Legal and Governance

Middlesbrough
moving forward

TEESSIDE PENSION FUND COMMITTEE

Date:	**Wednesday 15th December, 2021**
Time:	**11.00 am**
Venue:	**Virtual Meeting**
	Please note this is a virtual meeting.
	The meeting will be livestreamed via the Council's YouTube channel at Middlesbrough Council - YouTube

AGENDA

To consider passing a Resolution Pursuant to Section 100A (4) Part 1 of the Local Government Act 1972 excluding the press and public from the meeting during consideration of the following items on the grounds that if present there would be disclosure to them of exempt information falling within paragraph 3, of Part 1 of Schedule 12A of the Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Tuesday 7 December 2021

MEMBERSHIP

Councillors D Coupe (Chair), E Polano (Vice-Chair), J Beall, A Bell, R Creevy, Flaws, B Foulger, T Furness, J Hobson, G Nightingale, J Rostron, M Storey, S Walker, G Wilson and T Watson

Assistance in accessing information

Should you have any queries on accessing the Agenda and associated information please contact Susan Lightwing, 01642 729712, susan_lightwing@middlesbrough.gov.uk

This page is intentionally left blank

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Friday 8 October 2021.

PRESENT: Councillors D Coupe, (Chair), E Polano (Vice-Chair), A Bell, T Furness, G Nightingale (Redcar and Cleveland Council), J Rostron and S Walker

ALSO IN ATTENDANCE: W Bourne, P Moon, Independent Advisers
A Owen, A Peacock, G Rutter, CBRE
P Mudd, XPS Administration
P Campbell, A Stone, A Faulkner, T Sankey, Border to Coast Pension Partnership
N Beasley, A Ingram, Veritau

OFFICERS: S Lightwing, N Orton, C Breheny, W Brown and S Smithyman

APOLOGIES FOR ABSENCE: were submitted on behalf of Councillors J Beall, (Stockton On Tees Borough Council), R Creevy, (Hartlepool Borough Council), J Hobson, M Storey T Watson

21/15 **WELCOME**

The Chair welcomed all present to the meeting.

21/16 **ADJOURNMENT**

The meeting was held virtually and due to there being some technical difficulties, the Chair moved that the meeting was adjourned to allow all Members time to join the meeting.

ORDERED that the meeting was adjourned for a short period of time.

21/17 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item/Nature of Interest
Councillor Nightingale	Non pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non pecuniary	Member of Teesside Pension Fund

21/18 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 23 JUNE 2021**

The minutes of the meeting of the Teesside Pension Fund Committee held on 23 June 2021 were taken as read and approved as a correct record.

21/19 **INVESTMENT ACTIVITY REPORT**

A report of the Director of Finance was presented to inform Members of the Teesside Pension Fund Committee how the Investment Advisors' recommendations were being implemented.

A detailed report on the transactions undertaken to demonstrate the implementation of the Investment Advice recommendations and the Fund's valuation was included, as well as a report on the treasury management of the Fund's cash balances and the latest Forward Investment Programme.

The Fund continued to favour growth assets over protection assets and currently had no investments in Bonds. Whilst it was considered that Bond yields would rise in the long run, at present yields did not meet the actuarial requirements for the Fund and should continue to be avoided at these levels unless held as a short term alternative to cash.

At the June 2018 Committee it was agreed that a maximum level of 20% of the Fund would be held in cash. Cash levels at the end of June 2021 were 8.31%. The Fund would continue to use cash to move away from its overweight position in equities and invest further in Alternatives.

Investment in direct property would continue on an opportunistic basis where the property had good covenant, yield and lease terms. During the quarter, a Development Funding Agreement was completed in respect of a £30 million property in Yeovil.

£47.3 million was invested in Alternatives during the last quarter. The Fund was considerably underweight its customised benchmark and, providing suitable investment opportunities were available, would look to increase its allocation to this asset class up to the customised benchmark level.

Appendix A to the submitted report detailed transactions for the period 1 April 2021 to 30 June 2021. There were net sales of £76.6 million in the period, this compared to net purchases of £10.1 million in the previous reporting period.

As at 30 December 2021, the Fund had £389.8 million invested with approved counterparties. This was a decrease of £49 million over the last quarter. Appendix B to the submitted report showed the maturity profile of cash invested as well as the average rate of interest obtained on the investments for each time period.

The total value of all investments as at 30 June 2021, including cash, was £4,705 million, compared with the last reported valuation as at 30 March 2021, of £4,553 million.

A summary analysis of the valuation, attached at Appendix C to the submitted report, showed the Fund's percentage weightings in the various asset classes as at 30 June 2021 compared with the Fund's customised benchmark.

The Forward Investment Programme provided commentary on activity in the current quarter as well as looking ahead to the next three to five years. Details of the long term target Strategic Asset Allocation and the targets for 31 March 2022 were shown at paragraph 8.2 of the submitted report.

At the end of June 2021 the Fund's equity weighting was 75.68%. A schedule was in place to reduce investment in equities over the period 1 April 2021– 31 March 2022 by £725m, and this figure would be reviewed throughout the year. In the quarter March 2021 – June 2021 the Fund sold £125m. Further transactions would be reported at future meetings.

The transfer of £1.3bn from the SSGA Passively Managed Funds to the Border to Coast Actively Managed Overseas Developed Fund completed in May 2021, in line with the Committee's instructions.

A summary of equity returns for the quarter 1 April – 30 June 2021 was contained at paragraph 8.2 of the submitted report.

To date the Fund had agreed 3 Local Investments:

- GB Bank – Initial agreement of a £20m investment, this has been called in full. A further investment was agreed at the June 2021 Committee: this was dependent on the bank meeting agreed criteria.
- Ethical Housing Company - £5m investment of which £361k had been called.
- Waste Knot - £10m investment agreed at the June 2021 Committee, nothing called to date.

As at 30 August 2021 total commitments to private equity, infrastructure and other Alternatives were approaching £1,007m and a breakdown of that figure was included at paragraph 8.7 of the submitted report.

ORDERED that the report was received and noted.

21/20 **EXTERNAL MANAGERS' REPORTS**

A report of the Director of Finance was presented to provide Members with quarterly investment reports in respect of funds invested externally with Border to Coast Pensions Partnership Limited (Border to Coast) and with State Street Global Advisers (State Street).

As at 30 June 2021, the Fund had investments in the Border to Coast UK Listed Equity

Fund, the Border to Coast Overseas Developed Markets Equity Fund and the Border to Coast Emerging Markets Equity Funds. For all three sub funds the return target was an annual amount, expected to be delivered over rolling three year periods, before calculation of the management fee.

The Fund also had investments in the Border to Coast Private Equity sub-fund and the Border to Coast Infrastructure sub-fund. Total commitments of £50 million were made to each of these sub-funds for 2020/2021, in addition to £100 million commitments to each sub-fund in 2019/2020. Up to 30 June 2021, around 15% of this total had been invested and these investments were not reflected within the Border to Coast report attached at Appendix A to the submitted report.

The Border to Coast report showed the market value of the portfolio as at 30 June 2021 and the investment performance over the preceding quarter, year, and since the Fund's investments began. Border to Coast had also provided additional information within an appendix to that report in relation to the Overseas Developed Markets Equity Fund, giving a breakdown of key drivers of and detractors from performance in relation to each of its four regional elements. Market background information and an update of some news items related to Border to Coast were also included. Border to Coast's UK Listed Equity and Overseas Developed Markets Equity performance had dipped slightly over the last quarter and last year, but both still remained broadly in line with target since inception. The performance of the Emerging Markets Equity Fund was below benchmark in the initial quarter, however the Fund's investments only began in the second half of the quarter and it was too early to draw any meaningful conclusions from such a short investment period.

State Street had a passive global equity portfolio invested across four different region tracking indices appropriate to each region. The State Street report (attached at Appendix B to the submitted report) showed the market value of the State Street passive equity portfolio and the proportions invested in each region as at 30 June 2021.

Performance figures were also shown in the report over a number of time periods and from inception – the date the Fund started investing passively with State Street in that region: for Japan and Asia Pacific ex Japan the inception date is 1 June 2001, as the Fund had been investing a small proportion of its assets in these regions passively since then. For North America and Europe ex UK the inception date was in September 2018, therefore performance figures only covered around two and three quarter years as this represented a comparatively new investment for the Fund. The nature of passive investment – where an index was closely tracked in an automated or semi-automated way – meant deviation from the index should always be low.

State Street continued to include additional information with their report this quarter, giving details of how the portfolio compared to the benchmark in terms of environmental, social and governance factors including separate sections on climate and stewardship issues. Since the State Street investments were passive and closely tracked the appropriate regional equity indices, the portfolio's rating in those terms closely matched the benchmark indices ratings.

As previously reported to the Committee, State Street advised investors in a number of its passively-invested funds, including the four State Street equity funds the Fund invests in, that it had decided to exclude UN Global Compact violators and controversial weapons companies from those funds and the indices they tracked. For the four State Street funds the Fund was invested in, the combined effect of applying this change to benchmarks excluded around 3.6% by value of the companies/securities across the regions. The latest report showed performance of the State Street funds against the revised indices and as expected for a passive fund, performance closely matched the performance of the respective indices.

Border to Coast had been working with its reporting providers to develop reporting which covered the Environmental Social and Governance (ESG) issues and impact of the investments it managed, together with an assessment of the carbon exposure of these investments. This was easier with some asset classes than others, and Border to Coast had initially focussed on reporting on listed equities as this was the asset class where most information was available and this type of reporting was more advanced.

Appendix C to the submitted report contained the latest available ESG and carbon exposure in relation to the three Border to Coast listed equity sub-funds the Fund invested in. The reports included information on the highest and lowest ESG-rated companies within those Border to Coast sub-funds, together with an analysis of the carbon exposure of the sub-funds on a number of metrics. The sub-funds' ESG position and carbon exposure was also compared to benchmarks representing the 'average' rating across the investment universe of that particular benchmark.

A detailed explanation of the reports on the equity sub-funds was provided at the meeting by a representative of Border to Coast.

ORDERED that the report was received and noted.

21/21 **BORDER TO COAST UPDATE INCLUDING REAL ESTATE PROPOSAL**

Border to Coast's representatives provided an update which focussed on a detailed presentation in respect of the Partnership's real estate capabilities and included the following elements:

- Update on UK proposition.
- Update on Global proposition.
- Business Case for Teesside.
- High-Level Timeline.
- Conclusion.

A copy of the presentation slides were included at item 7 of the agenda pack for the meeting.

It was highlighted that phase one of BCP's ambition to create an institutional quality, low-cost Real Estate capability for the Partner Funds and launch UK and Global Funds was complete. Viability for both UK and Global propositions had been tested and independently validated. Other soft benefits that were not quantifiable included:

- Greater market access with dominant, durable assets.
- Strategic alignment with BCP and the Teesside Pension Fund (TPF) through the consultation process.
- Institutional investment management team to run it and help TPF invest the property allocation as part of the wider strategic asset allocation.
- The business case supported the pooling of all assets.
- Resilience over the long term.
- If the assets were transferred from Middlesbrough Council's balance sheet to BCP this would take an element of risk away from the Council.

It was emphasised that this was a long term funding solution and savings would only be realised once money passed into the main fund. The earliest date identified for savings was 2033. The bid offer price spread was very similar to other funds at plus 6% minus 1%.

In relation to costs for potentially re-organising the portfolio, it was stated that all four funds' current portfolios were similarly aligned, with similar types of assets that were low risk and focussed on income. Typically, all the assets were fit for purpose and would deliver the kind of returns expected. However, it was also acknowledged that some of the properties would be too small for a £3.5 billion fund and there would need to be some rotation over time. Experience suggested that selling assets as two or three-property portfolios would provide a premium return which would cover the cost of reinvestment.

It was clarified that the 7 basis points that would be paid for an External Manager to run the portfolio for a fairly short amount of time was the average cost over 15 years. The assumption made was that they would be paid 18 basis points, which was what the TPF was currently paying for management of £259 million assets. Eighteen basis points on potentially £3.5 billion of assets would be a much higher revenue. It was also highlighted that BCP was a non-profit organisation and therefore did not aim to generate the same revenues, salaries or bonuses as the private sector.

The main difference highlighted by the BCP proposition and the current TPF arrangement with CBRE, was resilience. The oversight provided by TPF managing CBRE would be internalised at BCP, and that long term resilient management of the Fund would make it more efficient.

The other benefit would be the range of the underlying assets that TPF would be able to access.

ORDERED that the report was received and noted.

21/22 **INVESTMENT ADVISORS' REPORTS**

The Independent Investment Advisors had provided reports on current capital market conditions to inform decision-making on short-term and longer-term asset allocation, which were attached as Appendices A and B to the submitted report. Further commentary was provided at the meeting.

Peter Moon's portfolio recommendations remain unchanged. Equities along with the rest of the quoted markets were less attractive and it was increasingly difficult to find Alternatives that provided a better return than cash and were low risk. It would be a slow move away from Equities and into the Alternatives markets. The current rise in inflation was masked by the bounce-back effect from the Covid pandemic and was expected to rise further.

William Bourne commented that he believed inflation was more supply-led than demand-led at the moment and that it would subside rather than being sustained. A concern was expressed that central banks could raise interest rates too quickly, or perhaps reduce their balance sheets and withdraw monetary stimulus too quickly. There was some merit in holding cash as it had a value when things were changing as it was liquid and immediate advantage could be taken of any opportunities.

ORDERED that the reports were received and noted.

21/23 **CBRE PROPERTY REPORT**

A report was submitted that provided an overview of the current property market and informed Members of the individual property transactions relating to the Fund.

Investment activity had picked up since the summer and property was a popular area of investment at the current time. The focus of most of the market continued within the industrial sector where there was huge demand. The US viewed the UK's industrial market as still quite cheap and good value and that was driving yields. In the regions typical yields were sub 4% and in the London sub 3%.

The Fund remained underweight in property and CBRE continued to seek new good value assets. Any new assets needed to be accretive to the portfolio.

Out-of-town continued to attract investment – typically retail parks where there was value. Yields were coming in and values were going up. Most of the Fund's retail warehousing assets were coming up in value which was reflective of the current market.

Overseas demand for offices in London was driving that sector although the rest of the UK office market was more subdued in terms of available stock and interest. It was anticipated this would improve over the next three to six months.

The report as submitted was taken as read. As at 30 June 2021, the portfolio comprised 28 mixed-use properties located throughout the UK, with a combined value of £280.63m. There had been a 2.75% increase over the last quarter and the valuation was now approximately £288 million.

An update on asset management was provided as follows:

- A new 15 year lease to PureGym at Unit 1, Cirencester Retail Park had been completed. The company had fitted out the unit and was now trading.
- The lease for Peacock stores at Unit 2, Cirencester had been surrendered and a new lease agreed with Hobbycraft.
- A new 10 year lease on Unit B at Acre Road, Reading had been completed with Active PCB, an existing occupier of Unit C on the estate.
- A 5 year lease with Halfords had been agreed at Congleton.
- B and M at Congleton had indicated that they would be renewing their lease in a

year's time and negotiations had started. B and M was one of the larger retailers on that site.

- Rent review had commenced on the Unipart Unit in the Midlands and there was likely to be a sizeable increase in rent.

In relation to the arrears, the information provided was now out of date, since the meeting of the Teesside Pension Fund Committee had been held at a later date than originally scheduled. All rent demands had been sent out on 29 September 2021. The two companies that owed the highest amounts of rent were on payment plans and those plans were up to date.

There were some tenants who had not paid rent since March 2020 and due to the current Covid restrictions on eviction it was very difficult to have any impact. However, the restrictions were due to be lifted in April 2022 and CBRE would continue to press for payment.

On a positive note, the rent collection for this portfolio was ahead of all the benchmarks and also other Funds.

ORDERED that the information provided was received and noted.

21/24 **INTERNAL AUDIT REPORTS**

Middlesbrough Council's Internal Auditors, Veritau, carried out two planned audits of the Pension Fund's activities during the 2020/21 financial year, one covering investments and one covering administration. The reports and recommendations in respect of those audits were attached at appendices A and B to the submitted report.

The Investments Audit looked at the transition of assets from the Pension Fund to Border to Coast Pensions Partnership to determine whether this was carried out in a planned, controlled, manner and whether plans were adequately monitored and appropriately reviewed. Although the audit did identify some issues relating to how up-to-date some policies were, and whether risk reviews were being appropriately documented, the overall conclusion was that a sound system of governance, risk management and control existed and that this provided substantial assurance.

One priority 3 agreed action was identified and it was agreed that every time the Teesside Pension Fund risk register was presented to the Committee, Pentana will be updated to reflect the fact that a review of the risk register had taken place. Pentana was the software the Council and the Pension Fund used for risk management.

The scope and objectives of the Pension Fund Administration audit were: to provide assurance to management that procedures and controls within the system would ensure that:

- Pensions Administration was operated in accordance with relevant legislation and agreed processes, and that support and guidance was provided to employers to ensure the quality of returns.
- Correct and timely payments were received from employers, which were regularly reconciled to Business World and to the Teesside Pension Fund bank account.
- For those members who retired early, where there was a strain on the fund, payments from employers were monitored to ensure the deficit was paid in full within agreed timescales.
- Processes were in place for monitoring and recording the receipt of income from member transfers in from previous employment.

The overall conclusion of the audit was that a sound system of governance, risk management and control existed, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Veritau's overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

Three priority 3 agreed actions were identified as follows:

- Several strategy and policy documents relating to the administration of the Pension Fund had passed their scheduled review date without being reviewed. Revised documents would be prepared and presented to the December 2021 Pension Fund Committee.

- The Pension Fund should consider introducing a charging policy to cover circumstances where employers consistently fail to provide required information in respect of pension administration.
- A formal process should be put in place to ensure late payment of invoices in respect of employer pension scheme costs was monitored and escalated as appropriate.

Target dates to complete the actions identified were set out in the appendices and progress would be monitored and reported back to subsequent Committee meetings.

ORDERED that the report was received and noted.

21/25 **QUORUM**

The Chair noted that at this point in proceedings, the meeting was inquorate. In accordance with Procedure Rule 16 of Middlesbrough Council's Constitution, the Chair abandoned the meeting. The remaining business would be considered at the next ordinary meeting of the Committee.

21/26 **RISK REGISTER**

Due to the meeting being inquorate at this point, this item was **DEFERRED.**

21/27 **XPS PENSIONS ADMINISTRATION REPORT**

Due to the meeting being inquorate at this point, this item was **DEFERRED.**

21/28 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

Due to the meeting being inquorate at this point, this item was **DEFERRED.**

This page is intentionally left blank

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 5

PENSION FUND COMMITTEE REPORT

15 DECEMBER 2021

DIRECTOR OF FINANCE – IAN WRIGHT

INVESTMENT ACTIVITY REPORT

1. PURPOSE OF THE REPORT

1.1 To inform Members how the Investment Advisors recommendations are being implemented.

1.2 To provide a detailed report on transactions undertaken to demonstrate the implementation of the Investment Advice recommendations and the Fund's Valuation.

1.3 To report on the treasury management of the Fund's cash balances.

1.4 To present to Members the latest Forward Investment Programme.

2. **RECOMMENDATION**

2.1 That Members note the report and pass any comments.

3. **FINANCIAL IMPLICATIONS**

3.1 Decisions taken by Members, in light of information contained within this report, will have an impact on the performance of the Fund.

4. **IMPLEMENTATION OF INVESTMENT ADVICE FOR THE PERIOD July - September 2021**

4.1 The Fund continues to favour growth assets over protection assets. It is considered that in the long run, Bond yields will rise, but at present and while central banks intervene in the Bond markets, through quantitative easing, yields do not meet the actuarial requirements for the Fund and should continue to be avoided at these levels unless they are held as a short term alternative to cash.

The Fund has no investments in Bonds at this time.

4.2 At the June 2018 Committee it was agreed that, a maximum level of 20% of the Fund would be held in cash – cash levels at the end of September 2021 were 11.03% . The Fund will look to use this cash to move away from its overweight position in equities and invest further in Alternatives.

4.3 Investment in direct property to continue on an opportunistic basis where the property has a good covenant, yield and lease terms.

No purchases or sales were made in the period.

4.4 Investment in Alternatives, such as infrastructure and private equity, offer the Fund diversification from equities and bonds. They come with additional risks of being illiquid, traditionally they have costly management fees and investing capital can be a slow process. However, the Fund is considerably underweight its customised benchmark and, providing suitable investment opportunities are available, the Fund will look to increase its allocation to this asset class up to the customised benchmark level.

An amount of £63.9m was invested in the quarter.

5. TRANSACTION REPORT

5.1 It is a requirement that all transactions undertaken are reported to the Investment Panel. Appendix A details transactions for the period 1 July 2021 – 30 September 2021

5.2 There were net sales of £100.8m in the period, this compares to net sales of £76.6m in the previous reporting period.

6. TREASURY MANAGEMENT

6.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice (the Code) sets out how cash balances should be managed. The Code states that the objective of treasury management is the management of the Authority's cash flow, its borrowings and investments, in such a way as to control the associated risks and achieve a level of performance or return consistent with those risks. The security of cash balances invested is more important than the interest rate received.

6.2 Middlesbrough Council adopted the Code on its inception and further determined that the cash balances held by the Fund should be managed using the same criteria. The policy establishes a list of counterparties (banks, building societies and others to whom the Council will lend) and sets limits as to how much it will lend to each counterparty.
The counterparty list and associated limits are kept under constant review by the Strategic Director Finance, Governance and Support.

6.3 Although it is accepted that there is no such thing as a risk-free counterparty, the policy has been successful in avoiding any capital loss through default.

6.4 As at 30 September 2021, the Fund had £534.7 million invested with approved counterparties. This is an increase of £144.9 million over the last quarter.

6.5 The attached graph (Appendix B) shows the maturity profile of cash invested. It also shows the average rate of interest obtained on the investments for each time period.

6.6 Delegated authority was given— to the Strategic Director Finance, Governance and Support by the Teesside Pension Fund Committee to authorise/approve any changes made to the Treasury Management Principles (TMPs), with subsequent reporting to this committee.

7. FUND VALUATION

7.1 The Fund Valuation details all the investments of the Fund as at 30 September 2021, and is prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, is **£4,871 million.** The detailed valuation attached as Appendix C is also available on the Fund's website www.teespen.org.uk. This compares with the last reported valuation, as at 30 June of **£4,705 million**.

7.3 A summary analysis of the valuation (attached with the above), shows the Fund's percentage weightings in the various asset classes as at 30 September 2021 compared with the Fund's customised benchmark.

8. FORWARD INVESTMENT PROGRAMME

8.1 The Forward Investment Programme provides commentary on activity in the current quarter and looks ahead for the next three to five years.

8.2 At the March 2021 Pension Fund Committee a revised Strategic Asset Allocation was agreed:

Asset Class	Long Term Target Strategic Asset Allocation	31 March 2022 Target Strategic Asset Allocation
GROWTH ASSETS	**75%**	**78%**
UK Equities	**10%**	**12%**
Overseas Equities	**45%**	**53%**
Property	**10%**	**7%**
Private Equity	**5%**	**3%**
Other Alternatives	**5%**	**3%**
PROTECTION ASSETS	**25%**	**22%**
Bonds / Other debt / Cash	**15%**	**14%**
Infrastructure	**10%**	**8%**

8.3 **EQUITIES**

As at the end of September 2021 the Fund's equity weighting was 70.9% compared to 75.68% at the end of June 2021.

A schedule is in place to reduce our investment in equities over the period 1 April 2021– 31 March 2022 by £725m, this figure will be reviewed throughout the year. In the quarter July 2021 – September 2021 we sold £155m, further transactions will be reported at future meetings.

The overweight position will also be reduced over time through further investment in Alternative assets, however, as noted in 4.4 above because the investments happen over a period of years this is a slow process.

Summary of equity returns for the quarter 1 July 2021 – 30 September 2021:

Asset	Fund Performance	Benchmark	Excess Return
BCPP UK	2.05%	2.23%	-0.17%
BCPP Overseas	1.58%	1.02%	0.56%
BCPP Emerging Market	-4.26%	-4.47%	0.21%
SSGA Pacific	-4.58%	-4.66%	0.08%
SSGA Japan	7.00%	6.87%	0.13%
SSGA Europe	0.91%	0.80%	0.11%
SSGA North America	2.74%	2.60%	0.14%

(BCPP – Border to Coast Pension Partnership – Active Internal Management)
(SSGA – State Street Global Advisers – Passive Management)

8.4 **BONDS + CASH**

The Fund has no investments in bonds at this time, the level of cash invested is 11.03%. Until there is clear instruction from the Committee, through its Investment Advisors, to invest in bonds this will remain the short term strategy. It is planned to reduce cash through investment into other asset classes (property, alternatives and equities) in the near term. In addition, cash is being used to supplement the gap in contribution receipts and pension payments.

8.5 **PROPERTY**

Investment in direct property to continue on an opportunistic basis where the property has a good covenant, yield and lease terms.

8.6 **LOCAL INVESTMENT**

At the March 2021 Pension Fund Committee there was a request to include details of any Local Investments made by the Pension Fund.

To date the Fund has agreed 3 Local Investments:

GB Bank – Initial agreement of a £20m investment, this has been called in full. A further investment was agreed at the June 2021 Committee, this is dependent on the bank meeting agreed criteria.
Ethical Housing Company - £5m investment of which £361k has been called.
Waste Knot - £10m investment agreed at the June 2021 Committee, payment is expected to be made today.

8.7 **ALTERNATIVES**

In the medium to long term, it is proposed that commitments will be made through Border to Coast. These commitments are reviewed on an annual basis.

As at 30 November 2021 total commitments to private equity, infrastructure and other alternatives were approaching £1,183m, as follows:

	Total committed	Total draw down
Border to Coast Infrastructure	£200m	£44m
Other Infrastructure Managers	£237m	£124m
Border to Coast Private Equity	£200m	£58m
Other Private Equity Managers	£327m	£161m
Other Alternatives	£144m	£95m
Other Debt	£75m	£48m
Totals	**£1,183m**	**£530m**

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040

This page is intentionally left blank

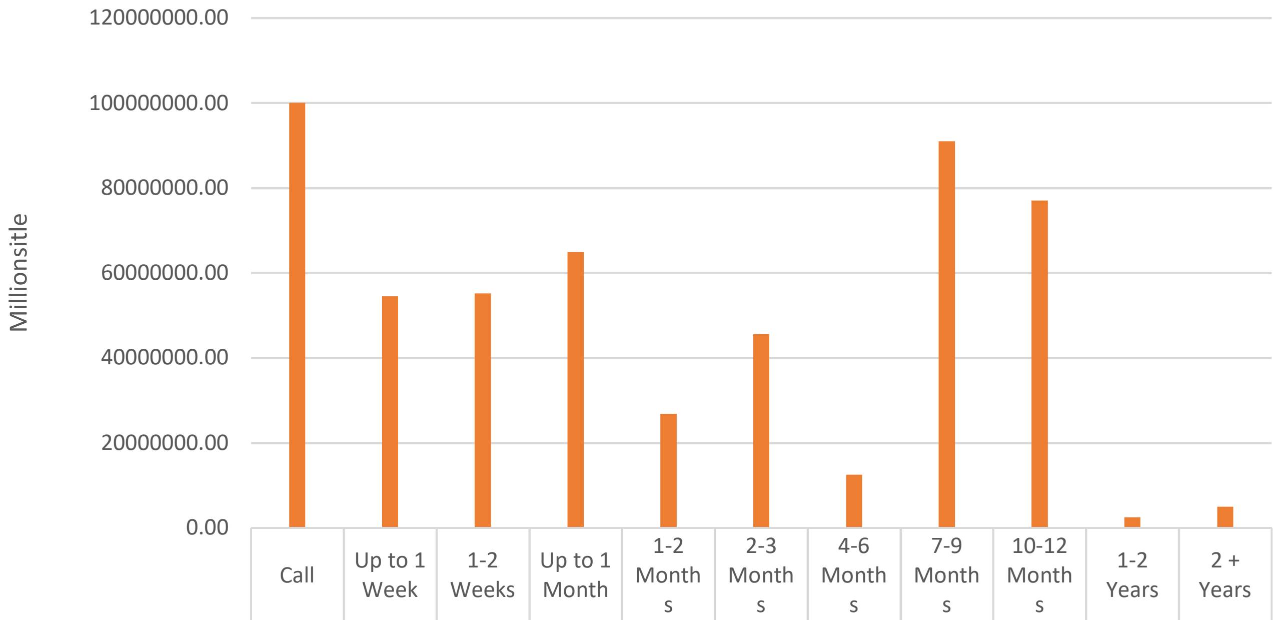
Bargain Date	Buy / Sell	Stock Name	Country/Category	Sector/Country	Nominal Amount of Shares	Price	CCY	Purchase Cost / Sale Proceeds £	Book Cost of Stock Sold	Profit/ (Loss) on Sale
						(P)		(£)	(£)	(£)
02 July 2021	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	536,648.09	536,648.09	0.00
05 July 2021	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-1,516,512.42	-1,516,512.42	0.00
07 July 2021	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-400,155.98	-400,155.98	0.00
12 July 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	640,418.45	640,418.45	0.00
13 July 2021	S	ACIF Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	-189,893.79	-189,893.79	0.00
14 July 2021	P	Border to Coast Infrastructre Series 1C	Infrastructure	Infrastructure	~	~	EUR	49,356.70	49,356.70	0.00
21 July 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	16,385.86	16,385.86	0.00
21 July 2021	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-163,073.48	-163,073.48	0.00
26 July 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	50,716.37	50,716.37	0.00
28 July 2021	S	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-31,649.89	-31,649.89	0.00
28 July 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	42,981.51	42,981.51	0.00
28 July 2021	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-19,912.16	-19,912.16	0.00
03 August 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	1,469,955.90	1,469,955.90	0.00
04 August 2021	S	Foresight Energy Infrastructure Partners	Infrastructure	Infrastructure	~	~	EUR	-234,927.91	-234,927.91	0.00
05 August 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	477,000.40	477,000.40	0.00
05 August 2021	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-532.56	-532.56	0.00
17 August 2021	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	-18,956.06	-18,956.06	0.00
17 August 2021	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	-4,132.33	-4,132.33	0.00
19 August 2021	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	1,631,981.15	1,631,981.15	0.00
24 August 2021	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	345,577.37	345,577.37	0.00
25 August 2021	P	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	1,223,961.89	1,223,961.89	0.00
31 August 2021	P	ACIF Infrastructure LP	Infrastructure	Infrastructure	~	~	EUR	237,651.59	237,651.59	0.00
01 September 2021	S	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-12,216.33	-12,216.33	0.00
06 September 2021	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	389,432.64	389,432.64	0.00
07 September 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	118,913.60	118,913.60	0.00
07 September 2021	P	Border to Coast Private Equity Series 1A	Infrastructure	Infrastructure	~	~	USD	2,117,553.41	2,117,553.41	0.00
08 September 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	16,217.60	16,217.60	0.00
08 September 2021	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-232,568.05	-232,568.05	0.00
28 September 2021	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-18,780.66	-18,780.66	0.00
28 September 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	180,335.83	180,335.83	0.00
29 September 2021	S	Foresight Energy Infrastructure Partners	Infrastructure	Infrastructure	~	~	EUR	-177,458.64	-177,458.64	0.00
30 September 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	14,892.39	14,892.39	0.00
								6,539,210.48		
03 September 2021	P	Pantheon Private Debt PSD II	Other Alternatives	Other Alternatives	~	~	USD	1,229,700.49	1,229,700.49	0.00
10 September 2021	P	La Salle Real Estate Debt Strategies IV	Other Alternatives	Other Alternatives	~	~	EUR	678,543.75	678,543.75	0.00
27 September 2021	P	Gresham House BSI Housing Fund LP	Other Alternatives	Other Alternatives	~	~	GBP	1,694,915.00	1,694,915.00	0.00
27 September 2021	P	La Salle Real Estate Debt Strategies IV	Other Alternatives	Other Alternatives	~	~	EUR	1,100,965.32	1,100,965.32	0.00
30 September 2021	P	Insight IIFIG Secured Finance II Fund	Other Alternatives	Other Alternatives	24,720,656.58	1.01	GBP	25,000,000.00	25,000,000.00	0.00
								29,704,124.56		
02 July 2021	P	Access Capital Fund VIII Buy-Out Europe	Private Equity	Private Equity	~	~	EUR	2,496,568.29	2,496,568.29	0.00
06 July 2021	S	Acess Capital Co-Investment Fund Buy-Out Europe II	Private Equity	Private Equity	~	~	EUR	-1,594,796.94	-1,594,796.94	0.00
06 July 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	725,947.32	725,947.32	0.00
09 July 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	45,395.94	45,395.94	0.00
09 July 2021	P	Crown Secondaries Special Opportunities II	Private Equity	Private Equity	~	~	USD	597,720.63	597,720.63	0.00
12 July 2021	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	237,185.71	237,185.71	0.00
20 July 2021	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-103,788.97	-103,788.97	0.00

22 July 2021	P	Blackrock Private Opportunities IV	Private Equity	Private Equity	~	~	USD	966,366.95	966,366.95	0.00
26 July 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	186,029.29	186,029.29	0.00
26 July 2021	P	Capital Dynamics Mid-Marrket Direct V	Private Equity	Private Equity	~	~	EUR	2,463,472.65	2,463,472.65	0.00
26 July 2021	P	Crown Secondaries Special Opportunities II	Private Equity	Private Equity	7,380.18	~	USD	852,528.65	852,528.65	0.00
28 July 2021	P	Capital Dynamics LGPS Collective Private Equity for Pools 18/19	Private Equity	Private Equity	~	~	GBP	600,000.00	600,000.00	0.00
30 July 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	997,868.14	997,868.14	0.00
30 July 2021	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	982,408.43	982,408.43	0.00
30 July 2021	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-62,258.61	-62,258.61	0.00
03 August 2021	S	Access Co-Investment Fund Buy-Out Europe II	Private Equity	Private Equity	~	~	EUR	-763,701.03	-763,701.03	0.00
03 August 2021	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	592,830.86	592,830.86	0.00
10 August 2021	P	Crown Growth Opportunities Global III	Private Equity	Private Equity	5,365.44	~	EUR	771,591.58	771,591.58	0.00
12 August 2021	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	324,565.70	324,565.70	0.00
13 August 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	191,884.35	191,884.35	0.00
16 August 2021	P	Blackrock Private Opportunities Fund IV	Private Equity	Private Equity	~	~	USD	27,491.19	27,491.19	0.00
18 August 2021	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-64,397.75	-64,397.75	0.00
18 August 2021	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	1,736,344.07	1,736,344.07	0.00
19 August 2021	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-217,038.90	-217,038.90	0.00
20 August 2021	S	Capital Dynamics Mid-Market Direct V	Private Equity	Private Equity	~	~	EUR	-527,001.43	-527,001.43	0.00
25 August 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	211,501.18	211,501.18	0.00
27 August 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	453,803.87	453,803.87	0.00
31 August 2021	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-342,604.30	-342,604.30	0.00
09 September 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	522,564.38	522,564.38	0.00
09 September 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	783,941.05	783,941.05	0.00
09 September 2021	P	Capital Dynamics Global Secondaries V	Private Equity	Private Equity	~	~	USD	1,217,770.86	1,217,770.86	0.00
10 September 2021	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	764,290.98	764,290.98	0.00
13 September 2021	P	Access Capital Co-Investment Fund Buy-Out Europe II	Private Equity	Private Equity	~	~	EUR	1,419,549.36	1,419,549.36	0.00
13 September 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	GBP	625,526.95	625,526.95	0.00
14 September 2021	P	Hermes GPE Innovation Fund	Private Equity	Private Equity	~	~	GBP	1,104,571.66	1,104,571.66	0.00
14 September 2021	P	Pantheon Global Co-Investment Opportunities IV	Private Equity	Private Equity	~	~	USD	1,643,947.07	1,643,947.07	0.00
15 September 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	774,269.11	774,269.11	0.00
15 September 2021	P	Crown Co-Investments Opportunities II	Private Equity	Private Equity	3,674.96	146.94	USD	388,295.80	388,295.80	0.00
20 September 2021	P	Unigestion Direct II - Asia	Private Equity	Private Equity	~	~	EUR	642,582.15	642,582.15	0.00
20 September 2021	P	Unigestion Direct II - Europe	Private Equity	Private Equity	~	~	EUR	1,601,345.00	1,601,345.00	0.00
20 September 2021	P	Unigestion Direct II - North America	Private Equity	Private Equity	~	~	EUR	458,824.03	458,824.03	0.00
21 September 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	1,104,283.09	1,104,283.09	0.00
22 September 2021	P	Crown Co-Investment Opportunities III	Private Equity	Private Equity	10,500.00	~	USD	774,211.19	774,211.19	0.00
24 September 2021	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	GBP	506,522.28	506,522.28	0.00
24 September 2021	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	GBP	-1,933.95	-1,933.95	0.00
24 September 2021	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	705,394.06	705,394.06	0.00
28 September 2021	S	Access Capital Co-Investment Fund Buy-Out Europe II	Private Equity	Private Equity	~	~	EUR	-592,070.43	-592,070.43	0.00
28 September 2021	P	Capital Dynamics LGPS Collective Private Equity for Pools 18/19	Private Equity	Private Equity	~	~	GBP	500,000.00	500,000.00	0.00
29 September 2021	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	1,246,168.44	1,246,168.44	0.00
29 September 2021	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-297,433.00	-297,433.00	0.00
								27,678,536.98		
20 August 2021	P	Leonardo Warehouse Unit	Property Unit Trusts/Direct Property	Property Unit Trusts/Direct Property	~	~	GBP	374,195.24	374,195.24	0.00
31 August 2021	S	The Royal London Property Fund	Property Unit Trusts/Direct Property	Property Unit Trusts/Direct Property	-3,532,903.66	2.90	GBP	-10,252,486.42	-8,197,204.76	2,055,281.66
15 September 2021	P	Leonardo Warehouse Unit	Property Unit Trusts/Direct Property	Property Unit Trusts/Direct Property	~	~	GBP	26,750.00	26,750.00	0.00
24 September 2021	P	Leonardo Warehouse Unit	Property Unit Trusts/Direct Property	Property Unit Trusts/Direct Property	~	~	GBP	261,294.05	261,294.05	0.00
								-9,590,247.13		
07 July 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-22,311,654.26	112.15	GBP	-25,022,520.26	-22,309,597.93	2,712,922.33

21 July 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-22,808,079.67	109.72	GBP	-25,025,025.02	-22,805,977.59	2,219,047.43
11 August 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-22,009,696.58	113.70	GBP	-25,025,025.02	-22,007,668.08	3,017,356.94
25 August 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-35,268,246.31	113.53	GBP	-40,040,040.04	-35,264,995.85	4,775,044.19
15 September 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-35,743,652.95	112.02	GBP	-40,040,040.04	-35,740,358.67	4,299,681.37
								-155,152,650.38		
Periods July, August and September 21 (Cumulative) Total								**-100,821,025.50**		
Total Profit - ***NB: Losses are shown with a ( )***										**19,079,333.94**

This page is intentionally left blank

Treasury Management Profile as at 30 September 2021



	Call	Up to 1 Week	1-2 Weeks	Up to 1 Month	1-2 Months	2-3 Months	4-6 Months	7-9 Months	10-12 Months	1-2 Years	2 + Years
Average Rate %	0.03	0.04	0.16	0.03	0.06	0.07	0.09	0.08	0.10	1.95	2.10
Amount	100,000	54,500,	55,200,	64,900,	26,800,	45,600,	12,500,	91,000,	77,000,	2,500,0	5,000,0
Proportion of cash %	18.69%	10.19%	10.32%	12.13%	5.01%	8.52%	2.34%	17.01%	14.39%	0.47%	0.93%

This page is intentionally left blank

Asset Detail - Customizable

Asset Subcategory

Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Equities						
Common stock						
Australia						
Common Stock FINEXIA FINL GROUP NPV SEDOL : BMY4539	0.00	AUD	428.000	0.000	0.07250000	16.620
Common Stock YOUNG AUSTRALIAN MINES LTD SEDOL : 6741626	0.00	AUD	225,391.000	287,505.650	0.06900000	8,331.640
Total Australia	**0.00**		**225,819.000**	**287,505.650**		**8,348.260**
Europe Region						
Common Stock ACIF INFRASTRUCTURE FUND LP CUSIP : 9936FC996	0.00	EUR	19,430,520.010	17,323,625.440	1.22083650	20,389,378.350
Total Europe Region	**0.00**		**19,430,520.010**	**17,323,625.440**		**20,389,378.350**
Guernsey, Channel Islands						
Common Stock AMEDEO AIR FOUR PL RED ORD NPV SEDOL : BKY41C6	0.00	GBP	6,666,666.000	6,114,034.800	0.23500000	1,566,666.510
Total Guernsey, Channel Islands	**0.00**		**6,666,666.000**	**6,114,034.800**		**1,566,666.510**
Malta						
Common Stock BGP HOLDINGS PLC BENEFICIAL INTEREST SHSNPV SEDOL : 3A1MX0W	0.00	EUR	200,000.000	0.000	0.00000000	0.000
Total Malta	**0.00**		**200,000.000**	**0.000**		**0.000**
United Kingdom						
Common Stock AFREN ORD GBP0.01 SEDOL : B067275	0.00	GBP	1,000,000.000	1,089,449.060	0.01785000	17,850.000
Common Stock CARILLION ORD GBP0.50 SEDOL : 0736554	0.00	GBP	436,400.000	0.000	0.14200000	61,968.800
Common Stock NEW WORLD RESOURCE ORD EUR0.0004 A SEDOL : B42CTW6	0.00	GBP	250,000.000	1,294,544.760	0.00150000	375.000
Total United Kingdom	**0.00**		**1,686,400.000**	**2,383,993.820**		**80,193.800**
Total Common stock	**0.00**		**28,209,405.010**	**26,109,159.710**		**22,044,586.920**
Funds - common stock						
United Kingdom						
Funds - Common Stock BORDER TO COAST PE UK LISTED EQUITY A GBP ACC SEDOL : BDD86K3	0.00	GBP	801,026,053.420	800,952,227.720	1.12420000	900,513,489.250
Total United Kingdom	**0.00**		**801,026,053.420**	**800,952,227.720**		**900,513,489.250**

**Generated by Northern Trust from periodic data on 25 Oct 21*

Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Equities						
Total Funds - common stock	**0.00**		**801,026,053.420**	**800,952,227.720**		**900,513,489.250**
Unit trust equity						
Guernsey, Channel Islands						
Unit Trust Equity DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION SEDOL : 4A8UCZU	0.00	GBP	14,359,563.469	15,000,000.000	1.15110000	16,529,293.510
Total Guernsey, Channel Islands	**0.00**		**14,359,563.469**	**15,000,000.000**		**16,529,293.510**
Japan						
Unit Trust Equity SSGA MPF JAPAN EQUITY INDEX SEDOL : 001533W	0.00	GBP	48,440,992.757	89,842,364.060	2.37760000	115,173,304.380
Total Japan	**0.00**		**48,440,992.757**	**89,842,364.060**		**115,173,304.380**
Luxembourg						
Unit Trust Equity ABERDEEN STANDARD EUR PPTY GROWTH FD LP SEDOL : 8A8TB3U	0.00	EUR	324.970	21,282,170.990	136,870.72000000	38,231,019.410
Total Luxembourg	**0.00**		**324.970**	**21,282,170.990**		**38,231,019.410**
Pacific Region						
Unit Trust Equity SSGA MPF PAC BASIN EX-JAPAN INDEX SEDOL : 001532W	0.00	GBP	50,692,305.509	242,515,511.220	6.53510000	331,279,285.730
Total Pacific Region	**0.00**		**50,692,305.509**	**242,515,511.220**		**331,279,285.730**
United Kingdom						
Unit Trust Equity CANDOVER INVSTMNTS PLC GBP0.25 SEDOL : 0171315	0.00	GBP	60,000.000	323,674.020	0.00000000	0.000
Unit Trust Equity DARWIN LEISURE DEVELOPMENT FUND ACCUMULATION UNITS - D CLASS SEDOL :	0.00	GBP	15,000,000.000	15,000,000.000	1.19940000	17,991,000.000
Unit Trust Equity LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY SEDOL : 0521664	0.00	GBP	1,368,174.000	1,282,865.490	3.14107400	4,297,535.780
Unit Trust Equity MPF EUROPE EX UK SUB-FUND SEDOL : 4A8NH9U	0.00	GBP	15,402,552.970	97,836,405.640	8.17020000	125,841,938.280
Unit Trust Equity MPF N AMER EQTY SUB-FUND SEDOL : 1A8NH9U	0.00	GBP	2,621,178.211	24,012,835.230	14.14200000	37,068,702.260
Total United Kingdom	**0.00**		**34,451,905.181**	**138,455,780.380**		**185,199,176.320**
Total Unit trust equity	**0.00**		**147,945,091.886**	**507,095,826.650**		**686,412,079.350**
Total Equities	**0.00**		**977,180,550.316**	**1,334,157,214.080**		**1,608,970,155.520**

Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Real Estate					
Real estate					
Europe Region					
Real Estate CAPITAL DYNAMICS MID-MARKET DIRECT V CUSIP : 993RBZ993	0.00 EUR	9,000,000.010	7,837,110.210	1.32021470	10,212,901.190
Total Europe Region	**0.00**	**9,000,000.010**	**7,837,110.210**		**10,212,901.190**
United Kingdom					
Real Estate HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP CUSIP : 9936FD994	0.00 GBP	9,895,775.630	9,895,775.630	0.92665470	9,169,967.000
Real Estate HEARTHSTONE RESIDENTIAL FUND 2 CUSIP : 9942CJ992	0.00 GBP	2,784,729.000	2,784,729.000	0.99311570	2,765,558.090
Real Estate TEESSIDE PENSION FUND - DIRECT PROPERTY CUSIP : 9936HG995	0.00 GBP	280,289,446.350	280,289,446.350	1.02875800	288,350,010.250
Total United Kingdom	**0.00**	**292,969,950.980**	**292,969,950.980**		**300,285,535.340**
Total Real estate	**0.00**	**301,969,950.990**	**300,807,061.190**		**310,498,436.530**
Funds - real estate					
United Kingdom					
Funds - Real Estate DARWIN LEISURE PRO UNITS CLS 'C' SEDOL : B29MQ57	0.00 GBP	6,493,057.480	9,196,423.740	3.56250000	23,131,517.270
Funds - Real Estate DARWIN LEISURE PROPERTY FUND UNITS K GBP INC SEDOL : 4A9TBEU	0.00 GBP	15,000,000.000	15,000,000.000	1.02980000	15,447,000.000
Funds - Real Estate HERMES PROPERTY UT SEDOL : 0426219	0.00 GBP	663,638.000	720,122.990	6.96100000	4,619,584.120
Funds - Real Estate LEGAL AND GENERAL MANAGED PROPERTY FUND SEDOL : 004079W	0.00 GBP	108,263.760	385,000.000	59.35550000	6,426,049.610
Funds - Real Estate THREADNEEDLE PROP THREADNEEDLE PROP UNITTRST SEDOL : 0508667	0.00 GBP	12,750.000	1,527,939.200	295.09000000	3,762,397.500
Total United Kingdom	**0.00**	**22,277,709.240**	**26,829,485.930**		**53,386,548.500**
Total Funds - real estate	**0.00**	**22,277,709.240**	**26,829,485.930**		**53,386,548.500**
Total Real Estate	**0.00**	**324,247,660.230**	**327,636,547.120**		**363,884,985.030**

Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Venture Capital and Partnerships						
Partnerships						
Europe Region						
Partnerships ACCESS CAPITAL FUND INFRASTRUCTURE II - EUR CUSIP : 993QEX997	0.00	EUR	9,161,036.990	8,228,929.820	1.05401980	8,299,567.520
Partnerships ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE CUSIP : 993KDB999	0.00	EUR	9,641,403.330	8,451,604.190	0.88446600	7,329,653.600
Partnerships ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2) CUSIP : 993SRL995	0.00	EUR	1,635,000.000	1,469,070.920	0.69594190	978,031.400
Partnerships ACCESS CAPITAL, CO-INVESTMENT FUND BUY-OUT EUROPE II CUSIP : 993SRM993	0.00	EUR	3,800,000.000	3,305,355.620	1.06195340	3,468,575.180
Partnerships Darwin Bereavement Services Fund, Incomeunits CUSIP : 993XBG992	0.00	GBP	10,000,000.000	10,000,000.000	1.00000000	10,000,000.000
Total Europe Region	**0.00**		**34,237,440.320**	**31,454,960.550**		**30,075,827.700**
Global Region						
Partnerships CAPITAL DYNAMICS GLOBAL SECONDARIES V - GBP CUSIP : 993LJT992	0.00	GBP	8,541,365.000	8,541,365.000	1.92257440	16,421,409.690
Partnerships CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD CUSIP : 993BRL992	0.00	USD	17,102,130.030	12,862,040.290	1.60902070	20,408,408.160
Partnerships LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS2018/19 - GBP CUSIP : 993LRK992	0.00	GBP	3,700,000.000	3,700,000.000	1.16484730	4,309,935.010
Partnerships PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV CUSIP : 993FYQ994	0.00	USD	19,800,000.000	16,034,925.400	0.85540690	12,561,318.730
Partnerships UNIGESTION DIRECT II - EUR CUSIP : 993MTE992	0.00	EUR	2,047,196.600	1,835,877.800	1.20150820	2,114,211.090
Total Global Region	**0.00**		**51,190,691.630**	**42,974,208.490**		**55,815,282.680**
United Kingdom						
Partnerships ANCALA INFRASTRUCTURE FUND II SCSP CUSIP : 993FSE998	0.00	EUR	15,975,382.070	14,467,708.490	0.78241850	10,743,664.070
Partnerships BORDER TO COAST EMERGING MARKET HYBRID FUND - GBP CUSIP : 9942CC997	0.00	GBP	50,000,000.000	50,000,000.000	3.95094620	197,547,310.000
Partnerships BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A CUSIP : 993BRK994	0.00	GBP	1,530,000,000.000	1,530,000,000.000	1.14132610	1,746,228,933.000
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 1B CUSIP : 993U46998	0.00	USD	6,022,374.480	4,327,712.810	1.09731910	4,901,149.970
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 1C CUSIP : 993XGK998	0.00	GBP	2,517,184.430	2,517,184.430	0.99987880	2,516,879.350
Partnerships CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP CUSIP :	0.00	GBP	4,568,112.600	4,568,112.600	0.98190410	4,485,448.490
Partnerships CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp CUSIP : 993FP0991	0.00	GBP	9,136,225.210	9,136,225.210	0.99002300	9,045,073.090

