Border to Coast UK Listed Equity Alpha Fund

BORDER TO COAST PENSIONS PARTNERSHIP

Proxy Voting Report

Period: April 01, 2023 - June 30, 2023

Votes Cast	1780	Number of meetings	101
For	1649	With management	1648
Withhold	0	Against management	132
Abstain	4		
Against	127		
Other	0		
Total	**1780**	**Total**	**1780**

In 71% of meetings we have cast one or more votes against management recommendation.

General Highlights

2023 Banking Crisis: A cautionary tale of corporate governance

The spring of 2023 was far from serene. The world watched in shock as Silicon Valley Bank (SVB), Signature Bank and First Republic failed in the US, spreading fears of contagion to other regional banks and beyond. Credit Suisse, once a symbol of Swiss financial power and stability, collapsed after years of scandals, and was taken over by its long-time domestic rival UBS in a rushed deal orchestrated by the government.

One question is now on everybody's mind – what went wrong? The simple answer is corporate governance.

In recent years, environmental, social and governance (ESG) factors have gained growing importance. The 'E' and the 'S' have arguably drawn the most attention recently, led by the focus on combating climate change. There is now a growing awareness that effective governance is imperative to long-term ESG success, and that poor corporate governance can have far-reaching consequences for the economy as a whole. Governance – once a more traditional topic for investors – seemed to have gone out of fashion, but every time something goes wrong, investor attention refocuses on it.

Where are we at?

The Federal Reserve's report examining the SVB collapse concluded that the bank failed because of a "textbook case of mismanagement". The regulator found that the directors and management failed to manage risk, noting that the full board was neither adequately informed by management on risk, nor did they hold management accountable for effectively managing this risk. According to the report, the growth of Silicon Valley Bank Financial Group, the holding company of SVB, "far outpaced the abilities of its board of directors and senior management", while executive compensation packages incentivized managers to focus on short-term profit.

Similarly, a report from the Federal Deposit Insurance Corporation (FDIC) concluded that the collapse of Signature Bank was due to "poor management". The regulator noted that "the board of directors and management pursued rapid, unrestrained growth without developing and maintaining adequate risk management practices and controls appropriate for the size, complexity and risk profile of the institution."

While the report into the Credit Suisse collapse is yet to be released by the Swiss government, the lender was engulfed in one scandal after another in recent years. Its long list of missteps ranged from accusations of spying to money laundering, and pointed out deep-rooted corporate governance issues. In fact, the 2021 report by the Paul Weiss law firm into the Archegos debacle, in which Credit Suisse lost billions on highly risky financial swaps, reads like a case study of what can go wrong in a firm's corporate governance.

The report revealed no less than "a lackadaisical attitude towards risk and risk discipline; a lack of accountability for risk failures; risk systems that identified acute risks, which were systematically ignored by business and risk personnel; and a cultural unwillingness to engage in challenging discussions or to escalate matters posing grave economic and reputational risk." While the lender rolled out an extensive set of measures to remediate the shortcomings identified, the ensuing events which ultimately led to its demise suggest that these issues were far from being resolved.

What next?

Looking back, the enhancement of corporate governance regulations was often a result of corporate failures. The Sarbanes-Oxley Act was passed in the aftermath of the Enron and WorldCom scandals. The 2003 collapse of Italian food giant Parmalat prompted a reform of insolvency law. We can therefore expect that the unfolding crisis will again trigger regulatory reform. However, should this reform be the sole focus?

In a recent speech, the European Central Bank's Chair of the Supervisory Board noted the following:

"We should abandon the ambition of designing ever-more precise regulations that accurately measure all risks under any circumstances, covering even the most extreme business models and risk configurations. That approach only results in excessive complexity, with burdensome procedures for supervisors and excessive rewards for the few institutions that have the wherewithal to game the system. Instead, we should focus our efforts on empowering supervisory teams, within a strong accountability framework."

The reality is that a myriad of factors contribute and lead to good governance. It's not only about having experienced directors on the board. It is also about fostering a sound ethical tone at the top and having the right board dynamics, ensuring that directors are engaged, that they challenge management and promote a culture of accountability. It is also about ensuring that shareholders have the proper tools available to hold the board and management accountable.

