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PENSIONS PARTNERSHIP

BCPP JOINT COMMITTEE

AGENDA

Venue: Virtual Meeting

Date: Tuesday 9 March 2021

Time: 10.00 am

Membership:

Chair:-

Cllr Tim Evans Surrey Pension Fund

Vice Chair

Cllr David Coupe Teesside Pension Fund

Membership:-

Cllr Doug McMurdo	Bedfordshire Pension Fund
Cllr Mel Worth	Cumbria Pension Fund
Cllr Mark Davinson	Durham Pension Fund
Cllr Jane Evison	East Riding Pension Fund
Cllr Eddie Strengiel	Lincolnshire Pension Fund
Cllr Patrick Mulligan	North Yorkshire Pension Fund
Cllr Mick Stowe	South Yorkshire Pension Fund
Cllr Eileen Leask	Tyne & Wear Pension Fund
Cllr John Horner	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 Phase 2 – Post Establishment and Commencement of Operations

- 2.1.1 To facilitate the adoption by the Authorities of relevant contracts and policies.
- 2.1.2 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).
- 2.1.3 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.
- 2.1.4 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).
- 2.1.5 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.
- 2.1.6 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.
- 2.1.7 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.
- 2.1.8 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.
- 2.1.9 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.
- 2.1.10 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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- *14 **Update on Emerging Matters - Rachel Elwell/Fiona Miller/Ian Bainbridge (standing item) (Exemption Paragraph 3)** Verbal Report
- 15 **Any Other Business**

Date of next meeting – Tuesday 15th June 2021



Minutes of the Border to Coast Joint Committee Tuesday 24 November 2020 - Virtual Meeting

Present

Members

Councillor Tim Evans (Chair)
Councillor David Coupe, Councillor Mark Davinson,
Councillor Jane Evison, Councillor Wilf Flynn, Councillor
John Horner, Councillor Doug McMurdo, Councillor Patrick
Mulligan, Councillor Mick Stowe, Councillor Eddie Strengiel
and Councillor Mel Worth

Nicholas Wirz and Deirdre Burnet (Scheme Member
Representatives)

Border to Coast Ltd Representatives

Daniel Booth, Rachel Elwell, Jane Firth, Chris Hitchen, Fiona
Miller and Andrew Stone

Councillor John Holtby and Councillor Anne Walsh,
Shareholder non-executive directors on BCPP Ltd's Board of
Directors ("Partner Fund nominated NEDs")

Fund Officers

Amanda Alderson, Paul Audu, Ian Bainbridge, Alison Clark,
Paul Cooper, Neil Mason, Victoria Moffett, Tom Morrison,
Nick Orton, Jo Ray and Gill Richards

Statutory Officer Representative(s)

George Graham

Apologies were received from

Councillor Eileen Leask and Andy Watkins

1 APOLOGIES/DECLARATIONS OF INTEREST

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

It was requested that best wishes be sent to Cllr Leask for her recovery from illness and condolences on the death of her husband. Cllr Walsh agreed to pass this on.

There were no declarations of interest.

2 MINUTES OF THE MEETING HELD ON 1 OCTOBER 2020

It was noted that N Wirz was recorded as having sent apologies when in fact he was present.

RESOLVED – That, subject to the amendment above, the minutes of the meeting held on 1st October 2020 be agreed as a true record and signed by the Chair.

3 JOINT COMMITTEE MEETING ARRANGEMENTS - IAN BAINBRIDGE

A report was considered which gave details of changes to the approach of operating the Joint Committee.

Members were reminded that at the Joint Committee meeting on 1st October officers had been asked to consider potential changes and discuss options with the Chair. This had been done and the proposed changes, which had been implemented for this meeting, were:

- An enhanced Funds only session prior to each Joint Committee meeting where any issues could be discussed at length and identify any issues to be brought out at the formal meeting of the Committee.
- To move the Border to Coast performance reports to the private part of the meeting to ensure that issues of concern could be fully debated and problem managers and potential action discussed.
- Officers from the Funds would introduce and make comments on the performance reports rather than Border to Coast.

The changes had been discussed at length at the Funds only meeting prior to the Joint Committee and it had been agreed that the changes were an improvement and also that adjustments could be made if necessary.

Members were asked to provide feedback on the new arrangements to officers at the end of the meeting; any issues would be discussed at the Officer Operations Group.

RESOLVED – That the report be noted.

4 COVID-19

No new issues were reported.

5 JOINT COMMITTEE BUDGET - IAN BAINBRIDGE

The Committee considered the 2020/21 Joint Committee budgetary position.

RESOLVED – That the report be noted.

6 RESPONSIBLE INVESTMENT POLICIES REVIEW - RACHEL ELWELL

A report was submitted which presented the annual review of the Responsible Investment Policy and the Corporate Governance and Voting Guidelines.

Members were reminded that the 2019 review had identified a number of areas for further development during 2020. A Responsible Investment workshop had been held in March 2020 to seek Partner Funds' views on the areas to build into the 2020 review:

- With regard to climate change, the consensus had been for no targets to be set regarding carbon emissions reduction, with the direction of travel being more important. There was also a reiteration of the importance of engagement rather than divestment (from sectors as opposed to individual, poorly managed companies). The policy reflected that position, however it was noted that SYPA had recently set a goal of making its portfolios carbon neutral by 2030.
- The Board had requested that diversity beyond gender be considered. It was noted that voting on wider diversity matters would continue to be difficult where there was insufficient data, however an update to the wording in the RI policy had been suggested, indicating the intent to engage in this area.

A seminar had also been held the previous week to discuss the revisions in depth.

Scheme member representative D Burnett commented that she had not been invited to last week's seminar and would like to be involved in any future events. She also welcomed the planned stand-alone Climate Change Policy.

The Committee discussed concerns regarding not setting a target for reducing carbon emissions and the possible consequences of this, the importance of remembering that Responsible Investment was not just about climate change and that there were other factors involved such as how companies treated their employees, the importance of fiduciary duty and also engagement rather than divestment and the difficulty of Border to Coast producing policies that all Partner Funds were happy to sign up to.

R Elwell commented that at the moment there did not appear to be conflict between the Partner Funds and all appreciated that there was a lot of hard work to be done in this area.

J Firth updated the Committee on the work being done to develop the Climate Change Policy including scenario analysis, metrics and targets.

In answer to a question, J Firth informed the Committee that Border to Coast's intention to vote against the Chair of the Board of a company in a high emitting sector that had not been making progress in the climate change area had been included in the Voting Guidelines to make Border to Coast's stance in this area clear.

CIO D Booth made the following observations:

- Two thirds of public companies did not report carbon related data at this stage and private company reporting levels were even worse.
- Care needed to be taken regarding unintended consequences. If simple methodologies were adopted of excluding high carbon emitting companies this could result in selling companies that were committed to change and targets.
- If Border to Coast divested from the oil and gas or other sectors with heavy carbon footprints, then it would not reduce emissions (or climate change) but rather simply shift the emissions onto another investor who may be less engaged and therefore reduce the pressure on such companies to change. Border to Coast was considering the optimal solutions for managing climate change risk in their internally managed funds and further information would be shared with investors later in the year.

Cllr D McMurdo expressed concern that the polices were not strong enough and was looking to see how the Climate Change Policy would develop.

N Wirz supported the move for diversity beyond gender.

RESOLVED – That the Committee:

- i) Had reviewed and commented on the proposed revisions to the Responsible Investment Policy at Appendix 1 and the Corporate Governance and Voting Guidelines at Appendix 2.
- ii) Supports taking the revised policies to Pensions Committees for comment and for them to consider adoption of the principles in their own Responsible Investment policies in line with industry best practice.
- iii) Notes the proposed areas for future development in Section 6 of the report.

7 **SUMMARY OF INVESTMENT PERFORMANCE AND MARKET RETURNS - DANIEL BOOTH**

A report was submitted which provided an overview of 2020 market performance, high level details on fund performance and the broader macroeconomic environment.

RESOLVED – That the report be noted.

Exclusion of the Public and Press

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in

paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

8a UK LISTED EQUITY FUND - NICK ORTON

The Committee considered a report which summarised the performance and activity of the Border to Coast UK Listed Equity Fund over Q3 2020.

It was noted that performance was broadly in line with the benchmark over the quarter and continued to meet the performance objective over longer periods.

The Fund's outperformance of the benchmark during the quarter had been due to the following factors:

- Bias towards quality companies with relatively strong balance sheets and resilient business models.
- Overweight to sector specialist funds.
- Strong stock selection in Resources, Industrials and Consumer, partly offset by weaker selection in Financials.

The report contained details of the top and bottom contributors to performance over the quarter and the most significant overweight and underweight allocations at a sector level, relative to the benchmark at the quarter end.

RESOLVED – That the report be noted.

8b OVERSEAS DEVELOPED EQUITY - TOM MORRISON

A report was submitted which summarised the performance and activity of the Border to Coast Overseas Developed Equity Fund.

It was noted that overall fund performance was above its target over Q3 2020 and was above benchmark since inception.

The Fund had continued to benefit from the recovery in equity markets supported by extensive monetary and fiscal stimulus. However, it was noted that markets were noticeably weaker towards the end of the quarter as a result of a rise in Covid-19 cases and the reintroduction of some lockdown measures.

The report detailed the reasons for the continued outperformance. The Committee noted that it was unlikely there would be material changes to portfolio positioning in the short term and the Fund would continue to focus on long term fundamentals with a bias towards quality companies with strong balance sheets and earnings and income visibility.

RESOLVED – That the report be noted.

8c EMERGING MARKET EQUITIES - GEORGE GRAHAM

The Committee considered a report which summarised the performance and activity of Border to Coast Emerging Markets Equity Fund over Q3 2020.

Members were informed that performance was below the benchmark for Q3 2020 and was below the benchmark and target since inception.

The key theme affecting the Fund during the quarter was the continued outperformance of the Technology and Consumer Discretionary sectors and the continued underperformance of the Energy and Financials sectors.

The Fund had a higher risk profile compared to the other internal sub-funds but was still relatively low risk for an active Emerging Markets equity portfolio.

It was noted that the Fund would continue to focus on long term fundamentals and it was unlikely that there would be any material change to the Fund's construction in the short term prior to the change to the EM Hybrid fund.

RESOLVED – That the report be noted.

8d UK LISTED EQUITY ALPHA - VICTORIA MOFFETT

A report was submitted which summarised the performance and activity of the Border to Coast UK Listed Equity Alpha Fund over Q3 2020.

The Committee was informed that the Fund's performance bounced back over Q3 and was now above benchmark since inception. Members noted the underlying manager performance, net of fees, to the quarter end which was detailed within the report.

UK equity market performance during Q3 had been weak, mostly driven by consumer-facing companies which continued to be impacted by Covid-19. Aside from Covid-19, volatility in the UK stock market over the rest of 2020 would be affected by such risks as the deadline for the Brexit deal. Longer term there was confidence in the Fund's positioning

RESOLVED- That the report be noted.

9 GLOBAL EQUITY ALPHA PERFORMANCE REVIEW - DANIEL BOOTH

A report was submitted which provided an update on the performance and risk of the Global Equity Alpha Fund following its launch in October 2019. Members noted that a full annual review would be brought to the Joint Committee in Q1 2021 after four complete quarters for the Fund.

The Committee was informed that given the extreme market conditions resulting from the Covid-19 pandemic, the Fund had suffered material underperformance since inception.

The report included a summary of the investment strategies employed by the managers in the Fund and their performance.

It was noted that Border to Coast had conducted an in-depth review of the Global Equity Alpha fund and remained comfortable with the portfolio construction although this would be reviewed further in the fund's annual review which would be presented in Q1 2021.

RESOLVED – That the report be noted.

10 ASSET TRANSFER PLANNING 2021-24 - RACHEL ELWELL

A report was submitted which considered Border to Coast Asset Transfer Planning 2021-2024.

Members were reminded that Border to Coast had previously agreed with Partner Funds the process for working collectively and in partnership to identify the “building blocks” required to support Partner Funds’ strategic asset allocations. This had taken into account Partner Funds’ objectives, risk management, capacity and costs to propose both a prioritisation of capability build and a process to enable Partner Funds to participate in sub-fund design as described in section 3 of the report.

Due to the impact of Covid-19 there had been some delays in the planned launch of certain capabilities which were set out in section 4 of the report.

It was noted that the approach to asset transfer and fund design/launch was last reviewed with the Joint Committee in November 2019. Border to Coast continued to take feedback and learn from each sub-fund launch and were monitoring the progress using the quarterly Management Information (MI) as detailed in section 5 of the report. The MI was shared with both the Board and the Joint Committee on a quarterly basis, allowing assessment of whether Border to Coast was meeting Partner Fund needs and also the extent to which Partner Funds were meeting pooling commitments.

RESOLVED- That the Committee:

- i) Note the outline plan for building investment capabilities over the next three years.
- ii) Note the quarterly management information used to track pooling progress as set out in section 5 of the report.

11 ESG PASSIVE CAPABILITY - RACHEL ELWELL

A report was submitted which outlined the case for building an ESG passive capability.

The report included an ESG Passive market review, analysis of Partner Fund demand, the case for pooling ESG Passive and the risks involved.

RESOLVED – That the report be noted.

12 CEO REPORT - RACHEL ELWELL

R Elwell presented the CEO report for the period since the last Joint Committee meeting.

The report contained:

- A progress update, including interaction with Partner Funds.
- A summary of fund performance.
- An update on fund launches, including an update on plans for property.
- An update from a corporate functions perspective and the expected outturn for the Operating Budget.
- A brief discussion of activity in the world external to pooling.

It was also noted that Covid-19 risks continued to be heightened both in the short-term and longer-term. Responsible Investment also remained a focus which was discussed in section 7 of the report.

R Elwell thanks officers and Partner Funds for their efforts and interactions to make Border to Coast successful.

13 UPDATE ON EMERGING MATTERS - RACHEL ELWELL/FIONA MILLER/IAN BAINBRIDGE

F Miller reported on the collaboration with other pools in the area of tax savings.

CHAIR



BCPP Joint Committee

Date of Meeting: 9th March 2021

Report Title: Schedule of Future Meetings

Report Sponsors: George Graham for Officer Operations Group

1.0 Executive Summary:

1.1 This report sets out the proposed schedule of future meetings for the Joint Committee through to the 2023/24 Municipal Year, confirming the dates previously agreed and also adding a second regular Responsible Investment workshop timed so as to enable members to provide early input into the annual policy review cycle.

