

**Q4
2022**

BORDER TO COAST

QUARTERLY STEWARDSHIP REPORT



PENSIONS PARTNERSHIP

OUR APPROACH TO RESPONSIBLE INVESTMENT

Border to Coast operates collective investment vehicles covering a wide range of asset classes in which the eleven Local Government Pension Scheme Funds (our 'Partner Funds'), who are our customers and shareholders, can invest to implement their strategic asset allocations.

We aim to make a difference to investment outcomes for our Partner Funds by delivering cost-effective, innovative, and responsible investment, thereby enabling sustainable, risk-adjusted performance over the long-term.

Integration

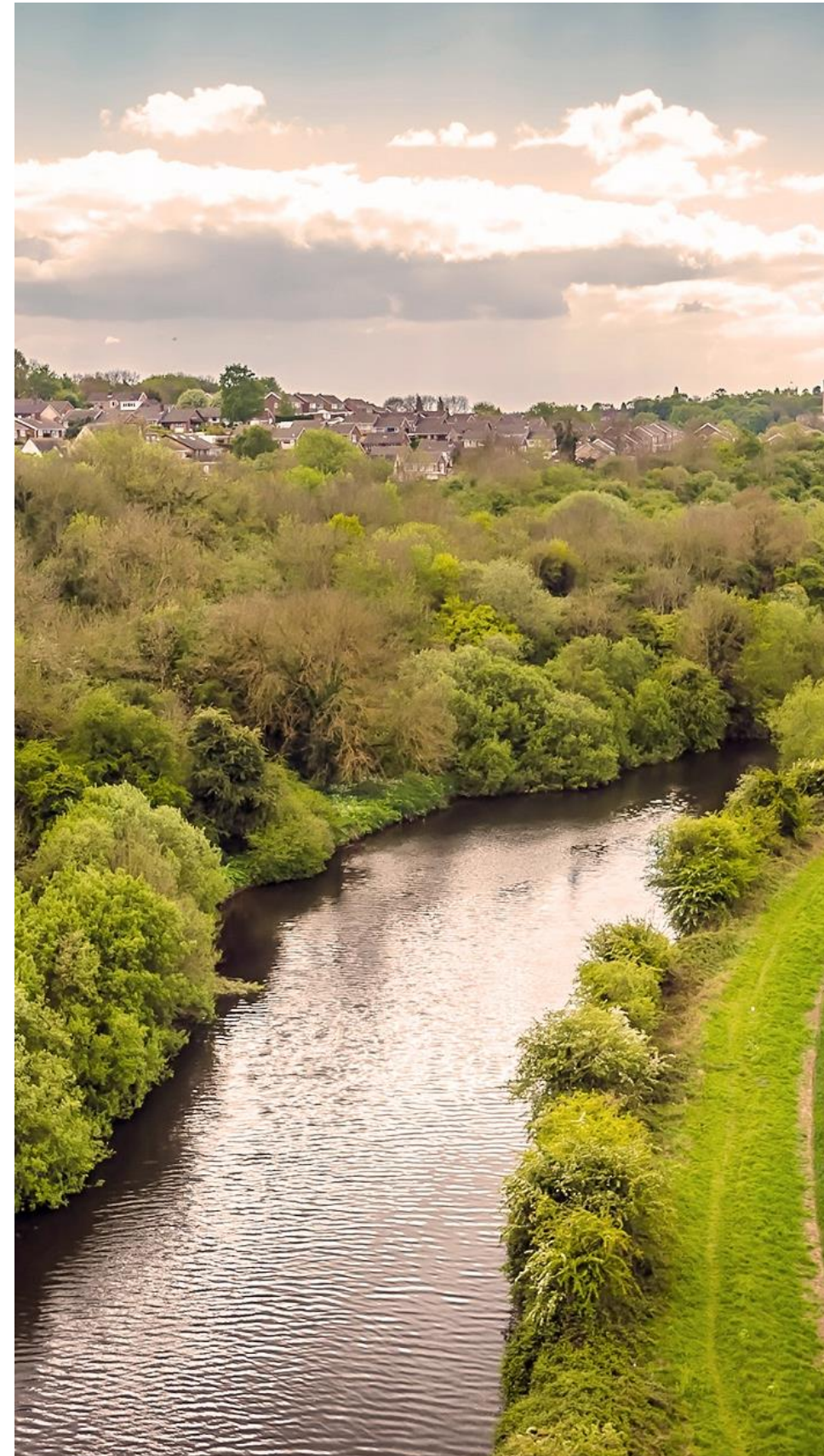
We are a strong advocate of Responsible Investment (RI) and believe businesses that are well-governed and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors.

