



Border to Coast Pensions Partnership Limited

Joint Committee

Date of Meeting: 20 June 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, both direct and through our involvement in collaborations.
- 1.3 Peak AGM voting season is well underway. Due to our strengthened assessment framework on climate risk, we have again voted against the Chair of several oil and gas companies that are not meeting our expectations.
- 1.4 We continue to respond to consultations related to responsible investment and submitted a response to the second iteration of the Net Zero Investment Framework. The FRC will be consulting on the UK Stewardship Code later this year and we have participated in early outreach sessions.
- 1.5 The quarterly stewardship and voting reports produced by Border to Coast and Robeco for the quarter ended 31st March 2024 can be found on our [website](#).

2 Recommendations

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

3 Engagement update

- 3.1 Engagement is ongoing to support delivery of the four priority engagement themes through a mix of direct company engagement by the RI and Investment Team,

engagement conducted by Robeco and external managers, and through collaboration with other institutional investors.

- 3.2. In collaboration with RLAM and with the support of the London School of Economics, we are engaging four UK banks on the integration of Just Transition into their net zero plans (HSBC, Lloyds, Barclays and NatWest). We attended the NatWest AGM in April to draw the Board's attention to the issue and we are in the process of developing a set of investor expectations for the banking sector, which we will use to engage and assess the bank's emerging Just Transition plans. Engagement is continuing.
- 3.3. TotalEnergies is a priority oil and gas company under direct engagement. We held a constructive meeting in January to discuss current medium-term targets and any plans for improvement. We explained that Paris-aligned medium-term emissions reduction targets covering Scope 3 is a priority indicator for us with implications as per Border to Coast's climate voting and engagement escalation policies. The Company is performing well on renewables development, methane emissions reduction, and capex disclosure. However, the absence of a medium-term absolute emissions reduction target for gas production means TotalEnergies does not currently meet our expectations in this area. Engagement with TotalEnergies is continuing.
- 3.4. We continue to support the Rathbones led 'Votes against Slavery' initiative, which in 2024 is engaging 40 FTSE 350 companies that are not disclosing in compliance with the Modern Slavery Act. Of the companies we own only three are not currently compliant. Engagement is continuing ahead of company AGMS; non-compliance will result in a vote against the Annual Report and Accounts.
- 3.5. We are also continuing to support the CCLA led 'Find it, fix it, prevent it' engagement with FTSE 250 construction companies on the issue of Modern Slavery. We attended a roundtable co-hosted by CCLA and the Cabinet Office and attended by construction companies, shareholders, and NGOs working on modern slavery, to discuss the challenges and best practice.
- 3.6. We continue to support the Workforce Disclosure Initiative which aims to improve corporate transparency and accountability on workforce issues and provide companies and investors with comprehensive and comparable data. The initiative is supported by 60 institutional investors with over \$9.5 trillion in assets under management. Data is collected through an annual survey following engagement by investors; last year 170 companies responded. We will again engage with companies to encourage completion of the survey and have identified 19 companies that we will be contacting.

4 Voting

- 4.1 We are in the midst of peak voting season and the revised climate risk assessment framework has been implemented. A weekly update on the watchlist, which constitutes 39 companies classed as priority companies, is provided to Partner Funds with all voting recommendations. All priority companies are notified of our voting decisions prior to the AGM.
- 4.2 We are again voting against the Chair of oil and gas companies that are not meeting our assessment framework which 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.

- 4.3 Up to the end of May we have voted against 18 oil and gas company Chairs and four bank sustainability committee Chairs. We have publicly pre-declared our voting intentions at six AGMs this year (up from three in 2023): Conoco Phillips, Phillips 66, Shell, TotalEnergies, Chevron, and Glencore. Details can also be found on our website.

5 RI strategy

- 5.1 We have a 3-year RI strategy developed to reflect the shift in best practice covering four areas: integrating ESG, active ownership, industry engagement, and reporting and governance.
- 5.2 The FRC has launched a review of the 2020 UK Stewardship Code to ensure that the Code's principles are still driving the right outcomes for investors without creating burdens on both issuers and signatories. The revised Code will likely be published in early 2025 and the FRC are currently engaging with issuers, asset managers, asset owners and service providers. We have attended a roundtable for asset owners hosted by the FRC.
- 5.3 The consultation on the second iteration of the Net Zero Investment Framework (NZIF2.0) was published at the end of March. NZIF is the most widely used guidance framework by investors that have made net zero commitments. We have used NZIF in developing our Net Zero Implementation Plan (Net Zero Roadmap) and responded to the consultation which closed at the end of April.

6 Reporting

- 6.1 We are in the process of drafting and designing our annual reports; the Annual RI & Stewardship Report which will, once published, be submitted to the FRC for the October submission window for the Stewardship Code; and the Climate Change Report which covers progress against our Net Zero Roadmap and is in line with the TCFD recommendations and the FCA's regulatory requirements. Following Board approval, both will be shared with Partner Funds before being published in July/August.
- 6.2 Reports on RI and stewardship are produced and published on the website to publicly disclose our activities in this area. The quarterly stewardship reports produced by Border to Coast and Robeco, along with the voting reports for the quarter ended 31st March 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 Implementation of our engagement plan to support the priority engagement themes is progressing with direct engagement, collaborative engagement and that conducted by Robeco.

8.2 Peak voting season has seen us continue with our escalation approach by pre-declaring at several AGMs again this year.

8.3 We continue to engage on policy issues through various forums and by responding to consultations.

8.4 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.

8.5 The Committee is asked to note the report.

9 Author

Jane Firth, Head of Responsible Investment jane.firth@bordertocoast.org.uk

3rd June 2024

Important Information

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