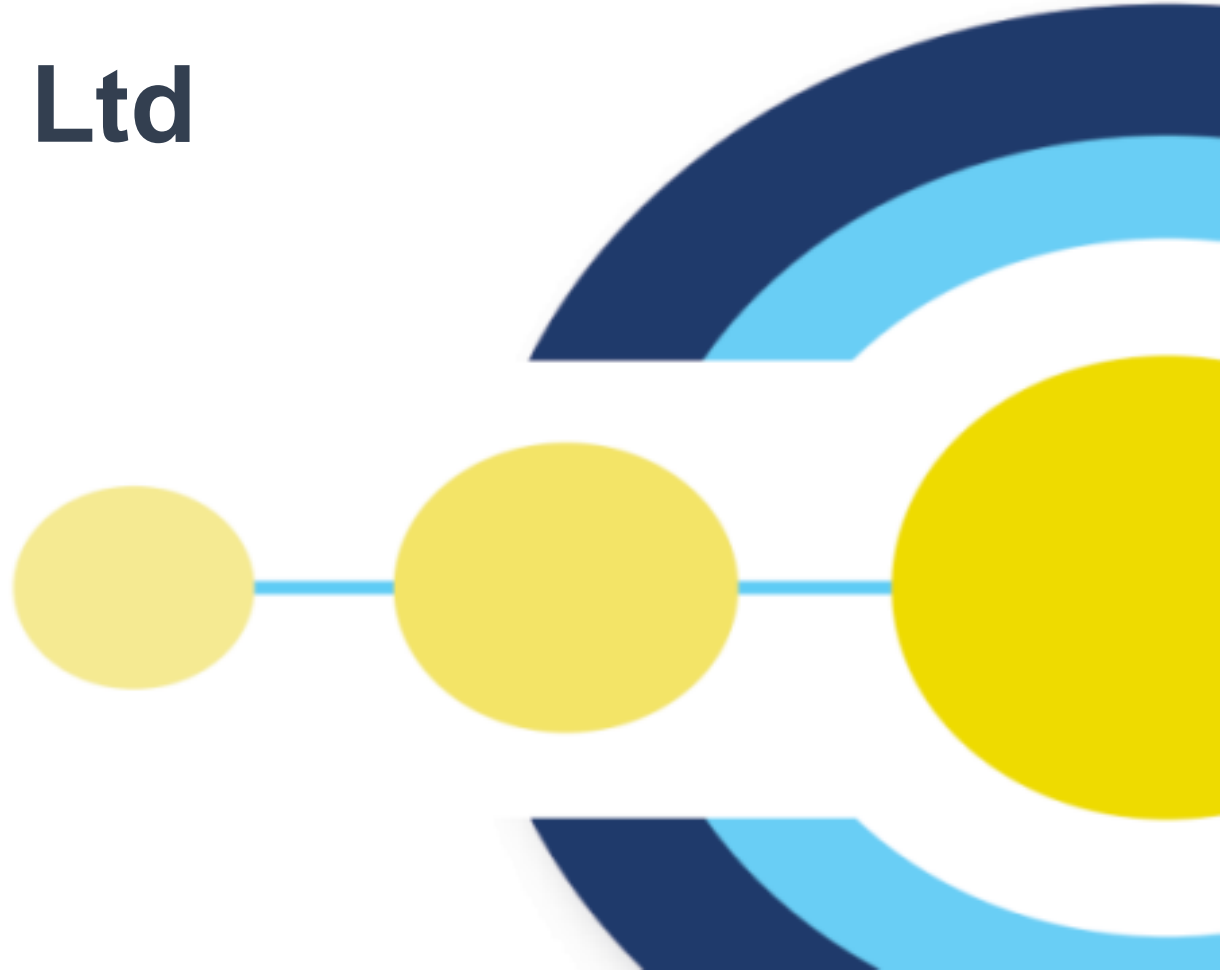


Border to Coast Pensions Partnership Ltd

Teesside
Pension Fund

11 March 2020



Border to Coast Pensions Partnership Ltd

Responsible Investment



Responsible Investment Myths

...it involves investing in a specific investment strategy or product

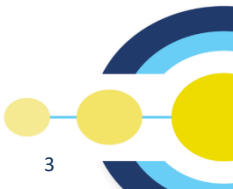
Responsible investment is not a specific strategy or product. It simply ensures all relevant factors are accounted for when assessing risk and potential returns.

...it leads to lower investment returns

Responsible investment is designed to *enhance* risk and return characteristics. Academic evidence to support ESG integration leads to well-managed, better performing companies.

