



Border to Coast Joint Committee

Date of Meeting: 26 March 2024

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 We are preparing for the 2024 AGM voting season and the implementation of the revised voting guidelines.
- 1.4 We continue to respond to consultations related to responsible investment and submitted a response to the Department for Energy Security and Net Zero's consultation on Scope 3 carbon emissions.
- 1.5 We have retained our signatory status to the UK Stewardship Code which demonstrates our commitment to responsible investment including our approach to stewardship.
- 1.6 The quarterly stewardship and voting reports produced by Border to Coast and Robeco for the quarter ended 31st December 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. We are collaborating with RLAM to engage four UK banks to integrate Just Transition into net zero strategies. Meetings have been held with several banks so far with some positive responses to progress either integration into existing net zero policies or standalone just transition policies. Engagement is ongoing.
- 3.3. Border to Coast is co-leading engagement with easyJet for the IIGCC Net Zero Engagement Initiative alongside other large institutional shareholders. Following assessment of easyJet's transition plans, a meeting was held in November to discuss its emission reduction targets and decarbonisation strategy. The Company response was satisfactory, with a well-below 2 degrees aligned Science Based Targets initiative (SBTi) target and comprehensive transition plan. Further disclosure has been requested on the feedstock and sustainability of Sustainable Aviation Fuels, and on the contributions of transition measures to meeting its targets. Engagement with easyJet is continuing.
- 3.4. We have again signed up to the Rathbones led 'Votes Against Slavery' initiative. 12 Border to Coast FTSE 350 holdings have been identified as not complying with the disclosure requirements of the Modern Slavery Act. Engagement is being undertaken with companies ahead of the AGMs. We will vote against accepting the Annual Report at their 2024 AGMs if they do not comply by that time.
- 3.5. Robeco themes tend to run for a three-year period. Every year a process is undertaken to determine new themes which includes input from Border to Coast and other clients. The new themes selected to be launched in 2024 are Ocean Biodiversity, looking at sectors where investors have exposure to sectors that contribute to ocean biodiversity loss; and Hazardous Chemicals where Robeco will engage those companies with most exposure to hazardous chemicals to encourage their phase-out. Robeco is also expanding the engagement coverage for climate change and biodiversity themes, given the strategic long-term importance of these topics.
- 3.6. The last two themes picked for 2023 were launched by Robeco in December. The first is Forced Labor and Modern Slavery, which supports our priority Social theme. This engagement will focus on companies predominantly linked to the Asia-Pacific region operating in sectors highly exposed to forced labor risks, such as Consumer discretionary, Consumer staples, Technology and Healthcare. The second is Tax Transparency and will focus on improving the transparency of companies over their tax status, and what they pay to the governments of the countries in which they operate.
- 3.7. During Q4 we also undertook post-AGM engagement, writing to 31 companies to advise of votes against the Chair due to our climate voting policy and advising of CA100+ Net Zero benchmark and TPI company expectations.

4 Voting

- 4.1 The run up to peak voting season has begun and we have been working with Robeco to ensure frameworks for implementation of the revised Corporate Governance & Voting Guidelines are in place. A watchlist of priority companies has been created both

for our internal use, and for sharing and updating Partner Funds as the season progresses.

5 RI strategy

- 5.1 We responded to the Department for Energy Security and Net Zero (DESNZ) in a call for evidence on the benefits, costs and practicalities for reporting Scope 3 greenhouse gas emissions. We supported the Investment Association's response and highlighted the value of Scope 3 reporting in understanding the potential regulatory, reputational, and financial risks associated with climate change.
- 5.2 We contributed to a new Biodiversity guide from Accounting for Sustainability (A4S) – Managing Nature Risks and Investing in the Opportunities, which is a 'top tips' for pension fund chairs and trustees. This included how we engage on biodiversity issues as part of our priority engagement themes through collaborative initiatives and Robeco.
- 5.3 Border to Coast 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. The six Principles are voluntary and aspirational and for most signatories' commitments are a work-in-progress. We submitted to the revised Reporting Framework in September reporting on modules covering policy governance and stewardship (including voting), and selection, appointment and monitoring of managers across asset classes. The reporting framework is also the platform where we submit updates to the Net Zero Asset Managers initiative on the progress we've made over the year. The PRI assessment uses a 1 – 5 star scoring system. We were notified of our assessment results in December receiving 4 and 5 stars for all modules. We were also significantly above the median for all modules.

6 Reporting

- 6.1 Our Climate Change Report received recognition from Pensions for Purpose at their Pension Fund Awards, winning the Paris Alignment Award – Best Climate Change Policy Statement. This recognises that our approach is regarded as leading industry best practice.
- 6.2 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 31st December can be found on our [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 being conducted, either directly, through collaborations or conducted by Robeco, is continuing to support our priority engagement themes.
- 8.2 The regular quarterly reports on stewardship (voting and engagement) which detail our activities as an active steward have been published. All reports can be found on the website.
- 8.3 We were pleased to retain signatory status for the UK Stewardship Code and results from the PRI reporting framework demonstrating our commitment to responsible investment.
- 8.4 The Committee is asked to note the report.

9 Author

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8th March 2024

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