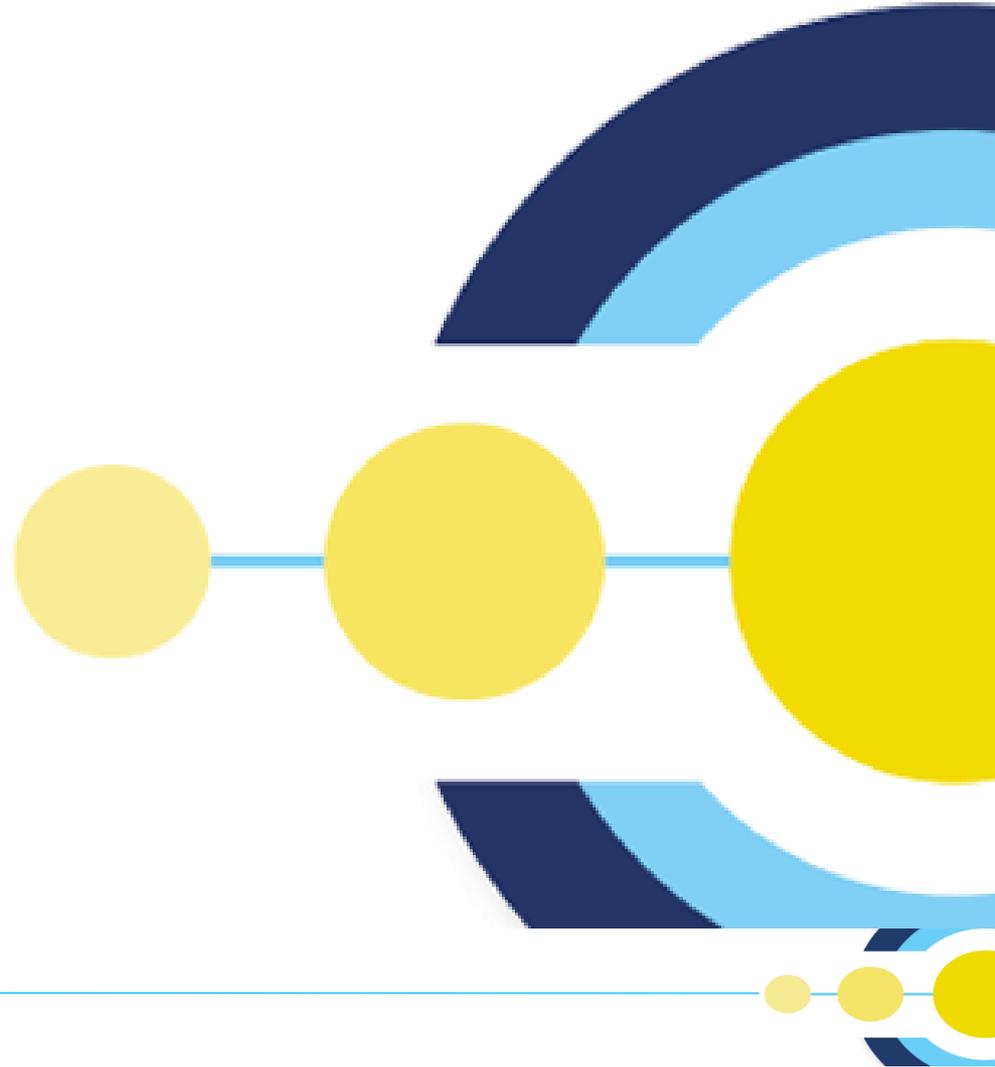

Border to Coast Pensions Partnership

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Partner Fund survey on
Responsible Investment



Executive Summary

- The Responsible Investment (RI) survey was issued to Partner Funds to explore their understanding of, and our collective priorities for, RI. We had a 36% response rate (94 of the 264 invitees responded).
- All the respondents felt they had a good understanding of RI – S151 and Pension Officers felt most confident.
- The updates on RI provided by Border to Coast are highly regarded – although there is a desire to hear more about how ESG factors are integrated into investment decisions.

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There was only positive sentiment in how Border to Coast is currently developing its approach to RI – this is felt most strongly by S151 Officers and Committee Chairs.

- Ensuring a collective approach to RI is seen as the single largest challenge, although the lack of standardised data and reporting is a close second. While three quarters of respondents say their knowledge or RIs better than average, equally a lack of understanding of RI is seen as the fourth major risk.
- We received nearly 70 comments on what success in leadership in RI looks like. The main themes include a clear strategy and approach to investing, effective reporting, managing climate change, and supporting the education and engagement of all individuals in Partner Funds on RI.

