

# Public Document Pack



**PENSIONS PARTNERSHIP**

**BCPP JOINT COMMITTEE**

## **AGENDA**

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

**Date:** Tuesday, 25 March 2025

**Time:** 11.15 am

### **Membership:**

#### **Chair:-**

Cllr George Jabbour

North Yorkshire Pension Fund

#### **Membership:-**

Cllr Doug McMurdo

Bedfordshire Pension Fund

Cllr Doug Rathbone

Cumbria Pension Fund

Cllr David Sutton-Lloyd

Durham Pension Fund

Cllr Paul Hopton

East Riding Pension Fund

Cllr Eddie Strengiel

Lincolnshire Pension Fund

Cllr John Kabuye

Teesside Pension Fund

Cllr Jayne Dunn

South Yorkshire Pension Fund

Cllr Nick Harrison

Surrey Pension Fund

Cllr Ken Dawes

Tyne & Wear Pension Fund

Cllr Christopher Kettle

Warwickshire Pension Fund

#### **Scheme Member Representatives**

Lynda Bowen

East Riding LPB

Nicholas Wirz

Tyne & Wear LPB

***Border to Coast Joint Partnership Mission Statement:  
As a group of equal partners, we commit our assets and collective efforts  
alongside Border to Coast to responsibly deliver better outcomes for our  
stakeholders.***

## **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

Tuesday, 26 November 2024 - Border to Coast Offices, Toronto Square, Leeds, LS1 2HJ

**Present Members: Chair:**  
Cllr George Jabbour, North Yorkshire Pension Fund

**Vice-Chair:**  
Cllr Doug McMurdo, Bedfordshire Pension Fund

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Cllr David Sutton-Lloyd, Durham Pension Fund  
Cllr John Holtby, East Riding Pension Fund (as substitute for Cllr Paul Hopton)  
Cllr Eddie Strenghel, Lincolnshire Pension Fund  
Cllr Jayne Dunn, South Yorkshire Pension Fund  
Cllr Nick Harrison, Surrey Pension Fund  
Cllr Doug Rathbone, Cumbria 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:**  
Mike Batty, Bedfordshire Pension Fund  
Kate McLaughlin-Flynn, 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  
Chris Norton, Warwickshire Pension Fund

**Partner Fund Nominated Non Executive Directors:**  
Cllr David Coupe

**Border To Coast Representatives:**  
Rachel Elwell – Chief Executive Officer  
Joe McDonnell – Chief Investment Officer  
Chris Hitchen – Chair  
Colin Baines – Stewardship Manager  
Tim Manuel – Head of Responsible Investment

Mark Lyon - Deputy Chief Investment Officer  
Milo Kerr - Head of Customer Relationship  
Management

**Secretariat:** Gina Mulderrig – South Yorkshire Pensions Authority

**Apologies:** Cllr Paul Hopton – East Riding Pension Fund

The Chair congratulated Border to Coast Pensions Partnership officers for having the [Climate Change Report](#) recognised by Pensions for Purpose as the “Best Climate Change Policy” for the second year running.

## 1 **APOLOGIES**

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

Apologies were noted as above.

## 2 **DECLARATIONS OF INTEREST**

Cllr 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.

Cllr Holtby declared that he was attending the meeting on this occasion as a substitute for Cllr Hopton to represent East Riding Pension Fund but that he was also a Partner Fund Nominated Non Executive Director of the Company.

The following members declared that they held pensions that were part of the Local Government Pension Scheme:

Cllr Doug McMurdo  
Cllr Jayne Dunn  
Cllr Nick Harrison  
Lynda Bowen  
and Nicolas Wirz

## 3 **QUESTIONS FROM THE PUBLIC**

One question had been received from a member of the public (Hilary Smith) that the Chair had agreed should be responded to. The Chair provided the response prepared by the Border to Coast company in terms of the approach it takes as it acts in line with policies agreed by partner funds on the issues raised. A full copy of the question and the response is appended to the minutes.

## 4 **MINUTES OF THE MEETING HELD ON 26 SEPTEMBER 2024**

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

**RESOLVED – That the minutes of the meeting held on 26 September 2024 be agreed as a true record once the above amendments were made.**

## 5 JOINT COMMITTEE BUDGET

Nick Orton, Chair of the Officer Operations Group and Head of Pensions Governance and Investments at Teesside Pension Fund, presented the report detailing the Joint Committee budget position for 2024/25 explaining that 10% of the budget had been spent so far and that all scheduled costs were expected to be within budget.

**RESOLVED - Members noted the budget position.**

## 6 CALENDAR OF MEETINGS

The most recently updated schedule of meetings was included in the agenda for members to note.

The Chair noted the excellent attendance record of members of the Joint Committee and emphasised the importance that this continue to demonstrate best practice governance and accountability of the Joint Committee. The Chair asked all members to regularly review the calendar of meetings and highlight any scheduling conflicts so that the calendar can be reviewed as necessary to facilitate maximum attendance.

**RESOLVED – Members noted the scheduled dates for meetings of the Joint Committee, Border to Coast Conference and member workshops for the next three years.**

## 7 EFFECTIVENESS REVIEW

George Graham as Secretary to the Joint Committee presented a verbal update on the proposed arrangements for conducting a review of the effectiveness of the Joint Committee.

It was explained that contact with the Local Government Association (LGA) to provide independent leadership of the review, as requested by members at the previous meeting, had been made and that the LGA were keen to assist, however, following the announcement of the Pensions Review consultation by the Chancellor on 14 November 2024 and the time requirement for both the Company and officers to respond, it would be impractical to undertake an effectiveness review in the formal format that was previously discussed at this time.

Members expressed understanding of the need to prioritise the consultation on the Pensions Review and the subsequent work generated but also recognised the importance of issues associated with an effectiveness review including maintaining and improving standards of governance, assessing and improving performance and maintaining a good reputation in the industry.

The Chair stated that even without a formal review, continuous improvement is already taking place by sharing good practice from industry peers and proactively making changes to the running of the Joint Committee when a need is identified. He listed a number of improvements that have been implemented in recent weeks. The Chair also noted that some issues that would be covered in an effectiveness review will also be covered in the Pensions Review and the likely requirements from the outcome of the consultation.

Members accepted that improvements are ongoing and changes can be made without a review but expressed the need for a more structured approach. Members accepted the reason to postpone the effectiveness review but, following debate, asked that it remain on the agenda and the Joint Committee be given updates on any changes and improvements until a formal review can take place.

***RESOLVED – Members agreed to postpone the formal Effectiveness Review due to Fund officer resource requirements for the Government Pensions Review consultation and outcome, but that the Effectiveness Review remain on the agenda and the Joint Committee be given updates on any changes and improvements until a formal review can take place.***

## 8 RESPONSIBLE INVESTMENT POLICIES ANNUAL REVIEW 2025

Tim Manuel, Head of Responsible Investment, presented the Responsible Investment Policies Review for 2025 explaining that, as agreed with Partner Funds earlier in the year, this was a 'light touch' review and that the only material proposed change to highlight was a change on voting in relation to deforestation as a climate change issue. It was explained that these policies had been reviewed against leading peers and by a third-party adviser (Robeco).

In response to a question it was emphasised that the policies need to be published in January ahead of the voting season to declare publicly the company's position on Responsible Investment. As in previous years, the objective is to share the policies with Partner Fund Pensions Committees before January for their endorsement and support, and to consider their adoption, but it was acknowledged that this wasn't possible in all instances.

Members asked for clarity on the company's position on human rights and their approach taken in the UK and internationally.

The Head of Responsible Investment explained that human rights were integral to the policies and that the company has a watch list of high-risk companies which is monitored with any policy infringement triggering engagement and affecting voting decisions. The Head of Responsible Investment offered to provide more information on the framework underpinning such triggers in the next update. It was also explained Border to Coast had joined the Good Work Coalition of investors, co-ordinated by ShareAction with engagement programmes on the Living Wage and Racial Inequality.

Members questioned why mining was not listed as a sector subject to high deforestation.



The Head of Responsible Investment reported that they are waiting to hear back from Robeco to confirm their position. The Head of Responsible Investment stated that, in the meantime, the policy can be amended to state that the sectors listed were examples.

**RESOLVED - Members agreed:**

**a. To approve the proposed revisions to the Responsible Investment Policy (Appendix 1), Corporate Governance & Voting Guidelines (Appendix 2), and Climate Change Policy (Appendix 3) subject to confirmation the policy covers mining.**

**b. To support taking the revised policies to Pensions Committees for comment and for them to consider adoption of the principles in their own RI policies in line with industry best practice.**

**9 RESPONSIBLE INVESTMENT UPDATE**

Tim Manuel, Head of Responsible Investment, presented the report providing the Committee with an update on the Responsible Investment activity undertaken by the Company on behalf of Partner Funds over the period since the last meeting.

Members asked for the reaction of the company to Ballie Gifford having left the Climate Action 100+ group and Net Zero Asset Managers initiative.

Rachel Elwell, the Chief Executive Officer, explained that the company had written to Baillie Gifford to express disappointment at their withdrawal and to ask for their rationale for the decision and what commitment they can give that they will stick to climate commitments and were awaiting a response.

Members drew attention to the engagement the company had started with UK water utilities in partnership with Royal London Asset Management. Members from areas not covered by the 11 water utilities under engagement requested further details. Members expressed concern at the business model for water companies and the degradation of water treatment infrastructure and questioned the company's exposure percentage to the sector. Officers agreed to supply the information following the meeting.

Members welcomed the news that the company had joined the Good Work Coalition of investors, co-ordinated by ShareAction with engagement programmes on the Living Wage and Racial Inequality but questioned how it could be certain that the data collected for analysis was correct.

Colin Baines, Stewardship Manager, explained that ShareAction had a very focussed list of companies to analyse and adequate staffing to ensure high confidence in the accuracy of their work.

