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PENSIONS PARTNERSHIP

BCPP JOINT COMMITTEE

AGENDA

Venue: County Hall, Northallerton

Date: Tuesday 10 July 2018

Time: 11.15 am

Membership:

Chair:-

Cllr John Weighell North Yorkshire Pension Fund

Vice Chair

Cllr Sue Ellis South Yorkshire Pension Fund

Membership:-

Cllr Doug McMurdo	Bedfordshire Pension Fund
Cllr Mel Worth	Cumbria Pension Fund
Cllr Mark Davinson	Durham Pension Fund
Cllr John Holtby	East Riding Pension Fund
Cllr Eddie Strengiel	Lincolnshire Pension Fund
Cllr Jeff Watson	Northumberland Pension Fund
Cllr Tim Evans	Surrey Pension Fund
Cllr Steve Bloundele	Teesside Pension Fund
Cllr Eileen Leask	Tyne & Wear Pension Fund
Cllr Bob Stevens	Warwickshire Pension Fund

Terms of Reference of the BCPP Joint Committee

1. The primary purpose of the Joint Committee is to exercise oversight over investment performance of the collective investment vehicles comprised in the BCPP Pool.
2. The Joint Committee will provide effective engagement with the Authorities as the BCPP Pool vehicles are established and ultimately operated. It will encourage best practice, operate on the basis that all partners have an equal say and promote transparency and accountability to each Authority.

The remit of the Joint Committee is:

- 2.1.1 **First phase – Period to April 2018 or operational commencement of the BCPP Pool (whichever is the later)**
 - 2.1.1 To provide support and guidance to the work being undertaken by the Officer Operations Group to give effect to the pooling arrangements.
 - 2.1.2 To consider issues and provide feedback on relevant proposals as they are developed, ensuring effective engagement with the Authorities to scrutinise and monitor project management arrangements and proposals for the appointment of advisers by the Authorities.
 - 2.1.3 To oversee costs to deliver the BCPP Pool, obtaining approval from individual Authorities where necessary.
 - 2.1.4 To monitor and scrutinise responsibilities for delivery of the project and relevant support arrangements.
 - 2.1.5 To oversee and provide feedback on positions and conclusions deriving from work streams adopted by the Officer Operations Group.
 - 2.1.6 To formulate processes and policies for the appointment and termination of membership to the Joint Committee.
 - 2.1.7 To propose and confirm contracts and policies required by the Authorities to commence transition to the BCPP Pool arrangements.
 - 2.1.8 To provide support and guidance to the work being undertaken by the Officer Operations Group to do all things necessary to implement the final proposal, including preparatory work for asset transition.
 - 1.1.9 To consider the initial range of sub-funds to be provided by the ACS and to make recommendations to the BCPP Board for the creation of those sub-funds.
 - 2.1.10 To review and comment on the draft ACS prospectus and supporting documents on behalf of the Authorities prior to the Financial Conduct Authority approval.
- 2.2 **Phase 2 – Post Establishment and Commencement of Operations**
 - 2.2.1 To facilitate the adoption by the Authorities of relevant contracts and policies.
 - 2.2.2 To consider requests for the creation of additional ACS sub-funds (or new collective investment vehicles) and to make recommendations to the BCPP Board as to the creation of additional sub-funds (or new collective investment vehicles).
 - 2.2.3 To consider from time to time the range of sub-funds offered and to make recommendations as to the winding up and transfer of sub-funds to the BCPP Board.
 - 2.2.4 To review and comment on the draft application form for each additional individual ACS sub-fund on behalf of the Authorities prior to the Financial Conduct approval (or the draft contractual documents for any new collective investment vehicle).
 - 2.2.5 To formulate and propose any common voting policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.
 - 2.2.6 To formulate and propose any common ESG/RI policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.
 - 2.2.7 To formulate and propose any common conflicts policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.
 - 2.2.8 To agree on behalf of the Authorities high level transition plans on behalf of the Authorities for approval by the Authorities for the transfer of BCPP assets.
 - 2.2.9 To oversee performance of the BCPP Pool as a whole and of individual sub-funds by receiving reports from the BCPP Board and taking advice from the Officer Operations Group on those reports along with any external investment advice that it deems necessary.
 - 2.2.10 To employ, through a host authority, any professional advisor that the Joint Committee deems necessary to secure the proper performance of their duties.

AGENDA

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Minutes of the BCPP Joint Committee

Tuesday 13 March 2018 - Deloittes Offices, 1 City Square, Leeds, LS1 2AL

Present

Members

Councillor John Weighell (Chair)
Councillor Steve Bloundele, Councillor Mark Davinson,
Councillor Sue Ellis, Councillor Tim Evans, Councillor John
Holtby, Councillor Eileen Leask, Councillor Doug McMurdo,
Councillor Bob Stevens, Councillor Eddie Strenziel, Councillor
Jeff Watson and Councillor Mel Worth

BCPP Ltd

Representatives Rachel Elwell, Chris Hitchen and Fiona Miller

Fund Officers

Amanda Alderson, Ian Bainbridge, Paul Campbell, Alison
Clark, Clare Gorman, George Graham, David Hayward, Neil
Mason, Chris Norton, Nick Orton, Jo Ray, Geoff Reader and
Gill Richards

Statutory Officer Representative(s) Julian Neilson

Apologies for absence were received from Tom Morrison

1 APOLOGIES FOR ABSENCE/DECLARATIONS OF INTEREST

The Chair welcomed everyone to the meeting. Apologies were noted as above.

There was no declarations of interest.

2 MINUTES OF THE MEETING HELD ON 16 JANUARY 2018

Cllr McMurdo requested an addition to his comments regarding the Partner Fund Director proposals and asked that "mention was made regarding how others might view conflicts" be added to paragraph six of the minute item.

It was also noted that Peter George was missing from the list of attendees and that John Harrison was the interim CIO and not the CEO as stated.

RESOLVED – That subject to the amendments above, the minutes of the meeting of the BCPP Joint Committee held on 16 January 2108 be agreed as a true record.

3 ADDITIONAL NON-EXECUTIVE DIRECTOR PROPOSALS - DAVID HAYWARD

A report was considered which set out a proposed role profile for two additional non-executive directors to be selected by the Joint Committee. The paper also made proposals for the conduct of the selection process.

Cllr McMurdo commented that he found the language used in the report confusing with the use of Administering Authority, Partner Fund and Shareholder. It was agreed to just use the word Shareholder, where appropriate.

It was noted that each Shareholder would be sent an invitation to put forward a suitably qualified candidate if they so wished.

Those candidates would then be asked to circulate a short supporting statement to all members of the Joint Committee not less than 14 days before the next meeting of the Joint Committee.

The Joint Committee would be balloted at the July meeting to select two candidates to be put to the Company's Board for approval and then to the Shareholders for consent to their appointment.

The Committee were informed that the criteria for nominees was:

- The nominee be an elected representative.
- The nominee be a fit and proper person in terms of FCA requirement.
- The nominee be able to commit a reasonable amount of time to the performance of the Director role.
- The nominee had the agreement of their "home" Authority.

It was noted that each Shareholder could nominate any of their elected members who fitted the criteria.

With regard to FCA requirements, it was felt that all elected members with the relevant experience would satisfy those requirements.

RESOLVED:

- i) That the Joint Committee agree the Role Profile as set out in Annex 1 to the report subject to amended wording as detailed above.
- ii) That Shareholders be sent an invitation to put forward suitably qualified candidates for election to non-executive director roles.
- iii) That those candidates would be asked to circulate a short supporting statement to all members of the Joint Committee (through the Secretariat) not less than 14 days before the next meeting of the Joint Committee.
- iv) That members of the Joint Committee would be balloted at the July meeting of the Joint Committee to select two candidates to be put to the Company's

board for approval and then to the Shareholders for consent to their appointment.

4 UPDATE ON NATIONAL WORKING GROUPS - JO RAY

A report was submitted which summarised highlights from the national working groups attended since the last meeting of the Joint Committee.

Members were asked to consider whether the report should be removed as a standing item on the agenda with any feedback from the cross pool groups incorporated elsewhere on future agendas.

The Committee felt that the report was still useful and requested that it continued to be a standing item on the agenda.

RESOLVED:

- i) That the report be noted.
- ii) That the Feedback on National Working Groups report continue to be a standing item on Joint Committee agendas.

5 BORDER TO COAST PROJECT UPDATE - FIONA MILLER

A report was submitted which provided an update on the implementation project including further work on planning, Financial Conduct Authority application process, procurement, recruitment, TUPE transfers and T&Cs development and implementation outturn.

Members noted that significant work had been undertaken on the project plan and on 12 February 2018 the final element of this, covering the operating model build, had been received.

The application for approval was submitted to the FCA on 1 February 2018 and the FCA had confirmed both receipt and that BCPP's case manager would be same as for the other pools' applications. Following Board approval, the second tranche of supporting information was submitted on 28 February 2018 together with responses to initial queries.

The Committee noted the top project risks and ongoing organisational risks; the team were working to mitigate these where possible.

Members also considered the implementation budget outturn, including any variances, which was attached as an appendix to the report.

RESOLVED:- That the Committee note the progress to date covering project implementation, associated risks identified and the budget outturn predicted.

6 BORDER TO COAST STRATEGIC UPDATE - RACHEL ELWELL

A report was submitted which gave the Committee a strategic update to February 2018.

Members noted that a number of strategic areas of work had been identified to enable the effective pooling of fund assets via Border to Coast. These included, among others, detailed planning on the funds to be launched in July 2018 and September 2018, selection of external managers, designing the investment processes, agreeing the governance process in Authorities required to approve the transition of assets into each sub-fund and the approach to transition management to ensure due process and value for money.

Much of the work was still ongoing but was due to be completed before the next Committee meeting in July.

The Committee discussed at length the launch of the sub-funds in the first phase which differed from the originally forecast timeline. The ACS prospectus for these sub-funds had been drafted and Border to Coast was currently discussing the proposed launch and sub-fund structure with the three internally managed funds.

The Committee were informed that Border to Coast's approach to the launch of the building blocks required by the Partner Funds in order to deliver each Fund's strategic asset allocation was to work collaboratively to ensure that the needs of the Partner Funds were taken into account in the design and timetabling of launch.

In terms of the actual transition of assets for each mandate, work had begun to ensure that assets would be transitioned safely and at minimal overall cost.

In order to transition assets effectively across multiple asset classes and jurisdictions, a number of specialist transition consultants would be used; it was anticipated that these would be selected using the LGPS National Frameworks transition management framework.

The Committee also discussed the risks associated with transition management.

RESOLVED: That the report be noted.

7 REVIEW OF AUTHORISED CONTRACTUAL SCHEME (ACS) PROSPECTUS - RACHEL ELWELL

A report was considered which allowed the Committee to review the key terms of the Border to Coast ACS Prospectus which was attached as an appendix to the report.

Work to finalise the prospectus was still ongoing and was due to be completed before the next meeting of the Committee. It was agreed that the full prospectus would be emailed to Members when it was available.

RESOLVED:

- i) That the Committee note the high level content contained in the ACS Key Prospectus Terms document as set out in Appendix 1 to the report.
- ii) That the Joint Committee agree the proposed approach to managing and revising the sign-off of the prospectus as set out in Section 4 and delegate the detailed review and comment on the ACS prospectus prior to submission to the FCA for approval to the Officer Operations Group in consultation with the Statutory Officers.

8 BORDER TO COAST TAX STRATEGY - FIONA MILLER

A report was submitted to enable Members to consider the BCPP Tax Strategy Framework.

Border to Coast will continue to liaise with HMRC with regards to its tax position, in collaboration with the Cross Pool Tax Sub-Group and in any other appropriate forum.

RESOLVED: That the Committee note the Tax Strategy Framework and also note that it would be published on Border to Coast's website.

9 MATTERS ARISING FROM BCPP LIMITED BOARD MEETINGS ON 24 JANUARY AND 20 FEBRUARY - CHRIS HITCHEN

C Hitchen updated the Committee on matters arising from the Board meetings held on 24 January and 20 February 2018, including the manual of corporate governance, risk framework, internal capital adequacy process, tax strategy and risk appetite.

RESOLVED: That the update be noted.

10 STANDING ITEM - UPDATE ON EMERGING MATTERS - RACHEL ELWELL/FIONA MILLER/IAN BAINBRIDGE

Cllr McMurdo requested sight of the Risk Register in the near future.

I Bainbridge reported that the 10 July meeting of the Joint Committee was the last scheduled meeting of the Joint Committee. A report on future meeting dates would be brought to the meeting on 10 July 2018.

R Elwell suggested the meetings should be timed for when the performance information would be available.

It was noted that the July meeting of the Committee would not be in the BCPP offices. Enquiries would be made as to room availability in Northallerton.

D Hayward reminded Members that the Joint Committee Chair and Vice-Chair elections would be held at the next meeting.

In reply to a question from Councillor Evans, R Elwell gave an update on the current BCPP job vacancies situation.

CHAIR



BCPP Joint Committee

Date of Meeting: 10 July 2018

Report Title: Conduct of Elections for Chair and Vice-Chair of Joint Committee and Nominees for Directorships of Border to Coast Pensions Partnership Limited (“the Company”)

Report Sponsor: Governance Sub-Group

Report Author: Governance Sub Group Secretary – David Hayward

1.0 Executive Summary:

1.1 This report sets out the procedures to be followed by the Joint Committee in selecting a Chair and Vice Chair of the Committee for the coming year and the nominating of two candidates for approval by the Board of the Company and subsequently by its shareholders.

2.0 Recommendation:

2.1 That Members consider the report and adopt the following recommendations for the reasons set out in detail in this paper.

2.1.1 That the elections should take place in the order and at the time proposed in this paper for the reasons set out herein

2.1.2 That the procedure for elections should be as set out in this report

3.0 Background:

3.1 Joint Committee has previously agreed that it should have a Chair and Vice Chair appointed by agreement amongst the members of the Joint Committee. It was agreed that the appointment should be made annually following any May local government elections and that there should be no restrictions on members seeking to be re-elected for subsequent terms. The role of the Chair is described in the role profile appended to this Report as Appendix 1. The Vice Chair is required to shadow the Chair and to Chair any Joint Committee meetings that the Chair is unable to attend.

3.2 The selection of candidates for the positions for additional Non-Executive Directors on the Company Board has been covered extensively in papers to the previous two Joint Committee meetings. For completeness the role profile for these positions is attached as Appendix 2.

3.3 Details of the candidates for the roles have been supplied with the papers for this meeting. All candidates were required to make themselves known to the Committee

by submitting a written application form two weeks before the meeting date as previously resolved by Joint Committee..

4.0 Timetable

4.1 The elections will take place immediately following the close of the meeting and in the following order:

4.1.1 Election of candidates for Non-Executive Director roles

4.1.2 Election of Chair of Joint Committee

4.1.3 Election of Vice Chair of Joint Committee

4.2 Elections are proposed in this order because successful candidates for the Non-Executive Director roles will be ineligible for chairing the Joint Committee as they will have to stand down from that in order to avoid conflicts of interest. The Chair is elected in advance of the Vice Chair as a matter of convenience and to allow unsuccessful candidates for Chair to stand for Vice Chair.

5.0 Elections

5.1 As previously agreed the election of the Chair and Vice Chair will be undertaken by exhaustive ballot and where there are more than two candidates additional ballots will be held until a winner is determined. In order to win a simple majority of the votes cast in the current ballot will be required. The candidate with the lowest number of votes will be eliminated.

5.2 It is not practical to have an exhaustive ballot for two posts simultaneously - the mechanism simply won't work to provide two clear winners from one ballot. It is therefore suggested that consecutive ballots be held. On this occasion there will be one director appointed for two years and another for one year only. It is therefore proposed that the director for the two year term be selected first and then a second ballot be held for the second position. The problem will not recur as we will in future only elect one director in each year.

Conclusion

6.0 That the Joint Committee is required to select candidates for the roles stated above and that the procedures and order set out above are appropriate and they should be adopted to conduct said elections at the conclusion of the meeting.

