

# QUARTERLY STEWARDSHIP REPORT

Q1 2024

Reporting period: 1<sup>st</sup> January 2024 – 31<sup>st</sup> March 2024



# OUR PARTNER FUNDS

Cumbria  
Pension  
Fund



Tyne and Wear Pension Fund  
Administered by South Tyneside Council



SOUTH YORKSHIRE  
PENSIONS AUTHORITY



WARWICKSHIRE  
PENSION FUND



Bedfordshire  
Pension  
Fund

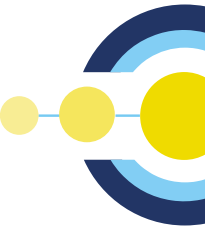


Surrey  
Pension  
Fund





# QUARTERLY HIGHLIGHTS



## VOTING OVERVIEW

This quarter we voted at 156 meetings, comprising over 1,500 agenda items.

## ENGAGEMENT OVERVIEW

There were 546 engagements with companies over Q1 2024.

## BORDER TO COAST RETAINS STEWARDSHIP CODE STATUS

We have retained our status as a signatory to the UK Stewardship Code, making us one of 273 organisations representing £43.3 trn assets under management that are setting the highest stewardship standards when investing on behalf of UK savers and pensioners.

## PRINCIPLES FOR RESPONSIBLE INVESTMENT FEEDBACK

In January we received very strong feedback from our 2023 PRI Assessment. We scored significantly above the median for all modules we reported against, demonstrating our commitment to implementing best practices into our investment approach.

## UPDATED RI POLICIES

We published our 2024 RI Policy, Climate Change Policy and Voting Guidelines earlier this year. Updates include increased scrutiny of corporate net zero strategies, voting for shareholder proposals that align with the 2015 Paris

Agreement, and introducing new exclusion thresholds for

coal and oil sand production and thermal coal power generation.

## INDUSTRY COLLABORATION

In January, we hosted a financial services roundtable for representatives from Yorkshire's financial services businesses, Shadow Chancellor Rachel Reeves, Shadow City Minister Tulip Siddiq and Mayor of West Yorkshire Tracy Brabin. Key topics included securing investment to support the Net Zero transition and supporting investment in the regional economy.

Portfolio Manager Imraan Mohammed spoke at the Net Zero Investor's Renewable Infrastructure Summit roundtable. The summit focused on exploring renewable infrastructure opportunities in the UK, developing and emerging markets.

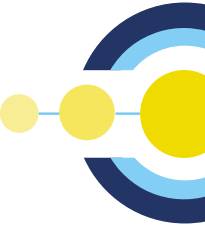
## OUR PEOPLE

Colin Baines, our Stewardship Manager, has been appointed a Visiting Senior Fellow at the London School of Economics. Colin will be supporting the Grantham Research Institute on Climate Change and the Environment on sustainable finance.

During the quarter we strengthened our Responsible Investment Team. Daniel Devine joins us from KPMG as a Responsible Investment Manager, while Holly Owens, joins the team as part of the graduate programme.



# INDUSTRY HIGHLIGHTS



## FRC REVIEW OF UK STEWARDSHIP CODE

This quarter, the FRC launched a review of the 2020 UK Stewardship Code to ensure that the Code's principles are still driving the right outcomes for investors without creating burdens on both issuers and signatories. The revised Code will likely be published in early 2025 following engagement with issuers, asset managers, asset owners and service providers.

## FRC PUBLISHES THE REVISED UK CORPORATE GOVERNANCE

In January, the FRC announced revisions to the UK Corporate Governance Code. Boards will now need to disclose in their annual report how they review the effectiveness of the company's risk management and internal control framework and their conclusions. The FRC dropped proposed revisions to the role audit committees hold on ESG issues.

## UK MARCH 2024 BUDGET

In the Spring 2024 UK Budget, the Government stated that it will regulate providers of ESG ratings to UK users, bringing rating providers into the regulatory scope of the FCA. Legislative steps are due to be published later this year. This follows a similar EU ruling in February requiring ESG rating providers to be authorised and supervised by the European Securities and Markets Authority (ESMA) and comply with transparency requirements.

