NET ZERO IMPLEMENTATION PLAN

BORDER TO COAST

OCTOBER

2022

Lincolnshire

BORDER TO COAST PENSIONS PARTNERSHIP

EXECUTIVE SUMMARY

ASSET COVERAGE

The emission reduction targets outlined in this implementation plan cover all our listed equity and a proportion of our fixed income assets. We will continue to work with industry to improve data and methodologies across asset classes, enabling us to expand the scope of assets covered in the coming years.

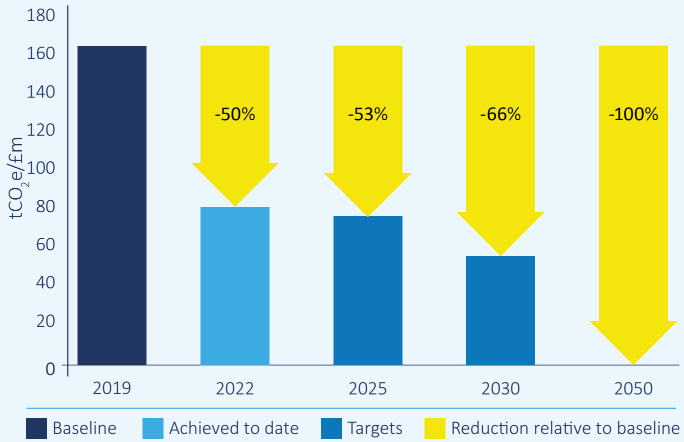
60%
of our assets under management covered

40%
We will continue to work to bring the remaining assets into scope

OUR TARGETS

Achieving Net Zero will not happen overnight. It requires consistent work to make a reality. To date, we have reduced emissions by 50% on 2019 levels, and we have set interim emission reduction targets to ensure our progress is measurable and accountable.

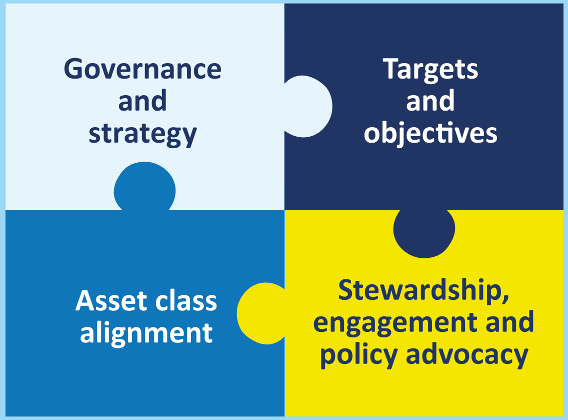
Border to Coast Normalised Financed Emissions



We strongly believe engagement drives positive outcomes. To help us achieve our targeted emission reductions we have also set engagement and alignment targets to ensure our portfolio companies have credible, science-based climate change strategies. By 2030, we aim to engage with 100% of companies in scope, helping ensure 100% of assets are aligned to a Net Zero pathway by 2040.

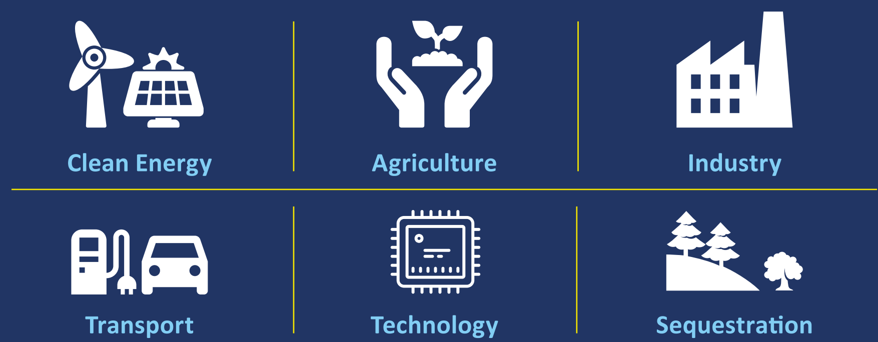
OUR FOUR PILLARS

Our implementation plan sets out the four pillars of our approach. Success across each pillar will best enable us to implement the changes needed.



INVESTING IN CLIMATE SOLUTIONS

Innovative solutions will be required to meet global Net Zero ambitions. Alongside driving emission reductions in our portfolios, we will seek to increase opportunities for our Partner Funds to invest in climate solutions – supporting the development of new technologies to accelerate the low-carbon transition.



FOREWORD CHIEF EXECUTIVE OFFICER

Climate change is an existential threat to societies across the world.

Consistent and co-ordinated action by multiple stakeholders is needed to reduce greenhouse gas emissions, to help those already impacted by climate change, and to provide the finance to help companies and countries deliver on their climate goals. Representing asset owners with c.£60bn of investments, Border to Coast has a key role in managing the impact of climate change on the investment outcomes for our Partner Funds, and by doing so support the essential investment needed to drive the transition to a low-carbon future.

For the Local Government Pension Scheme (LGPS), where the investment outlook stretches all the way into the next century, the risks posed to the future sustainability of our Partner Funds and their ability to deliver for members is not a problem for tomorrow but for today. To address and mitigate the risks posed to our Partner Funds, of which climate change is one, we embedded responsible investment into the core of our investment approach from day one. Our long-term outlook is also why we pledged in September 2021 to achieve net zero emissions by 2050 or sooner.

Over the last year, we have considered how we will deliver on this commitment. Our plan is detailed in this report.

We haven't stood still. Alongside our longer-term plans, we have continued our active work to manage the risks of climate change and deliver opportunities for our Partner Funds to commit capital to support the global energy transition. To date we have published and implemented a standalone Climate Change Policy, which clarified and strengthened our voting approach towards portfolio companies that fail to make progress to Net Zero. As an active steward of assets, we have joined a collaboration of investors with £400bn of investments committed to ensuring that emerging markets are not left behind and can join the vital low-carbon transition. And we have launched a £1.35bn Climate Opportunities investment programme to proactively seek out and support private market developments that will drive decarbonisation and help find solutions to the climate crisis.

We have made good progress – but this is not a simple or short journey. There continues to be significant challenges – ranging from the availability and robustness of asset class data, to clear and consistent action from policymakers, and commitment and action from businesses and civil society. However, these challenges must not be an excuse for inaction. Working in collaboration across the LGPS and with like-minded investors, together, we can make a difference.

Rachel Elwell
CEO

South Yorkshire

INTRODUCTION

Warwickshire

INTRODUCTION

Climate change is a systemic threat, and we are already witnessing the effects of global warming around the world. COP26, held in 2021, aimed to keep alive the goal of limiting the rise in global temperature to 1.5°C with the signing of the Glasgow Climate Pact and with it, the hope of limiting the damage of climate change.

Science tells us that reaching Net Zero greenhouse gas emissions globally by 2050 is crucial, and everyone has a part to play in ensuring the goal is met.

As a long-term investor on behalf of the LGPS, our outlook stretches across decades. We are a customer-owned, customer-focused organisation with the needs of the LGPS at the heart of all we do.

As outlined in our Stewardship Report, integrating environmental, social and governance (ESG) factors into our investment process helps us identify broader risks, which we believe leads to more informed investment decisions and improved risk adjusted returns.

The financial and geographical risks of climate change could impact our ability to deliver on our purpose to make a difference, and limit Partner Funds' ability to pay the pensions of more than a million people.

The global transition to low-carbon economies, vital to achieving Net Zero goals, will require significant investment.

We are one of the largest LGPS pools in the UK, responsible for managing £38.3bn of assets (as at 31 March 2022). Our scale and capabilities mean we are well equipped to direct support to the necessary decarbonisation efforts to help cut emissions, develop greener solutions to common problems, and take a long-term view.

Founded to provide asset management services to our Partner Funds, in 2021 we became a signatory to the Net Zero Asset Managers initiative (NZAM), pledging to decarbonise our investment portfolios by 2050 or sooner and aligning with global Net Zero goals. In practice, this means we aim to reduce the emissions within our portfolios to as close to zero as possible over time and in a way that results in a just transition. We will then compensate for any remaining emissions by investing in negative emission activities such as afforestation. It marks the next step on our journey to contributing to a more sustainable future.

This document sets out the four pillars of our approach: governance and strategy, targets and objectives, asset class alignment, and stewardship and engagement. We believe success across these four elements will best enable us to achieve the change needed.

Given the scale of the Net Zero challenge we face, collaboration will be essential. We will work together with our Partner Funds, external managers, the investment industry, and wider initiatives with the ultimate goal of reducing real-world emissions so that we can continue to deliver real-world value for the LGPS.

Find out more:
bordertocoast.org.uk

GOVERNANCE AND STRATEGY

South Yorkshire

GOVERNANCE AND STRATEGY

Summary

- Managing climate risk is important if we are to deliver on our purpose of making a difference for the LGPS. We have therefore made a commitment to achieve Net Zero carbon emissions by 2050 or sooner. Reducing emissions is critical to our ability to manage climate risk.
- This is a strategic priority approved by the Board. The governance and responsibility for achieving Net Zero emissions runs through the organisation, overseen via our Investment Committee.
- Given the scale of the issue, collaboration and innovation across the investment industry and beyond will be required to reach Net Zero. This is an important pillar of our strategy.

Strategy and ambition

Supporting the global goal of reducing carbon emissions is a strategic priority for Border to Coast. We became a member of the Institutional Investors Group on Climate Change (IIGCC) and a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) in 2018, a signatory to the UN Principles for Responsible Investment (PRI) in 2019, and signatories of the NZAM initiative in November 2021.

As an NZAM signatory we committed to sharing an implementation plan within 12 months of our Net Zero pledge which describes how we will achieve our goal. The detail of this plan is set out in the body of this report.

