

Border to Coast Pensions Partnership Ltd

South Yorkshire Pension Authority

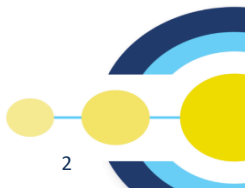
9th September 2021

The material in this presentation has been prepared by Border to Coast Pensions Partnership Limited (“Border to Coast”) and is current as at the date of this presentation.



What are we covering today?

- Border to Coast - Purpose and Approach
- Progress at Border to Coast
- Your Investments
- Upcoming Fund Launches
- Approach to Responsible Investment



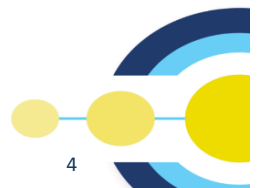
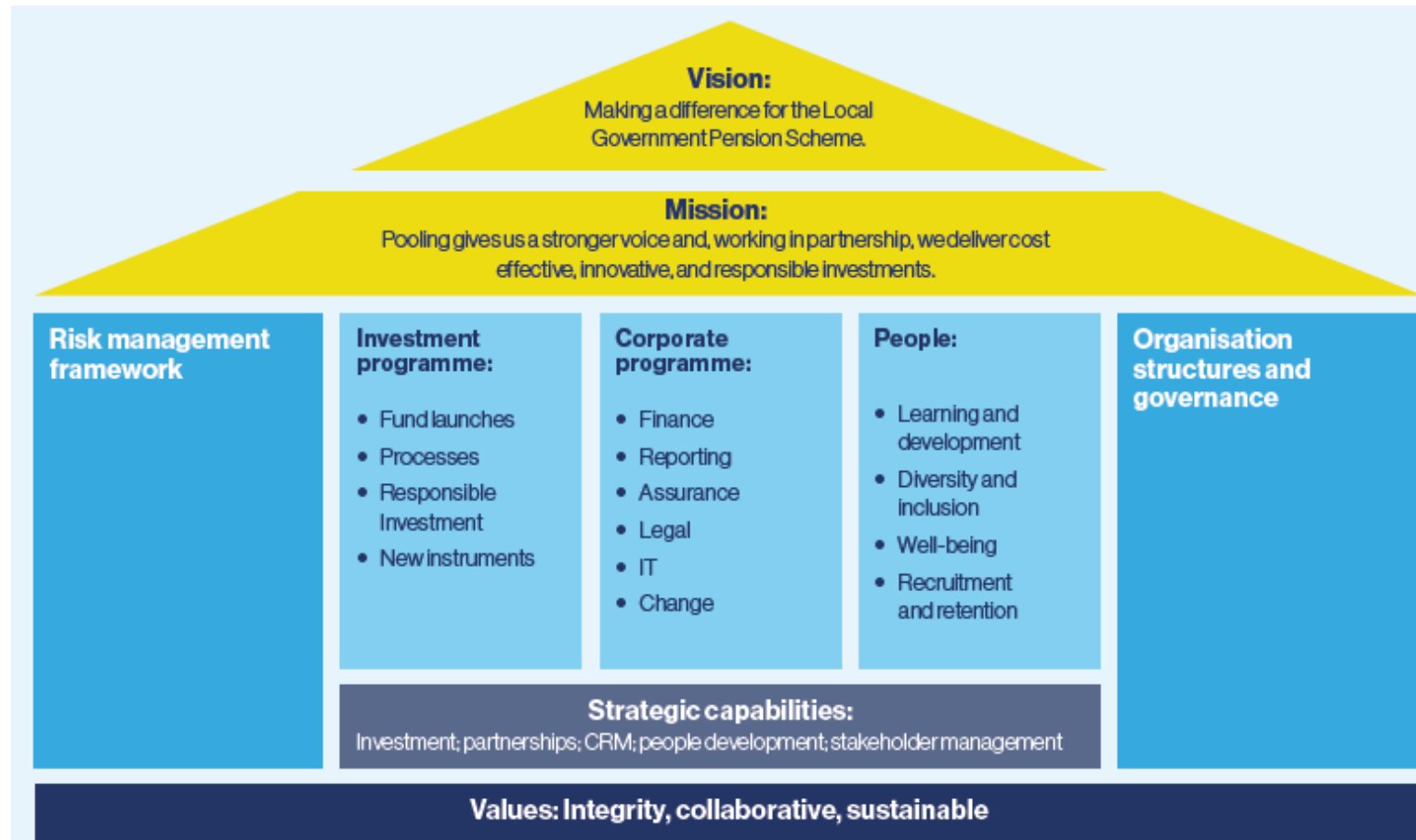
Border to Coast Pensions Partnership Ltd