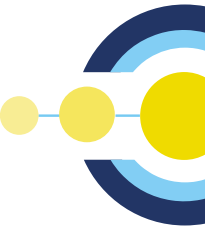
## NEW UN PRI GUIDELINES

The PRI has published three new guides on responsible investment. The resources provide asset owners and managers with guidance on how to consider biodiversity, corporate governance and human rights in the investment process. This supports the industry's growing need to consider "ESG" factors in addition to climate .





# INDUSTRY HIGHLIGHTS



## GLOBAL CLIMATE DISCLOSURES

In March, the US Securities and Exchange Commission (SEC) adopted mandatory climate-related disclosures for public companies. The SEC now face legal action from both bodies looking to block the requirements and bodies that believe the rules lack key elements, such as scope 3 emissions. A lawsuit filed by oilfield services firms was successful in securing a “temporary stay” currently preventing the SEC from enforcing the climate rules. The opposition is a symptom of the current politicisation of ESG and Climate issues in America. Elsewhere in the world, Chinese stock markets have unveiled mandatory ESG disclosures for hundreds of issuers which will be required from 2026.

## GREENWASHING ACTION

This quarter has seen several legal actions against greenwashing. The City of Chicago is suing six oil and gas corporations for misleading consumers on the climate dangers associated with their products. The New York Attorney General has launched a lawsuit against the JBS USA Food Company regarding their misleading net zero commitments. In Europe MEPs voted to pass a directive preventing business from making unsubstantiated environmental impact and carbon neutral claims.

## EXXON MOBIL SHAREHOLDER LAWSUIT

In January, ExxonMobil filed a lawsuit against two shareholders that proposed a shareholder resolution for Exxon to establish targets to reduce scope 3 emissions. This is the first time a company has sued to block a shareholder resolution. This event has raised concerns regarding the infringement of shareholders rights in the US and the precedent a successful suit may set.

## NET ZERO INVESTMENT FRAMEWORK CONSULTATION

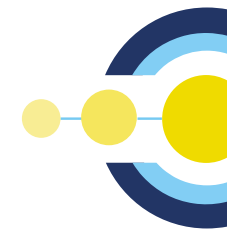
The consultation on the second iteration of the Net Zero Investment Framework (NZIF2.0) was published at the end of March. NZIF is the most widely used guidance framework by investors that have made net zero commitments. We have used NZIF in developing our Net Zero Implementation Plan and we responded to the consultation which closed at the end of April.

## DEVELOPMENTS IN NATURE REPORTING

The public consultation period for the TNFD financial institution sector specific guidance closed on 29th March. Final guidance is expected later in 2024. The ‘Early Adopters’ to the framework were announced in January; 320 organisations (corporates and financial institutions) which intend to start making disclosures aligned with the TNFD recommendations in their corporate reporting by 2025.



# VOTING OVERVIEW



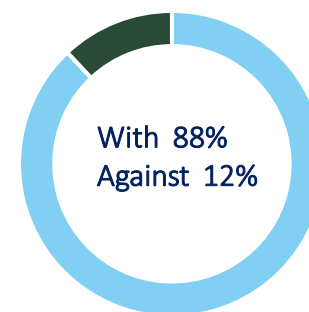
We have been preparing for peak proxy season, including identifying our priority voting list for 2024. This comprises c.30 companies where we expect to vote against board re-elections in accordance with our climate voting policy or vote for high-profile shareholder resolutions. Most of these companies are in the oil and gas sector. We have committed to engage each company ahead of their AGMs to explain our voting rationale, which we commenced in Q1. We also enhanced our internal human rights framework, formalising existing processes for the assessment of companies.

The shareholder resolutions filed so far this proxy season provide an indication of the key themes. While climate change and human rights are continuing priorities, workers' rights appear to be of increasing interest, with an uptick in proposals on living wages, collective bargaining, and paid sick leave. Emerging areas of concern include deep-sea mining – representative of investor concern spreading from climate to nature more broadly – and the risks of artificial intelligence (AI).