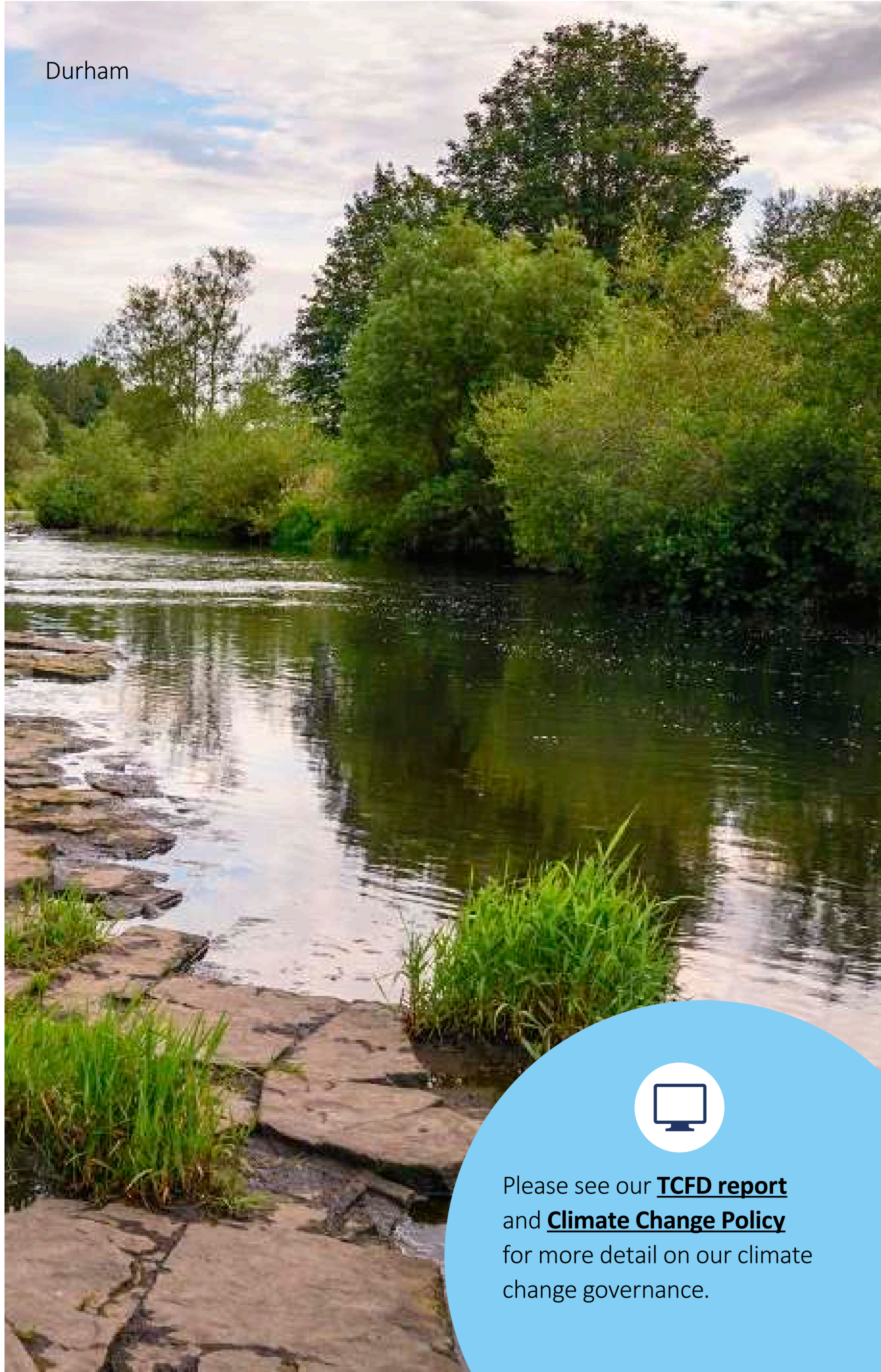
Our commitment to Net Zero is about collaborating with our Partner Funds, external fund managers and the wider investment industry to play an active role in driving positive change and innovation with real world impact. Engaging with wider stakeholders has always been part of our Responsible Investment strategy: from discussing decisions with our Partner Funds to engaging with external managers, regulators and policymakers and joining collective engagement initiatives.

This approach will continue within our Net Zero strategy as we aim to work with key stakeholders, including portfolio companies, to reduce real-world emissions. Our ambition is to ensure Partner Funds can implement their investment strategies confident in the knowledge that our investment portfolios are resilient, aligned to global climate goals, and whose portfolio companies are compatible with a low-carbon economy.

Given the long-term nature of our portfolios, this will in turn deliver long-term value to our Partner Funds and their beneficiaries.

Roles and responsibilities

Given its strategic importance to Border to Coast, the Board determines the company's overall strategy for climate change and, with support from the Board Risk Committee, more broadly oversees the identification and management of risk and opportunities. The Board is responsible for the overarching oversight of climate-related considerations as part of its remit with respect to Border to Coast's management of investments.



Durham

Please see our **TCFD report** and **Climate Change Policy** for more detail on our climate change governance.

Governance and strategy continued

Updates on Responsible Investment are presented to the Board at regular intervals, including activities relating to climate change. The Board has approved the Climate Change Policy and this Net Zero Implementation Plan and will approve future published reports on our progress towards our targets.

The Chief Investment Officer is responsible for the implementation and management of both the Climate Change (including this plan) and Responsible Investment policies, with oversight from the Investment Committee, which is chaired by the Chief Executive Officer.

The Investment Team, which includes a dedicated Responsible Investment Team, works to identify and manage environmental, social and governance (ESG) risks and opportunities, including climate change. We are on the front foot with UK, European and global climate change regulation, scanning the horizon for future regulation and actively participating in discussions around future climate policy and legislation through our membership of industry bodies.

Border to Coast's Responsible Investment Policy involves practising active stewardship to engage with companies on ESG factors, including climate-related issues, as well as screening portfolios and incorporating screening findings into investment decision making. Climate change is one of our Responsible Investment priorities. The principles set out in our Responsible Investment and Climate Change policies are key to engaging with companies to meet our Net Zero goals. We recognise this field is continuously evolving, therefore we continue to develop our policy and approach to climate change, including working closely with our Partner Funds to promote a joined-up approach between strategy and implementation.

BECOMING A NET ZERO COMPANY

Border to Coast was established to be a resilient and sustainable organisation. This has guided our approach to building and operating our business. We are headquartered in a modern office in central Leeds, a few minutes from Leeds railway station. Our electricity is sourced from renewable sources, and we do not operate any company vehicles. As such, our direct and indirect emissions are minimal.

We are committed to being Net Zero on an operational basis. We are currently undertaking the Planet Mark certification process to measure our carbon footprint. This covers Scope 1, Scope 2, and some Scope 3 categories. This audit will then allow us to consider our current carbon footprint, develop a robust plan to reduce our emissions and, if relevant, consider balancing any unavoidable emissions through accredited carbon removal schemes. This process is overseen and approved by the Board.

Net Zero governance structure

Board and Board Committees

Board
The Board determines the company's overall strategy for climate change and, with support from the Board Risk Committee, more broadly oversees the identification and management of risk and opportunities. The Board is responsible for the overarching oversight of climate related considerations as part of its remit with respect to Border to Coast's management of investments.

Executive Committees

Investment Committee
Responsible for updating and reporting progress against Net Zero targets. It also oversees implementation and management of the Net Zero Commitment and of the Climate Change Policy, chaired by the CEO.

Chief Investment Officer
Responsible for the implementation and management of the Climate Change Policy.

Investment Team
The Investment Team, which includes a dedicated Responsible Investment Team, works to identify and manage ESG risks and opportunities including climate change.

TARGETS AND OBJECTIVES

Surrey

TARGETS AND OBJECTIVES

Summary

- We have developed emission reduction targets for listed equities and a proportion of the fixed income assets in our portfolios, which cover 60% of our overall assets under management (AUM) as at 31 March 2022.
- Alongside driving emission reductions in our portfolios to meet our Net Zero targets, we will also seek to increase the opportunities for Partner Funds to invest in climate solutions to support the development and deployment of new technologies that will accelerate the transition to a low carbon economy.
- We understand that innovative solutions will be required to meet the global Net Zero goal. We will play our part in encouraging the development of these solutions through initiatives such as the pension group supporting the climate transition in emerging markets.

Objective

To meet our commitment to reach net zero carbon emissions by 2050 or sooner, we have developed targets for our investments in line with the Net Zero Investment Framework (NZIF). We have set targets at two levels: portfolio level, which refers to our combined total investments in the asset classes covered by this plan, and asset class level, which refers to our investments split by investment type (i.e. listed equity, corporate fixed income etc). Our portfolio level targets are covered in this section, while our asset class level targets are covered in the Asset Class Alignment section. As recommended in the NZIF guidance, our targets will be reviewed and updated at least every five years. This reflects the fact that best practice, methodologies and data in this area are evolving quickly, and so our targets and plan require the flexibility to adapt.

We are measuring our progress against four Net Zero metrics: Financed emissions (absolute and normalised by AUM), Weighted Average Carbon Intensity (WACI), Carbon intensity, and % of AUM in Net Zero aligned assets, using 2019 as our baseline year against which we will measure progress. Detailed explanations of each metric can be found on page 12 of this report.

Bedfordshire

Targets and objectives continued

Scope of our targets

Our portfolios are split across listed equities, fixed income and private markets. Initially, we have set targets for Scope 1 and 2 emissions for our listed equities and a proportion of our fixed income assets, and this covers 60% of our overall AUM (as at 31 March 2022).

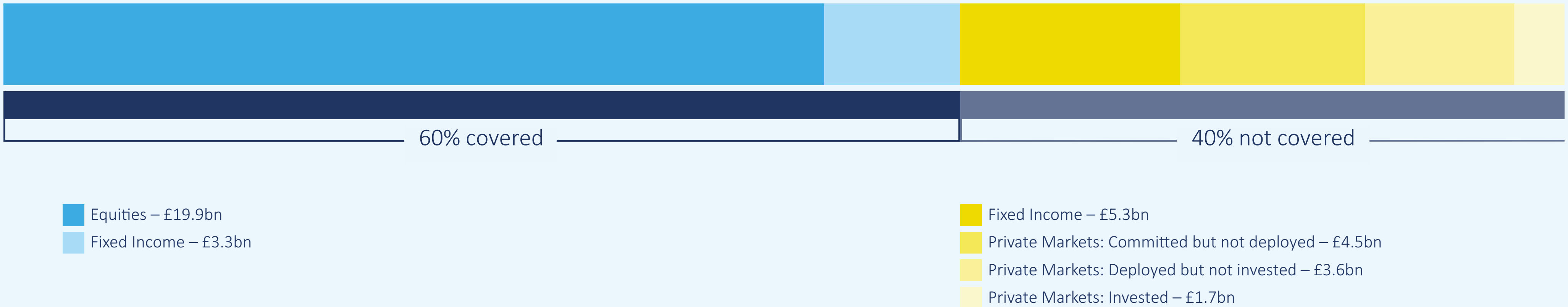
At this point, we have not set Net Zero targets for private markets assets, sovereign bonds and multi-asset credit investments, which make up the remaining 40% of AUM. We have also not set targets for Scope 3 emissions. This is due to the absence of sufficiently robust methodologies and issues with data quality and availability. We will continue to evaluate the data availability and methodologies and work with the industry with the aim of expanding the scope of our targets once methodologies are established and data quality improves.

GREENHOUSE GAS PROTOCOL SCOPES

The GHG Protocol, an international accounting tool, categorises GHG emissions into three 'scopes':

- Scope 1 – Direct emissions from company-owned and controlled resources.
- Scope 2 – Indirect emissions from the generation of purchased energy.
- Scope 3 – All indirect emissions – not included in Scope 2 – that occur in the value chain of the reporting company.
- Please see Appendix 1 for further detail.

Exposure by asset class



Targets and objectives continued

OUR NET ZERO METRICS

In selecting the metrics against which targets are set, we reviewed industry guidance, a number of climate initiatives and relevant regulations. We evaluated each potential metric against a set of principles:

- Clear, **science-based targets** at the portfolio and asset class level
- Primary objective of measuring **greenhouse gas (GHG) emissions in the real economy**
- Compliant with **regulatory requirements** and **industry standards:**
  - Meets regulatory requirements
  - Can use industry standards and guidance to enable **peer group comparison**
- Ease of use:
  - Clear and easily applied methodologies based on **publicly available information**
  - **Reliable, verifiable and objective**
  - **Achievable**
  - **Practical** to implement
  - **Consistent** over time
- Easy for stakeholders to **assess alignment** with the goals of the Paris Agreement

Absolute financed emissions – reflects the total carbon emissions associated with the underlying investments in a portfolio.