Members drew attention to the issue of food production in the UK, the need to value high standards and the risk of lower quality and ethics standards with food imported from other countries.

***RESOLVED - Members noted 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 UK LISTED EQUITY AND OVERSEAS DEVELOPED EQUITY**

Nick Orton, Chair of the Officers' Operations Group, presented the Annual Review of Overseas Developed Equities and UK Listed Equities Fund.

Members questioned whether they should receive more regular summaries on investment performance. Officers assured the Joint Committee that they would be kept up to date with any important developments and that any funds on watch would continue to be closely monitored but that this was an annual review which took a long-term view to show performance in a more meaningful way without distracting from overall trends with short term fluctuations.

Members reported serious concerns regarding underperformance in some areas which had been reviewed at previous meetings, specifically the Global Equity Alpha Fund. Officers noted the concerns but also added further context to the data and explained how the increasing concentration in international markets over recent periods had affected performance and also that Border to Coast were undergoing a manager search in order to make changes to the fund.

Members recognised the implications of the context but remained concerned and requested further information and updates from officers when available.

***RESOLVED – Members noted the report.***

11 **DEVELOPMENT OF INVESTMENT CAPABILITIES**

Milo Kerr, Head of Customer Relationship Management, presented the report setting out the proposed pipeline of development activity for 2025-28 and described opportunities to create further value and cost savings for Partner Funds. It was highlighted that the pipeline would be reviewed alongside considerations around the LGPS consultation.

Members queried the omission of Local Pension Boards from the list of consultees for the 2030 investment strategy. Officers assured members that Boards were informed even though they were not explicitly mentioned in the report.

***RESOLVED – Member recommended the plan to Shareholders for approval.***

## 12 ALTERNATIVES SERIES 3

Mark Lyon, Deputy Chief Investment Officer, presented the report giving an overview of the proposed Alternatives Series 3a offerings to be launched in April 2025 following discussions internally and with Partner Funds.

**RESOLVED – Members:**

**a. Noted the report.**

**b. Delegated to Officers the authority to review the contractual documentation required to support the Alternatives Series 3a launch. The Committee had previously delegated to Officers the review of the legal documentation for the alternatives structure and the various investment offering.**

## 13 OVERVIEW OF POOLING PROGRESS

Milo Kerr, Head of Customer Relationship Management, presented an overview of pooling progress sharing the results of the 2024 Partner Fund Annual Satisfaction Survey and giving an update on ongoing launch activity, including the launch of income distributing share classes on equity funds and new propositions.

**RESOLVED - Members noted the report, including the launch of income distribution share classes for Overseas Developed Equities, UK Listed Equities, UK Equity Alpha and Global Equity Alpha, and the addition of an income share class for the Global Multi Factor Indexed Equities Fund post launch.**

## 14 UPDATE ON EMERGING MATTERS

Rachel Elwell, Chief Executive Officer, gave a verbal update on the Government Pensions Review. It was explained that the Chancellor announced the Pension Investment Review's interim report on 14 November 2024 launching a 9-week consultation with response required by 16 January 2025. The Chief Executive Officer noted that, given the relatively short consultation period, efficient engagement was needed to develop a core response that takes the positions of each individual fund into consideration.

The Chief Executive Officer explained the Government proposed an indicative timeline for pools and administering authorities to implement outcomes from the consultation and move to the new model by March 2026 and that it required proposals for how the company would meet the requirements agreed following the consultation by 1 March 2025.

Members discussed their initial views and updated the Joint Committee on progress made so far at the partner funds and agreed the need to remain pro-active and communicate efficiently with all stakeholders and to be kept briefed by the company.

The Chairman of the Border to Coast Pensions Partnership assured members that the Company was in a good position to manage change and welcomed opinion and insights from all members.

***RESOLVED – Members noted the update.***

CHAIR



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

### **Joint Committee**

**Date of Meeting:** 25<sup>th</sup> March 2025

**Report Title:** Joint Committee Budget

**Report Sponsor:** Neil Mason, Chair Officer Operations Group

#### **1.0 Recommendation**

1.1 The Joint Committee is asked to:

- Note the budget position for 2024/25.
- Agree a budget of for 2025/26 of £50,000

#### **2.0 2024/25 Joint Committee Budget**

- 2.1 At the Joint Committee meeting in March 2024 a budget of £50,000 was approved for 2024/25. This is an increase from the budget in previous years to reflect inflation.
- 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 the Ministry of Housing and Communities and Local Government (MHCLG). 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 non-voting members 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 As the time of writing total expenditure incurred for the year to date against this budget was £10,685.84. This primarily relates to external legal costs incurred in establishing the legal documentation for the UK Real Estate Main fund (circa £5,000) and the Secretariat support to the Joint Committee, from South Yorkshire Pensions Authority.
- 2.7 Other expenditure incurred in the current year, includes travel and subsistence for the scheme member representatives on the Joint Committee.
- 2.8 There is not expected to be any further significant expenditure in 2024/25 and so the recharge to partner funds will be around £970 each.

### **3.0 Proposed Budget for 2024/25**

- 3.1 It is proposed that the budget for 2025/26 should be £50,000.
- 3.2 This budget was increased for 2024/25 following overspends in previous years and despite a forecast underspend in the current year it is deemed prudent to maintain the budget to reflect the expected level of costs in the future.
- 3.3 As always only the final actual costs are recharged to partner funds and so the budget only provides an indicative figure for each partner fund to budget for.

### **4.0 Conclusion**

- 4.1 For 2024/25 the expenditure incurred to date is within the Joint Committee Budget.
- 4.2 It is proposed that the budget for 2025/26 is maintained at £50,000.

#### **Report Author:**

Neil Sellstrom, [neil.sellstrom@southtyneside.gov.uk](mailto:neil.sellstrom@southtyneside.gov.uk)

#### **Further Information and Background Documents:**

N/A



## Border to Coast Joint Committee

### Calendar of Meetings

2025/26	2026/27	2027/28
Wednesday, <b>9 July 2025</b> : Joint Committee meeting in Leeds	Wednesday, <b>8 July 2026</b> : Joint Committee meeting in Leeds	Wednesday, <b>7 July 2027</b> : Joint Committee meeting in Leeds
Wednesday, <b>24 September 2025</b> : Joint Committee meeting in Leeds	Wednesday, <b>23 September 2026</b> : Joint Committee meeting in Leeds	Wednesday, <b>22 September 2027</b> : Joint Committee meeting in Leeds
Thursday and Friday, <b>25 and 26 September 2025</b> : Border to Coast Annual Conference in Leeds	Thursday and Friday, <b>24 and 25 September 2026</b> : Border to Coast Annual Conference in Leeds	Thursday and Friday, <b>23 and 24 September 2027</b> : Border to Coast Annual Conference in Leeds
Monday, <b>10 November 2025</b> : Virtual workshop	Tuesday, <b>10 November 2026</b> : Virtual workshop	Tuesday, <b>9 November 2027</b> : Virtual workshop
Tuesday, <b>25 November 2025</b> : Joint Committee meeting in Leeds	Tuesday, <b>24 November 2026</b> : Joint Committee meeting in Leeds	Tuesday, <b>23 November 2027</b> : Joint Committee meeting in Leeds
Thursday, <b>22 January 2026</b> : Virtual workshop	Thursday, <b>21 January 2027</b> : Virtual workshop	Thursday, <b>20 January 2028</b> : Virtual workshop
Tuesday, <b>24 March 2026</b> : Joint Committee meeting in Leeds	Tuesday, <b>23 March 2027</b> : Joint Committee meeting in Leeds	Tuesday, <b>21 March 2028</b> : Joint Committee meeting in Leeds

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## Border to Coast Joint Committee

**Date of Meeting:** 25<sup>th</sup> March 2025

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

**Report Author:** George Graham (Secretary to the Joint Committee)

### 1.0 Executive Summary:

1.1 This report provides members with the result of the election for a Scheme Member representative held during March 2025.

### 2.0 Recommendation:

2.1 It is recommended that 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 Lynda Bowen as Scheme Member Representative on 30 November 2024, nominations were requested from Scheme Member Representatives from the 11 Partner Funds.

The election was conducted by South Yorkshire Pensions Authority during March 2025 and the results were as follows:

Scheme Member Representative

Lynda Bowen – 9 votes

Simon Purcell – 2 votes

### 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 Lynda Bowen as Scheme Member Representative for a 3 year term.

### Report Author:

George Graham – Secretary to the Joint Committee

ggraham@sypa.org.uk

01226 666418



## Border to Coast Joint Committee

**Date of Meeting:** 25<sup>th</sup> March 2025

**Report Title:** Partner Fund Non-Executive Directors

**Report Author:** George Graham (for Officer Operations Group)

### 1.0 Executive Summary

1.1 This report sets out the process for selecting candidates for nomination to the Board of the Border to Coast Operating Company as Partner Fund Non-Executive Directors.

### 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., and

2.2 It is recommended that the Secretary to the Joint Committee should be authorised to transmit the nominations of successful candidates to the Company immediately following conclusion of the ballot.

### 3.0 Election Requirements

3.1 The Joint Committee is responsible for nominating two Non-Executive Directors to the Board of the Company (currently Cllr David Coupe from Teesside and Cllr John Holtby from East Riding). Ideally these roles would be selected one at a time. However, due to the need to extend Cllr Holtby's term to facilitate the appointment of the new Chair of the Company this year both roles are up for election. Under the principle agreed by Partner Funds that Partner Fund Non-Executive Directors may serve up to a maximum of six years on the Board of Border to Coast, Cllr Coupe is eligible to undertake a further term of up to three years, but Cllr Holtby is term limited and unable to stand again.