## AGENDA ITEMS



## VOTES WITH AND AGAINST MANAGEMENT



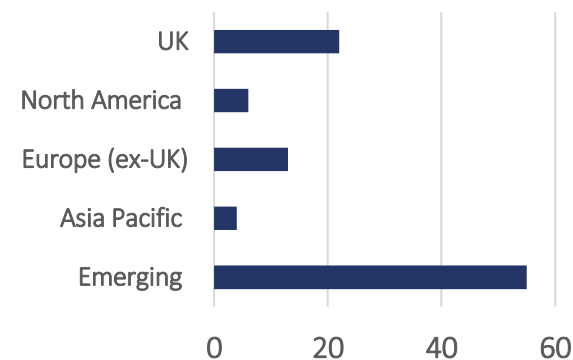
## VOTES AGAINST BY CATEGORY



## MEETINGS VOTED ON



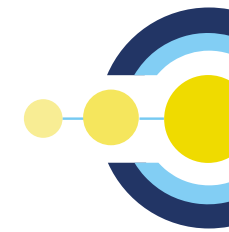
## VOTING ACTIVITY BY REGION



Board Related:	37%
Audit/Financials:	24%
Capital Management:	1%
Executive Pay:	11%
Shareholder Proposals:	5%
Political Donations	3%
Other:	6%

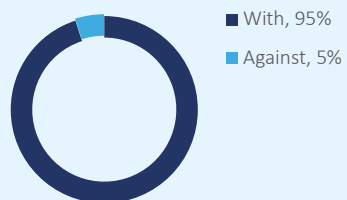
# VOTING BY FUND

## UK AND GLOBAL EQUITIES



### UK LISTED EQUITY FUND

#### VOTES WITH AND AGAINST MANAGEMENT



#### VOTES AGAINST BY CATEGORY

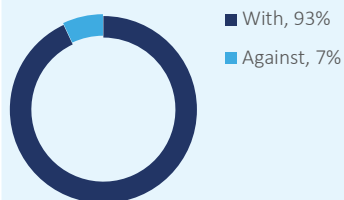
Board Related:	0%
Audit/Financials:	22%
Capital Management:	0%
Executive Pay:	0%
Shareholder Proposals:	0%
Other:	78%

**MEETINGS**    **ITEMS VOTED**  
**12**            **184**

**FUND SIZE**  
**£3.5BN**

### UK LISTED EQUITY ALPHA FUND

#### VOTES WITH AND AGAINST MANAGEMENT



#### VOTES AGAINST BY CATEGORY

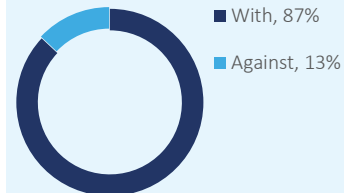
Board Related:	20%
Audit/Financials:	8%
Capital Management:	0%
Executive Pay:	28%
Shareholder Proposals:	0%
Other:	44%

**MEETINGS**    **ITEMS VOTED**  
**24**            **350**

**FUND SIZE**  
**£1.1BN**

### OVERSEAS DEVELOPED MARKETS EQUITY FUND

#### VOTES WITH AND AGAINST MANAGEMENT



#### VOTES AGAINST BY CATEGORY

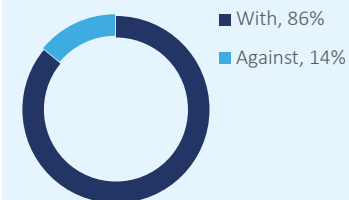
Board Related:	47%
Audit/Financials:	26%
Capital Management:	0%
Executive Pay:	14%
Shareholder Proposals:	9%
Other:	4%

**MEETINGS**    **ITEMS VOTED**  
**37**            **498**

**FUND SIZE**  
**£7.5BN**

### GLOBAL EQUITY ALPHA FUND

#### VOTES WITH AND AGAINST MANAGEMENT



#### VOTES AGAINST BY CATEGORY

Board Related:	42%
Audit/Financials:	26%
Capital Management:	1%
Executive Pay:	22%
Shareholder Proposals:	3%
Other:	6%

**MEETINGS**    **ITEMS VOTED**  
**62**            **493**

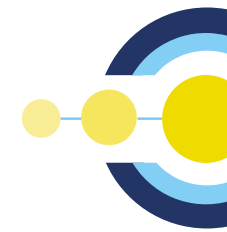
**FUND SIZE**  
**£6.8BN**





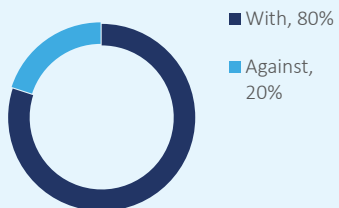
# VOTING BY FUND (CONT.)