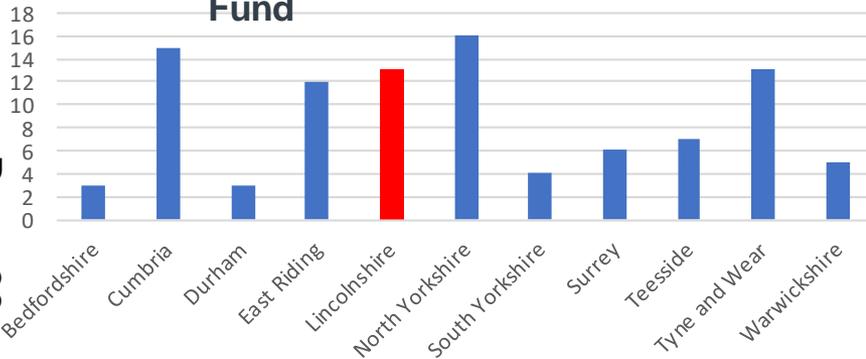


Survey analysis

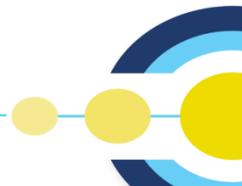
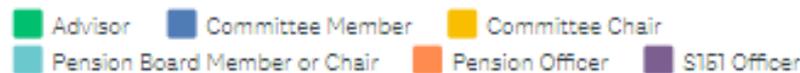
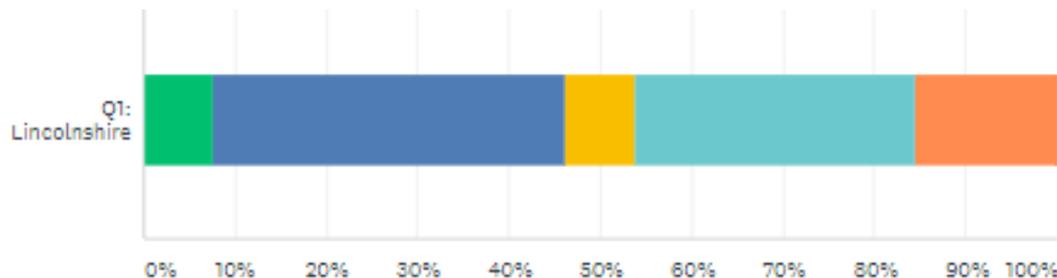
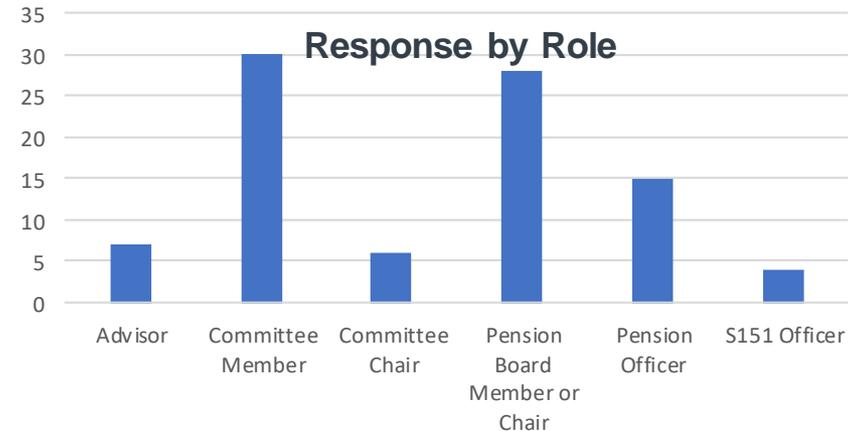
- On 12 April we issued a survey on Responsible Investment (RI) to our Partner Funds – this was issued to 264 individuals. We received 95 responses (a 36% response rate) when the survey closed on 4 May.
- All 11 Partner Funds responded to the survey – although there was limited responses from a handful of Partner Funds, with a degree of correlation to those with local government elections. The response rate by role was reasonably proportionate across the pool.

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Response by Partner Fund



Response by Role

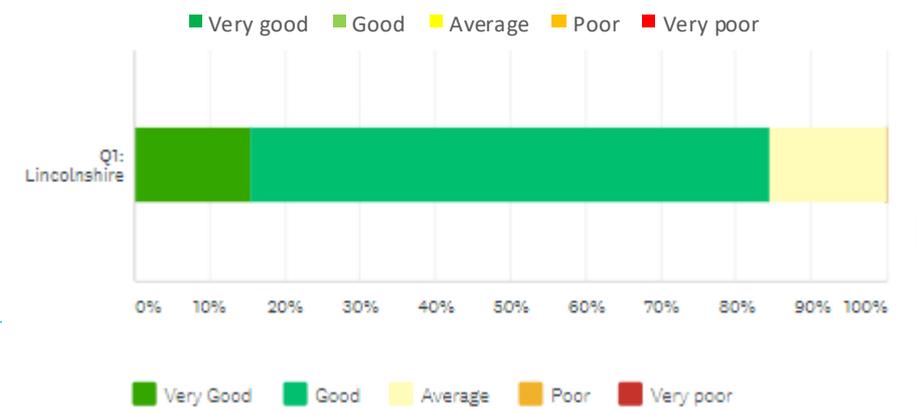
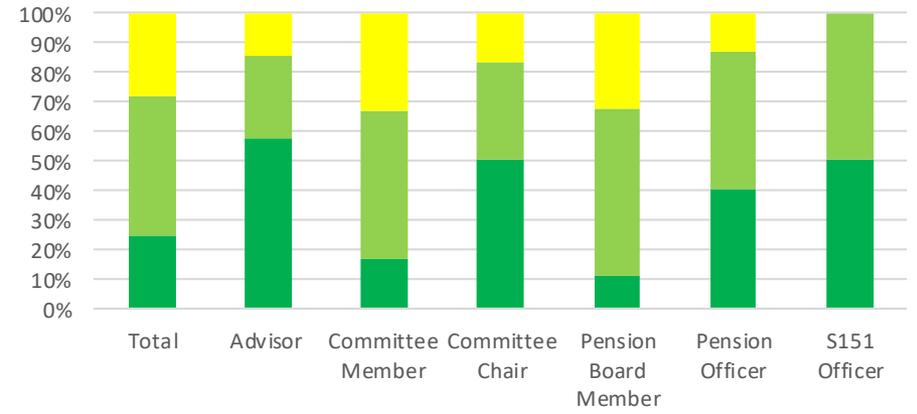
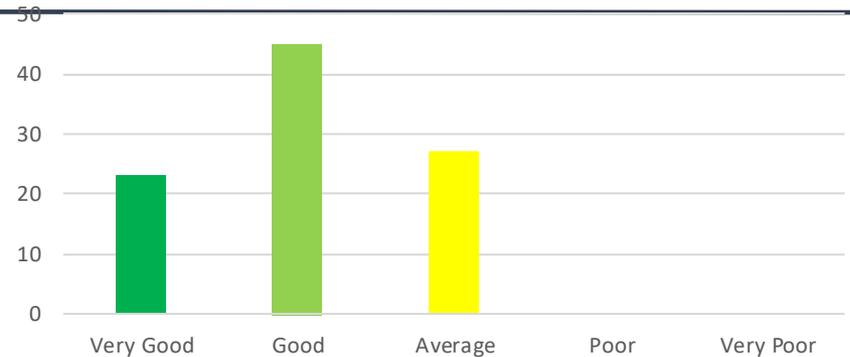


Survey analysis

Q3. RI is incorporating environmental, social and governance (ESG) factors in investment decisions, engagement and voting. How would you rate your understanding of this?

