

# Governance Charter

## Border to Coast Pensions Partnership



March 2019

## Document Control

### *Version and Review History*

Version no.	Version Description	Approver	Date
V1.0	Approved document following governance	Rachel Elwell, CEO	13 <sup>th</sup> March 2019

### *Governance Approvals*

Approved By	Version	Date
OOG	0.5	13/6/18
S151s	0.6	27/6/18
The Board	0.3	24/5/18
The Joint Committee	0.7	11/3/19

### *Key Dates*

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### *Key Roles – Border to Coast Pensions Partnership Ltd*

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

## Document Contents

1. Introduction .....	4
1.1 Purpose of this Document.....	5
1.2 Application.....	5
2. Border to Coast’s Strategy.....	6
3. The Role of the Partner Funds as Investors.....	6
3.1 Governance Structures supporting the Pensions Committees .....	7
3.2 Investor interaction with Border to Coast .....	8
4. The Role of the Partner Funds as Shareholders .....	9
4.1 Shareholder interaction with Border to Coast .....	9
5. Border to Coast’s Governance Structure.....	9
5.1 The Role of the Board .....	10
5.2 The Role of the Border to Coast Management Team .....	10
5.3 The Role of the Regulator .....	11
5.4 The Role of the Depositary .....	11
Appendix I: Terms of Reference of the BCPP Joint Committee .....	12
Appendix II: Schedule of Matters Reserved for Decision by the Shareholders .....	14
Appendix III: Legal and Regulatory Duties of the Board .....	16
Border to Coast’s Regulator.....	16
The FCA’s Principles of Business .....	16
Duties under the Companies Act 2006 .....	17
Individual Conduct Rules and Standards.....	17
The Nolan Principles: the seven principles of public life .....	17

# 1. Introduction

Border to Coast Pensions Partnership (“the Pool”) has been formed to enable the pooling of assets of twelve Administering Authorities of the Local Government Pension Scheme (“Partner Funds”). In order to effect the pooling, the twelve Partner Funds have established an FCA-regulated operator of collective investment vehicles, which is also appointed as the Asset Manager for those vehicles. This company is Border to Coast Pensions Partnership Ltd (“Border to Coast”).

Border to Coast is wholly owned by the Partner Funds who are its customers and also shareholders.

The guiding principles set out by the Partner Funds have been reflected in the governance structure:

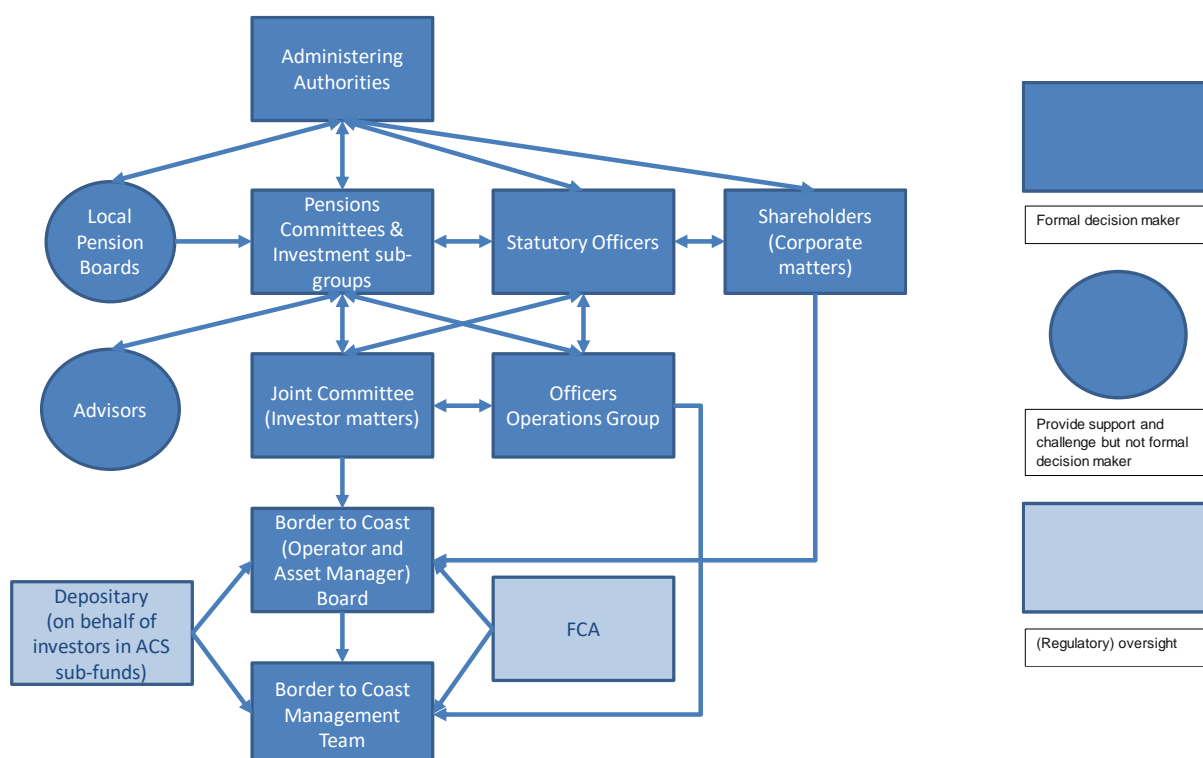
1. Meeting central Government’s aims for governance, responsible investing, infrastructure and value for money
2. One fund, one vote
3. Funds retaining governance role and ownership of asset allocation
4. Generating improved net-of-fees risk adjusted performance
5. Border to Coast internal management capability
6. Improved resilience and capacity over existing structures
7. A shared team in one location