3.2 Under the process agreed by the Joint Committee, eligibility for these roles is restricted to serving councillors with experience (although not necessarily current membership of) serving on a Pensions Committee. Those considering putting themselves forward should consider the c.30 days per annum time commitment required for the role. Following nomination by the Joint Committee successful candidates are subject to an approval process (as required by the FCA) before being formally appointed to the Board.

3.3 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 process of election is somewhat complicated this year by the County Council elections taking place this May. This means that it will not be clear whether individuals across the whole of the Partnership are eligible to stand or not until after the elections.

For this reason, it is proposed to invite nominations immediately prior to the meeting of the Joint Committee now scheduled for 9<sup>th</sup> July, with the election process being completed and the result announced before the end of July. In order to allow the Company to undertake the initial work necessary with the successful candidates prior to expiry of the terms of office of the current postholders on this occasion it is proposed that the Secretary to the Joint Committee be authorised to confirm the nomination of the successful candidates on completion of the ballot process.

## **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

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

01226 666439

### **Further Information and Background Documents:**

**Appendix 1: Role Profile for the Non-Executive Director**

**Appendix 2: FCA and Companies Act requirements for Non-Executive Directors**

**Appendix 3: Border to Coast Process for Partner Fund Nominated Non-Executive Directors**

## Role Profile

<b>Role Title:</b> Non-Executive Director	
<p><b>Purpose of the role:</b></p> <p>The Board sets our strategic direction, with non-executive directors providing both challenge and guidance to the Executive Team as well as monitoring performance, financial information, controls and risk management. Non-executive directors fully participate in ensuring the Board exercises effective leadership of and control over Border to Coast and constructively challenge and contribute to the development of strategy, performance and the management of risk.</p> <p>A non-executive director is a member of the Board but not the Executive Team. They are not employees, but they have the same legal duties, responsibilities and potential liabilities as executive counterparts.</p>	
<p><b>About Border to Coast Pensions Partnership Limited (“Border to Coast”):</b></p> <p>Border to Coast Pensions Partnership is one of the largest pension pools in the UK. We are an FCA regulated investment company responsible for managing the assets of our Local Government Pension Scheme customers and shareholders (“Partner Funds”). Our Partner Funds are at the heart of what we do; delivering long-term sustainable investment outcomes to make a difference for them and the wider LGPS. We believe we will achieve this by building long-term partnerships with Partner Funds, service providers and the wider asset management and asset owner industry through working collaboratively, in a sustainable way and with integrity.</p>	
<b>Reports to:</b> Chair of the Board	<b>Level:</b> n/a
<b>Function:</b> Board	<b>Team:</b> Board
<b>Direct Reports:</b> 0	<b>SMCR:</b> Non-Executive Director
<b>Role line of defence:</b> n/a	
<p><b>Role Dimensions</b></p> <p><b>Budget Responsibility:</b> n/a</p> <p><b>Mandate:</b> Board remit</p> <p><b>Prescribed Responsibilities (SMF):</b> n/a</p> <p><b>Time Commitment:</b> Expected to be two to three days per month, with availability for meetings, induction and training as required. Given the highly UK-centric nature of the organisation, candidates must be UK-based, and regular travel to Leeds will be expected. The appointment will be for a three-year term, which may be renewed at the discretion of the Board and with shareholder approval.</p>	
<b>Key Accountabilities</b>	
<ul style="list-style-type: none"> <li>• Support the Chair and Executive Team in instilling the appropriate culture, values and behaviours in the boardroom and beyond</li> <li>• Provide independent oversight and scrutiny of Border to Coast, including:             <ul style="list-style-type: none"> <li>○ Provide an impartial and independent view of Border to Coast and its operations, removed from the day-to-day running of the business</li> </ul> </li> </ul>	

- 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 Board Committees as required (Independent NEDs; less likely for Partner Fund NEDs)

### Skills, Knowledge and Experience

#### Skills, Knowledge and Qualifications

##### Essential

- Excellent inter-personal and communication skills
- Understanding of the complex stakeholder environment in which Border to Coast operates
- Awareness and understanding of Partner Funds and the LGPS landscape and investment requirements
- Appreciation for, and affinity with, the public sector, in particular its need to strive for value for money and resilience in all its outsourced arrangements

##### Desirable

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

##### Additional

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

#### Experience

##### Essential

- Experience of working as a non-executive director or local authority committee chair within a regulated sector environment, ideally financial services
- Experience of working with complex stakeholder environments, preferably with a political/public interest dimension
- Ability to satisfy fitness and propriety test as a 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, gained either in the commercial or pension fund sectors
- Familiarity with the FCA Conduct Rules

## Appendix 2

### 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 12 FCA Principles of Business:

<b>1 Integrity</b>	A firm must conduct its business with integrity.
<b>2 Skill, care and diligence</b>	A firm must conduct its business with due skill, care and diligence.
<b>3 Management and control</b>	A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
<b>4 Financial prudence</b>	A firm must maintain adequate financial resources.
<b>5 Market conduct</b>	A firm must observe proper standards of market conduct.
<b>6 Customers' interests</b>	A firm must pay due regard to the interests of its customers and treat them fairly.
<b>7 Communications with clients</b>	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.
<b>8 Conflicts of interest</b>	A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
<b>9 Customers: relationships of trust</b>	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.
<b>10 Clients' assets</b>	A firm must arrange adequate protection for clients' assets when it is responsible for them.
<b>11 Relations with regulators</b>	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.
<b>12 Consumer Duty</b>	A firm must act to deliver good outcomes for retail customers. [Note that this does not apply to Border to Coast as it does not have retail customers (Partner Funds are elective professional clients).]

Directors who hold Senior Management 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 as a Partner Fund non-executive director (NED).

#### Pre-Selection

- 2 Prior to beginning the nomination and selection process, the Joint Committee and applicants 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 Applicants should illustrate how they meet the requirements of the Job Description (Appendix 1), including the required minimum time commitment and the requirement to undertake regular training, some of which is regulatory and compulsory.
- 4 Applicants should be comfortable with the post-selection process, including the background checks required by the FCA. 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 Disclosure and Barring Service (DBS) check with Border to Coast and the members of its Board.

#### Post-Selection

- 6 The Board would expect to meet the nominated candidates to assess whether they are comfortable to appoint the individual as a director of the company and recommend the appointment for approval by the Shareholders.
- 7 The Board reserves the right to not appoint a director or recommend their appointment for approval by the Shareholders if they believe that a nominee does not meet the role profile criteria.
- 8 To satisfy the FCA regime, the nominees must be credit checked and be cleared by the DBS. Border to Coast has, as a core regulated firm, to self-certify NEDs to the FCA and seek the FCA's approval of the Board Chair role holder.
- 9 Nominees will need to provide personal information, including photo ID and two forms of address information to apply for the DBS checks. This process is self-served via an online application and overseen by the Border to Coast HR Team. Once the credit reference and DBS checks are completed and shared with Border to Coast, the HR Team will register the new NED with the FCA.
- 10 The Board will appoint all directors and recommend their appointment for approval by the Shareholders. The Board may make an appointment which is conditional upon the successful completion of the checks referred to above and registration with the FCA, but an appointment cannot be filed with Companies House until all background checks are complete.
- 11 Once the background checks and FCA registration are successfully completed and the Board has agreed to appoint the nominee, the Border to Coast Company Secretary Team will issue a resolution seeking the consent of 66.6% of the Shareholders in line with the requirements of the Shareholders' Agreement with a deadline for completion.

- 12 Once the appointment has been approved by the Shareholders, the nominee will be required to enter into a service contract with Border to Coast.
- 13 Once all of the above is completed, the Company Secretary will register the nominee 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 three months, hence the term for Partner Fund nominated NEDs is generally expected to run from 1 October following approval at the Border to Coast AGM in July.

#### **Time Commitment and Remuneration**

- 14 The time commitment is expected to be two to three days per month, totalling approximately 30 days per annum. Directors are expected to attend all meetings and training sessions appropriate to their role, including those arranged by the Board Chair, Company Secretary and CRM Team. The Board is currently scheduled to meet six times per year and Partner Fund NEDs will generally also be asked to join at least one Board Committee, which hold quarterly meetings. Most formal meetings are held in person in Leeds, so regular travel to Leeds will be expected, but some meetings will be held remotely, particularly where urgent matters are under consideration. Agenda packs are circulated a week before each meeting and preparation time is required.
- 15 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 Partner Funds and will be expected to act in the best interests of the Company.
- 16 NED remuneration is approved by Shareholders on recommendation of the Remuneration and Nomination Committee. The current level has been agreed at £17,700 per annum.



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

### **Joint Committee**

**Date of Meeting:** 25 March 2025

**Report Title:** Annual Review of Governance Charter

**Report Sponsor:** Amanda Blacker-Laybourn, Head of Legal and Governance

#### **1 Executive Summary**

- 1.1 This report presents the annual review of the Governance Charter (“the Charter”). The document has been updated throughout to ensure clarity and accuracy in alignment with current practices. It is noted that an in-year review might be necessitated by the anticipated announcement of new Government requirements later in 2025.
- 1.2 The Charter sets out the governance of the relationship between Border to Coast and Partner Funds, and between Partner Funds themselves. It is a public document jointly owned by the Board and Partner Funds (in their roles as both investors and shareholders), and it is published on both the Border to Coast and Joint Committee websites. The Charter was last reviewed in Q1 2023; the 2024 review was postponed pending implementation of the new funding model and approval of the 2030 Strategy.
- 1.3 As part of this annual review, the Charter was reviewed by the Company Secretary, Head of CRM, Head of Compliance, Head of Operations, Head of Strategy, Deputy Chief Investment Officer, and Executive Committee. It was then submitted to the Board on 7 March 2025 and has been shared for review by Partner Fund officers. It is now presented for approval by the Joint Committee on the recommendation of the Board.
- 1.4 A summary of the substantive proposed changes is outlined at Section 3. The draft document is attached at Appendix 1.

