

# Public Document Pack



**PENSIONS PARTNERSHIP**

**BCPP JOINT COMMITTEE**

## **AGENDA**

**Venue:** Border to Coast Offices, Toronto Square, Leeds, LS1 2HJ

**Date:** Thursday, 26 September 2024

**Time:** 11.15 am

### **Membership:**

#### **Chair:-**

Cllr George Jabbour

North Yorkshire Pension Fund

#### **Membership:-**

Cllr Doug McMurdo  
Cllr Doug Rathbone  
Cllr David Sutton-Lloyd  
Cllr Paul Hopton  
Cllr Eddie Strengiel  
Cllr John Kabuye  
Cllr Jayne Dunn  
Cllr Nick Harrison  
Cllr Ken Dawes  
Cllr Christopher Kettle

Bedfordshire Pension Fund  
Cumbria Pension Fund  
Durham Pension Fund  
East Riding Pension Fund  
Lincolnshire Pension Fund  
Teesside Pension Fund  
South Yorkshire Pension Fund  
Surrey Pension Fund  
Tyne & Wear Pension Fund  
Warwickshire Pension Fund

#### **Scheme Member Representatives**

Linda Bowen  
Nicholas Wirz

East Riding LPB  
Tyne & Wear LPB

## **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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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

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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  
 Executive Directors:**

Cllr David Coupe  
 Cllr John Holtby

**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 Teeside 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 2025 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 2025 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 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 praised 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 – 20<sup>th</sup> 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

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## Border to Coast Joint Committee

**Date of Meeting:** 26<sup>th</sup> September 2024  
**Report Title:** Election of Vice Chair  
**Report Author:** Jo Stone (Head of Governance – SYPA)

### 1.0 Executive Summary:

1.1 This report sets out the arrangement for the election of a Vice Chair to the Committee.

### 2.0 Recommendation:

2.1 It is recommended that a ballot is held prior to the meeting and

- a. The Committee agree to the immediate appointment of the candidate who receives the most votes as Vice Chair of the Joint Committee for a term of 2 years.

### 3.0 Nominations

3.1 The Director of the South Yorkshire Pensions Authority wrote to all members of the Joint Committee inviting them to put themselves forward for the role of Vice Chair. The following nominations were received:

Cllr C Kettle – Warwickshire CC

Cllr – D McMurdo – Bedford BC

3.2 The personal statements of those nominated have been provided to members of the Joint Committee separately.

3.3 As there is more than one nomination an election will be held and ballot papers will be provided to members of the Joint Committee prior to the meeting and the result will be declared at item 4 of the meeting.

### Report Author:

Jo Stone – Head of Governance - South Yorkshire Pensions Authority.

[jstone@sypa.org.uk](mailto:jstone@sypa.org.uk)

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## Border to Coast Joint Committee

**Date of Meeting:** 26<sup>th</sup> September 2024

**Report Title:** Scheme Member Representatives Election Results

**Report Author:** Jo Stone (Head of Governance and Corporate Services – South Yorkshire Pensions Authority)

### 1.0 Executive Summary:

1.1 This report provides members with the result of the election for a Scheme Member representative held during August 2024.

### 2.0 Recommendation:

2.1 It is recommended that the contents of this report are noted and that the position of the Scheme Member Representative is formally confirmed.

### 3.0 Election Results

3.1 As previously reported the terms of the Inter Authority Agreement (IAA) together with the Joint Committee's Constitution and other subsequent decisions and agreements require that elections are held for Scheme Member Representatives. Due to the end of the term of Nicholas Wirz as Scheme Member Representative on 30 September 2024, nominations were requested from Scheme Member Representatives from the 11 Partner Funds.

Two eligible nominations were received but, due to the withdrawal of one nominee, one candidate remains for appointment to the position of Scheme Member Representative to the Joint Committee: Nicholas Wirz from the Tyne and Wear Pension Fund.

### 4.0 Recommendation

4.1 It is recommended that

- a. The results set out in the body of this report be noted
- b. The Committee agree to the appointment of Nicholas Wirz as Scheme Member Representative for a 3 year term.