2.0 Recommendations:

2.1 Members to note the proposed dates for meetings of the Joint Committee and member workshops for the next three years as set out in the body of this report.

3.0 Background:

3.1 At its meeting on 9th March 2020 the Joint Committee approved a programme of meetings for the period to the end of the 2022/23 municipal year in line with its previously expressed desire to set out a longer term programme to give certainty for planning. Given the passage of time it is now necessary to add a further year to the forward programme.

3.2 In addition to the programme of ordinary meetings of the Committee members have previously indicated a desire to have input into the review and development of the Responsible Investment Policy Framework for the Partnership at an earlier stage in the process. In response to this an annual second Responsible Investment Workshop has been added into the programme, while the workshop that has previously been held alongside the November meeting has been separated so that it does not become time constrained as has previously been the case, although it will be a virtual workshop so as to reduce travel.

- 3.3 Similarly, in order to minimise travel the Responsible Investment Workshop has been set for the same day as the Company AGM as most Chairs also attend this meeting. The September / October meeting has been timed to coincide with the Annual Conference again to minimise travel.
- 3.4 Given this the proposed programme is set out for approval in Appendix A.

4.0 Report Author:

George Graham
ggraham@sypa.org.uk
01226 772887

Border to Coast Joint Committee Schedule of Meetings and Other Significant Events

2021/22 Municipal Year		2022/23 Municipal Year		2023/24 Municipal Year	
Date of Meeting	Review of Performance for Quarter Ended	Date of Meeting	Review of Performance for Quarter Ended	Date of Meeting	Review of Performance for Quarter Ended
Tuesday 15 th June 2021 (Annual Meeting)	31 st March 2021	Tuesday 14 th June 2022 (Annual Meeting)	31 st March 2022	Tuesday 13 th June 2023 (Annual Meeting)	31 st March 2023
Tuesday 20 th July 2021 (Responsible Investment Workshop)		Tuesday 19 th July 2022 (Responsible Investment Workshop)		Tuesday 18 th July 2023 (Responsible Investment Workshop)	
Thursday 30 th Sept. 2021	30 th June 2021	Thursday 29 th Sept. 2022	30 th June 2022	Thursday 28 th Sept. 2023	30 th June 2023
Tuesday 16 th November 2021 (Responsible Investment Workshop) Virtual		Tuesday 15 th November 2022 (Responsible Investment Workshop) Virtual		Tuesday 14 th November 2023 (Responsible Investment Workshop) Virtual	
Tuesday 23 rd Nov. 2021	30 th Sept. 2021	Tuesday 22 nd Nov 2022	30 th Sept. 2022	Tuesday 21 st Nov. 2023	30 th Sept 2023
Tuesday 8 th March 2022	31 st Dec. 2021	Tuesday 14 th 7 th March 2023	31 st Dec. 2022	Tuesday 12 th March 2024	31 st Dec 2023

Where meetings are in person all meetings will take place in Leeds and timings will be set to allow for travel.

Note:

The Annual General Meetings of the Border to Coast Operating Company will, subject to final confirmation by the Company take place on the following dates



Border to Coast Joint Committee Schedule of Meetings and Other Significant Events

20th July 2021 to approve the report and accounts for 2020/21

19th July 2022 to approve the report and accounts for 2021/22

18th July 2023 to approve the report and accounts for 2022/23

The Border to Coast Annual Conference will take place on the following dates (assuming the pattern of 2021 is maintained)

30th Sept – 1st October 2021

29th – 30th Sept 2022

28th – 29th Sept 2023

In order to minimise travel and maximise the use of members' time the Joint Committee will take place on the Thursday morning before the commencement of the Conference.

V 1.0 March 2021



Border to Coast Joint Committee

Date of Meeting: 9th March 2021

Report Title: Annual Elections

Report Author: George Graham (for Officer Operations Group)

1.0 Executive Summary:

1.1 This report sets out the process for election to the following roles:

- Chair and Vice Chair of the Joint Committee
- Scheme Member Representatives on the Joint Committee
- Non-Executive Director to sit on the Border to Coast Company Board

2.0 Recommendation:

2.1 It is recommended that the elections to the specified roles should take place as set out in the body of this report.

3.0 Election Requirements

3.1 The terms of the Inter Authority Agreement (IAA) together with the Joint Committee's Constitution specify that the roles of Chair and Vice Chair should be elected annually. The arrangements specified also include a term limit in each role of two years (i.e. two years as Chair and two years as Vice Chair). As the June meeting of the Joint Committee is the Annual meeting it is appropriate to make arrangements now for the elections to these roles. The current holders of both roles are eligible to stand again if they wish to do so.

3.2 In addition the term of office of the Scheme Member representatives is due to end at the end of this Municipal Year and it is appropriate to conduct an election to either renew the mandate of the current representative(s) or replace them. There is a limit of two terms for these roles and the current holders of the roles are eligible to stand again. It is proposed to so arrange things as to stagger elections so that in future only one role is elected at a time.

3.3 Following discussion in the previous electoral cycle the Committee determined that the term of office for the partner nominated Non-Executive Directors should remain two years and therefore the term of office of Cllr John Holtby will end in October 2021 and given the time required for FCA approvals etc. it would be sensible to conduct the elections for this role alongside the other elections. Cllr Holtby is eligible to stand again.

3.4 Role profiles and other information relevant to the individual roles is contained in the appendices to this report.

4.0 Election Arrangements

- 4.1 The electorate for the Chair, Vice Chair and Non-Executive Directors are the members of the Joint Committee on a one Fund one vote basis, while that for the Scheme Member representative(s) is drawn from the Scheme Member representatives on the Local Pension Boards again on a one Fund one vote basis. Each Fund will be invited to nominate a candidate for each role (or to declare that they are not nominating), and provide a supporting statement for any nominated candidate.
- 4.2 At this stage it is not known whether meetings in person will be possible in June and there remains some uncertainty about the timing of the local elections. In relation to the first it is proposed, as last year, to conduct the relevant elections by “post”, with those for the scheme member representatives being undertaken before the meeting because of their term of office and the remainder immediately after the June meeting. As in the previous election cycle the Single Transferable Vote system will be used. In terms of the impact of any change in the timing of the local elections this will need to be addressed at the time through consultation between the Joint Committee Secretariat and the partner funds.
- 4.3 The elections will be arranged by South Yorkshire as part of the secretariat function to the Joint Committee.
- 4.5 The Scheme Member representatives will take office at the June meeting and the Chair and Vice Chair from the September meeting. The Non-Executive Director will take office from October or as soon as practical following FCA approval if later.
- 4.6 To provide a more regular pattern of election for the Scheme Member representatives it is proposed that the top candidate should serve for two years and the second one to allow a regular pattern of election.

5.0 Recommendation

- 5.1 It is recommended that the election process as set out in the body of this report be adopted.

Report Author:

George Graham

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Further Information and Background Documents:

Appendix 1: Role Profile for the Chair and Vice Chair

Appendix 2: Role Profile for the Non-Executive Director

Appendix 3: FCA and Companies Act requirements for Non-Executive Directors

Appendix 4: Border to Coast Process for Partner Fund Nominated Non-executive Directors

Appendix 5: Role Profile for the Scheme Member Representative

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 that a successor to the post of Chair is found when the term of office is due to end and the new term begins.

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 the inter authority agreement, and to interpret these 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

Role Profile

Role Title: Non-Executive Director	
<p>Purpose of the role:</p> <p>To fully participate in ensuring the Board exercises effective leadership of and control over Border to Coast. To constructively challenge and contribute to the development of strategy, performance and the management of risk.</p> <p>About Border to Coast:</p> <p>Border to Coast Pensions Partnership is one of the largest pension pools in the UK. One of eight Local Government pools, Border to Coast oversees the investment of pensions assets. Our customers are at the heart of what we do; delivering long-term sustainable investment outcomes for our Partner Funds. We build long-term partnerships through working collegiately, in a sustainable and transparent way.</p> <p>Border to Coast is an FCA regulated investment company (“Border to Coast Pensions Partnership Ltd”) which manages the assets of its twelve Partner Funds through both internal and external management within a number of investment vehicles, including an Authorised Contractual Scheme.</p> <p>A non-executive director is a member of the board of directors of an organisation, but not a member of the executive management team. They are not employees of the company, instead they have a contract for services. However, they do have the same legal duties, responsibilities and potential liabilities as their executive counterparts.</p>	
Reports to: Chair of the Board	Level: n/a
Function: Board	Team: Board
Direct Reports: 0	SMCR: Notified NED
Role line of defence: n/a	
<p><u>Role Dimensions</u></p> <p>Budget Responsibility: n/a</p> <p>Number of employees in area of responsibility: 0</p> <p>Mandate: Board remit</p> <p>Prescribed Responsibilities (SMF): n/a</p> <p>Time Commitment: Expected to be two to three days per month, with availability for meetings, induction and training as required</p>	

Key Accountabilities

Role Specific Accountabilities

- Support the Chair and Executive Team in instilling the appropriate culture, values and behaviours in the boardroom and beyond
- Provide independent oversight and scrutiny of Border to Coast including:
 - Provide an impartial and independent view of Border to Coast and its operations, removed from the day-to-day running of the business
 - Oversee the performance of the Board and Executive Team in meeting strategic objectives, including monitoring financial controls and risk management systems
- Draw on wider experience, in other organisations, to provide the Board and Border to Coast Executive Team with a breadth of understanding and insight, including:
 - Challenge and contribute to the development of the strategy of Border to Coast
 - Support the development of a suitable succession plan for the Board and CEO
 - Use specialist knowledge to input to decision making processes
- Promote a culture of responsible investment and stewardship throughout the organisation
- Commit to building a full understanding of Border to Coast, especially in those areas of the business with a significant level of risk
- Take time to understand various stakeholder needs and ensure these are addressed at Board level
- Chair Committees of Border to Coast (Independent NEDs; less likely for Partner Fund NEDs)

Skills, Knowledge and Experience

Skills, Knowledge and Qualifications

Essential

- Excellent inter-personal and communication skills
- Awareness of Border to Coast customers and their particular needs
- Understanding of LGPS investment requirements

Desirable

- Other corporate knowledge – health and safety, ICT strategy and systems, HR, information management and data protection

Additional

- Skills, knowledge and qualifications as required dependant on succession planning requirements as per the Board skills matrix

Experience

Essential

- Extensive experience of working as a non-executive director/Local Authority Committee Chair either within a public sector environment or FCA regulated business
- Excellent understanding of working across multiple stakeholders
- Ability to satisfy fitness and propriety test as a Notified NED under the Senior Manager & Certification Regime (SM&CR) and to continue to satisfy test requirements and comply with FCA Conduct Rules

Desirable

- Asset management experience would be beneficial, gained either in the commercial or pension fund sectors
- Familiarity with the FCA Statements of Principle for Approved Person (and, in future, FCA Conduct Rules).

It is important to achieve an appropriate balance of experience amongst the non-executive directors

Version	
Version No. and Date	1, 10/05/19
Profile created/updated by	Nora Burns, Head of Legal Peri Thomas, Head of HR Paul Birch, HR Project Manager
Profile reviewed by people manager (state name & role)	Rachel Elwell, CEO
Profile reviewed by HR (state name & role)	Paul Birch, HR Project Manager

FCA and Companies Act requirements for Non-Executive Directors

FCA Requirements

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.

Directors who hold Senior Management Functions or Controlled Functions are also subject to the FCA's 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.

The Companies Act Requirements

A Director should display possession of the knowledge, skill and experience that may reasonably be expected of a person carrying out the role of Director. It codifies the Directors' duties into law:

- To act within powers;
- To promote the success of the Company;
- 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 or existing 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 requires 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.

Border to Coast Process for Partner Fund Nominated Non-Executive Directors

- 1 The Border to Coast Board has requested that the following be shared with the Joint Committee to provide transparency and promote understanding for those considering standing for nomination.

Pre-Selection

- 2 Prior to beginning the selection process the Joint Committee and Nominees should satisfy themselves that those offering themselves for selection do not have an unacceptable conflict of interest if the person appointed continues with their role with the partner fund's pension committee and the Board of Border to Coast.
- 3 The applications from the Nominees should illustrate how they meet the requirements of the Job Description (Appendix 4), including the required minimum time commitment and the requirement to undertake regular training, some of which is regulatory and compulsory.
- 4 The applicants should be comfortable with the post-selection process, including the FCA approval process. The Appendix to the Job Description details the requirements expected of directors by the FCA and the Companies Act.
- 5 Applicants must be willing to share the results of their DBS check with Border to Coast and the members of its Board.

Post-Selection

1. The Board would expect to meet the nominated candidates to assess whether they are comfortable to recommend to the Shareholders that they approve the appointment of the proposed nominee as a director of the company.
2. The Board reserves the right to not recommend for approval if they believe that the nominees do not meet the role profile criteria.
3. To satisfy the FCA regime, the nominees must be credit checked, satisfy anti-money laundering checks and be cleared by the Data Barring Service. At present all NEDS must then be approved by the FCA (after December 2019 under the Senior Managers and Certification Regime (Core), Border to Coast will have to self-certify NEDs other than the Chair).
4. Nominees will need to provide personal information, including photo ID and two forms of address information to apply for the Data Barring Service checks. The process of gathering the data will be managed by the Border to Coast HR team. Once the credit reference, anti-money laundering and DBS checks are completed and shared with Border to Coast, the Border to Coast Compliance team will apply for FCA approval, up to December 2019, or afterwards, register the new NED with the FCA.

5. The Board must approve the recommendation of the nominees to the Shareholders for approval to be directors. The Board may approve conditional upon the successful completion of the checks referred to above and the FCA's approval.
6. Once the checks are successfully completed, and FCA and Board approval has been obtained, the Company Secretariat will issue a resolution seeking the consent of 75% of the shareholders in line with the requirements of the Shareholders' Agreement. The time-frame for the return of Shareholder approvals vary between each of our Partner Funds.
7. Once approved by the Shareholders, the nominees will be required to enter into a service contract with Border to Coast.
8. Once all of the above is completed, the Company Secretary will register the nominees on Companies House and update the Company's register of Directors and Secretaries. Only then, will the nominee become a director of Border to Coast. This process may take up to 3 months. Hence the term for new Partner Fund nominated NEDs is expected to run from the October following nomination.

