



Minutes of the Border to Coast Joint Committee

Wednesday, 30 November 2022 - Border to Coast Offices, Toronto Square, Leeds,
LS1 2HJ

Present

Members

Councillor Doug McMurdo (Chair)
Councillor Mark Abley, Councillor Nick Harrison, Councillor
Christopher Kettle, Councillor Eddie Strengiel and Councillor
Anne Walsh

CoOpteePresentList (Scheme Member Representatives)

Border to Coast Ltd Representatives

Rachel Elwell, Councillor David Coupe, Chris Hitchen,
Graham Long 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, Jo Stone, George Graham,
Claire Machej, Neil Mason, Victoria Moffett, Tom Morrison
and Nick Orton

Statutory Officer Representative(s)

Apologies were received from

Councillor Eric Polano, Councillor John Mounsey, Councillor Nigel
Wilkinson and Councillor Mel Worth

1 APOLOGIES FOR ABSENCE/DECLARATIONS OF INTEREST

The Chair welcomed everyone to the meeting. Apologies were noted as above. The Chair noted that the meeting was not quorate, and members assented to discuss the business on the agenda subject to formal ratification of any decisions at the next meeting.

2 MINUTES OF THE MEETING HELD ON 29TH SEPTEMBER 2022

The minutes were received, and members asked to approve.

RESOLVED – The minutes of the meeting held on 29th September 2022 be agreed as a true record.

3 APPOINTMENT OF A SCHEME MEMBER REPRESENTATIVE

A report was submitted detailing the results of the elections for a Scheme Member Representative and a consultation exercise in relation to term limits for Scheme Member representatives.

RESOLVED

- To agree the appointment of Lynda Bowen as a Scheme Member Representative
- To accept the view of consultees that there should be no term limits for Scheme Member representatives.

4 JOINT COMMITTEE BUDGET

A report was presented updating the Joint Committee on the position in relation to its budget which had been set at £40,000 in March 2022., To date £25,300 had been spent, the majority towards the governance review. Members were informed this is consistent with the budget in previous years.

It was noted that, 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. In line with the cost sharing principles these costs will be shared equally between the Partner Funds. Considering committed and forecast expenditure for the committee secretariat and legal advice in relation to documentation for the Global Property Fund it was highlighted that there was a risk of an overspend estimated at around £5k to £10k in the current year, which would have to be recovered from Partner Funds based on equal shares.

RESOLVED – That the report be noted.

5 GOVERNANCE REVIEW - UPDATE

A report was presented updating the Committee on progress with the Governance Review which was now reaching its final stages. The Review had focussed on the main three governance documents that underpin the relationship between Border to Coast and the Partner Funds, as both investors and shareholders. These are the Inter Authority Agreement, the Shareholders' Agreement, and the Articles of Association.

The latest versions of these documents together with an accompanying legal advice note have now been circulated to Partner Funds in order for them to seek approval through their own governance arrangements.

There was some ongoing work to confirm that the documents fully accommodate the change in administering authority for the Cumbria Pension Fund as a result of local government reorganisation but it was felt at this stage that they had been as far as possible “future proofed” in this regard.

While noting that it was impractical to complete the process until early 2023 the Joint Committee did note the point that certain changes which were required by the FCA needed to be in place before the end of the financial year.

RESOLVED

- To note the position on the review of the governance.

6 RESPONSIBLE INVESTMENT POLICIES ANNUAL REVIEW 2022

A report was submitted which summarised the responsible investment policies annual review process for 2022 and the various revisions to policies undertaken. Members were asked to comment on the proposed revisions and support the submission of the revised policies to individual Pensions Committees for adoption or endorsement.

Cllr Nick Harrison of Surrey Pension Fund questioned the rationale for the revenue threshold for exclusion of pure coal and tar sands companies and asked why it was not lower, given the risk that such holdings could rapidly become stranded assets. In response it was explained that such factors would be considered within the analysis undertaken by portfolio managers, and this was not a single point decision. In addition, the position in emerging markets needs careful consideration with respect to a just transition and may take much longer to adapt than in developed markets. The position had to reflect a global rather than solely a developed market picture.

Members also welcomed the inclusion of a specific focus on human rights within the review. There was also discussion about the different practices and sensitivities which arise in different markets and the need to maintain flexibility in policy to address issues in a manner appropriate to the context.

Members noted that the Company would publish the revised policies in January in line with the Stewardship Code.