As shareholders, we are co-owners of many companies, and thus have the right to vote at their shareholder meetings. We use our voting rights with the aim of influencing a company's corporate governance and other relevant investment-related decisions in the best interest of our clients. This ensures that we can hold companies accountable for poor performance across all three dimensions of ESG. Voting can be used to push for basic governance tools and should be used by shareholders to flag their concerns by voting against the appropriate agenda item. Corporate governance only functions well if shareholders make active use of their rights and hold management to account for their performance – something that we still need much more of.

Voting Highlights

BP plc - 04/27/2023 - United Kingdom

Proposals: Remuneration Report, Remuneration Policy, Director Elections, Shareholder Proposal Regarding Reporting and Reducing Greenhouse Gas Emissions.

BP plc engages in the energy business worldwide.

BP's 2023 AGM occurred amidst high scrutiny over the company's announcement that it would backtrack on its climate ambitions. BP had garnered significant support (over 85%) for its previous climate transition plan at the 2022 AGM, but decided to not put the revised plan up for a vote at the 2023 AGM. We assessed this as a material governance concern and concluded that a vote Against the chair of the board is warranted. The opposition against the chairman's election stood at ca. 10%.

Oil and gas majors, including BP, have been facing high criticism over concerns that their executives are cashing in on Russia's invasion of Ukraine, which led to soaring oil and gas prices. Our analysis of the company's remuneration report and policy was based on our proprietary remuneration assessment framework, which captures a wide variety of factors across three key components – pay structure, pay magnitude, and pay transparency. While recognizing the shortcomings of the remuneration report and policy, on balance, we concluded that these were supportable. The remuneration report was supported by 82% of the votes cast, while the policy garnered support from 94% of the votes cast.

Notably, Dutch shareholder group Follow This filed a proposal at the meeting, requesting that the company align its existing 2030 Scope 3 emissions reduction aims with the goal of the Paris Climate Agreement. The proposal specified that the strategy to achieve the alignment is "entirely up to the board." Given that we maintain our concerns regarding the company's Scope 3 emissions reduction targets, we voted For the shareholder proposal. The resolution was supported by 17% of the votes cast.

Shell Plc - 05/23/2023 - United Kingdom

Proposals: Remuneration Report, Remuneration Policy, Approval of Energy Transition Progress, Shareholder Proposal Regarding Scope 3 GHG Target and Alignment with Paris Agreement.

Shell plc operates as an energy and petrochemical company.

Shell's 2023 AGM agenda included a series of routine items as well as a proposal concerning the approval of the company's energy transition progress and a shareholder proposal concerning Scope 3 emissions reduction targets.

Oil and gas majors have been under growing scrutiny over their impact on climate change; hence, the approval of Shell's energy transition progress drew significant attention not only from investors but also from society at large. We assessed the company's climate strategy based on our proprietary Say-on-Climate framework developed for the oil and gas sector, including key components such as greenhouse gas targets and capital expenditure. We identified several concerns, most notably regarding the company's shorter-term targets to reduce carbon intensity. As the company's strategy did not pass the framework, we voted Against the proposal, which was opposed by ca. 20% of the votes cast at the meeting.

In addition, a proposal filed by Dutch shareholder group Follow This at the meeting

requested that the company align its existing 2030 Scope 3 emissions reduction aims with the goal of the Paris Climate Agreement. The proposal specified that the strategy for how to achieve the alignment is entirely up to the board. Given that we maintain our concerns regarding the company's climate strategy, we voted For the shareholder proposal, which garnered a level of support of 20%.

Finally, the remuneration proposals on the meeting agenda drew scrutiny over the major increase in CEO pay recorded by Shell in 2022. We analyzed the company's remuneration report and policy based on our proprietary remuneration assessment framework, which looks at various factors across pay structure, pay magnitude and pay transparency. Notably, we participated in a remuneration roadshow hosted by Shell in Q1 2023, giving us valuable insights that helped our analysis. On balance, Shell scored well in our framework and we therefore supported the remuneration proposals. Both resolutions won overwhelming support (ca. 95%).

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