



PENSIONS PARTNERSHIP

QUARTERLY STEWARDSHIP REPORT

Q3 2023

Reporting period: 1st July 2023 – 30 September 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



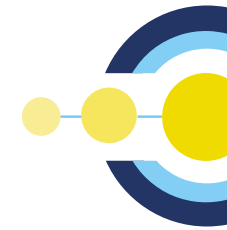
**Bedfordshire
Pension
Fund**



**Surrey
Pension
Fund**



QUARTERLY HIGHLIGHTS



VOTING OVERVIEW

This quarter we voted 191 meetings, comprising over 1,900 agenda items. We cast at least one vote against the recommendations of management at 58% of meetings.

ENGAGEMENT OVERVIEW

There were 550 engagements with companies over Q3 2023.

STEWARDSHIP AND CLIMATE CHANGE REPORTING

In August, we published both our Responsible Investment and Stewardship (RI) [Report](#) and Climate Change [Report](#) for 2022/23.

The reports set out in depth our work as a responsible investor, highlight the strength of the collective voice provided by pooling, and the positive impact it can have.

BORDER TO COAST ANNUAL CONFERENCE

September saw us host our annual conference in our home city of Leeds. Over two days we were joined by over 150 councilors, officers and advisors from our Partner Funds as we provided updates on our investments, and how we are delivering for our Partner Funds and their 1.1million LGPS members.

Investing for net zero was high on the agenda – with a discussion with Mark Carney, the United Nations Special

Envoy for Climate Action and Finance, and Chair and Head of Transition Investing at Brookfield Asset Management.

A session was also held on the 'Power of Engagement' covering our RI strategy and the importance of stewardship, including how we work with external managers and investor collaborations to achieve scale and increase our impact, sharing practical examples.

Emerging Markets Alpha Launch

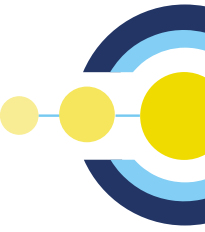
During Q3 we launched the Emerging Markets Equity Alpha Fund. The Fund has four managers – two are existing managers used by Border to Coast. ESG and climate change considerations were a key part of the selection process for the two new managers, with an emphasis on each manager's approach to active engagement. The process included assessment by the RI Team and interviews were attended by RI Team members.

OUR PEOPLE

Rachel Elwell, CEO, spoke at the Reuters ESG Investment Europe 2023 conference where she discussed how we are delivering on stewardship for our Partner Funds. The case study session illustrated what it looks like to embody stewardship through resolutions, voting, and other intervening measures.



INDUSTRY HIGHLIGHTS



LETTER TO UK GOVERNMENT ON NET ZERO

As one of 32 supporters of the letter from the CEOs of Institutional Investors Group on Climate Change, the UN-supported Principles for Responsible Investment and the UK Sustainable investment Forum, we are urging the UK Prime Minister not to backtrack on vital policy measures that support the UK's transition to net zero.

The [letter](#) focuses on the importance of an 'enabling policy environment' to create the conditions for investors to be able to make long-term investment decisions.

TNFD RECOMMENDATIONS PUBLISHED

The Taskforce on Nature-related Financial Disclosures ('TNFD') published its [final recommendations](#) for nature-related risk management and disclosure in September. The recommendations aim to inform better decision making by both companies and investors around nature-positive outcomes.

As a long-term investor, we recognise the interconnectivity of biodiversity and climate change and welcome the consistency of the reporting framework with that of the TCFD. However, there are challenges with data – quality, coverage and availability. We will, therefore, evaluate the recommendations and continue to monitor developments.

IGCC GUIDANCE ON CLIMATE SOLUTIONS

The IIGCC's latest [guidance](#), released in September, aims to assist investors in identifying and engaging on investee companies' climate solutions activities. It also provides guidance for investors measuring their own allocation to such activities, which is a critical element of reporting against voluntary net zero commitments.