#### **2 Recommendation**

- 2.1 That the Joint Committee approves the Governance Charter.

#### **3 Summary of key changes to the Governance Charter**

- 3.1 Wording throughout has been amended to reflect the Company’s maturity.
- 3.2 References to Border to Coast Pensions Partnership Limited (i.e. the legal and regulated entity) have been updated throughout the document to “the Company” and collective references to the Company and Partner Funds have been updated to “the Pool”, which is not a legal or regulated entity.

- 3.3 'Document Control' has been updated to reflect that Partner Fund pension committees do not approve the Governance Charter but rather receive it for information (it is approved by both the Board and the Joint Committee).
- 3.4 Section 1: Introduction
- a) Further details on the legal and regulated entity have been included for clarity.
  - b) The founding principles have been updated as agreed with Partner Funds in 2023.
  - c) Reference to the "implementation and ongoing management of the sub-funds" has been deleted and reference to Partner Funds as "investors" has been amended to "customers" to reflect the move towards wider service provision for Partner Funds.
  - d) The governance structure wording and related diagrams have been updated to improve ease of understanding, given the more common usage of 'senior' rather than 'statutory' Officer, to reflect the second authorised contractual scheme (ACS) for UK Real Estate, and to incorporate new propositions. A new governance structure diagram has been included on Global Real Estate.
- 3.5 Section 2: Border to Coast Strategy
- a) The founding principles have been updated as refreshed by Partner Funds in 2024.
  - b) The section has been updated to refer to the 2030 Strategy.
- 3.6 Section 3: The Role of the Partner Funds as Investors
- a) Wording has been amended to reflect that the individual Administering Authorities (rather than their pension committees) are ultimately responsible and accountable for ensuring that pension liabilities are appropriately funded and can be paid, and these responsibilities are discharged through the pension committees.
  - b) Section 3.1: Governance Structures Supporting the Pension Committees has been updated for clarity, to reflect current practice (including the new Investment and Responsible Investment Officers Operations Groups), and to provide a more logical flow. Definitions of 'Section 151 Officer' and 'Monitoring Officer' have been added. We also highlight the potential creation of an 'LGPS Senior Officer' and consideration of future governance arrangements.
  - c) Section 3.2: Investor Interaction with Border to Coast has been updated to reflect current reporting.
- 3.7 Section 4: The Role of the Partner Funds as Shareholders
- a) Reference has been made to the Procurement Act 2023.
  - b) Reference to the annual 'Strategic Plan' process outlined in the Shareholders' Agreement has been maintained and will be reviewed if/when the Shareholders' Agreement is updated to reflect the new process.
- 3.8 Section 5: Border to Coast's Governance Structure
- a) Section 5.2: The Role of the Border to Coast Management Team has been updated to reflect the current executive governance structure, including the new Climate Change Strategy Committee.

- b) Section 5.4 The Role of the Depositary has been updated to include two additional duties following the launch of the Real Estate propositions:
  - (i) “Undertaking due diligence on direct investments in properties and holding legal title”
  - (ii) “In addition to the duties listed above, and in respect of an unauthorised Alternative Investment Fund such as the Company’s Global Core Real Estate fund, the Depositary’s duties include verifying the title of the general partner entity to non-custody assets and maintaining a record of the other assets (i.e. any assets other than cash and custody assets) for which it is satisfied that the general partner holds title.”

### 3.9 Appendix I: Terms of Reference of the Border to Coast Joint Committee

- a) The Joint Committee Terms of Reference have been updated in line with the Inter-Authority Agreement executed in March 2023.

### 3.10 Appendix II: Schedule of Matters Reserved for Decision by the Shareholders has been updated in alignment with the current Shareholders’ Agreement.

### 3.11 Appendix III: Legal and Regulatory Duties of the Board

- a) The following new paragraph has been added to provide context: “Border to Coast is a full-scope UK Alternative Investment Fund Manager (“AIFM”) and a collective portfolio management investment firm. It manages two authorised contractual schemes (“ACSs”) that are Qualified Investor Schemes (“QISs”). It also operates several Scottish limited partnerships (“SLPs”).”
- b) The FCA Principles for Business have been updated to include Consumer Duty (while noting that the Consumer Duty principle does not apply to the Company as it does not have retail customers).
- c) Wording related to the FCA Conduct Rules has been updated for clarity.

## 4 Risks

- 4.1 There is a risk that the governance of the relationship between Border to Coast and Partner Funds, and between Partner Funds themselves, is not clearly set out, accessible or understood. This is mitigated by the Charter, which seeks to provide a clear and concise summary of governance arrangements. A robust internal corporate governance framework acts to further strengthen governance arrangements and associated oversight. All documents are reviewed regularly to ensure alignment with strategic, legal and regulatory requirements as well as best practice.

## 5 Author

Amy Gelsthorpe-Hill, Company Secretary

[Amy.Gelsthorpe-Hill@bordertocoast.org.uk](mailto:Amy.Gelsthorpe-Hill@bordertocoast.org.uk)

6 March 2025

## 6 Supporting Documentation

Appendix I: Draft updated Governance Charter (clean)

**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 2025]

## Document Control

### Version and Review History

Version	Description	Author	Date
V4.1	Document reviewed by the Executive Committee	Company Secretary	29 January 2025
V4.2	Document reviewed by Partner Fund officers	Company Secretary	25 February 2025
V4.3	Document reviewed by the Board	Company Secretary	6 March 2025
V4.4	Document reviewed by the Joint Committee	Company Secretary	25 March 2025
V5.0	Approved document following governance	Rachel Elwell, CEO	31 March 2025

### Governance Approvals

Approved By	Version	Date
Board	4.3	6 March 2025
Joint Committee	4.4	25 March 2025

### Key Dates

Event	Date
Effective Date	31 March 2025
Next Review Date	31 March 2026

### Key Roles – Border to Coast Pensions Partnership Limited

Stakeholder	Role	Status
Company Secretary	Document drafter responsible for the management and amendment process, along with ensuring implementation of the framework	Drafter
CEO, HO CRM	Review ongoing drafts to ensure completeness	Reviewer
HO Legal and Governance	Document owner	Owner
Border to Coast Board	Approve the framework and any material alteration made thereafter	Approver
Border to Coast 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	Informed regarding the framework and any material alteration made thereafter	Informed



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## 1. Introduction

Border to Coast Pensions Partnership (“the Pool”) was established in 2017 to enable the pooling of assets of certain administering authorities (“Administering Authorities”) of Local Government Pension Scheme (“LGPS”) pension funds (“Partner Funds”).

In order to effect the pooling of assets, in 2017 the Partner Funds incorporated Border to Coast Pensions Partnership Limited (“the Company”) as a private limited company registered in England and Wales (company number 10795539). Since 2018, the Company has been authorised and regulated by the Financial Conduct Authority (“FCA”) as an Alternative Investment Fund Manager (“AIFM”) and operator of collective investment vehicles (FRN 800511). The Company’s registered office address is 5th Floor, Toronto Square, Leeds, England LS1 2HJ.

The Company is wholly owned by the Partner Funds, who are its customers and its shareholders. The following **founding principles**, set out by Partner Funds and updated in 2024, have been reflected in the governance structure:

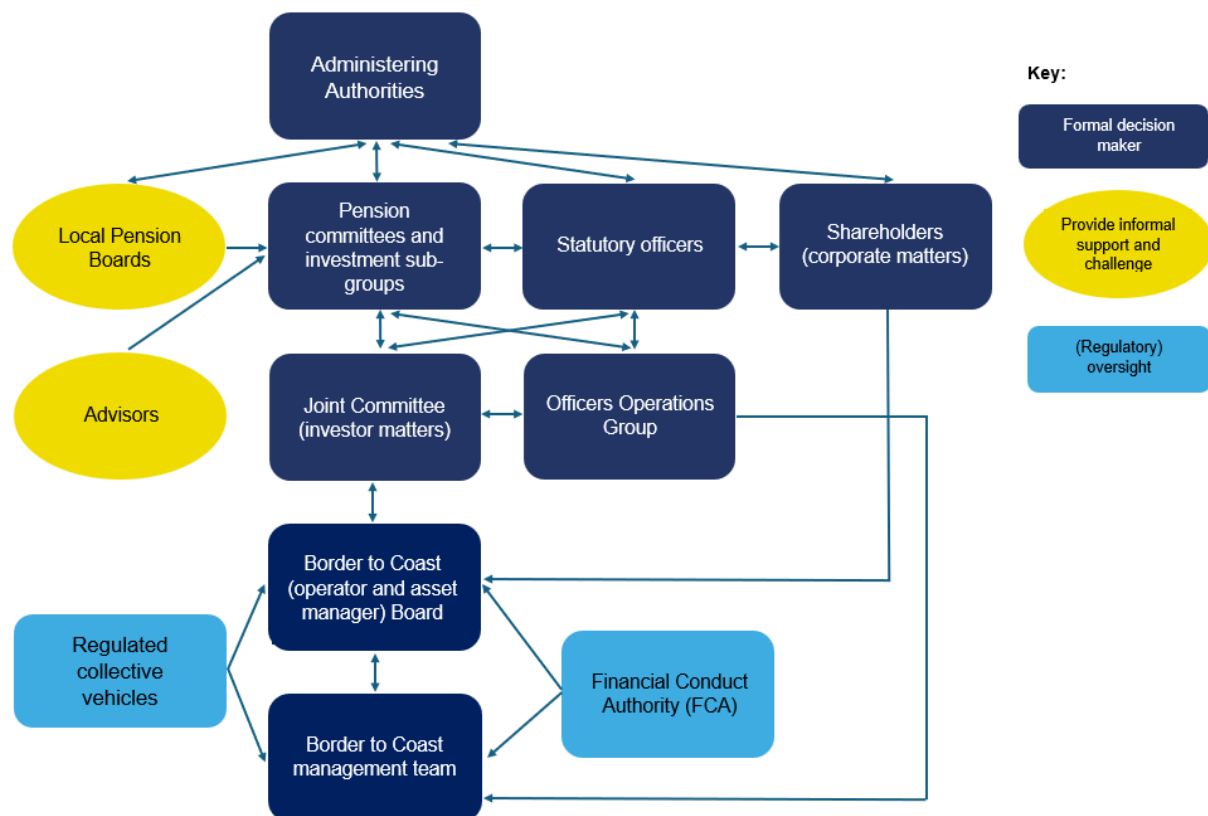
“As a group of equal partners, we commit our assets and collective efforts alongside Border to Coast to responsibly deliver better outcomes for our stakeholders. This will be achieved by all parties involved committing to the following:

