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County Offices
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6 December 2023

Pensions Committee

A meeting of the Pensions Committee will be held on **Thursday, 14 December 2023** in the **Council Chamber, County Offices, Newland, Lincoln LN1 1YL** at **10.00 am** for the transaction of business set out on the attached Agenda.

Yours sincerely

Debbie Barnes OBE
Chief Executive

Membership of the Pensions Committee
(8 Members of the Council and 4 Co-Opted Members)

Councillors E W Strengiel (Chairman), P E Coupland (Vice-Chairman), M G Allan, P Ashleigh-Morris, A W Briggs, S Bunney, P M Dilks and T J N Smith

Co-Opted Members

Steve Larter, Small Scheduled Bodies Representative
Councillor P Key, District Councils Representative
Tom Hotchin, Academy Sector Representative
Jo Balchin, Employee Representative

PENSIONS COMMITTEE AGENDA
THURSDAY, 14 DECEMBER 2023

Democratic Services Officer Contact Details

Name:	**Thomas Crofts**
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Please Note: for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
- Any special arrangements

Contact details set out above.

Please note: This meeting will be broadcast live on the internet and access can be sought by accessing Agenda for Pensions Committee on Thursday, 14th December, 2023, 10.00 am (moderngov.co.uk)

All papers for council meetings are available on:
https://www.lincolnshire.gov.uk/council-business/search-committee-records

PENSIONS COMMITTEE
12 OCTOBER 2023

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

Councillors P E Coupland (Vice-Chairman), M G Allan, A W Briggs, S Bunney, P M Dilks and T J N Smith

Co-Opted Members: Tom Hotchin (Academy Sector Representative)

Officers in attendance:-
Andrew Crookham (Deputy Chief Executive & Executive Director - Resources), Jo Kempton (Head of pensions), Josh Drotleff (Finance Technician), Thomas Crofts (Democratic Services Officer)

Officers in remote attendance:-
Claire Machej (Accounting, Investments and Governance Manager)

Others in attendance:-
David Vickers (Employee Representative – LGPS Pension Board), Chris Hitchin (Border to Coast), Rachel Elwell (Border to Coast)

Others in remote attendance:-
Lisa Darvill (West Yorkshire Pension Fund) and Sukhjot Kaur (West Yorkshire Pension Fund)

29 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor T Young, Steve Larter and Roger Buttery.

30 DECLARATIONS OF MEMBERS' INTERESTS

Councillor M G Allan declared an interest as a pensioner member of the Pension Fund.

Tom Hotchin (Academy Sector Representative) declared an interest as a contributing member of the Pension Fund.

31 MINUTES OF THE PREVIOUS MEETING HELD ON 21 SEPTEMBER 2023

RESOLVED

That the minutes of the meeting held on 21 September 2023 be approved as a correct record and signed by Chairman.

32 REPORT BY THE INDEPENDENT CHAIR OF THE LINCOLNSHIRE LOCAL PENSION BOARD

Consideration was given to a report by the Independent Chair of the Lincolnshire Local Pension Board which updated the Pensions Committee on the work of the Board during the past few months. David Vickers, Scheme Member Representative to the Board, presented the report and the following matters:

- The Board had considered the pension administrators progress concerning the TPR Dashboard, key risks and overall performance. The Board felt that the TPR Dashboard would be a very useful tool for scheme members and that the administrator’s performance was somewhat disappointing, especially in relation to death in service benefits.
- The Board found the low uptake and completion of relevant training by the Committee to be a risk, and that membership vacancies needed to be filled.

The Committee discussed the report, and it was noted that concerns regarding the pension administrator’s performance had been raised by the Committee on numerous occasions and that staffing was frequently cited as an ongoing issue. The Committee felt that the Administrator’s Resource Plan due to come to the Committee in January 2024 would be a good opportunity to further address these concerns.

RESOLVED

That the report and comments made be noted.

33 PENSION FUND UPDATE REPORT

Consideration was given to a report which updated the Committee on Fund matters for the quarter ending 30 June 2023 and any other current issues. The Committee was guided through the report and the following key points were highlighted:

- A change to the funding basis had been agreed with the actuary to ensure prudence and consistency in asset classes had been maintained. The impact of this was a 5% drop in the funding position; however, the overall fund position was still over 100% funded.
- Options were being explored to help expediate training for Committee members.
- The Border to Coast funding model was being reviewed. This change had been anticipated for some time and had been brought forward one year. The final changes were to be brought to the Committee for consideration once fully drafted.
- The external auditors had yet to sign off the Council’s 2021/22 and 2022/23 accounts, which included the pension fund accounts, but this was expected to be completed by the end of the month and end of the year respectively.

The Chairman and Councillor A Briggs reported that they had attended the Border to Coast Annual Conference, which was very useful, and it was recommended that other members attend the next year's conference. Their key findings from the conference were explained to the Committee.

The Committee was reminded that the LAPFF Annual Conference was scheduled to take place in Bournemouth on 6-8 December 2023 and the LGPS Annual Governance Conference was scheduled for 18-19 January 2024 in York.

The Committee discussed the report. It was felt that an in-person session dedicated to going through the LOLA training material would be beneficial.

The Committee also felt that future reporting on the future funding model for Border to Coast should include a snapshot comparison of the cost differences between the old and new arrangements for their consideration.

RESOLVED

1. That the report be noted.
2. That a LOLA training session be scheduled for members of the Pensions Committee and LGPS Pensions Board.

34 PENSIONS ADMINISTRATION REPORT

Consideration was given to a report prepared by the Fund's pension administrator, West Yorkshire Pension Fund (WYPF). The Committee was guided through the report, and the following matters were highlighted:

- Progress had been made regarding staffing and resourcing and subsequently performance across key areas was improving.
- Assurance was given that despite slow processing of information, payments had been made on time.
- Deferred benefits requests had increased, adding to the existing workload.
- The shared service agreement refresh was underway.
- The administrator was ready to deliver the McCloud underpin as and when required.

The Committee discussed the report, and some formatting issues were identified in the shared service risk register, which would be rectified in future reports.

RESOLVED

That the report and comments made be noted.

35 RISK REGISTER ANNUAL REVIEW

Consideration was given to a report by the Head of Pensions which presented the Pension Fund Risk Register and Risk Policy to the Committee for annual review and approval. Members were guided through the report and it was noted that there were no material changes to the policy and risk register.

It was reported that the risk of 'loss of key staff', which was a major concern, was improving with the recruitment of new staff now underway as well as the return to work of a key colleague.

RESOLVED

1. That the risk management policy be approved.
2. That the risk register be approved.

36 PERFORMANCE MEASUREMENT ANNUAL REPORT

Consideration was given to a report by the Head of Pensions which set out the Pension Fund's longer term investment performance for the period ending 31 March 2023. Members were guided through the report and information relating to ten, five and three year returns, Performance analysis, and the PIRC Local Authority Universe was highlighted.

It was reported that Lincolnshire Pension Fund was within the 36th percentile of the PIRC Local Authority Universe over the 10-year period.

Consideration was given to the report and it was clarified that the PIRC Local Authority Universe was a ranking out of 63 pension authorities. It was also clarified that it was difficult to properly rank fund performance, as no two funds could be considered comparable in terms of the types of investments they held.

RESOLVED

That the report be noted.

37 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED

That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it is considered to contain exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

38 BORDER TO COAST STRATEGY UPDATE

Consideration was given to an exempt report and presentation from Border to Coast Pensions Partnership.

A number of questions were asked, and comments received.

RESOLVED

That the exempt report, presentation and discussion be noted.

The meeting closed at 12.25 pm

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Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director - Resources

Report to:	**Pensions Committee**
Date:	**14 December 2023**
Subject:	**Responsible Investment Update Report**

Summary:

This paper provides the Committee with an update on Responsible Investment activity during the second quarter of the financial year 2023/24 (July to September inclusive).

Recommendation(s):

The Committee consider the report and discuss the Responsible Investment activity undertaken during the quarter.

Background

1.1 This report provides a summary of various Responsible Investment (RI) activities that have been undertaken on behalf of the Fund during the quarter and updates the Committee on any new initiatives relating to good stewardship. This includes work by Local Authority Pension Fund Forum (LAPFF), Border to Coast Pensions Partnership (BCPP), Robeco, who are appointed by Border to Coast to provide voting and engagement services, and Legal and General Investment Management.

2.0 <u>Local Authority Pension Fund Forum – RI Activity</u>

2.1 The Fund participates in the Local Authority Pension Fund Forum. LAPFF acts to promote the highest standards of corporate governance to protect the long-term value of local authority pension fund assets. The Forum's current engagement themes include: climate risk, social risk, governance risk and reliable accounting risk. They also act by collaborating with other investors and by responding to governance and industry consultations.

Outcomes Achieved through LAPFF Engagement

2.2 The latest LAPFF engagement report can be found on their website at www.lapfforum.org. Some highlights from the quarter include:

- Company engagement: LAPFF engaged with 182 companies over the quarter, on issues ranging from environmental risk and climate change to human rights and supply chain management. Including:
    - For a number of years LAPFF has been engaging with financial institutions, including banks and insurance companies, on climate issues. Most recently these discussions have focused on biodiversity and environmental impacts of climate change. This engagement will explore company strategies in relation to natural resources and their link to climate. To achieve this LAPFF has written to 13 global insurers to engage on their approaches to decarbonisation and natural resources. There have been responses from four companies so far. LAPFF will continue to send letters and set up meetings with these companies over the coming months.
    - Say on climate change, climate and transition plans. During the quarter LAPFF organised a letter to 35 companies in high-emitting sectors, who are considered to face heightened climate risks and whose actions are essential to the accelerated action required to meet the Paris goals. LAPFF gained support from a wider group of investors and had 18 signatories to these letters. The letter stressed the importance of climate-related risks to investors. It also urged companies to provide resolutions to enable shareholders to express their view on climate strategies through a specific AGM vote. LAPFF will be tracking the responses to these letters and will continue to engage with companies about holding a climate transition plan vote.
    - Electric vehicles: LAPFF has continued its engagement with electric vehicle manufacturers to better understand how they are addressing the risks associated with minerals for batteries in their vehicles. There is increasing legislation relating to corporate sustainability being enacted around the world in this area (including the EU Battery Regulation which came into effect in August 2023) which companies will be required to comply with. During the quarter LAPFF met with Volkswagen and Volvo Group.

- Other work by LAPFF during the quarter included:
    - Collaborative engagement: during the quarter LAPFF has re-signed onto a FAIRR engagement focusing on working conditions at food producers, mainly in North and South America. LAPFF has also signed onto two new engagement streams, one examining antimicrobial resistance in animal pharmaceutical industry and the other analysing quick service restaurant antibiotic policies, both with a focus on the concern about increasing global antimicrobial resistance. More than 20 companies have been

contacted across these three workstreams. The FAIRR initiative is a collaborative investor network that raises awareness of material ESG risks and opportunities caused by intensive animal production.

- Consultation responses: LAPFF has responded to the UN Working Group on Business and Human Rights consultation on investors, ESG, and human rights. The Working Group is tasked with identifying ways to implement the UN Guiding Principles on Business and Human Rights and has been increasingly interested in the role investors can play in this regard. LAPFF set out a range of measures it employs to supporting both ESG and human rights.

2.3 Further details on their work during the quarter can be found in the quarterly engagement report. Members of the Committee should contact the author of this report if they would like further information on the Forum's activities.

3.0 Border to Coast Pensions Partnership – RI Activity

3.1 Border to Coast is the pooling company chosen by Lincolnshire Pension Fund. Border to Coast is a strong advocate of RI and believes that businesses that are governed well and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. As a representative of asset owners, they practice active ownership by holding companies and asset managers to account on Environmental, Social and Governance (ESG) issues that have the potential to impact corporate value. They also use shareholder rights by voting at company meetings, monitoring companies, carrying out engagement, and litigation.

3.2 Their approach to RI and stewardship is set out in their Responsible Investment Policy, Corporate Governance and Voting Guidelines and Climate Change Policy. These documents can be viewed on the Border to Coast website. They also publish a quarterly stewardship newsletter detailing the activity they have undertaken during the quarter, and the latest copy can be found on their website (Quarterly Stewardship Report Q3 2023). Highlights from their work during the quarter include:

- An overview of the quarter's RI activity which included: voting and engagement activity; and an update on the activity of the RI team, which included the publication of Border to Coast's Responsible Investment and Stewardship (RI) Report and Climate Change Report for 2022/23. The quarter also included the Border to Coast conference, here net zero was high on the agenda, which included a discussion with Mark Carney, the UN Special Envoy for Climate Action and Finance, and a session on the power of engagement.

- The industry update providing details of:
    - A letter signed by Border to Coast and 32 other supporters urging the UK Prime Minister not to backtrack on vital policy measures that support the UK's transition to net zero.
    - The Taskforce on Nature-related Financial Disclosures ('TNFD') final recommendations for nature-related risk management and disclosure, published in September. The recommendations aim to inform better decision making by both companies and investors around nature-positive outcomes.
    - The IIGCC latest guidance on climate solutions, published in September.

- High level information on voting activity for the quarter across all Border to Coast funds. Border to Coast voted at 191 meetings during the quarter, covering 1,904 agenda items. In 58% of meetings Border to Coast cast at least one vote against the recommendations of management. The report also includes voting case studies relating to: Constellation Brands and National Grid plc.

- Engagement activity, which included 550 engagements, carried out by: external managers appointed by Border to Coast; Robeco, as the Pool's engagement and voting manager; internal portfolio managers; and by LAPFF. The report also includes engagement case studies on engagement on modern slavery and a just transition to net zero.

4.0 Robeco – RI Activity

4.1 In addition to the direct RI work undertaken by Border to Coast, they have appointed Robeco to provide voting and engagement services. A copy of their quarterly activity report can be found on the Border to Coast website (Robeco Quarterly Active Ownership Report Q3 2023).

4.2 During the quarter they have engaged with companies on 76 occasions on topics including: environment, social, and corporate governance matters. This quarter's report provides details on a just transition and corporate governance in emerging markets, sovereign engagement and proxy voting.

5.0 Legal and General Investment Management – RI Activity

5.1 Legal and General Investment Management (LGIM) manage 15% of the Fund's portfolio, which is invested in the Future World Fund (global equities). The Future World Fund invests systematically in a globally diversified portfolio of quoted company shares. The index is designed to favour investment in companies which exhibit characteristics that have historically led to higher returns or lower risk than the market as a whole, and companies which are less carbon-intensive or earn green revenues. LGIM also builds ESG factors and responsible investing into all its investment activity. More information on this can be found on their website: LGIM Responsible Investing.

5.2 On a quarterly basis they publish an ESG Impact Report (LGIM Quarterly ESG Impact Report Q3 2023) detailing their activity during the quarter, across all their investment products. The report covers the key activity from their Investment Stewardship team, details of significant engagement activity and voting during the quarter, and policy update. During the quarter LGIM engaged 1,303 times with 1,285 companies on topics including: climate impact pledges, remuneration, income inequality, board composition and strategy. 680 of their engagements were in North America, 229 in Asia Pacific (ex-Japan), 156 in Europe (ex-UK), and 95 in the UK.

5.3 LGIM also produce an ESG Report specifically for the Future World Fund. This details key ESG metrics including carbon footprint and weighted average carbon intensity data, as well as voting and engagements statistics for the last 12 months. This report is available on the LGIM website. The latest report available covers Q2 2023 (Future World Fund ESG Report Q2 2023).

6.0 Voting

6.1 To enable the Fund to fulfil its stewardship responsibilities as an active shareholder, the active equity managers are required to report on their voting on a quarterly basis.

6.2 Border to Coast has produced summary proxy voting reports, which are attached at appendix A (Global Equity Alpha) and B (UK Listed Equities). During the quarter:

- Global Equity Alpha – 529 votes were cast, with 84 votes against management, and 71 meetings were attended. In 60% of meetings one or more votes were cast against management recommendations.
- UK Listed Equity – 370 votes were cast, with 21 votes against management, and 23 meetings were attended. In 67% of meetings one or more votes were cast against management recommendations.

6.3 Full details of the votes cast during the period July to September 2023 can be found on the Border to Coast website: Integrated Full Details Voting Report Q3 2023.

7.0 Border to Coast Environmental, Social and Governance (ESG) Reporting

7.1 Border to Coast have worked with MSCI, the investment research company, to provide quarterly ESG and carbon reports. The reports include an ESG rating, weighted score for the quarter and the direction of travel, as well as information on the best and worst companies in the sub-fund. The report also includes details on carbon emissions and intensity.

7.2 For the quarter ended 30 September 2023 the ESG reports can be found at:

- Appendix C: Global Equity Alpha Sub-fund;
- Appendix D: UK Listed Equity Sub-fund; and
- Appendix E: Sterling Investment Grade Credit Sub-fund.

7.3 *"This disclosure was developed using information from MSCI ESG Research LLC or its affiliates or information providers. Although Lincolnshire County Council Pension Fund information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or re-disseminated in any form* and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages."*

**In accordance with the Licence Agreement between Border to Coast Pensions Partnership Limited and MSCI ESG Research (UK) Limited.*

7.4 In summary:

- <u>Global Equity Alpha</u> – the fund's weighted ESG score was stable over the period (remaining at 'A') and is above the benchmark.

  There were a large number of upgrades in the quarter, including: Capital One, Reliance Industries, British American Tobacco and Hargreaves Lansdown. Nanofilm Technologies was upgraded in the quarter from 'CCC', however, over the same period a position in Shanghai Friendess Electronic Technology which is rated 'CCC' was acquired.

  In terms of its carbon emissions and carbon intensity the Fund remains materially below the wider index on all metrics, owing to the underweight allocations to some high emitting sectors including oil and gas. Heidelberg

Materials and Holcim account for around 50% of portfolio financed emissions, down from 62% in Q1 2023. Emissions fell during the period, owing primarily to a lower portfolio weighting in each company (-0.2% combined in the quarter). Due to their involvement in cement production, the carbon metrics of the Fund are highly sensitive to each of these companies' emissions, as well as any fluctuations in their investment value and/or allocation.

- UK Listed Equity – the fund's weighted ESG score remained consistent over the quarter at 'AA' and remains above the benchmark. This is due to the Fund holding a higher weighting of companies considered to be 'Leaders'. Furthermore, the fund does not hold any companies considered to be 'Laggards' ('CCC' or 'B' rated companies).

  No companies were downgraded in the quarter, and several were upgraded including British American Tobacco, Haleon, Smith & Nephew and Tate & Lyle.

  The Fund is currently below, or in-line with, the benchmark for financed emissions and carbon intensity. Weighted Average Carbon Intensity (WACI) remains slightly above the benchmark. Although the Fund remains slightly above the benchmark for WACI, both WACI and financed emissions decreased in the quarter. This was largely due to a restatement of Shell's carbon emissions in an annual update and is more aligned to the Q1 2023 figure. Furthermore, CRH was removed from the FTSE All Share following a switch of the main listing to the US and the fund's position was subsequently reduced in size. CRH previously accounted for ~13% of financed emissions.

- Sterling Investment Grade Credit – the fund's overall ESG score was stable at 'AA' over the quarter. The fund scores below the benchmark on a weighted ESG score basis, driven primarily by an overweight position in UK Government Bonds (rated A) of ~5%.

  The Fund is currently in line with the benchmark for portfolio financed emissions, carbon intensity and weighted average carbon intensity (WACI). Financed emissions and WACI increased in the quarter largely driven by MSCI's increased coverage of debt issuers linked to airlines, such as American Airlines and United Airlines.

8.0 Review of Legal and General Investment Management (LGIM) – Responsible Investments Oversight Report

8.1 The LGPS (Management and Investment of Funds) 2016 regulations state that the responsibility for stewardship remains with individual Pension Funds. However, as one of the benefits of asset pooling, the Fund can utilise the RI capacity at Border to Coast and has appointed them in an advisory capacity to provide oversight of the investment we have with LGIM. They have carried out a strategic review of the RI arrangements in place and, during the quarter, Border to Coast have completed their second oversight report covering the responsible investment activity undertaken by LGIM.

8.2 The oversight included: completion of a bespoke RI questionnaire by LGIM; analysis of questionnaire responses and additional supporting documentation provided by LGIM; and a deep-dive meeting between the Border to Coast Responsible Investment Team and members of the LGIM Investment Stewardship Team.

8.3 The oversight review covers the following areas:

- Policies, Resourcing and Governance
- Investment Process and Research
- Stewardship and Collaboration
- Climate Change

8.4 Overall the report concluded that LGIM continue to be a leader in active ownership.

Conclusion

9.1 This report brings to the Committee information on the various Responsible Investment (RI) activities that have been undertaken on behalf of the Fund during the quarter.

Consultation

a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Border to Coast Global Equity Alpha Voting Activity
Appendix B	Border to Coast UK Listed Equity Voting Activity
Appendix C	Border to Coast Pensions Partnership - ESG Quarterly Report - Global Equity Alpha
Appendix D	Border to Coast Pensions Partnership - ESG Quarterly Report - UK Listed Equity
Appendix E	Border to Coast Pensions Partnership - ESG Quarterly Report - Investment Grade Credit

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Claire Machej, who can be contacted on 01522 553641 or claire.machej@lincolnshire.gov.uk.