Report Author:

David Hayward : David.Hayward@southtyneside.gov.uk

Further Information and Background Documents:

Proposed Role Profile for Chair and Vice-Chair

Overall

- Leading the BCPP Joint Committee to enable it to fulfil its purpose.
- To ensure an effective relationship between:
 - the Joint Committee and BCPP Limited
 - the Joint Committee and the partner funds
 - the Joint Committee and the external stakeholders/community
- Acting as a spokesperson and figurehead as appropriate.
- To supervise and support the Chief Executive and Non-exec Chair of BCPP Limited

Specifically

- Plan and prepare the BCPP Joint Committee meetings with others as appropriate.
- Chair BCPP Joint Committee meetings ensuring:
 - A balance is struck between time-keeping and space for discussions.
 - Business is dealt with and decisions made.
 - Decisions, actions and deliberations are adequately minuted.
 - The implementation of decisions is clearly assigned and monitored.
- Ensure adequate support and supervision arrangements are made for the management and staff of the pool company.
- Ensure that a successor is found before the term of office finishes.

Experience and Qualities

- A willingness to lead the partnership.
- A strong background/working knowledge of the LGPS.
- Recent experience of serving on an LGPS Pensions Committee.
- A working knowledge of asset strategy and implementation thereof.
- Possesses tact, diplomacy and powers of persuasion.
- Has the relevant skills and experience to run a meeting well.

Capacity

- The capacity to commit the time that will be required to undertake this role, including any travel that may be required to undertake duties associated with the role to represent BCPP nationally.

Role of the Chair

1. Chairing the Joint Committee Meeting

The Chair (or in his/her absence, the Vice-Chair) will be the person presiding over BCPP Joint Committee meetings. The Chair of the BCPP Joint Committee does not have a casting vote.

2. Election of the Chair

The Chair will be elected by the Joint Committee in accordance with an agreed procedure annually from among the Joint Committee Members and will receive regular briefings by the Chief Executive and Chair of the BCPP Company on current issues. They will also receive direct support from the Chair of the Officer Operations Group.

3. Responsibilities of the Chair

The Chair will have the following responsibilities:

- 3.1 to uphold and promote the purposes of the terms of reference and constitution, and to interpret the constitution when necessary during BCPP Joint Committee meetings;
- 3.2 to preside over meetings of the BCPP Joint Committee so that its business can be carried out efficiently and with regard to the rights of Members and the interests of the Partner Funds and their employers and members;
- 3.3 to ensure that the BCPP Joint Committee is a forum for the debate of matters of concern to Partner Funds and their employers and scheme members
- 3.4 to be the public face of the BCPP Joint Committee and to represent the Partner Funds at wider events as required

Appendix 2

Draft Role Profile

Role Profile for Additional Non- Executive Directors

The Company is seeking nominations for two additional Non-Executive Directors.

What the Company is seeking

When the concept was first introduced to the Joint Committee the Chris Hitchen said:

“However, it is the view of the Chair of BCPP that direct shareholder involvement in the Board would be invaluable, particularly at this critical stage in the company’s development. Unity of purpose and alignment of interest are vital if BCPP is to win and retain the confidence of its clients and shareholders, and, even more importantly, build a successful long-term-oriented investing institution. A shareholder voice in the Boardroom would greatly mitigate the risk of the Company setting itself at odds, however unintentionally, with stakeholder concerns, and would greatly assist mutual understanding. Shareholder involvement would also mitigate a concern that the Board as currently structured may not have sufficient numbers to populate the necessary committees whilst minimising conflicts of interest.” (Paper to Joint Committee October 2017)

This has since been discussed at successive Joint Committee meeting and officers are presently charged with developing the Role Profile for use in selection of the two additional non-executive directors.

Process

The process which selection will follow and the stages are as follows:

1. Nominations will be sought from Partner Funds through the Joint Committee. The criteria are that:
 - The nominee be an elected representative
 - The nominee be a fit and proper person in terms of FCA requirement
 - The nominee be able to commit a reasonable amount of time to the performance of the Director role
 - The nominee has the agreement of their “home” Council
2. The Joint Committee will select two candidates by a vote at their July Committee Meeting by exhaustive ballot.
3. Those nominees will be put to the Board and the Board will vote to accept their nomination.
4. The Shareholders will then be asked to approve the nominees by way of formal consent pursuant to the Shareholder Agreement. As these are additional directors at least 75% of the Funds must approve the nomination.

The Commitment

At present the Board is meeting most months in person and allowance is made for telephone meetings where urgent matters are under consideration. The full meetings usually last about 5 hours and meetings of the Remuneration and Nomination and the Audit and Risk Committee are usually held (alternately) on the same day. Telephone meetings are shorter and are held to deal with urgent business.

From May it is intended that all meetings in person be held in the Company's office in Leeds.

Papers are circulated a week before the meeting and some reading time is required.

Qualifications

The Role will be classified as a CF2 (Controlled Function) Non-Executive Director by the FCA. This requires an application for approval to FCA for approval which is usually done on papers. The following is extracted from the FCA Handbook as at May 2017:

Approved persons have to:

- *meet and abide by the rules of our fit and proper test*
- *comply with the Statements of Principle and the Code of Practice*
- *report anything that could affect their ongoing suitability to us and the authorised firm via Form D (PDF)*

Statements of Principle and Code of Practice

These are the standards of behaviour we expect of approved persons. The code of practice outlines the behaviour that, in the regulators' opinion, will or will not meet a statement of principle.

An approved person:

- *must act with integrity in carrying out their controlled function*
- *must act with due skill, care and diligence in carrying out their controlled function*
- *must observe proper standards of market conduct in carrying out their controlled function*
- *must deal with all regulators in an open and co-operative way and must disclose appropriately any information of which we or Prudential Regulation Authority would reasonably expect notice*
- *performing a significant influence function (SIF) must take reasonable steps to ensure that the business of the firm for which they are responsible in their controlled function is organised so that it can be controlled effectively*
- *performing a SIF must exercise due skill, care and diligence in managing the business of the firm for which they are responsible in their controlled function*
- *performing a SIF must take reasonable steps to ensure that the business of the firm for which he is responsible in his controlled function complies with the relevant requirements and standards of the regulatory system.*

The Company has sought advice from its advisors on the suitability of members of the Joint Committee to perform these roles and have been advised that a reasonably experienced Chair of a Pension Committee should meet the requirement of the FCA.

Shareholder Directors would enjoy the benefit of the Company's Directors and Officers Insurance policy to cover them for any liabilities incurred as a result of becoming a director. The cover does not extend to personal dishonesty or criminal liabilities.

The Role

It is emphasised that individuals will sit as directors of the Company and provide expert input as such based on their personal knowledge and experience. They are not holding office as representatives of individual funds and will be expected to act in their view of the best interests of the Company.

Reporting back to the Joint Committee will generally be undertaken by the Chair and CEO. The Directors will be asked to stand down from the Joint Committee for the period of the term of office. Funds will be able to send an alternate to Joint Committee.

Shareholder Director Role Profile (Based on NED Role Profile used for initial recruitment)

Core Purpose

- Challenging and contributing to the development of strategy, performance and the management of risk with Border to Coast.

Primary Responsibilities

- Provide the necessary support and guidance to the executive team.
- Provide an independent oversight and scrutiny of Border to Coast
- Provide insight to the Board on the workings of Local Government and LGPS Funds with particular regard to ethos and governance
- Provide a breadth of experience and specialist knowledge to the Board
- Support the Chair and the executive directors in instilling the appropriate culture, values and behaviours in the boardroom and beyond

Detailed Role Specification

- Provide a view of Border to Coast and its operations, removed from the day-to-day running of the business from the perspective of shareholders and pension fund members
- To assist the Chair and CEO in their reporting to Joint Committee and the Partner Funds generally
- Challenge and contribute to the development of the strategy of Border to Coast
- Draw on wider experience, in public office and in particular in participating on the governance of LGPS Pension Funds, to provide Border to Coast with a breadth of understanding of its clients and of LGPS investment generally
- Use specialist knowledge to input to decision making processes
- Scrutinise the performance of the Board and other management in meeting objectives, including monitoring financial controls and risk management systems
- Support management in developing a suitable succession plan
- Commit to building a full understanding of Border to Coast, especially in those areas of the business with a significant level of risk
- Provide insight into various stakeholder needs and ensure these are addressed at Board level
- To promote a culture of responsible investment and stewardship throughout the organisation

Requirements¹

- Elected member of the Pensions Committee (or equivalent) of an Administering Authority of one of the Partner Funds
- Demonstrable experience of working on pension committee of a partner fund
- Understanding of requirements of pooling and in particular the development of the pooling project by DCLG and Treasury
- Excellent inter-personal and communication skills
- Excellent understanding of working across multiple stakeholders
- Awareness of all of Border to Coast's clients and their particular needs (understanding of LGPS investment requirements).
- Ability to satisfy fitness and properness test for Approved Person (and, in future, Senior Manager or Certified Person) status and to continue to satisfy test and comply with FCA Statements of Principle for Approved Person (and, in future, FCA Conduct Rules).

Commitment

- The candidate will be expected to attend (within reason) all meetings of Border to Coast's board. At present these occur on a six weekly cycle with occasional "telephone" boards. In steady state the Board will meet [6] times a year. The meetings will usually be held at the Leeds office once established.
- To attend, if invited, Board Committees. These will usually be held on the same day and location as Board Meetings.
- To attend the annual general meeting of Border to Coast.
- The Shareholder Directors will be appointed for a term of two years and with a maximum of one renewal of term. It is possible that one initial appointment will be for one year to avoid both directors retiring at once.

Remuneration

- To be determined in the range of £10-15,000 pa subject to budget approval by Partner Funds

¹ Successful candidates will be required to step down from the Joint Committee for the period of their membership of the Board.

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BCPP Joint Committee

Date of Meeting: 10th July 2018

Report Title: Governance Charter

Report Sponsor: BCPP CEO – Rachel Elwell

1 Executive Summary:

- 1.1 As part of establishing Border to Coast, the Partner Funds spent significant time in considering an appropriate governance model. Due to the number of stakeholders and the need for public accountability, the model is complex. It is also starting to evolve as we move from implementation phase into the pooling and operational phase.
- 1.2 Governance is also a significant area of focus for Central Government (MCLHG) and the Scheme Advisory Board, with recent communications regarding the latter covered separately on the JC's agenda.
- 1.3 To support understanding in this area, we have jointly developed (Border to Coast and Partner Fund Officers) a "Governance Charter" that sets out roles and responsibilities across the Pool.
- 1.4 The aim of this is to have a public document available for all stakeholders to understand their role in the governance of Border to Coast. This may evolve as the governance model evolves.
- 1.5 The Border to Coast Board has reviewed the Charter and is satisfied that it reflects the Board's current understanding of governance arrangements. It would welcome feedback and engagement with the Joint Committee on the Charter to ensure a common understanding.

2 Recommendations

- 2.1 The Joint Committee is asked to provide feedback on the draft Governance Charter enclosed as an Addendum and to approve its publication in due course.

3 Risks

- 3.1 The governance of Border to Coast is relatively complex with many different stakeholders. It is important that we are able to have a shared understanding of how decisions are made and how progress and performance is overseen in order to achieve the pooling objectives effectively and efficiently.

4 Conclusion

4.1 The Joint Committee is asked to approve the recommendations in section 2.

5 Author:

Rachel Elwell, rachel.elwell@bordertocoast.org.uk, 22 June 2018

6 Supplementary Reading:

Border to Coast Governance Charter v0.6 1-7-18

DRAFT

Governance Charter

Border to Coast Pensions Partnership



June 2018

Document Control

Version and Review History

Version no.	Version Description	Approver	Date
V0.1	Initial draft template. Issued as work in progress	Rachel Elwell, CEO	8 th May 2018
V0.2	Draft for the Board reflecting OOG feedback	Rachel Elwell, CEO	14 th May 2018
V0.3	Draft for the JC reflecting Board feedback	Rachel Elwell, CEO	25 th May 2018
V0.4	V0.3 updated for OOG feedback	Rachel Elwell, CEO	31 st May 2018
V0.5	V0.4 updated for further OOG feedback	Rachel Elwell, CEO	26 th June 2018
V0.6	V0.5 updated for s151 feedback	Rachel Elwell, CEO	1 st July 2018

Governance Approvals

Approved By	Version	Date
OOG	0.5	13/6/18
S151s	0.6	27/6/18
The Board	0.3	24/5/18
The Joint Committee	X.X	[13/7/18]

Key Dates

Event	Date
Effective Date	01/07/2018
Next Review Date	30/06/2019

Key Roles – Border to Coast Pensions Partnership Ltd

Stakeholder	Role	Status
Head of Legal and Company Secretary	Document owner responsible for the management and amendment process, along with ensuring implementation of the framework	Drafter
CEO	Review ongoing drafts to ensure completeness	Reviewer
Border to Coast Board	Approve the framework and any material alteration made thereafter	Approver
Border to Coast Staff	Informed of framework and manage delivery in practice	Informed

Key Roles – Border to Coast Partner Funds

Stakeholder	Role	Status
Officers Operations Group and Section 151 officers	Review ongoing drafts to ensure completeness	Reviewer
Joint Committee	Approve the framework and any material alteration made thereafter	Approver
Partner Fund Pension Committees	Approve the framework and any material alteration made thereafter	Approver

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1. Introduction

Border to Coast Pensions Partnership (“the Pool”) has been formed to enable the pooling of assets of twelve administering authorities of the Local Government Pension Scheme (“Partner Funds”). In order to effect the pooling, the twelve Partner Funds have established an FCA-regulated operator of collective investment vehicles, which is also appointed as the Asset Manager for those vehicles. This company is Border to Coast Pensions Partnership Ltd (“Border to Coast”).

Border to Coast is wholly owned by the Partner Funds who are its customers (and hence shareholders).

The guiding principles set out by the Partner Funds have been reflected in the governance structure:

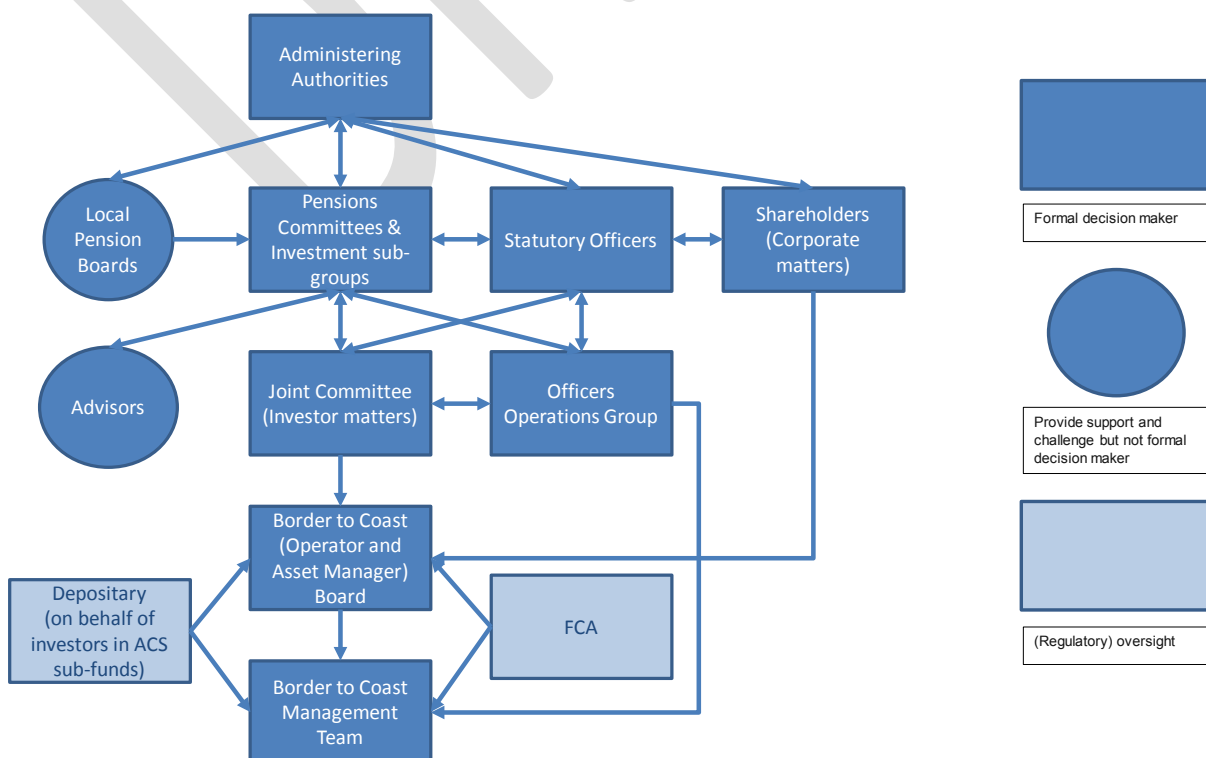
1. Meeting central Government’s aims for governance, responsible investing, infrastructure and value for money
2. One fund, one vote
3. Funds retaining governance role and ownership of asset allocation
4. Generating improved net-of-fees risk adjusted performance
5. Border to Coast internal management capability
6. Improved resilience and capacity over existing structures
7. A shared team in one location

Border to Coast’s investment performance and capability is overseen by the partner funds on a day to day basis by the Senior Fund Officers and formally on a quarterly basis by the Joint Committee, which is constituted of elected member representatives from each of the Partner Funds.

