# BORDER TO COAST STERLING INVESTMENT GRADE CREDIT FUND

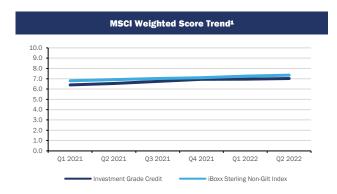
**ESG & CARBON REPORT** 

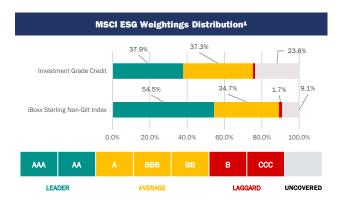






	Q2 2022 Position <sup>1</sup>			Кеу		
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark		Fund has an equal or better Weighted ESG Score than the benchmark.	
Investment Grade Credit	AA ¹	7.0 1			Fund has a Weighted ESG Score within 0.5 of the benchmark.	
iBoxx Sterling Non Gilt Index	AAA ¹	7.4 1			Fund has a Weighted ESG Score more than 0.5 below the benchmark.	





Highest ESG Rated Issuers <sup>1</sup>			Lowest ESG Rated Issuers <sup>1</sup>				
	% Portfolio Weight	% Relative Weight	MSCI Rating		% Portfolio Weight	% Relative Weight	MSCI Rating
European Investment Bank	2.5%	-2.3%	AAA 1	America Movil	0.5%	+0.1%	<b>B</b> 1
KFW	0.9%	-3.4%	AAA 1	Volkswagen International Finance	0.3%	-0.1%	<b>B</b> 1
Legal & General Group	0.6%	+0.1%	AAA 1	Pfizer	0.2%	-0.1%	<b>B</b> 1
Enel Finance International	0.6%	-0.1%	AAA 1	Volkswagen Financial Services	0.2%	-0.5%	<b>B</b> 1
IBRD	0.6%	-2.0%	AAA 1	AT&T	0.2%	-1.0%	BB 1

## **Quarterly ESG Commentary**

- The ESG Weighted score was stable over the quarter, being marginally below that of the benchmark index overall.
- The lower scoring relative to the benchmark is driven by active positioning, with the Fund holding fewer companies considered to be 'Leaders'. Despite this the Fund retains its very high rating of AA, which is classed as 'Leader'.
- While the availability and quality of ESG data has been improving in recent years, there can still be material gaps across the fixed income
  market. This is particularly prevalent where a debt-issuing entity does not also issue publicly-listed equity, which, in most cases, the fixed
  income issuer maps to.

## Feature Stock: America Movil

America Movil provides telecommunications services in Latin America and internationally. The company offers wireless and fixed voice services, including local, domestic, and international long-distance services; and network interconnection services. The company continues to look attractive from a fundamental credit perspective and there are expectations that the company will bring down its debt levels to its long-term target once the spinoff of its tower business is completed in Q3 of this year. Management has guided that a significant portion of its net debt obligations (13.2%) would be transferred to the spin off company.

The labour-intensive nature of the company's operations exposes it to potential labour management challenges. On the governance front, the company has also been flagged for board entrenchment, lack of gender diversity, and limited disclosure on executive compensation. Engagement has been held with the company's investor relations and sustainability teams, focusing on corporate governance. It was noted that while the company scores relatively poorly it is working towards improvements with respect to gender diversity and board members' broader experience and tenure. The company conducted its first overview of the board's practices and membership in November 2021 and will share results with investors, along with annual sustainability report.

# BORDER TO COAST STERLING INVESTMENT GRADE CREDIT FUND

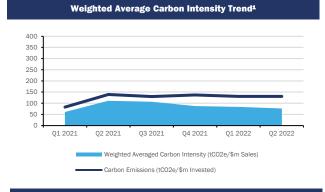
**ESG & CARBON REPORT** 

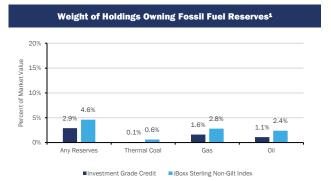


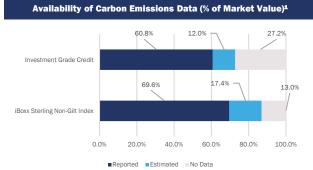




#### Carbon Emissions and Intensity<sup>1</sup> 500 450 400 350 300 250 200 130.3 150 82.8 76.1 71.0 100 17.3 50 0 Carbon Intensity Weighted Average Carbon Intensity Carbon Emissions/\$m ■Investment Grade Credit ■iBoxx Sterling Non-Gilt Index







Largest Contributors to Weighted Average Carbon Intensity <sup>1</sup>						
	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level	
London Power Networks	0.5%	+0.4%	6.8% 1	No	N/A	
Enel Finance International	0.6%	-0.1%	6.7% 1	Yes	4	
EDF	1.1%	-0.2%	6.5% 1	Yes	4	
South Eastern Power Networks	0.4%	+0.2%	4.9% 1	No	N/A	
Transport for London	1.0%	+0.5%	4.5% 1	No	N/A	

## **Quarterly Carbon Commentary**

- The Fund is currently below the benchmark for weighted average carbon intensity (WACI). The largest contributor, London Power Networks, is an overweight position relative to benchmark and the company is discussed in more detail below. No single position dominates the portfolio WACI.
- Exposure to companies owning fossil fuel reserves is lower relative to the benchmark. The largest contributors include BP (via their financing vehicle), Equinor and Centrica.

### Feature Stock: London Power Networks

London Power Networks, which is owned by UK Power Networks, transmits, generates and distributes electricity to domestic, commercial, and industrial customers. UK Power Networks is the 2nd largest operator of electricity distribution assets in the UK, with a stable outlook due to strong cash flow visibility and a track record of strong operational performance.

Electricity distribution is one of the core sectors in the transition towards low carbon energy. Increasingly major industries are switching from fossil fuels to electricity, and UK power networks is actively working with industry and policymakers to facilitate the change. UK Power networks launched its Green Action Plan in 2019, addressing areas where it impacts on the environment. Green Action Plan gives a framework on ambitions to reduce waste, water usage, carbon emissions and air and noise pollution, while increasing the biodiversity of many sites. UK Power Networks has also become the first electricity network operator to achieve the Carbon Trust Standard for carbon.



Issuers Not Covered <sup>1</sup>						
Reason	ESG (%)	Carbon (%)				
Company not covered	18.5%	22.1%				
Investment Trust/ Funds	5.1%	5.1%				

<sup>1</sup>Source: MSCI ESG Research 30/06/2022

### **Important Information**

The material in this report has been prepared by Border to Coast Pensions Partnership Limited ("Border to Coast") and is designed for the use of professional investors and provides investor information about this fund. The MSCI ESG Fund Ratings and material in this document are for information purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy, or investment product. There is no assurance that any socially responsible investing strategy and techniques employed will be successful. Past performance is not a guarantee or reliable indicator of future results. The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested. Border to Coast accepts no liability for any loss or damage arising from any use of, or reliance on, any information provided in this document. Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority (FRN 800511).

Although Border to Coast 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 and MSCI

