

Border to Coast Pensions Partnership

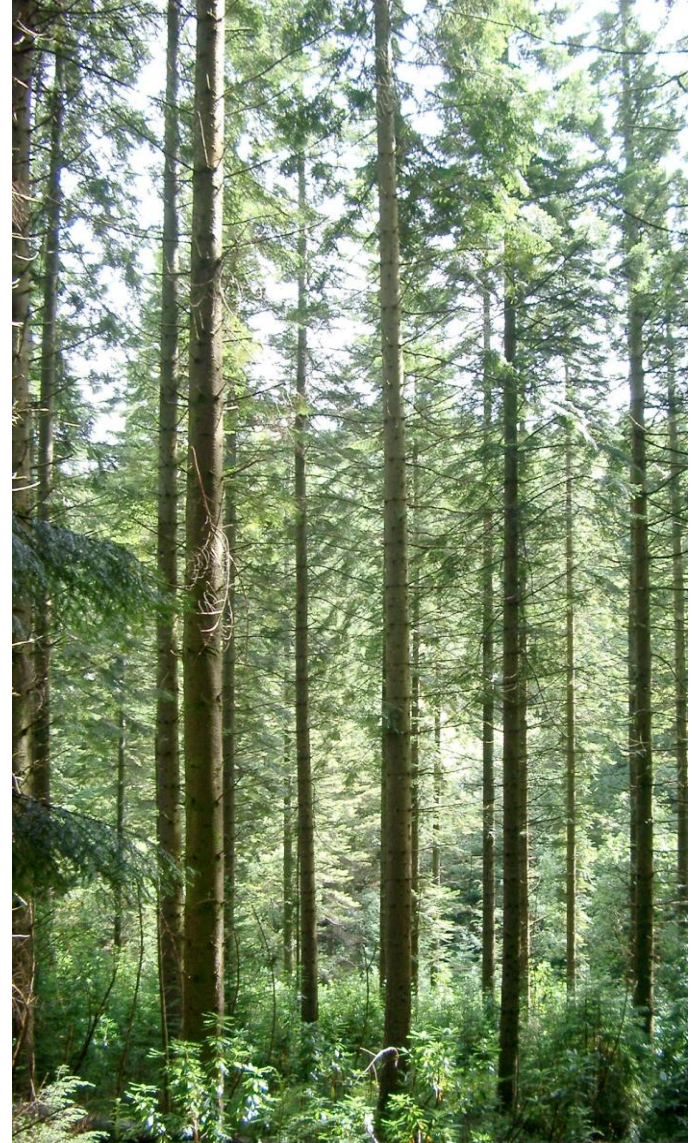
Quarterly
Stewardship
Newsletter

Q1 2020



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What Responsible Investment Means To Us

Sustainability

Border to Coast takes a holistic approach to sustainability and as such it is at the core of our corporate and investment thinking. We are a strong advocate of Responsible Investment (RI) and believe that businesses that are governed well and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors.

Active Ownership

As a long-term investor and representative of asset owners, we practice active ownership by holding companies and asset managers to account on environmental, societal and governance (ESG) issues that have the potential to impact corporate value. We also use our shareholder rights by voting at company meetings, monitoring companies, engagement and litigation.

Our approach to RI and stewardship is set out in our [RI Policy](#) and the [Corporate Governance & Voting Guidelines](#), both of which can be viewed [on our website](#). The aim is to manage risk and generate the sustainable, long-term returns which are a key part of making a difference to our Partner Funds and delivering their objectives.

What we've been doing this quarter

In January we appointed PIMCO as the core manager for our multi-asset credit (MAC) fund which is expected to launch in early 2021. The fund will sit within Border to Coast's fixed income fund range, constructed with a core-satellite structure consisting of a series of complementary single asset class specialists alongside PIMCO.

This quarter, Border to Coast's Head of Responsible Investment, Jane Firth, presented at two of our Partner Funds, North Yorkshire and Teesside, Pensions Committees on our responsible investment strategy. We also held an RI Workshop for the Joint Committee in March, which focused on the UK Stewardship Code, diversity and climate transition.