Purpose & Approach



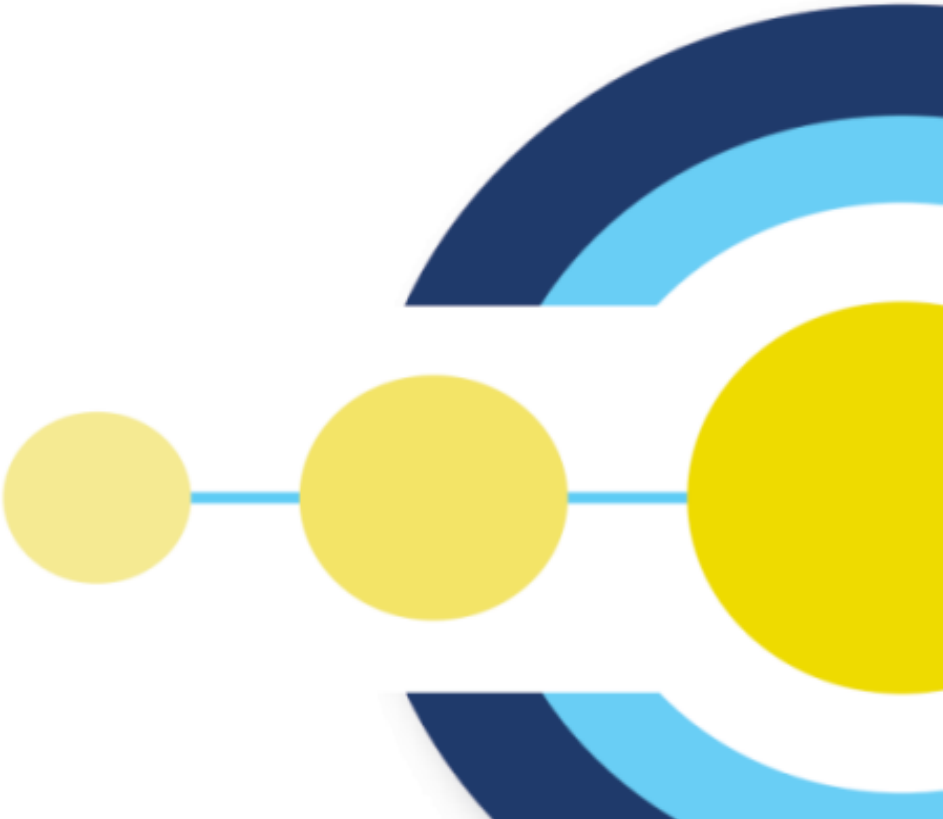
Border to Coast – Why Are We Here?

We were established by our Partner Funds to facilitate the pooling of their investments - to improve value for money through scale, increased access to investment opportunities, and strengthened governance



Border to Coast Pensions Partnership Ltd

Progress



Border to Coast - Progress

WHAT

- Founded to manage assets for our LGPS Partner Funds, who own Border to Coast equally

11

Partner Funds Invested

£21.7bn

Assets under Management

HOW

- Providing the building blocks for Partner Funds to implement their investment strategies

Customer Meetings

119

£5bn

Private Markets Commitments

Propositions launched to date

Colleagues

100

10

WHO

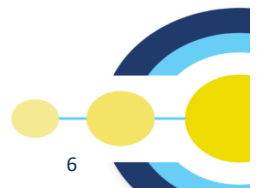
- Our Partner Funds represent c2,500 employers and are responsible for paying the benefits of c.1 million members

Resolutions voted on

12,011

Number companies we've engaged with

902



Border to Coast - Investment Programme

	Progress to date	2021	2022	2023 and beyond
Equities	UK Listed Equity (£4.6bn) O/seas Developed Equity (£4.2bn) Emerging Markets Equity (£0.8bn) UK Listed Equity Alpha (£1.4bn) Global Equity Alpha (£6.2bn) Total AUM: £17.2bn¹	Emerging Market Hybrid UK & O/seas Developed Equity (review) UK Equity Alpha (review)	Regional Alpha Emerging Markets Alpha	Passive/ Factor / ESG
Alternatives	Private Equity – Series 1 (£1.7bn) Infrastructure – Series 1 (£2.5bn) Private Credit – Series 1 (£1.5bn) Total Committed: £5.7bn^{1,2}	Listed Alternatives First co-investment made (green energy) Cashflow management	Legacy Diversified Alternatives Asset Allocation Series 2	Impact (local) Investing
Bonds	Sterling Index Linked Bond (£1.4bn) UK Investment Grade Credit (£3.1bn) Total AUM: £4.5bn¹	Multi-Asset Credit		
Real Estate			Global Real Estate	UK Real Estate
Other	1 st trade <i>crossed</i> between PFs, saving £3.5m costs			Hedging (FX & Equity)
Responsible Investing	ESG & carbon screens for all Equity and FI Funds External manager monitoring framework Voted at 902 meetings 12.011 resolutions Common policy for all Border to Coast holdings TCFD, Annual RI & Stewardship reports published Joined multiple RI collaborations	Standalone Climate Change Policy RI support for Real Estate Alternatives monitoring framework Publish PRI Transparency Report Net-zero carbon commitment Developing communications strategy		

2020 LAPF AWARDS

- Won 'Pool of the Year' for the second year
- Won the 'Collaboration' award

¹ AUM as at 31/03/2021

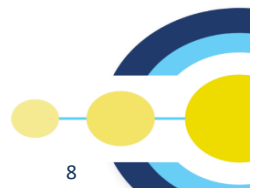
² Alternatives values shown based on Partner Fund commitments