### Report Author:

Jo Stone – Head of Governance and Corporate Services - South Yorkshire Pensions Authority.

jstone@sypa.org.uk





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

2024/25 Municipal Year		2025/26 Municipal Year		2026/27 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
Thursday 20 <sup>th</sup> June 2024 (Annual Meeting and Responsible Investment Workshop)	31 <sup>st</sup> March 2024	<b>Tuesday 24<sup>th</sup> June 2025</b> (Annual Meeting and Responsible Investment Workshop)	31 <sup>st</sup> March 2025	Tuesday 16 <sup>th</sup> June 2026 (Annual Meeting and Responsible Investment Workshop)	31 <sup>st</sup> March 2026
Thursday 26 <sup>th</sup> Sept. 2024	30 <sup>th</sup> June 2024	<b>Wednesday 24<sup>th</sup> Sept. 2025</b>	30 <sup>th</sup> June 2025	Thursday 24 <sup>th</sup> Sept. 2026	30 <sup>th</sup> June 2026
Tuesday 12 <sup>th</sup> November 2024 (Responsible Investment Workshop) Virtual		Tuesday 18 <sup>th</sup> November 2025 (Responsible Investment Workshop) Virtual		Tuesday 10 <sup>th</sup> November 2025 (Responsible Investment Workshop) Virtual	
Tuesday 26 <sup>th</sup> Nov. 2024	30 <sup>th</sup> Sept 2024	Tuesday 25 <sup>th</sup> Nov. 2025	30 <sup>th</sup> Sept 2025	Tuesday 24 <sup>th</sup> Nov. 2026	30 <sup>th</sup> Sept 2027
Tuesday 25 <sup>th</sup> March 2025	31 <sup>st</sup> Dec 2024	Tuesday 24 <sup>th</sup> March 2026	31 <sup>st</sup> Dec 2025	Tuesday 23 <sup>th</sup> March 2027	31 <sup>st</sup> Dec 2027

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



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

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

Tuesday 23<sup>rd</sup> July 2024 to approve the report and accounts for 2023/24

Tuesday 22<sup>nd</sup> July 2025 to approve the report and accounts for 2024/25

Tuesday 21<sup>nd</sup> July 2026 to approve the report and accounts for 2025/26

The Border to Coast Annual Conference will (subject to final confirmation) take place on the following dates

Thursday – Friday 18<sup>th</sup> – 19<sup>th</sup> July 2024

Thursday – Friday 25<sup>th</sup> – 26<sup>th</sup> Sept 2025

Thursday – Friday 24<sup>th</sup> – 25<sup>th</sup> Sept 2026



## Border to Coast Joint Committee

**Date of Meeting:** 26<sup>th</sup> September 2024

**Report Title:** Joint Committee Effectiveness Review

**Report Author:** George Graham – Director SYPA

### 1.0 Executive Summary:

1.1 This report sets out the proposed arrangements for conducting a review of the effectiveness of the Joint Committee as previously agreed.

### 2.0 Recommendation:

2.1 It is recommended that the Joint Committee agree the approach to conducting an effectiveness review set out in the body of this report.

### 3.0 Issues and Consideration

3.1 At its meeting on 28<sup>th</sup> November 2023 the Joint Committee [agreed](#) to undertake an effectiveness review to examine the way in which the Committee operates and to assist in understanding whether it is meeting its objectives. It had been intended to carry this out prior to the 2024 local elections, However, the subsequent decision to focus the Committee's work on annual proposition reviews rather than quarterly performance monitoring resulted in a decision to defer this work.

3.2 It is now appropriate to consider bringing this work forward again. Officers have considered how best to carry out such a review. There are several options:

- A wholly external review such as that which the operating company's Board periodically carries out. Based on the costs incurred by the company and by one of the partner funds in carrying out an independent governance review this could depending on scope cost between £10,000 and £20,000. This seems an unjustifiably large cost in the context of the Joint Committee's limited budget.
- A wholly internal review conducted by officers. While this could achieve some independence if carried out by officers with no or limited involvement in the work of the Joint Committee it seems unlikely that such a review would provide sufficient challenge to established thinking.
- An internal process supported by peers from another pool that operates with a joint committee. This could bring some new thinking into the process without incurring significant cost.

3.3 The last option is preferred based on cost and the ability to bring thinking from elsewhere into the process. The pool which has a Joint Committee that most closely resembles the Border to Coast arrangement is LGPS Central who are known to have undertaken some work to develop their Joint Committee. Given this, officers will approach Cheshire West and Chester Council who support the LGPS Central Joint Committee and seek to arrange some input into the review.