IEA NET ZERO ROADMAP UPDATE

The IEA published a significant report in May 2021 outlining a feasible path for the global energy sector to help limit global temperature rise to 1.5°C. The report became a crucial reference for policymakers, industry, finance, and civil society.

Despite challenges, including the recent energy crisis and rising emissions in 2022, progress has been made in clean energy technologies. This [2023 update](#) presents an updated version of the Net Zero Emissions by 2050 (NZE) Scenario and finds that whilst the path to 1.5 °C has narrowed, clean energy growth is keeping it open.



VOTING OVERVIEW

This quarter was a quieter one for voting, with the main proxy season tailing off. We have taken advantage of this by looking back over the year's voting and, with only a few AGMs left this year, we recently released our first [Proxy Season Report](#). Reflecting on the importance of voting and analysing our own voting record, the report aims to offer a window into how we implemented our voting policy and the results of our voting activity.

Zooming in on our voting on climate, diversity, and ESG shareholder proposals, it provides a range of statistics and some case studies on BP, Amazon, and Mondelez (formerly Kraft), and looks at the escalation of our voting at Shell and BP over the last five years. Particularly striking is our strengthened approach to climate voting, with the report showing that we voted against 95% of oil and gas chairs and 71% of Say on Climate resolutions and voted in support of 81% of environmental shareholder proposals.

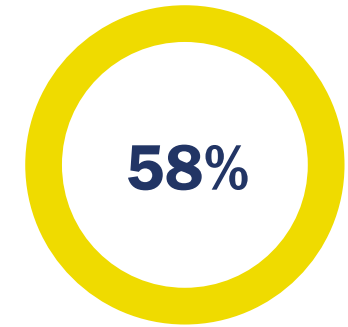
AGENDA ITEMS



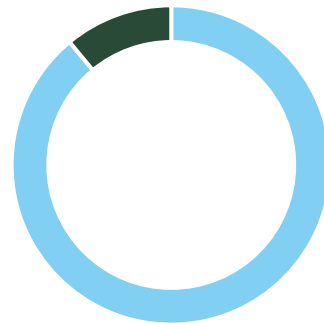
MEETINGS VOTED ON



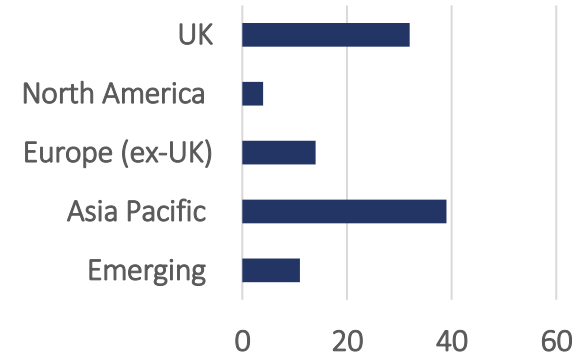
MEETINGS WITH AT LEAST ONE VOTE AGAINST MANAGEMENT



VOTES WITH AND AGAINST MANAGEMENT



VOTING ACTIVITY BY REGION

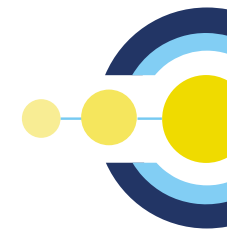


FURTHER DETAIL ON OUR VOTING GUIDELINES AND RECORDS CAN BE FOUND ON OUR WEBSITE:



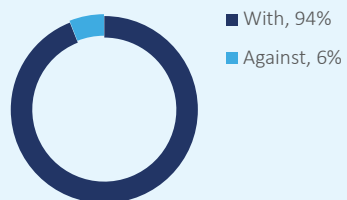
VOTING BY FUND

UK AND GLOBAL EQUITIES



UK LISTED EQUITY FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

Board Related:	10%
Audit/Financials:	0%
Capital Management:	0%
Executive Pay:	33%
Shareholder Proposals:	0%
Other:	57%

