



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

### **Joint Committee**

**Date of Meeting: 25 March 2025**

**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 ending 31 December 2024 have been published on our [website](#).

#### **2 Recommendations**

- 2.1 The 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 partnership with RLAM, we are collaboratively engaging 11 UK water utilities with Border to Coast leading the engagement with Yorkshire Water and Northumbrian Water on behalf of the collaboration. In 2024, we re-assessed the companies based upon our 2023 engagement and a review of their subsequent 2024 plans for the 2025-30 period. We RAG rated each against 19 KPIs covering sewage pollution, water leakage, climate change mitigation and adaptation, nature-based solutions and biodiversity, and antimicrobial resistance, and gave an overall score out of 100.
- 3.3 This quarter, we met Yorkshire Water senior management to discuss. They acknowledged our assessments as fair and welcomed our deep engagement and the value it has added. Yorkshire Water has made progress across all areas of engagement. Northumbrian Water preferred to respond to our assessment with a detailed written response. They also improved across all areas of engagement. Border to Coast has highlighted areas that require further improvement for both companies.

- 3.4 This engagement programme is expected to complete during 2025 with the publication of a sector report, which we will share and discuss with Partner Funds.
- 3.5 We have joined the Good Work Coalition of investors, co-ordinated by ShareAction, and two of its collaborative engagements on the Living Wage and Ethnicity Pay Gap reporting. During the quarter, meetings were held with Marks & Spencer and Kingfisher to request Real Living Wage accreditation and with Associated British Foods to request Ethnicity Pay Gap reporting.
- 3.6 As part of our engagement escalation with the Oil and Gas sector, we have made several critical public statements in response to reports that BP is to weaken its climate targets and transition plans. We have co-signed open letters and wrote to the company directly to raise concerns and call for any changes to be brought back to shareholders at its 2025 AGM for decision. A meeting with BP is scheduled.
- 3.7 We undertook direct engagement with Chevron, ConocoPhillips, BP, Shell, and Eni to highlight high methane emissions and request information on how companies are addressing the issue.
- 3.8 In Q4, 34 letters were sent to companies to advise of votes against management due to climate voting policy during the 2024 AGM season and advising of expectations to avoid such votes in future.
- 3.9 We directly engaged SK Inc to address a gap in our top 40 emitter engagement coverage. We requested further disclosure on its transition plan covering technology use and interim targets, and alignment of climate policy and trade association memberships.

#### **4 Voting**

- 4.1 We voted at 123 meetings over the quarter. This is the quietest of the year compared with over 600 meetings in the April to June quarter.
- 4.2 A weekly update on our watchlist of 36 priority companies is provided to Partner Funds with all voting recommendations. All priority companies are notified of our voting decisions prior to the AGM.
- 4.3 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 December, 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 consideration of just transition principles, being reclassified as aligned with net zero, or being sold out of pre-AGM.

#### **5 RI strategy**

- 5.1 Our 3-year RI strategy was developed to reflect the shift in best practice covering four areas: integrating ESG, active ownership, industry engagement, and reporting and governance.
- 5.2 Work to develop our new RI and Engagement 3-year strategies, to be effective from April 2026, will take place over the next 6 to 9 months. We will work with Officers to

identify the best way to coordinate Partner Fund input to ensure we gather broad and representative views.

- 5.3 Our second annual Proxy Season Report was published during the quarter and included a piece on the importance of voting to ESG risk management, headline numbers for Border to Coast's voting over the 2024 peak proxy season, and details on the impacts of voting policy enhancements relating to climate change and human rights.
- 5.4 In February, we submitted a response to the FRC consultation on the UK Stewardship Code. Our submission welcomes efforts to streamline the Code's requirements but raised some concerns and proposed changes to ensure the Code's value as a benchmark of effective stewardship practice is maintained. We supported a change to the definition of stewardship contingent on more robust supporting language, including explicit reference to climate change and investors' fiduciary duty. We also requested more explicit support for collaborative engagement, and guidance on defining engagement.

## **6 Reporting**

- 6.1 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 31 December 2024 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 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.

## **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 We continue to engage on policy issues through various forums and by responding to consultations.
- 8.3 The Committee is asked to note the report.

## **9 Author**

Colin Baines, Stewardship Manager

colin.baines@bordertocoast.org.uk

7 March 2025

**Important Information**

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