Normalised financed emissions (normalised by AUM) – measures the emissions intensity of a portfolio per monetary unit. This metric is similar to absolute financed emissions but is normalised to adjust for AUM within the portfolio. This normalisation occurs to take into account impacts on absolute financed emissions that are driven by changes in AUM, which can result from new fund launches, additional investments, disinvestments or market volatility.

WACI (Weighted Average Carbon Intensity) – measures the carbon emissions of a portfolio relative to the revenue of companies within the portfolio. It is measured in carbon dioxide equivalents per monetary unit. Using an intensity metric that is adjusted for company revenues means that company sizes are accounted for, and emissions are more easily comparable across different sized portfolios or relative to a benchmark.

Carbon intensity – measures the carbon emissions associated with a portfolio, based on company emissions normalised by a company's revenue, adjusted to reflect the percentage of the company owned.

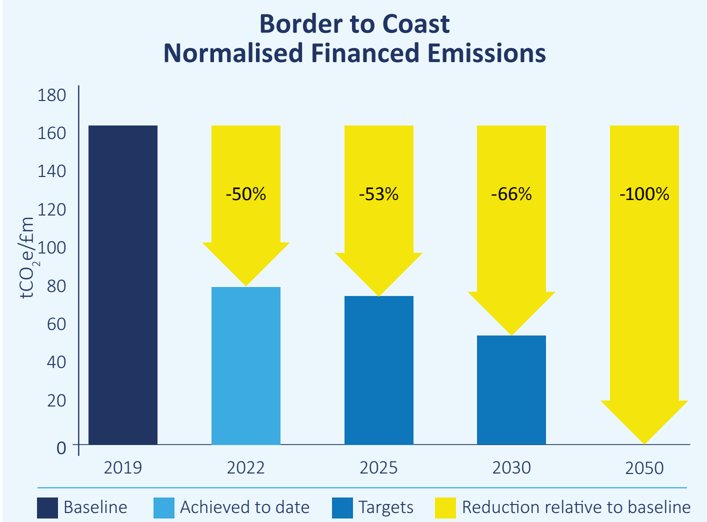
% AUM in Net Zero aligned assets – measures whether investments in the portfolio are aligned to a Net Zero pathway, based on specific assessment criteria. This metric offers a forward-looking perspective showing the likelihood of companies within our portfolio achieving Net Zero.

For more information on the methodology of our metrics, please see Appendix 2.

Our overall Net Zero targets

Carbon emissions metrics

The chart below illustrates our overall portfolio level GHG emission reduction targets to 2050. We are targeting a 53% reduction in financed emissions (normalised by AUM) by 2025 and a 66% reduction by 2030 in order to reach 100% emission reductions by 2050 or sooner.



Our targets cover the six GHG emissions mandated by the Kyoto Protocol, which are summarised in Appendix 1.

Targets and objectives continued

Alignment and engagement metrics

% of AUM in Net Zero aligned assets

While our portfolio companies' emissions provide insight into our current position, considering the percentage invested in companies which are aligned to Net Zero offers a forward-looking view of the emission projections of our portfolios. This metric helps us understand which companies are aligned or aligning to a Net Zero pathway, which allows us to understand their likely future emission reductions. Currently, 48% of our financed emissions in the asset classes that are in-scope for this implementation plan are emitted by companies that are considered to be aligned or aligning to Net Zero. We have based our assessment on data provided by Climate Action 100+ (CA100+), the Transition Pathway Initiative (TPI), the Science Based Targets initiative (SBTi) and MSCI. We have set a series of interim targets, outlined in the chart below, with the aim of reaching 100% Net Zero alignment by 2040.

For a company to be Net Zero aligned, it must meet one of the following three definitions, which we determine using the PAII ("Paris Aligned Investment Initiative") criteria:

1) Achieving Net Zero.
2) Aligned to a Net Zero pathway.
3) Aligning towards a Net Zero pathway.

Alignment and Engagement Targets

Engagement is the primary mechanism for driving alignment to Net Zero in our portfolio companies and thereby meeting our Net Zero targets, both at asset class and portfolio level, as well as for driving real-world decarbonisation. By engaging with portfolio companies, our goal is to ensure their climate change strategies are in line with robust, science-based Net Zero pathways. We have therefore set asset class level engagement targets to ensure that this remains a key priority. We already have a strong focus on engagement, currently engaging with companies responsible for 73% of our financed emissions. These are companies that are under engagement by either CA100+ or our voting and engagement provider as part of its climate engagement themes.

We have set a series of interim targets, outlined in the chart below, with the aim of engaging with 100% of the companies that are within scope by 2030. Reaching 100% engagement by 2030 gives us time to work with portfolio companies and with our external managers to reduce the emissions of our portfolios to Net Zero by 2050.

Our initial engagement focus will be on the highest emitters in our portfolios as these represent the greatest risk to meeting our Net Zero commitments. The extent of our engagement with individual companies will depend on the materiality of the risk and the progress they have made towards Net Zero alignment. As a minimum we will communicate with all of our portfolio holdings outlining our Net Zero approach and our expectations of them. There will be an escalation in engagement if we consider that companies are not making sufficient progress.

For our externally managed funds, the engagement efforts of our external managers in line with our Responsible Investment Policy will be essential to reaching our Net Zero targets.

We have adopted the IIGCC Net Zero Stewardship Toolkit as the basis for our engagement strategy for Net Zero.

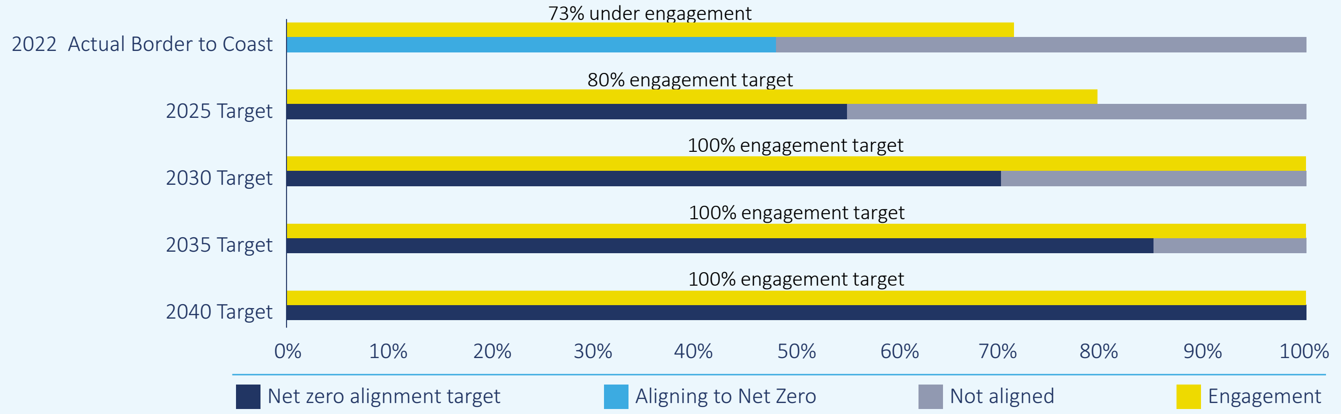
IIGCC Net Zero Stewardship Toolkit: Five steps

- Portfolio analysis, alignment and stewardship prioritisation
- Alignment criteria, levels and objectives
- Develop an engagement strategy for priority companies
- Baseline engagement and voting approach
- Asset manager alignment, engagement and transparency

Please see the Stewardship, Engagement and Policy Advocacy section for more information on our engagement strategy for Net Zero.

For more information, please see
IIGCC Net Zero Stewardship Toolkit

Border to Coast – Net Zero alignment and engagement



Targets and objectives continued

Our targets in context

To set our targets, we considered the appropriateness of various Net Zero metrics and science-based scenario pathways.

We have selected the Net Zero metrics described on page 12 because we consider them to have fewer methodological and data challenges than others, are widely understood, and are helpful in measuring both absolute emissions and emissions intensity as well as forward-looking emission reductions. They also enable long-term trend analysis and peer group comparison.

Our targets are informed by a science-based scenario pathway, which is a scenario that estimates the global emission reductions needed, by sector and region, up to 2050 and explores the emissions trajectories required to transition to a low-carbon economy. Basing our targets on a science-based pathway ensures that they are consistent with the emissions trajectory required on a sectoral and regional basis to achieve Net Zero emissions by 2050. This is important as our goal of achieving Net Zero needs to reflect real world developments.

We have used the International Energy Agency (IEA) Net Zero by 2050 (IEA NZE2050) scenario as it is an industry recognised pathway. This scenario provides an ambitious but viable global pathway for reaching Net Zero, underpinned by assumptions based on modelling of the climate science. It also considers realistic innovations that may be developed to limit emissions, with limited reliance on carbon capture and negative emission reduction technologies but significant reliance on renewables and energy efficiency solutions. Our targets, which are based on the sectors and regions that we are invested in, aim for more ambitious emission reductions than the IEA pathway. See the chart on the following page for more information.

Our portfolio emissions

The table below shows the emissions profile of our portfolios and the trajectory since the base year of 2019.
It shows financed emissions on an absolute basis and normalised by AUM as well as the two carbon intensity measures (WACI and carbon intensity).

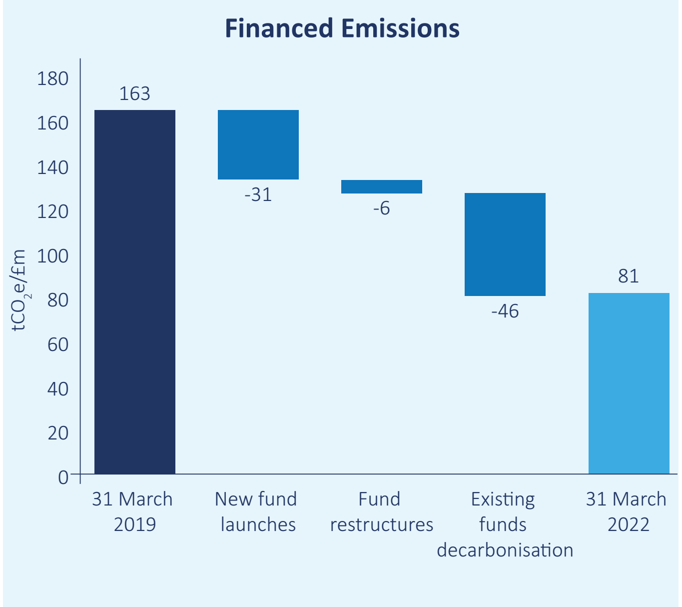
Managing our emissions to date

31 March	2019	2020	2021	2022
Absolute Financed Emissions ($ktCO_2e$)	1,421	2,143	1,797	1,883
AUM in scope of Net Zero targets (£bn)	8.7	14.0	19.9	23.2
Financed Emissions normalised by AUM (tCO_2e/£m invested)	163	154	90	81
WACI (tCO_2e/\$m revenue)	166	126	106	122
Carbon Intensity (tCO_2e/\$m revenue)	207	152	123	134

The reduction in the carbon emissions profile in the years to 31 March 2020 and 2021 was due, in part, to the impact of the Covid-19 pandemic. Normalised financed emissions continued to decrease in the year to 31 March 2022, whereas the carbon intensity measures increased. This is due to the market value of the companies within our portfolios increasing (relative to their carbon emissions) by a greater proportion than their revenues.