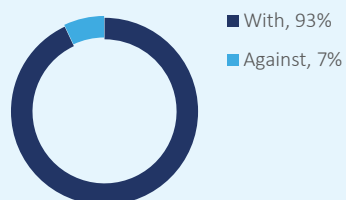
MEETINGS **ITEMS VOTED**

23 **370**

FUND SIZE
£3.5BN

UK LISTED EQUITY ALPHA FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

Board Related:	29%
Audit/Financials:	8%
Capital Management:	6%
Executive Pay:	18%
Shareholder Proposals:	0%
Other:	39%

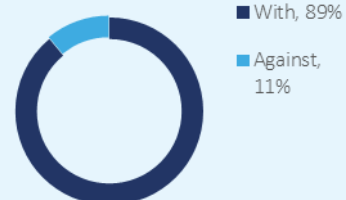
MEETINGS **ITEMS VOTED**

46 **684**

FUND SIZE
£1.2BN

OVERSEAS DEVELOPED MARKETS EQUITY FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

Board Related:	29%
Audit/Financials:	0%
Capital Management:	0%
Executive Pay:	29%
Shareholder Proposals:	24%
Other:	18%

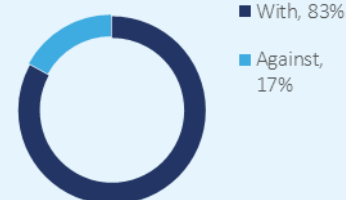
MEETINGS **ITEMS VOTED**

14 **153**

FUND SIZE
£6.3BN

GLOBAL EQUITY ALPHA FUND

VOTES WITH AND AGAINST MANAGEMENT



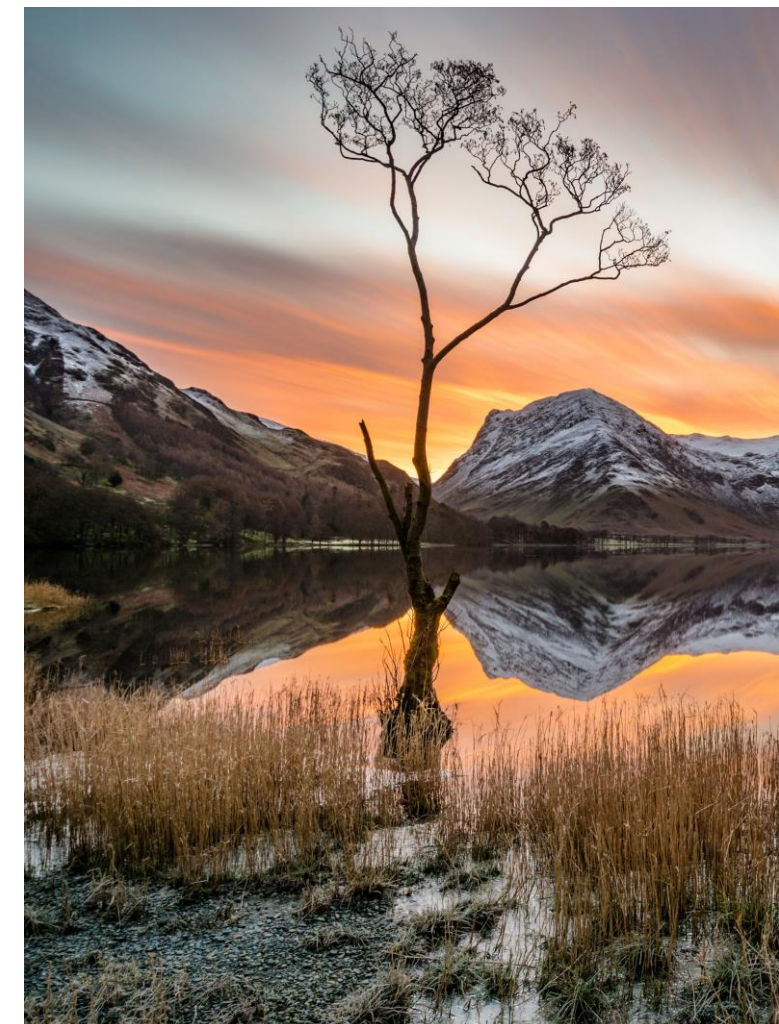
VOTES AGAINST BY CATEGORY

Board Related:	32%
Audit/Financials:	3%
Capital Management:	3%
Executive Pay:	32%
Shareholder Proposals:	5%
Other:	25%

