County Offices
Newland
Lincoln
LN1 1YL

31 May 2023

Pensions Committee

A meeting of the Pensions Committee will be held on **Thursday, 8 June 2023** in the **Board Room, Border To Coast Pensions Partnership, Floor 3, Toronto Square, Toronto Street, Leeds, LS1 2HJ** at **2.00 pm** 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

Mr A N Antcliff, Employee Representative
Steve Larter, Small Scheduled Bodies Representative
T Young, District Councils Representative
Tom Hotchin, Academy Sector Representative

PENSIONS COMMITTEE AGENDA
THURSDAY, 8 JUNE 2023

<u>Democratic Services Officer Contact Details</u>

Name:	**Thomas Crofts**
Direct Dial	**07769 368547**
E Mail Address	thomas.crofts@lincolnshire.gov.uk

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, 8th June, 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

Lincolnshire COUNTY COUNCIL Working for a better future

PENSIONS COMMITTEE
16 MARCH 2023

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

Councillors P E Coupland (Vice-Chairman), M G Allan and T J N Smith

Co-Opted Members: Steve Larter (Small Scheduled Bodies Representative), Councillor R Waller (District Council Representative) and Tom Hotchin (Academy Sector Representative)

Officers in attendance:-
Clair Machej (Accounting, Investments and Governance Manager), Jo Ray (Head of Pensions), Michelle Grady (Assistant Director - Finance) and Thomas Crofts (Democratic Services officer)

Others in attendance:-
Peter Jones (Independent Advisor), Roger Buttery (Independent Chair to Local Pension Board), Dave Vickers (Scheme Member Representative to Local Pension Board) and Matt Mott (West Yorkshire Pensions Fund)

6 APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Dr M Thompson.

7 DECLARATIONS OF MEMBERS' INTERESTS

Councillor R Waller (District Council Representative) declared an interest as his daughter and her partner were members of the Pension Fund.

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

Steve Larter (Small Scheduled Bodies Representative) declared an interest as an active and deferred member of the Pension Fund.

8 MINUTES OF THE PREVIOUS MEETING HELD ON 5 JANUARY 2023

RESOLVED

That the minutes of the meeting held on 5 January 2023 be approved as a correct record and signed by Chairman.

9 INDEPENDENT ADVISOR'S REPORT

Consideration was given to a report prepared by the Committee's Independent Advisor which provided a market commentary on the current state of global investment markets.

The Committee discussed the report and were advised of the following:

- Inflation was likely to remain persistent.
- The collapse of Silicon Valley Bank was an accident waiting to happen, due to its high-risk portfolio.
- Prolonged high taxation was likely to dampen economic growth and initiative.

RESOLVED

That the update be noted.

10 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. During the last meeting, the Board focused on the following matters:

- Scam training was found to be very useful and evermore necessary.
- Despite unavoidable delays, the Board was satisfied by the Fund's external audit anticipated results.
- There was now an opportunity to work on data quality, as the Government had delayed the launce of the Pensions Dashboard.

The Committee discussed the report, and it was raised that delayed audit signoffs were a national issue due to regulatory demands and the bandwidth of many external auditing companies.

The Committee assured that a new external auditor had been procured for forthcoming audits with the added assurance e that they had only taken on work that they were able to service properly.

RESOLVED

That the report be noted.

11 PENSION FUND UPDATE REPORT

The Head of Pensions updated the Board of the fund matters for the quarter ending 31 December 2022.

There had been no changes to the risk register, and two new members had recently joined the Committee and were to complete their toolkit training within six months.

Concerned were raised that smaller bodies would face additional expenses regarding changes to actuary charges.

RESOLVED

1. That the report be noted.
2. That the Committee consider requirements following the publication of the Good Governance review.

12 RESPONSIBLE INVESTMENT UPDATE REPORT

Consideration was given to a report presented by the Accounting, Investment and Governance Manager which provided the Committee with an update on the Responsible Investment activity during the third quarter of the financial year 2022/23.

The Committee discussed the report and the following matters were raised:

- Environmental, social and governance (ESG) was only one factor among many in the consideration of investment decisions.
- ESG was not always considered in decisions in the USA.
- ESG was an important consideration, as it helped indicate how well a company was being administrated.

The Chairman encouraged Committee members to submit questions which he would raise with Boarder to Coast for further information.

RESOLVED

That the Responsible Investment activity undertaken during the quarter be noted.

13 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 it was highlighted that trade unions were challenging the McCloud ruling in relation to the scheme members having to pay further contributions.

The Committee discussed the report and were advised of the following:

- Access to the pensions website had increased in January of this year, which the Committee felt could present potentially useful analytic data going forward.
- There was continued liaison between the Fund administrator and government regarding the pensions dashboard, and the deadline for completion had been

extended. Currently, the Fund was ahead of many others concerning pensions dashboard progression.

RESOLVED

That the report be noted.

14 EMPLOYER MONTHLY SUBMISSIONS UPDATE

Consideration was given to a report which provided the committee with information on Employer Monthly Submissions for the third quarter of the financial year 2022/23 (October to December inclusive). Members were guided through the report and it was reported good compliance had been established overall. Six fines had been issued and one letter had been sent to an employer regarding late payments in December.

The Committee considered the report and the following comments were made:

- Fines reflected the costs incurred by the work needed to address the issue. It was clarified that fines were not intended to act as a deterrent.
- Both the employer and their payroll administrator were contacted when fines were issued.
- Fines could incorporate loss of interest, but collaboration in rectifying issues was the main focus.
- Issues during the May to August period were isolated, as they concerned IT problems that had been overcome.

RESOLVED

That the report be noted and no further actions be taken against employers submitting late or inaccurate payments or data.

15 LINCOLNSHIRE PENSION FUND - FUNDING STRATEGY STATEMENT AND 2019 VALUATION REPORT

Consideration was given to a report which brought the Funding Strategy Statement and the draft 2022 valuation report to the Committee for approval. It was highlighted that employer results had been sent out for comment and that 1-2-1 surgeries had been offered to discuss the results. It was noted that all rates had now been agreed with employers.

The Committee discussed the implications of academisation and outsourced employment. It was clarified that these sectors remained entitled to the LGPS and were unlikely to withdraw, and that pension holidays were not allowed under the LGPS.

RESOLVED

That the Funding Strategy Statement and the 2022 Valuation report be approved.

16 LINCOLNSHIRE PENSION FUND POLICIES REVIEW

Consideration was given to a report which brought to the Committee the main policies of the Pension Fund for review. It was reported that any areas which had been updated were set out in the report. There was only one policy brought to the Committee for review – Governance Policy and Compliance Statement. Changes were as follows:

- To add in the additional co-opted Committee member to represent the academies sector.
- To update the role of the Committee following the changes to the constitution made in December.
- To update the structure of the Committee meetings.
- Updates throughout the document to reflect the above changes.

RESOLVED

That the Governance Policy and Compliance Statement be approved.

17 LINCOLNSHIRE PENSION FUND - BUSINESS PLAN 2023/24

Consideration was given to a report which presented the Lincolnshire Pension Fund Business Plan 2023/24 to the Committee for approval. It set out the overall objectives, Pension Fund Statistics, resources and budget, key tasks, key risks and the forward Plan for 2023/24.

It was noted that the business plan would always remain flexible and that work was underway to establish two new career graded posts within the Pensions team. It was clarified that it was difficult to benchmark the business plan against others as there were significant differences between different funds.

