



Border to Coast Pensions Partnership Limited

Joint Committee

Date of Meeting: 26 November 2024

Report Title: Responsible Investment Policies Review

Report Sponsor: CIO – Joe McDonnell

1 Executive Summary

- 1.1 The Responsible Investment (RI) Policy and Corporate Governance & Voting Guidelines (Voting Guidelines) were developed in 2017, and the Climate Change Policy was developed in 2023, all in conjunction with the Partner Funds (collectively, The Policies). The Policies are reviewed annually and updated as necessary through the appropriate governance channels. The latest policies are available on the [Border to Coast website](#). The process for review includes the participation of all the Partner Funds; this is to ensure that we have a strong, unified voice. This paper covers the annual review of The Policies.
- 1.2 The Policies have been evaluated by Robeco using the International Corporate Governance Network (IGCN) Global Governance Principles and to reflect market best practice. The Policies have also been reviewed against asset managers and asset owners considered to be RI leaders. A gap analysis has also been undertaken against the IIGCC Net Zero Voting Guidelines.
- 1.3 As agreed with Partner Funds earlier in the year, we are undertaking a 'light touch' review this year. The only material proposed change to highlight is a change on voting in relation to deforestation as a climate change issue.
- 1.4 The annual review needs to be completed ahead of the 2025 proxy voting season, with The Policies approved and ready to implement.
- 1.5 Partner Fund Officers provided early feedback on draft proposed revisions at a workshop in October, and the Joint Committee provided further feedback at the 12 November workshop.
- 1.6 The Border to Coast company board (the Board) has approved the revisions to The Policies, considering the feedback received so far, and approved to share with the Joint Committee.

2 Recommendation

- 2.1 That the Joint Committee reviews and approves the proposed revisions to the Responsible Investment Policy (Appendix 1), Corporate Governance & Voting Guidelines (Appendix 2), and Climate Change Policy (Appendix 3).
- 2.2 That the Joint Committee supports taking the revised policies to Pensions Committees for comment and for them to consider adoption of the principles in their own RI policies in line with industry best practice.

3 Annual review process

- 3.1 The Policies are reviewed annually or when material changes need to be made. The annual review process commenced in July to ensure any revisions are in place ahead of the 2025 proxy voting season.
- 3.2 The Policies were evaluated by Robeco, our voting and engagement provider, considering the global context and shift in best practice. This included consideration of the ICGN Global Governance Principles and the changing regulatory environment.
- 3.3 The policies of a selection of best-in-class asset managers and asset owners were examined by the RI team to determine how best practice has developed and identify emerging gaps. Policies assessed included Brunel, Aviva, RLAM, and Church of England.
- 3.4 A gap analysis was undertaken against the IIGCC Net Zero Voting Guidelines.
- 3.5 Regular workshops have been held during the year for pension committees and the Joint Committee on RI issues. A separate working group has been set up with Partner Funds' officers covering TCFD reporting.
- 3.6 CRM has reported no Partner Fund requests for specific policy changes.
- 3.7 An RI Officer Operation Group workshop was held with Partner Fund officers on 14 October with no material changes requested.
- 3.8 On 31 October, The Policies were re-presented to the Investment Committee, which has recommended Board approval. There was also a workshop on 12 November for the Joint Committee to provide feedback on draft proposed revisions.
- 3.9 The Board has approved the revisions to The Policies, considering the feedback received so far, and approved to share with the Joint Committee.
- 3.10 With the Joint Committee's agreement, we expect Partner Funds to now begin their internal process of aligning policies, and share with their pension committees for approval. The Policies need to be in place ahead of the 2025 proxy voting season.

