



QUARTERLY STEWARDSHIP REPORT

Q2 2023

Reporting period: 1st April 2023 – 30 June 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



**SOUTH YORKSHIRE
PENSIONS AUTHORITY**



**Lincolnshire
Pension Fund**



WARWICKSHIRE
pension fund



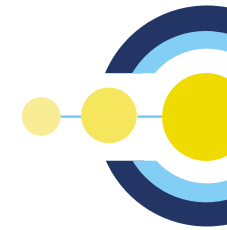
**Bedfordshire
Pension
Fund**



**Surrey
Pension
Fund**



QUARTERLY HIGHLIGHTS



VOTING OVERVIEW

This quarter saw the peak of proxy voting season for developed markets. We voted at 579 meetings, comprising of over 9,000 agenda items.

Reflecting our strengthened approach to voting ahead of the season, we cast at least one vote against the recommendations of management in over 70% of meetings.

ENGAGEMENT OVERVIEW

There were 409 engagements with companies over Q2 2023.

In June, we joined the 'Financing a Just Transition Alliance' coordinated by the London School of Economics Grantham Institute and joined Royal London Asset Management (RLAM) to collaboratively engage UK banks on a just transition.

We also joined the Institutional Investors Group on Climate Change (IIGCC) Net Zero Engagement Initiative and will be co-leading the engagement with EasyJet.

BORDER TO COAST IN TCFD CASE STUDY

In May, Border to Coast was the subject of an Accounting for Sustainability (A4S) [case study](#) showcasing our adoption of the Task Force for Climate Related Financial Disclosures (TCFD) recommendations ahead of its mandatory introduction by regulators. The case study notes how we

have gained a deeper understanding of risks and opportunities, and established more informed policies and processes for stewardship, including engagement and voting. A4S was established by HM King Charles III in 2004 and aims to inspire action by finance leaders to drive a fundamental shift towards resilient business models and a sustainable economy.

OUR PEOPLE

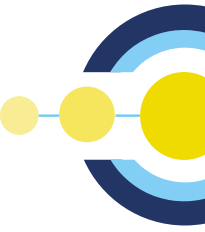
Our Stewardship Manager, Colin Baines, attended the [RI Europe conference](#) in June. Speaking at a plenary, Colin discussed the integration of just transition into climate strategies and announced the launch of our new [engagement programme](#).

Our Head of Responsible Investment, Jane Firth, featured in a [Portfolio Institutional article](#) discussing our approach to several areas including our investment process, approach to investing in climate solutions, our broader net zero commitments and stewardship.

Mark Lyon, our Deputy CIO, attended the 151 Private Markets Forum in June where he discussed the drivers behind launching our Climate Opportunities offering; some of the investments we have made; the data availability in private markets, and challenges for reporting on positive impact including aggregation at overall portfolio level.



INDUSTRY HIGHLIGHTS



FCA PRIMARY MARKETS EFFECTIVENESS REVIEW

The FCA is consulting on reforms to the UK listing regime. We support the objective to maintain the UK as an attractive place to list as part of the broader discussion around the functioning of UK capital markets. We responded to the consultation and supported the Investment Association's response, whilst highlighting our key concerns on the potential rolling back of investor protections. This includes changes related to significant and related party transactions votes and changes to dual class share structures.

IIGCC STANDARDS AND GUIDANCE

During the quarter, the IIGCC published new net zero standards for [oil and gas](#) companies and for [banks](#). The standards, developed with input from a range of industry practitioners, are intended to support constructive engagement with companies to aid ongoing implementation of climate commitments.

The Group also made further enhancements to the Net Zero Investment Framework, publishing guidance for [bondholder climate stewardship](#) and net zero in [private equity](#).

ISSB STANDARDS

In June, the International Sustainability Standards Board (ISSB) issued its [inaugural standards](#). The standards aim to

create a common language for disclosing the effect of climate-related risks and opportunities on a company's future prospects. Following launch, the ISSB will work with jurisdictions and companies to support adoption. The first step involves the creation of a Transition Implementation Group to support companies in applying the standards and launching capacity-building initiatives for implementation.

