QUARTERLY STEWARDSHIP REPORT

Q2 2024

Reporting period: 1st April 2024 – 30th June 2024

OUR PARTNER FUNDS

Cumbria Pension Fund

Tyne and Wear Pension Fund
Administered by South Tyneside Council

Durham County Council

teesside pension fund

North Yorkshire Pension Fund

ERPF
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 at 604 meetings, comprising over 9,000 agenda items.

ENGAGEMENT OVERVIEW

There were 487 engagements with companies over Q2 2024.

OIL AND GAS ESCALATION

As part of our engagement escalation with the oil and gas sector, we further strengthened our climate voting policy for the 2024 AGM season and increased the number of companies where we publicly pre-declared our votes against management ahead of their AGMs. This quarter we have pre-declared our votes against the re-election of the Chair of the Board at Conoco Phillips, Phillips 66, Shell, TotalEnergies, Chevron, and Glencore on climate grounds.

NZIF 2.0 CONSULTATION

Border to Coast submitted a response to an IIGCC consultation on the Net Zero Investment Framework (NZIF) 2.0, covering equities, fixed income, sovereign bonds, and real estate alignment methodology. To enable comparability across financial institutions, we suggested that it would be helpful if IIGCC uses the framework to assess the alignment maturity of securities across asset classes. The updated NZIF 2.0 is now published.

INVESTOR STATEMENT ON CA100+

Border to Coast joined other investors representing $5.1 trillion to publicly reiterate our support for the Climate Action 100+ collaboration. This followed the departure of some US investors.

CLIMATE OPPORTUNITIES

In June, Border to Coast announced the expansion of our private markets programme, including the launch of a second Climate Opportunities portfolio, which raised £1.2bn in commitments from Partner Funds.

INDUSTRY COLLABORATION

In June, our Stewardship Manager, Colin Baines, spoke at Responsible Investor's RI Europe conference on the importance of aligning proxy voting with ESG and climate engagement objectives.

He also attended a Modern Slavery in Construction roundtable organised by CCLA and the Cabinet Office.

OUR PEOPLE

It's with a heavy heart that we announce the retirement of Jane Firth, Head of Responsible Investment. Since the inception of Border to Coast, Jane's contribution to the organisation and the industry as a whole can’t be overstated. Jane will be sorely missed by all at Border to Coast.

INDUSTRY HIGHLIGHTS

EVOLVING REPORTING ENVIRONMENT

In May, the IFRS Foundation stated that over half of the global economy, including China, have announced plans to use or align with the International Sustainability Standards Board (ISSB) Reporting Standards. This is a significant step in ensuring companies across the globe provide investors with consistent and reliable information on sustainability risks and opportunities.

EU GREENWASHING MITIGATION

This quarter highlighted how the EU is seeking to address greenwashing risk in finance and industry. In May, the European Securities and Markets Authority (ESMA) released final guidelines for ESG and sustainable investment funds, including investment thresholds for inclusion of the terms ESG and sustainable. Outside of finance, the European Commission launched action in April against 20 airlines over misleading climate claims. Other regions could follow with their own measures as greenwashing risk becomes a global focus.

SUSTAINABLE FINANCE MARKET

Q1 2024 saw the largest issuance ($272.7bn) of green, social, sustainability, sustainability-linked and transition (GSS+) bonds on record. The issuance of green bonds increased by 43% over Q4 2023 and green bond issuance is expected to reach $1 trillion in 2024. This contrasts with the markets' appetite for labelled ESG Equity Funds, where it is reported by Barclays that investors have withdrawn $40 billion net so far in 2024.

VOTING OVERVIEW

Q2 saw our busiest peak proxy season yet, with the addition of our EM Alpha holdings meaning that we voted at over 600 meetings in a single quarter for the first time.

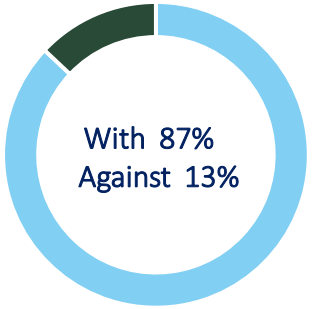
With the AGMs of almost all companies on our priority voting list having now passed, we have voted against management at 23 oil & gas companies and five banks while also backing a range of independent shareholder resolutions.