Border to Coast’s investment performance and capability is overseen by the Partner Funds on a day to day basis by the Senior Fund Officers and formally on a quarterly basis by the Joint Committee, which is constituted of elected member representatives from each of the Partner Funds.

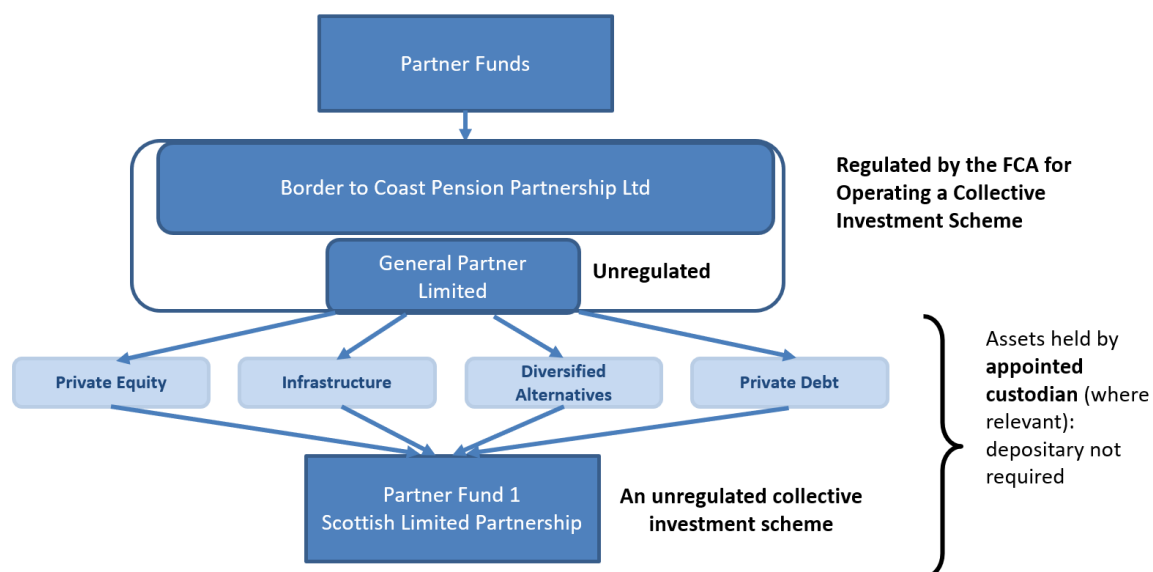
Border to Coast’s performance as a company is overseen by shareholder representatives from the twelve Administering Authorities of the Partner Funds both on an ongoing basis and formally once a year at its AGM.