ECB CLIMATE DISCLOSURES REVIEW

The European Central Bank (ECB) released its [third review](#) on banks' climate-related risk disclosures practices and trends during May.

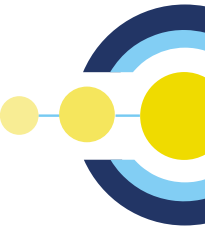
The Bank acknowledged progress but found financial institutions remain below expectations. They urged banks to improve disclosures and provide more specific information. This review strengthens the case for engaging banks in our Low Carbon Transition theme. Our dialogue on financing and disclosures with banks continues.

CLIMATE ACTION 100+ LAUNCHES PHASE 2

Climate Action 100+, the largest investor-led climate change initiative, has entered its [next phase](#) to drive increased corporate climate action over the next decade. The new phase emphasises the execution of corporate climate transition plans to foster lasting shareholder value.



VOTING OVERVIEW



WALKING THE TALK IN PROXY VOTING SEASON

The last quarter has seen peak voting season begin and end in most markets. During this period, we implemented our strengthened voting policy on climate change by voting against a significant number of board Chairs across our oil and gas, mining and materials holdings. We also publicly pre-declared our decisions to vote against the Chairs of Shell and BP and to vote against Glencore’s climate report to signal our intent to other investors. The increasing escalation of our approach is particularly warranted given recent backsliding on targets seen among some companies on the back of strong profits.

We supported a range of shareholder proposals during the period. The number of proposals filed in markets such as the US and Japan reached new heights this year and individual companies have seen record numbers of proposals on their agendas (18 in Amazon’s case). A significant proportion continue to be climate-focused, however other issues have also been highlighted, ranging from workers’ rights and child labour to plastic waste and antimicrobial resistance. Despite opposition from some institutions following the U.S. anti-ESG backlash, the proposals we supported received significant backing. The anti-ESG movement has been evident in the increasing number of ‘anti-social’ shareholder proposals, which often aim to block genuine proposals and confuse investors. These have, however, consistently received low levels of support.

