



PROXY VOTING: AGM SEASON REPORT 2023

1st April 2023 – 31st August 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



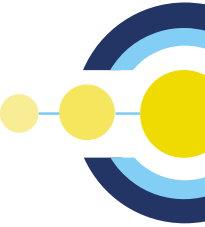
**Bedfordshire
Pension
Fund**



**Surrey
Pension
Fund**



VOTING IS ESSENTIAL TO GOOD ESG PRACTICE



Border to Coast integrates environmental, social, and governance (ESG) issues into investment decision making and stewardship and believes that using our influence through ongoing engagement with companies drives positive outcomes. This is fundamental to our responsible investment approach and achievement of our net zero targets. How we use our votes at company AGMs is a vital component of this approach as perhaps the most influential means at the disposal of investors to influence company behaviour.

The past year has seen somewhat of a backlash against ESG, mainly confined to the United States where there has been some politicisation. It is notable that this followed year on year increases in levels of support for shareholder resolutions on environmental and social issues with dozens achieving majorities in 2021. Unfortunately, this backlash seems to have contributed to a decline in support for ESG resolutions in 2023 (average support down from 26% to 21%) as some large asset managers reduced the number of resolutions they supported. This is supported by research commissioned by the UK Asset Owner Roundtable, which found significant misalignment in climate voting between asset owners and managers in 2023.

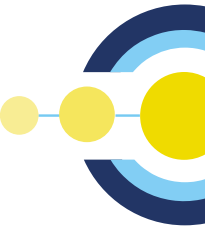
At Border to Coast, we carry out our own voting for both internally and externally managed equities in line with our RI Policy and accompanying bespoke Corporate Governance & Voting Guidelines, which were developed in conjunction with our Partner Funds, who also input into annual policy reviews, to ensure clarity of approach. As a result of this control, we voted for 81% of environmental shareholder resolutions and 90% of social shareholder resolutions in 2023.

Ahead of this year's AGM season, we strengthened our voting policy for the oil and gas sector as part of engagement escalation with the sector, which resulted in us opposing the re-election of the chair of the board at 95% of oil and gas companies due to inadequate transition plans (up from 31% in 2022). As part of our escalation, we also publicly pre-declared our support for three climate resolutions, including at BP and Shell. More generally, we voted against 71% of all 'Say on Climate' management resolutions due to insufficient progress being made by companies on their climate transition plans (up from 58% in 2022).

The 'S' of ESG is just as important in our considerations. This year we supported shareholder resolutions on a range of social issues, including workers' rights and diversity, and voted against the chair of the board at the AGMs of 72 companies due to their failure to meet our requirements on board gender diversity.

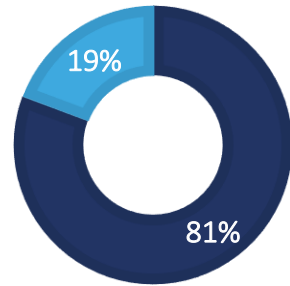
Despite lower levels of support for some ESG resolutions in 2023, it has been a successful AGM season. As of 30 June, the Principles for Responsible Investment (PRI) noted that one third of the ESG-related resolutions it was tracking had been withdrawn (214 of 645). Similarly, US investor group Ceres noted that almost one third of the climate-related shareholder proposals it was tracking had been withdrawn (79 of 256). Companies often seek to negotiate withdrawal agreements with the shareholders who filed the resolutions. They may offer to comply voluntarily, make an acceptable offer on what action they are willing to take, or put forward a management-sponsored resolution that is more likely to pass the AGM vote. As a result, Ceres stated 2023 to be "the second most successful proxy season ever for corporate commitments to climate action."