RESOLVED

That the Lincolnshire Pension Fund Business Plan 2021/22 be approved.

18 ANNUAL REPORT AND ACCOUNTS 2022-23: REVIEW OF ACCOUNTING ARRANGEMENTS AND ACCOUNTING POLICIES

A report submitted on behalf of the Executive Director – Resources summarised changes to the Code of Practice on Local Authority Accounting which would be incorporated into the 2022/23 Statement of Accounts for Lincolnshire Pension Fund; the proposed amendments to the Accounts and Audit Regulations 2015 and their impact on the 2022/23 Statement of Accounts; the review of the Council's Accounting Policies for the Pension Fund Statements; and An update from the External Auditor on the 2021/22 and 2022/23 audit.

It was noted that delays to the audit were out of the Council’s control.

RESOLVED

That the Committee:

1. Note the changes required to the Statement of Accounts from the Code of Practice 2022/23.
2. Note the changes to the Accounts and Audit Regulations 2015.
3. Approve the Statement of Accounting Policies for use in preparing the Local Government Pension Scheme Pension Fund accounts for the financial year ending 31 March 2023.
4. Note the update from the External Auditor and invite them to the Committee meeting in July to present their Audit Strategy Memorandum.

19 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.

20 INVESTMENT UPDATE AND MANAGER PERFORMANCE REPORT

Consideration was given to an exempt report. A number of questions were asked and comments received.

RESOLVED

That the exempt report and discussion be noted.

21 INVESTMENT STRATEGY REVIEW

Consideration was given to an exempt report. A number of questions were asked and comments received.

RESOLVED

That the Committee approve the proposed strategic asset allocation.

Cllr P Coupland left the meeting and 12:30 and did not return.

22 PENSIONS ADMINISTRATION SERVICE PROVIDER REVIEW

Consideration was given to an exempt report. A number of questions were asked and comments received.

RESOLVED

That the Committee approve the appointment of the Pensions Administrator for a period of nine years, with break clauses at each three-year period.

The meeting closed at 12.57 pm

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

Report to:	**Pensions Committee**
Date:	**08 June 2023**
Subject:	**Responsible Investment Update Report**

Summary:

This paper provides the Committee with an update on Responsible Investment activity during the final quarter of the financial year 2022/23 (January to March 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:

- LAPFF, in conjunction with Sarasin & Partners, CCLA and the Ethos Foundation, wrote to all the FTSE All-Share (368 letter sent) requesting that Boards provide shareholders with the opportunity to support their greenhouse gas emission reduction strategy by putting an appropriate resolution on the AGM agenda. Some companies have responded and committed to Say on Climate votes, but these are in the minority. LAPFF will continue to engage on this issue with companies so that shareholders can express their views specifically about climate strategies, something that will become more important with the introduction of transition plans and as the financial risks of climate change become even clearer.

- LAPFF engaged with 397 companies (54 excluding the letters noted above) over the quarter, including on issues ranging from climate change and environmental risk to human rights and supply chain management. Including:
  - Asking McDonalds to publicly disclose the findings of a water risk assessment and physical risk scenario analysis undertaken in 2020. LAPFF met with them as part of a coalition of investors to discuss the company's approach to managing environmental risks across its agricultural supply chain.
  - Nestle Chair, Paul Bulcke, hosted a roundtable with investors in March. He provided a high-level overview of the company's financial and ESG strategies before taking questions from investors. LAPFF asked about the company's approach to reducing Scope 3 emissions which, as demonstrated in its reporting, has a large focus on regenerative farming. The company also talked about a fair and just transition in its net zero roadmap, as well as plastics, ShareAction's Healthy Markets campaign (which LAPFF also supports), and executive compensation.

- Other work by LAPFF during the quarter included:
  - LAPFF participated in a Climate Action 100+ collaborative meeting with General Motors (GM), covering the impact of the Inflation Reduction Act in the US, GM's targets and how GM is planning on reaching its ambitions. The company plans to have capacity in excess of one million EV units in both North America and China by 2025; and
  - As a member of the Investor Initiative for Responsible Care, a coalition of 138 responsible and long-term investors in the care sector, they have been engaging with public policy makers, including meeting with the EU Commissioner responsible for care. This meeting came off the back of a new EU care strategy, and discussions focussed on how the implementation of the strategy could support the aims of responsible

investors in the sector to improve care quality and employment standards to help deliver sustainable returns.

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.

2.4 Elections to the LAPFF executive committee are held every year ahead of the LAPFF AGM in October. The request for nominations will be made in August with a deadline for submission at the beginning of September. Details of the process and nomination form for the year ahead will be shared with Committee members when received, so any member wishing to join the LAPFF executive committee can submit a nomination.

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 believe 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. A copy of the report for the latest quarter can be found at on their website (Quarterly Stewardship Report Q1 2023). Highlights from their work during the quarter include:

- An overview of the quarter's RI activity which included: voting and engagement activity during the quarter; the retention of their Stewardship Code status; how they have strengthened their expectations for climate action at oil and gas companies; and collaborative work they have done calling for companies to consider worker perspectives in their strategic decision making. Border to Coast have strengthened their RI team with two new joiners – a responsible investment analyst and a climate change manager.

- An industry update providing details of the Net Zero engagement initiative, work being undertaken on climate considerations in sovereign bonds, the results of the Workforce Disclosure Initiative report, and the sixth assessment from the Intergovernmental Panel on Climate Change which highlighted the risk of rising temperatures and the measures that must be taken to mitigate them.

- High level information on voting activity for the quarter across all Border to Coast funds. Border to Coast voted at 139 meetings during the quarter, covering 1,703 agenda items. In 65% of meetings Border to Coast cast at least one vote against the recommendations of management.

- Engagement activity, which included 802 engagements, carried out by: the internal team; external managers appointed by Border to Coast; Robeco, as the Pool's engagement and voting manager; internal portfolio managers; and by LAPFF.

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 Q1 2023).

4.2 During the quarter Robeco have voted at 139 AGM's, the percentage of meetings where they have at least one vote against management is 65%. During the quarter they have engaged with companies on 76 occasions on topics including: the environment, social and corporate governance matters. This quarter's report provides details on the lifecycle management of mining, the progress on the "Acceleration to Paris" program, and corporate governance reform in the US.

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 Q1 2023) detailing their activity during the quarter, across all their investment products. The report covers the key activity from their Investment Stewardship team, their latest Climate Impact Pledge updates, their collaboration with ShareAction on European chemical companies, and a selection of significant votes. During the quarter LGIM engaged 535 times with 491 companies on topics including: climate impact pledge, ethnic diversity, remuneration, climate change and strategy.

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. The latest quarter update for this report will be available on the LGIM website (Future World Fund ESG Report Q1 2023) later in June.

5.4 The LGIM 2022 Active Ownership report was shared with the Committee in the weekly update email of 2 May 2023. This report outlines the decisive action they took with the aim of delivering positive change on behalf of clients on a broad range of ESG issues in 2022.

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 appendices A (Global Equity Alpha) and B (UK Listed Equities). Full details of the votes cast during the period January to March 2023 can be found on the Border to Coast website: Integrated Full Details Voting Report Q1 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 worse companies in the sub-fund. The report also includes details on carbon emissions and intensity.

7.2 For the quarter ended 31 March 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 and that of the benchmark were stable over the quarter and remain at AAA. The Fund scores slightly above the benchmark overall, due to its higher proportion of companies considered ESG leaders amongst their global peer group.

