



Minutes of the Border to Coast Joint Committee
Thursday 20 June 2024 at 11:20am
Border to Coast Offices, Toronto Square, Leeds, LS1 2HJ

Present Members: Chair:

Cllr Doug McMurdo, Bedfordshire Pension Fund

Vice-Chair:

Cllr George Jabbour, North Yorkshire Pension Fund

Cllr Doug Rathbone, Cumbria Pension Fund
Cllr David Sutton-Lloyd, Durham Pension Fund
Cllr Paul Hopton, East Riding Pension Fund
Cllr Peter Coupland Lincolnshire Pension Fund
Cllr Jayne Dunn, South Yorkshire Pension Fund
Cllr Nick Harrison, Surrey Pension Fund
Cllr John Kabuye, Teesside Pension Fund
Cllr Ken Dawes, Tyne & Wear Pension Fund
Cllr Christopher Kettle, Warwickshire Pension Fund

**Scheme Member
Representatives:**

Nicholas Wirz
Lynda Bowen

Fund Officers:

Andy Watkins, Bedfordshire Pension Fund
Pete George, Cumbria Pension Fund
Paul Cooper, Durham Pension Fund
Tom Morrison, East Riding & North Yorkshire Pension Funds
Jo Kempton, Lincolnshire Pension Fund
George Graham, South Yorkshire Pension Fund
Neil Mason, Surrey Pension Fund
Nick Orton, Teesside Pension Fund
Paul McCann, Tyne & Wear Pension Fund
Oladapo Shonola Warwickshire Pension Fund

**Partner Fund
Nominated Non**

Cllr David Coupe
Cllr John Holtby

Executive Directors:

**Border To Coast
Representatives:**

Rachel Elwell – Chief Executive Officer
Joe McDonnell – Chief Investment Officer
Chris Hitchen – Chair
Mark Lyon – Deputy Chief Investment Officer
Milo Kerr - Head of Customer Relationship Management

Ewan McCulloch – Chief Stakeholder Officer
Jane Firth - Head of Responsible
Investment

Secretariat: Jo Stone - South Yorkshire Pensions Authority
Gina Mulderrig – South Yorkshire Pensions Authority

Apologies: None received

1 APOLOGIES FOR ABSENCE/ DECLARATIONS OF INTEREST

The Chair welcomed everyone to the meeting including members of the public.

As noted above there were no apologies.

Members declared no further interests in addition to those included in the relevant register. Item 6 on Partner Fund Non-Executive Directors concerned Councillor John Holtby's position with the Joint Committee, and it was agreed he would leave the room during the item.

Councillor George Jabbour declared a non-pecuniary interest in relation to the nature of his campaigning work, including the way public sector pension funds manage their funds.

2 QUESTIONS FROM THE PUBLIC

A question had been received from Alison Whalley and Olwyn Hocking which the Chair had agreed should be responded to.

The Chair provided responses in terms of the Joint Committee's position and the approach taken by the Border to Coast company on the issues raised was explained. A full copy of the question and the response is appended to the minutes.

3 MINUTES OF THE MEETING HELD ON 26 MARCH 2024

The minutes were received, and members were asked to approve.

Members noted that in minute 6. ii. in the 26 March 2024 Joint Committee minutes it had been declared that a timeline of the planned effectiveness review of the Joint Committee would be provided to members at the 20 June 2024 meeting, but that this was absent.

Officers explained that this piece of work had been delayed and would be distributed to members when ready.

RESOLVED – The minutes of the meeting held on 26 March 2024 be agreed as a true record.

4 SCHEDULE OF FUTURE MEETINGS

A scheduling issue with a Cumbria Pension Fund meeting on Tuesday 17th June 2025 was identified and noted by officers for rescheduling.

RESOLVED – To note the scheduled dates for meetings of the Joint Committee and member workshops for the next three years as set out in the report.

5 UPDATE OF IMPACT ON COMMITTEE MEMBERSHIP OF LOCAL ELECTIONS

The Chair detailed the following changes to the Joint Committee membership now effective following Local Elections held on 2 May 2024:

Councillor Peter Coupland was now chair of Lincolnshire Pension Fund.