The increase in absolute financed emissions from 2019 to 2022 is due to the increase in AUM as a result of new proposition launches and Partner Funds increasing their exposure to existing propositions. This is partly offset by a fall in normalised financed emissions and emissions intensity due to:

- The launch of new capabilities that have a lower carbon emissions profile;
- The restructuring of existing capabilities which resulted in a lower carbon emissions profile; and,
- A reduction in the carbon emissions profile of existing capabilities driven by natural decarbonisation of the asset classes and changes in portfolio composition.



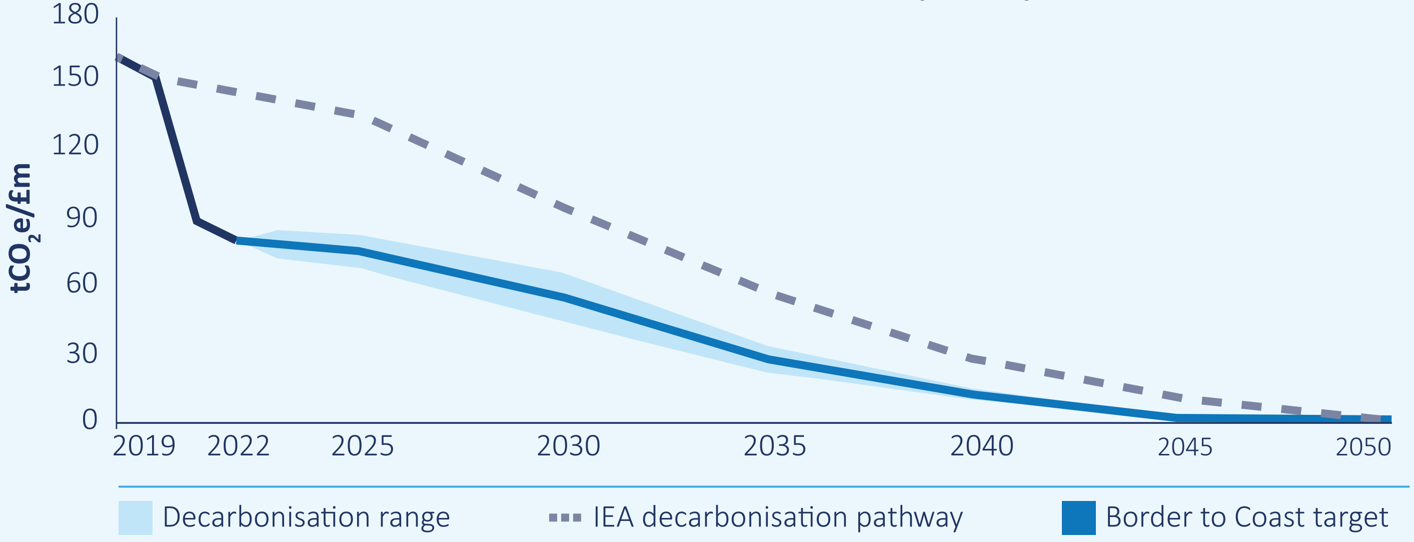
Targets and objectives continued

The chart to the right shows our emission reduction pathway including the reductions achieved to date relative to the IEA NZE2050 pathway. The inclusion of a range around the central target recognises the natural variability in carbon emissions in the short term.

Our targets are more ambitious than the IEA pathway. We consider them to be consistent with delivering a fair share of the 50% global reduction in CO_2 emissions by 2030, identified as a requirement in the IPCC Special Report on Global Warming of 1.5°C.

For more information, please see **[The IEA Net Zero by 2050 Flagship report]**

Border to Coast total decarbonisation pathway



Bedfordshire

Targets and objectives continued

Investment in climate solutions

We recognise that engagement alone will not result in successfully transitioning to a low-carbon economy and real world change; an increase in investment in infrastructure and technology solutions to facilitate the transition will also be required. In line with this, we commit to increasing our investment in climate solutions with the support of our Partner Funds through their asset allocation decisions.

We estimate that at 31 March 2022, the equity and fixed income portfolios that are covered in this plan had ~£6.8bn invested in climate solutions. This is based on MSCI's definition which identifies companies offering clean technology solutions such as the facilitation of renewable energy production.

Although private markets are not covered in this plan, we also estimate that ~£600m of capital has been committed to investments in climate solutions, of which ~£175m has been invested.

Examples of investments in climate solutions in our infrastructure portfolio

NEON RENEWABLES

Fund: KKR Diversified Core Infrastructure Fund
Border to Coast commitment: $275m
Description of asset: Six wind and six solar projects located throughout the US, generating renewable power sufficient to meet the annual energy consumption of around 515,000 households.

Size of investment: $1.5bn

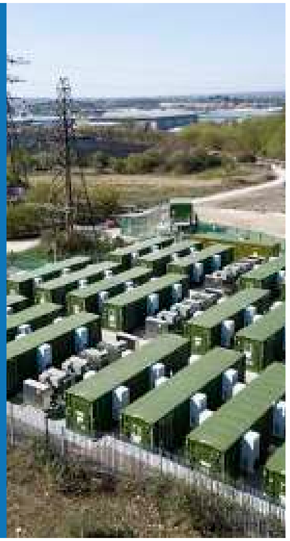
GWYNT Y MOR

Fund: Macquarie GIG Renewable Fund II
Border to Coast commitment: €101m
Description of asset: 576MW offshore wind farm located off the coast of Wales, providing enough clean electricity to power 430,000 UK homes each year.

Size of investment: €100m

ZENOBE

Fund: Infracapital Greenfield Partners II
Border to Coast commitment: £100m
Description of assets: Owner and operator of battery storage and e-buses across the UK, Australia and New Zealand supporting the uptake of renewable power into electricity grids and transport.
Size of investment: £130m



CHADWICK

Fund: BlackRock Global Renewable Power Fund III
Border to Coast commitment: $125m
Description of asset:
The development and aggregation of small photovoltaic solar projects in Chile, providing renewable clean energy.
Size of investment: $91m

In addition, we have recently launched our Climate Opportunities portfolio with £1.35bn of commitments from our Partner Funds. This new private markets portfolio targets investments involved in the transition to a low-carbon economy and the associated energy transition globally. Investments will need to make a material positive impact on the climate transition over the long term. Before we make a commitment, fund managers are required to demonstrate how these investments are expected to have a positive impact and how this will be measured and reported. We will work with these managers and service providers to develop robust reporting mechanisms that enable the impact of the investments in the Climate Opportunities portfolio to be consistently measured.

We aim to increase our investments in climate solutions over time. However, due to data availability issues and the absence of an industry-standard definition, we have not set an explicit target in this plan. We will continue to work with the industry to seek improvements to data availability and the development of a standard definition and will consider adopting an explicit target in the future, taking into account our Partner Funds' asset allocation decisions.

Examples of potential investments within the Climate Opportunities portfolio

Clean Energy
Renewable generation
Next Generation Grid
Hydrogen
Battery storage

Technology
Emissions tracking / reporting
Climate modelling
Energy management

Transport
Electric vehicles
Charging
Low carbon fuels

Industry
New generation plastics
Low carbon cement / steel
Automation
Energy efficiency

Agriculture
Food production
Alternative proteins
Biodiversity
Water management

Sequestration
Carbon capture and storage
Direct air capture and storage
Forestry

Cumbria

Targets and objectives continued

Just transition

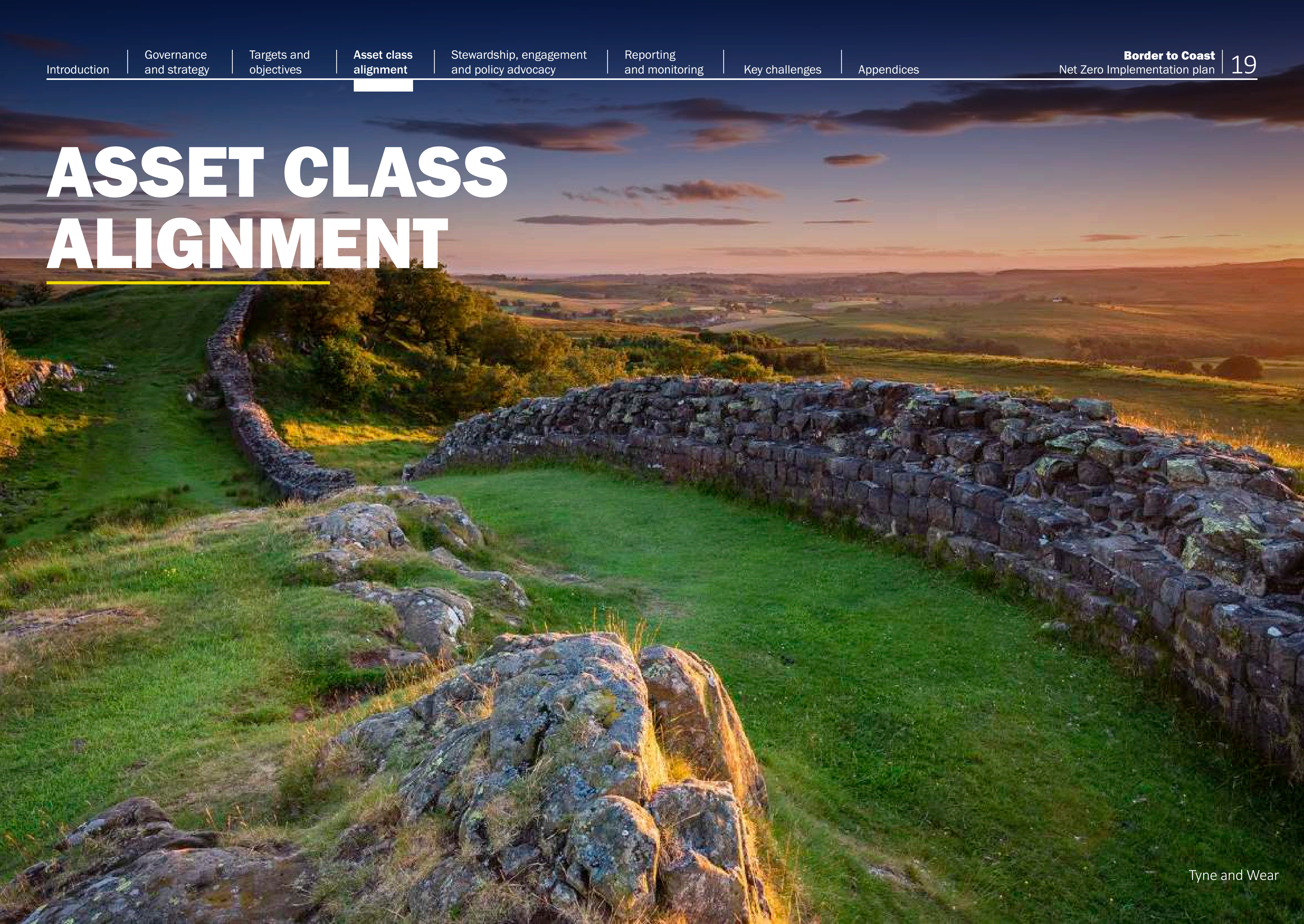
A just transition is widely interpreted to mean moving to a Net Zero economy in a way that is fair to everyone, with no group left behind. Supporting a just transition to Net Zero is important to us. We believe the transition to a low-carbon economy should be inclusive and acknowledge existing global disparities.