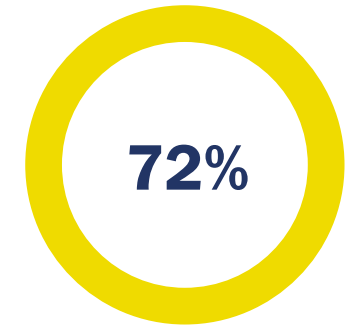
AGENDA ITEMS



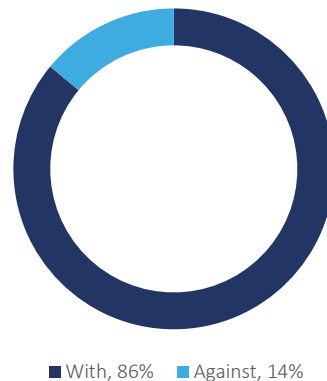
MEETINGS VOTED ON



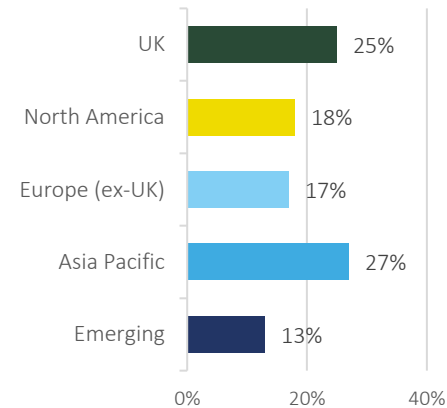
MEETINGS WITH AT LEAST ONE VOTE AGAINST MANAGEMENT



VOTES WITH AND AGAINST MANAGEMENT



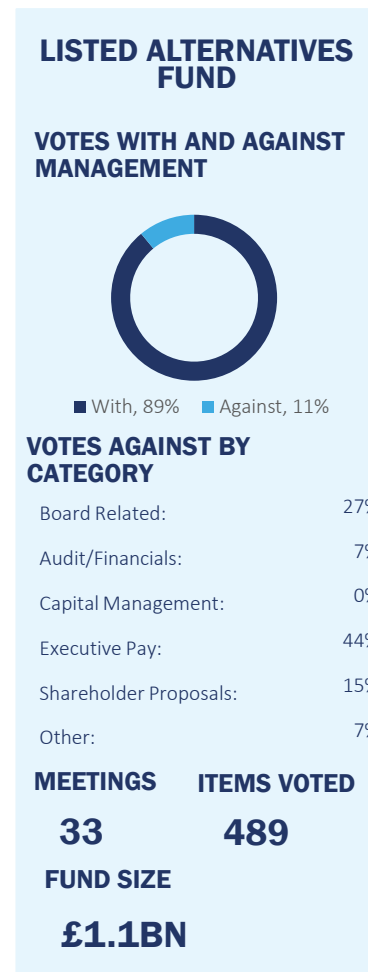
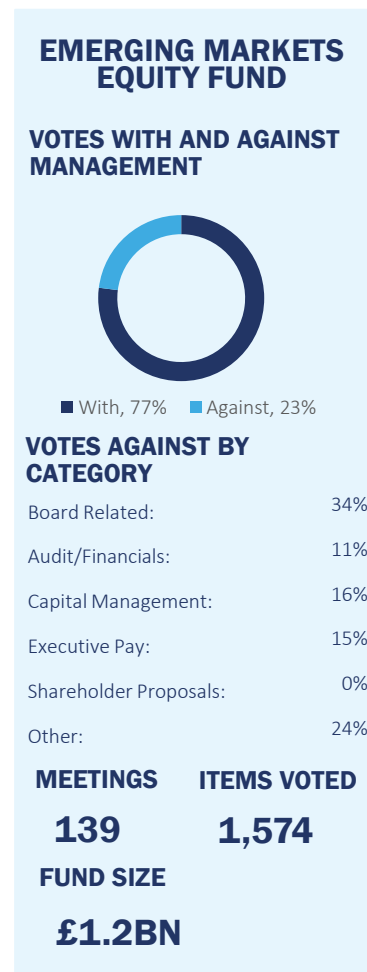
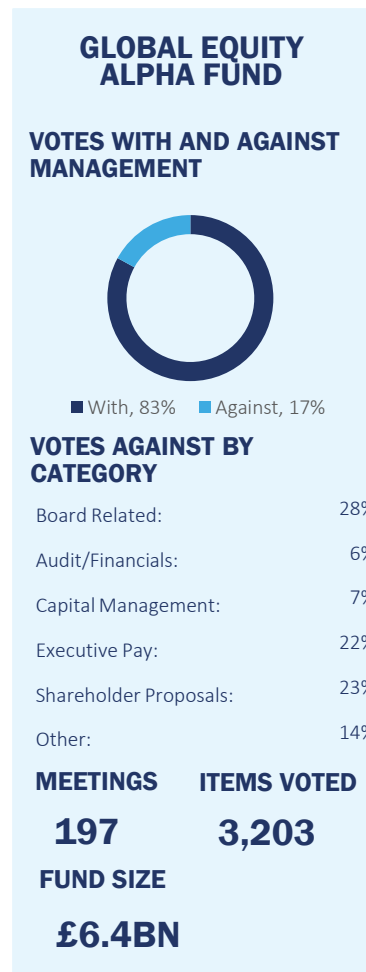
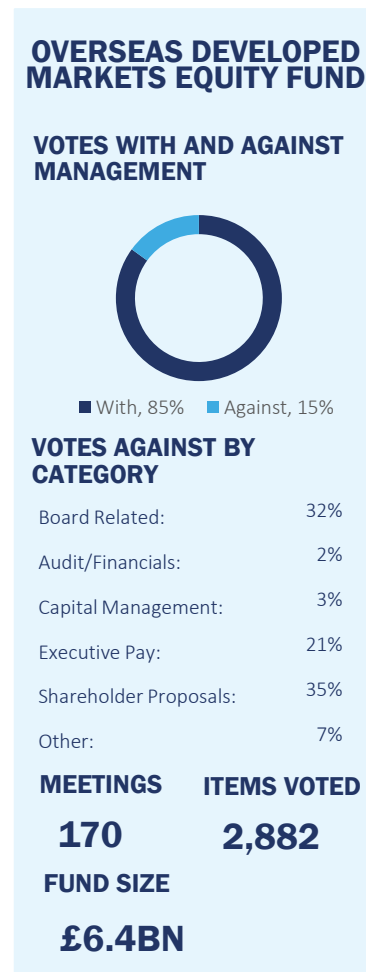
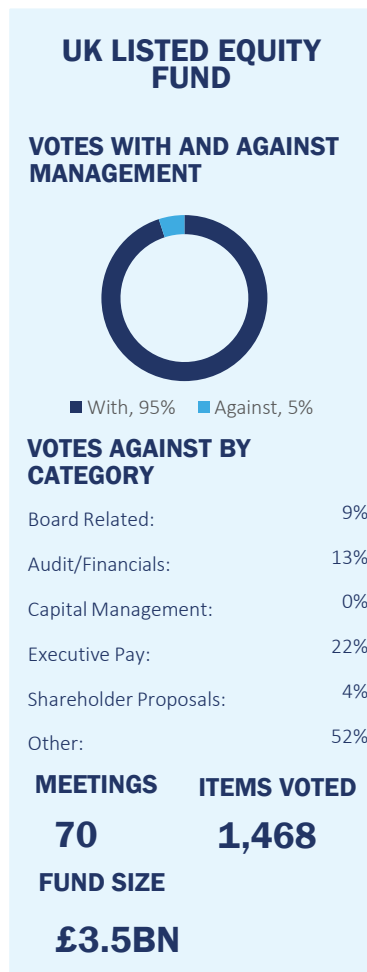
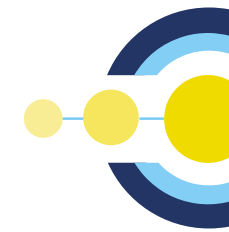
VOTING ACTIVITY BY REGION



