

Subject	Annual review of Border to Coast's responsible investment policies	Status	For Publication
Report to	Authority	Date	November 2025
Report of	Assistant Director – Investment Strategy		
Equality Impact Assessment	Not Required	Attached	No
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1 Purpose of the Report

- 1.1 To introduce and summarise the most recent review and update of Border to Coast's responsible investment policies.

2 Recommendations

- 2.1 Members are recommended to endorse the updated policies attached at Appendices A to C.

3 Link to Corporate Objectives

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

Investment Returns

To maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long-term liabilities.

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 form a key part of how we address the various investment risks identified in the Corporate Risk Register.

5 Background and Options

- 5.1 Border to Coast has undertaken a review of its three responsible investment policies, which are targeted to be live from January 2026. The updated policies, with tracked changes included, are attached as Appendices. The review encompasses the documents set out below:

The Responsible Investment Policy: [Appendix A]

- 5.2 This details the approach Border to Coast follows in fulfilling its commitment to SYPA and the other Partner Funds in their delegation of the implementation of certain responsible investment and stewardship responsibilities. The proposed changes are as follows:

5.3 Exclusions (amendment)

- a. Border to Coast is tightening the thermal coal exclusion thresholds based on revenue earned from this activity to 25% for developed markets and 50% for emerging markets, continuing their tiered approach to support a just transition.
- b. This completes the phased policy introduced in 2023/24 and aligns with peer benchmarks. It also enables engagement with companies near the threshold, such as RWE.
- c. The exclusion remains limited to public markets to allow for potential transition investments by general partners.
- d. The proposed thresholds would bring 32 additional issuers into scope (based on August 2025 data), on top of the 24 currently excluded. Border to Coast holds only one of these issuers, ESKOM Holdings, in the MAC portfolio.

5.4 Engagement and Escalation (amendment)

- a. The RI Policy has been updated in alignment with the engagement strategy. Updates include the addition of an engagement definition and clarification on Border to Coast's stance on engagement and divestment, most notably:
 - i. "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."
 - ii. "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."

The Corporate Governance & Voting Guidelines: [Appendix B]

- 5.5 This details the framework within which voting decisions are administered. These guidelines work in conjunction with the Responsible Investment Policy.

5.6 Nature (addition):

- a. Border to Coast is implementing a nature risk priority framework to address nature-related risks beyond deforestation.
- b. Using the World Benchmarking Alliance's Nature Benchmark Border to Coast will identify priority companies with nature risk management. A materiality lens will guide deeper assessment, focusing on governance, strategy, and action.

Where credible action is lacking, Border to Coast will vote against the most accountable board member or the report and accounts.

- c. This flexible approach, mirrors the human rights framework, enables targeted stewardship on material nature related risks. Fewer than ten nature priority assessments will be performed each year.

5.7 Anti ESG Resolutions (addition)

- a. Robeco has recommended a policy update to address anti-ESG resolutions, those that appear pro-ESG but aim to reverse corporate commitments. Border to Coast propose assessing these on a case-by-case basis and excluding them from our overall ESG resolution support metrics.

The Climate Change Policy: [Appendix C]

- 5.8 This details the approach that Border to Coast will follow in fulfilling its commitment to managing the risks and opportunities associated with climate change across the assets managed on behalf of SYPA and the other Partner Funds.
- 5.9 The policy has been peer-reviewed and assessed by Robeco as fit for purpose. The most notable update is the removal of exclusion threshold details, maintaining all exclusions into a single reference point within the RI Policy.
- 5.10 In addition, Border to Coast now propose that the Responsible Investment and Climate Change policies move to a three-year review cycle. This reflects the fact that broad policies of this sort now that they have achieved a degree of stability should be relatively constant and that the review process itself takes about six months and requires significant resource input. This does not mean that changes to these policies cannot be made out of cycle if there are significant changes in the external environment, simply that the standard review period will now be three years. The Corporate Governance and Voting Guidelines will continue to be reviewed annually.

6 Implications

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

Financial	The performance of our investments has a key impact on the funding level of our Fund, and hence the contribution levels of the employers within SYPA.
Human Resources	None.
ICT	None.
Legal	None.
Procurement	None.

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