Asset Detail - Customizable

Asset Subcategory

Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Venture Capital and Partnerships						
Partnerships						
United Kingdom						
Partnerships GRESHAM HOUSE BSI HOUSING FUND LP CUSIP : 993FP6998	0.00	GBP	8,011,878.570	8,011,878.570	1.02349480	8,200,116.050
Partnerships GRESHAM HOUSE BSI INFRASTRUCTURE LP CUSIP : 993FP5990	0.00	GBP	12,959,852.980	12,959,852.980	0.96393960	12,492,515.500
Partnerships HERMES GPE INNOVATION FUND CUSIP : 993NEB992	0.00	GBP	8,829,773.100	8,829,773.100	1.24049430	10,953,283.200
Partnerships INNISFREE PFI CONTINUATION FUND CUSIP : 9936FE992	0.00	GBP	8,672,972.000	8,672,972.000	1.13304600	9,826,876.230
Partnerships INNISFREE PFI SECONDARY FUND 2 CUSIP : 9936FF999	0.00	GBP	7,728,331.000	7,728,331.000	1.10874530	8,568,750.670
Partnerships THE MODEL T FINANCE COMPANY - GBP CUSIP : 993QJB990	0.00	GBP	19,999,950.000	19,999,950.000	1.00000000	19,999,950.000
Total United Kingdom	**0.00**		**1,684,422,036.440**	**1,681,219,701.190**		**2,045,509,949.620**
United States						
Partnerships BLACKROCK GLOBAL ENERGY AND POWER INFRASTRUCTURE FUND III CUSIP :	0.00	USD	9,257,488.000	7,253,034.470	0.56614030	3,886,999.850
Partnerships BLACKROCK GLOBAL RENEWABLE POWER FUND III CUSIP : 993QHY992	0.00	USD	1,481,686.000	1,123,851.560	0.92461560	1,016,049.090
Partnerships BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL CUSIP : 993FYK997	0.00	USD	2,234,270.000	1,740,627.650	1.00000000	1,657,039.840
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 1 CUSIP : 993FT4999	0.00	USD	35,479,559.780	27,318,640.040	0.69869910	18,385,087.560
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 1B CUSIP : 993KGJ999	0.00	USD	9,205,952.570	6,807,330.150	0.81025410	5,532,064.900
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 1C CUSIP : 9942A6992	0.00	GBP	2,146,389.270	2,146,389.270	0.98290630	2,109,699.540
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 1 CUSIP : 993FYP996	0.00	USD	50,371,861.310	37,595,781.930	1.08668350	40,596,478.980
Partnerships BRIDGES EVERGREEN TPF HOUSING CO-INVEST LP CUSIP : 993XEU998	0.00	GBP	360,633.330	360,633.330	0.91591090	330,308.000
Partnerships CROWN CO-INVEST OPPORTUNITIES III CUSIP : 993XBM999	0.00	USD	930,000.000	671,565.570	0.88636670	611,355.290
Partnerships CROWN GLOBAL OPPORTUNITIES VII CUSIP : 993FYN991	0.00	USD	12,280,000.000	9,402,604.100	1.31090860	11,939,003.390
Partnerships Crown Growth Opportunities Global III fund CUSIP : 993FYM993	0.00	USD	20,905,651.680	15,433,130.640	1.38861800	21,529,988.440
Partnerships FORESIGHT ENERGY INFRASTRUCTURE PARTNERS CUSIP : 993FS9999	0.00	USD	2,928,530.200	2,171,128.910	1.17324690	2,548,217.060
Partnerships LGT CAPITAL CROWN SECONDARIES SPECIAL OPPORTUNITIES II CUSIP : 993QEY995	0.00	USD	8,987,500.000	6,796,982.520	1.50452560	10,028,495.440

Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Venture Capital and Partnerships						
Partnerships						
United States						
Partnerships PANTHEON SENIOR DEBT SECONDARIES II CUSIP : 993UAP999	0.00	USD	6,367,323.000	4,676,290.270	0.97402240	4,599,632.370
Partnerships UNIGESTION SA CUSIP : 993FYL995	0.00	USD	7,944,005.610	5,925,979.840	1.47877700	8,712,434.480
Total United States	**0.00**		**170,880,850.750**	**129,423,970.250**		**133,482,854.230**
Total Partnerships	**0.00**		**1,940,731,019.140**	**1,885,072,840.480**		**2,264,883,914.230**
Total Venture Capital and Partnerships	**0.00**		**1,940,731,019.140**	**1,885,072,840.480**		**2,264,883,914.230**

Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Hedge Fund						
Hedge equity						
Global Region						
Hedge Equity IIF UK I LP CUSIP : 993FP3995	0.00	USD	48,996,260.800	37,445,803.320	0.97769540	35,527,431.080
Total Global Region	**0.00**		**48,996,260.800**	**37,445,803.320**		**35,527,431.080**
Total Hedge equity	**0.00**		**48,996,260.800**	**37,445,803.320**		**35,527,431.080**
Total Hedge Fund	**0.00**		**48,996,260.800**	**37,445,803.320**		**35,527,431.080**

◆ Asset Detail - Customizable

Asset Subcategory

Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
All Other					
Recoverable taxes					
Recoverable taxes GBP - British pound sterling	97,715.75	0.000	0.000	0.00000000	0.000
Recoverable taxes DKK - Danish krone	293,381.11	0.000	0.000	0.00000000	0.000
Recoverable taxes EUR - Euro	1,106,787.07	0.000	0.000	0.00000000	0.000
Recoverable taxes CHF - Swiss franc	2,145,012.05	0.000	0.000	0.00000000	0.000
Total	**3,642,895.98**	**0.000**	**0.000**		**0.000**
Total Recoverable taxes	**3,642,895.98**	**0.000**	**0.000**		**0.000**
Total All Other	**3,642,895.98**	**0.000**	**0.000**		**0.000**

Page 32

Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Cash and Cash Equivalents					
Cash					
Cash GBP - British pound sterling	0.00	322.840	322.840	1.00000000	322.840
Total	**0.00**	**322.840**	**322.840**		**322.840**
Total Cash	**0.00**	**322.840**	**322.840**		**322.840**
Invested cash					
Invested cash USD - United States dollar	0.00	2,743.000	2,743.000	1.00000000	2,743.000
Total	**0.00**	**2,743.000**	**2,743.000**		**2,743.000**
Total Invested cash	**0.00**	**2,743.000**	**2,743.000**		**2,743.000**
Cash (externally held)					
Cash (externally held) GBP - British pound sterling	0.00	537,405,951.870	537,405,951.870	1.00000000	537,405,951.870
Total	**0.00**	**537,405,951.870**	**537,405,951.870**		**537,405,951.870**
Total Cash (externally held)	**0.00**	**537,405,951.870**	**537,405,951.870**		**537,405,951.870**
Funds - short term investment					
Funds - Short Term Investment GBP - British pound sterling	0.00	1,010,000.000	1,010,000.000	1.00000000	1,010,000.000
Total	**0.00**	**1,010,000.000**	**1,010,000.000**		**1,010,000.000**
Total Funds - short term investment	**0.00**	**1,010,000.000**	**1,010,000.000**		**1,010,000.000**
Total Cash and Cash Equivalents	**0.00**	**538,419,017.710**	**538,419,017.710**		**538,419,017.710**
Report Total:	**3,642,895.98**	**3,829,574,508.196**	**4,122,731,422.710**		**4,811,685,503.570**

**Generated by Northern Trust from periodic data on 25 Oct 21*

Asset Detail - Customizable

Asset Subcategory

Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value

ASSET	BOOK COST	PRICE	MARKET VALUE	FUND %
GROWTH ASSETS				
UK EQUITIES				
BORDER TO COAST PE UK LISTED EQUITY A GBP ACC	800,952,227.72	1.12	900,513,489.25	18.49%
AFREN ORD GBP0.01	1,089,449.06	0.02	17,850.00	0.00%
CARILLION ORD GBP0.50	0.00	0.14	61,968.80	0.00%
CANDOVER INVSTMNTS PLC GBP0.25	323,674.02	0.00	0.00	0.00%
NEW WORLD RESOURCE ORD EUR0.0004 A	1,294,544.76	0.00	375.00	0.00%
TOTAL UK EQUITIES			**900,593,683.05**	**18.49%**
OVERSEAS EQUITIES				
YOUNG AUSTRALIAN MINES LTD	287,505.65	0.07	8,331.64	0.00%
MEJORITY CAPITAL NPV (FINEXIA FINL GROUP)	0.00	0.07	16.62	0.00%
BGP HOLDINGS PLC BENEFICIAL INTEREST SHSNPV	0.00	0.00	0.00	0.00%
SSGA MPF PAC BASIN EX-JAPAN INDEX	242,515,511.22	6.54	331,279,285.73	6.80%
SSGA MPF JAPAN EQUITY INDEX	89,842,364.06	2.38	115,173,304.38	2.36%
MPF EUROPE EX UK SUB-FUND	97,836,405.64	8.17	125,841,938.28	2.58%
MPF N AMER EQTY SUB-FUND	24,012,835.23	14.14	37,068,702.26	0.76%
BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A	1,530,000,000.00	1.14	1,746,228,933.00	35.85%
BORDER TO COAST EMERGING MARKET HYBRID FUND	200,000,000.00	3.95	197,547,310.00	4.06%
TOTAL OVERSEAS EQUITIES			**2,553,147,821.91**	**52.42%**
TOTAL EQUITIES			**3,453,741,504.96**	**70.91%**
PRIVATE EQUITY				
CAPITAL DYNAMICS LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS 18/19	3,700,000.00	1.16	4,309,935.01	0.09%
CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD	12,862,040.29	1.61	20,408,408.16	0.42%
CROWN CO INVESTMENT OPPORTUNITIES III	671,565.57	0.89	611,355.29	0.01%
CROWN SECONDARIES SPECIAL OPPORTUNITIES II	6,796,982.52	1.50	10,028,495.44	0.21%
UNIGESTION SA	5,925,979.84	1.48	8,712,434.48	0.18%
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV	16,034,925.40	0.86	22,714,101.86	0.47%
CROWN GLOBAL OPPORTUNITIES VII	9,402,604.10	1.31	11,939,003.39	0.25%
CROWN GROWTH GLOBAL OPPORTUNITIES III	15,433,130.64	1.39	21,529,988.44	0.44%
BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL	1,740,627.65	1.00	10,825,086.16	0.22%

BORDER TO COAST PRIVATE EQUITY SERIES 1A	37,595,781.93	1.09	44,007,025.00	0.90%
BORDER TO COAST PRIVATE EQUITY SERIES 1B	4,327,712.81	1.10	4,901,149.97	0.10%
BORDER TO COAST PRIVATE EQUITY SERIES 1C	2,517,184.43	1.00	2,516,879.35	0.05%
UNIGESTION DIRECT II	1,835,877.80	1.20	2,114,211.09	0.04%
ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE	8,451,604.19	0.88	7,329,653.60	0.15%
ACCESS CAPITAL CO INVESTMENT FUND BUY OUT EUROPE II	3,305,355.62	1.06	3,468,575.18	0.07%
HERMES GPE INNOVATION FUND	8,829,773.10	1.24	10,953,283.20	0.22%
CAPITAL DYNAMICS GLOBAL SECONDARIES V	8,541,365.00	1.92	16,421,409.69	0.34%
CAPITAL MID-MARKET DIRECT V	7,837,110.21	1.32	10,212,901.19	0.21%
PRIVATE EQUITY			**213,003,896.50**	**4.37%**
THE MODEL T FINANCE COMPANY	19,999,950.00	1.00	19,999,950.00	0.41%
PRIVATE EQUITY - LOCAL INVESTMENTS			**19,999,950.00**	**0.41%**
TOTAL PRIVATE EQUITY			**233,003,846.50**	**4.78%**

OTHER ALTERNATIVES

AMEDEO AIR FOUR PLUS LTD	6,114,034.80	0.24	1,566,666.51	0.03%
DARWIN LEISURE PRO UNITS CLS 'C'	9,196,423.74	3.56	23,131,517.27	0.47%
DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION	15,000,000.00	1.15	16,529,293.51	0.34%
DARWIN BEREAVEMENT SERVICES FUND, INCOME UNITS	10,000,000.00	1.00	10,000,000.00	0.21%
DARWIN LEISURE DEVELOPMENT FUND ACCUMULATION UNITS - D CLASS	15,000,000.00	1.20	17,991,000.00	0.37%
DARWIN LEISURE PROPERTY FUND, K INCOME UNITS	15,000,000.00	1.03	15,447,000.00	0.32%
HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP	9,895,775.63	0.93	9,169,967.00	0.19%
HEARTHSTONE RESIDENTIAL FUND 2	2,784,729.00	0.99	2,765,558.09	0.06%
GRESHAM HOUSE BSI HOUSING LP	8,011,878.57	1.02	8,200,116.05	0.17%
PANTHEON SENIOR DEBT SECONDARIES II	4,676,290.27	0.97	4,599,632.37	0.09%
LA SALLE REAL ESTATE DEBT STRATEGIES IV	678,543.75	1.00	678,543.75	0.01%
OTHER ALTERNATIVES			**110,079,294.55**	**2.26%**
BRIDGES EVERGREEN TPF HOUSING CO-INVESTMENT LP	360,633.33	0.92	330,308.00	0.01%
OTHER ALTERNATIVES - LOCAL INVESTMENTS			**330,308.00**	**0.01%**
TOTAL OTHER ALTERNATIVES			**110,409,602.55**	**2.27%**

PROPERTY

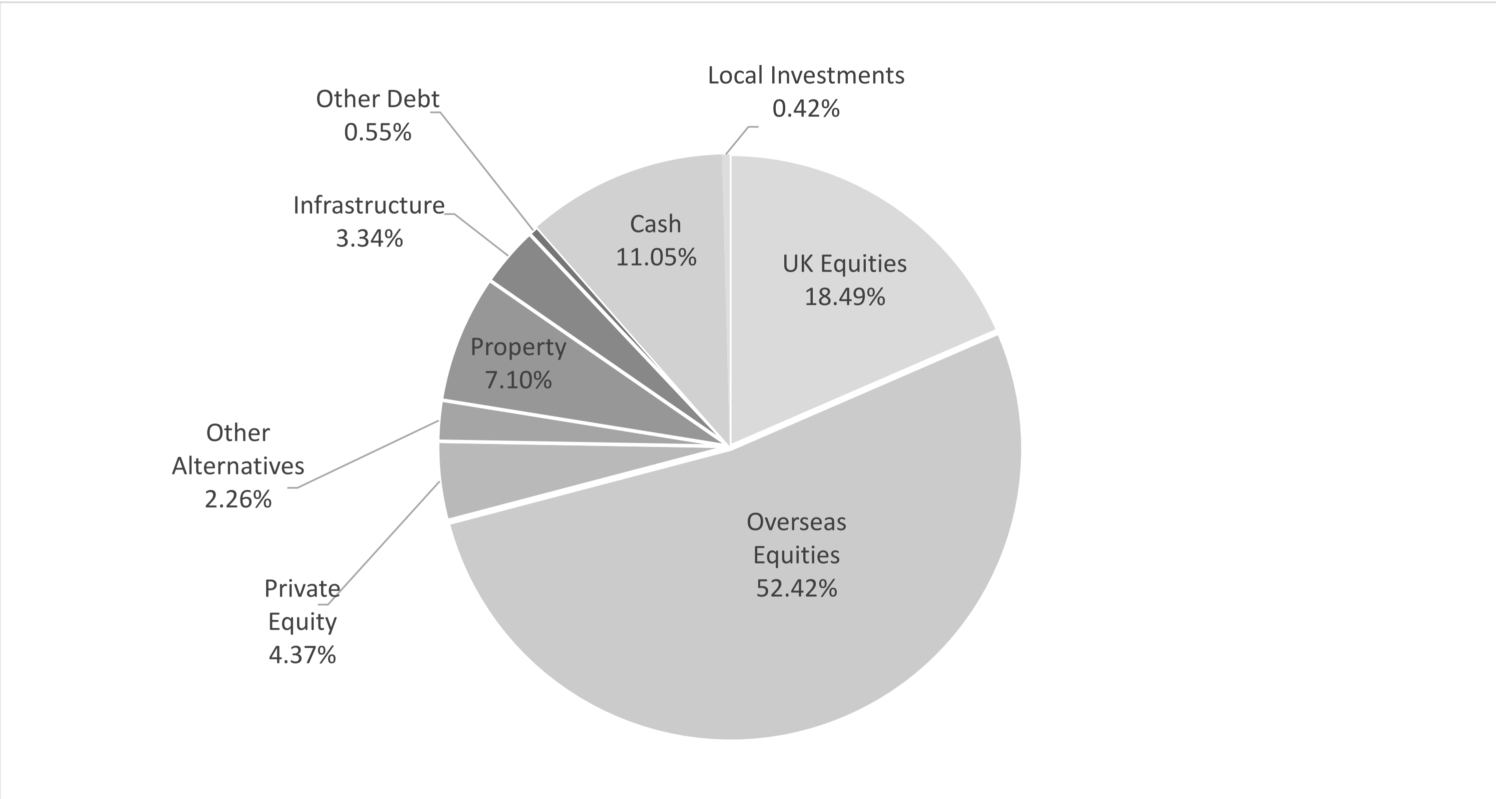
DIRECT PROPERTY

TEESSIDE PENSION FUND - DIRECT PROPERTY	280,289,446.35	1.03	288,350,010.25	5.92%
TOTAL DIRECT PROPERTY			**288,350,010.25**	**5.92%**
PROPERTY UNIT TRUSTS				
ABERDEEN STANDARD LIFE EUROPEAN PROPERTY GROWTH FUND	21,282,170.99	136,870.72	38,231,019.41	0.78%
LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY	1,282,865.49	3.14	4,297,535.78	0.09%
HERMES PROPERTY PUT	720,122.99	6.96	4,619,584.12	0.09%
THREADNEEDLE PROP PROPERTY GBP DIS	1,527,939.20	295.09	3,762,397.50	0.08%
LEGAL AND GENERAL MANAGED PROPERTY FUND	385,000.00	59.36	6,426,049.61	0.13%
TOTAL PROPERTY UNIT TRUSTS			**57,336,586.42**	**1.18%**
TOTAL PROPERTY			**345,686,596.67**	**7.10%**
PROTECTION ASSETS				
INFRASTRUCTURE				
ACIF INFRASTRUCTURE FUND LP	17,323,625.44	1.22	20,389,378.35	0.42%
ACCESS CAPITAL FUND INFRASTRUCTURE II	8,228,929.82	1.05	8,299,567.52	0.17%
ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2)	1,469,070.92	0.70	978,031.40	0.02%
INNISFREE PFI CONTINUATION FUND	8,672,972.00	1.13	9,826,876.23	0.20%
INNISFREE PFI SECONDARY FUND 2	7,728,331.00	1.11	8,568,750.67	0.18%
BORDER TO COAST INFRASTRUCTURE SERIES 1A	27,318,640.04	0.70	27,142,473.00	0.56%
BORDER TO COAST INFRASTRUCTURE SERIES 1B	6,807,330.15	0.81	5,532,064.90	0.11%
BORDER TO COAST INFRASTRUCTURE SERIES 1C	2,146,389.27	0.98	2,109,699.54	0.04%
BLACKROCK GLOBAL ENERGY & POWER INFRASTRUCTURE FUND III	7,253,034.47	0.57	3,886,999.85	0.08%
BLACKROCK GLOBAL RENEWABLE POWER FUND III	1,123,851.56	0.92	1,016,049.09	0.02%
CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP	4,568,112.60	0.98	4,485,448.49	0.09%
CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp	9,136,225.21	0.99	9,045,073.09	0.19%
IIF UK I LP	37,445,803.32	0.98	35,527,431.08	0.73%
ANCALA INFRASTRUCTURE FUND II SCSP	14,467,708.49	0.78	10,743,664.07	0.22%
FORESIGHT ENERGY INFRASTRUCTURE PARTNERS	2,171,128.91	1.17	2,548,217.06	0.05%
GRESHAM HOUSE BSI INFRASTRUCTURE LP	12,959,852.98	0.96	12,492,515.50	0.26%
TOTAL INFRASTRUCTURE			**162,592,239.84**	**3.34%**
OTHER DEBT				
INSIGHT IIFIG SECURED FINANCE II FUND	25,000,000.00	1.00	25,000,000.00	0.51%

GRAFTONGATE INVESTMENTS LTD (LEONARDO)	1,939,175.19	1.00	1,939,175.19	0.04%
TOTAL OTHER DEBT			**26,939,175.19**	**0.55%**
CASH				
	322.84	1.00	322.84	0.00%
	2,743.00	1.00	2,743.00	0.00%
	1,010,000.00	1.00	1,010,000.00	0.02%
CUSTODIAN CASH			**1,013,065.84**	**0.02%**
INVESTED CASH	537,405,951.87	1.00	**537,405,951.87**	**11.03%**
TOTAL CASH			**538,419,017.71**	**11.05%**
TOTAL FUND VALUE - 30TH SEPTEMBER 2021			**4,870,791,983.42**	**100%**

Market Value timing differences included in valuation above	**Market Value**
Private Equity	
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV	10,152,783.13
BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL	9,168,046.32
BORDER TO COAST PRIVATE EQUITY SERIES 1A	3,410,546.02
	22,731,375.47
Other Alternatives	
LA SALLE REAL ESTATE DEBT STRATEGIES IV	678,543.75
	678,543.75
Infrastructure	
BORDER TO COAST INFRASTRUCTURE SERIES 1A	8,757,385.44
	8,757,385.44
Other Debt	
INSIGHT IIFIG SECURED FINANCE II FUND	25,000,000.00
GRAFTONGATE INVESTMENTS LTD (LEONARDO)	1,939,175.19
	26,939,175.19
Total	**59,106,479.85**

Asset Allocation Summary		**Actual**	**Benchmark**
UK Equities	900,593,683.05	18.49%	12%
Overseas Equities	2,553,147,821.91	52.42%	53%
Private Equity	213,003,896.50	4.37%	3%
Other Alternatives	110,079,294.55	2.26%	3%
Property	345,686,596.67	7.10%	7%
Infrastructure	162,592,239.84	3.34%	8%
Other Debt	26,939,175.19	0.55%	4%
Cash & Bonds	538,419,017.71	11.05%	10%
Local Investments - Private Equity & Other Alternatives	20,330,258.00	0.42%	0%
	4,870,791,983.42	100.00%	100%



This page is intentionally left blank

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 6

PENSION FUND COMMITTEE REPORT

15 DECEMBER 2021

DIRECTOR OF FINANCE – IAN WRIGHT

EXTERNAL MANAGERS' REPORTS

1. PURPOSE OF THE REPORT

1.1 To provide Members with Quarterly investment reports in respect of funds invested externally with Border to Coast Pensions Partnership Limited ('Border to Coast') and with State Street Global Advisers ('State Street')

2. **RECOMMENDATION**

2.1 That Members note the report.

3. **FINANCIAL IMPLICATIONS**

3.1 Any decisions taken by Members, in light of information contained within this report, will have an impact on the performance of the Fund.

4. **PERFORMANCE**

4.1 As at 30 September 2021 the Fund had investments in the following three Border to Coast listed equity sub-funds:

- The Border to Coast UK Listed Equity Fund, which has an active UK equity portfolio aiming to produce long term returns of at least 1% above the FTSE All Share index.
- The Border to Coast Overseas Developed Markets Equity Fund, which has an active overseas equity portfolio aiming to produce total returns of at least 1% above the total return of the benchmark (40% S&P 500, 30% FTSE Developed Europe ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan).
- The Border to Coast Emerging Markets Equity Fund, which has an active emerging markets equity portfolio aiming to produce long term returns at least 1% above the FTSE Emerging markets indices. Part of the Fund is managed externally (for Chinese equities) by FountainCap and UBS, and part managed internally (for all emerging markets equities excluding China) by the team at Border to Coast.

For all three sub-funds the return target is an annual amount, expected to be delivered over rolling 3 year periods, before calculation of the management fee.

The Fund also has investments in the Border to Coast Private Equity sub-fund and the Border to Coast Infrastructure sub-fund. Total commitments of £50 million were made to each of these sub-funds for 2020/21, in addition to £100 million commitments to each sub-fund in 2019/20. These investments are not reflected within the Border to Coast report (at Appendix A).

4.2 The Border to Coast report shows the market value of the portfolio as at 30 September 2021 and the investment performance over the preceding quarter, year, and since the Fund's investments began. Border to Coast has also provided additional information within an appendix to that report in relation to the Overseas Developed Markets Equity Fund, giving a breakdown of key drivers of and detractors from performance in relation to each of its four regional elements. Market background information and an update of some news items related to Border to Coast are also included. Border to Coast's UK Listed Equity and Overseas Developed Markets Equity performance are broadly in line with target since inception. The performance of the Emerging Markets Equity Fund was above benchmark (but below target) in the last quarter, however the Fund's investments only began earlier this year and it is too early to draw any meaningful conclusions from such a short investment period.

4.3 State Street has a passive global equity portfolio invested across four different region tracking indices appropriate to each region. The State Street report (at Appendix B) shows the market value of the State Street passive equity portfolio and the proportions invested in each region as at 30 September 2021. Performance figures are also shown in the report over a number of time periods and from inception – the date the Fund started investing passively with State Street in that region: for Japan and Asia Pacific ex Japan the inception date is 1 June 2001, as the Fund has been investing a small proportion of its assets in these regions passively for since then; for North America and Europe ex UK the inception date was in September 2018 so performance figures only cover around two and three quarter years as this represents a comparatively new investment for the Fund. The nature of passive investment – where an index is closely tracked in an automated or semi-automated way – means deviation from the index should always be low.

4.4 State Street continues to include additional information with their report this quarter, giving details of how the portfolio compares to the benchmark in terms of environmental, social and governance factors including separate sections on climate and stewardship issues. As the State Street investments are passive and closely track the appropriate regional equity indices, the portfolio's rating in these terms closely matches the benchmark indices ratings.

4.5 Members will be aware that the Fund holds equity investments over the long term, and performance can only realistic be judged over a significantly longer time-frame than a single quarter. However, it is important to monitor investment performance regularly and to understand the reasons behind any under of over performance against benchmarks and targets.

5. RECENT CHANGES TO STATE STREET'S BENCHMARKS – EXCLUSION OF CERTAIN COMPANIES

5.1 As reported to the 9 December 2020 Pension Fund Committee meeting, State Street advised investors in a number of its passively-invested funds, including the four State Street equity funds the Fund invests in, that is decided to exclude UN Global Compact violators and controversial weapons companies from those funds and the indices they track.

5.2 The Ten Principles of the United Nations Global Compact (derived from the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption) are as follows (shown against four sub-categories):

<u>Human Rights</u>
- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

<u>Labour</u>
- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

<u>Environment</u>
- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

<u>Anti-Corruption</u>
- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

5.3 As was previously reported, for the four State Street funds the Fund is invested in the combined effect of applying this change to benchmarks excluded around 3.6% by value of the companies / securities across the regions.

5.4 The latest report shows performance of the State Street funds against the revised indices – excluding controversies (UN Global Compact violators) and excluding companies that manufacture controversial weapons. As expected for a passive fund, performance closely matches the performance of the respective indices.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040

This page is intentionally left blank

Appendix A

Teesside Pension Fund

Quarterly Investment Report - Q3 2021

Contents

Note
1) Border to Coast

Executive Summary

Overall Value of Teesside Pension Fund

Value at start of the quarter	£2,945,506,082
Inflows	£0
Outflows	£(155,000,000)
Net Inflows / Outflows	£(155,000,000)
Realised / Unrealised gain or loss	£39,161,352
Value at end of the quarter	£2,829,667,434

Over Q3 2021, Teesside's holdings performed as follows:

- The UK Listed Equity Fund underperformed its benchmark by 0.19%
- The Overseas Developed Markets Equity Fund outperformed its benchmark by 0.56%
- The Emerging Markets Equity Fund outperformed its benchmark by 0.21%

Teesside made redemptions totalling £155,000,000 from the UK Listed Equity Fund during Q3 2021.

Note
1) Source: Northern Trust
2) Performance start dates of 26/07/2018 for the UK Listed Equity Fund and 17/10/2018 for the Overseas Developed Equity Fund. Performance start date of 18/05/2021 for the overall Emerging Markets Equity Fund with performance start date of the underlying managers being 29/04/2021 following the restructure of the Fund.
3) Returns for periods greater than one year are annualised
4) Past performance is not an indication of future performance and the value of investments can fall as well as rise.
5) Inflows and Outflows values may include income.

Portfolio Analysis - Teesside Pension Fund
at 30 September 2021

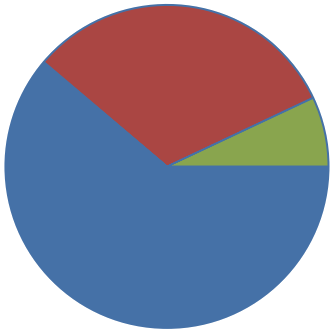
Funds Held

Fund	Market Index	Market Value (£)	Value (%)
Border to Coast UK Listed Equity	FTSE All Share GBP	900,513,489.25	31.82
Border to Coast Overseas Dev Markets	40% S&P 500, 30% FTSE Developed Europe Ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan	1,731,999,632.57	61.21
Border to Coast Emerging Equity Fund	EM Equity Fund Benchmark³	197,154,312.28	6.97

Available Fund Range

Fund
Border to Coast UK Listed Equity
Border to Coast Overseas Dev Markets
Border to Coast Emerging Markets Equity
Border to Coast UK Listed Equity Alpha
Border to Coast Global Equity Alpha
Border to Coast Sterling Inv Grade Credit
Border to Coast Sterling Index-Linked Bond

Teesside Pension Fund - Fund Breakdown



Border to Coast Overseas Dev Markets 61.21% £1,731,999,632.57
Border to Coast UK Listed Equity 31.82% £900,513,489.25
Border to Coast Emerging Equity Fund 6.97% £197,154,312.28

Note
1) Source: Northern Trust

Portfolio Contribution - Teesside Pension Fund at 30 September 2021

Fund	Portfolio weight (%)	Fund return (net) over the quarter (%)	Benchmark return over the quarter (%)	Excess return (%)	Contribution to performance over the quarter (%)
Border to Coast UK Listed Equity	31.82	2.04	2.23	(0.19)	0.72
Border to Coast Overseas Dev Markets	61.21	1.58	1.02	0.56	0.90
Border to Coast Emerging Equity Fund	6.97	(4.26)	(4.47)	0.21	(0.30)
Total	**100.00**	**1.31**			

The UK Listed Equity Fund returned 2.04% over the quarter, which was 0.19% behind the FTSE All Share Index.
The Overseas Developed Markets Equity Fund returned 1.58% over the quarter, which was 0.56% ahead of the composite benchmark.
The Emerging Markets Equity Fund returned -4.26% over the quarter, which was 0.21% ahead of the FTSE Emerging Markets.

Overall, Teesside's investments with Border to Coast returned 1.31% during Q3 2021.

Note
1) Source: Northern Trust & Border to Coast

Valuation Summary
at 30 September 2021

Fund	Market value at start of the quarter GBP (mid)	Total weight (%)	Strategy weight (%)	Inflows (GBP)	Outflows (GBP)	Realised / unrealised gain or loss	Market value at end of the quarter GBP (mid)	Total weight (%)	Strategy weight (%)
Border to Coast UK Listed Equity	1,034,586,789.32	35.12			155,000,000.00	20,926,699.93	900,513,489.25	31.82	
Border to Coast Overseas Dev Markets	1,704,988,011.21	57.88				27,011,621.36	1,731,999,632.57	61.21	
Border to Coast Emerging Markets Equity	205,931,281.66	6.99				(8,776,969.38)	197,154,312.28	6.97	
Total	**2,945,506,082.19**	**100.00**			**155,000,000.00**	**39,161,351.91**	**2,829,667,434.10**	**100.00**	

Note
1) Source: Northern Trust
2) Values do not always sum due to rounding
3) Inflows and Outflows values may include income.

Summary of Performance - Funds (Net of Fees) Teesside Pension Fund
at 30 September 2021

	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
Fund	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**
Border to Coast UK Listed Equity	3.42	2.57	0.85	2.05	2.23	(0.17)	26.65	27.89	(1.25)	3.87	3.08	0.79	--	--	--
Border to Coast Overseas Dev Markets	11.31	10.25	1.06	1.58	1.02	0.56	22.77	22.31	0.46	11.26	10.26	1.00	--	--	--
Border to Coast Emerging Markets Equity	8.15	10.07	(1.92)	(4.26)	(4.47)	0.21	13.64	13.54	0.10	--	--	--	--	--	--

Note
1) Source: Northern Trust
2) Values do not always sum due to rounding
3) Performance start date of 26/07/2018 for the UK Listed Equity Fund and 17/10/2018 for the Overseas Developed Equity Fund. Performance start date of 18/05/2021 for the overall Emerging Markets Equity Fund with performance start date of the underlying managers being 29/04/2021 following the restructure of the Fund.
4) Performance is net of ACS charges such as depository and audit fees. Investment management fees have not been included in the performance calculations.
5) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

Summary of Performance - Funds (Gross of Fees) Teesside Pension Fund
at 30 September 2021

	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
Fund	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Border to Coast UK Listed Equity	3.43	2.57	0.86	2.06	2.23	(0.17)	26.65	27.89	(1.24)	3.88	3.08	0.80	--	--	--
Border to Coast Overseas Dev Markets	11.32	10.25	1.08	1.58	1.02	0.56	22.78	22.31	0.47	11.27	10.26	1.01	--	--	--
Border to Coast Emerging Markets Equity	8.25	10.07	(1.83)	(4.18)	(4.47)	0.29	13.87	13.54	0.33	--	--	--	--	--	--

Note
1) Source: Northern Trust
2) Values do not always sum due to rounding
3) Performance start dates of 26/07/2018 for the UK Listed Equity Fund and 17/10/2018 for the Overseas Developed Equity Fund. Performance start date of 18/05/2021 for the overall Emerging Markets Equity Fund with performance start date of the underlying managers being 29/04/2021 following the restructure of the Fund.
4) The performance shown above does not include the costs of operating the ACS such as the investment management, depository and audit fees.
5) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

Border To Coast UK Listed Equity Fund - Overview at 30 September 2021

UK Listed Equity Fund

The Fund generated a total return of 2.05% during the quarter compared to the benchmark return of 2.23% resulting in 0.17% of underperformance.

The UK lagged broader global market indices by a small margin during the quarter. Continued progress with the vaccine roll-out along with increasing evidence of its efficacy in combating the worst effects of the virus helped the government adopt a more relaxed posture towards the spread of the Delta-plus variant than headline infection rates would previously have prompted. In addition, the extension of stimulus measures ensured the economic recovery remained robust and prevented continued friction from the settling of lingering Brexit issues and broader global supply chain problems from having too great a dampening effect. The relatively high index representation of the Energy sector helped offset the similarly large exposure to Materials, allowing the strong performance of the Financials sector (the largest sector) to ensure a small positive return overall.

Positive performance derived from the following factors:

- Strong stock selection in Energy (overweight Shell, Cairn Energy and underweight BP) as energy prices have recovered with the re-opening of the global economy;
- Overweight position in UK Small Cap collectives which have continued to outperform as the domestic economy re-opens; and
- Overweight Consumer Staples alongside strong stock selection (overweight Morrisons, Ocado not held, partly offset by overweight AB Foods).

This was offset by:

- Stock selection in Healthcare (overweight Smith & Nephew; Dechra Pharma and Indivior not held);
- Underweight Real Estate (Segro not held) with logistics real estate continuing to perform strongly; and
- Underweight Financial Services alongside negative stock selection (Scottish Mortgage Investment Trust not held, overweight Biotech Growth Trust).

The portfolio’s risk profile has been gradually increased as concerns over Brexit have receded and the recovery from COVID-related economic weakness becomes clearer. This has most visibly been represented by an increase in the size of the portfolio’s exposure to mid-cap companies (generally those present in the FTSE 250 index). The international backdrop remains clouded by an uncertain outlook in China, fading rate of growth in the US, and the prospect of another winter with COVID. In addition, although Brexit is now at least notionally resolved, the impact on specific sectors and companies will only become clear over time and there are several elements of the Brexit deal, not least the Northern Ireland Protocol, that remain a source of tension.

The portfolio managers have increased exposure to more cyclical, value-oriented stocks in acknowledgement of the shifting balance of risks and to add to favoured companies at lower valuations. This has largely helped protect performance as these segments have led the market in recent months. The Fund will continue to focus on long term fundamentals with a bias towards quality companies with strong balance sheets, earnings, and income visibility.

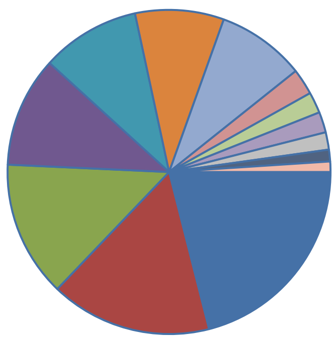
Note
1) Source: Border to Coast

Border To Coast UK Listed Equity Fund at 30 September 2021

Largest Relative Over/Underweight Sector Positions (%)

Common Stock Funds	+2.06
Consumer Staples	+1.15
Industrials	+0.50
Energy	+0.41
Telecommunications	+0.09
Consumer Discretionary	-1.48
Financials	-1.48
Real Estate	-1.42
Technology	-0.56
Utilities	-0.33

Sector Portfolio Breakdown



Note
1) Source: Northern Trust

UK Listed Equity Fund

The Border to Coast UK Listed Equity Fund aims to provide a total return (income and capital) which outperforms the total return of the FTSE All Share Index by at least 1% per annum over rolling 3 year periods (before calculation of the management fee).

The majority of the Fund's performance will arise from stock selection decisions.

Sector Weights:

Common Stock Funds (o/w) – exposure to UK smaller-cap companies via specialist funds/collective vehicles with long-term track records of outperformance.

Consumer Staples (o/w) – broad mix of food and beverage producers together with food retailers which collectively offer strong cash generation, robust balance sheets and have benefited from resilient trading throughout the pandemic.

Industrials (o/w) – broad mix of companies typically with significant global market positions, benefitting from the post-pandemic global economic re-opening and rising infrastructure expenditure.

Consumer Discretionary (u/w) – bricks and mortar non-food retail structurally challenged by increasing online penetration and high occupancy costs, exacerbated by extended shut down of high street stores and leisure sites in response to the COVID-19 pandemic. Delayed relaxation of international travel restrictions has left travel sector balance sheets carrying significantly higher levels of debt, with an unclear longer-term impact on business travel.

Financials (u/w) – predominantly due to being underweight investment trusts and Asian-focused banks (US-China relations remain strained), partly offset by overweight positions in Insurers and Wealth Managers as they are expected to benefit from the long-term increase in Asian and Emerging Market wealth.

Real Estate (u/w) – concerns around retail/leisure sector exposure including vacancy rates, rent re-negotiations and accumulated rent arrears, together with uncertainty around the on-going impact of COVID-19 and continuation of home/flexible working on the long-term demand for office space.

Border To Coast UK Listed Equity Fund Attribution at 30 September 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Ultra Electronics	0.30	41.85	0.09	42.02	0.11
Ocado	0.00	0.00	0.33	(17.00)	0.08
Royal Dutch Shell B	3.02	19.26	2.52	19.31	0.08
Impax Environmental Markets	1.04	10.35	0.06	10.28	0.07
IP Group	0.41	20.29	0.06	20.72	0.06

Ultra Electronics (o/w) – the Board recommended acceptance of an all-cash bid from Cobham, owned by US buyout firm, Advent.

Ocado (u/w) – capacity constraints continue to hold back revenue growth, with recovery from the impact of a fire at a key distribution centre taking longer than anticipated.

Royal Dutch Shell B (o/w) – strong energy prices during the quarter driven by recovering global economic activity, alongside constrained supply growth and lower natural gas reserves ahead of northern hemisphere winter. The agreement to sell its US Permian Basin assets to ConocoPhillips and associated carbon emissions reduction was well received, with the majority of proceeds to be returned to shareholders.

Impax Environmental Markets (o/w) – environmentally-focussed energy and water efficiency fund which has continued to benefit from strong Net Asset Value appreciation, compounded by the shares extending their Net Asset Value premium during the quarter.

IP Group (o/w) – the intellectual property commercialisation company reported strong portfolio valuation gains during the quarter, particularly from the largest portfolio holding Oxford Nanopore, as it announced its intention to list.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund Attribution Continued at 30 September 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Glencore	0.88	15.90	1.92	16.26	(0.12)
Biotech Growth Trust	0.52	(14.05)	0.02	(14.35)	(0.10)
Meggitt	0.00	0.00	0.24	60.10	(0.08)
Entain	0.00	0.00	0.51	22.03	(0.08)
Associated British Foods	0.54	(16.09)	0.27	(16.06)	(0.06)

Glencore (u/w) – a diversified mining company continuing to benefit from broad based commodity strength (such as copper, nickel, zinc and coal) supporting strong cash flow and balance sheet deleveraging.

Biotech Growth Trust (o/w) – the wider healthcare sector is weak in the post-pandemic recovery period alongside an ongoing US political debate on healthcare reform. The Fund is biased towards smaller biotech companies which have underperformed.

Meggitt (u/w) – the aerospace manufacturer accepted an all-cash bid at c. 70% premium to its prevailing share price from US industrial company Parker-Hannifin.

Entain (u/w) – the company confirmed receipt of an improved bid from US peer DraftKings with speculation that the company is interested in Entain’s non-US assets. MGM Resorts are also potentially looking to buy out its existing US joint venture with Entain.

Associated British Foods (o/w) – sales figures for retail division Primark remain below pre-COVID levels, impacted by lockdowns and absence of an online presence, and new space growth targets disappointed.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund at 30 September 2021

Largest Relative Over/Underweight Stock Positions (%)

Schroder UK Smaller Companies Fund	+1.08
Impax Environmental Markets	+0.98
Liontrust UK Smaller Companies	+0.98
Antofagasta	+0.68
Lloyds Banking Group	+0.59
Glencore	-1.04
Scottish Mortgage Investment Trust	-0.84
SEGRO	-0.59
Entain	-0.51
3I Group plc	-0.50

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Schroder UK Smaller Companies Fund – UK small-cap stocks have continued to outperform larger-cap stocks as the UK domestic economy re-opens on vaccine progress. Proprietary ESG scoring systems and significant direct ESG engagement.

Impax Environmental Markets – leading ESG-focused fund delivering strong long-term outperformance, specialising in alternative energy, energy efficiency, water treatment, pollution control and waste technology.

Liontrust UK Smaller Companies – focussed on intellectual property, strong distribution channels and durable competitive advantage. They place a strong emphasis on sustainable investment and undertake extensive ESG engagement and reporting.

Antofagasta – the company operates at the lower end of the cost curve and benefits from attractive long-term demand for copper, driven by electric vehicles, transition to renewable energy and global infrastructure investment.

Lloyds Banking Group – well capitalised exposure to the re-opening UK domestic economy with strong market position in mortgages and lending, with the weighting reflecting a zero holding in NatWest given the UK government controlling shareholding.

Bottom 5 Holdings Relative to Benchmark:

Glencore – historically a higher risk commodity company with significant operations in geographies with weaker governance; ongoing corruption investigations including US Department of Justice and UK Serious Fraud Office into allegations of bribery. We initiated a position earlier in the year due to signs of improvements of governance.

Scottish Mortgage Investment Trust – investment trust with a focus on global large-cap technology; the Fund has a preference for Allianz Technology Trust with a similar investment focus.

SEGRO – a real estate holding company focussed on logistics and industrial units across Europe; Fund had similar UK exposure through St Modwen until it recently agreed to be acquired by private equity firm Blackstone.

Entain – Fund has similar exposure and preference for Flutter with its greater market share in the rapidly expanding US online sports betting and gaming market.

3I Group plc – a global private equity investor but with a highly concentrated investment portfolio, with nearly half the current net asset value invested in a single asset - Action, a European discount retailer.

Major transactions during the Quarter

Purchases:

Glencore (£16.2m) – reducing underweight position on valuation grounds - switching from BHP Group and Anglo American.

Sales:

BHP Billiton (£24.8m) – part reduction of large benchmark holding to contribute towards investor redemption and part switch into Glencore on relative valuation grounds.

Border To Coast Overseas Developed Markets Equity Fund - Overview at 30 September 2021

Overseas Developed Markets Fund

The Fund generated a total return of 1.58% during the quarter compared to the composite benchmark return of 1.02% resulting in outperformance of 0.56%. Japan was the strongest market (6.83%) while Asia Pacific Ex-Japan markets were, in aggregate, the weakest (-5.09%). The Asia Pacific Ex-Japan portfolio slightly lagged its benchmark during the quarter, but the other 3 portfolios outperformed their respective benchmarks ensuring a positive outcome for the quarter.

The Fund has continued to benefit from ongoing strength in equity markets supported by extensive monetary and fiscal stimulus. Markets have also been buoyed by vaccines significantly improving the outcomes for individuals with COVID-19, thus reducing the need for containment measure and allowing monetary and fiscal stimuli to ensure most economies are experiencing V-shaped recoveries. Supply problems – whether due to lack of goods or logistical problems in getting them from supplier to end-markets – have caused disruptions to the recovery, and the recent spike in energy prices also threatens to have an impact on economies as we move into the fourth quarter, giving investors reason to be a little cautious.

The Fund has outperformed due to the following:

- Strong stock selection in Japan and the US, particularly within Industrials and Healthcare;
- Positive allocation in Europe, being overweight Energy and Technology but underweight Real Estate, Utilities and Consumer Discretionary; and
- Overweight in Technology which has performed strongly.

This has been partly offset by:

- Weak stock selection and negative allocation outcome in Pacific ex-Japan; and
- Underweight position in Healthcare which has outperformed.

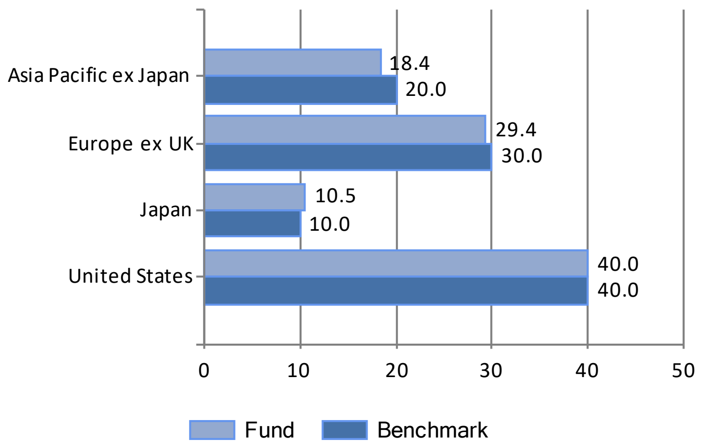
The Fund has a relatively low risk profile driven by low correlations between the four constituent portfolios, whose individual risk profiles are generally in the middle to upper end of the targeted tracking error range of 1 – 3%. It is unlikely that there will be material changes to portfolio positioning in the near term. The emphasis on focusing on long term fundamentals with a bias towards quality companies with strong balance sheets and earnings and income visibility has proven a resilient approach across different market regimes in recent years.

Note

1) Source: Border to Coast

Border To Coast Overseas Developed Markets Equity Fund
at 30 September 2021

Regional Breakdown



Overseas Developed Markets Fund

The Border to Coast Overseas Developed Equity Fund aims to provide a total return (income and capital) which outperforms the total return of the Benchmark (*) by at least 1% per annum over rolling 3 years period (before calculation of the management fee).

The Fund will not generally make active regional allocation decisions and the majority of its performance will arise from stock selection.

(*) The Benchmark is a composite of the following indices:
- 40% S&P 500
- 30% FTSE Developed Europe ex UK
- 20% FTSE Developed Asia Pacific ex Japan
- 10% FTSE Japan

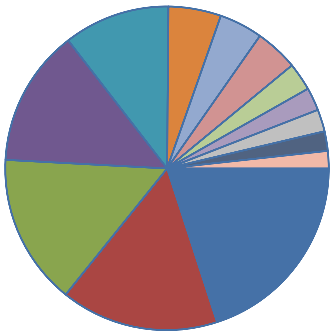
Page 59

	Inception to Date			Quarter			1 Year			3 Years		
Fund	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**
Overseas Developed Equity Fund	**11.31**	**10.25**	**1.06**	**1.58**	**1.02**	**0.56**	**22.77**	**22.31**	**0.46**	**11.26**	**10.26**	**1.00**
United States	15.50	14.46	1.04	3.95	2.95	1.00	23.80	24.12	(0.32)	14.89	14.10	0.79
Japan	9.27	6.60	2.67	8.17	6.83	1.34	21.81	16.54	5.27	8.54	5.99	2.55
Europe ex UK	7.99	7.93	0.06	0.74	0.60	0.14	21.24	21.13	0.11	8.52	8.45	0.07
Asia Pacific ex Japan	8.67	6.66	2.00	(5.14)	(5.09)	(0.06)	22.12	22.25	(0.12)	9.01	6.95	2.06

Note
1) Please note that only the total Overseas Developed Equity Fund performance line is net of ACS charges such as depository and audit fees.
Investment management fees have not been included in the performance.

Border To Coast Overseas Developed Markets Equity Fund
at 30 September 2021

Sector Portfolio Breakdown



- Technology 20.0% (19.4%)
- Financials 15.8% (15.6%)
- Consumer Discretionary 15.1% (14.9%)
- Industrials 13.7% (15.1%)
- Health Care 10.6% (12.1%)
- Consumer Staples 5.3% (6.2%)
- Basic Materials 4.3% (4.5%)
- Common Funds 4.3% (0.0%)
- Energy 2.8% (2.8%)
- Telecommunications 2.3% (3.1%)
- Real Estate 2.2% (3.5%)
- Utilities 2.0% (2.9%)
- Cash 1.7% (0.0%)

Overseas Developed Markets Fund

Sector Weights:

Common Stock Funds (o/w) – exposure to smaller companies via collective vehicles, specifically in US, Europe and Japan.

Technology (o/w) – high relative exposure in Europe and Pacific ex-Japan, along with full allocations in the US and Japan based on long term structural growth drivers including Internet of Things, Artificial Intelligence, Electric/Autonomous vehicles, new generation memory chips, the continued transition towards cloud-based services and change in software business models to long term subscription revenues.