The Partner Funds and Border to Coast work collaboratively to build the investment capabilities required to ensure that the Partner Funds are able to efficiently and effectively deliver their Strategic Asset Allocations in line with the guiding principles. However, in order to hold Border to Coast 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 Border to Coast during implementation and ongoing management of the sub-funds.

The diagram below shows the governance structure in place to ensure that appropriate oversight of Border to Coast is carried out both from a shareholder and an investor perspective.



It should be noted that the oversight of the Border to Coast private market structure differs from that of the Border to Coast Authorised Contractual Scheme (“ACS”) as set out in the diagram below (we have chosen to show one of the twelve GP/LP structures for simplicity):



## 1.1 Purpose of this Document

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

- The Administering Authorities (section 3)
- The Pensions Committees (section 3)
- Advisors to Pensions Committees (section 3.1)
- Local Pension Boards (section 3.1)
- The Joint Committee (section 3.1)
- Officers Operations Group (section 3.1)
- Statutory Officers (including s151s 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)
- The Depositary (in respect of regulated collective vehicles such as the ACS) (section 5.4)

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

- Border to Coast’s Articles of Association;
- the Shareholders’ Agreement; and
- the Inter Authority Agreement (establishing the BCPP Joint Committee and stating its Terms of Reference and Constitution and the Terms of Reference for the Officer Operations Group).

Additional provisions specific to particular investment sub-funds can be found in each sub-fund’s governing documentation (e.g. the ACS prospectus).

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

## 1.2 Application

The Governance Charter is applicable to everyone within the Border to Coast Pensions Partnership and will be made available to all via the Border to Coast website. It will be reviewed annually by the Border to Coast Head of Legal and Company Secretary and the Officers Operations Group and updated as required to reflect any changes in governance arrangements in agreement with the Border to Coast Board, Joint Committee and Shareholders.

## 2. Border to Coast's Strategy

Border to Coast has been established by the Partner Funds to deliver the overall pooling agenda set out by central Government in 2015. LGPS pooling is intended to provide improved performance and investment outcomes to the participating funds and Border to Coast's strategic goal and objectives reflect this purpose.

### *Strategic Goals*

Border to Coast's strategic goal is to make a positive difference to the investment outcomes of its partner Local Government Pension Funds through pooling to create a stronger voice; working in partnership to deliver cost effective, innovative and responsible investment now and in the future, thereby enabling great, sustainable performance.

This strategic goal will be achieved via the following three main objectives:

- 1. Strategy:** Delivering Border to Coast's strategy to deliver the benefits of pooling through the creation of a regulated asset manager in line with the guiding principles
- 2. Customer Outcomes:** (i) Putting customers at the heart of Border to Coast and delivering great service, and (ii) meeting customers' expectations of risk-adjusted investment return and performance
- 3. Governance:** Creating a sustainable organisation making efficient and effective decisions with appropriate oversight

The Board of Border to Coast is responsible for setting the strategic direction and objectives for Border to Coast to inform the annual strategic plan and budget for approval by the Shareholders. The Board has delegated the day-to-day management of Border to Coast in achieving these to the Border to Coast CEO, who in turn works with the Border to Coast Management Team to deliver to the Partner Funds (as both investors and shareholders). The responsibilities of the Border to Coast Board and Management team are considered further in section 5.

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

Each local Administering Authority acts as scheme manager for each Pension Fund, and so 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.

The individual Administering Authority Pension Committees are ultimately responsible and publicly accountable for ensuring that the pension liabilities are appropriately funded and can be paid in accordance with LGPS regulations as they fall due. Specifically, with respect to investment matters, this includes:

- Setting funding and risk management strategies;
- Formulating investment strategy in line with the Investment Strategy Statement, including the approach to Responsible Investment and management of cashflow requirements;
- Complying with Regulations which require the 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 Committee's policies and that investment strategy is implemented in accordance with the Investment Strategy Statement; and
- Approving and monitoring performance targets for the Pension Fund.

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

Once the design is agreed, Border to Coast becomes the asset manager responsible for tactical matters such as implementation and ongoing management of each sub-fund, management of internal investment capability, appointment and oversight of external managers, implementation of responsible investment (voting and engagement) policy, and tactical asset allocation within risk parameters agreed with the Partner Funds.