HEADLINE NUMBERS*



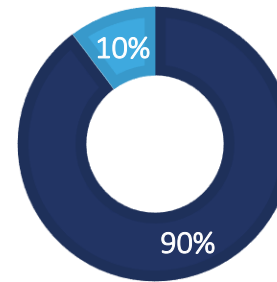
ENVIRONMENTAL SHAREHOLDER PROPOSALS

■ Supported ■ Opposed



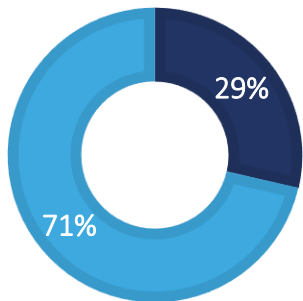
SOCIAL SHAREHOLDER PROPOSALS

■ Supported ■ Opposed



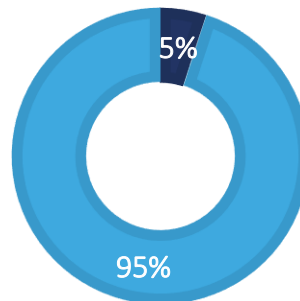
SAY ON CLIMATE

■ Supported ■ Opposed



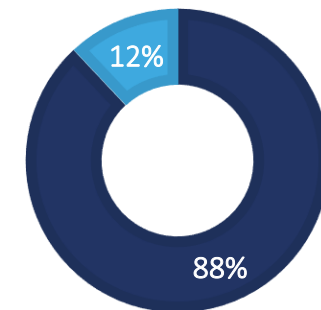
OIL & GAS CHAIRS

■ Supported ■ Opposed



MANAGEMENT RESOLUTIONS**

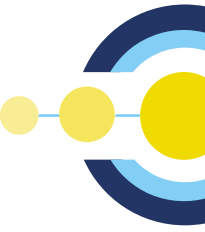
■ Supported ■ Opposed



* Reporting period 1st April 2023 – 31st August 2023

** From 10,167 resolutions at 690 annual meetings

STRENGTHENED CLIMATE POLICY IN ACTION



Our policy

We strengthened our climate voting policy ahead of the 2023 AGM season. 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 at least TPI Level 3 or fully meet the first four indicators of the Climate Action 100+ (CA100+) Net Zero Benchmark, covering short, medium, and long-term emission reduction targets. Votes will be cast against the chairs of companies in other high emitting sectors where they either do not meet at least TPI Level 2 or where they fail our climate framework.

What we did

This proxy season we voted against the chair (or appropriate director) at the AGMs of 50 companies that failed our climate requirements (20 oil and gas, 23 high emitters, 7 banks). This represents continuity in our approach for some companies, such as Chevron, though for many holdings, including BP and Shell, this is the first time we have opposed the chair on climate grounds.

The results

The scale of shareholder opposition to the oil and gas chairs we opposed varied widely, from close to 0% at some companies to 35% at Woodside Energy. The average level of opposition was 7%. Among other high emitters there was large shareholder opposition at Jardine Matheson (30%), United Tractor (24%), and Daikin (18%), though the average was again lower at 7%.

Climate-related shareholder proposals

We supported 79% (41) of the 52 climate-related shareholder proposals filed on the AGM ballots of our holdings. These proposals covered topics including Scope 3 emissions targets, Just Transition reporting, the alignment of political lobbying and spending with Net Zero, and for banks alignment with Net Zero of their lending activity. Many of these proposals enjoyed strong support, including a request for Goldman Sachs to produce a transition plan for its financing activities (30%) and a call for Berkshire Hathaway to issue a climate report (27%). Other than two anti-ESG resolutions, all the climate-related proposals we opposed were considered to be overly prescriptive and filed at Kansai Electric Power Company.

CASE STUDY

BP PLC (UK Listed Equity / UK Listed Equity Alpha)

BP explores for, extracts, refines and distributes oil and gas globally.

What did we do?

We voted against the re-election of the chair and in support of an independent climate resolution. We publicly pre-declared our votes ahead of the AGM.

Our view:

BP currently only partially meets indicators 3 and 4 (medium-term and short-term targets) of the CA100+ benchmark. Additionally, since its targets were assessed in 2022, BP has weakened its commitments and would therefore likely perform worse against the CA100+ criteria today.

The shareholder resolution called for the company to align its 2030 Scope 3 emission reduction targets with the Paris Agreement. We believe this is necessary for all oil and gas companies and have therefore also supported resolutions calling for this where they have been filed on the ballots of our other oil and gas holdings.

Voting outcome:

Almost 10% of shareholders voted against the re-election of Helge Lund as the chair of the board, increasing from 3.5% in 2022 and 2.3% in 2021, while the shareholder resolution received 17% support. Both results indicate significant shareholder disapproval of the company's current climate risk management and a willingness to employ voting as a tool for improving it.

We will continue to support collaborative engagement with BP alongside other asset owners.

CLIMATE VOTING ESCALATION IN ACTION

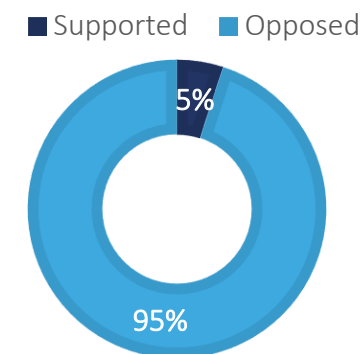


Voting Escalation at BP and Shell:

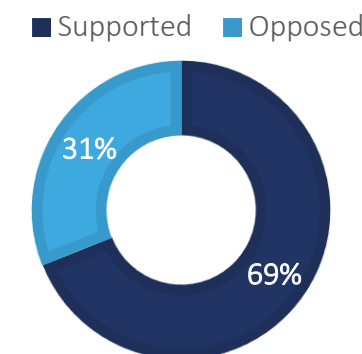
	2019	2020	2021	2022	2023
BP	Abstained on a climate-related shareholder resolution		Supported a climate-related shareholder resolution	Voted against the company's Climate Transition Plan Supported a climate-related shareholder resolution	Voted against the chair due to climate concerns Supported a climate-related shareholder resolution Publicly pre-declared votes ahead of AGM
Shell	Voted against a climate-related shareholder resolution (as the proponent was attempting to withdraw it)	Abstained on a climate-related shareholder resolution	Voted in support of the company's Energy Transition Strategy Abstained from a climate-related shareholder resolution	Voted against the company's Energy Transition Strategy Supported a climate-related shareholder resolution	Voted against the chair due to climate concerns Voted against the company's Energy Transition Progress Supported a climate-related shareholder resolution Publicly pre-declared votes ahead of AGM

Re-election of the chair of the board at oil and gas companies 2022 vs 2023:

OIL & GAS CHAIRS 2023



OIL & GAS CHAIRS 2022



SHAREHOLDER PROPOSALS

What we did

During the 2023 AGM season, we backed 75% of the 273 shareholder proposals on the ballots of our holdings and abstained on a further 2% (we have removed from our figures the 40 anti-ESG resolutions that were filed in 2023). In addition to the climate resolutions already discussed, these proposals encompassed a wide range of topics including workers' rights, plastic waste and antimicrobial resistance. Almost all the 23% of proposals we opposed were deemed overly prescriptive.

The results

Average support for resolutions among shareholders fell to 21% against 26% last year. While this is partially due to the anti-ESG backlash stemming from the US, it is also attributable to proposals becoming increasingly prescriptive and ambitious, and therefore less supportable to some investors, as well as some companies taking steps to meet their requirements before they went to a vote. Support was still high, however, for many proposals. For example, two proposals at Amazon, backed by Border to Coast and relating to freedom of association and working conditions, both received 35% support.

Going forwards

Despite the decrease in support for shareholder resolutions against last year, levels of support are still high compared even to a few years ago. We are also encouraged by the fact that the number of shareholder resolutions filed continues to grow, with some issues seeing a significant increase in related proposals, such as the 60% increase in compensation-related proposals in the US. There was also a marked increase in the number of shareholder resolutions withdrawn ahead of the AGM due to successful negotiation between shareholders and companies.

For the 2024 AGM season the PRI is expecting popular proposal themes to include the Just Transition, biodiversity, digital rights and plastic pollution. We will continue to back all proposals that we consider supportable,

CASE STUDY

Mondelez International (Global Equity Alpha)

Mondelez, formerly Kraft, is an international confectionary company owning brands including Cadbury, Oreo and Belvita.

What did we do?

We voted in support of two shareholder proposals.

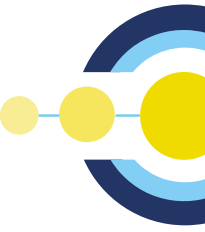
Our view:

The first shareholder proposal requested that the company disclose or develop and then disclose (if they do not already exist), glidepath benchmarks for achieving its stated target of only sourcing cage-free eggs by 2025. The proponent observes that other companies with similar commitments have disclosed annual glidepath benchmarks and we agree that Mondelez should do the same to ensure it meets its target.

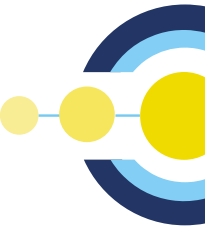
The second shareholder proposal addressed Mondelez's ambition of eradicating child labour from its cocoa supply chain by 2025, requesting targets and reports incorporating quantitative metrics. We agree with the proponent that these measures are necessary to prevent children coming to harm in the company's supply chain given the ongoing prevalence of dangerous and exploitative child labour in cocoa farming.

Voting outcome:

The shareholder proposal on cage-free eggs received 9% support, while the proposal on child labour was backed by 20% of shareholders.



FOCUS ON SOCIAL



Our Diversity policy

During this proxy season we voted against the chairs of the nomination committee at the AGMs of 72 companies due to their failure to meet our gender diversity requirements. Exercising a common-sense approach to the issue, we also opted not to vote against eight companies that only marginally failed our requirements and demonstrated positive momentum in relation to female board representation and/or had very small boards.

In relation to our support for the 30% Club Investor Group, we voted against 25 companies in our UK funds, including Wickes and Fevertree Drinks, due to the board comprising less than 33% female members. We wrote to all 25 UK companies subject to a vote against management to explain our vote and minimum expectations.

