



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.