  The Fund does have exposure to several CCC-rated companies, due predominantly to the recent establishment of an explicit emerging markets allocation. These companies are a relatively low proportion of the overall Fund, and the Fund remains underweight to emerging markets relative to the benchmark.

  The Fund is currently below the benchmark for portfolio financed emissions, carbon intensity and weighted average carbon intensity (WACI).

  Between them, Heidelberg Cement and Holcim account for around 62% of portfolio financed emissions, due to the carbon intensive nature of the cement production process. Therefore, the carbon metrics of the Fund are currently highly sensitive to each of these companies' scope 1 emissions, as well as any fluctuations in investment value and/or allocation.

- <u>UK Listed Equity</u> – The weighted ESG score remained consistent over the quarter at AAA and remains above the benchmark. This is due to the Fund holding a higher weighting of companies considered to be 'Leaders'. During the quarter several companies were upgraded including Dr Martens, DWF Group, Halma and IP Group.

  The Fund is currently below, or in-line with, the benchmark for carbon emissions, carbon intensity and weighted average carbon intensity (WACI). All carbon metrics remained level when compared with the last two quarters.

- <u>Sterling Investment Grade Credit</u> – Scoring and overall contribution was stable over the quarter at AAA. 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%.

  The Fund is currently below the benchmark for portfolio financed emissions, carbon intensity and weighted average carbon intensity (WACI). Enel and EDF contribute close to half of the Fund's financed emissions.

  Exposure to companies owning fossil fuel reserves is lower relative to the benchmark, with the largest contributors including BP, Equinor and Centrica.

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 Jo Kempton, who can be contacted on 01522 553641 or jo.kempton@lincolnshire.gov.uk.

Border to Coast Global Equity Alpha

Proxy Voting Report

Period: January 01, 2023 - March 31, 2023

Votes Cast	479	Number of meetings	52
For	400	With management	403
Withhold	0	Against management	74
Abstain	1	N/A	2
Against	72		
Other	6		
Total	**479**	**Total**	**479**

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

General Highlights

Board quality in focus

Recent years have dramatically altered the corporate governance landscape as public company directors faced unique challenges including the COVID-19 pandemic, Russia's invasion of Ukraine, soaring energy prices, and a cost-of-living crisis. This shift placed a renewed focus on board quality, as both investors and regulators directed significant scrutiny towards the directors' efforts to navigate these turbulent times. Against this backdrop, regulators rolled out several initiatives aimed at strengthening board composition and director accountability.

In the US, proxy fights entered a new era of universal proxy cards. The new rules adopted by the Securities and Exchange Commission enable shareholders voting remotely in contested elections to vote for a combination of candidates from the competing slates put forward by the dissident shareholder and the incumbent board, as they could if voting in person. The ability of shareholders voting by proxy to cherry-pick candidates will overhaul the mechanisms by which proxy fights were carried out in the US thus far, rendering individual board members more susceptible to removal and placing them under increased scrutiny.

On the other side of the Atlantic, the collapse of financial service provider Wirecard prompted Germany to adopt the Act on Strengthening the Financial Market Integrity, which sets stricter requirements for the governance of listed firms. Most notably, it requires that audit committees comprise two financial experts, one with expertise in accounting and one with expertise in auditing. Furthermore, the new rules also provide that management board members may attend meetings between the auditor and the supervisory board or its committees only if their attendance is deemed essential.

In the UK, we see a continued push for more robust board diversity. In April 2022, the country's Financial Conduct Authority released new rules "to boost disclosure of diversity on listed company boards". These rules require companies to annually disclose whether they meet a set of three specified targets on a "comply or explain" basis. In line with the new provisions, women should make up at least 40% of the board and should hold at least one of the senior board positions, while at least one member of the board should come from an ethnic minority background.

At the same time, Asian markets are witnessing a trend of increased focus on board quality as well. Recently, in January 2023, the Monetary Authority of Singapore amended the country's corporate governance code to limit the tenure of independent directors to nine years. Before this change, directors could continue to be deemed independent after having served on the board for nine years if their appointment was approved via a two-tier vote from all shareholders, as well as from all shareholders excluding the company's directors, CEO and their associates. The regulator noted that the two-tier vote mechanism had been heavily used to retain long-serving independent directors, "inhibiting board renewal and progress on board diversity."

Market Highlights

Corporate governance reform in the US

Investors are increasingly looking beyond balance sheets to understand a company's 'double materiality' impact on the wider world. To reinforce this, regulators around the globe including the US Securities and Exchange Commission (SEC) are tightening their requirements for disclosure on corporate environmental, social and governance (ESG) issues.

While the focus on ESG has massively gained in importance, there is broad consensus that there are still shortcomings in the quality, consistency and comparability of issuers' ESG reporting, and investors often lack the appropriate tools to voice their concerns regarding a company's ESG performance. Against this backdrop, 2022 saw SEC adopt a host of new rules which will improve the quality of US companies' disclosure and enhance a board's accountability to shareholders. In this article, we look back at five of the most relevant regulatory initiatives rolled out in the US in 2022.

1. Universal proxy cards: A new era of proxy fights

One of the major changes introduced was the SEC's adoption of new rules requiring the use of 'universal proxy cards' (UPCs) for any meetings involving contested elections. These rules mark a major development in overhauling the mechanisms by which US proxy contests have been carried.

Previously, shareholders voting by proxy were unable to 'mix and match' nominees put forward by the incumbent board and the dissident shareholder, as they could if they were voting in person. They were therefore faced with a binary choice – to vote for one slate or the other, opting for no change or sweeping change. Now they will be provided with a slate including the names of all dissident and registrant nominees, thereby being able to choose nominees from either side.

An equal footing

We welcome this change. First, it places investors voting in person or by proxy on an equal footing. Second, the new rules strengthen the means by which shareholders can hold companies accountable for poor governance. While there has been no shortage of speculation regarding the potential consequences of UPCs, one thing is certain: individual board candidates will be more vulnerable to replacement, and will therefore face more scrutiny from shareholders and other stakeholders.

In light of this, a major advantage of the new rules is that they will likely force companies to bolster their disclosure on board composition, refreshment, and the process for director nominations, as well as making them carry out an effective evaluation of the board to withstand this growing scrutiny.

2. Revamp of the shareholder proposal rule

In a separate initiative, the SEC proposed changes to the process by which shareholder proposals are included in a company's proxy statement. Under rule 14a-8, a company may omit a shareholder proposal from its proxy statement if it falls within one of 13 substantive bases for exclusion.

The proposed amendments would revise three of these criteria – 'substantial implementation', 'duplication' and 'resubmission' – in an effort to "improve the shareholder proposal process and promote consistency".

In recent years, the existing rules drew criticism over concerns that the standards for exclusion were not being consistently implemented, thereby leading to unpredictable outcomes. The amendments, if adopted as proposed, would address these concerns by ensuring a clearer framework for the rule's application.

Important means of engagement

We support the changes and stated our position by taking part in the SEC's public consultation on the issue. We view the shareholder proposal process as being one of the most important means of engagement between companies and shareholders, and believe that an effective process is crucial in ensuring that a variety of ESG issues reach ballots, with the aim of instilling corporate governance reform.

It is worth noting that the shareholder proposal process is currently under scrutiny in various jurisdictions across the world. In Germany, a lawsuit filed in 2022 against a car manufacturer will test whether a German company has the right to refuse to table a shareholder proposal. In Australia, the inability of shareholders to propose an advisory resolution or a shareholder vote to express an opinion unless permitted by the company's constitution continues to draw significant criticism. Against this backdrop, the US model is widely perceived as striking a balance between protecting issuers from being swamped by frivolous proposals, and in facilitating shareholder suffrage.

