

# Responsible Investment Policy

## Border to Coast Pensions Partnership



Live from: January 2025

## Responsible Investment Policy

This Responsible Investment Policy details the approach that Border to Coast Pensions Partnership follows in fulfilling its commitment to our Partner Funds in their delegation of the implementation of certain responsible investment (RI) and stewardship responsibilities.

### 1. Introduction

Border to Coast Pensions Partnership Ltd is an FCA-authorised investment fund manager (AIFM). It operates investment funds for its eleven shareholders which are Local Government Pension Scheme funds (Partner Funds). The purpose is to make a difference to the investment outcomes for our Partner Funds through pooling to create a stronger voice; working in partnership to deliver cost effective, innovative, and responsible investment now and into the future; thereby enabling great, sustainable performance.

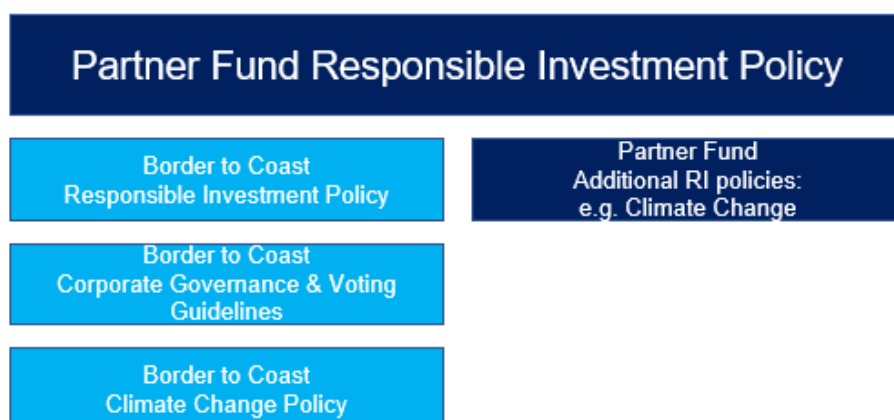
Border to Coast takes a long-term approach to investing and believes that businesses that are governed well, have a diverse board and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. Diversity of thought and experience on boards is significant for good governance, reduces the risk of 'group think' leading to better decision making. Environmental, social and governance (ESG) issues can have a material impact on the value of financial assets and on the long-term performance of investments, and therefore need to be considered across all asset classes in order to better manage risk and generate sustainable, long-term returns. Well-managed companies with strong governance are more likely to be successful long-term investments.

Border to Coast is an active owner and steward of its investments across all asset classes. This commitment is demonstrated through achieving signatory status to the Financial Reporting Council UK Stewardship Code. As a long-term investor and representative of asset owners, we hold companies and asset managers to account regarding environmental, societal and governance factors that have the potential to impact corporate value. We incorporate such factors into our investment analysis and decision making, enabling long-term sustainable investment performance for our Partner Funds. As a shareowner, Border to Coast has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It practices active ownership through voting, monitoring companies, engagement and litigation.

#### 1.1. Policy framework

The LGPS (Management and Investment of Funds) 2016 regulations state that the responsibility for stewardship, which includes shareholder voting, remains with the Partner Funds. Stewardship day-to-day administration and implementation have been delegated to Border to Coast by the Partner Funds, on assets managed by Border to Coast, with appropriate monitoring and challenge to ensure this continues to be in line with Partner Fund requirements. To leverage scale and for operational purposes, Border to Coast has, in conjunction with Partner Funds, developed this RI Policy and accompanying Corporate Governance & Voting Guidelines to ensure clarity of approach on behalf of Partner Funds. This collaborative approach results in an RI policy framework illustrated below with the colours demonstrating ownership of the various aspects of the framework:

## RI Policy Framework



### 2. What is responsible investment?

Responsible investment (RI) is the practice of incorporating ESG issues into the investment decision making process and practicing investment stewardship, to better manage risk and generate sustainable, long-term returns. Financial and ESG analysis together identify broader risks and the opportunities leading to better informed investment decisions and can improve performance as well as risk-adjusted returns.