3.4 The broad scope of the review will be as follows:

- To consider how well the Joint Committee fulfils its terms of reference.
- To identify whether the Joint Committee's terms of reference should be expanded in any way to ensure effective oversight of the operation of the Partnership.
- To review the arrangements in place for feeding back on the activity of the Joint Committee to Partner Fund Pensions Committees (or equivalent).

It is envisaged that other than observation of meetings and review of agendas etc., that this will involve short online questionnaires for members of the Committee, officers and colleagues from the Company.

3.4 The intention would be to complete the effectiveness review before the next set of local elections with any recommendations therefore being implemented in the next municipal year.

**Report Author:**

George Graham - Director - South Yorkshire Pensions Authority.

[ggraham@sypa.org.uk](mailto:ggraham@sypa.org.uk)

01226 666439



## **Border to Coast Pensions Partnership Limited**

### **Joint Committee**

**Date of Meeting: 26 September 2024**

**Report Title: Responsible Investment Update**

**Report Sponsor: Rachel Elwell - CEO**

#### **1 Executive Summary**

- 1.1 Border to Coast is a strong advocate for Responsible Investment which includes embedding environmental, social and governance issues into investment decision making and practicing active ownership through voting and engagement. This report provides an update on Responsible Investment activity and reporting.
- 1.2 An update is provided on engagement supporting our priority themes, both direct and through our involvement in collaborations.
- 1.3 Peak AGM voting season has now passed. Due to our strengthened assessment framework on climate risk, we have again voted against the Chair of several oil and gas companies that are not meeting our expectations. As part of engagement escalation with the sector, we publicly pre-declared our votes ahead of several AGMs.
- 1.4 We continue to respond to consultations related to responsible investment and submitted a response to the second iteration of the Net Zero Investment Framework.
- 1.5 The annual RI & Stewardship Report and Climate Change Report have been published. The quarterly stewardship and voting reports produced by Border to Coast and Robeco for the quarter ended 30<sup>th</sup> June 2024 have also been published. All can be found on our [website](#).

#### **2 Recommendations**

- 2.1 The Joint Committee is asked to note the report.

#### **3 Engagement update**

- 3.1 Engagement is ongoing to support delivery of the four priority engagement themes through a mix of direct company engagement by the RI and Investment Team,

engagement conducted by Robeco and external managers, and through collaboration with other institutional investors.

- 3.2 Shell is a current priority for oil and gas sector engagement. We have directly engaged the company since early 2023, covering net zero transition plans, medium-term targets, and capital expenditure alignment. We attended a small group meeting with Shell's Chair of the Board ahead of its AGM. We welcomed a new medium term absolute emissions reduction target for the company's oil production and products but expressed disappointment that a similar target was not forthcoming covering gas. We also discussed the stranded asset risk of Shell's plans to expand LNG production.
- 3.3 In collaboration with RLAM and with the support of the London School of Economics, we are engaging four UK banks on the integration of Just Transition into their net zero plans (HSBC, Lloyds, Barclays and NatWest). In June, Border to Coast and RLAM published our 'Investor expectations on Just Transition for the banking sector'. These are being used in engagement and to assess strategies as they emerge. Border to Coast will also chair a new Institutional Investors Group on Climate Change (IIGCC) working group on Just Transition, which will pilot engagement with an emerging market bank and work with IIGCC to integrate Just Transition into its Net Zero Investment Framework (NZIF).
- 3.4 34 companies have been engaged ahead of votes against management during the AGM season. The pre-AGM engagement list includes: all companies in our top 40 emitters with AGMs in the period, all oil & gas companies, and all banks which were subject to climate votes against management; plus resolutions covered by Local Authority Pension Fund Forum (LAPFF) alerts and other high profile shareholder resolutions.
- 3.5 As part of our engagement escalation with oil and gas, and coal companies, we publicly pre-declared votes against management at six companies ahead of their AGMs: Shell, TotalEnergies, Chevron, ConocoPhillips, Phillips66, and Glencore. This is an increase from three companies in 2023. Details are available on our [website](#).
- 3.6 We held a pre-AGM meeting with Panoro Energy to discuss its operations, climate risk management, and target development, to inform our voting decision on the Chair's re-election. Considering Just Transition principles as all its operations are in Africa, we decided not to vote against this year and will share our expectations for progress before year end.
- 3.7 We continue to support the Rathbones led 'Votes against Slavery' initiative, which in 2024 is engaging 40 FTSE 350 companies that are not disclosing in compliance with the Modern Slavery Act. Border to Coast invests in 17 of the 40, and so far 15 have become compliant. Engagement is ongoing with one firm. Engagement is considered 'failed' with one company and we expect a collective vote against acceptance of the annual report likely at its AGM later this year.
- 3.8 We continue to support the Workforce Disclosure Initiative (WDI) which aims to improve corporate transparency and accountability on workforce issues and provide companies and investors with comprehensive and comparable data. The initiative is supported by 60 institutional investors with over \$9.5 trillion in assets under