Financials (o/w) – small overweight position driven by larger overweight in Pacific ex-Japan and more neutral positions in other regions. Interest rate cycle looking more favourable for Banks' earnings than has been the case for some time, particularly in the Pacific region.

Industrials (u/w) – driven in general by a preference for the higher secular growth rates and lower leverage of IT companies, particularly given the uneven nature of the recovery in Europe and potential for interest rates to trend higher.

Healthcare (u/w) – one of the sectors to benefit from the pandemic, but this has been reflected in valuations. With economic recovery fuelling a rebound in earnings in other segments of the market, opportunities have appeared more attractive elsewhere.

Real Estate (u/w) – the high leverage that is typically associated with the sector leaves the sector exposed in a rising interest rate environment. Normally improving economies would be favourable for asset pricing and demand trends but these compensatory factors are less certain in a post COVID-19 world.

Note
1) Source: Northern Trust
2) The pie-chart shows the sector allocation of the fund . The benchmark sector allocation is shown in brackets.

Border To Coast Overseas Developed Markets Equity Fund Attribution at 30 September 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Alphabet A	2.00	12.18	0.88	12.18	0.11
Kakao	0.00	0.00	0.17	(29.45)	0.07
Novo Nordisk	0.96	18.42	0.54	18.90	0.06
Vivendi	0.08	32.64	0.03	(32.23)	0.05
Vanguard US Mid Cap ETF	3.05	2.47	0.00	0.00	0.04

Alphabet A (o/w) – benefited from a supportive environment for digital advertising.

Kakao (u/w) – Internet stocks hit on potential government clampdown on excessive profits and abuse of market dominance.

Novo Nordisk (o/w) – improved revenue and earnings outlook from new drug diabetes drug, Wegovy.

Vivendi (o/w) – the 60% spin off of UMG (Universal Media Group) and potential buyback has been received well.

Vanguard US Mid Cap ETF (o/w) – the largest position within the Fund, providing exposure to smaller companies which outperformed large caps during the quarter.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund Attribution Continued at 30 September 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Tesla	0.00	0.00	0.69	16.89	(0.09)
Alphabet C	0.00	0.00	0.82	8.95	(0.06)
Samsung Electronics	2.21	(10.11)	1.85	(10.19)	(0.06)
Logitech International	0.19	(23.67)	0.05	(24.11)	(0.05)
Hyundai Motor	0.31	(18.81)	0.15	(18.34)	(0.04)

Tesla (u/w) – resilient production defied market concerns and expected beneficiary of US proposals for new electric vehicle (EV) subsidies with no volume cap.

Alphabet C (u/w) – benefited from a supportive environment for digital advertising.

Samsung Electronics (o/w) – market focus on direction of memory chip pricing continues to impact performance.

Logitech International (o/w) – earnings guidance suggested an expected decline in profitability in the second half of the year.

Hyundai Motor (o/w) – combination of seasonality and chip shortages have adversely impacted the Korean auto manufacturers.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund
at 30 September 2021

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.05
Alphabet A	+1.12
Vanguard US Small Cap Value ETF	+0.71
Microsoft	+0.44
NVIDIA Corporation	+0.43
Alphabet C	-0.82
Tesla	-0.69
PayPal	-0.33
Mastercard	-0.33
Samsung Electronics Prefs	-0.31

Top 5 Holdings Relative to Benchmark:

Vanguard US Mid Cap ETF – provides exposure to the smaller companies in the index, although the portfolio retains an underweight exposure to smaller companies in aggregate**.**

Alphabet A – parent company of Google; offset by not holding the C shares which results in a moderate overweight exposure to Alphabet overall.

Vanguard US Small Cap Value ETF – provides exposure to smaller value companies as market rotates into companies expected to benefit from post-Covid recovery**.**

Microsoft – structural growth from Azure cloud hosting business and migration of Business Office to MS 365 online, with associated opportunity for value added sales and increased customer stickiness.

NVIDIA Corporation – product leadership offers exposure to PC gaming refresh cycle and structural growth in AI data centres.

Bottom 5 Holdings Relative to Benchmark:

Alphabet C – exposure in A shares aggregate to a moderate overweight exposure to Alphabet overall.

Tesla – high valuation requires support from as yet unproven revenue streams from autonomous driving and/or shared mobility.

PayPal – growth in payments platform and processing but exposure accessed through other portfolio holdings including Visa and FIS.

Mastercard – preference for Visa, the other global payment network company with similar exposure to growth trends in the payments space, on valuation grounds.

Samsung Electronics Prefs – the portfolio is overweight Samsung Electronics overall via the more liquid Ordinary shares.

Note
1) Source: Northern Trust

Summary of Performance - Funds (Net of Fees) Border to Coast Emerging Markets Equity Fund at 30 September 2021

	Inception to Date			Quarter to Date			1 Year			Benchmark
Fund	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	
Border to Coast Emerging Markets Equity Fund	8.15	10.07	(1.92)	(4.26)	(4.47)	0.21	13.64	13.54	0.10	EM Equity Fund Benchmark³
Border to Coast	5.84	7.48	(1.64)	2.68	3.45	(0.77)	--	--	--	FTSE Emerging ex China (Net)
FountainCap	(9.17)	(16.08)	6.91	(11.48)	(15.52)	4.04	--	--	--	FTSE China (Net)
UBS	(19.01)	(16.08)	(2.93)	(15.72)	(15.52)	(0.20)	--	--	--	FTSE China (Net)

Manager/Strategy	Role in fund	Target	Actual
Border to Coast	Core strategy focused on Emerging Markets ex-China with a tilt towards quality companies.	58%	62%
FountainCap	China specialist with long term, high conviction strategy focused on three megatrends: Innovation Economy, Clean Energy, and Consumption Upgrade.	17%	17%
UBS	China specialist seeking to identify upcoming 'industry leaders' that will benefit from China's structural growth and transition to a services-led economy.	25%	21%

Note

1) Source: Northern Trust & Border to Coast
2) Values do not always sum due to rounding and use of different benchmarks
3) ³EM Benchmark = S&P EM BMI Net (22-Oct-18 to 9-Apr-21); Fund Return (10-Apr-21 to 28-Apr-21); FTSE EM Net (29-Apr-21 to current)

Border to Coast Emerging Markets Equity Fund - Overview at 30 September 2021

Emerging Markets Equity Fund

China continued to be the headline story in Emerging Markets ("EM") over the quarter. Having performed strongly last year, on the back of successful COVID policy and early re-opening, China has slipped towards the bottom of the pack this year. Global investors have become increasingly nervous about the Government imposing severe regulatory restrictions on a range of sectors (e.g. after-school tutoring sector) deemed crucial in the mission towards 'Common Prosperity'. This combined with continuing tension between the US and China, as well as concern over the credit worthiness of the property sector (see the Evergrande story), has prompted investors to look elsewhere for opportunities.

In an EM ex-China setting, India was the big beneficiary over the quarter, helped additionally by success in tackling the COVID pandemic. Although India is traditionally an expensive market, following the recent rally it is now encroaching on the top-end of its historic valuation range. Other markets that performed well during the quarter were those with a strong orientation towards commodities; particularly oil and gas. Russia and Saudi Arabia are the obvious beneficiaries of rising energy prices, with those markets gaining ~30% on a year-to-date basis.

Elsewhere, inflationary pressures are causing a number of EM Central Banks to begin tightening monetary policy (e.g. Brazil and Russia). Turkey, however, has continued with a more unorthodox approach favoured by President Erdoğan. So far this year, Turkey has performed even worse than China – due to currency depreciation.

Against this backdrop, the Fund outperformed the benchmark by 0.21%, bringing year-to-date relative performance to +1.4%. Absolute performance, however, was negative, with the benchmark dragged down by China – which fell more than 15% in the period. Since the restructure of the Fund in April, the new externally managed allocation to China has outperformed by 1.2%, however, the EM ex-China allocation has detracted (down 1.6% vs. the respective benchmark).

Over the quarter, the EM ex-China sleeve, managed internally by Border to Coast, delivered a positive absolute return, though it underperformed its benchmark by 0.8%. Underperformance was primarily driven by Financials, with Health Care and Information Technology also weighing on returns. Within Financials, overweight positions in B3 and Banco Bradesco (both Brazil) detracted, with concerns over increased competition and lower volumes (B3) and COVID claims (Bradesco) weighing on investor sentiment. Positive contributions from positioning in Industrials and Materials (particularly SABIC) were not sufficient to offset the aforementioned detractors.

In aggregate, the Fund's allocation to China was a positive contributor to relative returns, with the China portion of the Fund outperforming by 1.7% over the quarter. Within this allocation, FountainCap was the key driver of outperformance, ending the quarter +4% vs. FTSE China. UBS, on the other hand, was virtually flat vs. benchmark over the period. A key driver of this performance differential is positioning in big tech and tech-adjacent names (which are large benchmark constituents – and fall across a variety of sectors, for example Alibaba is Consumer Discretionary). FountainCap are materially underweight these names, instead taking select exposure in those names that are less likely to be caught in the regulatory headlights. This positioning was particularly beneficial in Q3, where Alibaba and Tencent (some 20% of the index) fell ~30% and ~20% respectively on regulatory fears. UBS, in comparison, are broadly market weight across these two securities.

Outside of these more familiar names, positioning in Real Estate (no exposure), financials (underweight) and energy (overweight) were contributors to FountainCap outperformance. One contributor of note (+1% contribution for FountainCap) was Sungrow Power, an equipment supplier in the renewables space, which returned more than 30% as the market believes the stock is well positioned to benefit from renewed policy focus in this area (e.g. rooftop solar projects).

For UBS, positioning in Consumer Discretionary (positive), was offset by positioning in Consumer Staples, Financials and Health Care. UBS' exposure to baijiu (Chinese liquor) producers Kweichow Moutai and Wuliangye was a particularly material detractor to performance (aggregate 1.3% detractor for UBS) during the quarter. Investors became concerned during the quarter that such beverage manufacturers would soon fall into the regulatory cross hairs with potential price controls on the horizon. These fears did begin to alleviate towards the end of the quarter, with positive business changes also resulting in share price bounces.

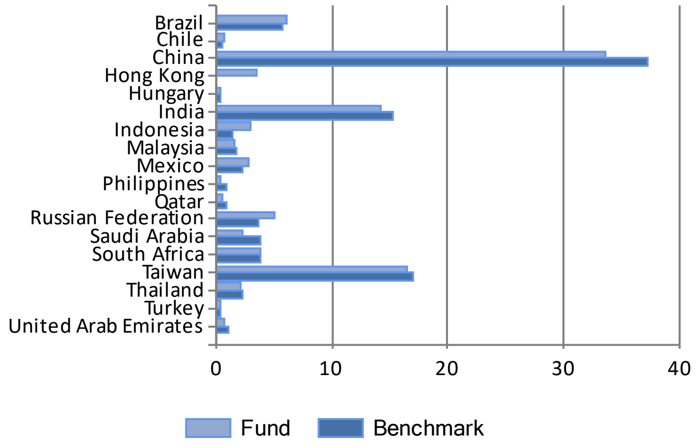
As we head towards the end of 2021, we remain optimistic about the global economic recovery but are cautious about the risks that we face. COVID variants could lead to renewed lockdown measures (especially in regions with lower vaccination rates), inflation is soaring in certain economies and regulatory risks – particularly in China – are ever-present in investors' minds. Our investment philosophy continues to be rooted in long-term thinking and analysis and we believe that our stock and thematic positioning, particularly in China, will serve us well in the long term.

Note

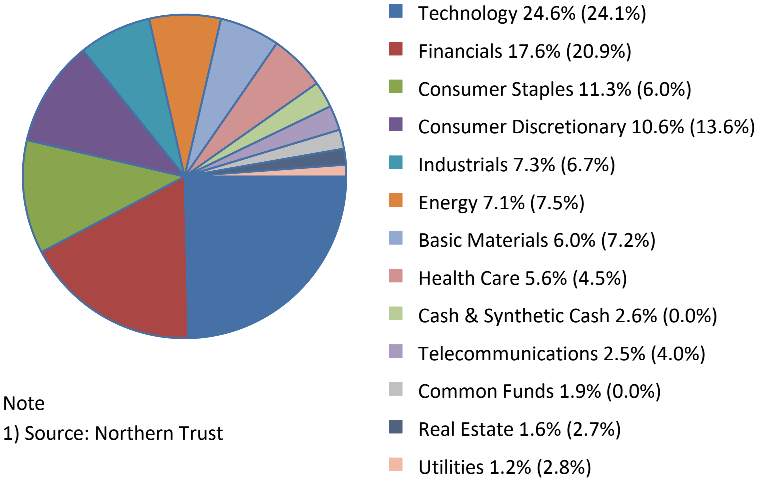
1) Source: Border to Coast

Border to Coast Emerging Markets Equity Fund
at 30 September 2021

Regional Breakdown



Sector Portfolio Breakdown



Note
1) Source: Northern Trust

Emerging Markets Equity Fund

The Border to Coast Emerging Markets Equity Fund aims to provide a total return (income and capital) which outperforms the total return of the FTSE Emerging Markets benchmark by at least 1.5% per annum over rolling 3 year periods (before calculation of the management fee).

The majority of the Fund's performance will arise from stock selection decisions.

Sector Weights:

Consumer Staples (o/w) – the rapidly growing Emerging Market middle class population is expected to lead to an increase in the consumption of staple goods over the long-term. The Fund is overweight a number of stocks (particular in China) that are well positioned to benefit from such a tailwind.

Common Funds (o/w) – the aggregate ETF/Investment Trust exposure within the Fund, used to express country positioning in the internally managed Emerging Markets ex. China sleeve.

Health Care (o/w) – demographic trends (aging EM populations), increasing prosperity and perhaps even medical tourism are expected to drive medical spending higher (both personal and governmental) in Emerging Markets. The Fund is exposed to a diverse set of innovative businesses in this sector.

Financials (u/w) – the Fund maintains a broad exposure to a number of sub-sectors that fall under the broader Financials heading (for example, insurance, exchanges, and banking). The underweight position is driven primarily by an underweight exposure to banks, particular state-owned banks in China which are large index constituents.

Consumer Discretionary (u/w) – the Chinese e-commerce giant Alibaba is roughly 5% of the FTSE Emerging benchmark and dominates the consumer discretionary sector. The Fund is underweight Alibaba, instead deploying capital in names such as Anta Sports and NetEase. The Fund is also underweight to the automobiles sub-sector, where Chinese EV firm Nio is a large index weight.

Utilities (u/w) – the Fund is underweight to this highly regulated sector. Concerns over long-term sustainability of businesses and risk of regulatory interference warrants an underweight position.

Border to Coast Emerging Markets Equity Fund Attribution at 30 September 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Alibaba	1.60	(33.11)	3.66	(33.94)	0.90	Consumer Discretionary	China
SABIC Agri-Nutrients	1.00	49.85	0.12	49.93	0.32	Basic Materials	Saudi Arabia
NIO	0.00	0.00	0.65	(31.38)	0.26	Consumer Discretionary	China
Sungrow Power	0.81	32.27	0.03	32.26	0.21	Energy	China
Tencent	4.05	(19.38)	5.00	(19.25)	0.20	Technology	China
HCL Technologies	0.89	33.80	0.26	34.05	0.18	Technology	India
Chailease	0.78	33.42	0.17	32.92	0.18	Financials	Taiwan
Bilibili	0.00	0.00	0.23	(44.36)	0.17	Technology	China
ZEE Entertainment	0.36	46.54	0.05	46.36	0.15	Consumer Discretionary	India
Reliance Industries	2.21	21.90	1.49	22.46	0.15	Energy	India

Note
1) Source: Northern Trust & Border to Coast
2) Past performance is not an indication of future performance and the value of investments can fall as well as rise

Border to Coast Emerging Markets Equity Fund Attribution Continued at 30 September 2021

Positive Issue Level Impacts

Alibaba (u/w) – a Chinese multinational technology company. The company's shares participated in the broad-based sell-off in the Chinese technology sector as regulators introduced a spate of regulatory actions against some of the country's largest technology companies. The Fund is underweight.

SABIC Agri-Nutrients (o/w) – as investors are no doubt aware, there has been a global squeeze on gas prices and as a result, some fertilizer producers exposed to spot gas prices have mothballed production. The firm's key competitive advantage is in having secure supplies under long-term (i.e. low price) contracts.

NIO (u/w) – shares slumped during the period alongside other highly valued growth names as a wave of fear hit Chinese equity markets. Concerns over regulatory intervention, Sino-US relations, and contagion from the potential collapse of property developer Evergrande led to a risk-off environment for stocks like NIO. The Fund has no exposure to NIO.

Sungrow Power (o/w) – supplies equipment and parts for solar, wind and other renewable power projects. The stock benefitted from a rotation into names with lower regulatory risk and was buoyed by the prospect of increased demand in 2022 as policy makers start to push rooftop solar projects.

Tencent (u/w) – a Chinese technology conglomerate. The Fund benefited from an underweight position in Tencent as it, and the wider Chinese technology sector, came under increased scrutiny from regulators, including a plan to limit kids' video game play time to three hours a week.

HCL Technologies (o/w) – within a sector that has been benefitting from particularly strong demand as companies race to improve their digital offerings and cloud-based services. HCL has a strong order backlog and continues to win new contracts which combined with a relatively modest share price multiple (vs. peers) helped underpin the strong performance.

Chailease (o/w) – during the period, the firm reported quarterly results ahead of expectations. With investor appetite cooling for once for the tech hardware sector, Taiwanese financials were in demand and Chailease rallied by 30% over the quarter.

Bilibili (u/w) – owns and operates a Chinese video sharing website. Bilibili, like other technology names, suffered as investors were fearful of continued intervention from the government. The Fund has no exposure to Bilibili.

ZEE Entertainment (o/w) – shares of the Indian media conglomerate rallied hard on two occasions in September. Firstly, following news that a leading shareholder had proposed ousting several board members to improve governance at the firm. The stock then rallied again on news that management had agreed a deal to merge with Sony Pictures India.

Reliance Industries (o/w) – India's leading refinery has been investing heavily in other businesses in recent years. The business empire of India's richest man now includes Jio, the country's leading mobile operator and a retail and e-commerce platform that though unprofitable, has been rapidly bulking up its operations.

Note
1) Source: Northern Trust & Border to Coast
2) Past performance is not an indication of future performance and the value of investments can fall as well as rise

Border to Coast Emerging Markets Equity Fund Attribution at 30 September 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Gazprom	0.00	0.00	0.74	37.11	(0.23)	Energy	Russian Federation
Hansoh Pharmaceutical	0.22	(40.53)	0.03	(40.48)	(0.19)	Health Care	China
C&S Paper	0.48	(34.98)	0.00	(35.67)	(0.18)	Consumer Staples	China
Jiangsu Hengrui Medical	0.91	(24.65)	0.05	(24.21)	(0.17)	Health Care	China
NetEase	0.00	(27.46)	0.00	(27.56)	(0.16)	Consumer Discretionary	China
ANTA Sports Products	1.21	(17.71)	0.30	(17.61)	(0.16)	Consumer Discretionary	China
Hefei Meyer	0.17	(30.18)	0.00	(30.05)	(0.14)	Industrials	China
Ping An Bank	0.84	(18.66)	0.05	(18.70)	(0.14)	Financials	China
B3	0.64	(27.38)	0.20	(27.48)	(0.14)	Financials	Brazil
Naspers	1.54	(19.15)	0.49	(19.16)	(0.13)	Technology	South Africa

Note
1) Source: Northern Trust & Border to Coast
2) Past performance is not an indication of future performance and the value of investments can fall as well as rise

Border to Coast Emerging Markets Equity Fund Attribution Continued at 30 September 2021

Negative Issue Level Impacts

Gazprom (u/w) – the unprecedented spike in global gas prices, which coincided with the completion of Gazprom's Nord Stream 2 pipeline –to transport gas from Russia into northern Europe – renewed investor appetite for Russia's Gazprom, the world's leading producer of natural gas. The Fund has no exposure to Gazprom, which rallied by almost 40% in the period.

Hansoh Pharmaceutical (o/w) – the share price trended steadily lower during the period, in which Hansoh reported results which came up short of consensus estimates, highlighting centralised procurement pricing pressures could be a headwind for revenue growth in the shorter-term.

C&S Paper (o/w) – manufactures and distributes household paper products. The shares continued to slide during the period as severe margin contraction weighted on profitability. Results during the period saw material profit decline, mainly due to aggressive price discounts and promotional spending to reduce stock.

Jiangsu Hengrui Medical (o/w) – a weak start to the period continued following disappointing earnings results due to higher R&D spend and pricing pressure. Strong performance from the innovative drugs business was not enough to offset sales and pricing decreases for more established drugs.

NetEase (o/w) – develops and operates online games, electronic commerce, and internet media, amongst other things. In line with other Chinese internet giants, NetEase saw its share price fall materially as the threat of increased regulation (in this case limits on the amount of time children in China can play online games each week) spooked investors.

ANTA Sports Products (o/w) – the share price trended downwards over the period following a very strong Q2 despite underlying performance remaining robust. A rebound in COVID cases in August raised questions of whether H2 2021 business performance would deteriorate, with management becoming incrementally more conservative with messaging.

Hefei Meyer (o/w) – Meyer is a market leader in colour sorting machinery and in recent years has expanded its business to cover the dental industry. Share price performance was largely driven by an uptick in COVID cases in China during the quarter, halting a recovery in the dental market.

Ping An Bank (o/w) – Ping An has material exposure to property developers, with developer loans ~10% of Ping An's book (almost double peer average). With growing uncertainty over the future of fellow developer Evergrande, rising credit risk in the property sector has weighted on investor sentiment, and therefore the share price.

B3 (o/w) – the shares of Brazil's leading stock exchange fell quite sharply during the period on fears of increased competition and results which highlighted a slight decline in average daily trading volume.

Naspers (o/w) – during the period, in line with Q2 2021, Chinese oligopolistic internet giants continued to suffer in the face of rising regulatory pressure. Against this backdrop, Tencent, the main holding in Naspers' portfolio, saw its share price slip lower – pulling down with it, Naspers.

Note
1) Source: Northern Trust & Border to Coast
2) Past performance is not an indication of future performance and the value of investments can fall as well as rise

Border to Coast Emerging Markets Equity Fund
at 30 September 2021

Largest Relative Over/Underweight Stock Positions (%)

Kweichow Moutai	+2.27
iShares South Africa ETF	+1.45
Hengli Hydraulic	+1.16
Hong Kong Exchanges & Clearing	+1.08
Naspers	+1.04
Alibaba	-2.06
Tencent	-0.96
China Construction Bank	-0.94
Gazprom	-0.74
NIO	-0.65

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Kweichow Moutai – a leading Chinese baijiu (liquor) producer with strong brand presence and scale. The business is well positioned to benefit from the consumption upgrade story in mainland China.

iShares South Africa ETF – provides exposure to a basket of South African businesses. Overall, the Fund is broadly neutral vs. the benchmark in respect of South African stocks.

Hengli Hydraulic – manufacturers a range of hydraulic components for heavy industry. The firm is well positioned to benefit from continued urbanisation and infrastructure spending in mainland China (as well as globally).

Hong Kong Exchanges & Clearing – the firm is a key conduit of capital flows to/from China and should benefit from increasing Northbound (foreign investment into China) and Southbound (Chinese investors accessing global markets) volumes over time.

Naspers – the South African media business wears the crown of being South Africa's largest company as a result of its 30% economic interest in Tencent. However, it trades at a substantial and widening discount to its core asset (Tencent) – which is what makes its stock attractive from an investment standpoint.

Bottom 5 Holdings Relative to Benchmark:

Alibaba – best known for e-commerce and online payment platforms. The stock is a material proportion of the benchmark, and whilst the Fund does hold some exposure, there are deemed to be better opportunities elsewhere.

Tencent – technology conglomerate with numerous business units – for example, mobile messaging (WeChat) and video games. The Fund does hold some exposure but there are deemed to be better opportunities elsewhere.

China Construction Bank – one of the "big four" banks in China, offering services to millions of personal and corporate customers. The Fund maintains a structural underweight to Chinese State-Owned Enterprises, many of which are within the banking and finance sector.

Gazprom – the Fund does not hold a position in the Russian Gas titan. With a record of poor governance it looks a less compelling investment than peer (and affiliate) Novatek, which has better long-term growth prospects driven by demand for liquefied natural gas.

NIO – a Chinese automobile manufacturer which specialises in designing and developing electric vehicles. Operating in a highly competitive sector, with significant execution risk, the stock appears expensive on traditional measures.

Major Transactions During the Quarter

Purchases:

Will Semiconductor (£4.5m) – by sales, Will Semi ranks as the Global No. 3 supplier of CMOS image sensors. With the CMOS image sensor market likely to grow at more than 10% per annum, Will Semi stands to benefit from its high-quality portfolio, and could potentially see a doubling of its current market share by 2025.

Sales:

Smoore International (£3.5m) – recent regulatory developments concerning the electronic cigarette industry have compromised the investment thesis for the holding. The worst-case scenario would be for the Chinese Government to fully enforce the 'Tobacco Monopoly' law, which could cause Smoore to lose virtually all revenues.

APPENDICES

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 September 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Alphabet A	2.00	0.88	0.11
Vanguard US Mid Cap ETF	3.05	0.00	0.04
Aon	0.30	0.07	0.04
PayPal	0.00	0.33	0.04
Oracle	0.44	0.16	0.03

Alphabet A (o/w) – benefited from a supportive environment for digital advertising.

Vanguard US Mid Cap ETF (o/w) – the largest position within the Fund, providing exposure to smaller companies which outperformed large caps during the quarter.

Aon (o/w) – shares rallied after the Justice Dept blocked a large merger that had been a cause of investor nervousness.

PayPal (u/w) – challenging quarter for the payments sector due to concerns around disruption from new entrants.

Oracle (o/w) – evidence that growth businesses (cloud services and related hardware) are starting to eclipse low growth activities.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 September 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Tesla	0.00	0.69	(0.09)
Alphabet C	0.00	0.82	(0.06)
Activision Blizzard	0.25	0.07	(0.04)
The Cheesecake Factory	0.18	0.00	(0.02)
Moderna	0.00	0.15	(0.02)

Tesla (u/w) – resilient production defied market concerns and expected beneficiary of US proposals for new electric vehicle (EV) subsidies with no volume cap.

Alphabet C (u/w) – benefited from a supportive environment for digital advertising.

Activision Blizzard (o/w) – potential legal, regulatory and operational fall-out from workplace gender bias and harassment case.

The Cheesecake Factory (o/w) – prior “going out rally” continued to unwind in the face of the Delta variant.

Moderna (u/w) – potential for further revenue growth as a result of FDA approval of COVID booster shots.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 September 2021

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.05
Alphabet A	+1.12
Vanguard US Small Cap Value ETF	+0.71
Microsoft	+0.44
NVIDIA Corporation	+0.43
Alphabet C	-0.82
Tesla	-0.69
PayPal	-0.33
Mastercard	-0.33
Comcast	-0.28

Top 5 Holdings Relative to Benchmark:

Vanguard US Mid Cap ETF – provides exposure to the smaller companies in the index, although the portfolio retains an underweight exposure to smaller companies in aggregate.

Alphabet A – parent company of Google; offset by not holding the C shares which results in a moderate overweight exposure to Alphabet overall.

Vanguard US Small Cap Value ETF – provides exposure to smaller value companies as market rotates into companies expected to benefit from post-COVID recovery.

Microsoft – growth from Azure cloud hosting business and migration of Business Office to MS 365 online, with associated opportunity for value added sales and increased customer stickiness.

NVIDIA Corporation – product leadership offers exposure to PC gaming refresh cycle and structural growth in AI data centres.

Bottom 5 Holdings Relative to Benchmark:

Alphabet C – exposure in A shares aggregate to a moderate overweight exposure to Alphabet overall.

Tesla – high valuation requires support from as yet unproven revenue streams from autonomous driving and/or shared mobility**.**

PayPal – growth in sector but exposure accessed through other portfolio holdings including Visa and FIS.

Mastercard – preference for Visa, the other global payment network company with similar exposure to growth trends in the payments space, on valuation grounds**.**

Comcast – faces challenges in its broadcast media and theme park businesses; preference for Charter, a pure play broadband provider.

Major transactions during the Quarter

Purchases:

Walmart (£16.5m) – recent relative de-rating leaves potential from new growth initiatives undervalued.

Sales:

3M Co (£10.6m) – strong protective equipment sales peaking & ongoing uncertainty in microplastics lawsuit.

Note
1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 September 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Novo Nordisk	0.96	0.54	0.06
Vivendi	0.08	0.03	0.05
ASML	1.45	1.04	0.04
NN Group	0.35	0.06	0.04
Kering	0.00	0.18	0.04

Novo Nordisk (o/w) – improved revenue and earnings outlook from new drug diabetes drug, Wegovy.

Vivendi (o/w) – the 60% spin off of UMG (Universal Media Group) and potential buyback has been received well.

ASML (o/w) – benefiting from increased software and hardware sales due to an increase in 5G infrastructure and AI-related demand.

NN Group (o/w) – profits exceeded expectations across all business segments.

Kering (u/w) – luxury sector impacted by Chinese government's focus on "common prosperity" and wealth redistribution with Gucci brand impacted by higher exposure to Chinese consumers.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 September 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Logitech International	0.19	0.05	(0.05)
Zalando	0.18	0.07	(0.03)
Holcim	0.21	0.09	(0.03)
Continental	0.16	0.04	(0.03)
Koninklijke Philips	0.38	0.14	(0.03)

Logitech International (o/w) – earnings guidance suggested an expected decline in profitability in the second half of the year.

Zalando (o/w) – expectations for higher earnings growth have faded.

Holcim (o/w) – concerns that informal inquiries from US prosecutors regarding historic payments in Syria to maintain operations could result in a formal investigation.

Continental (o/w) – weakness post spin-off of powertrain business.

Koninklijke Philips (o/w) – weakness in sleep and respiratory business in part due to a significant product recall.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 September 2021

Largest Relative Over/Underweight Stock Positions (%)

Novo Nordisk	+0.42
ASML	+0.41
TotalEnergies	+0.39
Schneider Electric	+0.38
HBM Healthcare	+0.35
Daimler	-0.26
Prosus	-0.25
Zurich Insurance Group	-0.21
Enel SPA	-0.21
EssilorLuxottica	-0.20

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Novo Nordisk – strong market position in diabetes treatment with growth of products into obesity treatment.

ASML – strong demand expected due to economic recovery, ongoing microchip shortages, and increasing trend for companies and governments to reduce their reliance on imported microchips.

TotalEnergies – shifting away from its core oil business and is now the second largest player in liquefied natural gas (LNG) as well as seeking to diversify further into green energy.

Schneider Electric – the only company with an integrated approach offering all critical aspects of the value chain with superior market access and high market share in higher margin low voltage products.

HBM Healthcare – one of two biotech trusts providing exposure to an area of the market which is harder to access; strong track record of bringing private companies to the market and identifying mispriced public stocks.

Bottom 5 Holdings Relative to Benchmark:

Daimler – structural concerns regarding the sector as a whole and particular concerns regarding the strength of the balance sheet.

Prosus – concerns about conflict of interest of the management team who are also managers at Naspers, an associated company in South Africa.

Zurich Insurance Group – high valuation relative to peers and overly ambitious profitability targets.

Enel SPA – higher risk profile due to large exposure to Italy (political uncertainty) and Latin America.

EssilorLuxottica – high valuation and, although previous governance concerns have been resolved, there is integration risk around its last major acquisition.

Major transactions during the Quarter

Purchases:
Thales (£2.5m) – increasing overweight - profitable defence business and expected recovery in non-defence.

Sales:
Alcon (£6.2m) – non-core holding within the healthcare space spun out of Novartis in 2019.

Border To Coast Overseas Developed Markets Equity Fund - Japan at 30 September 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Shionogi	0.17	0.04	0.03
Fujifilm	0.26	0.07	0.03
Renesas Electronics	0.22	0.03	0.03
Dai-ichi Life	0.18	0.05	0.02
Sony	0.47	0.30	0.02

Shionogi (o/w) – optimism on expected commencement of trial of COVID-19 vaccine, a nasal spray ideal for developing countries.

Fujifilm (o/w) – excellent results and full year forecast revised upwards.

Renesas Electronics (o/w) – continuing global chip shortages should enable Renesas to boost margins, with production now fully resumed following the fire earlier this year.

Dai-ichi Life (o/w) – good results and share price well supported by high dividend yield combined with a large share buyback programme.

Sony (o/w) – strong results significantly beating expectations resulting in increased full year guidance; proposed merger with Zee Entertainment in India taken positively.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan
at 30 September 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Recruit Holdings	0.00	0.18	(0.04)
Softbank Group Corp	0.35	0.17	(0.03)
Daiichi Sankyo	0.00	0.11	(0.02)
Nintendo	0.25	0.11	(0.02)
Oji Holdings	0.18	0.01	(0.02)

Recruit Holdings (u/w) – expensive valuation but considered to be a beneficiary of reopening of economy.

Softbank Group Corp (o/w) – negative sentiment continues due to absence of an extension of the share buyback scheme, general weakness in the Technology sector, and implications of Chinese policy on Alibaba and other Softbank holdings.

Daiichi Sankyo (u/w) – recent underperformance has reversed this quarter but not holding this pharmaceutical stock has been a positive contributor to performance over the longer term.

Nintendo (o/w) – concerns about future growth prospects, particularly from the Switch product, loss of potential growth in China, and general weakness in the sector.

Oji Holdings (o/w) – paper products manufacturer continued to drift lower despite positive results as a result of declining pulp prices.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan
at 30 September 2021

Largest Relative Over/Underweight Stock Positions (%)

Ballie Gifford Shin Nippon	+0.34
Tokyo Electron	+0.24
Shin-Etsu Chemical	+0.23
Hitachi	+0.21
Fujifilm	+0.20
Recruit Holdings	-0.18
Honda Motor	-0.11
Nidec	-0.11
Daiichi Sankyo	-0.11
Fanuc	-0.09

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Ballie Gifford Shin Nippon – smaller companies focus with strong long-term relative performance.

Tokyo Electron – good growth prospects, strong balance sheet and potential for increased returns.

Shin-Etsu Chemical – best in sector with strong cash generation, good growth prospects, margin sustainability and increasing shareholder returns.

Hitachi – diverse industrial should continue to reap the benefits from restructuring and a more focused approach. Acquisition of GlobalLogic should prove to be a good long-term strategic move.

Fujifilm – growth potential in healthcare segment expected to more than offset declines in the traditional document operations business.

Bottom 5 Holdings Relative to Benchmark:

Recruit Holdings – trades on a premium valuation relative to peers in a difficult environment for recruitment.

Honda Motor – preference for Toyota (electric vehicle strategy and growth prospects) and Subaru (on prospects from collaboration with Toyota, US sales resilience, and possibility of Toyota increasing stake).

Nidec – concern that future strategy is unclear and company forecasts are too optimistic; move away from declining HDD (hard disk drive) motors will continue to squeeze margins.

Daiichi Sankyo – preference for other names in the pharmaceutical sector due to the significant volatility of this stock.

Fanuc – preference for Keyence in factory automation due to quality of earnings.

Major transactions during the Quarter

Purchases:

Daikin Industries (£11.0m) – new holding in Industrials sector with strong growth prospects in Heat Pumps and rebound in air-conditioning as economies recover post COVID-19.

Sales:

Hoshizaki (£5.4m) – exited holding due to lack of catalysts for outperformance.

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 September 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Kakao	0.00	0.17	0.07
Techtronic Industries	0.36	0.16	0.04
Macquarie Group	0.48	0.28	0.03
Samsung Electronics Prefs	0.00	0.31	0.03
BeiGene	0.00	0.11	0.02

Kakao (u/w) – internet stocks hit on potential government clampdown on excessive profits and abuse of market dominance.

Techtronic Industries (o/w) – strong results highlights capability to gain market share and increase margin through efficiency gains.

Macquarie Group (o/w) – positive earnings guidance due to favourable market conditions.

Samsung Electronics Prefs (u/w) – market focus on direction of memory chip pricing continues to impact performance.

BeiGene (u/w) – a recent new entrant to the benchmark, the biotech company fell heavily post-listing.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 September 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Samsung Electronics	2.21	1.85	(0.06)
Hyundai Motor	0.31	0.15	(0.04)
Galaxy Entertainment	0.14	0.07	(0.04)
LG Electronics	0.20	0.07	(0.04)
SK Hynix	0.42	0.28	(0.04)

Samsung Electronics (o/w) – market focus on direction of memory chip pricing continues to impact performance.

Hyundai Motor (o/w) – combination of seasonality and chip shortages have adversely impacted the Korean auto manufacturers.

Galaxy Entertainment (o/w) – the on-off opening up of the Macau borders has led to continued uncertainty.

LG Electronics (o/w) – impacted by fading “Stay-at-home” benefits due to its exposure to Appliance and TV business.

SK Hynix (o/w) – market focus on direction of memory chip pricing continues to impact performance.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 September 2021

Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.35
Techtronic Industries	+0.21
Macquarie Group	+0.20
Goodman	+0.19
James Hardie	+0.19
Samsung Electronics Prefs	-0.31
Kakao	-0.17
UOB	-0.15
Afterpay	-0.12
Kia	-0.11

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Samsung Electronics – exposed to structural growth in the memory chip market; the group also has a diversified earnings stream and large shareholder return potential

Techtronic Industries – technology leading focus on cordless power tools market should lead to improving margins and market share, especially as it starts to skew the business to the Professional market in the US.

Macquarie Group – well diversified financial services company with large exposure to structural growth areas within infrastructure, strong balance sheet and very highly regarded management.

Goodman – Goodman offers above-peer earnings growth supported by strong structural demand for modern logistics and warehouse space.

James Hardie – the group continues to benefit from a multi-year recovery in US housing, taking market share in all regions and generating industry-leading margins.

Bottom 5 Holdings Relative to Benchmark:

Samsung Electronics Prefs – the portfolio is overweight Samsung Electronics overall via the more liquid Ordinary shares.

Kakao – this Korean internet company is benefiting from its fintech, e-commerce, and entertainment businesses; the Fund has a preference for NAVER.

UOB – preference for other Singaporean banks with stronger capital positions.

Afterpay – the "Buy Now Pay Later" platform has grown rapidly in recent years and the lack of a holding represents a significant underweight; research is being conducted into whether this would be a suitable holding.

Kia – South Korean auto company with similar exposure as the preferred holding, Hyundai Motor, which also owns 34% of Kia.

Major transactions during the Quarter

Sales:

New World Development (£5.3m) – restructure of Hong Kong property developer holdings, with a preference for Henderson Land due to stronger balance sheet and more conservative management.

Market Background at 30 September 2021

Markets continued to rise through most of the quarter, maintaining the momentum built in the previous quarter with investors having seemingly adjusted to the prospect of a more hawkish US Federal Reserve. Having stabilised last quarter, bond yields retreated and, as a result, growth stocks and large caps continued to outperform value stocks and small caps. In many ways, this was a resurgence of the goldilocks scenario whereby, contrary to what is traditionally believed, what is good for bonds is also good for equities. This benign state persisted until late in the quarter when disruptions to power supplies reflected in sharp squeezes in gas and electricity prices across multiple geographies, finally puncturing the balloon of investor complacency as the prospect of high inflation weighed on sentiment again and bond yields rose.

In aggregate, global equity markets returned 7.3% in the quarter, giving up a substantial proportion of the gains seen up to early September. Developed markets (7.6%) outperformed emerging markets (4.5%). Japan was the strongest major market (6.8%), but the rest of the Asia Pacific region performed poorly in aggregate as Hong Kong (-14.7%) moved in sympathy with Chinese equity markets and the rest of the region couldn't escape the downdraft.

At a sector level, Technology continued to outperform, buoyed by low interest rates and investor concerns over the sustainability of economic growth. Financials, however, was the best performer as increased inflation expectations raised the prospect of higher interest rates, which tend to benefit the sector. Materials was the weakest sector due to concerns over the impact of a slowdown in growth on demand as well profit taking following the steep rise in commodity prices, although it may be more closely linked to investors switching to energy stocks as their preferred vehicle to maintain exposure to any inflationary trends.

Inflation, and the degree to which current spikes in inflation will prove transitory or feed into something more sustained and more material than has been experienced for over 30 years, is one of probably the two principal concerns for investors. How much of the recent spike in prices is due to supply-chain issues and bottlenecks, and how quickly these can be addressed, are critical factors in this debate and were until more recently assumed to be the dominant factors. The spike in energy prices is the latest chapter in this inflation story, but the reasons behind this particular cost spike are more nuanced and have given more prominence to the view that this bout of inflation may not recede as quickly as had been thought. With wage increases also evident across an increasing number of segments of the labour markets, it seems increasingly dangerous to dismiss current trends as transitory and the narrative from central banks is having to shift to accommodate this. A shift in the "lowflation" paradigm that has characterised the past 30 years and been marked by a steady decrease in interest rates over this period, which has undoubtedly helped fuel the substantial increase in asset values over the same period, would necessitate a change in investors' mindset and could cause marked disruption to financial and other asset markets.

The other concern is China, where worries over its economic growth rate and increasingly strained relationship with the US have had to evolve more recently to encompass what currently appears to be a marked change in the Communist Party's willingness to allow the market and economy to evolve relatively freely. Their stated desire to ensure a more even distribution of the wealth derived from economic growth has come on the heels of interventions across a number of different segments of the economy which have demonstrated a desire to execute more control over the economy and a willingness to pursue this agenda in a manner the Party deems appropriate. This has come as something of a shock to investors grown accustomed to a more laissez-faire approach, and undoubtedly goes a long way to explaining the 20% sell-off in Chinese equity markets over the course of the quarter. The evolving collapse of property company, Evergrande, has not helped sentiment, particularly as it has been against the backdrop of a marked slowdown in construction and indications from the authorities that they consider the property market to be an increasing concern as the manifestation of wealth disparity between different socio-economic groups. Investors have grown accustomed to China being a core component of global economic growth, a source of superior earnings growth for companies, and an

Note
1) Source: Border to Coast

Market Background
at 30 September 2021

increasingly material part of allocation discussions over the past 20 years, but this view may now have to be revised.

Valuations of equity markets are above their long-term average and, although investor sentiment remains positive, further market progress would seem to remain heavily dependent upon continued strong economic growth feeding through into earnings. The extent to which inflation increases, and whether this is accompanied by economic growth, will impact the scale and distribution of this earnings growth across sectors. Consumer balance sheets remain strong and given the increasing breadth of wage inflation consumers may continue to feel relatively comfortable even if inflation rises and should provide impetus for growth. This may prove a valuable crutch for economies as there are increasing indications that the extensive fiscal and monetary support which has allowed economies to weather the worst of the disruption caused by Covid will be eased in 2022. Together with tighter monetary policy and the spectre of tax increases this may otherwise provide a headwind for growth. Although these tax increases are likely to be focused on corporates, this may be partly offset by incentives to invest which could be positive for productivity growth and may mitigate the adverse impact of wage inflation on profitability. Capital spending is also likely to be boosted as companies invest to either adapt or benefit from the energy transition.

With the outlook for Chinese growth clouded by the shift in political posture and impacted in the short term by rising energy prices and a slowdown in the construction sector, impetus for growth will have to come from elsewhere. The US has been one of the leaders of the global economic recovery with the success of its vaccine programme and aggressive fiscal stimulus underpinning its rapid rebound. This has begun to fade as infection rates remain elevated and tightness in supply chains and the labour market cause bottlenecks whilst simultaneously flashing warning signs on inflation. The Fed has indicated that interest rate rises may occur earlier and be larger than previously communicated, while the fiscal and infrastructure stimuli may end up constrained by politic differences. As such it may fall to other regions to pick up the baton.

Europe has lagged the rebound, having had the least aggressive fiscal response despite the ECB's supportive stance. There lies the potential for this slow but steady approach to gather momentum, as the fiscal support packages are due to be sustained over a longer period of time. In addition, the focus on the energy transition may stimulate some capital spending to add another leg to what is likely to be a consumer led recovery. Against this the region, and Germany in particular, is exposed to export demand and as such may face a headwind as both the US and China slow, while the political transition in Germany could also impact confidence. On balance, though, the outlook remains encouraging.

Entering the fourth quarter of what has been to date yet another very solid year for equity markets, there are reasons to be cautious. In addition, the systemic leverage issues we have referred to in previous quarters have been brought to mind again by Evergrande which shows how widespread they potentially are. Regulators are having to stay vigilant, and central bankers must be wary of how quickly stimulus is withdrawn to avoid a liquidity crunch that could expose some stress points in the system with broader financial market consequences. It also remains to be seen how COVID impacts behaviours and economies through the northern hemisphere winter, something the central bankers are also likely to be alert to. Right now it feels as if investors need to tip-toe carefully to the end of the year, being mindful of the opportunities and threats that these various, disparate, factors will present.

Note
1) Source: Border to Coast

Border to Coast News

People:

- During the quarter we appointed Mike Vinton as our new Head of Compliance. Mike has worked in financial services for over 25 years including compliance roles at LGPS Central, Nestle Capital Management and Investec. Mike qualified as a Chartered Accountant at KPMG in Leeds. Sarah Haswell, our interim Head of Compliance, will continue to be with us until the end of October.
- We are delighted to welcome Chuan Li who has joined the fixed income team as a portfolio manager and will co-manage the internal fixed income portfolio mandates. Prior to joining Border to Coast, Chuan gained solid credit portfolio management experience as an assistant fund manager at Aviva Investors.
- Ben Dunning has also joined us within the External Management team. Ben joins us as an Assistant Portfolio Manager, having spent the majority of his career to date at Isio (previously part of KPMG) where he worked in investment consulting and credit research.

Investment Funds:

- We’re delighted to say that we have now received budget approvals for the next phase of our Real Estate programme from all eleven Partner Funds. This allows the team to begin the next of phase of development to get our capabilities launched over the next couple of years.
- Our investment team have put together a series of Investment Insight videos, offering a deep dive into a selection of funds and asset classes. The videos can be found on the ‘Insights’ section of the Border to Coast Website. We hope you find them useful – and would be grateful to hear any feedback you have on them.

Responsible Investment:

- Recognising the urgent need to tackle climate change, we recently announced our commitment to achieving net-zero greenhouse gas emissions across our investments by 2050 or sooner. We have also published our first standalone Climate Change Policy, developed in collaboration with our Partner Funds. The policy details our approach to fulfilling our commitment to managing the risks and opportunities associated with climate change and aims to ensure clarity of approach to meet our Partner Funds’ fiduciary duty and fulfil their stewardship requirements.
- In July, we signed to support an Investor Position Statement – A call for Corporate Net Zero Transition Plans, along with 54 other investors coordinated by the Institutional Investors Group on Climate Change (IIGCC). The statement calls for firms to disclose comprehensive net zero transition plans, identify the directors accountable for the plan and provide a routine shareholder vote on progress against the plan.
- As reported previously, we published our annual Responsible Investment and Stewardship report in July. This report has now been submitted to the Financial Reporting Council to support our application to become a signatory to the new UK Stewardship Code.

Other news:

- We're delighted to announce that the 3rd floor development of the Border to Coast offices is now officially completed. This marks an important moment in our development as a professional asset manager – and in how we continue to develop our hybrid ways of working both internally and externally.
- During the quarter we held our third Annual Conference, it was a wonderful opportunity to hear from you all. After 2 years, it was great being back together in person, sharing views and discussing a range of different topics. We hope you enjoyed it as much as we did.

Disclosures

Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority (FRN 800511).
Registered in England (Registration number 10795539) at the office 5th Floor, Toronto Square, Leeds, LS1 2HJ

Appendix B

Quarterly Investment Report - 80237

For the Period 01 Jul 2021 to 30 Sep 2021

Middlesbrough Borough Council

Middlesbrough Borough Council

Report ID: 3057211.1 Published: 12 Oct 2021

Table of Contents

Accounting Summary (expressed in GBP)

As of 30 Sep 2021

Middlesbrough Borough Council

	Market Value 01 Jul 2021		Contributions	Withdrawals	Change in Market Value	Market Value 30 Sep 2021	
Passive Equity Portfolio							
North America ESG Screened Index Equity Sub-Fund	36,083,139	5.86%	0	0	985,563	37,068,702	6.08%
Europe ex UK ESG Screened Index Equity Sub-Fund	124,702,149	20.26%	0	0	1,139,789	125,841,938	20.65%
Japan ESG Screened Index Equity Sub-Fund	107,640,730	17.49%	0	0	7,532,574	115,173,304	18.90%
Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund	347,171,324	56.40%	0	0	(15,892,038)	331,279,286	54.36%
Total	**615,597,342**	**100.00%**	**0**	**0**	**(6,234,111)**	**609,363,231**	**100.00%**

Performance Summary (expressed in GBP)

As of 30 Sep 2021

Middlesbrough Borough Council

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Passive Equity Portfolio								
North America ESG Screened Index Equity Sub-Fund								21 Sep 2018
Total Returns	-2.70%	2.73%	17.07%	25.21%	15.16%	N/A	N/A	15.42%
FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX	-2.75%	2.60%	16.66%	24.69%	14.98%	N/A	N/A	15.24%
Difference	**0.05%**	**0.13%**	**0.41%**	**0.52%**	**0.18%**	**N/A**	**N/A**	**0.18%**
Total Returns (Net)	-2.70%	2.74%	17.07%	25.20%	N/A	N/A	N/A	N/A
FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX	-2.75%	2.60%	16.66%	24.69%	N/A	N/A	N/A	N/A
Difference	**0.05%**	**0.14%**	**0.41%**	**0.51%**	**N/A**	**N/A**	**N/A**	**N/A**
Europe ex UK ESG Screened Index Equity Sub-Fund								26 Sep 2018
Total Returns	-3.42%	0.91%	11.99%	21.99%	9.08%	N/A	N/A	8.69%
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX	-3.53%	0.80%	11.64%	21.68%	9.05%	N/A	N/A	8.66%
Difference	**0.11%**	**0.11%**	**0.35%**	**0.31%**	**0.03%**	**N/A**	**N/A**	**0.03%**
Total Returns (Net)	-3.42%	0.91%	11.98%	21.97%	N/A	N/A	N/A	N/A
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX	-3.53%	0.80%	11.64%	21.68%	N/A	N/A	N/A	N/A
Difference	**0.11%**	**0.11%**	**0.34%**	**0.29%**	**N/A**	**N/A**	**N/A**	**N/A**
Japan ESG Screened Index Equity Sub-Fund								01 Jun 2001
Total Returns	4.83%	7.00%	7.61%	16.92%	6.35%	8.83%	10.35%	4.70%
FTSE JAPAN EX CONTROVERSIES EX CW INDEX	4.72%	6.87%	7.25%	16.40%	6.21%	8.75%	10.31%	4.56%
Difference	**0.11%**	**0.13%**	**0.36%**	**0.52%**	**0.14%**	**0.08%**	**0.04%**	**0.14%**

Middlesbrough Borough Council

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Total Returns (Net)	4.83%	7.00%	7.61%	16.91%	N/A	N/A	N/A	N/A
FTSE JAPAN EX CONTROVERSIES EX CW INDEX	4.72%	6.87%	7.25%	16.40%	N/A	N/A	N/A	N/A
Difference	**0.11%**	**0.13%**	**0.36%**	**0.51%**	**N/A**	**N/A**	**N/A**	**N/A**
Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund								01 Jun 2001
Total Returns	-2.33%	-4.58%	2.73%	22.17%	7.00%	8.31%	9.42%	9.96%
FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX	-2.36%	-4.66%	2.72%	22.13%	7.01%	8.28%	9.39%	9.90%
Difference	**0.03%**	**0.08%**	**0.01%**	**0.04%**	**-0.01%**	**0.03%**	**0.03%**	**0.06%**
Total Returns (Net)	-2.33%	-4.58%	2.72%	22.15%	N/A	N/A	N/A	N/A
FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX	-2.36%	-4.66%	2.72%	22.13%	N/A	N/A	N/A	N/A
Difference	**0.03%**	**0.08%**	**0.00%**	**0.02%**	**N/A**	**N/A**	**N/A**	**N/A**

For information regarding performance data, including net performance data, please refer to the section entitled "Important Information" at the end of the report.