The Partner Funds are responsible for the review of whether the built sub-fund meets their strategic needs and, under their fiduciary duties, will review Border to Coast's capability to deliver the objectives.

The Partner Funds then collectively oversee the performance of Border to Coast as described below. In order to ensure that Border to Coast can be effectively held to account, it is important there is an appropriate degree of separation of duties on implementation of day-to-day business between Border to Coast and Partner Funds. The strategies to ensure this are detailed in this Governance Charter.

### 3.1 Governance Structures supporting the Pensions Committees

The following groups and individuals support the Pensions Committees in working with and overseeing Border to Coast:

- **Joint Committee** is constituted from the 12 Pension Fund Chairs and has met as required to date but plans to meet quarterly now that Border to Coast is established and functioning. It is the collaborative vehicle through which the individual Partner Funds provide collective oversight of the performance and direction of Border to Coast. Its remit includes oversight of progress towards the pooling of Partner Fund assets.

As a Section 102 Committee<sup>1</sup>, there are agreed Terms of Reference (see Appendix I to this Charter) and as meetings are held as public meetings they are operated and reported as is required. It should be noted that the Joint Committee does not have any formally delegated authority, and therefore any matters requiring decision must be considered and approved by each Pension Committee.

The Chair and Vice Chair of the Joint Committee are elected by the members of the Joint Committee on an annual basis. Secretariat functions to support the Joint Committee are provided through South Yorkshire Pensions Authority. Tyne & Wear Pension Fund act as host authority for all other matters.

- **Officer Groups** – The Joint Committee is supported by the respective Authority s151 and Monitoring Officers and the Officer Operations Group (“OOG”), constituted from the 12 Senior Pension Fund Officers. These groups meet to discuss issues and give input to both Elected Members and Border to Coast as required. It is anticipated that the OOG will meet monthly going forward, part of the meeting being attended by Border to Coast, part in closed session. The Officer Operations Group work collaboratively together to ensure that due diligence over Border to Coast investment capabilities is carried out effectively on behalf of the Pension Committees.
- **Local Pension Boards** – in line with their role in other administrative and governance matters, the local pension boards provide support and challenge to the Pension Committee's decisions and decision-making process in relevant investment areas, and look to ensure appropriate governance is in place to provide effective monitoring.
- **Advisors** – Regulations require that Pension Funds take professional advice in respect of any investment decisions, and this is generally provided through Funds appointing Independent Investment Advisors and/or Investment Consultants. They will work with the Pension Committee and Officers to ensure that the strategic asset allocation can be effectively implemented through the use of the sub-funds available at Border to Coast.

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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.

## 3.2 Investor interaction with Border to Coast

In order to enable the appropriate scrutiny of Border to Coast by the Joint Committee and, ultimately, the individual Pensions Committees, Border to Coast has committed to provide the following support and materials, developed in collaboration with the Partner Funds:

What	To Whom**	Frequency
Update on progress through longer-term transition to pooling (NB ongoing discussions with officers during this period)	Joint Committee and Pensions Committees	Quarterly
Performance reporting (generic and Partner Fund specific)	Joint Committee and Pensions Committees	Quarterly
Attendance* at Joint Committee meetings by the CEO and Chair (and other officers 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 Partner Fund Pension Committee meetings by a Border to Coast Client Relationship Team representative (and other officers as appropriate)	Pensions Committees	Quarterly
Organisation of calls with s151 officers by the CEO	S151 officers	Quarterly or as required
Attendance* at the OOG by Border to Coast officers	OOG	Monthly or as required
Provision of monthly management accounting information	OOG	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 hear presentations	Pensions Committees	Annually or as required
Facilitation of collaborative workshops to enable the build of strategic capability including development of investment capabilities, client reporting and approach to transition management	OOG	Ad hoc (as required)
Facilitation of sessions to enable Pension Committee advisors to input to and challenge	Advisors (and OOG 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, Border to Coast has appointed a Client Relationship Team with experience in pensions investment and asset management. Their role is to:

- Provide a single point of contact for Partner Funds to access the investment capabilities of Border to Coast, 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 Border to Coast 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 also has the right to exercise corporate control and oversight through its Administering Authority's ownership of Border to Coast as an equal shareholder. Each Partner Fund, as 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 "teckal"<sup>2</sup>.

