**AGENDA ITEM 6**

# Border to Coast Pensions Partnership Limited

# Joint Committee

**Date of Meeting:** **25 November 2025**

**Report Title:** **Responsible Investment Policies Review**

**Report Sponsor:** **CIO – Joe McDonnell**

## 1 Executive Summary

1.1 The Responsible Investment Policy (RI), Corporate Governance & Voting Guidelines (Voting Guidelines) and Climate Change Policy (collectively, The Policies) are reviewed annually and updated as necessary. The process for review includes the participation of Partner Funds to ensure that we operate with a unified voice. This paper covers the annual review of the three RI-related policies.

1.2 The Policies have been evaluated by Robeco. In doing this, they have considered best practice frameworks and market practice among other investors.

1.3 This year's review has been conducted in alignment with the RI Strategy and Engagement Strategy reviews. The most material proposed changes to the policies are: clarifications on our approach to engagement and escalation; tightening our thermal coal energy generation exclusion revenue thresholds; and introducing a nature-related voting priority list.

1.4 We propose that a three-year formal review cycle is now more appropriate for the RI Policy and Climate Change Policy. This will follow the existing governance process. The Corporate Governance & Voting Guidelines will continue to be reviewed annually to ensure they are fit for purpose ahead of each proxy season.

1.5 The annual review needs to be completed ahead of the 2025 proxy voting season, with The Policies approved and ready to be implemented. Partner Fund Officers have provided feedback on the proposed revisions. The Board reviewed The Policies on 13 November and approved with no feedback. Following Joint Committee discussion, The Policies are to be reviewed at Pension Committee meetings.

## 2 Recommendation

2.1 That the Joint Committee reviews and comments on the proposed revisions to the Responsible Investment Policy (Appendix 2), Corporate Governance & Voting Guidelines (Appendix 3), and Climate Change Policy (Appendix 4).

2.2 That the Joint Committee supports the move to a 3-yearly review cycle for the RI Policy and Climate Change Policy.

2.3 That the Joint Committee supports taking the revised policies to Pensions Committees to consider adoption in their own RI policies in line with industry best practice.

## 3 Annual review process

3.1 The Policies have been reviewed annually or when material changes need to be made. The annual review process this year commenced in July to ensure any revisions are in place ahead of the 2026 proxy voting season.

3.2 The current policies were evaluated by Robeco, our voting and engagement provider, considering the global context and shift in best practice, to determine how best practice has developed and identify emerging gaps in Border to Coast policy. The RI Team has compared The Policies against those of other asset managers and asset owners including Brunel, RLAM, Aviva, and Church of England, to determine developments across the industry.

3.3 Regular workshops have been held during the year for Partner Fund pension committees and the Joint Committee on RI issues. An RI Officer Operation Group (RI OOG) workshop was held on 8 September, where the initial considerations for proposed changes were shared.

3.4 Following the RI OOG workshop, one feedback focused on the rationale of the proposed 25% revenue threshold for the thermal coal power generation exclusion, including why this did not go further. The move to 25% completes the phased approach when the policy was introduced in 2023/24, which envisaged a tightening of the threshold over time to this level. Peer benchmarking also supports the 25% threshold. It also gives the opportunity for targeted engagement with holdings close to the threshold that were not previously in scope, such as RWE.

3.5 CRM has reported no further Partner Fund requests for specific policy changes.

3.6 On 29 October, the proposed changes to The Policies were presented to the Investment Committee, recommended Board approval subject to minor amendments which have been reflected. On 13 November, the Board reviewed and approved the proposed changes to The Policies with no further feedback.

3.7 Following discussion at the Joint Committee on 25 November, the expectation is then for Partner Funds to begin their internal process of aligning policies. The Policies need to be in place ahead of the 2026 proxy voting season.

