

QUARTERLY STEWARDSHIP REPORT

Q4 2023

Reporting period: 1st October 2023 – 31st December 2023

OUR PARTNER FUNDS



Tyne and Wear Pension Fund
Administered by South Tyneside Council



**SOUTH YORKSHIRE
PENSIONS AUTHORITY**



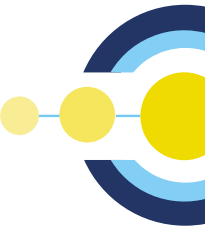
**WARWICKSHIRE
PENSION FUND**



**Bedfordshire
Pension
Fund**



QUARTERLY HIGHLIGHTS



VOTING OVERVIEW

This quarter we voted 126 meetings, comprising over 900 agenda items. We cast at least one vote against the recommendations of management at 38% of meetings.

ENGAGEMENT OVERVIEW

There were 457 engagements with companies over Q4 2023.

INDUSTRY COLLABORATION AND RECOGNITION

In October we joined the International Centre for Pensions Management, through which asset owners share best practice in global investment and governance, including new areas of research which can improve investment outcomes.

As a long-term investor we recognise the inter-relationship between climate change and biodiversity and supported the development of a new Biodiversity guide from Accounting for Sustainability – [Managing Nature Risks and Investing in the Opportunities](#), which is a ‘top tips’ for pension fund chairs and trustees.

We received recognition for our [Climate Change Report](#) from Pensions for Purpose at their Pension Fund Awards, winning the Paris Alignment Award – Best Climate Change Policy Statement. It is welcome recognition that our approach is regarded as leading industry best practice and supports our Partner Funds in communicating our efforts on their behalf to address this critical issue.

Border to Coast Quarterly Stewardship Report

GLOBAL REAL ESTATE FUNDS LAUNCH

During Q4 two global real estate funds were launched – Global Core and Global Value-add, providing access for Partner Funds to real estate investment with the benefits of pooling. This includes greater control over investments, an enhanced approach to responsible investment, and reduced costs. The Funds are launched with an initial £870m.

OUR PEOPLE

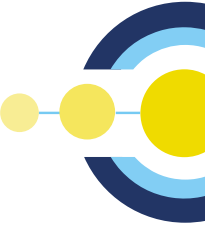
Rachel Elwell, CEO, spoke at [the Sustainability in Practice conference](#), which hosted a range of institutional investors, exploring the steps needed to integrate sustainability including the impact on asset allocation and structural shifts of net zero and the latest developments in “impact investing”.

Imraan Mohammed, the portfolio manager for our Climate Opportunities proposition, spoke as part of a panel at the Energy Transition Investor Forum covering opportunities such as decarbonisation technologies and nature-based solutions.

Our Head of RI, Jane Firth, was part of a panel discussion with other LGPS pools and funds at the Local Authority Pension Fund Forum conference on how the LGPS is responding to the climate emergency.



INDUSTRY HIGHLIGHTS



COP28 CLIMATE CHANGE CONFERENCE

The United Nations' annual climate change conference is the world's chance to drive climate action. COP28, held in Dubai, was widely viewed as a defining moment. However, significantly more is needed by policymakers to increase ambition and to deliver on existing pledges and commitments.

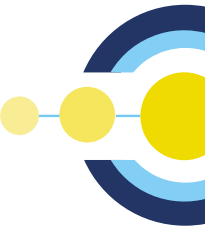
Notable progress at COP28 included:

- Agreement on the global “transition away from fossil fuels.” This is the first time the shift away from fossil fuels has been explicitly included in a final agreement at a COP.
- Over 123 countries committed to tripling renewable energy generation capacity by 2030 and double the global average annual rate of energy efficiency improvements from around 2% to over 4% every year until 2030.
- The Loss and Damage fund mobilised more than US\$85 billion in new financial commitments to support the most vulnerable developing countries.
- An Oil and Gas Decarbonisation Charter was launched representing over 50 companies and 40% of global oil production, which commits to reducing direct GHG emissions. National Oil Companies (NOCs) represented over 60% of signatories - the first time many NOCs have adopted Net Zero 2050 targets.