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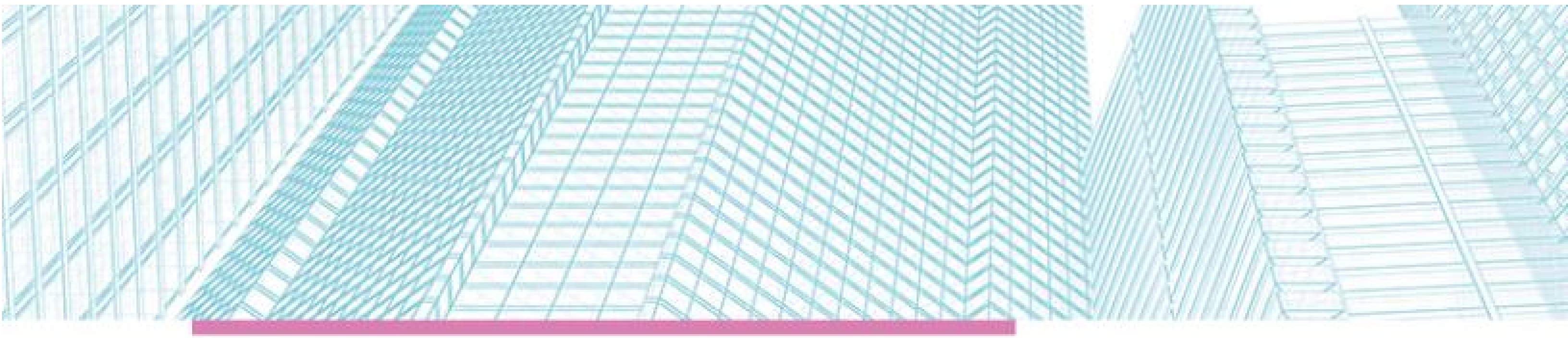
Border to Coast Global Equity Alpha



Proxy Voting Report

Period: July 01, 2023 - September 30, 2023

Votes Cast	529	Number of meetings	71
For	440	With management	439
Withhold	0	Against management	84
Abstain	1	N/A	6
Against	84		
Other	4		
Total	**529**	**Total**	**529**

In 60% of meetings we have cast one or more votes against management recommendation.

General Highlights

The role of financial institutions in addressing climate change

There is growing awareness among policymakers, investors, and in wider society that financial institutions need to reduce funding of activities that generate significant levels of greenhouse gas emissions. At the same time, they need to increase the financing of low-carbon solutions to facilitate the transition towards net zero emissions by 2050. This is echoed by the Paris Agreement, which explicitly recognizes the need to "make finance flows compatible with a pathway toward low greenhouse gas emissions and climate-resilient development".

Moreover, the 2023 Intergovernmental Panel on Climate Change (IIPCC) report highlights the urgency of near-term climate action and the need for improved access to financial resources. It stated that "if climate goals are to be achieved, both adaptation and mitigation financing would need to increase many-fold". Finance has become a critical enabler for climate action and financial institutions need to incorporate climate change risks into their decision making. In response to these trends, investors have been placing increasing focus on the prominent role that financial institutions can play within the net zero transition. This has been evidenced through numerous collaborative initiatives, and also during this year's proxy season, as investors showed strong support for shareholder proposals requesting reports on transition planning at the annual general meetings (AGMs) of banks.

During the 2023 proxy season, financial institutions were met with a significantly high number of shareholder proposals requesting additional action and disclosures on their climate impacts. Investors increasingly demand financial institutions to show how they are supporting the transition to net zero, and one of the most frequent requests made by shareholders has been the introduction of an annual management proposal outlining the company's climate strategy – the 'Say on Climate'. The introduction of this allows shareholders to hold companies accountable for their transition plans and helps them incentivize companies to develop and deliver clear action plans for financing the climate transition.

In the same vein, shareholders have also been asking companies to adopt a time-bound phase-out policy for lending and underwriting of new fossil fuel exploration and development. This aims to further support capital reallocation towards more sustainable solutions in line with the goals of the Paris Agreement. Lastly, another popular request made by shareholders concerns the adoption of science-based greenhouse gas emissions reduction targets, with the aim of pushing financial institutions to plan for and develop a clear path towards halving their financed emissions by 2030 and reaching net zero by 2050.

In line with growing shareholder expectations, several investor initiatives, such as the Institutional Investors Group on Climate Change (IIGCC) Banks Working Group, have gained prominence over the last few years. The working group was formed in April 2021 following the publication of a set of investor expectations for the banking sector, covering topics such as alignment with the goals of the Paris Agreement, governance of climate risk, and disclosures. Ever since then, the IIGCC has worked with the Transition Pathway Initiative Global Climate Transition Centre (TPI Centre) to further develop and refine investor expectations for banks. Most recently, this collaboration has resulted in the publication of a Net Zero Standard for Banks, which will enable investors to clearly assess and engage with banks on their net zero transition plans.

Based on the expectations of the IIGCC, Robeco has also developed a climate change assessment framework for the financial sector. Using this framework, we assess banks on several indicators of how well they are managing the net zero transition, including their net zero commitment, disclosure of short, medium and long-term emissions reduction targets, their decarbonization strategy and climate governance, among other things. The outcomes of this assessment are not only used in our engagement activities, but also in our voting approach at the AGMs of the financial institutions under scope.

A negative assessment informs a vote against management on an appropriate agenda item. Through this integrated approach, our aim is to promote sustainable business practices in the financial sector and to encourage management to create long-term value, by avoiding climate-related risks and seeking out the opportunities of low carbon, sustainable development.

Market Highlights

UK Audit and Corporate Governance Reform

Between May and September 2023, the UK's Financial Reporting Council (FRC) ran a much-awaited public consultation on an overhauled UK Corporate Governance Code (the Code). The consultation occurred amidst criticism that the government is delaying the far-reaching audit reform it pledged to roll out after the country was rocked by a series of high-profile scandals at retailer BHS, café and cake chain Patisserie Valerie and construction firm Carillion.

This criticism intensified after recent reports that the Audit Reform Bill would not be included in the King's Speech scheduled for November 2023. Despite the uncertainty surrounding the implementation of the audit reform, we believe that the proposed changes to the Code would strengthen the country's corporate governance regime.

The background

The proposed changes were developed by the regulator to address the UK Government's June 2022 response to the White Paper "Restoring Trust in Audit and Corporate Governance".This response set out a package of measures to revamp the UK audit and corporate governance regime. Given that part of these measures were aimed at strengthening the Code, the FRC then issued a position paper highlighting how it would support the government in rolling out these reforms. In light of this background, the proposed changes are largely focused on internal controls, assurance and resilience.

This article, highlights some of the most material changes that would be introduced by the amended Code.

The changes

The UK government had previously requested the adoption of a requirement reminiscent of the US Sarbanes-Oxley Act for an explicit directors' statement about the effectiveness of the company's internal controls, including those over financial reporting, but also concerning wider operational and compliance risks and the basis for that assessment. Now, the FRC is proposing to implement this by requiring the board to make an annual declaration that the company's risk management and internal control systems have been effective throughout the reporting period in question. This addition, increases the accountability of the board over risk oversight.

Furthermore, all companies reporting against the Code would be required to produce an audit and assurance policy (AAP) on a "comply or explain" basis. The requirements of the AAP would be set out in regulations, but are expected to include, amongst others, details on the company's internal auditing and assurance arrangements, on its policy to tender the external audit services and whether the external assurance proposed will be limited or reasonable. This change would lead to comparable reporting and ultimately to more transparency and accountability. Nonetheless, we believe it is important that the policy is informative and not only describes principles and responsibilities, but also criteria that were tested by the audit committee, and the results of such review.

The revised Code also proposes to expand the audit committee's responsibilities. The key additions would be the duty to develop the AAP and a duty to monitor the integrity of narrative reporting, including sustainability reporting. Notably, according to the revised Code, a company's annual report should describe the assurance of ESG metrics and other sustainability-related information. These changes are a step in the right direction yet consider that a major issue that still needs to be addressed is the harmonization of sustainability reporting standards.

Furthermore, the amended Code introduces a requirement for the board to report on "the company's climate ambitions and transition planning, in the context of its strategy, as well as the surrounding governance". This information is key for investors, as it enables them to more accurately price climate-related risks.

Companies would also be required to list all significant director appointments in the annual report, with the board required to explain how each director has sufficient time to undertake their role effectively in light of their other commitments. The benefits of serving on multiple boards (e.g. broadened expertise and an enhanced network of contacts) can be diminished by excessive time commitments, to the extent that overboarded directors may become unable to adequately discharge their fiduciary duties. For this reason, it is crucial for the board to have adequate policies and practices in place to evaluate whether directors have sufficient time to dedicate to their duties.

In addition, the FRC also sought to strengthen the Code in the area of diversity and inclusion, proposing to incorporate a reference to inclusion and to give equal weight to all protected and non-protected characteristics. This amendment promotes enhanced disclosure on diversity and inclusion, while also encouraging companies to consider diversity beyond gender and to shift their workplace culture in a meaningful way.

Finally, the Code aims to provide greater transparency around companies' malus and clawback arrangements. In particular, companies would be required to disclose whether such arrangements are in place, the minimum conditions in which these would apply, the minimum period for the arrangements and why the period is best suited to the organization, as well as whether the provisions were used in the last financial year. Clawback policies are key to ensuring an adequate link between pay and performance, as well as sound accountability for the board and executives. As such, the added disclosure would enable investors to better assess the risks embedded in a company's corporate governance.

Voting Highlights

Liberty Global plc - 07/13/2023 - United States

Proposal: Reincorporation to Bermuda.

Liberty Global plc, together with its subsidiaries, provides broadband internet, video, fixed-line telephony, and mobile communications services to residential and business customers.

In Q3 2023, Liberty Global held an Extraordinary General Meeting (EGM) where the company proposed to change its jurisdiction of incorporation to Bermuda.

The company stated that the main objective of the re-domiciliation would be to create shareholder value, by aligning the U.S. style corporate law of Bermuda with their listing on Nasdaq, and through the strategic use of financing, cross-border M&A and investments, share buybacks, self-tender offers, spin-offs and split-offs, which are easier to execute as a Bermudian company.

While considering the benefits of the proposal, we determined that these were associated with significant changes to the company's corporate governance, which would result in concerning losses of shareholder rights and protection mechanisms. More specifically, under Bermuda Law, the company would no longer be required to obtain shareholder approval to conduct share buybacks and self-tender offers, to enter into related party transactions, or to waive the application of pre-emptive rights on new equity issues, among others.

On balance, we decided that the negative impacts on shareholder rights outweighed the benefits of the proposed re-domiciliation. Therefore, we did not support the change of jurisdiction and its related proposals.

Mckesson Corporation - 07/21/2023 - United States

Proposal: Shareholder Proposal Regarding Severance Approval Policy.

McKesson Corporation provides healthcare services in the United States and internationally. It operates through four segments: U.S. Pharmaceutical, Prescription Technology Solutions (RxTS), Medical-Surgical Solutions, and International.

This year's Annual General Meeting (AGM) of McKesson Corporation included one shareholder proposal focused around the governance of the company's severance pay practices. The proposal requested that McKesson sought shareholder approval for severance payments valued at 2.99 times the sum of salary and short-term bonus.

Severance pay consists of compensation awarded to employees who part ways with a company, and if severance payments exceed a value threshold of 2.99 times base salary and bonus, companies can no longer deduct them as an expense. For this reason, it is important that shareholders are given the opportunity to approve high severance payments valued above this threshold, since these are not deductible.

As a result, and in line with our framework on executive remuneration and improving accountability mechanisms, we decided to support the shareholder proposal, which received close to 11% support from shareholders that participated in the vote.

Electronic Arts, Inc. - 08/10/2023 - United States

Proposals: Remuneration Policy, Director Elections & Shareholder Proposal Regarding Severance Approval Policy.

Electronic Arts develops video games for a global player base.

The 2023 AGM agenda of Electronic Arts was dominated by governance topics that we commonly see reflected in the US market. We have voted Against the executive compensation plan on numerous successive occasions, as it has failed our renumeration assessment on the basis of its significant quantum and insufficient underlying structure, which we assess across multiple key dimensions.

In addition, we voted For a shareholder proposal asking the company to instate a policy to seek shareholder approval of any senior severance packages that exceed a value of 2.99 times the employee's base salary and target annual bonus opportunity. Though the company had put in place a policy limiting cash severance payments to this level, it did not set a strict cap on severance payments in the form of equity. For this reason, we supported the proposal.

Prosus NV - 08/23/2023 - Netherlands

Proposals: Remuneration Report, Director Elections & Authority to Repurchase Shares.

Prosus N.V. engages in the e-commerce and internet businesses. It operates internet platforms, such as classifieds, payments and fintech, food delivery, travel, education, retail, health, social, and other internet platforms.

The 2023 AGM occurred amidst continued scrutiny over the company's steep valuation discount. In this context, two resolutions were particularly noteworthy.

First, Prosus asked shareholders to approve a share buyback authority enabling the board to repurchase shares representing up to 50% of the issued share capital over a period of 18 months. We voted For the resolution, having assessed that the proposed buyback is an effective means to address Prosus' valuation discount. The proposal was supported by an overwhelming majority (ca. 91%).

Second, the AGM agenda included a proposal to approve the remuneration report. Notably, at the previous AGM, Prosus secured shareholder approval on certain changes to the remuneration policy aimed at incentivizing the executive team to focus on reducing the discount to NAV. Specifically, the company proposed to not award any LTI for FY2023 and to instead issue a special discount-linked STI, to be earned based on whether a "material reduction" of the discount to NAV is achieved by the end of FY2023. The board retained full discretion to assess the materiality of the reduction. At the time, we voted Against the resolution based on our concerns that the proposed changes place excessive focus on short-term performance and that the proposed plan lacks sufficient transparency. The latest remuneration report highlights that the Prosus discount was reduced from 54% to 38%, which the Human Resources and Remuneration Committee found to be "a material reduction". Nonetheless, the company failed to disclose the ex-ante targeted discount. Notably, Prosus did not award a special STI for financial year 2023/24, but once again awarded LTI with a similar mix to the prior years. On balance, based on our proprietary remuneration framework, we identified concerns with regards to pay magnitude and transparency and therefore did not approve the remuneration report.

Nike, Inc. - 09/12/2023 - United States

Proposals: Advisory Vote on Executive Compensation, Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report & Shareholder Proposal Regarding Report on Supply Chain Management.

NIKE, Inc., together with its subsidiaries, designs, develops, markets, and sells athletic footwear, apparel, equipment, and accessories worldwide.

At Nike's 2023 AGM, shareholders voted on a number of resolutions routinely encountered on US firm ballots, as well as on two management-opposed shareholder proposals.

The Say on Pay proposal was particularly relevant as the resolution only garnered 65% support at the 2022 AGM. We engaged with Nike on the topic of executive remuneration and were pleased to see that the company rolled out major improvements to its compensation program. In particular, the company increased the ratio of long-term incentives (LTI) delivered in the form of performance-based equity awards (PSUs), while also moving to year-long targets under the short-term incentive plan (STI) and making no discretionary upward adjustments to final payouts. While recognising the positive changes, we maintained our concern regarding pay magnitude. Per the Summary Compensation Table, 2023 CEO pay stood at nearly USD 33 million. This, alongside a few other areas of concern, resulted in the company failing our remuneration framework. We therefore cast a vote Against the Say on Pay proposal.

The first shareholder proposal on the agenda requested that "Nike report on median pay gaps across race and gender, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent." The second asked that the company "issue a report assessing the effectiveness of its existing supply chain management infrastructure in ensuring alignment with Nike's equity goals and human rights commitments." While recogniSing Nike's existing disclosures and efforts when it comes to pay equity and supply chain management, we assessed that there is further room for improvement and that the disclosures requested by the proposals would allow shareholder to better assess the firm's risk profile. As a result, we supported both proposals.

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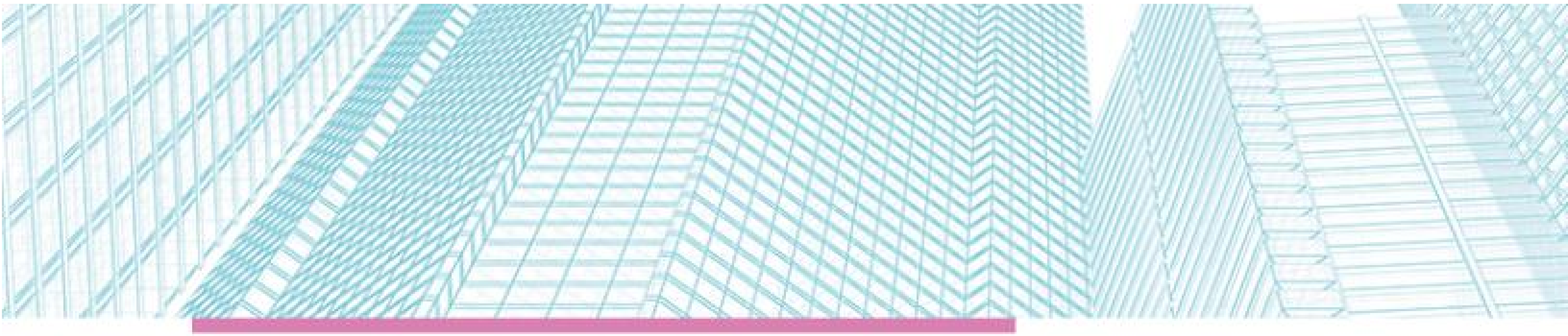
Appendix B

Border to Coast UK Listed Equity Fund



Proxy Voting Report

Period: July 01, 2023 - September 30, 2023

Votes Cast	370	Number of meetings	23
For	349	With management	349
Withhold	0	Against management	21
Abstain	0	N/A	0
Against	21		
Other	0		
Total	**370**	**Total**	**370**

In 67% of meetings we have cast one or more votes against management recommendation.

General Highlights

The role of financial institutions in addressing climate change

There is growing awareness among policymakers, investors, and in wider society that financial institutions need to reduce funding of activities that generate significant levels of greenhouse gas emissions. At the same time, they need to increase the financing of low-carbon solutions to facilitate the transition towards net zero emissions by 2050. This is echoed by the Paris Agreement, which explicitly recognizes the need to "make finance flows compatible with a pathway toward low greenhouse gas emissions and climate-resilient development".

Moreover, the 2023 Intergovernmental Panel on Climate Change (IIPCC) report highlights the urgency of near-term climate action and the need for improved access to financial resources. It stated that "if climate goals are to be achieved, both adaptation and mitigation financing would need to increase many-fold". Finance has become a critical enabler for climate action and financial institutions need to incorporate climate change risks into their decision making. In response to these trends, investors have been placing increasing focus on the prominent role that financial institutions can play within the net zero transition. This has been evidenced through numerous collaborative initiatives, and also during this year's proxy season, as investors showed strong support for shareholder proposals requesting reports on transition planning at the annual general meetings (AGMs) of banks.

During the 2023 proxy season, financial institutions were met with a significantly high number of shareholder proposals requesting additional action and disclosures on their climate impacts. Investors increasingly demand financial institutions to show how they are supporting the transition to net zero, and one of the most frequent requests made by shareholders has been the introduction of an annual management proposal outlining the company's climate strategy – the 'Say on Climate'. The introduction of this allows shareholders to hold companies accountable for their transition plans and helps them incentivize companies to develop and deliver clear action plans for financing the climate transition.

In the same vein, shareholders have also been asking companies to adopt a time-bound phase-out policy for lending and underwriting of new fossil fuel exploration and development. This aims to further support capital reallocation towards more sustainable solutions in line with the goals of the Paris Agreement. Lastly, another popular request made by shareholders concerns the adoption of science-based greenhouse gas emissions reduction targets, with the aim of pushing financial institutions to plan for and develop a clear path towards halving their financed emissions by 2030 and reaching net zero by 2050.

In line with growing shareholder expectations, several investor initiatives, such as the Institutional Investors Group on Climate Change (IIGCC) Banks Working Group, have gained prominence over the last few years. The working group was formed in April 2021 following the publication of a set of investor expectations for the banking sector, covering topics such as alignment with the goals of the Paris Agreement, governance of climate risk, and disclosures. Ever since then, the IIGCC has worked with the Transition Pathway Initiative Global Climate Transition Centre (TPI Centre) to further develop and refine investor expectations for banks. Most recently, this collaboration has resulted in the publication of a Net Zero Standard for Banks, which will enable investors to clearly assess and engage with banks on their net zero transition plans.

Based on the expectations of the IIGCC, Robeco has also developed a climate change assessment framework for the financial sector. Using this framework, we assess banks on several indicators of how well they are managing the net zero transition, including their net zero commitment, disclosure of short, medium and long-term emissions reduction targets, their decarbonization strategy and climate governance, among other things. The outcomes of this assessment are not only used in our engagement activities, but also in our voting approach at the AGMs of the financial institutions under scope.

A negative assessment informs a vote against management on an appropriate agenda item. Through this integrated approach, our aim is to promote sustainable business practices in the financial sector and to encourage management to create long-term value, by avoiding climate-related risks and seeking out the opportunities of low carbon, sustainable development.

Market Highlights

UK Audit and Corporate Governance Reform

Between May and September 2023, the UK's Financial Reporting Council (FRC) ran a much-awaited public consultation on an overhauled UK Corporate Governance Code (the Code). The consultation occurred amidst criticism that the government is delaying the far-reaching audit reform it pledged to roll out after the country was rocked by a series of high-profile scandals at retailer BHS, café and cake chain Patisserie Valerie and construction firm Carillion.

This criticism intensified after recent reports that the Audit Reform Bill would not be included in the King's Speech scheduled for November 2023. Despite the uncertainty surrounding the implementation of the audit reform, we believe that the proposed changes to the Code would strengthen the country's corporate governance regime.

The background

The proposed changes were developed by the regulator to address the UK Government's June 2022 response to the White Paper "Restoring Trust in Audit and Corporate Governance". This response set out a package of measures to revamp the UK audit and corporate governance regime. Given that part of these measures were aimed at strengthening the Code, the FRC then issued a position paper highlighting how it would support the government in rolling out these reforms. In light of this background, the proposed changes are largely focused on internal controls, assurance and resilience.