MEETINGS **ITEMS VOTED**

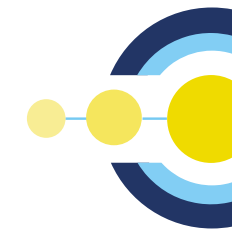
72 **533**

FUND SIZE
£6.4BN



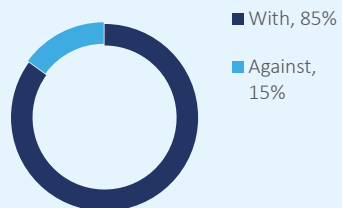
VOTING BY FUND (CONT.)

EMERGING MARKETS EQUITIES AND ALTERNATIVES



EMERGING MARKETS EQUITY FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

Board Related:	57%
Audit/Financials:	4%
Capital Management:	11%
Executive Pay:	13%
Shareholder Proposals:	0%
Other:	15%

MEETINGS **ITEMS VOTED**

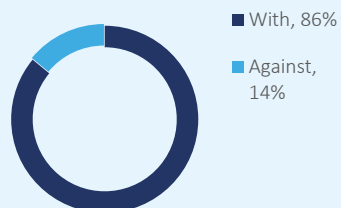
47 **305**

FUND SIZE

£1.2BN

EMERGING MARKETS EQUITY ALPHA FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

Board Related:	38%
Audit/Financials:	0%
Capital Management:	27%
Executive Pay:	9%
Shareholder Proposals:	0%
Other:	26%

MEETINGS **ITEMS VOTED**

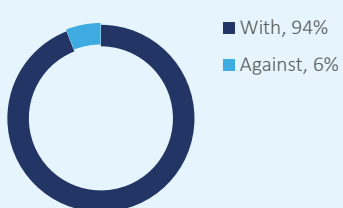
35 **247**

FUND SIZE

£0.7B

LISTED ALTERNATIVES FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

Board Related:	25%
Audit/Financials:	50%
Capital Management:	0%
Executive Pay:	0%
Shareholder Proposals:	0%
Other:	25%

MEETINGS **ITEMS VOTED**

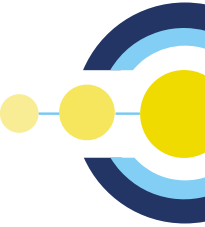
13 **137**

FUND SIZE

£1.0BN



VOTING HIGHLIGHTS



CONSTELLATION BRANDS

Constellation Brands owns a range of alcoholic beverage brands, producing and marketing beer, wines and spirits.

What did we do?

We voted against the Company's executive compensation and supported two independent shareholder resolutions.

Our view:

In November 2022, two retiring executives received large severance packages that we deemed excessive and at odds with market best practice. We therefore opposed the Company's advisory vote on executive compensation.

We supported two shareholder resolutions. The first requested the Company set a Paris-aligned Net Zero target, covering its Scope 1, 2 and 3 emissions, and publish a transition plan. The Company is exposed to significant climate risk from the impact of climate change on agriculture and from increasing regulation and should therefore align with its peers in setting targets that cover its entire value chain.

The second requested that the Company produce a report detailing risks and opportunities related to a circular economy. We agree that the Company should support the move to a circular economy for packaging to avoid financial risk from potential future regulation and to contribute to reducing its emissions.

Voting outcome

11% of shareholders opposed the Company's executive compensation, while the shareholder proposals on emissions and the circular economy received 31% and 25% support.

NATIONAL GRID PLC

National Grid is an energy utility delivering gas and electricity to homes and businesses in the UK as well as the US.

What did we do?

We voted against the re-election of the Chair of the Board and engaged the company ahead of the AGM to explain our rationale.