1. Deliver central government’s objectives for pooling while seeking to create a future of our own that benefits scheme members and employers.
2. Work together openly as equal partners with a one-team ethos, focused on delivering mutual benefit.
3. Invest responsibly.
4. Respect the sovereignty of individual Partner Funds over strategic asset allocation and deliver effective oversight of the operation of the Company and the wider partnership.
5. Work collaboratively with each other and the Company to achieve the best possible sustainable risk adjusted returns and ensure payment of pension benefits as they fall due.
6. Improve resilience and capacity for partners both through the Company and through our own collective efforts to exploit opportunities to both improve efficiency and effectiveness and learn from each other, sharing good practice nationally and internationally.
7. Deliver investment choices for partners through maintaining and developing the Company’s capacity to manage money internally, through the procurement of external managers, or hybrid solutions.
8. Maintain a shared team with a common culture.
9. Use our collective voice to support both the achievement of our responsible investing goals and to advocate for the positive benefits of collaboration and pooling within the Local Government Pension Scheme.”

Partner Funds oversee the Company’s investment performance and capability on a day-to-day basis via Partner Fund officers and on a quarterly basis via the Joint Committee, which is constituted of elected member representatives from each of the Partner Funds.

Partner Funds oversee the Company’s broader performance via Partner Fund senior officers, shareholder representatives from the Administering Authorities of the Partner Funds on an ongoing basis, quarterly through informal shareholder meetings, and formally once a year at its annual general meeting (AGM).

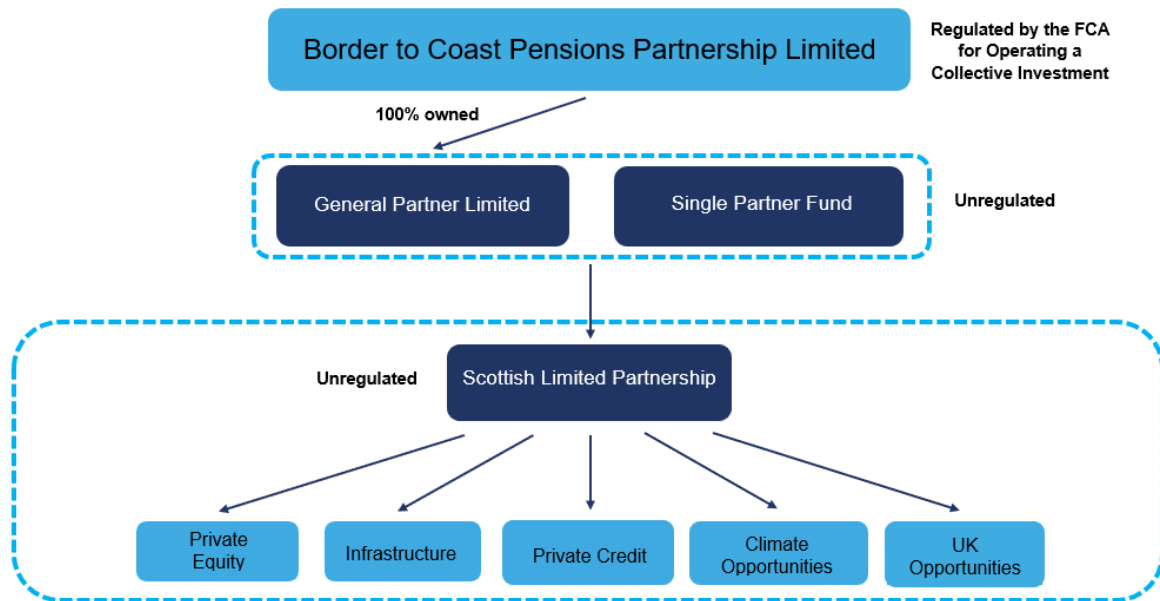
Partner Funds and the Company work collaboratively to build the investment capabilities required to ensure that Partner Funds can efficiently and effectively deliver strategic asset allocations in line with the guiding principles. To hold the Company to account and to meet FCA requirements for a regulated asset manager, the governance structure is designed to ensure sufficient independence between the Partner Funds and the Company, as shown in the diagram below.



The Company has established two authorised contractual schemes (“ACSs”) as collective investment schemes in which Partner Fund assets are held and managed: one for its public market propositions; and one for its UK Real Estate proposition, which launched in 2024.

Separately, the Company has established subsidiary companies for its Alternatives and Global Real Estate propositions. These subsidiary companies act as the general partners for each of the Scottish limited partnerships (“SLPs”), which have been established for the purposes of managing investments using the “portfolio management” FCA permission, with the Company as the appointed AIFM.

For illustration purposes, an example of the Alternatives structure is included below:



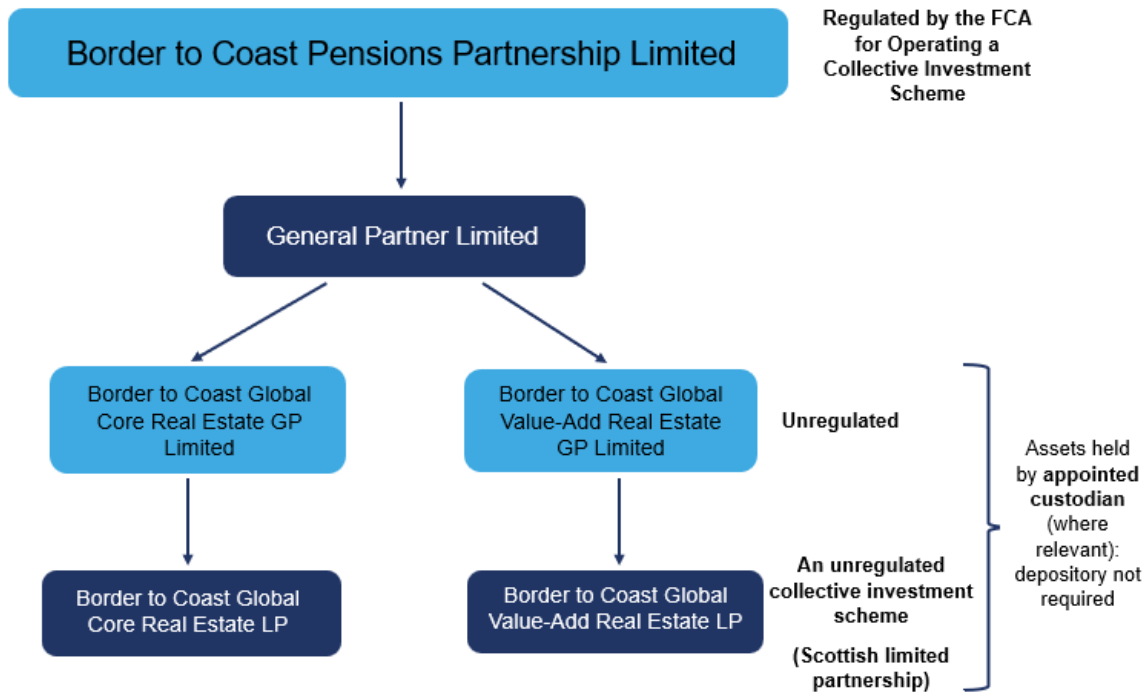
**Notes:**

Each of the Scottish limited partnerships (SLPs) consists of two partners: a general partner ("GP") and a limited partner ("LP"). The GPs are wholly owned by Border to Coast. The LPs are the respective Border to Coast Partner Funds.

This structure is an "unregulated collective investment scheme". Investments are not held within the authorised contractual scheme (ACS) regulated fund structure and are not held at the depository.

Border to Coast has obtained permission from the FCA to be the operator of the collective investment.

For illustration purposes, the Global Real Estate structure is included below:



## 1.1 Purpose of this Document

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

- Administering Authorities (section 3)
- Pension Committees (section 3)
- Advisors to Pension Committees (section 3.1)
- Local Pension Boards (section 3.1)
- Joint Committee (section 3.1)
- Officers Operations Group (“OOG”) (section 3.1)
- Statutory Officers (including Section 151 Officers 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)
- Depositary (in respect of regulated collective vehicles such as the ACSs and Global Real Estate) (section 5.4).

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

- Border to Coast Articles of Association (as adopted on 31 March 2023)
- Border to Coast Shareholders’ Agreement (as executed on 1 April 2024)
- Inter Authority Agreement (establishing the Border to Coast Joint Committee) (as amended on 31 March 2023).

Further details are included in the Joint Committee Terms of Reference and OOG Terms of Reference. Additional provisions specific to particular investment sub-funds can be found in each sub-fund’s governing documentation (such as an ACS prospectus).

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

## 1.2 Application

The Governance Charter is applicable to all within the Pool and is published on both the Company’s and Joint Committee’s websites. It is reviewed annually by the Company’s Company Secretary and the OOG and updated as required to reflect any changes in governance arrangements in agreement with the Company’s Board, the Joint Committee and shareholders.

