



# QUARTERLY STEWARDSHIP REPORT

Q1 2023

Reporting period: 1<sup>st</sup> January 2023 – 31 March 2023

# OUR PARTNER FUNDS

**Cumbria  
Pension  
Fund**



**Tyne and Wear Pension Fund**

Administered by South Tyneside Council



Teesside Pension Fund

**North Yorkshire Pension Fund**



East Riding Pension Fund



**Lincolnshire  
Pension Fund**



WARWICKSHIRE  
pension fund



**Bedfordshire  
Pension  
Fund**



**Surrey  
Pension  
Fund**



# QUARTERLY HIGHLIGHTS

## VOTING OVERVIEW

During the quarter, we voted at 139 meetings, comprising of over 1,700 agenda items. In 65% of meetings, we cast at least one vote against the recommendations of management. While this figure may appear relatively high, it is somewhat driven by the higher proportion of voting activity in emerging markets ahead of AGM season in the US and Europe.

## ENGAGEMENT OVERVIEW

There were 802 engagements with companies over Q1 2023, largely as a result of LAPFF's campaign to request that FTSE All-Share companies include an AGM resolution to allow shareholders to vote on their emission reduction strategy.

In January, we joined the 'Votes Against Slavery' initiative led by Rathbones. This collaborative engagement aims for radical improvement in supply chain transparency.

We also joined a Royal London Asset Management (RLAM)-led initiative with the water utility sector in the UK and will be leading the engagement with Yorkshire Water.

## BORDER TO COAST RETAINS STEWARDSHIP CODE STATUS

We have retained our status as a signatory to the UK Stewardship Code, making us one of 254 organisations, representing £46.4trn that are setting the highest stewardship standards

## CALLING FOR GREATER CLIMATE ACTION FROM OIL MAJORS AND BANKS

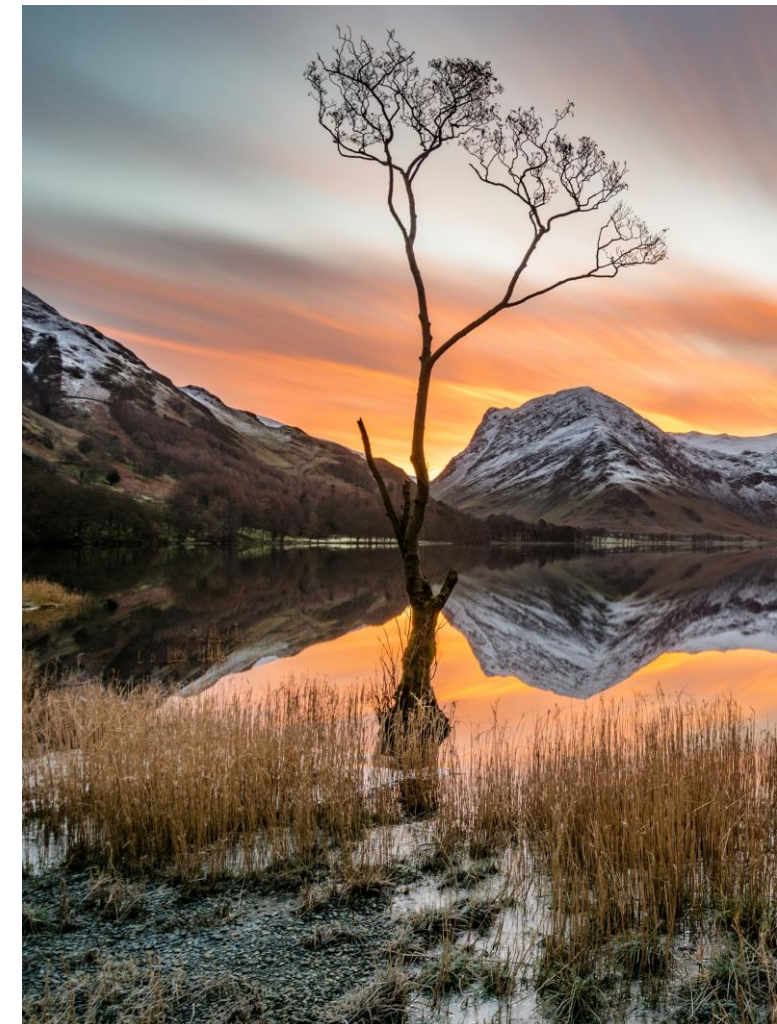
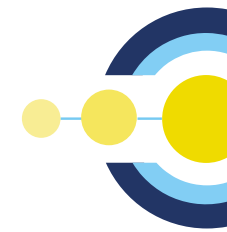
As noted [last quarter](#), our updated Voting Guidelines came into effect on 1<sup>st</sup> January. Recognising the need for progress, we have publicly outlined our strengthened expectations for climate action at oil and gas companies and banks ahead of the AGM season. In this [press release](#), we highlight our approach, together with the action we will take should we not see sufficient progress being made.