Integrating environmental, social and governance (ESG) factors into our analysis helps us identify broader risks, which we believe leads to more informed investment decisions and improved risk-adjusted returns.

Active Ownership

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

Our approach to RI and stewardship is set out in our [RI Policy](#), [Corporate Governance & Voting Guidelines](#), and [Climate Change Policy](#), all of which can be viewed on our website.





QUARTERLY OVERVIEW

Voting

During the quarter, we voted at 124 meetings, comprising of 1,044 agenda items. In 44% of meetings, we cast at least one vote against the recommendations of management. These were primarily in relation to board composition (such as board diversity) and executive remuneration.

Engagement

279 company engagements were carried out over the quarter on a variety of topics. The most common area discussed was environmental impact, specifically in relation to climate strategy.

Policy updates for 2023

Our approach to responsible investment and stewardship is developed in collaboration with our Partner Funds and implemented through our Responsible Investment Policy, Corporate Governance and Voting Guidelines and Climate Change Policy. Each of these policies are reviewed annually and updated as necessary, considering our interpretation of market best practice.

The latest policies can be found on our [website](#) and came into effect on 1st January 2023. The process for review included the participation of all our Partner Funds to ensure a unified voice.

Investment in climate opportunities

In Q2 2022 we launched our Climate Opportunities Fund, which seeks to build a portfolio of investment opportunities to support global decarbonisation. In line with this mandate, we made a commitment of €100m to the Clean Hydrogen Infra Fund in October.

The Fund invests exclusively in clean hydrogen and is focused on building proven technologies into mature infrastructure that can play a key role

in decarbonising the global economy. It is the world's first and largest infrastructure fund solely focused on the clean hydrogen value chain. You can read further information regarding this [here](#).

Robeco to continue stewardship support

During the quarter, we finalised a thorough public procurement process for stewardship support to meet the active ownership requirements of Border to Coast on behalf of our Partner Funds.

First appointed in July 2018, Robeco provides deep active ownership expertise and tailor-made support for our specific voting and engagement priorities. The ability to leverage their proprietary voting assessment framework, client portal, voting research, and the ability to effectively measure the impact of voting and engagement practices, were key factors in Robeco's reappointment.

Strengthening our team

November saw the appointment of Colin Baines as our new Stewardship Manager. He joins us from Friends Provident Foundation where he was the Investment Engagement Manager for six years. With 20 years' experience of working in responsible investment and ESG, Colin will be a huge asset to Border to Coast.

LAPF Investments Awards

In December, we were awarded Best Approach to Responsible Investment at the 2022 LAPF Investments Award.

This award recognises the work, led by Jane Firth and the Responsible Investment team, to strengthen our policies and processes, and work across the organisation in all areas of ESG integration and stewardship.

INDUSTRY UPDATE

UN Biodiversity Conference (COP15)

COP15 took place in Montreal in December, with the primary aim of global governments agreeing to a new set of goals to protect biodiversity and restore ecosystems.

The conference ended with governments reaching a non-binding agreement on the Kunming-Montreal Global Biodiversity Framework (GBF) with the aim of addressing biodiversity loss, restoring ecosystems, and protecting indigenous rights. It consists of four overarching goals, including:

- Reducing the rate of species extinction by tenfold by 2050.
- Sustainable use and management of biodiversity to ensure that nature's contributions to people are valued, maintained and enhanced.
- Fair sharing of the benefits from the utilisation of genetic resources.
- Adequate means of implementing the GBF are accessible to all Parties, particularly developing nations.

The Framework includes targets to conserve 30% of land and oceans and restore 30% of degraded ecosystems by 2030. Although not perfect, the Framework is seen as a powerful signal to the finance sector to facilitate greater investment into nature protection and has been welcomed by investors.

COP15 also saw investors announce a new global engagement initiative focused on nature-related risks – Nature Action 100.

Committing to a just transition in emerging markets

The Emerging Markets Just Transition Investor Initiative, of which Border to Coast is a founding

member, recently published draft guidance to support investment decision making and future allocations to emerging markets.

It follows the creation of the initiative in May 2022, with 12 UK pension pools and funds with assets of c.£400bn committing to address how to best support the transition in emerging markets.