In March we submitted our first annual reporting to the Principles for Responsible Investment (PRI). Although voluntary for us this year, we believe the process will help us before reporting becomes mandatory in 2021.

Jane Firth took part in a panel at the eVestment Conference. The session titled 'The Many Faces of ESG' looked at how investment managers are integrating ESG

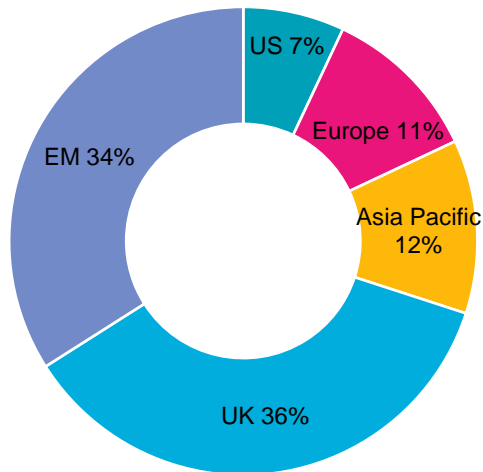


Throughout the quarter Border to Coast representatives attended and participated at a number of other PRI's conferences and RI events including the PRI's UK Forum, the first Local Authority RI seminar, the Cross Pool RI Group, 30% Club Investor Group quarterly call and the RI Roundtable.

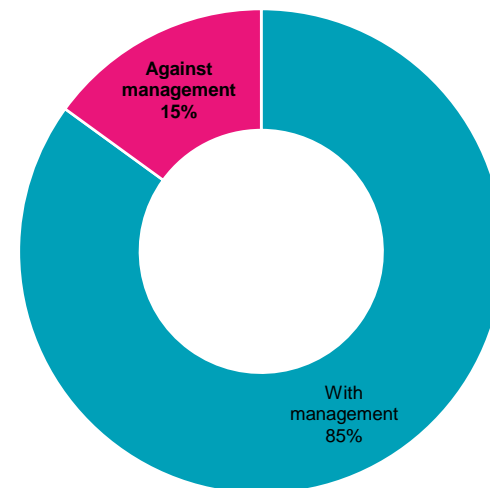
Voting Activity Q1 2020

In Q4 2019 we voted at 107 meetings on 1,337 agenda items. We voted against management at 70% of meetings on at least one resolution. This quarter would normally be peak AGM voting season but due to coronavirus we have seen AGM postponements and, due to social distancing, a move towards companies holding virtual AGMs instead. It is important that institutional investors continue to hold companies to account in this time of crisis; as a responsible investor we will support boards and management teams who reflect the long-term in their decision making.

Shareholder meetings voted by region



Resolutions voted with/against management



Emerging voting issues in Q1 2020

Impact of Coronavirus on AGMs

As companies attempt to come to grips with the new reality of a coronavirus pandemic, annual general shareholder meetings (AGMs) are being postponed, cancelled, or revamped.

While many companies are making that choice individually, in some markets regulators have already given their blessing for full AGM seasons to take place later in the year. Italy and the Netherlands will likely see much of the AGM activity concentrate around June, rather than April and May.

These revised timelines are bringing some challenges of their own. A more concentrated season can mean less time to analyse important proposals at AGMs and to engage with issuers. Other shareholder meetings have moved online. Virtual meetings can have advantages, such as reduced costs, and better accessibility for shareholders. However, even

though more shareholders can tune in, the quality of debate can suffer drastically. The largest concern is an inability to ask questions or the board cherry-picking comments to respond to. Some best practices have emerged, such as opening a forum ahead of time for shareholders to submit queries.

On the other end of the spectrum, some companies have simply streamed a video link on the internet. A shareholder meeting that shareholders are not invited to and does not give them a voice can hardly be described as such.