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

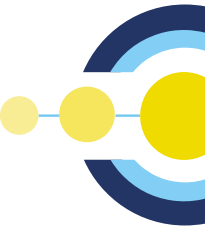


VOTING BY FUND



Note: Fund size as at 30 June 2023

VOTING HIGHLIGHTS



NEXTERA ENERGY

NextEra is a U.S. based energy company providing electricity through its significant fossil gas, wind and solar capacity.

What did we do?

We supported the Board Chair despite the Company not meeting the Climate Action 100+ Net Zero Benchmark indicators 1, 2, and 3.

Our view:

NextEra was deemed to fall short of meeting CA100+ criteria for net zero ambition and credible GHG reduction targets. However, the 'Zero Carbon Blueprint', published by NextEra after the CA100+ assessment, aims for 'real zero' by 2045 with significant interim emission reduction targets. These targets are expected to fulfil CA100+ requirements when assessed in the future. NextEra is investing significantly in green hydrogen production to achieve its ambitious decarbonisation goals without offsets and, after analysing the Blueprint and engaging with management, we were comfortable in supporting the Chair at this year's AGM.

Voting outcome:

NextEra's Chair received 91% support with 9% voting against re-election.

GLENCORE

Glencore extracts and trades commodities including metals, minerals, oil, and coal.

What did we do?

We voted against the Company's climate report, supported an independent shareholder proposal, and publicly pre-declared our votes ahead of the AGM.