## EMERGING MARKETS EQUITIES AND ALTERNATIVES



### EMERGING MARKETS EQUITY FUND

#### VOTES WITH AND AGAINST MANAGEMENT



#### VOTES AGAINST BY CATEGORY

Board Related:	46%
Audit/Financials:	11%
Capital Management:	3%
Executive Pay:	20%
Shareholder Proposals:	6%
Other:	14%

**MEETINGS**    **ITEMS VOTED**

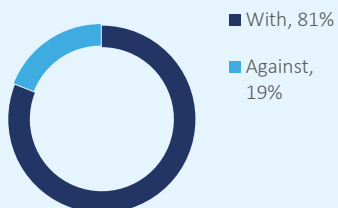
**27**            **171**

**FUND SIZE**

**£1.2BN**

### EMERGING MARKETS EQUITY ALPHA FUND

#### VOTES WITH AND AGAINST MANAGEMENT



#### VOTES AGAINST BY CATEGORY

Board Related:	42%
Audit/Financials:	36%
Capital Management:	2%
Executive Pay:	11%
Shareholder Proposals:	3%
Other:	6%

**MEETINGS**    **ITEMS VOTED**

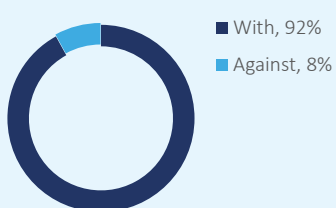
**48**            **340**

**FUND SIZE**

**£0.7B**

### LISTED ALTERNATIVES FUND

#### VOTES WITH AND AGAINST MANAGEMENT



#### VOTES AGAINST BY CATEGORY

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

**MEETINGS**    **ITEMS VOTED**

**8**              **50**

**FUND SIZE**

**£1BN**





# VOTING HIGHLIGHTS

## APPLE

Apple is a consumer technology company. It designs, manufactures, and sells smartphones, computers, tablets, and offers payment, digital content, cloud and advertising services.

### What did we do?

We opposed the Company's executive compensation and supported an AI-related shareholder proposal.

### Our view:

We opposed the Company's executive compensation due to structural issues, primarily related to the payout of significant awards for below average performance and the fact that the Long-Term Incentive Plan (a significant proportion of overall compensation) is based on a single metric. We were also concerned that the Company does not meaningfully integrate ESG metrics within its compensation mechanisms.

The shareholder resolution, also filed at Disney, Comcast, Netflix, and Warner Brothers, is the first of several different AI-related proposals filed this year. Following on from the pioneering AI-focused resolution filed at Microsoft last year, it reflects growing investor concern over the rapid adoption of AI technology in business and the significant social considerations in its development and deployment. We supported the resolution as we believe that increased transparency on Apple's use of AI is necessary to help prevent and mitigate reputational and labour risks stemming from AI adoption including mass layoffs, privacy violations, and the generation and dissemination of misinformation and deep fakes.

### Voting outcome

The Company's executive compensation was opposed by 8% of shareholders. The shareholder resolution received 38% support. Apple responded by announcing that it will disclose more of its plans for using generative AI later this year. The same resolution has been withdrawn at Disney and Comcast following agreements with the proponents.

## DSV AS

DSV AS provides air, sea, and road freight services, as well as warehousing, purchase order management, and other logistic solutions to a range of industries and customers worldwide.

### What did we do?

We supported a human-rights related shareholder proposal.

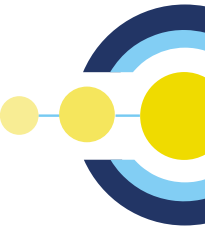
### Our view:

The proposal was filed partially in response to DSV's recently announced partnership with Saudi Arabia's megacity project Neom. The project has led to human rights abuses including forced evictions and death sentences for protestors. The proponents, while acknowledging management's recent improvements in reporting on the Company's efforts to safeguard human rights, requested that the Company continues to improve its reporting and due diligence processes in relations to human rights and labour rights throughout its value chain in accordance with the United Nations Guiding Principles on Business and Human Rights.

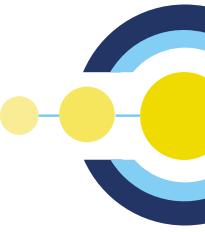
Given the established link between strong management of human-rights related risks and long-term value creation, Border to Coast supports the request for continued improvement of reporting and due diligence in this area. Notably, DSV's management also supported the proposal, committing to continued improvements and welcoming shareholder input.