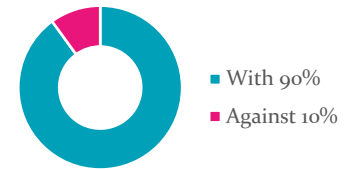
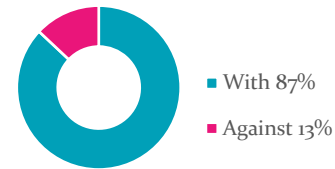
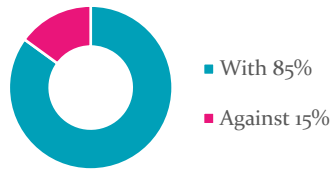
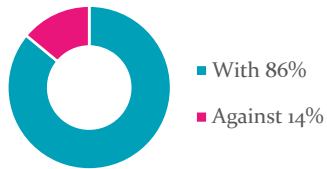
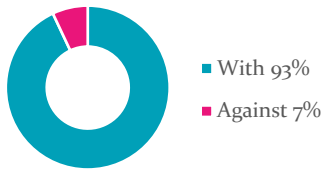
In these circumstances, companies should be given some leeway to minimise disruption and protect the health and safety of employees and shareholders. But the way in which companies respond draws our attention once more to the importance of the annual general meeting, which helps maintain board accountability to shareholders.



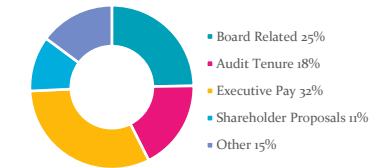
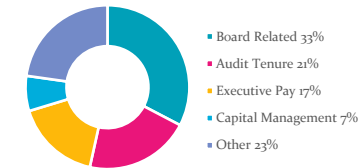
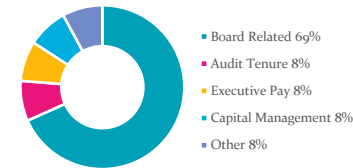
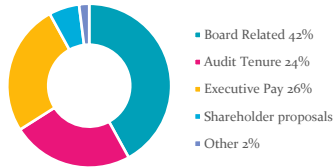
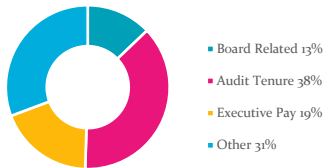
Quarterly Votes by Fund

UK Listed Equity		Overseas Developed		Emerging Markets		UK Equity Alpha		Global Equity Alpha	
Meetings:	14	Meetings:	53	Meetings:	16	Meetings:	29	Meetings:	24
Items Voted:	235	Items Voted:	643	Items Voted:	87	Items Voted:	471	Items Voted:	309

Votes with/against management



Resolutions against by category



Q1 2020 Voting Highlights



SAMSUNG

Samsung Electronics

At the 2020 AGM, we **supported the election of a new independent Chairman**. This follows a relatively high turnover in board members in recent years. Most recently, the former Chair of the Board resigned from their role after just two months after being found guilty of 'union sabotage'. Although there were some questions raised over the incoming Chair's independence, engagement with Samsung addressed these concerns. 95% of shareholders supported the resolution.



Apple Inc

At the 2020 AGM, we **supported a shareholder resolution that requested Apple to uphold freedom of expression globally**. More specifically it asked Apple to be more transparent on how it responds to the Chinese Government's demand to restrict certain apps. The US Securities and Exchange Commission denied Apple's request to block the resolution and it received more than 40% of votes in favour.



VISA

Visa Inc

In January 2020, we **voted against** the advisory vote on Executive Compensation (say-on-pay). Despite good financial performance in the preceding year we found that the total quantum was excessive. Secondly the compensation plan did not meet best practice in terms of the long-term incentive plan (LTIP). 5.5% of shareholders voted against the resolution.