Border to Coast’s performance as a company is overseen by shareholder representatives from the twelve administering authorities both on an ongoing basis and formally once a year at its AGM.

The Partner Funds and Border to Coast work collaboratively to build the investment capabilities required to ensure that the Partner Funds are able to efficiently and effectively deliver their Strategic Asset Allocations in line with the guiding principles. However, in order to hold Border to Coast to account and to meet FCA requirements for a regulated asset manager, the governance structure is designed to ensure sufficient independence between the Partner Funds and Border to Coast during implementation and ongoing management of the sub-funds.

The diagram below shows the governance structure in place to ensure that appropriate oversight of Border to Coast is carried out both from a shareholder and an investor perspective.



1.1 Purpose of this Document

This “**Governance Charter**” is intended as a summary of the governance arrangements for the Pool, including capturing the structure and roles, responsibilities and authority of the following in relation to Border to Coast (as operator and asset manager):

- The Administering Authorities (section 3)
- The Pensions Committees (section 3)
- Advisors to Pensions Committees (section 3.1)
- Local Pension Boards (section 3.1)
- The Joint Committee (section 3.1)
- Officers Operations Group (section 3.1)
- Statutory Officers (including s151s and monitoring officers) (section 3.1)
- Shareholders (section 4)
- Border to Coast Board (section 5.1)
- Border to Coast Management Team (sections 3.2, 4.1 and 5.2)
- The FCA (section 5.3)
- The Depository (in respect of regulated collective vehicles such as the ACS) (section 5.4)

The detailed provisions of the governance structure can be found in the following core documents:

- Border to Coast’s Articles of Association;
- the Shareholders’ Agreement; and
- the Inter Authority Agreement (containing the BCPP Joint Committee’s Terms of Reference and Constitution and the Terms of Reference for the Officer Operations Group).

Additional provisions specific to particular investment sub-funds can be found in each sub-fund’s governing documentation (e.g. the ACS prospectus).

To the extent that these differ from the Charter, the underlying documents will be taken as correct.

1.2 Application

The Governance Charter is applicable to everyone within the Border to Coast Pensions Partnership and will be made available to all via the Border to Coast website. It will be reviewed annually by the Border to Coast Head of Legal and Company Secretary and the Officers Operations Group and updated as required to reflect any changes in governance arrangements in agreement with the Border to Coast Board, Joint Committee and Shareholders.

2. Border to Coast’s Strategy

Border to Coast has been established by the Partner Funds to deliver the overall pooling agenda set out by central Government in 2015. LGPS pooling is intended to provide improved performance and investment outcomes to the participating funds and Border to Coast’s strategic goal and objectives reflect this purpose.

Strategic Goals

Border to Coast’s strategic goal is to make a positive difference to the investment outcomes of its partner Local Government Pension Funds through pooling to create a stronger voice; working in partnership to deliver cost effective, innovative and responsible investment now and in the future, thereby enabling great, sustainable performance.

This strategic goal will be achieved via the following three main objectives:

1. **Strategy:** Delivering Border to Coast’s strategy to deliver the benefits of pooling through the creation of a regulated asset manager in line with the guiding principles
2. **Customer Outcomes:** (i) Putting customers at the heart of Border to Coast and delivering great service, and (ii) meeting customers’ expectations of risk-adjusted investment return and performance
3. **Governance:** Creating a sustainable organisation making efficient and effective decisions with appropriate oversight

The Board of Border to Coast is responsible for setting the strategic direction and objectives for Border to Coast to inform the annual strategic plan and budget for approval by the Shareholders. The Board has delegated the day-to-day management of Border to Coast in achieving these to the Border to Coast CEO, who in turn works with the Border to Coast Management Team to deliver to the Partner Funds (as both investors and shareholders). The responsibilities of the Border to Coast Board and Management team are considered further in section 5.

[To include metrics for measures of success once agreed]

3. The Role of the Partner Funds as Investors

Each local Administering Authority acts as scheme manager for each Pension Fund, and so is responsible for investing and managing LGPS assets, setting employer contribution rates, collecting employer and employee contributions, paying pension benefits as they fall due, and dealing with various other aspects of administration.

The individual administering authority Pension Committees are ultimately responsible and publicly accountable for ensuring that the pension liabilities are appropriately funded and can be paid in accordance with LGPS regulations as they fall due. Specifically, with respect to investment matters, this includes:

- Setting funding and risk management strategies;
- Formulating investment strategy in line with the Investment Strategy Statement, including the approach to Responsible Investment and management of cashflow requirements;
- Complying with Regulations which require the Committee to take advice in determining the Fund's investment policy and making investment decisions;
- Overseeing that asset managers, to whom the delegation of day-to-day investment matters is made, follow the Committee's policies and that investment strategy is implemented in accordance with the Investment Strategy Statement; and
- Approving and monitoring performance targets for the Pension Fund.

To enable the Partner Funds (as investors) to effectively and efficiently implement their investment strategy, Border to Coast, in partnership and working closely with the Partner Funds, is responsible for designing sub-funds with certain risk / return / liquidity characteristics that will provide the strategic "building blocks".

Once the design is agreed, Border to Coast becomes the asset manager responsible for tactical matters such as implementation and ongoing management of each sub-fund, management of internal investment capability, appointment and oversight of external managers, implementation of responsible investment (voting and engagement) policy, and tactical asset allocation within risk parameters agreed with the Partner Funds.

The Partner Funds are responsible for the review of whether the built sub-fund meets their strategic needs and, under their fiduciary duties, will review Border to Coast's capability to deliver the objectives.

The Partner Funds then collectively oversee the performance of Border to Coast as described below. In order to ensure that Border to Coast can be effectively held to account, it is important there is an appropriate degree of separation of duties on implementation of day-to-day business between Border to Coast and Partner Funds. The strategies to ensure this are detailed in this Governance Charter.

3.1 Governance Structures supporting the Pensions Committees

The following groups and individuals support the Pensions Committees in working with and overseeing Border to Coast:

- **Joint Committee** is constituted from the 12 Pension Fund Chairs and has met as required to date but plans to meet quarterly now that Border to Coast is established and functioning. It is the collaborative vehicle through which the individual Partner Funds provide collective oversight of the performance and direction of Border to Coast. Its remit includes oversight of progress towards the pooling of Partner Fund assets as a whole.

As a S102 Committee there are agreed Terms of Reference (see Appendix I to this Charter) and as these are public meetings they are operated and reported as is required. It should be noted that the Joint Committee does not have any formally delegated authority, and therefore any matters requiring decision must be considered and approved by each Pension Committee.

The Chair and Vice Chair of the Joint Committee are elected by the members of the Joint Committee on an annual basis. Secretariat functions to support the Joint Committee are provided through South Yorkshire Pensions Authority. Tyne & Wear Pension Fund act as host authority for all other matters.

- **Officer Groups** – The Joint Committee is supported by the respective Authority s151 and Monitoring Officers and the Officer Operations Group (“OOG”), constituted from the 12 Senior Pension Fund Officers. These groups meet to discuss issues and give input to both Elected Members and Border to Coast as required. It is anticipated that the OOG will meet monthly going forward, part of the meeting being attended by Border to Coast, part in closed session. The Officer Operations Group work collaboratively together to ensure that due diligence over Border to Coast investment capabilities is carried out effectively on behalf of the Pension Committees.
- **Local Pension Boards** – in line with their role in other administrative and governance matters, the local pension boards provide support and challenge to the Pension Committee’s decisions and decision-making process in relevant investment areas, and look to ensure appropriate governance is in place to provide effective monitoring.
- **Advisors** – Regulations require that Pension Funds take professional advice in respect of any investment decisions, and this is generally provided through Funds appointing Independent Investment Advisors and/or Investment Consultants. They will work with the Pension Committee and Officers to ensure that the strategic asset allocation can be effectively implemented through the use of the sub-funds available at Border to Coast.

3.2 Investor interaction with Border to Coast

In order to enable the appropriate scrutiny of Border to Coast by the Joint Committee and, ultimately, the individual Pensions Committees, Border to Coast has committed to provide the following support and materials, developed in collaboration with the Partner Funds:

What	To Whom**	Frequency
Update on progress through longer-term transition to pooling (NB ongoing discussions with officers during this period)	Joint Committee and Pensions Committees	Quarterly
Performance reporting (generic and Partner Fund specific)	Joint Committee and Pensions Committees	Quarterly
Attendance* at Joint Committee meetings by the CEO and Chair (and other officers as required)	Joint Committee	Quarterly
Attendance* at Partner Fund Pension Committee meetings by a Border to Coast Client Relationship Team representative (and other officers as appropriate)	Pensions Committees	Quarterly
Organisation of calls with s151 officers by the CEO	S151 officers	Quarterly or as required
Attendance* at the OOG by Border to Coast officers	OOG	Monthly or as required
Provision of monthly management accounting information	OOG	Monthly
Organisation of an investment conference for all Pool stakeholders	All stakeholders	Annually
Invitation for all Pension Committees to hold a meeting at Border to Coast’s offices to meet the team and hear presentations	Pensions Committees	Annually or as required
Facilitation of collaborative workshops to enable the build of strategic capability including development of investment capabilities, client reporting and approach to transition management	OOG	Ad hoc (as required)

What	To Whom**	Frequency
Facilitation of sessions to enable Pension Committee advisors to input to and challenge	Advisors (and OOG as appropriate)	Ad hoc (as required)
Provision of due diligence information to support the review by officers and advisors of the launch of new investment sub-funds	OOG and Advisors	Ad hoc (as required)

* "Attendance" includes preparation and presentation of ad hoc reports as required

** OOG includes officers working separately and working parties with attendees nominated by OOG

To support the Partner Funds, Border to Coast has appointed a Client Relationship Team with experience in pensions investment and asset management. Their role is to:

- Provide a single point of contact for Partner Funds to access the investment capabilities of Border to Coast, including access to underlying asset managers
- Ensure that Partner Fund requests and requirements are appropriately serviced, including that reporting needs are serviced in line with agreed Service Level Agreements
- Support the Partner Funds in meeting their training needs with respect to investment
- Understand and represent the Partner Funds in internal Border to Coast meetings to ensure that customer needs are reflected in all decision-making processes
- Provide a first port of call for the resolution of any concerns or queries

In addition, we expect most issues will be able to be addressed via day-to-day interactions. However, there is also a formal complaints procedure, which is provided to all investors.

4. The Role of the Partner Funds as Shareholders

Each Partner Fund also has the right to exercise corporate control and oversight through its Administering Authority's ownership of Border to Coast as an equal shareholder. Each Partner Fund, as shareholder, owns a single equity voting share, and through the exercise of its voting rights across a range of reserved matters demonstrates its exercise of "significant control" as required under "teckal"¹.

In general shareholders' role in the governance of a company is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place within the company. In the case of the Border to Coast, shareholders also retain certain rights under a Shareholder Agreement entered into by all shareholders at the time of its incorporation, including approval of the annual Strategic Plan (including annual Budget, cash flow, balance sheet, cost sharing, regulatory capital assessment), Company pensions provision, admission of new shareholders and cost sharing. The matters reserved to shareholders are set out in Appendix II.

As noted in the advice provided to the Partner Funds by [Eversheds in January 2017](#), a shareholder representative must be nominated (as the Administering Authority can not physically appear at a Company's shareholder meeting). Further, "such a person is representing the Administering Authority and acting on instructions from the Authority. It does not therefore matter legally whether that person is a member or an officer since no delegated powers are being exercised."

Eversheds also advised that ordinarily conflicts of interest were not expected to arise between the customer and shareholder roles. It was therefore possible in the ordinary course of events for the same representative to hold a shareholder role and a Joint Committee role. However, Eversheds did recommend that in this event, the Administering Authority may wish to have a conflicts of interest policy in place.

4.1 Shareholder interaction with Border to Coast

The shareholders carry out their duties typically by written resolution, with advice from the section 151 and monitoring officers as deemed appropriate for each Partner Fund. In addition, it is envisaged that Border to Coast will hold an Annual General Meeting to provide the shareholders with a forum for discussion about the Company's performance against the wider pooling objectives and to hold the Border to Coast directors to account for this. This would also provide a forum for discussion regarding future strategic capability build and agreement for changes to the budget to support such developments.

¹ <http://www.cipfa.org/policy-and-guidance/articles/teckal-the-basics-explained>

The primary Border to Coast contact for shareholders will be with the Chair, CEO and COO.

5. Border to Coast's Governance Structure

Border to Coast's Board is committed to maintaining high standards of corporate governance and believes that a sound corporate governance framework enables efficient and effective decision making with clear accountabilities, contributing to achieving the Company's objectives and delivering long-term and sustainable value to its customers and shareholders.

The Board's intention is to achieve general adherence to the UK Corporate Governance Code² ("the Code"), notwithstanding business size and closed shareholding.

The responsibilities of the Board include setting the organisation's strategic aims upon recommendation from the Chief Executive; providing the leadership to put them into effect; supervising the management of the business; and reporting to shareholders on their stewardship. The Board's actions are subject to laws, regulations and the direction of the shareholders whose role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place.

5.1 The Role of the Board

The Board is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs, having due regards to its shareholders, customers and other stakeholders as a whole.

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management performance. The Board sets the Company's values and standards and ensures that its obligations to its shareholders, customers and other stakeholders are understood and met.

In carrying out these responsibilities, the Board must have regards to what is appropriate for the Company's business and reputation, the materiality of the financial and other risks inherent in the business and the relevant costs and benefits of implementing specific controls.

The Board should be comprised of suitably skilled and experienced individuals who collectively have sufficient knowledge and understanding of all the Company's markets and products to be able to discharge all their responsibilities in an effective, efficient and compliant manner.

The relevant laws, regulations and the Code all impose duties on the Directors of the Company, as set out in Appendix III to this Governance Charter.

Within the Board, the roles of Chairman and Chief Executive Officer are distinct, but they complement each other. The Code states that the Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The CEO's role is to ensure appropriate day-to-day management of the Company in line with the Board's strategy (see section 5.2 below).

In addition to the general requirements for all Directors, the Company Non-Executive Directors provide:

- Constructive challenge and contribute to the development of strategy;
- Scrutiny of the performance of management in meeting agreed goals and objectives;
- Monitoring of performance; and
- Review that financial information is accurate and that financial controls and systems of risk management are robust.

NEDs are also responsible for recommending for approval by the Shareholders appropriate levels of remuneration of Executive Directors and have a prime role in succession planning, appointing, and where necessary removing, senior management.

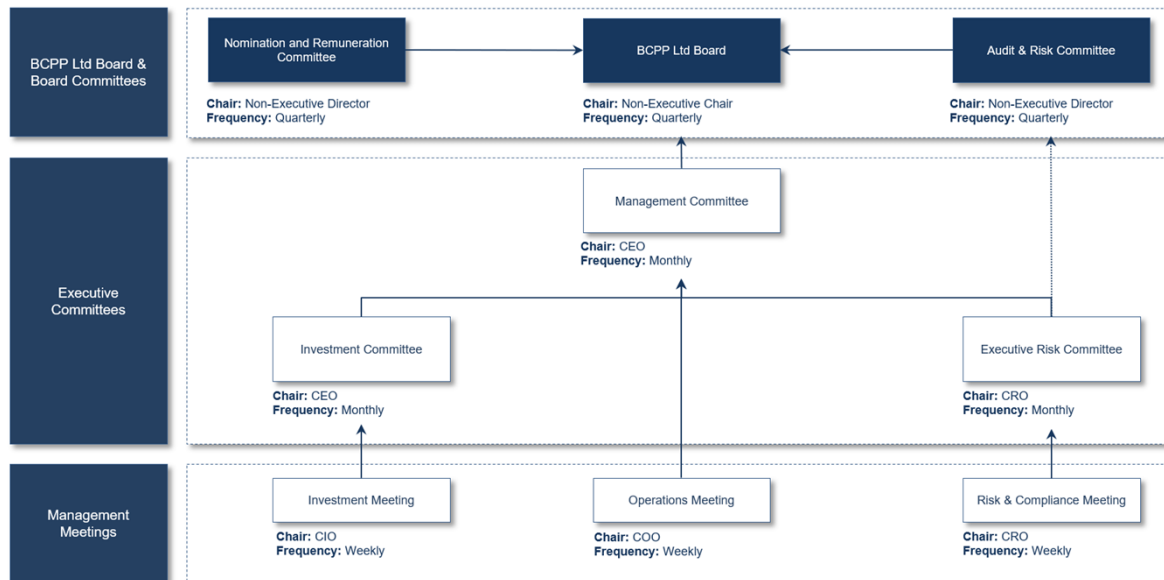
The Company has sought to include representation from its Shareholders and Partner Funds on the Board. The Partner Funds have been asked to nominate two individuals to act as full Board Members.