## 2. Border to Coast’s Strategy

The Company was established by the Partner Funds in 2017 to deliver the overall pooling agenda set out by central Government in 2015. LGPS pooling is intended to provide improved performance and investment outcomes for the participating funds and the Company’s strategic goal and objectives reflect this purpose.

The Company's aim is to make a difference for the LGPS. This will be achieved by working in partnership for a sustainable and better tomorrow through innovation, expertise, scale and good governance.

In the current strategic phase (to 2030), this is delivered through five strategic pillars: risk, investment, resilience, people, and governance. These are delivered through the development of the necessary strategic capabilities and underpinned by culture and values.

The Company's 2030 Strategy envisages three strands of activity: maintaining the effective and efficient delivery of the original remit; considering how the Company can better support Partner Funds; and ensuring that Partner Funds are placed to take advantage of any future collaboration opportunities.

The Company's Board is responsible for setting the strategic direction and objectives for the Company to inform the annual implementation plan and budget for approval by the shareholders. The Board has delegated the day-to-day management of the Company to the Chief Executive Officer (CEO), who in turn works with Executive to deliver to the Partner Funds (as both investors and shareholders). The responsibilities of the Company's Board and Executive are considered further in section 5.

### **3. The Role of the Partner Funds as Investors**

Each Administering Authority acts as the scheme manager for each pension fund and 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.

Individual Administering Authorities are ultimately responsible and publicly accountable for ensuring that pension liabilities are appropriately funded and can be paid in accordance with LGPS regulations as they fall due. These responsibilities are discharged through the pension committees. Specifically, with respect to investment matters, this includes:

- setting funding and risk management strategies
- formulating investment strategy as set out in the Investment Strategy statement, including the management of cashflow requirements
- developing an approach to responsible investment and maintaining an appropriate policy framework
- complying with regulations which require the pension 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 pension committee's policies and that investment strategy is implemented in accordance with the investment strategy statement
- approving and monitoring performance targets for the pension fund.

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

Once the design is agreed, the Company becomes the asset manager responsible for tactical matters such as implementation and ongoing management of each proposition, management of internal investment capability, appointment and oversight of external managers, implementation of responsible investment policies (including the corporate governance and

voting guidelines and the climate change policy), and tactical asset allocation within risk parameters agreed with the Partner Funds.

Partner Funds are responsible for the review of whether the built proposition meets strategic needs and, reflecting fiduciary duty, the review the Company's capability to deliver the objectives.

Partner Funds then collectively oversee the performance of the Company as described below. To ensure that the Company can effectively be held accountable, it is important there is an appropriate degree of separation of duties between the Company and Partner Funds. The strategies to support this are detailed in this Governance Charter.

### 3.1 Governance Structures Supporting the Pension Committees

The following groups and individuals support the Partner Fund pension committees in working with and overseeing the Company:

- The **Joint Committee** is the collaborative vehicle through which individual Partner Funds provide collective oversight of the investment performance of the Company. Its remit includes oversight of the pooling of Partner Fund assets.

The Committee is constituted from the 11 Partner Fund pension committee chairs, or another appointed councillor nominated by the Partner Fund, and it meets quarterly. The Chair and Vice Chair of the Committee are elected by the members of the Joint Committee on a biennial basis. Two scheme member representatives, elected by local pension boards of the 11 Partner Funds, also attend as non-voting members.

As a Section 102 Committee<sup>1</sup>, the Committee has terms of reference (see Appendix I to this Governance Charter) and its meetings are held in public. The Committee does not have any delegated authority and therefore any matters requiring decision must be considered and approved by each Partner Fund pension committee.

South Yorkshire Pensions Authority provides secretariat support to the Committee and Tyne & Wear Pension Fund acts as host authority for all other matters.

- **Officer groups** – The Joint Committee is supported by Administering Authority Section 151 Officers<sup>2</sup>, Monitoring Officers<sup>3</sup> and the OOG, which is constituted from 11 designated Partner Fund senior officers<sup>4</sup>. These groups meet to discuss issues and give input to both elected members and the Pool as required. The OOG works collaboratively to carry out due diligence over the Company's investment capabilities. To support this, Investment and Responsible Investment sub-groups of the OOG have been established. The OOG and its respective sub-groups each meet quarterly, part attended by representatives of the Company and part in closed session.
- **Local Pension Boards** – In line with their role in other administrative and governance matters, the local pension boards provide support and challenge to Partner Fund

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

<sup>2</sup> Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Section 151 Officer, also known as a Chief Financial Officer (CFO), to have responsibility for those arrangements.

<sup>3</sup> A Monitoring Officer is the statutory officer responsible for the legal governance of a local authority in much the same way that a Section 151 officer is responsible for a council's finances. Most of the role is set out under section 5 of the [Local Government and Housing Act 1989](#).

<sup>4</sup> In the 'Fit for the Future' consultation, the Government suggests the creation of a 'LGPS Senior Officer'. If progressed, consideration of this new role will need to be considered in future Governance arrangements.

pension committee decisions and decision-making process in relevant investment areas and aim to ensure appropriate governance is in place to provide effective monitoring.

- **Advisors** – Regulations require that pension funds take professional advice in respect of investment decisions, and this is generally provided through funds appointing independent investment advisors and/or consultants. They work with the pension committee and officers to provide advice on matters such as how to ensure that strategic asset allocation can be effectively implemented using the propositions available at the Company.

### 3.2 Investor Interaction with Border to Coast

To enable the appropriate scrutiny of the Company by the Joint Committee and, ultimately, the individual Partner Fund pension committees, the Company has committed to providing the following support and materials, developed in collaboration with the Partner Funds, in addition to reporting required by regulation:

What	To Whom**	Frequency
<b>Reporting</b>		
Fund factsheets	Public	Monthly
Performance reporting (generic and Partner Fund specific)	OOG, Joint Committee, pension committees	Quarterly
Responsible investment reporting, including stewardship and voting reports	Public	Quarterly
Environmental, Social and Governance (ESG) / carbon reporting	OOG	Quarterly
<b>Ongoing engagement</b>		
Operational update emails	OOG	Weekly
CEO newsletter (circulation facilitated by OOG)	All stakeholders	c. eight per annum
Attendance* at meetings of the OOG, and respective sub-groups, by Border to Coast representatives	OOG	Quarterly or as required
Update on progress through longer-term transition to pooling (there are ongoing discussions with officers during this period)	Joint Committee, pension committees	Quarterly
Workshops to discuss Border to Coast investment fund performance	OOG and advisors	Quarterly
Attendance* at Joint Committee meetings by the CEO and Chair (and other representatives 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 pension committee meetings by a Border to Coast Customer Relationship Management (CRM) Team member (and others as appropriate)	Pension committees	Quarterly or as required
Facilitation of sessions to enable pension committee advisors to input and challenge	Advisors	Six-monthly
Organisation of an investment conference for all Pool stakeholders	All stakeholders	Annually
Invitation for all pension committees to hold a meeting at Border to Coast's offices to meet the team and receive presentations	Pension committees	Annually or as required



What	To Whom**	Frequency
Facilitation of collaborative workshops to enable build of strategic capability, including development of investment capabilities, customer reporting and approach to transition management	OOG and advisors (as appropriate)	Ad hoc (as required)
Provision of due diligence information to support the review by officers and advisors of the launch of new investment sub-funds	OOG and advisors	Ad hoc (as required)

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

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

To support the Partner Funds, the Company has appointed a Customer Relationship Management (CRM) Team with experience in pensions investment and asset management. Its role is to:

- provide a single point of contact for Partner Funds to access the investment capabilities of the Pool, 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 Company 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 exercises corporate control and oversight through its Administering Authority's ownership of the Company as an equal shareholder. Each Partner Fund, as a 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 the Procurement Act 2023.

The shareholders' role in the governance of the Company includes approving the Board's appointment of directors, appointing the external auditors, and satisfying themselves that an appropriate governance structure is in place. Shareholders also retain certain rights under a Shareholders' Agreement which was entered into by all shareholders at the time of the Company's incorporation and has since been reviewed and amended as appropriate. These rights include approval of a 'Strategic Plan' (annual budget, cash flow, balance sheet, cost sharing, regulatory capital and liquidity assessments), Company employee pensions provision, admission of new shareholders, and cost sharing. The matters reserved to shareholders are set out in Appendix II.

As noted in the legal advice provided to the Partner Funds by [Eversheds in January 2017](#)<sup>5</sup>, a shareholder representative must be nominated because the Administering Authority cannot physically appear at the Company's shareholder meetings. 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."

<sup>5</sup> <http://lincolnshire.moderngov.co.uk/documents/s17734/BCPP%20Report%20Appendix%20B.pdf>

Eversheds also advised that ordinarily conflicts of interest were not expected to arise between the customer and shareholder roles and 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.

The Company's Board has also invited the Joint Committee to nominate two non-executive directors of the Company, who can broadly be said to provide a shareholder perspective on the operation of the Company on behalf of all Partner Funds (see section 4.2).

#### **4.1 Shareholder Interaction with Border to Coast**

Shareholders carry out the duties under the Shareholders' Agreement, typically by written resolution, with advice from the senior officers, Section 151 Officers (where different) 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 Shareholders' 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 a general meeting or in accordance with the Articles. These regimes operate alongside one another.

In addition, the Company holds an AGM to provide the shareholders with a forum for discussion about its performance against its objectives and to hold directors to account. Where appropriate, the AGM can also provide a forum for discussion regarding future strategic capability build and agreement for changes to the budget to support such developments.

The Company provides the shareholders with such financial information as is necessary to keep each shareholder informed about performance, including quarterly financial information, the annual audited accounts, the outcome of efficiency reviews, and a report on the Company's progress against objectives or milestones in the strategic plan. Strategy meetings take place every six months.