Collectively, the group is exploring how it can have a greater impact and help drive real world change by understanding the opportunities and mechanisms available to direct investments that support the low carbon transition whilst supporting economic growth in developing regions.

You can read more detail on the draft guiding principles [here](#).

Influencing Responsible Investment reporting requirements

The framework around investing responsibly is becoming more formal. This is a move we broadly support, and will help drive more consistent climate reporting, and manage the risks of 'greenwashing'.

Late last year the Government consulted on LGPS reporting on climate change risks. Working with Partner Funds, we submitted a response which welcomed the direction of travel alongside highlighting the risks. For example, the potential amalgamation of data produced using different methodologies.

We have also responded to the Financial Conduct Authority's consultation on Sustainability Disclosure Requirements (SDR) and investment labels. In our response, we expressed support for efforts to tackle 'greenwashing', while also highlighting potential unintended consequences from the proposed new regulations.



OUR VOTING

Overview

In the third quarter we voted at 124 meetings, comprised of 1,044 agenda items. In 44% of meetings, we cast at least one vote against the recommendations of management.

Corporate Governance and Voting Guidelines update

Our Corporate Governance and Voting Guidelines are reviewed annually and updated as necessary, with our latest update completed during Q4 2022 and coming into effect on 1st January 2023. The process for review includes the participation of all the Partner Funds to ensure that we have a strong, unified voice.

As we have one set of voting guidelines to cover all markets, they have been updated to reflect our interpretation of best practice or local market standards. This assists our proxy adviser and voting and engagement provider when making voting recommendations.

Human rights are receiving increased focus from investors. To recognise the importance of this area, we have included a new section within our voting guidelines. We believe that all companies should abide by the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. We expect companies exposed to human rights issues to have adequate due diligence processes in place to identify risks across their business and supply chain, in line with the UN Guiding Principles on Business and Human Rights. Where a company is involved in significant social controversies and at the same time is assessed as having poor human rights due diligence, we will vote against the most accountable board member or the report and accounts.

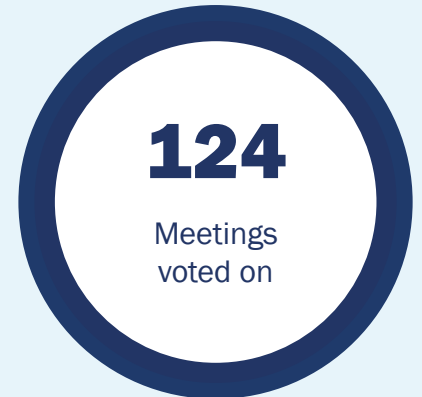
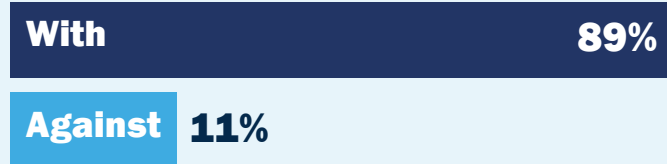
Amendments have also been made to the climate change section to continue to strengthen the Voting Guidelines in this area and to support our Net Zero commitment.

This year we have revised when we will vote against the Chair of the board based on Transition Pathway Initiative (TPI) and Climate Action 100+ (CA100+) Net Zero Benchmark indicators and will vote against the Chair where a company is scored 2 or lower by TPI, with higher expectations for the oil and gas sector, with votes against the Chair if scored 3 or lower.

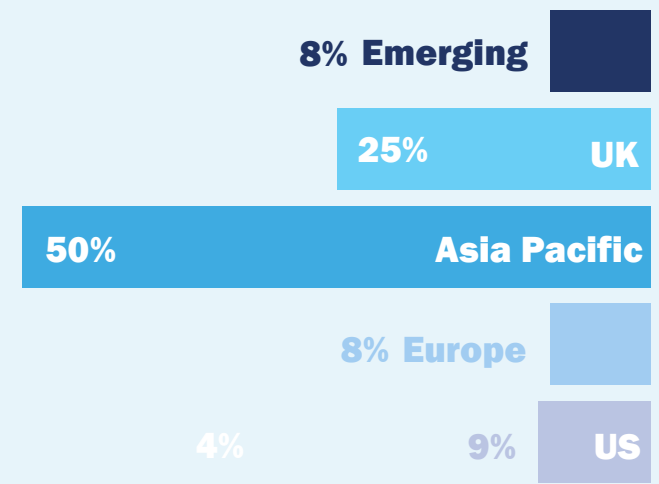
As banks will play a pivotal role in the transition to a low carbon economy, we have set out our climate-related voting intentions for the sector. We will assess banks using the framework developed by the Institutional Investors Group on Climate Change (IIGCC) and the TPI. We will vote against the Chair of the Sustainability Committee, or appropriate agenda item if a company fails the first four indicators of the framework.