² [UK Corporate Governance Code](#)

5.2 The Role of the Border to Coast Management Team

The Board has delegated to the Chief Executive Officer the management of the Company on a day-to-day basis, subject always to those matters reserved for decision by the Board or its committees.

The Chief Executive Officer has in turn delegated certain of her responsibilities to her direct reports. A number of committees have been created to assist the Chief Executive Officer in her decision-making or to monitor certain activities. The management and chairing of certain committees have been delegated to certain of her direct reports as shown in the governance chart below.



The Chief Executive Officer reports regularly to the Chairman and the Board with appropriate, timely and quality information so that it can discharge its responsibilities effectively. Her specific responsibilities include the following:

- Strategy and Business Planning
- Leadership and Corporate Governance
- Human Resources
- Pensions
- Risk Management and Controls
- Finance
- Customer Services, Conduct Risk Management and Treating Customers Fairly
- Communications and Shareholder Liaison

5.3 The Role of the Regulator

Border to Coast is approved and regulated by the Financial Conduct Authority as an Alternative Investment Fund Manager. This means the Company and its employees must meet certain standards of conduct in the operation of its business. These requirements are set out in Appendix III. The Regulator may carry out investigations if it believes that an organisation is not meeting the appropriate standards. It has wide-ranging powers of intervention and sanction.

5.4 The Role of the Depositary

In a regulated collective investment vehicle such as the Border to Coast ACS, a depositary is appointed to act on behalf of investors. Northern Trust has been appointed as the depositary for the Border to Coast ACS. Its duties include:

- Safeguarding assets of the authorised fund via its custody services or utilising a sub-custodian
- Oversight of manager's activities e.g. unit pricing, dealing, portfolio management
- Oversight of how the manager is discharging its responsibilities
- Cash flow / liquidity oversight
- Distributions
- Protecting the best interests of investors
- Reporting breaches of FCA guidance to the FCA (including any due diligence findings).

Appendices

Appendix I: Terms of Reference of the BCPP Joint Committee

1. The primary purpose of the Joint Committee is to exercise oversight over investment performance of the collective investment vehicles comprised in the BCPP Pool.
2. The Joint Committee will provide effective engagement with the Authorities as the BCPP Pool vehicles are established and ultimately operated. It will encourage best practice, operate on the basis that all partners have an equal say and promote transparency and accountability to each Authority.

The remit of the Joint Committee is:

- 2.1. First phase – Period to April 2018 or operational commencement of the BCPP Pool (whichever is the later)
 - 2.1.1. To provide support and guidance to the work being undertaken by the Officer Operations Group to give effect to the pooling arrangements.
 - 2.1.2. To consider issues and provide feedback on relevant proposals as they are developed, ensuring effective engagement with the Authorities to scrutinise and monitor project management arrangements and proposals for the appointment of advisers by the Authorities.
 - 2.1.3. To oversee costs to deliver the BCPP Pool, obtaining approval from individual Authorities where necessary.
 - 2.1.4. To monitor and scrutinise responsibilities for delivery of the project and relevant support arrangements.
 - 2.1.5. To oversee and provide feedback on positions and conclusions deriving from work streams adopted by the Officer Operations Group.
 - 2.1.6. To formulate processes and policies for the appointment and termination of membership to the Joint Committee.
 - 2.1.7. To propose and confirm contracts and policies required by the Authorities to commence transition to the BCPP Pool arrangements.
 - 2.1.8. To provide support and guidance to the work being undertaken by the Officer Operations Group to do all things necessary to implement the final proposal, including preparatory work for asset transition.
 - 2.1.9. To consider the initial range of sub-funds to be provided by the ACS and to make recommendations to the BCPP Board for the creation of those sub-funds.
 - 2.1.10. To review and comment on the draft ACS prospectus and supporting documents on behalf of the Authorities prior to the Financial Conduct Authority approval.
- 2.2. Phase 2 – Post Establishment and Commencement of Operations
 - 2.2.1. To facilitate the adoption by the Authorities of relevant contracts and policies.
 - 2.2.2. To consider requests for the creation of additional ACS sub-funds (or new collective investment vehicles) and to make recommendations to the BCPP Board as to the creation of additional sub-funds (or new collective investment vehicles).
 - 2.2.3. To consider from time to time the range of sub-funds offered and to make recommendations as to the winding up and transfer of sub-funds to the BCPP Board.
 - 2.2.4. To review and comment on the draft application form for each additional individual ACS sub-fund on behalf of the Authorities prior to the Financial Conduct Authority approval (or the draft contractual documents for any new collective investment vehicle).
 - 2.2.5. To formulate and propose any common voting policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.
 - 2.2.6. To formulate and propose any common ESG/RI policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.

- 2.2.7. To formulate and propose any common conflicts policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.
- 2.2.8. To agree on behalf of the Authorities high level transition plans on behalf of the Authorities for approval by the Authorities for the transfer of BCPP assets.
- 2.2.9. To oversee performance of the BCPP Pool as a whole and of individual sub-funds by receiving reports from the BCPP Board and taking advice from the Officer Operations Group on those reports along with any external investment advice that it deems necessary.
- 2.2.10. To employ, through a host authority, any professional advisor that the Joint Committee deems necessary to secure the proper performance of their duties.

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Appendix II: Schedule of Matters Reserved for Decision by the Shareholders

PART A – Matters for approval by all of the Shareholders (unanimous consent required)

1. subject to FCA rules, extend the activities of the Company outside the scope of the Business or close down any operation of the Business;
2. subject to FCA rules, give any guarantee or indemnity outside the ordinary course of the Business to secure the liabilities of any person or assume the obligations of any person (other than a wholly owned subsidiary) (e.g. guaranteeing a lease that does not relate to the Business of the Company);
3. subject to FCA rules, enter into or vary any contracts or arrangements with any of the Shareholders or directors (other than service agreements and letters of appointment as directors) or any person with whom any shareholder or director is connected (whether as director, consultant, shareholder or otherwise) (e.g. any contract which could give preferential rights to a specific shareholder);
4. enter into any agreement not in the ordinary course of the Business and/or which is not on an arm's length basis;
5. enter into or vary any agreement for the provision of consultancy, management or other services by any person which will, or is likely to result in, the Company being managed otherwise than by its directors;
6. change the name of the Company;
7. pass a resolution or present a petition to wind up the Company or apply for an administration order or any order having similar effect in a different jurisdiction in relation to the Company unless in any case the Company is at the relevant time unable to pay its debts within the meaning of section 123 Insolvency Act 1986;
8. reduce or cancel any share capital of the Company, purchase its own shares, hold any shares in treasury, allot or agree to allot, whether actually or contingently, any of the share capital of the Company or any security of the Company convertible into share capital, grant any options or other rights to subscribe for or to convert any security into shares of the Company or alter the classification of any part of the share capital of the Company (in each case other than as expressly permitted by this Agreement and/or the Articles where no prior consent shall be required including, without limitation, pursuant to either **clause 4 (Finance & Regulatory Capital)** and/or **clause Error! Reference source not found. (Consequences of Breach)** and/or **Article 26** of the Articles (**Issue of Shares and Pre-Emption Rights**));
9. other than as expressly permitted by this Agreement and/or the Articles, redeem or buy any existing Shares or otherwise reorganise the share capital of the Company;
10. admit any person as a member of the Company or an investor in the BCPP pool;
11. enter into any partnership, joint venture or profit sharing arrangement with any person (excluding entering into any investment or investment vehicle);
12. alter any of the provisions of the Articles or any of the rights attaching to the Shares;
13. amalgamate or merge with any other company or business undertaking;
14. sell, lease (as lessor), license (as licensor), transfer or otherwise dispose of any of its material assets otherwise than in the ordinary course of the Business;
15. the removal and replacement of any Interim Directors, but for the avoidance of doubt not including any subsequent or replacement appointments of any director which shall be made under Part B below;
16. commence, settle or defend any claim, proceedings or other litigation brought by or against BCPP, except (i) in relation to debt collection (not exceeding £500,000) in the ordinary course

of the Business and (ii) in relation to any investment related claims or proceedings relevant to the ACS or other collective investment vehicles;

17. take out any third party loan(s) in respect of BCPP which (in aggregate) exceed the sum of £5,000,000;
18. form any subsidiary of BCPP, or acquire any shares in any other company, whether through subscription or transfer, such that the company concerned becomes a subsidiary of BCPP;
19. determine the composition, governance arrangements and limits of authority of any and all subsidiaries of BCPP;
20. approving and adopting a Subsequent Strategic Plan (including the Annual Budget) and/or amending any such Plan; and
21. make any capitalisation, repayment or other distribution of any amount standing to the credit of any reserve of the Company or pay or declare any dividend or other distribution to the Shareholders save that no consent will be required to pay the B Share Dividend.

PART B – Matters for approval by a Shareholder Majority only

1. enter into or materially vary any licence or other similar agreement relating to intellectual property to be licensed to or by the Company which is otherwise than in the ordinary course of the Business;
2. appoint or remove the auditors of the Company;
3. alter the Company's accounting reference date;
4. make any significant change to any of the Company's accounting or reporting practices other than conforming with any changes made to the accounting standards adopted by the Company;
5. approve the annual accounts of the Company;
6. determine the amount of, or any increase in, remuneration payable to any directors from time to time;
7. establish or amend any pension scheme (i.e. for employees of the Company);
8. subject to FCA rules, enter into any agency, distribution or similar agreement which confers or is expressed to confer any element of exclusivity as regards any goods or services the subject of such agreement or as to the area of the agreement or vary such an agreement to include any such exclusivity;
9. incur in any financial year any item or series of items of capital expenditure including finance leases (but excluding operating leases) of more than £5,000,000 (unless provided for in the Initial Strategic Plan or any Subsequent Strategic Plan);
10. enter into or vary any operating lease either as lessor or lessee, of any plant, property or equipment of a duration exceeding 5 years or involving aggregate premium and annual rental payments in excess of £100,000 (unless provided for in the Initial Strategic Plan or any Subsequent Strategic Plan);
11. adoption of (and any amendment of) any written conflicts policy;
12. approval of any conflict or potential conflict of interest any director may have which would preclude him or her from being included in the quorum of any meeting of the directors;
13. appointment of any subsequent director, any alternate director (who is not at the time a director of the Company) and including, for the avoidance of doubt any subsequent Chair in accordance with the Companies Act 2006 or otherwise; and
14. removal of any director and, for the avoidance of doubt, the Chair in accordance with the Companies Act 2006 or otherwise.

Appendix III: Legal and Regulatory Duties of the Board

Border to Coast's Regulator

As an asset management company, Border to Coast is regulated by the Financial Conduct Authority ("FCA").

Border to Coast Directors are "approved persons" (and at a future date will hold Senior Management Functions / Controlled Functions under the Senior Management Regime ("SMR")) for regulatory purposes and are required to act in accordance with the principles issued by the FCA.

The FCA requires Directors and senior managers to take appropriate practical responsibility for all matters likely to be of interest to the FCA and expects the Board to:

- Determine the Company's strategy and risk appetite;
- Identify and assess risks, implement controls and monitor how the controls are operating;
- Have reporting lines that are clear and appropriate, with the extent and limits of delegation made clear to all concerned; and
- Have regard to such generally accepted principles of good governance as it is reasonable to regard as applicable to it.

Further guidance can be found in the [FCA's handbook](#).

The FCA's Principles of Business

Border to Coast's Directors are responsible for the governance and oversight of the Company in relation to the [11 FCA Principles of Business](#):

1 Integrity	A firm must conduct its business with integrity.
2 Skill, care and diligence	A firm must conduct its business with due skill, care and diligence.
3 Management and control	A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
4 Financial prudence	A firm must maintain adequate financial resources.
5 Market conduct	A firm must observe proper standards of market conduct.
6 Customers' interests	A firm must pay due regard to the interests of its customers and treat them fairly.
7 Communications with clients	A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.
8 Conflicts of interest	A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
9 Customers: relationships of trust	A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.
10 Clients' assets	A firm must arrange adequate protection for clients' assets when it is responsible for them.
11 Relations with regulators	A firm must deal with its regulators in an open and cooperative way, and must disclose to the appropriate regulator appropriately anything relating to the firm of which that regulator would reasonably expect notice.

The Company operates its business in accordance with standards outlined above. The Head of Legal and Company Secretary and the Compliance function support the Board in fulfilling its responsibility for the governance and oversight of the Company in relation to the above FCA Principles of Business.

Duties under the Companies Act 2006

The [UK Companies Act 2006](#) requires a Director to display possession of the knowledge, skill and experience that may reasonably be expected of a person carrying out the role. It also codifies the following Directors' duties into law:

- To act within powers;
- To promote the success of the company for the benefit of its shareholders;
- To exercise independent judgment;
- To exercise reasonable care, skill and diligence;
- To avoid conflicts of interest;
- Not to accept benefits from third parties; and
- To declare interests in proposed transactions or arrangements.

Duty two requires Directors to have regard (amongst other matters) to the likely consequences of any decision in the long-term, the interests of employees, the need to foster relationships with customers, suppliers and others, the impact of operations on the community and the environment, the desirability of maintaining a reputation for high standards of business conduct and the need to act fairly as between shareholders. The government has stated that promoting success means striving for a "long term increase in value".

The conflict of interest provisions require Directors to avoid profiting from their position as a Director on an opportunistic basis and apply to exploiting an opportunity, property or information even when the company could not take advantage of it.

Individual Conduct Rules and Standards

Directors who hold Senior Management Functions / Controlled Functions are also subject to the [FCA's Code of Conduct](#). As such they are subject to the following individual conduct rules and standards:

- Rule 1: You must act with integrity.
- Rule 2: You must act with due skill, care and diligence.
- Rule 3: You must be open and cooperative with the FCA, the PRA and other regulators.
- Rule 4: You must pay due regard to the interests of customers and treat them fairly.
- Rule 5: You must observe proper standards of market conduct.

In addition to the above Conduct Rules, those Directors who hold certain specific SMR Functions / Controlled Functions are subject to the following additional FCA Conduct Rules:

- SC1: You must take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively.
- SC2: You must take reasonable steps to ensure that the business of the firm for which you are responsible complies with the relevant requirements and standards of the regulatory system.
- SC3: You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the discharge of the delegated responsibility effectively.
- SC4: You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice.

The Nolan Principles: the seven principles of public life

The Nolan Principles³ are the basis of the ethical standards expected of public office holders. This includes people who are elected or appointed to public office and all people appointed to work in public bodies such as the civil service; local government; the police; the courts and probation services; non-departmental public bodies; and health, education, social and care services. The principles also apply to all those in other sectors that deliver public services.

The principles are Selflessness; Integrity; Objectivity; Accountability; Openness; Honesty; and Leadership.

The Board expects all representatives of Border to Coast to abide by these principles.

³³ <https://www.gov.uk/government/publications/the-7-principles-of-public-life>



BCPP Joint Committee

Date of Meeting: 10th July 2018

Report Title: Joint Committee Membership

Report Sponsor: Ian Bainbridge

1.0 Executive Summary:

- 1.1 The issue of employer and scheme representation on the Joint Committee has previously been considered and not taken forward having had due regard to the guidance available at the time.
- 1.2 The Scheme Advisory Board has recently reviewed their guidance and has concluded that they would expect that employers and member representatives are involved by Scheme Managers (Administering Authorities) in assisting with the assurance of transparent reporting from pools and ensuring the effective implementation of strategies by pools. Such involvement should include the consideration of provision of direct representation on oversight structures.
- 1.3 If a decision is taken to offer either employer or scheme member representation or both on the Joint Committee it is considered appropriate to seek nominations and elections from the Local Pension Boards at each fund.
- 1.4 This guidance is not mandatory. The Joint Committee has the option of not offering employers or scheme members representation on the Joint Committee. If this is the case it is considered appropriate to adopt the “explain” approach and that clear reasons be set out why this is not considered appropriate.
- 1.5 The Constitution of the Joint Committee (as set out in the Inter Authority Agreement) allows for co-opted members on the Joint Committee in a non-voting capacity. This could include employer or scheme member representatives or both.