Time Commitment and Remuneration

9. The Board also asked that further information be provided regarding the time commitment involved in the role. The Board is currently scheduled to meet six times a year, with Committee meetings 4-5 times a year in addition. Telephone meetings may occur where urgent matters are under consideration. The full meetings usually last about 5 hours; telephone meetings are shorter and are held to deal with urgent business. Typically meetings are held in the Company's office in Leeds. Papers are circulated a week before the meeting and reading time is required.
10. 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.
11. Remuneration is approved by Shareholders on recommendation of the Remuneration Committee. The current level has been agreed at £15,000 pa,

Role Profile

Border to Coast Pensions Partnership Joint Committee – Scheme Member Representatives

Core Purpose of the Role

The core purpose of the role is two-fold:

1. To ensure that the members of the Border to Coast Joint Committee are made aware of the views of scheme members on the issues which they are considering.
2. To ensure that information on the decisions made by and the debates carried out within the Joint Committee are fed back to scheme members through their representatives on the local pension boards of the partner funds.

Term of Office and Selection

The scheme member representatives will be elected for a period of 2 years with a limit of 2 terms.

Selection will be by election from amongst the scheme member representatives on the local pension boards of the partner funds on the basis of one fund one vote exercised by the scheme member representatives on the 11 Local Pension Boards.

Each Local Pension Board will be able to nominate one candidate from amongst its scheme member representatives.

Elections will be conducted using the single transferable vote system to ensure that the representative elected has a substantial basis of support across the 11 partner funds, and to ensure that the process of election can be carried out without the continual reference back that would be required using other systems, or with the permission of the Joint Committee.

Eligibility

To be eligible for this role an individual must be a member (active, deferred, or pensioner) of one of the partner funds within the Border to Coast Pensions Partnership. On ceasing to be a member of one of the partner funds, or on ceasing to be a member of one of the partner funds' local pension boards an individual will become ineligible and will cease to hold office.

Commitment

In addition to any commitment to the work of the local pension board of which they are a member a scheme member representative on the Border to Coast Joint Committee will be expected to attend as a minimum meetings of the Joint Committee (4 per year) and the Border to Coast annual conference (2 days per year). The representative may choose additionally to spend time familiarising themselves with how the Border to Coast operating company runs its affairs.

Individuals undertaking the role will be expected to formally feedback in writing to the local pension boards of the partner funds following each Joint Committee meeting, and to produce an annual report which can be made available to the members of all the participating funds. Any member of a local pension board has a statutory obligation to maintain an appropriate level of knowledge and understanding of the issues with which the Board is dealing. It is expected that in fulfilling this obligation any scheme member representative will have sufficient knowledge and understanding to participate in the work of the Joint Committee.

Conflicts of Interest

A scheme member representative as a member of a local pension board should have completed a register of interests and be familiar with issues where a conflict of interest might arise.

As a member of the Joint Committee a scheme member representative must disclose the fact that they have a conflict of interest in relation to any item where they feel this is the case. The relevant officer will provide advice as to whether the representative may participate in debate, stay in the room and not participate or should leave the meeting for the relevant item. These rules apply equally to councillors.

Confidentiality

The Joint Committee operates under the terms of the Local Government Acts and some items which it discusses are discussed in private, for example where they concern the details of commercial contracts with third parties.

Scheme Member representatives will be present for **all** the Joint Committee's discussions whether in public or in private, and will receive **all** papers and be able to contribute to **all** debates, unless precluded from doing so by a conflict of interest.

As is the case with Councillors Scheme Member representatives will be limited in what they can disclose in relation to items discussed in private when reporting back to stakeholders. Appropriate support and guidance is available from fund officers on these issues. Equally scheme member representative(s) should not engage in widespread consultation for example with members of partner funds' local pension boards, on issues due to be considered in private before meetings.

Expenses

Reasonable travel expenses in association with attendance at meetings of the Joint Committee and attendance at the Border to Coast Annual conference will be re-imbursed from the Joint Committee annual budget. It is considered to be appropriate to cover travel expenses as the Scheme Member representatives will be considered to be acting on behalf of the scheme members from all 11 funds.

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Border to Coast Joint Committee

Date of Meeting: 9th March 2021

Report Title: Joint Committee Budget (for decision)

Report Sponsor: Ian Bainbridge, Chair Officer Operations Group

1.0 Recommendation

1.1 The Joint Committee is asked to

- Note the current budget position for 2020/21
- Agree a budget for 2021/22 of £40,000

2.0 2020/21 Joint Committee Budget

2.1 At the Joint Committee meeting on 9th March 2020 a budget of £40,000 was approved for 2019/20. This is consistent with the budget in previous years.

2.2 The Budget is intended to cover costs incurred by the Joint Committee and the partner funds, including the secretarial services to convene and run meetings, and for collective advice and support (internal from partner funds and external sources) which may be required from time to time by all partner funds.

2.3 It is also considered reasonable that this budget is used to cover travel costs and expenses for any members or officers who are attending meetings to represent all partner funds. This will include but will not be limited to meetings with MHCLG and Cross Pool meetings. This budget will not be used where members and officers are attending meetings to represent their own funds including Joint Committee meetings and Officer Operations Group Meetings.

2.4 The budget will also be used to cover travel expenses for scheme member representatives appointed as observers to the Joint Committee. This is because they will be deemed to be representing the scheme members from all partner funds.

2.5 In line with the cost sharing principles these costs will be shared equally between the partner funds.

2.6 To the end of February 2021 only item of expenditure for the year to date is £2,500. This is for external legal advice to the Partner Funds in respect of two pieces of work. The first is in negotiating changes to the shareholder agreement in relation to arrangements for making additional capital

contributions, following an error by Border to Coast. The second is in connection with the merger between Tyne and Wear Pension Fund and Northumberland County Council Pension Fund.

- 2.7 The only other item of expenditure being committed at present is in relation to the secretariat support to the Joint Committee from South Yorkshire Pensions Authority. The full year cost of this is estimated to be around £1,600.
- 2.8 Due to the Covid pandemic and the move to virtual meetings no room hire, travel costs or expenses have been incurred.

3.0 Proposed Budget for 2021/22

- 3.1 It is proposed that the budget for 2020/21 should be retained £40,000.
- 3.2 Whilst the current spending in 2020/21 would suggest a cut in the budget could be considered, the Joint Committee is still in its early days of operation and future spending requirements may still be identified. It is also considered useful to have an agreed budget at a reasonable level that can cover advice to the Joint Committee and the Funds should this be needed.

4.0 Conclusion

- 4.1 The current expenditure is within the Joint Committee Budget.
- 4.2 It is proposed that the budget for 2021/22 is retained at the current level of £40,000.

Report Author:

Ian Bainbridge, ian.bainbridge@southtyneside.gov.uk

Further Information and Background Documents:

N/A



Border to Coast Pensions Partnership Joint Committee

Date of Meeting: 9 March 2021

Report Title: Governance Charter Update (for decision)

Report Sponsor: Rachel Elwell, CEO

1 Executive Summary

- 1.1 The Governance Charter is a document setting out a summary of the governance arrangements for Border to Coast and is subject to annual review.
- 1.2 A summary of the proposed changes following review are included in Section 3 and a track-changed version is included in Appendix to this report. There are no substantive changes to bring to the Committee's attention.
- 1.3 The Board reviewed the proposed changes at its meeting on 23 February and are happy to recommend the revised Charter for approval by the Joint Committee.

2 Recommendations

- 2.1 The Committee is asked to approve the proposed changes to the Governance Charter for publication on the Border to Coast and Joint Committee websites.

3 The Governance Charter

- 3.1 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.
- 3.2 Due to this relative complexity involving 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.
- 3.3 Governance is also a significant area of focus for Central Government (MHCLG) and the Scheme Advisory Board.
- 3.4 To support understanding in this area, during 2018 a "Governance Charter" setting out roles and responsibilities across the Pool was jointly developed by Border to Coast and Partner Fund Officers. The aim was to have a public document available for all stakeholders to understand their role in the governance of Border to Coast.
- 3.5 Following further development and review at the March 2019 Joint Committee meeting (and equivalent Q1 2019 Border to Coast Board meeting), the Governance Charter was

approved for inclusion on both the Border to Coast and Joint Committee websites. It was also reviewed during Q1 2020, with updates reflecting, amongst other things, the FCA's Senior Manager and Certification Regime and the introduction of Scheme membership representation on the Joint Committee.

- 3.6 The Charter has been reviewed in 2021 and updated for the following points:
- 3.6.1 Section 1: a change to reflect the merger of Northumberland and Tyne & Wear Pension Funds in 2020.
 - 3.6.2 Section 2: an update to the strategy section to reflect the 2021-2024 Strategic Plan.
 - 3.6.3 Section 3: an update to the interactions between Border to Coast and Partner Funds.
 - 3.6.4 Section 5.2: the update of Border to Coast's governance chart to reflect changes made to Executive-level governance during 2020.

4 Risks

- 4.1 The Governance Charter should provide external stakeholders with an up-to-date view of the management of governance within the organisation and the interaction with external parties. As the governance changes the Charter must reflect this. Without these changes stakeholders cannot be confident in their ability to hold the firm to account.

5 Conclusion

- 5.1 It is good governance to review these documents on an annual basis and the Joint Committee is recommended to approve the changes contained in the documents.

6 Author

Femi Sobo-Allen, Border to Coast Deputy Company Secretary
25 February 2020

Supporting Documentation

Appendix – Revised Governance Charter marked to show changes

Important Information

Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority (FRN 800511). The information provided in this paper does not constitute a financial promotion and is only intended for the use of Professional Investors. The value of your investment and any income you take from it may fall as well as rise and is not guaranteed. You might get back less than you invested. Issued by Border to Coast Pensions Partnership Ltd, Toronto Square, Leeds, LS1 2HP.

Governance Charter

Border to Coast Pensions Partnership



| ~~March~~ February 20202021

Document Control

Version and Review History

V1.0	Approved document following governance	Rachel Elwell, CEO	13 th March 2019
V2.0	Approved document following governance	Rachel Elwell, CEO	12 May 2020
V2.1	Document submitted to ExCo for review	Rachel Elwell, CEO	22 Jan 2021
V2.2	Document reviewed by the Board and s151s	Rachel Elwell, CEO	15 Feb 2021
V2.3	Document reviewed by the Joint Committee	Rachel Elwell, CEO	25 Feb 2021
V3.0	Approved document following governance	Rachel Elwell, CEO	31 March 2021

Governance Approvals

Approved By	Version	Date
S151s	24.2	27/02/2021
The Board	24.2	27/02/2021
The Joint Committee	24.3	09/03/2021

Key Dates

Event	Date
Effective Date	31/03/2021
Next Review Date	31/03/2024

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 Colleagues	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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Potential Merger of Two Border to Coast Partner Funds

Please note that this Governance Charter (version 2.0) is being published whilst the process is ongoing for the proposed merger of Northumberland and Tyne & Wear Pension Funds. Should this process lead in due course to the merger of these two funds, references to 12 Partner Funds (other than at inception of Border to Coast) should be read as 11 Partner Funds. The Governance Charter will be updated to reflect any merger at its next annual review.

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

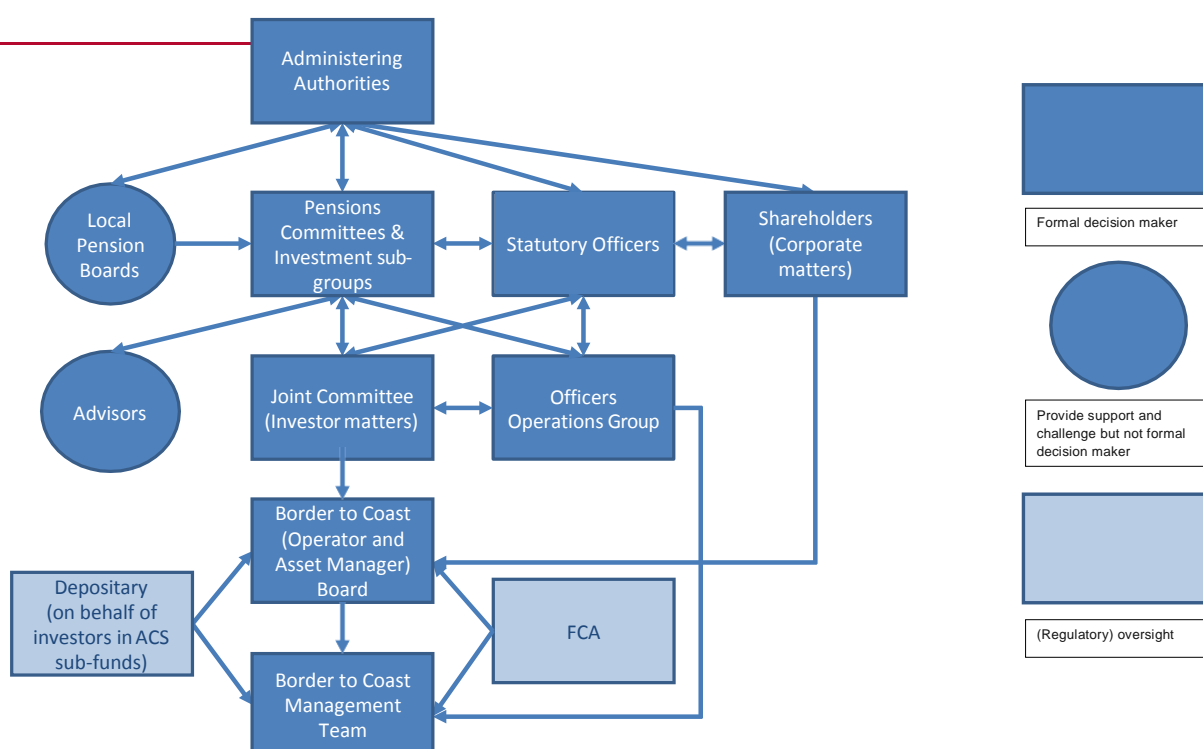
1. Meeting central Government’s aims for governance, responsible investing, infrastructure and value for money
2. One fund, one vote
3. Funds retaining governance role and ownership of asset allocation
4. Generating improved net-of-fees risk adjusted performance
5. Border to Coast internal management 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.