We recently joined a collaboration of UK pension funds aiming to address how to support the climate transition in emerging markets, seeking to simplify and improve the flow of capital from developed to emerging markets. The group has committed to better understanding the specific needs of emerging economies and the climate transition finance that will be required by governments and companies. It aims to explore how to have a greater impact and drive change by understanding the need, opportunity and mechanisms that can direct investments that support the climate transition in emerging markets.

We will also consider the principles of the just transition in our next Responsible Investment Policy review, with a view to encouraging our portfolio companies to incorporate the principles into their transition plans, acknowledging that if a just transition is to be achieved, the principles need to be widely used and understood.

Surrey

ASSET CLASS ALIGNMENT



Tyne and Wear

ASSET CLASS ALIGNMENT

Summary

- We have set emission reduction targets for each of our in-scope asset classes, listed equities and corporate fixed income, as well as targets to increase the proportion of portfolio companies aligned to Net Zero.
- We will achieve the targeted increases in Net Zero alignment through engagement, and so we have also set engagement targets to ensure that this remains a key priority as we seek to drive real economy emission reductions.

Asset class targets

We have set asset-class level targets that underpin our total portfolio level targets and drive the decarbonisation of our overall portfolio. Aligning to Net Zero within each asset class is key to reaching our overall target and to ultimately reducing real economy emissions. We have set specific targets across our listed equity and corporate fixed income portfolios, which together make up 60% of the total assets in our portfolios. We will aim to expand our targets to cover sovereign bonds, multi-asset credit investments and private markets assets as and when methodologies and data availability permit. In order to reach our targets, we will focus on a number of levers available to us to encourage companies that we are invested in to reduce their emissions. This includes our approach to engagement and our escalation strategy.

Scope of targets

Our asset-class level targets include listed equity and corporate fixed income assets across all sectors included within the following funds:

- UK Listed Equity
- Overseas Developed Markets Equities
- Emerging Markets Equities
- UK Equity Alpha
- Global Equity Alpha
- Listed Alternatives
- Sterling Investment Grade Credit

The scope of our listed equity target includes all assets in our Listed Equity funds, including Listed Alternatives.

The scope of our corporate fixed income target includes all assets within our Sterling Investment Grade Credit Fund, which represents 37% of fixed income assets under management.

We are not currently setting targets for the following fixed income funds due to issues with methodology, data quality and availability:

- Sterling Index-Linked Bond
- Multi-Asset Credit

Emission targets

Our total portfolio level target (see page 12) can be broken down into asset-class level targets. For each asset class, our targets were developed by considering the actual emissions pathway of each fund since launch and what is considered to be achievable over the short and medium term.

For listed equities, we are targeting reductions of 52% and 65% by 2025 and 2030, respectively, from our baseline year in 2019.

For corporate fixed income, we are targeting reductions of 54% and 66% by 2025 and 2030, respectively, from launch in 2020.

Our asset class level targets, like our portfolio level targets, aim for a more ambitious emission reduction trajectory than the IEA NZE2050 pathway and leave us well positioned to reach our Net Zero target by 2050 or sooner.

Alignment and engagement targets

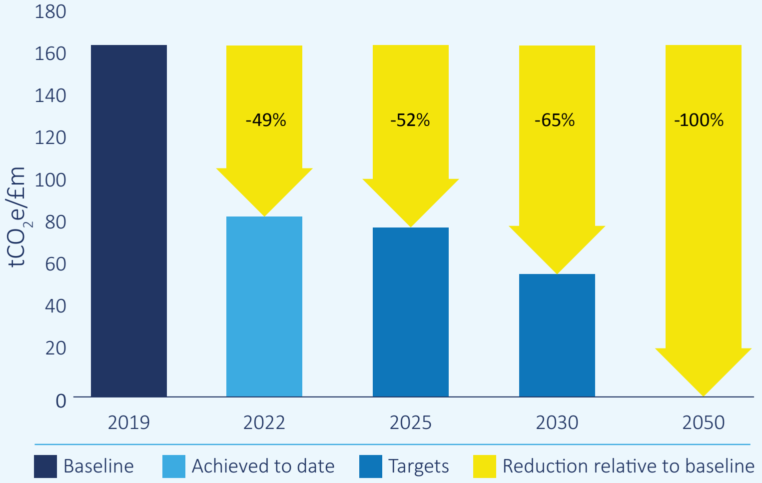
Our alignment and engagement targets are the same for both listed equities and corporate fixed income.

We are targeting alignment of 55% of emissions by 2025 increasing to 70%, 85% and 100% by 2030, 2035 and 2040 respectively.

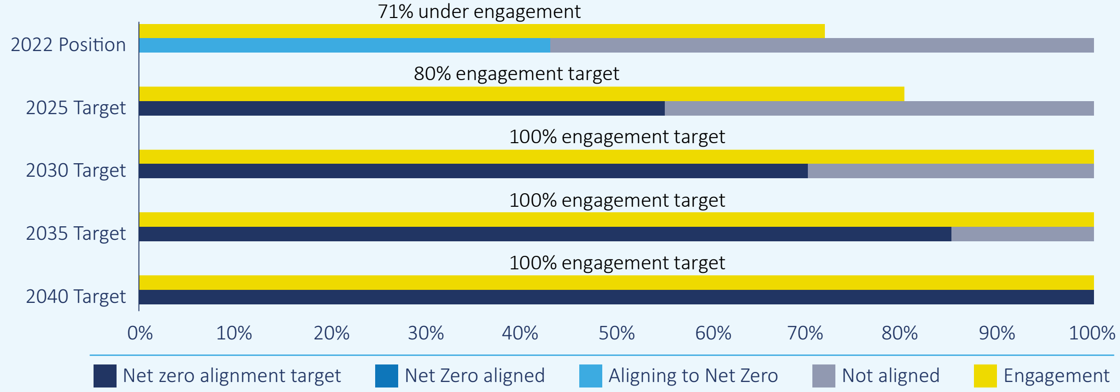
We are targeting engagement with companies that account for 80% of our emissions by 2025, increasing to 100% by 2030. Achieving 100% engagement by 2030 should provide sufficient time to ensure that we achieve Net Zero alignment of 100% of our emissions by 2040.

Asset class alignment continued

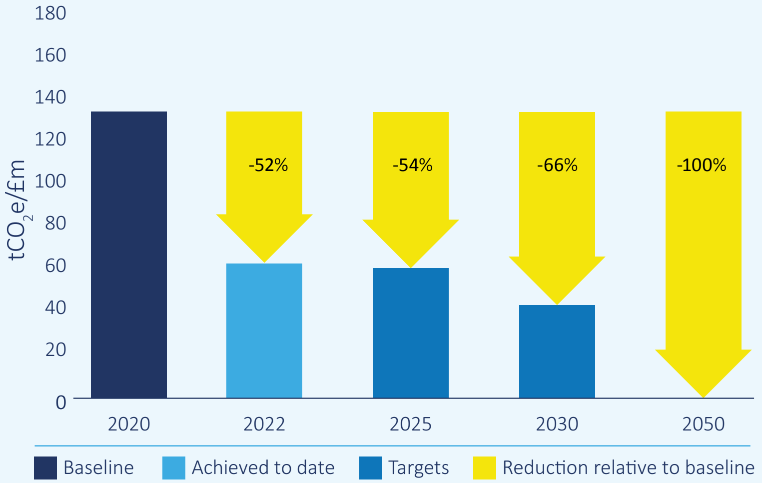
Normalised financed emissions – Equities



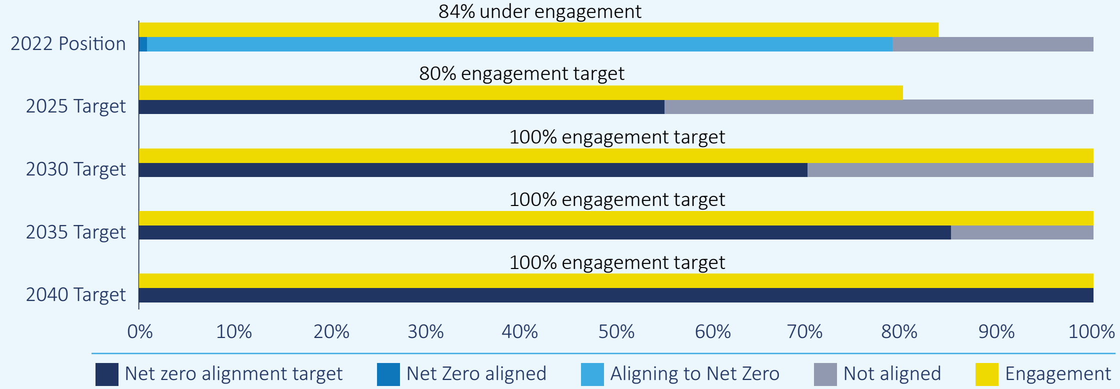
Net Zero alignment and engagement – Equities



Normalised financed emissions – Corporate Fixed Income



Net Zero alignment and engagement – Corporate Fixed Income



The current "Aligning to Net Zero" percentage for Corporate Fixed Income is above the shorter term targets due to low data coverage for this asset class. Data is available for the portfolio's largest contributor to emissions and this issuer is considered to be "aligning to Net Zero". As data coverage improves we expect the "Aligning to Net Zero" percentage to fall initially with the targets considered achievable over the stated timeframes.

Asset class alignment continued

Portfolio construction

ESG data and specialist research is integrated into our portfolio construction process. While engaging with our portfolio companies and portfolio managers (both internal and external) will be the key lever we will use to reach our Net Zero goals, we also recognise the role of screening, adjusting portfolio weights, and tilted benchmarks in decarbonising our investments. We will therefore continue to embed ESG considerations into future portfolio decisions.

Asset classes not covered by this implementation plan

Sovereign bonds

We do not currently believe that methodologies and data for measuring sovereign debt emissions and setting targets are robust enough. However, we expect that the output of the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) Project will provide a more consistent approach to understanding governments' transition plans. We plan to include sovereign debt in our targets as soon as is practicable.

Multi-asset credit

Due to the industry issue of a lack of suitable methodology and data, it is not considered appropriate to set targets for this asset class at the current time. We will actively work with our managers to develop industry best practice, continue to monitor developments in this area and include them in our targets when considered appropriate.

Private markets

Within our private market portfolios, we will continue to focus on engagement to reduce emissions. Private markets have significant data challenges, and we will look to address this through engagement with our managers. An assessment of a company's ESG strategy, the level of incorporation of ESG factors into the organisation and the quality and availability of associated reporting are key considerations during pre-investment due diligence. In addition, we are supporting the ESG Data Convergence Initiative, which seeks to develop a common approach to reporting ESG data, including carbon emissions, by private market managers.