R-Factor™ Summary

As of 30 Sep 2021

Europe ex UK ESG Screened Index Equity Sub-Fund

Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	71.77	71.80	-0.03
ESG	72.55	72.59	-0.04
Corporate Governance	44.79	44.81	-0.02

Source: SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

What is R-Factor?

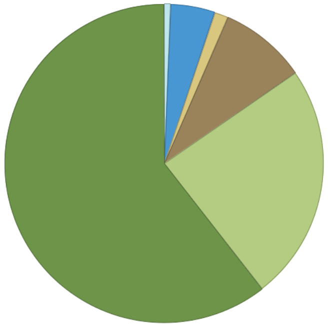
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-inclass ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors the ability to invest in solutions that integrate financially material ESG data while incentivizing companies to improve their ESG practices and disclosure in areas that matter.

Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	451	98.47%	99.35%
Total Number of Securities in Portfolio	458		

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

Fund R-Factor Profile	
Not Available	0.65%
Laggard	4.76%
Underperformer	1.44%
Average Performer	9.22%
Outperformer	25.17%
Leader	63.26%

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.



Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Nestle S.A.	4.10%	4.09%	0.01%	88.02
ASML Holding NV	3.56%	3.57%	0.00%	78.01
Roche Holding Ltd	3.15%	3.05%	0.10%	66.04
LVMH Moet Hennessy Louis...	2.16%	2.16%	0.00%	79.26
Novo Nordisk A/S Class B	1.85%	1.85%	0.00%	71.76
SAP SE	1.80%	1.81%	0.00%	82.36
Siemens AG	1.49%	1.49%	0.00%	76.60
TotalEnergies SE	1.40%	1.40%	0.00%	75.75
Sanofi	1.26%	1.26%	0.00%	82.85
L'Oreal SA	1.20%	1.20%	0.00%	91.45

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

Top 5 R-Factor Ratings				
Veolia Environnement SA	0.19%	0.23%	-0.03%	96.36
Schneider Electric SE	1.06%	1.06%	0.00%	94.88
Unibail-Rodamco-Westfield...	0.12%	0.12%	0.00%	93.76
Industria de Diseno Textil S....	0.47%	0.47%	0.00%	91.77
L'Oreal SA	1.20%	1.20%	0.00%	91.45

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

Bottom 5 R-Factor Ratings				
D'Ieteren Group	0.04%	0.04%	0.00%	24.79
Sofina SA	0.08%	0.07%	0.00%	25.41
EXOR N.V.	0.10%	0.11%	0.00%	27.96
InPost S.A.	0.04%	0.04%	0.00%	29.96
CTS Eventim AG & Co. KGa...	0.06%	0.05%	0.00%	32.14

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

The R-Factor summary reflects certain ESG characteristics only, and does not reflect the portfolio's performance. Certain instruments such as cash & derivatives are excluded. ESG analytics data reported on a one month lag relative to monthly performance reporting period. Please see Important Information section for more information and definitions of the ESG Metrics presented.

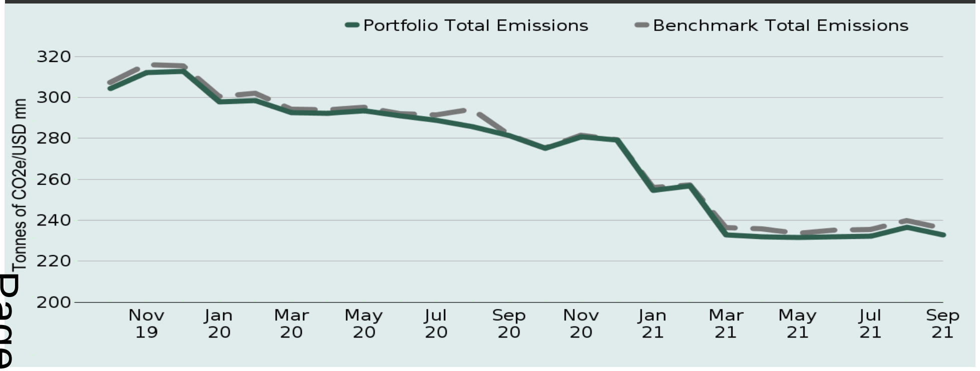
Climate Profile

As of 30 Sep 2021

Europe ex UK ESG Screened Index Equity Sub-Fund

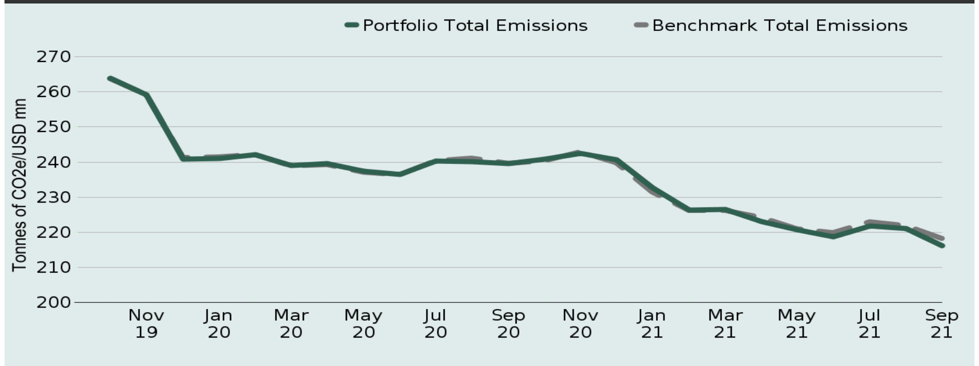
Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX

Carbon Intensity



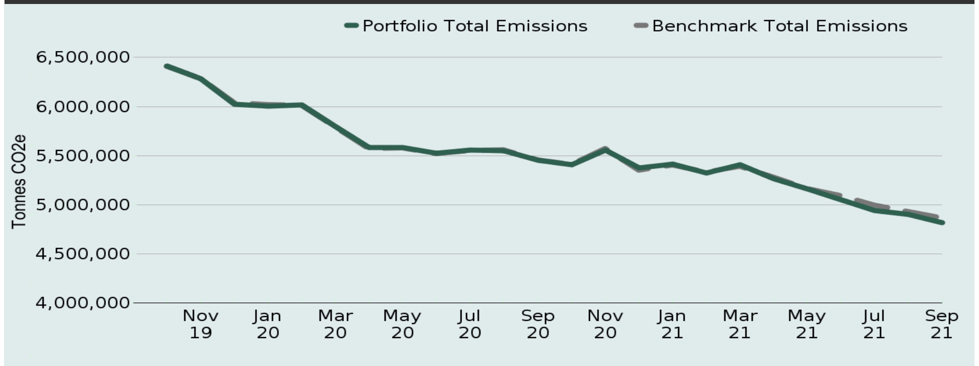
Source: SSGA Holdings as of 30 Sep 2021. Trucost data as of 31 Aug 2021.

Weighted Average Carbon Intensity



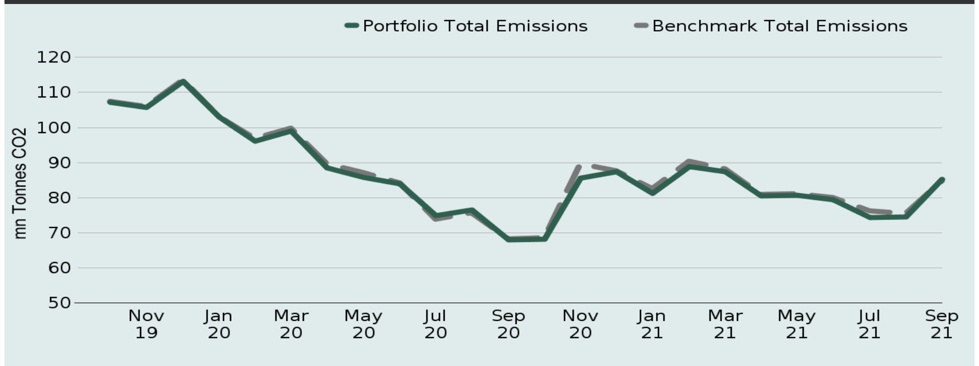
Source: SSGA Holdings as of 30 Sep 2021. Trucost data as of 31 Aug 2021.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 30 Sep 2021. Trucost data as of 31 Aug 2021.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 30 Sep 2021. Trucost data as of 31 Aug 2021.

Stewardship Profile

As of 30 Sep 2021

Europe ex UK ESG Screened Index Equity Sub-Fund

Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q2 2021
Number of Meetings Voted	548
Number of Countries	16
Management Proposals	8,930
Votes for	89.41%
Votes Against	10.59%
Shareholder Proposals	236
With Management	91.95%
Against Management	8.05%

Source: SSGA as of 30 Jun 2021

Figures are based on State Street Global Advisors' general approach to voting at the companies held by the Fund at quarter end. This information is not a substitute for a proxy voting report, which can be requested through your relationship manager.

State Street Global Advisors' (SSGA) asset stewardship program is aimed at engaging with our portfolio companies on issues that impact long-term value creation across environmental, social and governance (ESG) considerations. In the recent past, SSGA has issued extensive guidance on key governance matters such as effective, independent board leadership. SSGA's current focus is on helping boards think about the possible impacts of environmental and social issues and incorporating a sustainability lens into boards' oversight of long-term strategy as a sound business practice.

Gender Diversity

Women on Board	Number of Securities
0	9
1	32
2	59
3	94
4	80
5	74
6	58
7	28
8	12
9	7
10	1
10+	3
Not Available	1
Total	**458**

Source: Factset/SSGA. Holdings as of 30 Sep 2021, Factset data as of 31 Aug 2021.

R-Factor™ Summary

As of 30 Sep 2021

North America ESG Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	63.52	63.52	0.00
ESG	62.18	62.17	0.01
Corporate Governance	63.76	63.78	-0.02

Source: SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

What is R-Factor?

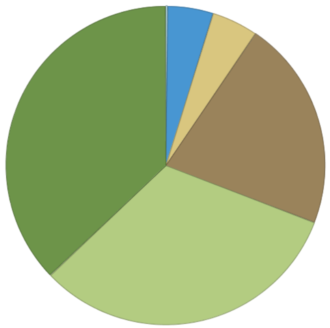
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-inclass ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors the ability to invest in solutions that integrate financially material ESG data while incentivizing companies to improve their ESG practices and disclosure in areas that matter.

Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	645	98.77%	99.81%
Total Number of Securities in Portfolio	653		

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

Fund R-Factor Profile	
Not Available	0.19%
Laggard	4.76%
Underperformer	4.82%
Average Performer	21.82%
Outperformer	32.81%
Leader	38.02%

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.



Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Apple Inc.	5.72%	5.72%	0.00%	87.72
Microsoft Corporation	5.47%	5.47%	0.00%	72.52
Amazon.com Inc.	3.67%	3.67%	0.00%	64.57
Facebook Inc. Class A	2.09%	2.09%	0.00%	58.27
Alphabet Inc. Class A	2.06%	2.07%	-0.01%	56.31
Alphabet Inc. Class C	1.94%	1.92%	0.01%	56.31
Tesla Inc	1.59%	1.59%	0.00%	60.94
NVIDIA Corporation	1.28%	1.28%	0.00%	77.70
JPMorgan Chase & Co.	1.25%	1.25%	0.00%	72.01
Visa Inc. Class A	0.97%	0.97%	0.00%	71.01

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

Top 5 R-Factor Ratings	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
HP Inc.	0.08%	0.08%	0.00%	100
Cisco Systems Inc.	0.59%	0.59%	0.00%	97.34
Host Hotels & Resorts Inc.	0.03%	0.03%	0.00%	89.89
Ball Corporation	0.07%	0.07%	0.00%	89.46
Accenture Plc Class A	0.52%	0.52%	0.00%	88.18

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

Bottom 5 R-Factor Ratings	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Lennar Corporation Class A	0.07%	0.07%	0.00%	9.13
Lennar Corporation Class B	0.00%	0.00%	0.00%	9.13
Constellation Software Inc.	0.08%	0.08%	0.00%	12.28
D.R. Horton Inc.	0.07%	0.07%	0.00%	12.98
Live Nation Entertainment In...	0.03%	0.03%	0.00%	13.48

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

The R-Factor summary reflects certain ESG characteristics only, and does not reflect the portfolio's performance. Certain instruments such as cash & derivatives are excluded. ESG analytics data reported on a one month lag relative to monthly performance reporting period. Please see Important Information section for more information and definitions of the ESG Metrics presented.

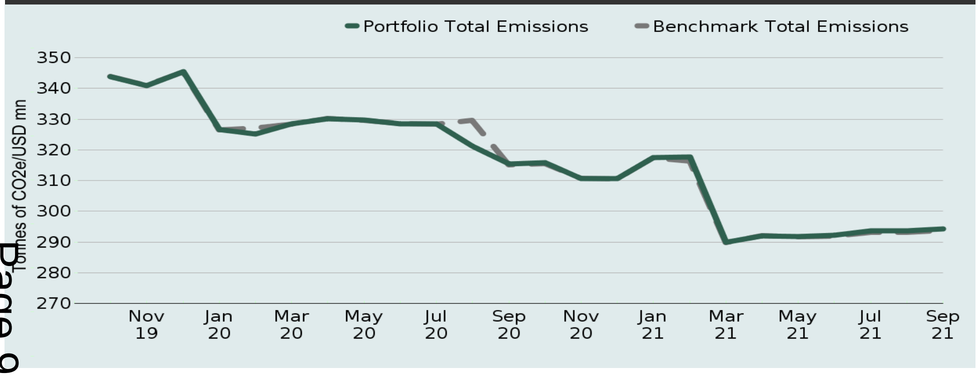
Climate Profile

As of 30 Sep 2021

North America ESG Screened Index Equity Sub-Fund

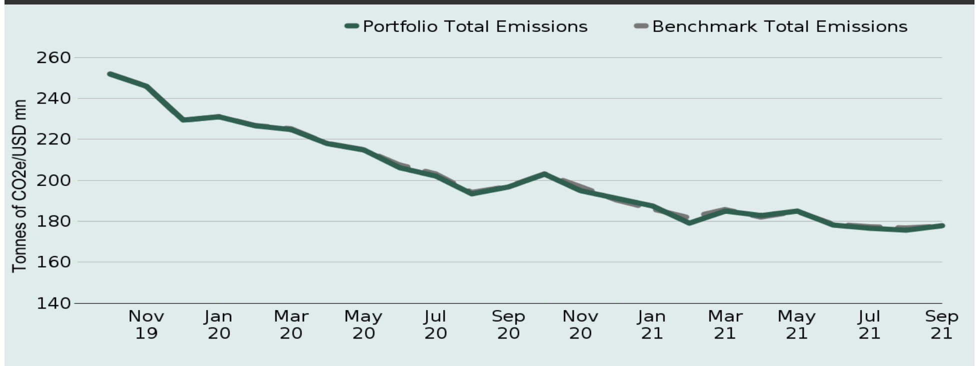
Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX

Carbon Intensity



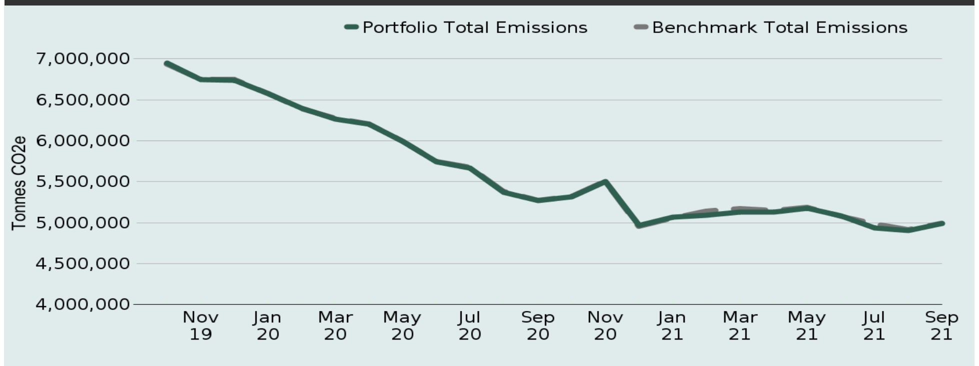
Source: SSGA Holdings as of 30 Sep 2021. Trucost data as of 31 Aug 2021.

Weighted Average Carbon Intensity



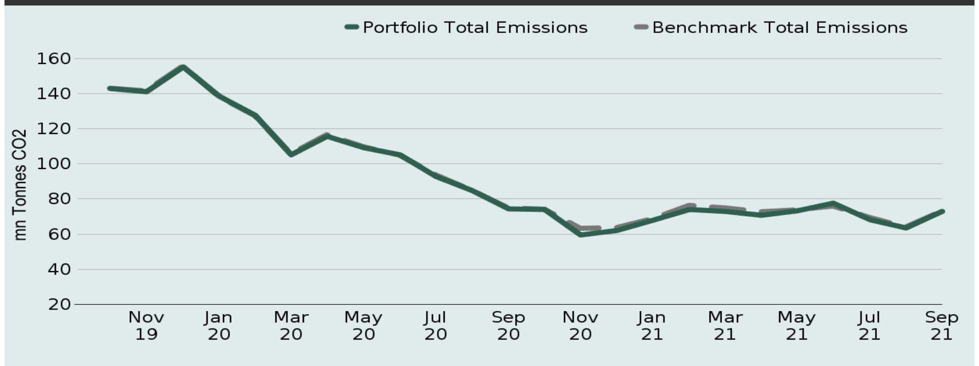
Source: SSGA Holdings as of 30 Sep 2021. Trucost data as of 31 Aug 2021.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 30 Sep 2021. Trucost data as of 31 Aug 2021.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 30 Sep 2021. Trucost data as of 31 Aug 2021.

Stewardship Profile

As of 30 Sep 2021

North America ESG Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q2 2021
Number of Meetings Voted	638
Number of Countries	16
Management Proposals	7,347
Votes for	91.44%
Votes Against	8.53%
Shareholder Proposals	376
With Management	71.81%
Against Management	28.19%

Source: SSGA as of 30 Jun 2021

Figures are based on State Street Global Advisors' general approach to voting at the companies held by the Fund at quarter end. This information is not a substitute for a proxy voting report, which can be requested through your relationship manager.

State Street Global Advisors' (SSGA) asset stewardship program is aimed at engaging with our portfolio companies on issues that impact long-term value creation across environmental, social and governance (ESG) considerations. In the recent past, SSGA has issued extensive guidance on key governance matters such as effective, independent board leadership. SSGA's current focus is on helping boards think about the possible impacts of environmental and social issues and incorporating a sustainability lens into boards' oversight of long-term strategy as a sound business practice.

Gender Diversity

Women on Board	Number of Securities
0	1
1	30
2	142
3	234
4	153
5	61
6	22
7	4
8	3
9	0
10	0
10+	0
Not Available	3
Total	**653**

Source: Factset/SSGA. Holdings as of 30 Sep 2021, Factset data as of 31 Aug 2021.

R-Factor™ Summary

As of 30 Sep 2021

Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	60.59	60.63	-0.04
ESG	58.92	58.97	-0.05
Corporate Governance	66.38	66.37	0.01

Source: SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

What is R-Factor?

R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-inclass ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors the ability to invest in solutions that integrate financially material ESG data while incentivizing companies to improve their ESG practices and disclosure in areas that matter.

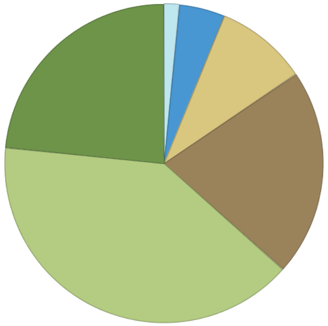
Page 100

Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	477	93.71%	98.43%
Total Number of Securities in Portfolio	509		

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

Fund R-Factor Profile	
Not Available	1.57%
Laggard	4.76%
Underperformer	9.62%
Average Performer	21.52%
Outperformer	41.02%
Leader	24.02%

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.



Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Toyota Motor Corp.	4.79%	4.79%	0.00%	66.91
Sony Group Corporation	3.00%	3.00%	0.00%	81.37
Keyence Corporation	2.34%	2.35%	0.00%	40.70
Recruit Holdings Co. Ltd.	1.77%	1.77%	0.00%	66.97
SoftBank Group Corp.	1.69%	1.69%	0.00%	56.10
Mitsubishi UFJ Financial Gr...	1.59%	1.59%	0.00%	58.54
Shin-Etsu Chemical Co Ltd	1.46%	1.46%	0.00%	61.43
Tokyo Electron Ltd.	1.43%	1.43%	0.00%	76.65
DAIKIN INDUSTRIES LTD.	1.26%	1.26%	0.00%	65.61
HOYA CORPORATION	1.21%	1.21%	0.00%	47.31

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

Top 5 R-Factor Ratings				
Konica Minolta Inc.	0.06%	0.05%	0.01%	86.89
Kao Corp.	0.59%	0.60%	-0.01%	82.41
Asics Corporation	0.08%	0.08%	0.00%	82.07
Sony Group Corporation	3.00%	3.00%	0.00%	81.37
Japan Real Estate Investme...	0.17%	0.17%	0.00%	81.27

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

Bottom 5 R-Factor Ratings				
Relo Group Inc.	0.04%	0.05%	0.00%	3.64
COSMOS Pharmaceutical C...	0.06%	0.06%	0.00%	12.71
ABC-MART INC.	0.04%	0.03%	0.00%	14.56
SMS Co. Ltd.	0.04%	0.04%	0.00%	15.39
Iida Group Holdings Co. Ltd.	0.08%	0.08%	0.00%	17.53

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

The R-Factor summary reflects certain ESG characteristics only, and does not reflect the portfolio's performance. Certain instruments such as cash & derivatives are excluded. ESG analytics data reported on a one month lag relative to monthly performance reporting period. Please see Important Information section for more information and definitions of the ESG Metrics presented.

Page 101

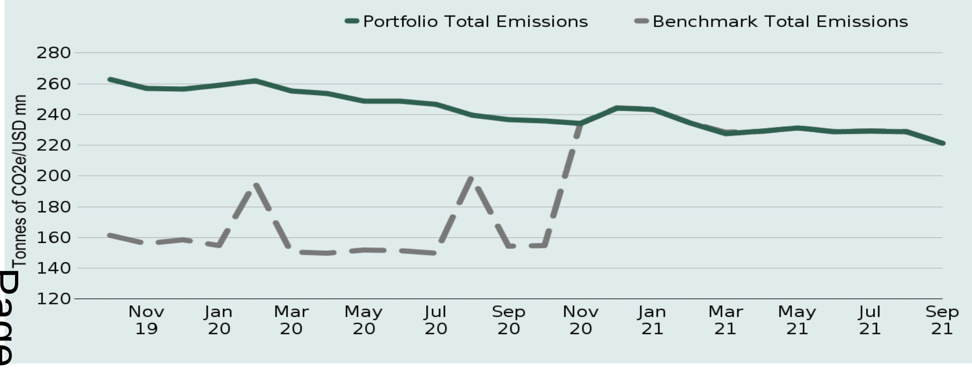
Climate Profile

As of 30 Sep 2021

Japan ESG Screened Index Equity Sub-Fund

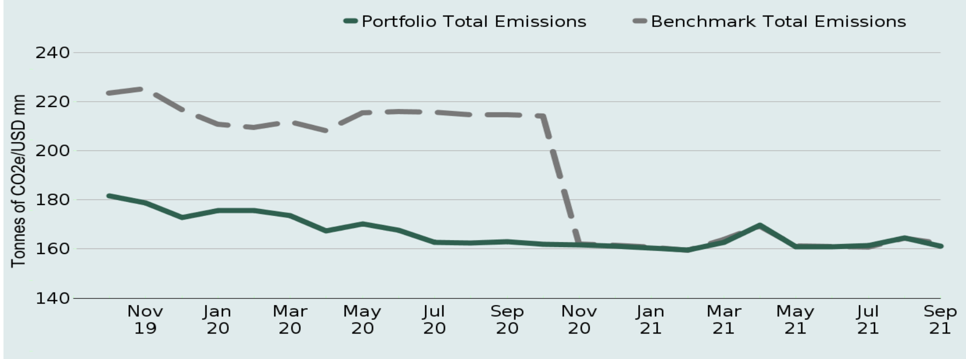
Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

Carbon Intensity



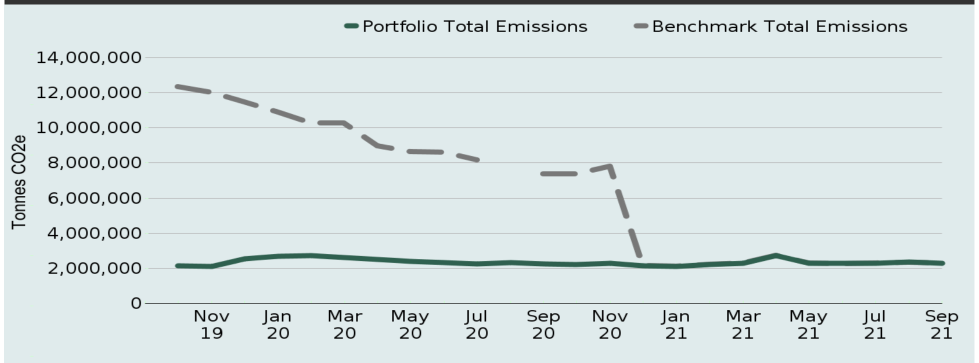
Source: SSGA Holdings as of 30 Sep 2021. Trucost data as of 31 Aug 2021.

Weighted Average Carbon Intensity



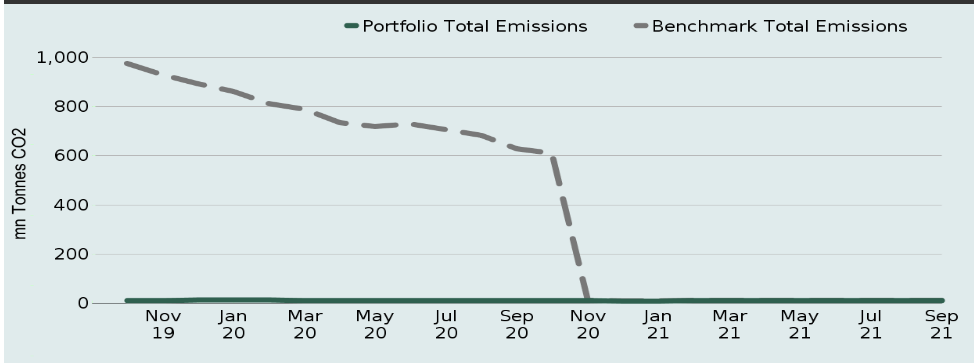
Source: SSGA Holdings as of 30 Sep 2021. Trucost data as of 31 Aug 2021.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 30 Sep 2021. Trucost data as of 31 Aug 2021.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 30 Sep 2021. Trucost data as of 31 Aug 2021.

Stewardship Profile

As of 30 Sep 2021

Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q2 2021
Number of Meetings Voted	531
Number of Countries	1
Management Proposals	6,202
Votes for	91.29%
Votes Against	8.71%
Shareholder Proposals	132
With Management	91.67%
Against Management	8.33%

Source: SSGA as of 30 Jun 2021

Figures are based on State Street Global Advisors' general approach to voting at the companies held by the Fund at quarter end. This information is not a substitute for a proxy voting report, which can be requested through your relationship manager.

State Street Global Advisors' (SSGA) asset stewardship program is aimed at engaging with our portfolio companies on issues that impact long-term value creation across environmental, social and governance (ESG) considerations. In the recent past, SSGA has issued extensive guidance on key governance matters such as effective, independent board leadership. SSGA's current focus is on helping boards think about the possible impacts of environmental and social issues and incorporating a sustainability lens into boards' oversight of long-term strategy as a sound business practice.

Gender Diversity

Women on Board	Number of Securities
0	165
1	222
2	99
3	19
4	4
5	0
6	0
7	0
8	0
9	0
10	0
10+	0
Not Available	0
Total	**509**

Source: Factset/SSGA. Holdings as of 30 Sep 2021, Factset data as of 31 Aug 2021.

R-Factor™ Summary

As of 30 Sep 2021

Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	61.04	61.05	-0.01
ESG	60.68	60.69	-0.01
Corporate Governance	54.58	54.57	0.01

Source: SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

What is R-Factor?

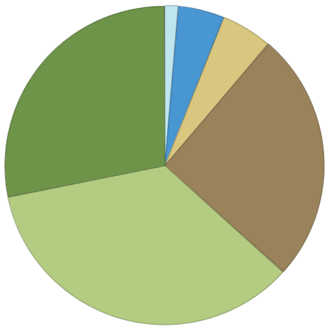
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-inclass ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors the ability to invest in solutions that integrate financially material ESG data while incentivizing companies to improve their ESG practices and disclosure in areas that matter.

Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	380	95.96%	98.63%
Total Number of Securities in Portfolio	396		

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

Fund R-Factor Profile	
Not Available	1.37%
Laggard	4.76%
Underperformer	5.20%
Average Performer	25.65%
Outperformer	35.40%
Leader	28.41%

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.



Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Samsung Electronics Co. Lt...	9.64%	9.68%	-0.04%	80.09
AIA Group Limited	4.58%	4.60%	-0.02%	72.68
Commonwealth Bank of Aus...	4.39%	4.37%	0.02%	66.76
CSL Limited	3.16%	3.15%	0.01%	64.02
Hong Kong Exchanges & Cl...	2.56%	2.57%	-0.01%	64.58
Westpac Banking Corporati...	2.26%	2.25%	0.01%	66.00
National Australia Bank Limi...	2.17%	2.17%	0.00%	67.90
Australia and New Zealand...	1.90%	1.89%	0.00%	70.33
Samsung Electronics Co Ltd...	1.59%	1.59%	-0.01%	80.09
Wesfarmers Limited	1.49%	1.49%	0.00%	54.08

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

Top 5 R-Factor Ratings				
Dexus	0.27%	0.27%	0.00%	94.28
GPT Group	0.22%	0.23%	-0.01%	92.86
COWAY Co. Ltd.	0.12%	0.12%	0.00%	81.84
Lenovo Group Limited	0.26%	0.26%	0.00%	81.17
Samsung Electronics Co Ltd...	1.59%	1.59%	-0.01%	80.09

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

Bottom 5 R-Factor Ratings				
KOREA INVESTMENT HOLD...	0.09%	0.09%	0.00%	4.44
JS Global Lifestyle Compan...	0.05%	0.05%	0.00%	5.12
Medy-Tox Inc.	0.02%	0.02%	0.00%	7.14
SillaJen Inc.	0.03%	0.00%	0.03%	8.55
HOTEL SHILLA CO. LTD.	0.07%	0.07%	0.00%	9.88

Source: Factset/SSGA. Holdings as of 30 Sep 2021, R-Factor data as of 31 Aug 2021.

The R-Factor summary reflects certain ESG characteristics only, and does not reflect the portfolio's performance. Certain instruments such as cash & derivatives are excluded. ESG analytics data reported on a one month lag relative to monthly performance reporting period. Please see Important Information section for more information and definitions of the ESG Metrics presented.

Page 103

Climate Profile

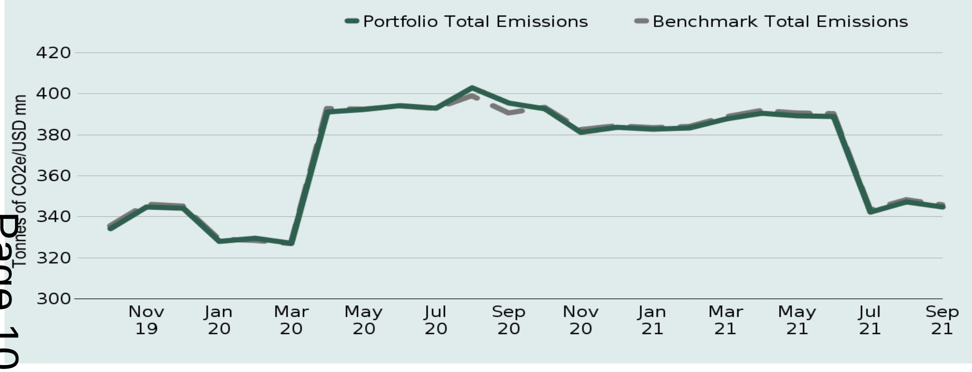
As of 30 Sep 2021

Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX

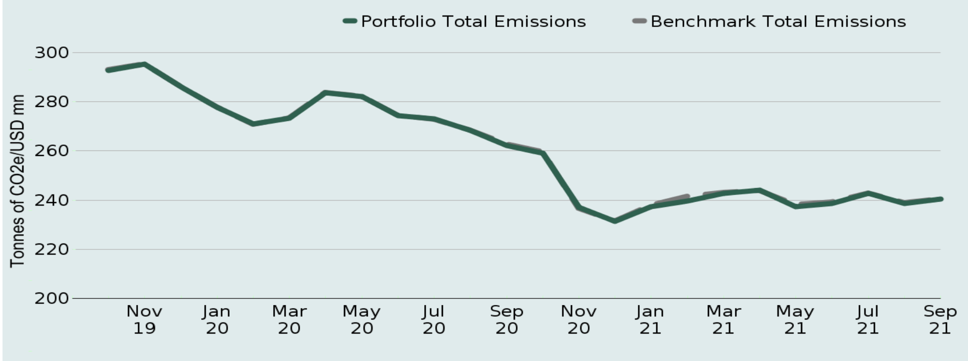
Page 104

Carbon Intensity



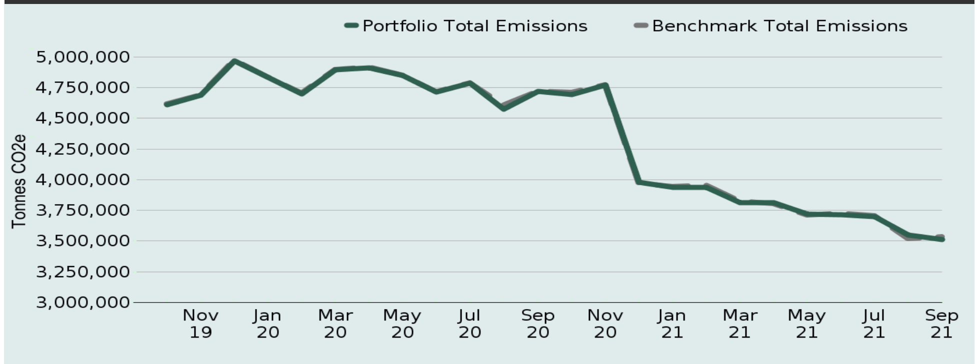
Source: SSGA Holdings as of 30 Sep 2021. Trucost data as of 31 Aug 2021.

Weighted Average Carbon Intensity



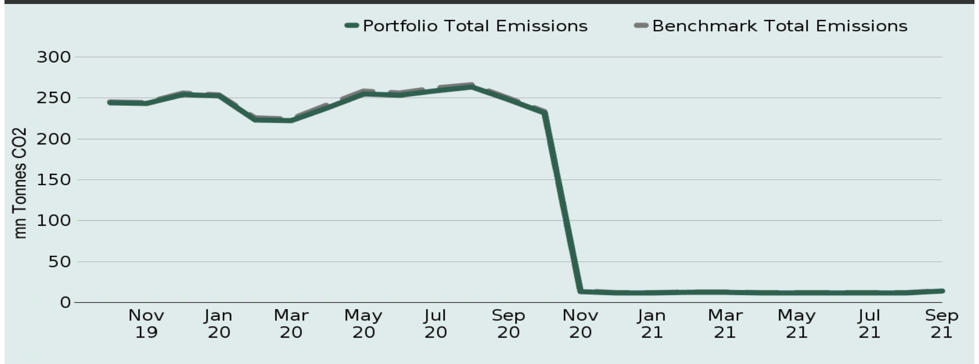
Source: SSGA Holdings as of 30 Sep 2021. Trucost data as of 31 Aug 2021.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 30 Sep 2021. Trucost data as of 31 Aug 2021.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 30 Sep 2021. Trucost data as of 31 Aug 2021.

Stewardship Profile

As of 30 Sep 2021

Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q2 2021
Number of Meetings Voted	438
Number of Countries	12
Management Proposals	3,042
Votes for	82.08%
Votes Against	17.85%
Shareholder Proposals	62
With Management	77.42%
Against Management	22.58%

Source: SSGA as of 30 Jun 2021

Figures are based on State Street Global Advisors' general approach to voting at the companies held by the Fund at quarter end. This information is not a substitute for a proxy voting report, which can be requested through your relationship manager.

State Street Global Advisors' (SSGA) asset stewardship program is aimed at engaging with our portfolio companies on issues that impact long-term value creation across environmental, social and governance (ESG) considerations. In the recent past, SSGA has issued extensive guidance on key governance matters such as effective, independent board leadership. SSGA's current focus is on helping boards think about the possible impacts of environmental and social issues and incorporating a sustainability lens into boards' oversight of long-term strategy as a sound business practice.

Gender Diversity

Women on Board	Number of Securities
0	121
1	79
2	79
3	78
4	25
5	9
6	0
7	0
8	1
9	0
10	0
10+	0
Not Available	4
Total	**396**

Source: Factset/SSGA. Holdings as of 30 Sep 2021, Factset data as of 31 Aug 2021.

Relationship Management Team

Christopher Timms
Sr Relationship Mgr II

Phone: 442033956617
Fax:
Christopher_Timms@ssga.com

Kian Gheissari

Phone: 442033956754
Fax:
Kian_Gheissari@SSgA.com

Page 107

Important Information

- R-Factor™ is an ESG scoring system that leverages commonly accepted materiality frameworks to generate a unique ESG score for listed companies. The score is powered by ESG data from four different providers in an effort to improve overall coverage and remove biases inherent in existing scoring methodologies. R-Factor™ is designed to put companies in the driver's seat to help create sustainable markets.

- R-Factor™ Scores are comparable across industries. The ESG and Corporate Governance (CorpGov) scores are designed to be based on issues that are material to a company's industry and regulatory region. A uniform grading scale allows for interpretation of the final company level score to allow for comparison across companies.

- Responsible-Factor (R Factor) scoring is designed by State Street to reflect certain ESG characteristics and does not represent investment performance. Results generated out of the scoring model is based on sustainability and corporate governance dimensions of a scored entity.

- The returns on a portfolio of securities which exclude companies that do not meet the portfolio's specified ESG criteria may trail the returns on a portfolio of securities which include such companies. A portfolio's ESG criteria may result in the portfolio investing in industry sectors or securities which underperform the market as a whole.

- The R-Factor™ scoring process comprises two underlying components. The first component is based on the framework published by the Sustainability Accounting Standards Board ("SASB"), which is used for all ESG aspects of the score other than those relating to corporate governance issues. The SASB framework attempts to identify ESG risks that are financially material to the issuer-based on its industry classification. This component of the R-Factor™ score is determined using only those metrics from the ESG data providers that specifically address ESG risks identified by the SASB framework as being financially material to the issuer-based on its industry classification.

- The second component of the score, the CorpGov score, is generated using region-specific corporate governance codes developed by investors or regulators. The governance codes describe minimum corporate governance expectations of a particular region and typically address topics such as shareholder rights, board independence and executive compensation. This component of the R-Factor™ uses data provided by ISS Governance to assign a governance score to issuers according to these governance codes.

- Within each industry group, issuers are classified into five distinct ESG performance groups based on which percentile their R-Factor™ scores fall into. A company is classified in one of the five ESG performance classes (Laggard - 10% of universe, Underperformer - 20% of universe, Average Performer - 40% of universe, Outperformer - 20% of universe or Leader - 10% of universe) by comparing the company's R-Factor™ score against a band. R-Factor™ scores are normally distributed using normalized ratings on a 0-100 rating scale.

- Discrepancy between the number of holdings in the R-Factor™ Summary versus the number of holdings in the regular reporting package may arise as the R-Factor™ Summary is counted based on number of issuers rather than number of holdings in the portfolio.

- For examples of public language regarding R-Factor see the ELR Registration Statement here: https://www.sec.gov/Archives/edgar/data/1107414/000119312519192334/d774617d497.html

- Carbon Intensity - Measured in Metric tons CO2e/USD millions revenues. The aggregation of operational and first-tier supply chain carbon footprints of index constituents per USD (equal weighted).

- Weighted Average Carbon Intensity - Measured in Metric tons CO2e/USD millions revenues. The weighted average of individual company intensities (operational and first-tier supply chain emissions over revenues), weighted by the proportion of each constituent in the index.

- Scope 1+2 Carbon Emissions- Measured in Metric Tons of CO_2e.The GHG emissions from operations that are owned or controlled by the company, as well as GHG emissions from consumption of purchased electricity, heat or steam, by the company

- Total Reserves CO_2 Emissions - Measured in Metric tons of CO_2. The carbon footprint that could be generated if the proven and probable fossil fuel reserves owned by index constituents were burned per USD million invested. Unlike carbon intensity and carbon emissions, the S&P Trucost Total Reserves Emissions metric is a very specific indicator that is only applicable to a very selected number of companies in extractive and carbon-intensive industries. Those companies are assigned Total Reserves Emissions numerical results by Trucost, whereas the rest of the holdings in other industries do not have numerical scores and are instead displaying "null", blank values. In order to present a more comprehensive overview of a portfolio's overall weighted average fossil fuel reserves, State Street Global Advisors replaces blank results with "zeros". While that might slightly underestimate the final weighted average volume, it provides a more realistic result, given that most companies in global indices have no ownership of fossil fuel reserves.

- We are currently using FactSet's own "People" dataset to disclose the number of women on the board, for each company in the Fund's portfolio.

- Data and metrics have been sourced as follows from the following contributors as of the date of this report, and are subject to their disclosures below. All other data has been sourced by SSGA.

- Trucost Sections: Carbon Intensity, Weighted Average Carbon Intensity, Scope 1+2 Carbon Emissions, Total Reserves Carbon Emissions - Trucost® is a registered trademark of S&P Trucost Limited ("Trucost") and is used under license. The ESG Report is/are not in any way sponsored, endorsed, sold or promoted by Trucost or its affiliates (together the "Licensor Parties") and none of the Licensor Parties make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to (i) the results to be obtained from the use of Trucost data with the report, or (ii) the suitability of the Trucost data for the purpose to which it is being put in connection with the report. None of the Licensor Parties provide any financial or investment advice or recommendation in relation to the report. None of the Licensor Parties shall be liable (whether in negligence or otherwise) to any person for any error in the Trucost data or under any obligation to advise any person of any error therein.

- FactSet Sections: Gender Diversity - This publication may contain FactSet proprietary information ("FactSet Information") that may not be reproduced, used, disseminated, modified nor published in any manner without the express prior written consent of FactSet. The FactSet Information is provided "as is" and all representations and warranties whether oral or written, express or implied (by common law, statute or otherwise), are hereby excluded and disclaimed, to the fullest extent permitted by law. In particular, with regard to the FactSet Information, FactSet disclaims any implied warranties of merchantability and fitness for a particular purpose and makes no warranty of accuracy, completeness, timeliness, functionality, and/or reliability. The FactSet Information does not constitute investment advice and any opinions or assertion contained in any publication containing the FactSet Information (and/or the FactSet Information itself) does not represent the opinions or beliefs of FactSet, its affiliated and/or related entities, and/or any of their respective employees. FactSet is not liable for any damages arising from the use, in any manner, of this publication or FactSet Information which may be contained herein.

- All information has been obtained from sources believed to be reliable, buts its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.

- Issued and approved by State Street Global Advisors Limited.

- State Street Global Advisors Limited is authorised and regulated by the Financial Conduct Authority.

- Registered Number: 4486031 England.

- State Street Global Advisors Limited, a company registered in England with company number 2509928 and VAT number 5776591 81 and whose registered office is at 20 Churchill Place, London E14 5HJ.
- This report is prepared solely for the use of the named client and should not be used by any other party.
- All data sourced by State Street Global Advisors Limited unless stated otherwise.
- All valuations are based on Trade Date accounting.
- Performance figures are calculated 'Gross of Fees' unless otherwise stated.
- Returns are annualised for periods greater than one year.
- Returns are calculated using the accrual accounting method.
- Performance figures are calculated by the Modified Dietz method or by the True Time-Weighted return method.
- Past performance is not necessarily indicative of future investment performance.
- Performance returns greater than one year are calculated using a daily annualisation formula. Returns for the same time period based on other formulas, such as monthly annualisation, may produce different results.
- The account summary page details the opening balance at the start of the reporting period which is the equivalent of the closing balance of the previous reporting period.
- If you are invested into any pooled fund or common trust fund, it may use over-the-counter swaps, derivatives or a synthetic instrument (collectively "Derivatives") to increase or decrease exposure in a particular market, asset class or sector to effectuate the fund's strategy. Derivatives agreements are privately negotiated agreements between the fund and the counterparty, rather than an exchange, and therefore Derivatives carry risks related to counterparty creditworthiness, settlement default and market conditions. Derivatives agreements can require that the fund post collateral to the counterparty consistent with the mark-to-market price of the Derivative. SSGA makes no representations or assurances that the Derivative will perform as intended.
- If you are invested in an SSGA commingled fund or common trust fund that participates in State Street's securities lending program (each a "lending fund"), the Fund participates in an agency securities lending program sponsored by State Street Bank and Trust Company (the "lending agent") whereby the lending agent may lend up to 100% of the Fund's securities, and invest the collateral posted by the borrowers of those loaned securities in collateral reinvestment funds (the "Collateral Pools"). The Collateral Pools are not registered money market funds and are not guaranteed investments. The Fund compensates its lending agent in connection with operating and maintaining the securities lending program. SSGA acts as investment manager for the Collateral Pools and is compensated for its services. The Collateral Pools are managed to a specific investment objective as set forth in the governing documents for the Collateral Pools. For more information regarding the Collateral Pool refer to the "US Cash Collateral Strategy Disclosure Document." Securities lending programs and the subsequent reinvestment of the posted collateral are subject to a number of risks, including the risk that the value of the investments held in the Collateral Pool may decline in value, be sold at a loss or incur credit losses. The net asset value of the Collateral Pool is subject to market conditions and will fluctuate and may decrease in the future. More information on the securities lending program and on the Collateral Pools, including the "US Cash Collateral Strategy Disclosure Document" and the current mark to market unit price are available on Client's Corner and also available upon request from your SSGA Relationship Manager.
- The information provided within this report is for the sole use of the official report recipient. It may not be reproduced in any form without express permission of State Street Global Advisors Limited. Whilst

State Street Global Advisors Limited believe that the information is correct when this report was produced, no warranty or representation is given to this effect and no responsibility can be accepted by State Street Global Advisors Limited to any intermediaries or end users for any action taken on the basis of the information.

- If you are invested in a Luxembourg sub-fund applying swing pricing (as set out in the prospectus of the SSGA Luxembourg SICAV, the "Prospectus"), performance of the fund is calculated on an unswung pricing basis, however, the fund price quoted and your mandate's return may be adjusted to take into consideration any Swing Pricing Adjustment (as defined in the Prospectus) . Please refer to the Prospectus for further information.

- The Net performance returns reflected in the Performance Summary report is from Jan 2020 reporting onwards.

Border to Coast Pensions Partnership Ltd

Teesside Pension Fund

15 December 2021

Agenda Item 7

What are we covering today?

- Updating you on progress at Border to Coast

- Your existing investments:
  - UK Listed Equity Fund
  - Overseas Developed Markets Equity Fund
  - Emerging Markets Equity Fund
  - Alternatives

- Responsible Investment Policies

Border to Coast Pensions Partnership Ltd

Progress

Asset Capabilities
- Progress Over The Past 6 Months

- **Multi-Asset Credit Fund** launched
  - £3.7bn AUM across 10 Partner Funds
  - Indications are that the transition went well – post-trade reports due later this month

- Inaugural **Climate Change Policy** established
  - Includes net zero carbon emissions target for our AUM (by 2050 at the latest)
  - Border-to-Coast-Climate-Change-Policy-Oct-2021.pdf (bordertocoast.org.uk)

- **Responsible Investment Policy & Voting Guidelines** reviewed & updated
  - Presented to our Joint Committee in November
  - To be adopted by Partner Funds during December round of Committee Meetings

- **Design work and planning** for 2022/3 launches
  - Listed Alternatives, Alternatives Series 2 including Climate Opportunities, Real Estate, Emerging Market Equity Alpha and Regional Equity Alpha

Investment Strategy –
Asset Capability Development Timetable

	Scheduled 2021	Scheduled 2022	Scheduled 2023	Scheduled 2024
Equities	*Emerging Markets Hybrid*	*UK & Global Alpha - reviews*	*Regional Alpha*	*Overseas Dev Equity Review*
			Emerging Markets Alpha	*ESG / Factor / Index-Tracking*
Alternatives		*Listed Alternatives*	*Impact Investing*	
	Series 1C	*Series 2 + Climate Opps*		
		Cashflow Mgmt Asset Allocation Legacy		
Fixed Income	*Multi-Asset Credit*		*Green bonds*	
Real Estate		*UK Real Estate*		
		Global Real Estate		
Other	*Climate Change Policy*	*Responsible Investment including Climate Change Strategy*		
			Hedging / Income / Liquidity Management	

Delivered Delivery within tolerance	*Forecast Delivery Date*	*Work to do to agree with PF how to take forward*

Team Updates

- Having built a strong and capable investment team our CIO, **Daniel Booth**, is leaving Border to Coast to move to a role with more day-to-day involvement in the investment process.