2.0 Recommendations:

- 2.1 The Joint Committee is recommended to consider, in the light of the revised Scheme Advisory Board guidance, whether employer representatives or scheme member representatives should be co-opted onto the Joint Committee in a non-voting capacity.
- 2.2 If a decision is taken to co-opt employer and/or scheme member representatives onto the Joint Committee, it is proposed that the representatives should be

sourced from the local boards and Officers will present a report to the next meeting of the Joint Committee setting out the process to be adopted and the terms of the appointment. To assist with this the Joint Committee's views on the issues set out in paragraph 7.9 would be welcomed.

- 2.3 If a decision is taken not to provide for employer and/or scheme member representation onto the Joint Committee, clear reasons should be provided for adopting this approach and this should be reported to the Local Pension Boards at each fund.

3.0 Governance Arrangements:

- 3.1 The governance arrangements for Border to Coast have been covered in the previous report to the Joint Committee on the Governance Charter. This sets out the roles of the Administering Authorities as both investors and shareholders.
- 3.2 Whilst not seeking to duplicate the governance arrangements in this report it is important to understand the role of the governance structures of the individual Administering Authorities, the Joint Committee and Border to Coast.
- 3.3 The Administering Authorities, acting as Scheme Manager for each Pension Fund acting through their Pensions Committee will retain responsibility for asset allocation, control over the investment strategy, the funding strategy and pensions administration.
- 3.4 Each Local Pension Board will continue to fulfil its statutory role in assisting the appropriate Scheme Manager in ensuring compliance with regulations and the effective and efficient governance and administration of the LGPS.
- 3.5 The Joint Committee has been established to provide a forum for the Administering Authorities as investors and clients of Border to Coast. The agreed terms of reference for the Joint Committee note that the primary purpose of the Joint Committee is to exercise oversight over investment performance of the collective investment vehicles of Border to Coast. It was also recognised that the role of the Joint Committee would evolve as Border to Coast became operational.
- 3.6 The Administering Authorities are also the owners of Border to Coast and in this capacity exert control through a Shareholder Agreement and voting rights across a range of reserved matters. Each Administering Authority owns a single voting share.
- 3.7 Border to Coast is regulated by the Financial Conduct Authority and has a Board of Directors, which is collectively responsible for directing and supervising the Company's affairs.
- 3.8 It has been consistently asserted that each Administering Authority should have an equal voice within the pool structures. The principle of 'one fund one vote' is a key tenet of the pooling arrangement that has been established.

4.0 Constitution of the Joint Committee:

- 4.1 When considering membership of the Joint Committee it is important to consider this in the light of the Constitution of the Joint Committee as set out in the Inter Authority Agreement.

- 4.2 The Constitution states that the “Joint Committee shall consist of one elected member appointed by each Authority” and that “each Member of the Joint Committee shall have one vote”.
- 4.3 The Constitution also states that “The Joint Committee may co-opt such other persons as it sees fit to be members of the Joint Committee but without power to vote.”

5.0 Previous Consideration of Co-Opted Members on Joint Committee

5.1 Members will be aware that prior to the formal establishment of the Joint Committee a more informal group called the Member Steering Group (MSG) existed.

5.2 The Member Steering Group (MSG) first discussed the role of non-voting advisors and employee representatives in the context of membership of the Joint Committee at a meeting on 24 June 2016, held before the final submission to government on 15 July 2016. In general terms it was agreed by the MSG that:

“Only the 12 Member Funds with an equal shareholding in BCPP would have a vote on the Joint Committee, but that it could appoint non-voting advisors where it was considered to be appropriate.”

5.3 Such voting rights would be consistent with the establishment of a Joint Committee under local government law.

5.4 At the same meeting on 24 June 2016, there was a discussion about the possibility of a Trades Union representative being invited to a place on the Joint Committee. This is minuted as follows:

“There was a detailed discussion as to whether Trades Union representatives should be offered a non-voting position on the Joint Committee. Following an indicative vote, it was agreed that consideration be given to amending the consultation response to indicate that future consideration would be given to providing a non-voting position to a member representative on the Joint Committee when the Committee is formally constituted. Approval of the amended wording would be for each Fund to agree.”

5.5 Based on this, the submission to Government of 15 July 2016 (page 14) included the following comment:

“Throughout the project implementation stage to formally establish and constitute the Joint Committee, consideration will be given to the creation of an observer post for a Scheme Member representative from the partner funds’ membership. Due to the core principle of each shareholder having an equal vote, the status of this seat would be as a non-voting observer.”

5.6 The issue of co-opting members on to the Joint Committee was also subject of a further report to Joint Committee in November 2016. The following was agreed;

“Any additional attendees of the Joint Committee beyond the 12 voting Funds will have observer status with the ability to participate in discussions but not able to vote.

There will not be separate scheme employer representation on the Joint Committee.

The Joint Committee will not have advisors as permanent additional members.

There would be no Joint Committee members beyond the 12, that other individuals (e.g. advisers) may be invited to attend meetings from time to time, and that this approach would be revisited if/when the Scheme Advisory Board issues guidance.”

- 5.7 The overall conclusion was that there would be no additional co-opted members on the Joint Committee, but this approach would be revisited if/when the Scheme Advisory Board issued guidance. Whilst most of the focus on the earlier discussions was on scheme member representation, the issue of employer representation was also discussed.

6.0 Guidance on Membership of the Joint Committee

- 6.1 In 2016 the Chartered Institute of Public Finance and Accountancy issued guidance entitled “investment pooling governance principles”.

- 6.2 Whilst this guidance recognised that each “pool” would adopt different approaches to pooling and establish differing governance arrangements, it was envisaged that each pool would establish some form of “oversight committee” which in most cases would be a joint committee consisting of at least one member from each administering authority. The guidance also suggested that a joint committee might co-opt members or observers such as

- Scheme member representatives
- Employer representatives
- Advisors – for example, an independent advisor or investment consultant representing the administering authorities collectively.

- 6.3 This guidance from CIPFA was available at the time this issue was last considered at the Joint Committee in November 2016 and was included in the report to that meeting.

- 6.4 However, since the November 2016 meeting the Scheme Advisory Board has issued guidance.

- 6.5 On 23rd March 2017 the Scheme Advisory Board (SAB) made the following statement on its website.

Board Statement on Pool Governance following the meeting of the Board on 6th March 2017, the following statement was agreed:

"The Board recognises that it is for scheme managers within each pool to develop appropriate governance to assure all stakeholders of the transparent and effective implementation of strategy. In this respect the Board notes the comments made by the Local Government minister Marcus Jones MP on this matter in the Westminster Hall debate on 24th October 2016.

The board recognises that strategic decisions on asset allocations and responsible investment will remain at the local level and therefore the involvement via local pension boards of those employers beyond the scheme manager along with member representatives in those areas would continue.

However the Board also encourages scheme managers to involve those same employers and member representatives in assisting with the assurance of transparent reporting from pools and ensuring the effective implementation of strategies by pools. Such involvement should include the consideration of provision of direct representation on oversight structures."

6.6 This guidance has recently been reviewed and updated

At its meeting on the 16th February 2018, the Board agreed to review the wording of the policy statement on pool governance published here on the 23rd March 2017. The following statement was subsequently agreed (revised text shown in bold) –

"The Board recognises that it is for scheme managers within each pool to develop appropriate governance to assure all stakeholders of the transparent and effective implementation of strategy. In this respect the Board notes the comments made by the then Local Government minister Marcus Jones MP on this matter in the Westminster Hall debate on 24th October 2016

The Board recognises that strategic decisions on asset allocations and responsible investment will remain at the local level and therefore the involvement via local pension boards of those employers beyond the scheme manager along with member representatives in those areas would continue.

*However the Board **would expect that** scheme managers involve those same employers and member representatives in assisting with the assurance of transparent reporting from pools and ensuring the effective implementation of strategies by pools. Such involvement should include the consideration of provision of direct representation on oversight structures. **In line with the UK Corporate Governance Code principle of 'comply or explain', any pool making a decision to exclude member representatives from their formal oversight structures should publish this decision and formally report the reasons to the local pension boards which the pool serves."***

6.7 In the light of this revised guidance and the fact that the Joint Committee agreed to revisit the approach to co-opting additional members to the Joint Committee, it is considered appropriate to bring this issue back to the Joint Committee for consideration.

6.8 Whilst the focus has largely been on the scheme member representation, it should be noted that the advice from the SAB also covers employers, other than the

Administering Authority. Interestingly however, the comply or explain part of the guidance only refers to an exclusion of member representatives and not employer representatives.

- 6.9 The original and the revised guidance from the SAB does not however, cover the issue of other advisors such as an independent investment advisor. This report therefore, does not seek to revisit the Joint Committee decision not to have a permanent advisor appointed in this capacity. This issue can be considered again at a later date should it be considered appropriate.
- 6.10 Whilst the guidance has been firmed up from the original version it is not mandatory. Should the Joint Committee determine that it does not want to offer employers or scheme members representation on the Joint Committee it is considered appropriate that the “explain” approach should be adopted and clear reasons set out why this is not considered appropriate. Whilst the guidance does not specifically suggest the “explain” approach relates to employer representatives, it could be considered to be good practice to do so.

7.0 Potential Process for Appointing Employer and/or Scheme Member Representatives

- 7.1 Should the Joint Committee decide to offer a non-voting place on the Committee for scheme members and other employers, consideration would need to be given as to what process should be adopted to identify suitable candidates.
- 7.2 It is worth noting that there are likely to be practical difficulties in sourcing suitable co-opted members from a group of funds spread over a wide and diverse geographical area, with a diverse range of participating employers.
- 7.3 The SAB guidance notes that it recognises the continuing involvement of ‘employers beyond the scheme manager along with member representatives’ in local level decisions on asset allocations and responsible investment via their involvement in local pension boards.
- 7.4 The guidance goes on to note that the SAB expects that ‘those same employers and member representatives’ are involved by scheme managers ‘in assisting with the assurance of transparent reporting from pools and ensuring the effective implementation of strategies by pools. Such involvement should include the consideration of provision of direct representation on oversight structures.
- 7.5 Taking this into account it is considered appropriate to seek nominations for these roles from existing Local Board representatives at the 12 Administering Authorities. Selecting members from the Local Boards means that they should have a good level of knowledge and understanding of the LGPS and the pooling agenda from their involvement in the Local Board. Furthermore, it would be in keeping with the wording of the SAB guidance – specifically the reference to ‘those same employers and member representatives’.
- 7.6 To focus the process through the Local Boards should significantly simplify the election process. The Chairs of each Local Pension Board could be asked to vote on behalf of each Board.
- 7.7 Due to the current size of the existing Joint Committee, which at 12 is quite large it

is suggested that the nominations for employer and scheme member representatives should be limited to one or two each.

7.8 It may be entirely reasonable the Joint Committee decides to allow scheme member representation and not further employer representation as it is not clear that there is any demand or appetite from employers for this. It may even be that if a position is offered it may not be taken up. To offer the place would provide equity between the employer and scheme member position. It is worth reiterating that, in line with the SAB guidance, any employer representation would have to come from an employer other than one of the 12 Administering Authorities.

7.9 If co-opted membership is to be offered to employer and/or scheme members it is proposed that the Officers should further develop the selection process, including some terms of the appointment which can be presented to the next meeting of the Joint Committee. To assist with this the Joint Committee's view would be welcomed on the issues set out below. This will allow the Officers to develop the selection process.

- The term of the appointment. Should this be on an annual basis or for a longer period to ensure continuity?
- Whether to align the terms of appointment to the Council's municipal year.
- Whether substitutes should be allowed if the main representative is not available.
- If more than one co-opted member is allowed, whether there should a restriction of no more than one from any one fund.

8.0 The Position at other Pools

8.1 This is an issue facing all of the pools. To assist the Joint Committee the table below shows the approach adopted by the other pools.

Pool	Position on employer and scheme member representation
Brunel	<p>Brunel operates an Oversight Board rather than a Joint Committee. This is because the Environment Agency would be excluded from any Joint Committee arrangement. It has no decision making powers but gives a steer to the Company and individual funds.</p> <p>There are two member representatives on the Oversight Board and they operate without any voting powers.</p> <p>There are no other employer representatives on the Oversight Board.</p>
Access	<p>A Joint Committee has been established. No employer or scheme member representation is in place. This issue is however, likely to be reviewed at a future meeting in the light of the updated Scheme Advisory Board guidance.</p>

Central	<p>A Joint Committee has been established and is in operation. A decision has recently been taken to have one trade union representative on the Joint Committee. It is understood that nominations will be sought from across the funds in the pool. The issue of voting rights is still to be determined.</p> <p>An employer representative is not being considered.</p>
Local Pension Partnership (LPP)	<p>LPP don't have a Joint Committee as LPFA can't be on a Joint Committee. Instead they have a corporate board with shareholder representatives on it. There is no employer or scheme member representation.</p>
London CIV	<p>LCIV are in the process of restructuring their governance arrangements following the recent review. The proposal is to set up a consultative shareholder committee to provide ongoing advice to the Company.</p> <p>The consultative committee will consist of eight Councillors, four Section 151 Officers plus the LCIV chair. They will be inviting a trade union representative as an observer.</p> <p>Oversight on investment is being provided via the equivalent of the OOG and by pension committees directly.</p>
Northern	<p>Northern has not yet formalised its Joint Committee, but the intention is to have three representatives from each fund, one of which will be a trade union representative. The union representative will have voting rights. There is no intention to have other employer representatives involved in the Joint Committee.</p>
Wales	<p>There is a Joint Committee. There is no employer or scheme member representation. It's likely that this will be reviewed following the latest SAB guidance.</p>

8.2 As can be seen from the table above four of the seven other pools either have or are intending to have scheme member representation (some have stated explicitly trades union representation) on their oversight committees. Only the Northern Pool will be offering voting rights. Of the three others, two have indicated that they will be reviewing their position in the light of the latest Scheme Advisory Board guidance.

8.3 None of the pools has any scheme employer representatives other than the representatives from the administering authorities.

9.0 Conclusion

9.1 The Constitution of the Joint Committee allows for co-opted members on the Joint Committee in a non-voting capacity. This could be employer or scheme member representatives or both.

- 9.2 The issue of employer and scheme representation on the Joint Committee has previously been considered and not taken forward.
- 9.3 The SAB has recently reviewed their guidance and has concluded that they would expect that employers and member representatives are involved by Scheme Managers in assisting with the assurance of transparent reporting from pools and ensuring the effective implementation of strategies by pools. Such involvement should include the consideration of provision of direct representation on oversight structures.
- 9.4 This guidance is not mandatory. The Joint Committee has the option of not offering employers or scheme members representation on the Joint Committee. If this is the case it is considered appropriate that the “explain” approach should be adopted and clear reasons set out why this is not considered appropriate.
- 9.5 If a decision is taken to offer either employer or scheme member representation or both on the Joint Committee it is considered appropriate to seek nominations and elections from the Local Pension Board at each fund.
- 9.6 The situation at other pools is mixed with four of the seven having some form of scheme member representation and two of the others noting that they will be revisiting this issue in the light of the latest guidance. None of the other pools have offered other employer representation.

10.0 Recommendations

- 10.1 The Joint Committee is recommended to consider, in the light of the revised Scheme Advisory Board guidance, whether employer representatives or scheme member representatives should be co-opted onto the Joint Committee in a non-voting capacity.
- 10.2 If a decision is taken to co-opt employer and/or scheme member representatives onto the Joint Committee, it is proposed that the representatives should be sourced from the local boards and Officers will present a report to the next meeting of the Joint Committee setting out the process to be adopted and the terms of appointment. To assist with this the Joint Committee’s views on the issues set out in paragraph 7.9 would be welcomed.
- 10.3 If a decision is taken not to provide for employer and/or scheme member representation onto the Joint Committee, clear reasons should be provided for adopting this approach and this should be reported to the Local Pension Boards at each fund.