3. Link between pay and performance

In 2022, the SEC introduced the most substantial change to US executive compensation rules since 2006 – the adoption of the Pay Versus Performance Disclosure Requirements. The new rules require registrants to clearly illustrate the relationship between executive compensation and the financial performance of the company by providing certain disclosures in a tabular format, accompanied by narrative and/or graphical disclosure.

This information will supplement the compensation discussion and analysis disclosures and must include a new measure: the 'executive compensation actually paid'. This figure must be calculated based on a prescribed formula and represents total compensation as reported in the summary compensation table, but adjusted to reflect changes in the value of stock awards and pension benefits.

Having appropriate remuneration

Both in our engagement and voting, we place great emphasis on whether companies have an appropriate remuneration program for executives. This is because we believe that a company's executive remuneration policy is one of the main instruments with which to guide, evaluate and reward the behavior and achievements of executives.

Hence, we welcome the new rules, as these will aid investors in their evaluation of companies' remuneration policies and practices. In addition, the new disclosure requirements will likely incentivize issuers to re-evaluate and strengthen the link between executive pay and performance.

4. The long-awaited clawback rule

The SEC's adoption of new rules implementing the clawback provisions of the Dodd-Frank Act was another noteworthy improvement. The rules direct national securities exchanges to adopt listing standards requiring issuers to adopt and apply a written clawback policy and to meet related reporting obligations.

The clawback policy must provide for the recoupment, upon either a 'big R' or a 'little r' accounting restatement, of incentive-based compensation received by current or former executive officers, based on erroneously reported financial information. The policy must apply irrespective of whether the executive engaged in misconduct or not, with the rules requiring that registrants provide detailed disclosure regarding actions to recover erroneously awarded compensation.

Enhancing transparency
We support the new rules as they will strengthen a board's accountability to shareholders and enhance the transparency of companies' disclosure. Notably however, some argue that companies may resort to increasing the ratio of fixed, time-based or discretionary pay, so as to shield executives from the prospect of recoupment, given that the new rules solely cover compensation tied to the achievement of a financial reporting measure.

We are strong proponents of pay-for-performance and consider that a significant portion of the executives' pay should be linked to the achievement of relevant objectives that are aligned with the firm's long-term strategy. Hence, we will oppose any changes which we assess would weaken the alignment between pay and performance.

5. Climate disclosure amidst ESG backlash

Finally, in 2022, the SEC proposed new climate-related disclosure requirements for registrants in an effort to "provide investors with consistent, comparable, and decision-useful information for making their investment decisions, and (...) provide consistent and clear reporting obligations for issuers."

Under the new rules, companies would be required to provide disclosure on, inter alia, the governance of climate-related risks, Scope 1 and 2 greenhouse gas emissions, and Scope 3 emissions if these are material. They also apply if the registrant has set an emissions reduction target that includes Scope 3, as well as various other qualitative and quantitative climate risk disclosures.

We expressed our support for the proposed rules in our response to the SEC consultation and consider that the new requirements will provide investors with climate-related information that is essential for appropriately pricing climate risks.

A driver of change
Moreover, we view the proposed requirements as more than just a call for greater disclosure, but as a driver of change. The new rules, if adopted as proposed, will force companies to review their policies and practices with regards to climate risk, and to evaluate whether their board members display sufficient climate-related expertise.

While the climate rule faces notable resistance given the growing US debate over sustainable investing and what critics refer to as 'woke capitalism', we strongly believe that the adoption of the rules will benefit investors and issuers alike.

The new regulations will require companies to step up their efforts by enhancing their disclosure, policies and practices. Achieving compliance should not be viewed as merely a box-ticking exercise. Instead, companies should ensure that they take a structured and systematic approach to addressing ESG issues material to their business.

Voting Highlights

Costco Wholesale Corp - 01/19/2023 - United States
Proposals: Board Elections and Shareholder Proposal regarding Report On Risks From State Policies Restricting Reproductive Health Care.

Costco Wholesale Corporation, together with its subsidiaries, engages in the operation of membership warehouses in the United States, Puerto Rico, Canada, the United Kingdom, Mexico, Japan, Korea, Australia, Spain, France, Iceland, China, and Taiwan.

In the 2023 Annual General Meeting (AGM) of the company, the usual corporate governance agenda items were up to vote, and one shareholder proposal. We voted Against the Chair of the Nomination Committee, since, currently, the board is 27.3% gender diverse, below our 33% threshold for publicly traded companies in the US. We believe that it is the responsibility of the Nomination Committee to promote diversity and disclose additional information regarding the gender/race/ethnicity diversity of the directors, which would allow shareholders to understand board diversity policies and considerations on nominations from underrepresented communities.

The shareholder proposal that made it to the ballot requested the company to report any known or potential risks and costs to the company caused by enacted or proposed state policies severely restricting reproductive rights and detailing any strategies beyond litigation and legal compliance that the company may deploy to minimize or mitigate these risks. Since last year, when Roe VS. Wade was overturned by the US Supreme Court, many employees have been facing more significant challenges accessing abortion care, which can potentially harm company's efforts on the topic of diversity and inclusion. We believe that the proposal will increase transparency on a material issue. The resolution received 13.3% support from shareholders.

Visa Inc - 01/24/2023 - United States
Proposals: Advisory Vote on Executive Compensation, Election of Directors, and a Shareholder Proposal regarding the Separation of Chair And CEO Roles.

Visa Inc. operates as a payments technology company worldwide. The company operates VisaNet, a transaction processing network that enables authorization, clearing, and settlement of payment transactions.

As customary at the company's Annual General Meeting (AGM), this year's AGM saw the company's executive compensation up for shareholder approval, along with other usual management proposals, and a shareholder proposal requesting the separation of chair and CEO roles.

Similarly to previous years, we were not able to support this year's advisory vote on executive compensation. After reviewing the proposal, we determined that the total height of the CEO's remuneration was excessive and bore a significant cost for shareholders. Additionally, we held concerns regarding the largely discretionary nature of the short-term incentives and short performance period of the long-term incentives.

Lastly, the shareholder proposal included in the agenda requested that the Chair of the Board of Directors be an independent member of the Board. We agree with the merit of the resolution and are generally supportive of the separation of the Chair and CEO roles. However, further analysis of the reasoning behind the proposal revealed that it aimed at diminishing the CEO's decision-making powers due to the proponent's criticism of the company's recent ESG efforts. Consequently, we deemed this proposal as an attempt to frustrate the company's ESG ambitions, and we were unable to support it.

Accenture plc - 02/01/2023 - United States
Proposals: Election of Directors, Advisory Vote on Executive Compensation.

Accenture plc, a professional services company, provides strategy and consulting, interactive, industry X, song, and technology and operation services worldwide.

Unlike previous years, at the company's 2023 Annual General Meeting (AGM) we voted Against the re-election of two directors due to concerns regarding their external commitments. Both directors hold executive roles at public companies, while also serving on two public company boards. We believe that the time commitment required from the combination of executive duties and multiple board directorships may inhibit these directors from fulfilling the responsibilities required from them.