- Daniel will hand over his responsibilities to **John Harrison** as our interim CIO, a role he fulfilled prior to Daniel's appointment. John has remained involved with Border to Coast in an advisory capacity, and has also been UK CIO for UBS, Managing Director of MJ Hudson and, most recently, the interim CIO for the British Airways Pension Fund.

- **Tim Sankey**, Head of Real Estate, is leaving to pursue an opportunity closer to his home in Surrey. We will advertise for Tim's replacement in January.

- Our initial focus is on the development of two Global Real Estate funds – which are expected to launch at the end of 2022. We continue to work on the procurements for these funds under lead Portfolio Manager, Paul Campbell.

- We also continue to develop the UK Real Estate fund - most of the work will be conducted in 2022 ahead of the launch in 2023.

Border to Coast Pensions Partnership Ltd

Teesside Pension Fund – Investments

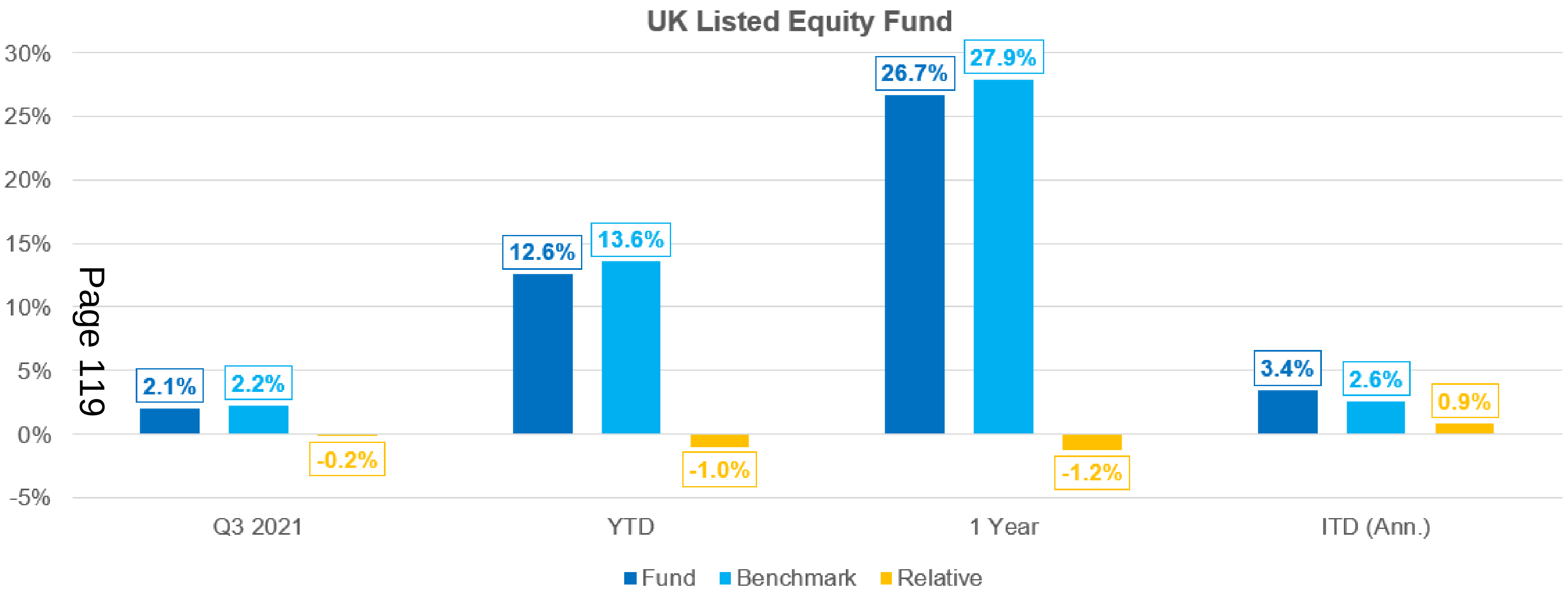
Teesside – Valuation & Commitments

Listed Investments	Teesside Value (as at 30/09/2021)	Total Fund Value (as at 30/09/2021)
	£	£
UK Listed Equity Fund	901m	4.5bn
Overseas Developed Markets Equity	1.73bn	5.1bn
Emerging Markets Equity	197m	1.0bn

Alternative Investments	Teesside Commitment (Series 1)	Committed by Border to Coast to Managers (*)	Total Series 1 Commitment (all Partner Funds)
	£	£ (% of commitment)	£
Infrastructure	200m	172m (86%)	2,455m
Private Equity	200m	174m (87%)	1,720m
Private Credit	-	-	1,501m

Source: Border to Coast. Past performance is not a reliable indicator of future performance and is not guaranteed.
(*) As at 31/10/2021.

UK Listed Equity Fund
Performance to 30 September 2021



Page 119

Source: Northern Trust, Border to Coast **Note:** Inception date: 26 July 2018.

UK Listed Equity ESG & Carbon Metrics

UK Listed Equity – ESG Quarterly Report
Q3 2021 (Sept 30)

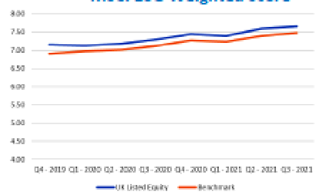
MSCI ESG Rating: AAA

ESG Summary

Fund	Q3 2021 Position [1]		
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark
UK Listed Equity	AAA [1]	7.7 [1]	
Benchmark (FTSE All Share)	AAA [1]	7.5 [1]	

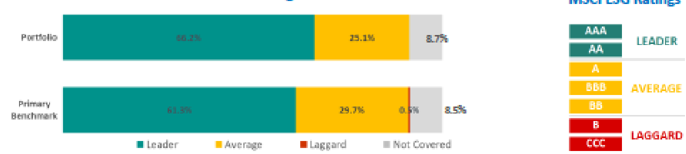
[1]Source: MSCI ESG Research 04/10/2021

MSCI ESG Weighted Score [1]



[1]Source: MSCI ESG Research 04/10/2021

ESG Ratings Distribution [1, 2]



[1]Source: MSCI ESG Research 04/10/2021

Highest ESG Rated Companies [1]			Lowest ESG Rated Companies [1]		
	% of portfolio	MSCI Rating		% of portfolio	MSCI Rating
Diageo PLC	3.9%	AAA [1]	Melrose Industries PLC	0.6%	BB [1]
RELX PLC	2.0%	AAA [1]	Rolls-Royce	0.3%	BB [1]
National Grid PLC	1.8%	AAA [1]	Capital & Counties Prop.	0.3%	BB [1]
CRH Public Limited	1.4%	AAA [1]	TP ICAP PLC	0.3%	BB [1]
Ferguson PLC	1.2%	AAA [1]	BP P.L.C	2.6%	BBB [1]

[1]Source: MSCI ESG Research 04/10/2021

ESG Commentary

- High quality Fund from an ESG perspective with a consistent AA or AAA rating since launch. The ESG Weighted score has increased again in Q3 2021.
- Consistently above benchmark (itself highly rated by MSCI). The Fund has a higher exposure to ESG Leaders with no exposure to ESG Laggards.

Feature Stock: Rolls-Royce

The company has been troubled over the last 10 years. Issues with the safety profile of the Trent engine have placed a financial drain on the company. The business model that discounts new engines to gain profitability from after-market sales has created a highly complex structure where accounting and cashflows are opaque to outside investors, hence the fund is underweight the stock relative to the benchmark. Issues have been exacerbated by Covid that has severely impacted demand for civil aircraft.

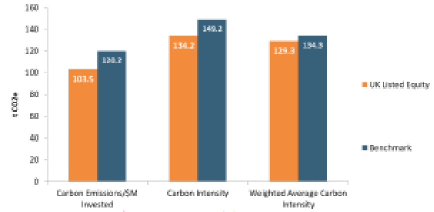
A new CEO was appointed in 2015. The restructuring of the group required a talented individual and the appointee is highly regarded by UK investors. The calibre of CEO required for the fix has required a significant remuneration package and together with a necessary restructuring that has impacted labour relations, ESG scores have struggled; Rolls Royce is rated BB by MSCI. Whilst in a difficult place we believe the issues will be worked through and the company will emerge from its current malaise a better more sustainable business that delivers for all stakeholders.

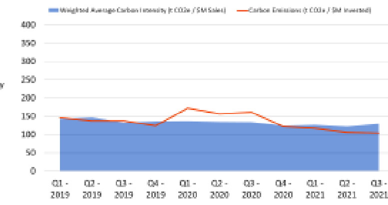
[1] Source: MSCI ESG Research LLC. 04/10/2021 [2] Companies not covered are detailed in the footnote on page 3.

UK Listed Equity – ESG Quarterly Report
Q3 2021 (Sept 30)

MSCI ESG Rating: AAA

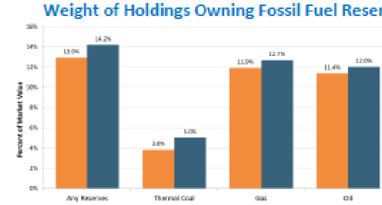
Carbon Summary [1]





[1]Source: MSCI ESG Research 04/10/2021 [1]Source: MSCI ESG Research 04/10/2021

Weight of Holdings Owning Fossil Fuel Reserves [1]



[1]Source: MSCI ESG Research 04/10/2021

	Largest Contributors to Weighted Average Carbon Intensity [1]			
	Company	Contribution	CA100+	TPI Level
1	Royal Dutch Shell PLC	19% [1]	Yes	4
2	CRH PLC	15% [1]	Yes	4
3	Rio Tinto PLC	9% [1]	Yes	4
4	BHP Group PLC	6% [1]	Yes	4*
5	National Grid PLC	5% [1]	Yes	4

[1]Source: MSCI ESG Research 04/10/2021

Carbon Commentary

- Carbon emissions, carbon intensity and weighted average carbon intensity have all decreased relative to the benchmark in the quarter and remain below the index.
- The top 5 contributors to weighted carbon intensity, accounting for 50% of total portfolio carbon intensity, are all ranked highly by the Transition Pathway Initiative (TPI) and are under engagement by Climate Action 100+ (CA100+).

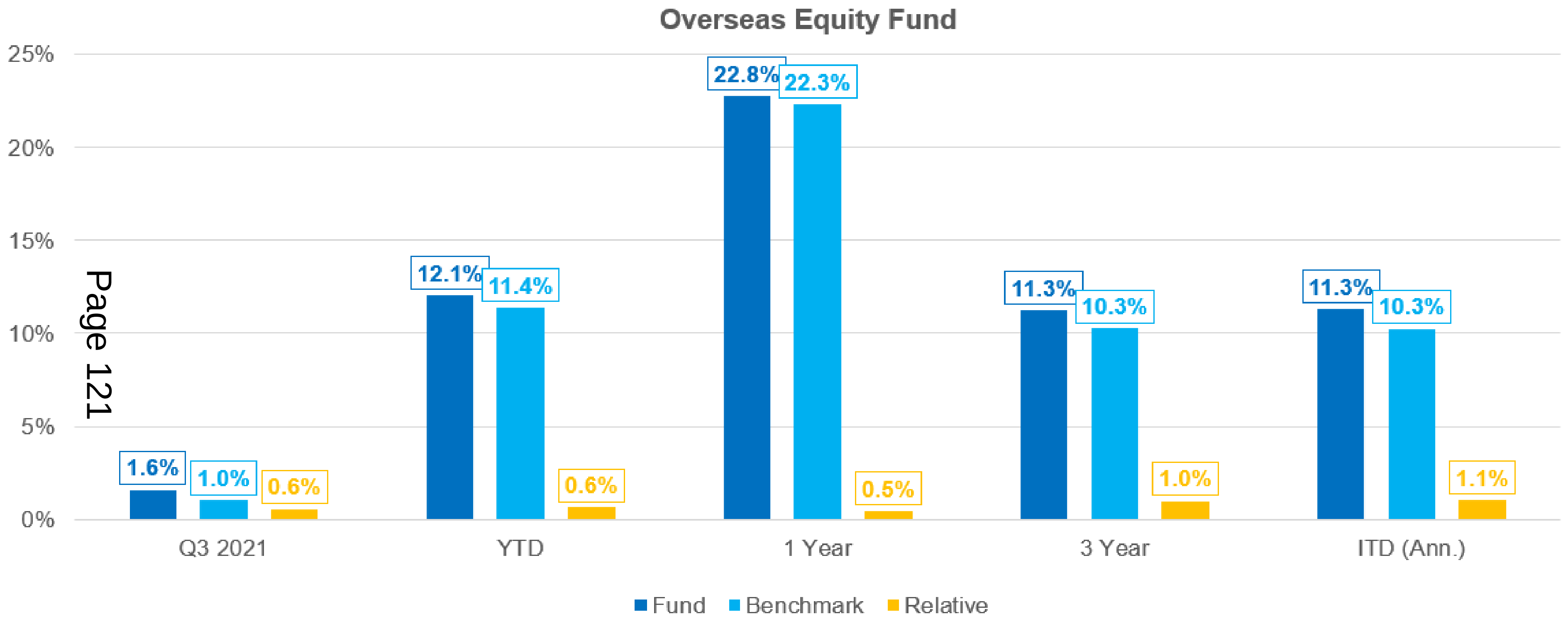
Feature Stock: Royal Dutch Shell

As one of the only oil and gas companies that has a carbon target in line with the Paris Agreement, the company aims to move its portfolio away from oil towards natural gas, which is considered to be the transition fuel for meeting carbon targets. The company is a leading global producer of liquified natural gas (LNG) and has a strong position in downstream operations (refining, petrochemicals). The company has a strong balance sheet and historically has been a good allocator of capital and we have an overweight position relative to the benchmark.

Shell supports the goals of the Paris Agreement to limit the rise in the average global temperature well below 2° Celsius and has set an ambition to become a net-zero emissions energy business by 2050 or earlier. With reference to the publication of the EU's carbon strategy that is likely to be followed by the UK and directionally by the US, the company is well placed to reduce its own carbon footprint and facilitate the infrastructure required to decarbonise other sectors previously reliant on fossil fuels in line with the EU's strategic targets. The recent Dutch court ruling has challenged Shell to accelerate its energy transition objectives and whilst not directly linked, the recently announced sale of its Permian Basin assets will support its carbon reduction objectives. We continue to engage with the Company with the focus for Shell to reach alignment with the CA100+ Net Zero Benchmark criteria by 2023.

[1] Source: MSCI ESG Research LLC. 04/10/2021 [2] Companies not covered are detailed in the footnote on page 3.

Overseas Developed Equity Fund Performance to 30 September 2021



Page 121

Source: Northern Trust, Border to Coast **Note:** Inception date 9 July 2018.

Overseas Developed – ESG & Carbon Metrics

Overseas Developed Markets Equity – ESG Quarterly Report

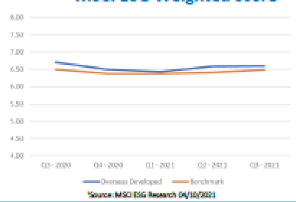
MSCI ESG Rating: AA
Q3 2021 (Sept 30)

ESG Summary – Overseas Developed [1]

Fund	Q3 2021 Position [1]		
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark
Overseas Developed Markets Fund	AA [1]	6.6 [1]	
Benchmark	AA [1]	6.5 [1]	

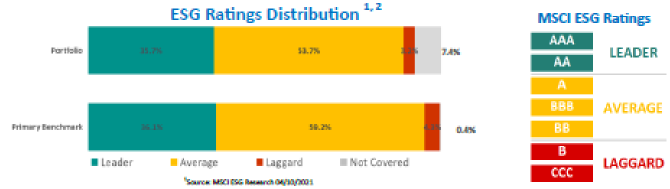
[1]Source: MSCI ESG Research 04/10/2021

MSCI ESG Weighted Score [1]



[1]Source: MSCI ESG Research 04/10/2021

ESG Ratings Distribution [1, 2]



[1]Source: MSCI ESG Research 04/10/2021

Highest ESG Rated Companies [1]			Lowest ESG Rated Companies [1]		
	% of portfolio	MSCI Rating		% of portfolio	MSCI Rating
Microsoft Corporation	2.9%	AAA [1]	Jardine Matheson	0.1%	CCC [1]
ASML Holding N.V	1.4%	AAA [1]	Facebook, Inc.	1.0%	B [1]
NVIDIA Corp.	1.0%	AAA [1]	Pfizer Inc	0.5%	B [1]
Novo Nordisk	1.0%	AAA [1]	Hyundai Motor Company	0.3%	B [1]
Schneider Electric SE	0.7%	AAA [1]	Charter Communications	0.3%	B [1]

[1]Source: MSCI ESG Research 04/10/2021

ESG Commentary

- The Fund's weighted ESG score increased in the quarter. It has been upgraded to an 'AA' this quarter using MSCI's methodology and remains above the benchmark.
- Jardine Matheson remains the only 'CCC' rated company and was covered in more detail last quarter.

Featured stock: Facebook Inc

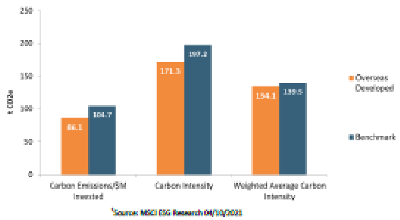
With over 3bn monthly active users Facebook is the world's largest social media company. Advertising revenue from its online platforms, 99% of group income, has experienced strong growth. This high margin revenue stream is expected to see further expansion as advertising expenditures continue their migration from traditional to online media, a trend accelerated by the pandemic. Recently the fund's position has been reduced. This is partly due to Apple's new privacy settings, which make it harder for Facebook to track user activity, but the leading impetus has been concern around a slew of negative media exposés covering a range of governance issues, culminating in a whistle-blower hearing in the House of Representatives. Although concerning, the more immediate risk is that these events might attract the attention of the head of the Federal Trade Commission (FTC) who has already censured Facebook for alleged anti-competitive behaviours. The decision to hold an underweight position is finely balanced, the business looks strong, the shares are otherwise attractively valued, and it is possible that the company's component platforms might be more valuable were the FTC to seek a break-up of the company. We continue to engage with the company on "The Social Impact of Artificial Intelligence" and at recent AGM's have supported shareholder resolutions including asking the Company to report on managing online child exploitation risks, how it is dealing with reducing false and divisive information as well as requesting the Company appoint an independent Chair of the board.

[1] Source: MSCI ESG Research LLC. 04/10/2021 [2] Companies not covered are detailed in the footnote on page 3.

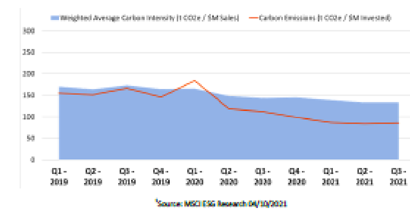
Overseas Developed Markets Equity – ESG Quarterly Report

MSCI ESG Rating: AA
Q3 2021 (Sept 30)

Carbon Summary [1]

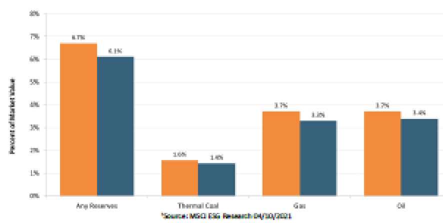


[1]Source: MSCI ESG Research 04/10/2021



[1]Source: MSCI ESG Research 04/10/2021

Weight of Holdings Owning Fossil Fuel Reserves [1]



[1]Source: MSCI ESG Research 04/10/2021

Largest Contributors to Weighted Average Carbon Intensity [1]

	Company	Contribution	CA100+	TPI Level
1	RWE	12% [1]	Yes	3
2	NextEra Energy	8% [1]	Yes	2
3	Holcim	7% [1]	Yes	4
4	Linde PLC.	5% [1]	No	3
5	Air Liquide	4% [1]	Yes	4*

[1]Source: MSCI ESG Research 04/10/2021

Carbon Commentary

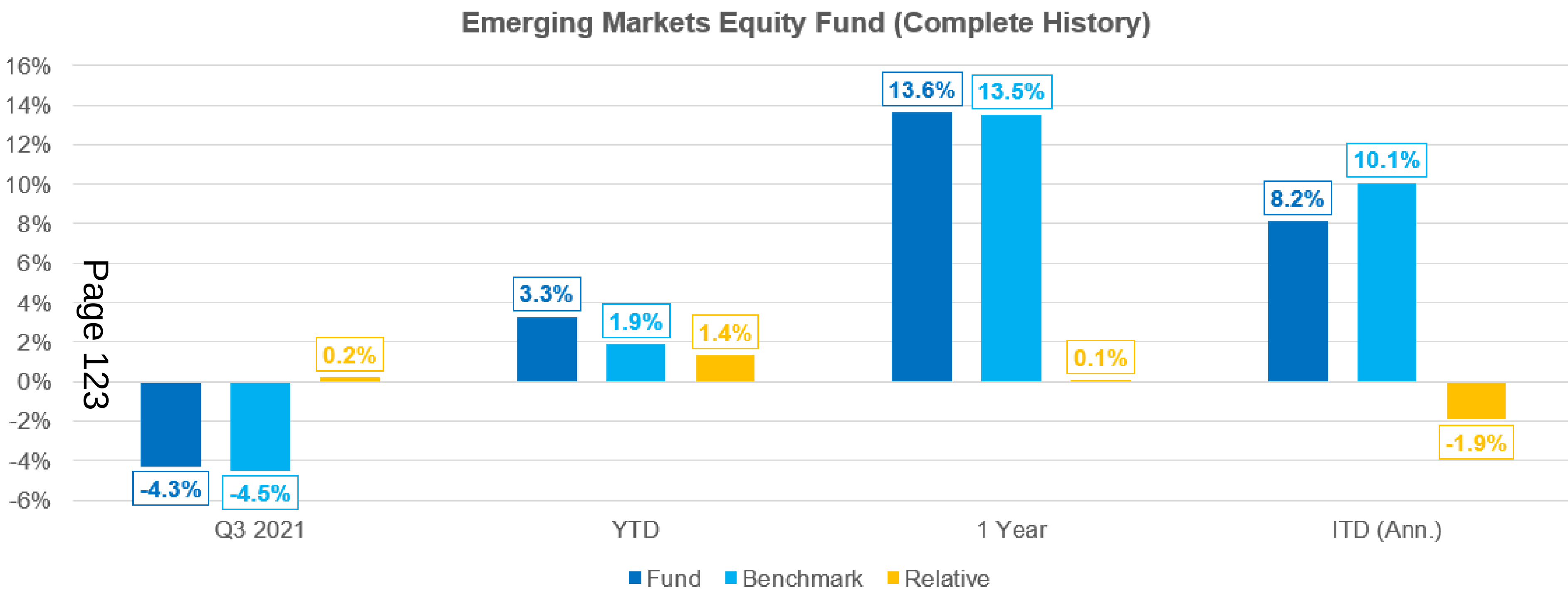
- Carbon emissions, carbon intensity and WACI all remained flat in the quarter. The Fund is below the benchmark index for all carbon metrics which is primarily driven by a sectoral underweight to utilities.
- The majority of the top 5 contributors to WACI are rated highly by the Transition Pathway Initiative and/or are under engagement by Climate Action 100+.

Feature Stock: NextEra Energy

NextEra Energy operates in both energy distribution and generation, serving mostly residential customers in regulated markets. It has a well-diversified business with limited cyclicality. NextEra is the world's largest provider of wind and solar energy and the company's sector leading exposure to energy renewables is an additional investment attraction. The company has set a goal to reduce carbon emissions 67% by 2025 from a 2005 baseline. This is equivalent to a nearly 40% reduction in absolute CO2 emissions despite nearly doubling expected electricity generation over the same period. NextEra is the largest overweight position in the utility sector and has been the best performing US utility stock since inception.

[1] Source: MSCI ESG Research LLC. 04/10/2021

Emerging Markets Equity Fund Performance to 30 September 2021

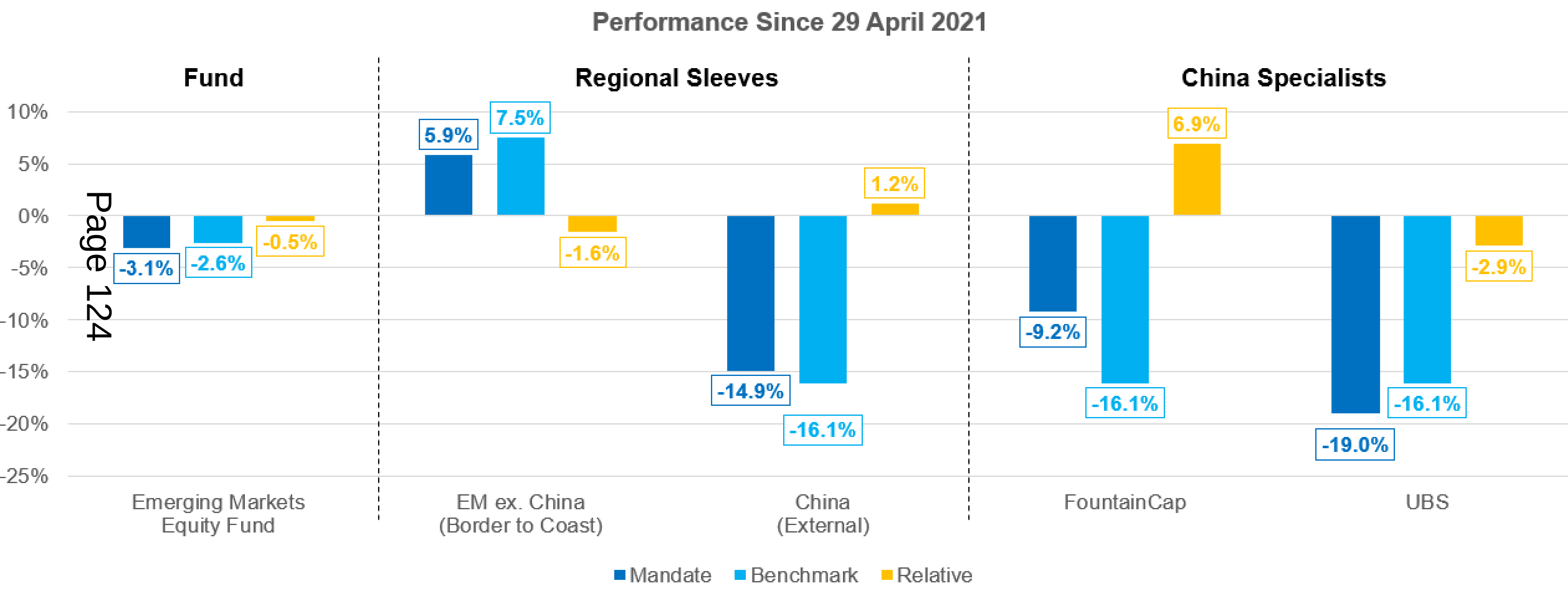


Page 123

- From **29 April 2021**, the Fund's objective was revised to provide a total return which outperforms the total return of the **FTSE Emerging Index by at least 1.5% per annum** over rolling three years periods (net of management fees).

Source: Northern Trust (2021) **Note:** Inception date for the Emerging Markets Equity Fund was 22 October 2018.
Between 10 April and 28 April 2021 (fund transition period) the benchmark return was deemed as being equal to the Fund return(performance holiday for restructure.
Prior to 9 April 2021 the benchmark was the S&P Emerging BMI with an outperformance target of 1% per annum.

Emerging Markets Equity Fund
Post Restructure Performance



- The Fund aims to provide a total return which outperforms the total return of the **FTSE Emerging Index by at least 1.5% per annum** over rolling three years periods (net of management fees).

Source: Northern Trust (2021) **Note:** Inception date for the UK Equity Alpha Fund was 17 December 2018.

EM Equities – ESG & Carbon Metrics

Emerging Markets Equity – ESG Quarterly Report
Q3 2021 (Sept 30)

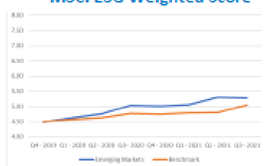
MSCI ESG Rating: BBB

ESG Summary [1]

Fund	Q3 2021 Position [1]		
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark
Emerging Markets Equity	BBB[1]	5.3 [1]	
Benchmark (FTSE Emerging)	BBB [1]	5.0 [1]	

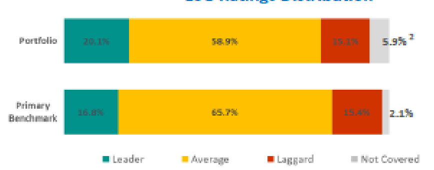
[1]Source: MSCI ESG Research 04/10/2021

MSCI ESG Weighted Score [1]



[1]Source: MSCI ESG Research 04/10/2021

ESG Ratings Distribution [1,2]



[1]Source: MSCI ESG Research 04/10/2021

MSCI ESG Ratings

AAA	LEADER
AA	LEADER
A	AVERAGE
BBB	AVERAGE
BB	AVERAGE
B	LAGGARD
CCC	LAGGARD

Highest ESG Rated Companies [1]	% of portfolio	MSCI Rating	Lowest ESG Rated Companies [1]	% of portfolio	MSCI Rating
Taiwan Semiconductor Ltd.	7.7%	AAA [1]	Kweichow Moutai Co Ltd	2.6%	CCC [1]
Meituan	1.7%	AA [1]	Vale S.A.	0.9%	CCC [1]
Hong Kong Exchanges	1.1%	AA [1]	Sun Pharmaceutical	0.5%	CCC [1]
Fubon Financial Holding	1.0%	AA [1]	Petrochina Company Limited	0.5%	CCC [1]
HDFC Bank Limited	0.9%	AA [1]	S.F. Holding Co Ltd	0.5%	CCC [1]

[1]Source: MSCI ESG Research 04/10/2021

ESG Commentary

- Following the creation of the externally managed China sleeve to supplement the existing Emerging Market Equity Fund in Q2 2021 we have seen an improvement in the ESG scores of the fund.
- This quarter, the Fund has seen an increase in the weighted ESG score and is above the benchmark due to containing more ESG Leaders and fewer ESG laggards.

Feature Stock: Petrochina Company Limited

PetroChina is a Chinese oil and gas company, the listed arm of state-owned China National Petroleum Corporation. The firm owns c.70% of oil and gas reserves in China. With natural gas the cleanest energy source in the conventional fossil fuel industry, the transition from coal over the next decade and beyond should support gas volume growth. PetroChina also owns a stake in the world's longest natural gas pipeline. The majority, if not all, of today's market valuation can be justified by this pipeline asset alone, suggesting significant value elsewhere is not being recognised by the market. With oil prices north of $80, PetroChina is highly cash-generative, which can be used to further develop new business segments, such as solar and wind.

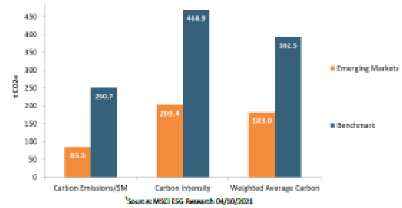
PetroChina is rated CCC by MSCI, with key risks flagged across governance, biodiversity, health and safety and community relations. The firm however scores above the industry average for carbon emissions, with strong management practices to address emissions and clear targets highlighted as a relative strength. The firm has made efforts to mitigate risks with positive although relatively slow progress. This has seen the firm become unloved by investors and currently trades at attractive levels.

[1] Source: MSCI ESG Research LLC. 04/10/2021 [2] Companies not covered are detailed in the footnote on page 3.

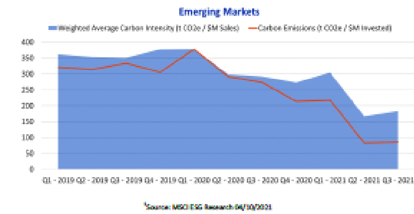
Emerging Markets Equity – ESG Quarterly Report
Q3 2021 (Sept 30)

MSCI ESG Rating: BBB

Carbon Summary [1]

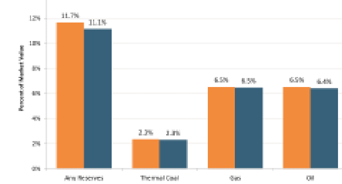


[1]Source: MSCI ESG Research 04/10/2021



[1]Source: MSCI ESG Research 04/10/2021

Weight of Holdings Owning Fossil Fuel Reserves [1]



[1]Source: MSCI ESG Research 04/10/2021

Largest Contributors to Weighted Average Carbon Intensity [1]

	Company	Contribution	CA100+	TPI Level
1	Taiwan Semiconductor Manufacturing	11% [1]	No	–
2	Tenaga Nasional Berhad	7% [1]	Yes	1
3	Reliance Industries Limited	6% [1]	Yes	1
4	Petroleo Brasileiro S.A. (Petrobras)	6% [1]	Yes	4
5	Petronas Chemicals Group Berhad	4% [1]	No	–

[1]Source: MSCI ESG Research 04/10/2021

Carbon Commentary

- The Fund is significantly below the benchmark for carbon emissions, carbon intensity and weighted average carbon intensity.

Feature Stock: Reliance Industries Limited

India's largest quoted company, Reliance Industries Ltd. was historically considered as an oil refiner and petrochemicals company, manufacturing a range of oil derivatives and synthetic fibre products. Under Chairman Muresh Ambani, Reliance has transformed itself in recent years. Embracing its motto "Growth is Life" Reliance has utilised its refining cashflows to expand into a range of other industries: from a standing start just six years ago, Jio Platforms (Reliance Digital Services) has grown to be India's largest mobile telecom operator, whilst Reliance Retail is following a similar trajectory - it is already the largest retailer in India with a diversified omni-channel presence.

This year Reliance has embraced ambitions to be a significant player in the green energy revolution: in June Ambani unveiled a three-year plan to spend 600 billion rupees ($8 billion) on four "giga factories" to manufacture the building blocks of a clean energy ecosystem. In October Reliance acquired Norway's REC Solar Holdings (a solar panel manufacturer) and simultaneously announced it was taking a 40% stake in Sterling & Wilson Solar Ltd., an Indian firm specializing in constructing renewable energy projects. Reliance aims to build and enable at least 100 gigawatts of solar projects by 2030, a third of India's target to build 280 gigawatts solar projects by then. The company has announced a 2035 net zero target, which compares well against India's recently announced 2070 ambition.

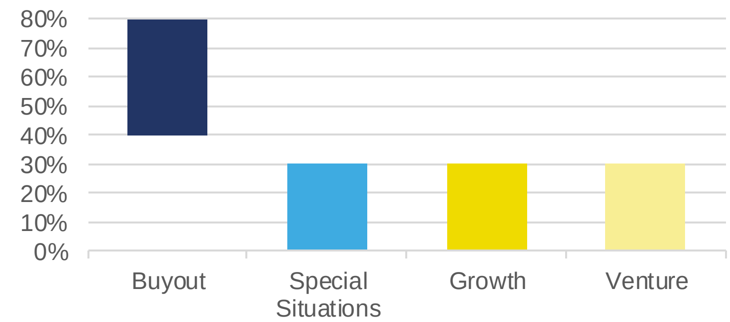
[1] Source: MSCI ESG Research LLC. 04/10/2021

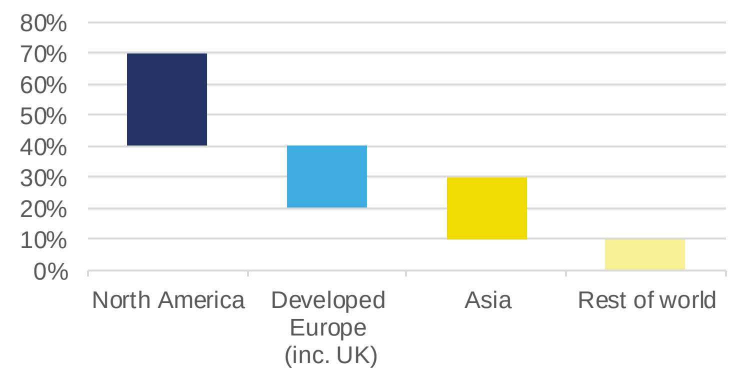
Private Equity: Asset Allocation

Strategy	Permitted Range[1]
Buyout	40 – 80%
Special Situations	0 – 30%
Growth	0 – 30%
Venture	0 – 30%

Geography	Permitted Range[1]
North America	40 – 70%
Developed Europe (inc. UK)	20 – 40%
Asia	10 – 30%
Rest of world	0 – 10%

Benchmark	10% p.a. (net)[2]

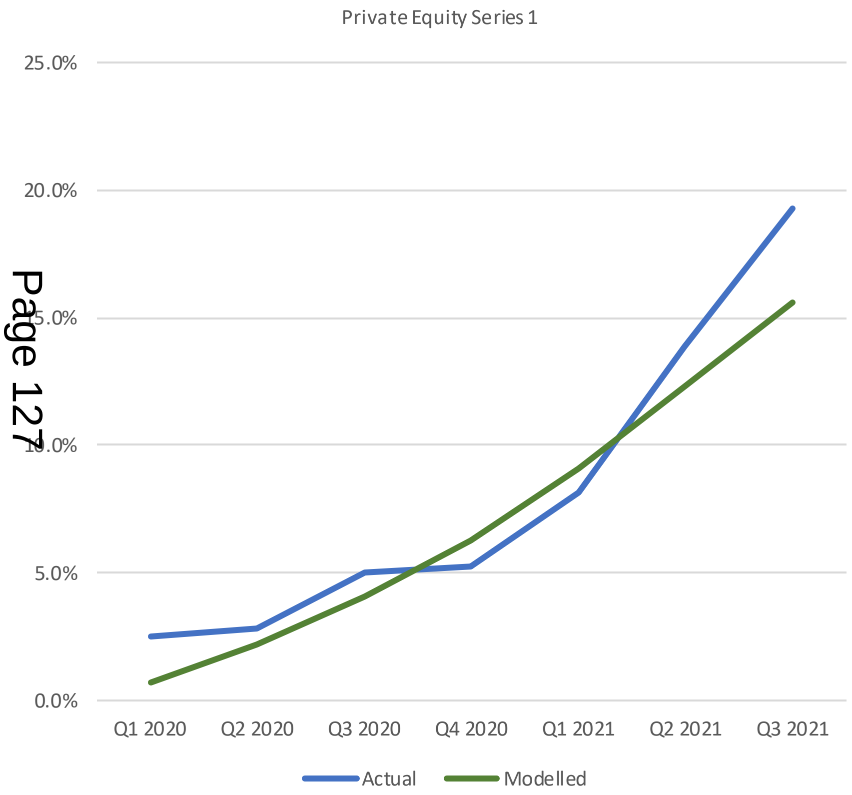


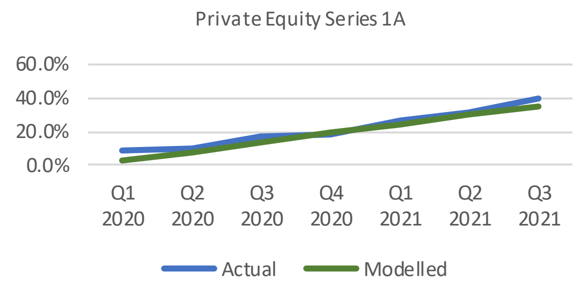


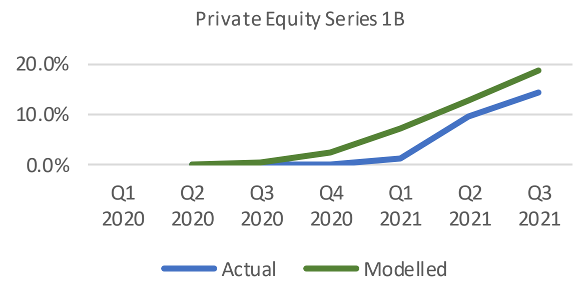
Commitments (1A)	£500m
Commitments (1B)	£485m
Commitments (1C)	£735m

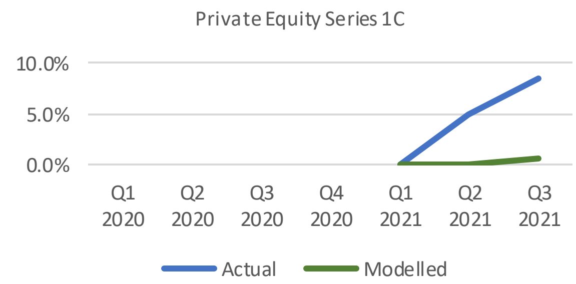
[1] Based on total commitments over a full Series (e.g. 1A, 1B, 1C)
[2] Secondary benchmark – MSCI ACWI + 3% (PME+ basis)

Private Equity: Capital Deployment





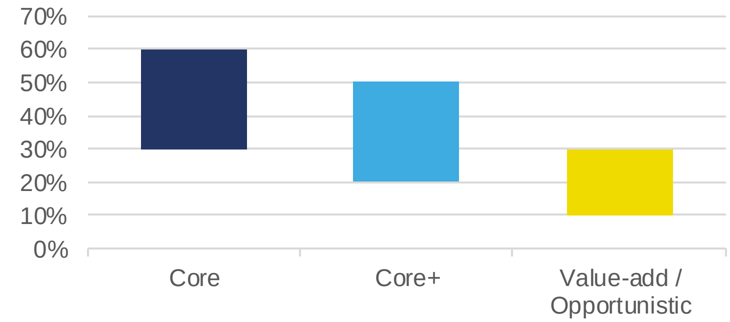




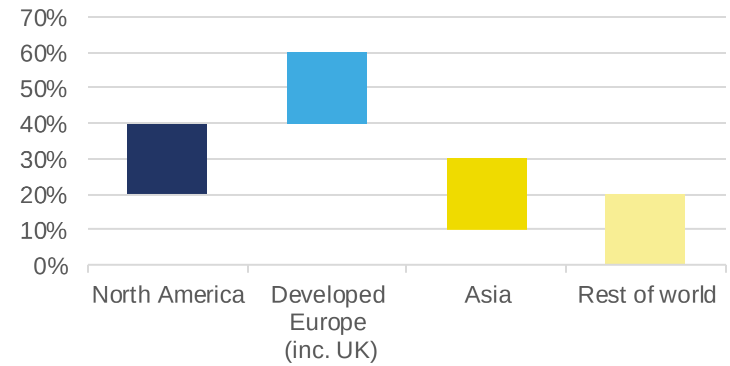
Border to Coast drawdown pace relative to industry standard, as a percentage of total committed capital in the Series
Source: Border to Coast, Albourne

Infrastructure: Asset Allocation

Strategy	Permitted range[1]
Core	30 – 60%
Core+	20 – 50%
Value-add / Opportunistic	10 – 30%



Geography	Permitted range[1]
North America	20 – 40%
Developed Europe (inc. UK)	40 – 60%
Asia	10 – 30%
Rest of world	0 – 20%

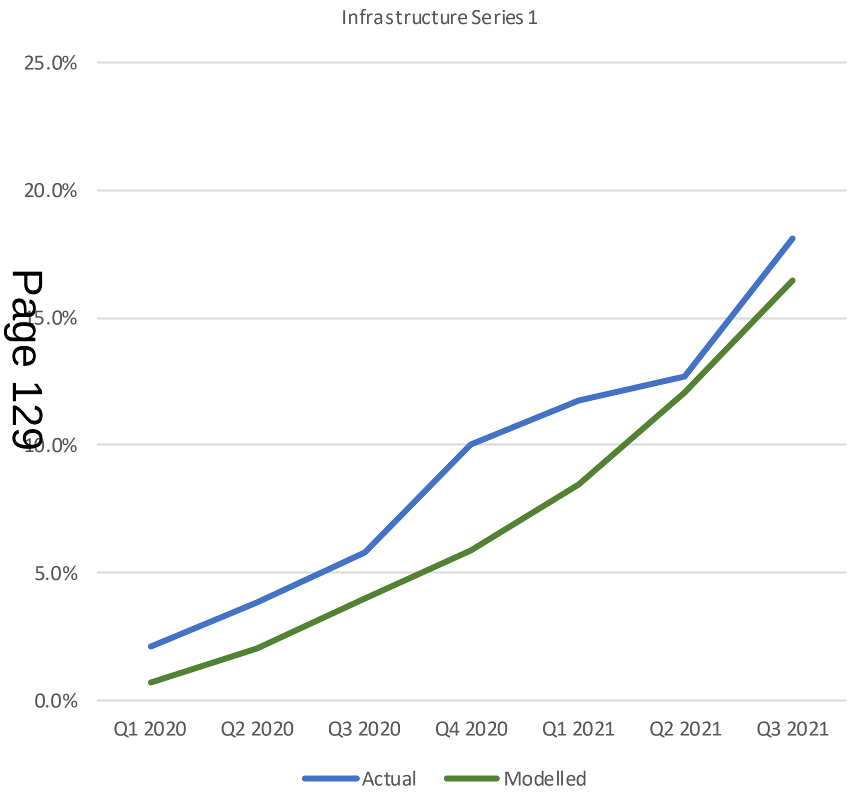


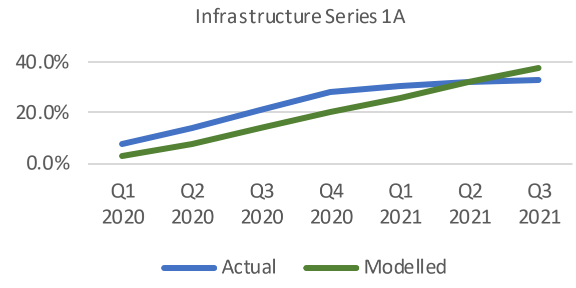
Benchmark	**8% p.a. (net)**

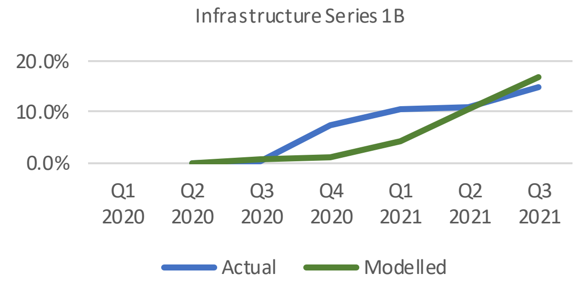
Commitments (1A)	**£675m**
Commitments (1B)	**£760m**
Commitments (1C)	**£1,020m**

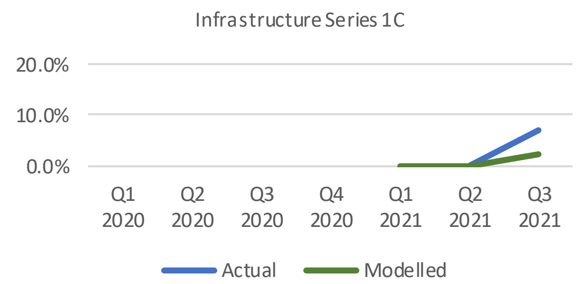
[1] Based on total commitments over a full Series (e.g. 1A, 1B, 1C)

Infrastructure: Capital Deployment









Border to Coast drawdown pace relative to industry standard, as a percentage of total committed capital in the Series
Source: Border to Coast, Albourne

Responsible Investment Policies

Annual Update

RI Policies Annual Review Process

EARLY JULY
Policies are reviewed by Robeco

LATE JULY
Policies reviewed against leading asset owners/ asset manager policies

MID SEPTEMBER
Initial draft reviewed by Border to Coast Investment Committee

Early October
RI Policy Workshop held with OOG

OCTOBER
Revised draft policies reviewed by Investment Committee

NOVEMBER
Draft policies are presented to Border to Coast Board for approval

NOVEMBER
New policies are presented to Joint Committee

BY END DECEMBER
Partner Funds Pension Committees adopt the principles of the revised Policies

JANUARY 2022
New policies are live ahead of proxy voting season

RI Policy Framework

Partner Fund Responsible Investment Policy

Border to Coast Corporate Governance & Voting Guidelines

Border to Coast Responsible Investment Policy

Border to Coast Climate Change Policy

Partner Fund Additional RI Policies - e.g. climate, property

RI Policy Review

Section	Page	Type of change	Rationale
1. Introduction	2	Addition	• Include wording on diversity and diversity of thought
5.4 Integrating RI into investment decisions – Real estate	5	Addition	• New asset class
5.6 Climate change	6	Revision	• Edited as approach detailed in Climate Change Policy
5.6 Climate Change	6	Addition	• Exclusions wording from Climate Change Policy
6. Stewardship	8	Revision	• UK Stewardship Code status – to be updated on notification from FRC
6.2.1 Engagement themes	10/11	Addition	• New section on process for reviewing priority engagement themes

Voting Guidelines Review

Section	Page	Type of change	Rationale
Diversity	5	Addition/revision	• Strengthened voting intention on ethnic diversity at FTSE 100 companies. • Gender diversity text change for 30% to 1/3.
Long-term incentives	8	Clarification	• Split out executives from rest of workforce.
Directors' contracts	8	Clarification	• Clarity on executive pensions.
Lobbying	10	Addition	• Company stance on climate change lobbying.
Shareholder proposals	12	Clarification	• Shareholders' best interests.
Climate change	12	Addition	• Strengthened voting stance using CA100+ net zero benchmark indicators

Page 134

Disclaimer

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. This information is given in summary form and does not purport to be complete.

Information in this presentation, including any forecast financial information, should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. All securities and financial product or instrument transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk.

Investments in the Alternative products are held within an unregulated collective investment scheme which is not authorised or regulated by the FCA. There are significant risks associated with investment in Alternative products and services provided by Border to Coast. Fluctuations in exchange rates may have a positive or an adverse effect on the value of foreign-currency denominated financial instruments. Certain investments, in particular alternative funds, distressed debt and emerging markets, involve an above-average degree of risk and should be seen as long-term in nature. Derivative instruments involve a high degree of risk. Different types of funds or investments present different degrees of risk.