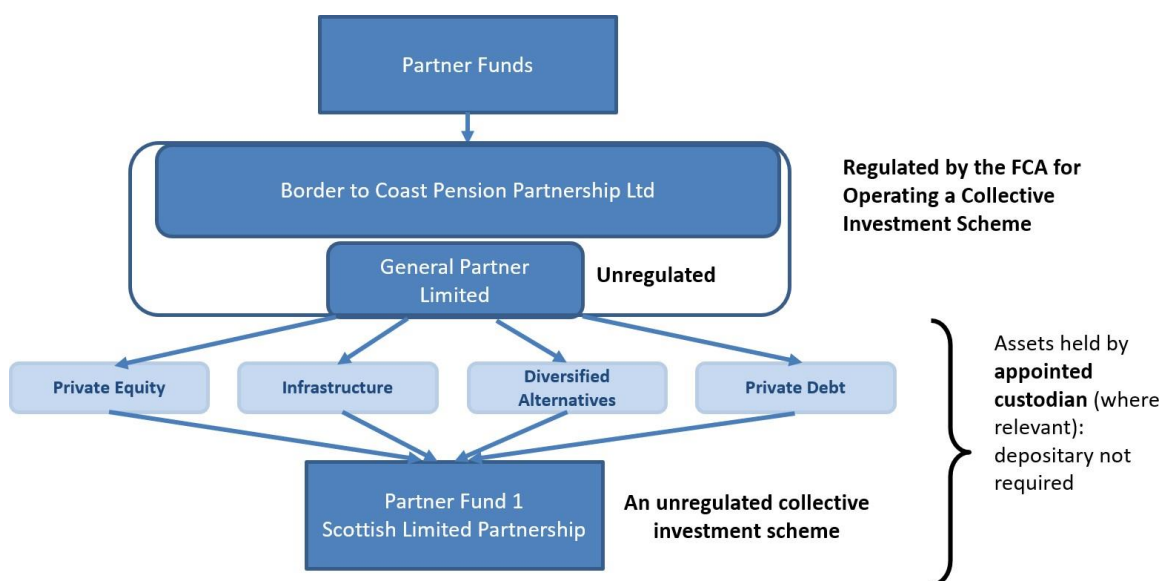
Border to Coast’s performance as a company is overseen by shareholder representatives from the ~~twelve~~ Administering Authorities of the Partner Funds both on an ongoing basis and formally once a year at its AGM.

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.



It should be noted that the oversight of the Border to Coast private market structure differs from that of the Border to Coast Authorised Contractual Scheme (“ACS”) as set out in the diagram below (we have chosen to show one of the ~~twelve~~ GP/LP structures for simplicity [in reality each Partner Fund investing in private market via Border to Coast has its own GP/LP structure](#)):



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 Depositary (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 (establishing the BCPP Joint Committee and stating its 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 is](#) 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~~ was 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 was created to make a positive difference to the investment outcomes of its partner Local Government Pension Funds. Through pooling it will have a stronger voice and, working in partnership, will deliver a cost effective, innovative and responsible investments, thereby enabling sustainable, risk-adjusted performance over the long-term.

This will be achieved through the following three main strategic 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.

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;
- Developing their approach to Responsible Investment and maintaining their own policy framework;
- 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 112 Pension Fund Chairs and meets 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. Two scheme member representatives, elected by Local Pension Boards of the 112 Partner Funds, also attend as non-voting members of the Committee.

As a Section 102 Committee¹, there are agreed Terms of Reference (see Appendix I to this Charter) and as meetings are held as 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 112 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 t~~he OOG ~~will~~ meets ~~bi-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.

¹ A Committee established under section 102(1) of the Local Government Act 1972 (LGA), which permits local authorities to discharge their functions through committees.

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
<u>Weekly operational update email</u>	<u>OOG</u>	<u>Weekly</u>
Organisation of calls with s151 officers by the CEO	S151 officers	Quarterly or as required
Provision of monthly management accounting information	OOG	Monthly
<u>CEO Newsletter – general update (circulation facilitated by OOG)</u>	<u>All stakeholders</u>	<u>8 p.a.</u>
Attendance* at the OOG, <u>and OOG RI, meetings</u> by Border to Coast officers	OOG	Bi-monthly or as required
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
<u>Calls to discuss Border to Coast funds' performance</u>	<u>OOG and advisors</u>	<u>Quarterly</u>
Attendance* at Joint Committee meetings by the CEO and Chair (and other officers as required)	Joint Committee	Quarterly
Membership of Joint Committee (on a co-opted and non-voting basis) of the shareholder nominated non-executive directors	Joint Committee	Quarterly
Attendance* at <u>Partner Fund Pension Committee</u> meetings by a Border to Coast Client Relationship Team <u>representative member</u> (and other officers as appropriate)	Pensions Committees	Quarterly
Facilitation of sessions for to enable Pension Committee advisors to input to and challenge	Advisors (and OOG as appropriate)	Ad hoc (as required) Six-monthly
<u>Strategy Meetings</u>	<u>S151 Officers</u>	<u>Six-monthly</u>
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)
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

Whilst we expect most issues will be able to be addressed via day-to-day interactions, 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"².

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.

Border to Coast Board has also invited the Joint Committee to nominate two members to the Board, who can broadly be said to provide a shareholder perspective on the operation of the Company.

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 cannot 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 both shareholder and Joint Committee roles. However, Eversheds did recommend that each 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 under the Shareholder Agreement, typically by written resolution, with advice from the section 151 and monitoring officers as deemed appropriate for each Partner Fund. It should be noted that these written notifications of consent to actions made under the Shareholder Agreement are to comply with the terms of that Agreement and are not resolutions of the Company made under the Articles of Association which would require shareholder votes in General Meeting or in accordance with the Articles. These regimes operate alongside one another.

In addition, ~~it is envisaged that~~ Border to Coast ~~will hold~~s 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~~s a forum for discussion regarding future strategic capability build and agreement for changes to the budget to support such developments.

The primary Border to Coast contact for shareholders ~~will be~~is 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 Code³ ("the Code"), notwithstanding business size and closed shareholding.

² <http://www.cipfa.org/policy-and-guidance/articles/teckal-the-basics-explained>

³ [UK Corporate Governance Code July 2018](#)

The responsibilities of the Board include promoting the long-term sustainable success of the Company, establishing the Company's purpose, values and strategy and satisfying itself that these, and its culture, are aligned. The Board must provide the leadership, and ensure that the necessary resources are in place, to put these objectives into effect; supervising the management of the business; and reporting to shareholders on their stewardship. In addition, the Board should ensure effective engagement with, and encourage participation from, its shareholders and other stakeholders. 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.

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 (NEDs) 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.

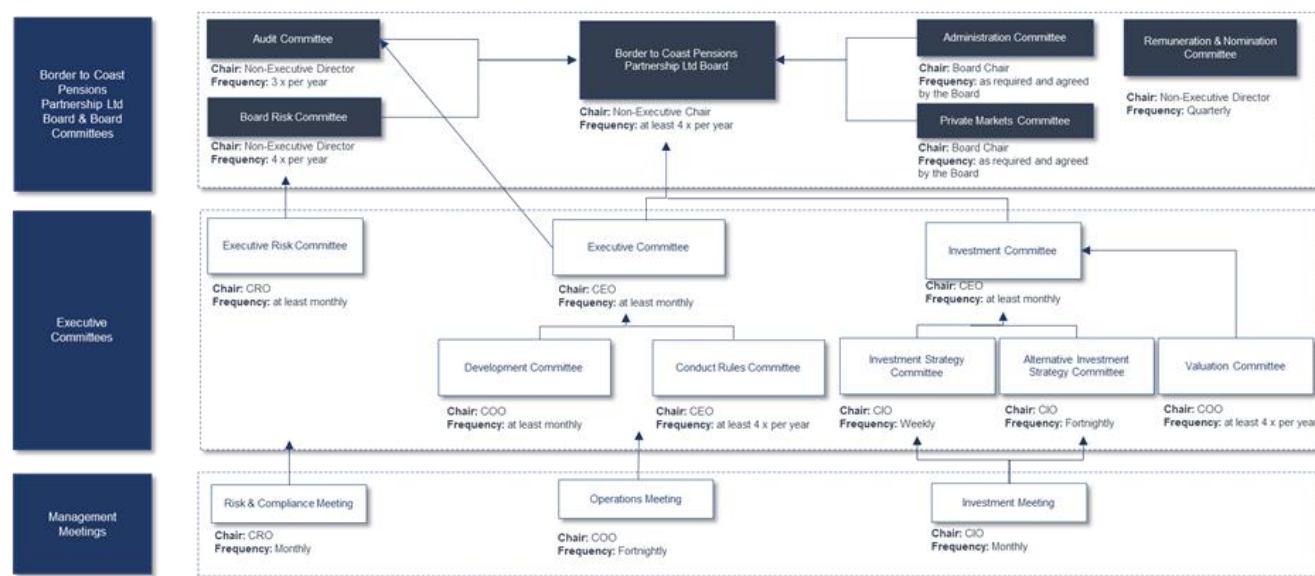
NEDs are also responsible for recommending for approval by the Shareholders appropriate levels of remuneration of Executive Directors and have a prime role in succession planning, appointing, and where necessary removing, senior management.

The Company has sought to include representation from its Shareholders and Partner Funds on the Board. The Partner Funds (via the Joint Committee) have nominated two individuals to act as full Board Members. They are obliged to conduct themselves in the same way as all members of the Board and as described above.

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 CEO specific responsibilities include the following:

- Strategy and Business Planning
- Leadership and Corporate Governance
- [Human Resources](#) People
- Pensions
- Risk Management and Controls
- Finance
- Customer Services, Conduct Risk Management and Treating Customers Fairly
- Communications and Shareholder Liaison
- Investment Management

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).

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 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 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.

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 15. (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 an Initial 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;
14. removal of any director and, for the avoidance of doubt, the Chair in accordance with the Companies Act 2006 or otherwise; and
15. approving and adopting a Subsequent Strategic Plan (including the Annual Budget) and/or amending any such Plan.

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 hold roles classified as Senior Management Functions or Certified under the Senior Management Regime ("SMCR") 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 for 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 for 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;
- 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 roles which are classified as Senior Management Functions (SMF) or are Certified are also subject to the [FCA's Individual Conduct Rules](#). 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 Principles⁴ 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.

⁴ <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

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Border to Coast Pensions Partnership Joint Committee

Date of Meeting: 9 March 2021

Report Title: 2020 Partner Fund Satisfaction Survey (for information and discussion)

Report Sponsor: Rachel Elwell, CEO Border to Coast

1 Executive Summary

- 1.1 As part of our commitment to delivering our vision and purpose, we conduct an annual survey of our Partner Funds. Conducted in late 2020, 39 responses were received – with at least three responses from each Partner Fund.
- 1.2 Overall the results were very positive – with most scores either the same, or slightly higher than the 2019 survey (direct comparison is difficult due to the evolution of the questions).
- 1.3 While the feedback was positive, the survey is a key mechanism to listen and respond to the thoughts and observations from our Partner Funds. We have used this survey to identify areas for further development, which have been used to facilitate a discussion with Partner Fund Officers to create a specific action plan to address the feedback received (shown in Appendix 1).
- 1.4 We have also made good progress on the feedback provided in the 2019 survey, despite challenges due to Covid-19 over the period. A summary is provided in Appendix 2.

2 Recommendations

- 2.1 The Committee is asked to note the results of the survey and provide comment on the recommended actions to address the feedback.

3 2020 Partner Fund Satisfaction Survey

- 3.1 Our annual satisfaction survey was issued on 19 October 2020 and included s151 Officers, Pension Officers, Committee Chairs and Independent Advisors. It closed on 11 November 2020 with responses from 39 people across the 11 Partner Funds, some of whom represent more than one fund.
- 3.2 Direct comparison with 2018 and 2019 is difficult due to the evolving nature of the report. Reflecting feedback from Partner Funds – which included a workshop with officers from Cumbria, South Yorkshire and Surrey – we believe we have settled into a standard format to enable consistent year on year comparison.

3.3 In a challenging year, the 2020 survey found that there is a high level of satisfaction in how Border to Coast is serving its Partner Funds. This includes:

- strong progress against our strategic objectives;
- a high level of confidence that if Partner Funds raise an issue or concern it will be dealt with appropriately;
- our effective communication and engagement with our key audiences (although issues with the Data Room remain);
- a close and constructive relationship with Partner Funds; and,
- a desire for Border to Coast to continue to add more value to its Partner Funds – particularly on Responsible Investment and in our investment capabilities.

Key Responses

Area	Response	Specific feedback
Our Progress	18% strongly agree 61% agree 18% Neutral 3% Disagree 0% Strongly Disagree	<ul style="list-style-type: none"> • how we ensure we retain a focus on the individual customer – and not seek to “herd” them towards a pre-chosen decision. • how we can better support the needs of committee members in their knowledge and understanding
Responsiveness	44% strongly agree 36% agree 20% Neutral 0% Disagree 0% Strongly Disagree	<ul style="list-style-type: none"> • Several comments on how open, helpful and responsive the team are; • One comment on the occasional need to chase for Border to Coast for a response; • whether, in some areas (e.g. reporting and some experiences in transitioning) Border to Coast is too accepting of what third parties say at the expense of Partner Fund needs/requests.
Progress in key areas (Very Well & Well combined)	84% - Responsible Investment 79% - Design of investment capabilities 76% - Implementation of PF strategic asset allocation 68% - Input to investment strategy reviews 77% - Facilitation of oversight by PFs 65% - PFs working collaboratively	
Future Priority Areas	82% - Responsible Investment 59% - Information to allow investment oversight 59% - Investment capability development 39% - Information to allow governance oversight	
Key engagement areas	85% - Responsible Investment 77% - Investment industry (fees, costs, transparency, etc) 56% - impact of regulation on pooling and the LPPS 51% - Government policy on pooling	
Key Strategic Risks	88% - Investment offerings don't meet requirements 80% - Drift towards sub-optimal lowest common denominator solutions 69% - loss of key personnel / ability to recruit 66% - Delays in designing / building funds 64% - failure of the partnership ethos among Partner Funds	
Overall Satisfaction	49% strongly agree 41% agree 10% Neutral 0% Disagree 0% Strongly Disagree	<ul style="list-style-type: none"> • Positive praise on the progress being made • Need to maintain a constant vigilance of an ever changing situation • The importance of maintaining a customer focus and a public sector ethos at Border to Coast • Getting credit for a) listening and b) making efforts to improve

3.4 As a learning organisation, although feedback is good, acting on it is essential. While there is a high level of satisfaction, there are nonetheless several areas that require extra work and focus:

- ensure we continue to remain focused on delivering for our Partner Funds – and ensuring all have an equal voice – by seeking feedback through formal groups and on an individual basis;
- within Responsible Investment – we will implement current strategic activity (including recently agreed climate change actions); support Partner Funds on stewardship code and TCFD reporting and continue to discuss with Partner Funds and Pension Committees the future direction of travel;
- continue to develop the investment capabilities which meet the requirements of our Customers – and engaging closely to ensure that is the case;
- continue to develop our collective voice – with a particular focus on how we engage with the investment industry, and ensuring pooling works for our Partner Funds. We will closely engage with Partner Funds in this area and ensure that this feeds through into our strategic plans;
- develop content and events to support the insight and education of committee members on investment issues
- continue to enhance the way in which we share information. Once we have addressed any outstanding individual issues, we will take stock by seeking broader feedback from the user base and set out next steps;
- reflect on how we can better work with Advisors – while positive, they are perhaps the least positive of any of the four groups surveyed. We have now embedded regular strategic meetings with the Advisor group and will utilise this as a forum to address their requests and seek further feedback on an ongoing basis.