Investment stewardship includes active ownership; using voting rights, engaging with investee companies, influencing regulators and policy makers, and collaborating with other investors to improve long-term performance. We believe that our responsible investment approach and associated activities help identify and manage non-financial risks and so should add value to our investment portfolios over the long-term.

### 3. Governance and Implementation

Border to Coast takes a holistic approach to the integration of sustainability and responsible investment, which are at the core of our corporate and investment thinking. Sustainability, which includes RI, is considered and overseen by the Board and Executive Committees. Specific policies and procedures are in place to demonstrate the commitment to RI, which include the Responsible Investment Policy and Corporate Governance & Voting Guidelines (available on the [website](#)). Border to Coast has dedicated staff resources for managing RI within the organisational structure.

The RI Policy is owned by Border to Coast and created after collaboration and engagement with our eleven Partner Funds. The Chief Investment Officer (CIO) is accountable for implementation of the policy. The policy is monitored with regular reports to the CIO, Investment Committee, Board, Joint Committee and Partner Funds. It is reviewed every three years or whenever revisions are proposed, taking into account evolving best practice, and updated, as necessary.

## 4. Skills and competency

Border to Coast, where needed, takes proper advice in order to formulate and develop policy. The Board and staff maintain appropriate skills in responsible investment and stewardship through continuing professional development; where necessary expert advice is taken from suitable RI specialists to fulfil our responsibilities.

## 5. Integrating RI into investment decisions

Border to Coast considers material ESG factors when analysing potential investments. ESG factors tend to be longer term in nature and can create both risks and opportunities. It is therefore important that, as a long-term investor, we take them into account when analysing potential investments.

The factors considered are those which could cause financial and reputational risk, ultimately resulting in a reduction in shareholder value. ESG issues are considered and monitored in relation to all asset classes. The CIO is accountable for the integration and implementation of ESG considerations. Issues considered include, but are not limited to:

Environmental	Social	Governance	Other
Climate change Resource & energy management Water stress Single use plastics Biodiversity	Human rights Child labour Supply chain Human capital Employment standards Pay conditions (e.g. living wage in UK) Just transition	Board independence Diversity of thought Executive pay Tax transparency Auditor rotation Succession planning Shareholder rights	Business strategy Risk management Cyber security Data privacy Bribery & corruption Political lobbying

### 5.1 Human Rights

When considering human rights issues, ~~we believe that all~~ companies should abide by the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. Companies should have processes in place to both identify and manage human rights risks across their business and supply chain. We engage with companies on human rights as part of our social priority engagement theme, engaging on modern slavery and labour practices and human rights due diligence where companies operate in high-risk areas. We have incorporated considerations into how we exercise our votes at company meetings.

### 5.2 Nature

Nature and Biodiversity loss is increasingly seen as posing a risk to financial markets. Over half of global GDP is dependent on nature-based services<sup>1</sup>, and looking ten years out, six of the top ten global risks identified by the World Economic Forum are climate and environmental related. We address nature risks through engagement on issues like deforestation, resource management, and climate change. We also 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 &

<sup>1</sup> World Economic Forum

~~Voting Guidelines. We currently address biodiversity issues through engagement with companies and governments on issues including deforestation, natural resource management and climate change.~~

~~Further detail on our voting approach is included in the Corporate Governance & Voting Guidelines.~~

### **5.3 Climate change**

~~The world is warming, the climate is changing, and the scientific consensus is that this is due to human activity, primarily the emissions of carbon dioxide (CO<sub>2</sub>) from burning fossil fuels. We support this scientific consensus; recognising that the investments we make, in every asset class, will both impact climate change and be impacted by climate change. We actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact will affect investments. We believe that we have the responsibility to contribute and support the transition to a low carbon economy in order to positively impact the world in which pension scheme beneficiaries live in.~~

~~Climate change is a systemic risk with potential financial impacts associated with the transition to a low-carbon economy and physical impacts that may manifest under different climate scenarios. Transition will affect some sectors more than others, notably energy, utilities and sectors highly reliant on energy. However, within sectors there are likely to be winners and losers which is why divesting from and excluding entire sectors may not be appropriate.~~