Our view:

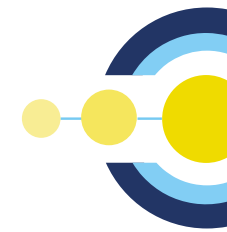
Glencore operates in emission-intensive sectors, facing climate risks that require effective management to preserve shareholder value. With this in mind, we deemed the progress outlined in the Company's climate report to be insufficient. We supported the shareholder proposal calling for a 2024 climate transition plan to include disclosure on whether the Company's planned thermal coal production is aligned with the Paris Agreement, and the extent to which it is inconsistent with the IEA Net Zero scenario timelines for phasing out thermal coal for electricity generation.

Voting outcome:

30% of shareholders voted against the Company's climate report, while 29% supported the shareholder resolution, evidencing a large contingent of Glencore investors seeking to improve the Company's management of climate-related risks.



VOTING HIGHLIGHTS



AMAZON

Amazon operates an online retail and e-commerce business while also offering services such as streaming.

What did we do?

We supported 14 shareholder proposals and opposed four.

Our view:

Out of the 14 supported proposals, five were related to our social inclusion and labour management focus. These resolutions asked for reports on working conditions, pay gaps, employee freedom of association assessment, and considering employee salaries in executive pay decisions. Implementing these requests could improve treatment and reduce labour-related risks. For example, the working conditions proposal aims to investigate if demanding performance targets contribute to injury and turnover rates.

We also opposed four shareholder proposals. One requested a report on climate risks in employee retirement plans, which we found beyond shareholder scope. Another regarding a public policy committee seemed unnecessary, as we believe ESG oversight lacks quality more than quantity. Lastly, two proposals aimed to hinder our ESG efforts.

Voting outcome

The shareholder proposals on freedom of association and working conditions both received 35% support. Gender and racial pay proposals received 29%, employee to executive pay comparisons 7%, and hourly employee board representation 18% support. These results show ongoing investor focus on labour rights at Amazon.

The two anti-social proposals received 1.6% and 0.8% support, highlighting low backing for such proposals despite their increasing prevalence. The proposals on climate risks in retirement options and a public policy committee got 7% and 6% support, respectively.

TOTALENERGIES

TotalEnergies is an integrated oil and gas company operating globally. The Company's operations cover the entire oil and gas chain, from exploration and extraction to refining and trading.

What did we do?

We voted against the re-election of a board member and in favour of 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 re-election of the Chair of the board (or the most appropriate director up for election). For the oil and gas sector, we will usually exercise this vote when companies do not fully meet the first four indicators of the Climate Action 100+ (CA100+) Net Zero Benchmark, covering short, medium, and long-term emission reduction targets.

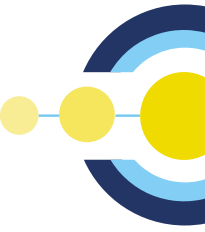
TotalEnergies currently only partially meets indicators 3 and 4 (medium-term and short-term targets).

The shareholder resolution called for the Company to adopt a 2030 Scope 3 emissions reduction target aligned with the Paris Agreement.

Voting outcome:

16% of shareholders voted against the re-election of the longest-tenured board member (in place of the Chair who was not standing for re-election), while the shareholder resolution received 30% backing. These results represent large and coordinated shareholder rebellions, demonstrating significant shareholder determination to improve the Company's approach to climate change through engagement.