4 Risks

4.1 As a customer owned, customer focussed organisation, it is important that Border to Coast understands, and responds, to the feedback provided by its Partner Funds. If this does not occur, there is a risk that the firm fails to deliver on behalf of its Partner Funds.

4.2 If we do not show that we are listening, we will fail to get the feedback needed to continue to develop in future years. Therefore the communication of the results of the survey and clear links from the feedback to actions are important.

5 Conclusion

5.1 The annual satisfaction survey suggests that there is a high level of satisfaction in how Border to Coast is delivering on behalf of its Partner Funds. However, as a customer focused organisation, to ensure this remains the case, we have developed an action plan based off the feedback from the 2020 survey.

6 Author

Ewan McCulloch, Ewan.McCulloch@bordertocoast
Head of Policy & Communications
17 February 2021

7 Supporting Documentation

Appendix 1 – 2020 Partner Fund Satisfaction Action Plan
Appendix 2 – 2019 Partner Fund Satisfaction Action Plan Update

Important Information

Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority (FRN 800511). The information provided in this paper does not constitute a financial promotion and is only intended for the use of Professional Investors. The value of your investment and any income you take from it may fall as well as rise and is not guaranteed. You might get back less than you invested. Issued by Border to Coast Pensions Partnership Ltd, Toronto Square, Leeds, LS1 2HP.

Appendix 1 – 2020 Partner Fund Satisfaction Action Plan

Identified	Actions	Timeframe
Responsiveness	<ul style="list-style-type: none"> Embed and report against the recently agreed customer service SLAs Review effectiveness of SLAs and consider whether to extend further 	<ul style="list-style-type: none"> Q1 2021 Q3 2021
Communications	<ul style="list-style-type: none"> Agree and implement communications plan for 2021 including gaining clarity regarding the information required by members, officers and/or advisors Circulate materials at least 3BD before workshops Ensure record of each workshop is included in the data room to support those unable to make the meeting and for audit trail purposes Improve data room experience Review timing of monthly s151 call 	<ul style="list-style-type: none"> Agree Q4 2020 Implement 2021 Effective immediately Effective immediately H1 2021 Q4 2020
Working with Advisors	<ul style="list-style-type: none"> Embed half-yearly strategic meetings with Advisor group Seek input from advisors on content of meetings 	<ul style="list-style-type: none"> Ongoing throughout 2021 Q1 2021
Knowledge & Training	<ul style="list-style-type: none"> Initial video sessions - insight & education – proposed Review annual conference content to consider whether possible to run differing levels of investment content sessions in parallel to reflect levels of experience Work with officers to consider demand and feasibility to run a “new member” training conference in 2021 	<ul style="list-style-type: none"> Q1 2021 Q2 2021 Q2 2021
Oversight	<ul style="list-style-type: none"> Embed Internal/External/Private Markets & External Manager sessions first trialled in H2 2020 Take stock after 6 months and look at whether these can evolve to ensure PF requirements are met Seek feedback on quarterly reporting to pensions committees and the Joint Committee 	<ul style="list-style-type: none"> Ongoing July 2021 Feedback: Q1 2021 Embed changes: by Q3 2021
Joint Committee	<ul style="list-style-type: none"> Work with members and advisors to develop the modus operandi for the Joint Committee to ensure that the information provided by Border to Coast supports both its oversight role and its role as the collective voice of the customer to Border to Coast’s Board 	<ul style="list-style-type: none"> H1 2021
Fund design process	<ul style="list-style-type: none"> Review with Partner Funds the proposition design process to identify opportunities to develop further (speed, ability to facilitate compromise between Partner Funds, viability conditions, proposition complexity) 	<ul style="list-style-type: none"> Q1 2021
Responsible Investment ¹	<ul style="list-style-type: none"> Support PFs with stewardship code and TCFD reporting Agree future direction of development with Partner Funds including sustainability, impact and opportunities to support Partner Funds beyond those already agreed in the current strategic plan As part of the communication strategy noted above, ensure that there is a clear link between the work carried out by Border to Coast and how this is supporting Partner Funds’ policies, expectations and needs. 	<ul style="list-style-type: none"> Ongoing throughout 2021 Ahead of next strategic plan (22-25) Ongoing throughout 2021
Future strategic development ²	<ul style="list-style-type: none"> Reflect Partner Fund feedback on prioritisation, risk and capability requirements in the 2021-24 strategic plan 	<ul style="list-style-type: none"> Q4 2020 (strategic plan) Q1 2021 (shareholder approval)

¹ Some aspects of the feedback in the satisfaction survey references planned development as agreed via the RI strategy in the 2020-23 strategic plan, and will be delivered and tracked through the strategic process.

² We note that the feedback in the satisfaction survey was consistent with that provided as part of the discussions held earlier in 2020 which formed part of the development of our customer and collective voice strategies as set out in the 2021-24 strategic plan. The wider strategic build actions have not been replicated here but we also expect these to address areas of feedback such as responsiveness, communication and development of the collective voice on responsible investment, the investment industry and other strategic matters.

Appendix 2 – 2019 Partner Fund Satisfaction Action Plan Update

Identified	Actions	Timeframe	Progress
Workshop recording availability	<ul style="list-style-type: none"> Using WebEx, share recordings of workshops for future reference 	<ul style="list-style-type: none"> 14th January 2020 (and on-going) 	<ul style="list-style-type: none"> All workshops are now recorded and shared via the Data Room.
Clear & accurate workshop communications	<ul style="list-style-type: none"> Diary invites issued at least 1 month in advance with high level agenda topics. Specific topics agreed 1 month in advance. All relevant advisors invited. Pre-meeting material issued three days in advance. 	<ul style="list-style-type: none"> 31st January 2020 (and on-going) 	<ul style="list-style-type: none"> Forward-looking workshop schedules are shared with PFs. Discussions held with all PFs on standing adviser invitations. Need to ensure that deadlines for sharing materials are always hit (ongoing).
Advisor/Consultant communication	<ul style="list-style-type: none"> Agree approach with Partner Funds at February 2020 OOG Take action following OOG (e.g. establish regular advisor update calls; assist officers in ensuring advisors are involved in early fund build discussions). 	<ul style="list-style-type: none"> Q1 2020 (and on-going) 	<ul style="list-style-type: none"> Advisor calls are now established. Second call took place in October and scheduled 6 monthly on-going. As above, advisors are now invited to workshops if PF officer has requested.
On-line accessibility (Data Room)	<ul style="list-style-type: none"> Improve user experience of Data Room to assist in navigation of relevant information. Work with Partner Funds to understand the current barriers to ease of use Agree and implement further actions 	<ul style="list-style-type: none"> Q1 2020 Q1 2020 Ongoing 	<ul style="list-style-type: none"> Informal discussions held on Data Room use and navigation. New Data Room structure implemented in Q2 following PF volunteer test-drive. Ongoing feedback and improvements
Committee input	<ul style="list-style-type: none"> Make sure senior Border to Coast colleagues are visible to Committees. Utilise internal resource appropriately at Partner Fund meetings. Work with officers to make sure information reaches the full Committee. 	<ul style="list-style-type: none"> Ongoing Ongoing Ongoing 	<ul style="list-style-type: none"> CEO, CIO, Head of RI, Head of Ext Mgmt, Head of Equities & Alternatives and various PMs have attended Committee Meetings in 2020, plus JCs and OOGs. Following OOG and JC discussions, Officers to feed back on info their Members would like to see outside of the Committee cycle.
Responsible Investment Strategy	<ul style="list-style-type: none"> Use Border to Coast's size to influence on RI principles. Create communications plan around RI to make Partner Funds aware of what we are doing. 	<ul style="list-style-type: none"> See RI strategic plan H1 2020 	<ul style="list-style-type: none"> RI updates given to OOG and JC throughout 2020. On track with actions on the plan. TCFD report published in July. Formal communications for RI incorporated within the wider communications plan.
Fund Manager access	<ul style="list-style-type: none"> Work with internal and external managers to create regular on-going access to Investment management teams for the Partner Funds in line with agreed Memorandums of Understanding (MOUs). 	<ul style="list-style-type: none"> Q3 2020 	<ul style="list-style-type: none"> New quarterly sessions for both internal and external management were introduced in October 2020 and have been scheduled quarterly going forwards.

Identified	Actions	Timeframe	Progress
Collaboration	<ul style="list-style-type: none"> • Longer-term strategy discussion about the role of Border to Coast for Partner Funds as a strategic partner • Work with Partner Funds to agree longer-term areas of action for Border to Coast to undertake. • Discussion with Partner Funds around how we are implementing the design / prioritisation phase of sub-funds 	<ul style="list-style-type: none"> • On-going 	<ul style="list-style-type: none"> • Customer requirements sessions have been run, with insightful feedback from Partner Funds. • Ongoing discussions with senior officers at six monthly strategy meetings. • Formed part of CRM three-year strategic planning.
Collaboration between Partner Funds	<ul style="list-style-type: none"> • Work with Partner Funds to improve understanding of expectations of Border to Coast and how we can collectively work together in this area 	<ul style="list-style-type: none"> • H1 2020 	<ul style="list-style-type: none"> • This is a standing item at OOGs (both within the formal OOG, supported by Border to Coast, and at Funds-only meetings).
Sub-Fund Launch	<ul style="list-style-type: none"> • Continue to hold 'lessons learned' sessions on transitions and other major pieces of work 	<ul style="list-style-type: none"> • H1 2020 & ongoing 	<ul style="list-style-type: none"> • Global Equity Alpha, IG Credit & Alternatives (Series 1b) lessons learned sessions held and updates shared with OOG and JC. This is now part of our standard practice.
Tax Policy	<ul style="list-style-type: none"> • Set up a session on the impact tax policy has on the long term investment outcomes, and what action is required. 	<ul style="list-style-type: none"> • H1 2020 	<ul style="list-style-type: none"> • Tax Strategy Framework paper shared with Officer in May and discussed at June OOG.

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Border to Coast Pensions Partnership Joint Committee

Date of Meeting: 9 March 2021

Report Title: Border to Coast Market Review (for information and read only)

Report Sponsor: Border to Coast CIO – Daniel Booth

1 Executive Summary

1.1 This report provides an overview of market and fund performance as well as the broader macroeconomic environment. Charts are courtesy of Goldman Sachs unless stated.

2 Market Performance

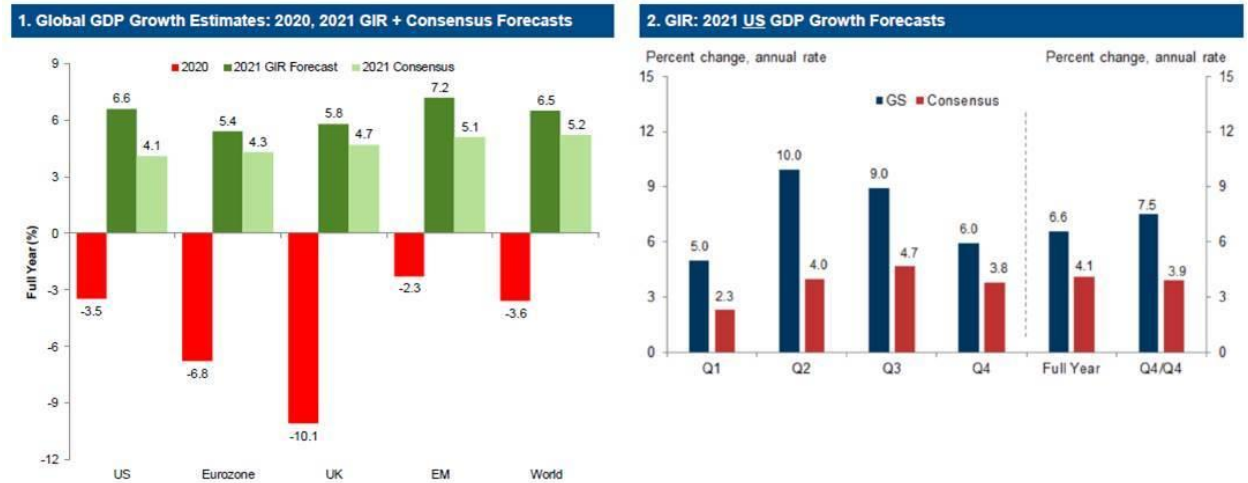
2.1 2020 witnessed sharp declines in risk assets during 1Q 2020 followed by sustained rally 2Q-4Q 2020. Strong positive global equity returns (+17.5%) were driven by performance of growth stocks, especially in the US and China, with the UK market (-10%) underperforming. Nominal Bonds saw positive returns during early crisis period with Inflation Linked bonds benefiting from liquidity normalization. The excess return of credit spreads was broadly flat as were Commodities, although latter saw gains in precious and industrial metals offset by energy weakness. Table below is courtesy of Bridgewater:

2020 Passive Total Returns

	Q1	Q2-Q4	2020		Q1	Q2-Q4	2020
Equities				Government Bonds			
Global (Unhedged)	-21.3%	49.2%	17.5%	US	10.4%	0.3%	10.7%
US	-19.6%	47.3%	18.4%	Germany	2.8%	1.4%	4.2%
Germany	-24.3%	38.7%	5.0%	Japan	0.6%	-0.3%	0.3%
France	-25.3%	31.1%	-2.1%	UK	4.1%	1.6%	5.8%
Italy	-26.8%	31.3%	-3.9%	Canada	8.4%	1.1%	9.6%
Spain	-27.8%	23.5%	-10.8%	Australia	5.4%	-0.9%	4.5%
Japan	-16.2%	31.3%	10.1%	China	4.1%	-2.9%	1.1%
UK	-24.5%	18.9%	-10.2%	Inflation-Linked Bonds			
China	-10.3%	41.1%	26.5%	US	1.9%	10.2%	10.2%
Canada	-19.5%	36.0%	9.5%	Europe	-5.5%	11.4%	5.2%
Australia	-23.8%	34.4%	2.4%	Japan	-2.2%	0.1%	-2.1%
Emerging Markets ex-China (Unhedged)	-23.6%	55.3%	18.7%	UK	1.6%	7.1%	8.8%
Global Equity Slices				Canada	0.3%	11.1%	7.7%
Value	-27.6%	33.6%	-3.3%	Australia	-2.1%	10.0%	7.7%
Growth	-16.0%	56.2%	31.3%	Bond Aggregates (Bloomberg)			
Small Cap	-30.5%	63.7%	13.8%	US	3.1%	4.2%	7.5%
Large Cap	-20.7%	43.4%	13.7%	Global	1.4%	4.1%	5.6%
Cyclical	-23.2%	43.1%	9.9%	Spreads			
Non-Cyclical	-12.6%	23.5%	8.0%	Corporate: US Investment-Grade	-2.0%	2.7%	0.6%
Digital Economy	-10.7%	54.7%	38.1%	Corporate: Europe Investment-Grade	-1.6%	2.9%	1.3%
Physical Economy	-22.2%	34.9%	4.9%	Corporate: US High-Yield	-13.8%	13.5%	-2.2%
Strong Balance Sheet	-14.0%	59.3%	36.9%	Corporate: Europe High-Yield	-11.7%	17.0%	3.3%
Weak Balance Sheet	-31.0%	53.8%	6.2%	Sovereign: Europe	-1.1%	3.5%	2.3%
Global Equity Sectors (Best- and Worst-Performing)				Sovereign: Emerging Markets	-12.4%	12.0%	-1.9%
Internet Services	-2%	72%	71%	Other			
IT Manufacturers	-16%	80%	64%	Hedge Funds (HFRX Global Index, Net)	-6.9%	11.9%	4.3%
Airlines	-47%	20%	-27%	US Real Estate (REITs)	-25.4%	26.2%	-5.9%
Resources	-44%	20%	-24%	Currencies			
Commodities				EUR vs USD	-2.3%	10.1%	7.6%
S&P GSCI Commodity Index	-1.1%	3.5%	2.3%	JPY vs USD	0.5%	3.8%	4.3%
Bloomberg Commodity Index	-12.4%	12.0%	-1.9%	CNY vs USD	-1.6%	9.3%	7.5%
Crude Oil	-65.0%	76.4%	-38.3%	EMFX ex-Asia vs USD	-15.8%	8.9%	-8.5%
Gold	5.2%	16.9%	23.0%	US Cash	0.0%	0.0%	0.0%
Industrial Metals	-6.9%	11.9%	4.3%				

3 Macroeconomic Environment

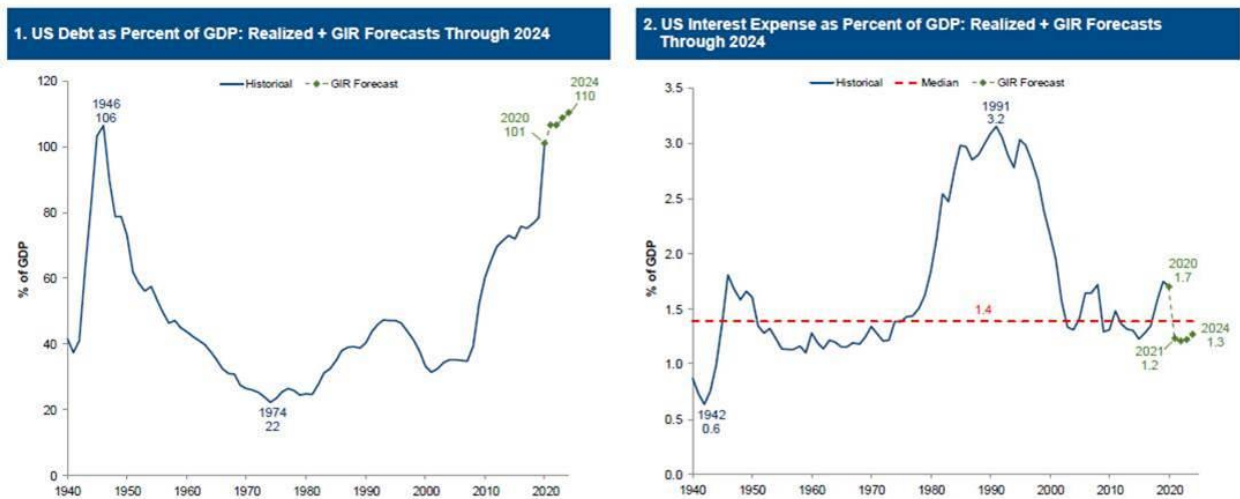
3.1 *Growth*: following significant 2020 GDP drawdowns, strong consensus growth is expected in 2021 with Goldman expecting above consensus growth across all regions apart from China where in-line with consensus (as already recovered above pre-COVID levels). Improving medical situation (with roll out of the vaccination program) and additional US fiscal stimulus (with US households receiving \$600 federal cheques) will support global growth rebound.



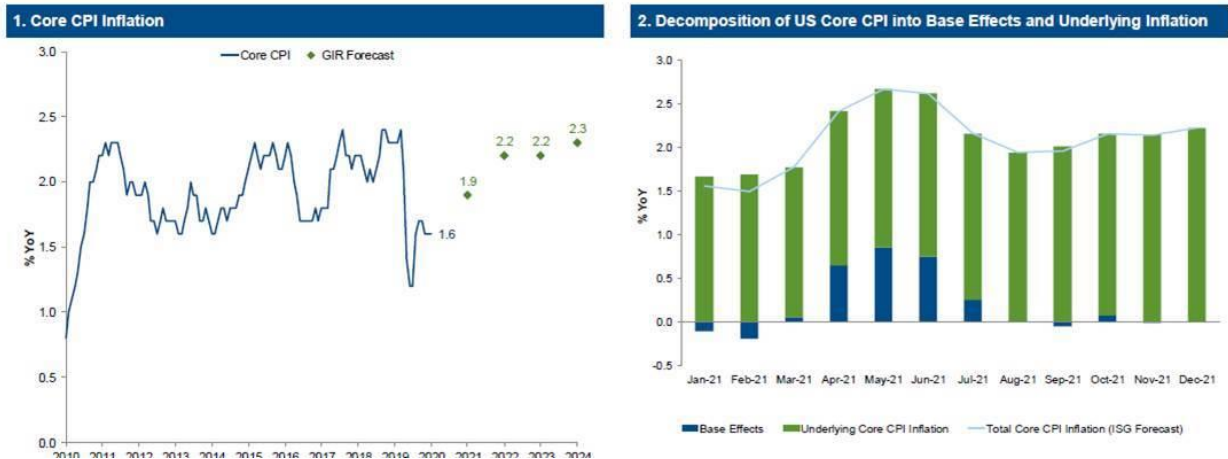
3.2 Consensus is for the EU recovery by mid-22 and UK recovery by mid-23. The UK is likely to perform better than expected due to:

- UK reach herd immunity faster (vaccination program) and re-open faster than the EU
- BREXIT has happened so reduced uncertainty despite increased trade frictions
- Differences how UK and EU economies (Ger, Sp, Ita) calculate government activity led to a larger relative UK drawdown and will likely result in a sharper rebound. EU calculates educational and healthcare activity based upon **paid salaries** (unchanged) whereas UK calculates based upon **output** (lower as closed schools / cancellation of elective surgeries).

3.3 *Debt*: US debt levels projected to exceed prior WWII peak, but this is not considered an immediate issue as the cost of debt service is relatively low due to decline in interest rates.



3.4 *Inflation*: uptick 2021 inflation due to low base effects of prior year (2Q 2020) combined with potentially some localized supply constraints. US Core CPI is expected to reach 2.5% (2Q 21) before declining towards target later in the year.

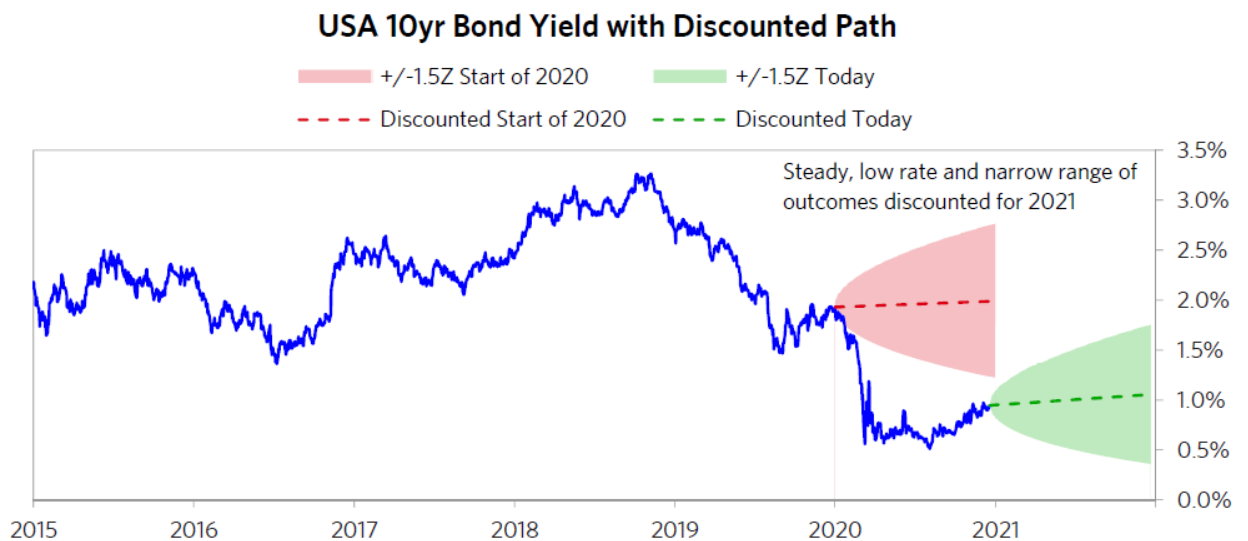


Key for investors will be understanding the difference between transitory and structural increases in inflation. Investors should monitor underlying trends in Service versus Goods inflation as well as measurements of labour market slack (wages, participation rates, unemployment).

Over the last 10 years **US** inflation (1.65%) has been close to but below 2% target and with current monetary and fiscal stimulation there is a reasonable chance that the Federal Reserve will meet / exceed target. The **EU** has been further below target and with ageing demographics and inflation anchoring make it more difficult to achieve their target with a higher risk of a Japanese style deflation. The **UK** is a small and open economy and over last 10 years has actually met 2% inflation target, albeit with higher inflation variability with the Bank of England writing letters to the Treasury when inflation is under 1% or over 3%.

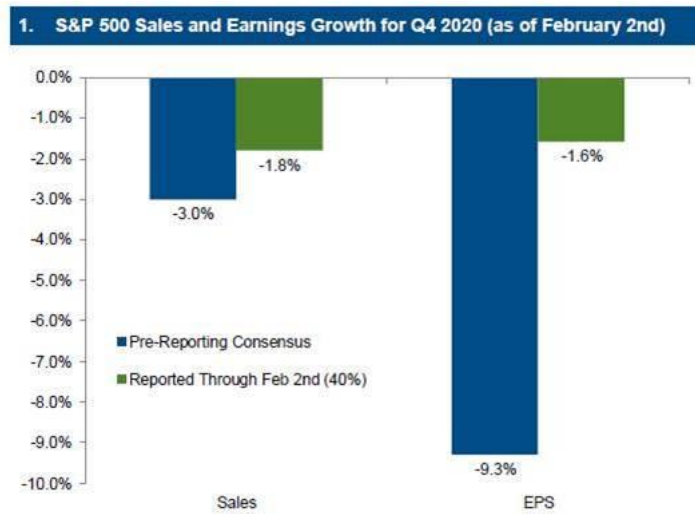
4 Bond Markets

4.1 Bridgewater chart of US bond yields - shows that at the start of 2021 yields are at a lower level than 2020, and with central banks forecasted to remain on hold for a prolonged period, are not priced to recover to pre-pandemic levels. Note the recent rise in yields reflects the market's recognition of stronger growth and near-term inflation expectations.

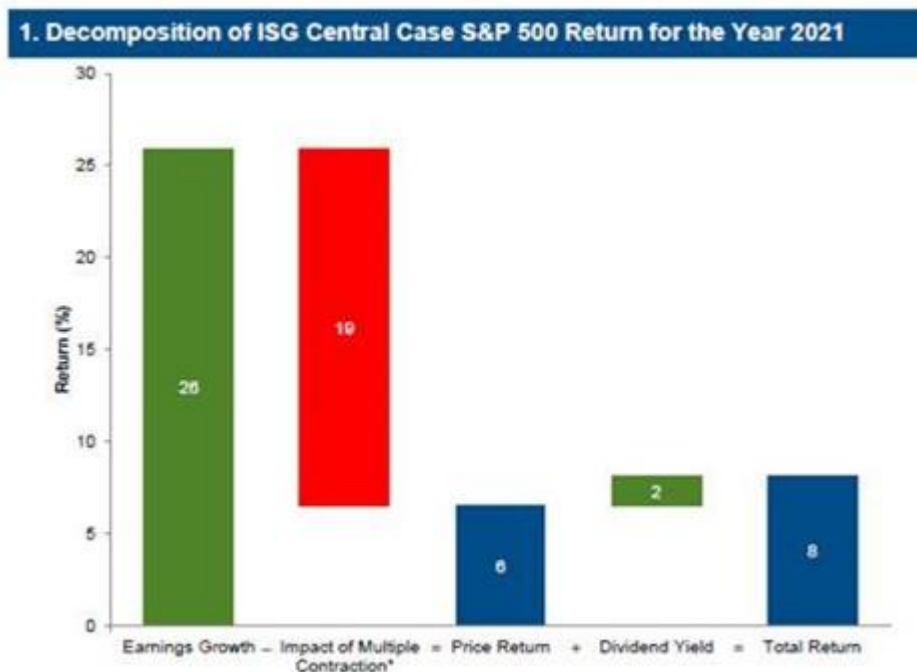


5 Equity Markets

- 5.1 *Earnings:* 40% S&P reported 4Q earnings strong with 82% above expectation with 13.5% average beat (and market participants revising up earning estimates). Below shows sales and EPS numbers versus consensus up until 2nd February 2020:



- 5.2 *Return Forecasts:* Goldman Sachs forecasts US Equities will deliver an 8% 2021 return with strong earnings growth (+26%) and dividend yield (2%) partly offset by declining multiple (-19%) partly due to rising rates. The catch-up earnings and multiple contraction is typical in this part of the market recovery.