4 Policy changes proposed

- 4.1 This year's review has been 'light touch'. However, it also reflects minimal suggested improvements from Robeco and resulting from asset owner and asset manager assessments. All changes are shown as track changes in the attached Appendices.
- 4.2 The exclusion approach has been reviewed as part of this annual review, with no changes proposed.
- 4.3 One area that was identified where Border to Coast has less explicit policy than peers is on the issue of nature/biodiversity, with some asset managers and asset owners disclosing specific policies or approaches. Aviva and Church of England are members of the Finance Sector Deforestation Action (FSDA) initiative and have a 2025 target to "eliminate agricultural commodity-driven tropical deforestation from our portfolio."
- 4.4 In May 2024, a TNFD Gap Analysis paper was presented to the IC and the decision was taken not to become an 'TNFD early adopter'. Border to Coast's current activity on biodiversity centres on company engagement, including dedicated Robeco engagement programmes, integration into our Waste and Water and Climate Change engagement themes, and support for the Investor Policy Dialogue on Deforestation Initiative (IPDD). We have also commenced quarterly monitoring of external manager activity on biodiversity. Border to Coast has no explicit voting policy, engagement theme, or integration of risk specific for nature/biodiversity.
- 4.5 This year's proposed changes relate to voting and deforestation as a climate change issue and are reflected in revisions to the Voting Guidance and Climate Change Policy. This supports progress on nature/biodiversity as a larger theme and addresses the absence of related voting policy.

5 RI Policy – key changes

- 5.1 The proposed amendments to the RI policy are highlighted in the table below.

Section	Page	Type of Change	Rationale
5.2 Private markets	5	Amendment	Updated to remove 'believes' and clarify that ESG risk forms part of the risk management framework.
5.4 Real estate	6	Amendment	Updated following fund launches and ESG scorecard.

6 Voting Guidelines - key changes

- 6.1 Last year, Robeco introduced voting policy in relation to deforestation, which we did not adopt at the time. This year's assessment of best practice asset owners and asset managers' voting policies identifies deforestation as a gap in Border to Coast voting

policy. Brunel and Aviva have specific deforestation voting policy, which take the same approach as Robeco.

- 6.2 The only material proposed change to voting policy this year relates to deforestation as a climate change issue, mirroring Robeco’s approach.
- 6.3 Regulatory pressures on companies to curb deforestation are increasing, with the EU agreeing regulation which will require companies to conduct due diligence on commodity imports to ensure they are deforestation free. It is now widely recognised that deforestation can result in the loss of market access, more expensive financing, stranded assets, regulatory costs, and reputational risk.
- 6.4 To give a sense of policy impact, if these changes had been introduced for the 2024 AGM season, we would have voted against the Chair of the Sustainability Committee (or most appropriate agenda item) at seven companies with high exposure to deforestation risk commodities and inadequate policies. Only one holding was subject to a shareholder proposal requesting mitigation of deforestation risk in 2024, which Border to Coast supported. Adding specific wording to the policy to support such resolutions formalises our current approach.
- 6.5 The proposed amendments to the Voting Guidelines are highlighted in the table below.

Section	Page	Type of Change	Rationale
Shareholder proposals	12	Addition	General stance on proposals requesting mitigation of deforestation risk.
Climate change	13	Addition	Stance on companies with high exposure to deforestation risk commodities.

7 Climate Change Policy - key changes

- 7.1 The Climate Change Policy has been reviewed by Robeco and the RI Team has compared against those of other asset managers and asset owners including Brunel, RLAM, Aviva, and Church of England, to determine developments across the industry.
- 7.2 The Robeco review states “Overall, it is a very well-developed policy, covering all relevant areas and components”
- 7.3 The changes are detailed below and primarily relate to voting policy on deforestation.

Section	Page	Type of Change	Rationale
2.1 Our views and beliefs on climate change	3	Amendment	Correction regarding the objective of the Paris agreement

3.1 Our ambition – Net Zero	5	Amendment	Correction regarding 1.5C target
6.1 Our approach to engagement	10	Addition	General stance on proposals requesting mitigation of deforestation risk. Stance on companies with high exposure to deforestation risk commodities.

8 Impact Assessment

- 8.1 Any financial implications are in respect of implementation and fulfilment of the policies. The cost of implementing the new voting policy on deforestation is negligible. Based on the 2024 AGM season, we would need to write to circa seven companies to advise of votes against management.

9 Risks

- 9.1 Responsible Investment and sustainability are central to Border to Coast’s corporate and investment ethos and a key part of delivering the Partner Funds’ objectives. Increasing regulation and pressure from beneficiaries and stakeholders has propelled RI and ESG up the agenda for investors and our Partner Funds. There may be reputational risk if we are perceived to be failing in our commitment of this objective.

Mitigation: 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 our website to publicly disclose our activities in this area.

10 Author

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12 Supporting Documentation

Appendix 1: Revisions to Border to Coast Responsible Investment Policy
Appendix 2: Revisions to Corporate Governance & Voting Guidelines
Appendix 3: Revisions to Climate Change Policy

Important Information

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