- Respondents feel confident in their knowledge of RI – with half believing their knowledge to be ‘good’, and a quarter ‘very good’.
- A quarter felt their knowledge was ‘average’ – this was typically from people who were new to the Committee and were in the process of building up their knowledge base.
- By role, Pension Board and Committee members were the least confident; S151 and Pension Officers felt the most confident in their knowledge.
- There was a comment that the various initiatives and acronyms (e.g. TPI, TCFD, TPR, etc) made getting up to speed on issues more challenging.

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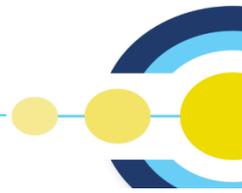
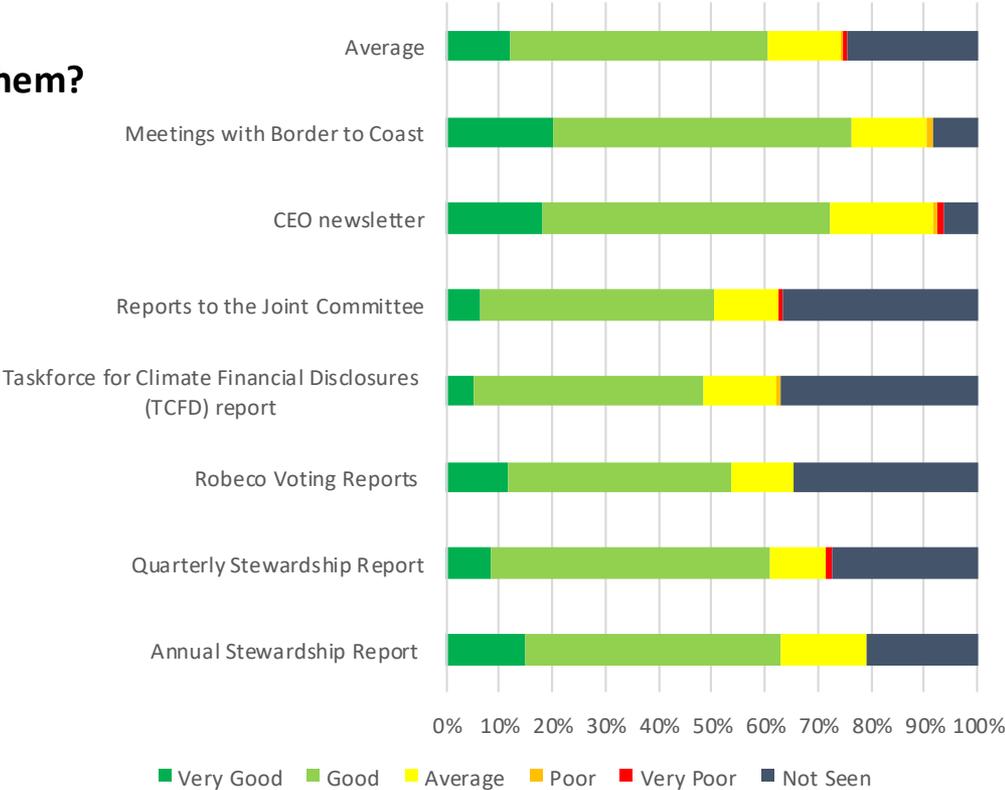


Survey analysis

Q4. Border to Coast provides various updates on Responsible Investment. What are your views on them?

- Generally, the updates on RI provided by Border to Coast are highly regarded.
- Face to face meetings continue to be the most valued method of engagement on RI, followed closely by the CEO blogs.
- Pension Board and S151 Officers are significantly most likely not to have seen the various content produced by Border to Coast.
- We received 22 comments – with a number commenting on the challenge of finding the time to see, read and digest the material provided by Border to Coast.

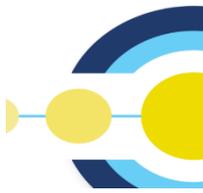
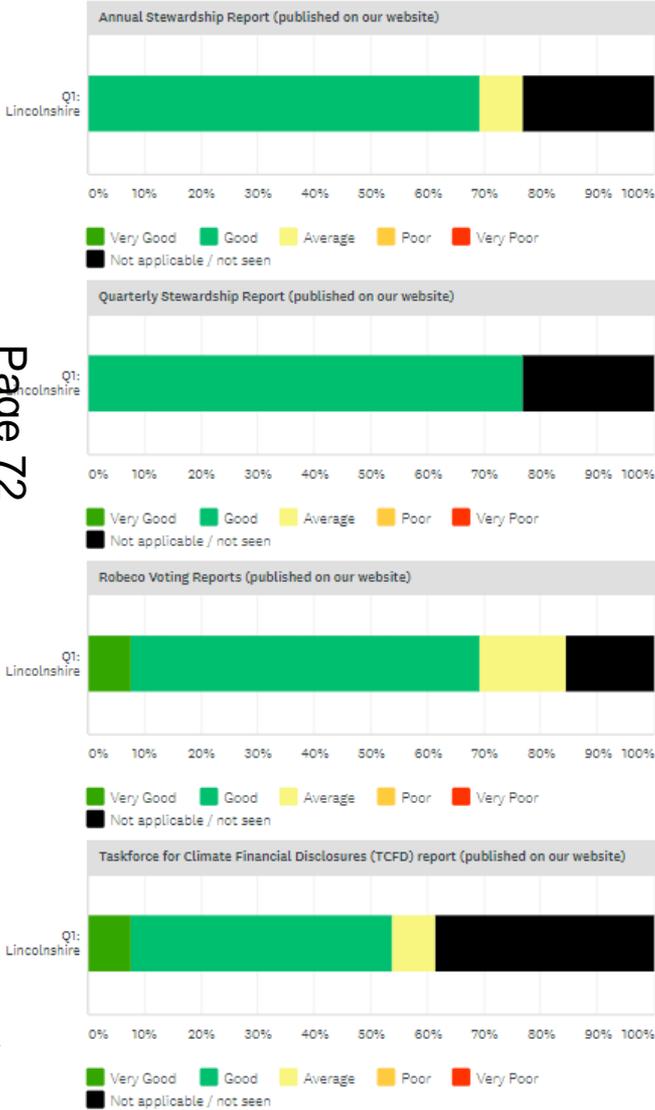
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Survey analysis