Our Corporate Governance and Voting Guidelines can be viewed in full [here](#).

Resolution votes with & against management



Voting activity by region



QUARTERLY VOTES BY FUND

UK Listed Equity Fund	Overseas Developed Markets Equity Fund	Emerging Markets Equity Fund	UK Listed Equity Alpha Fund	Global Equity Alpha Fund	Listed Alternatives Fund
Meetings: 18	Meetings: 38	Meetings: 46	Meetings: 22	Meetings: 23	Meetings: 5
Items Voted: 224	Items Voted: 304	Items Voted: 303	Items Voted: 197	Items Voted: 200	Items Voted: 34
Approx. size: £3.5bn*	Approx. size: £5.4bn*	Approx. size: £0.9bn*	Approx. size: £1.3n*	Approx. size: £6.1bn*	Approx. size: £1.4bn*
Votes with & against management	Votes with & against management	Votes with & against management	Votes with & against management	Votes with & against management	Votes with & against management
With: 92%	With: 87%	With: 88%	With: 93%	With: 85%	With: 79%
Against: 8%	Against: 13%	Against: 12%	Against: 7%	Against: 15%	Against: 21%
Resolutions by Category	Resolutions by Category	Resolutions by Category	Resolutions by Category	Resolutions by Category	Resolutions by Category
Board Related: 6%	Board Related: 59%	Board Related: 54%	Board Related: 38%	Board Related: 45%	Board Related: 38%
Audit: 12%	Audit: 3%	Audit: 0%	Audit: 15%	Audit: 3%	Audit: 38%
Capital Management: 0%	Capital Management: 7%	Capital Management: 16%	Capital Management: 0%	Capital Management: 0%	Capital Management: 0%
Executive Pay: 24%	Executive Pay: 17%	Executive Pay: 8%	Executive Pay: 23%	Executive Pay: 24%	Executive Pay: 24%
Other: 58%	Other: 14%	Other: 22%	Other: 24%	Other: 28%	Other: 0%

* Size of Fund as at 31 December 2022

[Further detail on our voting record can be found on our website](#)

VOTING HIGHLIGHTS

BHP Group Limited (UK Listed Equity Fund, Overseas Developed Markets Equity Fund)

BHP Group Limited is an Australia-based resources company. The Company is a producer of commodities, including iron ore, copper and nickel.

What did we do?

We voted against a shareholder proposal regarding lobbying activity alignment with the Paris Agreement and supported a shareholder proposal that requested the company include climate sensitivity analysis in financial statements.

Our view:

Both environmental shareholder proposals were filed by the Australian Centre for Corporate Responsibility (ACCR). The proponent of both proposals clearly intended for BHP Group to become a climate leader in terms of climate policy advocacy and climate accounting.

The shareholder proposal regarding lobbying activity alignment with the Paris Agreement, requested the company to proactively advocate for Australian policy consistent with the Paris Agreement's objective of limiting global warming to 1.5 degrees. After careful consideration, we decided not to support this proposal. While we support the principle in spirit, we ultimately believed the resolution to be too broad and ambiguous. Although we believe companies should provide shareholders with adequate disclosure to allow them to understand the nature of their advocacy and lobbying activities, the Supervisory Board and Management should retain the flexibility to assess each policy idea of the Australian government on its merits.

The other resolution filed by the ACCR requested the Company include a climate sensitivity analysis in its audited financial statements. After analysing BHP's efforts and those of other major resource companies, we decided to support this shareholder proposal. While BHP's disclosures are generally good, we believe the quantitative substantiation of scenario analysis can be further improved by third-party verification. We believe that BHP could further improve by reporting the assumed commodity prices and assessing the impact of assets under different climate scenarios. Finally, several international accounting bodies have stated that material climate change issues should be considered in the preparation and audit of financial statements.

Voting outcome

The shareholder proposal on lobbying received 13% support and the shareholder proposal on climate accounting and audit received 19% support. We continue to engage with the Company through the Net Zero Carbon Emissions engagement theme being conducted by our Voting and Engagement partner.