Additionally, we voted Against this year's Say-on-Pay proposal due to concerns with the total height of the CEO's compensation, which we deemed excessive and of significant cost to shareholders. Moreover, upon reviewing the proposed remuneration plan we identified multiple concerning structural elements. Firstly, the short-term incentives were largely discretionary, which can contribute to executive payouts that are not aligned with the company's performance. Secondly, the long-term incentives allow for vesting below median TSR performance, which results in awards granted for underperformance relative to peers. Lastly, a significant portion of long-term incentive awards vests over a period shorter than three years, with some of these vesting as quickly as one month after the grant date. This is the second year in a row where we are unable to support the company's remuneration proposal, so we will continue to monitor these issues carefully until next year's AGM.

Novartis AG - 03/07/2023 - Switzerland
Proposal: Amendments to Articles – Virtual General Meetings.

Novartis AG researches, develops, manufactures, and markets healthcare products worldwide. The company operates through two segments, Innovative Medicines and Sandoz.

Since January 1, 2023, the revised Swiss Code of Obligations allows companies to convene virtual-only general meetings "if the articles of association so permit". As a consequence, the first quarter of 2023 saw several Swiss companies, such as Novartis, seek shareholder approval to amend their articles of association to allow general meetings to be held virtually, in line with the new regulatory changes.

We believe that the use of electronic means combined with a physical venue to convene hybrid general meetings is beneficial to shareholder rights. This enables participation from shareholders who are otherwise unable to attend the meetings in person, while also preserving the option to attend physically. On the other hand, we believe that virtual-only meetings can harm shareholder participation rights, hence we generally oppose their implementation. The amendments proposed by Novartis did not alleviate our concerns, given that these do not restrict the ability to hold virtual-only meetings under exceptional circumstances only, and do not sufficiently address our concerns that the virtual-only meeting format would lead to a deterioration in minority shareholder rights.

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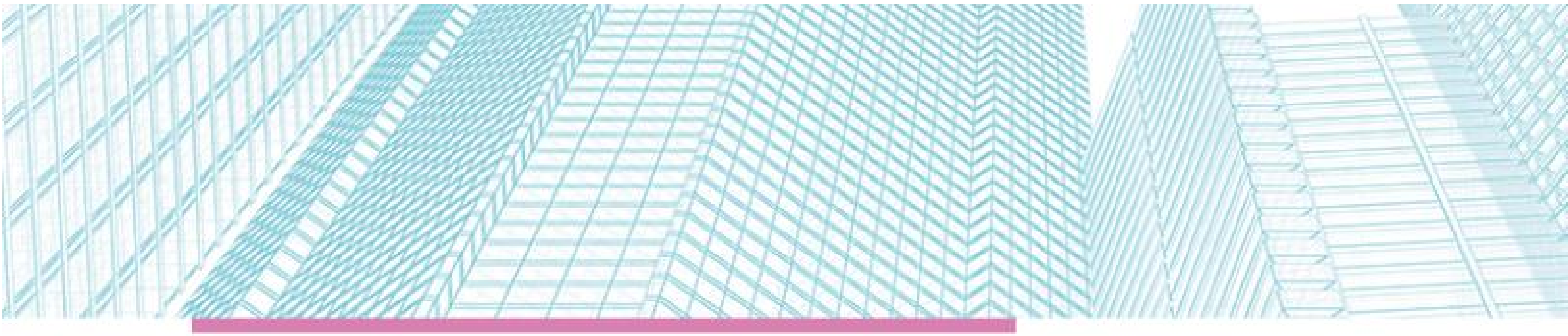
Border to Coast UK Listed Equity Fund



Proxy Voting Report

Period: January 01, 2023 - March 31, 2023

Votes Cast	**157**	**Number of meetings**	**9**
For	150	With management	150
Withhold	0	Against management	7
Abstain	0		
Against	7		
Other	0		
Total	**157**	**Total**	**157**

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

General Highlights

Board quality in focus

Recent years have dramatically altered the corporate governance landscape as public company directors faced unique challenges including the COVID-19 pandemic, Russia's invasion of Ukraine, soaring energy prices, and a cost-of-living crisis. This shift placed a renewed focus on board quality, as both investors and regulators directed significant scrutiny towards the directors' efforts to navigate these turbulent times. Against this backdrop, regulators rolled out several initiatives aimed at strengthening board composition and director accountability.

In the US, proxy fights entered a new era of universal proxy cards. The new rules adopted by the Securities and Exchange Commission enable shareholders voting remotely in contested elections to vote for a combination of candidates from the competing slates put forward by the dissident shareholder and the incumbent board, as they could if voting in person. The ability of shareholders voting by proxy to cherry-pick candidates will overhaul the mechanisms by which proxy fights were carried out in the US thus far, rendering individual board members more susceptible to removal and placing them under increased scrutiny.

On the other side of the Atlantic, the collapse of financial service provider Wirecard prompted Germany to adopt the Act on Strengthening the Financial Market Integrity, which sets stricter requirements for the governance of listed firms. Most notably, it requires that audit committees comprise two financial experts, one with expertise in accounting and one with expertise in auditing. Furthermore, the new rules also provide that management board members may attend meetings between the auditor and the supervisory board or its committees only if their attendance is deemed essential.

In the UK, we see a continued push for more robust board diversity. In April 2022, the country's Financial Conduct Authority released new rules "to boost disclosure of diversity on listed company boards". These rules require companies to annually disclose whether they meet a set of three specified targets on a "comply or explain" basis. In line with the new provisions, women should make up at least 40% of the board and should hold at least one of the senior board positions, while at least one member of the board should come from an ethnic minority background.

At the same time, Asian markets are witnessing a trend of increased focus on board quality as well. Recently, in January 2023, the Monetary Authority of Singapore amended the country's corporate governance code to limit the tenure of independent directors to nine years. Before this change, directors could continue to be deemed independent after having served on the board for nine years if their appointment was approved via a two-tier vote from all shareholders, as well as from all shareholders excluding the company's directors, CEO and their associates. The regulator noted that the two-tier vote mechanism had been heavily used to retain long-serving independent directors, "inhibiting board renewal and progress on board diversity."

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Appendix C

BORDER TO COAST GLOBAL EQUITY ALPHA FUND

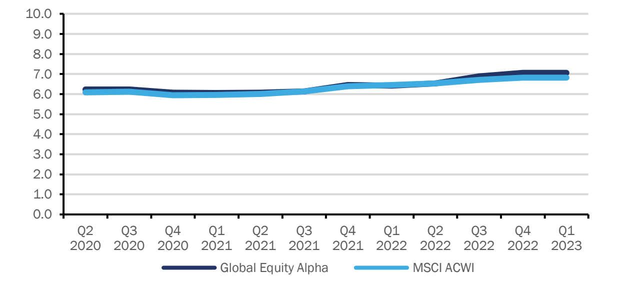
ESG & CARBON REPORT

Q1 2023

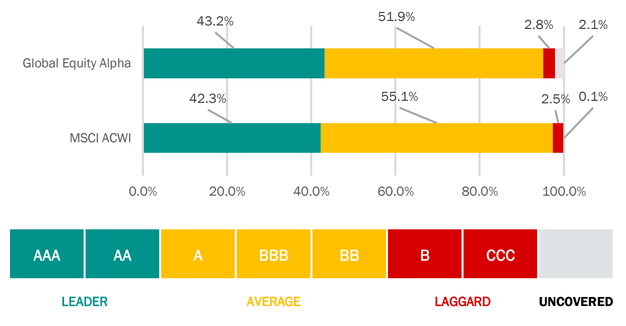
MSCI ESG RATING
AAA

	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.
Global Equity Alpha	AAA [1]	7.1 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
MSCI ACWI	AA [1]	6.8 [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
ASML	2.4%	+2.0%	AAA [1]	META Platforms	0.5%	-0.3%	CCC [1]
Intuit	1.5%	+1.3%	AAA [1]	Jiangsu Hengli Hydraulic	0.1%	+0.1%	CCC [1]
Microsoft	1.1%	-2.3%	AAA [1]	NTPC	0.1%	+0.1%	CCC [1]
Taiwan Semiconductor	0.8%	+0.1%	AAA [1]	Jollibee Foods	0.0%	+0.0%	CCC [1]
Cummins	0.8%	+0.8%	AAA [1]	Saudi Tadawul Group	0.0%	+0.0%	CCC [1]