Additionally, our enhanced human rights voting approach led to 10 companies being subject to internal assessments during the quarter. After careful analysis and discussion with the respective portfolio managers, we cast votes against management at half of these companies.

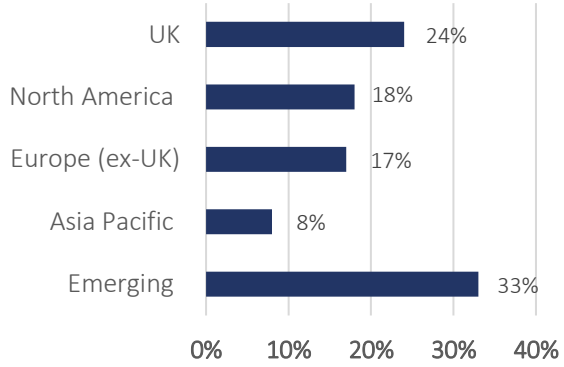
AGENDA ITEMS

MEETINGS VOTED ON

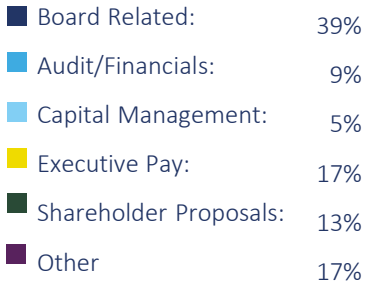
VOTES WITH AND AGAINST MANAGEMENT



VOTING ACTIVITY BY REGION



VOTES AGAINST BY CATEGORY

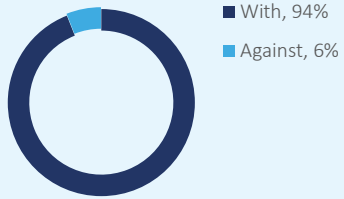


VOTING BY FUND

UK AND GLOBAL EQUITIES

UK LISTED EQUITY FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

Board Related:	20%
Audit/Financials:	12%
Capital Management:	0%
Executive Pay:	13%
Shareholder Proposals:	1%
Other:	54%

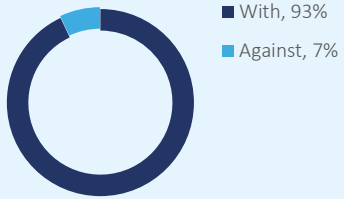
MEETINGS 70

ITEMS VOTED 1357

FUND SIZE £3.4BN

UK LISTED EQUITY ALPHA FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

Board Related:	37%
Audit/Financials:	18%
Capital Management:	0%
Executive Pay:	9%
Shareholder Proposals:	1%
Other:	35%

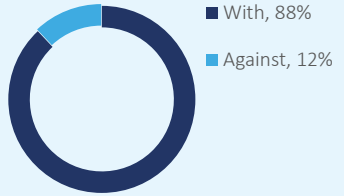
MEETINGS 106

ITEMS VOTED 1838

FUND SIZE £1.1BN

OVERSEAS DEVELOPED MARKETS EQUITY FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

Board Related:	35%
Audit/Financials:	3%
Capital Management:	2%
Executive Pay:	23%
Shareholder Proposals:	33%
Other:	4%

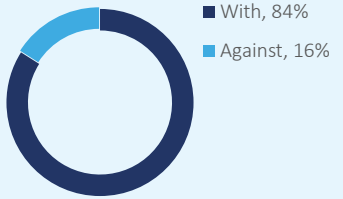
MEETINGS 168

ITEMS VOTED 2814

FUND SIZE £7.4BN

GLOBAL EQUITY ALPHA FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

Board Related:	38%
Audit/Financials:	8%
Capital Management:	4%
Executive Pay:	17%
Shareholder Proposals:	20%
Other:	13%

MEETINGS 224

ITEMS VOTED 3333

FUND SIZE £6.7BN

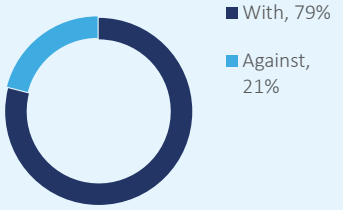
Note: Fund sizes as at 30th June 2024

VOTING BY FUND (CONT.)