Report author:

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BCPP Joint Committee

Date of Meeting: 10th July 2018

Report Title: Border to Coast Performance Measures

Report Sponsor: BCPP CEO – Rachel Elwell

1 Executive Summary:

- 1.1 Now that Border to Coast is “live”, attention turns to considering whether it is operating in line with the principles, and achieving the objective, set by the Partner Funds. Central Government (MCLHG) and the Scheme Advisory Board are keen that Partner Funds consider how the pool operators will be held to account, but it may also be useful to consider whether the Border to Coast pool (i.e. Border to Coast, the pool operator, together with the Partner Funds) is collectively meeting its objectives.
- 1.2 To facilitate the discussion about “what does success look like”, we have included some thoughts in the attached “Border to Coast Performance Measures Discussion Slidepack”. These include a reminder of the principles and objective set by Shareholders, together with a potential framework for looking at how Border to Coast might “make a difference to investment outcomes for Local Government Pension Funds” under the headings of scale, regulation, structure and customer focus.
- 1.3 The metrics are intended to give an overall pool view rather than an individual Partner Fund view (which would be something Partner Funds may wish to consider themselves) – noting that individual investment performance will be available via the separate regular investment reporting that has been agreed on a monthly / quarterly / annual basis. It is also noted that overall return for Partner Funds will be dependant on Strategic Asset Allocation (SAA), and therefore Scheme-specific long-term risk-adjusted return will remain a joint responsibility given that Pension Committees retain SAA.
- 1.4 There may be a difference in the metrics during transition and in steady state. In particular (risk-adjusted) long-term performance metrics are ultimately the most important but it will take time to develop a long-term track record. The short-term focus may be more on the development of capability to enable Partner Funds to implement their Strategic Asset Allocation via the pool.
- 1.5 There may also be a difference between shareholder metrics and customer metrics. Shareholders will want to understand the risks to capital, the performance against budget and that governance is in line with the requirements set out in the shareholder agreement. Customers will want to know that the investments are performing as expected and that the capabilities they need to implement SAA are available.

- 1.6 Alongside the metrics, we anticipate developing actions to be taken in the event the metrics suggest performance is not as expected.
- 1.7 The Border to Coast Board will be considering the same question at its meeting on 10th July 2018 following the Joint Committee, and would welcome the Joint Committee's thoughts on appropriate and relevant metrics for development over the coming months.
- 1.8 Following feedback from the Joint Committee and the Board, we will work with Partner Fund Officers to develop appropriate detailed metrics and associated actions for discussion at future Joint Committee and Board meetings.

2 Recommendations

- 2.1 The Joint Committee is asked to provide feedback and to discuss the key areas in which metrics for measuring success of the pool operator and the pool should be developed.

3 Risks

- 3.1 The governance of Border to Coast is relatively complex with many different stakeholders. It is important that we are able to have a shared understanding of how decisions are made and how progress and performance is overseen in order to achieve the pooling objectives effectively and efficiently.

4 Conclusion

- 4.1 The Joint Committee is asked to approve the recommendations in section 2.

5 Author:

Rachel Elwell, rachel.elwell@bordertocoast.org.uk, 1 July 2018

6 Supplementary Reading:

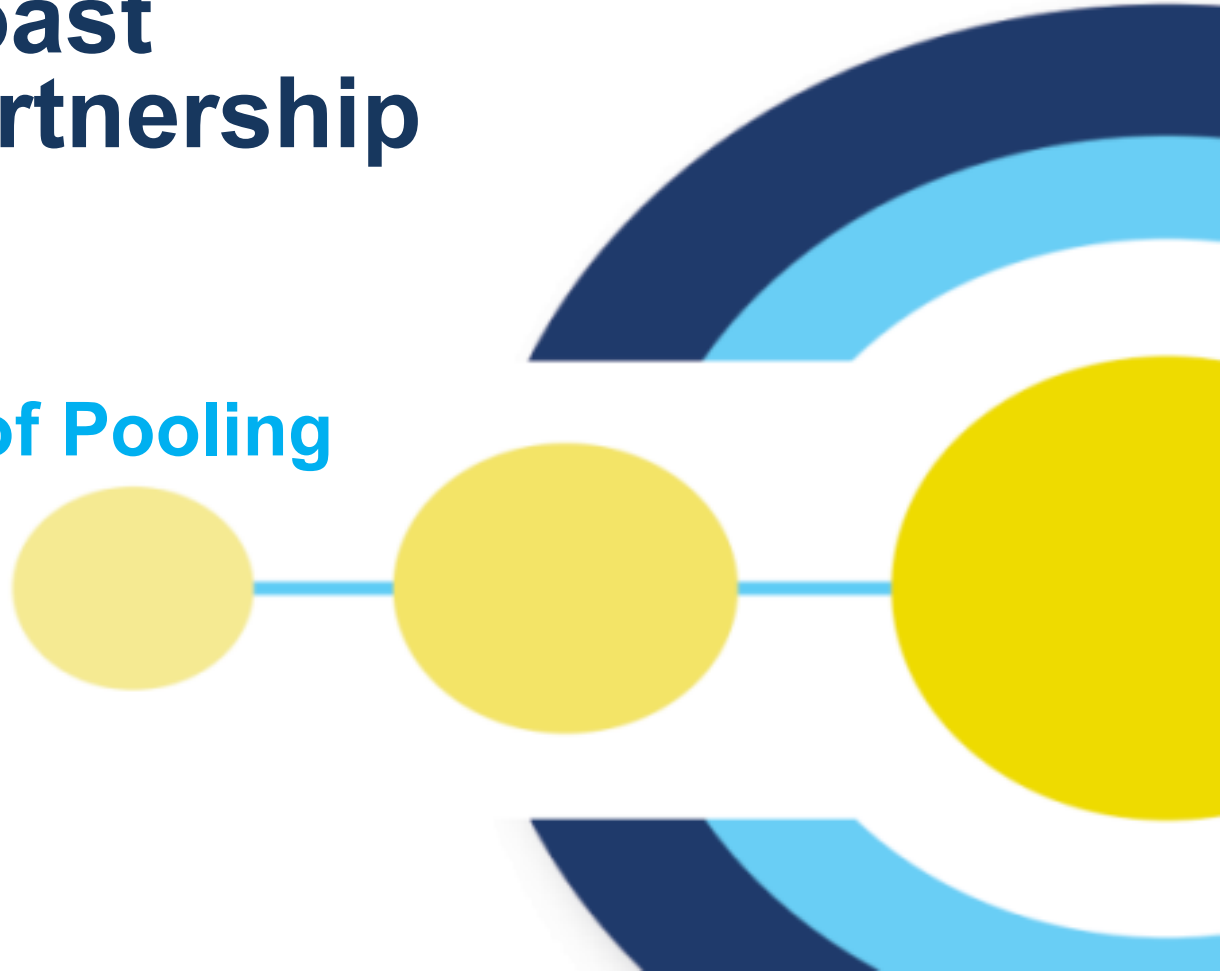
Border to Coast Performance Measures Discussion Slidepack, 1 July 2018

Border to Coast Pensions Partnership Ltd

Draft Measures of Pooling Success

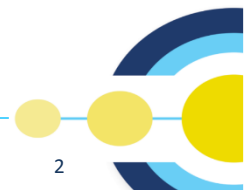
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Rachel Elwell
Border to Coast

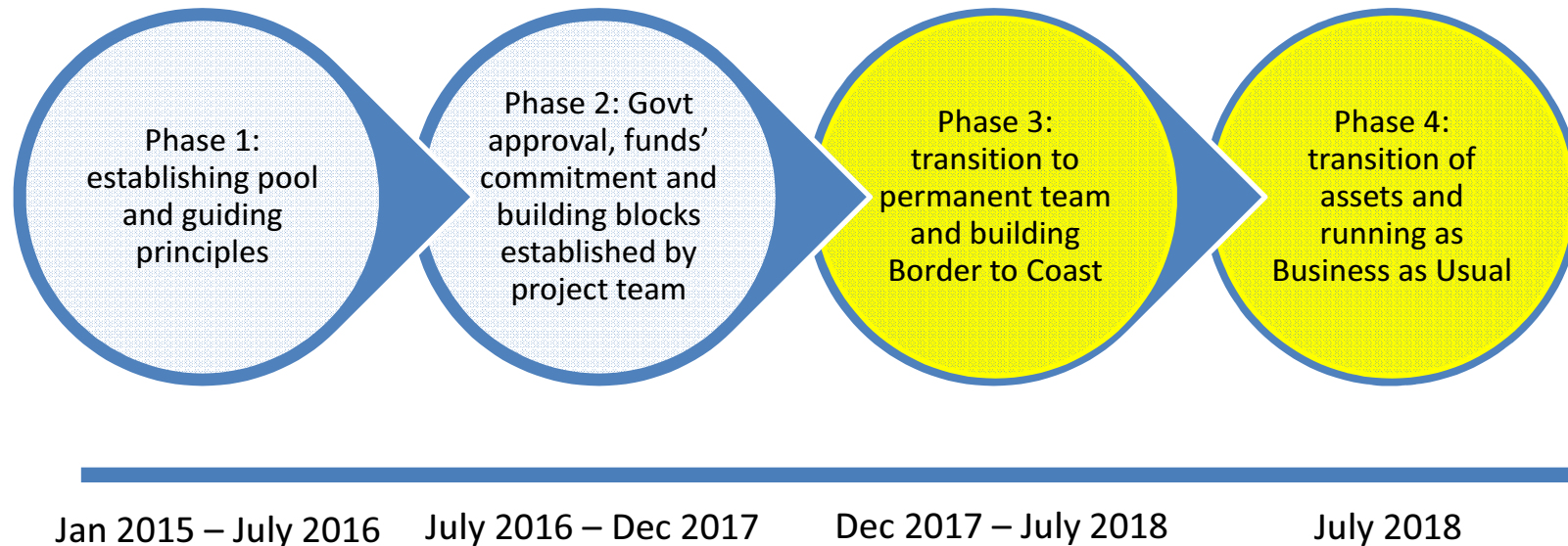


Border to Coast: Why Are We Here?

Making a difference to investment outcomes for Local Government Pension Funds through *pooling* to create a stronger voice; working in *partnership* to deliver cost effective, innovative, and responsible investment now and into the future; thereby enabling great, sustainable *performance*.



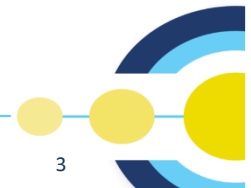
Border to Coast: the story so far



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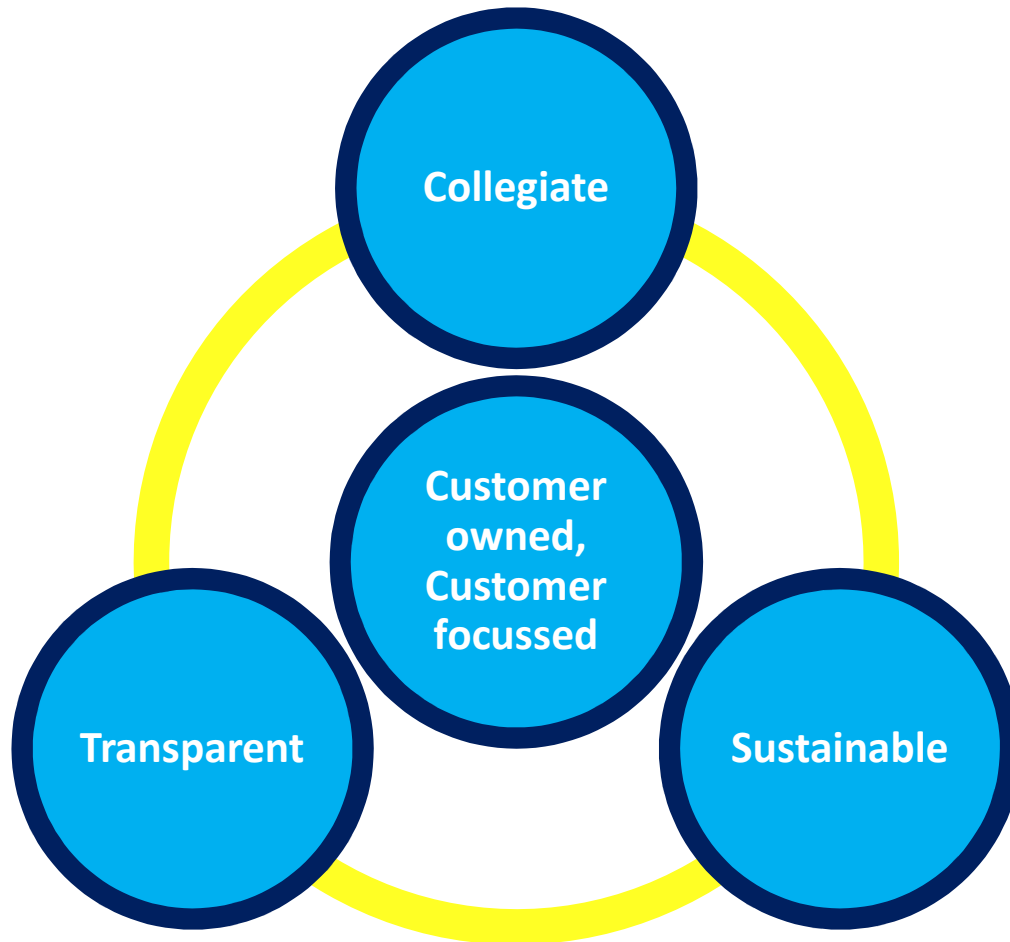
Guiding principles

1. Meet Government aims (governance, RI, VFM and infrastructure)
2. One Fund, One Vote
3. Funds retain governance role and ownership of asset allocation
4. Generate improved net of fees risk adjusted performance
5. Internal management capability
6. Improved resilience and capacity over existing structures
7. Shared team in one location (Leeds)



Border to Coast: What Do We Want To Be?

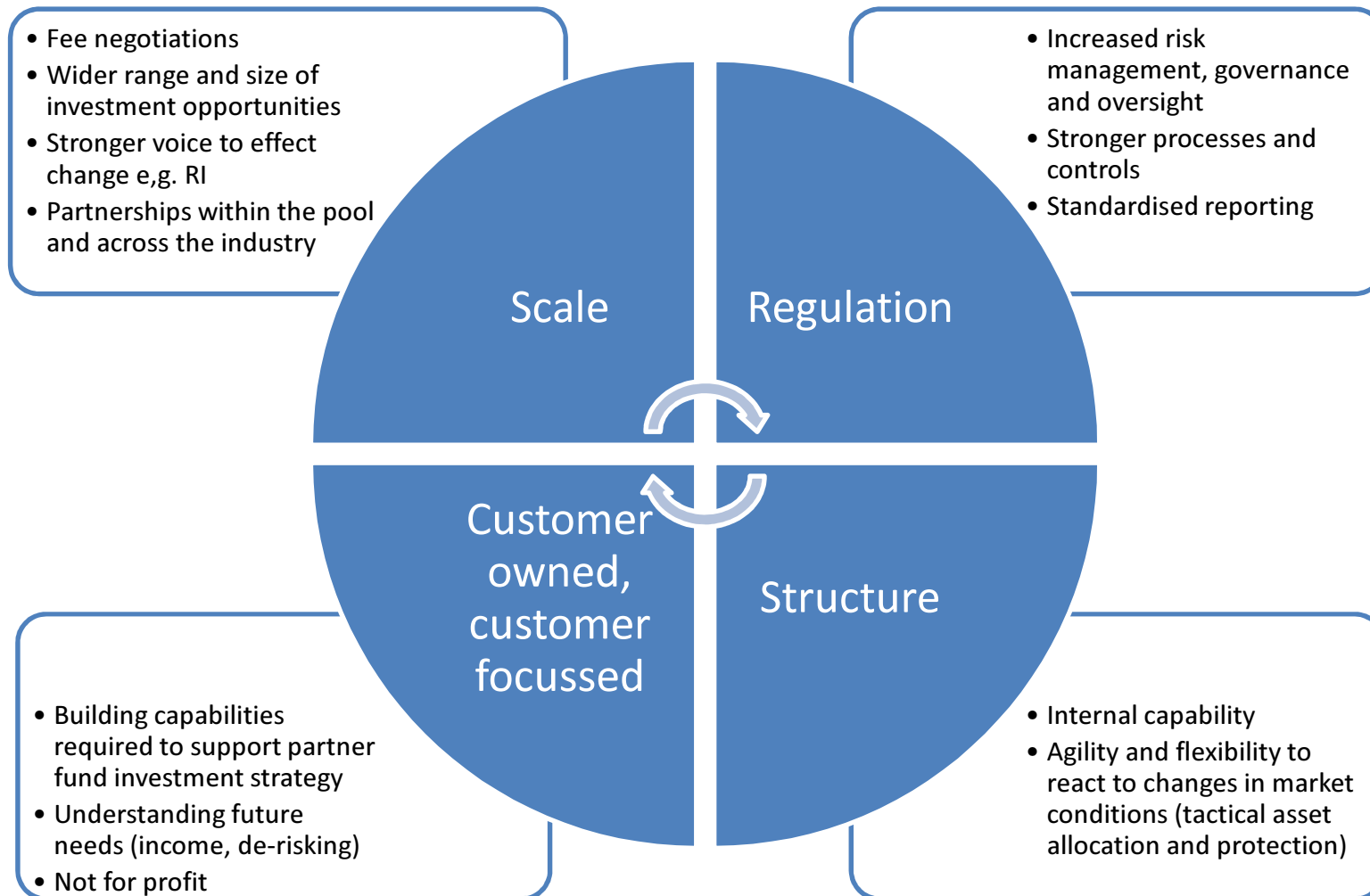
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- a **collegiate** organisation: working together in an **open** and **trusting** environment with shared vision and goals to deliver **long-term, strong** and **sustainable outcomes** for customers;
- a **sustainable** organisation: investing in our colleagues by facilitating **work-life balance**; by encouraging personal and professional **development**; and supporting a **creative, flexible** and **open to change** culture that is equipped to evolve new capabilities as customer needs change;
- a **transparent** organisation: maintaining customer and public **trust** in Border to Coast's **integrity** to enable us to deliver our objectives.