Imraan Mohammed, the portfolio manager for our Climate Opportunities proposition, wrote for Net Zero Investor outlining [five key areas of long-term investment opportunity](#) to support COP28 ambitions.



INDUSTRY HIGHLIGHTS



ASSESSING CLIMATE RISK OF SOVEREIGN DEBT

The investor-led ASCOR (Assessing Sovereign Climate-related Opportunities and Risks) project, which is supported by global major investor networks, has published its first [assessment](#) of 25 countries representing nearly 70% of global greenhouse gas emissions. This includes the UK, US, China and Brazil. Expectations are for coverage to expand to 70 countries. It is the first tool to help investors assess the climate risk of countries and progress being made in managing the transition to a low-carbon economy. We will be using the publicly available tool to assess climate risk in our government bonds.

FCA PUBLISHED SUSTAINABILITY DISCLOSURES RULES

The FCA published its long-awaited policy [statement](#) on sustainability disclosure requirements (SDR) and fund labelling. This followed a consultation in October 2022. The proposed measures include the introduction of an anti-greenwashing rule, product labelling (adding a fourth fund label), and requirements on naming and marketing. We are assessing the implications for Border to Coast.

PROPOSED REVISED REFORMS TO UK LISTING RULES

The FCA published a Consultation Paper in May 2023 on reforms to the UK listing regime which we responded to. In

December 2023, the FCA published detailed [proposals](#) after engaging widely with the industry and taking feedback into account. The FCA now wants to hear from all sides of the market on the detailed proposals before a decision is made on the final rules.

UK REPORTING OF SCOPE 3 EMISSIONS

We responded to the Department for Energy Security and Net Zero (DESNZ) in a call for evidence on the benefits, costs and practicalities for reporting Scope 3 greenhouse gas emissions. We supported the Investment Association's [response](#) and highlighted the value of Scope 3 reporting in understanding the potential regulatory, reputational, and financial risks associated with climate change.

UK TRANSITION PLAN TASKFORCE FRAMEWORK

The Transition Plan Taskforce (TPT) published its final disclosure [framework](#) in October along with implementation guidance for sub-sectors including for asset owners and asset managers. The guidance was open for consultation with final standards expected to be published in February.



VOTING OVERVIEW

Ahead of the 2024 proxy season we have made several updates to our voting guidelines, which can be found on our [website](#). Firstly, our climate voting policy will now incorporate Climate Action 100+ indicator 5, requiring companies to have decarbonisation strategies that credibly demonstrate how they will meet their medium- and long-term GHG reduction targets. Companies must identify the actions they intend to take and quantify their impact, disclose whether offsets will contribute to their emission reductions, and specify the role of climate solution technologies in their strategy. As with the first four indicators, Border to Coast will require that this indicator is fully met by oil and gas companies and at least partially met by other high emitters, with those that fail to meet these requirements subject to a vote against the chair of the board.

We have also made two diversity-related changes. First, to reflect the FCA's listing rules on gender diversity, we will now require the boards of UK companies to have 40% female membership and will cast a vote against the chair of those that do not. Second, in line with Parker Review recommendations on ethnic diversity, we will now require FTSE 250 companies (in addition to FTSE 100 companies) to have at least one board member from an ethnic minority.