~~In addition, the transition to a low-carbon economy will undoubtedly affect the various stakeholders of the companies taking part in the energy transition. These stakeholders include the workforce, consumers, supply chains and the communities in which the companies' facilities are located. A just transition involves minimising and managing social risks, seeking to maximise social opportunities, and a focus on the place based economic impacts of the transition to net zero. We expect companies to consider this social dimension in decarbonisation strategies and engage with companies, directly and through collaboration with other investors.~~

~~We have committed to a net zero carbon emissions target by 2050, or sooner for our assets under management, in order to align with efforts to limit temperature increases to under 1.5°C and have developed an implementation plan which sets out the four pillars of our approach.~~

~~Stewardship is an important element of meeting this goal and we engage with companies on climate-related risks and opportunities and use our voting rights to hold boards to account.~~

~~Details on Border to Coast's approach to managing the risks and opportunities associated with climate change can be found in our Climate Change Policy on our website.~~

### **5.4 Asset Class Considerations**

Whilst the specific aspects and form of ESG integration and stewardship vary across asset classes, the overarching principles outlined in this policy are applied to all assets of Border to Coast. More information on specific approaches is outlined below.

## **5.1. 5.5 Listed equities (Internally managed)**

Border to Coast looks to understand and evaluate the ESG-related business risks and opportunities companies face. We consider the integration of ESG factors into the investment process as a necessary complement to the traditional financial evaluation of assets; this results in a more informed investment decision-making process. Rather than being used to preclude certain investments, it is used to provide an additional context for stock selection. It is an integral part of the research process and when considering portfolio construction, sector analysis and stock selection.

We use third-party ESG data and research from specialist providers alongside general stock and sector research. ESG factors are incorporated into analysis and research templates as part of the decision-making process. We consider the financial materiality of ESG factors, which will vary depending on the geography, industry and individual company. For companies subject to very severe controversies as defined by our third-party data provider, UN Global Compact breaches, with elevated ESG risk, or subject to securities litigation, a more detailed research and climate risk template is completed which is also used to inform engagement and voting. The RI team as subject matter experts support the portfolio managers, and the Head of RI works with colleagues to ensure they are knowledgeable and fully informed on ESG issues. Voting and engagement are also part of the investment process with information from engagement meetings shared with the team to increase and maintain knowledge, and portfolio managers involved in engagement meetings and the voting decision making process.

## **5.6 Fixed income**

ESG factors can have a material impact on the investment performance of bonds, both negatively and positively, at the issuer, sector and geographic levels. ESG analysis is therefore incorporated into the investment process for corporate and sovereign issuers to manage risk. The challenges of integrating ESG in practice are greater than for equities with the availability of data for some markets lacking.

Third-party ESG data is used along with information from sources including UN bodies, the World Bank and other similar organisations. This together with traditional credit analysis is used to determine a bond's credit quality. Information is shared between the equity and fixed income teams regarding issues which have the potential to impact corporates and sovereign bond performance.

The approach to engagement can also differ as engagement with sovereigns is much more difficult than with companies.

## **5.2. 5.7 Private markets**

ESG risk forms an integral part of the overall risk management framework for private market investment. An appropriate ESG strategy will improve downside protection and help create value in underlying portfolio companies. Border to Coast takes the following approach to integrating ESG into the private market investment process:

- The assessment of ESG issues is integrated into the investment process for all private market investments.

- A manager's ESG strategy is assessed through a specific ESG questionnaire agreed with the Head of RI and reviewed by the Alternatives investment team with support from the RI team as required.
- Managers are requested to complete an annual monitoring questionnaire which contains both binary and qualitative questions, enabling us to monitor several key performance indicators, including RI policies, people, and processes, promoting RI, RI-specific reporting and progress on measuring and reporting GHG emissions.
- Managers are requested to report annually on the progress and outcomes of ESG related values and any potential risks.
- Ongoing monitoring includes identifying any possible ESG breaches and following up with the managers concerned.
- Work with managers to improve ESG policies and ensure the approach is in-line with developing industry best practice.
- We engage in a range of industry initiatives which seek to improve transparency and disclosure of ESG and carbon data within private markets.