Border to Coast: making a difference



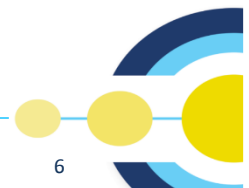
Financial Metrics?

During Transition

- Delivery of transition plan (Assets Under Management, investment capabilities)
- Costs vs budget (during implementation and ongoing)
- Sustainability:
 - Regulatory capital
 - Working capital
 - Funding for future developments
- Short-term sub-fund performance

Steady State

- Long-term risk-adjusted investment performance
- Assets Under Management
- Costs vs budget (savings vs baseline)
- Sustainability:
 - Regulatory capital
 - Working capital
 - Breakeven costs per sub-fund
 - Funding for future developments



Other Metrics?

- Customers:
 - Risk-adjusted net return per Partner Fund
 - Customer service satisfaction scores (service levels, reporting, training, etc)
- External:
 - Press coverage
- Sustainability:
 - Voting and engagement record
 - UNPRI benchmarking
 - Corporate responsibility
- Employee engagement
 - Recruitment / retention
 - Market benchmarking
 - Training & development
 - Brand recognition
- Key Risk Indicators
 - Regulatory compliance (FCA and public sector, e.g. FOI)
 - Investment breaches
 - Supplier metrics on material outsource contracts



Border to Coast Pensions Partnership Ltd





BCPP Joint Committee

Date of Meeting: 10th July 2018

Report Title: Revised Conflicts of Interest Policy

Report Sponsor: Border to Coast CEO, Rachel Elwell

1 Executive Summary:

- 1.1 The Conflicts of Interest Policy sets out how the Company and Board will identify and manage any actual, potential or perceived conflicts of interest.
- 1.2 Engagement is required with the Shareholders to agree how the Board will practically satisfy the requirements of Schedule 1 Part B items 11 and 12 of the Shareholders Agreement as follows:

“11. adoption of (and any amendment of) any written conflicts policy;
12. approval of any conflict or potential conflict of interest any director may have which would preclude him or her from being included in the quorum of any meeting of the directors;”
- 1.3 This requires 75% of shareholders to grant approval in order to be passed.
- 1.4 The latest version of the policy incorporating feedback from Partner Fund Officers is included at Appendix I. This was approved by the Board on 25th June 2018 for recommendation to the shareholders for approval.
- 1.5 The next step is to share the conflicts of interest policy with shareholders for approval (as this is a matter reserved to shareholders under the shareholder agreement). We are sharing this with the Joint Committee for information ahead of issuing to shareholders for formal approval. We would like the policy to be signed off by the end of July given the importance of this area.
- 1.6 We have also discussed with Partner Funds a possible practical to approach to the day-to-day management of conflicts that may arise after appointment. A proposal has been made to authorise a panel of three statutory officers to provide sign off outside of an annual review process. This is covered in section 3 and Appendix II.

2 Recommendation:

- 2.1 The Joint Committee is asked to note the conflicts of interest policy and proposed shareholder resolution as set out in Appendices I and II.

3 Route to approval:

3.1 Engagement is required with the Shareholders to agree how the Board will practically satisfy the requirements of Schedule 1 Part B items 11 and 12 of the Shareholders Agreement as follows:

“11. adoption of (and any amendment of) any written conflicts policy;

12. approval of any conflict or potential conflict of interest any director may have which would preclude him or her from being included in the quorum of any meeting of the directors;”

3.2 This requires 75% of shareholders to grant approval in order to be passed.

3.3 In addition to sharing the conflicts of interest policy for approval, the shareholders will be asked to approve a resolution. A draft resolution, subject to consultation with the shareholders, is included at Appendix II.

3.4 In particular we note the following proposal, which has been discussed with s151 officers at the Partner Funds:

- The conflicts of interest policy will be reviewed and presented to the shareholders for approval on an annual basis. This is envisaged to form part of the annual sign off of other areas such as budget.
- Any potential or actual conflicts of interest for directors will be reviewed by shareholders on appointment as part of the appointment approval process.
- For any matters on conflicts of interest arising outside of the annual review process and / or appointment process, the shareholders will authorise a panel of any 3 statutory officers from the Partner Funds to provide advice and sign-off on their behalf. These will subsequently be reported to Partner Funds. Any areas put forward by the Border to Coast Board that are not unanimously approved by the panel will be submitted to the shareholders for review.

4 Risks:

4.1 In the context of Border to Coast’s values and ethos of having customers at our heart, transparency and integrity, and the public sector scrutiny to which we are subject (and hence increased reputational risk), it is important that we identify and appropriately manage any actual or potential conflicts across the organisation. This is part of building trust with our stakeholders.

4.2 Conflicts of interest also has particular regulatory scrutiny given the implications for treating customers fairly.

4.3 Where actual or potential conflicts arise in the ordinary course of business, it is important that we can react quickly to these. Therefore it is important that we agree with shareholders a practical way to deal with these intra-sign off of the policy.

5 Report Author:

Rachel Elwell, CEO, rachel.elwell@bordertocoast.org.uk, 19 June 2018

6 Supporting Documentation:

Appendix I: Border to Coast Conflicts of Interest Policy

Appendix II: Draft Shareholder Resolution

DRAFT

Conflict of Interest Policy

Border to Coast Pensions Partnership



June 2018

Document Control

1. Version and Review History

Version no.	Version Description	Approver	Date
V0.1	First draft	David Hayward / Eversheds	Summer 2017
V0.2	Incorporating updates from CRO, Company Secretary, Non-Exec Directors	Head of Legal and Company Secretary	16 th May 2018
V0.3	Incorporating Customer specific updates	Head of Legal and Company Secretary	22 nd May 2018
V0.4	Incorporating Customer feedback	CEO	19 th June 2018

2. Approval and Sign Off

Approved By	Position	Version	Date
Manda McConnell	Chief Risk Officer	V0.4	19 th June 2018

3. Board Approval

Approved By	Version	Date
The Board	V0.4	25 th June 2018
Shareholders	X.X	XX

4. Key Dates

Event	Date
Effective Date	01/01/2018
Next Review Date	31/12/2018

5. Key Roles

Stakeholder	Role	Status
Head of Compliance	Document owner responsible for the management and amendment process, along with ensuring distribution of the framework	Drafter
Head of Legal and Company Secretary	Responsible for the management and amendment process in relation to Directors Conflicts.	Drafter
CRO	Review ongoing drafts to ensure completeness	Reviewer
Board	Approve the policy	Approver
Shareholders	Approve the policy	Approver
Staff	Informed of the policy and follow its requirements	Informed

1. Introduction

1.1 Purpose of this Document

Border to Coast is required to maintain and operate effective organisational and administrative arrangements to ensure all reasonable steps are taken to prevent Conflicts of Interest from adversely affecting the interests of the customers. This policy describes the circumstances that could constitute, or give rise to, a conflict of interest and the principles to be followed to identify and manage such conflicts.

Border to Coast works actively to continually achieve their obligations under the FCA's Principles for Business, PRIN. Whilst all the Principles must be embodied in all of Border to Coast's work, the Principles of direct application to this policy are Principle 6 and Principle 8, (see [PRIN 2.1.1R](#)).

Principle	Coverage	Requirement
Principle 6	Customers' Interests	A firm must pay due regard to the interests of its customers and treat them fairly
Principle 8	Conflicts of Interest	A firm must manage Conflicts of Interest fairly, both between itself and its customers and between a customer and another customer

The purpose of this document is to outline our policy to ensure Border to Coast, and our Board and staff members, both permanent and contracted, pay due regard to the interests of each customer, Principle 6, and manage any real or potential Conflicts of Interest fairly and effectively, Principle 8. In this policy, a reference to "Border to Coast" means the company and its directors and employees in both a corporate and individual capacity.

This specifically applies when Border to Coast has, or may have, a conflict of interest between:

- The firm and the duty owed to the customers;
- Firms connected to Border to Coast and the duty owed to the customers; or
- The duties owed by one customer to another.

As a principle, Border to Coast should not provide services in a manner that will advance one customer's interests unfairly over another's. We should not treat our customers inequitably, nor deal in relation to a transaction in which we have a material interest, unless we have taken all reasonable steps to ensure the fair treatment of the customer or, if this is not possible, ensure we have appropriately and clearly disclosed that material interest to the customer. In some cases, it may not be appropriate for Border to Coast to engage in an activity where there is a conflict of interest.

Employees' attention is drawn to their individual responsibilities as outlined in Section 2.3. Board directors should also refer to section 4 of this policy for further information relating to them in their role as a company director.

1.2 Amendments and Implementation

This policy will be reviewed annually by the Head of Compliance and reviewed by the Audit and Risk Committee for recommendation by the Board for final approval by the Shareholders.

1.3 Guidance and Definition

This policy should be read alongside the following documents:

- the Governance Charter;
- the Remuneration policy;
- the Responsible Investment policy;
- the Product Development and Review policy;
- the Compliance Manual;
- the Gifts and Hospitality policy; and
- the Anti-Bribery and Corruption policy.

2. Principles

We will take all reasonable steps to identify Conflicts of Interest between ourselves (including our Board, staff members or any person directly or indirectly linked to us by control) and any of the customers, or between one customer and another, that arises or may arise during providing any service to our customers and carrying out regulated activities or ancillary services. This responsibility derives from our obligations under Principle 8.

As part of our commitment to ensuring Conflicts of Interest are appropriately identified, prevented or managed and where relevant disclosed, we maintain and operate effective organisational and administrative arrangements to ensure all reasonable steps are taken to prevent Conflicts of Interest from constituting, or giving rise to, a material risk of damage to the interests of our customers, as per our obligations under Principle 6, and our reputation.

In relation to the identification and management of Conflicts of Interest, and in line with the FCA Systems and Controls handbook (SYSC 10.1.10.R), we consider:

- The size, organisation, nature, scale and complexity of our firm;
- Our customers, the Partner Funds, either individually (the “Customer”) or collectively, (the “Customer Group”);
- The specific services and activities we carry out;
- The risk that a conflict of interest may adversely impact the interests of one of the Customers, the whole Customer Group or a subset thereof.

2.1 Defining Conflicts of Interest

Conflicts of interest are situations that arise, or may arise, during the course of our provision of investment services, including those caused by the receipt of inducements from third parties or by our own remuneration and other incentive structures. Conflicts of interest may arise between the interests of:

- Border to Coast and the interests of a customer or group of customers;
- Customers and the interests of an employee or group of employees of Border to Coast;
- Border to Coast and the interests of an employee or group of employees;
- Border to Coast or its employees and the interest of the investment intermediaries through whom Border to Coast carries out its responsibilities; and
- the investment intermediaries through whom Border to Coast carries out its responsibilities and interest of customers / potential customers.

2.2 Potential Conflicts of Interest

We have identified potential Conflicts of Interest in our business in order to put in place measures to monitor, manage and prevent the materialisation of those conflicts. We have identified the following main interests/roles that potentially give rise to Conflicts of Interest:

Service provider

- Border to Coast's role as investment manager;
- Border to Coast's role as investment advisor;
- Border to Coast's role in undertaking research;
- Border to Coast's role as trader (or an instructor of trades); and
- Border to Coast's interest in maintaining relationships with existing customers.

Customers

- Customers' interest as recipient of investment management services;
- Customers' interest as recipient of investment advice;
- Customers' interest as user of services/facilities provided by Border to Coast; and
- Customers' interest as shareholder.

Employees

- Employees' interest in performing their role;
- Employees' interest in achieving objectives/targets;
- Employees' interest in remuneration;
- Employees' interest in personal investments; and
- Employees' interest in external businesses/activities.

The following is a non-exhaustive list of examples of situations where potential conflicts may arise:

- Where Border to Coast develops new products or offer propositions;
- Where Border to Coast changes, merges or closes fund(s) within its fund ranges;
- Where a Border to Coast employee engages in personal account dealing and Border to Coast has a customer with an interest that potentially conflicts with such dealing;
- Where substantial gifts (including non-monetary gifts) are received that may influence Border to Coast's behaviour in any way that conflicts with the interests of its customers;
- Where substantial gifts (including non-monetary gifts) are given to investment intermediaries that may influence in any way that conflicts with the interests of the customers of Border to Coast;
- Where Border to Coast or any of its directors or employees is likely to make a financial gain, or avoid a financial loss, at the expense of a customer;
- Where Border to Coast or any of its directors or employees has a different interest to a Customer in the outcome of a service provided to the Customer or a transaction carried out on a Customer's behalf; or
- Where Border to Coast or any of its directors or employees has a financial or other incentive to favour the interests of one or more customers over the interests of another customer.

2.3 Identification

All reasonable steps must be taken to identify Conflicts of Interest that may result in a material risk of damage to a customer. The early identification of potential or actual Conflicts of Interests is essential in order to implement mitigation strategies or processes which can help to prevent or manage the conflict before it is realised.

All staff will receive compulsory and regular training to assist them in identifying, preventing or managing Conflicts of Interest and it is the responsibility of all staff to report any actual, apparent or potential conflict of interest to the Head of Compliance, or in the case of directors, to the Head of Legal and Company Secretary who will log the interest in the relevant Register of Interests (“Register”).

The Head of Compliance (or the Head of Legal and Company Secretary in relation to Directors’ interests) will periodically review all interests reported on the Registers to assess whether any may constitute a conflict and to consider the adequacy of controls.

Once identified, conflicts will be escalated to the Chief Risk Officer who will, as appropriate, refer the conflict to Chief Executive Officer (and Board Chair or the Remuneration and Nomination Committee Chair in respect of Directors’ interests). When the appropriate method of managing the conflict has been determined, the relevant business areas are then responsible for ensuring that the conflict is prevented or managed in accordance with the method specified.

The Board, Executive Management and the Risk and Compliance team are involved in the proactive identification of conflicts on a regular basis, through the Risk Management Committee as well as the Audit and Risk Committee. Identified conflicts and potential conflicts for employees are reported to and overseen by the Audit and Risk Committee.

Border to Coast has identified instances where there may be a potential conflict between the interests of the firm and the interests of the customers, or instances where conflicts may exist or arise between one customer and another. In each of the instances, the potential conflict is prevented or managed, and the control and / or mitigations are logged within the Conflicts of Interest Register that is maintained by the Head of Compliance.

On an annual basis, all staff and directors are required to confirm their declarations of interest (including “nil” declarations). These are then reviewed by the Risk and Compliance team.

2.4 Conflict Management

Once identified, Conflicts of Interest must be managed in a way that ensures the customers’ interests are not adversely affected. This means that the Conflict of Interest should be managed in such a way that all the customers are treated fairly and so as to ensure that Border to Coast conducts its business with integrity and high ethical standards.

Border to Coast’s approach to preventing or managing Conflicts of Interest may include one or more of the following actions:

2.4.1 Management

Border to Coast has implemented internal controls and undertakes awareness raising and monitoring to assist in complying with the approved mitigation or relevant regulatory requirements, SYSC 10.1, relating to Conflicts of Interest management.

2.4.2 Product Approval Process

Border to Coast has implemented a framework and processes to govern product development and evaluation and mandate offerings to customers.

2.4.3 Best execution

Border to Coast has adopted policies aimed at achieving best execution for its customers, that is ensuring that the total cost or proceeds of each transaction are the most favourable under the prevailing circumstances.

2.4.4 Order placing/allocation

Border to Coast applies the general principle of placing or allocating orders proportionally to the size of customer's orders.