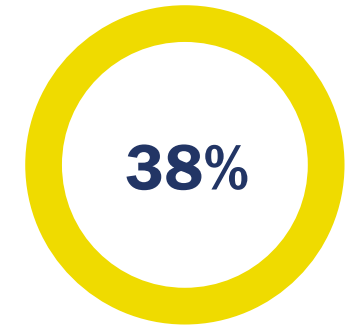
AGENDA ITEMS



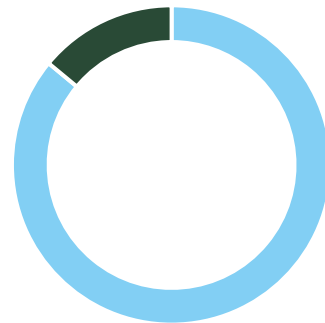
MEETINGS VOTED ON



MEETINGS WITH AT LEAST ONE VOTE AGAINST MANAGEMENT

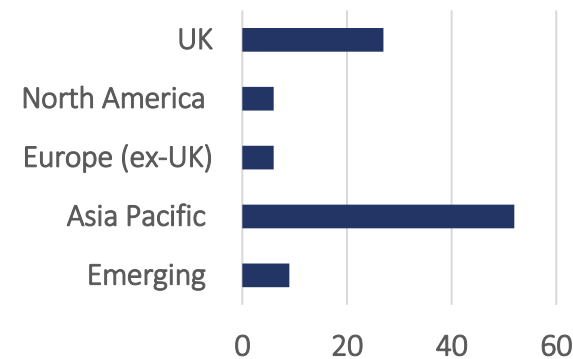


VOTES WITH AND AGAINST MANAGEMENT



With, 86% Against, 14%

VOTING ACTIVITY BY REGION

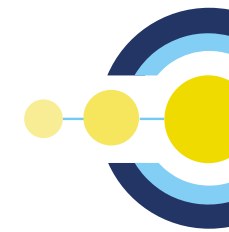


FURTHER DETAIL ON OUR VOTING GUIDELINES AND RECORDS CAN BE FOUND ON OUR WEBSITE:



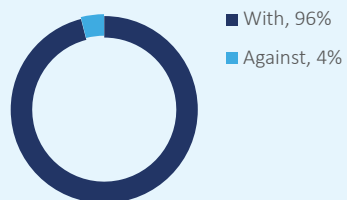
VOTING BY FUND

UK AND GLOBAL EQUITIES



UK LISTED EQUITY FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

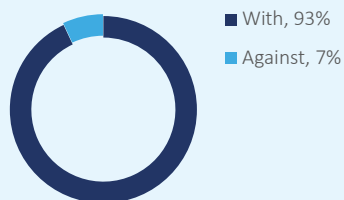
Board Related:	0%
Audit/Financials:	0%
Capital Management:	0%
Executive Pay:	29%
Shareholder Proposals:	0%
Other:	71%

MEETINGS **ITEMS VOTED**
11 **158**

FUND SIZE
£3.5BN

UK LISTED EQUITY ALPHA FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

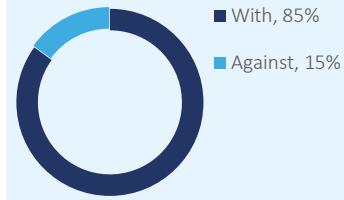
Board Related:	23%
Audit/Financials:	31%
Capital Management:	0%
Executive Pay:	31%
Shareholder Proposals:	0%
Other:	15%

MEETINGS **ITEMS VOTED**
25 **179**

FUND SIZE
£1.3BN

OVERSEAS DEVELOPED MARKETS EQUITY FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

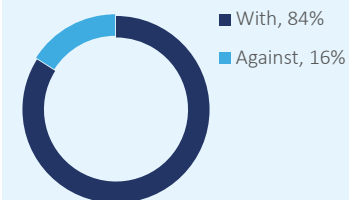
Board Related:	34%
Audit/Financials:	2%
Capital Management:	5%
Executive Pay:	32%
Shareholder Proposals:	27%
Other:	0%

MEETINGS **ITEMS VOTED**
35 **298**

FUND SIZE
£6.8BN

GLOBAL EQUITY ALPHA FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

Board Related:	21%
Audit/Financials:	2%
Capital Management:	2%
Executive Pay:	41%
Shareholder Proposals:	13%
Other:	21%

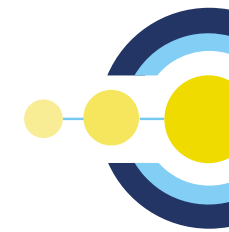
MEETINGS **ITEMS VOTED**
45 **243**

FUND SIZE
£6.5BN



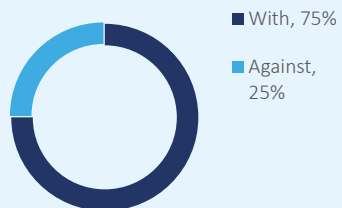
VOTING BY FUND (CONT.)