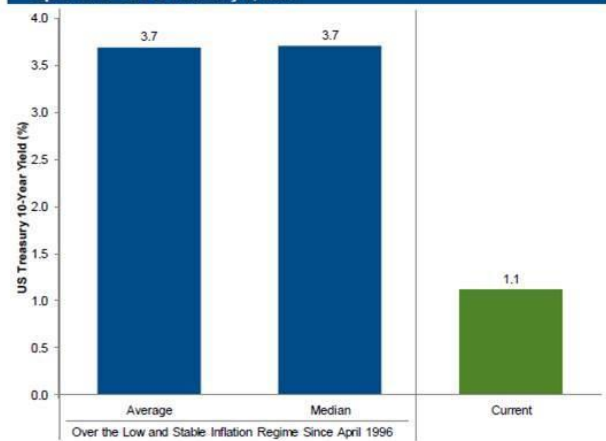


- 5.3 *Valuations:* US Equities are expensive relative to history (90th decile) but are below the dot.com bubble (red dot). Partly explain current equity valuations by low interest rate environment (1.1% vs 3.7% average) with low discount rates boosting Present Value of future cashflows and leading to higher multiples. 2021 year-end multiples adjusting for depressed earnings whilst still above median appear more reasonable.

1. S&P 500 Valuation Multiples – As of February 2, 2021



2. US Treasury 10-Year Yield in the Low and Stable Inflation Regime Since April 1996 – As of February 2, 2021

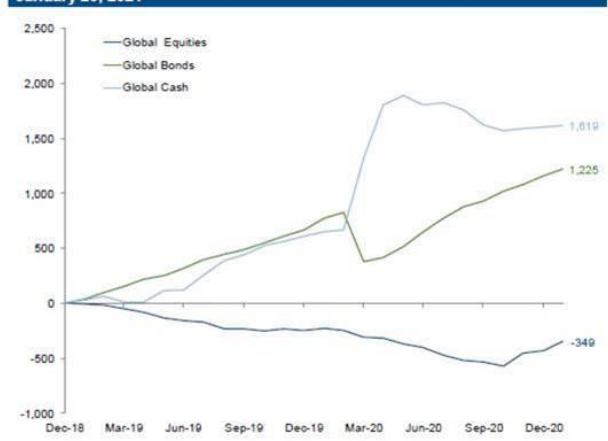


5.4 Flows: Retail outflows from equities for 6yrs with \$350bn equity outflow whilst \$2,800bn inflow into bond and cash funds. Room for retail investors to reallocate into equity markets.

1. Annual Mutual Fund and ETF Flows into US Equities (in \$bn)



2. Cumulative Global Fund Flows Since Year-End 2018 (in \$bn) – As of January 29, 2021

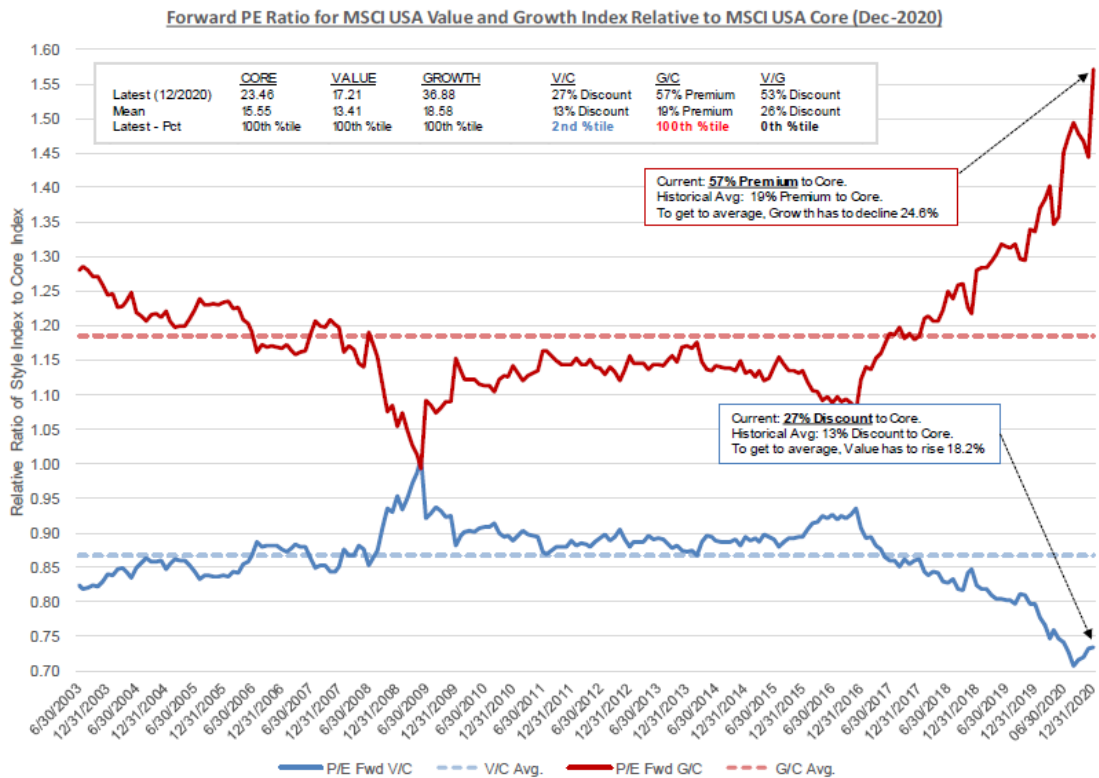


5.5 UK Equity market underperformed in 2020 partly as had only 1% technology sector allocation (18% world). In 2021 technology stocks appear fully priced and the UK market will likely benefit from overweights to cyclical sectors such as Financials (benefit steepening yield curve) and Energy (higher price ranges). Combine positive UK growth outlook, cheaper starting valuations and more favourable sector exposure then a higher probability of outperformance. Main risk for UK is a premature fiscal consolidation.

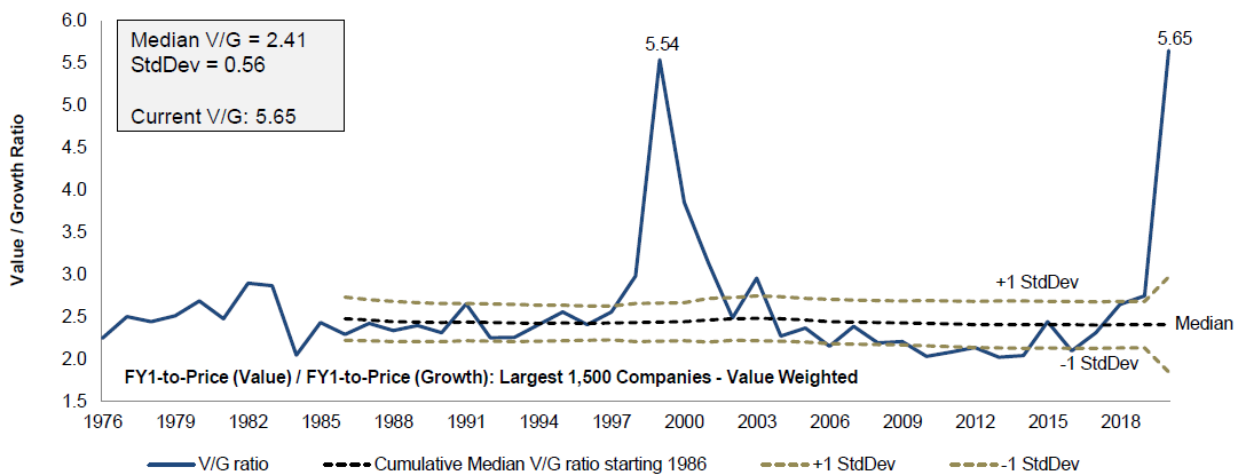
6 Equity Market Style Rotation

6.1 As the end of December 2020 (data and graphs courtesy of LSV):

- Growth stocks (high valuations) are currently trading at a 57% premium to the core market versus an average historical premium of 19% putting them in the 100th percentile range (expensive).
- Value stocks (low valuations) are currently trading at a 27% discount to the core market versus an average historical discount of 13% putting them in the 2nd percentile range (cheapest segments).



6.2 Historically Value has traded at a multiple of 2.4 to every Growth stock (circa 40%) but at 2020 year-end they traded at a multiple of 5.65 (circa 18%) which was higher than the peak of the Dot.com bubble.



6.3 Reversal trend of growth outperformance during 4Q 2020 with US large cap value outperforming US large cap growth by circa 5% due to strong returns for value stocks. The spread still appears extreme by historical standards.

6.4 Passive Equities: the above has important implications for Passive equities which are currently concentrated in the mega-cap growth stocks that are trading at a high premium to the broader market whilst historically traded at same valuation and have underperformed. This is covered in more detail in appendix 1.

7 Fund Performance

- 7.1 The table below shows the performance of our Internal and External Equity composites, since inception (up until end Dec 20), as well as our 5 underlying funds that have track records of at least 12 months (source Northern Trust):

Fund Name	ITD (% p.a.)		
	Fund	Benchmark	Relative
Internal Equity Composite	3.85	2.90	0.95
UK Listed Equity Fund	-0.46	-1.88	1.42
Overseas Developed Equity Fund	9.78	8.68	1.11
Emerging Market Equity Fund	9.45	12.75	-3.30
External Equity Composite	12.02	11.78	0.23
UK Listed Equity Alpha Fund	6.74	2.83	3.91
Global Listed Equity Alpha Fund	12.44	14.51	-2.07

- 7.2 Internal Equity composite (asset-weighted) has delivered **0.95%** outperformance over benchmark (0.05% underperformance versus target), with 5 of 6 internal PMs outperforming benchmark with the majority of excess returns driven by stock selection (high quality return) and achieved at the lower end of targeted tracking error range to deliver a high risk-adjusted return. Our internal Emerging Market fund is undergoing a long-planned product design change to a Hybrid internal / external structure which will help make the internal universe more manageable. The addition of local external managers for the Chinese market will better enable our investors to access smaller high growth companies which are emanating from the hub of Chinese innovation.
- 7.3 External Equity composite (asset-weighted) has delivered **0.23%** outperformance over benchmark with 1 of 2 funds outperforming (1.77% underperformance versus target). The UK Listed Equity Alpha fund has outperformed with strong recoveries from UK Consumer Service sector and Small Cap stocks 2-3Q and then Value stocks during 4Q. The Global Equity Alpha Fund was launched in November 2019 and suffered a 1Q 2020 drawdown due to underperformance from our value managers with a partial recovery during 4Q 2020. This fund is positioned to fully recover the underperformance versus benchmark in 2021.
- 7.4 Our external UK Investment Grade Credit fund was launched in March-20 and has delivered strong absolute and relative returns (above target). Our internal Sterling Inflation Linked Bond fund was launched in October-20 and over the short period has delivered in excess of its return target.

8 Conclusion

- 8.1 The combination of continuing fiscal (expect \$1.5-1.9bn US Biden fiscal stimulus) and monetary (QE multiples above Global Financial Crisis levels), combined with high cash levels on household (enforced saving) and corporate (record borrowing) balanced sheets, creates a powerful liquidity dynamic as we re-open the economies, and is likely to support risk assets. Authorities will remain cautious and behind the curve, allowing inflation to increase and run above target for a period prior to any tightening. The near-term increase in inflation (due to low base effects) is expected and the key for investors will be ability to look through transition data to understand broader longer-term trends. The LGPS with long-dated inflation linked liabilities should be mindful of the increased longer term inflation risk and potential impact on both their assets and liabilities.

9 Report Author:

Daniel Booth, CIO daniel.booth@bordertocoast.org.uk
24th February 2020

10 Supplementary Papers:

Appendix 1: Is Now a Good Time to be invested in Passive Equities?

Appendix 2: Investing in the current pandemic, will the rise in corporate debt cause a drag on performance?

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Appendix 1: Is Now a Good Time to be invested in Passive Equities?

Daniel Booth is Chief Investment Officer at Border to Coast.

The views expressed are the authors' own and do not constitute investment advice.

Graphs from LSV.

The combination of highly concentrated public equity markets, with high relative valuations in top stocks following a period of outperformance and high valuation dispersion across the broader markets, increases the probability that active management will add value over pure passive investing. The below charts from LSV (an academic quantitative value manager) provide some historical context.

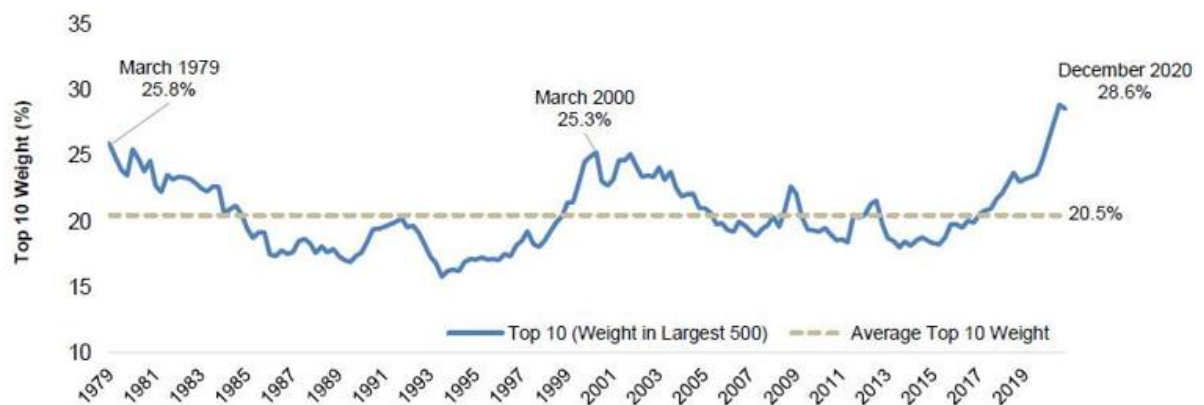
- 1) *Stock Concentration*: the top 10 stocks change over time and when the index becomes over-concentrated then active managers tend to outperform passive indices.