Our view:

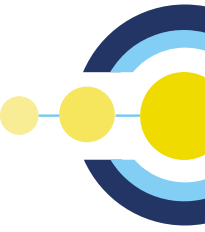
Where a company is not currently meeting our expectations on climate change risk management, we will vote against the Chair of the Board (or the most appropriate director up for election). For the oil and gas sector and other high emitting companies, we will exercise this vote when companies do not fully meet each of the first four indicators of the Climate Action 100+ (CA100+) Net Zero Benchmark.

National Grid only partially meets CA100+ indicators 1, 2 and 3 (Net Zero ambition, Long-term GHG reduction target, and Medium-term GHG reduction target) and fails indicator 4 (Short-term GHG reduction target).

Voting outcome:

The re-election of the Chair was opposed by 4% of shareholders.

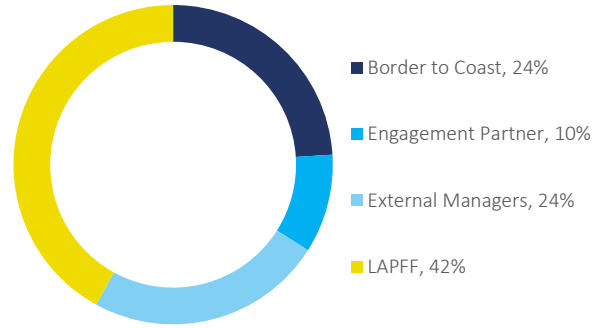
ENGAGEMENT OVERVIEW



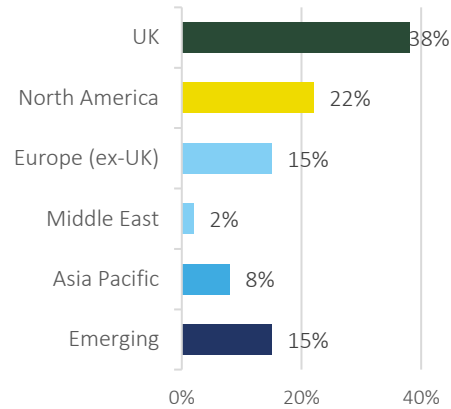
NUMBER OF ENGAGEMENTS



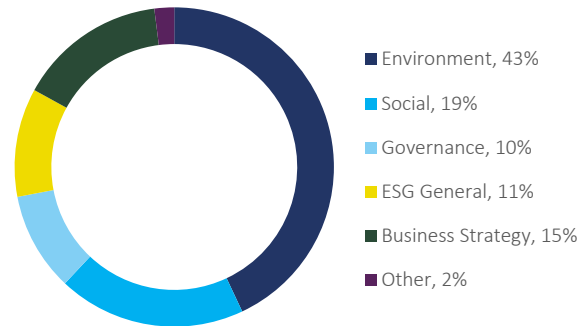
ENGAGEMENT LEAD



ENGAGEMENT ACTIVITY BY REGION



ENGAGEMENT TOPIC



ENGAGEMENT HIGHLIGHTS

ENGAGEMENT ON MODERN SLAVERY

Modern slavery is a widespread and criminal activity. Weak law enforcement, complex supply chains, and migration have fuelled the exploitation of people through forced labour.

Earlier this year, Border to Coast joined the 'Find it, Fix it, Prevent it' (FFP) engagement collaboration led by the investment manager CCLA, targeting 30 companies across the high-risk hospitality and construction sectors.

We are leading the engagement with Crest Nicholson on behalf of the investor coalition and met with them in August to discuss how they identify and mitigate human trafficking, forced labour, and modern slavery in their supply chain. We discussed an assessment of the company's risk management and a forthcoming public benchmarking.

The Company scored well on its Modern Slavery statement, legal compliance, and adherence to guidance, but less well on proactive risk management, which is common across the sector. Engagement will continue.

We also joined a FFP meeting with Balfour Beatty to similarly discuss their efforts to identify and manage modern slavery risk.