Border to Coast

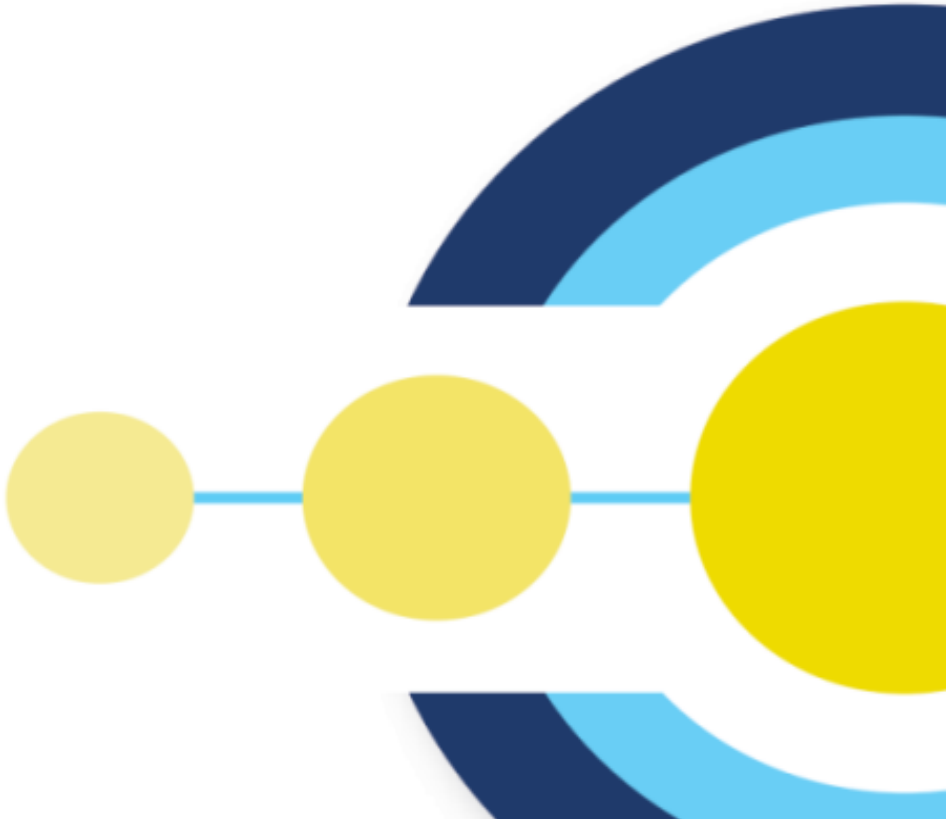
- Wider Corporate Development Programme

	Progress to date	2021	2022	2023 and beyond
Office	Central Leeds location established – meeting our principle of having a shared team in one location	Second floor secured in our building - larger team and need for more meeting rooms with videoconferencing capabilities		
People	100 employees, 28 joined during lockdown Well set-up for working remotely during lockdown Graduate scheme in place: 2020 recruitment delayed	Employee Value Proposition, colleague engagement, learning & development, succession planning, well-being, diversity, culture		
Corporate Function	Embedded operating models, outsourcing where appropriate. Established risk & control frameworks	Assessment of operating model – efficiencies, risk appetite, opportunities to move in-house. Review working practices. Maturing risk & control frameworks, etc		
Customer Relationships	Team established, processes documented, Customer Strategy developed	Ensuring info meets requirements, increasing capacity, evaluating CRM software, training materials, promoting Customer voice		
Data Room	Established as secure source of fund launch due diligence and subsequently expanded to include Customer Reporting, materials from meetings, etc,	Re-launched following feedback – easier to navigate, improved look & feel		
Annual Conference	Annual Conference established (run online in 2020)	Will incorporate new Member training sessions (following election turnover)		
Reporting & Assurance	Statutory accounts approved Account for GPs/LPs and ACS structures Transition from Type 1 to Type 2 AAF report in 2020 ISO27001 Certification			
Comms Strategy	Formalised strategy in 2020, establishing current channels & future plans	Launched <i>Investment Insight</i> articles & videos		
Collective Voice	Responsible Investment, Asset Management Industry, LGPS	Policy change (leveraging strategic partnerships)		
Regulatory	Aligned with SMCR Brexit-related changes			



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Your Investments



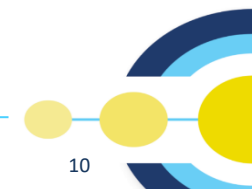
South Yorkshire

– Valuation & Commitments

Listed Investments	South Yorkshire Value (as at 30/06/2021)	Total Fund Value (as at 30/06/2021)
	£	£
UK Listed Equity Fund	1,079.8m	4.6bn
Overseas Developed Markets Fund	3,018.2m	5.0bn
Emerging Markets Equity Fund	811.2m	1.1bn
Sterling Investment Grade Credit Fund	492.0m	3.3bn
Sterling Index-Linked Bond	877.1m	1.5bn

Alternative Investments	South Yorkshire Commitment (Series 1a + 1b + 1c)	Committed by Border to Coast to Managers (*)	Total 1a + 1b + 1c Commitment (all Partner Funds)
	£	£ (% of commitment)	£
Infrastructure	500m	381.6m (76%)	2,455m
Private Equity	400m	326.0m (82%)	1,720m
Private Credit	190m	105.6m (56%)	1,501m

Source: Border to Coast. Past performance is not a reliable indicator of future performance and is not guaranteed.
 (*) As at 26/08/2021.