This article highlights some of the most material changes that would be introduced by the amended Code.

The changes

The UK government had previously requested the adoption of a requirement reminiscent of the US Sarbanes-Oxley Act for an explicit directors' statement about the effectiveness of the company's internal controls, including those over financial reporting, but also concerning wider operational and compliance risks and the basis for that assessment. Now, the FRC is proposing to implement this by requiring the board to make an annual declaration that the company's risk management and internal control systems have been effective throughout the reporting period in question. This addition increases the accountability of the board over risk oversight.

Furthermore, all companies reporting against the Code would be required to produce an audit and assurance policy (AAP) on a "comply or explain" basis. The requirements of the AAP would be set out in regulations, but are expected to include, amongst others, details on the company's internal auditing and assurance arrangements, on its policy to tender the external audit services and whether the external assurance proposed will be limited or reasonable. This change would lead to comparable reporting and ultimately to more transparency and accountability. Nonetheless, we believe it is important that the policy is informative and not only describes principles and responsibilities, but also criteria that were tested by the audit committee, and the results of such review.

The revised Code also proposes to expand the audit committee's responsibilities. The key additions would be the duty to develop the AAP and a duty to monitor the integrity of narrative reporting, including sustainability reporting. Notably, according to the revised Code, a company's annual report should describe the assurance of ESG metrics and other sustainability-related information. These changes are a step in the right direction yet consider that a major issue that still needs to be addressed is the harmonization of sustainability reporting standards.

Furthermore, the amended Code introduces a requirement for the board to report on "the company's climate ambitions and transition planning, in the context of its strategy, as well as the surrounding governance". This information is key for investors, as it enables them to more accurately price climate-related risks.

Companies would also be required to list all significant director appointments in the annual report, with the board required to explain how each director has sufficient time to undertake their role effectively in light of their other commitments. The benefits of serving on multiple boards (e.g. broadened expertise and an enhanced network of contacts) can be diminished by excessive time commitments, to the extent that overboarded directors may become unable to adequately discharge their fiduciary duties. For this reason, it is crucial for the board to have adequate policies and practices in place to evaluate whether directors have sufficient time to dedicate to their duties.

In addition, the FRC also sought to strengthen the Code in the area of diversity and inclusion, proposing to incorporate a reference to inclusion and to give equal weight to all protected and non-protected characteristics. This amendment promotes enhanced disclosure on diversity and inclusion, while also encouraging companies to consider diversity beyond gender and to shift their workplace culture in a meaningful way.

Finally, the Code aims to provide greater transparency around companies' malus and clawback arrangements. In particular, companies would be required to disclose whether such arrangements are in place, the minimum conditions in which these would apply, the minimum period for the arrangements and why the period is best suited to the organization, as well as whether the provisions were used in the last financial year. Clawback policies are key to ensuring an adequate link between pay and performance, as well as sound accountability for the board and executives. As such, the added disclosure would enable investors to better assess the risks embedded in a company's corporate governance.

Voting Highlights

SSE Plc. - 07/20/2023 - United Kingdom

Proposal: Management Proposal Regarding Net Zero Transition Planning.

SSE Plc is a UK-based energy company with exposure to gas and renewables, and transmission infrastructure.

The company this year put to a vote its 'Net Zero Transition Report', in which it outlined how it had made progress towards its climate ambitions. We assessed the company's climate strategy and identified a series of gaps in the company's decarboniSation strategy, most notably with regard to the company's targets for its diversified business lines.

Going by the transition report, the company fails the criteria related to its decarboniSation strategy on power generation (Scope 1 emissions), and its gas distribution business (Scope 3 emissions).

While the company has committed to reaching 13GW in renewables by 2031, it is unclear how the energy mix will evolve over the mid- and long-term and what the green/thermal generation ratio will be as there are no quantitative targets in the development of low-carbon flexible generation. SSE is developing low-carbon capacity, including biofuels that can become hydrogen-ready, but it is unclear how these energy sources will contribute to the achievement of the emission reduction targets. Regarding its gas distribution business, the company has not set any targets supporting Scope 3 reductions that would help customers in their pursuit of electrification.

On the basis of these concerns, the company failed our Say on Climate framework and we voted Against the Transition Report. The report was approved, with only 2.3% of the votes cast Against this resolution.

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BORDER TO COAST GLOBAL EQUITY ALPHA FUND

ESG & CARBON REPORT

Q3 2023

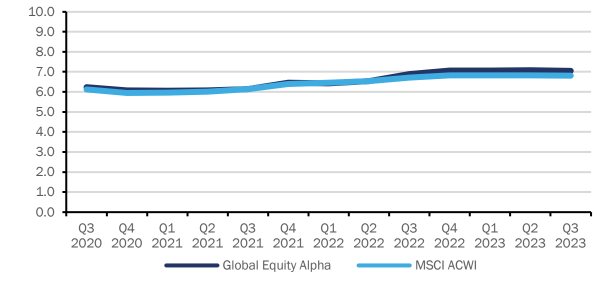
MSCI ESG RATING

A

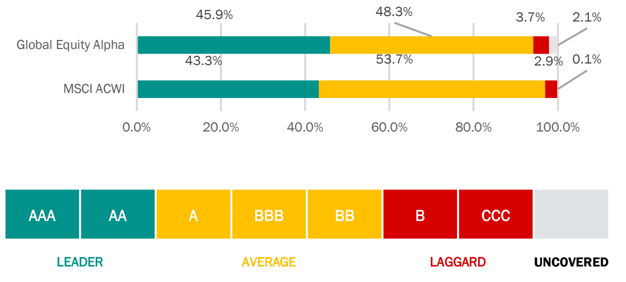
BORDER TO COAST PENSIONS PARTNERSHIP

	End of Quarter Position [1]			Key	
	MSCI ESG Rating	**Weighted ESG Score**	**vs. Benchmark**	(green)	Fund has an equal or better *Weighted ESG Score* than the benchmark.
Global Equity Alpha	A [1]	7.1 [1]	(green)	(amber)	Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
MSCI ACWI	A [1]	6.8 [1]		(red)	Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



Highest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating	Lowest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating
ASML	2.2%	+1.8%	AAA [1]	Meta Platforms	0.5%	-0.6%	CCC [1]
Intuit	1.9%	+1.7%	AAA [1]	Jiangsu Hengli Hydraulic	0.2%	+0.2%	CCC [1]
Microsoft	1.4%	-2.3%	AAA [1]	Shanghai Friendess Electronic Technology	0.1%	+0.1%	CCC [1]
Taiwan Semiconductor	0.6%	+0.6%	AAA [1]	Jollibee Foods	0.1%	+0.1%	CCC [1]
CNH Industrial	0.8%	+0.7%	AAA [1]	Stericycle	0.2%	+0.2%	B [1]

Quarterly ESG Commentary

- The Fund's weighted ESG score was stable over the period and remains above the benchmark.
- There were a large number of upgrades in the quarter including Capital One, Reliance Industries, British American Tobacco and Hargreaves Lansdown. Nanofilm Technologies was upgraded in the quarter from 'CCC', however, over the same period the Fund acquired a position in Shanghai Friendess Electronic Technology ('CCC').

Feature Stock: Meta Platforms

Meta Platforms (Meta), formerly known as Facebook, is a social technology company. It builds applications and technology that help people share with friends and family through mobile devices, personal computers, virtual reality headsets, and wearables worldwide.

Facebook, from its launch in 2004 has had the vision to connect people, and now with apps like Messenger, Instagram and WhatsApp, the Company enables billions to do so. Meta is now moving beyond 2D screens to build more immersive social experiences with augmented and virtual reality. In 2022, Meta had to reduce its workforce, having previously misread the covid-driven surge in online commerce and therefore having invested heavily in talent. The employee layoffs drove the downgrade by MSCI to CCC in December 2022.

The Company is considered to have the most comprehensive understanding of responsible business practices amongst its competitors, recognising the most critical areas for both the Company and all stakeholders. On issues like content, human rights, trust and integrity, and corporate governance, expectations are for Meta to gradually improve on these fronts both organically and due to pressure from regulators. Meta published its first responsible business practices report in July which highlights progress on a number of different fronts.

The Company has been net zero for some years now, and the commitment is to maintain net zero emissions and 100% renewable energy across operations. Progress is also being made towards making further improvements on energy efficiency and positive impact.

[1]Source: MSCI ESG Research 30/09/2023

BORDER TO COAST GLOBAL EQUITY ALPHA FUND

ESG & CARBON REPORT

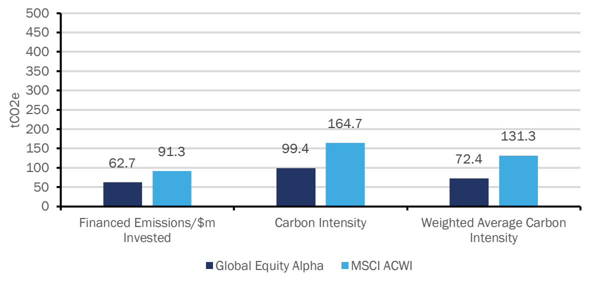
Q3 2023

MSCI ESG RATING

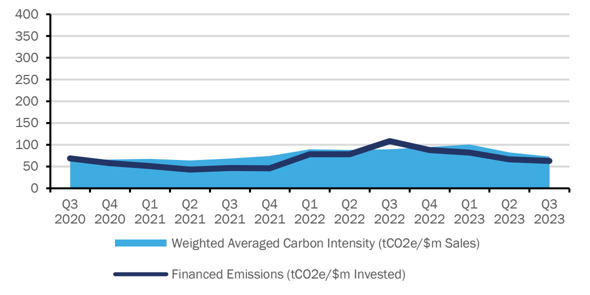
A

PENSIONS PARTNERSHIP

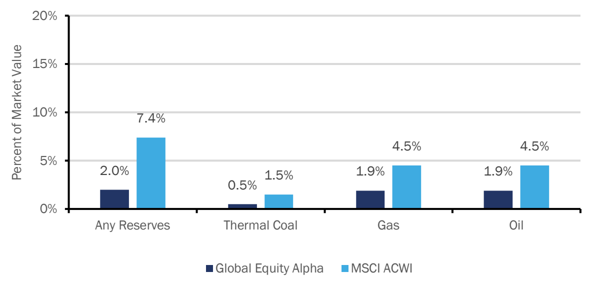
Carbon Emissions and Intensity[1]



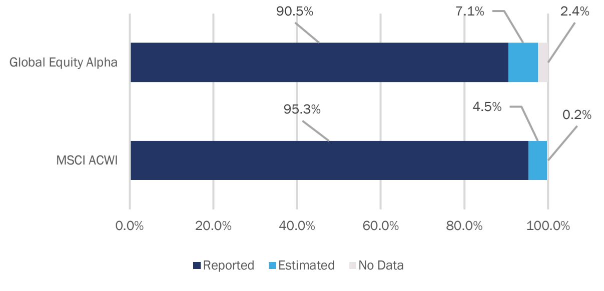
Carbon Trends[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



Availability of Carbon Emissions Data (% of Market Value)[1]



Largest Contributors to Financed Emissions[1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Heidelberg Materials	0.5%	+0.4%	36.9% [1]	Yes	3
Holcim	0.4%	+0.3%	13.7% [1]	Yes	4
easyJet	0.2%	+0.2%	6.3% [1]	No	3
Southwest Airlines	0.2%	+0.2%	4.6% [1]	No	4
Linde	1.0%	+0.7%	3.5% [1]	Yes	3

Quarterly Carbon Commentary

- The Fund remains materially below the wider index on all metrics, owing to the underweight allocations to some high emitting sectors including oil and gas.
- Heidelberg Materials and Holcim account for around 50% of portfolio financed emissions, down from 62% in Q1 2023. Emissions fell during the period, owing primarily to a lower portfolio weighting in each company (-0.2% combined in the quarter). Due to their involvement in cement production, the carbon metrics of the Fund are highly sensitive to each of these companies' emissions, as well as any fluctuations in their investment value and/or allocation.

Feature Stock: Heidelberg Materials

Heidelberg Materials (Heidelberg) is one of the world's largest building materials companies headquartered in Germany. Its products include cement, ready-mixed concrete, and aggregates.

Amongst a peer group of global listed cement producers, Heidelberg continues to achieve and target ambitious carbon emission reductions, with the largest absolute and relative CO_2 reductions targets to 2030. That accolade is based on CO_2 emissions per tonne of cementitious material produced, which is considered to be the most appropriate metric. Heidelberg continues to make progress, by reducing the CO_2 emissions per tonne of cement, the clinker ratio, and the energy intensity of the product.

For investors in Heidelberg, these leading carbon reduction initiatives place the Company in an advantageous position in terms of profitability and maintaining margins, as carbon prices likely increase, and allowances are used up. Recent analysis highlights that Heidelberg should require the lowest cement price increase to compensate for higher carbon costs over the coming years, compared to peers. In reality, cement will trade at the same price within a given local market; therefore, other producers will need to accept lower margins or rethink decarbonisation plans. This could represent significant potential margin upside to Heidelberg, as it will have already budgeted for and undertaken the hard work to decarbonise more than peers.

[1]Source: MSCI ESG Research 30/09/2023

Issuers Not Covered [1]		
Reason	ESG (%) 2.1	Carbon (%) 2.4
Company not covered	0.1%	0.4%
Investment Trust/ Funds	2.0%	2.0%

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* In accordance with the licence agreement between Border to Coast and MSCI

[1]Source: MSCI ESG Research 30/09/2023

BORDER TO COAST UK LISTED EQUITY FUND

ESG & CARBON REPORT

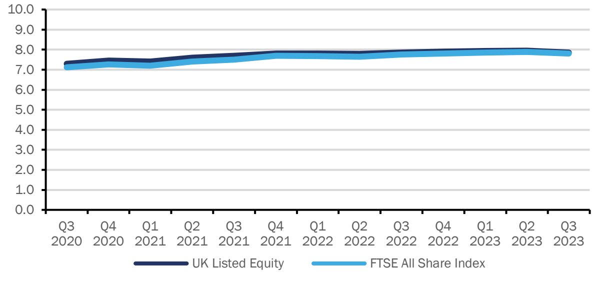
Q3 2023

MSCI ESG RATING

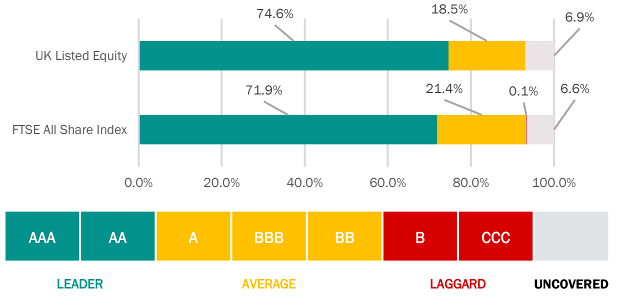
AA

	End of Quarter Position [1]			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark		Fund has an equal or better *Weighted ESG Score* than the benchmark.
UK Listed Equity	AA [1]	7.9 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
FTSE All Share Index	AA [1]	7.8 [1]			Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



Highest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating	Lowest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating
Unilever	4.9%	+0.4%	AAA [1]	Glencore	2.2%	-0.4%	BBB [1]
Diageo	3.4%	+0.4%	AAA [1]	Haleon	1.2%	+0.4%	BBB [1]
Relx	2.7%	+0.4%	AAA [1]	Beazley	0.4%	+0.2%	BBB [1]
National Grid	1.9%	+0.3%	AAA [1]	Fresnillo	0.2%	+0.2%	BBB [1]
SSE	0.8%	+0.0%	AAA [1]	BP	3.9%	-0.1%	A [1]

Quarterly ESG Commentary

- The weighted ESG score remained consistent over the quarter and remains above the benchmark. This is due to the Fund holding a higher weighting of companies considered to be 'Leaders'. Furthermore, the Fund does not hold any companies considered to be 'Laggards' (CCC or B rated companies).
- No companies were downgraded in the quarter, and several were upgraded including British American Tobacco, Haleon, Smith & Nephew and Tate & Lyle.

Feature Stock: Fresnillo

Fresnillo is the world's leading producer of silver and the largest miner of gold in Mexico where all group mines are located. Silver primary end uses include electronic components, jewellery, coins, medicine and facilitating the energy transition via use in solar panels. The Company is rated 'BBB' by MSCI. It leads peers in implementing robust biodiversity protection and community management programs which help minimise potential disturbances from operations. It has a strong business ethics framework relative to global peers.

The Company has leading labour management practices with extensive training and employee development practices. The bias to underground mining brings increased safety and environmental risks from tailings but the Company has robust programs to mitigate these risks. The ESG score is impacted heavily due to having a 75% controlling shareholder; however, since the IPO in 2008 they have proven to be a good custodian of the Company with management decisions being aligned with those of the minority shareholders. The Company also operates in an area of water stress increasing environmental risk, however to date has managed this well.

[1]Source: MSCI ESG Research 30/09/2023

BORDER TO COAST
UK LISTED EQUITY FUND

ESG & CARBON REPORT

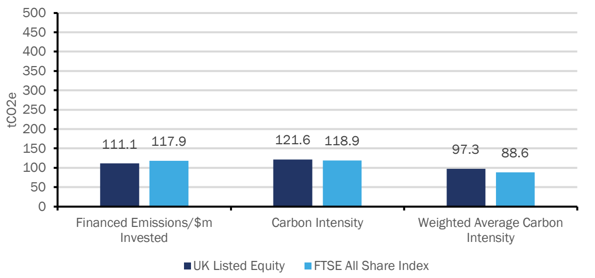
Q3 2023

MSCI ESG RATING

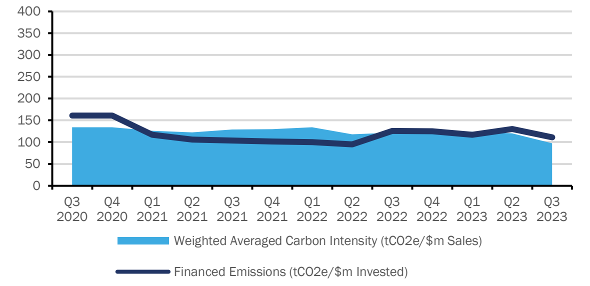
AA

BORDER TO COAST PENSIONS PARTNERSHIP

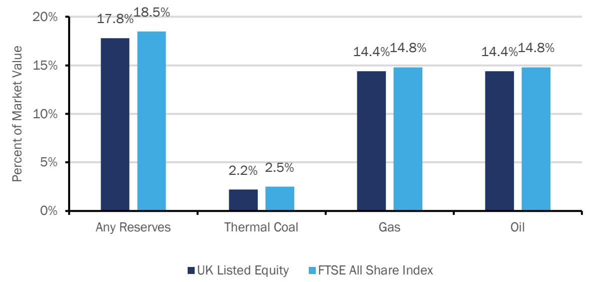
Carbon Emissions and Intensity[1]



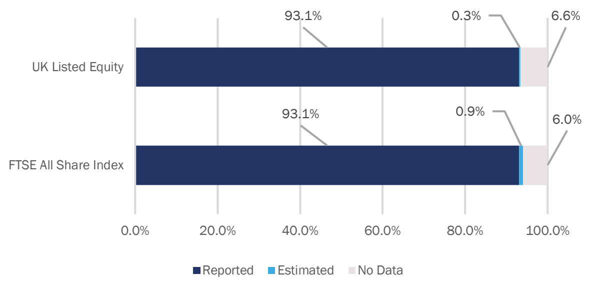
Carbon Trends[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



Availability of Carbon Emissions Data (% of Market Value)[1]



Largest Contributors to Financed Emissions[1]	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Shell	8.4%	+0.7%	35.0% [1]	Yes	4
BP	3.9%	-0.1%	12.4% [1]	Yes	4*
Rio Tinto	2.2%	-0.3%	8.5% [1]	Yes	4
Glencore	2.2%	-0.4%	8.5% [1]	Yes	4
easyJet	0.4%	+0.3%	5.9% [1]	No	3

Quarterly Carbon Commentary

- The Fund is currently below, or in-line with, the benchmark for financed emissions and carbon intensity. Weighted Average Carbon Intensity (WACI) remains slightly above the benchmark.
- Although the Fund remains slightly above the benchmark for WACI, both WACI and financed emissions decreased in the quarter. This was largely due to a restatement of Shell's carbon emissions in an annual update and is more aligned to the Q1 2023 figure. Furthermore, CRH was removed from the FTSE All Share following a switch of the main listing to the US and the Fund's position was subsequently reduced in size. CRH previously accounted for ~13% of financed emissions.

Feature Stock: easyJet

easyJet is a European airline operating mainly from slot-constrained primary airports including Gatwick, Amsterdam, Geneva and Paris CDG, raising barriers to entry and limiting direct route competition with ultra low-cost carriers. Typically, the largest or number two airline at its airports, easyJet combines scale efficiencies with convenience through operating dense route networks, considered important factors for frequent flyers/business travellers in particular, whilst also supportive of premium pricing. easyJet Holidays, launched as recently as 2019, has already established itself as one of the largest holiday operators in the UK, adding a further growth driver.

The aviation industry is one of the most challenging sectors to decarbonise. easyJet has an MSCI ESG rating of AA (no airline has a higher rating) and has set an emissions intensity reduction target of 35% by 2035 compared to 2019, and to achieve net zero by 2050 (representing a 78% intensity reduction), principally through the increased use of sustainable aviation fuels and introduction of more fuel-efficient aircraft, with an accelerated fleet renewal programme recently announced. Border to Coast is co-leading engagement with the Company as part of the IIGCC Net Zero Engagement Initiative.