EMERGING MARKETS EQUITIES AND ALTERNATIVES



EMERGING MARKETS EQUITY FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

Board Related:	50%
Audit/Financials:	0%
Capital Management:	3%
Executive Pay:	21%
Shareholder Proposals:	0%
Other:	26%

MEETINGS **ITEMS VOTED**

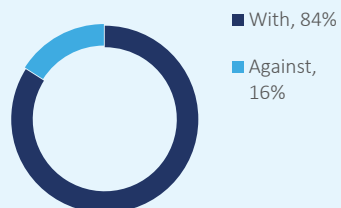
35 **152**

FUND SIZE

£1.2BN

EMERGING MARKETS EQUITY ALPHA FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

Board Related:	12%
Audit/Financials:	0%
Capital Management:	4%
Executive Pay:	32%
Shareholder Proposals:	0%
Other:	52%

MEETINGS **ITEMS VOTED**

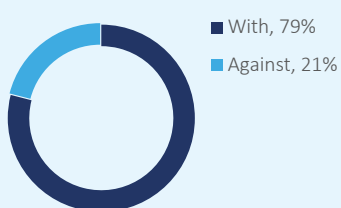
37 **156**

FUND SIZE

£0.7B

LISTED ALTERNATIVES FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

Board Related:	14%
Audit/Financials:	43%
Capital Management:	0%
Executive Pay:	43%
Shareholder Proposals:	0%
Other:	0%

MEETINGS **ITEMS VOTED**

5 **33**

FUND SIZE

£1.1BN



VOTING HIGHLIGHTS

WESTPAC BANKING CORP

Westpac is an Australian provider of a range of consumer, business, and institutional banking and wealth management services through a portfolio of financial services brands and businesses.

What did we do?

We supported two climate related proposals; a 'say on climate' resolution put forth by management, and a shareholder proposal regarding the assessment of client transition plans.

Our view:

We voted for the 'say on climate' resolution as the Company's climate transition action plan passed our framework. Nevertheless, we also supported the shareholder proposal asking for further clarifications on the scope and implementation of the Company's requirement for all oil and gas companies seeking new lending to have credible transition plans in place. Though the Company's exposure to the sector is sufficiently low as to pass our framework, further clarity on this lending requirement would allow shareholders to better assess and understand the Company's ability to continue to align with the requirements of the Paris agreement.

Voting outcome

The Company's 'say on climate' resolution was supported by 92% of shareholders. The resolution relating to oil and gas transition plan assessments, received 21% support ahead of the AGM. However, this resolution was not put to a vote at the AGM as the special resolution authorising a vote on it was not passed.

ORACLE CORPORATION

Oracle Corporation is a technology company specialising in database software and cloud computing.

What did we do?

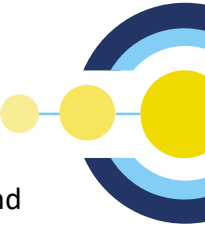
We opposed executive compensation, a proposed amendment to the long-term incentive scheme, and the election of the four members of the Compensation Committee.

Our view:

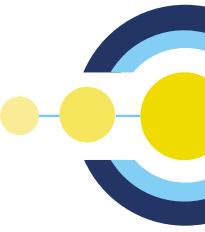
Oracle's remuneration practices have caused shareholder concern for several years. While an improvement was made to this year's remuneration through the expanded coverage of the Company's clawback policy, the Company's remuneration remains poorly structured overall. Importantly, significant concerns persist around the fully discretionary nature of the long-term incentives plan and the lack of sufficient alignment between pay and performance.