The Top 10 S&P 500 Stocks Over Time

	December 1980	December 1990	December 2000	December 2010	December 2020
1	IBM	IBM	General Electric	Exxon Mobil	Apple
2	AT&T	Exxon	Exxon Mobil	Apple	Microsoft
3	Exxon	General Electric	Pfizer	Microsoft	Amazon
4	Standard Oil of Indiana	Phillip Morris	Citigroup	Berkshire Hathaway	Alphabet
5	Schlumberger	Royal Dutch Shell	Cisco Systems	General Electric	Facebook
6	Shell Oil	Bristol-Myers Squibb	Wal-Mart Stores	Wal-Mart	Berkshire Hathaway
7	Mobil	Merck	Microsoft	Google	Johnson & Johnson
8	Standard Oil of California	Wal-Mart Stores	AIG	Chevron	JP Morgan Chase & Co
9	Atlantic Richfield	AT&T	Merck	IBM	Visa
10	General Electric	Coca-Cola	Intel	Procter & Gamble	Procter & Gamble

Top 10 stock typically make up 20% of the index and when an index concentration occurs then the following 5 years tend to be years of strong performance for active managers. In the 1980s 7 of top 10 companies were oil stocks. Today the top 10 US stocks represent 28.6% index versus average 20.5%:

Weight of Top 10 Stocks in the U.S. Over Time



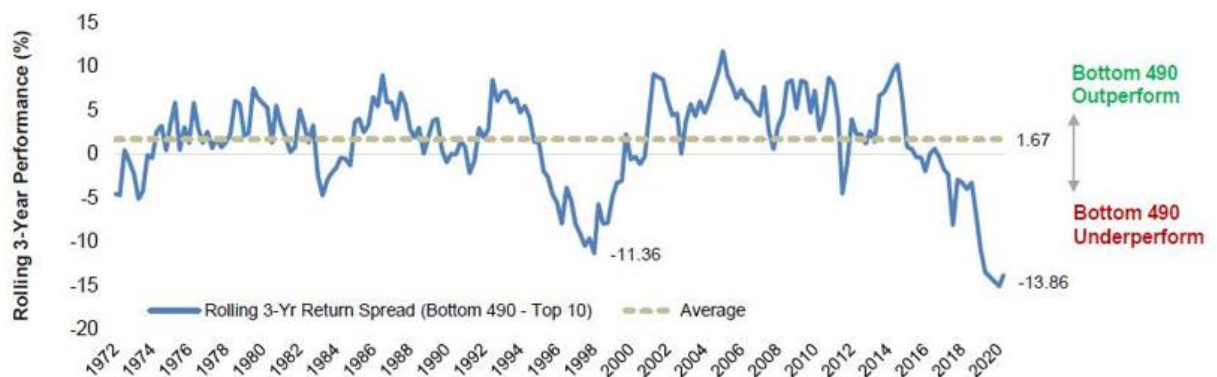
- 2) *Valuation*: top 10 stocks typically trade at the same price as market but today they are trading at a 41% premium (after peaking at a 57% premium in September 2000 which was 2nd highest relative valuation after December 1999 Dot.com bubble):

Relative Valuation of Top 10 Stocks vs. Bottom 490 in the U.S. Over Time



- 3) *Performance*: historically top 10 underperform the market **by 1.67%** (as suffer from both competition from below and regulation from above). However, over the last 3 years they have outperformed the market by circa **14% p.a.**

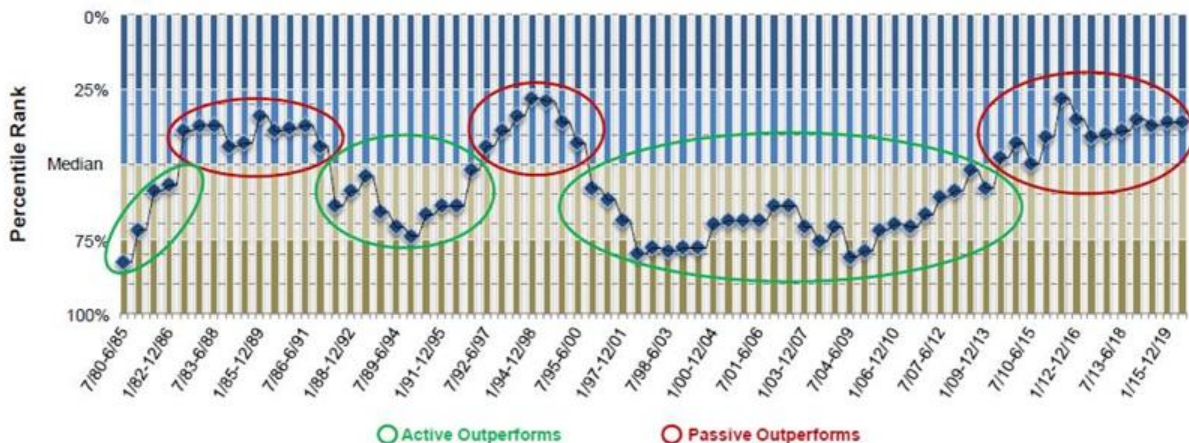
Performance of Top 10 Stocks in the U.S. Over Time



- 4) *Active Management*: favourable environment for Active Management to Outperform Passive Management. Rolling 5-year data shows following prior period of passive outperformance (late 1990s) was followed by 0 years of active outperformance:

Rank of S&P 500 in Active eVestment Large Cap Universe

Rolling 5-Year Returns: 1980 – 2020



Today we have a Highly Concentrated Index trading at an Expensive multiple following a period of significant Outperformance. It is extremely rare to find periods of such high relative valuation and concentration and history suggests now is a good time to be a contrarian investor.

Appendix 2: Investing in the current pandemic will the rise in corporate debt cause a drag on performance?

Daniel Booth is Chief Investment Officer at Border to Coast. Mark Lyon is Head of Internal Management.

The views expressed are the authors' own and do not constitute investment advice.

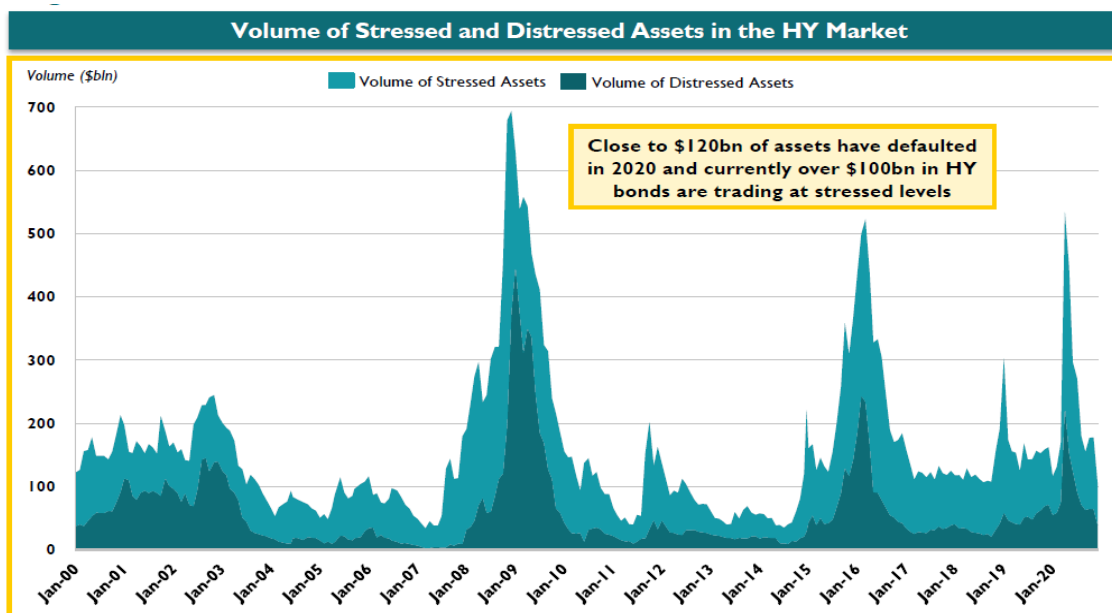
During COVID-19 companies have gone on a borrowing binge to ensure they can ride out the pandemic and may find themselves excessively indebted after the coronavirus pandemic, but it's not all doom and gloom. Daniel Booth and Mark Lyon consider the corporate credit environment for 2021.

Key Takeaways:

- Our expectation for Alternatives is that the current environment appears to be more attractive for specialty lending than for traditional distressed strategies.
- With lower-than-expected defaults our focus has been on investing in the right strategies with the right managers who have long experience, large teams and workout capability.

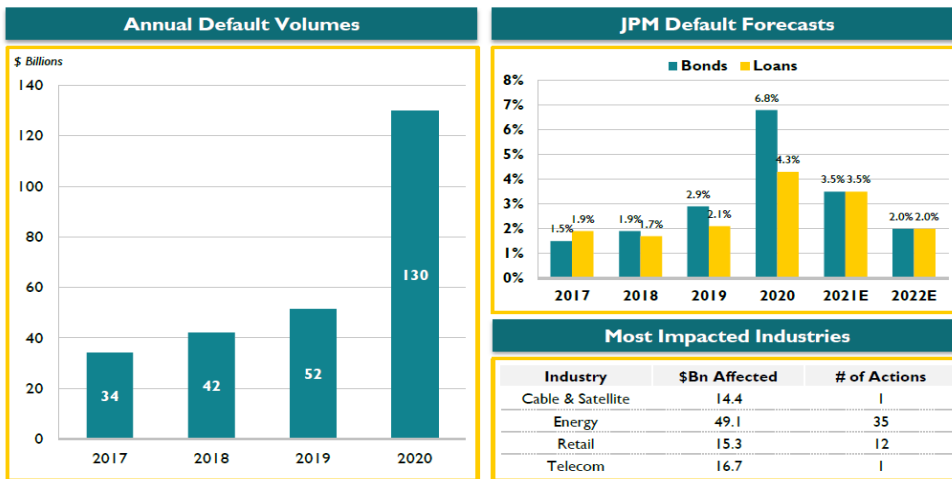
As the pandemic took hold across the globe companies borrowed to create a cash war chest to sustain them as turnover declined during the coronavirus crisis. According to data supplier Refinitiv, global corporate debt surged to \$5.4tn, more than a fifth above last year raising alarm that while the debt will allow them to survive, they may be over leveraged and unable to service their debt in the future.

However, data from Goldentree Asset Management and JP Morgan show corporate defaults to have been much lower than expected given the size of the economic decline and defaults are surprisingly closer to the 2015 selloff when investors sold shares globally as a result of the decline in Chinese GDP, the fall in oil prices and the Greek debt default, than in the global financial crisis of 2008-09 (see graph below).



As of November 30, 2020. Source: J.P. Morgan High-Yield and Leveraged Loan Morning Intelligence Report. Stressed assets represent bonds priced below \$90 and distressed assets represent bonds priced below \$70 in the JP Morgan HY Index.

Last year we witnessed a significant rise in default activity with the current rolling last twelve-month (LTM) default rates above 6% set to remain elevated into 2021. (see graph below)



As of December 31, 2020. Source: JP Morgan Credit Strategy Weekly Update and Default Monitor.

This is a much better outcome than many expected. That is partly due to the lack of debt covenants (the protection afforded creditors) offering deferred defaults and lower future payment recoveries. The other major factor is the current financing environment which has seen robust borrowing activity in the public credit market, generous government corporate lending programmes and a relaxation of monetary policy by the major central banks.

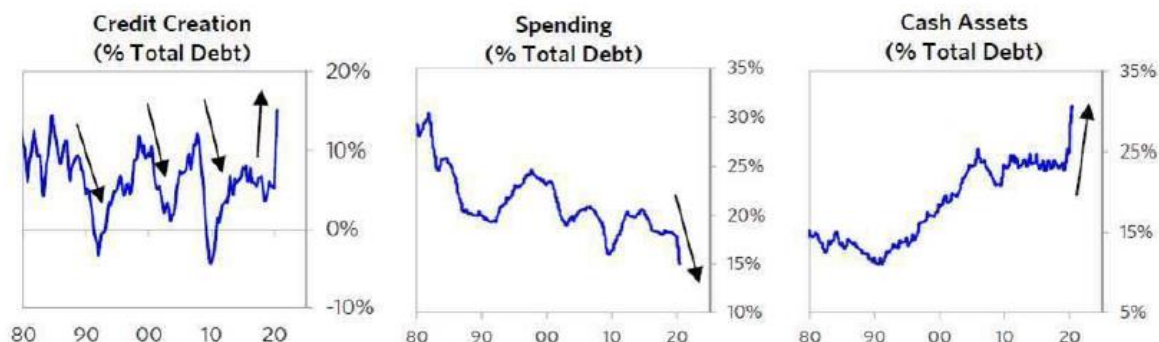
Smaller private companies have been more impacted with debt burdens, according to survey data from international law firm Proskauer. These companies are experiencing higher default rates, particularly those with earnings (EBITDA) of less than \$25m who are facing default rates of 9.2% compared with larger borrowers, with earnings of more than \$50m, enjoying default rates of 5.3%.

The increase in corporate debt demand was mainly because of companies ensuring they had sustainable corporate liquidity in the uncertain environment ushered in by COVID-19 and we would expect this to dissipate gradually as the economy returns to a “new normal”.

Others turned to bridge financing, especially those in COVID-impacted industries like leisure and entertainment, to supplement lost cashflow and income, which would leave companies with higher debt multiples. However, whilst leverage multiples have increased, the cost of debt with lower rates and tightening spreads has not increased as much.

Global government programmes enabling access to easy credit have allowed companies to increase borrowing at the same time as they have been cutting spending, and the additional borrowing has created an increase in corporate cash balances. In effect we have seen an increase in corporate credit creation, a reduction in corporate spending and an increase in corporate cash holdings. (see graphs below)

USA Non-Financial Businesses



Source: Bridgewater

As a result, debt levels are higher but so is cash on corporate balance sheets. Therefore, according to Bridgewater, the increased debt is offset by the rise in cash holdings and lower borrowing rates mean the cost of debt service is more affordable.

At Border to Coast our internally managed equity funds tend to focus on higher quality companies with stronger balance sheets and visible income streams, although, on the margins, we have been purchasing companies with a more cyclical quality. For our external funds where we have exposure to cyclical companies with clear value strategies, we have been working with our external partners to ensure a low risk of permanent capital impairment with associated bankruptcy risks and have benefited from the recent rotation into value stocks.

For our Alternatives programme – those assets which do not fall into one of the conventional investment categories like equities – our expectation is that the current environment appears to be more attractive for specialty lending strategies rather than for typical distressed strategies as in cycles witnessed in the recent past.

With lower-than-expected defaults and those defaults concentrated in sectors with limited hard asset coverage, such as retail, or structurally challenged industries like energy, our focus here has been on investing in the right strategies with the right managers who have long experience, large teams and workout capability if needed, as well as the ability to deploy capital in changing market conditions.

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