Councillor Ken Dawes was now chair of Tyne and Wear Pension Fund.

Councillor John Kabuye was now chair of Teesside Pension Fund.

The Chair welcomed the new members on behalf of the Joint Committee.

6 PARTNER FUND NON-EXECUTIVE DIRECTORS

Councillor John Holtby left the meeting during consideration of this item.

George Graham presented a report in relation to the terms of office of Partner Fund Non-Executive Directors with the recommendation that the Joint Committee consider its response to the request from the operating company to alter the term of office of Councillor John Holtby, one of the Partner Fund nominated Non-Executive Directors.

Members expressed broad support for the alteration of the term of this Partner Fund nominated Non-Executive Director in this circumstance. The Joint Committee acknowledged the benefits of extending the term by one year for the reasons detailed in the report and expressed. It was emphasised that this was an exceptional situation and members asked officers to review succession planning, recruitment and election arrangements to avoid the possibility of this issue recurring.

RESOLVED – To extend the term of office of Councillor John Holtby, Partner Fund nominated Non-Executive Director to the Joint Committee, by one year to September 2025.

7 ANNUAL ELECTIONS

George Graham presented the report outlining term deadlines and election arrangements for the following roles:

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

Councillor McMurdo's term as Chair was scheduled to end in September 2024 so a remote election for Chair of the Joint Committee had been held prior to the meeting and the current Vice Chair, Councillor George Jabbour, was elected, with his term scheduled to start at the next meeting on 26 September 2024.

Councillor McMurdo thanked the Joint Committee for their support during his term as Chair and expressed his best wishes to Councillor Jabbour in taking on the role.

This appointment will leave a vacancy for the Vice Chair with the need for a election for Vice Chair at or before the next meeting.

Given the outcome of item 6, it was explained that there was no need for an election of a Fund nominated Non-Executive Director this municipal year.

The end of the terms of office for the Scheme Member Representatives in September and November 2024 explained the need for one election be held over the over the summer with a further process to elect the second representative being held between November 2024 and March 2025 taking into account the expiry of current terms of office so that both representatives did not cease to hold office at the same time.

RESOLVED –

- i. Councillor George Jabbour was elected Chair of the Joint Committee with his term scheduled to start from 26 September 2024.***
- ii. An election for Vice chair of the Joint Committee should take place at or before the meeting on 26 September 2024.***
- iii. That the elections to the specified roles should take place as set out in the body of the report.***

8 RESPONSIBLE INVESTMENT UPDATE

Jane Firth, Head of Responsible Investment, presented a report providing the Joint Committee with an update on the Responsible Investment activity undertaken by the company on behalf of Partner Funds since the period of the last meeting.

Particular attention was drawn to the issue of Modern Slavery and the company's support of the Workforce Disclosure Initiative which aims to improve corporate transparency and accountability on workforce issues. Focus was also brought to the fact that it has been peak AGM voting season and that the company had voted against the Chair of several oil and gas companies due to their lack of progress on climate issues. It was also reported that the latest quarterly stewardship and voting reports were now published on the company's website.

Members questioned the officer on the impact of Border to Coast voting against the Chair of companies they invest in and if this move was just focussed on gas and oil companies.

The Head of Responsible Investment detailed the impact voting against the Chair can have and the factors to consider when doing so and it was explained that the company's Responsible Investment activity focussed on more than just climate related issues, such as human rights and workforce rights.

The Joint Committee asked whether the Responsible Investment strategy had led to Border to Coast pulling back investment in any companies. The officer said this had not happened and that holding engagement and using escalation procedures is a more effective way of facilitating positive change than removing investment.

Members queried how the impact of voting with Responsible Investment in mind could be measured and asked how Border to Coast's voting record compared with its peers.

The Chair explained that a direct result, such as the resignation of chairs of companies Border to Coast votes against, is not the goal but that voting against the chair in line with the Responsible Investment strategy and doing so in a transparent way (pre-declaring) was an effective tool to influence positive change and send a clear message to those they invest with. The Chair of Border to Coast Pensions Partnership explained that company is considered progressive among peers due to Responsible Investment being an integral part of its functioning.