## INVESTOR STATEMENT ON WORKFORCE DIRECTORS

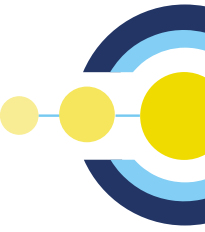
We recently signed an investor statement calling for companies to consider worker perspectives in their strategic decision making. The [initiative](#), led by Railpen, brings together support from investors with combined assets under management of c.£400bn and has launched practical guidance for companies on how to take a meaningful approach to including the worker voice at board level.

## OUR PEOPLE

During the quarter we strengthened our Responsible Investment Team with two new joiners. Ben Taylor joins us from Beauhurst as a Responsible Investment Analyst, while Teju Akande, formerly of the Department for Business and Trade, joins as Climate Change Manager.



# INDUSTRY HIGHLIGHTS



## LGC INVESTMENT SEMINAR

The [LGC Investment Seminar](#) was held in March, allowing industry practitioners the opportunity to share knowledge and experience with peers across a two-day programme. Our Head of Responsible Investment, Jane Firth, hosted a practical showcase on TCFD during which she shared Border to Coast's experience in applying the framework, sourcing data, and overcoming challenges, and hints and tips.

## NET ZERO ENGAGEMENT INITIATIVE

In March, the Institutional Investors Group on Climate Change (IIGCC) launched a [new initiative](#) aimed at scaling and accelerating climate-related corporate engagement. By increasing the number of companies engaged, the new initiative aims to support investors to align more of their investment portfolio with the goals of the Paris Agreement.

## CLIMATE CONSIDERATIONS IN SOVEREIGN BONDS

As the scrutiny of national approaches to climate change increases, so too does the requirement for a consistent framework with which to assess them against. Assessing Sovereign Climate-Related Opportunities and Risks (ASCOR) is a collaboration of institutional investors which aims to develop such a framework. During the period, Border to Coast responded to the first [ASCOR consultation report](#), which sought feedback on the initial draft framework.

## WDI SURVEY RESULTS

In March 2023, the Workforce Disclosure Initiative (WDI) published its findings report based on the 2022 survey results. 167 companies responded, slightly down from the previous year. However, 24 countries were represented and companies from all 11 Global Industry Classification Standard (GICS) sectors reported. Six thematic findings were identified covering job quality, human rights, emerging markets, marginalised workers, the cost-of-living crisis, and supply chain data. High level findings showed that responding companies are leading the way on supply chain data; disclosure varies significantly across sectors; companies are making more data public than ever; many industries are failing to collect enough data on human rights; and emerging market companies are leading the way in some crucial areas of disclosure, despite being perceived as riskier.

## IPCC ASSESSMENT REPORT

The Intergovernmental Panel on Climate Change (IPCC), comprised of some of the world's leading climate scientists, published its [sixth assessment report](#) during the period. The report highlights the risks of rising temperatures and the measures that must be taken to mitigate and adapt to future impacts, including, but not limited to, a rapid shift away from the burning of fossil fuels.