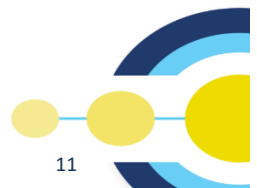
South Yorkshire - Equity & Bond Funds

	Equities			Fixed Income	
	UK Listed Equity Fund	Overseas Developed Markets Equity Fund	Emerging Markets Equity Fund	Sterling Investment Grade Credit	Sterling Index Linked Bonds
Approx. Size*	£4.6bn	£5bn	£1.1bn	£3.3bn	£1.5bn
Launch Date	July 2018	July 2018	October 2018	March 2020	October 2020
Benchmark	FTSE All Share	Regional Comp	S&P Emerging	iBoxx GBP Non-Gilts	FTSE A UK IL Gilts 15y
Target¹	BM +1% p.a.	BM +1% p.a.	BM +1% p.a.	BM +0.6% p.a.	BM +0.2% p.a.
Border to Coast – FCA Regulated ACS Structure					

¹ Measured over rolling three year periods net of costs.

Future forecasts are for Illustration purposes only and are not a reliable indicator of future performance.

* As at 31/06/2021



Equity Funds

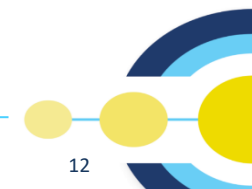
Performance to 30/06/2021

Equities

Fund Name	3 Months (%)			1 Year (%)			Since Inception (% p.a.)		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative	Fund	Benchmark	Relative
UK Listed Equity Fund	5.24	5.60	-0.37	20.64	21.45	-0.81	3.00	2.03	0.97
Overseas Developed Equity Fund	6.43	6.62	-0.19	24.41	24.00	0.41	11.74	10.79	0.95
Emerging Markets Equity Fund	3.08	4.79	-1.71	7.88	6.68	1.20	10.73	12.97	-2.24

Fixed Income

Fund Name	3 Months (%)			1 Year (%)			Since Inception (% p.a.)		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative	Fund	Benchmark	Relative
Sterling Index-Linked Bonds	4.78	4.70	0.07	-	-	-	-1.25	-1.81	0.56
Sterling Investment Grade	1.98	1.71	0.27	3.37	1.74	1.63	9.15	7.46	1.69



Alternative Assets - Fund Range

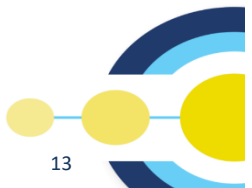
Launched Alternative Asset Classes			
	Private Equity <i>Investment in privately held companies</i>	Infrastructure <i>Real assets providing essential services</i>	Private Credit <i>Lending to privately held companies</i>
Series 1A	£500m	£675m	£580m
Series 1B	£485m	£760m	n/a
Series 1C	£735m	£1,020m	£920m
Performance Target¹	10% p.a.	8% p.a.	6% p.a.

Border to Coast – Unregulated Collective Investment Scheme

Investments are held within an unregulated collective investment scheme which is not authorised or regulated by the Financial Conduct Authority.

¹ Measured over rolling three year periods net of costs.

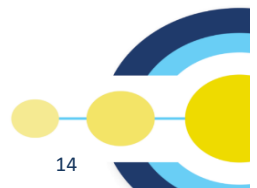
Future forecasts are for illustration purposes only and are not a reliable indicator of future performance.



Alternative Assets

– Series 1 Areas of Focus

Private Equity <i>Investment in privately held companies</i>	Infrastructure <i>Real assets providing essential services</i>	Private Credit <i>Lending to privately held companies</i>
Operational Value Add <ul style="list-style-type: none">• Via business improvements Buy & Build <ul style="list-style-type: none">• Scaling up businesses Mid-Market Focus <ul style="list-style-type: none">• Greater opportunities Co-Investments <ul style="list-style-type: none">• Lower fee structure Asia <ul style="list-style-type: none">• Stronger economic growth Sector Specialists <ul style="list-style-type: none">• Value creation & deal sourcing Sector Themes <ul style="list-style-type: none">• E.g. Technology & Healthcare Distressed <ul style="list-style-type: none">• Stage of business cycle	Operational Value Add <ul style="list-style-type: none">• Focus on income Sector Themes <ul style="list-style-type: none">• E.g. Energy transition, digital revolution Greenfield <ul style="list-style-type: none">• Additional returns from development / extension Emerging Markets <ul style="list-style-type: none">• Stronger economic growth and increasing infrastructure demand	Focus on Senior Debt <ul style="list-style-type: none">• Defensive approach at this stage of business cycle Manager Track Record <ul style="list-style-type: none">• Experience of full economic cycle Stressed / Distressed <ul style="list-style-type: none">• Opportunities given stage of business cycle Focus on Real Assets <ul style="list-style-type: none">• Providing quality collateral – e.g. infrastructure assets



Sleaford Renewable Energy Plant

Sleaford Renewable Energy is our first Alternatives co-investment, which will have an impact in tackling climate change. Border to Coast has invested £40m in this straw-fired biomass plant, located in Lincolnshire.

- The plant uses a blend of locally-sourced straw and sustainable woodchip to generate renewable power and heat, generating electricity for 65,000 homes & saving 50,000 tonnes of CO2 per year.
- Our investment is a minority stake, alongside Greencoat Capital LLP, one of the UK's largest investors in efficient and renewable energy
- A weakness with the majority of the UK's renewable energy is its weather dependency. Sleaford will provide “baseload” renewable power for the grid.
- The plant is eligible for the UK's Renewable Obligation Certificate (ROC) which provides an inflation-linked subsidy.
- Sleaford generates heat as well as electricity. This heat is provided to local community facilities for free.