Engagement Q1 2020

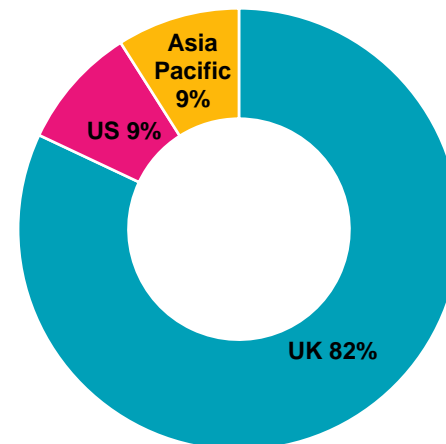
We believe that engagement is an important component of active ownership. Our engagement strategy includes several different strands to engaging with our investee companies:

- Our internal portfolio managers engage directly with companies within their portfolios.
- External managers engage with companies on our behalf (see pages 11 & 12).
- Robeco as voting and engagement service provider engage on our behalf with companies held in internally managed sub-funds across a number of engagement themes globally (see page 10).
- LAPFF conducts company engagement on behalf of its members on a wide range of issues (see page 13).
- We believe that we can increase our voice when working with other like-minded shareholders and have joined a number of RI initiatives compatible with our aims and beliefs.

Border to Coast engagement with investee companies

Our Portfolio Managers meet companies on a regular basis and address ESG issues where relevant. We met with 34 companies during the quarter. Dialogue was via a combination of face to face meetings and conference calls to discuss issues such as business strategy, environmental performance and succession planning.

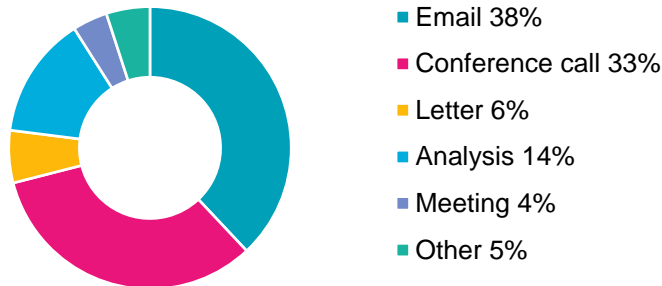
Q1 - Engagement by region



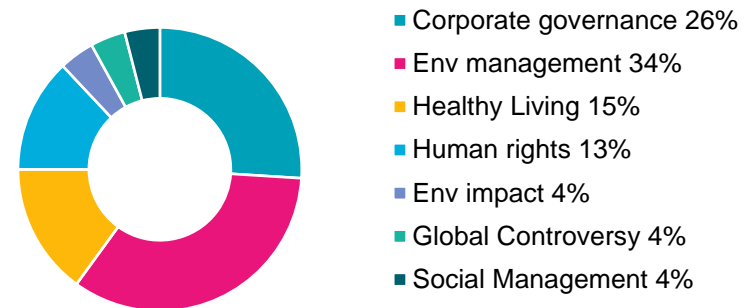
Robeco Engagement – Q1 2020

Robeco engages with companies on our behalf across all of the internally managed sub-funds. Over the quarter Robeco conducted 103 engagements with 71 companies. These took place by letter, meetings, conference call and email. Robeco's engagement is covered in greater detail in their Active Ownership Client Report Q1 2020, which can be found on our website.

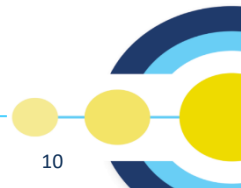
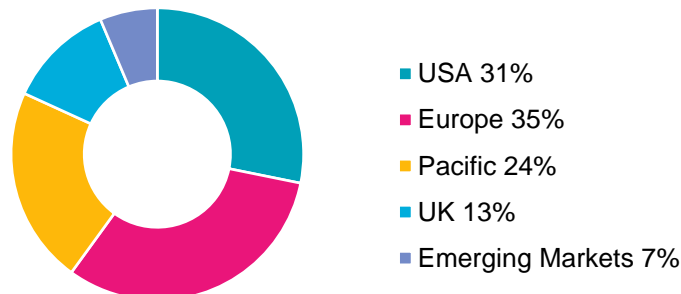
Company Engagement Activities