The primary Company contacts for shareholders are the Chair, CEO and Deputy CEO.

#### **4.2 Partner Fund Nominated Non-Executive Directors**

The Pool recognises the importance of having diverse voices on the Company's Board. To support this, it has sought to include representation from the Company's shareholders, the Partner Funds. Partner Funds may nominate a total of two individuals as non-executive directors to offer insights and ensure the voice of shareholders and customers are heard in the Board's decision-making process.

These individuals are appointed as directors of the Company and provide expert input based on their knowledge and experience. They do not hold office as representatives of individual Partner Funds and are expected to act in the best interests of the Company.

In [January 2018](#)<sup>6</sup> Partner Funds, via a sub-group of the Joint Committee, considered the implications and mechanics of having such representation on the Board. The sub-group was strongly of the view that any representation on the Board should be drawn from elected members of the Partner Funds and it was made a qualification of retaining a directorship that the Partner Fund directors remained elected members of their Administering Authority.

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<sup>6</sup>

[https://meetings.sypensions.org.uk/celistdocuments.aspx?MID=1226&DF=16%2f01%2f2018&A=1&R=0&F=embedded\\$view%20the%20full%20minutes%20text%20for%20item%203.\\$htm](https://meetings.sypensions.org.uk/celistdocuments.aspx?MID=1226&DF=16%2f01%2f2018&A=1&R=0&F=embedded$view%20the%20full%20minutes%20text%20for%20item%203.$htm)

The Joint Committee commissioned advice regarding the potential conflict of interest in such individuals holding a directorship of the Board, given Administering Authority oversight responsibilities. It was agreed that Joint Committee members who were appointed as a non-executive director of the Company would need to nominate a suitable deputy to the Joint Committee for the term of such an appointment. The Board has also requested that prior to any selection process, the Joint Committee and nominees should satisfy themselves that there are no unacceptable conflicts of interests should a nominee continue their role on the Partner Fund pension committee and join the Company's Board.

The Partner Fund non-executive director nomination process takes place via the Joint Committee, which considers applications from nominees evidencing how they meet the role requirements. The Joint Committee will, by exhaustive ballot, nominate for the Board's consideration the candidate they feel is best suited for the role. The Board will carry out its review, in line with FCA requirements for non-executive directors of FCA-regulated entities, before deciding on an appointment and recommending this to the shareholders for approval. The Board reserves the right to not make an appointment or recommend one for approval if it is believed that the nominee does not meet the role profile criteria. Further information regarding this can be found on the [Joint Committee website](#)<sup>7</sup>.

Once the shareholders approve the appointment to the Board, the non-executive director will generally be appointed for a term of three years and may be re-appointed for a second term of three years with the support of the Joint Committee, the Board and the shareholders.

## **5 Border to Coast's Governance Structure**

The Company'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 Code<sup>8</sup> ("the Code"), cognisant of the Company's size and closed shareholding.

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

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<sup>7</sup> <https://meetings.sypensions.org.uk/mgGeneric.aspx?MD=bordertocoast&bcr=1&zTS=D>

<sup>8</sup> <https://www.frc.org.uk/library/standards-codes-policy/corporate-governance/uk-corporate-governance-code/>

and reviews management performance. The Board sets the Company's values and standards, risk appetite and strategy, and ensures that its obligations to its shareholders, customers and other stakeholders are understood and met.

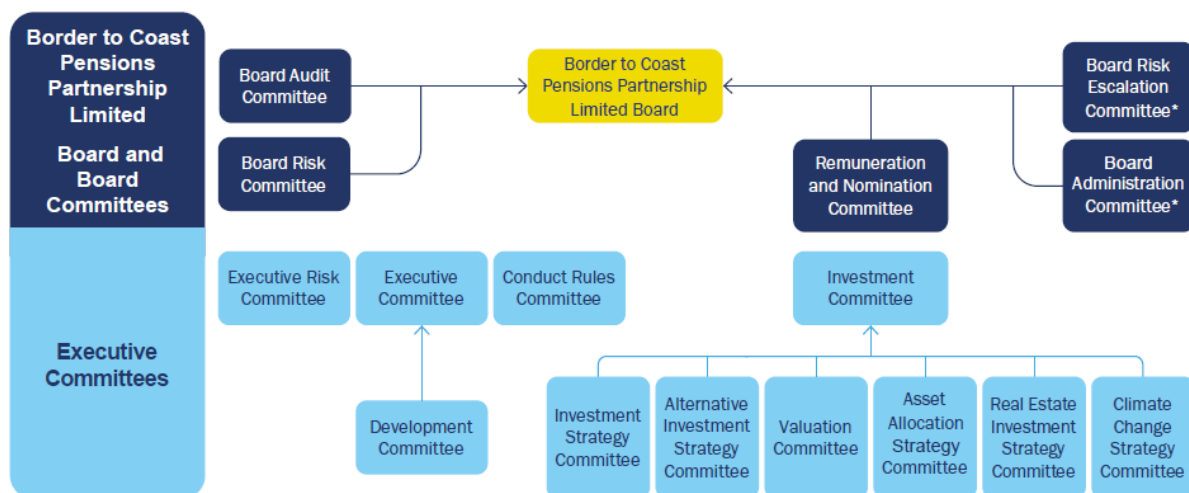
In carrying out these responsibilities, the Board must have regard to what is appropriate for the Company's business and reputation, the materiality of the financial and other risks to the Company, its customers, the markets and other stakeholders, inherent in the business and the relevant costs and 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 propositions to be able to discharge all their responsibilities in an effective, efficient and compliant manner.

## 5.2 The Role of the Border to Coast Management Team

The Board has delegated to the CEO 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 CEO has in turn delegated certain responsibilities to specific colleagues. The CEO has also established a number of executive committees to help inform their decision-making and/or to monitor certain activities (note that executive committees hold no delegated authority). The CEO has delegated the management and chairing of certain executive committees to specific colleagues as shown in the governance diagram below.



\* The Board Risk Escalation Committee and Board Administration Committee are not standing committees; they are called to meet as business requires.

The CEO reports regularly to the Chair and the Board with appropriate, timely and quality information so that they can discharge their responsibilities effectively. The CEO's specific responsibilities include the following:

- strategy and business planning
- leadership and corporate governance
- people, including colleague pensions
- risk management and controls
- finance
- customer services and conduct risk, including treating customers fairly
- communications and shareholder liaison
- investment management.

### 5.3 The Role of the Regulator

The Company is approved and regulated by the FCA as an AIFM. This means the Company and its employees must meet certain standards of conduct in the operation of its business as set out in Appendix III. The regulator may carry out investigations if it believes an organisation is not meeting the appropriate standards and 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 Company's ACSs, a depositary is appointed to act on behalf of investors. Northern Trust has been appointed as the depositary for both the Company's ACSs and the Global Real Estate propositions. Its duties include:

1. Safeguarding assets of the authorised funds via its custody services or utilising a sub-custodian
  - oversight of manager 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
2. Reporting breaches of FCA rules to the FCA (including any due diligence findings).
3. Undertaking due diligence on direct investments in properties and holding legal title.
4. In addition to the duties listed above, and in respect of an unauthorised Alternative Investment Fund such as the Company's Global Core Real Estate fund, the Depositary's duties include verifying the title of the general partner entity to non-custody assets and maintaining a record of the other assets (i.e. any assets other than cash and custody assets) for which it is satisfied that the general partner holds title.

## Appendix I: Terms of Reference of the Border to Coast Joint Committee

1. The primary purpose of the Joint Committee is to exercise oversight over investment performance of the collective investment vehicles operated by Border to Coast.
2. The Joint Committee will provide effective engagement with the [Administering] Authorities as the investment vehicles are established and ultimately operated by Border to Coast. It will encourage best practice, operate on the basis that all partners have an equal say and promote transparency and accountability to each [Administering] Authority.
3. The remit of the Joint Committee is:
  - 3.1.1. To provide support and guidance to the work being undertaken by the Officer Operations Group.
  - 3.1.2. To consider issues and provide feedback on relevant proposals as they are developed, ensuring effective engagement with the [Administering] Authorities to scrutinise and monitor project management arrangements and proposals for the appointment of advisers by the [Administering] Authorities.
  - 3.1.3. To formulate processes and policies for appointment and termination of membership to the Joint Committee.
  - 3.1.4. To facilitate the adoption by the [Administering] Authorities of relevant contracts and policies.
  - 3.1.5. To review and comment on requests for the creation of investment propositions and to make recommendations to the Border to Coast Board as to the creation of additional investment propositions.
  - 3.1.6. To review and comment from time to time on the range of investment propositions offered and the winding up and transfer of investment propositions.
  - 3.1.7. To formulate and propose any common voting policy for adoption by the [Administering] Authorities and to review and comment on any central policy adopted by Border to Coast.
  - 3.1.8. To formulate and propose any common ESG [environment, social and governance] / RI [responsible investment] policy for adoption by the [Administering] Authorities and to review and comment on any central policy adopted by Border to Coast.
  - 3.1.9. To formulate and propose any common conflicts policy for adoption by the [Administering] Authorities.
  - 3.1.10. To review and comment on each individual [Administering] Authority's high level transition plans for the transfer of assets to the vehicles established and operated by Border to Coast in accordance with the Shared Objectives.
  - 3.1.11. To oversee performance of the vehicles established and operated by Border to Coast as a whole and individual investment propositions by receiving reports from Border to Coast and taking advice from the Officer Operations Group on those reports along with any external investment advice that it deems necessary.
  - 3.1.12. To procure and employ, through an [Administering] 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 and save for any Permitted Contract, enter into or vary any contracts or arrangements with any of the Shareholders or any person with whom any Shareholder is connected (whether as director, consultant, shareholder or otherwise) on terms which could give preferential rights to a specific Shareholder. For the purposes of this paragraph a “**Permitted Contract**” means any advisory or management agreement that puts into effect services to be provided to a Shareholder as a customer of the Company that are approved under the Strategic Plan and, where applicable, the agreement is on materially the same terms that have been agreed with any other Shareholder that is a recipient of the same services;
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 16. (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 Border to Coast pool;
11. enter into any partnership, joint venture or profit sharing arrangement with any person (excluding entering into any investment or investment vehicle);