[1]Source: MSCI ESG Research 30/09/2023

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	0.1%	0.1%
Investment Trust/ Funds	6.8%	6.5%

Important Information

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* In accordance with the licence agreement between Border to Coast and MSCI

[1]Source: MSCI ESG Research 30/09/2023

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BORDER TO COAST STERLING INVESTMENT GRADE CREDIT FUND

ESG & CARBON REPORT

Q3 2023

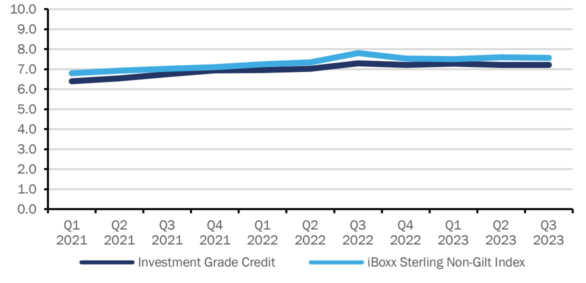
MSCI ESG RATING

AA

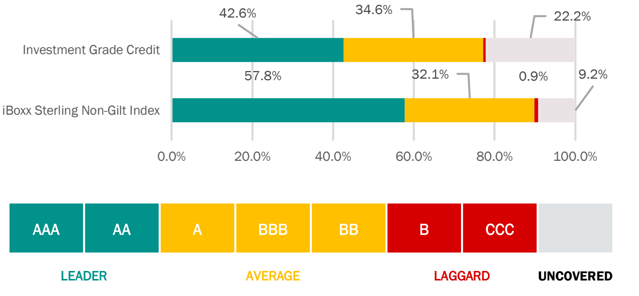
BORDER TO COAST PENSIONS PARTNERSHIP

	End of Quarter Position [1]			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark		Fund has an equal or better *Weighted ESG Score* than the benchmark.
Sterling Investment Grade Credit	AA [1]	7.2 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
iBoxx Sterling Non-Gilt Index	AA [1]	7.6 [1]			Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



Highest ESG Rated Issuers [1]				Lowest ESG Rated Issuers [1]			
	% Portfolio Weight	% Relative Weight	MSCI Rating		% Portfolio Weight	% Relative Weight	MSCI Rating
European Investment Bank	1.6%	-0.2%	AAA [1]	Volkswagen	0.4%	+0.1%	B [1]
Legal & General	0.8%	+0.3%	AAA [1]	GB Social Housing	0.1%	+0.1%	B [1]
Enel	0.8%	+0.4%	AAA [1]	Wells Fargo	0.5%	-0.2%	BB [1]
AVIVA	0.8%	+0.4%	AAA [1]	The Great Rolling Stock Company	0.4%	+0.3%	BB [1]
Yorkshire Building Society	0.6%	+0.4%	AAA [1]	Reality Income Corporation	0.4%	+0.3%	BB [1]

Quarterly ESG Commentary

- The weighted ESG Score was stable over the quarter.
- The Fund scores below the benchmark on a Weighted ESG score basis, driven primarily by an overweight position in UK Government Bonds (rated A) of approximately 5%.

Feature Stock: Wells Fargo

Wells Fargo (WFC) is a diversified financial services company, providing banking, investment, mortgage, and consumer and commercial finance products and services primarily in the United States. The Company's performance has been stable, and fundamentals are improving, benefiting from a strong competitive position, good scale, and diversified earnings and lending profile. In addition, as a systemically important bank in the US, there is higher regulatory scrutiny which limits risk taking and requires maintenance of more stringent capital and liquidity levels. These attributes make WFC bonds an attractive inclusion in a high-quality credit portfolio.

ESG performance remains a weak spot compared to peers but has recently shown signs of positive progress. The key issues are governance performance alongside lower than average performance on social factors. Engagement has been undertaken with ESG rating improvements and the development of ESG initiatives being discussed, including net zero commitments. WFC has made very good progress addressing its key legal, regulatory, and reputational issues, which has helped to stabilise business trends. However, management acknowledges there is more work to be done to fully resolve all issues. Engagement with WFC remains ongoing.

[1]Source: MSCI ESG Research 30/09/2023

BORDER TO COAST STERLING INVESTMENT GRADE CREDIT FUND

ESG & CARBON REPORT

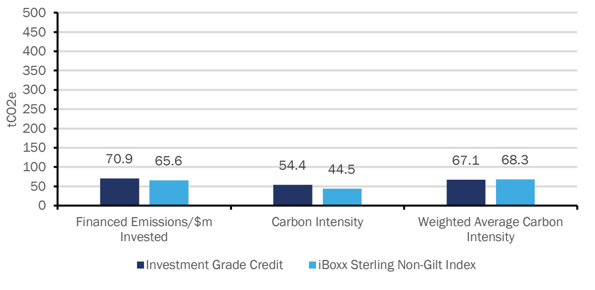
Q3 2023

MSCI ESG RATING

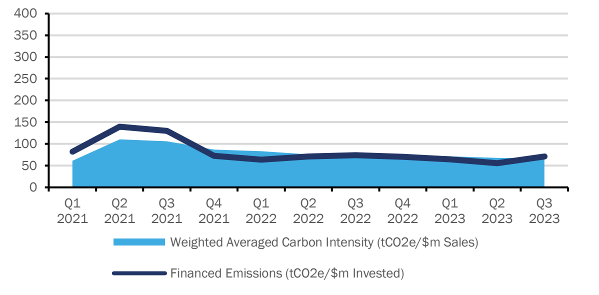
AA

BORDER TO COAST PENSIONS PARTNERSHIP

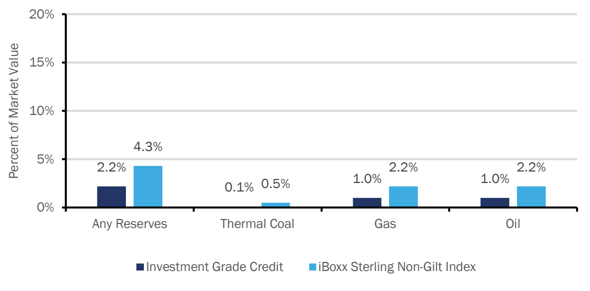
Carbon Emissions and Intensity[1]



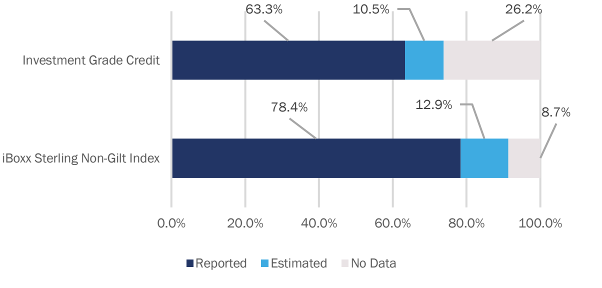
Carbon Trends[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



Availability of Carbon Emissions Data (% of Market Value)[1]



Largest Contributors to Financed Emissions[1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Enel	0.8%	+0.4%	24.6% [1]	Yes	4
American Airlines	0.2%	+0.2%	18.7% [1]	Yes	4
E.ON	0.9%	+0.2%	6.2% [1]	Yes	4
Engie	0.2%	-0.1%	5.1% [1]	Yes	4
Mobico	0.1%	+0.1%	5.1% [1]	No	N/A

Quarterly Carbon Commentary

- The Fund is currently in line with the benchmark for portfolio financed emissions, carbon intensity and weighted average carbon intensity (WACI).
- Financed emissions and WACI increased in the quarter largely driven by MSCI's increased coverage of debt issuers linked to airlines such as American Airlines and United Airlines. American Airlines is covered as the Feature Stock below.

Feature Stock: American Airlines

American Airlines Group (AAL) is one of the largest airlines in the world. The Company provides scheduled passenger, freight and mail services. The Company is managed as a single business unit that provides air transportation for passengers and cargo. AAL primarily serves customers in the United States and Canada with around 75% of passenger sales generated from the US.

AAL has been taking some steps to improve its carbon emissions and overall carbon footprint. The Company expects to achieve absolute reduction of 50Mn gallons of jet fuel from fuel efficiency initiatives by 2025 – it hopes to achieve this by renewing its aircraft line-up and retiring its older, more fuel intense planes. The Company has set some ambitious greenhouse gas (GHG) reduction targets as well – it hopes to reduce GHG emission intensity by 45% by 2035, reduce Scope 2 emissions by approximately 40% by 2035 and expects to reach net zero emissions by 2050. In addition, AAL expects to fly 30% of available seat miles with latest generation aircraft in 2025 and hopes to replace 10% of its jet fuel with sustainable aviation fuel (SAF) by 2030. AAL also recently noted that 70% of its total capital expenditures in 2022 was allocated to efforts that also provided decarbonisation benefits; this mainly reflects fleet renewal efforts (at the end of 2022, AAL's mainline fleet averaged 12.2 years and is the youngest mainline fleet among US network carriers), improvements in flight operations and efficiency and airspace modernisation.

[1]Source: MSCI ESG Research 30/09/2023

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	17.4%	21.4%
Investment Trust/ Funds	4.8%	4.8%

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[1]Source: MSCI ESG Research 30/06/2023

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Open Report on behalf of Andrew Crookham, Deputy Chief Executive & Executive Director - Resources

Report to:	**Pensions Committee**
Date:	**14 December 2023**
Subject:	**Border to Coast Responsible Investment Policy, Corporate Governance and Voting Guidelines and Climate Change Policy Annual Review**

Summary:

Border to Coast Pensions Partnership (Border to Coast) review their Responsible Investment (RI) Policy, Corporate Governance and Voting Guidelines and Climate Change Policy annually. This report highlights the changes from the last versions for the Committee to consider, and to approve the alignment of the new versions to the current Lincolnshire policy and guidelines.

Recommendation(s):

That the Committee:
1. Considers the proposed Border to Coast Responsible Investment Policy, Corporate Governance and Voting Guidelines and Climate Change Policy; and
2. Agrees to align the Lincolnshire RI Policy and Voting Guidelines to Border to Coast's.

Background

1.1 The LGPS (Management and Investment of Funds) 2016 regulations state that the responsibility for stewardship, which includes shareholder voting, remains with the Partner Funds. Stewardship, day-to-day administration, and implementation have been delegated to Border to Coast once assets transition, with appropriate monitoring and challenge to ensure this continues to be in line with Fund requirements. To leverage scale and for operational purposes, Border to Coast, in conjunction with Partner Funds, has an RI Policy, accompanying Corporate Governance and Voting Guidelines, and a specific Climate Change Policy to ensure clarity of approach.

1.2 Following the creation of the original policies in 2017, the Committee approved the recommendation to create a Lincolnshire Pension Fund RI Policy, and Corporate Governance and Voting Guidelines, that were aligned to the Border to Coast documents. These are realigned following each annual review, after any amendments to the Border to Coast policies have been considered by the Committee. The revised Border to Coast policies are attached at appendix A and B.

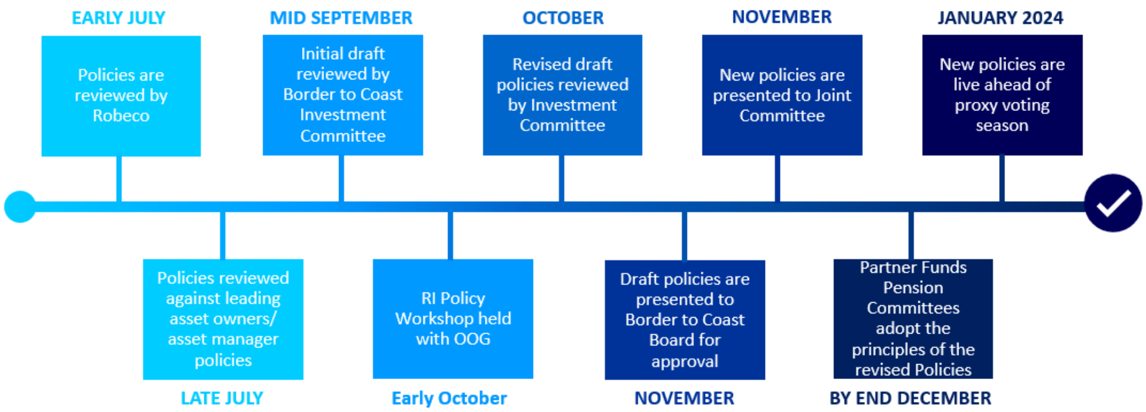
1.3 The first standalone Border to Coast Climate Change Policy was developed in 2021 and published that October. The annual review of this policy is now aligned with that of the other Responsible Investment policies, and the revised policy is attached at appendix C.

1.5 Responsible Investment and sustainability are central to Border to Coast's corporate and investment ethos and a key part of delivering the Partner Funds' objectives. There may be reputational risk if Border to Coast is perceived to be failing in their commitment of this objective.

2.0 Border to Coast's Review Process

2.1 Border to Coast review the RI Policy, Corporate Governance and Voting Guidelines and Climate Change Policy annually, or when material changes need to be made. The annual review process commenced in July to ensure any revisions are in place ahead of the 2024 proxy voting season.

2.2 The review timeline is set out below:



2.3 The current policies were evaluated by Robeco, Border to Coast's voting and engagement provider, considering the International Corporate Governance Network (ICGN) Global Governance Principles and the changing regulatory environment. The policies have also been reviewed against best-in-class asset managers, and asset owners considered to be RI leaders to determine how best practice has developed. In addition, the climate change policies of the other seven LGPS asset pools were also reviewed.

2.4 As part of the review procedure, input is also taken from the Joint Committee and the Partner Funds, to ensure that Border to Coast can represent a strong, unified voice. A workshop was held with Partner Fund officers in October where the proposed policies were shared, and feedback was received. A briefing on the updated policies was held in November for Joint Committee members and the Joint Committee considered the draft documents at its formal meeting on 28 November 2023. All of the Partner Funds will be taking, or have taken, them to their respective Committees for their comment and approval.

3.0 Key changes to the RI Policy

3.1 This year's RI Policy review reflects suggested improvements from Robeco and work undertaken during the year, including the Net Zero commitment. The key changes include:

- Amendments have been made to all the sections for integrating RI into investment decisions. This is due to continuing to develop and embed ESG into investment decision making, the impact of Border to Coast's Net Zero commitment and progress made on Real Estate ahead of launch later this year.

- Last year some specific wording on human rights was included, as this is an area gaining more prominence for investors. This has been expanded to include how Border to Coast engage.

- An area continuing to gain focus from an investment perspective is biodiversity. Border to Coast is currently engaging on biodiversity issues through their support of the Investor Policy Dialogue on Deforestation Initiative (IPDD), through Robeco and as part of the Waste and Water theme and engagement on climate change. Therefore, a high-level overview has been inserted into the RI Policy which covers the approach to engagement.

- The climate change section of the RI Policy has been significantly reshaped following the publication of a standalone Climate Change Policy.

- The exclusions section has been revisited, as set out in the paragraphs below.

3.2 When considering any exclusions, the associated material financial risk of a company's business operations is considered and whether there are concerns about its long-term viability. This includes considering key financial risks and the likelihood of success through engagement in influencing company strategy and behaviour. The impact on the investible universe and the benchmarks the portfolios are measured against is also assessed. In addition, the review considers the policies and approach of asset managers and asset owners seen as leaders in this area.

3.3 Revenue thresholds for thermal coal and oil sands production have been reviewed, with analysis conducted across equity and fixed income funds, associated benchmarks and the MSCI Universe to identify potential companies that managers may also invest in off benchmark. Following in-depth discussion by the Border to

Coast's Investment Committee, the exclusion thresholds for thermal coal and oil sands production has been reduced to 25% (aligned with illiquid assets) from 70%.

3.4 An exclusion related to thermal coal power generation has been introduced with a revenue threshold of 50% for developed markets. A higher threshold of 70% has been introduced for emerging markets, to reflect Border to Coast's support of a just transition and recognition that countries have differing transition timelines and dependencies on coal and the potential impact on energy availability and economic development.

3.5 The exclusion for controversial weapons has been broadened to cover landmines, biological and chemical weapons. This covers international treaties and conventions relating to controversial weapons that the UK has either ratified or is a state party to.

3.6 The exclusions in place take into account material financial factors and are limited to areas where it is important to give explicit indications to the investment decision makers.

3.7 The impact of the changes to the exclusions on the investable companies in the benchmark is set out below, to provide context to the changes:

Total No of Companies	>25% of revenue from Thermal Coal	>25% of revenue from Oil Sands	Controversial Weapons
11,000	41 (21 at >70%)	5 (3 at >70%)	14 (increase of 3)

3.8 The amendments to the RI policy are detailed in the table below:

Section	Page	Type of Change	Rationale
2. What is responsible investment	3	Addition	RI approach potential to add value.
5. Integrating RI into investment decisions	4	Addition	Add just transition to the table under social issues.
	4	Addition	Additional text on human rights and engagement.
	4	Addition	New text on biodiversity as an investment risk and how Border to Coast engage.
5.1 Listed equities	5	Addition	More detail on integration process.
5.2 Private markets	5/6	Addition	Additional information on annual questionnaire and involvement in industry initiatives.

5.3 Fixed Income	6	Amendment	Moved text on engagement.
5.4 Real Estate	6/7	Amendment	Updated for progress made ahead of launch.
5.5 External manager selection	7	Addition	Update on engagement to support net zero; PRI assessment considered in selection and monitoring.
5.6 Climate change	7/8	Amendment	Amendment to wording on just transition and expectations of companies.
	8	Addition	Additional wording on net zero and stewardship.
6. Stewardship	8	Amendment	Inserted "where appropriate" regarding litigation.
6.2 Engagement	11	Amendment	Engagement with the wider industry to create stable environment.
6.2.2 Escalation	12	Addition	Extra tools as part of escalation.
6.2.3 Exclusions	12/13	Amendments and addition	Revenue thresholds reduced for thermal coal and oil sands. Controversial weapons exclusions broadened. New exclusion for thermal coal power generation.
9. Training and assistance	14	Addition	Included wider colleagues.

3.3 The policy is very closely aligned to how the Lincolnshire Fund considers it should act as a responsible investor, with no contentious issues.

4.0 Key changes to the Corporate Governance and Voting Guidelines

4.1 The Corporate Governance and Voting Guidelines have been reviewed by Robeco considering best practice. Asset owner and asset manager voting policies and the Investment Association Shareholder Priorities for 2023 have also been used in the review process. There are several minor amendments and proposed additions covering diversity and climate change. The key changes include:

- Border to Coast's voting stance in relation to diversity representation at board level, for both gender and ethnicity, has been strengthened this year. This is to reflect the FCA's listing rules and also expectations of FTSE 250 companies to be meeting the Parker Review recommendations.

- Border to Coast have further strengthened the approach to climate-related voting and will now include a fifth Climate Action 100+ (CA100+) Net Zero Benchmark indicator, covering a company's decarbonisation strategy. They are also adding the Urgewald Global Coal Exit List to the industry benchmarks (CA100+, TPI), used to assess whether companies are making sufficient progress.

4.2 The amendments to the Corporate Governance and Voting Guidelines are detailed in the table below.

Section	**Page**	**Type of Change**	**Rationale**
Diversity	5	Amendment	Expectations of UK companies on board gender diversity.
		Addition	FTSE 250 on racial diversity and US companies.
Audit	9	Addition	Plans to retender.
Shareholder proposals	12	Addition	General stance on proposals aligned with Paris Agreement.
Climate change	13	Addition	5th CA100+ Net Zero Benchmark indicator added.
		Addition	Adding Urgewald Global Coal Exit List as industry benchmark tool.
		Amendment	Caveat around TPI scoring and data.
		Addition	Stance on Say on Climate items not aligned with Pris Agreement.

4.3 The guidelines reflect best global practice and there are no contentious issues.

5.0 Key changes to the Climate Change Policy

5.1 The Policy has been reviewed by Robeco and against asset managers and asset owners to determine developments across the industry. The climate change approaches of the other seven LGPS asset pools have also been reviewed. The main changes reflect the work undertaken to support Border to Coast's Net Zero commitment and are detailed below:

- Additional wording has been added about why climate change is important to Border to Coast as an investor. This has been taken from the Climate Change Report and includes reference to the role they need to play through engagement and the investment opportunities for investors and how this will support the Partner Funds.

- Reference to the Net Zero targets has been included in the 'Our ambition – Net Zero section' with detail on the specific targets for carbon reduction alignment and engagement. This has been moved from a later section of the policy.

- A paragraph has been included on how Border to Coast have considered the different climate scenarios available, those which they will be using, and the limitations and associated risks of climate modelling.

- The approach to exclusions has been updated in line with the RI Policy with the lower revenue thresholds for public market companies for thermal coal and oils sands production (now aligned with illiquid assets) and the introduction of an exclusion for thermal coal power generation.

- Additional wording has been added on the importance of engagement in meeting the Net Zero goal and the targets that have been set. The focus actions for the next and subsequent years have been updated which includes the voting approach to 'Say on Climate' resolutions and climate-related shareholder resolutions.