Engagement Overview by Topic



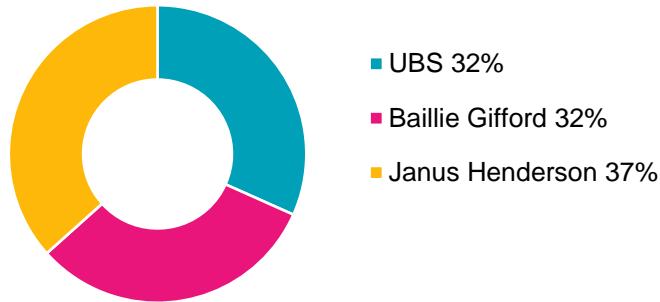
Engagement by Region



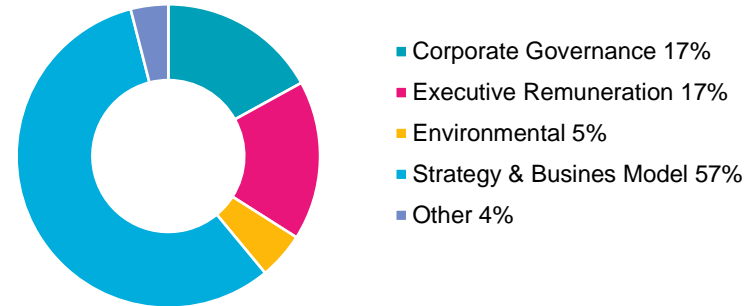
UK Equity Alpha Engagement Q1 2020

During the quarter our three external managers held engagement meetings with 19 companies. Meetings were held with company chairs, senior non-executive directors via calls, meetings and collective engagement. A broad range of topics were covered including strategy and business models, corporate governance and executive remuneration.

Q1 2020 - Engagement by Manager



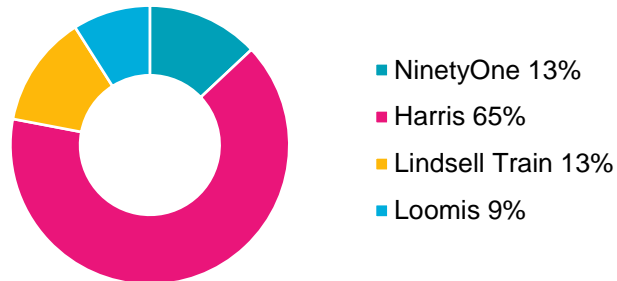
Q1 2020 - Engagement by Topic



Global Equity Alpha Engagement Q1 2020

During the quarter our four external managers held engagement meetings with 23 companies. Meetings were held with company chairs, senior non-executive directors via calls, meetings and collective engagement. A broad range of topics were covered including corporate governance, remuneration and environmental risk.

Q1 - 2020 Engagement by Manager



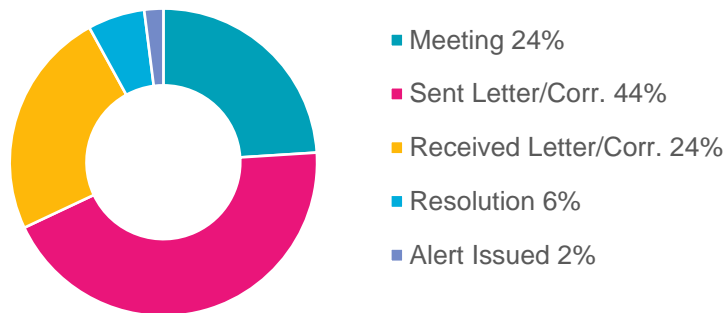
Q1 - 2020 Engagement by Topic



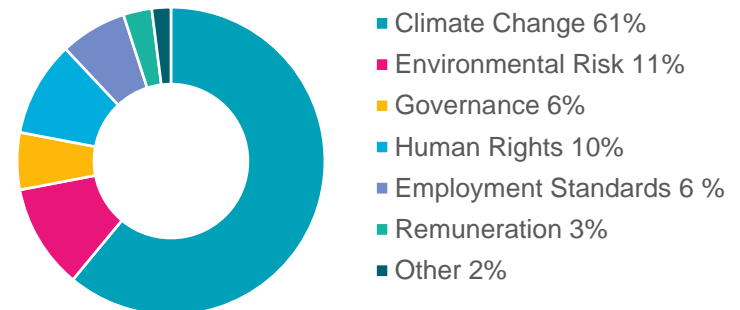
LAPFF Engagement – Q1 2020

LAPFF conducts company engagement on behalf of its members, LGPS and public sector funds, on a wide range of issues. LAPFF engaged with 62 companies over the quarter by a combination of letters and meetings. Issues engaged on included human rights, climate change, general governance and environmental risk.