Q4. Border to Coast provides various updates on Responsible Investment. What are your views on them?

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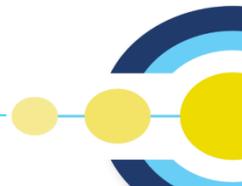
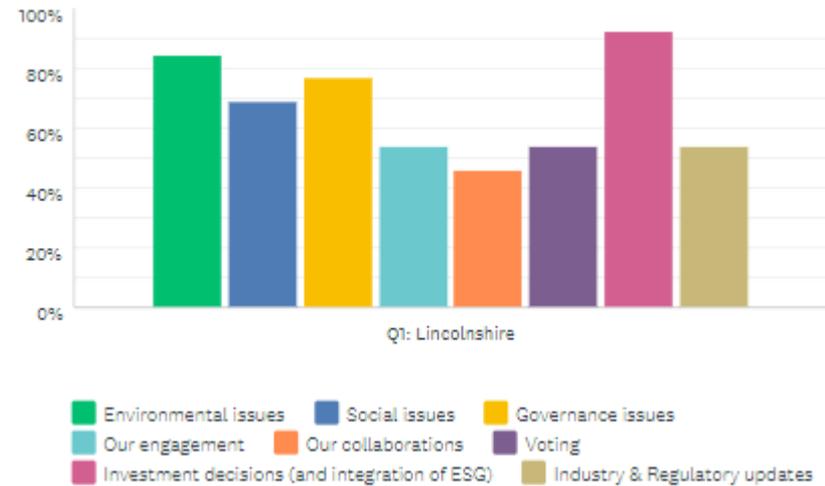
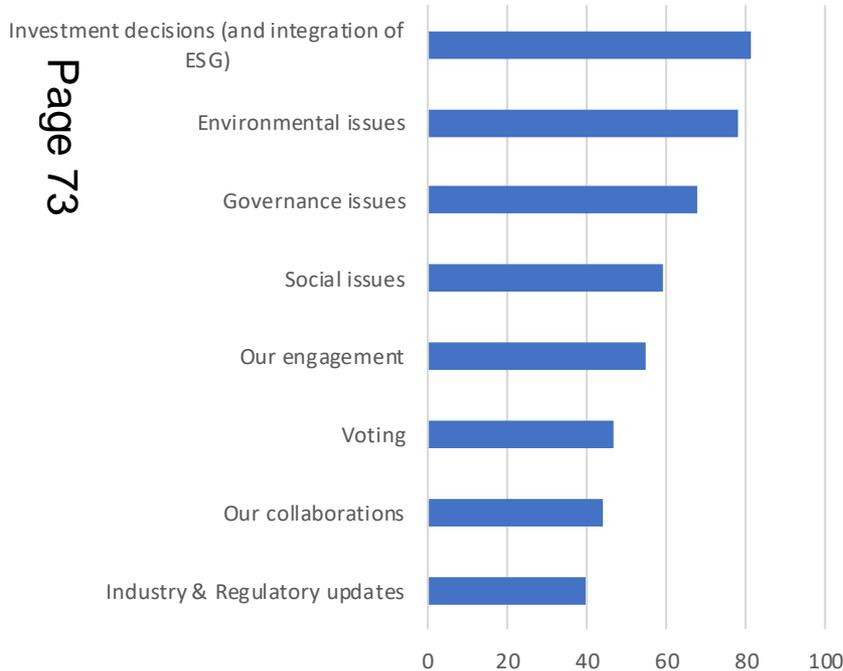


Survey analysis

Q5. We want to ensure we keep you up to date in what is a fast moving and evolving area. What RI issues you want to hear about?

- Overall, Partner Funds are most interested in how RI is integrated into investment decisions (and when investment decisions are made based on ESG considerations). The topics of interest were very similar regardless of their role.
- Within the comments, there was an acceptance that many of the issues were inter-related and selecting specific issues was a challenge (and may be inappropriate).