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### **5.4. 5.8 Real Estate**

Border to Coast manages Real Estate investments through both direct properties and indirect through investing in real estate funds. For real estate funds, a central component of the fund selection/screening process is an assessment of the General Partner and Fund/Investment Manager's Responsible Investment and ESG approach and policies.

A Responsible Investment framework has been developed for Real Estate to ensure the integration of ESG factors throughout the investment process. This covers the stages of selection, appointment and monitoring and a feedback loop to report performance and review processes. It includes pre-investment, post-acquisition and post-investment phases. An ESG scorecard has been developed tailored to the direct or indirect property fund, monitoring key performance indicators such as energy performance measurement, flood risk and rating systems such as GRESB (formerly known as the Global Real Estate Sustainability Benchmark), and BREEAM (Building Research Establishment Environmental Assessment



Method). For direct real estate, the RI Policy will be implemented through ESG strategies embedded into the asset management plans of individual properties; this is to ensure a perpetual cycle of review and improvement against measurable standards.

## **5.5. 5.9 Externally managed or selection Assets**

RI is incorporated into the external manager appointment process including the request for proposal (RFP) criteria and scoring and the investment management agreements. The RFP includes specific requirements relating to the integration of ESG by managers into the investment process which includes assessing and mitigating climate risk, and their approach to engagement. We expect to see evidence of how material ESG issues are considered in research analysis and investment decisions. Engagement needs to be structured with clear aims, objectives and milestones.

Voting is carried out by Border to Coast for both internally and externally managed equities where possible and we expect external managers to engage with companies in alignment with the Border to Coast RI Policy and to support our Net Zero commitment.

The monitoring of appointed managers also includes assessing stewardship and ESG integration in accordance with our policies. All external fund managers are expected to be signatories or comply with international standards applicable to their geographical location. We encourage managers to become signatories to the UN-supported Principles for Responsible Investment<sup>2</sup> ('PRI') and will consider the PRI assessment results in the selection and monitoring of managers. We also encourage managers to make a firm wide net zero commitment and to join ~~initiatives that drive industry wide collaboration on systemic issues~~ ~~the Net Zero Asset Manager initiative (NZAM) or an equivalent initiative~~. Managers are required to report to Border to Coast on their RI activities quarterly.

## **5.6. Climate change**

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<sup>2</sup> The UN-supported Principles for Responsible Investment (PRI) is the world's leading advocate for responsible investment enabling investors to publicly demonstrate commitment to responsible investment with signatories committing to supporting the six principles for incorporating ESG issues into investment practice.



~~facilities are located. A just transition involves minimising and managing social risks, seeking to maximise social opportunities, and a focus on the place based economic impacts of the transition to net zero. We expect companies to consider this social dimension in decarbonisation strategies and engage with companies, directly and through collaboration with other investors.~~

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~~Stewardship is an important element of meeting this goal and we engage with companies on climate related risks and opportunities and use our voting rights to hold boards to account.~~

~~Details on Border to Coast's approach to managing the risks and opportunities associated with climate change can be found in our Climate Change Policy on our website.~~

## 6. Stewardship

As a shareholder Border to Coast has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It practises active ownership through the full use of rights available including voting, monitoring companies, engagement and litigation, where appropriate. As a responsible shareholder, we are committed to being a signatory to the UK Stewardship Code<sup>3</sup> and were accepted as a signatory in March 2022. We are also a signatory to the PRI.