The Head of Responsible Investment added that the company monitors how external asset managers vote and use pre-declaration to influence their decisions but that some asset managers find it difficult to vote against a chair due to the fear of repercussions unlike asset owners who are beginning to follow the example of Border to Coast. It was explained that the company will publish a list of how they and, other asset managers and asset owners, voted at the end of the voting season and that this could lead to positive publicity for Border to Coast.

Members noted that this would be the last Joint Committee meeting attended by Jane Firth due to her forthcoming retirement and wished to thank her for her contribution to the work of the Partnership and wish her well for the future.

RESOLVED – to note the contents of the report

9 MARKET REVIEW

Joe McDonnell, Chief Investment Officer, presented a report giving an overview of the macroeconomic and market environment and the medium-term investment outlook. The report noted positive global trends.

Members asked questions relating to the equity market valuations data in the report specifically the differences between the UK and the USA. The officer explained that the price to earning ratio remained lower in the UK than the USA as earning growth was significantly higher in the USA.

RESOLVED – To note the contents of the report.

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.

10 ANNUAL REVIEW OF GLOBAL EQUITY ALPHA, UK EQUITY ALPHA, EM EQUITIES

A report on the annual review of the Global Equity Alpha, UK Equity Alpha and Emerging Market Equities was presented setting out the key findings from officers.

Members welcomed the scope and value of the report, discussed the key findings and gave feedback on information requirements for subsequent reviews.

RESOLVED – To note the contents of the report

11 OVERVIEW OF POOLING PROGRESS

The Head of Customer Relationship Management presented a report giving an overview on the progress of pooling covering the follow topics:

- Partner Fund collaboration
- Transition progress and plans
- Proposition launches
- Collective voice (communication and engagement)
- Risks to pooling

Members thanked the officer for the report and commented on the usefulness and accessibility of the information provided.

RESOLVED – To note the contents of the report

12 UPDATE ON EMERGING MATTERS

Members were briefed on upcoming events and thanks to the outgoing chair was reiterated.

13 QUESTIONS FROM THE PUBLIC

Border to Coast Joint Committee – 20th June 2024

Public Questions

Question 1 Submitted by Olwyn Hocking and Alison Whalley

The following are noted:

- *The detailed explanation provided three months ago about BCPP's approach to calculating the risks of investments (in response to our question)*

- *The explicit guidance provided by BCPP on 2024 shareholder voting intentions, as part of “constructive shareholder engagement and the use of voting rights” – with a list of chairs of companies that BCPP will vote against due to failures to meet BCPP’s expectations for necessary progress to meet net zero targets within an acceptable timescale.*
- *BCPP’s statement: “We believe that using our influence through ongoing engagement with companies, rather than divestment, drives positive outcomes.”*
- *Following The Pension Regulator’s concern that past climate risk modelling by economists has been “at odds with the science”, the emergence in May of new NEBR research (not yet peer-reviewed) projecting economic harm that is six times worse than previous projections.*

Will the BCPP follow up each action outlined in its voting intentions with information on (a) the positive outcomes that have arisen from each occasion when it has voted against particular company chair appointments and (b) escalation steps that have been taken should there fail to be positive outcomes?

And in the light of The Pension Regulator’s concern and the new signs that the extent of divergence between past climate risk modelling and real-world GDP risks is highly significant, will BCPP review whether its net zero date of 2050 should be brought forward, and also advise its partner funds that they risk reputational damage if their next climate risk assessment exercises do not involve highly regarded climate scientists to ensure that future investment decisions are no longer “at odds with the science”?

Response

The Border to Coast operating company produces quarterly and annual reports detailing the scale and impact of its voting and engagement activities which are available on the Company’s website. In addition individual partner funds report on the activities undertaken on their behalf by the Company and other fund managers.

In relation to the second part of the question, progress towards Net Zero is regularly monitored and is publicly reported annually by the operating company and separately by several of the partner funds. At this point there is no plan to undertake a review of the 2050 date, however all participants in the Partnership are aware of the ongoing debate around climate risk modelling and are responsible for taking their own decisions in relation to future modelling of this sort. Currently the Company is not authorised to advise Partner Funds on the development of their investment strategy which would include the sort of advice suggested in relation to climate modelling.

CHAIR