This presentation may contain forward looking statements including statements regarding our intent, belief or current expectations with respect to Border to Coast's businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward looking statements. Border to Coast does not undertake any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of any forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Border to Coast's control. Past performance is not a reliable indication of future performance. The information in this presentation is provided "as is" and "as available" and is used at the recipient's own risk. To the fullest extent available by law, Border to Coast accepts no liability (including tort, strict liability or otherwise) for any loss or damage arising from any use of, or reliance on, any information provided in this presentation howsoever caused.

This presentation is for the recipient only and may not be distributed to any other person without express consent from Border to Coast Pensions Partnership Ltd. Authorised and Regulated by Financial Conduct Authority (FRN 800511)

This page is intentionally left blank

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

PENSION FUND COMMITTEE REPORT

15 DECEMBER 2021

DIRECTOR OF FINANCE – IAN WRIGHT

INVESTMENT ADVISORS' REPORTS

1. PURPOSE OF THE REPORT

1.1 To provide Members with an update on current capital market conditions to inform decision-making on short-term and longer-term asset allocation.

2. **RECOMMENDATION**

2.1 That Members note the report.

3. **FINANCIAL IMPLICATIONS**

3.1 Decisions taken by Members, in light of information contained within this report, will have an impact on the performance of the Fund.

4. **BACKGROUND**

4.1 The Fund has appointed Peter Moon and William Bourne to act as its independent investment advisors. The advisors will provide written and verbal updates to the Committee on a range of investment issues, including investment market conditions, the appropriateness of current and proposed asset allocation and the suitability of current and future asset classes.

4.2 Brief written summaries of current market conditions from William Bourne and Peter Moon are enclosed as Appendices A and B. Further comments and updates will be provided at the meeting.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040

This page is intentionally left blank

Independent Adviser's Report for Teesside Pension Fund Committee

William Bourne **1st December 2021**

Market commentary

1. When I last wrote in September, I warned that financial markets look increasingly vulnerable to a fall. I suggested that the key to what happens will be the reaction of Chinese authorities to the slowdown in their economy. If they choose to ease policy in order to generate growth, that will help global recovery. If they choose to focus on stability, that suggests a more muted trend in global economic growth. The spurt in inflation creates extra dangers in both these scenarios.

2. U.S. consumer inflation data showed a 6.2% annualised rise in October, the highest since 1990. The surge in oil and gas prices was the major input, caused by a mixture of demand from China, limited investment in new capacity, and some manipulation of supply by Russia. But other supply-side blockages, such as shipping container shortages and changes in work habits, are also playing a part.

3. The trajectory of global economic growth is slowing down. US growth figure (on an annualised basis) fell 2% in the 3rd quarter, down from 6.7% previously. U.K. growth slowed to 1.3% and has only just recovered to the pre-COVID level of activity. China's economy only grew by 0.2% quarter on quarter over the same period, and 4.9% from the period a year earlier. This reflects both their earlier recovery in 2020 and the slowing down this year. The Japanese economy contracted slightly.

4. The staging of COP26 in Glasgow has put the focus on the transition to a lower carbon planet. There is increasing alignment among investors around Net Zero by 2050 as a target. However, this does not mean that all countries and all companies will be net zero; some will still emit carbon, and others will have to move to negative emissions. Between 20% and 50% of power will be generated from fossil fuels even in 2050; and substitutes for plastics and cement, for example, are yet to be identified.

5. The latest COVID-19 variant, called Omicron, has led to new shutdowns and restrictions in many parts of the world. Government actions may turn out to be over-compensating for their previous slowness to act but, justified or not, the new uncertainty will have an impact on consumer behaviour generally. Businesses in areas such as entertainment, tourism and travel will be particularly impacted.

6. The authorities withdrew monetary and fiscal support earlier in the year, but in response to the slowing economy and the new Omicron COVID variant have relaxed policy recently. This may explain why central banks have not raised interest rates. On the other hand, the UK autumn budget firmly put the burden of paying for the Government's largesse on the taxpayer, both corporate and individual. Disposable income will therefore be squeezed, which may affect consumer spending negatively too.

7. Markets continue to be remarkably sanguine about events. Bond yields rose during the last three months in anticipation of a rise in interest rates but have fallen back since. Western equity markets paused earlier in the summer, but reached new highs in the autumn after better than expected earnings numbers.

8. Behind this lies the assumption, correct over 25 years, that central banks will yet again ride to the rescue if the problems get worse. Markets are dominated by the heavy skew (60% in total, 70% of Developed Markets) to the U.S., and within that to tech and consumer tech stocks, which may be less affected by a traditional economic downturn. Private equity managers have also been deploying their capital to bid for and acquire a swathe of quoted companies across the world (e.g. in the U.K. there have been offers, not all successful, for Metro Bank, TSB, William Morrison, and Meggitt). All this has been supporting western markets.

9. In contrast, Asian and Emerging Markets, where Chinese policy is now the dominant influence, have gone sideways over the last 12 months. The well-flagged defaults in the Chinese property sector (Evergrande etc) contributed to weaker performance as well as the slowing economy and a resurgence in COVID prevalence.

10. Corporate bond markets have showed some recent jitters on the back of worsening news. Investment grade bonds are implicitly backed, at least temporarily, by the Federal Reserve's underwriting. The rise in yields is therefore principally in junk bonds, not helped by the risk of contagion from Evergrande etc. Paradoxically, any further bad news here may drive central banks to pursue easier policy and help other financial assets.

11. One important question for investors is whether the current inflation level will be sustained or is simply a short-term blip. Energy prices look set to remain high and supply side bottlenecks from COVID and (for the UK) BREXIT are adding to the inflationary pressures. The authorities have little room for manoeuvre if these continue to build, and the risk of a policy error is growing.

12. Public equity markets have so far been resilient, but it remains hard to see a painless exit in the longer term. If policy is kept loose, the excess stimulus will probably continue to flow into markets for the time being. However, that cannot be continued forever. I think it is more likely that central banks err on the side of raising interest rates too soon to counter inflation, and consequently tip western economies into recession.

13. The Fund remains heavily weighted to public equity markets, where investors would normally see a background of rising inflation and falling growth as negative. The Fund is in the process of diversification, which will reduce the downside risk from a major fall in equity markets, but as previously noted this will take time to complete. However, the Committee should note that the Fund is well funded and the risk to pension payments is limited even in the more negative scenarios.

Investment report for Teesside Pension Fund December 2021

Political and economic outlook

Not much has changed In British politics over the past quarter.
First the Owen Paterson affair and the prime minister's defence of his actions and then his spectacular u-turn which left Tory MPs feeling a little bemused. It is not clear whether his reduced standing in the Conservative party will be healed by the passage of time and a little bit of smooth talking or whether it has caused permanent damage. Boris Johnson has managed to talk himself out of a lot of impossible situations in the past.
There continues to be the perception that covid rules and guidelines don't apply to the Prime Minister and his entourage. His “little” Christmas party at Downing Street last year has done nothing to dispel this perception nor have the plans of the Tory Party to have another celebration this Christmas helped the situation.
These miscalculations possibly explain to some extent the rise in popularity of the Labour Party and it's leader Keir Starmer. It will be interesting to see whether the fortunes of the two parties continue on the same trajectories.
Stability in Europe is likely to be tested over the next few months as covid appears to have gained a new lease of life (even before the arrival of the new Omicron variant) which could impact seriously on economic performance. There are already signs of increasing social unrest and civil disobedience. Another major uncertainty is the attitude of Russia in its spat with the West and Ukraine in turning off gas supplies to Europe. To add a little bit of spice the arrival of German Chancellor Scholz is likely to encourage a turf war on who is in charge of the EU with President Macron of France.
Meanwhile in America US foreign policy appears to be bouncing about a little bit. First there was the withdrawal from Afghanistan which indicated

that the US was losing interest in international influence. Then an agreement with Australia and the UK (AUKUS) to provide nuclear-powered submarine surveillance and protection in the South China Sea and waters around Australia. AUKUS is an admission of the threat that China poses in the region and that alliances are prepared to oppose it.

Economic growth has generally been robust internationally as the world learns to live with covid and shakes off the effects of lockdowns in 2020. Further economic growth will be more difficult to achieve as the bounce back progresses and as covid takes a firmer grip as we move into winter and new variants emerge.

There has been a lot said about supply shortages and skill shortages across many economies. The supply shortages have to a large extent been caused by skill shortages because of , for example, the lack of HGV drivers to transport goods around. Labour has also been in short supply partly because of covid and partly in the UK because of our exit from the EU. Effectively we have the wrong type of labour required for the shape of our economy. This is not a problem which will go away anytime soon. The inflation caused by the shortcomings in the economy is the most dangerous economic development over the past six months or so. It is likely to have a detrimental impact on stock markets and on fixed interest markets over the coming months as it is priced in through higher interest rates and potentially lower PE ratios. All in all the medium term outlook is not particularly positive.

Markets

My assessment of markets has not changed over the past quarter.
Inflation has been on the rise since the second quarter of the year and during this time equity markets, in general, have gone sideways. As I've said before many times, equity markets dislike inflation, especially rising inflation. If equity markets are to make progress it will be against strong headwinds, the medium-term looks difficult.

The same is true of fixed interest markets. There may be times when government bonds appear to be safe havens and demand increases from time to time but I believe these episodes will be short lived and that interest rates are destined to trend upwards. In a nutshell quoted financial markets will find it difficult to produce a positive return.

Rent collection in the property sector continued to improve over the year as the return to Economic and Social normality progressed. It appears that working practices have altered to some extent during the pandemic but it is not clear whether this will lead to a significant reduction in the demand for office space.

In the alternative investment space there seems to be an adequate supply of finance especially into cryptocurrencies and into large infrastructure projects. Structured fixed interest and credit products will, in my opinion, struggle in a rising interest rate environment. There are however many other alternative investments available which should be attractive at the right price.

Cash has become even more unattractive given the inflationary environment that has developed, this is unlikely to change to any significant extent in the medium term as central banks have very little room for manoeuvre to raise short-term interest rates.

Portfolio recommendations

As so little in the outlook has changed over the quarter my portfolio recommendations remain unchanged from last time.
Equities are becoming increasingly unattractive but the challenge for the fund is to find investments in the alternative arena which will give a similar return. Stock selection in alternatives and in property will be the key to continued acceptable performance. The good thing is that alternatives is a very wide-ranging universe with many opportunities for us to exploit.
As I said last time the natural thing for the fund to do given the prospects for falling equity markets is to raise cash. Therefore another pool for us to consider is where the expected return is greater than cash for short to medium term investment.

Peter Moon

6 December 2021

TEESSIDE PENSION FUND Q3 2021

CBRE

Quarterly Report
Prepared: 24th November 2021

Fund Objectives

Teesside's Pension Fund's primary objective is to create a sustainable income stream to match its long term pension liabilities. It does this through investing into a wide range of asset classes, of which Real Estate is one.

The objective of the direct property allocation is to create a portfolio which produces a consistent total return, over the long-term, to meet Teesside Pension Fund's liabilities.

Portfolio Strategy

The portfolio will hold core/core plus properties, over the long term, diversifying the portfolio through different property types, unit sizes, occupier businesses, income expiry and geographical regions.

Stock selection will be favoured over a default asset allocation bias, with a focus on maintaining a long term overweighted position in industrial and retail, alongside an under weight position in offices.

We will seek to extend the weighted average unexpired lease term (WAULT) of the portfolio, as well as diversifying the lease expiry profile.

Individual assets will be well suited to the current occupational market, whilst offering future flexibility. Properties will be leased to good quality businesses on institutional lease terms together with some index linked assets.

Responsible Investment

In line with Teesside's Pension Fund's Responsible Investment Policy, CBRE considers Environmental, Social and Governance issues (otherwise known as ESG criteria) as part of its decision making process.

Executive Summary (Valuation)

At 30th September 2021, the portfolio comprised 28 mixed-use properties located throughout the UK, with a combined value of £288.35m. This reflects an overall Net Initial Yield of 5.09%, and an Equivalent Yield of 5.51%.

The portfolio comprises principally prime and good secondary assets. High Street retail, retail warehouse and industrial comprise 90.2% of the portfolio by capital value. There are 75 demises and a total net lettable area of 1,949,442 sq ft.

The portfolio has a current gross passing rent of £16,174,042 per annum against a gross market rent of £16,549,145 per annum, making the portfolio slightly reversionary in nature.

The weighted average unexpired term is 7.8 years to the earlier of first break or expiry, and 8.7 years to expiry, ignoring break dates.

Fund Summary

Total Pension Fund Value (June 2021)	**£4,705m**
Real Estate Weighting (allocation)	6% (9%)
Direct Portfolio Value	£288.35

Direct Portfolio

Direct portfolio value (September 2021)	**£288.35m**
Number of holdings	28
Average lot size	£10.30m
Number of demises	75
Void rate (% of ERV) (Estimated UK Benchmark)	1.65% (7.0% – 9.0%)
WAULT to expiry (break)	8.7 years (7.8 years)
Current Gross Passing Rent (Per Annum)	£16,174,042
Current Gross Market Rent (Per Annum)	£16,549,145
Net Initial Yield	5.09%
Reversionary Yield	4.53%
Equivalent Yield	5.51%

Portfolio Highlight (Q3 2021)

The Fund has completed two new lettings at Cirencester Retail Park to Hobbycraft and PureGym. These leasing transactions have reduced the Park's vacancy rate to 0% and increased the total rent by 36.3% (+£188,190 p.a).

UK Economic Commentary

- We expect economic recovery to continue despite the headwinds. We are forecasting real GDP growth of 6.9% in 2021 and 5% in 2022.
- We believe that supply bottlenecks and rising energy prices will continue to put upward pressure on inflation, with inflation remaining elevated throughout the first half of 2022 before returning towards 2 per cent in the second half of 2022.
- HMRC data show the UK added a net 160,000 payroll jobs in October - despite the end of furlough scheme - with total number of jobs now 235,000 higher than pre-Covid level (Feb 2020).
- The headline UK unemployment rate (3m average) fell from 4.5% in August to 4.3% in September, with the single-month estimate for September just 3.9%. This appears to be real - i.e., driven by higher employment, not people dropping out of the labour market.
- A strong labour market release and increasing inflation increases the likelihood of an earlier interest rate rise. While the Bank of England has communicated that it is concerned about expectations of future inflation and stands ready to raise interest rates, the CBRE view is that the Bank of England will raise Bank Rate in the middle of next year.
- Long-term interest rates have drifted up from the very low levels seen at the height of the pandemic but remain low by historical standards. We expect that they will continue to rise, reaching 1.4 per cent by end-22. We expect that this will have very little impact on prime property pricing.

UK Real Estate Market Commentary

- Year on year total returns for All UK Property grew by 12.5% (6.5%* capital return, 5.6%* income return) for the period Q3 2020 to Q3 2021**. This returns figure is above the 5 year average and marks a strong bounce back after the negative returns recorded during 2020.
- Quarterly total returns for All UK Property for Q3 2021 recorded 5.1% (3.8% capital return, 1.3% income return).
- Industrials total returns were 8.6% over Q3 2021 (7.5% capital return, 1.0% income return).
- Rental values for All UK Property increased by 0.6% over the third quarter of 2021. This figure was largely pulled up by the 1.7% rise in values in the Industrial sector. Both Office and Retail sector rents rose marginally by 0.1% over the quarter.
- The investment market for UK commercial real estate reached volumes of £13.2bn in Q3 2021. This brings the YTD total to nearly £38bn. This quarter saw the £1.7bn acquisition of ASDA's distribution centres by Blackstone, the largest deal of the year so far.
- The Central London office market saw £2.3bn of transactions complete in Q3. Nearly two thirds of this total was attributed to overseas investors, with three of the five largest deals being bought by Asian investors.
- Regional Office volumes were £1.9bn in 2021 Q3, bringing YTD volumes to £5.3bn, already close to surpassing the £5.4bn seen in 2020 overall.
- Industrial volumes reached £3.9bn in Q3, matching Q2's total and bringing the 12-month rolling total to an all-time high of £16.5bn.
- Retail saw £1.3bn in transactions in Q3, bringing the 12-month rolling total to £5.5bn (the highest total since 2019 Q1).

* Return figures will not always sum due to separate compound calculations

** Based on CBRE Monthly Index, all property total returns Sep 2021

Investments

Sales

No sales this period.

Acquisitions

No acquisitions this period.

Direct Portfolio Analysis

Top Ten Holdings (by Value)

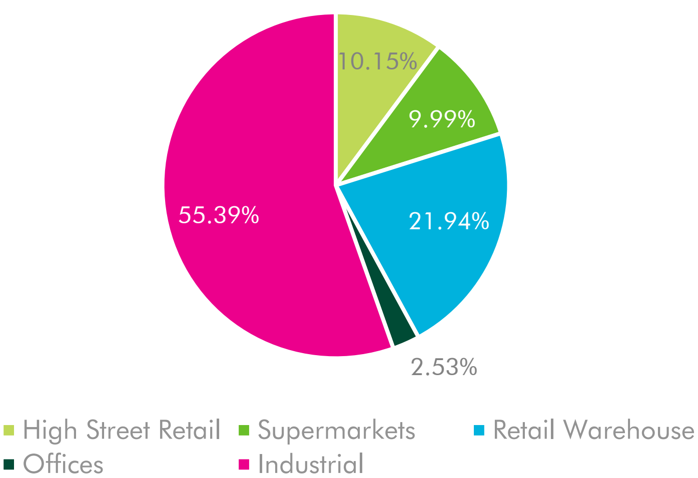
No.	Asset	Sector	Value	% of Direct Portfolio
1	THORNE - Capitol Park	Industrial	£34,200,000	11.9%
2	GATESHEAD - Team Valley	Industrial	£21,750,000	7.5%
3	BIRMINGHAM - Bromford Central	Industrial	£18,450,000	6.4%
4	LUTTERWORTH - Magna Park	Industrial	£17,700,000	6.1%
5	RUGBY - Valley Park	Industrial	£17,250,000	6.0%
6	STOW-ON-THE-WOLD - Fosse Way	Supermarkets	£15,300,000	5.3%
7	PARK ROYAL - Minerva Road	Industrial	£15,150,000	5.3%
8	SWADLINCOTE - William Nadin Way	Industrial	£13,600,000	4.7%
9	EXETER - H&M High Street	High Street Retail	£13,100,000	4.5%
10	PARK ROYAL - Coronation Road	Industrial	£12,800,000	4.4%
		Total	**£179,300,000**	**62.2%**

We will seek to extend the weighted average unexpired lease term (WAULT) of the portfolio, as well as diversifying the lease expiry profile.

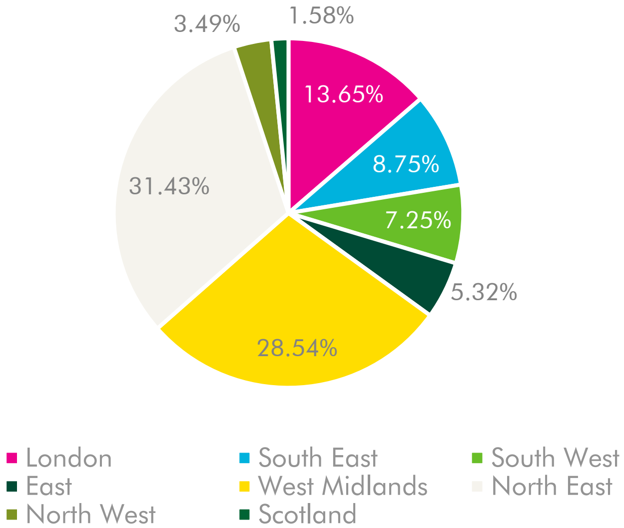
In addition to recommendations on industrial purchases, we may also recommend alternative and long-let investments that offer good covenants, attractive yields and long unexpired terms; these may include hotels, car showrooms, healthcare, leisure, supermarkets and student housing.

Set against a backdrop of low economic growth, we will seek to make purchases where both occupational and investment supply and demand conditions are strong. This will ensure that purchases are accretive to the portfolio's performance.

Sector Allocation (by Value)



Geographical Allocation (by Value)



Direct Portfolio Analysis (continued)

Top Ten Tenants (by Contracted Income)

The portfolio currently has 75 different demises let to 61 tenants. The largest tenant is Omega Plc which accounts for c.8.3% of the annual contracted income. Experian currently lists Omega as representing a “Very Low Risk” of business failure.

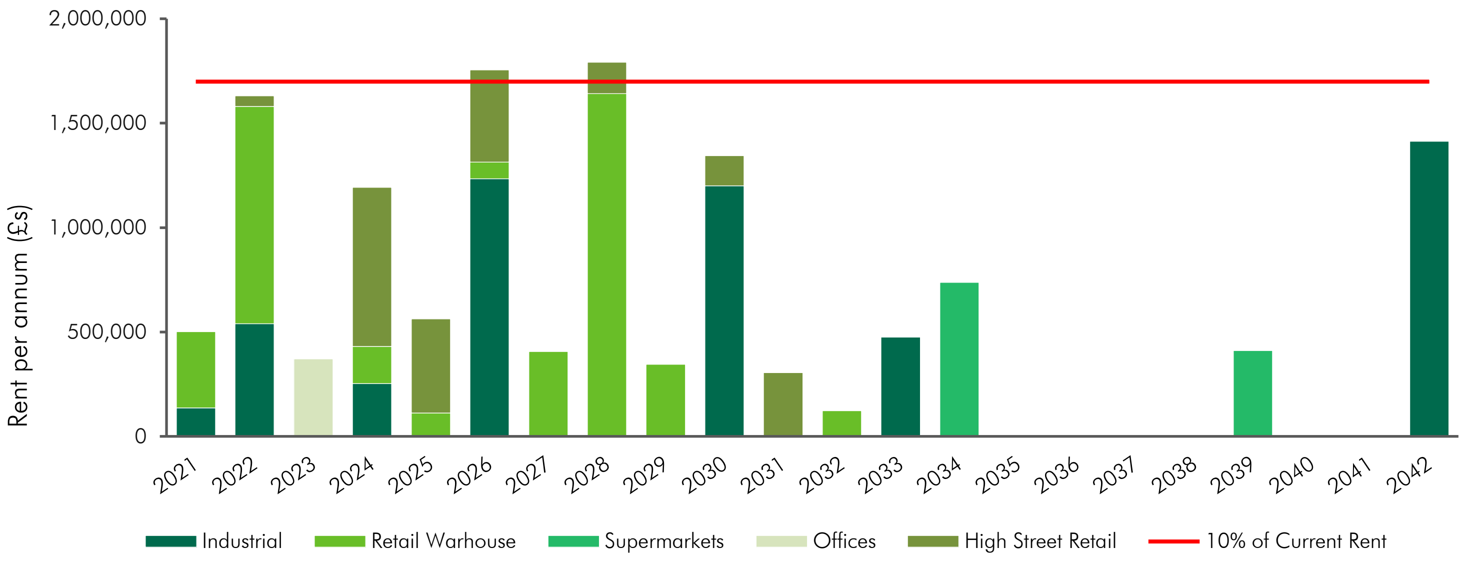
As a significant portion of the portfolio income will be from the top ten tenants, we will monitor their covenant strength and flag any potential issues. This is particularly relevant at the current time as the Covid-19 pandemic is putting increased pressure on all businesses. Our most recent assessment shows that all of these tenants are classed as having a “low risk” of business failure.

Top Ten Tenants (by Contracted Rent)

#	Tenant	Sector	Number of Leases	Gross Contracted Rent	% of Portfolio Rent	Risk Rating (Experian)
1	Omega Plc	Industrial	1	£1,413,690	8.3%	Very Low Risk
2	Royal Mail Group Limited	Industrial	1	£1,040,000	6.1%	Very Low Risk
3	B&Q plc	Retail	2	£997,000	5.9%	Very Low Risk
4	Unipart Logistics Limited	Industrial	1	£868,635	5.1%	Very Low Risk
5	Libra Textiles	Retail	1	£850,000	5.0%	Very Low Risk
6	Brunel Healthcare	Industrial	1	£843,761	5.0%	Very Low Risk
7	ASDA Stores Limited	Industrial	1	£755,000	4.4%	Very Low Risk
8	H&M	Retail	1	£740,000	4.4%	Very Low Risk
9	Tesco Stores Limited	Supermarkets	1	£737,823	4.3%	Very Low Risk
10	Matalan Retail Limited	Retail	1	£500,000	2.9%	Very Low Risk
			Total	£8,745,909	51.5%	

Key Expiries / Income Risk

There is a focus to mitigate against lease expiry risk, by either purchasing properties where the lease expiry profile does not match that of the portfolio, or through active asset management. The below graph identifies the years where more than 10% of the portfolio income is due to expire.



Investment Management Update

We continue to seek long-let institutional stock in a range of sectors, primarily industrial, retail warehousing and supermarket sectors to deliver the secure index linked income streams identified within the Funds strategy. Whilst many of these have not progressed quickly we are optimistic that we may gain traction over the next few weeks as investors begin to consider their strategies and start making decisions into the new year. TPF's requirement has been articulated to the market and we are still receiving a substantial number of investment ideas each week.

Asset Management Update

Pets at Home, Arbroath – October 2021

The Fund has agreed terms with Pets at Home for a 5-year reversionary lease reflecting £12.00 psf, a 5% increase in the Retail Park's estimated rental value.

Unit 2, Cirencester – September 2021

The Fund has surrendered the lease for Peacock stores at Cirencester and subsequently let the unit to Hobbycraft on a new 10-year term with a tenant only break option on the 5th anniversary. The store is now open and trading.

Harrow Green, Bromford Central – September 2021

The Tenant has indicated a willingness to renew their lease. We expect terms for this renewal to reflect those agreed on the completed lease at unit 4 of the estate.

Unipart, Rugby – August 2021

The Fund has instructed a rent review surveyor to settle the October 2021 rent review. An uplift in the passing rent is anticipated to be agreed.

Royal Mail, Gateshead – May 2021

The Fund has instructed a rent review surveyor to settle the September 2020 outstanding rent review. An uplift in passing rent is anticipated to be agreed.

Portfolio Arrears Update – 22nd November 2021

			Targets	92.00%	96.00%	98.00%	99.00%		
	Rent Due 29 September	Collectable Rent	Quarter Date up to and including 29/09/2021	Week 1 up to and including 06/10/2021	Week 2 up to and including 13/10/2021	Week 3 up to and including 20/10/2021	Week 4 up to and including 27/10/2021	Payment after 27/10/2021	Difference
	4,194,954.74	4,194,954.74	2,509,472.12	438,681.56	37,589.76	115,635.12	69,600.00	289,035.73	734,940.45
Non Collectable Total		0.00							
Collections Including non collectables			59.82%	70.28%	71.17%	73.93%	75.59%	82.48%	
Collections Excluding non collectables			59.82%	70.28%	71.17%	73.93%	75.59%	82.48%	

Portfolio Arrears Update – 22nd November 2021

The rent collection across the entire portfolio in the previous three quarters has reflected the following.

September 2021 – 82.5%

June 2021 – 90.4%

March 2021 – 97.0%

The total Collectable Arrears on the entire portfolio is £1,892,102 as at 22nd November.

The Collectable Arrears exclude the following:

Tenants that are insolvent (99p Stores Limited at Cirencester, Peacocks Stores Limited at Cirencester, Laura Ashley Ltd at Congleton, Homestyle Group Operations Ltd at Congleton). Tenants that have overall credit balances on their accounts and tenants with recent charges raised within the last month

Below, is a summary of the top eight tenants with the greatest arrears, account for 64.3% (£1,216,653) of the total collectable arrears:

Nuffield Health (Guildford) – Total arrears of £310,717 (16.4% of collectable arrears). Nuffield continue to pay their quarterly rent on a monthly basis but have missed a number of payments. In 2021 they have currently paid one third for September, and two thirds of the June quarters rent. In 2020 they paid nothing towards their June rent and only paid one third of December's rent. They also have service charge and insurance outstanding.

Tesco Store Ltd (Stow on The Wold) – Total arrears of £214,235 (11.3% of collectable arrears). This relates solely to the September quarter rent, which the tenant is querying as the RPI rent increase is being finalised.

Libra Textiles Limited (Rotherham) – Total arrears of £174,900 (9.2% of the collectable arrears). This relates solely to part of their June 2021 quarterly rent where a side letter has been agreed. This sum will be repaid under three instalments on 29 September 2021, 25 December 2021 and 25 March 2022.

Matalan Retail Limited (Northwich) – Total arrears of £150,445 (8.0% of the collectable arrears). These arrears relate mainly to the March 2021 quarter's rent, to which Matalan have made no payments towards. We are continuing to chase.

Saint Gobain Building Distribution Limited (Bromford Central) – Total arrears of £132,395 (7.0% of the collectable arrears). These arrears are spread across their two leases and relate mainly to a back dated rental uplift. We are liaising with the tenant over payment.

Harrow Green Ltd (Bromford Central) – Total arrears of £81,011 (4.3% of the collectable arrears). Most of these arrears relate to the September 2021 and June 2021 quarters rent, which the tenant has not yet paid anything towards. We have raised this with the tenant and is due to be paid imminently.

Toughglaze (UK) Ltd (Park Royal) – Total arrears of £77,352 (4.1% of the collectable arrears). The majority of this tenant's arrears relates to the June 2021 quarter's rent, which the tenant has not yet paid anything towards.

Shoe Zone Retail Ltd (Congleton) – Total arrears of £75,598 (4.0% of the collectable arrears). The majority of this tenant's arrears relates to the December 2020, June 2021 and September 2021 quarter's rent, which the tenant has not yet paid anything towards.

The remaining £675,450 (35.7% of the collectable arrears) of arrears is spread across 56 tenants, ranging from £69,317 to £25.

Responsible Investment Initiatives

Environmental, Social and Governance (ESG) criteria are having an increasingly prominent role in investment decision making and will influence the attractiveness of investments going forward. CBRE will ensure that responsible investment is put at the forefront of the strategy and that ESG factors are considered within each investment and asset management initiative. This will help ensure that the investment portfolio remains resilient over the long term.

We have summarised the relevant of each of the ESG factors below. These will be expanded upon with portfolio level principles and asset specific initiatives as the importance of ESG grows.

Environmental – sustainable factors will continue to play a part in the definition of 'prime' real estate, and buildings that don't meet the increasingly competitive standards are likely to become obsolete faster. Occupiers will demand their buildings adhere to the highest environmental standards.

Social - real estate's impact on the local community and on a company's workforce are becoming equally important. Buildings that contribute positively to the world are therefore likely to be more resilient than those that do not, and as such are likely to benefit from increased occupier demand, leading to future rental and capital growth.

Governance - market participants will increasingly question the governance and management practices of their partners and supply chain. Rigorous standards will mean businesses will need to become more transparent and engage with their stakeholders to ensure access to the best opportunities.

Fund Advisor Contacts

Investment Advisors – CBRE Capital Advisors

Andrew Peacock
Executive Director
Andrew.Peacock@cbre.com
020 7182 3865

Andrew Owen
Senior Director
Andrew.Owen@cbre.com
020 7182 2474

Charlie Martindale
Senior Surveyor
Charlie.Martindale@cbre.com
020 7182 8522

This page is intentionally left blank

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 10

PENSION FUND COMMITTEE REPORT

15 DECEMBER 2021

DIRECTOR OF FINANCE – IAN WRIGHT

RISK REGISTER REVIEW

1. PURPOSE OF THE REPORT

1.1 To advise Members of an additional risk that has been added to the Pension Fund Risk Register and to provide Members with an opportunity to review the Risk Register

2. **RECOMMENDATION**

2.1 That Members note the report.

3. **FINANCIAL IMPLICATIONS**

3.1 There are no specific financial implications arising from this report.

4. **RISK REGISTER – CLIMATE CHANGE**

4.1 The Pension Fund's Risk Register is an attempt to document the various investment, funding, governance, administration, demographic, economic and other risks there are that could prevent or make it harder for the Fund to achieve its long term objectives. The Committee is presented with a copy of the Risk Register at its March meeting each year as part of the Pension Fund's Business Plan.

4.2 When the Fund's Funding Strategy Statement was updated in June this year, an additional risk was added in relation to climate change and the impact that could have on the Fund's assets and liabilities. This risk has now been formally included within the Fund's Risk Register, an updated copy of which is included at Appendix A.

4.3 Climate change has the potential to have wide-ranging impacts on all aspects of human society, including economies, trade, the value of companies and all classes of financial assets. As such, it is sensible to include it as a separate stand-alone risk instead of allowing it to be covered by existing risks like "Global Financial Instability" or "Investment Class Failure".

4.4 The full description of the climate change risk is as follows:

The systemic risk posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities to investors. The Fund's policy in relation to how it takes climate change into account in relation to its investments is set out in its Investment Strategy Statement and Responsible Investment Policy In relation to the funding implications, the administering authority keeps the effect of climate change on future returns and demographic experience, e.g. longevity, under review and will commission modelling or advice from the Fund's Actuary on the potential effect on funding as required.

4.5 Likely sources and risk triggers are:

Global climate change, the financial impact of both the change and the policies implemented to tackle the change.

4.5 Potential impacts and consequences of this risk are:

Significant changes to valuations of assets and asset classes. Potential for some assets owned by companies to become effectively worthless ‘stranded assets’, significantly impacting company valuations. Opportunities will also arise, for example in respect of sectors seen as positively contributing to the transition to a low carbon economy

5. NEXT STEPS

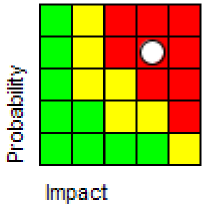
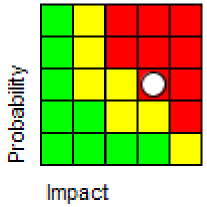
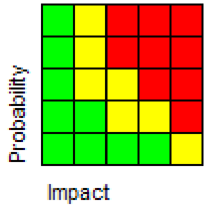
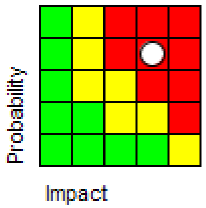
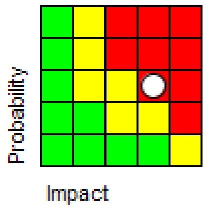
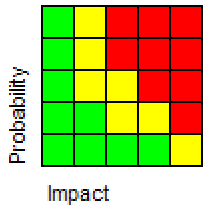
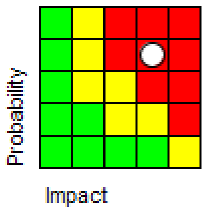
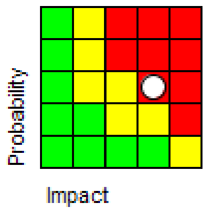
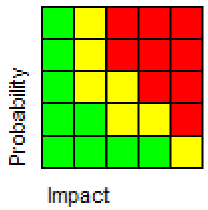
5.1 The Risk Register will continue to be presented to the Committee at least on an annual basis.

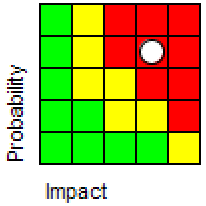
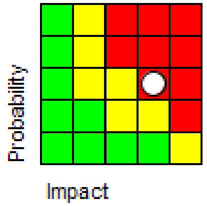
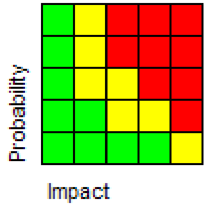
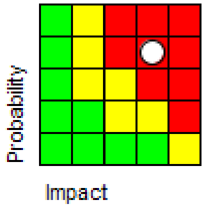
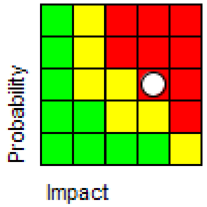
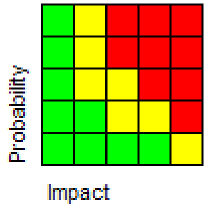
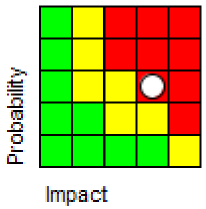
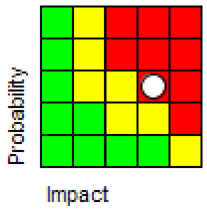
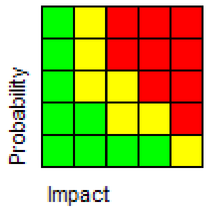
5.2 In relation to climate change risk, the Fund will continue to work with its advisers and investment managers (including Border to Coast) in order to better understand its exposure to this risk, how this can be mitigated and how to take advantage of any opportunities that may arise as global markets increasingly take account of this risk.

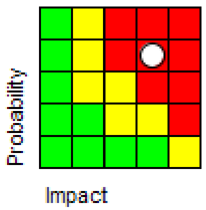
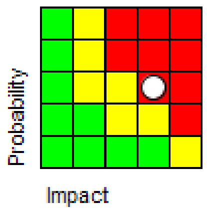
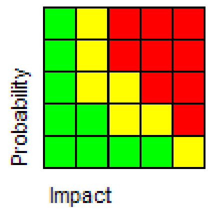
CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

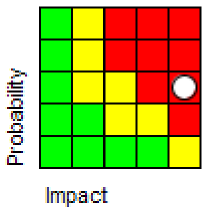
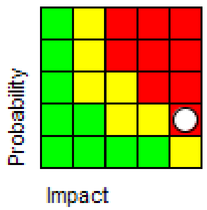
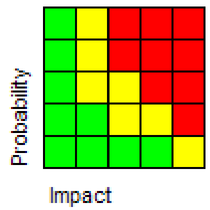
TEL NO.: 01642 729040

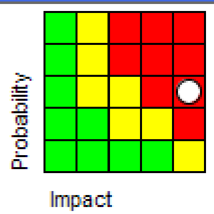
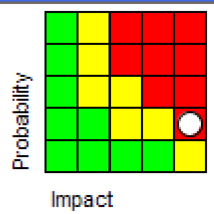
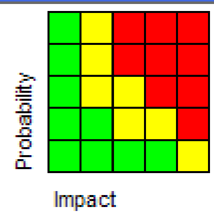
Appendix A - Teesside Pension Fund Risk Register

Code	Title	Original Score	Current Score	Target Score
TPF001	INFLATION Price inflation is significantly more than anticipated: an increase in CPI inflation by X % will increase the liability valuation by Y %. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-5	 20	 15	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
In assessing the member liabilities, the triennial Fund Actuary assumptions made for inflation are "conservatively" set based on independent economic data, and hedged against by setting higher investment performance targets.				
Code	**Title**	**Original Score**	**Current Score**	**Target Score**
TPF002	ADVERSE ACTUARIAL VALUATION Impact of increases to employer contributions following the actuarial valuation. Fund & Reputation Impact-3 Employers Impact-5 Member Impact-1	 20	 15	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
Interim valuations provide early warnings. Actuary has scope to smooth impact for most employers.				
Code	**Title**	**Original Score**	**Current Score**	**Target Score**
TPF003	GLOBAL FINANCIAL INSTABILITY Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil and commodity prices. Leading to tightened financial conditions, reduced risk appetite and raised credit risks. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 20	 15	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
Increasing investment diversification will allow the Fund to be better placed to withstand this type of economic instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.				
Code	**Title**	**Original Score**	**Current Score**	**Target Score**

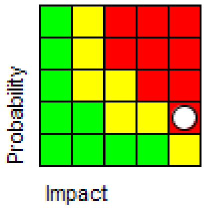
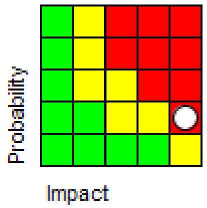
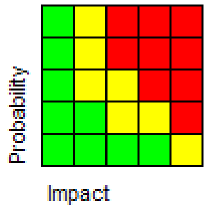
TPF004	POLITICAL RISK Significant volatility and negative sentiment in investment markets following the outcome of adversely perceived political changes. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 20	 15	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
Increasing investment diversification will allow the Fund to be better placed to withstand this type of political instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.				
Code	**Title**	**Original Score**	**Current Score**	**Target Score**
TPF005	INVESTMENT CLASS FAILURE A specific industry investment class/market fails to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 20	 15	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
Increasing investment diversification will allow the Fund to be better placed to withstand this type of market class failure. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.				
Code	**Title**	**Original Score**	**Current Score**	**Target Score**
TPF012	POOLING INVESTMENT UNDERPERFORMANCE Investments in the investment pool not delivering the required return. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 15	 15	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
Code	**Title**	**Original Score**	**Current Score**	**Target Score**

TPF053	CLIMATE CHANGE The systemic risk posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities to investors. The Fund's policy in relation to how it takes climate change into account in relation to its investments is set out in its Investment Strategy Statement and Responsible Investment Policy In relation to the funding implications, the administering authority keeps the effect of climate change on future returns and demographic experience, eg. longevity, under review and will commission modelling or advice from the Fund's Actuary on the potential effect on funding as required.	 20	 15	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**

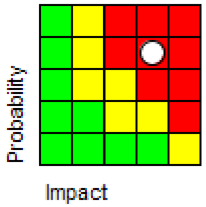
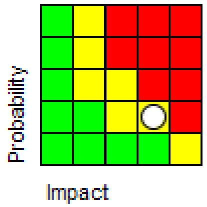
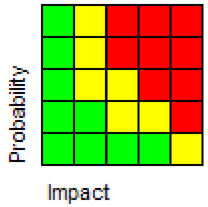
Code	Title	Original Score	Current Score	Target Score
TPF009	HIGHER THAN EXPECTED COSTS OF INVESTMENT POOLING Higher setup and ongoing costs of Border to Coast and of the management associated with investment pooling arrangements (or lack of reduction compared to current costs). Fund & Reputation Impact-7 Employers Impact-2 Member Impact-1	 21	 14	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
Border to Coast's budget is set annually with the agreement of at least 9 of the 12 partner funds. Expenditure is monitored and reported to the quarterly Joint Committee meetings. Tenders for on-going suppliers and staff are all now in place.				

Code	Title	Original Score	Current Score	Target Score
TPF010	INADEQUATE POOLING TRANSPARENCY Lack of transparency around investment pooling arrangements. Fund & Reputation Impact-7 Employers Impact-1 Member Impact-1	 21	 14	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
With the pooling of investment assets TPF staff will work closely with Border to Coast sub-fund asset managers and Border to Coast management to gain full clarity of performance, with				

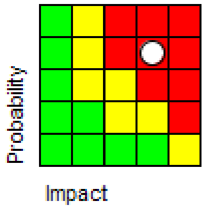
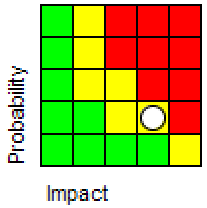
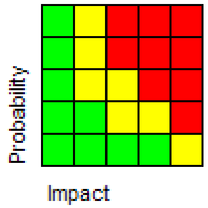
training provided to TPF staff as required.				

Code	Title	Original Score		Current Score		Target Score
TPF021	INAPPROPRIATE INVESTMENT STRATEGY Mismatching of assets and liabilities, inappropriate long term asset allocation of investment strategy, mistiming of investment strategy. Fund & Reputation Impact-7 Employers Impact-7 Member Impact-1		14		14	

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
This is mitigated by the Triennial Valuation and the engagement of Two Independent Investment Advisors.			

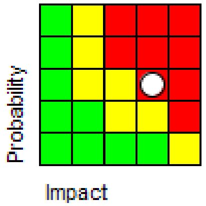
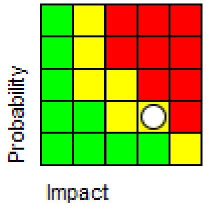
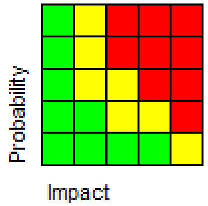
Code	Title	Original Score		Current Score		Target Score
TPF007	KEYMAN RISK Concentration of knowledge & skills in small number of officers and risk of departure of key staff - failure of succession planning. Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1		20		10	

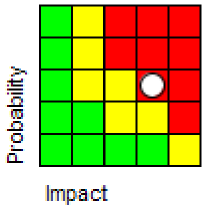
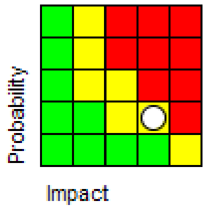
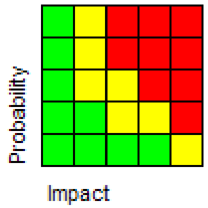
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
Two Deputy positions were created in 2018/19 (although one remains to be filled). These act to support deputise as required for the Head of Investments, Governance and Pensions.			

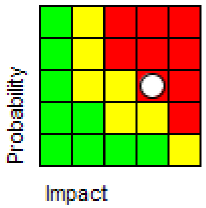
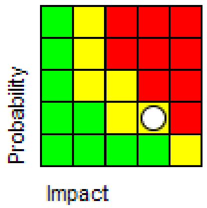
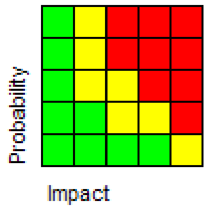
Code	Title	Original Score		Current Score		Target Score
TPF008	INSUFFICIENT STAFF Causes failure to have time to adopt best practice by properly developing staff and processes. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1		20		10	

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
In preparation for the pooling of investment assets to Border to Coast, the team was expanded and has a total complement of 9 staff. With a new investment strategy of passive rather than active management, investment transaction volumes have significantly reduced.			

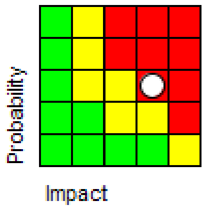
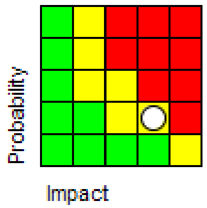
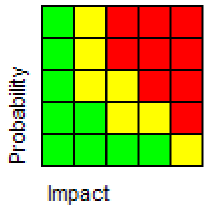
Code	Title	Original Score	Current Score	Target Score

TPF011	UNANTICIPATED PAY RISES Increases are significantly more than expected for employers within the Fund. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 15	 10	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
1) Fund employers will monitor own experience. 2)Triennial Actuarial valuation Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) will be long term assumptions, any employer specific assumptions above the actuaries long term assumption would lead to further review. 3) Employers are made aware of generic impact that salary increases can have upon final salary linked elements of LGPS benefits.				

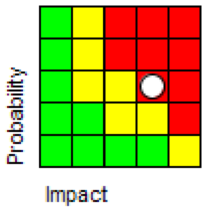
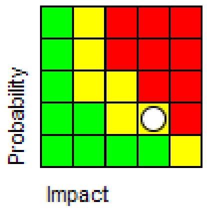
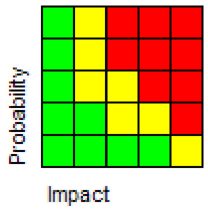
Code	Title	Original Score	Current Score	Target Score
TPF013	POOLING SYSTEMIC RISKS Systemic and other investment risks not being properly managed within the investment pool; for example appropriate diversification, credit, duration, liquidity and currency risks. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 15	 10	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
Appropriate due diligence is carried out regarding the structure, targets, diversification and risk approach for each sub-fund before investment. In addition, The Pensions Head of Service and Section 151 officer, will closely monitor and review Border to Coast sub-fund investment elements on an on-going basis, and reported to TPF Committee and Board.				

Code	Title	Original Score	Current Score	Target Score
TPF014	LONGEVITY Pensioners living longer: adding one year to life expectancy will increase the future service rate by 0.8%. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 15	 10	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
In assessing the member longevity and pension liabilities, the Triennial Actuary assumptions made for longevity are "conservatively" set based on the latest life expectancy economic data. They are reviewed and updated at each three year Actuarial				

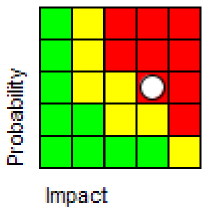
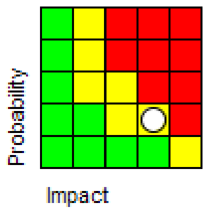
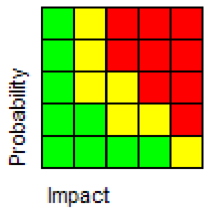
valuation. If required, further investigation can carried out of scheme specific/employer longevity data.			

Code	Title	Original Score	Current Score	Target Score
TPF017	BULK TRANSFER VALUE DISPUTE Failure to ensure appropriate transfer is paid to protect the solvency of the fund and equivalent rights are acquired for transferring members. Fund & Reputation Impact-3 Employers Impact-5 Member Impact-1	 15	 10	

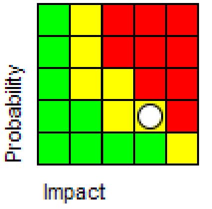
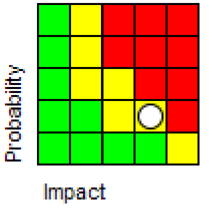
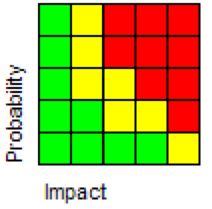
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
A mechanism exists within the regulations to resolve such disputes - this should reduce the financial impact of any such event.			

Code	Title	Original Score	Current Score	Target Score
TPF018	TPF INVESTMENT UNDERPERFORMANCE Investment Managers fail to achieve performance targets over the longer term: a shortfall of X% on the investment target will result in an annual impact of £ Y m. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 15	 10	

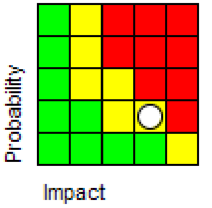
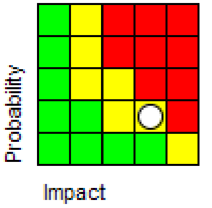
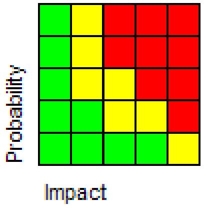
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
1) The asset allocation made up of equities, bonds, property, cash etc funds, is sufficiently diversified to limit exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal asset allocation. 3) Actuarial valuation and asset/liability study take place automatically every three years. 4) Interim valuation data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance of a measure over CPI over gilts is regarded as achievable over the long-term when compared with historical data.			