### 6.1. Voting

Voting rights are an asset and Border to Coast exercises its rights carefully to promote and support good corporate governance principles. It aims to vote in every market in which it invests where this is practicable. To leverage scale and for practical reasons, Border to Coast has developed a collaborative voting policy to be enacted on behalf of the Partner Funds which can be viewed on our [website](#). Where possible the voting policies are also be applied to assets managed externally. [Policies The Corporate Governance and Voting Guidelines](#) are reviewed annually in collaboration with the Partner Funds. There may be occasions when an individual Partner Fund may wish Border to Coast to vote its pro rata holding contrary to an agreed policy; there is a process in place to facilitate this. A Partner Fund wishing to diverge from this policy will provide clear rationale in order to meet the governance and control frameworks of both Border to Coast and, where relevant, the Partner Fund.

#### 6.1.1. Use of proxy advisors

Border to Coast use a Voting and Engagement provider to implement the set of detailed voting guidelines and ensure votes are executed in accordance with policies. Details of the third-party Voting and Engagement provider and proxy voting advisor are included in Appendix A.

A proxy voting platform is used with proxy voting recommendations produced for all meetings voted managed by the Voting & Engagement provider. The proxy voting advisor provides voting recommendations based upon Border to Coast's Corporate Governance & Voting Guidelines ('the Voting Guidelines'). A team of dedicated voting analysts analyse the merit of

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<sup>3</sup> The UK Stewardship Code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. <https://www.frc.org.uk/directors/corporate-governance-and-stewardship>

each agenda item to ensure voting recommendations are aligned with the Voting Guidelines. Border to Coast's Investment Team receives notification of voting recommendations ahead of meetings which are assessed on a case-by-case basis by portfolio managers and responsible investment staff prior to votes being executed. A degree of flexibility is required when interpreting the Voting Guidelines to reflect specific company and meeting circumstances, allowing the override of voting recommendations from the proxy adviser.

The Voting and Engagement provider evaluates its proxy voting agent at least annually, on the quality of governance research and the alignment of customised voting recommendations and Border to Coast's Voting Guidelines. This review is part of the control framework and is externally assured. Border to Coast also monitors the services provided monthly, with a six monthly and full annual review.

Border to Coast has an active stock lending programme. Where stock lending is permissible, lenders of stock do not generally retain any voting rights on lent stock. Procedures are in place to enable stock to be recalled prior to a shareholder vote. Stock is recalled ahead of meetings, and lending can also be restricted, when any, or a combination of the following, occur:

- The resolution is contentious.
- The holding is of a size which could potentially influence the voting outcome.
- Border to Coast needs to register its full voting interest.
- Border to Coast has co-filed a shareholder resolution.
- A company is seeking approval for a merger or acquisition.
- Border to Coast deems it appropriate.

Proxy voting in some countries requires share blocking. This requires shareholders who want to vote their proxies to deposit their shares before the date of the meeting (usually one day after cut-off date) with a designated depository until one day after the meeting date.

During this blocking period, shares cannot be sold; the shares are then returned to the shareholders' custodian bank. We may decide that being able to trade the stock outweighs the value of exercising the vote during this period. Where we want to retain the ability to trade shares, we may refrain from voting those shares.

Where appropriate Border to Coast considers co-filing shareholder resolutions and notifies Partner Funds in advance. Consideration is given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

## 6.2. Engagement

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.

~~The best way to influence companies is through engagement; therefore, Border to Coast will not divest from companies principally on social, ethical or environmental reasons. As responsible investors, the approach taken is to influence companies' governance standards,~~

~~environmental, human rights and other policies by constructive shareholder engagement and the use of voting rights.~~

The services of specialist providers may be used when necessary to identify issues of concern. Meeting and engaging with companies are an integral part of the investment process. As part of our stewardship duties, we monitor investee companies on an ongoing basis and take appropriate action if investment returns are at risk. Engagement takes place between portfolio managers and investee companies across all markets where possible.

