



# PROXY VOTING: AGM SEASON REPORT 2024

1 April 2023 – 31 July 2024

# ENGAGING TO MAKE A DIFFERENCE

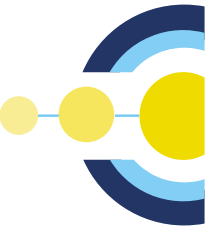
The power of shareholder voting in support of company engagement should not be underestimated. It is one of the most influential means at the disposal of responsible investors, such as Border to Coast, to engage for positive change to corporate governance, policies and practice at the companies in which we invest.

As such, votes at company Annual General Meetings (AGMs) are a vital component of our approach to stewardship on behalf of the 11 LGPS (Local Government Pension Scheme) Partner Funds we represent. Collectively, we have a stronger voice, and we use this voice to influence positive changes at investee companies. It is essential that our proxy voting policy is aligned with our environmental, social and governance considerations, including our climate commitments.

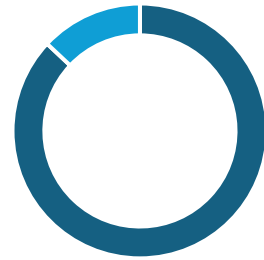
This report outlines our proxy voting policy in practice. From opposing 92% of the chair re-elections at oil and gas companies, to supporting 82% of social shareholder proposals, we demonstrate our commitment to transparency and sustainability as a long-term investor and active steward of assets.



# 2024 AGM SEASON: VOTING IN ACTION

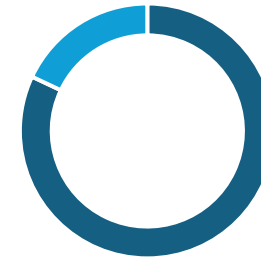


### Environmental Shareholder Proposals\*\*



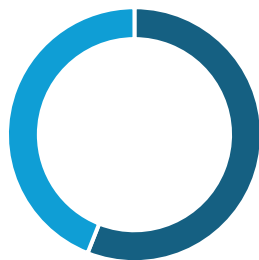
■ Supported 87% ■ Opposed 13%

### Social Shareholder Proposals



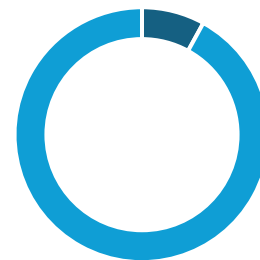
■ Supported 82% ■ Opposed 18%

### Say on Climate resolutions



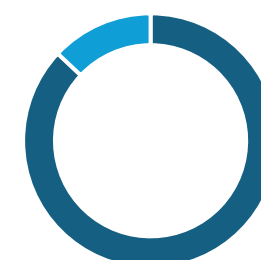
■ Supported 56% ■ Opposed 44%

### Oil & Gas Chair re-elections



■ Supported 8% ■ Opposed 92%

### Management Resolutions\*\*\*



■ Supported 87% ■ Opposed 13%

\*Reporting period 1<sup>st</sup> April 2024 – 31<sup>st</sup> July 2024

\*\* Environmental and social SHP percentages exclude anti-social resolutions

\*\*\* From 9,989 resolutions at 677 meetings

# POLICY ENHANCEMENTS

The impact of enhancements to our approach to climate change and human rights in the 2024 AGM proxy voting season.



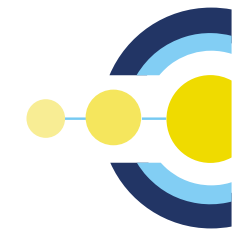
IMAGE CAPTION

# POLICY ENHANCEMENTS

## CLIMATE CHANGE

We review our Responsible Investment Policy, Corporate Governance & Voting Guidelines, and Climate Change Policy on an annual basis in conjunction with our 11 Partner Funds. Ahead of the 2024 AGM season, we made the following climate voting policy enhancements:

- Adopted a new commitment to vote in favour of shareholder proposals aligned with the Paris climate agreement, taking a 'comply or explain' approach.
- Extended our policy on Board accountability to cover decarbonisation strategy as well as net zero targets. We will now vote against the chair of the board where a company covered by Climate Action 100+ fails indicators covering their decarbonisation strategy in addition to emission reduction targets.
- Formalised our approach to management 'Say on Climate' resolutions. We will vote against if we believe it is not aligned with the Paris climate agreement.



This proxy season saw us vote in favour of 21 climate-related shareholder proposals and oppose five. As per our policy, the table below explains our rationale for opposing the five resolutions.