5.2 The amendments to the Climate Change Policy are detailed in the table below.

Section	Page	Type of Change	Rationale
2.2 Why climate change is important to us	3	Addition	Additional wording taken from the Climate Change Report – importance, our role, and opportunities.
		Amendment	Revision to just transition wording.
3.1 Our ambition – Net Zero	5/6	Addition	Inserted reference to Net Zero targets – wording

			moved from 5.2.
3.3 Division of roles and responsibilities	6	Addition	Wording in line with Climate Change Report.
4.1 How we identify climate-related risks	7	Revision	Wording in line with Climate Change Report.
4.2 How we assess climate-related risks and opportunities	8	Addition	Update on climate change scenario analysis – in line with Climate Change Report.
5.1 Our approach to investing	8/9	Addition	Additional wording on consideration when excluding.
		Amendment	Revise exclusion threshold for thermal coal and oil sands.
		Addition	New exclusion on thermal coal power generation.
5.2 Acting within different asset classes	9	Amendment	Paragraph moved to 3.1.
		Addition	Approach for Real Estate
6.1 Our approach to engagement	10/11	Amendment	Inserted "where considered to be appropriate" regarding litigation.
		Addition	Reference to engagement and targets.
		Amendment /addition	Focus areas including voting and engagement.
7. Disclosures and reporting	12	Amendment	Revised wording on transparency and reporting.

6.0 Lincolnshire Pension Fund's consideration of climate reporting and net zero

6.1 As the Committee are aware, there will be a regulatory requirement to consider the impact of climate change on the Pension Fund, across various scenarios, and to detail any plans towards achieving net zero. It is expected that this reporting requirement, equivalent to the private sector's current requirement for TCFD (Taskforce on Climate-related Financial Disclosures) reporting, will be in place for the 2024/25 financial year, with reporting required by December 2025.

6.2 To start the process of the Committee considering the Fund's position on net zero and climate reporting, Barnett Waddingham have been invited to the January meeting of this Committee to provide a training session on climate risk which, rather than getting into the detail, looks at the bigger picture. The training will cover the following areas:

- An overview of climate change concepts, the definitions, explaining jargon and terminology.
- Ways in which climate change can impact your Fund covering assets, liabilities and covenant.
- An overview of climate risk disclosure rules.

6.3 Unlike the Responsible Investment Policy and the Corporate Governance and Voting Guidelines, the Fund does not have a Climate Change Policy to align with the Border to Coast policy. It was agreed at the December 2022 meeting that the Committee consider the need for a Fund Climate Change Policy as part of wider net zero commitment considerations, so this will form part of the discussions to be had in 2024.

Conclusion

6.1 The LGPS (Management and Investment of Funds) 2016 regulations state that the responsibility for stewardship, which includes shareholder voting, remains with the Partner Funds. The day-to-day stewardship administration and implementation is delegated to Border to Coast by the Partner Funds, for assets under their management. To leverage scale and for operational purposes, Border to Coast, in conjunction with Partner Funds, has an RI Policy and accompanying Corporate Governance and Voting Guidelines to ensure clarity of approach on behalf of Partner Funds. Border to Coast reviews these policies at least annually, and any changes are brought back to the Joint Committee and the underlying Pension Committees for consideration.

6.2 The Committee are recommended to consider the draft Border to Coast RI Policy, Corporate Governance and Voting Guidelines, and Climate Change Policy, and approve the realignment of the Lincolnshire Fund's current RI Policy and Corporate Governance and Voting Guidelines.

Consultation

a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Border to Coast Responsible Investment Policy

Appendix B	Border to Coast Corporate Governance and Voting Guidelines
Appendix C	Border to Coast Climate Change Policy

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Jo Kempton, who can be contacted on 01522 553656 or jo.kempton@lincolnshire.gov.uk.

Responsible Investment Policy

Border to Coast Pensions Partnership

January 2024

This Responsible Investment Policy details the approach that Border to Coast Pensions Partnership follows in fulfilling its commitment to our Partner Funds in their delegation of the implementation of certain responsible investment (RI) and stewardship responsibilities.

1. Introduction

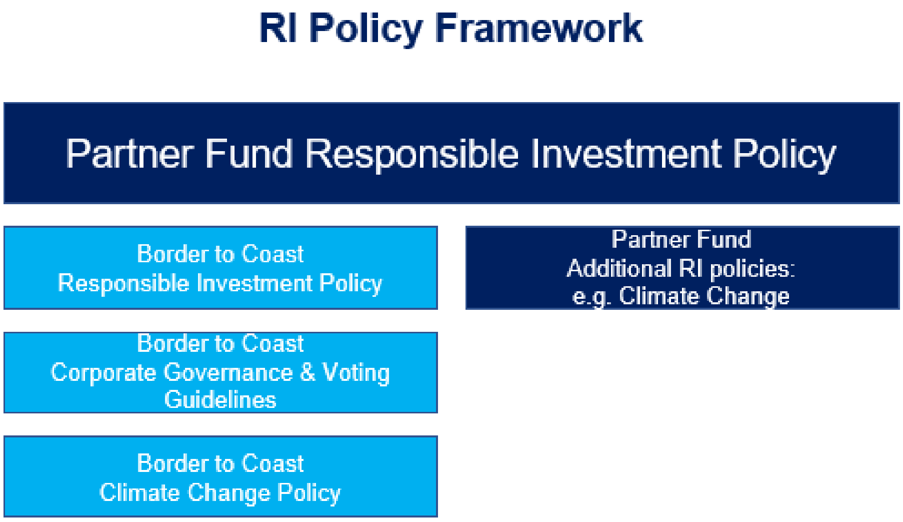
Border to Coast Pensions Partnership Ltd is an FCA-authorised investment fund manager (AIFM). It operates investment funds for its eleven shareholders which are Local Government Pension Scheme funds (Partner Funds). The purpose is to make a difference to the investment outcomes for our Partner Funds through pooling to create a stronger voice; working in partnership to deliver cost effective, innovative, and responsible investment now and into the future; thereby enabling great, sustainable performance.

Border to Coast takes a long-term approach to investing and believes that businesses that are governed well, have a diverse board and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. Diversity of thought and experience on boards is significant for good governance, reduces the risk of 'group think' leading to better decision making. Environmental, social and governance (ESG) issues can have a material impact on the value of financial assets and on the long-term performance of investments, and therefore need to be considered across all asset classes in order to better manage risk and generate sustainable, long-term returns. Well-managed companies with strong governance are more likely to be successful long-term investments.

Border to Coast is an active owner and steward of its investments across all asset classes. This commitment is demonstrated through achieving signatory status to the Financial Reporting Council UK Stewardship Code. As a long-term investor and representative of asset owners, we hold companies and asset managers to account regarding environmental, societal and governance factors that have the potential to impact corporate value. We incorporate such factors into our investment analysis and decision making, enabling long-term sustainable investment performance for our Partner Funds. As a shareowner, Border to Coast has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It practices active ownership through voting, monitoring companies, engagement and litigation.

1.1. Policy framework

The LGPS (Management and Investment of Funds) 2016 regulations state that the responsibility for stewardship, which includes shareholder voting, remains with the Partner Funds. Stewardship day-to-day administration and implementation have been delegated to Border to Coast by the Partner Funds, on assets managed by Border to Coast, with appropriate monitoring and challenge to ensure this continues to be in line with Partner Fund requirements. To leverage scale and for operational purposes, Border to Coast has, in conjunction with Partner Funds, developed this RI Policy and accompanying Corporate Governance & Voting Guidelines to ensure clarity of approach on behalf of Partner Funds. This collaborative approach results in an RI policy framework illustrated below with the colours demonstrating ownership of the various aspects of the framework:



2. What is responsible investment?

Responsible investment (RI) is the practice of incorporating ESG issues into the investment decision making process and practicing investment stewardship, to better manage risk and generate sustainable, long-term returns. Financial and ESG analysis together identify broader risks and the opportunities leading to better informed investment decisions and can improve performance as well as risk-adjusted returns.

Investment stewardship includes active ownership; using voting rights, engaging with investee companies, influencing regulators and policy makers, and collaborating with other investors to improve long-term performance. We believe that our responsible investment approach and associated activities help identify and manage non-financial risks and so should add value to our investment portfolios over the long-term.

3. Governance and Implementation

Border to Coast takes a holistic approach to the integration of sustainability and responsible investment, which are at the core of our corporate and investment thinking. Sustainability, which includes RI, is considered and overseen by the Board and Executive Committees. Specific policies and procedures are in place to demonstrate the commitment to RI, which include the Responsible Investment Policy and Corporate Governance & Voting Guidelines (available on the **website**). Border to Coast has dedicated staff resources for managing RI within the organisational structure.

The RI Policy is owned by Border to Coast and created after collaboration and engagement with our eleven Partner Funds. The Chief Investment Officer (CIO) is accountable for implementation of the policy. The policy is monitored with regular reports to the CIO, Investment Committee, Board, Joint Committee and Partner Funds. It is reviewed at least annually or whenever revisions are proposed, taking into account evolving best practice, and updated, as necessary.

4. Skills and competency

Border to Coast, where needed, takes proper advice in order to formulate and develop policy. The Board and staff maintain appropriate skills in responsible investment and stewardship through continuing professional development; where necessary expert advice is taken from suitable RI specialists to fulfil our responsibilities.

5. Integrating RI into investment decisions

Border to Coast considers material ESG factors when analysing potential investments. ESG factors tend to be longer term in nature and can create both risks and opportunities. It is therefore important that, as a long-term investor, we take them into account when analysing potential investments.

The factors considered are those which could cause financial and reputational risk, ultimately resulting in a reduction in shareholder value. ESG issues are considered and monitored in relation to all asset classes. The CIO is accountable for the integration and implementation of ESG considerations. Issues considered include, but are not limited to:

Environmental	**Social**	**Governance**	**Other**
Climate change Resource & energy management Water stress Single use plastics Biodiversity	Human rights Child labour Supply chain Human capital Employment standards Pay conditions (e.g. living wage in UK) Just transition	Board independence Diversity of thought Executive pay Tax transparency Auditor rotation Succession planning Shareholder rights	Business strategy Risk management Cyber security Data privacy Bribery & corruption Political lobbying

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. Companies should have processes in place to both identify and manage human rights risks across their business and supply chain. We engage with companies on human rights as part of our social priority engagement theme, engaging on modern slavery and labour practices and human rights due diligence where companies operate in high-risk areas. We have incorporated considerations into how we exercise our votes at company meetings.

Biodiversity loss is increasingly seen as posing a risk to financial markets. Over half of global GDP is dependent on nature-based services[1], and looking ten years out, six of the top ten global risks identified by the World Economic Forum are climate and environmental related. We currently address biodiversity issues through engagement with companies and governments on issues including deforestation, natural resource management and climate change.

Further detail on our voting approach is included in the Corporate Governance & Voting Guidelines.

Whilst the specific aspects and form of ESG integration and stewardship vary across asset class, the overarching principles outlined in this policy are applied to all assets of Border to Coast. More information on specific approaches is outlined below.

[1] World Economic Forum

5.1. Listed equities (Internally managed)

Border to Coast looks to understand and evaluate the ESG-related business risks and opportunities companies face. We consider the integration of ESG factors into the investment process as a necessary complement to the traditional financial evaluation of assets; this results in a more informed investment decision-making process. Rather than being used to preclude certain investments, it is used to provide an additional context for stock selection. It is an integral part of the research process and when considering portfolio construction, sector analysis and stock selection.

We use third-party ESG data and research from specialist providers alongside general stock and sector research. ESG factors are incorporated into analysis and research templates as part of the decision-making process. We consider the financial materiality of ESG factors, which will vary depending on the geography, industry and individual company. For companies subject to very severe controversies as defined by our third-party data provider, UN Global Compact breaches, with elevated ESG risk, or subject to securities litigation, a more detailed research and climate risk template is completed which is also used to inform engagement and voting. The RI team as subject matter experts support the portfolio managers, and the Head of RI works with colleagues to ensure they are knowledgeable and fully informed on ESG issues. Voting and engagement are also part of the investment process with information from engagement meetings shared with the team to increase and maintain knowledge, and portfolio managers involved in engagement meetings and the voting decision making process..

5.2. Private markets

Border to Coast believes that ESG risk forms an integral part of the overall risk management framework for private market investment. An appropriate ESG strategy will improve downside protection and help create value in underlying portfolio companies. Border to Coast takes the following approach to integrating ESG into the private market investment process:

- The assessment of ESG issues is integrated into the investment process for all private market investments.
- A manager's ESG strategy is assessed through a specific ESG questionnaire agreed with the Head of RI and reviewed by the alternatives investment team with support from the RI team as required.
- Managers are requested to complete an annual monitoring questionnaire which contains both binary and qualitative questions, enabling us to monitor several key performance indicators, including RI policies, people, and processes, promoting RI, RI-specific reporting and progress on measuring and reporting GHG emissions.
- Managers are requested to report annually on the progress and outcomes of ESG related values and any potential risks.
- Ongoing monitoring includes identifying any possible ESG breaches and following up with the managers concerned.
- Work with managers to improve ESG policies and ensure the approach is in-line with developing industry best practice.
- We engage in a range of industry initiatives which seek to improve transparency and disclosure of ESG and carbon data within private markets.

5.3. Fixed income

ESG factors can have a material impact on the investment performance of bonds, both negatively and positively, at the issuer, sector and geographic levels. ESG analysis is therefore incorporated into the investment process for corporate and sovereign issuers to manage risk. The challenges of integrating ESG in practice are greater than for equities with the availability of data for some markets lacking.

Third-party ESG data is used along with information from sources including UN bodies, the World Bank and other similar organisations. This together with traditional credit analysis is used to determine a bond's credit quality. Information is shared between the equity and fixed income teams regarding issues which have the potential to impact corporates and sovereign bond performance.

The approach to engagement can also differ as engagement with sovereigns is much more difficult than with companies.

5.4. Real Estate

Border to Coast is preparing to launch funds to make Real Estate investments through both direct properties and indirect through investing in real estate funds. For real estate funds, a central component of the fund selection/screening process is an assessment of the General Partner and Fund/Investment Manager's Responsible Investment and ESG approach and policies.

A Responsible Investment framework has been developed for Real Estate to ensure the integration of ESG factors throughout the investment process. This covers the stages of selection, appointment and monitoring and a feedback loop to report performance and review processes. It includes pre-investment, post-acquisition and post-investment phases. An ESG scorecard will be developed tailored to the direct or indirect property fund, monitoring key performance indicators such as energy performance measurement, flood risk and rating systems such as GRESB (formerly known as the Global Real Estate Sustainability Benchmark), and BREEAM (Building Research Establishment Environmental Assessment Method). For direct real estate, the RI Policy will be implemented through ESG strategies embedded into the asset management plans of individual properties; this is to ensure a perpetual cycle of review and improvement against measurable standards.

5.5. External manager selection

RI is incorporated into the external manager appointment process including the request for proposal (RFP) criteria and scoring and the investment management agreements. The RFP includes specific requirements relating to the integration of ESG by managers into the investment process which includes assessing and mitigating climate risk, and their approach to engagement. We expect to see evidence of how material ESG issues are considered in research analysis and investment decisions. Engagement needs to be structured with clear aims, objectives and milestones.

Voting is carried out by Border to Coast for both internally and externally managed equities where possible and we expect external managers to engage with companies in alignment with the Border to Coast RI Policy and to support our Net Zero commitment.

The monitoring of appointed managers also includes assessing stewardship and ESG integration in accordance with our policies. All external fund managers are expected to be signatories or comply with international standards applicable to their geographical location. We encourage managers to become signatories to the UN-supported Principles for Responsible Investment[2] ('PRI') and will consider the PRI assessment results in the selection and monitoring of managers. We also encourage managers to make a firm wide net zero commitment and to join the Net Zero Asset Manager initiative (NZAM) or an equivalent initiative. Managers are required to report to Border to Coast on their RI activities quarterly.

5.6. Climate change

The world is warming, the climate is changing, and the scientific consensus is that this is due to human activity, primarily the emissions of carbon dioxide (CO_2) from burning fossil fuels. We support this scientific consensus; recognising that the investments we make, in every asset class, will both impact climate change and be impacted by climate change. We actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact will affect investments. We believe that we have the responsibility to contribute and support the transition to a low carbon economy in order to positively impact the world in which pension scheme beneficiaries live in.

Climate change is a systemic risk with potential financial impacts associated with the transition to a low-carbon economy and physical impacts that may manifest under different climate scenarios. Transition will affect some sectors more than others, notably energy, utilities and sectors highly reliant on energy. However, within sectors there are likely to be winners and losers which is why divesting from and excluding entire sectors may not be appropriate.

In addition, the transition to a low-carbon economy will undoubtedly affect the various stakeholders of the companies taking part in the energy transition. These stakeholders include the workforce, consumers, supply chains and the communities in which the companies' facilities are located. A just transition involves minimising and managing social risks, seeking to maximise social opportunities, and a focus on the place based economic impacts of the transition to net zero. We expect companies to consider this social dimension in decarbonisation strategies and engage with companies, directly and through collaboration with other investors.

We have committed to a net zero carbon emissions target by 2050, or sooner for our assets under management, in order to align with efforts to limit temperature increases to under 1.5ºC and have developed an implementation plan which sets out the four pillars of our approach.

Stewardship is an important element of meeting this goal and we engage with companies on climate-related risks and opportunities and use our voting rights to hold boards to account.

Detail on Border to Coast's approach to managing the risks and opportunities associated with climate change can be found in our Climate Change Policy on our website.

6. Stewardship

As a shareholder Border to Coast has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It

[2] The UN-supported Principles for Responsible Investment (PRI) is the world's leading advocate for responsible investment enabling investors to publicly demonstrate commitment to responsible investment with signatories committing to supporting the six principles for incorporating ESG issues into investment practice.

practises active ownership through the full use of rights available including voting, monitoring companies, engagement and litigation, where appropriate. As a responsible shareholder, we are committed to being a signatory to the UK Stewardship Code[3] and were accepted as a signatory in March 2022. We are also a signatory to the PRI.

6.1. Voting

Voting rights are an asset and Border to Coast exercises its rights carefully to promote and support good corporate governance principles. It aims to vote in every market in which it invests where this is practicable. To leverage scale and for practical reasons, Border to Coast has developed a collaborative voting policy to be enacted on behalf of the Partner Funds which can be viewed on our **website**. Where possible the voting policies are also be applied to assets managed externally. Policies are reviewed annually in collaboration with the Partner Funds. There may be occasions when an individual fund may wish Border to Coast to vote its pro rata holding contrary to an agreed policy; there is a process in place to facilitate this. A Partner Fund wishing to diverge from this policy will provide clear rationale in order to meet the governance and control frameworks of both Border to Coast and, where relevant, the Partner Fund.

6.1.1. Use of proxy advisors

Border to Coast use a Voting and Engagement provider to implement the set of detailed voting guidelines and ensure votes are executed in accordance with policies. Details of the third-party Voting and Engagement provider and proxy voting advisor are included in Appendix A.

A proxy voting platform is used with proxy voting recommendations produced for all meetings voted managed by the Voting & Engagement provider. The proxy voting advisor provides voting recommendations based upon Border to Coast's Corporate Governance & Voting Guidelines ('the Voting Guidelines'). A team of dedicated voting analysts analyse the merit of each agenda item to ensure voting recommendations are aligned with the Voting Guidelines. Border to Coast's Investment Team receives notification of voting recommendations ahead of meetings which are assessed on a case-by-case basis by portfolio managers and responsible investment staff prior to votes being executed. A degree of flexibility is required when interpreting the Voting Guidelines to reflect specific company and meeting circumstances, allowing the override of voting recommendations from the proxy adviser.

The Voting and Engagement provider evaluates its proxy voting agent at least annually, on the quality of governance research and the alignment of customised voting recommendations and Border to Coast's Voting Guidelines. This review is part of the control framework and is externally assured. Border to Coast also monitors the services provided monthly, with a six monthly and full annual review.

Border to Coast has an active stock lending programme. Where stock lending is permissible, lenders of stock do not generally retain any voting rights on lent stock. Procedures are in place to enable stock to be recalled prior to a shareholder vote. Stock is recalled ahead of meetings, and lending can also be restricted, when any, or a combination of the following, occur:

- The resolution is contentious.
- The holding is of a size which could potentially influence the voting outcome.
- Border to Coast needs to register its full voting interest.

[3] The UK Stewardship Code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. https://www.frc.org.uk/directors/corporate-governance-and-stewardship

- Border to Coast has co-filed a shareholder resolution.
- A company is seeking approval for a merger or acquisition.
- Border to Coast deems it appropriate.

Proxy voting in some countries requires share blocking. This requires shareholders who want to vote their proxies to deposit their shares before the date of the meeting (usually one day after cut-off date) with a designated depositary until one day after meeting date.

During this blocking period, shares cannot be sold; the shares are then returned to the shareholders' custodian bank. We may decide that being able to trade the stock outweighs the value of exercising the vote during this period. Where we want to retain the ability to trade shares, we may refrain from voting those shares.

Where appropriate Border to Coast considers co-filing shareholder resolutions and notifies Partner Funds in advance. Consideration is given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

6.2. Engagement

The best way to influence companies is through engagement; therefore, Border to Coast will not divest from companies principally on social, ethical or environmental reasons. As responsible investors, the approach taken is to influence companies' governance standards, environmental, human rights and other policies by constructive shareholder engagement and the use of voting rights.

The services of specialist providers may be used when necessary to identify issues of concern. Meeting and engaging with companies are an integral part of the investment process. As part of our stewardship duties, we monitor investee companies on an ongoing basis and take appropriate action if investment returns are at risk. Engagement takes place between portfolio managers and investee companies across all markets where possible.