OUR ENGAGEMENT

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

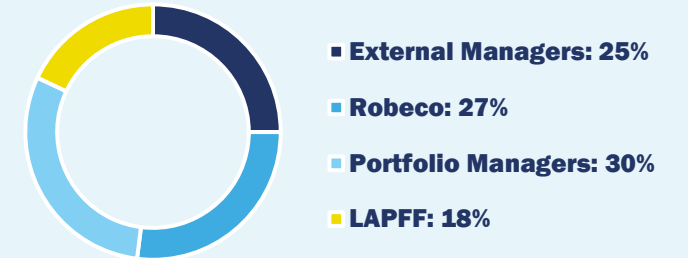
- **Internally:** Our internal portfolio managers engage directly with companies within their portfolios.
- **Externally:** Our appointed managers engage with companies on our behalf and provide details as part of their reporting cycles.
- **In Partnership:**
 - Robeco is our voting and engagement partner. They engage on our behalf with companies we own globally across several ESG themes. This allows us to better fulfil our stewardship objectives as an active shareholder.
 - We are members of the Local Authority Pension Fund Forum (LAPFF), a forum for Local Government Pension Funds, and the UK's largest collaborative shareholder engagement forum. LAPFF engages across a broad range of ESG themes on behalf of its members, to maximise their influence as shareholders.
- **Other Collaborations:** Partnerships allow us to collaborate with like-minded investors and bodies to create a stronger voice on ESG issues. We work with several RI initiatives which support our ESG areas of focus. Further detail on our collaborative initiatives is available on our [website](#).

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ENGAGEMENTS

Engagement activity covering period 01.10.22 to 31.12.22

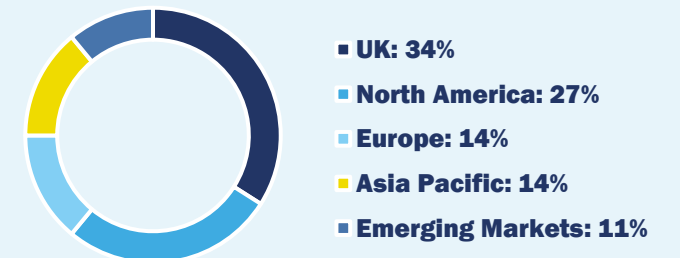
Breakdown of Engagements



Breakdown by topic



Breakdown by region



Breakdown by type



ENGAGEMENT IN FOCUS



PRI Advance

Border to Coast has signed up to a new PRI-led initiative which is aligned with and will support delivery of our key social engagement themes. The PRI officially launched 'Advance' at the PRI In Person Conference held in Barcelona in December. This is a new stewardship initiative with institutional investors working together to take action on human rights and social issues. Investors will use their collective influence with companies and other decision makers to drive positive outcomes for workers, communities and society. 220 investors are endorsing the initiative with over \$30 trillion in assets under management.

Why is this important?

Human rights are an area receiving increased focus from investors as human rights have become increasingly at risk around the world. Companies are facing increasing scrutiny on how they address human rights issues, highlighting the importance of the 'S' in ESG. Human rights issues can expose companies to legal, regulatory, operational and reputational risks with the potential to impact shareholder value.

How will companies be assessed for engagement?

The target sectors and initial list of companies were identified and developed in consultation with the Initiative's Signatory Advisory Committee and Technical Advisory Group. A framework was developed for selecting sectors and companies as targets for engagement. This identified high-risk sectors, incorporating issues across supply chains, and evaluated the practicalities of engaging with these sectors. This resulted in two priority sectors: the Metals and Mining sector, and the Renewables sector.