Real estate

Border to Coast will soon be launching a series of Real Estate capabilities. We will actively work with our industry partners to set appropriate targets and engagement strategies in line with the principles set out in this implementation plan.

Data quality

The following table shows the proportion of carbon emissions data for the assets included in this plan that is reported or estimated or where there is currently no data available.

By asset class	Reported	Estimated	No Data
Equities	84%	9%	7%
Fixed income	35%	6%	59%
Total	77%	9%	14%

This shows that the majority of data in equities is based on reported data whilst highlighting the relative lack of data in fixed income. This is an industry-wide issue, and we will continue to engage with the industry, including our external managers and data providers, to increase the proportion of reported data.


East Riding

STEWARDSHIP, ENGAGEMENT AND POLICY ADVOCACY

Cumbria

STEWARDSHIP, ENGAGEMENT AND POLICY ADVOCACY

Summary

- The primary lever to drive reductions in emissions and achieve our Net Zero goal is engagement. We have a strong focus on engagement, and we commit to continuing our work as an active steward of our Partner Funds' assets.
- We have several approaches to engagement, and where engagement does not yield results, we implement our escalation strategy.

We recognise that to achieve the Paris Agreement target of limiting global warming to 1.5°C, rapid and unprecedented changes will be required across all aspects of society. We have a responsibility to use the strength of our Partner Funds' collective scale to be an influential voice to drive these changes, and only through doing so will we reach our Net Zero targets.

We are already a strong advocate of Responsible Investment, and it is important to us that responsibility for it is embedded throughout the organisation. As part of our Net Zero goal, we commit to continuing to work as an active steward of our Partner Funds' assets.

Our approach to achieving our emission reduction goals will be driven by our engagement strategy, with our escalation strategy being implemented where engagement does not lead to the desired result. We believe the best way to influence companies is through engagement rather than divestment. However, if an investment case has been fundamentally weakened after engagement and escalation, the decision may be taken to reduce or sell the asset. Whilst we recognise that divestment doesn't necessarily reduce real world emissions, companies may change their strategy in response to an increased risk of divestment from asset owners, which may ultimately impact the cost of capital and corporate performance.

Our engagement process

1 ENGAGEMENT

- Directly with portfolio companies for internally managed funds
- Externally via fund managers
- Through our engagement provider
- Through collaborative initiatives

Successful → Successful engagement

Not successful → 2

2 ESCALATION

- Collaborative engagement with other shareholders
- Voting on agenda items
- Filing or co-filing a shareholder resolution

Successful → Successful escalation

Not successful → 3

3 DIVESTMENT

- We may consider divesting or reducing size of holdings if the investment case has been fundamentally weakened

→ Does not necessarily change real world emissions

The ultimate goal is to successfully reduce real economy emissions

Stewardship, engagement and policy advocacy continued

Engagement

Border to Coast has several approaches to engaging with portfolio companies. This section contains a summary of each approach, but for further detail, please see our **Responsible Investment and Stewardship report:**

- Our portfolio managers and the Responsible Investment Team **engage directly** with our portfolio companies.
- We **expect external managers to engage** with investees as part of their mandate on our behalf.
- We use an **external voting and engagement services provider** to enable meaningful engagement with global companies.
- We **work collaboratively** with other like-minded investors to maximise Border to Coast's influence on behalf of Partner Funds.
- Border to Coast and all Partner Funds are members of the **Local Authority Pension Fund Forum** (LAPFF), which engages on behalf of its members, which are Local Government Pension Funds and pools, across various ESG themes to maximise their influence as shareholders.

We are currently engaging with companies responsible for 73% of our financed emissions (as at March 2022). We are also committed to increasing these engagement figures to 100% for both asset classes by 2030. We consider this a key mechanism to successfully meet our Net Zero targets and, ultimately, our goal of reducing real economy emissions. These ambitious targets are a natural focus for us, given our existing emphasis on engagement and active stewardship. We will focus on engaging with the highest emitters in our portfolios as these represent the greatest risk to meeting our Net Zero commitments. The extent of engagement will depend on the materiality of the risk a company poses and its progress towards Net Zero alignment. By engaging with 100% of our investments by 2030, we will be well positioned to support our portfolio companies through the transition.

Direct engagement

ESG analysis is embedded into our investment process rather than being a separate consideration. We also engage with companies to drive real positive change and unlock greater value for our asset owners.

We focus on the largest emitters in our portfolios. We seek to understand their plans to reduce carbon emissions, assess the credibility of these plans, and determine whether they are aligned with our own targets for reducing emissions. This includes the use of climate scenario analysis whilst recognising that this is a rapidly developing area which relies on a large number of assumptions that may not necessarily be realised.


Warwickshire

Engagement via external fund managers

Whilst we have retained voting rights on our externally managed funds, we expect external managers to engage with portfolio companies and bond issuers in line with our Responsible Investment Policy on our behalf. RI and ESG integration is incorporated in our external manager selection process. We evaluate the quality of a manager's approach to stewardship and engagement on a quarterly basis, and it forms a key part of the formal annual review process. We also encourage external managers to become signatories to the UN PRI or a local equivalent, as well as report under TCFD.

We work with our external managers to understand, and monitor the effectiveness of, their approach to engagement. This includes discussing companies targeted for engagement and determining whether a collaborative approach with other investors will have a greater impact.

We have discussed our Net Zero targets with external managers and will work with them to implement specific decarbonisation parameters for their respective mandates. We will monitor our managers' carbon profiles and progress against targets on a quarterly basis and as part of our annual reviews. We will also consider the suitability of those targets on an annual basis. Where carbon profiles are above target, this will act as a prompt for discussion with the manager to understand why this has occurred, any actions to be taken to bring them back to target, and the timescales for any corrective action. We will also encourage all our external managers to make a Net Zero commitment at firm level.

Stewardship, engagement and policy advocacy continued

External engagement and voting services provider
We use a voting and engagement provider to ensure votes are executed in accordance with our policies and to carry out engagement with companies on our behalf.

We monitor the service provider through weekly individual vote assessments, a monthly operations call, and formal six-monthly and full annual reviews.

Collaborative engagement
We engage on systemic risks, which includes climate change, with policymakers, regulators and standard setters to help create a stable environment to enhance long-term portfolio returns.

We see collaboration with key industry bodies and other stakeholders as an essential way to play an active role in driving a global shift to reduce real world emissions. Collaborative initiatives are an important part of both our engagement and escalation strategies. We seek to work collaboratively with other like-minded investors and organisations to maximise Border to Coast's influence on behalf of Partner Funds and to address Net Zero challenges, including through our involvement in key collaborations, the detail of which are further explained below and on page 27.

Bedfordshire

TAKING ACTION ON CLIMATE CHANGE

Our engagement provider ran a climate action theme for three years (2018 to 2021) focusing on a number of high emitting companies, four of which Border to Coast held. It set objectives in line with those of the Climate Action 100+ initiative. They included the implementation of a strong governance framework on climate-related issues, implementation of risk management systems to identify, assess and manage climate risk, take action to reduce emissions across the value chain, and enhanced corporate disclosure in line with the TCFD recommendations. The theme saw all four in-scope companies meet or make positive progress against each objective of the engagement programme at its culmination.

WORKING IN COLLABORATION WITH CLIMATE ACTION 100+

The Climate Action 100+ initiative, which we support, has been driving change through collaborative engagement. Two examples of this include:

BP recently increased its climate ambitions and will now aim to reduce operational emissions by 50% by 2030 (up from 30 – 35% previously). We supported the shareholder proposal regarding greenhouse gas reduction targets at the 2021 AGM and continues to engage with the company.

In 2020, Engie was the only European utility company that lacked a 2050 Net Zero emissions commitment. Following collaborative engagement via Climate Action 100+, it committed to Net Zero emissions across all scopes by 2045.

Stewardship, engagement and policy advocacy continued

Examples of our collaborative engagement partnerships

Climate Action 100+

A five-year, investor-led initiative to undertake collaborative engagement with the largest greenhouse gas emitters and other global companies. We are a supporter of the initiative.

Principles for Responsible Investment ('PRI')

The world's leading advocate for Responsible Investment. It enables investors to publicly demonstrate commitment to RI by supporting the six Principles for incorporating ESG issues into investment practice. Being a signatory to the PRI allows us to demonstrate our commitment to RI and how we implement the Principles. We encourage all our managers to be signatories.

Institutional Investors Group on Climate Change ('IIGCC')

Provides a collaborative engagement forum for institutional investors to address climate-related risks and opportunities.
We support the initiative through the Corporate Programme workstream, sign letters to companies and governments on climate-related strategy and policy, and signed the Global Investor Statement to Governments.

Task Force on Climate-related Financial Disclosures ('TCFD')

A framework for companies and investors to provide climate-related information in their annual reports around governance, strategy, risk management and metrics.
We support the TCFD, report annually against the recommendations and have participated in consultations around its wider adoption.

Local Authority Pension Fund Forum ('LAPFF')

A forum for Local Government Pension Funds and is the UK's largest collaborative shareholder engagement forum, engaging across a broad range of ESG themes with portfolio companies.
Border to Coast is a pool member of LAPFF and feeds into the annual engagement work plan.

The Transition Pathway initiative ('TPI')

A global, asset owner-led initiative which assesses companies' preparedness for the transition to a low-carbon economy. We use the TPI tool to assess our portfolio companies and inform our voting and engagement.

Stewardship, engagement and policy advocacy continued

Escalation strategy

If engagement does not lead to the desired result, escalation may be necessary. We may address a lack of responsiveness by the company in a number of ways, including:

- conducting collaborative engagement with other institutional shareholders;
- registering concern by voting on related agenda items at shareholder meetings;
- attending a shareholder meeting in person; and
- filing/co-filing a shareholder resolution.

If the investment case has been fundamentally weakened, we will consider reducing or selling the holding.

Voting strategy

As the manager of our Partner Funds' assets, it is fundamental that we exercise our voting rights as investors in line with our Partner Funds' values and best interests. We believe in transparent and robust voting decisions that hold companies to account and question them where their decisions and outcomes have challenged the trust that we seek to build with them. In line with this, we disclose all our votes quarterly which include rationale for abstentions and votes against. Our quarterly voting reports can be viewed on our website, and for more information on our voting strategy, please see our **Responsible Investment and Stewardship report.**

Climate change is a key issue covered in our Corporate Governance and Voting Guidelines. At a minimum, we expect companies with high emissions or in high emitting sectors to set emission reduction targets and disclose Scope 1 and 2 emissions. For 2022, we further strengthened our Voting Guidelines to vote against company chairs in high-emitting sectors where a company fails the first four indicators of the Climate Action 100+ Net Zero Benchmark. Exercising our voting rights in line with these guidelines, as well as ensuring that the guidelines remain up to date with developments in the market, is an essential mechanism for us to drive emission reductions and achieve our Net Zero goals.

Divestment policy

Our existing approach prioritises engagement and escalation over divestment, and we would only divest if the investment case were significantly weakened. We are currently reviewing our divestment policy as part of the regular review of the Responsible Investment Policy and will incorporate the NZIF recommendations on divestment into the review.