12. Save in the event of a Required Amendment, alter any of the provisions of the Articles or any of the rights attaching to the Shares. For the purposes of this paragraph a "Required Amendment" means any amendment to the Articles that is either (i) required pursuant to a direct request from the FCA; or (ii) the Company has received written advice from its legal advisers that a change to the Articles is required to comply with FCA rules;
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. commence, settle or defend any claim, proceedings or other litigation brought by or against Border to Coast, 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 investment sub-funds or other collective investment vehicles established by Border to Coast; or (iii) in respect of non-material claims, proceedings or other litigation which involve actions for losses of less than £1,000,000 or such lower amount as the Company and the Shareholders may determine from time to time;
16. take out any third-party loan(s) in respect of Border to Coast which (in aggregate) exceed the sum of £5,000,000;
17. form any subsidiary of Border to Coast, or acquire any shares in any other company, whether through subscription or transfer, such that the company concerned becomes a subsidiary of Border to Coast other than where such action is taken in accordance with the Strategic Plan;
18. determine the composition, governance arrangements and limits of authority of any and all subsidiaries of Border to Coast in such a way that will not invalidate the continued application to Border to Coast of the "Teckal exemption" codified under Regulation 12 of the Public Contracts Regulations 2015;
19. 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;
20. register the transfer of Shares on the replacement of any Shareholder as the administering authority of an LGPS fund pursuant to clause 15.1.5 of the Shareholders' Agreement.

#### **PART B – Matters for approval by a Shareholder Majority (66.6%)**

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. any proposal not to table the annual accounts of the Company at the Company's annual general meeting;



6. approve the remuneration policy for any directors from time to time and to assist in the approval of the policy the Company will provide such information to support the Shareholders in exercising their authority with respect to the reserved matter as may be reasonably required and at all times in line with good remuneration disclosure practice in the United Kingdom, including but not limited to the UK Corporate Governance Code, and shall confirm indications of remuneration amounts implied under the policy;
7. establish any pension scheme (i.e. for employees of the Company);
8. 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 Strategic Plan);
9. 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 £500,000 (unless provided for in the Strategic Plan or such other amount as the Company and the Shareholders may determine from time);
10. 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;
11. appointment of the Chair and any 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;
12. removal of any director and, for the avoidance of doubt, the Chair in accordance with the Companies Act 2006 or otherwise; and
13. approving and adopting a 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 Regulatory Position

As an asset management company, Border to Coast is authorised and regulated by the Financial Conduct Authority (“**FCA**”).

Border to Coast is a full-scope UK Alternative Investment Fund Manager (“**AIFM**”) and a collective portfolio management investment firm. It manages two authorised contractual schemes (“**ACSs**”) that are Qualified Investor Schemes (“**QISs**”). It also operates several Scottish limited partnerships (“**SLPs**”).

Border to Coast directors either hold roles which are classified as FCA Senior Management Functions (“**SMFs**”) or are non-executive directors under the FCA's Senior Management and Certification 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
- 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 Principles

Border to Coast's directors are responsible for the governance and oversight of the Company in relation to the [12 FCA Principles for Business](#):

<b>1</b> Integrity	A firm must conduct its business with integrity.
<b>2</b> Skill, care and diligence	A firm must conduct its business with due skill, care and diligence.
<b>3</b> Management and control	A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
<b>4</b> Financial prudence	A firm must maintain adequate financial resources.
<b>5</b> Market conduct	A firm must observe proper standards of market conduct.
<b>6</b> Customers' interests	A firm must pay due regard to the interests of its customers and treat them fairly.
<b>7</b> 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.
<b>8</b> Conflicts of interest	A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.

<b>9</b> 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.
<b>10</b> Clients' assets	A firm must arrange adequate protection for clients' assets when it is responsible for them.
<b>11</b> Relations with regulators	A firm must deal with its regulators in an open and cooperative way, and must disclose to the FCA appropriately anything relating to the firm of which that regulator would reasonably expect notice.
<b>12</b> Consumer Duty	A firm must act to deliver good outcomes for retail customers.  [Note that the Consumer Duty principle does not apply to the Company as it does not have retail customers (Partner Funds are elective professional clients). The Head of Compliance reviews this assessment on annual basis.]

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

## Duties under the Companies Act 2006

The [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
- to declare interests in proposed transactions or arrangements.

The second duty 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 other stakeholders, 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 include not 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 SMFs or are Certified are also subject to the [FCA's Individual Conduct Rules](#). As such, they are subject to the following:

- 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.

Directors who hold certain SMCR Functions / Controlled Functions are also 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 Principles<sup>9</sup> 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.

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<sup>9</sup> <https://www.gov.uk/government/publications/the-7-principles-of-public-life>



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

### **Joint Committee**

**Date of Meeting:** 25 March 2025

**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 (RI) which includes embedding environmental, social and governance issues into investment decision making and practicing active ownership through voting and engagement.
- 1.2 This report provides an update on our RI activity and reporting. An update is also provided on engagement supporting our priority themes, both direct and through our involvement in collaborations, our voting, and other RI activity.
- 1.3 The quarterly stewardship and voting reports produced by Border to Coast and Robeco for the quarter ending 31 December 2024 have been published on our [website](#).

#### **2 Recommendations**

- 2.1 The 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 In partnership with RLAM, we are collaboratively engaging 11 UK water utilities with Border to Coast leading the engagement with Yorkshire Water and Northumbrian Water on behalf of the collaboration. In 2024, we re-assessed the companies based upon our 2023 engagement and a review of their subsequent 2024 plans for the 2025-30 period. We RAG rated each against 19 KPIs covering sewage pollution, water leakage, climate change mitigation and adaptation, nature-based solutions and biodiversity, and antimicrobial resistance, and gave an overall score out of 100.
- 3.3 This quarter, we met Yorkshire Water senior management to discuss. They acknowledged our assessments as fair and welcomed our deep engagement and the value it has added. Yorkshire Water has made progress across all areas of engagement. Northumbrian Water preferred to respond to our assessment with a detailed written response. They also improved across all areas of engagement. Border to Coast has highlighted areas that require further improvement for both companies.

- 3.4 This engagement programme is expected to complete during 2025 with the publication of a sector report, which we will share and discuss with Partner Funds.
- 3.5 We have joined the Good Work Coalition of investors, co-ordinated by ShareAction, and two of its collaborative engagements on the Living Wage and Ethnicity Pay Gap reporting. During the quarter, meetings were held with Marks & Spencer and Kingfisher to request Real Living Wage accreditation and with Associated British Foods to request Ethnicity Pay Gap reporting.
- 3.6 As part of our engagement escalation with the Oil and Gas sector, we have made several critical public statements in response to reports that BP is to weaken its climate targets and transition plans. We have co-signed open letters and wrote to the company directly to raise concerns and call for any changes to be brought back to shareholders at its 2025 AGM for decision. A meeting with BP is scheduled.
- 3.7 We undertook direct engagement with Chevron, ConocoPhillips, BP, Shell, and Eni to highlight high methane emissions and request information on how companies are addressing the issue.
- 3.8 In Q4, 34 letters were sent to companies to advise of votes against management due to climate voting policy during the 2024 AGM season and advising of expectations to avoid such votes in future.
- 3.9 We directly engaged SK Inc to address a gap in our top 40 emitter engagement coverage. We requested further disclosure on its transition plan covering technology use and interim targets, and alignment of climate policy and trade association memberships.

## **4 Voting**

- 4.1 We voted at 123 meetings over the quarter. This is the quietest of the year compared with over 600 meetings in the April to June quarter.
- 4.2 A weekly update on our watchlist of 36 priority companies is provided to Partner Funds with all voting recommendations. All priority companies are notified of our voting decisions prior to the AGM.
- 4.3 We vote 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 also vote against the Chair of the sustainability committee at banks not meeting the climate voting framework. To the end of December, we had voted against 23 oil and gas company Chairs and five bank sustainability committee Chairs. Four oil and gas companies on our watchlist were not voted against, due either to consideration of just transition principles, being reclassified as aligned with net zero, or being sold out of pre-AGM.

## **5 RI strategy**

- 5.1 Our 3-year RI strategy was developed to reflect the shift in best practice covering four areas: integrating ESG, active ownership, industry engagement, and reporting and governance.
- 5.2 Work to develop our new RI and Engagement 3-year strategies, to be effective from April 2026, will take place over the next 6 to 9 months. We will work with Officers to

identify the best way to coordinate Partner Fund input to ensure we gather broad and representative views.

- 5.3 Our second annual Proxy Season Report was published during the quarter and included a piece on the importance of voting to ESG risk management, headline numbers for Border to Coast's voting over the 2024 peak proxy season, and details on the impacts of voting policy enhancements relating to climate change and human rights.
- 5.4 In February, we submitted a response to the FRC consultation on the UK Stewardship Code. Our submission welcomes efforts to streamline the Code's requirements but raised some concerns and proposed changes to ensure the Code's value as a benchmark of effective stewardship practice is maintained. We supported a change to the definition of stewardship contingent on more robust supporting language, including explicit reference to climate change and investors' fiduciary duty. We also requested more explicit support for collaborative engagement, and guidance on defining engagement.

## **6 Reporting**

- 6.1 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 31 December 2024 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 RI 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 We continue to engage on policy issues through various forums and by responding to consultations.
- 8.3 The Committee is asked to note the report.

## **9 Author**

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**Important Information**

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