EMERGING MARKETS EQUITIES AND ALTERNATIVES

EMERGING MARKETS EQUITY FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

Board Related:	47%
Audit/Financials:	12%
Capital Management:	16%
Executive Pay:	10%
Shareholder Proposals:	0%
Other:	15%

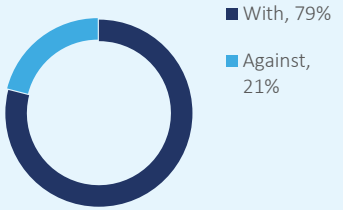
MEETINGS 133

ITEMS VOTED 1484

FUND SIZE £1.3BN

EMERGING MARKETS EQUITY ALPHA FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

Board Related:	45%
Audit/Financials:	11%
Capital Management:	12%
Executive Pay:	10%
Shareholder Proposals:	0%
Other:	22%

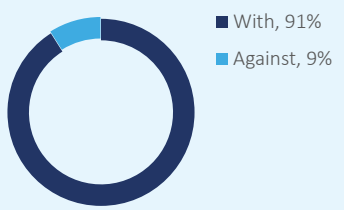
MEETINGS 162

ITEMS VOTED 1925

FUND SIZE £0.8BN

LISTED ALTERNATIVES FUND

VOTES WITH AND AGAINST MANAGEMENT



VOTES AGAINST BY CATEGORY

Board Related:	32%
Audit/Financials:	20%
Capital Management:	0%
Executive Pay:	23%
Shareholder Proposals:	15%
Other:	10%

MEETINGS 30

ITEMS VOTED 435

FUND SIZE £1BN

Note: Fund sizes as at 30th June 2024

VOTING HIGHLIGHTS

WOODSIDE ENERGY GROUP

Woodside Energy is Australia's largest independent oil and gas company. Its operations focus on exploration and production.

What did we do?

We voted against the re-election of the Chair of the Board and opposed the approval of the company's Climate Transition Action Plan and 2023 Progress Report.

Our view:

Border to Coast requires oil and gas companies to fully meet the first five indicators of the Climate Action 100+ Net Zero Company Benchmark (Net Zero Ambition; Long-term Target; Medium-term Target; Short-term Target; Decarbonisation Strategy). Woodside only partially meets the first four indicators and entirely fails the fifth. This triggered our policy of voting against the Chair of the Board.

We also assessed the company's climate transition plan, put to a shareholder vote this year, as inadequate. Notably, a scope 3 emissions target is absent, and the company's scope 1 and 2 targets rely heavily on offsets. Additionally, the company has several large fossil fuel projects in development that will significantly increase its scope 3 emissions, while investments in low-carbon projects have so far been comparably small.

Voting outcome:

The re-election of the Chair, Richard J. Goyder, was opposed by 17% of shareholders, marking a substantial shift in investor sentiment since Goyder secured 99% support when last on the ballot in 2021. The climate transition plan faced an even greater rebellion, with 58% of shareholders voting it down (though the vote is non-binding). Opposition to the plan has grown since it was opposed by 49% of shareholders in 2022.

THE HOME DEPOT

The Home Depot sells tools, appliances and other home improvement-related goods.

What did we do?

We supported a shareholder proposal requesting that the company conducts and publishes a biodiversity impact and dependency assessment covering its full value chain.

Our view:

The Home Depot is exposed to a range of biodiversity-related risks, such as the potential for illegal deforestation to occur in the supply chains of its wood and timber products. Despite such risks, which could result in supply chain disruption and volatility, the resolution's proponent points out that the company has no overarching biodiversity strategy to connect and expand its initiatives in relation to circularity, responsible sourcing, and consumer engagement. Therefore, given the company's clear reliance on ecosystem services in its supply chain, as well as the systemic risk that biodiversity loss poses to investors, we believed the implementation of the resolution's request would be beneficial to shareholders.