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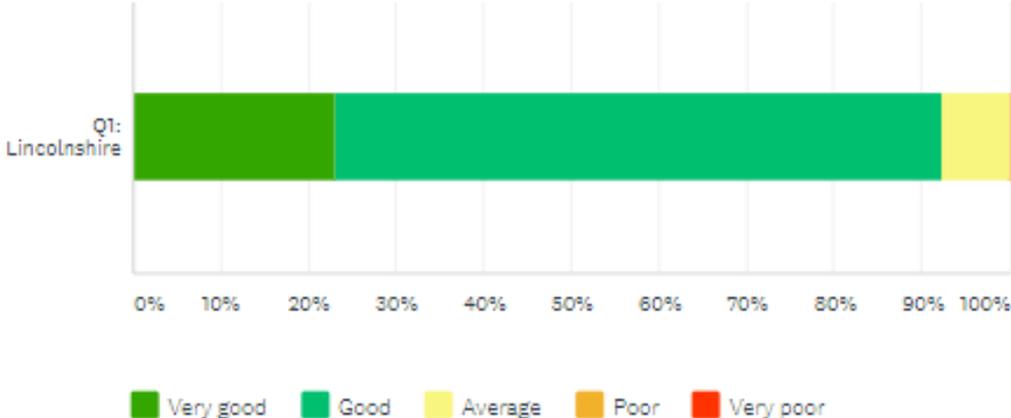
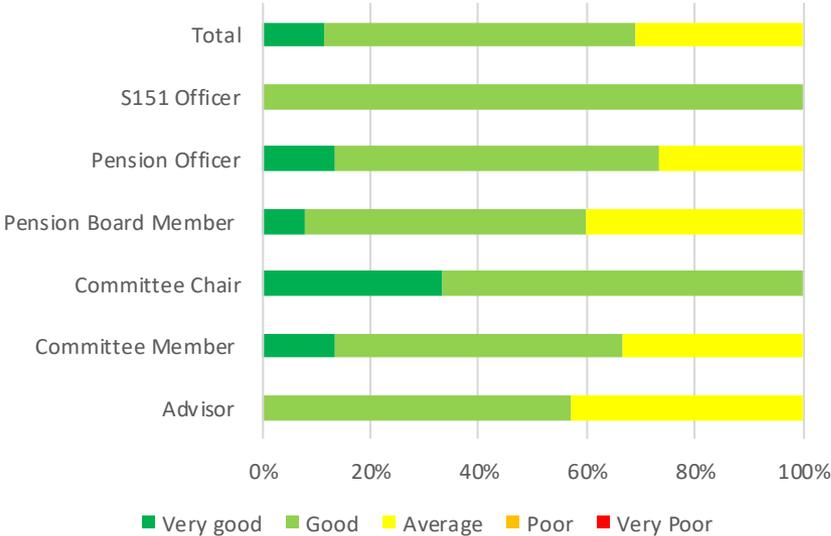


Survey analysis

Q6. Border to Coast develops its approach to RI in consultation with Officers and the Joint Committee. How well do you believe this is working?

Page 74

- There is a high level of satisfaction across all audiences in how RI is collaboratively developed.
 - Committee Chair and S151 Officers are the most satisfied; Advisors and Pension Board members are the least satisfied (with 40% believing the process is 'average').
- We received 18 comments. While many recognised the intent and effort to gain consensus, they equally recognised the challenge to achieve this. Given the importance of the issue several suggested that Border to Coast should provide the Partner Funds more leadership on this issue (while recognising the tension this could cause).

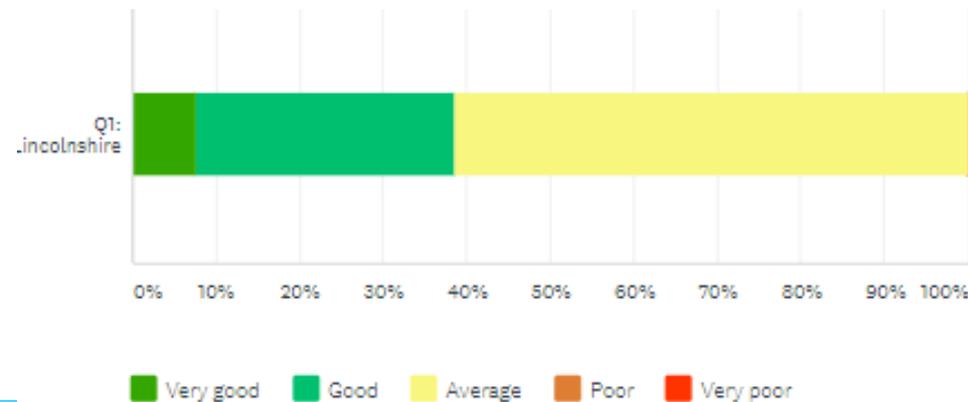
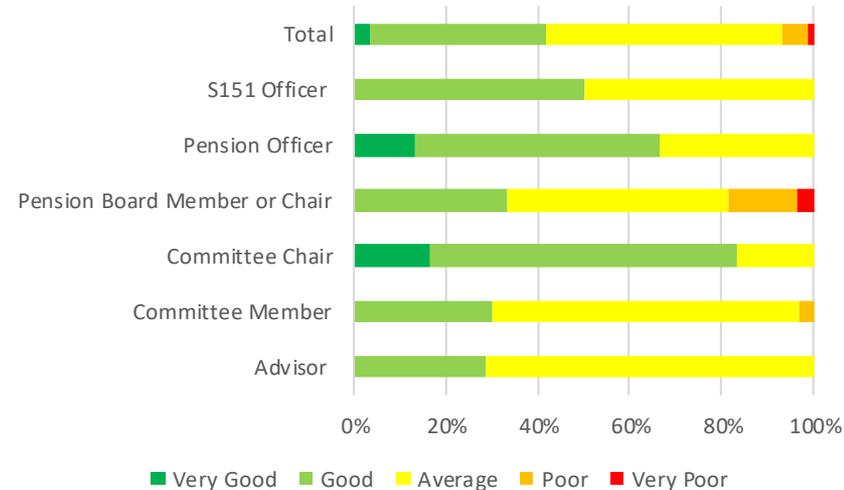


Survey analysis

Q7. How would you rate your understanding of how Border to Coast integrates RI into investment decisions and ongoing investment and corporate strategy?

- While Pension Officers and Committee Chairs have a high level of understanding in how Border to Coast integrates RI, this is not necessarily matched in the other audiences.
- We received 11 comments, most relating to data and insights. Several commented on the importance of RI but the challenges in embedding and reporting on RI in Private Markets.
- Others discussed the lack of transparency / communication in how Border to Coast implements RI in its investment decisions, portfolio/risk management, and ongoing investment strategy. There was an ask to better highlight this (both in its own right and to address the challenges by scheme members / pressure groups).

