



PENSIONS PARTNERSHIP

Minutes of the Border to Coast Joint Committee

Thursday 30 September 2021 - Border to Coast Offices, Toronto Square, Leeds, LS1 2HJ

Present

Members

Councillor Doug McMurdo (Chair)
Councillor Wilf Flynn, Councillor Nick Harrison, Councillor John Horner, Councillor Bill Kellett, Councillor Michael Lee, Councillor Patrick Mulligan and Councillor Eddie Strengiel
Deirdre Burnet and Nicholas Wirz
(Scheme Member Representatives)

Border to Coast Ltd Representatives

Daniel Booth, Rachel Elwell, Chris Hitchen and Fiona Miller

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

Fund Officers

Ian Bainbridge, Alison Clark, Paul Cooper, Tom Morrison, Jo Ray, Ayaz Malik, Mel Bray, Paul Audu, Andrew Stone, Jane Firth and Mark Lyon

Statutory Officer Representative(s)

George Graham

Apologies were received from

Councillor David Coupe, Councillor John Mounsey, Councillor Daivd Rudd, Councillor Mel Worth, Neil Mason and Gill Richards

1 APOLOGIES FOR ABSENCE/DECLARATIONS OF INTEREST

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

There were no declarations of interest.

2 MINUTES OF THE MEETING HELD ON 9TH MARCH 2021

RESOLVED – That the minutes of the meeting held on 9 March 2021 be agreed as a true record.

3 NOTES OF THE INFORMAL MEETING HELD ON 13TH JULY 2021

RESOLVED – That the minutes of the informal meeting held on 13 July 2021 be agreed as a true record.

4 COVID-19

The Chair hoped that Members would continue to stay safe and well throughout the COVID-19 pandemic. He encouraged Members to take the appropriate testing throughout the duration of the Border to Coast Annual Conference.

5 ELECTIONS AND NOMINATIONS 2021 - GEORGE GRAHAM

A report was considered which provided Members with the results of the following elections that had been carried out remotely by South Yorkshire Pensions Authority over the summer:-

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

Members noted the results of the elections:-

- Chair of the Joint Committee – Following a second call for nominations, Councillor Doug McMurdo, Chair of the Bedfordshire Pension Fund had been declared elected unopposed.
- Vice Chair of the Joint Committee – Following two calls for nominations, no nominations had been received. Councillor David Coupe, Chair of the Teesside Pension Fund had indicated a willingness to continue in the role. No objections had been received.
- Partner Fund Nominated Non-Executive Director – Councillor John Holtby of East Riding Pension Fund had been nominated and elected unopposed to continue in the role.
- Scheme Member Representatives – Five candidates had been nominated for the two roles. Following a ballot, Nicholas Wirz had been elected to serve until 2024 and Deirdre Burnett until 2023.

RESOLVED – That:-

- i) The results set out in the body of the report be noted.
- ii) The position of Councillor David Coupe as Vice Chair of the Joint Committee be formally confirmed.

6 JOINT COMMITTEE BUDGET - IAN BAINBRIDGE

A report was submitted which presented the Joint Committee budget position for 2021/22.

Members noted that to date, the only expenditure that had been committed against the Joint Committee budget for 2021/22 related to the secretarial support provided by South Yorkshire Pensions Authority, at an estimated cost of £1,600 for the year.

In addition, the budget would be utilised during the year to provide advice to the Funds for a review of the alternatives series 2 legal documentation (to include the Limited Partnership Agreement, the Subscription Agreement and the Investment Memorandum) at an estimated cost of £15,000.

RESOLVED – That the Joint Committee noted the budget position for 2021/22.

7 RESPONSIBLE INVESTMENT UPDATE INCLUDING CLIMATE CHANGE POLICY - JANE FIRTH

A report was presented which provided an update on the development of the Climate Change Policy (“the Policy”) during 2021. The report also included a general update on Responsible Investment (RI) activities.

J Firth proposed that the report be amended, to include an additional recommendation for the Committee to review and comment on the Climate Change Policy.

Members noted the considerable stakeholder engagement that had been undertaken to ensure that the Policy met the needs and expectations of both the Border to Coast and Partner Funds. The Policy included a commitment by Border to Coast to be Net Zero by 2050 at the latest, for the aggregate investment funds and incorporated some limited exclusions for the first time in the policy.

The annual Responsible Investment and Stewardship Report had been published at the end of July 2021. Border to Coast reported on a financial year, rather than a calendar year, and therefore it had not been possible to submit a Stewardship Report to the Financial Reporting Council (FRC) in the first list of signatories by 30 April 2021. The FRC had confirmed there would be two additional submission periods. Border to Coast noted they would submit a report to meet the 31 October 2021 deadline.

Together with over 580 other investors, Border to Coast had signed the annual Global Investor Statement to Governments, which would be presented to the UN General Assembly in September 2021.

Councillor Harrison thanked J Firth for the work undertaken in the production of the report. He was pleased to observe Border to Coast’s commitment to be Net Zero by 2050 for the aggregate investment funds. He hoped that this approach would also be adopted by the external managers.

In relation to section 4.2 of the Climate Change Policy, Councillor Strengiel expressed concern that not all of the companies disclosed their carbon data. He queried what pressures could be applied to make those companies disclose the information.

The Chair emphasised the need for everyone to apply pressure on the Government for it to be made a regulatory requirement for all companies to disclose their carbon data. He was hopeful that the upcoming COP26 would achieve a good outcome. He expressed his thanks to J Firth and colleagues for the work undertaken.