Border to Coast has several approaches to engaging with investee holdings:

- Border to Coast ~~and all eleven Partner Funds are~~ is a members of the Local Authority Pension Fund Forum ('LAPFF'). Engagement takes place with companies on behalf of members of the Forum across a broad range of ESG themes.
- We seek to work collaboratively with other like-minded investors and bodies in order to maximise Border to Coast's influence on behalf of Partner Funds, particularly when deemed likely to be more effective than acting alone. This is achieved through actively supporting investor RI initiatives and collaborating with various other external groups e.g. LAPFF, the Institutional Investors Group on Climate Change, other LGPS pools and other investor coalitions.
- Due to the proportion of assets held in overseas markets it is imperative that Border to Coast is able to engage meaningfully with global companies. To enable this and complement other engagement approaches, Border to Coast use an external Voting and Engagement service provider. We provide input into new engagement themes which are considered to be materially financial, selected by the external engagement provider on an annual basis, and also participate in some of the engagements undertaken on our behalf.
- Engagement takes place with companies in the internally managed portfolios with portfolio managers and the Responsible Investment team engaging directly across various engagement streams; these cover environmental, social, and governance issues as well as UN Global Compact<sup>4</sup> breaches or OECD Guidelines<sup>5</sup> for Multinational Enterprises breaches.
- We expect external managers to engage with investee companies and bond issuers as part of their mandate on our behalf and in alignment with our RI policies. We recognise the importance of engaging directly with our external managers to support the development and improvement of their own stewardship practices. This includes encouraging stronger ESG integration, more effective engagement strategies, and transparent reporting on stewardship outcomes.

Engagement conducted with investee holdings can be broadly split into two categories: engagement based on financially material ESG issues, or engagement based on (potential)

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<sup>4</sup> UN Global Compact is a shared framework covering 10 principles, recognised worldwide and applicable to all industry sectors, based on the international conventions in the areas of human rights, labour standards, environmental stewardship and anti-corruption.

<sup>5</sup> OECD Guidelines for Multinational Enterprises are recommendations providing principles and standards for responsible business conduct for multinational corporations operating in or from countries adhering to the OECD Declaration on International and Multinational Enterprises.

violations of global standards such as the UN Global Compact or OECD Guidelines for Multinational Enterprises.

When engagement is based on financially material ESG issues, engagement themes and companies are selected in cooperation with our engagement service provider based on an analysis of financial materiality. Such companies are selected based on their exposure to the engagement topic, the size and relevance in terms of portfolio positions and related risk.

For engagement based on potential company misconduct, cases are selected through the screening of news flows to identify breaches of the UN Global Compact Principles or OECD Guidelines for Multinational Enterprises. Both sets of principles cover a broad variety of basic corporate behaviour norms around ESG topics. Portfolio holdings are screened on the validation of a potential breach, the severity of the breach and the degree to which management can be held accountable for the issue. For all engagements, SMART<sup>6</sup> engagement objectives are defined.

In addition, internal portfolio managers and the Responsible Investment team monitor holdings which may lead to selecting companies where engagement may improve the investment case or can mitigate investment risk related to ESG issues. Members of the Investment Team have access to our engagement provider's thematic research and engagement records. This additional information feeds into the investment analysis and decision making process.

We encourage companies to improve disclosure in relation to ESG and to report and disclose in line with the TCFD recommendations.

As a responsible investor we also engage with regulators, public policy makers, and other financial market participants on systemic risks to help create a stable environment to enhance long-term returns.

### 6.2.1. Engagement themes

Recognising that we are unable to engage on every issue, we focus our efforts on areas that are deemed to be the most material to our investments - our key engagement themes. These are used to highlight our priority areas for engagement which includes working with our Voting and Engagement provider and in considering collaborative initiatives to join. We do however engage more widely via the various channels including LAPFF and our external managers.

Key engagement themes are reviewed on a three yearly basis using our Engagement Theme Framework. There are three principles underpinning this framework:

- that progress in the themes is expected to have a material financial impact on our investment portfolios in the long-term;
- that the voice of our Partner Funds should be a part of the decision; and
- that ambitious, but achievable milestones can be set through which we can measure progress over the period.