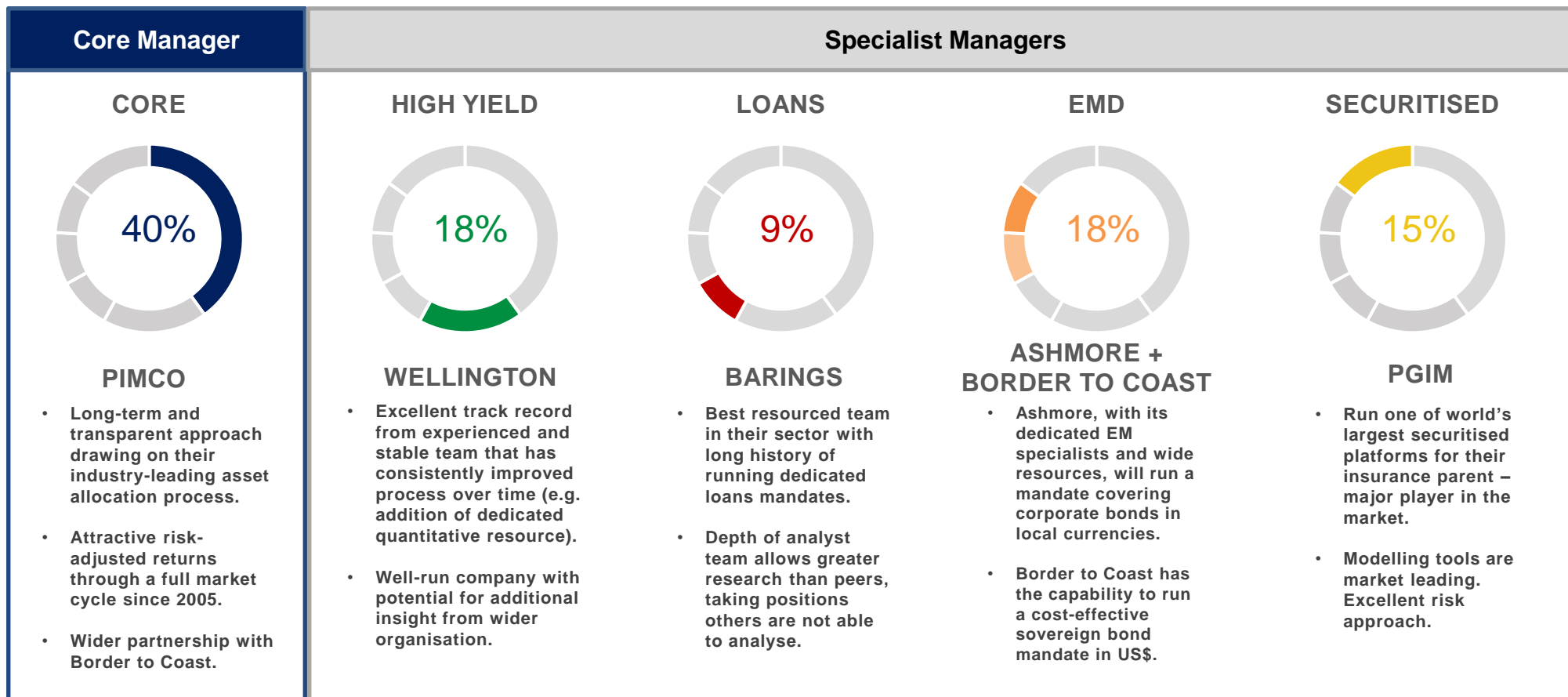


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Upcoming Fund Launches



Multi-Asset Credit (MAC) - Fund Overview



- The Fund aims to provide a total return which outperforms the total return of SONIA (cash) by at least 3-4% per annum over rolling five years periods (net of management fees).



Listed Alternatives - Fund Overview

INFRASTRUCTURE

Companies or investment vehicles primarily involved in the build, supply or operation of infrastructure assets.

Examples: toll roads, airports, railroads, utilities, renewable energy.

REAL ESTATE

Companies or investment vehicles giving exposure to the specialist real estate sector.

Examples: cell towers, datacentres, logistics, healthcare, social housing.

PRIVATE EQUITY

Companies or investment vehicles primarily engaged in private equity.

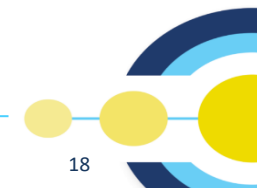
Examples: fund-of-funds, investment companies, investment managers.

ALTERNATIVE CREDIT

Companies or investment vehicles giving exposure to contractual cashflows via debt or other long-term cashflow streams.

Examples: direct lending, infrastructure debt, royalties, real estate debt.

Objective: To produce a long-term return in line with FTSE All Country World Index by investing in a diversified portfolio of alternative assets. The Fund aims to generate returns with less volatility and provide investors with a higher level of income than broader equity markets.