## 4 RI Policy – key changes

4.1 This year's review has been conducted in alignment with the RI Strategy and Engagement Strategy reviews.

4.2 The exclusion approach has been reviewed as part of this annual review. Robeco suggested that the current 50% revenue threshold for thermal coal power generation exclusion is relatively high, with industry norms typically being around 25%, with Robeco having a 20% exclusion. The RI team's review confirmed this finding. We propose to lower the thermal coal power generation revenue threshold from 50% to 25% for public issuers in developed markets. This aligns with the original intent and expectation of this exclusion clause when it was introduced and brings it in line with the current revenue threshold for thermal coal extraction (also 25%). We propose to maintain our tiered approach to support a just transition and reduce the revenue threshold from 70% to 50% for public issuers in emerging markets.

4.3 Based on data as at August 2025, the proposed change to the revenue thresholds for thermal coal power generation brings an additional 21 developed market issuers and 11 emerging market issuers into scope for exclusion on top of 24 issuers excluded under the current revenue thresholds. Border to Coast currently holds one issuer that would become excluded, Eskom Holdings, held in the Multi Asset Credit fund. We have consulted with the portfolio manager and no concerns have been raised in relation to this change.

4.4 Last year, we updated The Policies to recognise deforestation as a climate issue. This helped close a gap with peers on nature related risks. This was an important first step in establishing a risk framework for nature and biodiversity. While most managers use deforestation data in voting, fewer have a comprehensive approach to nature risks. To make continued progress in our approach, we propose introducing a voting policy targeting a shortlist of nature priority companies. This would further embed nature into our RI and stewardship framework beyond deforestation, with scope for further development in future.

4.5 In response to Partner Fund interest and scrutiny, we have added commentary to further clarify our approach to engagement, escalation and divestment.

4.6 An outline of the policy changes is provided in Appendix 1: 'Summary of Key Policy Changes'. Red-line versions of the proposed policy changes are available in Appendices 2 to 4.

## 5 Voting Guidelines – key changes

5.1 Robeco reviewed the Voting Guidelines and found them fit for purpose. While they are reviewing their own policies ahead of next year, only minor updates are expected.

5.2 Robeco did suggest introducing a policy to explicitly address anti-ESG resolutions in the US. These are resolutions that appear to be pro-ESG but typically aim to reverse corporate commitments. We propose to assess these resolutions on a case-by-case basis. When we report on our level of support across all ESG-related shareholder resolutions, we will remove any resolutions identified as “anti-ESG” from the measure.

5.3 We propose a voting policy targeting nature priority companies, using the World Benchmarking Alliance Nature Benchmark to identify companies with weak management of nature related risks. Using a materiality lens, a shortlist of companies will be prioritised for further investigation. Like our human rights framework, we will independently assess governance, strategy, and action. Where credible action is lacking, e.g., poor disclosure, we will vote against the most accountable board member or the report and accounts.

5.4 In line with Robeco’s recommendations, we propose updates to our Voting Guidelines to include our approach to nature priority companies and a statement on anti-ESG resolutions.

## 6 Climate Change Policy - key changes

6.1 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. Robeco believe the policy is fit for purpose. They did identify three potential areas for further development in future, although these were viewed as optional: investments in climate solutions; nature, as a climate change issue requiring integration; and short-term climate risk scenario analysis. Taking this into account, the only proposed change is to consolidate our approach to exclusions across the policies. The change will ensure that exclusions are stated only in the RI Policy, rather than be duplicated across policies.

## 7 Future review cycle

7.1 The Policies have been formally reviewed each year, but they have reached a level of maturity where less frequent review is appropriate.

7.2 We propose moving to a three-year formal review cycle for the Responsible Investment Policy and Climate Change Policy, still following the existing governance process when reviewed. The Voting Guidelines will continue to be reviewed annually to ensure they remain aligned with market standards ahead of each proxy voting season. If significant issues arise, changes can be made outside the normal cycle, and we will maintain a tracker of Partner Fund feedback to ensure these are captured and considered at the next review.

7.3 Moving to a three-year formal review cycle for the Responsible Investment Policy and Climate Change Policy will provide a more stable governance environment, enabling the opportunity for more comprehensive and fundamental reviews rather than incremental changes. This approach aligns with our intention to undertake a broader governance review under the new partnership model in c2 years.