Code	Title	Original Score	Current Score	Target Score
TPF019	TPF GOVERNANCE SKILLS SHORTAGE Lack of knowledge of Committee & Board members relating to the investment arrangement and related legislation and guidance. Fund & Reputation Impact-5 Employers Impact-3 Member Impact-1	 15	 10	

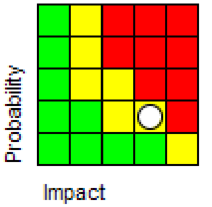
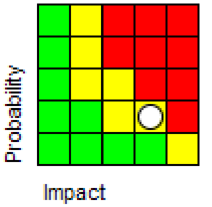
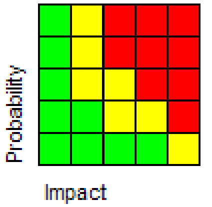
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
Pension Fund Committee new members have an induction programme and will have subsequent training based on the requirements of CIPFA Knowledge and Skills Framework including Pooling.			

Code	Title	Original Score		Current Score		Target Score
TPF025	OUTSOURCED MEMBER ADMIN FAILURE XPS Administration service fails to the point where it is unable to deliver its contractual services to employers and members. Fund & Reputation Impact-1 Employers Impact-1 Member Impact-5		10		10	

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
XPS Administration is a well-resourced established pensions administration provider which is not in financial difficulty.			

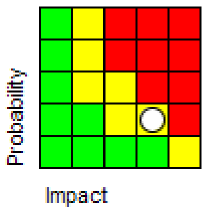
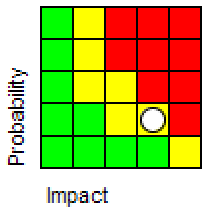
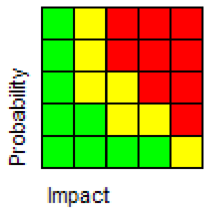
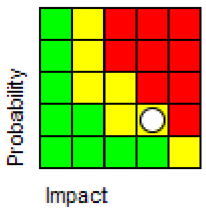
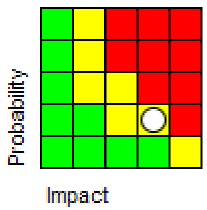
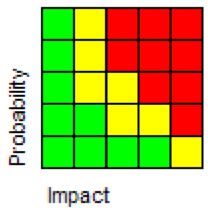
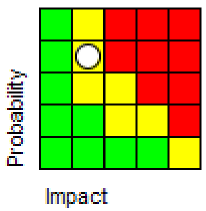
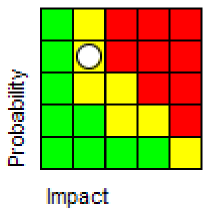
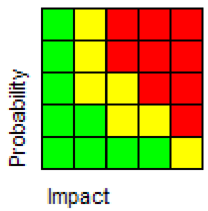
Code	Title	Original Score		Current Score		Target Score
TPF026	INSECURE DATA Failure to hold personal data securely - i.e data stolen. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-5		10		10	

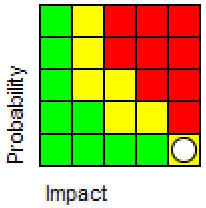
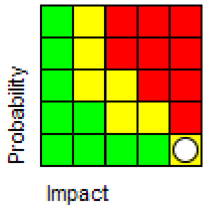
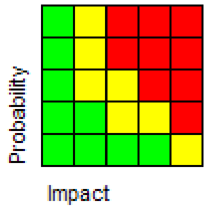
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
XPS Administration have advised they are not aware of any attempted hacking events.			

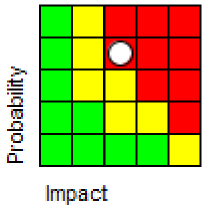
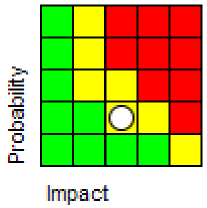
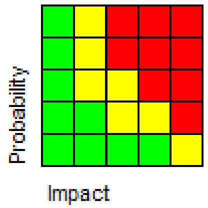
Code	Title	Original Score		Current Score		Target Score
TPF028	INADEQUATE POOLING INVESTMENT EXPERTESE Inadequate, inappropriate or incomplete investment expertise exercised over the pooled assets. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1		10		10	

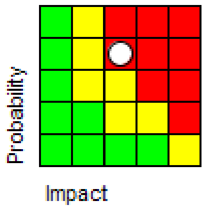
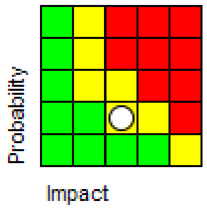
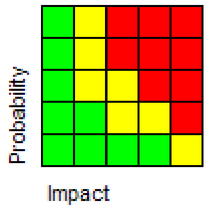
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
Border to Coast has completed recruitment of experienced and capable management team, alongside most of its final expected complement of 70 staff.			

Code	Title	Original Score	Current Score	Target Score

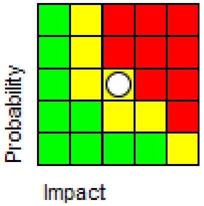
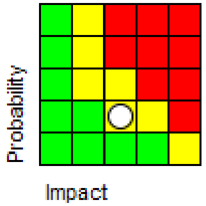
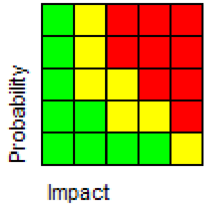
TPF029	INSUFFICIENT RANGE OF POOLING ASSET CLASSES Insufficient range of asset classes or investment styles being available through the investment pool. Fund & Reputation Impact-5 Employers Impact-3 Member Impact-1	 10	 10	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
There is now in place a roll-out plan of different asset classes and engagement with Border to Coast to identify relevant future asset classes				
Code	**Title**	**Original Score**	**Current Score**	**Target Score**
TPF031	INTERNAL COMPLIANCE FAILURES Failure to comply with recommendations from the local pension board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator. Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1	 10	 10	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
Code	**Title**	**Original Score**	**Current Score**	**Target Score**
TPF030	COMMITTEE MEMBERSHIP CHANGE Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 8	 8	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
Officers and advisers provide continuity and training following changes to Committee membership.				
Code	**Title**	**Original Score**	**Current Score**	**Target Score**

TPF039	BORDER TO COAST FAILURE Failure of the operator itself, or its internal risks and controls failure of corporate governance, responsible investment, or the failure to exercise voting rights according to policy. Fund & Reputation Impact-7 Employers Impact-4 Member Impact-1	 7	 7	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**

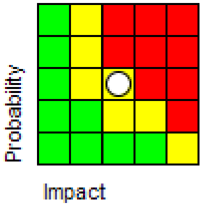
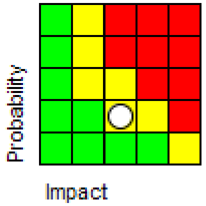
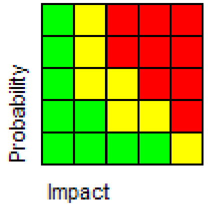
Code	Title	Original Score	Current Score	Target Score
TPF015	EMPLOYER FAILURE An employer ceasing to exist with insufficient funding, or being unable to meet its financial commitments, adequacy of bond or guarantee. Any shortfall would be attributed to the fund as a whole. Fund & Reputation Impact-2 Employers Impact-3 Member Impact-3	 12	 6	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
1) Fund employers should monitor own experience. 2) Triennial Acturial Assumptions will account for the possibility of employer(s) failure (for the purposes of IAS19/FRS102 and actuarial valuations). Any employer specific assumptions above the actuaries long term assumption, would lead to further review. 3) Employer covenant review.				

Code	Title	Original Score	Current Score	Target Score
TPF016	ADVERSE LEGISLATIVE CHANGE Risk of changes to legislation, tax rules etc.; resulting in increases required in employer contributions. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-3	 12	 6	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
The process of legislative change and the actuarial valuation cycle means any such change would be flagged up well in advance. The actuary has scope to mitigate any contribution increase in respect of most Fund employers.				

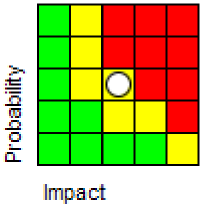
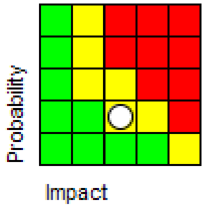
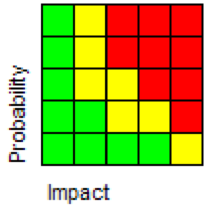
Code	Title	Original Score	Current Score	Target Score

TPF022	GDPR COMPLIANCE Non-compliance with GDPR regulations. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1		9		6	

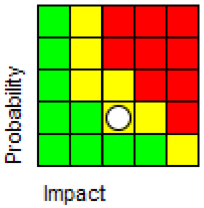
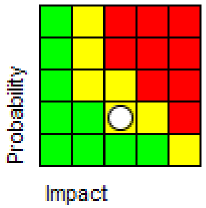
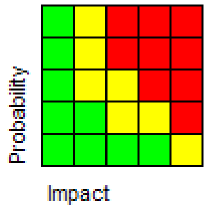
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
Data protection privacy notices have been distributed by XPS Administration. The Council has established GDPR-compliant processes and procedures.			

Code	Title	Original Score		Current Score		Target Score
TPF023	INACCURATE DATA RECORD COLLATION Failure to maintain proper, accurate and complete data records leading to increased errors and complaints. Fund & Reputation Impact-1 Employers Impact-3 Member Impact-3		9		6	

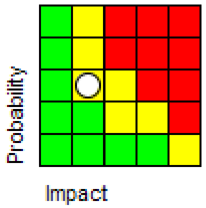
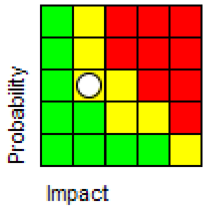
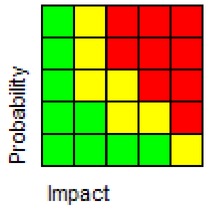
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
Administration data quality is being assessed as part of the triennial valuation process, as well as being assessed regularly in order to meet Pensions Regulator requirements on scheme data.			

Code	Title	Original Score		Current Score		Target Score
TPF024	STRUCTURAL CHANGES TO EMPLOYER MEMBERSHIP Risk that TPF are unaware of structural changes to an employer's membership, or changes (e.g. closing to new entrants) meaning the individual employer's contribution level becomes inappropriate. Fund & Reputation Impact-2 Employers Impact-3 Member Impact-2		9		6	

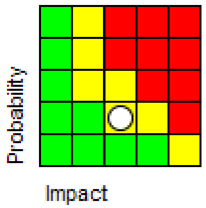
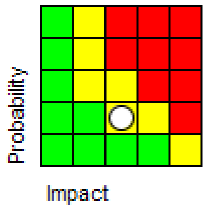
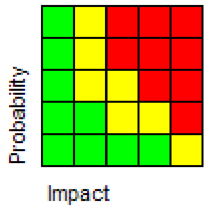
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
he new XPS Administration employer liaison team will improve this by working closely with employers.			

Code	Title	Original Score		Current Score		Target Score
TPF032	INADEQUATE POOLING DATA Inability to gather robust, quality or timely information from Border to Coast. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1		6		6	

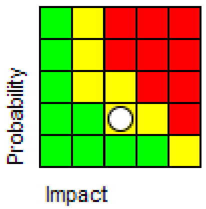
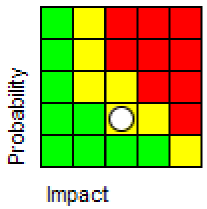
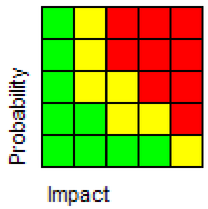
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
With the pooling of investment assets TPF staff will work closely with Border to Coast sub- fund asset managers and Border to Coast management to gain full clarity and reporting of performance, with training provided to TPF staff as required.			

Code	Title	Original Score		Current Score		Target Score
TPF033	ESG REPUTATIONAL DAMAGE Insufficient attention to environmental, social and governance (ESG) leads to reputational damage. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1		6		6	

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
Border to Coast provides increased focus on Responsible Investment.			

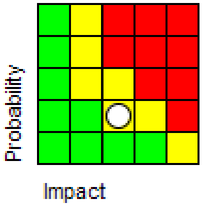
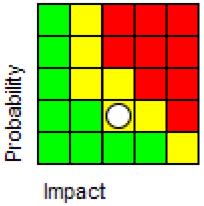
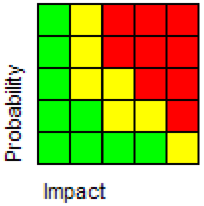
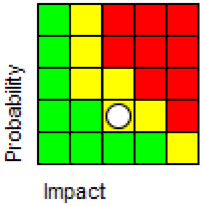
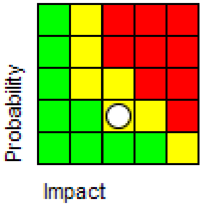
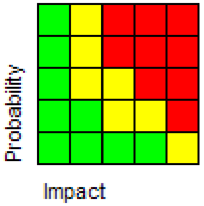
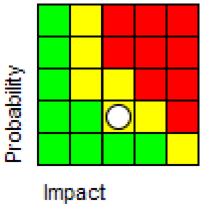
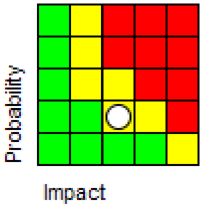
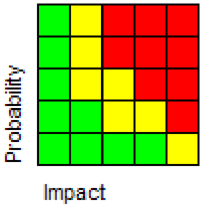
Code	Title	Original Score		Current Score		Target Score
TPF034	THIRD PARTY SUPPLIER FAILURE Financial failure of third party supplier results in service impairment and financial loss. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1		6		6	

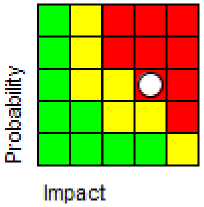
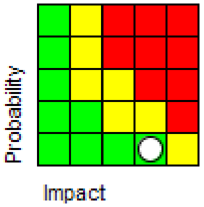
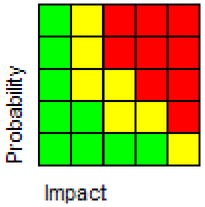
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score		Current Score		Target Score
TPF035	PROCUREMENT PROCESS CHALLENGES Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1		6		6	

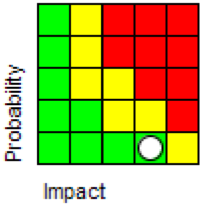
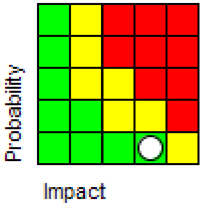
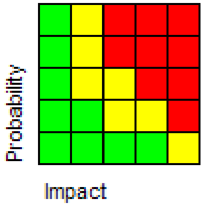
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score

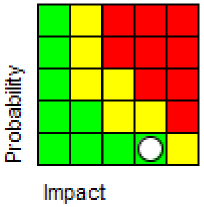
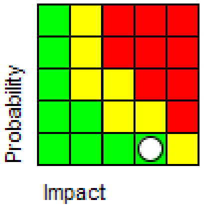
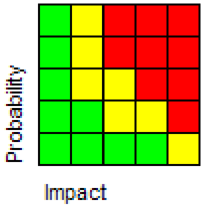
TPF036	ASSET POOLING TRANSITION RISK Loss or impairment as a result of Asset transition. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1	 6	 6	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
Code	**Title**	**Original Score**	**Current Score**	**Target Score**
TPF037	COMPLIANCE FAILURES Failure to comply with legislative requirements e.g. SIP, FSS, Governance Policy, Freedom of Information requests, Code of Practice 14. Fund & Reputation Impact-3 Employers Impact-2 Member Impact-0	 6	 6	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
Code	**Title**	**Original Score**	**Current Score**	**Target Score**
TPF038	CUSTODY DEFAULT The risk of losing economic rights to pension fund assets, when held in custody or when being traded. The risk might arise from missed dividends or corporate actions (e.g. rights issues) or problems arising from delays in trade settlements. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1	 6	 6	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
Code	**Title**	**Original Score**	**Current Score**	**Target Score**

Code	Title	Original Score	Current Score	Target Score
TPF020	INADEQUATE BORDER TO COAST OVERSIGHT Insufficient resources to properly monitor pooling & Border to Coast. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 15	 5	

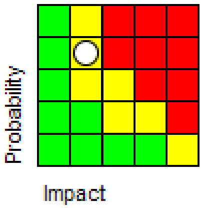
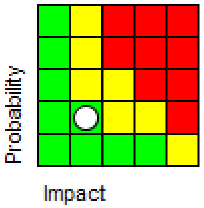
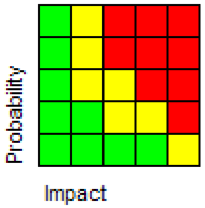
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
Sufficient resources exist within the team to oversee and monitor Border to Coast. External providers are also involved, such as Portfolio Evaluation Limited and the two independent investment advisors.			

Code	Title	Original Score	Current Score	Target Score
TPF042	DECISION MAKING FAILURES Failure to take difficult decisions inhibits effective Fund management. Fund & Reputation Impact-5 Employers Impact-2 Member Impact-1	 5	 5	

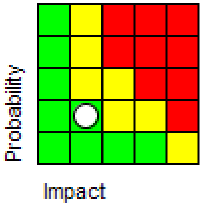
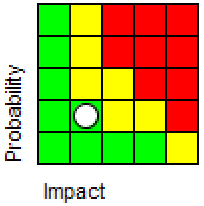
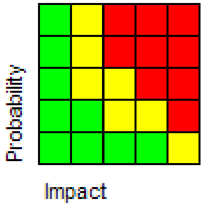
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome

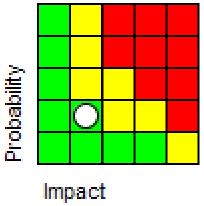
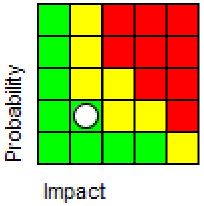
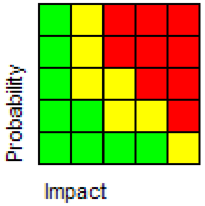
Code	Title	Original Score	Current Score	Target Score
TPF043	CASH INVESTMENT FRAUD Financial loss of cash investments from fraudulent activity. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 5	 5	

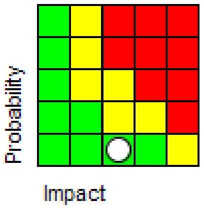
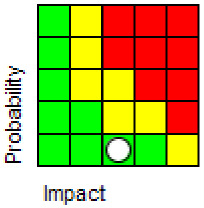
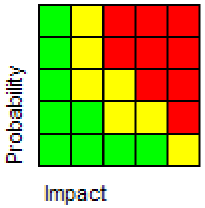
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome

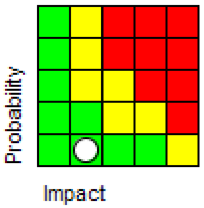
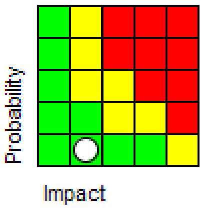
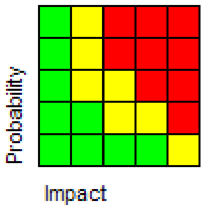
Code	Title	Original Score	Current Score	Target Score
TPF027	SCHEME MEMBER FRAUD Fraud by scheme members or their relatives (e.g. identity, death of member). Fund & Reputation Impact-1 Employers Impact-1 Member Impact-2	 8	 4	

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome

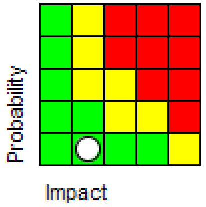
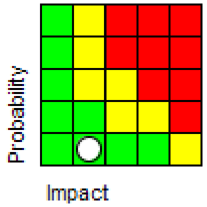
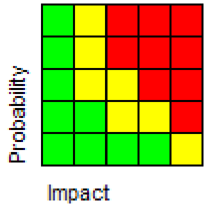
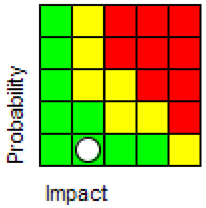
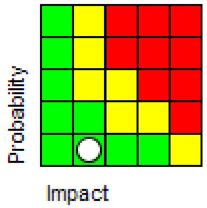
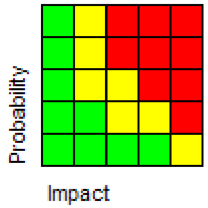
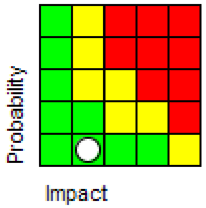
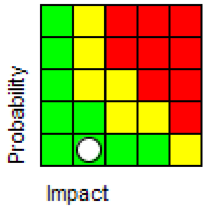
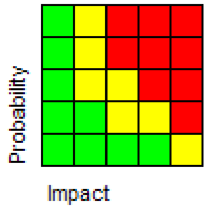
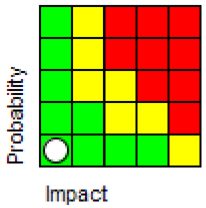
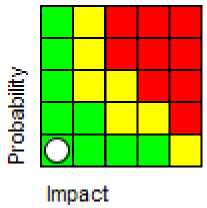
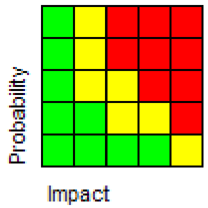
Code	Title	Original Score	Current Score	Target Score
TPF040	INACCURATE FUND INFORMATION In public domain leads to damage to reputation and loss of confidence. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	 4	 4	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**

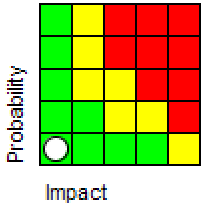
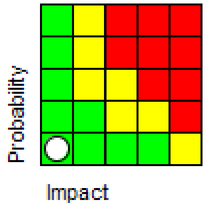
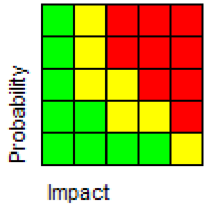
Code	Title	Original Score	Current Score	Target Score
TPF041	LIQUIDITY SHORTFALLS Risk of illiquidity due to difficulties in realising investments and paying benefits to members as they fall due. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 4	 4	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**

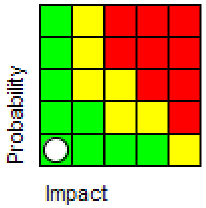
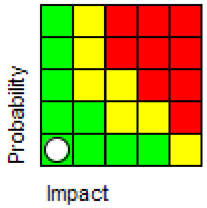
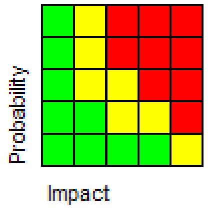
Code	Title	Original Score	Current Score	Target Score
TPF044	ICT SYSTEMS FAILURE Prolonged administration ICT systems failure. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-3	 3	 3	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**

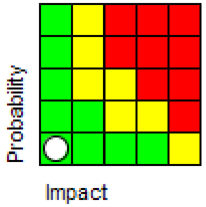
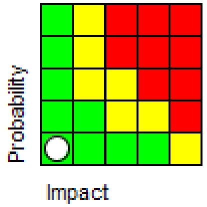
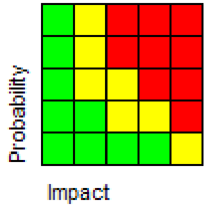
Code	Title	Original Score	Current Score	Target Score
TPF045	CONTRIBUTION COLLECTION FAILURE Failure to collect employee/er member pension contributions. Fund & Reputation Impact-1 Employers Impact-2 Member Impact-1	 2	 2	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**

Code	Title	Original Score	Current Score	Target Score

TPF046	INADEQUATE DISPUTES RESOLUTION PROCESS Failure to agree and implement an appropriate complaints and disputes resolution process. Fund & Reputation Impact-1 Employers Impact-2 Member Impact-2	 2	 2	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
Code	**Title**	**Original Score**	**Current Score**	**Target Score**
TPF047	BORDER TO COAST CESSATION Partnership disbands or fails to produce a proposal deemed sufficiently ambitious. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	 2	 2	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
Code	**Title**	**Original Score**	**Current Score**	**Target Score**
TPF048	POOLING CUSTODIAN FAILURE Failure to ensure safe custody of assets. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	 2	 2	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
Code	**Title**	**Original Score**	**Current Score**	**Target Score**
TPF049	OFFICER FRAUD Fraud by administration staff. Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1	 1	 1	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**
Code	**Title**	**Original Score**	**Current Score**	**Target Score**

Code	Title	Original Score	Current Score	Target Score
TPF050	EXCESSIVE ADMIN COSTS Excessive costs of member benefit administration leads to lack of VFM and loss of reputation. Fund & Reputation Impact-1 Employers Impact-1 Member Impact-1	 1	 1	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**

Code	Title	Original Score	Current Score	Target Score
TPF051	ERRONEOUS MEMBER BENEFIT CALCS Risk of incorrect calculation of members benefits. Fund & Reputation Impact-1 Employers Impact-1 Member Impact-2	 1	 1	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**

Code	Title	Original Score	Current Score	Target Score
TPF052	INADEQUATE MEMBER COMMS Increased workload for pensions team or increased opt-outs if communications inadequate or misunderstood. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 1	 1	
Current Mitigation		**Future Mitigation**	**Responsible Officer**	**Expected Outcome**

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 11

TEESSIDE PENSION FUND COMMITTEE REPORT

15 DECEMBER 2021

DIRECTOR OF FINANCE – IAN WRIGHT

Border to Coast Responsible Investment Policy and Corporate Governance & Voting Guidelines

1 **PURPOSE OF THE REPORT**

1.1 To advise the Committee of recent changes made by Border to Coast Pensions Partnership Limited ('Border to Coast') to its Responsible Investment Policy and Corporate Governance & Voting Guidelines.

2 **RECOMMENDATION**

2.1 That Members note and approve the revised Border to Coast documents that are included as tracked changes versions in Appendices B and C to this report.

3 **FINANCIAL IMPLICATIONS**

3.1 There are no particular financial implications arising from this report.

4 **BACKGROUND**

4.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended) require the Fund to have a policy on:

- environmental, social and governance (ESG) considerations. The policy is required to take into account the selection, non-selection, retention and realisation of assets, and
- the exercise of rights, including voting rights attached to investments.

4.2 To allow a practical and consistent approach to pooled investments, Border to Coast developed a Responsible Investment Policy and a Corporate Governance and Voting Guidelines document for all its Partner Funds to approve that applies across all the investments it holds on their behalf. These documents are subject to annual review.

4.3 Border to Coast has worked with its voting and engagement partner Robeco to update the documents, using the International Governance Network Global Governance Principles, UK Stewardship Code and Principles for Responsible Investment as benchmarks. The Partner Fund officers have had the opportunity to input to the revised documents, which were also shared with Border to Coast's Joint Committee at its 23 November 2021 meeting.

4.4 In the 2020 review Border to Coast identified the need for a standalone Climate Change Policy which has been developed outside the normal RI Policy review period and was approved by the Board on 21st September and shared with Partner Funds via the Joint Committee. A copy of this policy is attached at Appendix A. The Climate Change Policy includes specific exclusions covering companies with >90% of revenue from thermal coal and tar sands. This is the first time Border to Coast has had exclusions and considerable engagement was undertaken with Partner Funds on this issue. The approach to exclusions is articulated in the revised RI Policy (attached at Appendix B).

4.5 The rationale for more specific exclusions in the policy included the enabling of better engagement with private market managers. Exclusion of certain types of investments in Private Markets typically forms part of the side letter negotiations with the investment manager. Where an investor can point to a policy that explicitly excludes certain types of investments there is a greater probability of this being accepted by the investment manager.

4.6 The original priority engagement themes of Governance, Diversity, and Transparency and Disclosure were decided prior to launch in 2018. To reflect Border to Coast's growth and maturity as an organisation and the evolving nature of environmental, social and governance issues, the decision was taken to review the engagement themes (see section 7). The final four themes have been included in the RI Policy.

5 REVIEW PROCESS

5.1 The RI policy and Corporate Governance & Voting Guidelines are reviewed annually or when material changes need to be made. The annual review process commenced in July to ensure any revisions are in place ahead of the 2022 proxy voting season.

5.2 Current policies were evaluated by Robeco, Border to Coast's voting and engagement provider, considering the global context and shift in best practice. This included consideration of the recently revised International Corporate Governance Network (ICGN) Global Governance Principles, the UK Corporate Governance Code and the UK Stewardship Code.

5.3 The policies of best-in-class asset managers, and asset owners considered to be RI leaders were also consulted to determine how best practice has developed. Policies assessed included RLAM, LGIM, NZ Super, NEST and Brunel. Border to Coast have also taken into account the Investment Association Shareholder Priorities for 2021.

5.4 There were some areas highlighted as part of last year's review that were due to be addressed during 2021. Transition risk and scenario analysis being one area. Following the ESG/carbon data procurement and appointment of successful providers Border to Coast will be able to conduct scenario analysis from early next year. Border to Coast are also looking at how they can support Partner Funds in their Task Force on Climate-related Financial Disclosures (TCFD) reporting and this has been considered in the procurement.

5.5 One other area was exclusions. As Border to Coast advocate engagement over divestment, they have previously not had any exclusions in place. Development of the Climate Change Policy has, however, led to the exclusion of companies with >90% of revenues derived from thermal coal or tar sands. Any exclusions must be explicit for them to be adopted by our private market managers. Considerable engagement was conducted with Partner Funds to reinforce Border to Coast's active stewardship approach and dispel any concerns that they were being influenced by pressure group lobbying.

5.6 RI workshops have been held during the year for the Joint Committee at which Border to Coast covered the Climate Change Policy, exclusions and engagement escalation. They also covered the engagement theme review process and the potential long list of themes. Feedback was received from Partner Funds on their preferences for key themes to be taken forward.

5.7 A workshop was held with the officers of the Partner Funds on 5th October. The proposed revised RI Policy and Voting Guideline were shared with Officers and feedback and comments were received. Feedback on the RI Policy covered climate change exclusion wording, and on the Corporate Governance & Voting Guidelines comments on diversity. These points along with the other proposed revisions to both policies were discussed, and amendments made to the draft policies.

5.8 After considering feedback from the Officer Operation Group, the policies were re-presented to the Border to Coast Investment Committee, which recommended the proposed amendments to Border to Coast's Board. Both policies were approved by the Board on 11th November.

5.9 The annual review and governance processes need to be completed, with policies approved and ready to be implemented ahead of the 2022 proxy voting season. After considering feedback from the Officer Operation Group and the Investment Committee, the revised policies were approved by the Board on 11th November.

5.10 Border to Coast has asked Partner Funds to complete their review by the end of 2021 so that they are able to carry out this implementation and disclose their voting intentions to companies prior to the peak season.

6 Key changes

6.1 This year's RI Policy review reflects work undertaken during the year, including the development of the Climate Change Policy and associated exclusions, and the refreshment of the key engagement themes. All changes are shown as tracked changes in the attached Appendix B.

6.2 Diversity and diversity of thought on boards and senior executive teams are significant for good governance of an organisation. This is considered in the Voting Guidelines, and this also needs to be reflected in the RI Policy. Wording has been added in the 'Introduction' section on the importance of diversity.

6.3 Real estate is an asset class which Border to Coast are looking to launch towards the end of 2022 and is therefore covered by the revised RI Policy which will be live from January 2022. A new section has been inserted under 'Integrating RI into investment decisions' which covers the RI approach for the fund selection process. A more detailed policy will be developed with assistance from the third-party property manager, once they are in place.

6.4 Due to the development of a standalone Climate Change Policy, the respective section within the RI Policy has been reduced and the new policy signposted.

6.5 There is a lack of consistency across asset owners and managers when it comes to referencing exclusions. Some include exclusions within their main RI Policy whilst others have separate policies for each individual issue. As exclusions have been referenced in the Climate Change Policy, a paragraph has been added to the climate change section (5.6) of the RI Policy covering Border to Coast's approach.

6.6 The priority engagement themes have been reviewed this year using the newly developed framework. This is the first time Border to Coast has reviewed their priority themes; the process undertaken has been described in the RI Policy and the new themes have been included. More detail is included in section 7.

6.7 The amendments to the RI policy are highlighted in the table below.

Section	Page	Type of Change	Rationale
1. Introduction	2	Addition	Include wording on diversity/diversity of thought.
5.4 Integrating RI into investment decisions – Real estate	5	Addition	New asset class.
5.6 Climate change	6	Revision	Section edited as Climate Change Policy details our approach.
5.6 Climate change	6	Addition	Wording on exclusions covered in Climate Change Policy.
6. Stewardship	8	Revision	Explanation on UK Stewardship Codes signatory status.
6.2.1 Engagement themes	11	Addition	New section on key engagement themes and review process.

6.8 The Corporate Governance & Voting Guidelines have been reviewed by Robeco considering best practice. Asset owner and asset manager voting policies and the Investment Association Shareholder Priorities for 2021 have also been used in the review process. There are several minor amendments including proposed additions and clarification of text. All changes are shown as tracked changes in the attached Appendix C.

6.9 Border to Coast considers diversity in its broadest sense, not just gender or ethnicity to ensure boards have diversity of thought and experience. This has never been more compelling and highlighted by the pandemic with the need for companies to adapt and be innovative in order to be resilient and survive for the long-term. Diversity throughout the organisation is also important to attract and retain staff, improve productivity and profits, and develop a diverse pipeline of talent.

6.10 Gender diversity on boards has improved but Hampton-Alexander Review's initial target year of having 33% female representation on boards was 2020. Research shows that the benefits of diversity are greatest when female representation is above the 30% level, it is therefore appropriate to take a stronger voting stance now across developed markets and to ask for 33%, rather than rounding down to 30%. Border to Coast will still be flexible in our approach especially for emerging markets and Japan, where the expectation is for companies to have at least one female on the board.

6.11 The Parker review published its report into ethnic diversity of UK boards in 2017. The recommendations were for FTSE 100 companies to have at least one director of colour by 2021, with the same target for FTSE 250 companies by 2024. Although progress has been made companies have had four years to put plans in place. Border to Coast proposes being more specific in their voting intentions by voting against the chair of the nomination committee for FTSE 100 companies where this recommendation has not been met unless there are mitigating factors or plans have been disclosed.

6.12 Lobbying by companies or trade associations in relation to climate change is a real concern. Some trade associations are taking anti-climate positions which not all their members purportedly subscribe to. This is to the detriment of companies whose operations and supply chains are threatened by the climate crisis. To stay below a 1.5°C temperature rise requires companies to align their climate actions and policies to the Paris Agreement. Border to Coast will therefore support shareholder resolutions regarding lobbying activities in relation to climate change.

6.13 Border to Coast continues to strengthen the Voting Guidelines on climate change and this year have added voting against the Chair of the board where a company fails the first four indicators of the Climate Action 100+ Net Zero Benchmark, launched earlier this year.

6.14 Amendments to the Corporate Governance & Voting Guidelines are highlighted in the table below:

Section	Page	Type of Change	Rationale
Diversity	5	Addition	Strengthening position on ethnic diversity at FTSE 100 companies.
Long-term incentives	8	Clarification	Splitting out executives from other employees.
Directors' contracts	8	Clarification	Executive pensions.
Lobbying	10	Addition	Company stance on climate change lobbying.
Shareholder proposals	12	Clarification	Shareholders' best interests.
Climate change	12	Addition	Strengthening voting stance to include CA100+ net zero benchmark indicators.

6.15 The policies were presented to Border to Coast's Board on 11th November and the revisions approved. There is then a period where Partner Funds take the revised policies to their committees to begin their internal alignment process. The revised policies will be effective from 1st January 2022.

7 Engagement theme review

7.1 In 2018 Border to Coast set their three priority areas for engagement with portfolio companies. These are 'Governance', 'Diversity' and 'Transparency and Disclosure'. Whilst these areas continue to be important, Border to Coast wanted to reflect its growth and maturity as an organisation and review the themes whilst also considering the views of the Partner Funds. Border to Coast developed an Engagement Themes Framework consisting of four stages, to assist with the process and set its themes for the next strategic period.

7.2 The initial 'long list' of 9 potential themes was shared with Border to Coast's Investment Committee in April and its Board in May. Input from the Partner Funds was received via workshops held for the Officers Operation Group and Joint Committee; this was shared with the Board. Feedback from Partner Funds and the Board was then used to identify four themes to take forward to the final stage (defining objectives and milestones).

7.3 Further work, and analysis was done to determine the overall engagement objective, core objectives to be measured and the approach we will take. Assistance was also provided by Robeco. The four final themes were presented to the Board on 11th November and approved.

7.4 The four final themes with high-level aims are as follows:

7.5 **Low Carbon Transition:** Climate change is a systemic risk with potential financial impacts associated with the transition to a low-carbon economy and physical impacts under different climate scenarios. Transition will affect some sectors more than others, notably energy, utilities and sectors highly reliant on energy. The focus will be on the big carbon emitting companies and banks.

7.5.1 **Engagement objective**: Climate change is a systemic risk that poses significant risks and opportunities for investments. In high emitting sectors companies need to adapt and, in some cases, fundamentally change their business models. The aim of this engagement is to focus on the companies in high emitting sectors and banks identified as key to financing the transition to a low-carbon economy, to commit to credible plans to meet net-zero targets.

7.6 **Waste and Water Management**: The focus is on companies assessed as having high exposure to water-intensive operations and/or producing high levels of packaging waste and plastic pollution.

7.6.1 **Engagement objective**: Water is becoming an increasingly scarce and costly resource and a material financial risk for companies and investors. Packaging waste is a huge environmental problem with increasing regulation. This engagement theme will focus on engaging portfolio companies with high exposure to water-intensive operations, exposure to operations producing high levels of packaging waste to develop policies and initiatives to address the issue(s).

7.7 **Social Inclusion through Labour Management**: This theme seeks to blend two of the previous proposed themes around Social Inclusion and Supply Chain Management. The focus is on companies assessed as having high exposure to labour intensive operations, those scoring lower on human capital development and those that are scoring lower on supply chain labour management. This includes engaging with companies on modern slavery policies.

7.7.1 **Engagement objective**: Human capital management and supply chain issues are recognised as financial risks emphasised by the pandemic. Engagement will be with companies with high exposure to labour-intensive operations and lower scoring companies in relation to human capital development and supply chain labour management risk. The aim is to promote sustained, inclusive growth with productive and decent work for all, including elimination of child labour in supply chains.

7.8 **Diversity of Thought**: The focus will be on companies that have been flagged as not having diversity management programs in place, including UK companies that are not meeting the recommendations of the Hampton Alexander and Parker Reviews where we believe we hold sufficient market cap to have an influence.

7.8.1 **Engagement objective**: The need for diversity of thought and experience on boards has never been more compelling. The pandemic has caused massive economic disruption with companies needing to be able to adapt and be innovative in order to be resilient and survive for the long-term. The focus of this engagement is to enhance the diversity of boards reducing the risk of 'group think' leading to better decision making and wider diversity across the organisation to increase the resilience and long-term sustainability of companies. To ensure a pipeline of diverse talent is being developed and utilised, this engagement will also cover improving the approach to building diversity and inclusion in executive committees, other senior leadership roles and throughout the workforce.

8. NEXT STEPS

8.1 Border to Coast will continue to work with its Partner Funds to develop and update its approach to Responsible Investment and Corporate Governance.

CONTACT OFFICER: Nick Orton, Head of Pensions Governance & Investments

TEL NO: 01642 729040

Climate Change Policy

Border to Coast Pensions Partnership

Policy Owner: The Chief Investment Officer
Live from: 1 October 2021

Climate Change Policy

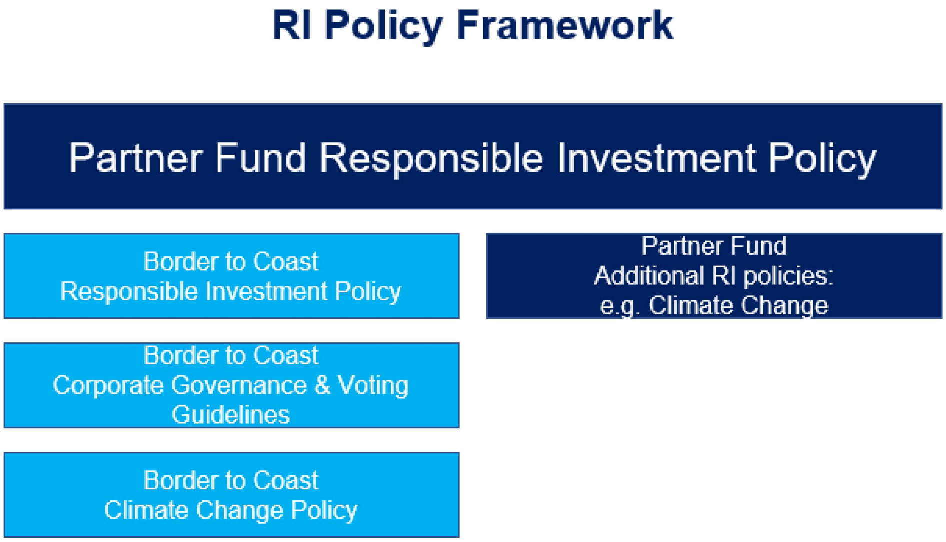
This Climate Change Policy details the approach that Border to Coast Pensions Partnership will follow in fulfilling its commitment to managing the risks and opportunities associated with climate change across the assets managed on behalf of our Partner Funds.

1 Introduction

Border to Coast Pensions Partnership Ltd is an FCA regulated and authorised investment fund manager (AIFM), operating investment funds for its eleven shareholders which are Local Government Pension Scheme funds (Partner Funds). As a customer-owned, customer-focused organisation, our purpose is to make a sustainable and positive difference to investment outcomes for our Partner Funds. Pooling gives us a stronger voice and, working in partnership with our Partner Funds and across the asset owner and asset management industry, we aim to deliver cost effective, innovative and responsible investment thereby enabling sustainable, risk-adjusted performance over the long-term.

1.1 Policy framework

Border to Coast has developed this Climate Change Policy in collaboration with our Partner Funds. It sits alongside the Responsible Investment Policy and other associated policies, developed to ensure clarity of approach and to meet our Partner Funds' fiduciary duty and fulfil their stewardship requirements. This collaborative approach resulted in the RI policy framework illustrated below with the colours demonstrating ownership of the various aspects of the framework:



2 Policy overview

2.1 Our views and beliefs on climate change

The world is warming, the climate is changing, and the scientific consensus is that this is due to human activity, primarily the emissions of carbon dioxide (CO_2) from burning fossil fuels. Our planet has warmed by over 1ºC relative to the pre-industrial average temperature, and we are starting to experience the significant effects of this warming.

Atmospheric CO_2 is at unprecedented levels in human history. Further warming will occur, and so adaptation will be required. The extent of this further warming is for humankind to collectively decide, and the next decade is critical in determining the course. If the present course is not changed and societal emissions of CO_2 and other greenhouse gases (GHG) are not reduced to mitigate global warming, scientists have suggested that global society will be catastrophically disrupted beyond its capability to adapt, with material capital market implications.

Recognising the existential threat to society that unmitigated climate change represents, in 2015, the nations of the world came together in Paris and agreed to limit global warming to 2ºC and to pursue efforts to limit the temperature increase to 1.5ºC. A key part of the Paris Agreement was an objective to make finance flows consistent with a pathway towards low GHG emissions and climate resilience. This recognises the critical role asset owners and managers play, reinforcing the need for us and our peers to drive and support the pace and scale of change required.

In 2018, the Intergovernmental Panel on Climate Change (IPCC) published a special report, "Global warming of 1.5ºC"[1], which starkly illustrated how critical successful adaptation to limit global warming to 1.5ºC is. The report found that limiting global warming to 1.5°C would require "rapid and far-reaching" transitions in land, energy, industry, buildings, transport, and cities. This includes a need for emissions of carbon dioxide to fall by approximately 45 percent from 2010 levels by 2030, and reach 'net zero' around 2050. We support this scientific consensus; recognising that the investments we make, in every asset class, will both impact climate change and be impacted by climate change.

2.2 Why climate change is important to us

The purpose of embedding sustainability into our actions is twofold: we believe that considering sustainable measures in our investment decisions will increase returns for our Partner Funds, in addition to positively impacting the world beneficiaries live in.

Our exposure to climate change comes predominantly from the investments that we manage on behalf of our Partner Funds. We develop and operate a variety of internally and externally managed investments across a range of asset classes both in public and private markets for our Partner Funds to invest in.

We try to mitigate these exposures by taking a long-term approach to investing as we believe that businesses that are governed well and managed in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. Climate change can have a material impact on the value of financial assets and on the long-term performance of investments, and therefore needs to be considered across all asset classes in order to better manage risk and generate sustainable, long-term returns.

Climate change is a systemic risk which poses significant investment risks, but also opportunities, with the potential to impact long-term shareholder value. Transition to a low carbon economy will affect some sectors more than others, and within sectors there are likely to be winners and losers, which is why divesting from and excluding entire sectors may not be appropriate. We actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact will affect investments. We believe that we have the responsibility to contribute and support the transition to a low carbon economy in order to positively impact the world in which pension scheme beneficiaries live in.

Our climate change strategy is split into four pillars**: Identification and Assessment, Investment Strategy, Engagement and Advocacy, and Disclosures and Reporting.** We will continue to monitor scientific research in this space; evolving and adapting our strategy in order to best respond to the impacts of climate change.

[1] https://www.ipcc.ch/sr15/

2.3 How we execute our climate change strategy

We integrate climate change risks within our wider risk management framework and have robust processes in place for the identification and ongoing assessment of climate risks.

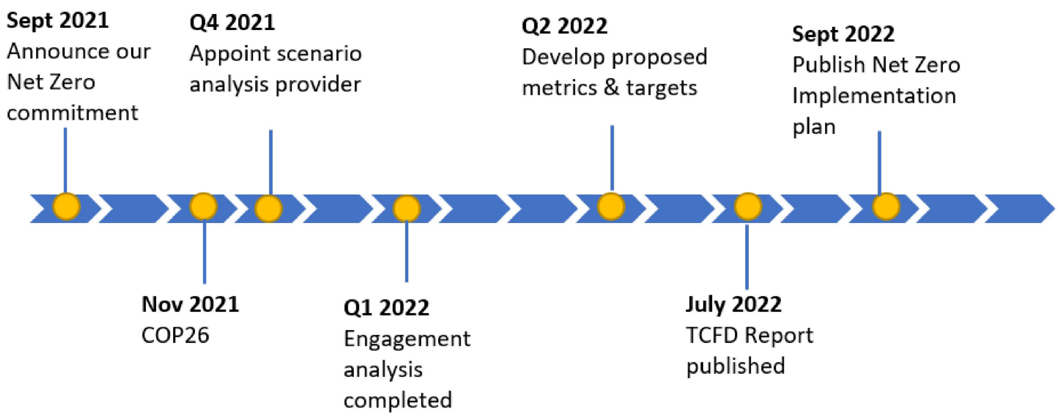
We consider climate change risks and opportunities within our investment decision making process.

We are committed to transparency regarding our climate change issues and activities.

Border to Coast, as a large investor, aims to influence companies to adapt and articulate their climate change strategy, to enable them to be well prepared for the transition to a low carbon economy. This in turn will improve investment outcomes.

2.4 Roadmap

The roadmap demonstrates the milestones to implement the policy over the next 12 months.



3 Climate change strategy and governance

3.1 Our ambition – Net Zero

Our climate change strategy recognises that there are financially material investment risks and opportunities associated with climate change which we need to manage across our investment portfolios. We have therefore committed to a net zero carbon emissions target by 2050 at the latest for our assets under management, in order to align with efforts to limit temperature increases to under 1.5ºC.

We recognise that assessing and monitoring climate risk is under constant development, and that tools and underlying data are developing rapidly. There is a risk of just focusing on carbon emissions, a backwards looking metric, and it is important to ensure that metrics we use reflect the expected future state and transition plans that companies have in place or under development. We will continue to assess the metrics and targets used as data and industry standards develop.

As a supporter of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we will continue to embed climate change into our investment process and risk management systems, reporting annually on our progress in the TCFD report.

In support of our Net Zero commitment, we will develop and set out a plan with high-level targets for each of the four supporting pillars of our climate change strategy which will be published in September 2022.

3.2 Governance and implementation

We take a holistic approach to sustainability and responsible investment; it is at the core of our corporate and investment thinking. Sustainability is considered and overseen by the Board and Executive Committee. We have defined policies and procedures that demonstrate our commitment to managing climate change risk, including this Climate Change Policy, our Responsible Investment Policy and Corporate Governance & Voting Guidelines which can be found on our website.

3.3 Division of roles and responsibilities

The Board determines the Company's overall strategy for climate change and with support from the Board Risk Committee, oversees the identification and management of risk and opportunities. The Board is responsible for the oversight of climate related impacts as part of its remit with respect to Border to Coast's management of investments. The Board approves the Responsible Investment strategy and policies, which includes the Climate Change Policy. Updates on Responsible Investment are presented to the Board at regular intervals, this includes activities related to climate change. The Board reviews and approves the TCFD report prior to publication.

The Climate Change Policy is owned by Border to Coast and created after collaboration and engagement with our Partner Funds. We will, where needed, take appropriate advice in order to further develop and implement the policy.

The Chief Investment Officer (CIO) is responsible for the implementation and management of the Climate Change Policy, with oversight from the Investment Committee, which is chaired by the Chief Executive Officer. Each year the CIO reviews the implementation of the policy and reports any findings to the Board. The policy is reviewed annually, taking into account evolving best practice, and updated as needed.

The Investment Team, which includes a dedicated Responsible Investment Team, works to manage environmental, social and governance (ESG) issues including climate change. Climate change is one of our responsible investment priorities and sits at the core of our sustainability dialogue. We are on the front foot with UK, European and Global climate change regulation, horizon scanning for future regulation and actively participate in discussions around future climate policy and legislation through our membership of industry bodies.

3.4 Training

Border to Coast's Board and colleagues maintain appropriate skills in responsible investment, including climate change, maintaining and increasing knowledge and understanding of climate change risks, available risk measurement tools, and policy and regulation. Where necessary expert advice is taken from suitable climate change specialists to fulfil our responsibilities. We also offer our Partner Funds training on climate change related issues.

3.5 Regulatory change management

Regulatory change horizon scanning is the role of the Compliance function, which regularly scans for applicable regulatory change. This includes FCA, associated UK regulations, and wider regulation including Responsible Investment, and climate change. The relevant heads of functions and departments, as subject matter experts, also support the process and a tracker is maintained to ensure applicable changes are appropriately implemented.

4 Identification and assessment

4.1 How we identify climate-related risks

The Identification and Assessment pillar is a key element of our climate change strategy. Our investment processes and approach towards engagement and advocacy reflect our desire to culturally embed climate change risk within our organisation and drive change in the industry.