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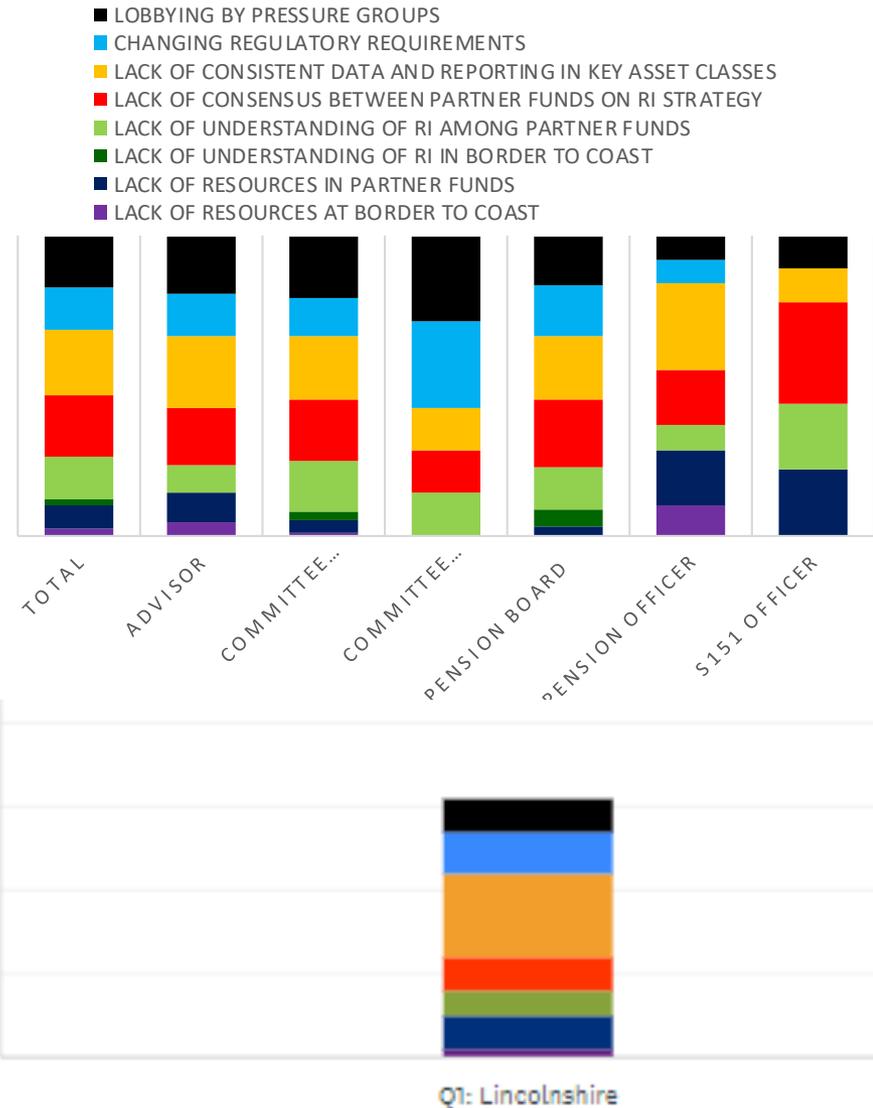
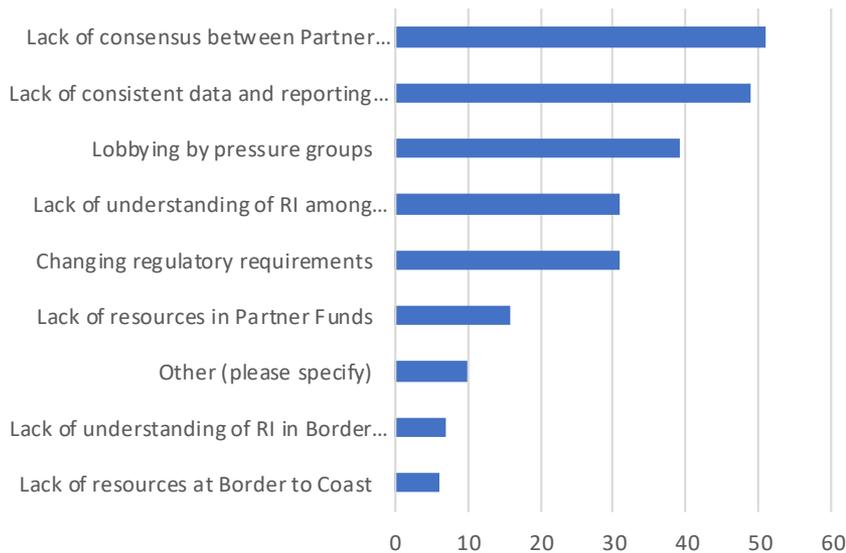


Survey analysis

Q.8 What do you see as the biggest challenges in further developing Border to Coast's RI strategy?

- As alluded in Q6, gaining consensus on RI is seen as the single largest challenge, although the lack of standardised data and reporting is a close second (perhaps related to increasing lobbying by pressure groups). While three quarters of respondents say their knowledge of RI is better than average, a lack of understanding of RI is seen as the fourth major risk.

Page 76. The 'other' comments related to a wide spread of issues – from the speed of change, robust data, opportunities for collaboration, and maintaining a commitment as we progress.



Survey analysis

Q9. The Joint Committee has asked Border to Coast to show leadership in RI. What would success in this look like to you?

We received nearly 70 comments, which can broadly be split into the following themes. To highlight the breadth of issues raised, the verbatims are in the appendix.