## 8 Impact Assessment

8.1 Any financial implications are in respect of implementation and fulfilment of the policies. The additional resources required to implement the new nature voting policy is negligible. Fewer than ten assessments are expected based on a materiality threshold.

8.2 The strengthening of the exclusion policy brings an additional 32 issuers (using August 2025 data) into scope for exclusion on top of the existing 24 issuers excluded under the current thermal coal power generation revenue thresholds. Border to Coast currently holds one new issuer that would be excluded.

## 9 Risks

9.1 RI is a core component of Border to Coast's investment approach and is integral to delivering on the objectives of our Partner Funds. The following risks have been considered in the context of this report:

9.2 Reputational Risk: Failing to meet RI commitments or best practices may harm our reputation. Mitigation: We follow a long-term RI strategy and regularly update policies to reflect evolving standards.

9.3 Regulatory Risk: Non-compliance with FCA expectations or broader regulatory developments in ESG and stewardship could expose the firm to scrutiny or sanction. Mitigation: Our RI activities are aligned with FCA requirements and industry codes, including the UK Stewardship Code. We engage proactively with regulatory consultations and adapt our policies accordingly.

## 10 Conduct considerations

10.1 Market Impact: The proposed policy additions and amendments are intended to support market transparency. No adverse market impacts have been identified.

10.2 Customer Impact: The report sets out proposed changes to the RI policies to ensure our RI approach remains in step with best practice. Amendments are aligned with our RI strategy and aim to protect and enhance long term value for our customers.

10.3 Firm Impact: All activities are consistent with regulatory obligations and internal policies. Risks, including reputational risks associated with policy amendments, have been considered and mitigated through governance and adherence to our RI strategy.

## 11 Authors

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13 November 2025

## 12 Supporting documentation

Appendix 1: Summary of Key Policy Changes
Appendix 2: Revisions to Border to Coast Responsible Investment Policy
Appendix 3: Revisions to Corporate Governance & Voting Guidelines
Appendix 4: Revisions to Climate Change Policy

**Important Information**

## Appendix 1: 2026 RI Policies Key Proposed Changes

### 2026 RI Policy – key changes

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

| Section | Page | Type of Change | Summary of Change and Rationale |
|---|---|---|---|
| 5. Integrating RI into investment decisions | 4 | Amendment | Thematic subsections for human rights and nature added to align with climate, which now follows these sections. Asset class guidance is reordered to improve consistency across listed equities, fixed income, and private markets. |
| 5.2 Nature | 5 | Addition | Include commentary to reflect the new voting approach on nature priority companies.<br>*"We address nature risks through engagement on issues like deforestation, resource management, and climate change. We integrate nature related risks into voting decisions, using benchmarks to identify priority companies, assess their governance, strategy and measures to address nature related risks, and vote accordingly where risks are poorly managed. Further detail on our voting approach is set out in our Corporate Governance & Voting Guidelines. "* |
| 5.9 Externally Managed Assets | 8<br><br><br>8 | Amendment<br><br><br>Amendment | Rename the section from External Manager Selection to Externally Managed Assets to better reflect its focus on RI practices rather than manager selection only.<br>Remove reference to NZAM due to uncertainty around its status, replacing it with broader support for "collaborative initiatives on systemic issues." |
| 6.2 Engagement | 10<br><br><br><br><br><br><br><br><br><br><br><br><br><br><br>11 | Addition<br><br><br><br><br><br><br><br><br><br><br><br><br><br><br>Addition | Improve clarity of engagement definition consistent, most notably:<br>*"We define company engagement as actively using our influence for business change or better disclosure. We believe there should be a point of difference with company management, with examples including letters or meetings to request changes to business strategy, governance, or capital expenditure, or requesting disclosure of metrics or policy not currently in the public domain.*<br>*Whilst activity such as attending briefing calls and gathering information is important to investment management, and we collate this information, if there is no point of difference with company management, we do not report it as engagement. We also do not report engagement from collaborations that we are party to if we have not been actively involved. "*<br><br>Clarify our role in engaging external managers to improve their RI and stewardship practices. |
| 6.2.2 Escalation | 12 | Amendment | Clarify our stance on engagement and divestment. Most notably include the following:<br>*"If the investment case has been fundamentally weakened, which may be the result of a company failing to address the risk or concern under engagement, the portfolio manager may decide to reduce or exit the position. This decision rests solely with the portfolio manager. "* |
| 6.2.3 Exclusions | 13 | Amendment | Removed repetition of divestment wording and clarify that thermal coal and oil sands extraction and controversial weapons exclusions apply to both public and private markets. Whilst thermal coal power generation apply to public markets only. |

