

Agenda Item

Subject	Annual Update of the Border to Coast Responsible Investment Policies	Status	For Publication
Report to	Authority	Date	12 th December 2024
Report of	Director		
Equality Impact Assessment	Not Required	Attached	No
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1 Purpose of the Report

- 1.1 To secure the Authority's endorsement of the revised Border to Coast Responsible Investment policies prior to the next voting season.

2 Recommendations

- 2.1 Members are recommended to:
- a. Endorse the various Border to Coast policies at Appendices A to C.**

3 Link to Corporate Objectives

- 3.1 This report links to the delivery of the following corporate objectives:
- Responsible Investment**

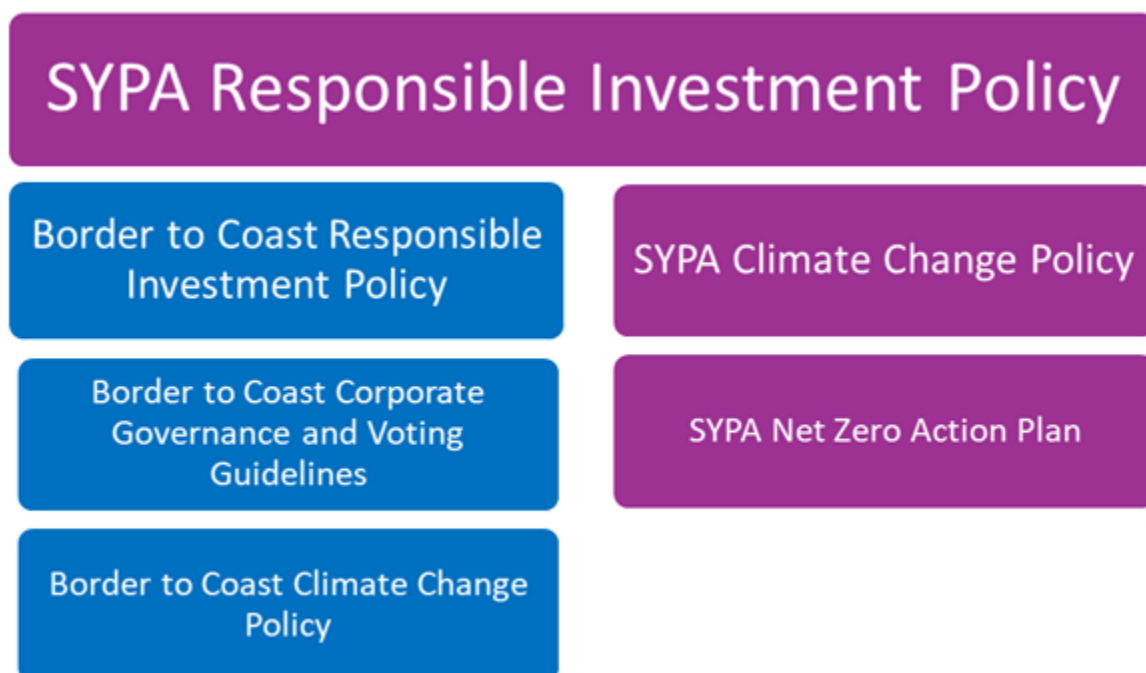
To develop our investment options within the context of a sustainable and responsible investment strategy.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report will directly impact on the Authority's ability to achieve the necessary mitigations identified in the corporate risk register related to climate change on the value of investment assets as well as the more general investment related risks that are mitigated by ensuring that effective stewardship arrangements are in place.

5 Background and Options

- 5.1 Each year Border to Coast conducts a review of its Responsible Investment Policy and Voting guidelines so that they can be updated for the following voting season. It is important to recognise that these are all collective documents which represent the company's position based on the consensus position of the Partner Funds. As such there is, inevitably, a degree of compromise in relation to the positions of the individual Partner Funds. The diagram below sets out the relationship between these documents and the Authority's own policy framework in this area. The documents themselves are attached at appendices B to C, while a table setting out the key changes as a result of the review is at appendix A.



- 5.2 The process of review is undertaken over the summer following peak voting season and involves looking at feedback from service providers such as Robeco (the voting and engagement partner) and input from partner funds as well as a review of general movements in industry practice. Recognising that this year the process was likely to be focussed on minimal changes, the focus for SYPA in the process has been to continue to emphasise the need for progress in areas of previous focus such as revenue thresholds for exclusion, rather than pushing for specific changes.
- 5.3 The 2024 policy review has been relatively light, given the recent retirement of Border to Coast's Head of Responsible Investment, Jane Firth. Tim Manuel has recently joined Border to Coast to take over Jane's responsibilities and, understandably, will benefit from taking some time to embed himself before making any material policy changes.
- 5.4 Most of the policy changes made this year are modest corrections and clarifications. The few, more material changes relate to deforestation risk and the broadening of the Border to Coast product range, as covered below:

Responsible Investment Policy

- 5.5 The policy has been updated to reference the launch of Border to Coast's UK and Global Real Estate funds. Specifically, this covers the development of a Responsible Investment framework to ensure the integration of ESG factors into the investment process of these funds. The launch of the Real Estate Fund and its inclusion in the Border to Coast policy also necessitates the retirement of the Authority's own policy in this area.
- 5.6 The policy update also includes a clarification that ESG risk categorically forms part of Border to Coast's risk management framework for Private Market assets.

Corporate Governance & Voting Guidelines

- 5.7 The Policy has been updated to state that Border to Coast will generally vote in favour of shareholder proposals which ask companies to mitigate deforestation risks. This will involve a "comply or explain" approach, with Border to Coast publicly disclosing their rationale should they vote against the proposal.
- 5.8 Wording has also been included to confirm that Border to Coast expects companies with a high exposure to deforestation risk commodities (palm oil, soy, beef, and timber, paper and pulp) to address those risks within their operations and supply chains. Border to Coast will oppose the re-election of the Chair of the Sustainability Committee (as appropriate) where companies do not meet this requirement.

Climate Change Policy

- 5.9 Border to Coast has clarified its approach to engagement in relation to deforestation risks, consistent with paragraphs 5.7 and 5.8.
- 5.10 Other changes in the Policy are simply corrections relating to:
- the objective of the Paris agreement; and
 - Border to Coast's commitment to a net zero carbon emissions target for assets under management by 2050, in order to align with efforts to limit temperature increases to 1.5°C.

Conclusion

- 5.11 The changes and updates made to the various policies, although limited in scope, are welcomed from an SYPA point of view.
- 5.12 As per last year, there has been no specific policy progress in relation to human rights issues. However, we do acknowledge that this is a particularly difficult area, and on a case-by-case basis, the Company does act in the way we would expect and also

encourages managers to do so. We recognise that the current geopolitical situation also complicates policy changes in this area.

- 5.13 As part of next year's review, we would also like consideration to be given to excluding more pure coal, tar sands and arms manufacturing companies from the Border to Coast portfolios through further changes to the revenue thresholds.
- 5.12 As Tim Manuel settles into his new role, we look forward to engaging with him and the wider team, working towards a more significant review of these policies next year.

6 Implications

- 6.1 The proposals outlined in this report have the following implications:

Financial	None directly
Human Resources	None
ICT	None
Legal	None
Procurement	None

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Background Papers	
Document	Place of Inspection
SYPA Responsible Investment Policy	Policies (sypensions.org.uk)