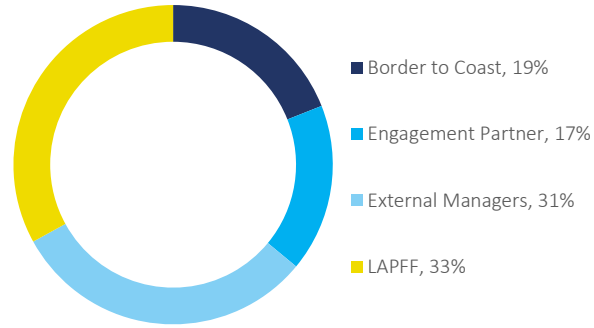
ENGAGEMENT OVERVIEW



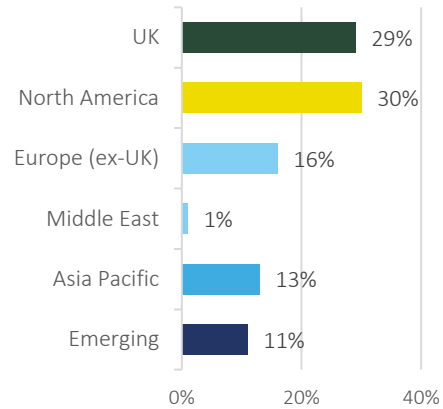
NUMBER OF ENGAGEMENTS



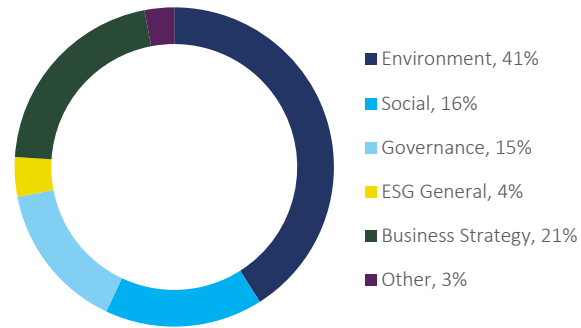
ENGAGEMENT LEAD



ENGAGEMENT ACTIVITY BY REGION



ENGAGEMENT TOPIC



ENGAGEMENT HIGHLIGHTS

ENGAGEMENT WITH SHELL AND BP

Shell and BP are significant contributors to Border to Coast's financed emissions, which we are seeking to reduce to meet our net zero commitments.

We have determined that both companies have set insufficient medium-term emission reduction targets. We are also concerned about BP's backtracking on its climate targets which were put to a shareholder vote last year, and Shell's failure to meet every indicator of the Climate Action 100+ Net Zero Benchmark for the alignment of capital expenditure with net zero.

Border to Coast wrote to, and held meetings with, BP and Shell discussing our concerns and advising that we would be voting against the re-election of the board Chairs in line with our strengthened climate voting policy, and voting for independent shareholder resolutions in support of a Scope 3 emissions reduction target aligned with the Paris Agreement.

In April 2023, as part of engagement escalation, we signalled our concern by joining other pension funds to publicly pre-declare our votes ahead of the AGMs, attracting significant press coverage.

Further meetings will be held with Shell and BP in the second half of the year.

ENGAGEMENT FOR A JUST TRANSITION TO NET ZERO

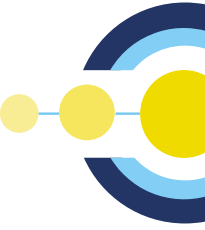
Just transition is the integration of social risks and opportunities, and a place-based lens, into decarbonisation strategies.

It enables investors to address systemic threats to long-term stability and value creation and is a key consideration for Border to Coast in our Responsible Investment and voting policies.

In June 2023, we announced a new programme of engagement, including joining the Financing a Just Transition Alliance, which is coordinated by the London School of Economics Grantham Institute and has 50 institutional investor members.

We will be collaborating with Royal London Asset Management to engage four UK banks. Banks have a key role to play in the low carbon transition, both via capital allocation and support for customers to transition. We will develop investor expectations of banks on just transition and engage in support of coverage in climate policies.

Border to Coast will also pilot engagement with an emerging market energy utility to explore just transition in an emerging market context.



INITIATIVES AND COLLABORATIONS



ROBECO

STEWARDSHIP
CODE



Signatory of:



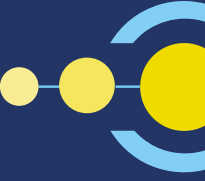
Occupational
Pensions
Stewardship
Council

INVESTOR
MINING
& TAILINGS
SAFETY
INITIATIVE





PENSIONS PARTNERSHIP



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