



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

### **Joint Committee**

**Date of Meeting:** 26 November 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 (RI) which includes embedding environmental, social and governance issues into investment decision making and practicing active ownership through voting and engagement.
- 1.2 This report provides an update on our RI activity and reporting. An update is also provided on engagement supporting our priority themes, both direct and through our involvement in collaborations, our voting, and other RI activity.
- 1.3 The quarterly stewardship and voting reports produced by Border to Coast and Robeco for the quarter ended 30 September 2024 have been published 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 Royal London Asset Management (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. In August, we held meetings with NatWest Bank and HSBC Bank, and in November we met Barclays Bank, to discuss our new 'Investor expectations on Just Transition for Banks', which are being used to direct our engagement and will form the basis of our assessment of emerging Bank plans. HSBC and Barclays are making good progress.

- 3.3 Border to Coast is chairing the IIGCC's new Working Group on Just Transition, which launched in October. The working group will look at integrating just transition into the IIGCC's Net Zero Investment Framework (NZIF); a popular resource that investors use to develop strategies and plans to achieve net zero emissions, including Border to Coast. The group will also pilot engagement with an Indian bank to explore just transition integration in an emerging markets context. Robeco, RLAM, Schrodgers, and LGPS Central have joined Border to Coast to pilot the engagement.
- 3.4 In partnership with RLAM, we have been engaging UK water utilities to improve practice and encourage a faster pace of change. Specific areas of focus include sewage pollution, water leakage, climate change mitigation and adaption, nature-based solutions and biodiversity, affordability, and antimicrobial resistance. The 11 water utilities under engagement have been reassessed this quarter following collaborative engagement in 2023 and further company disclosure in 2024. Border to Coast is leading the engagement with Yorkshire Water and Northumbrian Water on behalf of the collaboration and is supporting the engagement with United Utilities (covering most Partner Fund regions). We have written to Yorkshire Water and Northumbrian Water to share their assessments, areas of improvement since 2023, and continued weakness, and have requested a meeting to discuss. In September, we joined a meeting with United Utilities to discuss its reassessment and raise place-based concerns, including sewage discharge and infrastructure investment at Lake Windermere.
- 3.5 As part of our engagement escalation with oil and gas, we made a public statement following reports that BP intends to weaken its climate targets and transition plans. We discouraged such action and called for any revised transition plan to be brought back to shareholders at its AGM for decision. In Q4 we will write to BP to set out our concerns and request a meeting to discuss further.
- 3.6 Border to Coast has joined the Good Work Coalition of investors, co-ordinated by ShareAction. We have joined two of the engagement programmes within this coalition:
- Living Wage; engaging with retail companies to pay the Real Living Wage to directly employed and third-party staff, and
  - Racial Inequity; engaging with food companies to publish their ethnicity pay gap and strategies to address such gaps.

## **4 Voting**

- 4.1 The beginning of Q3 2024 saw the end of peak proxy season. We voted at 169 meetings over the quarter compared with over 600 meetings in Q2.
- 4.2 A weekly update on our watchlist of 36 priority companies is provided to Partner Funds with all voting recommendations. By 30 September 2024, we had voted at all but one of our priority AGMs in 2024. All priority companies are notified of our voting decisions prior to the AGM.
- 4.3 We vote 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 also vote against the Chair of the sustainability committee at banks not meeting the climate voting framework. To the end of September, we had voted against 23 oil and gas company Chairs and five bank sustainability committee Chairs. Four oil and gas companies on our watchlist were not voted against, due either to pre-AGM engagement, being reclassified as aligned with net zero, or being sold out of pre-AGM.

- 4.4 At BHP's AGM on 1 November, the final priority AGM of the year, we voted against the Chair of the Environment and Sustainability Committee due to BHP's human rights impacts and against the 2024 Climate Transition Action Plan as significant gaps remain on the future of coal assets and capex allocation.

## **5 RI strategy**

- 4.5 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.
- 4.6 During the quarter, Border to Coast submitted a response to the Financial Conduct Authority's Consultation Paper CP24/12 on the new Public Offers and Admissions to Trading Regulations regime (POATRs). We provided a response to the proposal outlined in Chapter 6: Sustainability-related disclosures in prospectuses for admission to trading on a regulated market. Specifically, to question 40 – proposal for further guidance for mineral companies to assess reserve alignment with global climate goals.
- 4.7 In October, Border to Coast were signatory to a new blueprint launched by IFM Investors encouraging policy which can help unlock further investment in the net zero transition. The report called on government to take an active approach to renewables and industrial decarbonisation policies to give investors of pension capital greater confidence when investing in the UK. Key recommendations from the report include focusing the National Wealth Fund on higher risk net zero industry projects and improving the integration of UK and EU energy markets.

## **6 Reporting**

- 5.1 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 September 2024 can be found on our [website](#).

## **6 Risks**

- 6.1 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.
- 6.2 There is a risk that insufficient resources are in place to realise the RI 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.

## **7 Conclusion**

- 7.1 Implementation of our engagement plan to support the priority engagement themes is progressing with direct engagement, collaborative engagement and that conducted by Robeco.
- 7.2 We continue to engage on policy issues through various forums and by responding to consultations.
- 7.3 The Committee is asked to note the report.

## **8 Author**

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8 November 2024

### **Important Information**

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