Border to Coast has several approaches to engaging with investee holdings:

- Border to Coast and all eleven Partner Funds are members of the Local Authority Pension Fund Forum ('LAPFF'). Engagement takes place with companies on behalf of members of the Forum across a broad range of ESG themes.
- We seek to work collaboratively with other like-minded investors and bodies in order to maximise Border to Coast's influence on behalf of Partner Funds, particularly when deemed likely to be more effective than acting alone. This is achieved through actively supporting investor RI initiatives and collaborating with various other external groups e.g. LAPFF, the Institutional Investors Group on Climate Change, other LGPS pools and other investor coalitions.
- Due to the proportion of assets held in overseas markets it is imperative that Border to Coast is able to engage meaningfully with global companies. To enable this and complement other engagement approaches, Border to Coast use an external Voting and Engagement service provider. We provide input into new engagement themes which are considered to be materially financial, selected by the external engagement provider on an annual basis, and also participate in some of the engagements undertaken on our behalf.

- Engagement takes place with companies in the internally managed portfolios with portfolio managers and the Responsible Investment team engaging directly across various engagement streams; these cover environmental, social, and governance issues as well as UN Global Compact[4] breaches or OECD Guidelines[5] for Multinational Enterprises breaches.
- We expect external managers to engage with investee companies and bond issuers as part of their mandate on our behalf and in alignment with our RI policies.

Engagement conducted with investee holdings can be broadly split into two categories: engagement based on financially material ESG issues, or engagement based on (potential) violations of global standards such as the UN Global Compact or OECD Guidelines for Multinational Enterprises.

When engagement is based on financially material ESG issues, engagement themes and companies are selected in cooperation with our engagement service provider based on an analysis of financial materiality. Such companies are selected based on their exposure to the engagement topic, the size and relevance in terms of portfolio positions and related risk.

For engagement based on potential company misconduct, cases are selected through the screening of news flows to identify breaches of the UN Global Compact Principles or OECD Guidelines for Multinational Enterprises. Both sets of principles cover a broad variety of basic corporate behaviour norms around ESG topics. Portfolio holdings are screened on the validation of a potential breach, the severity of the breach and the degree to which management can be held accountable for the issue. For all engagements, SMART[6] engagement objectives are defined.

In addition, internal portfolio managers and the Responsible Investment team monitor holdings which may lead to selecting companies where engagement may improve the investment case or can mitigate investment risk related to ESG issues. Members of the Investment Team have access to our engagement provider's thematic research and engagement records. This additional information feeds into the investment analysis and decision making process.

We encourage companies to improve disclosure in relation to ESG and to report and disclose in line with the TCFD recommendations.

As a responsible investor we also engage with regulators, public policy makers, and other financial market participants on systemic risks to help create a stable environment to enhance long-term returns.

6.2.1.Engagement themes

Recognising that we are unable to engage on every issue, we focus our efforts on areas that are deemed to be the most material to our investments - our key engagement themes. These are used to highlight our priority areas for engagement which includes working with our Voting

[4] UN Global Compact is a shared framework covering 10 principles, recognised worldwide and applicable to all industry sectors, based on the international conventions in the areas of human rights, labour standards, environmental stewardship and anti-corruption.

[5] OECD Guidelines for Multinational Enterprises are recommendations providing principles and standards for responsible business conduct for multinational corporations operating in or from countries adhering to the OECD Declaration on International and Multinational Enterprises.

[6] SMART objectives are: specific, measurable, achievable, relevant and time bound.

and Engagement provider and in considering collaborative initiatives to join. We do however engage more widely via the various channels including LAPFF and our external managers.

Key engagement themes are reviewed on a three yearly basis using our Engagement Theme Framework. There are three principles underpinning this framework:

- that progress in the themes is expected to have a material financial impact on our investment portfolios in the long-term;
- that the voice of our Partner Funds should be a part of the decision; and
- that ambitious, but achievable milestones can be set through which we can measure progress over the period.

When building a case and developing potential new themes we firstly assess the material ESG risks across our portfolios and the financial materiality. We also consider emerging ESG issues and consult with our portfolio managers and Partner Funds. The outcome is for the key themes to be relevant to the largest financially material risks; for engagement to have a positive impact on ESG and investment performance; to be able to demonstrate and measure progress; and for the themes to be aligned with our values and important to our Partner Funds.

The key engagement themes following the 2021 review are:

- Low Carbon Transition
- Diversity of thought
- Waste and water management
- Social inclusion through labour management

6.2.2. Escalation

Border to Coast believe that engagement and constructive dialogue with the companies in which it invests is more effective than excluding companies from the investment universe. However, if engagement does not lead to the desired result escalation may be necessary. A lack of responsiveness by the company can be addressed by conducting collaborative engagement with other institutional shareholders, registering concern by voting on related agenda items at shareholder meetings, attending a shareholder meeting in person, making a public statement, publicly pre-declaring our voting intention, and filing/co-filing a shareholder resolution. If the investment case has been fundamentally weakened, the decision may be taken to sell the company's shares.

6.2.3 Exclusions

We believe that using our influence through ongoing engagement with companies, rather than divestment, drives positive outcomes. This is fundamental to our responsible investment approach. Our investment approach is not to divest or exclude entire sectors, however there may be specific instances when we will look to sell or not invest in some industries based on investment criteria, the investment time horizon, and the likelihood for success in influencing company strategy and behaviour.

When considering whether a company is a candidate for exclusion, we do so based on the associated material financial risk of a company's business operations and whether we have concerns about its long-term viability. We initially assess the following key financial risks:

- regulatory risk
- litigation risk
- reputational risk
- social risk
- environmental risk

Thermal coal and oil sands:

Using these criteria, due to the potential for stranded assets and the significant carbon emissions of certain fossil fuels, we will not invest in public market companies or illiquid assets with more than 25% of revenues derived from thermal coal and oil sands, unless there are exceptional circumstances. We will continue to monitor companies with such revenues for increased potential for stranded assets and the associated investment risk which may lead to the revenue threshold decreasing over time.

We will also exclude public market companies in developed markets with >50% revenue from thermal coal power generation and >70% of revenue for companies in emerging markets.

We support a just transition towards a low-carbon economy which should be inclusive and acknowledge existing global disparities. We recognise that not all countries are at the same stage in their decarbonisation journey and need to consider the different transition timelines for emerging market economies. Therefore, in the interests of a just transition we will assess the implications of the exclusion policy and where we consider it appropriate, may operate exceptions.

Any public market companies excluded will be reviewed with business strategies and transition plans assessed for potential reinstatement.

Controversial weapons:

Certain weapons are considered to be unacceptable as they may have an indiscriminate and disproportional impact on civilians during and after military conflicts. Several International Conventions and Treaties have been developed intended to prohibit or limit their use. We will therefore not invest in companies contravening the Anti-Personnel Landmines Treaty (1997), Chemical Weapons Convention (1997), the Biological Weapons Convention (1975), and the Convention on Cluster Munitions (2008). It is illegal to use these weapons in many jurisdictions and in some countries, legislation also prohibits the direct and indirect financing of these weapons. Therefore, as a responsible investor we will not invest in the following, where companies are contravening the above treaties and conventions:

- Companies where there is evidence of manufacturing whole weapons systems.
- Companies manufacturing components that were developed or are significantly modified for exclusive use of the weapons.

Companies that manufacture "dual-use" components, such as those that were not developed or modified for exclusive use in cluster munitions, will be assessed and excluded on a case-by-case basis.

Restrictions relate to the corporate entity only and not any affiliated companies.

Any companies excluded will be monitored and assessed for progress and potential reinstatement at least annually.

6.3. Due diligence and monitoring procedure

Internal procedures and controls for stewardship activities are reviewed by Border to Coast's external auditors as part of the audit assurance (AAF) control review. The external Voting and Engagement provider is also monitored and reviewed by Border to Coast on a regular basis to ensure that the service level agreement is met.

The Voting and Engagement provider also undertakes verification of its stewardship activities and the external auditor audits stewardship controls on an annual basis; this audit is part of the annual International Standard for Assurance Engagements control.

7. Litigation

Where Border to Coast holds securities, which are subject to individual or class action securities litigation, where appropriate, we participate in such litigation. There are various litigation routes available dependent upon where the company is registered. We use a case-by-case approach to determine whether or not to participate in a class action after having considered the risks and potential benefits. We work with industry professionals to facilitate this.

8. Communication and reporting

Border to Coast is transparent with regard to its RI activities and keeps beneficiaries and stakeholders informed. This is done by making publicly available RI and voting policies; publishing voting activity on our **website** quarterly; reporting on engagement and RI activities to the Partner Funds quarterly, and in our annual RI report.

We also report in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and provide an annual progress report on the implementation of our Net Zero Plan.

9. Training and assistance

Border to Coast offers the Partner Funds training on RI and ESG issues. Where requested, assistance is given on identifying ESG risks and opportunities in order to help develop individual fund policies and investment principles for inclusion in the Investment Strategy Statements.

The Investment Team receive training on RI and ESG issues with assistance and input from our Voting & Engagement Partner and other experts where required. Training is also provided to Border to Coast colleagues, the Board and the Joint Committee as and when required.

10. Conflicts of interest

Border to Coast has a suite of policies which cover any potential conflicts of interest between itself and the Partner Funds which are applied to identify and manage any conflicts of interest, this includes potential conflicts in relation to stewardship.

Appendix A: Third-party Providers

Voting and Engagement provider	Robeco Institutional Asset Management BV	June 2018 - Present
Proxy advisor	Glass Lewis	June 2018 - Present

Corporate Governance & Voting Guidelines

Border to Coast Pensions Partnership

January 2024

1. Introduction

Border to Coast Pensions Partnership believes that companies operating to higher standards of corporate governance along with environmental and social best practice have greater potential to protect and enhance investment returns. As an active owner Border to Coast will engage with companies on environmental, social and governance (ESG) issues and exercise its voting rights at company meetings. When used together, voting and engagement can give greater results.

An investment in a company not only brings rights but also responsibilities. The shareholders' role includes appointing the directors and auditors and to be assured that appropriate governance structures are in place. Good governance is about ensuring that a company's policies and practices are robust and effective. It defines the extent to which a company operates responsibly in relation to its customers, shareholders, employees, and the wider community. Corporate governance goes hand-in-hand with responsible investment and stewardship. Border to Coast considers the UK Corporate Governance Code and other best practice global guidelines in formulating and delivering its policy and guidelines.

2. Voting procedure

These broad guidelines should be read in conjunction with the Responsible Investment Policy. They provide the framework within which the voting guidelines are administered and assessed on a case-by-case basis. A degree of flexibility will be required when interpreting the guidelines to reflect specific company and meeting circumstances. Voting decisions are reviewed with the portfolio managers. Where there are areas of contention the decision on voting will ultimately be made by the Chief Executive Officer. A specialist proxy voting advisor is employed to ensure that votes are executed in accordance with the policy.

Where a decision has been made not to support a resolution at a company meeting, Border to Coast will, where able, engage with the company prior to the vote being cast. In some instances, attendance at AGMs may be required.

Border to Coast discloses its voting activity on its website and to Partner Funds on a quarterly basis.

We will support incumbent management wherever possible but recognise that the neglect of corporate governance and corporate responsibility issues could lead to reduced shareholder returns.

We will vote **For**, **Abstain** or **Oppose** on the following basis:

- We will support management that acts in the long-term interests of all shareholders, where a resolution is aligned with these guidelines and considered to be in line with best practice.
- We will abstain when a resolution fails the best practice test but is not considered to be serious enough to vote against.
- We will vote against a resolution where corporate behaviour falls short of best practice or these guidelines, or where the directors have failed to provide sufficient information to support the proposal.

3. Voting Guidelines

Company Boards

The composition and effectiveness of the board is crucial to determining corporate performance, as it oversees the running of a company by its managers and is accountable to shareholders. Company behaviour has implications for shareholders and other stakeholders. The structure and composition of the board may vary between different countries; however, we believe that the following main governance criteria are valid across the globe.

Composition and independence

The board should have a balance of executive and non-executive directors so that no individual or small group of individuals can control the board's decision making. They should possess a suitable range of skills, experience and knowledge to ensure the company can meet its objectives. Boards do not need to be of a standard size: different companies need different board structures, and no simple model can be adopted by all companies.

The board of companies, excluding the Chair, should consist of a majority of independent non-executive directors although local market practices shall be taken into account. Controlled companies should have a majority of independent non-executive directors, or at least one-third independent directors on the board. As non-executive directors have a fiduciary duty to represent and act in the best interests of shareholders and to be objective and impartial when considering company matters, the board must be able to demonstrate their independence. Non-executive directors who have been on the board for a significant length of time, from nine to twelve years (depending on market practice) have been associated with the company for long enough to be presumed to have a close relationship with the business or fellow directors. We aspire for a maximum tenure of nine years but will review resolutions on a case-by-case basis where the local corporate governance code recommends a maximum tenure between nine and twelve years.

The nomination process of a company should therefore ensure that potential risks are restricted by having the right skills mix, competencies and independence at both the supervisory and executive board level. It is essential for boards to achieve an appropriate balance between tenure and experience, whilst not compromising the overall independence of the board. The re-nomination of board members with longer tenures should be balanced out by the nomination of members able to bring fresh perspectives. It is recognised that excessive length of tenure can be an issue in some markets, for example the US where it is common to have a retirement age limit in place rather than length of tenure. In such cases it is of even greater importance to have a process to robustly assess the independence of long tenured directors. Where it is believed an individual can make a valuable and independent contribution, tenure greater than nine years will be assessed on a case-by-case basis.

The company should, therefore, have a policy on tenure which is referenced in its annual report and accounts. There should also be sufficient disclosure of biographical details so that shareholders can make informed decisions. There are a number of factors which could affect independence, which includes but is not restricted to:

- Representing a significant shareholder.
- Serving on the board for over nine years.

- Having had a material business relationship with the company in the last three years.
- Having been a former employee within the last five years.
- Family relationships with directors, senior employees or advisors.
- Cross directorships with other board members.
- Having received or receiving additional remuneration from the company in addition to a director's fee, participating in the company's share option or performance-related pay schemes, or being a member of the company's pension scheme.

If the board has an average tenure of greater than 10 years and the board has had fewer than one new board nominee in the last five years, we will vote against the chair of the nomination committee.

Leadership

The role of the Chair is distinct from that of other board members and should be seen as such. The Chair should be independent upon appointment and should not have previously been the CEO. The Chair should also take the lead in communicating with shareholders and the media. However, the Chair should not be responsible for the day-to-day management of the business: that responsibility rests with the Chief Executive. The role of Chair and CEO should not be combined as different skills and experience are required. There should be a distinct separation of duties to ensure that no one director has unfettered decision making power.

However, Border to Coast recognises that in many markets it is still common to find these positions combined. Any company intending to combine these roles must justify its position and satisfy shareholders in advance as to how the dangers inherent in such a combination are to be avoided; best practice advocates a separation of the roles. A senior independent non-executive director should be appointed, in-line with local corporate governance best practice, if roles are combined to provide shareholders and directors with a meaningful channel of communication, to provide a sounding board for the chair and to serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair's performance. Where the Chair and CEO roles are combined and no senior independent non-executive director has been appointed, we will vote against the nominee holding the combined Chair/CEO role, taking into consideration market practice.

Non-executive Directors

The role of non-executive directors is to challenge and scrutinise the performance of management in relation to company strategy and performance. To do this effectively they need to be independent; free from connections and situations which could impact their judgement. They must commit sufficient time to their role to be able to carry out their responsibilities. A senior independent non-executive director should be appointed to act as liaison between the other non-executives, the Chair and other directors where necessary.

Diversity

Board members should be recruited from as broad a range of backgrounds and experiences as possible. A diversity of directors will improve the representation and accountability of boards, bringing new dimensions to board discussions and decision making. Companies should broaden the search to recruit non-executives to include open advertising and the process for board appointments should be transparent and formalised in a board nomination policy. Companies should have a diversity and inclusion policy which references gender, ethnicity, age, skills and experience and how this is considered in the formulation of the board. The policy should give insight into how diversity is being addressed not only at board level but throughout the company, it should reflect the demographic/ethnic makeup of the countries a company is active in and be disclosed in the Annual Report.

We support the government-backed FTSE Women Leaders Review and Parker Review which set goals for UK companies regarding the representation of women and ethnic minorities on boards, executive teams and in leadership positions. The Financial Conduct Authority (FCA) has also set targets on diversity for certain companies for boards and senior board positions. Therefore, in the UK we expect boards to be composed of at least 40% female directors. For developed markets without legal requirements the threshold will be 33%. Where relevant, this threshold will be rounded down to account for board size. Recognising varying market practices, we generally expect emerging market and Japanese companies to have at least one female on the board. We will vote against the chair of the nomination committee where this is not the case and there is no positive momentum or progress. On ethnic diversity, we will vote against the Chair of the nomination committee at FTSE 100 companies where the Board does not have at least one person from an ethnic minority background, and from 2024, we will also vote against the Chair of the nomination committee at FTSE 250 companies unless there are mitigating circumstances or plans to address this have been disclosed. In the US we will generally vote against the nomination committee chair at Russel 1000 companies that fail to disclose sufficient racial and ethnic board demographic information.

Succession planning

We expect the board to disclose its policy on succession planning, the factors considered and where decision-making responsibilities lie. A succession policy should form part of the terms of reference for a formal nomination committee. The committee should comprise of a majority of independent directors or comply with local standards and be headed by the Chair or Senior Independent Non-executive Director except when it is appointing the Chair's successor. External advisors may also be employed.

Directors' availability and attendance

It is important that directors have sufficient time to devote to the company's affairs; therefore, full time executives should not hold more than one non-executive position in a FTSE 100 company, or similar size company in other regions; nor the chairmanship of such a company. In the remaining instances, directors working as full-time executives should serve on a maximum of two publicly listed company boards.

With regard to non-executive directors, there can be no hard and fast rule on the number of positions that are acceptable: much depends upon the nature of the post and the capabilities of the individual. Shareholders need to be assured that no individual director has taken on too many positions. Full disclosure should be made in the annual report of directors' other commitments and attendance records at formal board and committee meetings. A director should attend a minimum of 75% of applicable board and committee meetings to ensure commitment to responsibilities at board level.

Re-election

For a board to be successful it needs to ensure that it is suitably diverse with a range of skills, experience and knowledge. There is a requirement for non-executive directors to be independent to appropriately challenge management. To achieve this, boards need to be regularly refreshed to deal with issues such as stagnant skill sets, lack of diversity and excessive tenure; therefore, all directors should be subject to re-election annually, or in-line with local best practice. As representatives of shareholders, directors should preferably be elected using a majority voting standard. In cases where an uncontested election uses the plurality[1] voting standard without a resignation policy, we will hold the relevant Governance Committee accountable by voting against the Chair of this committee.

Board evaluation

A requisite of good governance is that boards have effective processes in place to evaluate their performance and appraise directors at least once a year. The annual evaluation should consider its composition, diversity and how effectively members work together to achieve objectives. As part of the evaluation, boards should consider whether directors possess the necessary expertise to address and challenge management on key strategic topics. These strategic issues and important areas of expertise should be clearly outlined in reporting on the evaluation. The board should disclose the process for evaluation and, as far as reasonably possible, any material issues of relevance arising from the conclusions and any action taken as a consequence. Individual director evaluation should demonstrate the effective contribution of each director. An internal evaluation should take place annually with an external evaluation required at least every three years.

Stakeholder engagement

Companies need to develop and maintain relationships with key stakeholders to be successful in the long-term. The board therefore should take into account the interests of and feedback from stakeholders which includes the workforce. Considering the differences in best practice across markets, companies should report how key stakeholder views and interests have been considered and impacted on board decisions. Companies should also have an appropriate system in place to engage with employees.

Engagement and dialogue with shareholders and wider stakeholders on a regular basis are key for companies; being a way to discuss governance, strategy, and other significant issues. Companies should engage with shareholders ahead of the AGM in order that high votes against resolutions can be avoided where possible.

Where a company with a single share class structure has received 20% votes against a proposal at a previous AGM, a comprehensive shareholder and stakeholder consultation should be initiated. A case-by-case approach will be taken for companies with a dual class structure where a significant vote against has been received. Engagement efforts and findings, as well as company responses, should be clearly reported on and lead to tangible improvement. Where companies fail to do so, the relevant board committees or members will be held to account.

[11] A plurality vote means that the winning candidate only needs to get more votes than a competing candidate. If a director runs unopposed, he or she only needs one vote to be elected.

Directors' remuneration

Shareholders at UK companies have two votes in relation to pay; the annual advisory vote on remuneration implementation which is non-binding, and the triennial vote on forward-looking pay policy which is binding. If a company does not receive a majority of shareholder support for the pay policy, it is required to table a resolution with a revised policy at the next annual meeting.

It must be noted that remuneration structures are varied, with not one model being suitable for all companies; however, there are concerns over excessive remuneration and the overall quantum of pay. Research shows that high executive pay does not systematically lead to better company performance. Excessive rewards for poor performance are not in the best interests of a company or its shareholders. Remuneration levels should be sufficient to attract, motivate and retain quality management but should not be excessive compared to salary levels within the organisation and with peer group companies. There is a clear conflict of interest when directors set their own remuneration in terms of their duty to the company, accountability to shareholders and their own self-interest. It is therefore essential that the remuneration committee is comprised solely of non-executive directors and complies with the market independence requirement.

Remuneration has serious implications for corporate performance in terms of providing the right incentives to senior management, in setting performance targets, and its effect on the morale and motivation of employees. Corporate reputation is also at risk. Remuneration policy should be sensitive to pay and employee conditions elsewhere in the company, especially when determining annual salary increases.

Where companies are potentially subject to high levels of environmental and societal risk as part of its business, the remuneration committee should also consider linking relevant metrics and targets to remuneration to focus management on these issues. The selection of these metrics should be based on a materiality assessment that also guides the company's overall sustainability strategy. If environmental or social topics are incorporated in variable pay plans, the targets should set stretch goals for improved ESG performance, address achievements under management's control, and avoid rewarding management for basic expected behaviour. Where relevant, minimum ESG standards should instead be incorporated as underpins or gateways for incentive pay. If the remuneration committee determines that the inclusion of environmental or social metrics would not be appropriate, a clear rationale for this decision should be provided in the remuneration report.