2.4.5 Information Barriers / Chinese Walls

To control access to confidential and inside information, information barriers have been erected within Border to Coast to prevent the potential misuse of such information. Our measures include:

- rules for the proper use of computer systems, including removable media, access codes and security devices; and
- separate human resources in departments behind information barriers, i.e. employees in a department behind an information barrier work only for that department unless advised by Compliance.

2.4.6 Transactions between portfolios

Border to Coast acknowledges that in some cases cross trades are to the customers' benefits but potential conflicts could also arise. Border to Coast has adopted procedures for executing cross trades which ensure proper segregation between the investment decision to buy/sell and the decision to cross a trade order.

2.4.7 Employees' personal account dealings

Border to Coast has adopted policies for overseeing employees' personal account dealings.

2.4.8 Inducements

Border to Coast applies principles limiting the possibility for its employees to obtain private benefits from third parties (e.g., brokers, vendors) or for the possibility for its employees to offer private benefits to third parties. Conditions for obtaining or offering benefits by Border to Coast employees are laid down in our Gifts & Hospitality Policy.

2.4.9 Employees' outside positions and interests

Border to Coast has procedures in place for monitoring employees' outside positions (positions exercised by employees outside their employment at Border to Coast) and outside interests (financial interests in an entity outside Border to Coast, which might impact the ability to impartially execute professional duties).

In line with SYSC 10.1.6.R the Company maintains and regularly updates its general and director's Conflicts of Interest Registers to enable it to communicate, manage and monitor Conflicts of Interest that arise in the ordinary course of business. A separate Directors Conflicts of Interest register is maintained by the Head of Legal and Company Secretary.

As deemed appropriate, the Head of Compliance (or the Head of Legal and Company Secretary in relation to directors) will record in the relevant Conflicts of Interest register any reported actual, apparent or potential Conflicts of Interest and liaise with relevant individuals to determine the appropriate action to prevent or manage such Conflicts of Interest. Once the appropriate method of managing the Conflict of Interest is determined, all relevant staff are responsible for ensuring that the Conflict of Interest is managed accordingly. See also section 4 for additional information regarding Director's Conflicts of Interest.

2.4.10 Remuneration

Border to Coast has remuneration policies in place to ensure that our incentive structure is in line with customer's interests.

2.4.11 Disclosure

Where the management of any Conflict of Interest may not be practical, or disclosure is deemed suitable enough to ensure that the interests of the customers are adequately protected, it may be appropriate to disclose the Conflict of Interest to the affected Customer(s).

Disclosure helps the customer(s) to assess the service they are being offered in light of the firm's own interests and decide on the extent to which (if any) the customer will rely on the service. Where Border to Coast discloses a Conflict of Interest or potential Conflict of Interest to a customer (or third party if applicable), the disclosure will be provided in a durable medium and include sufficient detail, considering the customer and their interests, to enable that customer to take an informed decision regarding the service in the context in which the Conflict of Interest arises.

2.4.12 Termination or Avoidance

Some Conflicts of Interest may have such a potential impact on the firm or its customers that the only way to adequately manage them is to avoid them entirely. In such cases, disclosing the Conflict of Interest and imposing internal controls may not be considered adequate. The activity to which the Conflict of Interest relates may need to be terminated or avoided.

Where appropriate, a Conflict of Interest will be escalated by the Head of Compliance (or the Head of Legal and Company Secretary in relation to conflicts relating to directors) to the Chief Risk Officer for a decision as to how that Conflict of Interest should be managed (noting that, in relation to Directors, the conflict or potential conflict, must be approved by the Company's shareholders).

3. Roles and Responsibilities

Border to Coast's Risk Management Committee meets monthly and supports the CRO in the oversight of potential Conflicts of Interests. The Risk Management Committee is chaired by the Chief Risk Officer and comprises the Head of Compliance, the Head of Legal and Company Secretary, the Chief Executive Officer, the Chief Investment Officer and the Chief Operating Officer. Other members of staff may be invited to attend as required. The Risk Management Committee reports this information to the Audit and Risk Committee, which meets quarterly.

The Audit and Risk Committee is chaired by an independent non-executive director and comprises the other non-executive directors. The Chief Executive Officer, the Chief Operating Officer and the Chief Risk Officer may also attend on invitation.

This policy is owned by the Chief Risk Officer and applies to all staff members including directors. The Head of Compliance is responsible for managing this policy on a day-to-day basis, including its review on at least an annual basis, and for its approval and communication to staff members.

It is the responsibility of every staff member to ensure they comply with this policy, and any related policies and procedures, and to escalate any breaches or potential breaches to the Head of Compliance. Furthermore, if you consider that a Conflict of Interest is not being managed appropriately, or that this policy has been, or is likely to be, breached you should contact the Head of Compliance immediately.

The Compliance function within Border to Coast will monitor staff member adherence to this policy.

If you have any doubt about the interpretation or application of this policy, please contact the Head of Compliance.

4. Additional Provisions Relating to Directors

Border to Coast's directors have legal and regulatory duties to act in the best interests of Border to Coast and in accordance with its internal and external governance frameworks as are detailed in its Corporate Governance Manual, Shareholders Agreement and Governance Charter.

Conflicts of interests may arise where a director's personal or family interests and/or loyalties conflict with those of Border to Coast. Such conflicts may create problems; they can:

- inhibit free discussion;
- result in decisions or actions that are not in the interests of Border to Coast; and
- risk the impression that Border to Coast has acted improperly.

The aim of this policy is to protect both the organisation and the individuals involved from any actual or perceived impropriety.

On appointment all directors will be required to declare any personal or positions that may potentially give rise to a conflict of interests to the Head of Legal and Company Secretary who will insert the information in the Director's Register of Interests. At least annually, the directors will be requested to review and update the information relating to them on the Director's Register of Interests, however, directors are under a legal obligation to inform the company by notifying the Head of Legal and Company Secretary as soon as they become aware of any conflict or potential conflict of interest. Under the terms of the Shareholders Agreement any directors conflict, or potential conflict, of interest must be referred to the shareholders for approval.

In addition, a director must declare at the start of any board meeting if there is a transaction on the agenda in which he/she has an interest, in which case they will not be able to partake in discussions or to be counted in the quorum for voting on that matter. In such situations, the director should try to inform both the Chair and the Head of Legal and Company Secretary in advance of the meeting where the conflict may or will arise. Any conflicts declared at the Board Meeting will be noted by the Head of Legal and Company Secretary in the minutes of that meeting.

Where a conflict has been declared the Head of Legal and Company Secretary will inform the other directors of the issue and the non-conflicted directors will then:

- assess the nature of the conflict;
- assess the risk or threat to decision-making;
- decide whether the conflict is material or had the potential to be detrimental to the conduct or decisions made by the Board;
- decide what steps could be taken to prevent or manage the conflict; and
- decide whether a recommendation will be made to the Shareholders to seek their approval.

If a director is unsure what to declare, or when a declaration needs to be made or updated, please refer to the Head of Legal and Company Secretary for guidance.

5. Breach of Policy

Failure to adhere to this policy is a serious matter that could result in Customer detriment, regulatory censure or fines. It may also result in disciplinary actions, which could include staff member dismissal.

If you become aware of a breach or potential breach of this policy, you must contact the Head of Compliance immediately.

Appendix II: Draft Shareholder Resolution on Conflicts of Interest

Border to Coast Pensions Partnership Limited (“the Company”)

Shareholder consent

To: “the Shareholder”

By an agreement dated 6 June 2017 made between the shareholders of Border to Coast Pensions Partnership Limited (“the Shareholder Agreement”), the parties agreed that the following would be approved in writing by the shareholders of “A” shares in the Company:

- Adoption of (and any amendment of) any written conflicts policy;
- Approval of any conflict or potential conflict of interest any director may have which would preclude him or her from being included in the quorum of any meeting of the directors;

Any proposal requires a 75% majority to succeed.

By signing and returning this form of consent, the Shareholder signifies its agreement to:

- The proposed conflicts of interest policy as included at Annex 1 to this resolution.
- The proposed approach to the management of conflicts of interest within Border to Coast Pensions Partnership Limited as set out in Annex 2 to this resolution.

We confirm our agreement to the conflicts of interest policy included at Annex 1 to this resolution and to the approach to the management of conflicts of interest within Border to Coast as set out in Annex 2 to this resolution.

for and on behalf of the Shareholder

Dated

2018

Annex 2: Border to Coast Conflicts of Interest Management

This Annex sets out the approach to management of conflicts of interest within Border to Coast.

In order to fulfil the terms of the Shareholder Agreement, the following process will be adopted. This will be reviewed on an annual basis and may be amended by further shareholder resolution.

- The Border to Coast Conflicts of Interest Policy will be reviewed by the Border to Coast Board and presented to the shareholders for approval on an annual basis.
- Any potential or actual conflicts of interest for Border to Coast Directors will be reviewed by shareholders on appointment as part of the appointment approval process.
- For any matters on conflicts of interest arising outside of the annual review process and / or appointment process, the shareholders authorise a panel of any 3 statutory officers from the Partner Funds to provide advice and sign-off on their behalf. These will subsequently be reported to Partner Funds via the sharing on an annual basis of the Directors' register of interests.
- Any areas put forward by the Border to Coast Board that are not unanimously approved by the panel will be submitted to the shareholders for further review.

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BCPP Joint Committee

Date of Meeting: 10th July 2018

Report Title: Feedback on National Working Groups

Report Sponsor: Member of Officer Operation Group – Jo Ray

1.0 Executive Summary:

1.1 Since the last Joint Committee, Officers have attended meetings of the Cross Pool Collaboration Group and the Cross Pool Responsible Investment (RI) Group.

2.0 Recommendations:

2.1 The Joint Committee is asked to note this update report.

3.0 Background:

3.1 The summarised highlights from the national working groups attended since the last meeting of this Member group are shown below:

3.2 *Cross Pool Collaboration Group (last meeting 25th May)*

- LGA (Bob Holloway) updated the group on the following:
 - **Scheme Advisory Board** – the 2017 Scheme Advisory Board's (SAB) annual report was published and is available on their website.
 - **Training** - LGPS training for pool company boards is available from LGA, based on the recent Brunel Pool training day.
 - **TUPE transfers** - A verbal opinion had been received from James Gowdy QC in relation to responsibilities for staff transferred under TUPE from the Local Authority. It confirmed that staff transferring to a pool would be covered by the Direction or Fair Deal, with existing rights to access the LGPS protected. A written opinion was awaited and would be published on the SAB website.

- **CIPFA reporting guidance** - CIPFA's proposal for LGPS fund reporting in a 'pooled world' is available. It was noted that if members choose to they could use the guidance document to prepare the 2017/18 annual report and provide feedback to CIPFA on any practical issues encountered. This would enable the proposal to be reviewed and revised before being finalised. The 2018/19 guidance is expected to be complete in the next couple of months.
 - **Cost Transparency Code** – SAB has organised a group to look at levels of compliance.
 - **Data quality** - Roadshows have been arranged to take place in June covering data quality and the Sector 13 report for Pensions Managers.
 - **MiFiD guidance** - A Q&A is available on the SAB website to advise funds.
 - **Trade Union recognition in pools** - SAB had considered revisions to the trade union recognition rules. The final version is expected to be available on the SAB website shortly.
- Central Government updated the group on the following:
 - **MHCLG** – feedback was provided that the government speech at the May PLSA Conference had been well received. There had been a strong emphasis on the link between LGPS and paying members benefits, as well as infrastructure and housing. However, greater emphasis is needed to ensure that the Pools are able to secure attractive investment opportunities that meet their needs including risk appetite.
 - **Treasury** - An ongoing dialogue around housing is needed to address current issues including stamp duty. There was an outstanding action for HMRC to produce an action note and respond on this issue.
- National Frameworks (Nigel Keogh) attended and updated on the following:
 - The group was briefed on the progress being made with regards to GDPR, the Member Data Services Framework, the pensions scheme administration systems framework and the AVC provider review. The Group discussed the lack of interest in the AVC provision and the short-term risk if current custodians not in the pool pulled out. It was noted that a joint tender for the AVC service on behalf of all pools might be possible before next April.
 - Other updates covered the Global Custody Services Framework and the Stewardship Advisory Services Framework, particularly the ongoing due diligence of Minerva Analytics Ltd following its purchase of the business of Manifest and The Manifest voting Agency Ltd. The Group will be kept up to date with developments.

3.3 *Cross Pool Infrastructure Group (last meeting 26th April)*

- MHCLG gave a strong steer that reporting updates on infrastructure investments would be focussed on and that it was important to demonstrate progress.
- A representative from housing presented to the group.

3.3 *Cross Pool Responsible Investment Group (last meeting 2nd May)*

- A presentation was given by the Financial Reporting Council (FRC) covering:
 - What the FRC does and the expectation gap around its actual powers.

The Kingman Review - this is a positive as far as the FRC are concerned. They will be conducting an outreach programme and holding a public consultation.
 - Areas of focus for the future which includes the UK Stewardship Code, RI and ESG. They are expecting to have a new Stewardship Code by Spring 2019.
 - Corporate Governance Code - final code and guidance due to be published in July 2018.
- Each pool updated on recent developments.
- X-Pool RI Group Terms of Reference - After the brain storming at the last meeting a draft terms of reference had been put together. After comments and discussion they will undergo further consolidation. Nominations were put forward for the Chair of the group and Dawn Turner was appointed for the coming year.
- A presentation was made on infrastructure investing focusing on RI due diligence, asking the question as to whether investors would benefit from an industry standard template. There is a lack of consistency and no common method for considering RI when assessing new projects and managers. RI is as relevant to infrastructure as to other asset classes; RI issues can be financially material and could present reputational risk and challenges. It is underserved by both infrastructure fund managers and tool kits currently available. Direct infrastructure investment by the Pools is likely to increase but the current standard of RI due diligence is below par.

- A number of Funds had received FOI's on tobacco. Lothian had also had an FOI on an Israeli Bank.

3.4 *Cross Pool Tax Group*

No meetings have been held.

3.5 *Cross Pool Client Oversight Group (last meeting 24th May)*

- Neil Sellstrom (CIPFA) provided a briefing on CIPFA reporting Guidance.
- Discussion was had on the role of shareholder vs investor in pool companies.
- There was a reminder of the need to ensure constitution and any relevant policies are up to date for administering authorities to reflect pooling.
- Discussion was had on the Transparency Code as it applies to pools.

4.0 Conclusion:

4.1 Substantive work and engagement with different agencies continues to be progressed on a range of matters to ensure the LGPS can secure best value and exercise its collaborative influence wherever appropriate.

5.0 Report Author:

Jo Ray
jo.ray@lincolnshire.gov.uk
01522 553656



Date of Meeting: 10th July 2018

Report Title: Proposed Future Joint Committee Meeting Dates

Report Sponsor: Officer Operation Group Member – Clare Gorman

1.0 Executive summary:

- 1.1 The dates of the Joint Committee (JC) meetings held so far have been set at (relatively) short notice, based on availability of key people. With the end of the JC's "first phase" responsibilities to oversee the build of BCPP Pool now in sight, it is appropriate that a **pattern** for future JC meetings be agreed, and dates set.
- 1.2 The JC's "second phase" responsibilities are to provide collective oversight of the performance and direction of Border to Coast.
- 1.3 Rachel Elwell has requested that future JC meetings follow quarter ends to facilitate timely review of Border to Coast's sub funds' performance. The proposed dates, below, avoid the (known) key LGPS conferences, August due to holidays, and May when local authorities make member appointments.
- 1.4 The **proposed** dates for future meetings of the BCPP JC are:
 - Wednesday 21 November 2018;
 - Tuesday 19 February 2019;
 - Tuesday 4 June 2019;
 - Wednesday 11 September 2019;
 - Wednesday 20 November 2019; and
 - Tuesday 18 February 2020.

The first assets to be moved into Border to Coast will be in July 2018, so the first quarterly monitoring will cover the quarter ending 30 September 2018.

- 1.5 The proposed dates will be firmed up after this meeting with the newly elected JC Chair and Vice Chair.

1.6 Border to Coast will also hold two annual meetings which may also be of relevance to BCPP JC members:

- the Annual Investment Conference for **customers** which will be held in November, with the first in 2018 (date to be confirmed); and
- the Annual General Meeting for **shareholders**, with the pattern yet to be confirmed.

2.0 Recommendation:

2.1 That members note the proposed future JC meeting dates set out in paragraph 1.4 above.

3.0 Report author:

Clare Gorman, clare.gorman@northumberland.gov.uk 01670 623579

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