Border to Coast Pensions Partnership Ltd

Responsible Investment



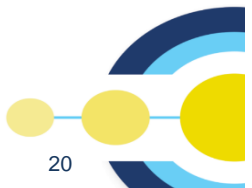
Responsible Investment

Why it's important

- Fiduciary duty – Law Commission, LGPS Regs, TPR, DWP.
- Impacts on financial returns, manage reputational risk.
- Expectations to be good stewards – UK Stewardship Code.

Why it matters to us

- Sustainability at the core of our corporate culture.
- Evidence that strong ESG (Environmental/Social/Governance) performance leads to superior financial returns.
- Important to our Partner Funds.
- Active stewardship across all asset classes.



Responsible Investment in Practice

Active ownership:



Voting

To **encourage good governance** and sustainable corporate practices, to protect shareholder value by voting and co-filing shareholder resolutions.

902 shareholder meetings
voted at



Engagement

To **influence** companies' governance standards, environmental, human rights and other policies by constructive shareholder engagement, creating long-term sustainable value. Preferred over divestment.

1250 engagement meetings

ESG integration:



ESG **integration** is the analysis of **all material factors** in investment analysis and investment decisions, including environmental, social, and governance factors which are financially relevant.

ESG and carbon screens on all
equity & fixed income
portfolios

External managers:



RI **integral** to selection, appointment and monitoring of our external managers.

External manager monitoring
framework

Reporting:



Transparency and disclosure on RI activities, keeping stakeholders and beneficiaries informed.

- Quarterly voting & Stewardship reports
- Annual RI report
- TCFD report
- PRI reporting
- Quarterly ESG & Carbon Reporting

Quarterly ESG & Carbon Reporting - Example

Global Equity Alpha – ESG Quarterly Report
Q1 2021 (March 31)

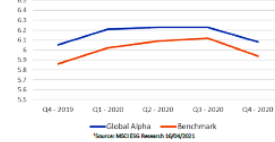


MSCI ESG Rating: **A**

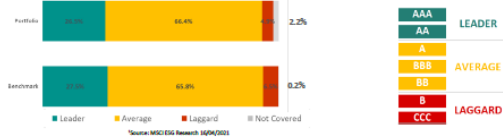
ESG Summary ¹			
Fund	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark
Global Equity Alpha	A ¹	6.1 ¹	
Benchmark (MSCI ACW/World)	A ¹	6.0 ¹	

¹Source: MSCI ESG Research 16/04/2021

MSCI ESG Weighted Score ¹



ESG Ratings Distribution ^{1,2}



Highest ESG Rated Companies ¹			Lowest ESG Rated Companies ¹		
	% of portfolio	MSCI Rating		% of portfolio	MSCI Rating
ASML Holding	1.7%	AAA ¹	Facebook	0.8%	B ¹
Microsoft	1.2%	AAA ¹	Adient PLC	0.8%	B ¹
CNH Industrial N.V.	1.1%	AAA ¹	Peloton	0.7%	B ¹
Allianz SE	1.0%	AAA ¹	Cars.com	0.6%	B ¹
Taiwan Semiconductor	0.7%	AAA ¹	General Motors	0.5%	B ¹

¹Source: MSCI ESG Research 16/04/2021

ESG Commentary

- The Fund remains above the benchmark for weighted ESG score, as it has since launch; largely due to holding significantly less "ESG laggards".
- Since the upgrades of Grupo Televisa and General Motors last quarter, the fund holds no CCC rated companies.

Feature Stock: Peloton

Peloton pioneered interactive at-home fitness with the streaming of boutique classes to members. Peloton is likely to continue to capture a disproportionate share of the growing market demand with an established brand synonymous with at-home fitness. The company's subscription based class application has a clear value proposition relative to physical gyms.

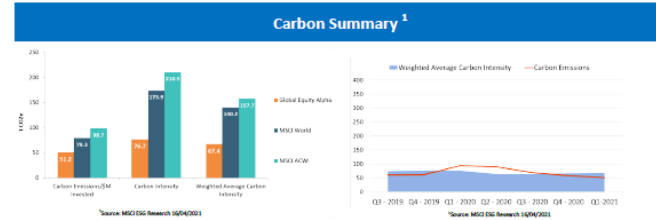
Positive ESG attributes for Peloton include the reduction of consumers' trips to gyms which helps reduce emissions. Peloton has continued to improve its social agenda by investing in its employees by setting up programmes such as scholarships. One of the main ESG risks is a lack of ability to recycle used bikes. Ideally, Peloton would offer a certified pre-owned program and address fitness equipment disposals. Additionally, the company has a dual-class shareholder structure whereby Class B shareholders (insiders and early investors) hold about 99% of the voting rights. To address concerns on the structure Peloton has adopted a sunset provision whereby 10 years after the initial public offering the Class B shares convert to Class A common stock.