# VOTING OVERVIEW

## FOCUS ON COMPANY BOARDS AHEAD OF AGM SEASON

The corporate governance landscape has undergone significant changes in recent years, with public company directors facing a variety of unique challenges, such as the COVID-19 pandemic, Russia's invasion of Ukraine, and rising energy prices. To address these challenges, regulators worldwide have implemented initiatives aimed at enhancing board composition and director accountability, which is aligned with how we view corporate governance best practice at Border to Coast.

In the US, the Securities and Exchange Commission has introduced universal proxy cards, enabling shareholders to vote remotely, and similar initiatives have been taken in other parts of the world. Germany's adoption of the Act on Strengthening the Financial Market Integrity has set stricter governance requirements for listed firms, including the need for audit committees to comprise two financial experts. The Financial Conduct Authority in the UK has released new rules aimed at boosting diversity on listed company boards, while in Singapore, the Monetary Authority has amended the country's corporate governance code to limit the tenure of independent directors, promoting board renewal and progress on board diversity.

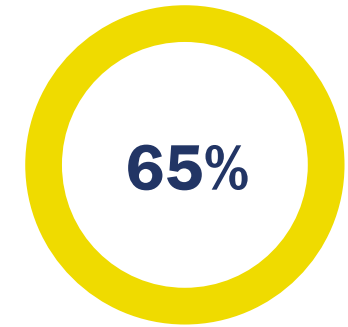
## AGENDA ITEMS



## MEETINGS VOTED ON



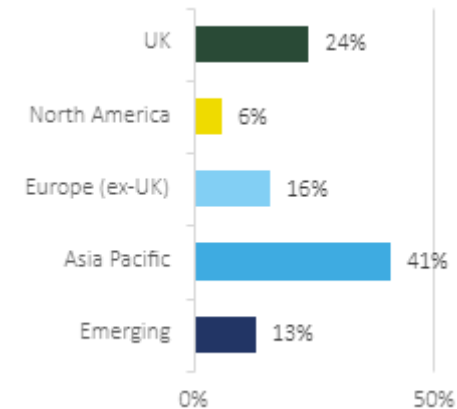
## MEETINGS WITH AT LEAST ONE VOTE AGAINST MANAGEMENT



## VOTES WITH AND AGAINST MANAGEMENT



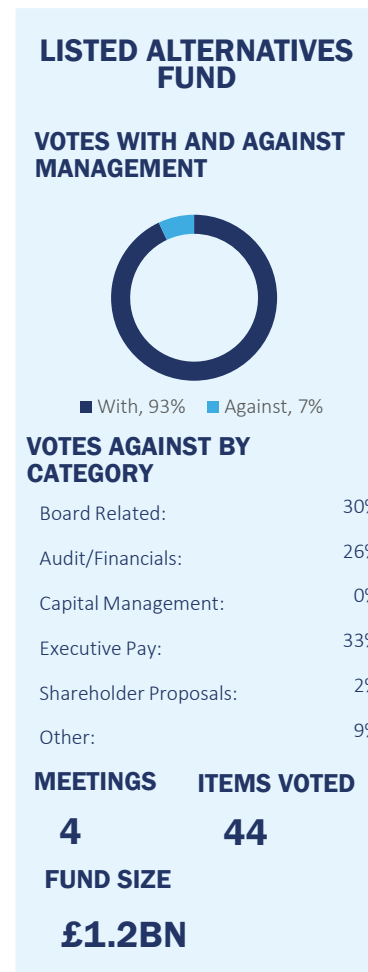
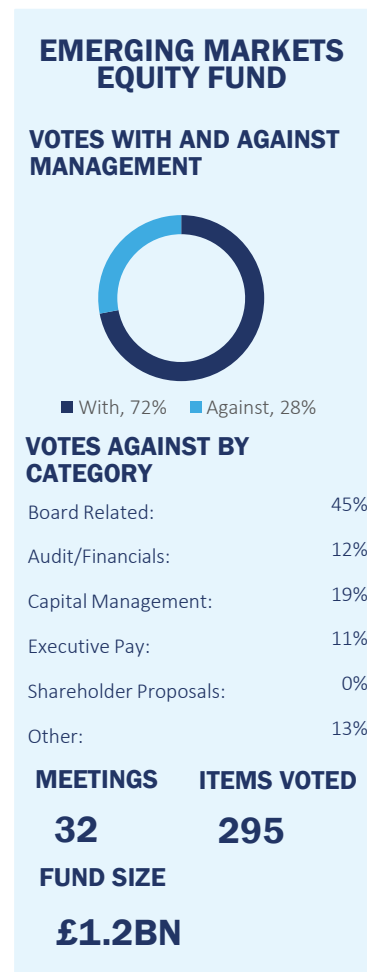
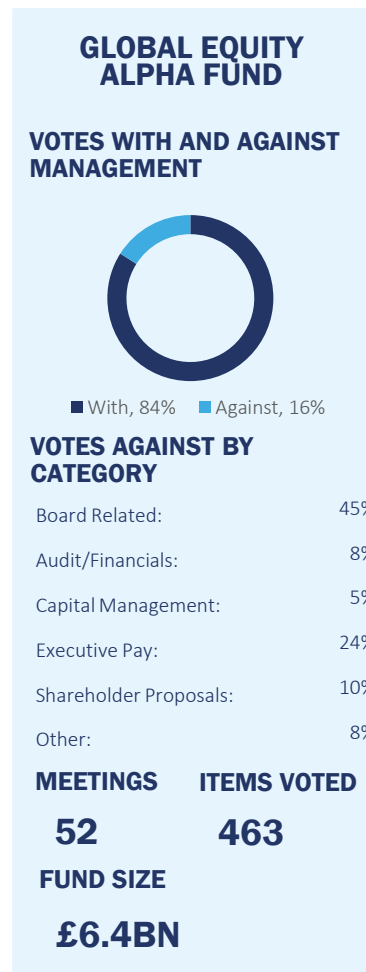
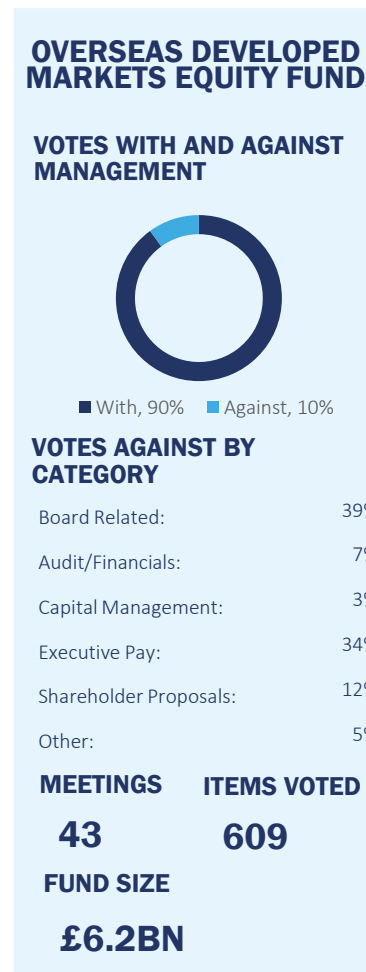
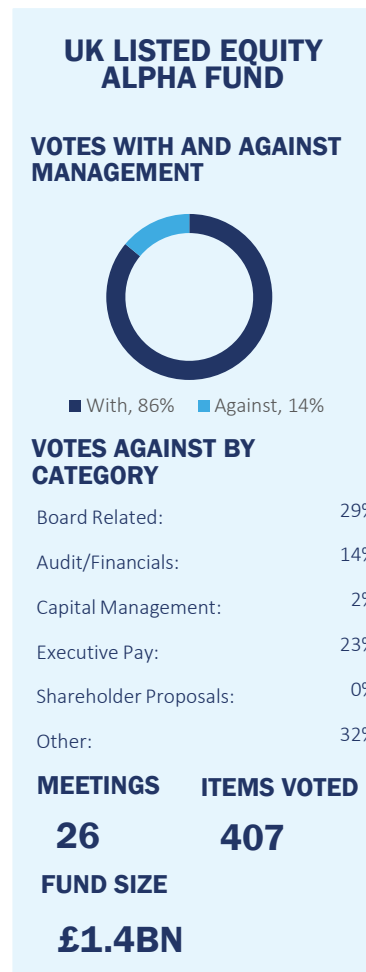
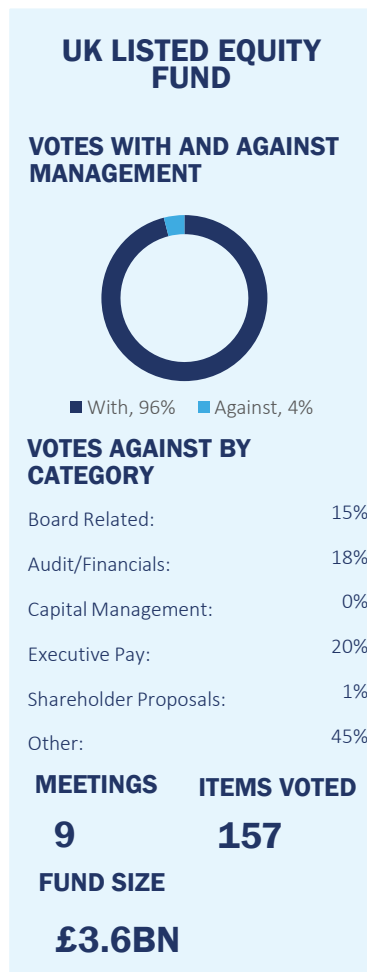
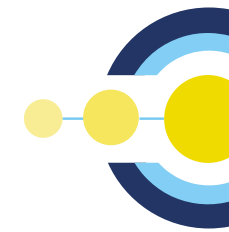
## VOTING ACTIVITY BY REGION



