



Border to Coast Joint Committee

Date of Meeting: 28 November 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 engagement supporting our priority themes, as well as engagement undertaken by Robeco.
- 1.3 Peak AGM voting season has concluded and we have produced our first report covering the 2023 AGM season.
- 1.4 We continue to respond to consultations related to responsible investment and have submitted a response to the FCA Vote Reporting Group consultation.
- 1.5 The quarterly stewardship and voting reports produced by Border to Coast and Robeco for the quarter ended 30th September 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 continue to implement our thematic engagement plan to support the priority themes through direct engagement with companies, engagement conducted by Robeco and external managers, and through collaboration with other institutional investors.
- 3.2 The peak proxy voting season has concluded and an update is provided on engagement with companies pre and post AGMs.
- 3.3 Pre-AGM engagement:

- Informed 29 companies in advance of the AGM of our decision to vote against management and explained our rationale and responses have been received from eight companies to date.
 - These included top 30 portfolio emitters, oil and gas, banks, and the subjects of high-profile shareholder resolutions.
 - As part of engagement escalation, we publicly pre-declared our voting intention at Shell, BP, and Glencore - Shell and BP attracted press coverage.
- 3.4 Post-AGM engagement:
- We have written to the 25 UK listed companies where we voted against directors due to insufficient board diversity to explain our requirements. Six companies have responded to date.
 - In Q4 we will write to the remaining companies that were subject to votes against management, in line with our climate voting policy, due to misalignment with or climate goals.
- 3.5. We continue to support the Workforce Disclosure Initiative which aims to improve corporate transparency and accountability on workforce issues and provide investors with comprehensive and comparable data. Data is collected through an annual survey and engagement programme. We engaged with 21 companies, including 11 large global companies that haven't responded to investor requests in the past, requesting them to participate and complete the survey.
- 3.6. The Just Transition engagement programme has commenced. CLP Holdings is an energy utility company operating in India and elsewhere. We are piloting engagement with them to become the world's first company with operations in emerging markets to adopt a formal Just Transition strategy. In Q3, our first meeting was held to introduce ourselves and the engagement programme, which was well received. Engagement is ongoing.
- 3.7. We are leading engagement with easyJet along with three other institutions on behalf of the IIGCC Net Zero engagement initiative. Following assessment of easyJet's transition plans, we wrote to the company in Q3 to request a meeting to discuss its short and medium-term emission reduction targets and the credibility of its decarbonisation strategies. The meeting will be held in Q4.
- 3.8. We are part of the collaboration of investors engaging with companies on modern slavery through the 'Find it, Fix it, Prevent it' initiative led by CCLA. We are leading engagement with Crest Nicholson and Balfour Beatty and held meetings with both companies on their modern slavery risk management.
- 3.9. Robeco launched its Just Transition in Emerging Markets engagement theme at the end of September. Engagement will initially be with companies in the mining and energy sectors, on defining just transition ambitions and strategies. Engagement objectives will include a company's Just Transition ambitions and governance, stakeholder engagement, the need for a Just Transition Plan, identifying, assessing and managing social risks and impacts, and disclosures on progress.

4 Voting

- 4.1 As peak voting season has concluded the number of meetings we are voting at has dropped significantly. The markets with AGMs between September and November at which we are voting are South Africa, India and Australia.
- 4.2 As we see a lull in our voting activity this quarter, we have taken the time to analyse our voting over the main season. Due to our strengthened voting policy for the oil and gas sector we voted against the re-election of the chair of the board at 95% of oil and gas companies; we also voted against 71% of all 'Say on Climate' management resolutions due to insufficient progress being made by companies on their climate transition plans.

5 RI strategy

- 5.1 We submitted a response to the FCA's Vote Reporting Group consultation. The aim of the consultation is for industry consensus on a voluntary vote reporting template for asset managers in the UK. We think a comprehensive and standardised vote-reporting template is an important step towards improved and more consistent reporting and aligns with growing expectations from stakeholders and regulators in this area. However, we recognise that considerable challenges remain in terms of achieving consistent and comparable voting disclosures.
- 5.2 We became a signatory to the UN-supported Principles for Responsible Investment (PRI) in October 2019; this allows us to publicly demonstrate our commitment to responsible investment. Signatories must report annually using the PRI Reporting Framework, reporting on asset specific modules which incorporate detailed assessment indicators on Responsible Investment implementation. The last two years has seen significant revisions to the Reporting Framework which resulted in the PRI pausing signatory reporting in 2022. This year reporting has been revived and we have submitted reporting covering the following modules: Senior leader's statement; Organisational overview; Selection/appointment/monitoring; Policy governance and stewardship; and Sustainable outcomes. The latter module allows us to report our progress against our Net Zero targets as a member of the Net Zero Asset Managers initiative. The current timeframe is for the PRI to issue assessment reports to signatories in December.

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 quarter ended 30th September can be found on our [website](#).
- 6.2 As we have reached the end of the main proxy voting season we have looked back over the year to date and published our first Proxy Season Report. This covers the importance of voting, how we implemented our voting policy and the results of our voting activity.

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.
- 8.2 We have published the regular quarterly reports on stewardship (voting and engagement) which detail our activities as an active steward. We have recently released our first Proxy Season 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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9 November 2023

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