Company	Shareholder proposal	Decision	Rationale
Enbridge Inc	4. Governance Systems for Climate and Environmental Impacts	Against	The proponent produced insufficient detail on the request's importance and required output.
	5. Decarbonisation of Operations and Supply Chain		We viewed the request as unnecessary given its limited potential impact and the company's commitments.
Kansai Electric Power	14. Zero Carbon Without Nuclear Power Generation		We deemed these proposals overly prescriptive.
	19. Realisation of Zero Carbon Society		
	21. Realisation of Zero Carbon Society		

# POLICY ENHANCEMENTS

## CLIMATE CHANGE CASE STUDY: SHELL



Shell explores for, extracts, refines and distributes oil and gas globally. We hold shares of the company in the UK Listed Equity and UK Listed Equity Alpha propositions.

### What did we do?

We voted against the re-election of the chair, in support of a shareholder proposal requesting a medium-term Scope 3 emissions reduction target and alignment with the Paris agreement, and against a management 'Say on Climate' resolution covering Shell's energy transition strategy. We also publicly pre-declared our votes ahead of the AGM.

### Our view:

Shell currently fails to meet CA100+ net zero benchmark indicators for short, medium and long-term targets and decarbonisation strategy. Our enhanced policy stipulates a vote against the re-election of the chair of the board in such circumstances. This enhancement forms part of our engagement escalation with the Oil and Gas sector. We welcome the addition to Shell's energy transition strategy of a new medium term emissions reduction target for oil production and products (Scope 3), which has been a focus of our engagement. However, a similar target was not forthcoming that covered gas. Shell's targets are therefore not aligned with the Paris agreement and as a result we supported the shareholder proposal and opposed the 'Say on Climate' resolution in line with our enhanced climate voting policy.

### Voting outcome:

7% of shareholders voted against the re-election of Sir Andrew Mackenzie as the chair of the board, the shareholder proposal received 19% support, and the management 'Say on Climate' resolution was opposed by 19%. These 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.

Our engagement with Shell is ongoing.



# POLICY ENHANCEMENTS

## HUMAN RIGHTS

For the 2024 AGM season, we developed a Human Rights Watchlist comprising high risk companies. Each company was subject to an internal assessment, upon which we based our voting decisions. Of the watchlist of 11 companies:

- We voted against the Chair of the Sustainability Committee at six companies.
- We supported management at four companies.
- And did not vote at one as the company was sold shortly before the AGM due to related risks.

When considering human rights issues, we believe that all companies should abide by the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises.

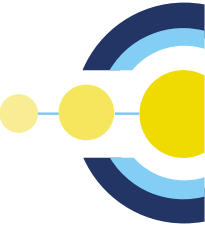
We expect companies exposed to human rights issues to have adequate due diligence processes in place to identify risks across their business and supply chain, in line with the UN Guiding Principles on Business and Human Rights.

Where a company is involved in significant social controversies and at the same time is assessed as having poor human rights due diligence, we will vote against the most accountable board member or the report and accounts.



# POLICY ENHANCEMENTS

## HUMAN RIGHTS CASE STUDY: ARCELORMITTAL



The company is the world's second largest steel maker, with operations ranging from iron ore and metallurgical coal mining to the manufacture of steel products. We hold shares in the company in our Overseas Developed Markets Equity Fund.

### What did we do?

We voted against the re-election of Clarrisa Lins, Chair of the Sustainability Committee.

### Our view:

In 2023, a methane explosion and a resulting fire caused 46 fatalities at the Kostenco coal mine in Kazakhstan. According to a Kazakh government investigation, negligence from ArcelorMittal Temirtau – a wholly owned subsidiary of ArcelorMittal – was responsible for the explosion. The incident brought to a head the company's poor safety record in the country, which includes several other fatal mining explosions, and resulted in ArcelorMittal's expulsion from Kazakhstan; costing the company almost £2 billion. Given the evident record of poor worker safety and its impact, we considered it appropriate to exercise a vote against management and write to the company expressing our concerns.

### Voting outcome:

The re-election of Clarrisa Lins was opposed by 12% of shareholders, a significant level of opposition suggesting shareholder concern around the explosion that had taken place just six months prior to the AGM.



# KEY THEMES IN FOCUS

Our approach to engagement on diversity, shareholder voting rights, and artificial intelligence in the 2024 AGM season.



IMAGE CAPTION

# DIVERSITY IN FOCUS

Border to Coast expects 40% female representation on UK boards, 33% on the boards of developed markets companies, and – recognising different market practices – that at least one female director sits on the boards of Japanese and emerging market companies. As of 2024, we also expect FTSE 350 companies to have at least one director from an ethnic minority background. Where these criteria are not met, and no sufficient mitigating circumstances are found, we will vote against the Chair of the Nomination Committee or the Chair of the Board.