**FURTHER DETAIL ON OUR VOTING GUIDELINES AND RECORDS CAN BE FOUND ON OUR WEBSITE:**

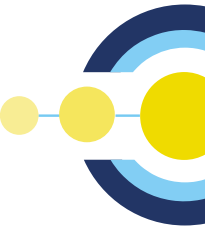


# VOTING BY FUND



Note: Fund size as at 31 March 2023

# VOTING HIGHLIGHTS



## SANTOS LTD

Santos explores for, develops, produces, transports, and markets hydrocarbons for homes and businesses in Australia and the Asia Pacific.

### What did we do?

We voted against a director re-election and for an independent climate resolution.

### Our view:

Where a company is not currently meeting our expectations on climate change risk management, we will vote against the chair of the board (or the most appropriate director up for election). For the oil and gas sector, we will exercise this vote when companies do not meet the first four indicators of the Climate Action 100+ (CA100+) Net Zero Benchmark, covering short, medium, and long-term emission reduction targets.

The shareholder resolution concerned disclosure of capital allocation alignment with a net zero by 2050 scenario and is aligned with our expectations for the oil and gas sector.

### Voting outcome

The re-election of the director saw shareholder dissent of circa 10%, while the independent resolution saw around 18% support. Both results sent a strong signal that investors are seeking improved climate change risk management and collaborative engagement will continue via the CA100+.

## COSTCO WHOLESALE CORPORATION

Costco operates a chain of cash and carry membership warehouses globally.

### What did we do?

We voted against the re-election of the chair of the nomination committee.