The compensation provided to non-executive directors should reflect the role and responsibility. It should be structured in a manner that does not compromise independence, enhancing objectivity and alignment with shareholders' interests. Non-executive directors should, therefore, not be granted performance-based pay. Although we would not expect participation in Long-term Incentive Plans (LTIPs), we are conscious that in some exceptional instances non-executives may be awarded stock, however the proportion of pay granted in stock should be minimal to avoid conflicts of interest.

To ensure accountability there should be a full and transparent disclosure of directors' remuneration with the policy published in the annual report and accounts. The valuation of benefits received during the year, including share options, other conditional awards and pension benefits, should be provided. Companies should also be transparent about the ratio of their CEO's pay compared to the median, lower and upper quartiles of their employees.

- **Annual bonus**

  Bonuses should reflect individual and corporate performance targets which are sufficiently challenging, ambitious and linked to delivering the strategy of the business and performance over the longer-term. Bonuses should be set at an appropriate level of base salary and should be capped. Provisions should be in place to reduce or forfeit the annual bonus where the company has experienced a significant negative event. For large cap issuers, we expect the annual bonus to include deferral of a portion of short-term payments into long-term equity scheme or equivalent. We will also encourage other companies to take this approach.

- **Long-term incentives**

  Remuneration policies have over time become more and more complex making them difficult for shareholders to adequately assess. Border to Coast therefore encourages companies to simplify remuneration policies.

  Performance-related remuneration schemes should be created in such a way to reward performance that has made a significant contribution to shareholder value. Poorly structured schemes can result in senior management receiving unmerited rewards for substandard performance. This is unacceptable and could adversely affect the motivation of other employees.

  Incentives are linked to performance over the longer-term in order to create shareholder value. If restricted stock units are awarded under the plan, the vesting period should be at least three years to ensure that the interests of both management and shareholders are aligned in the long-term. Executives' incentive plans should include both financial and non-financial metrics and targets that are sufficiently ambitious and challenging. Remuneration should be specifically linked to stated business objectives and performance indicators should be fully disclosed in the annual report.

  The performance basis of all such incentive schemes under which benefits are potentially payable should be clearly set out each year, together with the actual performance achieved against the same targets. We expect clawback or malus provisions to be in place for all components of variable compensation, taking into account local market standards. We encourage Executive Directors to build a significant shareholding in the company to ensure alignment with the objectives of shareholders. These shares should be held for at least two years post exit.

  The introduction of incentive schemes to all employees within a firm is encouraged and supported as this helps all employees understand the concept of shareholder value.

Directors' contracts

Directors' service contracts are also a fundamental part of corporate governance considerations. Therefore, all executive directors are expected to have contracts that are based upon no more than twelve months' salary. Retirement benefit policies of directors should be aligned with those of the majority of the workforce, and no element of variable pay should be pensionable. The main terms of the directors' contracts including notice periods on both sides, and any loans or third-party contractual arrangements such as the provision of housing or removal expenses, should be declared within the annual report. Termination benefits should be aligned with market best practice.

Corporate reporting

Companies are expected to report regularly to shareholders in an integrated manner that allows them to understand the company's strategic objectives. Companies should be as transparent as possible in disclosures within the report and accounts. As well as reporting financial performance, business strategy and the key risks facing the business, companies should provide additional information on ESG issues that also reflect the directors' stewardship of the company. These could include, for example, information on a company's human capital management policies, its charitable and community initiatives and on its impact on the environment in which it operates.

Every annual report should include an environmental section, which identifies key quantitative data relating to energy and water consumption, emissions and waste etc., explains any contentious issues and outlines reporting and evaluation criteria. It is important that the risk areas reported upon should not be limited to financial risks.

We will encourage companies to report and disclose in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and the Workforce Disclosure Initiative in relation to human capital reporting.

Audit

The audit process must be objective, rigorous and independent if it is to provide assurance to users of accounts and maintain the confidence of the capital markets. To ensure that the audit committee can fulfil its fiduciary role, it should be established as an appropriate committee composition with at least three members who are all independent non-executive directors and have at least one director with a relevant audit or financial background. Any material links between the audit firm and the client need to be highlighted, with the audit committee report being the most appropriate place for such disclosures. Audited financial statements should be published in a timely manner ahead of votes being cast at annual general meetings.

FTSE 350 companies should tender the external audit contract at least every ten years. Reappointment of the same firm with rotation of the audit partner, will not be considered as sufficient. If an auditor has been in place for more than ten fiscal years, their appointment will not be supported unless there are plans in place to address this.

For the wider market, the external audit contract should be put out to tender at least every ten years. Where an auditor has resigned, an explanation should be given. If the accounts have been qualified or there has been non-compliance with legal or regulatory requirements, this should be drawn to shareholders' attention in the main body of the annual report. If the appropriate disclosures are not made, the re-appointment of the audit firm will not be supported.

Non-Audit Fees

There is concern over the potential conflict of interest between audit and non-audit work when conducted by the same firm for a client. Companies must therefore make a full disclosure where such a conflict arises. There can be legitimate reasons for employing the same firm to do both types of work, but these need to be identified. As a rule, the re-appointment of auditors will not be supported where non-audit fees are considerably in excess of audit fees in the year under review, and on a three-year aggregate basis, unless sufficient explanation is given in the accounts.

Political donations

There are concerns over the reputational risks and democratic implications of companies becoming involved in funding political processes, both at home and abroad. Companies should disclose all political donations, demonstrate where they intend to spend the money and that it is the interest of the company and shareholders. Where these conditions are not met, or there is insufficient disclosure that the money is not being used for political party donations, political donations will be opposed. Any proposals concerning political donations will be opposed.

Lobbying

A company should be transparent and publicly disclose direct lobbying, and any indirect lobbying through its membership of trade associations. We will assess shareholder proposals regarding lobbying on a case-by-case basis; however, we will generally support resolutions requesting greater disclosure of trade association and industry body memberships, any payments and contributions made, and requiring alignment of company and trade association values. This includes expectations of companies to be transparent regarding lobbying activities in relation to climate change and to assess whether a company's climate change policy is aligned with the industry association(s) it belongs to.

Shareholder rights

As a shareowner, Border to Coast is entitled to certain shareholder rights in the companies in which it invests (Companies Act 2006). Boards are expected to protect such ownership rights.

- **Dividends**

  Shareholders should have the chance to approve a company's dividend policy and this is considered best practice. The resolution should be separate from the resolution to receive the report and accounts. Failure to seek approval would elicit opposition to other resolutions as appropriate unless there is a clearly disclosed capital management and allocation strategy in public reporting.

- **Voting rights**

  Voting at company meetings is the main way in which shareholders can influence a company's governance arrangements and its behaviour. Shareholders should have voting rights in equal proportion to their economic interest in a company (one share, one vote). Dual share structures which have differential voting rights are disadvantageous to many shareholders and should be abolished. We will not support measures or proposals which will dilute or restrict our rights.

- **Authority to issue shares**

  Companies have the right to issue new shares in order to raise capital but are required by law to seek shareholders' authority. Such issuances should be limited to what is necessary to sustain the company and not be in excess of relevant market norms.

- **Disapplication of Pre-emption Rights**

  Border to Coast supports the pre-emption rights principle and considers it acceptable that directors have authority to allot shares on this basis. Resolutions seeking the authority to issue shares with and without pre-emption rights should be separate and should specify the amounts involved, the time periods covered and whether there is any intention to utilise the authority.

Share Repurchases

Border to Coast does not necessarily oppose a company re-purchasing its own shares but it recognises the effect such buy backs might have on incentive schemes where earnings per share measures are a condition of the scheme. The impact of such measures should be reported on. It is important that the directors provide a full justification to demonstrate that a share repurchase is the best use of company resources, including setting out the criteria for calculating the buyback price to ensure that it benefits long-term shareholders.

Memorandum and Articles of Association

Proposals to change a company's memorandum and articles of association should be supported if they are in the interests of Border to Coast, presented as separate resolutions for each change, and the reasons for each change provided.

If proposals to adopt new articles or amend existing articles might result in shareholders' interests being adversely affected, we will oppose the changes.

Mergers and acquisitions

Border to Coast will normally support management if the terms of the deal will create rather than destroy shareholder value and makes sense strategically. Each individual case will be considered on its merits. Seldom will compliance with corporate governance best practice be the sole determinant when evaluating the merits of merger and acquisition activity, but full information must be provided to shareholders on governance issues when they are asked to approve such transactions. Recommendations regarding takeovers should be approved by the full board.

Articles of Association and adopting the report and accounts

It is unlikely that Border to Coast will oppose a vote to adopt the report and accounts simply because it objects to them per se; however, there may be occasions when we might vote against them to lodge dissatisfaction with other points raised within this policy statement. Although it is a blunt tool to use, it can be an effective one especially if the appropriate Chair or senior director is not standing for election.

Virtual Shareholder General Meetings

Many companies are considering using electronic means to reach a greater number of their shareholders. An example of this is via a virtual annual general meeting of shareholders where a meeting takes place exclusively using online technology, without a corresponding in-person meeting. There are some advantages to virtual only meetings as they can increase shareholder accessibility and participation; however, they can also remove the one opportunity shareholders have to meet face to face with the Board to ensure they are held to account. We would expect an electronic meeting to be held in tandem with a physical meeting. If extraordinary circumstances rule out a physical meeting, we expect the company to clearly outline how shareholders' rights to participate by asking questions and voting during the meeting are protected. Any amendment to a company's Articles to allow virtual only meetings without these safeguards will not be supported.

Shareholder Proposals

We will assess shareholder proposals on a case-by-case basis. Consideration will be given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

Shareholder proposals are an important tool to improve transparency. Therefore, we will, when considered appropriate, support resolutions requesting additional reporting or reasonable action that is in shareholders' best interests on material business risk, ESG topics, climate risk and lobbying.

We will generally vote in favour of shareholder resolutions that are aligned with the objectives of the Paris climate agreement, taking a 'comply or explain' approach, publicly disclosing our rationale if we vote against.

Human rights

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.

Climate change

Climate change is a systemic risk which poses significant investment risks, but also opportunities, with the potential to impact long-term shareholder value. We believe it is vital we fully understand how companies are dealing with this challenge, and feel it is our duty to hold the boards of our investee companies to account.

Our primary objective from climate related voting and engagement is to encourage companies to adapt their business strategy in order to align with a low carbon economy and reach net zero by 2050 or sooner. The areas we consider include climate governance; strategy and Paris alignment; command of the climate subject; board oversight and incentivisation; TCFD disclosures and scenario planning; scope 3 emissions and the supply chain; capital allocation alignment, climate accounting, a just transition and exposure to climate-stressed regions.

For companies in high emitting sectors that do not sufficiently address the impact of climate change on their businesses, we will oppose the agenda item most appropriate for that issue. To that end, the nomination of the accountable board member takes precedence. Companies that are not making sufficient progress in mitigating climate risk are identified using recognised industry benchmarks including the Transition Pathway Initiative (TPI), the Climate Action 100+ (CA100+) Net Zero Benchmark and the Urgewald Global Coal Exit List. We use TPI scores and will vote against the Chair (or relevant agenda item) where companies are scored 2 or lower, and for Oil and Gas companies scoring 3 or lower unless more up to date information is available. Where a company covered by CA100+ Net Zero Benchmark fails indicators of the Benchmark, which includes a net zero by 2050 (or sooner) ambition, short, medium and long-term emission reduction targets, and decarbonisation strategy, we will also vote against the Chair of the Board.

Additionally, an internally developed framework is used to identify companies with insufficient progress on climate change and not covered by the industry benchmarks.

Where management put forward a 'Say on Climate' resolution, we will vote against the agenda item if, following our analysis, we believe it is not aligned with the Paris Agreement.

Banks will play a pivotal role in the transition to a low carbon economy, and we will therefore be including the sector when voting on climate-related issues. We will assess banks using the IIGCC/TPI framework and will vote against the Chair of the Sustainability Committee, or the agenda item most appropriate, in the case where we have significant concerns regarding the bank's transition plans to net zero.

We support a just transition towards a low-carbon economy which should be inclusive and acknowledge existing global disparities. We recognise that not all countries are at the same stage in their decarbonisation journey and need to consider the different transition timelines for emerging market economies. Therefore, in the interests of a just transition we will assess the implications when considering our voting decisions on a case-by-case basis.

Investment trusts

Border to Coast acknowledges that issues faced by the boards of investment companies are often different to those of other listed companies. The same corporate governance guidelines do not necessarily apply to them; for example, investment companies can operate with smaller boards. However, the conventions applying to audit, board composition and director independence do apply.

The election of any representative of an incumbent investment manager onto the board of a trust managed or advised by that manager will not be supported. Independence of the board from the investment manager is key, therefore management contracts should not exceed one year and should be reviewed every year. In broad terms, the same requirements for independence, diversity and competence apply to boards of investment trusts as they do to any other quoted companies.

We may oppose the adoption of the report and accounts of an investment trust where there is no commitment that the trust exercises its own votes, and there is no explanation of the voting policy.

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PLY59-I-B
Climate Change Policy

Border to Coast Pensions Partnership

Policy Owner: The Chief Investment Officer
Live from: January 2024

Climate Change Policy

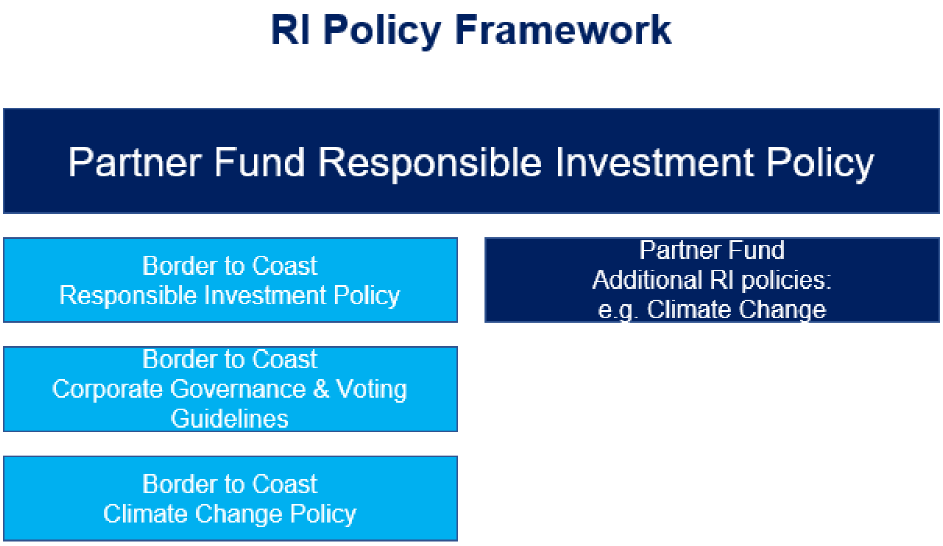
This Climate Change Policy details the approach that Border to Coast Pensions Partnership will follow in fulfilling its commitment to managing the risks and opportunities associated with climate change across the assets managed on behalf of our Partner Funds.

1 Introduction

Border to Coast Pensions Partnership Ltd is an FCA regulated and authorised investment fund manager (AIFM), operating investment funds for its eleven shareholders which are Local Government Pension Scheme funds (Partner Funds). As a customer-owned, customer-focused organisation, our purpose is to make a sustainable and positive difference to investment outcomes for our Partner Funds. Pooling gives us a stronger voice and, working in partnership with our Partner Funds and across the asset owner and asset management industry, we aim to deliver cost effective, innovative and responsible investment thereby enabling sustainable, risk-adjusted performance over the long-term.

1.1 Policy framework

Border to Coast has developed this Climate Change Policy in collaboration with our Partner Funds. It sits alongside the Responsible Investment Policy and other associated policies, developed to ensure clarity of approach and to meet our Partner Funds' fiduciary duty and fulfil their stewardship requirements. This collaborative approach resulted in the RI policy framework illustrated below with the colours demonstrating ownership of the various aspects of the framework:



2 Policy overview

2.1 Our views and beliefs on climate change

The world is warming, the climate is changing, and the scientific consensus is that this is due to human activity, primarily the emissions of carbon dioxide (CO_2) from burning fossil fuels. Our planet has warmed by over 1ºC relative to the pre-industrial average temperature, and we are starting to experience the significant effects of this warming. This changes the world in which we live, but also the world in which we invest.

Atmospheric CO_2 is at unprecedented levels in human history. Further warming will occur, and so adaptation will be required. The extent of this further warming is for humankind to collectively decide, and the next decade is critical in determining the course. If the present course is not changed and societal emissions of CO_2 and other greenhouse gases (GHG) are not reduced to mitigate global warming, scientists have suggested that global society will be catastrophically disrupted beyond its capability to adapt, with material capital market implications.

Recognising the existential threat to society that unmitigated climate change represents, in 2015, the nations of the world came together in Paris and agreed to limit global warming to 2ºC and to pursue efforts to limit the temperature increase to 1.5ºC. A key part of the Paris Agreement was an objective to make finance flows consistent with a pathway towards low GHG emissions and climate resilience. This recognises the critical role asset owners and managers play, reinforcing the need for us and our peers to drive and support the pace and scale of change required.

In 2018, the Intergovernmental Panel on Climate Change (IPCC) published a special report, "Global warming of 1.5ºC"[1], which starkly illustrated how critical successful adaptation to limit global warming to 1.5ºC is. The report found that limiting global warming to 1.5°C would require "rapid and far-reaching" transitions in land, energy, industry, buildings, transport, and cities. This includes a need for emissions of carbon dioxide to fall by approximately 45 percent from 2010 levels by 2030, and reach 'net zero' around 2050. We support this scientific consensus; recognising that the investments we make, in every asset class, will both impact climate change and be impacted by climate change. Urgent collaborative action is needed to reach net zero greenhouse gas emissions globally by 2050, and everyone has a part to play in ensuring the goal is met.

2.2 Why climate change is important to us

The purpose of embedding sustainability into our actions is twofold: we believe that considering sustainable measures in our investment decisions will increase returns for our Partner Funds, in addition to positively impacting the world beneficiaries live in.
As a long-term and responsible investor, we have a duty to ensure our investments are well-positioned to manage the physical climate risks, regulations, and policies that are developed to promote a Net Zero economy. Being an active investor, we have the skills and capabilities to deliver investments that will support the necessary transition to Net Zero. Representing our asset owners, we have a role to play in influencing those companies and organisations in which we invest to take into account climate change; this includes providing better climate-related financial disclosures, which assist us in making better-informed investment decisions.

While climate change creates risks to investors, there are also investment opportunities related to the transition to a lower carbon economy. The transition to a Net Zero economy will require new business models, new companies and new infrastructure. These represent potentially profitable investments that will help our Partner Funds look after beneficiaries for decades to come.

Our exposure to climate change comes predominantly from the investments that we manage on behalf of our Partner Funds. We develop and operate a variety of internally and externally managed investments across a range of asset classes both in public and private markets for our Partner Funds to invest in.

We try to mitigate these exposures by taking a long-term approach to investing as we believe that businesses that are governed well and managed in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. Climate change can have a material impact on the value of financial assets and on the long-term performance of investments, and therefore needs to be considered across all asset classes in order to better manage risk and generate sustainable, long-term returns.

Climate change is a systemic risk which poses significant investment risks, but also opportunities, with the potential to impact long-term shareholder value. There are two types of risks that investors are exposed to, the physical risk of climate change impacts and the transitional risk of decarbonising economies, both can also impact society resulting in social risks.

[1] https://www.ipcc.ch/sr15/

Transition to a low carbon economy will affect some sectors more than others, and within sectors there are likely to be winners and losers, which is why divesting from and excluding entire sectors may not be appropriate. We actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact will affect investments. We believe that we have the responsibility to contribute and support the transition to a low carbon economy in order to positively impact the world in which pension scheme beneficiaries live in.

In addition, the transition to a low-carbon economy will undoubtedly affect the various stakeholders of the companies taking part in the energy transition. A just transition refers to the integration of the social dimension into net zero transition strategies and is part of the Paris Agreement, the guidelines adopted by United Nations' International Labour Organization (ILO) in 2015, and the European Green Deal. These stakeholders include the workforce, communities in which the companies operate, supply chains, and customers. Whilst our specific expectations differ depending upon the sector and market, we expect all companies to consider the potential stakeholder risks and opportunities associated with decarbonisation.

Our climate change strategy is split into four pillars**: Identification and Assessment, Investment Strategy, Engagement and Advocacy, and Disclosures and Reporting.** We continue to monitor scientific research in this space; evolving and adapting our strategy in order to best respond to the impacts of climate change.

2.3 How we execute our climate change strategy

We integrate climate change risks within our wider risk management framework and have robust processes in place for the identification and ongoing assessment of climate risks.