management. Data is collected through an annual survey following engagement by investors. This year, we have engaged 20 companies requesting participation in the WDI survey.

## **4 Voting**

- 4.1 Q2 2024 saw our busiest peak proxy season yet, with the addition of our EM Alpha holdings meaning that we voted at over 600 meetings in a single quarter for the first time.
- 4.2 A weekly update on our watchlist of 35 priority companies is provided to Partner Funds with all voting recommendations. Only one priority AGM remains in 2024. All priority companies are notified of our voting decisions prior to the AGM.
- 4.3 We are again voting against the Chair of oil and gas companies that are not meeting our assessment framework which includes Transition Pathway Initiative (TPI) scores and Climate Action 100+ Net Zero Benchmark indicators. We are also voting against the Chair of the sustainability committee at banks not meeting the climate voting framework.
- 4.4 Up to the end of June, we have voted against 23 oil and gas company Chairs and five bank sustainability committee Chairs.
- 4.5 Our enhanced human rights voting approach led to 10 companies being subject to internal assessments during Q2 2024. After analysis and discussion with the respective portfolio managers, we cast votes against management at half of these companies.

## **5 RI strategy**

- 5.1 We have a 3-year RI strategy developed to reflect the shift in best practice covering four areas: integrating ESG, active ownership, industry engagement, and reporting and governance.
- 5.2 During the quarter, Border to Coast submitted a response to an IIGCC consultation on the Net Zero Investment Framework (NZIF) 2.0, covering equities, fixed income, sovereign bonds, and real estate alignment methodology. NZIF is the most widely used guidance framework by investors that have made net zero commitments. We have used NZIF in developing our Net Zero Implementation Plan.
- 5.3 Border to Coast joined other investors representing \$5.1 trillion to publicly reiterate our support for the Climate Action 100+ collaboration. This followed the departure of some US investors.

## **6 Reporting**

- 6.1 The Annual RI & Stewardship Report was approved and published in early August. It will be submitted to the FRC for the October submission window for UK Stewardship Code signatory status. The Climate Change Report which covers progress against our Net Zero Roadmap and is in line with the TCFD recommendations and the FCA's

regulatory requirements, was approved, shared with Partner Funds, and published in early August.

- 6.2 Reports on RI and stewardship are produced and published on the website to publicly disclose our activities in this area. The quarterly stewardship reports produced by Border to Coast and Robeco, along with the voting reports for the quarter ended 30<sup>th</sup> June can be found on our [website](#).

## **7 Risks**

- 7.1 Responsible Investment and sustainability are central to Border to Coast's corporate and investment ethos and a key part of delivering our partner funds' objectives. There may be reputational risk if we are perceived to be failing in this area and our management of climate risk. To mitigate the risk, we have a 3-year RI strategy which is developed to reflect the shift in best practice. Reports on RI and stewardship are produced and published on the website to publicly disclose our activities in this area.
- 7.2 There is a risk that insufficient resources are in place to realise the Responsible Investment strategy. To mitigate this risk the resourcing of the RI team has increased, and support is also provided by the Communications and Customer Relationship Management teams.

## **8 Conclusion**

- 8.1 Implementation of our engagement plan to support the priority engagement themes is progressing with direct engagement, collaborative engagement and that conducted by Robeco.
- 8.2 Peak voting season has seen us continue with our escalation approach by pre-declaring at several AGMs again this year.
- 8.3 We continue to engage on policy issues through various forums and by responding to consultations.
- 8.4 Our annual and quarterly reports on stewardship (voting and engagement) and climate change have been published. All reports can be found on the website.
- 8.5 The Committee is asked to note the report.