In general shareholders' role in the governance of a company is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place within the company. In the case of the Border to Coast, shareholders also retain certain rights under a Shareholder Agreement entered into by all shareholders at the time of its incorporation, including approval of the annual Strategic Plan (including annual Budget, cash flow, balance sheet, cost sharing, regulatory capital assessment), Company pensions provision, admission of new shareholders and cost sharing. The matters reserved to shareholders are set out in Appendix II.

Border to Coast Board has also invited the Joint Committee to nominate two members to the Board, who can broadly be said to provide a shareholder perspective on the operation of the Company.

As noted in the advice provided to the Partner Funds by [Eversheds in January 2017](#), a shareholder representative must be nominated (as the Administering Authority cannot physically appear at a Company's shareholder meeting). 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."

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

### 4.1 Shareholder interaction with Border to Coast

The shareholders carry out their duties under the Shareholder Agreement typically by written resolution, with advice from the section 151 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 Shareholder 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 General Meeting or in accordance with the Articles. These regimes operate alongside one another.

In addition, it is envisaged that Border to Coast will hold an Annual General Meeting to provide the shareholders with a forum for discussion about the Company's performance against the wider pooling objectives and to hold the Border to Coast directors to account for this. This would also provide a forum for discussion regarding future strategic capability build and agreement for changes to the budget to support such developments.

The primary Border to Coast contact for shareholders will be with the Chair, CEO and COO.

## 5. Border to Coast's Governance Structure

Border to Coast'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>3</sup> ("the Code"), notwithstanding business size and closed shareholding.

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<sup>2</sup> <http://www.cipfa.org/policy-and-guidance/articles/teckal-the-basics-explained>

<sup>3</sup> [UK Corporate Governance Code July 2018](#)

The responsibilities of the Board 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 regards to its shareholders, customers and other stakeholders.

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 and reviews management performance. The Board sets the Company's values and standards 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 regards to what is appropriate for the Company's business and reputation, the materiality of the financial and other risks 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 products to be able to discharge all their responsibilities in an effective, efficient and compliant manner.

The relevant laws, regulations and the Code all impose duties on the Directors of the Company, as set out in Appendix III to this Governance Charter.

Within the Board, the roles of Chairman and Chief Executive Officer are distinct, but they complement each other. The Code states that the Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The CEO's role is to ensure appropriate day-to-day management of the Company in line with the Board's strategy (see section 5.2 below).

In addition to the general requirements for all Directors, the Company Non-Executive Directors provide:

- Constructive challenge and contribute to the development of strategy;
- Scrutiny of the performance of management in meeting agreed goals and objectives;
- Monitoring of performance; and
- Review that financial information is accurate and that financial controls and systems of risk management are robust.