ENGAGEMENT FOR A JUST TRANSITION TO NET ZERO

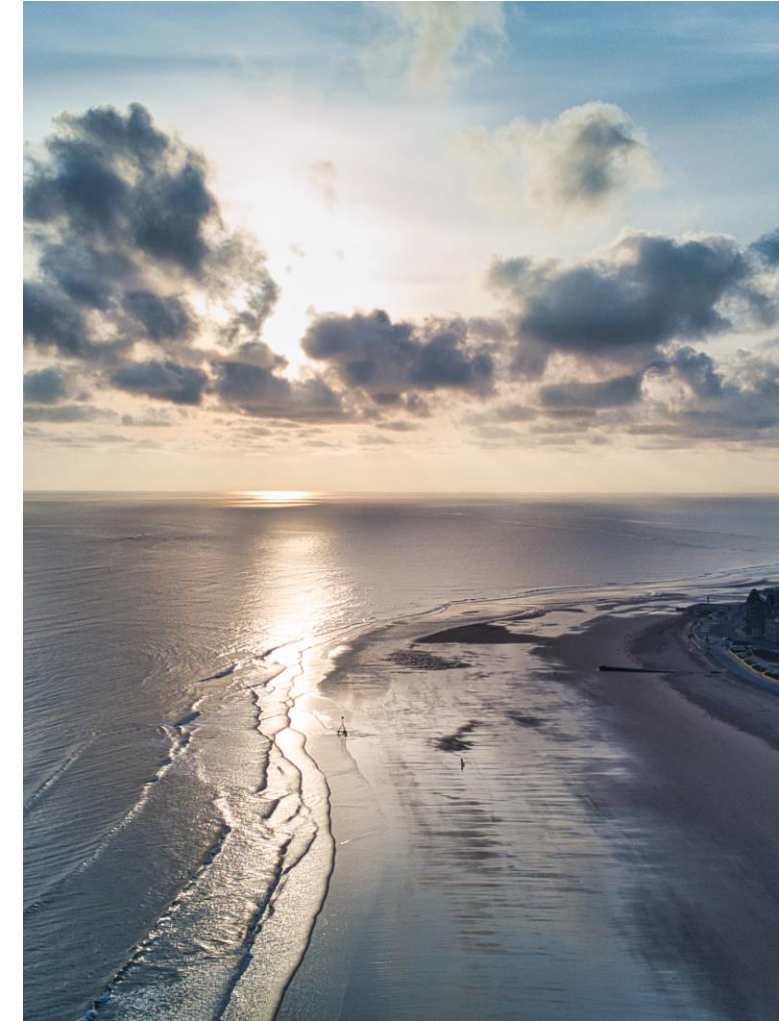
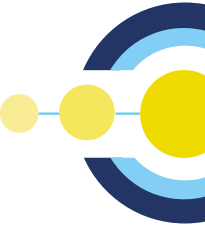
Just transition is the integration of social risks and opportunities, and a place-based lens, into decarbonisation strategies. It enables investors to address systemic threats to long-term stability and value creation and is a key consideration for Border to Coast in our RI and voting policies.

In September, we held our first meeting with CLP Holdings, an energy utility with significant operations in emerging markets, including coal power plants in India. The objective of our engagement is to secure a formal approach to a just transition strategy. This would be a global first for a high emitting company operating in emerging markets.

We are also 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 and have significant social risks that require management.

In September, we met NatWest bank to request greater integration of just transition throughout its climate plan, and to demonstrate Product, Sector, and Regional integration.

Engagement with both CLP Holdings and NatWest bank will continue.



INITIATIVES AND COLLABORATIONS



ROBECO

STEWARDSHIP
CODE



Signatory of:



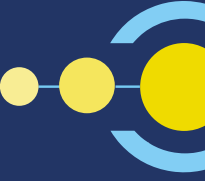
Occupational
Pensions
Stewardship
Council

INVESTOR
MINING
& TAILINGS
SAFETY
INITIATIVE





PENSIONS PARTNERSHIP



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