¹ Source: MSCI ESG Research LLC. 16/04/2021 ² Companies not covered are detailed in the footnote on page 3.
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Global Equity Alpha – ESG Quarterly Report
Q1 2021 (March 31)

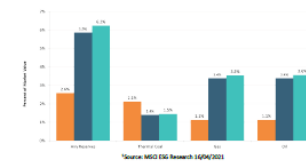


MSCI ESG Rating: **A**



¹Source: MSCI ESG Research 16/04/2021

Weight of Holdings Owning Fossil Fuel Reserves ¹



Largest Contributors to Weighted Average Carbon Intensity ¹

Company	Contribution	CA100+	TPI Level
1 LafargeHolcim	27% ¹	Yes	4
2 Linde	17% ¹	No	3
3 EasyJet	11% ¹	No	2
4 Berkshire Hathaway	4% ¹	Yes	0
5 Hilton	3% ¹	No	—

¹Source: MSCI ESG Research 16/04/2021

Carbon Commentary

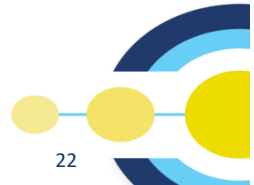
- Carbon emissions, carbon intensity and weighted average carbon intensity (WACI) remained flat or decreased in the quarter and remain significantly below the benchmark (~55%).
- The majority of WACI comes from two stocks in the Fund (Lafarge and Linde) both of which have been highly rated by the Transition Pathway Initiative (TPI).

Feature Stock: Berkshire Hathaway (BRK)

Berkshire Hathaway's underlying businesses enjoy several strengths, including high barriers to entry, scale and cost advantages. The company has a strong balance sheet and forward-thinking management team.

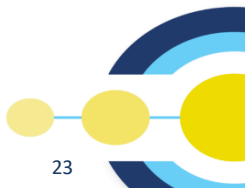
Although the firm's operating companies are exposed to a range of ESG risks, BRK are both managing these risks well, and taking advantage of related opportunities. For example, Berkshire Hathaway Energy has a significant carbon footprint owing to its exposure to coal fired power generation, but its strategic commitment to renewable energy can be seen both in its capex (85% renewables, 15% fossil fuels in 2019) and installed capacity of 38% renewables, up from 10% in 2005. The firm also addresses diversity and inclusion (D&I). For example, GEICO (an auto insurance subsidiary) has implemented a broad-reaching D&I programme as well as Employee Resource Groups which provide resources and support for career and personal development.

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Responsible Investment Strategy

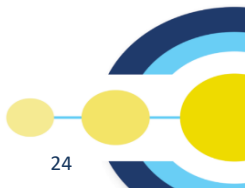
- Area of significant mandatory change and escalating political scrutiny.
- Strategic framework based on six PRI areas for both Border to Coast and Partner Funds.
- 3 year plan based on feedback from Partner Funds and Border to Coast's Board.
- Focus: developing reporting; continuing ESG integration; collaborating.



Climate Change Policy

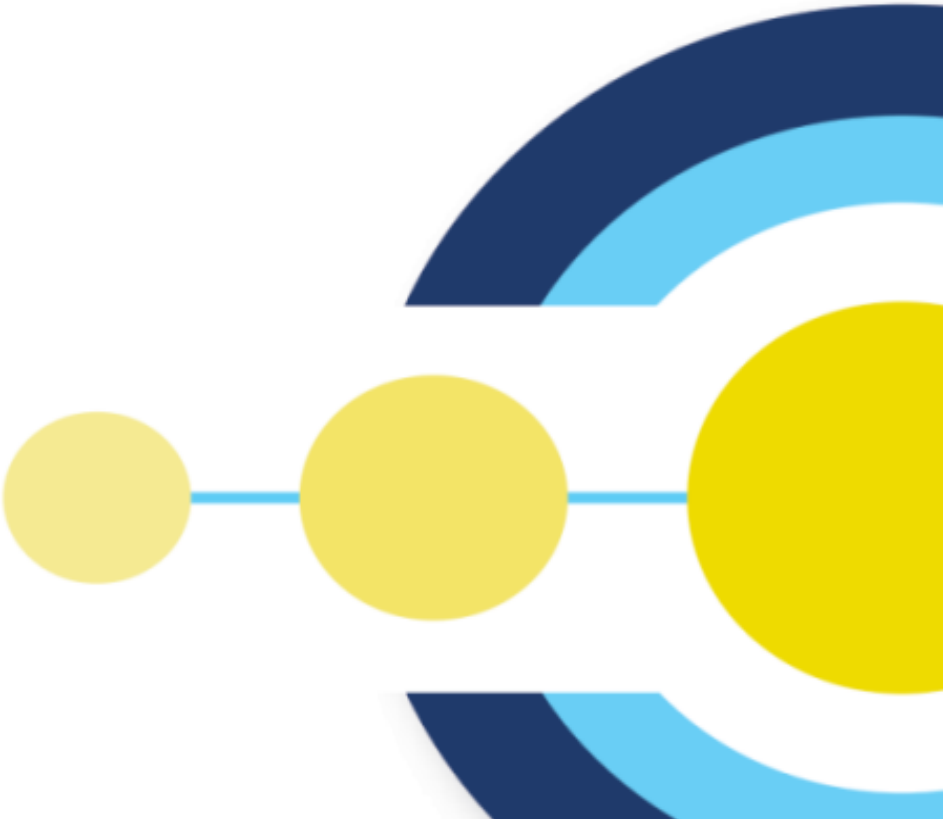
The 2020 RI Policy review identified the need for a standalone Climate Change Policy. Due to the work required the decision was made to do this outside the normal RI Policy review.

- Appointed EY (consultant) to conduct market practice assessment, benchmarking against 10 global leaders (asset owners and managers) and 1st draft of policy.
- Further developed with input from Border to Coast's Investment Team.
- Net Zero by 2050 commitment considered in policy development.
- Net Zero Investment Framework (NZIF) used as structure for the Policy.
- Initial draft was shared with Partner Fund officers and with the Joint Committee for feedback by early August.
- Policy to be approved ahead of UN Climate Summit (COP26) in November.
- Implementation will be over 12-24 months with milestones shown in the Policy.