## **9 Author**

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6<sup>th</sup> September 2024



## **Important Information**

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## **Border to Coast Pensions Partnership Limited**

### **Joint Committee**

**Date of Meeting:** 26 September 2024

**Report Title:** Market Review

**Report Sponsor:** Joe McDonnell (CIO)

#### **1 Executive Summary**

1.1 This report provides an overview of the macroeconomic and market environment and the medium-term investment outlook.

#### **2 Recommendations**

2.1 That the report is noted.

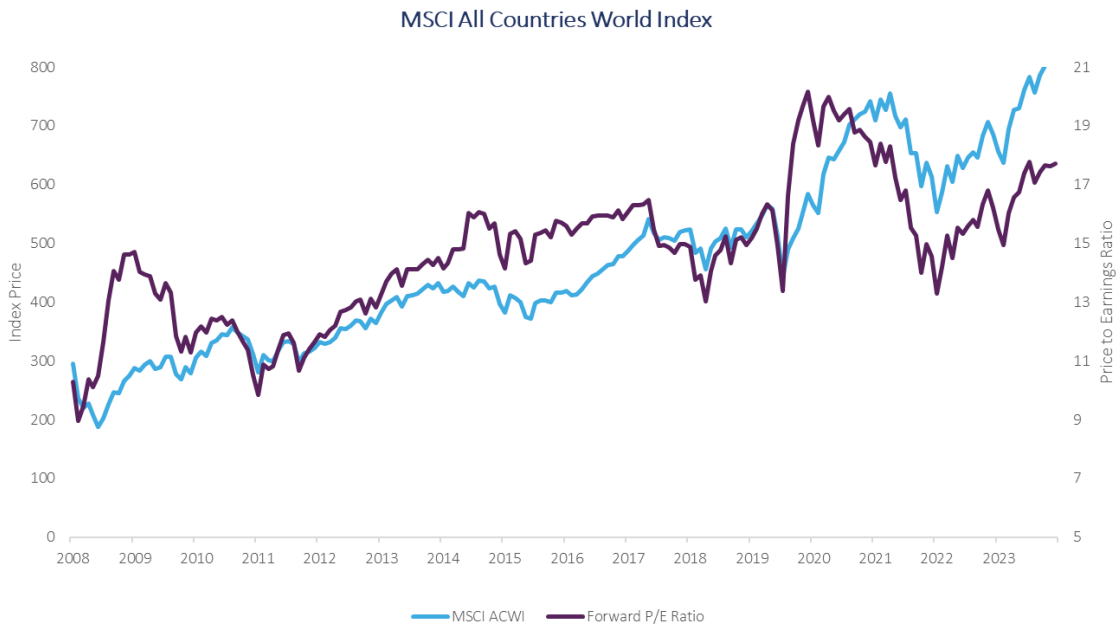
#### **3 Markets & Macroeconomic environment**

3.1 Macroeconomic data releases during Q2 continued to show a steady performance by developed market economies. While the pace of expansion has slowed and some measures missed expectations, growth remained firmly in positive territory. Meanwhile inflation data gave central banks more confidence that they are winning the battle. The European Central Bank began easing rates at its June meeting and the Bank of England followed suit in early August.

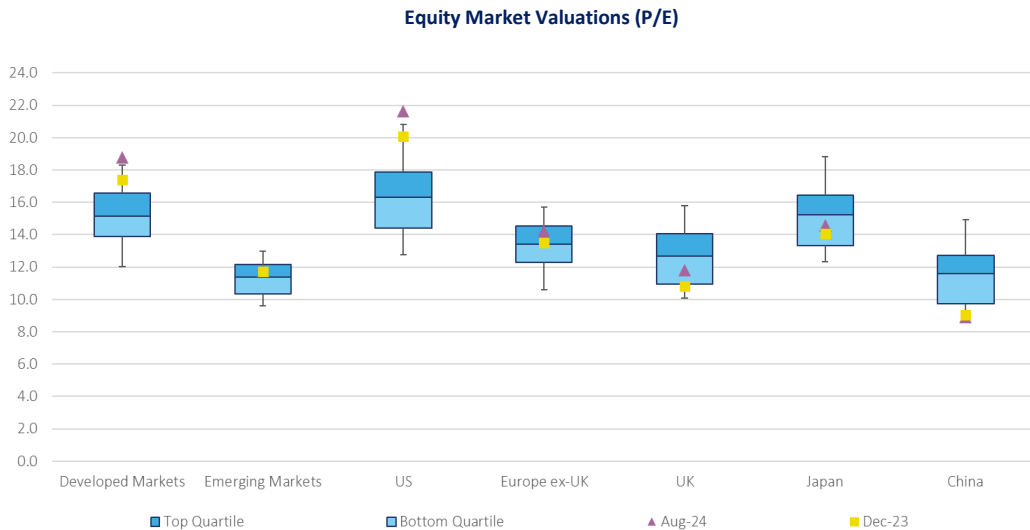
3.2 Against this backdrop equity markets made further gains with the MSCI ACWI up +2.17% (GBP terms) during the second quarter. French elections caused a brief patch of turmoil in European markets, but this was quickly reversed as a possible victory by Marine Le Pen's populist party was averted.