Quarterly ESG Commentary

- The Fund's weight ESG score and that of the benchmark were stable over the quarter. The Fund scores slightly above the benchmark overall, due to its higher proportion of companies considered ESG leaders amongst their global peer group.
- The Fund does have exposure to several CCC-rated companies, due predominantly to the recent establishment of an explicit emerging markets allocation. These companies are relatively low proportion of the overall Fund, and the Fund remains underweight to emerging markets relative to the benchmark.

Feature Stock: Jollibee Foods

Jollibee Foods is a fast-food chain, headquartered in the Philippines. The company operates more than 1500 outlets worldwide, including an anytime delivery service and is expanding its chain significantly across Asia and Europe. As movement restrictions ease, particularly in Asia, robust growth is expected to follow as Jollibee builds new commissary facilities and retail locations.

The Company's corporate governance trails when considered relative to a global peer group that includes the likes of McDonalds and Starbucks; it is however in line with emerging market peers and is demonstrating improvement. Taking note of feedback around board composition, the Company nominated one additional independent director and a female director to the board at the AGM in June 2022.

Most of its affiliated businesses are certified to FSSC22000 standards, an internationally accepted certification scheme for food safety. The Company conducts periodic audits on suppliers and raw materials to pre-empt food safety incidents in the supply chain and made steps to gradually address them. There remain areas for improvement and engagement is ongoing with the Company to ensure they continue to move in the right direction on governance matters.

[1]Source: MSCI ESG Research 31/03/2023

BORDER TO COAST GLOBAL EQUITY ALPHA FUND

ESG & CARBON REPORT

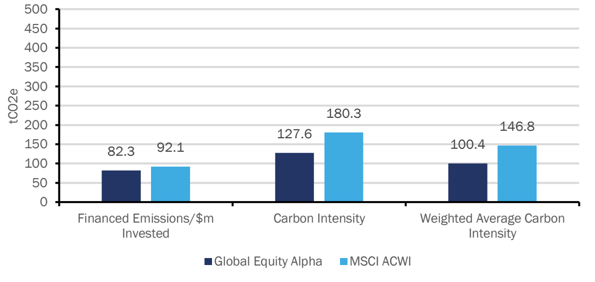
Q1 2023

MSCI ESG RATING

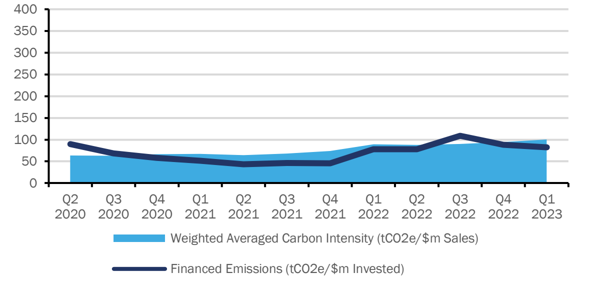
AAA

PENSIONS PARTNERSHIP

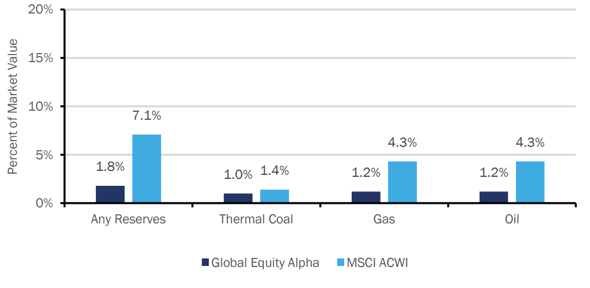
Carbon Emissions and Intensity[1]



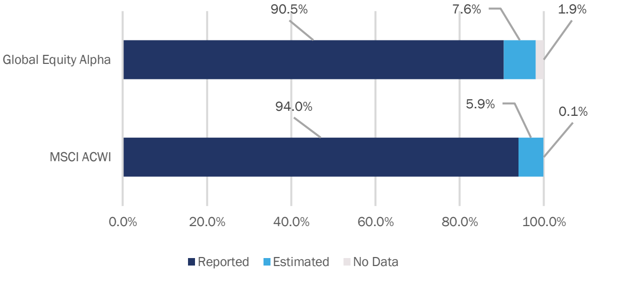
Carbon Trends[1]



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
HeidelbergCement	0.6%	+0.0%	41.3% [1]	Yes	3
Holcim	0.5%	+0.5%	20.8% [1]	Yes	4
Southwest Airlines	0.4%	+0.4%	4.0% [1]	No	4
Linde	1.0%	+0.7%	2.7% [1]	No	3
Vitesco Technologies	1.2%	+1.2%	2.7% [1]	No	N/A

Quarterly Carbon Commentary

- The Fund is currently below the benchmark for portfolio financed emissions, carbon intensity and weighted average carbon intensity (WACI).
- Between them, HeidelbergCement and Holcim account for around 62% of portfolio financed emissions, due to the carbon intensive nature of the cement production process. Therefore, the carbon metrics of the Fund are currently highly sensitive to each of these companies' scope 1 emissions, as well as any fluctuations in investment value and/or allocation.

Feature Stock: Southwest Airlines

Southwest Airlines operates as a passenger airline company that provides scheduled air transportation services in the United States and nearby-international markets.

The Company operates a well-organised US-domestic point-to-point network. This has for years allowed the original low-cost carrier to earn robust operating margins. As both Southwest and the airline industry continue to recover from the pandemic disruption, the Company was also hit with a severe, and well publicised, operational disruption during the cold weather snap around Christmas 2022. Analysis of the financials and discussion with the Company has given comfort that the issue was temporary and was well placed to deal with the disruption.

The airline is set to receive many new aircraft over the next 8 years. While approximately half of the order is designated to replace older aircraft, the other is to further grow Southwest's fleet and earnings power. These new aircraft provide a key step towards the company's 2050 carbon net zero ambition in that they are expected to reduce per-seat emissions by over 20% through more efficient engines and increased seat count.