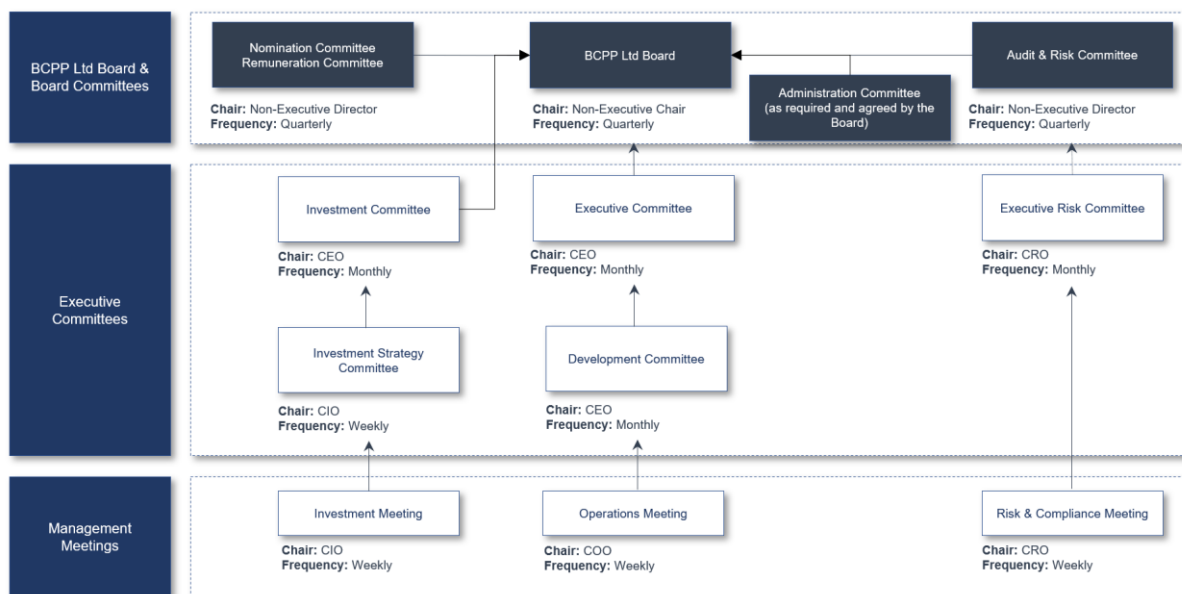
NEDs are also responsible for recommending for approval by the Shareholders appropriate levels of remuneration of Executive Directors and have a prime role in succession planning, appointing, and where necessary removing, senior management.

The Company has sought to include representation from its Shareholders and Partner Funds on the Board. The Partner Funds (via the Joint Committee) have nominated two individuals to act as full Board Members. They are obliged to conduct themselves in the same way as all members of the Board and as described above.

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

The Board has delegated to the Chief Executive Officer 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 Chief Executive Officer has in turn delegated certain of her responsibilities to her direct reports. A number of committees have been created to assist the Chief Executive Officer in her decision-making or to monitor certain activities. The management and chairing of certain committees have been delegated to certain of her direct reports as shown in the governance chart below.



The Chief Executive Officer reports regularly to the Chairman and the Board with appropriate, timely and quality information so that it can discharge its responsibilities effectively. Her specific responsibilities include the following:

- Strategy and Business Planning
- Leadership and Corporate Governance
- Human Resources
- Pensions
- Risk Management and Controls
- Finance
- Customer Services, Conduct Risk Management and Treating Customers Fairly
- Communications and Shareholder Liaison
- Investment Management

### 5.3 The Role of the Regulator

Border to Coast is approved and regulated by the Financial Conduct Authority as an Alternative Investment Fund Manager. This means the Company and its employees must meet certain standards of conduct in the operation of its business. These requirements are set out in Appendix III. The Regulator may carry out investigations if it believes that an organisation is not meeting the appropriate standards. 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 Border to Coast ACS, a depositary is appointed to act on behalf of investors. Northern Trust has been appointed as the depositary for the Border to Coast ACS. Its duties include:

- Safeguarding assets of the authorised fund via its custody services or utilising a sub-custodian
- Oversight of manager's 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
- Reporting breaches of FCA guidance to the FCA (including any due diligence findings).

## Appendix I: 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. First phase – Period to April 2018 or operational commencement of the BCPP Pool (whichever is the later)
  - 2.1.1. To provide support and guidance to the work being undertaken by the Officer Operations Group to give effect to the pooling arrangements.
  - 2.1.2. To consider issues and provide feedback on relevant proposals as they are developed, ensuring effective engagement with the Authorities to scrutinise and monitor project management arrangements and proposals for the appointment of advisers by the Authorities.
  - 2.1.3. To oversee costs to deliver the BCPP Pool, obtaining approval from individual Authorities where necessary.
  - 2.1.4. To monitor and scrutinise responsibilities for delivery of the project and relevant support arrangements.
  - 2.1.5. To oversee and provide feedback on positions and conclusions deriving from work streams adopted by the Officer Operations Group.
  - 2.1.6. To formulate processes and policies for the appointment and termination of membership to the Joint Committee.
  - 2.1.7. To propose and confirm contracts and policies required by the Authorities to commence transition to the BCPP Pool arrangements.
  - 2.1.8. To provide support and guidance to the work being undertaken by the Officer Operations Group to do all things necessary to implement the final proposal, including preparatory work for asset transition.
  - 2.1.9. To consider the initial range of sub-funds to be provided by the ACS and to make recommendations to the BCPP Board for the creation of those sub-funds.
  - 2.1.10. To review and comment on the draft ACS prospectus and supporting documents on behalf of the Authorities prior to the Financial Conduct Authority approval.
- 2.2. Phase 2 – Post Establishment and Commencement of Operations
  - 2.2.1. To facilitate the adoption by the Authorities of relevant contracts and policies.
  - 2.2.2. 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).
  - 2.2.3. 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.
  - 2.2.4. 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).
  - 2.2.5. 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.
  - 2.2.6. 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.
  - 2.2.7. 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.