...it's about divestment, exclusion and negative screening

Responsible Investing does not seek to take a moral or ethical stance to investing. Emphasis is on integration of ESG criteria into investment decision making.



ESG & Sustainability Issues

Environmental, Social and Governance (ESG) factors enable investors to consider issues that could cause financial and reputational risk, impacting shareholder value.

Environment

- GHG Emissions
- Air Quality
- Energy Management
- Water & Wastewater Management
- Waste & Hazardous Materials Management
- Ecological Impacts

Leadership & Governance

- Business Ethics
- Competitive Behavior
- Management of the Legal & Regulatory Environment
- Critical Incident Risk Management
- Systemic Risk Management



Business Model & Innovation

- Product Design & Lifecycle Management
- Business Model Resilience
- Supply Chain Management
- Materials Sourcing & Efficiency
- Physical Impacts of Climate Change

Social Capital

- Human Rights & Community Relations
- Customer Privacy
- Data Security
- Access & Affordability
- Product Quality & Safety
- Customer Welfare
- Selling Practices & Product Labeling

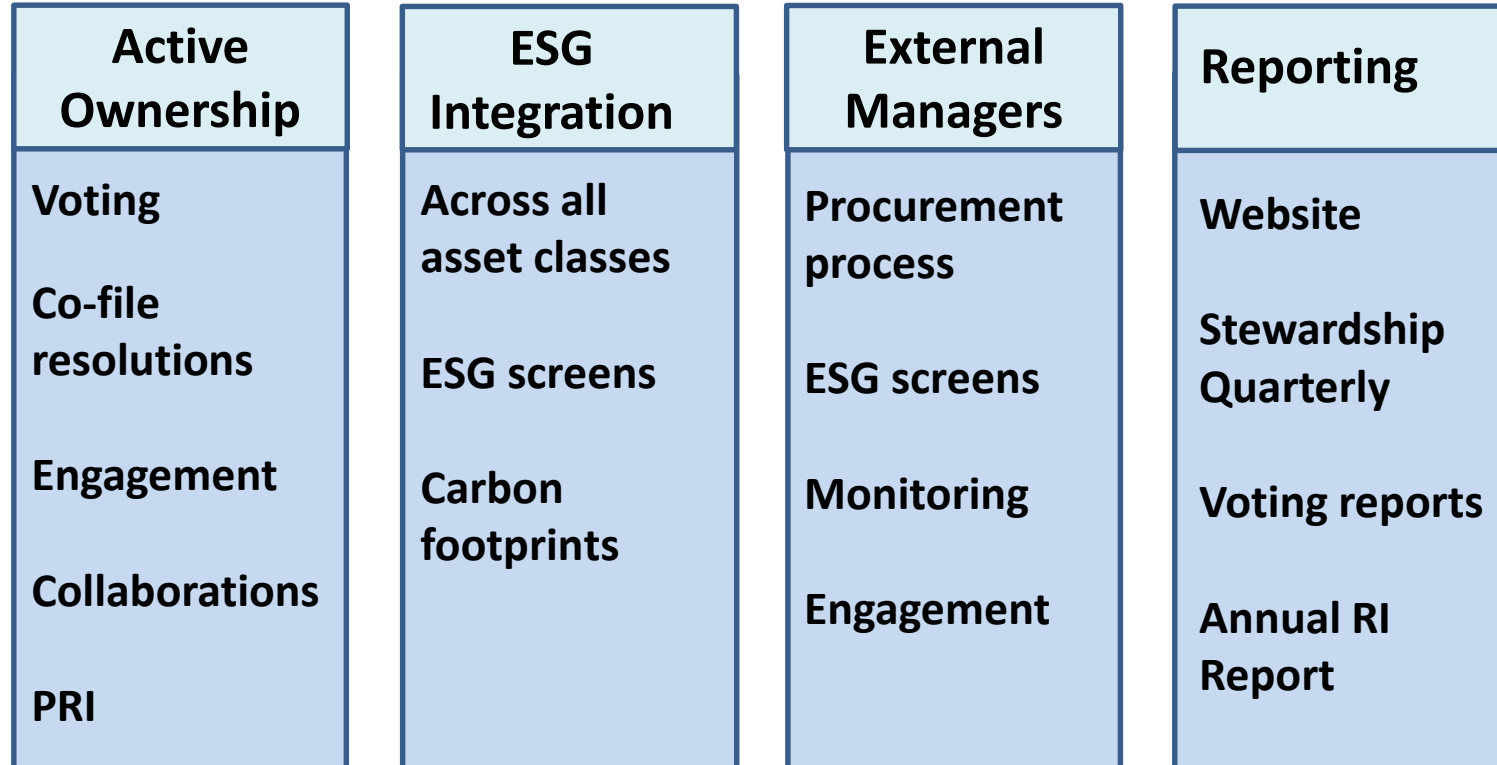
Human Capital

- Labor Practices
- Employee Health & Safety
- Employee Engagement, Diversity & Inclusion

