voting season. The current policies were evaluated by Robeco, our voting and engagement provider, considering the global context and shift in best practice. The policies of best-in-class asset managers, and asset owners considered to be RI leaders were also consulted to determine how best practice has developed. All seven other pools climate change policies were also reviewed. The governance process is underway and drafts have been presented to the Investment Committee and have been shared with Partner Funds ahead of an RI Workshop in early October.

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 We published our latest Responsible Investment & Stewardship Report in July which is available on our [website](#). This demonstrates our commitment to the UK Stewardship Code showing how we have applied the Code's 12 Principles over the previous year. To retain signatory status to the Code the report will be submitted ahead of the 31st October submissions window which is still available for current signatories. The report is assessed by the FRC as to whether it meets the required reporting standards, and if so, the applicant is then listed as a signatory to the Code.
- 6.3 As a supporter of the Task Force on Climate-related Financial Disclosure (TCFD) we have published our fourth report aligned with the TCFD recommendations. This year's report has been renamed as the Climate Change Report as it includes the metrics for our Net Zero commitment and updates on the progress that has been made. The Climate Change Report can be found on the Border to Coast [website](#).

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

8 Conclusion

- 8.1 Engagement is continuing to support our priority engagement themes. This includes collaboration with one of our Sterling Investment Grade Credit managers , RLAM, with the UK water utility and banking sector.
- 8.2 We have published the regular quarterly reports on stewardship (voting and engagement) which detail our activities as an active steward. We have also published the annual RI & Stewardship Report and Climate Change Report. All reports can be found on the website.
- 8.3 The Committee is asked to note the report.

9 Author

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13 September 2023

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