- 2.2.8. 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.
- 2.2.9. 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.
- 2.2.10. To employ, through a host 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, enter into or vary any contracts or arrangements with any of the Shareholders or directors (other than service agreements and letters of appointment as directors) or any person with whom any shareholder or director is connected (whether as director, consultant, shareholder or otherwise) (e.g. any contract which could give preferential rights to a specific shareholder);
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** Error! Reference source not found. **(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 BCPP pool;
11. enter into any partnership, joint venture or profit sharing arrangement with any person (excluding entering into any investment or investment vehicle);
12. alter any of the provisions of the Articles or any of the rights attaching to the Shares;
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. the removal and replacement of any Interim Directors, but for the avoidance of doubt not including any subsequent or replacement appointments of any director which shall be made under Part B below;
16. commence, settle or defend any claim, proceedings or other litigation brought by or against BCPP, 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 ACS or other collective investment vehicles;

17. take out any third party loan(s) in respect of BCPP which (in aggregate) exceed the sum of £5,000,000;
18. form any subsidiary of BCPP, or acquire any shares in any other company, whether through subscription or transfer, such that the company concerned becomes a subsidiary of BCPP;
19. determine the composition, governance arrangements and limits of authority of any and all subsidiaries of BCPP;
20. approving and adopting an Initial Strategic Plan (including the Annual Budget) and/or amending any such Plan; and
21. 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 save that no consent will be required to pay the B Share Dividend.

**PART B – Matters for approval by a Shareholder Majority only**

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. approve the annual accounts of the Company;
6. determine the amount of, or any increase in, remuneration payable to any directors from time to time;
7. establish or amend any pension scheme (i.e. for employees of the Company);
8. subject to FCA rules, enter into any agency, distribution or similar agreement which confers or is expressed to confer any element of exclusivity as regards any goods or services the subject of such agreement or as to the area of the agreement or vary such an agreement to include any such exclusivity;
9. 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 Initial Strategic Plan or any Subsequent Strategic Plan);
10. 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 £100,000 (unless provided for in the Initial Strategic Plan or any Subsequent Strategic Plan);
11. adoption of (and any amendment of) any written conflicts policy;
12. 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;
13. appointment of any subsequent 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;
14. removal of any director and, for the avoidance of doubt, the Chair in accordance with the Companies Act 2006 or otherwise; and
15. approving and adopting a Subsequent 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 Regulator

As an asset management company, Border to Coast is regulated by the Financial Conduct Authority ("FCA").

Border to Coast Directors are "approved persons" (and at a future date will hold Senior Management Functions / Controlled Functions under the Senior Management Regime ("SMR")) 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; and
- 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's Principles of Business

Border to Coast's Directors are responsible for the governance and oversight of the Company in relation to the [11 FCA Principles of 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 appropriate regulator appropriately anything relating to the firm of which that regulator would reasonably expect notice.

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



## Duties under the Companies Act 2006

[The UK 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 for the benefit of its shareholders;
- 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 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 require 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.

## Individual Conduct Rules and Standards

Directors who hold Senior Management Functions / Controlled Functions are also subject to the [FCA's Code of Conduct](#). As such they are subject to the following 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.

In addition to the above Conduct Rules, those Directors who hold certain specific SMR Functions / Controlled Functions are 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>4</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>44</sup> <https://www.gov.uk/government/publications/the-7-principles-of-public-life>