



## **Border to Coast Pensions Partnership Limited**

### **Joint Committee**

**Date of Meeting: 26 September 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 has now passed. 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. As part of engagement escalation with the sector, we publicly pre-declared our votes ahead of several AGMs.
- 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.
- 1.5 The annual RI & Stewardship Report and Climate Change Report have been published. The quarterly stewardship and voting reports produced by Border to Coast and Robeco for the quarter ended 30<sup>th</sup> June 2024 have also been published. All 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 Shell is a current priority for oil and gas sector engagement. We have directly engaged the company since early 2023, covering net zero transition plans, medium-term targets, and capital expenditure alignment. We attended a small group meeting with Shell's Chair of the Board ahead of its AGM. We welcomed a new medium term absolute emissions reduction target for the company's oil production and products but expressed disappointment that a similar target was not forthcoming covering gas. We also discussed the stranded asset risk of Shell's plans to expand LNG production.
- 3.3 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). In June, Border to Coast and RLAM published our 'Investor expectations on Just Transition for the banking sector'. These are being used in engagement and to assess strategies as they emerge. Border to Coast will also chair a new Institutional Investors Group on Climate Change (IIGCC) working group on Just Transition, which will pilot engagement with an emerging market bank and work with IIGCC to integrate Just Transition into its Net Zero Investment Framework (NZIF).
- 3.4 34 companies have been engaged ahead of votes against management during the AGM season. The pre-AGM engagement list includes: all companies in our top 40 emitters with AGMs in the period, all oil & gas companies, and all banks which were subject to climate votes against management; plus resolutions covered by Local Authority Pension Fund Forum (LAPFF) alerts and other high profile shareholder resolutions.
- 3.5 As part of our engagement escalation with oil and gas, and coal companies, we publicly pre-declared votes against management at six companies ahead of their AGMs: Shell, TotalEnergies, Chevron, ConocoPhillips, Phillips66, and Glencore. This is an increase from three companies in 2023. Details are available on our [website](#).
- 3.6 We held a pre-AGM meeting with Panoro Energy to discuss its operations, climate risk management, and target development, to inform our voting decision on the Chair's re-election. Considering Just Transition principles as all its operations are in Africa, we decided not to vote against this year and will share our expectations for progress before year end.
- 3.7 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. Border to Coast invests in 17 of the 40, and so far 15 have become compliant. Engagement is ongoing with one firm. Engagement is considered 'failed' with one company and we expect a collective vote against acceptance of the annual report likely at its AGM later this year.
- 3.8 We continue to support the Workforce Disclosure Initiative (WDI) 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. This year, we have engaged 20 companies requesting participation in the WDI survey.

## **4 Voting**

- 4.1 Q2 2024 saw our busiest peak proxy season yet, with the addition of our EM Alpha holdings meaning that we voted at over 600 meetings in a single quarter for the first time.
- 4.2 A weekly update on our watchlist of 35 priority companies is provided to Partner Funds with all voting recommendations. Only one priority AGM remains in 2024. All priority companies are notified of our voting decisions prior to the AGM.
- 4.3 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 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.
- 4.4 Up to the end of June, we have voted against 23 oil and gas company Chairs and five bank sustainability committee Chairs.
- 4.5 Our enhanced human rights voting approach led to 10 companies being subject to internal assessments during Q2 2024. After analysis and discussion with the respective portfolio managers, we cast votes against management at half of these companies.

## **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 During the quarter, Border to Coast submitted a response to an IIGCC consultation on the Net Zero Investment Framework (NZIF) 2.0, covering equities, fixed income, sovereign bonds, and real estate alignment methodology. 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.
- 5.3 Border to Coast joined other investors representing \$5.1 trillion to publicly reiterate our support for the Climate Action 100+ collaboration. This followed the departure of some US investors.

## **6 Reporting**

- 6.1 The Annual RI & Stewardship Report was approved and published in early August. It will be submitted to the FRC for the October submission window for UK Stewardship Code signatory status. 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, was approved, shared with Partner Funds, and published in early 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 30<sup>th</sup> June 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 Our annual and quarterly reports on stewardship (voting and engagement) and climate change have been published. All reports can be found on the website.
- 8.5 The Committee is asked to note the report.

## **9 Author**

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6<sup>th</sup> September 2024

## **Important Information**

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