Voting outcome:

Executive remuneration was opposed by 27% of shareholders, the amendment to the equity incentive plan fared even worse with 29% opposition, while the four Compensation Committee directors received opposition of between 20% and 24%. These votes are even more significant given that the chair and founder Larry Ellison holds over 40% of the Company's shares. As we have consistently voted against Oracle's remuneration practices for several years, we intend to notify the company of our voting intentions ahead of its next AGM.



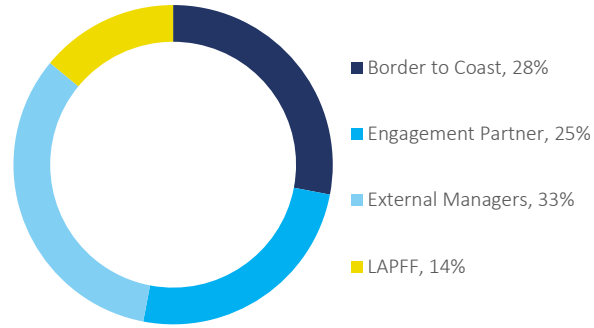
ENGAGEMENT OVERVIEW



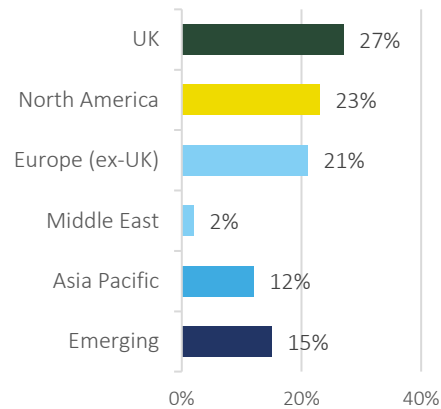
NUMBER OF ENGAGEMENTS



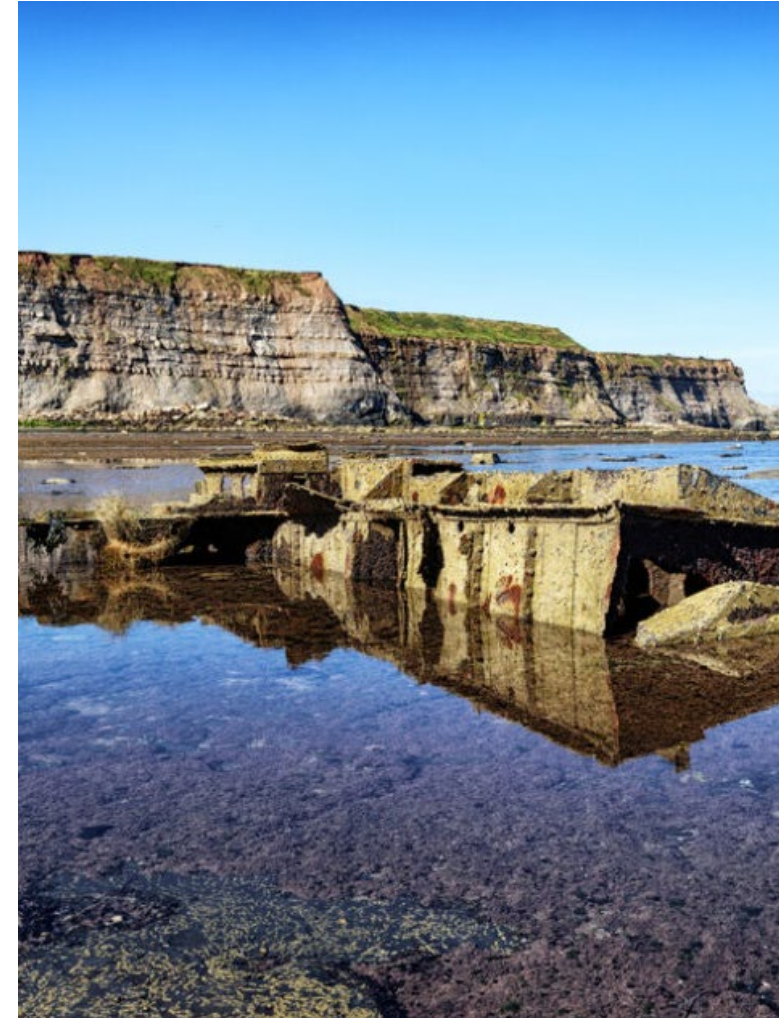
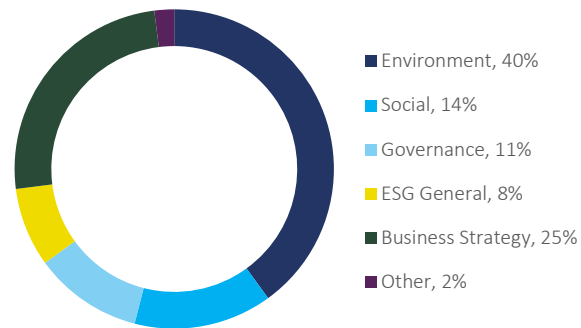
ENGAGEMENT LEAD