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| | 14 | Amendment | Lowered thermal coal generation revenue thresholds from 50% to 25% for developed markets, and from 70% to 50% for emerging markets. |
| | 14 | Addition | Clarify our approach to dual-use components associated with controversial weapons, acknowledge data limitations in private markets which may lead to de minimis exposure. Also recognise potential short term exposures from fund transitions and timing of exclusion implementation. |

## 2026 Voting Guidelines - key changes

The proposed amendments to the Voting Guidelines are highlighted in the table below.

| Section | Page | Type of Change | Summary of Change and Rationale |
|---|---|---|---|
| Nature | 16 | Addition | Addition of our voting approach on nature priority companies, in step with the increasing focus and appetite for action on nature. *"Nature related risks arise in many forms, including land use change, habitat destruction, pollution, and water stress. Companies that fail to address these risks may face operational, reputational, and regulatory consequences. Such consequences can be detrimental to financial performance and, therefore, to long term shareholder value.*<br><br>*If a company is identified as having poor management of nature related risks, we will consider voting against the most accountable board member or the approval of the report and accounts.*<br><br>*We identify nature priority companies through the following steps:*<br><br>*We establish any material exposure we have to company's scoring less than 10 out of 100 on the World Benchmarking Alliance's Nature Benchmark;*<br><br>*We then conduct an independent assessment of companies meeting the above criteria The assessment looks at alignment to emerging frameworks like the Taskforce on Nature Related Financial Disclosures, any recent controversies related to nature and the level of board oversight regarding nature related risks.*<br><br>*The results of the independent assessment highlight priority companies for which we will consider exercising votes as set out above.*<br><br>*We place separate emphasis on companies with high exposure to deforestation risk commodities. Such commodities include palm oil, soy, beef, and timber, paper and pulp. We expect companies that have high exposure to deforestation risk commodities to take action to address those risks within their operations and supply chains.*<br><br>*Our assessment of the quality of mitigating actions includes reference to external benchmarks, such as Forest500.*<br><br>*For companies that have such exposure, and either do not have adequate policies and processes in place to reduce their impact or are involved in severe deforestation-linked controversies, we* |

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| | 16 | Amendment | *will oppose the re-election of the Chair of the Sustainability Committee (or most appropriate agenda item) "*<br><br>Remove deforestation voting approach from climate voting guidelines and included in the more appropriate nature subsection. |
| Shareholder Proposal | 16 | Addition | Addition highlights the rise in anti-ESG shareholder resolutions, reiterates that we assess resolutions on their own merits and account for them in how we report on our ESG voting record. |

### 2026 Climate Change Policy - key changes

The proposed amendments to the Voting Guidelines are highlighted in the table below.

| Section | Page | Type of Change | Rationale |
|---|---|---|---|
| 5.1 Our Approach to Investing | 8 | Amendment | Removal of the specific exclusion threshold text to have one source of reference on all exclusions, in the RI Policy. |
| 5.1 Our Approach to Investing | 8 | Amendment | Following feedback to consider that the pool will be Partner Funds primary source of advice, with feedback from Head of Advisory  the following has been amended.<br><br>*"Partner Funds retain responsibility for strategic asset allocation and setting their investment strategy, and ultimately their strategic exposure to climate risk. Our implementation supports Partner Funds to deliver on their fiduciary duty of acting in the best interests of beneficiaries."*<br><br>to<br><br>*"Partner Funds retain responsibility for setting their investment strategy, including their strategic exposure approach to climate risk. Border to Coast is responsible for implementing these strategies through appropriate investment solutions.."* |