RESOLVED:

- That the report be noted.
- That the Joint Committee supports taking the revised policies to Pension Committees for comment and for them to consider adoption of the principles in their own RI policies in line with industry best practice.

7 RESPONSIBLE INVESTMENT UPDATE

A report was presented setting out recent work undertaken in relation to Responsible Investment and in particular drawing attention to the publication of the

Net Zero Road Map and the positive assessment from the Principles for Responsible Investment.

RESOLVED:

- That the report be noted.

8 SUMMARY OF INVESTMENT PERFORMANCE AND MARKET RETURNS

A report was submitted which summarised the performance of the various investment propositions over the latest quarter. Discussion included the impact of higher interest rates and the strength of the US Dollar.

Members raised concerns over China's inflation due to the economic downturn in part caused by issues relating to a zero-Covid policy and new localised restrictions and the variance of vaccination impact in comparison to the western practices. The expectation was that China would gradually ease their zero-covid policy but without an improvement in vaccine uptake this could result in a significant increase in Covid deaths.

RESOLVED – That the report be noted.

The Chair thanked John Harrison on behalf of the Joint Committee, Partners Funds and scheme members for the work he has undertaken during his second period as Interim Chief Investment Officer.

9 DEVELOPMENT OF INVESTMENT CAPABILITIES

A report was submitted which summarised the development of investment capabilities, including new funds, additional capabilities, and changes to existing funds. The Partner Funds have been undertaking reviews of their investment strategy alongside the results of their 2022 Actuarial Valuation. They are relatively early in the review cycle and, whilst some reviews are complete, the majority of these are progressing in the coming months. The report included the regular quarterly update on the progress of asset transition which remained largely in line with plan.

In discussion the following issues were highlighted.

- Continued work on UK Opportunities, Green, Social and Sustainable Bonds, Emerging Markets Alpha and Real Estate propositions
- Removal from the plans of the potential Regional Equity Alpha fund
- The plan to revisit income distribution and factor/ESG index tracking
- An examination of currency hedging, which would be prioritised over equity hedging
- Evolution of Responsible Investment strategy and review of Climate Change strategy
- The potential to launch the next iteration of Climate Opportunities in 2024 instead of 2025 given the demand and availability of market opportunities.

RESOLVED:

- That the report be noted
- Members recommended the plan for approval by Shareholders

10 **ALTERNATIVES SERIES 2B**

A report was submitted that provided an overview of the proposed offerings for Series 2B of the alternatives programme following discussions internally and with Partner Funds.

Following consultation with Partner Funds, their consultants, and advisers, it is considered appropriate to propose follow-on offerings to the existing Series 2A programmes with no changes to their strategies, parameters, and benchmarks. This does not include Climate Opportunities which is currently a 3-year programme.

There is consideration being given developing a UK Opportunities offering because of Partner Fund demand and the recent government consultation on "Levelling Up". This will be subject to further work and the Joint Committee will be updated in the future.

There are sufficient resources to cover the extension of the existing offerings. Additional resources will be required for the potential UK Opportunities offering and to support an increase in monitoring and oversight requirement as the size of the Alternatives programme grows.

There was a full review of legal documentation as part of the Series 2A launch. This will be updated by Border to Coast for Series 2B but no material changes are expected.

The timeline is achievable, and it is important that the target date of 1 April 2023 is met so that there is no gap in Border to Coast deploying capital on behalf of Partner Funds.

RESOLVED:

- That the report be noted.
- That the Committee approve delegation to Officers the authority to review the contractual documentation required to support the Alternatives Series 2 launch.

11 **CEO REPORT**

The Company's CEO submitted a report updating the Committee on activity across the whole range of the Company's activity much of which was covered in detail elsewhere on the agenda.

RESOLVED:

- That the report be noted.

12 PERFORMANCE REPORT

A report was submitted which summarised the performance of the various investment propositions over the latest quarter. This report included details of private markets performance for the first time. Key issues covered in the discussion included:

- Details of the addition of emerging market specialists to the Global Equity Alpha fund.
- Details of the performance and actual complementarity of the various managers in the Global Equity Alpha fund which were a concern for a number of Partner Funds.
- The performance of the private market vehicles.

RESOLVED – That the report be noted.

13 STANDING ITEM - UPDATE ON EMERGING MATTERS

There were no further matters to update the Committee on.

CHAIR