### Our view:

In line with our stance on improving diversity in leadership positions, our expectation in developed markets without relevant legal requirements is for boards to be composed of at least 33% female directors.

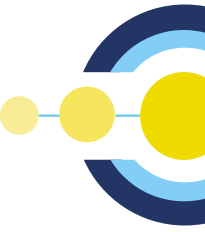
We will therefore vote against the chair of the nomination committee where this is not the case and there is no positive momentum or progress.

### Voting outcome

The re-election of the chair of the nomination committee saw a vote against management of over 18%, highlighting increasing investor focus on gender diversity amongst the senior leadership. Where practical to do so, companies subject to a vote against management will be contacted to explain our minimum expectations.



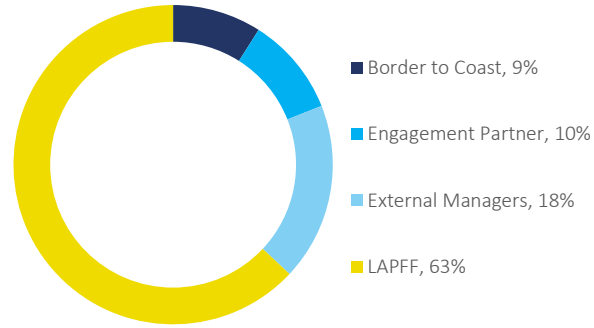
# ENGAGEMENT OVERVIEW



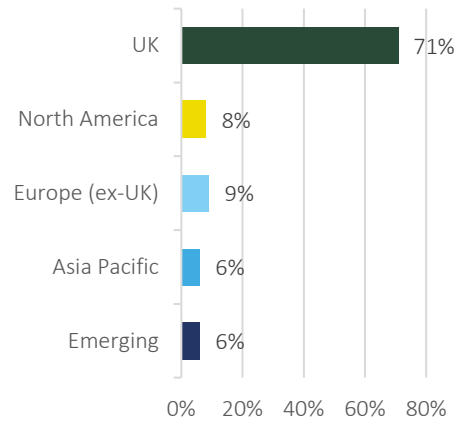
NUMBER OF ENGAGEMENTS



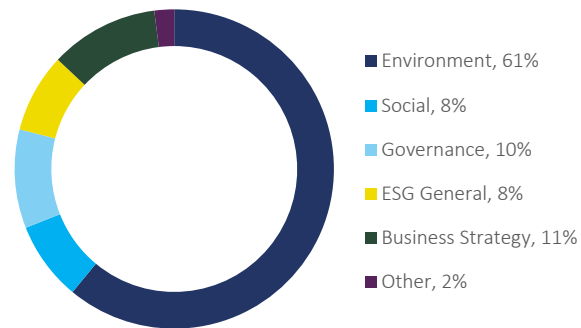
ENGAGEMENT LEAD



ENGAGEMENT ACTIVITY BY REGION

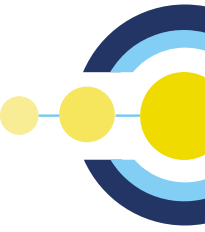


ENGAGEMENT TOPIC





# ENGAGEMENT HIGHLIGHTS



## ENGAGEMENT ON MODERN SLAVERY

Modern slavery is a widespread and criminal activity with a significant global economic impact. Weak enforcement, complex supply chains, and a growing number of migrants in search of prosperity have fueled the exploitation of people through forced labour and sexual slavery.

The UK's Modern Slavery Act requires companies to publish a statement detailing their efforts to prevent modern slavery, but the act lacks enforcement powers and standards of disclosure are generally low.

In January 2023, we joined the 'Votes Against Slavery' initiative, led by Rathbones, to improve supply chain transparency through collaborative engagement. In 2023, the initiative focused upon 38 non-compliant companies from the FTSE 350, of which we are invested in 12. Following engagement, 8 companies are now compliant.