### Voting outcome

The shareholder proposals received 99.8% support, reflecting management's recommendation to vote in favour.



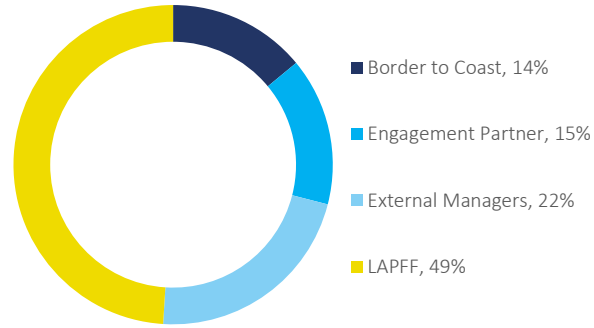
# ENGAGEMENT OVERVIEW



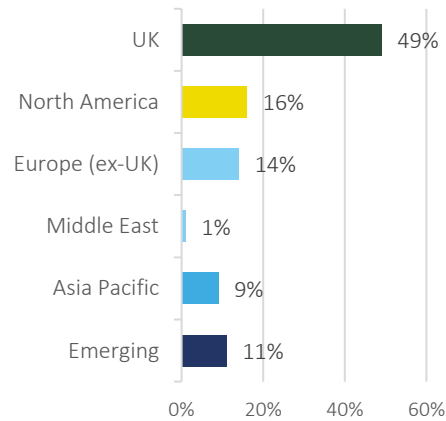
NUMBER OF ENGAGEMENTS



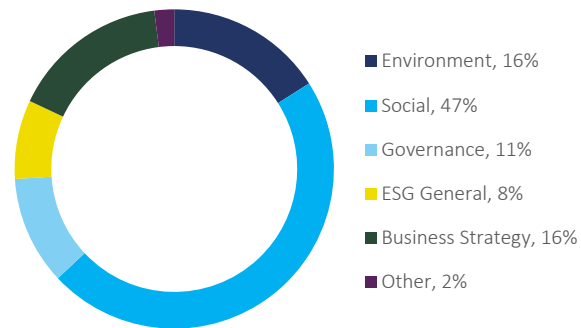
ENGAGEMENT LEAD



ENGAGEMENT ACTIVITY BY REGION

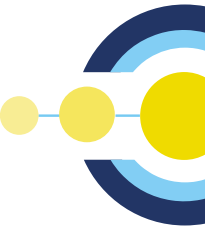


ENGAGEMENT TOPIC





# ENGAGEMENT HIGHLIGHTS



## ENGAGEMENT WITH TOTALENERGIES

TotalEnergies was identified in 2023 as a priority oil and gas company for Border to Coast engagement.

We met the Company in January to discuss its current medium-term targets and any plans for improvement. We explained that Paris-aligned medium-term emissions reduction targets that cover Scope 3 is a priority indicator for us with implications as per Border to Coast's climate voting and engagement escalation policies.

The meeting was constructive, open, and honest with areas of improvement since our last meeting in 2023. The Company is performing well on renewables development, methane emissions reduction, and capex disclosure. However, total Scope 3 emissions are only expected to plateau to 2030 as oil production is reduced but gas production increases.

The absence of a medium-term absolute emissions reduction target for gas production means TotalEnergies does not currently meet our expectations in this area.

Engagement with TotalEnergies is continuing.

## ENGAGEMENT WITH NATIONAL GRID

Just transition is the integration of social risks and opportunities, and a place-based impact, 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.

Border to Coast joined a Royal London Asset Management led meeting with National Grid to feedback on its new just transition disclosure.

National Grid presented its 'Fair Transition' report, which signposts to existing commitments and provides a narrative based on just transition principles.

The investor group shared some initial responses and recommended that just transition be measurably connected to achieving net zero. This included via integration into National Grid's Climate Transition Plan with KPIs to measure progress against social-related targets.



# INITIATIVES AND COLLABORATIONS



ROBECO

STEWARDSHIP  
CODE



Signatory of:



Occupational  
Pensions  
Stewardship  
Council

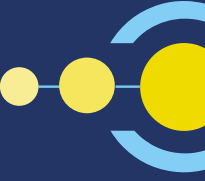
INVESTOR  
MINING  
& TAILINGS  
SAFETY  
INITIATIVE







PENSIONS PARTNERSHIP



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