Source SASB.org

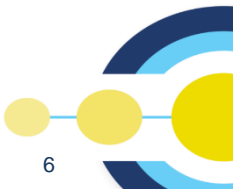
How we manage Responsible Investing

Responsible Investment



Responsible Investment Strategy

- Area of significant mandatory change and escalating political scrutiny:
 - Responsible Investing Regulations
 - Taskforce on Climate-Related Financial Disclosures
 - Climate change emergency
- Strategic framework based on six PRI areas for both Border to Coast and Partner Funds
- Strategic direction and prioritisation based on feedback at June Board strategy day and from Partner Funds (3 yr plan)



Strategic Development

ESG Integration

Active Ownership

Disclosure

Promote PRI

Collaboration

Reporting

Where we are

- Embedding ESG
- Developing external manager monitoring framework

- Creating process for selecting engagement themes
- Tracking engagements

- Reviewing industry initiatives and disclosures

- Reviewing procurement process
- Working with external managers

- Member of RI initiatives with medium level of involvement

- Produce quarterly & annual Stewardship reports
- Engagement reporting

Where we want to be

- ESG integral to all investment processes across asset classes
- Ext managers held to account

- Holistic approach to engagement
- Clear voting indications

- Standard approach to disclosures

- Embedded in procurement process and contract monitoring

- Strong junior partner in collaborative engagement initiatives
- Building external profile

- Strong disclosures and reporting
- Standard reporting across external managers

Responsible Investment Workshop

- **Strategy** – Priorities, our role and Partner Funds’ role
- **UK Stewardship Code 2020:**
 - Differences between 2012 and 2020 Codes
 - Increasing expectations of asset owners and asset managers
 - What do Partner Funds need from Border to Coast?
- **Climate transition:**
 - Managing investment risk
 - Measuring climate risk –measurable goals for investors and companies
 - Targets – pros and cons
- **Diversity:**
 - Diversity in its broadest sense
 - Parker Review - increasing ethnic diversity of UK Boards

Investor Mining & Tailings Safety Initiative

- Tailings dam collapse at mine owned by Vale
- Shares fell 24% wiping \$19 billion off market value
- \$6bn (10% of its market value) to cover reparations and decommissioning other dams
- Initiative supported by investors with over US\$12 trillion AUM
- Letter sent to over 700 companies asking to disclose data
- Systemic issue for the whole industry



fastFT Mining (+ Add to myFT)

One in ten tailings dams experience 'stability issues', report finds

Survey results raise safety concerns after fatal Brazilian collapse in January

THE WALL STREET JOURNAL

WORLD | LATIN AMERICA

Deadly Brazil Mine Accident Puts Waste Dams in Spotlight

The deadly collapse raises questions on whether mining companies are spending enough to build and maintain waste-and-water dams

By *Scott Patterson*
Jan. 30, 2019 1:53 p.m. ET

Climate Action 100+

- A five- year investor led initiative to engage with largest greenhouse gas emitters
- Over 450 investors with more than USD \$41 trillion in AUM
- Engaging with 161 companies across range of sectors
- Progress Report published in 2019
- Made some significant progress with companies over the last few years

BlackRock joins climate action group after 'greenwash' criticism

World's top fund manager has one of the worst rankings for voting on green proposals

[Categories](#) | [Environment](#) | [Social](#) | [Governance](#)

Daily ESG Briefing: Glencore to review lobbying links after pressure from CA100+

The latest developments in sustainable finance

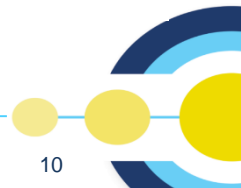
National Grid commits to net zero emissions by 2050



[Home](#) | [NEWS](#) | [FUTURE NET ZERO](#) | [EVENTS](#) | [VIDEOS & PODCASTS](#)

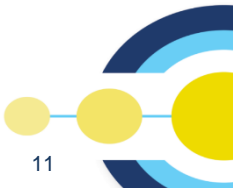
Efficiency & Environment, Top Stories

ArcelorMittal aims for carbon neutral steelmaking in Europe by 2050



Key Takeaways

- All risks and opportunities considered
- Financial risk and performance
- Responsibility and influence – active ownership
- Strategy for next 3 years
- Working together



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