[1]Source: MSCI ESG Research 31/03/2023

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	0.8%	0.6%
Investment Trust/ Funds	1.3%	1.3%

[1]Source: MSCI ESG Research 31/03/2023

Important Information

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

[1]Source: MSCI ESG Research 31/03/2023

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BORDER TO COAST UK LISTED EQUITY FUND

ESG & CARBON REPORT

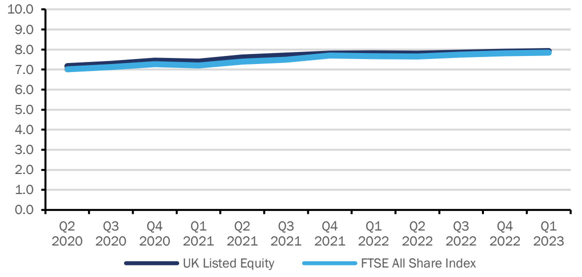
Q1 2023

MSCI ESG RATING **AAA**

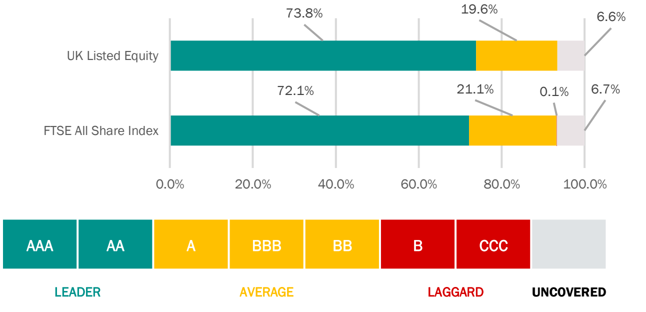
BORDER TO COAST PENSIONS PARTNERSHIP

	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.
UK Listed Equity	AAA [1]	7.9 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
FTSE All Share Index	AAA [1]	7.9 [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
Unilever	4.9%	+0.4%	AAA [1]	Haleon	1.0%	+0.3%	BB [1]
Diageo	3.9%	+0.4%	AAA [1]	British American Tobacco	2.5%	-0.2%	BBB [1]
Relx	2.5%	+0.3%	AAA [1]	Glencore	1.9%	-0.6%	BBB [1]
National Grid	2.1%	+0.4%	AAA [1]	Beazley	0.4%	0.2%	BBB [1]
CRH	1.4%	+0.1%	AAA [1]	TP ICAP Group	0.3%	+0.2%	BBB [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'.
- During the quarter several companies were upgraded including Dr Martens, DWF Group, Halma and IP Group.

Feature Stock: British American Tobacco (BAT)

BAT is the second largest global tobacco company and currently the 7th largest FTSE All Share Index constituent. The Fund risk parameters require a degree of ownership; however, Fund exposure is below the benchmark. The ability to price the product for good returns, industry consolidation and high barriers to entry has enabled the Company to compound its earnings base through dividends, share buybacks and investment in efficiency and new products.

Product safety is an issue given health implications and whilst alternative nicotine products are being developed and marketed, safety will always be paramount. Despite the industry being highly regulated with business practices heavily scrutinised, there is a constant risk of further regulation impeding the ability of the Company to operate, especially in mature markets for both tobacco and non-combustible products. BAT has introduced more stringent monitoring of its marketing practices and monthly audits of its suppliers. The appointment of a Chief Sustainability Officer from August 2022 should enhance both sustainability criteria initiatives and disclosure on progress.

[1]Source: MSCI ESG Research 31/03/2023

BORDER TO COAST
UK LISTED EQUITY FUND

ESG & CARBON REPORT

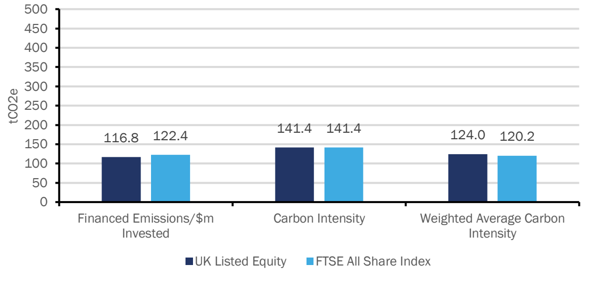
Q1 2023

MSCI ESG RATING

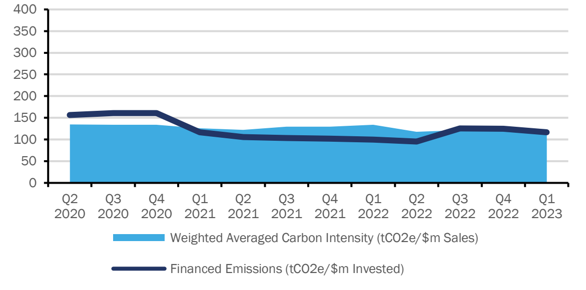
BBB

PENSIONS PARTNERSHIP

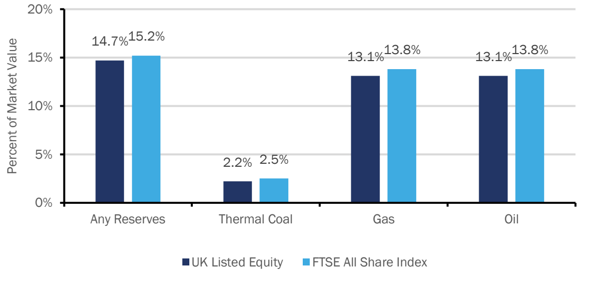
Carbon Emissions and Intensity[1]



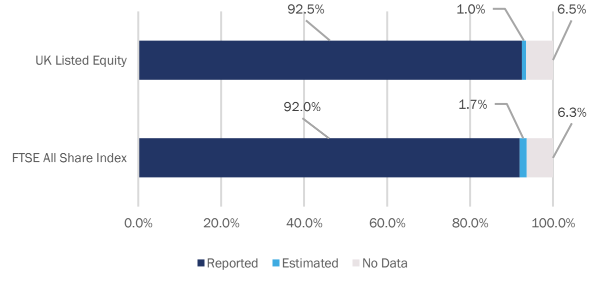
Carbon Trends[1]



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	7.4%	+0.5%	34.7% [1]	Yes	4
CRH	1.4%	+0.1%	12.5% [1]	Yes	4
BP	2.2%	-0.3%	12.0% [1]	Yes	4*
Rio Tinto	2.2%	-0.3%	7.5% [1]	Yes	4
Glencore	1.9%	-0.6%	6.2% [1]	Yes	4

Quarterly Carbon Commentary

- The Fund is currently below, or in-line with, the benchmark for carbon emissions, carbon intensity and weighted average carbon intensity (WACI).
- All carbon metrics remained level when compared with the last two quarters.

Feature Stock: CRH

CRH is a leading global diversified building material business, which manufactures and supplies a range of products including concrete, asphalt, and cement. Approximately half of its revenues come from the US. The Company has a high carbon footprint as a function of its exposure to cement within its business mix. There are substitutes for cement in a modest number of uses, however it remains a critical component in the construction industry. The carbon footprint is expected to reduce as electricity generation shifts more towards renewable energy.

CRH has an ambition to achieve carbon neutrality along the cement and concrete value chain by 2050 and has committed to a 25% reduction in the CO_2 intensity of cement products by 2030. The Company is rated at level 4 by the Transition Pathway Initiative. CRH's emission reduction targets have been approved by SBTi as consistent with the Paris goals.