3.3 Fixed Income markets traded in a narrow range as investors awaited further data to determine the timing and pace of US rate cuts. The yield of the Bloomberg Global Aggregate closed the quarter just 0.16% higher at 3.90%, 0.15% below its April peak. The index returned -1.10% (GBP terms) over the quarter as yields closed slightly higher and credit spreads slightly wider. Other interest rate sensitive assets classes, such as real estate, also drifted modestly lower as the Global REITs Index fell -1.70%. (GBP terms). Commodity markets also traded in a narrow range during the quarter with the oil price closing down just 2.0%

3.4 The Japanese TOPIX index was more volatile than other developed economies as it ended down -4.7% (GBP terms) in the quarter as a modest 1.7% gain in local currency terms was offset by a fall in the Yen as FX markets grappled with the fact that Japan is raising rates while most other developed economies are looking to cut.



3.5 Global Equity valuations continued to expand driving most of the market performance in Q2. These strong returns have been delivered by a small group of dominant technology companies with the ability to leverage the hopes and aspirations around Artificial Intelligence. Narratives have the power to attract and direct capital, however, sentiment can also play a role in speculation that can monopolise investors' imagination at the expense of other opportunities and investors tend to underestimate the scale of new competition and the impact on future returns. The high level of concentration risk in the US market is of concern. Diversification is key in navigating this kind of environment, and we believe that equity markets outside the US offer some compelling opportunities from a valuation perspective.



3.6 Fixed Income yields peaked late-April as markets began to believe that the US Federal Reserve could soon begin cutting rates. Key benchmark yields finished the June quarter close to where they started. The Fixed Income asset classes continued to see support as they demonstrated their traditional diversification qualities with the yield buffer providing income while a flight to quality boosted prices as equity markets became more volatile.

3.7 Global credit markets performed well during the recent equity volatility, with a stable corporate earnings outlook continuing to support the asset class. Credit spreads are a few basis points higher than their post-GFC lows and they remain tight relative to historical averages however continue to offer good income and the capacity for further gains as rate cuts are delivered. Higher yielding credit markets should continue to deliver positive returns primarily due to the income they generate.



3.8 Over the quarter the inflation picture moderated with both CPI and PPI prints confirming a disinflation trend has been established which gave US Fed speakers scope to deliver several unequivocally dovish speeches in more recent weeks.



#### 4 Looking Forward

4.1 Markets are at an important juncture - as growth has slowed and easing cycles begin conversations naturally turn to the risk of recession. While economic growth has moderated, it remains firmly in positive territory. Corporate earnings remain strong, and that strength is broadening outside the technology sector, there is also a lack of obvious structural imbalances in the economy. Current conditions reflect an economic backdrop that is much healthier than before previous examples of easing cycles which led to recessions.

- 4.2 Volatility has increased as markets debate the timing and extent of rate-cuts, however recession fears seem premature. In terms of monetary policy many central banks have begun to ease so the market debate has shifted from the timing of the first cut to what will be the pace and extent of further cuts. Markets have become more sensitive to data as each time expectations are exceeded or disappointed drives further volatility.
- 4.3 The interest rate environment continues to offer investors the ability to diversify. As the market's rate-cut conviction has grown many investors have increased fixed income allocations to lock-in yields. As a result, the market level of yields has steadily fallen (e.g. by early September the benchmark US 10-year Treasury yield was about 1% lower than its late-April peak). However, we still see value in fixed income markets for the diversification potential offered by duration as well as the income generated from yields and credit spreads.
- 4.4 This environment is not without its risks as equity valuations and credit spreads remain quite elevated. The US election is a significant source of near-term uncertainty, and it is reasonable to expect further periods of volatility in the lead-up.

## 5 Author

Joe McDonnell (CIO)

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10 September 2024

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