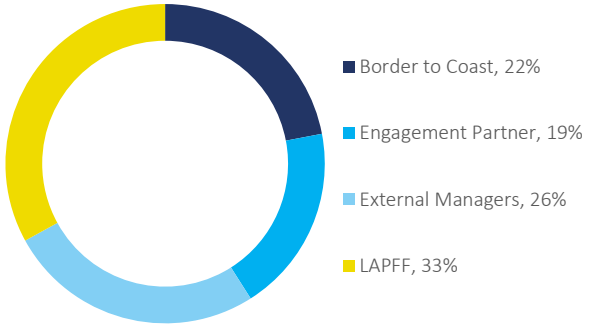
Voting outcome:

The proposal attracted 15% shareholder support, signifying sizable shareholder concern for the increasingly prominent issue of biodiversity loss.

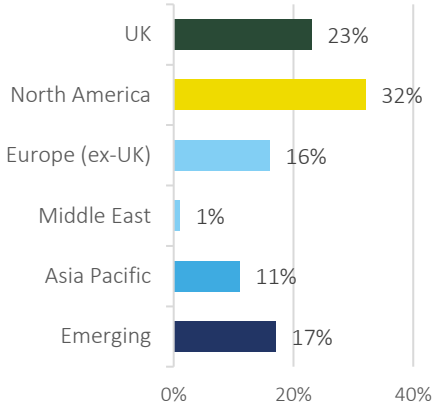
ENGAGEMENT OVERVIEW

NUMBER OF ENGAGEMENTS

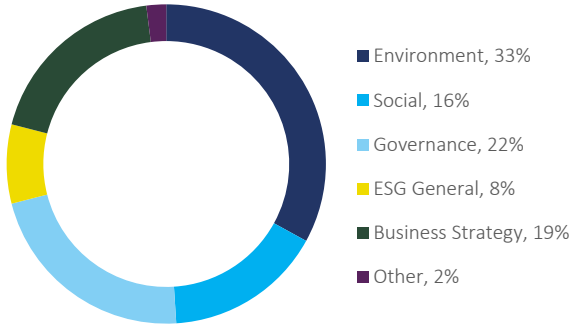
ENGAGEMENT LEAD



ENGAGEMENT ACTIVITY BY REGION



ENGAGEMENT TOPIC



ENGAGEMENT HIGHLIGHTS

ENGAGEMENT WITH SHELL

Shell is a significant contributor to Border to Coast's financed emissions and we have directly engaged the company since early 2023, covering net zero transition plans, medium-term targets, and capital expenditure alignment.

In April, we attended a small group meeting with Shell's Chair of the Board ahead of its AGM. We welcomed a new medium term absolute emissions reduction target for the company's oil production and products but expressed disappointment that a similar target was not forthcoming that covered gas. We also discussed the stranded asset risk of Shell's plans to expand LNG production.

At the AGM, Border to Coast voted against the re-election of the Chair due to inadequate targets and decarbonisation strategy. In line with our voting policy, we also supported a shareholder proposal calling for a medium-term target that covers Scope 3 emissions and is aligned with the Paris Agreement.

As part of engagement escalation, we signaled our concern by publicly pre-declaring these votes ahead of the AGM. Engagement with Shell is ongoing.

ENGAGEMENT WITH UK BANKS

Just transition is the integration of social risks and opportunities, and 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 has partnered with Royal London Asset Management (RLAM) to engage Barclays, Lloyds, NatWest, and HSBC to pioneer the integration of just transition into the banking sector's net zero strategies.

To date, two banks have committed to take the requested action, a third has included just transition ambitions in its net zero plan, and the fourth has stated support for just transition principles.

In April, Border to Coast attended the NatWest AGM to ask the Chair to consider a formal just transition plan or integration into existing net zero plans.

In June, Border to Coast and RLAM published our 'Investor expectations on Just Transition for the banking sector'. These will be used in more granular engagement during 2024, and used to assess emerging plans as ambition is turned into action.

INITIATIVES AND COLLABORATIONS

WDI

UK STEWARDSHIP CODE

ROBECO

Signatory of:
PRI Principles for Responsible Investment

IIGCC

30% Club
GROWTH THROUGH DIVERSITY

Local Authority Pension Fund Forum

Transition Pathway Initiative

Climate Action 100+
Global Investors Driving Business Transition

Occupational Pensions Stewardship Council

INVESTOR MINING & TAILINGS SAFETY INITIATIVE

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

LGPS ADVISORY BOARD CODE OF TRANSPARENCY

Mining 2030

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