As outlined in our Climate Change Policy, there are some specific instances where we may consider selling or not investing in some companies or industries based on investment criteria, the investment time horizon and if there is limited scope for successful engagement. Based on these factors and the potential for stranded assets, we currently do not invest in pure coal and tar sands companies. Any companies excluded will be monitored with transition plans assessed for potential reinstatement.

NEXTERA ENERGY

As detailed in our Corporate Governance and Voting Guidelines, we utilise the TPI toolkit and the CA100+ Net Zero Benchmark to assess how companies are managing climate change, the related business risk and the progress being made. Where a company in a high emitting sector receives a score of zero or one by the TPI or fails to meet the expectations above, we will vote against the Chair of the board if we consider the company is not making progress. Where a company covered by the CA100+ Net Zero Benchmark fails the first four indicators of the Benchmark, which includes a Net Zero by 2050 (or sooner) ambition and short, medium and long-term emission reduction targets, we will also vote against the Chair of the board.

In the case of NextEra Energy, in May 2022 we took the decision to vote against the Chair. On this occasion, the decision was made because, while the company was rated at level 2 by the Transition Pathway Initiative (TPI), which indicates that progress is being made, it did not meet the Climate Action 100+ Net Zero Benchmark requirements.

COSTCO WHOLESALE CORPORATION

In January 2022 we supported a shareholder resolution requesting that Costco should set short, medium, and long-term GHG emission reduction targets. This was the first resolution directly requesting a company to set emission reduction targets across their full value chain. Costco is considered a laggard relative to competitors in its approach to climate risk; it does not yet have science-based emission reduction targets and does not account for key emissions in the value chain, such as agriculture. The proposal received over 70% shareholder support, sending a strong signal that investors expect Costco to set ambitious climate targets, which include its supply chain.

REPORTING AND MONITORING

Durham

REPORTING AND MONITORING

Our future reporting and monitoring timeline

Already achieved
Future actions
Targets

Sep 21 — Made Net Zero commitment

In September 2021, We announced our commitment to achieving Net Zero Greenhouse Gas emissions across our investment portfolios by 2050 or sooner.

Oct 22 — Set Net Zero targets

We set 2050 and interim Net Zero targets. This includes 5 year portfolio and asset class level targets, 10 year portfolio level targets, and an engagement threshold target at asset class level.

Oct 22 — Published Implementation Plan

We have now published this Implementation Plan outlining how we will achieve our goal.

2025 — Commitment Review

We will review our Net Zero commitment at least every 5 years, with the **first review in 2025.**

2025 target

Reach target of 55% of AUM aligned to Net Zero.

2030 — Engagement threshold

We will increase our engagement threshold to 100% **by 2030 at the latest.**

2030 target

Reach target of 70% of AUM aligned to Net Zero.

2040 target

Reach target of 100% of AUM aligned to Net Zero.

2050 long-term target

Reach the Net Zero emissions target.

Report and monitor progress annually

This will keep our Net Zero strategy across our 4 pillars up to date with industry standards and new developments.

Since making our Net Zero commitment in 2021, we have conducted a thorough analysis to ensure our targets are both ambitious and achievable, given both our current portfolio exposures and the levers available to us. This included detailed consideration of multiple Net Zero metrics against our key criteria for selection, which include data quality and availability and standardised methodologies. This analysis informed our Net Zero targets.

The Investment Committee will monitor our progress on a regular basis and the Board will receive regular updates and escalations where necessary. We will formally report to our Partner Funds, and publicly through our TCFD report, and provide them with data and information on a quarterly basis to enable them to understand their carbon profile.

Reporting and monitoring continued

We will regularly monitor:

- Our targets and consider updating them taking account of our progress and any other internal or external factors;
- Methodologies available for asset classes not currently in scope, including how rigorous and applicable they are, so that we can incorporate further asset classes when possible;
- Industry best practice, in order to ensure our targets remain in line;
- Any changes or updates to NZIF guidance, as well as any other industry standard frameworks and regulations; and
- Our external fund managers' progress towards our expectations and objectives, as well as their own climate policies and Net Zero commitments.

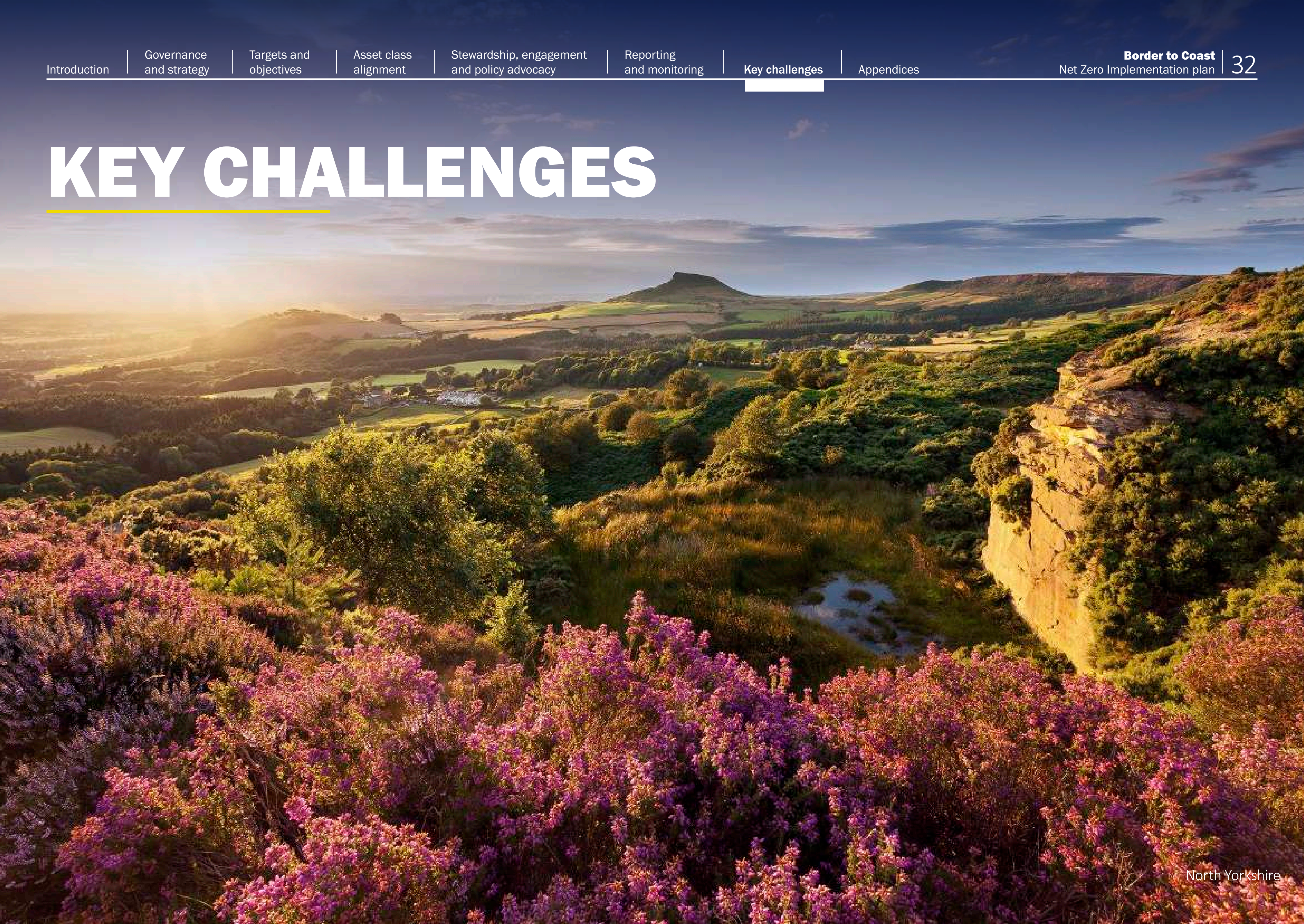
Our regular reporting will:

- Provide transparency around progress towards our Net Zero targets;
- Disclose the progress of our engagement strategy;
- Disclose details of our updated targets at least every five years, with the first review scheduled for 2025.

Regularly monitoring and reporting our progress against our targets will ensure we remain on track to meet our ultimate goal of reaching Net Zero emissions by 2050 or sooner.

Lincolnshire

KEY CHALLENGES



North Yorkshire

KEY CHALLENGES

Key challenges to our objectives:

Rapid pace of change: There will be significant changes in methodologies, data quality and availability and best practice. This will have resourcing implications. There is also a reputational risk associated with the integrity of data. We will aim to ensure we keep up to date with changes, look to contribute to industry best practice, and that we are suitably resourced.

National pledges: National governments have made a range of Net Zero pledges. A significant proportion are not considered sufficient to meet Paris Agreement objectives. In order to reduce carbon emissions sufficiently, these pledges will need to be strengthened and will require significant action. Political change could also result in less ambitious pledges. Our ability to mitigate this risk is likely to be through collective stakeholder engagement with governments and supranational bodies.

Emerging markets: For some economies, particularly in emerging markets, it may be harder for emerging economies to achieve reductions in carbon emissions. Particular challenges include dependency on fossil fuels, political and economic stability, and access to capital. Globally, we need to support these economies' low-carbon transition whilst mitigating the potential adverse consequences.

Policy uncertainty: Solutions to reduce carbon emissions require supportive and globally aligned policies as well as policy stability to encourage long-term investment. This is not necessarily compatible with shorter term political cycles. While difficult to mitigate, collective stakeholder engagement is likely to be the most effective.

Geopolitical or macroeconomic events: Short-term events can have an adverse impact on carbon emission pathways. For example, the current Russia/Ukraine conflict is likely to increase carbon emissions as alternative fossil fuels are used to replace sanctioned Russian natural gas. However, it may have a longer-term positive impact if the development of renewable energy alternatives accelerates to reduce energy dependence. While such events are difficult to mitigate, we will continue to adapt our approach as appropriate.

Performance impact: There may be occasions during the investment cycle where companies exhibiting higher climate change risks outperform. This could have a detrimental impact on the performance of portfolios with a lower carbon profile. This is mitigated by integrating long term climate change risks and opportunities into the investment process.

Impact of climate change: Climate change may act as an impediment to implementing solutions to reduce carbon emissions. For example, droughts resulting in reduced hydroelectric and nuclear power, or increased forest fires reducing the potential to sequester carbon.

Introduction of Scope 3 emissions: There is a high level of estimation required to determine Scope 3 emissions with a significant risk of double counting, while an investor's carbon profile may look very different. This may necessitate adjusting and restating targets. We will monitor the development of Scope 3 data and work with our data providers and the wider industry to understand the implications of using this data to set our Net Zero targets.

Companies delivering significant carbon emission reductions: Our ability to achieve Net Zero will be determined by the success of our portfolio companies' carbon reduction plans. Robust data analysis and continued engagement with the highest emitters, as well as a clear escalation process, will be key drivers for meeting our targets.

Engagement with Partner Funds: Meeting Net Zero targets will be dependent on our Partner Funds' support, maintaining a consensus approach, and their asset allocation decisions. We will continue to work with them to ensure we are providing investment propositions that are sustainable over the long term and reflect the aims of our collective approach to Net Zero.

Investments in climate solutions: These investments are expected to have a significant positive impact on real world emissions over the longer term. However, they may themselves be carbon intensive, particularly during the initial development stage, and increase emissions in the short term. We will consider the overall impact on our carbon profile as well as real world emissions when investing in climate solutions.