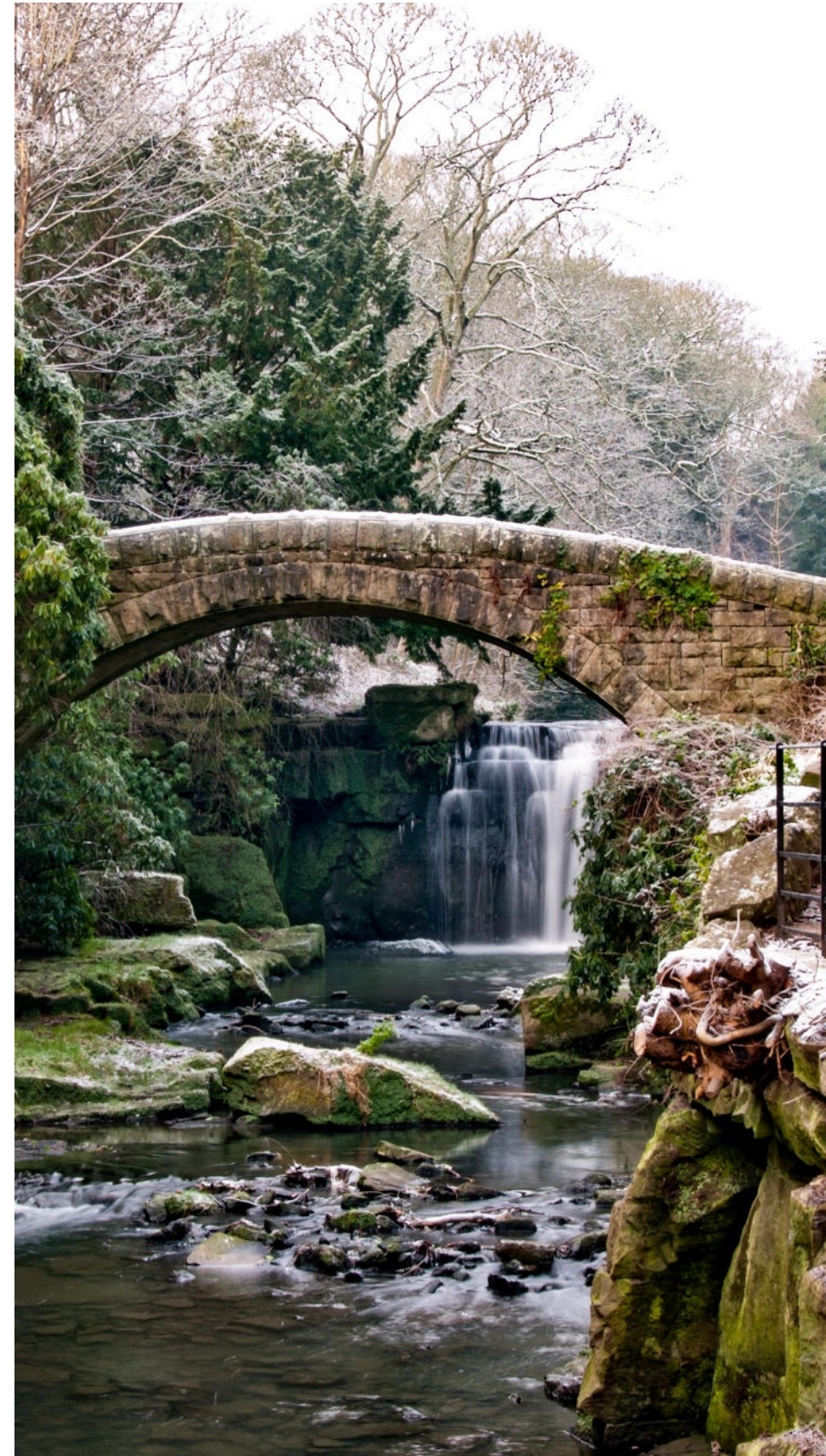
When considering potential companies, four criteria were assessed: performance on human rights, ownership structure, regional diversity, and the systemic importance. The first phase of the initiative will be with 40 target companies in the Metals and Mining and Renewables sectors. Border to Coast hold 19 of the target companies.

What are the objectives?

The overall objective of the initiative is to 'advance human rights and positive outcomes for people through investor stewardship'. The following three expectations will be set for target companies:

- Fully implement the United Nations Guiding Principles on Business and Human Rights (UNGP) – the guardrail of corporate conduct on human rights.
- Align their political engagement with their responsibility to respect human rights.
- Deepen progress on the most severe human rights issues in their operations and across their value chains.

Annual progress reports will be published by the PRI to provide investors and other stakeholders with a regular update on the progress of the initiative against its stated objectives. An assessment framework will be published during 2023 which will be used to measure the progress of the target companies against the objectives.





OUR INITIATIVES & COLLABORATIONS



Signatory of:



STEWARDSHIP
CODE | 2021

ROBECO

Signatory of:



INVESTOR MINING
& TAILINGS SAFETY
INITIATIVE



OUR PARTNER FUNDS



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