RESOLVED – That Members:-

- i) Noted the report.
- ii) Reviewed and commented on the Climate Change Policy.

8 SUMMARY OF INVESTMENT PERFORMANCE AND MARKET RETURNS - DANIEL BOOTH

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

It was noted that since inception, all of the Border to Coast composites (Internal & External Equities & Fixed Income) had performed above the benchmark.

In relation to the elevated inflation readings, D Booth commented that it was important for Members to consider how the funding ratios would be impacted by the inflation rates in 2022/23.

RESOLVED – That the report be noted.

Exclusion of the Public and Press

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

9 CEO REPORT - RACHEL ELWELL

R Elwell presented the CEO report for the period since the last Joint Committee meeting to the end of April 2021 which included:-

- Interactions with the Partner Funds.
- Partner Fund tracking MI.
- A summary of fund performance.
- An update on fund launches.
- An update on progress from a corporate functions perspective and the expected outturn for the Operating Budget.

It was noted that COVID-19 risks continued to be heightened both in the short-term and longer-term, and that Responsible Investment remained a focus area.

RESOLVED – That Members noted the update.

10 CONSIDERATION OF CLIMATE CHANGE TRANSITION BENCHMARKS

A report was submitted which enabled Members to consider the climate transition benchmarks.

In response to a question received from I Bainbridge regarding whether there was any scope for a secondary benchmark in terms of carbon intensity, M Lyon commented that he would ascertain whether there were any cost implications.

R Elwell suggested that a progress update report would next be provided to the Joint Committee meeting scheduled to be held in June 2022. Portfolio management would continue to be reported to the Joint Committee on a quarterly basis.

It was noted that WACI – Weighted Average Carbon Intensity would be added to the glossary of commonly used terms and abbreviations.

The Chair requested Members to ensure that they were interacting with their respective officers around the subject, who would be discussing the matter in detail at the Officers' Group.

RESOLVED – That the report be noted.

11 ALTERNATIVES - ANNUAL REVIEW

A report was submitted on the annual review of the Alternatives structure that had been performed in line with the Product Development and Review Policy.

Members noted the Border to Coast's £40m investment in the Sleaford Renewable Energy Plant. Further information could be accessed via the following link:-

<https://www.bordertocoast.org.uk/2020/12/02/40m-investment-sleaford-renewable-energy-plant/>

RESOLVED – That the report be noted.

12 UK LISTED EQUITY - INCLUDING ANNUAL REVIEW

A report was presented which summarised the performance and activity of the Border to Coast UK Listed Equity Fund over Q2 2021.

Members noted that performance was slightly below the benchmark for the quarter, however it was closely aligned with the performance objective since inception. The factors which benefited and detracted from the Fund were detailed within the report.

RESOLVED – That the report be noted.

13 OVERSEAS DEVELOPED EQUITY - INCLUDING ANNUAL REVIEW

A report was submitted which summarised the performance and activity of the Border to Coast Overseas Developed Equity Fund over Q2 2021.

It was noted that the overall Fund performance was below its target over Q2 2021, but it was above its benchmark since inception.

The Fund had continued to benefit from ongoing strength in equity markets, supported by extensive monetary and fiscal stimulus. Markets had been buoyed by the prospect of vaccines bringing an end to the Covid-19 pandemic and carrying the prospect of a likely V-shaped recovery in many economies.

The Chair reminded Members that express permission should be sought to share the private reports with the Advisors.

RESOLVED – That the report be noted.

14 EMERGING MARKET EQUITIES

A report was presented which summarised the performance and activity of the Border to Coast Emerging Markets Equity Fund over Q2 2021. The Appendix to the report covered Border to Coast's annual review of the Fund.

Shortly after the end of Q1 2021, the Fund had evolved from a purely internally managed format into a hybrid of internal and external management, together with a new benchmark.

RESOLVED – That the report be noted.

15 UK LISTED EQUITY ALPHA

A report was submitted which summarised the performance and activity of the Border to Coast UK Listed Equity Alpha Fund over Q2 2021.

In terms of performance over the quarter, the Fund was below benchmark but it remained above its benchmark and performance targets since inception.

RESOLVED – That the report be noted.

16 GLOBAL EQUITY ALPHA

A report was presented which summarised the performance and activity of the Border to Coast Global Equity Alpha Fund over Q2 2021.

The externally managed Fund had been launched by Border to Coast on 30 September 2019. The Fund invested primarily in global listed equities of companies from countries included in the index.

The objective of the Fund was to outperform its MSCI ACWI Index by at least 2% per annum over three year rolling periods net of fees.

RESOLVED – That the report be noted.

17 STERLING INVESTMENT GRADE CREDIT

A report was submitted which summarised the performance and activity of the Border to Coast Sterling Investment Grade Credit Fund over Q2 2021.

The externally managed fund consisted of a blend of three managers, which had all out performed since inception.

The Chair expressed his thanks to the Investment Team for the reports submitted. In advance of future Committee meetings, the Chair requested Members to liaise with their respective officers in order to gain a good quality oversight of the reports.

It was anticipated that from October 2022, the Committee would receive more than double the amount of investment reports. Collective consideration would be required to determine the most suitable method to review the reports i.e. to undertake deep dives. R Elwell requested Members to discuss the matter with their respective officers, and to provide feedback through the Officers' group.

RESOLVED - That the report be noted.

18 STANDING ITEM - UPDATE ON EMERGING MATTERS - RACHEL ELWELL/FIONA MILLER/IAN BAINBRIDGE

None.

CHAIR