ENGAGEMENT ACTIVITY BY REGION



ENGAGEMENT TOPIC



ENGAGEMENT HIGHLIGHTS

ENGAGEMENT WITH WATER UTILITY COMPANIES

In 2023, we joined a collaborative engagement initiative with the UK water utility sector coordinated by Royal London Asset Management. Focus areas include sewage pollution, water leakage, climate change mitigation and adaptation, biodiversity, antimicrobial resistance, and industry collaboration.

Border to Coast is leading the engagement with Yorkshire Water and Northumbrian Water on behalf of the collaboration.

In October, we met with Yorkshire Water to discuss our assessment of the Company against sector expectations. Discussion focused on areas we had identified as priorities: pollution and maintenance of good asset health; sustainable water abstraction; and biodiversity targets and net gain.

The Company's response has been positive, and Yorkshire Water recently announced that it is bringing forward sewage infrastructure investment in Scarborough and surrounding area, an area our engagement has highlighted as in need.

Northumbrian Water has responded to engagement with further disclosure on our priorities, which is currently being assessed.

Engagement with Yorkshire Water and Northumbrian Water will continue.

ENGAGEMENT WITH EASYJET

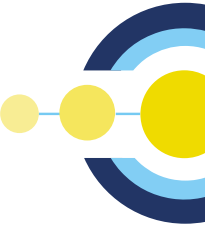
Border to Coast has joined the IIGCC Net Zero Engagement Initiative (NZEI) and is co-leading engagement with easyJet alongside shareholders Ninety-One, Phoenix Group, and Strathclyde Pension Fund.

The IIGCC engagement programme is seeking comprehensive Net Zero Transition Plans from 107 target companies, including a net zero commitment, aligned GHG reduction targets, emissions performance disclosure, and credible decarbonisation strategy.

Following assessment of easyJet's transition plans and response to the IIGCC NZEI questionnaire, a meeting was held in November to discuss its emission reduction targets and decarbonisation strategy.

The Company response was satisfactory, with a well-below 2 degrees aligned Science Based Targets initiative (SBTi) target and comprehensive transition plan. Further disclosure has been requested on the feedstock and sustainability of Sustainable Aviation Fuels, and on the contributions of transition measures to meeting its targets.

Engagement with easyJet is continuing.



INITIATIVES AND COLLABORATIONS



ROBECO

STEWARDSHIP
CODE



Signatory of:



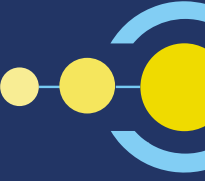
Occupational
Pensions
Stewardship
Council

INVESTOR MINING
& TAILINGS SAFETY
INITIATIVE





PENSIONS PARTNERSHIP



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