When building a case and developing potential new themes we firstly assess the material ESG risks across our portfolios and the financial materiality. We also consider emerging ESG issues and consult with our portfolio managers and Partner Funds. The outcome is for the key themes

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<sup>6</sup> SMART objectives are: specific, measurable, achievable, relevant and time bound.

to be relevant to the largest financially material risks; for engagement to have a positive impact on ESG and investment performance; to be able to demonstrate and measure progress; and for the themes to be aligned with our values and important to our Partner Funds.

The key engagement themes following the 2021 review are:

- Low Carbon Transition
- Diversity of thought
- Waste and water management
- Social inclusion through labour management

### 6.2.2. Escalation

Border to Coast believes that engagement and constructive dialogue with the companies in which we invest is more effective than excluding companies. If engagement does not lead to the desired result, Border to Coast will escalate engagement when required, including holding the board of directors and individual directors to account, which we believe to be the most effective consequence of an inadequate response.

The board is responsible for setting the company's strategy, overseeing risk, and for exercising accountability to shareholders. Companies whose boards are not responsive to shareholders may struggle to protect long-term value effectively. Votes against directors can demonstrate that a board is out of step with shareholders and may have tangible consequences for individuals, which can include potential removal from the board, reduced compensation, limited committee assignments, and fewer directorships at other firms.

- A lack of responsiveness to engagement by a company can result in:
- conducting collaborative engagement with other institutional shareholders.
- writing to the chair of the board or director with oversight responsibility for the issue under engagement.
- registering concern by voting on related agenda items at shareholder meetings.
- registering concern by voting against the re-election of the chair of the board, or the chair or members of the committee with the closest oversight responsibilities.
- attending a shareholder meeting in person.
- making public statements.
- publicly pre-declaring our voting intentions ahead of AGMs.
- filing/co-filing shareholder resolutions.

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.

Border to Coast will also escalate engagement on a sector basis, particularly where systemic and portfolio risks are concentrated, and the sector has been subject to significant collaborative

engagement over a prolonged period. Sector engagement escalation includes strengthening the voting policy specifically for that sector and public pre-declaration of votes against management for companies in that sector.

~~Border to Coast believe that engagement and constructive dialogue with the companies in which it invests is more effective than excluding companies from the investment universe. However, if engagement does not lead to the desired result escalation may be necessary. A lack of responsiveness by the company can be addressed by conducting collaborative engagement with other institutional shareholders, registering concern by voting on related agenda items at shareholder meetings, attending a shareholder meeting in person, making a public statement, publicly pre-declaring our voting intention, and filing/co-filing a shareholder resolution. If the investment case has been fundamentally weakened, the decision may be taken to sell the company's shares.~~

### 6.2.3 Exclusions

~~We believe that using our influence through ongoing engagement with companies, rather than divestment, drives positive outcomes. This is fundamental to our responsible investment approach. Our investment approach is not to divest or exclude entire sectors, however there may be specific instances when we will look to sell or not invest in some industries based on investment criteria and, the investment time horizon, and the likelihood for success in influencing company strategy and behaviour.~~

When considering whether a company is a candidate for exclusion, we do so based on the associated material financial risk of a company's business operations and whether we have concerns about its long-term viability. We initially assess the following key financial risks:

- regulatory risk
- litigation risk
- reputational risk
- social risk
- environmental risk

#### **Thermal coal and oil sands:**

Using these criteria, due to the potential for stranded assets and the significant carbon emissions of certain fossil fuels, we will not invest in public or private market companies ~~or illiquid assets~~ with more than 25% of revenues derived from the extraction of thermal coal and oil sands, unless there are exceptional circumstances. We will continue to monitor companies with such revenues for increased potential for stranded assets and the associated investment risk which may lead to the revenue threshold decreasing over time.



We will exclude public market companies in developed markets with >2550% revenue derived from thermal coal power generation. For public market companies in emerging markets the revenue threshold is >5079%, this is to reflect our support of a just transition towards a low-carbon economy which should be inclusive and acknowledge existing global disparities. We recognise that not all countries are at the same stage in their decarbonisation journey and need to consider the different transition timelines for emerging market economies. We will assess the implications of the exclusion policy and where we consider it appropriate, may operate exceptions.