Border to Coast Pensions Partnership Ltd

Appendix



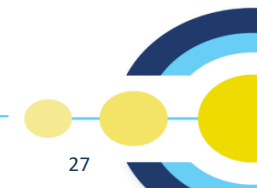
Active ownership

- Collective RI and Voting Policies to leverage scale.
- Voting internally and externally managed assets.
- Engagement preferred to divestment.
- Co-file shareholder resolutions.
- Collaborative engagement.
- UN Principles for Responsible Investment.



ESG integration

- Integrating ESG into investment process across all asset classes.
- Portfolio level - quarterly ESG screening and benchmarking.
- ESG risks and opportunities considered at stock level – detailed investment rationale for low rated stocks.
- Carbon foot-printing equity and fixed income portfolios – high emitters mapped to [TPI](#)¹ and engagement.
- Voting – PMs involved in voting decisions.



External management

- Manager days ahead of procurement launch.
- RI included in selection and appointment process.
- Quarterly ESG and carbon screens: identify largest contributors to carbon emissions and lowest ESG scoring companies.
- Quarterly ESG monitoring template – enables challenge and feeds into manager review meetings.
- Annual RI review: questionnaire, engagement and research examples, detailed investment rationale on specific stocks.



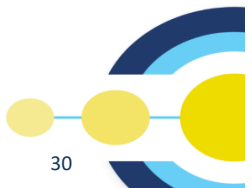
Reporting

- RI activities on our website.
- Quarterly reporting – [engagement](#) and [voting](#).
- [Annual RI & Stewardship Report](#) – aligned to UK Stewardship Code.
- [TCFD Report](#) published on website.
- Signatory to PRI – report annually and will publicly disclose in 2021.
- RI workshops and briefing papers for Partner Funds and JC.
- Quarterly ESG/carbon reports developed.



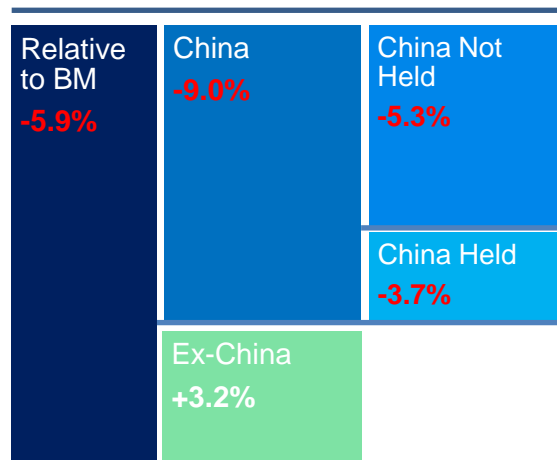
Net Zero by 2050 – Considerations

- World looking at 2050 (or sooner) as target year. Some exceptions with investors, governments and corporates making earlier or later commitments. Date could shift earlier over time.
- Net zero across aggregate portfolios: different levers depending on SAA.
- Investments in or outside the pool e.g. legacy assets, private market renewable funds, passive low carbon strategies. Some Funds may not have the levers needed to achieve an earlier target date.
- Setting interim targets – some previous challenge to reduction targets.
- Unintended consequences – increase in tobacco/financials.
- Not just about decarbonisation targets or divesting from O&G. Engagement with companies and policy makers, & forward looking metrics to measure alignment.
- Lack and inconsistency of data across some asset classes – challenge in setting baseline.
- Progress to carbon neutrality unlikely to be linear.



Emerging Markets Equity Fund

Fund Performance in 2020



Source: Northern Trust, Border to Coast

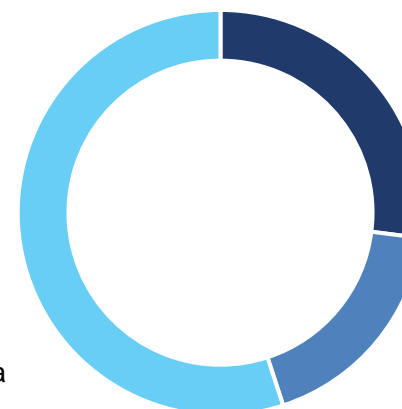
- Significant underperformance in China
- Outperformance in EM ex-China
- Weak stock selection in China – underweight highly valued e-commerce stocks; strong revenue growth, little sign of sustainable profits
- Significant changes to the benchmark – 1,100 Chinese stocks added in September 2019

New Fund Structure - Appointment of Specialist China Managers

Emerging Markets Equity Fund

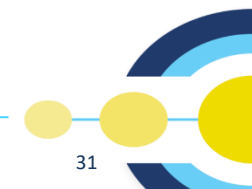
Internally Managed Emerging Markets ex. China
~55%

- **Benchmark:** FTSE Emerging ex. China Index.
- **Performance Target:** Benchmark + 1% p.a. (net) on a rolling 3yr basis



Externally Managed China Allocation
~45%

- **Benchmark:** FTSE Total China Connect Index.
- **Performance Target:** 2% to 3% p.a. (net) on a rolling 3yr basis
- Split between **UBS** and **FountainCap**



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