Failure to comply results in votes against the acceptance of their annual report and accounts during the 2023 AGM season. Engagement is ongoing.

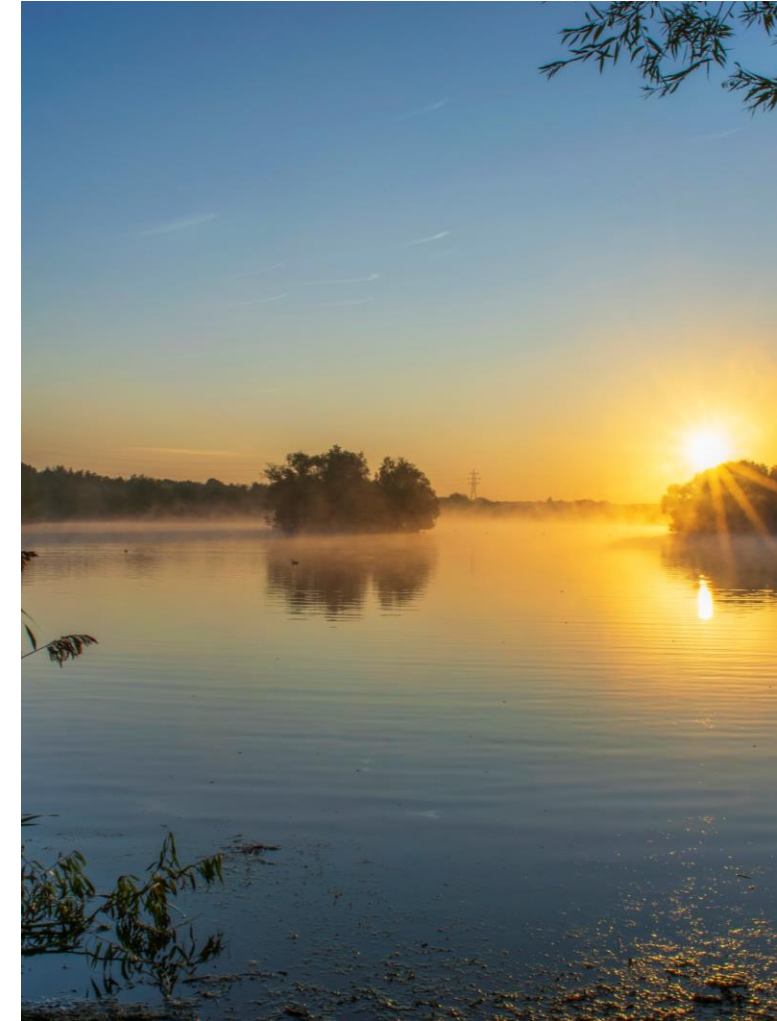
## ENGAGEMENT WITH WATER UTILITIES COMPANIES

The water utility sector faces financial and reputational risks due to frequent negative media coverage of sewage pollution incidents and record fines in 2021.

Ofwat can impose fines of up to 10% of a company's turnover and order them to take action to comply with regulation, while the government plans to give the Environment Agency more power to impose sanctions without court cases.

To address these issues, we joined a collaborative engagement initiative led by Royal London Asset Management in January 2023. This initiative aims to define best practice, improve practice, and accelerate change in laggard companies.

Focus areas include water pollution, climate change, biodiversity, circular economy, governance, and collaboration. We are leading the engagement with Yorkshire Water and will also support engagement with the 10 other target companies, all of which are held across two of our fixed income funds.



# INITIATIVES AND COLLABORATIONS



ROBECO

STEWARDSHIP  
CODE



Signatory of:



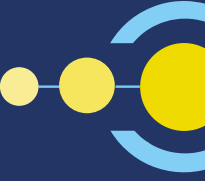
Occupational  
Pensions  
Stewardship  
Council

INVESTOR MINING  
& TAILINGS SAFETY  
INITIATIVE





PENSIONS PARTNERSHIP



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