Any public market companies excluded will be reviewed with business strategies and transition plans assessed for potential reinstatement.

### **Controversial weapons:**

Certain weapons are considered to be unacceptable as they may have an indiscriminate and disproportional impact on civilians during and after military conflicts. Several International Conventions and Treaties have been developed intended to prohibit or limit their use. We will therefore not invest in companies contravening the Anti-Personnel Landmines Treaty (1997), Chemical Weapons Convention (1997), the Biological Weapons Convention (1975), and the Convention on Cluster Munitions (2008). It is illegal to use these weapons in many jurisdictions,

and in some countries legislation also prohibits the direct and indirect financing of these weapons. Therefore, as a responsible investor we will not invest in the following, where public and private market companies are contravening the above treaties and conventions:

- Companies where there is evidence of manufacturing such whole weapons systems.
- Companies manufacturing components that were developed or are significantly modified for exclusive use of such weapons.

~~Companies that manufacture "dual-use" components, such as those that were not developed or modified for exclusive use in cluster munitions, will be assessed and excluded on a case-by-case basis.~~

Dual-use components, in the context of controversial weapons, refer to goods or technologies that have the potential for both civilian and military applications. Where our screening identifies companies potentially involved in the manufacture of such components used in controversial weapons, we will endeavour to assess whether credible evidence supports such a link.

We seek to apply our screening approach in private markets where practicable. However, we recognise that, due to limited disclosure and less accessible information on business involvement, de minimis exposure may occur.

Restrictions relate to the corporate entity only and not any affiliated companies.

Any companies excluded will be monitored and assessed for progress and potential reinstatement at least annually. We aim to implement our exclusion list promptly and efficiently. However, short-term holdings may arise due to timing gaps between list updates and application, fund transitions, or legacy positions. These holdings are not intentional and are managed to ensure alignment as soon as is practicable with our exclusion policies.



### 6.3. Due diligence and monitoring procedure

Internal procedures and controls for stewardship activities are reviewed by Border to Coast's external auditors as part of the audit assurance (AAF) control review. The external Voting and Engagement provider is also monitored and reviewed by Border to Coast on a regular basis to ensure that the service level agreement is met.

The Voting and Engagement provider also undertakes verification of its stewardship activities and the external auditor audits stewardship controls on an annual basis; this audit is part of the annual International Standard for Assurance Engagements control.

## 7. Litigation

Where Border to Coast holds securities, which are subject to individual or class action securities litigation, where appropriate, we participate in such litigation. There are various litigation routes available dependent upon where the company is registered. We use a case-by-case approach to determine whether or not to participate in a class action after having considered the risks and potential benefits. We work with industry professionals to facilitate this.

## 8. Communication and reporting

Border to Coast is transparent with regard to its RI activities and keeps beneficiaries and stakeholders informed. This is done by making publicly available RI and voting policies; publishing voting activity on our [website](#) quarterly; reporting on engagement and RI activities to the Partner Funds quarterly, and in our annual RI and Stewardship report.

We also report in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and provide an annual progress report on the implementation of our Net Zero Plan.

## 9. Training and ~~assistance~~ Support

Border to Coast offers the Partner Funds training on RI and ESG issues. Where requested, ~~assistance~~ support is given on identifying ESG risks and opportunities in order to help develop individual fund policies and investment principles for inclusion in the Investment Strategy Statements.

The Investment Team receive training on RI and ESG issues with ~~assistance and~~ input from ~~our Voting & Engagement Partner~~ the RI team and other experts where required. Training is also provided to Border to Coast colleagues, the Board and the Joint Committee as and when required.

## 10. Conflicts of interest

Border to Coast has a suite of policies which cover any potential conflicts of interest between itself and the Partner Funds which are applied to identify and manage any conflicts of interest, this includes potential conflicts in relation to stewardship.

**Appendix A: Third-party Providers**

Voting and Engagement provider	Robeco Institutional Asset Management BV	June 2018 - Present
Proxy advisor	Glass Lewis	June 2018 - Present