CASE STUDY - BOARD DIVERSITY

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 comprised 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.

CASE STUDY - SOCIAL SHAREHOLDER RESOLUTIONS

Amazon (Overseas Developed Equity / Global Equity Alpha)

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 requested the formation of a public policy committee which was deemed unnecessary. 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.

INITIATIVES AND COLLABORATIONS



ROBECO

STEWARDSHIP
CODE

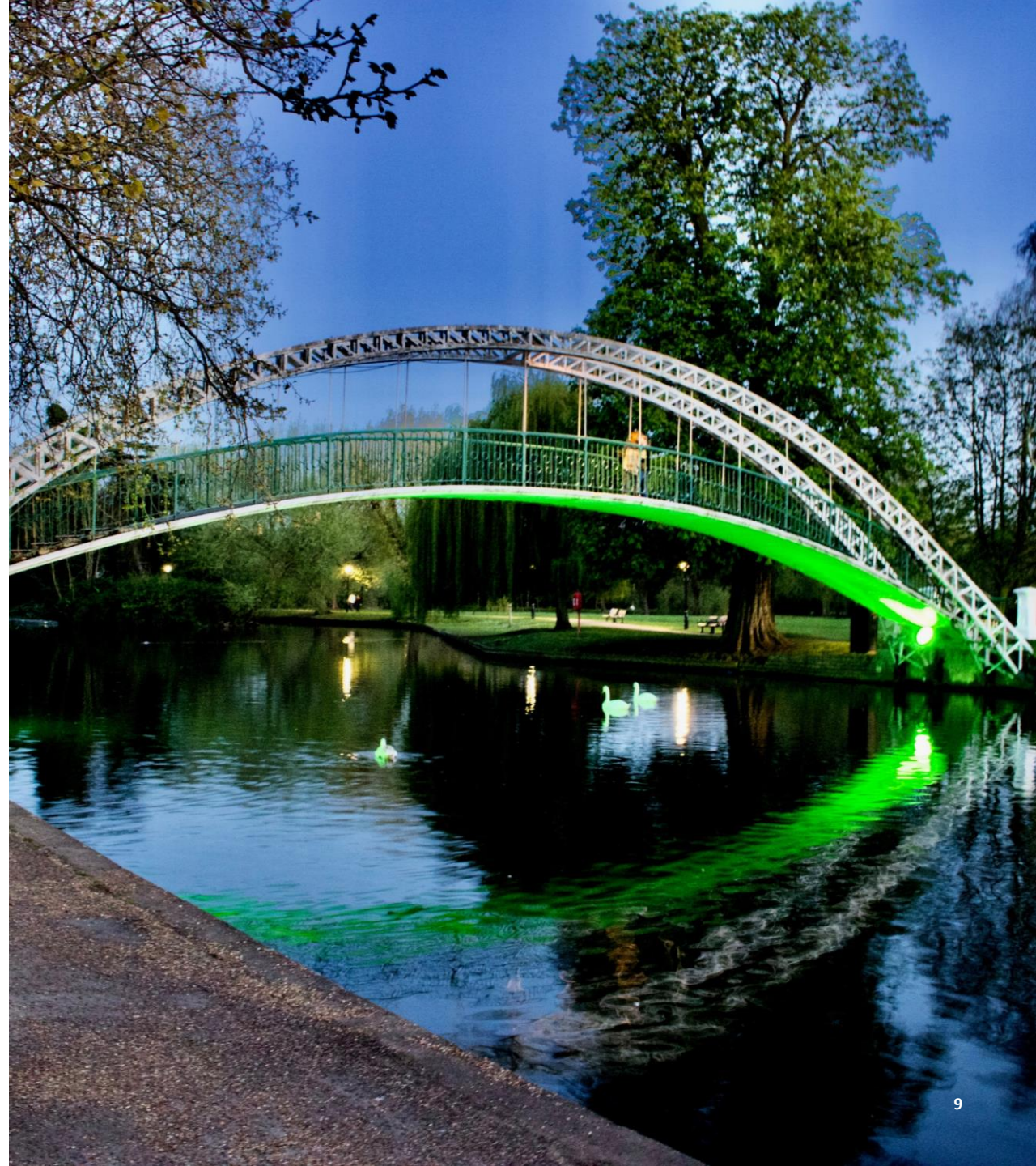


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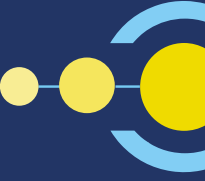
Occupational
Pensions
Stewardship
Council

INVESTOR
MINING
& TAILINGS
SAFETY
INITIATIVE





PENSIONS PARTNERSHIP



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