During the 2024 AGM season, we:

- Voted against 72 companies for falling below our gender diversity threshold, three companies not currently meeting our ethnic diversity requirement, and a further two companies where both reasons applied. Of these, 32 companies are UK based, which we engaged to explain our rationale and seek action to address.
- A further 31 companies were also in scope for a vote against management in relation to one or both of the policy positions noted above. However, we opted to support management this year after making exceptions for mitigating circumstances, including credible future commitments.

## CASE STUDY: EII LILLY

Eli Lilly is an American multinational pharmaceutical company.

### What did we do?

We voted in favour of two shareholder proposals requesting a diversity and inclusion report, and the publishing of a human rights policy.

### Our view:

The diversity-related proposal requested quantitative data from the company on the diversity of its workforce as well as promotion and retention rates broken down by gender, race, and ethnicity. We supported the request as it would allow for the effectiveness of the company's diversity initiatives and policies to be compared with those of peers.

We also supported the request for the company to adopt a comprehensive human rights policy. We agree with the proponent that codifying the company's commitment to the right to health and access to medicine, as well as the establishment of a human rights due diligence process for its supply chain, would be valuable steps considering the global nature of Eli Lilly's business.

### Voting outcome

The request for a diversity and inclusion report was backed by 24% of shareholders, while the call for a human rights policy received 10% support.

# VOTING RIGHTS & AI IN FOCUS

## Voting Rights

Equal voting rights are essential for ensuring that shareholder concerns are given fair consideration. Yet at many large companies, certain shareholders continue to wield disproportionate influence. In response, for several years now Meta and Alphabet have been targeted by a shareholder resolution seeking equal voting rights through the recapitalisation of their shares. Currently, both companies have dual-class share structures within which Class B shares entitle owners to multiple votes per share whereas Class A shares carry the standard one vote each. At Meta, for example, one Class B share carries 10 votes. With Mark Zuckerberg owning most Class B shares, he holds around 60% of voting power despite owning just 13.5% of the company. The stifling effect on shareholder voices is shown via the voting results of this year's recapitalisation proposals themselves. At Meta the 26% support it received rises to 84% once Zuckerberg's votes are excluded, while the figure increases from 31% to 78% at Alphabet when Class B votes are removed.

## Artificial Intelligence (AI)

Another important theme in this year's voting has been the accelerating implementation of AI. Investor concerns range from potential automation-driven mass layoffs to lack of data privacy, misinformation, and deep fakes. Shareholder proposals addressing these topics were filed at several companies and attracted notably high levels of support. For example, a proposal requesting disclosure on planned use of AI received 43% support at Netflix and 38% at Apple. Unfortunately, the effects of the companies' unequal voting rights are again evident in the results at Meta and Alphabet. At Meta, a proposal focused on the risks of misinformation produced or disseminated by AI that received 17% total support garners 54% backing when Class B shares are removed from the count. Similarly, at Alphabet a proposal relating to the human rights impacts of AI-driven targeted advertising received 19% of total votes cast but 49% of independent shareholder's votes.

## CASE STUDY: APPLE

Apple develops consumer electronics including the iPhone, iPad and MacBook computer.

### What did we do?

We supported a shareholder proposal requesting a transparency report outlining Apple's use of artificial intelligence and disclosing any ethical guidelines that it will adopt in relation to AI.

### Our view:

The shareholder resolution was the first of several different AI-related proposals filed this year by multiple proponents. Following on from the pioneering AI-focused resolution filed at Microsoft last year, it reflected growing investor concern over the rapid adoption of AI technology in business and the significant social issues surrounding its ethical development and deployment. We supported the resolution as we believe that increased transparency on the use of AI is necessary to help prevent and mitigate the reputational and labour risks stemming from the range of potential impacts of AI adoption including mass layoffs, privacy violations, and the generation and dissemination of misinformation and deep fakes.

### Voting outcome

The resolution received 38% support. Apple responded by announcing that they will disclose more of their plans for using generative AI later this year.

# INITIATIVES AND COLLABORATIONS



ROBECO

STEWARDSHIP  
CODE

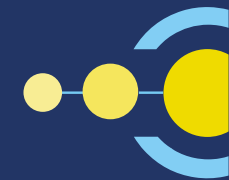


Signatory of:



Occupational  
Pensions  
Stewardship  
Council





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