Strategy	Investment approach	Measures, targets & reporting	Climate change	Education
<p>Page 77</p> <ul style="list-style-type: none"> There was agreement that we should have a well formulated and articulated strategy, with an appropriate governance to implement. There was equally an acknowledgement that to achieve a 'leading' approach, supported by all, could be a challenge. To achieve a 'leading' approach, there was an acceptance of the need for a "challenging debate" to gain consensus – and this position could then be used to clearly articulate our approach, drive understanding, and "manage the knee jerk reactions of pressure groups". 	<ul style="list-style-type: none"> There was consensus on the importance of RI in delivering long term and sustained investment returns – but with varying views on how to best achieve this. A number of comments emphasised the importance of integrating RI in a considered manner, consistent with funds' fiduciary duty and avoiding being pressurised by 'populist' voices. There were a handful of comments on divestment – oil and tobacco were mentioned. 	<ul style="list-style-type: none"> Give meaning to the aspirations by setting clear targets to enable RI issues - particularly on the environment - to be measured and monitored. Robust reporting to ensure we meet our regulatory requirements; and to help manage the pressure from pressure groups whose aim is not the same as Partner Fund members There were several comments on a desire for better evidence as to how ESG factors have been integrated into investment decisions, engagement and voting. 	<ul style="list-style-type: none"> A number reflected that there is a danger that, collectively, there has been too little work, done too late, on climate change. A desire for a significant commitment towards Net Zero, supported by a clearly articulated action plan the delivery of which can be monitored by stakeholders 	<ul style="list-style-type: none"> Given the complexity and range of RI, there were several comments emphasising the importance of fully engaging and supporting the understanding of RI across all audiences (and in particular Committee and Pension Board members). Border to Coast was seen as being well placed to facilitate this.



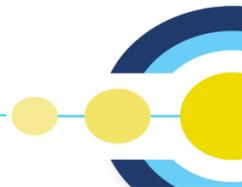
Survey analysis

Q10. Do you have any other thoughts or suggestions you'd like to share?

Of the 26 comments received, almost half highlighted the positive progress being made and the work of Border to Coast.

The other comments can be broadly divided into four main areas:

- **Collaboration:** the importance of Partner Funds and Border to Coast continuing to work in an open, transparent and collaborative manner to be successful.
- **Focus:** ensuring the importance of climate change doesn't drown out the other RI priorities; and that RI remains a mechanism to deliver long term, sustainable, returns rather than responding to political / pressure groups.
- **Additional Support:** support for the expansion of the Border to Coast RI team to provide further support for the Partner Funds.
- **Engagement:** ensuring the direct link with Border to Coast and Pension Committee and Pension Board members remains strong



Reflections & Next Steps

Survey analysis & feedback

- We will provide an analysis of each Partner Fund scores against the total survey. Given the limited numbers responding per fund, caution on interpreting these scores is required. Following on from this we welcome feedback on the results.

Education & Engagement

- While our RI updates are valued, they are not consistently seen by all. We need to collectively consider what the best way to rectify this.
- We need to evolve our updates – in particular through our Quarterly Stewardship and the new ESG Quarterly reports on how we implement and integrate RI.
- We have a series of education activities to help new members accelerate their understanding and insight of RI.

Our approach to RI

- The survey highlights the importance of dialogue and discussion in development and implementing a strategic and sustainable approach to RI. Upcoming activities include:
 - **July** - Joint Committee workshop on engagement themes & climate change
 - **September** – OOG RI workshop: RI Policy review
 - **October** – Annual Conference
 - **October** – OOG RI workshop: Net Zero



Q9. The Joint Committee has asked Border to Coast to show leadership in RI. What would success in this look like to you?
Strategy

- Challenging debate leading to a consensus approach.
- A common understanding of strategy and policy by committee members
- Agreement between partner funds
- A RI policy which partner funds really buy into and are prepared to defend/stand by when under pressure from activists
- Committee & Board members of Partner Funds understanding, and supporting, the RI decisions made by Border to Coast

Helping funds achieve some level of alignment and consensus on RI that then translates into the investment products available

Consensus if not unanimity of views of funds

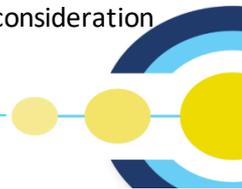
"Show Leadership" is sometimes used to suggest being in front of the curve and making bold decisions. I'm not entirely sure that this is where we should be. We should certainly be transparent and prepared to explain how decisions are reached.

- Demonstrable progress on agenda and 'ownership' across funds.
- A collaborative RI strategy with buy in from all partner funds
- Leadership is not always trying to be at the front of the bunch - it is taking a reasonable approach, on direction and pace - based on the stakeholders varying requirements whilst progressing the various issues within RI in a considered, progressive and managed way
- A well formulated and articulated strategy with appropriate governance to implement
- Best in class in percentage of esg investments. Clear policy and performance Managed against policy
- Understanding the aim is long term and doesn't require knee jerk reactions to pressure groups.

- Phew! This is a seminar in itself and obviously crucial. Developing a leading strategy that genuinely reflects the issues above in investment decisions, is not derailed by short term issues or pressure group noises off; is data/evidence based as far as possible; continues to make money for the partner funds; tries to foresee future developments-as per all investment decisions; punches its weight in lobbying companies to improve; gets closer to Govt to stop them making stupid decisions!

Investment Approach

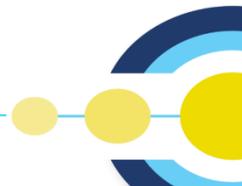
- Investments that create a more positive social and economical impact and bringing a good return.
- Delivering top quartile net of fees investment performance based on investment decision-making with long-term RI at its core (rather than as a driver of the decision-making process in itself).
- A clear direction of travel towards increased investment in RI with target dates. And these being met.
- Approaching this in a 'considered' way, based on investment considerations, backed up with analysis, consistent with funds' fiduciary duty. No knee-jerk reactions or populist approach for the sake of it.
- Real change in investment policy with real action on Managers if policies not adhered to.
- Sustained financial success of investments
- Holding companies to account harnessing PFs collective voice to enhance LT sustainable performance for Funds.
- Ensure B2C continues to demonstrate that RI is a prime consideration for the fund along with investment returns



Q9. The Joint Committee has asked Border to Coast to show leadership in RI. What would success in this look like to you?