[1]Source: MSCI ESG Research 31/03/2023

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	0.1%	0.0%
Investment Trust/ Funds	6.5%	6.5%

[1]Source: MSCI ESG Research 31/03/2023

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BORDER TO COAST STERLING INVESTMENT GRADE CREDIT FUND

ESG & CARBON REPORT

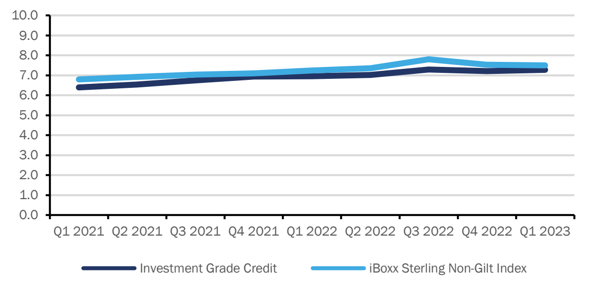
Q1 2023

MSCI ESG RATING

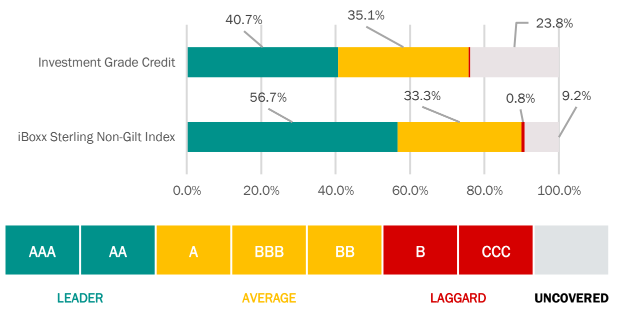
AAA

	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	AAA [1]	7.3 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
iBoxx Sterling Non-Gilt Index	AAA [1]	7.5 [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	2.0%	-0.1%	AAA [1]	Volkswagen	0.4%	+0.1%	B [1]
Legal & General	1.0%	+0.4%	AAA [1]	Time Warner Cable	0.6%	+0.4%	B [1]
Enel	0.9%	+0.3%	AAA [1]	America Movil	0.4%	+0.1%	BB [1]
Orsted A/S	0.6%	+0.3%	AAA [1]	Wells Fargo	0.5%	-0.2%	BB [1]
Yorkshire Building Society	0.5%	+0.3%	AAA [1]	New York Life Insurance	0.3%	+0.1%	BB [1]

Quarterly ESG Commentary

- Scoring and overall contribution 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: New York Life Insurance

New York Life Insurance is the third-largest life insurance company in the United States. In addition to life insurance, the Company provides insurance, wealth management, estate and retirement planning, and investment services, serving customers worldwide.

The Fund invests in the funding agreement-backed notes (FABNs) of the Company. FABNs rank high in the Company's capital structure, being on equal footing with policyholders, and are therefore highly rated by credit rating agencies. The securities trade attractively to other financial sector credits, particularly relative to unsecured bank bonds.

Relative to the wider financial sector, the US mutual insurance sector suffers from relatively weak ESG ratings., which is generally due to having weaker disclosures than their banking peers. Engagement is ongoing with management on the issue of disclosure, and it is felt that both financial and ESG-related disclosure is of higher standard than most of their peers in the insurance sector. The Company is conservatively run and therefore the current level of disclosure weakness is not considered a material additional risk factor to these credits.

[1]Source: MSCI ESG Research 31/03/2023

BORDER TO COAST STERLING INVESTMENT GRADE CREDIT FUND

ESG & CARBON REPORT

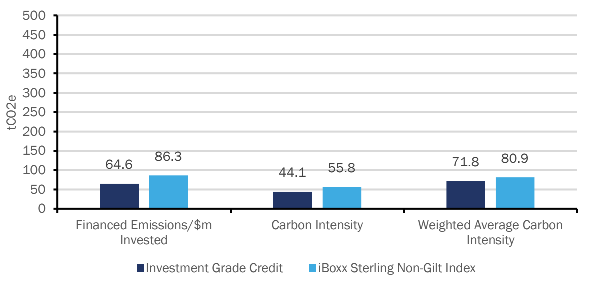
Q1 2023

MSCI ESG RATING

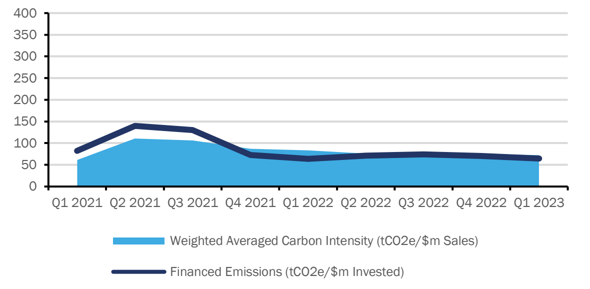
AAA

BORDER TO COAST PENSIONS PARTNERSHIP

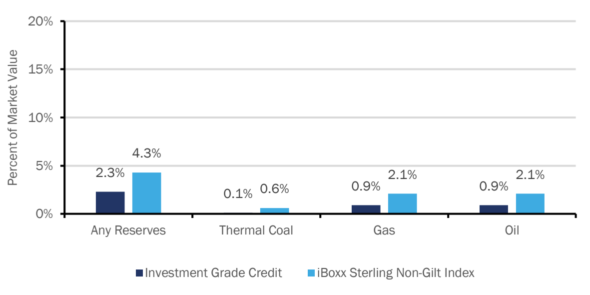
Carbon Emissions and Intensity[1]



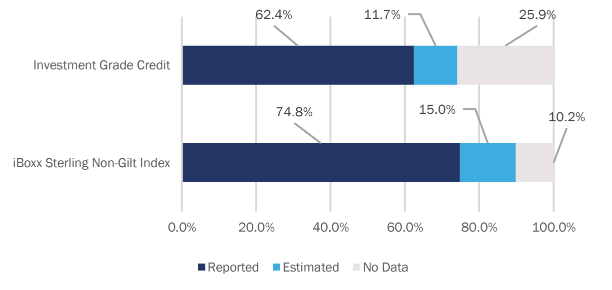
Carbon Trends[1]



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	0.9%	+0.3%	27.5% [1]	Yes	4
EDF	1.2%	+0.2%	21.1% [1]	Yes	4
Engie	0.2%	-0.1%	7.1% [1]	Yes	4
E.ON	0.8%	-0.0%	6.3% [1]	Yes	4
Centrica	0.2%	-0.1%	5.0% [1]	Yes	4

Quarterly Carbon Commentary

- The Fund is currently below the benchmark for portfolio financed emissions, carbon intensity and weighted average carbon intensity (WACI). Enel and EDF contribute close to half of the Fund's financed emissions.
- Exposure to companies owning fossil fuel reserves is lower relative to the benchmark. The largest contributors include BP, Equinor and Centrica.

Feature Stock: Engie

Engie SA offers a full range of electricity, gas and associated energy and environment services throughout the world. The Company produces, trades, transports, stores, and distributes natural gas, and offers energy management and climatic and thermal engineering services.

Engie has a clearly set-out plan to diversify its core gas transmissions businesses, having already moved away from exploration and production activities. It is a leader in renewable energy development outside of gas distribution, and within its gas network is investing heavily in biogas and green hydrogen. Taken together with the continued importance of the French gas transmission and distribution business, Engie is a stable credit business that offers value, partly because some investors in the market take a simplistic view of it as a fossil fuel company.

Engie still has a core gas distribution business which has obvious scope 3 emissions, and some scope 1 and 2 emissions from the gas generation of electricity, gas leaks and transmission activities. However, as noted above the Company has a clear plan to cut emissions which is progressing well. It has received certification by the Science-based Targets initiative (SBTi) for its well-below 2 degrees strategy, related 2030 decarbonisation targets, and the group target to achieve Net Zero by 2045. The Company continues to cut emissions in existing activities, diversifying into renewables, and is at the forefront of developing alternatives to natural gas.

[1]Source: MSCI ESG Research 31/03/2023

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	20.2%	18.1%
Investment Trust/ Funds	5.7%	5.7%

[1]Source: MSCI ESG Research 31/03/2023

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Agenda Item 6

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Appendix A

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