Technological advancements: Achieving global Net Zero targets will be partly dependent on the development of new technologies and the commercialisation of nascent technologies. This will require extensive capital investment, access to raw materials, a favourable investment environment including fiscal support where appropriate, and a long-term time horizon.

APPENDICES

Teesside

APPENDICES

Appendix 1

The Net Zero Asset Managers Commitment

In line with the best available science on the impacts of climate change, we acknowledge that there is an urgent need to accelerate the transition towards global Net Zero emissions and for asset managers to play their part to help deliver the goals of the Paris Agreement and ensure a just transition.

In this context, Border to Coast Pensions Partnership commits to support the goal of Net Zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C ('Net Zero emissions by 2050 or sooner'). It also commits to support investing aligned with Net Zero emissions by 2050 or sooner.

The Greenhouse Gas Protocol, an international accounting tool, categorises GHG emissions into three 'scopes':

Scope 1	Direct emissions from company-owned and controlled resources, e.g: • Fuel combustion • Company vehicles • Fugitive emissions (mostly escaped emissions from manufacturing processes)
Scope 2	Indirect emissions from the generation of purchased energy, e.g.: • Purchased electricity, heat and steam
Scope 3	All indirect emissions – not included in Scope 2 – that occur in the value chain of the reporting company, e.g: • Purchased goods and services • Business travel • Employee commuting • Waste disposal • Use of sold products • Transportation and distribution (up – and downstream) • Investments • Leased assets and franchises

Specifically, Border to Coast commits to:

a. Work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach Net Zero emissions by 2050 or sooner across all assets under management.

b. Set an interim target for the proportion of assets to be managed in line with the attainment of Net Zero emissions by 2050 or sooner.

c. Review our interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included.

In order to fulfil these commitments, Border to Coast will:

For assets committed to be managed in line with the attainment of Net Zero emissions by 2050 or sooner (under commitment b):

1. Set interim targets for 2030, consistent with a fair share of the 50% global reduction in CO2 identified as a requirement in the IPCC special report on global warming of 1.5°C.
2. Take account of portfolio Scope 1 and 2 emissions and, to the extent possible, material portfolio Scope 3 emissions.
3. Prioritise the achievement of real economy emission reductions within the sectors and companies in which we invest.
4. If using offsets, invest in long-term carbon removal, where there are no technologically and financially viable alternatives to eliminate emissions.
5. As required, create investment products aligned with Net Zero emissions by 2050 and facilitate increased investment in climate solutions.

Appendices continued

Across all assets under management

1. Provide asset owner clients with information and analytics on Net Zero investing and climate risk and opportunity.
2. Implement a stewardship and engagement strategy with a clear escalation and voting policy that is consistent with our ambition for all assets under management to achieve Net Zero emissions by 2050 or sooner.
3. Engage with actors key to the investment system, including credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers, to ensure that products and services available to investors are consistent with the aim of achieving global Net Zero emissions by 2050 or sooner.
4. Ensure any relevant direct and indirect policy advocacy we undertake is supportive of achieving global Net Zero emissions by 2050 or sooner.

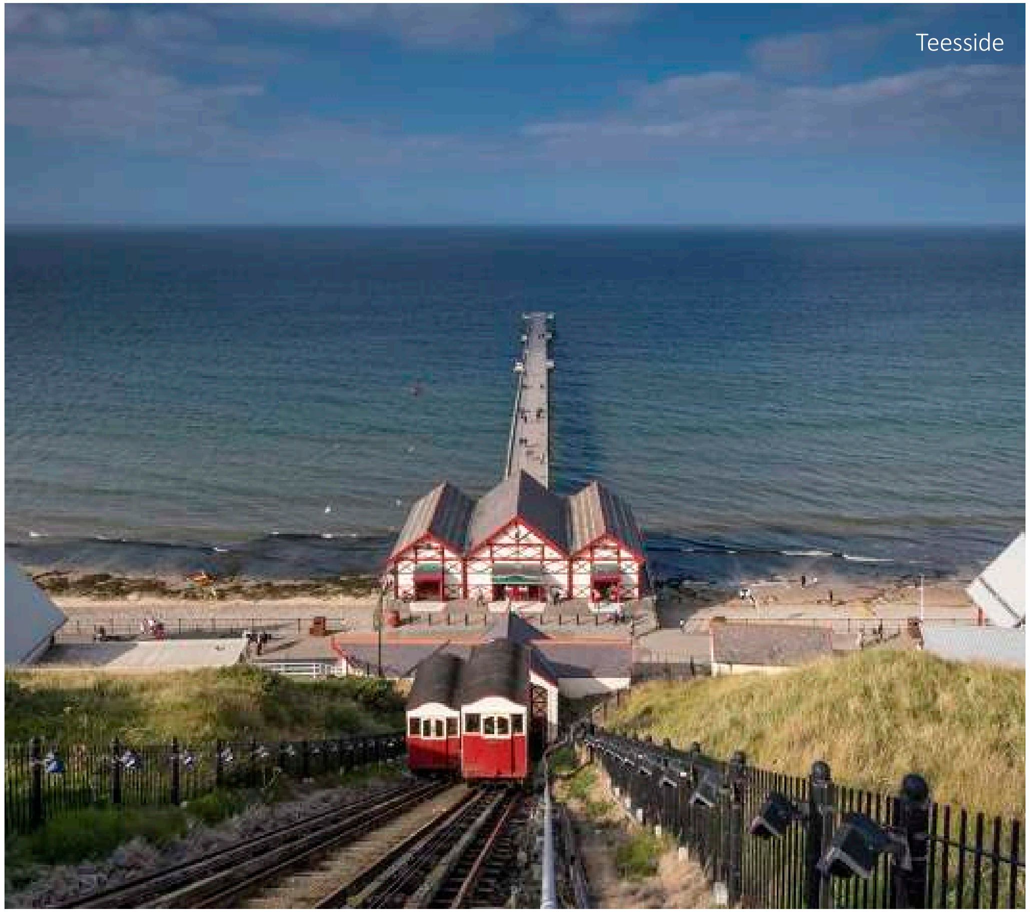
Accountability

5. Publish TCFD disclosures, including a climate action plan, annually, and submit them to the Investor Agenda via its partner organisations for review to ensure the approach applied is based on a robust methodology, consistent with the UN Race to Zero criteria. Action is being taken in line with the commitments made here.

We recognise collaborative investor initiatives, including the Investor Agenda and its partner organisations (AIGCC, CDP, Ceres, IGCC, IIGCC, PRI, UNEPFI), Climate Action 100+, Climate League 2030, Paris Aligned Investment Initiative, Science Based Targets Initiative for Financial Institutions, UN-convened Net-Zero Asset Owner Alliance, among others, which are developing methodologies and supporting investors to take action towards Net Zero emissions. We will collaborate with each other and other investors via such initiatives so that investors have access to best practice, robust and science based approaches and standardised methodologies, and improved data through which to deliver these commitments.

We also acknowledge that the scope for asset managers to invest for Net Zero and to meet the commitments set forth above depends on the mandates agreed with clients and clients' and managers' regulatory environments. These commitments are made in the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met, including increasing the ambition of their Nationally Determined Contributions, and in the context of our legal duties to clients and unless otherwise prohibited by applicable law. In some asset classes or for some investment strategies, agreed Net Zero methodologies do not yet exist. Where our ability to align our approach to investment with the goal of Net Zero emissions by 2050 is, today, constrained, we commit to embark with determination and ambition on a journey and to challenge and seek to overcome the constraints we face.

For more information, please see the **Net Zero Asset Managers website.**


Teesside

Appendices continued

Appendix 2

Basis of preparation

While there are some varying methodologies for calculating Net Zero metrics, our emissions measurements and our targets are based on the below methodologies, which are in line with the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting and Reporting Standard:

The greenhouse gases included in the GHG emissions are the six gases mandated by the Kyoto Protocol, given here below with global warming potential coefficient (GWP):

- Carbon dioxide (CO_2) GWP: 1
- Methane (CH_4) GWP: 21
- Nitrous oxide (N_20) GWP: 310
- Hydrofluorocarbons (HFCs) GWP: 150–11,700
- Perfluorocarbons (PFCs) GWP: 6,500 – 9,200
- Sulphur hexafluoride (SF_6) GWP: 23,900

Metric	Calculation used
Absolute financed emissions	$\sum_{i=1}^{n}$ Percentage of company owned$_i$ X Company GHG emissions$_i$
Normalised financed emissions (normalised by AUM)	$\dfrac{\sum_{i=1}^{n} \text{Percentage of company owned}_i \text{ X Company GHG emissions}_i}{\text{Total portfolio value in £m}}$
Weighted Average Carbon Intensity	$\sum_{i=1}^{n}$ Portfolio weight of company$_i$ X $\left(\dfrac{\text{Company GHG emissions}}{\text{Company revenue in \$}}\right)_i$
Carbon intensity	$\sum_{i=1}^{n}$ Percentage of company owned$_i$ X $\left(\dfrac{\text{Company GHG emissions}}{\text{Company revenue in \$}}\right)_i$
% AUM in Net Zero aligned assets	This TPI metric is based on CA100+ 10 criteria for assessing Net Zero alignment, in line with the PAII's recommended approach. The metric measures alignment at company level focused on emission reduction targets, governance and policies, and disclosures. Based on these criteria, companies are categorised into achieving Net Zero, aligned to a Net Zero pathway, aligning towards a Net Zero pathway, committed to aligning, and not aligned. Companies are considered Net Zero aligned if they are in one of the first three categories. For more information on this metric, please see the **NZIF target setting guidance.**

Appendices continued

Appendix 3

Glossary

Active Stewardship: Improving ESG practices, outcomes and disclosure, exerting influence through tools including engagement, voting, shareholder resolutions, contributing to research and public discourse

ASCOR Project: The PRI's Assessing Sovereign Climate-related Opportunities and Risks project established to create a tool giving investors a common understanding of sovereign exposure to climate risk and transition plans

AUM: Assets under management

CA100+: Climate Action 100+

Engagement: A long-term active dialogue between investors and companies on ESG factors

ESG: Environmental, social and governance

ESG Data Convergence Initiative: seeks to develop a common approach to reporting ESG data in private markets

GHG: Greenhouse gases

GWP: Global warming potential, the heat absorbed by any greenhouse gas in the atmosphere, expressed as a multiple of the heat that would be absorbed by the same mass of carbon dioxide

IEA: International Energy Agency

Just transition: A just transition seeks to ensure that the substantial benefits of a green economy transition are shared widely while also supporting those who stand to lose economically

MSCI: a global provider of investment analysis tools, ESG and climate related data and product

Net Zero: A state in which the greenhouse gases going into the atmosphere are balanced by removal of greenhouse gases out of the atmosphere

NZAM initiative: Net Zero Asset Managers' initiative

NZE2050: The IEA's Net Zero by 2050 pathway

NZIF: Net Zero Investment Framework

PAII: The Paris Aligned Investment Initiative

PRI: The Principles for Responsible Investment

TCFD: Task Force on Climate-Related Financial Disclosures, which sets out reporting requirements for companies on their actions to mitigate climate risk


Tyne & Wear

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