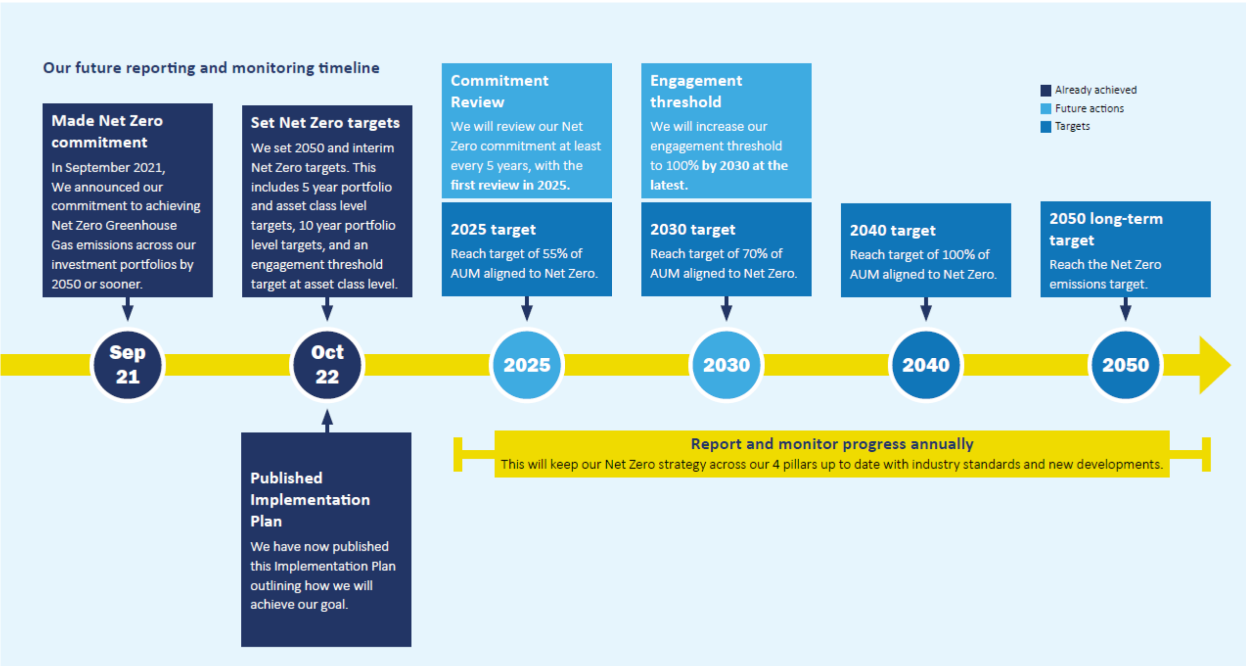
We consider climate change risks and opportunities within our investment decision making process.

We are committed to transparency regarding our climate change issues and activities.

Border to Coast, as a large investor, aims to influence companies to adapt and articulate their climate change strategy, to enable them to be well prepared for the transition to a low carbon economy. This in turn will improve investment outcomes.

2.4 Roadmap

The roadmap demonstrates the future reporting and monitoring timeline for implementing our Net Zero plan.



3 Climate change strategy and governance

3.1 Our ambition – Net Zero

Our climate change strategy recognises that there are financially material investment risks and opportunities associated with climate change which we need to manage across our investment portfolios. We have therefore committed to a net zero carbon emissions target by 2050 at the latest for our assets under management, in order to align with efforts to limit temperature increases to under 1.5ºC.

We recognise that assessing and monitoring climate risk is under constant development, and that tools and underlying data are developing rapidly. There is a risk of just focusing on carbon emissions, a backwards looking metric, and it is important to ensure that metrics we use reflect the expected future state and transition plans that companies have in place or under development. We continue to assess the metrics and targets used as data and industry standards develop.

As a supporter of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we continue to embed climate change into our investment process and risk management systems, reporting annually on our progress in the Climate Change report.

To demonstrate our Net Zero commitment, we joined the Net Zero Asset Manager initiative (NZAM) pledging to decarbonise investment portfolios by 2050 or sooner.

We are using the Net Zero Investment Framework (NZIF) to support us in implementing our strategy to being Net Zero by 2050.We have developed an implementation plan which sets out the four pillars of our approach: governance and strategy, targets and objectives, asset class alignment, and stewardship and engagement. We believe success across these four elements will best enable us to implement the change needed.

To meet our commitment to reach net zero carbon emissions by 2050 or sooner, we have developed targets for our investments in line with NZIF. We have set targets at two levels: portfolio level, which refers to our combined total investments in the asset classes covered by this plan, and asset class level, which refers to our investments split by investment type (i.e. listed equity, corporate fixed income etc). This covers approximately 57% of our AUM (at 31/03/2023) and we will look to increase coverage across the rest of our investments when appropriate.

We have set short and medium-term reduction targets for carbon emissions, targeting a 53% reduction in financed emissions (normalised by AUM) by 2025 and a 66% reduction by 2030 in order to reach 100% emission reductions by 2050 or sooner. We have also set Net Zero alignment targets for our portfolios based on specific assessment criteria with the aim of reaching 100% Net Zero alignment by 2040 and asset class level engagement targets with 80% of finance emissions to be under engagement by 2025, reaching 100% coverage by 2030.

More detail can be found in the Net Zero Implementation Plan on our website.

3.2 Governance and implementation

We take a holistic approach to the integration of sustainability and responsible investment; it is at the core of our corporate and investment thinking. Sustainability, which includes RI is considered and overseen by the Board and Executive Committee. We have defined policies and procedures that demonstrate our commitment to managing climate change risk, including this Climate Change Policy, our Responsible Investment Policy and Corporate Governance & Voting Guidelines which can be found on our website.

3.3 Division of roles and responsibilities

The Board determines the Company's overall strategy for climate change and with support from the Board Risk Committee, more broadly oversees the identification and management of risk and opportunities. The Board is responsible for the overarching oversight of climate related considerations as part of its remit with respect to Border to Coast's management of investments. The Board approves the Responsible Investment strategy and policies, which includes the Climate Change Policy. Updates on Responsible Investment are presented to the Board at regular intervals, this includes activities related to climate change. The Board reviews and approves the Climate Change report prior to publication.

The Climate Change Policy is owned by Border to Coast and created after collaboration and engagement with our Partner Funds. We will, where needed, take appropriate advice in order to further develop and implement the policy.

The Chief Investment Officer (CIO) is responsible for the implementation and management of the Climate Change Policy, with oversight from the Investment Committee, which is chaired by the Chief Executive Officer. The remit of the Investment Committee includes overseeing progress and reporting against our Net Zero targets. Each year the CIO reviews the implementation of the policy and reports any findings to the Board. The policy is reviewed annually, taking into account evolving best practice, and updated as needed.

The Investment Team, which includes a dedicated Responsible Investment Team, works to identify and manage environmental, social and governance (ESG) issues including climate change, with support and oversight from the Risk and Compliance function. Climate change is one of our responsible investment priorities and sits at the core of our sustainability dialogue. We are on the front foot with UK, European and Global climate change regulation, horizon scanning for future regulation and actively participate in discussions around future climate policy and legislation through our membership of industry bodies.

3.4 Training

Border to Coast's Board and colleagues maintain appropriate skills in responsible investment, including climate change, maintaining and increasing knowledge and understanding of climate change risks, available risk measurement tools, and policy and regulation. Where necessary expert advice is taken from suitable climate change specialists to fulfil our responsibilities. We also offer our Partner Funds training on climate change related issues.

3.5 Regulatory change management

Regulatory change horizon scanning is a key task undertaken by the Compliance function, which regularly scans for applicable regulatory change. This includes FCA, associated UK financial services regulations, and wider regulation impacting financial services including Responsible

Investment, and climate change. The relevant heads of functions and departments, as subject matter experts, also support the process and a tracker is maintained to ensure applicable changes are appropriately implemented.

4 Identification and assessment

4.1 How we identify climate-related risks

The Identification and Assessment pillar is a key element of our climate change strategy. Our investment processes and approach towards engagement and advocacy reflect our desire to culturally embed climate change risk within our organisation and drive change in the industry.

The risk relating to climate change is integrated into the wider Border to Coast risk management framework and considered within the related components of our Risk Appetite Framework, such as strategy, customer outcomes and stewardship. The Company operates a risk management framework consistent with the principles of the 'three lines of defence' model. Primary responsibility for risk management lies with the Investment and Operations teams. Second line of defence is provided by the Risk and Compliance functions, which report to the Board Risk Committee, and the third line of defence is provided by Internal Audit, which reports to the Audit Committee and provides risk-based assurance over the Company's governance, risk and control framework.

We consider both the transition and physical risks of climate change. The former relates to the risks (and opportunities) from the realignment of our economic system towards low-carbon, climate-resilient and carbon-positive solutions (e.g. via regulations). The latter relates to the physical impacts of climate change (e.g. rising temperatures, changing precipitation patterns, increased risk arising from rising sea levels and increased frequency and severity of extreme weather events).

4.2 How we assess climate-related risks and opportunities

We currently use a number of different tools and metrics to measure and monitor climate risk across portfolios. We acknowledge that this is a rapidly evolving area, and we are developing our analytical capabilities to support our ambition. Carbon data is not available for all equities as not all companies disclose, therefore there is a reliance on estimates. Data is even more unreliable for fixed income and is only just being developed for Private Markets. We will work with our managers and the industry to improve data disclosure and transparency in this area.

We utilise third party carbon portfolio analytics to conduct carbon footprints across equity and fixed income portfolios, analysing carbon emissions, carbon intensity and weighted carbon intensity and fossil fuel exposure when assessing carbon-related risk, on a quarterly basis. The Transition Pathway Initiative (TPI)[2] tool and Climate Action 100+ Net Zero Company Benchmark analysis is used to support portfolio managers in decision making with respect to net zero assessments. We use research from our partners and specific climate research, along with information and data from initiatives and industry associations we support.

We continue to develop climate risk assessments for our listed equity investments that combines several factors to assess overall whether a company is aligned with the Paris Agreement (to limit global warming to 2ºC), so that we can both engage appropriately with the company on their direction of travel and also track our progress. This is an iterative process, recognising that data, tools and methodologies are developing rapidly.

We understand that scenario analysis can be useful for understanding the potential risks and opportunities attached to investment portfolios and strategies due to climate change. We note that scenario analysis is still developing, with services and products evolving as data quality and disclosure from companies continues to improve and are aware of the current limitations of the models and associated risks of using this information to make informed investment decisions. We have used the Climate Financial Risk Forum's selection framework to consider climate scenario

[2] The Transition Pathway Initiative ('TPI') is a global initiative led by asset owners and supported by asset managers. Aimed at investors, it is a free-to-use tool that assesses how prepared companies are for the low carbon transition.

options and based on this framework will use the Regional Model of Investment and Development ("REMIND") model scenarios which come from the Network for Greening the Financial System ("NGFS"), a group of central banks and supervisors in the financial system. We will be considering a 1.5°C disorderly scenario, 2.0°C scenarios (orderly and disorderly) and the 3.0°C 'Hot House World' scenario. We will initially conduct scenario analysis on our listed equity and investment grade credit funds.

5 Investment strategy

5.1 Our approach to investing

We believe that climate change should be systematically integrated into our investment decision-making process to identify related risks and opportunities. This is critical to our long-term objective of improving investment outcomes for our Partner Funds.

Border to Coast offers Partner Funds a variety of internally and externally managed investment funds covering a wide-ranging set of asset classes with different risk-return profiles. Partner Funds then choose the funds which support their strategic asset allocation.

Partner Funds retain responsibility for strategic asset allocation and setting their investment strategy, and ultimately their strategic exposure to climate risk. Our implementation supports Partner Funds to deliver on their fiduciary duty of acting in the best interests of beneficiaries.

We consider climate change risks and opportunities in the process of constructing and developing investment funds. Engaging with our investee companies and fund managers is a key lever we will use to reach our Net Zero goals, but we also recognise the role of screening, adjusting portfolio weights, and tilted benchmarks in decarbonising our investments.

Climate change is also considered during the external manager selection and appointment process. We monitor and challenge our internal and external managers on their portfolio holdings, analysis, and investment rationale in relation to climate-related risks.

We monitor a variety of carbon metrics, managing climate risk in portfolios through active voting and engagement, whilst also looking to take advantage of the long-term climate-related investment opportunities.

We believe in engagement rather than divestment and that by doing so can effect change at companies. Our investment approach is not to divest or exclude entire sectors, however there may be specific instances when we will look to sell or not invest in some industries based on investment criteria, the investment time horizon and if there is limited scope for successful engagement. When considering whether a company is a candidate for exclusion, we do so based on the associated material financial risk of a company's business operations and whether we have concerns about its long-term viability. Using these criteria, due to the potential for stranded assets, and the significant carbon emissions of certain fossil fuels we will not invest in public market companies or illiquid assets with >25% of revenue derived from thermal coal and oil sands, unless there are exceptional circumstances.

We will also exclude public market companies in developed markets with >50% revenue from thermal coal power generation and >70% of revenue for companies in emerging markets, unless there are exceptional circumstances.

We support a just transition towards a low-carbon economy which should be inclusive and acknowledge existing global disparities. We recognise that not all countries are at the same stage in their decarbonisation journey and need to consider the different transition timelines for emerging market economies. Therefore, in the interests of a just transition we will assess the implications of the exclusion policy and where we consider it appropriate, may operate exceptions.

Any public market companies excluded will be reviewed with business strategies and transition plans assessed for potential reinstatement.

5.2 Acting within different asset classes

We integrate climate change risks and opportunities into our investment decisions within each asset class. The approach we take for each asset class is tailored to the nature of the risk and our investment process for that asset class. The timeframe for the impact of climate change can vary, leading to differing risk implications depending on the sector, asset class and region. These variations are considered at the portfolio level. This policy gives our overall approach and more detail on the processes and analysis can be found in our annual Climate Change Report.

Climate risks and opportunities are incorporated into the stock analysis and decision-making process for **listed equities** and **fixed income**. Third-party ESG and carbon data are used to assess individual holdings. We also use forward looking metrics including the TPI ratings, Climate Action 100+ ('CA100+) Net Zero Company Benchmark and the Science Based Targets initiative (SBTi) to assess companies' transition progress. Internal, sell-side and climate specific research, and engagement information are also utilised. Carbon footprints are conducted relative to the benchmark. Climate scenario analysis is also conducted for listed equity and fixed income portfolios using third-party data.

For our **alternative funds**, ESG risks, which includes climate change, are incorporated into the due diligence process including ongoing monitoring. Across both funds and co-investments, we consider the impact of carbon emissions and climate change when determining our asset allocation across geographies and industries. We assess and monitor if our GPs track portfolio metrics in line with TCFD recommendations. Climate change presents real financial risks to portfolios but also provides opportunities with significant amounts of private capital required to achieve a low-carbon transition. We have therefore launched a Climate Opportunities offering and will be facilitating increased investment in climate transition solutions taking into account Partner Fund asset allocation decisions.

ESG risks, including climate change, are an integral part of the due diligence process, including ongoing monitoring for our **Real Estate** funds. For all funds, we consider the impact of carbon emissions and climate change when determining our asset allocation across geographies, sectors and assets. We will look to assess and monitor all the funds against portfolio metrics in line with TCFD recommendations. For UK real estate, there is a blueprint and roadmap for Net-Zero Carbon, prepared by the selected third-party Investment Manager (TPIM) working with an external expert (Verco) to understand (I) current carbon baselines (II) carbon reductions and costs to reduce global warming to 1.5 degrees (III) high risk assets within their client portfolios. This will be of significant benefit to Border to Coast and the real estate funds as they evolve.

5.3 Working with External Managers

Assessing climate risk is an integral part of the External Manager selection and appointment process. It also forms part of the quarterly screening and monitoring of portfolios and the annual manager reviews. We monitor and review our fund managers on their climate change approach and policies. Where high emitting companies are held as part of a strategy managers are challenged and expected to provide strong investment rationale to substantiate the holding. We expect managers to engage with companies in line with our Responsible Investment Policy and to support collaborative initiatives on climate, and to report in line with the TCFD recommendations. In addition, we encourage managers to make a firm wide net zero commitment. We work with External Managers to implement specific decarbonisation parameters for their mandate. We monitor our managers' carbon profiles and progress against targets on a quarterly basis and as part of our annual reviews. We also consider the suitability of those targets on an annual basis. Where carbon profiles are above target, this acts as a prompt for discussion with the manager to understand why this has occurred, any appropriate actions to be taken to bring them back to target, and the timescales for any corrective action.

6 Engagement and advocacy

As a shareholder, we have the responsibility for effective stewardship of all companies or entities in which we invest, whether directly or indirectly. We take the responsibilities of this role seriously, and we believe that effective stewardship is key to the success for our climate ambition. As well as engaging with our investee companies it is important that we engage on systemic risks, including climate change, with policymakers, regulators and standard setters to help create a stable environment to enhance long-term investment returns.

6.1 Our approach to engagement

As a long-term investor and representative of asset owners, we hold companies and asset managers to account regarding environmental, social and governance issues, including climate change factors, that have the potential to impact corporate value. We support engagement over divestment as we believe that constructive dialogue with companies in which we invest is more effective than excluding companies from the investment universe, particularly with regard to promoting decarbonisation in the real world. If engagement does not lead to the desired results, we have an escalation process which forms part of our RI Policy, this includes voting against management on related AGM voting items, amongst other steps. We practice active ownership through monitoring companies, engagement, voting and litigation where considered to be appropriate. Through meetings with company directors, we seek to work with and influence investee companies to encourage positive change. Climate is one of our key engagement themes. We believe it is vital we fully understand how companies are dealing with this challenge, and feel it is our duty to hold the boards of our investee companies to account.

Our primary objective from climate related engagement is to encourage companies to adapt their business strategy in order to align with a low carbon economy and reach net zero by 2050 or sooner. The areas we consider in our engagement activities include climate governance; strategy and Paris alignment; command of the climate subject; board oversight and incentivisation; TCFD disclosures and scenario planning; scope 3 emissions and the supply chain; capital allocation alignment, a just transition and exposure to climate-stressed regions.

Engagement is the primary mechanism for driving alignment to Net Zero in our portfolio companies and thereby meeting our Net Zero targets, both at asset class and portfolio level, as well as for driving real-world decarbonisation. We have therefore set asset class level engagement targets with 80% of financed emissions to be under engagement by 2025, reaching 100% coverage by 2030.

In order to increase our influence with corporates and policy makers we work collaboratively with other like-minded investors and organisations. This is achieved through actively supporting investor RI initiatives and collaborating with various other external groups on climate related issues, including the Institutional Investors Group on Climate Change (IIGCC), CA100+, the UN-supported Principles for Responsible Investment, the Local Authority Pension Fund Forum and the TPI.

In particular, we are currently focusing on the following actions:

- When exercising our voting rights for companies in high emitting sectors that do not sufficiently address the impact of climate change on their businesses, we will oppose the agenda item most appropriate for that issue. To that end, the nomination of the accountable board member takes precedence. Companies that are not making sufficient progress in mitigating climate risk are identified using recognised industry benchmarks including the TPI,CA 100+ Net Zero Company Benchmark and the Urgewald Global Coal Exit List. Additionally, an internally developed framework is used to identify companies with insufficient progress on climate change. Our voting principles are outlined in our Corporate Governance & Voting Guidelines. We are also transparent with all our voting activity and publish our quarterly voting records on our website.
- We will generally vote in favour of shareholder resolutions that are aligned with the objectives of the Paris climate agreement, taking a 'comply or explain' approach, publicly disclosing our rationale if we vote against.
- We will vote against management 'Say on Climate' resolutions that are not aligned with the Paris climate agreement.
- We will co-file shareholder resolutions at company AGMs on climate risk disclosure, emission reduction targets, transition plans, and lobbying, after conducting due diligence,

that we consider to be of institutional quality and consistent with our Climate Change Policy.

- Engage with companies in relation to business sustainability, disclosure of climate risk and to publish greenhouse gas emissions reduction targets in line with the TCFD recommendations.
- Engage with the largest emitters across our portfolios on transition plans and science aligned capital expenditure plans.
- Engage with the banking sector as it plays a pivotal role in the transition to a low-carbon economy.
- Engage with our largest portfolio emitters and all fossil fuel companies and banks subject to votes against management due to failure to meet our climate policies.
- Support a Just Transition through collaboration with other investors and consider in our engagement and voting.
- Work collaboratively with other asset owners in order to strengthen our voice and make a more lasting impact for positive change. Engagement is conducted directly, through our engagement partner and through our support of collaborations. We also expect our external asset managers to engage with companies on climate-related issues.
- Implementing our net zero stewardship strategy developed using IIGCC's Net Zero Stewardship Toolkit.
- Use carbon footprints, the TPI toolkit, CA100+ Net Zero Company Benchmark, SBTi along with other data sources to assess companies and inform our engagement and voting activity. This will enable us to prioritise shareholder engagement, set timeframes and monitor progress against our goals.
- Engage collaboratively alongside other institutional investors with policy makers through membership of organisations such as the IIGCC. We will engage with regulators and peer groups to advocate for improved climate related disclosures and management in the pensions industry and wider global economy.

7 Disclosures and reporting

Border to Coast is transparent with regard to its RI activities and keeps beneficiaries and stakeholders informed We disclose our RI activity on our website, publishing quarterly stewardship and voting reports, annual RI & Stewardship reports and our TCFD report. We are committed to improving transparency and reporting in relation to our RI activities, which include climate change related activities.

We keep our Partner Funds and our stakeholders informed on our progress of implementing the Climate Change Policy and Net Zero commitment, as well as our exposure to the risks and opportunities of climate change. This includes:

- Reviewing annually how we are implementing this policy with findings reported to our Board and Partner Funds. Report in line with the TCFD recommendations on an annual basis, including reporting on the actions undertaken with regards to implementation of this policy and progress against our Net Zero commitment.
- We disclose our voting activity and report on engagement and RI activities, including climate change, to the Partner Funds quarterly and in our annual RI & Stewardship report.
- Disclose climate metrics and targets that help to analyse the overall exposure of our portfolios to the risks and opportunities presented by climate mitigation and adaption.

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Agenda Item 7

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Appendix B

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Agenda Item 8

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Appendix A

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Appendix B

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Appendix A

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Appendix B

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