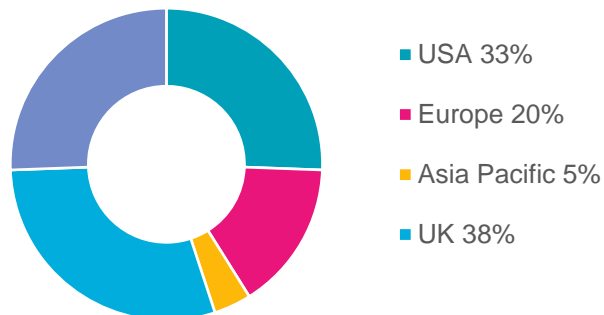
Company Engagement Activities



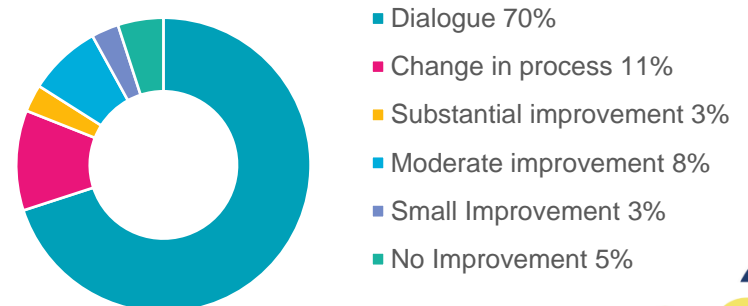
Engagement Overview by Topic



Engagement by Region



Engagement Outcomes



Engagement – RI Collaborations

Investor Mining and Tailings Safety Initiative

As of 31st March 2020, 45 of the top 50 mining companies have made public disclosures in response to the letter sent in April 2019. All 23 ICMM members have responded and over 84% of the industry by market capitalisation have disclosed. A collaboration of investors supporting the initiative is engaging with non-responders to encourage disclosure and Border to Coast are part of this group.

A further Global Tailings Summit was held in London, on the anniversary of the Brumadinho disaster in Brazil. Communities affected spoke to the event. The Global Tailings Portal, a central independent global database, was also publicly launched.

A joint statement was made by LAPFF supported by the PRI which announced the commitment of a high-level delegation to visit Brazil later in 2020.



The Workforce Disclosure Initiative (WDI) was launched by ShareAction to improve data disclosure from companies on human capital management. This is an area where investors need better data to be able to assess any potential risks within investee companies, especially now as company responses to the Covid-19 crisis are varied.

The pilot year survey in 2017 was sent to the FTSE 50 plus 25 global mega cap companies. In 2019, the initiative's third year, 750 companies were contacted with 118 responses.

Interaction and engagement with companies has increased over the time the initiative has been running, as companies realise the importance of disclosing workforce data. The WDI is in the process of relaunching as a fee-paying initiative and will send out this year's survey to 750 companies in July 2020.

External Collaboration

ROBECO The Investment Engineers

Robeco is our voting and engagement partner. They work on ESG issues with the companies we hold, and vote on our behalf. This allows us to better fulfil our stewardship objective to be an active shareholder.

Partnerships allow us to collaborate with like-minded investors and bodies to create a stronger voice on ESG issues. We work with a number of RI partnerships which support our ESG areas of focus.

IIGCC

Institutional Investors Group on Climate Change

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Climate Action 100+
Global Investors Driving Business Transition

Investor Mining and Tailings Safety Initiative



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Useful links

[Border to Coast website](#)

[LAPFF](#)

[IIGCC](#)

[30% Club](#)

[Climate Action 100+](#)

[TCFD](#)

[Workforce Disclosure Initiative](#)

[Investor Mining and Tailings Safety Initiative](#)

[Transition Pathway Initiative](#)