Measures, targets & reporting

- Border to Coast reporting back regularly to the joint committee regarding updates on progress made with RI , also making successful changes in the way Border to Coast operate and implement changes within the organisation.
- Bold targets and flexing muscle as a large investor to force change at asset management side.
- A good understanding of the key issues and policy approach by all Joint Committee members combined with consensus on a consistent approach across Partner Funds over the long term.
Meeting regulatory requirements and ensuring that Governance issues are at the top of the agenda. Avoiding pressure from pressure groups whose aim is not the same as our members.
Continuing collaboration, education and understanding of the issues and emerging practices.
- Taking a real stand against companies, investment houses and countries that violate ESG considerations.
- Give meaning to the aspirations by setting clear targets to enable RI issues - particularly on the environment - to be measured and monitored.
- Proven collaboration and engagement that resulted in positive outcomes for the pool and shareholder funds.
- Highest quality disclosures issued in a timely manor, effective support to partner funds.
- First class reporting identifying the improved outcomes from implementing an excellent RI strategy - e.g. improved performance, meeting carbon reduction targets (once agreed) etc.
- Delivering RI nirvana(!) - a position where taking RI issues into account in investment decision making becomes second nature to the extent that all investment is responsible investment. More realistically - successful leadership in RI can be demonstrated by continuing to demonstrate (usually) incremental improvements in measuring, reporting, engaging, communicating and collaborating on RI issues.
- Engaging with the wider industry to get better data (both in listed and private markets) so that we can set expectations and move from talking to doing.
- A far reaching RI Strategy that pushes the boundaries
- Clear understanding by Border to Coast of the key RI issues for the Funds and then delivering on these issues. Need to identify what the Fund's want first and then deliver against this. Also need to accept each fund may have a different approach.
- Responsive investments in RI that demonstrate members understand their role in changing the way we use our funds
- Confident approach and ROI
- Taming the under-informed lions outside BTCPP.
- A gradual withdrawal from non RI albeit some of these have good returns to be replaced by positive RI with improved returns over time. Continued pressure on organisations (voting, withdrawal of funds, etc) to drive change.
- The Board, Committee and officers all being reassured and satisfied that they are fulfilling their obligations in this context
- Consistent voting on ESG issues



Q9. The Joint Committee has asked Border to Coast to show leadership in RI. What would success in this look like to you?

Education

- Evidence that ESG factors are genuinely an integral part of investment decisions, engagement and voting. More communication possibly - see comments at 4 & 6 above
- My fully understanding the decision process and how BTC will provide a clear guide to its investment methodology
- Evidence of successful investment in innovative and ground breaking schemes, thereby bringing about wider change.

Border to Coast being recognised as at the forefront rather than following trends

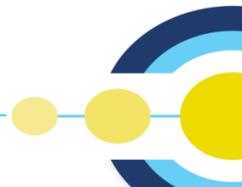
Leadership implies others following. Most importantly this means PF's but also other pools and the wider investment community.

A confident march towards addressing the challenges of the 21st century and properly harnessing the power of the £50 billion Border to Coast manages to that end. You will have a far better idea of the demographic of pension fund committees. I may be entirely mistaken but my hunch is that they are predominantly comprised of old white men and a few old white women. Somehow our pension funds have to be able to engage with change and with new opportunities in a rapidly changing world facing exceptional challenges over the next 40 years.

Success to me will be the emergence of pension funds packed with educated and informed individuals who are confident that it is possible to both protect and grow pension funds AND protect the environment and improve the quality of life for everyone across the planet by investing purposefully.

- Finding ways to make lobby groups aware of legislative challenges committee members face

- PFC members and officers can meaningfully describe RI and what we are doing if put on spot. PFCs regularly attend sessions / get updates from BCPP which is the main way by which they learn about ESG.
- That sounds like a cop out by the Joint Committee. It could include provision of materials which helped schemes communicate a positive approach to ESG to scheme members.
- 1. Officers, Pension Fund Committee, Pension Board Members having a complete and engaging understanding of RI 2. Border to Coast being named in Journals / Press to raise awareness of Boarder to Coasts existence and their influence in the area of RI 3. Border to Coast engage with all 8 Pools and be the voice on RI collectively.
- Provide more help to partner funds on their RI issues. If your RI team had more resource it could: Have taken more of a leading rather than supporting role on partner fund stewardship code responses; co-ordinate RI related information to deal with FOI's; be more proactive in developing RI investment solutions, including how they are badged (e.g. uk equity alpha is undergoing a big change, which has created an opportunity to strengthen RI, which could be to make it a more apparent aspect of the fund, rename it as sustainable etc); take the lead on dealing with RI issues affecting Border to Coast and the partner funds including the recent e-mail from Ewan (which does the opposite).



Verbatims

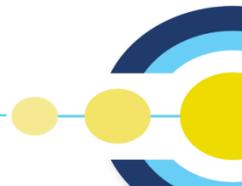
Q9. The Joint Committee has asked Border to Coast to show leadership in RI. What would success in this look like to you?

Climate change

- A Net Zero 2030 target - one of the top 3 priorities Work streams to establish the best ways to get there Stronger PR Big emphasis on evidence and metrics
- Have no investments related to tobacco
- A significant commitment towards Net Zero, supported by a clearly articulated action plan the delivery of which can be monitored by stakeholders
- Reduced investment in fossil fuels
- Exiting fossil fuels would be a start
- When a plan is confirmed for all investments are immediately environmentally friendly and zero carbon by 2050
- Gradual disinvestment in tobacco products
- Partner Funds setting challenging targets that support climate change mitigation. Much of the work in this area seems likely to be too little too late.
- Demonstrating how the border to coast fund is forward looking to address climate change situation and choosing which investment portfolios they choose
- Reduction in fossil fuel investment to nil
- Disinvestment, and publicise this! of course, we're not going to sell out of the big oil companies (immediately), but to be able to say to the members "we're deliberately not invested in XXXX because of YYYY" would show leadership

Other

- To exert influence in the direction of travel of RI legislation and policy. There to be tangible outcomes from engagement.
- Would there be an appropriate Award to aim for? Or maybe commendation in some influential journal?



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