The risk relating to climate change is integrated into the wider Border to Coast risk management framework. The Company operates a risk management framework consistent with the principles of the 'three lines of defence' model, with external assurance providers acting as a fourth line. Risks to the Company are owned and managed by the business or functional areas (1st Line of Defence) and are subject to oversight and challenge by the Risk and Compliance Function (2nd Line of Defence) and independent assurance by Internal Audit (3rd Line of Defence).

We consider both the transition and physical risks of climate change. The former relates to the risks (and opportunities) from the realignment of our economic system towards low-carbon, climate-resilient and carbon-positive solutions (e.g. via regulations). The latter relates to the physical impacts of climate change (e.g. rising temperatures, changing precipitation patterns, increased risk arising from rising sea levels and increased frequency and severity of extreme weather events).

4.2 How we assess climate-related risks and opportunities

We currently use a number of different tools and metrics to measure and monitor climate risk across portfolios. We acknowledge that this is a rapidly evolving area, and we are developing our analytical capabilities to support our ambition. Carbon data is not available for all equities as not all companies disclose, therefore there is a reliance on estimates. Data is even more unreliable for fixed income and is only just being developed for Private Markets. We will work with our managers and the industry to improve data disclosure and transparency in this area.

We utilise third party carbon portfolio analytics to conduct carbon footprints across equity and fixed income portfolios, analysing carbon emissions, carbon intensity and weighted carbon intensity and fossil fuel exposure when assessing carbon-related risk, on a quarterly basis. The Transition Pathway Initiative[2] tool and climate Action 100+ Net Zero Company Benchmark analysis is used to support portfolio managers in decision making with respect to net zero assessments. We use research from our partners and specific climate research, along with information and data from initiatives and industry associations we support.

[2] The Transition Pathway Initiative ('TPI') is a global initiative led by asset owners and supported by asset managers. Aimed at investors, it is a free-to-use tool that assesses how prepared companies are for the low carbon transition.

We are developing climate risk assessment for our listed equity investments that combines several factors to assess overall whether a company is aligned with the Paris Agreement (to limit global warming to 2ºC), so that we can both engage appropriately with the company on their direction of travel and also track our progress. This will necessarily be an iterative process, recognising that data, tools and methodologies are developing rapidly.

We are reviewing how we conduct scenario analysis across our portfolios, evaluating tools and external providers and different scenarios and expect to have this in place during 2022.

We are using the Net Zero Investment Framework to support us in implementing our strategy to being Net Zero by 2050. Work will be undertaken during 2022 to assess and define any targets based around this commitment.

5 Investment strategy

5.1 Our approach to investing

We believe that climate change should be systematically integrated into our investment decision-making process to identify related risks and opportunities. This is critical to our long-term objective of improving investment outcomes for our Partner Funds.

Border to Coast offers Partner Funds a variety of internally and externally managed investment funds covering a wide-ranging set of asset classes with different risk-return profiles. Partner Funds then choose the funds which support their strategic asset allocation.

Partner Funds retain responsibility for strategic asset allocation and setting their investment strategy, and ultimately their strategic exposure to climate risk. Our implementation supports Partner Funds to deliver on their fiduciary duty of acting in the best interests of beneficiaries.

We consider climate change risks and opportunities in the process of constructing and developing investment funds. Climate change is also considered during the external manager selection and appointment process. We monitor and challenge our internal and external managers on their portfolio holdings, analysis, and investment rationale in relation to climate-related risks.

We monitor a variety of carbon metrics, managing climate risk in portfolios through active voting and engagement, whilst also looking to take advantage of the long-term climate-related investment opportunities.

We believe in engagement rather than divestment and that by doing so can effect change at companies. Our investment approach is not to divest or exclude entire sectors, however there may be specific instances when we will look to sell or not invest in some industries based on investment criteria, the investment time horizon and if there is limited scope for successful engagement. Using these criteria and due to the potential for stranded assets, we interpret this to cover pure coal and tar sands companies and will therefore not invest in these companies. Any companies excluded will be monitored with transition plans assessed for potential reinstatement.

5.2 Acting within different asset classes

We integrate climate change risks and opportunities into our investment decisions within each asset class. The approach we take for each asset class is tailored to the nature of the risk and our investment process for that asset class. The timeframe for the impact of climate change can vary, leading to differing risk implications depending on the sector, asset class and region. These variations are considered at the portfolio level. This policy gives our overall approach and more detail on the processes and analysis can be found in our annual TCFD report.

Climate risks and opportunities are incorporated into the stock analysis and decision-making process for **listed equities** and **fixed income**. Third party ESG and carbon data are used to assess individual holdings. We also use forward looking metrics including the TPI ratings and Climate Action 100+ Net Zero Company Benchmark to assess companies' transition progress. Internal, sell-side and climate specific research, and engagement information are also utilised.

Carbon footprints are conducted relative to the benchmark.

For our **alternative funds**, ESG risks, which includes climate change, are incorporated into the due diligence process including ongoing monitoring. Across both funds and co-investments, we consider the impact of carbon emissions and climate change when determining our asset allocation across geographies and industries. We assess and monitor if our GPs track portfolio metrics in line with TCFD recommendations. Climate change presents real financial risks to portfolios but also provides opportunities with significant amounts of private capital required to achieve a low-carbon transition. We are therefore considering the role private markets will play in managing transition risk and how we can invest in climate change opportunities as part of our Private Markets offering.

5.3 Working with external managers

Assessing climate risk is an integral part of the external manager selection and appointment process. It also forms part of the quarterly screening and monitoring of portfolios and the annual manager reviews. We monitor and review our fund managers on their climate change approach and policies. Where high emitting companies are held as part of a strategy managers are challenged and expected to provide strong investment rationale to substantiate the holding. We encourage managers to support collaborative initiatives on climate, and to report in line with the TCFD recommendations. In addition, we assess and monitor where managers are making net zero commitments.

6 Engagement and advocacy

As a shareholder, we have responsibility for effective stewardship of all companies or entities in which we invest, whether directly or indirectly. We take the responsibilities of this role seriously, and we believe success for our climate ambition can be supported by effective stewardship and governance oversight.

6.1 Our approach to engagement

As a long-term investor and representative of asset owners, we will hold companies and asset managers to account regarding environmental, social and governance issues, including climate change factors, that have the potential to impact corporate value. We support engagement over divestment as we believe that constructive dialogue with companies in which we invest is more effective than excluding companies from the investment universe. If engagement does not lead to the desired results, we have an escalation process which forms part of our RI Policy. We practice active ownership through voting, monitoring companies, engagement and litigation. Through meetings with company directors, we seek to work with and influence investee companies to encourage positive change. Climate is one of our key engagement themes. We believe it is vital we fully understand how companies are dealing with this challenge, and feel it is our duty to hold the boards of our investee companies to account.

Our primary objective from climate related engagement is to encourage companies to adapt their business strategy in order to align with a low carbon economy and reaching Net-Zero by 2050 or sooner. The areas we consider in our engagement activities include climate governance; strategy and Paris alignment; command of the climate subject; board oversight and incentivisation; TCFD disclosures and scenario planning; scope 3 emissions and the supply chain; and exposure to climate-stressed regions.

In order to increase our influence with corporates and policy makers we work collaboratively with other like-minded investors and organisations. This is achieved through actively supporting investor RI initiatives and collaborating with various other external groups on climate related issues, including the Institutional Investors Group on Climate Change, Climate Action 100+, the UN-supported Principles for Responsible Investment, the Local Authority Pension Fund Forum and the Transition Pathway Initiative.

In particular, we are currently focusing on the following actions:

- Vote against company Chairs in high emitting sectors where the climate change policy does not meet our minimum standards, and/or rated Level 0 or 1 by the TPI, where there is no evidence of a positive direction of travel. Our voting principles are outlined in our Corporate Governance & Voting Guidelines. We are also transparent with all our voting activity and publish our quarterly voting records on our website.
- Support climate-related resolutions at company meetings which we consider reflect our Climate Change Policy. We will co-file shareholder resolutions at company AGMs on climate risk disclosure, after conducting due diligence, that we consider to be of institutional quality and consistent with our Climate Change Policy.
- Engage with companies in relation to business sustainability and disclosure of climate risk in line with the TCFD recommendations.
- Encourage companies to publish targets and report on steps taken to reduce greenhouse gas emissions.
- Work collaboratively with other asset owners in order to strengthen our voice and make a more lasting impact for positive change. Engagement is conducted directly, through our engagement partner Robeco and through our support of collaborations. We also expect our external asset managers to engage with companies on climate-related issues.
- Use carbon footprints and the TPI toolkit to assess companies and inform our engagement and voting activity. This will enable us to prioritise shareholder engagement, set timeframes and monitor progress against our goals.
- Engage collaboratively alongside other institutional investors with policy makers through membership of the Institutional Investor Group on Climate Change ('IIGCC'). We will engage with regulators and peer groups to advocate for improved climate related disclosures and management in the pensions industry and wider global economy.

7 Disclosures and reporting

Transparency is one of our key organisational values. We disclose our RI activity on our website, publishing quarterly stewardship and voting reports, annual RI & Stewardship reports and our TCFD report. We are committed to improving transparency and reporting in relation to our RI activities, which include climate change related activities. We will keep our Partner Funds and our stakeholders informed on our progress of implementing the Climate Change Policy, as well as our exposure to the risks and opportunities of climate change.

During 2021 and 2022 we will be focusing on the following actions:

- Reviewing on an annual basis how we are implementing this Climate Change Policy. The findings will be reported to our Board and Partner Funds, as well as made publicly accessible through our TCFD and Stewardship reports and other disclosures.
- Reporting in line with the TCFD recommendations on an annual basis, including reporting on the actions undertaken with regards to climate change. We published our first TCFD report in 2020 and will look to evolve and refine our TCFD report, reflecting further developments that we undertake as part of implementation of this policy.
- Disclosing our voting activity.
- Reporting on engagement and RI activities, including climate change, to the Partner Funds quarterly and in our annual RI & Stewardship report.
- Disclosing climate metrics and targets that help to analyse the overall exposure of our portfolios to the risks and opportunities presented by climate mitigation and adaption.
- Reporting our progress against the Net Zero Investment Framework.

This page is intentionally left blank

Responsible Investment Policy

Border to Coast Pensions Partnership

November 2021

Responsible Investment Policy

This Responsible Investment Policy details the approach that Border to Coast Pensions Partnership will follow in fulfilling its commitment to our Partner Funds in their delegation of the implementation of certain responsible investment (RI) and stewardship responsibilities.

1. Introduction

Border to Coast Pensions Partnership Ltd is an FCA-authorised investment fund manager (AIFM). It operates investment funds for its eleven shareholders which are Local Government Pension Scheme funds (Partner Funds). The purpose is to make a difference to the investment outcomes for our Partner Funds through pooling to create a stronger voice; working in partnership to deliver cost effective, innovative, and responsible investment now and into the future; thereby enabling great, sustainable performance.

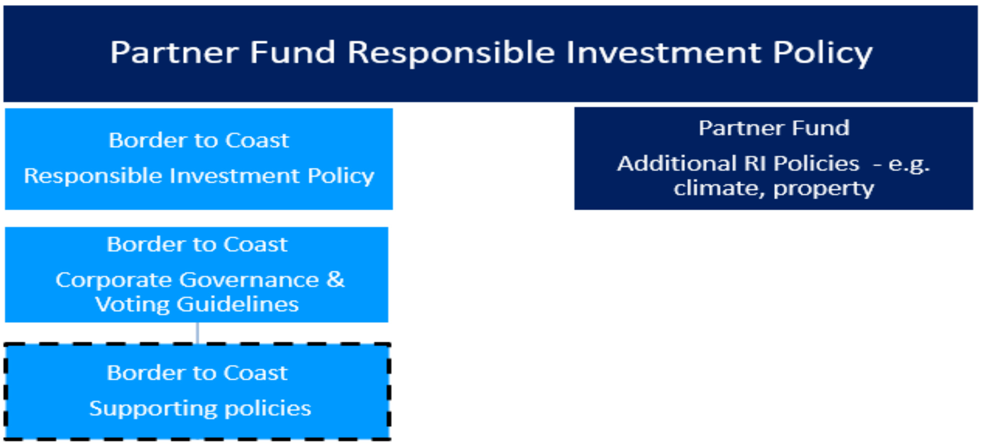
Border to Coast takes a long-term approach to investing and believes that businesses that are governed well, have a diverse board and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. Diversity of thought and experience on boards is significant for good governance, reduces the risk of 'group think' leading to better decision making. Environmental, social and governance (ESG) issues can have a material impact on the value of financial assets and on the long-term performance of investments, and therefore need to be considered across all asset classes in order to better manage risk and generate sustainable, long-term returns. Well-managed companies with strong governance are more likely to be successful long-term investments.

Border to Coast is an active owner and steward of its investments, both internally and externally managed, across all asset classes. The commitment to responsible investment is communicated in the Border to Coast UK Stewardship Code compliance statement. As a long-term investor and representative of asset owners, we will hold companies and asset managers to account regarding environmental, societal and governance factors that have the potential to impact corporate value. We will incorporate such factors into our investment analysis and decision making, enabling long-term sustainable investment performance for our Partner Funds. As a shareowner, Border to Coast has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It will practice active ownership through voting, monitoring companies, engagement and litigation.

1.1 Policy framework

The LGPS (Management and Investment of Funds) 2016 regulations state that the responsibility for stewardship, which includes shareholder voting, remains with the Partner Funds. Stewardship day-to-day administration and implementation have been delegated to Border to Coast by the Partner Funds, on assets managed by Border to Coast, with appropriate monitoring and challenge to ensure this continues to be in line with Partner Fund requirements. To leverage scale and for operational purposes, Border to Coast has, in conjunction with Partner Funds, developed this RI Policy and accompanying Corporate Governance & Voting Guidelines to ensure clarity of approach on behalf of Partner Funds. This collaborative approach results in an RI policy framework illustrated below with the colours demonstrating ownership of the various aspects of the framework:

RI Policy Framework



2. What is responsible investment?

Responsible investment (RI) is the practice of incorporating ESG issues into the investment decision making process and practicing investment stewardship, to better manage risk and generate sustainable, long-term returns. Financial and ESG analysis together identify broader risks leading to better informed investment decisions and can improve performance as well as risk-adjusted returns.

Investment stewardship includes active ownership, using voting rights, engaging with investee companies, influencing regulators and policy makers, and collaborating with other investors to improve long-term performance.

3. Governance and Implementation

Border to Coast takes a holistic approach to sustainability and as such it is at the core of our corporate and investment thinking. Sustainability, which includes RI, is considered and overseen by the Board and Executive Committees. Specific policies and procedures are in place to demonstrate the commitment to RI, which include the Responsible Investment Policy and Corporate Governance & Voting Guidelines (available on the **website**). Border to Coast has dedicated staff resources for managing RI within the organisational structure.

The RI Policy is owned by Border to Coast and created after collaboration and engagement with our eleven Partner Funds. The Chief Investment Officer (CIO) is accountable for implementation of the policy. The policy is monitored with regular reports to the CIO, Investment Committee, Board, Joint Committee and Partner Funds. It is reviewed at least annually or whenever revisions are proposed, taking into account evolving best practice, and updated, as necessary.

4. Skills and competency

Border to Coast will, where needed, take proper advice in order to formulate and develop policy. The Board and staff will maintain appropriate skills in responsible investment and stewardship through continuing professional development; where necessary expert advice will be taken from suitable RI specialists to fulfil our responsibilities.

5. Integrating RI into investment decisions

Border to Coast considers material ESG factors when analysing potential investments. ESG factors tend to be longer term in nature and can create both risks and opportunities. It is therefore important that, as a long-term investor, we take them into account when analysing potential investments.

The factors considered are those which could cause financial and reputational risk, ultimately resulting in a reduction in shareholder value. ESG issues will be considered and monitored in relation to both internally and externally managed assets. The CIO will be accountable for the integration and implementation of ESG considerations. Issues considered include, but are not limited to:

Environmental	Social	Governance	Other
Climate change Resource & energy management Water stress Single use plastics Biodiversity	Human rights Child labour Supply chain Human capital Employment standards	Board independence/ diversity Executive pay Tax transparency Auditor rotation Succession planning Shareholder rights	Business strategy Risk management Cyber security Data privacy Bribery & corruption Political lobbying

Whilst the specific aspects and form of ESG integration and stewardship vary across asset class, the overarching principles outlined in this policy are applied to all internally and externally managed assets of Border to Coast. More information on specific approaches is outlined below.

5.1. Listed equities (Internally managed)

Border to Coast looks to understand and evaluate the ESG-related business risks and opportunities companies face. We consider the integration of ESG factors into the investment process as a necessary complement to the traditional financial evaluation of assets; this results in a more informed investment decision-making process. Rather than being used to preclude certain investments, it is used to provide an additional context for stock selection.

ESG data and research from specialist providers is used alongside general stock and sector research; it is an integral part of the research process and when considering portfolio construction, sector analysis and stock selection. The Head of RI works with colleagues to ensure they are knowledgeable and fully informed on ESG issues. Voting and engagement should not be detached from the investment process; therefore, information from engagement meetings will be shared with the team to increase and maintain knowledge, and portfolio managers will be involved in the voting process.

5.2. Private markets

Border to Coast believes that ESG risk forms an integral part of the overall risk management framework for private market investment. An appropriate ESG strategy will improve downside protection and help create value in underlying portfolio companies. Border to Coast takes the following approach to integrating ESG into the private market investment process:

- The assessment of ESG issues is integrated into the investment process for all private market investments.

- A manager's ESG strategy is assessed through a specific ESG questionnaire agreed with the Head of RI and reviewed by the alternatives investment team with support from the Head of RI as required.
- Managers are requested to report annually on the progress and outcomes of ESG related values and any potential risks.
- Ongoing monitoring includes identifying any possible ESG breaches and following up with the managers concerned.
- Work with managers to improve ESG policies and ensure the approach is in-line with developing industry best practice.

5.3. Fixed income

ESG factors can have a material impact on the investment performance of bonds, both negatively and positively, at the issuer, sector and geographic levels. ESG analysis is therefore incorporated into the investment process for corporate and sovereign issuers to manage risk. The challenges of integrating ESG in practice are greater than for equities with the availability of data for some markets lacking.

The approach to engagement also differs as engagement with sovereigns is much more difficult than with companies. Third-party ESG data is used along with information from sources including UN bodies, the World Bank and other similar organisations. This together with traditional credit analysis is used to determine a bond's credit quality. Information is shared between the equity and fixed income teams regarding issues which have the potential to impact corporates and sovereign bond performance.

5.4. Real estate

Border to Coast is considering making Real Estate investments through both direct properties and real estate funds. For real estate funds, a central component of the fund selection/screening process will be reviewing the General Partner and Fund/Investment Manager's Responsible Investment and ESG approach and policies. Key performance indicators will be energy performance measurement, flood risk and rating systems such as GRESB (formerly known as the Global Real Estate Sustainability Benchmark), and BREEAM (Building Research Establishment Environmental Assessment Method). Our process will review the extent to which they are used in asset management strategies. We are in the process of developing our ESG and RI strategies for direct investment which will involve procuring a third-party manager and working with them to develop a best-in-class approach to managing ESG risks.

5.5. External manager selection

RI is incorporated into the external manager appointment process including the request for proposal (RFP) criteria and scoring and the investment management agreements. The RFP includes specific requirements relating to the integration of ESG by managers into the investment process and to their approach to engagement. We expect to see evidence of how material ESG issues are considered in research analysis and investment decisions. Engagement needs to be structured with clear aims, objectives and milestones.

Voting is carried out by Border to Coast for both internally and externally managed equities where possible and we expect external managers to engage with companies in alignment with the Border to Coast RI policy.

The monitoring of appointed managers will also include assessing stewardship and ESG integration in accordance with our policies. All external fund managers will be expected to be signatories or comply with international standards applicable to their geographical location. We will encourage managers to become signatories to the UN-supported Principles for Responsible Investment. Managers will be required to report to Border to Coast on their RI activities quarterly.

5.6. Climate change

The world is warming, the climate is changing, and the scientific consensus is that this is due to human activity, primarily the emissions of carbon dioxide (CO_2) from burning fossil fuels. We support this scientific consensus; recognising that the investments we make, in every asset class, will both impact climate change and be impacted by climate change. We actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact will affect investments. We believe that we have the responsibility to contribute and support the transition to a low carbon economy in order to positively impact the world in which pension scheme beneficiaries live in.

Climate change is a systemic risk with potential financial impacts associated with the transition to a low-carbon economy and physical impacts under different climate scenarios. Transition will affect some sectors more than others, notably energy, utilities and sectors highly reliant on energy. However, within sectors there are likely to be winners and losers which is why divesting from and excluding entire sectors may not be appropriate.

We believe that using our influence through ongoing engagement with companies, rather than divestment, drives positive outcomes. This is fundamental to our responsible investment approach. Our investment approach is not to divest or exclude entire sectors, however there may be specific instances when we will look to sell or not invest in some industries based on investment criteria, the investment time horizon and the likelihood for success in influencing company strategy and behaviour. Using these criteria and due to the potential for stranded assets, we interpret this to cover pure coal and tar sands companies and will therefore not invest in these companies. Any companies excluded will be monitored and assessed for progress and potential reinstatement at least annually.

Detail on Border to Coast's approach to managing the risks and opportunities associated with climate change can be found in our Climate Change Policy on our website.

6. Stewardship

As a shareholder Border to Coast has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It practises active ownership through the full use of rights available including voting, monitoring companies, engagement and litigation. As a responsible shareholder, we are committed to being a signatory to the 2020 UK Stewardship Code[4] and [have made an application to become a signatory by submitting our 2021 Responsible Investment & Stewardship Report to the Financial Reporting Council] ; we are also a signatory to the UN - supported Principles of Responsible Investment[5].

---

[4] The UK Stewardship Code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. https://www.frc.org.uk/directors/corporate-governance-and-stewardship

[5] The UN-supported Principles for Responsible Investment (PRI) is the world's leading advocate for responsible investment enabling investors to publicly demonstrate commitment to responsible investment with signatories committing to supporting the six principles for incorporating ESG issues into investment practice.

6.1. Voting

Voting rights are an asset and Border to Coast will exercise its rights carefully to promote and support good corporate governance principles. It will aim to vote in every market in which it invests where this is practicable. To leverage scale and for practical reasons, Border to Coast has developed a collaborative voting policy to be enacted on behalf of the Partner Funds which can be viewed on our **website** at: Corporate Governance & Voting Guidelines. Where possible the voting policies will also be applied to assets managed externally. Policies will be reviewed annually in collaboration with the Partner Funds. There may be occasions when an individual fund may wish Border to Coast to vote its pro rata holding contrary to an agreed policy; there is a process in place to facilitate this. A Partner Fund wishing to diverge from this policy will provide clear rationale in order to meet the governance and control frameworks of both Border to Coast and, where relevant, the Partner Fund.

6.1.1 Use of proxy advisers

Border to Coast appointed Robeco as Voting and Engagement provider to implement the set of detailed voting guidelines and ensure votes are executed in accordance with policies.

A proxy voting platform is used with proxy voting recommendations produced for all meetings voted managed by Robeco as the Voting & Engagement provider. Robeco's proxy voting advisor (Glass Lewis. Co) provides voting recommendations based upon Border to Coast's Corporate Governance & Voting Guidelines ('the Voting Guidelines'). A Robeco team of dedicated voting analysts analyse the merit of each agenda item to ensure voting recommendations are aligned with the Voting Guidelines. Border to Coast's Investment Team receives notification of voting recommendations ahead of meetings which are assessed on a case-by-case basis by portfolio managers and responsible investment staff prior to votes being executed. A degree of flexibility is required when interpreting the Voting Guidelines to reflect specific company and meeting circumstances, allowing the override of voting recommendations from the proxy adviser.

Robeco evaluates their proxy voting agent at least annually, on the quality of governance research and the alignment of customised voting recommendations and Border to Coast's Voting Guidelines. This review is part of Robeco's control framework and is externally assured. Border to Coast also monitors the services provided by Robeco monthly, with a six monthly and full annual review.

Border to Coast has an active stock lending programme. Where stock lending is permissible, lenders of stock do not generally retain any voting rights on lent stock. Procedures are in place to enable stock to be recalled prior to a shareholder vote. Stock will be recalled ahead of meetings, and lending can also be restricted, when any, or a combination of the following, occur:

- The resolution is contentious.
- The holding is of a size which could potentially influence the voting outcome.
- Border to Coast needs to register its full voting interest.
- Border to Coast has co-filed a shareholder resolution.
- A company is seeking approval for a merger or acquisition.
- Border to Coast deems it appropriate.

Proxy voting in some countries requires share blocking. This requires shareholders who want to vote their proxies to deposit their shares before the date of the meeting (usually one day after cut-off date) with a designated depositary until one day after meeting date.

During this blocking period, shares cannot be sold; the shares are then returned to the shareholders' custodian bank. We may decide that being able to trade the stock outweighs the value of exercising the vote during this period. Where we want to retain the ability to trade shares, we may refrain from voting those shares.

Where appropriate Border to Coast will consider co-filing shareholder resolutions and will notify Partner Funds in advance. Consideration will be given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

6.2. Engagement

The best way to influence companies is through engagement; therefore, Border to Coast will not divest from companies principally on social, ethical or environmental reasons. As responsible investors, the approach taken will be to influence companies' governance standards, environmental, human rights and other policies by constructive shareholder engagement and the use of voting rights.

The services of specialist providers may be used when necessary to identify issues of concern. Meeting and engaging with companies are an integral part of the investment process. As part of our stewardship duties, we monitor investee companies on an ongoing basis and take appropriate action if investment returns are at risk. Engagement takes place between portfolio managers and investee companies across all markets where possible.

Border to Coast has several approaches to engaging with investee holdings:

- Border to Coast and all eleven Partner Funds are members of the LAPFF. Engagement takes place with companies on behalf of members of the Forum across a broad range of ESG themes.
- We will seek to work collaboratively with other like-minded investors and bodies in order to maximise Border to Coast's influence on behalf of Partner Funds, particularly when deemed likely to be more effective than acting alone. This will be achieved through actively supporting investor RI initiatives and collaborating with various other external groups e.g. LAPFF, the Institutional Investors Group on Climate Change, other LGPS pools and other investor coalitions.
- Due to the proportion of assets held in overseas markets it is imperative that Border to Coast is able to engage meaningfully with global companies. To enable this and complement other engagement approaches, an external voting and engagement service provider has been appointed. Border to Coast provides input into new engagement themes which are considered to be materially financial, selected by the external engagement provider on an annual basis, and also participates in some of the engagements undertaken on our behalf.

- Engagement will take place with companies in the internally managed portfolios with portfolio managers and the Responsible Investment team engaging directly across various engagement streams; these will cover environmental, social, and governance issues as well as UN Global Compact[6] breaches or OECD Guidelines[7] for Multinational Enterprises breaches.
- We will expect external managers to engage with investee companies and bond issuers as part of their mandate on our behalf and in alignment with our RI policy.

Engagement conducted can be broadly split into two categories: engagement based on financially material ESG issues, or engagement based on (potential) violations of global standards such as the UN Global Compact or OECD Guidelines for Multinational Enterprises.

When engagement is based on financially material ESG issues, engagement themes and companies are selected in cooperation with our engagement service provider based on an analysis of financial materiality. Such companies are selected based on their exposure to the engagement topic, the size and relevance in terms of portfolio positions and related risk.

For engagement based on potential company misconduct, cases are selected through the screening of news flows to identify breaches of the UN Global Compact Principles or OECD Guidelines for Multinational Enterprises. Both sets of principles cover a broad variety of basic corporate behaviour norms around ESG topics. Portfolio holdings are screened on 1) validation of a potential breach, 2) the severity of the breach and 3) the degree of to which management can be held accountable for the issue. For all engagements, SMART[8] engagement objectives are defined.

In addition, internal portfolio managers and the Responsible Investment team monitor holdings which may lead to selecting companies where engagement may improve the investment case or can mitigate investment risk related to ESG issues. Members of the investment team have access to our engagement provider's Active Ownership profiles and engagement records. This additional information feeds into the investment analysis and decision making process.

We engage with regulators, public policy makers, and other financial market participants as and when required. We encourage companies to improve disclosure in relation to ESG and to report and disclose in line with the TCFD recommendations.

6.2.1. Engagement themes

Recognising that we are unable to engage on every issue, we focus our efforts on areas that are deemed to be the most material to our investments - our key engagement themes. These are used to highlight our priority areas for engagement which includes working with our Voting and Engagement provider and in considering collaborative initiatives to join. We do however engage more widely via the various channels including LAPFF and our external managers.

---

[6] UN Global Compact is a shared framework covering 10 principles, recognised worldwide and applicable to all industry sectors, based on the international conventions in the areas of human rights, labour standards, environmental stewardship and anti-corruption.

[7] OECD Guidelines for Multinational Enterprises are recommendations providing principles and standards for responsible business conduct for multinational corporations operating in or from countries adhering to the OECD Declaration on International and Multinational Enterprises.

[8] SMART objectives are: specific, measurable, achievable, relevant and time bound.

Key engagement themes are reviewed on a three yearly basis using our Engagement Theme Framework. There are three principles underpinning this framework:

- that progress in the themes is expected to have a material financial impact on our investment portfolios in the long-term;
- that the voice of our Partner Funds should be a part of the decision; and
- that ambitious, but achievable milestones can be set through which we can measure progress over the period.

When building a case and developing potential new themes we firstly assess the material ESG risks across our portfolios and the financial materiality. We also consider emerging ESG issues and consult with our portfolio managers and Partner Funds. The outcome is for the key themes to be relevant to the largest financially material risks; for engagement to have a positive impact on ESG and investment performance; to be able to demonstrate and measure progress; and for the themes to be aligned with our values and important to our Partner Funds.

The key engagement themes following the 2021 review are:

- Low Carbon Transition
- Diversity of thought
- Waste and water management
- Social inclusion through labour management

6.2.2. Escalation

Border to Coast believe that engagement and constructive dialogue with the companies in which it invests is more effective than excluding companies from the investment universe. However, if engagement does not lead to the desired result escalation may be necessary. A lack of responsiveness by the company can be addressed by conducting collaborative engagement with other institutional shareholders, registering concern by voting on related agenda items at shareholder meetings, attending a shareholder meeting in person and filing/co-filing a shareholder resolution. If the investment case has been fundamentally weakened, the decision may be taken to sell the company's shares.

6.3. Due diligence and monitoring procedure

Internal procedures and controls for stewardship activities are reviewed by Border to Coast's external auditors as part of the audit assurance (AAF) control review. Robeco, as the external Voting and Engagement provider, is also monitored and reviewed by Border to Coast on a regular basis to ensure that the service level agreement is met.

Robeco also undertakes verification of its active ownership activities. Robeco's external auditor audits active ownership controls on an annual basis; this audit is part of the annual International Standard for Assurance Engagements control.

7. Litigation

Where Border to Coast holds securities, which are subject to individual or class action securities litigation, we will, where appropriate, participate in such litigation. There are various litigation routes available dependent upon where the company is registered. We will use a case-by-case approach to determine whether or not to participate in a class action after having considered the risks and potential benefits. We will work with industry professionals to facilitate this.

8. Communication and reporting

Border to Coast will be transparent with regard to its RI activities and will keep beneficiaries and stakeholders informed. This will be done by making publicly available RI and voting policies; publishing voting activity on our **website** quarterly; reporting on engagement and RI activities to the Partner Funds quarterly; and in our annual RI report.

We also report in line with the TCFD recommendations.

9. Training and assistance

Border to Coast will offer the Partner Funds training on RI and ESG issues. Where requested, assistance will be given on identifying ESG risks and opportunities in order to help develop individual fund policies and investment principles for inclusion in the Investment Strategy Statements.

The Investment Team receive training on RI and ESG issues with assistance and input from our Voting & Engagement Partner and other experts where required. Training is also provided to the Border to Coast Board and the Joint Committee as and when required.

10. Conflicts of interest

Border to Coast has a suite of policies which cover any potential conflicts of interest between itself and the Partner Funds which are applied to identify and manage any conflicts of interest.

This page is intentionally left blank

Corporate Governance & Voting Guidelines

Border to Coast Pensions Partnership

November 2021

1. Introduction

Border to Coast Pensions Partnership believes that companies operating to higher standards of corporate governance along with environmental and social best practice have greater potential to protect and enhance investment returns. As an active owner Border to Coast will engage with companies on environmental, social and governance (ESG) issues and exercise its voting rights at company meetings. When used together, voting and engagement can give greater results.

An investment in a company not only brings rights but also responsibilities. The shareholders' role includes appointing the directors and auditors and to be assured that appropriate governance structures are in place. Good governance is about ensuring that a company's policies and practices are robust and effective. It defines the extent to which a company operates responsibly in relation to its customers, shareholders, employees, and the wider community. Corporate governance goes hand-in-hand with responsible investment and stewardship. Border to Coast considers the UK Corporate Governance Code and other best practice global guidelines in formulating and delivering its policy and guidelines.

2. Voting procedure

These broad guidelines should be read in conjunction with the Responsible Investment Policy. They provide the framework within which the voting guidelines are administered and assessed on a case-by-case basis. A degree of flexibility will be required when interpreting the guidelines to reflect specific company and meeting circumstances. Voting decisions are reviewed with the portfolio managers. Where there are areas of contention the decision on voting will ultimately be made by the Chief Investment Officer. A specialist proxy voting advisor is employed to ensure that votes are executed in accordance with the policy.

Where a decision has been made not to support a resolution at a company meeting, Border to Coast will, where able, engage with the company prior to the vote being cast. In some instances, attendance at AGMs may be required.

Border to Coast discloses its voting activity on its website and to Partner Funds on a quarterly basis.

We will support incumbent management wherever possible but recognise that the neglect of corporate governance and corporate responsibility issues could lead to reduced shareholder returns.

We will vote **For**, **Abstain** or **Oppose** on the following basis:

- We will support management that acts in the long-term interests of all shareholders, where a resolution is aligned with these guidelines and considered to be in line with best practice.
- We will abstain when a resolution fails the best practice test but is not considered to be serious enough to vote against.
- We will vote against a resolution where corporate behaviour falls short of best practice or these guidelines, or where the directors have failed to provide sufficient information to support the proposal.

3. Voting Guidelines

Company Boards

The composition and effectiveness of the board is crucial to determining corporate performance, as it oversees the running of a company by its managers and is accountable to shareholders. Company behaviour has implications for shareholders and other stakeholders. The structure and composition of the board may vary between different countries; however, we believe that the following main governance criteria are valid across the globe.

Composition and independence

The board should have a balance of executive and non-executive directors so that no individual or small group of individuals can control the board's decision making. They should possess a suitable range of skills, experience and knowledge to ensure the company can meet its objectives. Boards do not need to be of a standard size: different companies need different board structures, and no simple model can be adopted by all companies.

The board of large cap companies, excluding the Chair, should consist of a majority of independent non-executive directors although local market practices shall be taken into account. Controlled companies should have a majority of independent non-executive directors, or at least one-third independent directors on the board. As non-executive directors have a fiduciary duty to represent and act in the best interests of shareholders and to be objective and impartial when considering company matters, the board must be able to demonstrate their independence. Non-executive directors who have been on the board for a significant length of time, from nine to twelve years (depending on market practice) have been associated with the company for long enough to be presumed to have a close relationship with the business or fellow directors. We aspire for a maximum tenure of nine years but will review resolutions on a case-by-case basis where the local corporate governance code recommends a maximum tenure between nine and twelve years.

The nomination process of a company should therefore ensure that potential risks are restricted by having the right skills mix, competencies and independence at both the supervisory and executive board level. It is essential for boards to achieve an appropriate balance between tenure and experience, whilst not compromising the overall independence of the board. The re-nomination of board members with longer tenures should be balanced out by the nomination of members able to bring fresh perspectives. It is recognised that excessive length of tenure can be an issue in some markets, for example the US where it is common to have a retirement age limit in place rather than length of tenure. In such cases it is of even greater importance to have a process to robustly assess the independence of long tenured directors. Where it is believed an individual can make a valuable and independent contribution, tenure greater than nine years will be assessed on a case-by-case basis.

The company should, therefore, have a policy on tenure which is referenced in its annual report and accounts. There should also be sufficient disclosure of biographical details so that shareholders can make informed decisions. There are a number of factors which could affect independence, which includes but is not restricted to:

- Representing a significant shareholder.
- Serving on the board for over nine years.
- Having had a material business relationship with the company in the last three years.

- Having been a former employee within the last five years.
- Family relationships with directors, senior employees or advisors.
- Cross directorships with other board members.
- Having received or receiving additional remuneration from the company in addition to a director's fee, participating in the company's share option or performance-related pay schemes, or being a member of the company's pension scheme.

Leadership

The role of the Chair is distinct from that of other board members and should be seen as such. The Chair should be independent upon appointment and should not have previously been the CEO. The Chair should also take the lead in communicating with shareholders and the media. However, the Chair should not be responsible for the day to day management of the business: that responsibility rests with the Chief Executive. The role of Chair and CEO should not be combined as different skills and experience are required. There should be a distinct separation of duties to ensure that no one director has unfettered decision making power.

However, Border to Coast recognises that in many markets it is still common to find these positions combined. Any company intending to combine these roles must justify its position and satisfy shareholders in advance as to how the dangers inherent in such a combination are to be avoided; best practice advocates a separation of the roles. A senior independent non-executive director should be appointed, in-line with local corporate governance best practice, if roles are combined to provide shareholders and directors with a meaningful channel of communication, to provide a sounding board for the chair and to serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair’s performance.

Non-executive Directors

The role of non-executive directors is to challenge and scrutinise the performance of management in relation to company strategy and performance. To do this effectively they need to be independent; free from connections and situations which could impact their judgement. They must commit sufficient time to their role to be able to carry out their responsibilities. A senior independent non-executive director should be appointed to act as liaison between the other non-executives, the Chair and other directors where necessary.

Diversity

Board members should be recruited from as broad a range of backgrounds and experiences as possible. A diversity of directors will improve the representation and accountability of boards, bringing new dimensions to board discussions and decision making. Companies should broaden the search to recruit non-executives to include open advertising and the process for board appointments should be transparent and formalised in a board nomination policy. Companies should have a diversity and inclusion policy which references gender, ethnicity, age, skills and experience and how this is considered in the formulation of the board. The policy should give insight into how diversity is being addressed not only at board level but throughout the company, it should reflect the demographic/ethnic makeup of the countries a company is active in and be disclosed in the Annual Report.

We support the government-backed Davies report, Hampton Alexander and Parker reviews, which set goals for UK companies regarding the representation of women and ethnic minorities on boards, executive teams and senior management. Therefore, in developed markets without relevant legal requirements, we expect boards to be composed of at least 33% female directors. Where relevant, this threshold will be rounded down to account for board size. Recognising varying market practices, we generally expect emerging market and Japanese companies to have at least one female on the board. We will vote against the chair of the nomination committee where this is not the case and there is no positive momentum or progress. On ethnic diversity, we will vote against the chair of the nomination committee at FTSE 100 companies where the Board does not have at least one person from an ethnic minority background, unless there are mitigating circumstances or plans to address this have been disclosed.

Succession planning

We expect the board to disclose its policy on succession planning, the factors considered and where decision-making responsibilities lie. A succession policy should form part of the terms of reference for a formal nomination committee, comprised solely of independent directors and headed by the Chair or Senior Independent Non-executive Director except when it is appointing the Chair's successor. External advisors may also be employed.

Directors' availability and attendance

It is important that directors have sufficient time to devote to the company's affairs; therefore, full time executives should not hold more than one non-executive position in a FTSE 100 company, or similar size company in other regions; nor the chairmanship of such a company. In the remaining instances, directors working as full-time executives should serve on a maximum of two publicly listed company boards.

With regard to non-executive directors, there can be no hard and fast rule on the number of positions that are acceptable: much depends upon the nature of the post and the capabilities of the individual. Shareholders need to be assured that no individual director has taken on too many positions. Full disclosure should be made in the annual report of directors' other commitments and attendance records at formal board and committee meetings. A director should attend a minimum of 75% of applicable board and committee meetings to ensure commitment to responsibilities at board level.

Re-election

For a board to be successful it needs to ensure that it is suitably diverse with a range of skills, experience and knowledge. There is a requirement for non-executive directors to be independent to appropriately challenge management. To achieve this, boards need to be regularly refreshed to deal with issues such as stagnant skill sets, lack of diversity and excessive tenure; therefore, all directors should be subject to re-election annually, or in-line with local best practice. As representatives of shareholders, directors should preferably be elected using a majority voting standard. In cases where an uncontested election uses the plurality[1] voting standard without a resignation policy, we will hold the relevant Governance Committee accountable by voting against the Chair of this committee.

Board evaluation

A requisite of good governance is that boards have effective processes in place to evaluate their performance and appraise directors at least once a year. The annual evaluation should consider its composition, diversity and how effectively members work together to achieve objectives. As part of the evaluation, boards should consider whether directors possess the necessary expertise to address and challenge management on key strategic topics. These strategic issues and important areas of expertise should be clearly outlined in reporting on the evaluation. The board should disclose the process for evaluation and, as far as reasonably possible, any material issues of relevance arising from the conclusions and any action taken as a consequence. Individual director evaluation should demonstrate the effective contribution of each director. An internal evaluation should take place annually with an external evaluation required at least every three years.

Stakeholder engagement

Companies should take into account the interests of and feedback from stakeholders which includes the workforce. Taking into account the differences in best practice across markets, companies should have an appropriate system in place to engage with employees.

Engagement and dialogue with shareholders on a regular basis are key for companies; being a way to discuss governance, strategy, and other significant issues. Companies should engage with shareholders ahead of the AGM in order that high votes against resolutions can be avoided where possible.

Where a company with a single share class structure has received 20% votes against a proposal at a previous AGM, a comprehensive shareholder and stakeholder consultation should be initiated. A case-by-case approach will be taken for companies with a dual class structure where a significant vote against has been received. Engagement efforts and findings, as well as company responses, should be clearly reported on and lead to tangible improvement. Where companies fail to do so, the relevant board committees or members will be held to account.

Directors' remuneration

Shareholders at UK companies have two votes in relation to pay; the annual advisory vote on remuneration implementation which is non-binding, and the triennial vote on forward-looking pay policy which is binding. If a company does not receive a majority of shareholder support for the pay policy, it is required to table a resolution with a revised policy at the next annual meeting.

It must be noted that remuneration structures are varied, with not one model being suitable for all companies; however, there are concerns over excessive remuneration and the overall quantum of pay. Research shows that high executive pay does not systematically lead to better company performance. Excessive rewards for poor performance are not in the best interests of a company or its shareholders. Remuneration levels should be sufficient to attract, motivate and retain quality management but should not be excessive compared to salary

[11] A plurality vote means that the winning candidate only needs to get more votes than a competing candidate. If a director runs unopposed, he or she only needs one vote to be elected.

levels within the organisation and with peer group companies. There is a clear conflict of interest when directors set their own remuneration in terms of their duty to the company, accountability to shareholders and their own self-interest. It is therefore essential that the remuneration committee is comprised solely of non-executive directors and complies with the market independence requirement.

Remuneration has serious implications for corporate performance in terms of providing the right incentives to senior management, in setting performance targets, and its effect on the morale and motivation of employees. Corporate reputation is also at risk. Remuneration policy should be sensitive to pay and employee conditions elsewhere in the company, especially when determining annual salary increases.

Where companies are potentially subject to high levels of environmental and societal risk as part of its business, the remuneration committee should also consider linking relevant metrics and targets to remuneration to focus management on these issues. The selection of these metrics should be based on a materiality assessment that also guides the company's overall sustainability strategy. If environmental or social topics are incorporated in variable pay plans, the targets should set stretch goals for improved ESG performance, address achievements under management's control, and avoid rewarding management for basic expected behaviour. Where relevant, minimum ESG standards should instead be incorporated as underpins or gateways for incentive pay. If the remuneration committee determines that the inclusion of environmental or social metrics would not be appropriate, a clear rationale for this decision should be provided in the remuneration report.

The compensation provided to non-executive directors should reflect the role and responsibility. It should be structured in a manner that does not compromise independence, enhancing objectivity and alignment with shareholders' interests. Non-executive directors should, therefore, not be granted performance-based pay. Although we would not expect participation in Long-term Incentive Plans (LTIPs), we are conscious that in some exceptional instances Non-executives may be awarded stock, however the proportion of pay granted in stock should be minimal to avoid conflicts of interest.

To ensure accountability there should be a full and transparent disclosure of directors' remuneration with the policy published in the annual report and accounts. The valuation of benefits received during the year, including share options, other conditional awards and pension benefits, should be provided. Companies should also be transparent about the ratio of their CEO's pay compared to the median, lower and upper quartiles of their employees.

• **Annual bonus**

Bonuses should reflect individual and corporate performance targets which are sufficiently challenging, ambitious and linked to delivering the strategy of the business and performance over the longer-term. Bonuses should be set at an appropriate level of base salary and should be capped. Provisions should be in place to reduce or forfeit the annual bonus where the company has experienced a significant negative event. For large cap issuers, we expect the annual bonus to include deferral of a portion of short-term payments into long-term equity scheme or equivalent. We will also encourage other companies to take this approach.

• **Long-term incentives**

Remuneration policies have over time become more and more complex making them difficult for shareholders to adequately assess. Border to Coast therefore encourages companies to simplify remuneration policies.

Performance-related remuneration schemes should be created in such a way to reward performance that has made a significant contribution to shareholder value. Poorly structured schemes can result in senior management receiving unmerited rewards for substandard performance. This is unacceptable and could adversely affect the motivation of other employees.

Incentives are linked to performance over the longer-term in order to create shareholder value. If restricted stock units are awarded under the plan, the vesting period should be at least three years to ensure that the interests of both management and shareholders are aligned in the long-term. Executives' incentive plans should include both financial and non-financial metrics and targets that are sufficiently ambitious and challenging. Remuneration should be specifically linked to stated business objectives and performance indicators should be fully disclosed in the annual report.

The performance basis of all such incentive schemes under which benefits are potentially payable should be clearly set out each year, together with the actual performance achieved against the same targets. We expect clawback or malus provisions to be in place for all components of variable compensation. We encourage Executive Directors to build a significant shareholding in the company to ensure alignment with the objectives of shareholders. These shares should be held for at least two years post exit.

The introduction of incentive schemes to all employees within a firm is encouraged and supported as this helps all employees understand the concept of shareholder value.

Directors' contracts

Directors' service contracts are also a fundamental part of corporate governance considerations. Therefore, all executive directors are expected to have contracts that are based upon no more than twelve months' salary. Retirement benefit policies of directors should be aligned with those of the majority of the workforce, and no element of variable pay should be pensionable. The main terms of the directors' contracts including notice periods on both sides, and any loans or third-party contractual arrangements such as the provision of housing or removal expenses, should be declared within the annual report. Termination benefits should be aligned with market best practice.

Corporate reporting

Companies are expected to report regularly to shareholders in an integrated manner that allows them to understand the company's strategic objectives. Companies should be as transparent as possible in disclosures within the Report and Accounts. As well as reporting financial performance, business strategy and the key risks facing the business, companies should provide additional information on ESG issues that also reflect the directors' stewardship of the company. These could include, for example, information on a company's human capital management policies, its charitable and community initiatives and on its impact on the environment in which it operates.

Every annual report should include an environmental section, which identifies key quantitative data relating to energy and water consumption, emissions and waste etc., explains any contentious issues and outlines reporting and evaluation criteria. It is important that the risk areas reported upon should not be limited to financial risks.

We will encourage companies to report and disclose in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and the Workforce Disclosure Initiative in relation to human capital reporting.

Audit

The audit process must be objective, rigorous and independent if it is to provide assurance to users of accounts and maintain the confidence of the capital markets. To ensure that the audit committee can fulfil its fiduciary role, it should be established as an appropriate committee composition with at least three members who are all independent non-executive directors and have at least one director with a relevant audit or financial background. Any material links between the audit firm and the client need to be highlighted, with the audit committee report being the most appropriate place for such disclosures. Audited financial statements should be published in a timely manner ahead of votes being cast at annual general meetings.

FTSE 350 companies should tender the external audit contract at least every ten years. Reappointment of the same firm with rotation of the audit partner, will not be considered as sufficient. If an auditor has been in place for more than ten fiscal years, their appointment will not be supported. For the wider market, the external audit contract should be put out to tender at least every ten years. Where an auditor has resigned, an explanation should be given. If the accounts have been qualified or there has been non-compliance with legal or regulatory requirements, this should be drawn to shareholders' attention in the main body of the annual report. If the appropriate disclosures are not made, the re-appointment of the audit firm will not be supported.

Non-Audit Fees

There is concern over the potential conflict of interest between audit and non-audit work when conducted by the same firm for a client. Companies must therefore make a full disclosure where such a conflict arises. There can be legitimate reasons for employing the same firm to do both types of work, but these need to be identified. As a rule, the re-appointment of auditors will not be supported where non-audit fees are considerably in excess of audit fees in the year under review, and on a three-year aggregate basis, unless sufficient explanation is given in the accounts.

Political donations

There are concerns over the reputational risks and democratic implications of companies becoming involved in funding political processes, both at home and abroad. Companies should disclose all political donations, demonstrate where they intend to spend the money and that it is the interest of the company and shareholders. Where these conditions are not met, or there is insufficient disclosure that the money is not being used for political party donations, political donations will be opposed. Any proposals concerning political donations will be opposed.

Lobbying

A company should be transparent and publicly disclose direct lobbying, and any indirect lobbying through its membership of trade associations. We will assess shareholder proposals regarding lobbying on a case-by-case basis; however, we will generally support resolutions requesting greater disclosure of trade association and industry body memberships, any payments and contributions made, and requiring alignment of company and trade association values. This includes expectations of companies to be transparent regarding lobbying activities in relation to climate change and to assess whether a company's climate change policy is aligned with the industry association(s) it belongs to. **Shareholder rights**

As a shareowner, Border to Coast is entitled to certain shareholder rights in the companies in which it invests (Companies Act 2006). Boards are expected to protect such ownership rights.

- **Dividends**

Shareholders should have the chance to approve a company's dividend policy and this is considered best practice. The resolution should be separate from the resolution to receive the report and accounts. Failure to seek approval would elicit opposition to other resolutions as appropriate unless there is a clearly disclosed capital management and allocation strategy in public reporting.

- **Voting rights**

Voting at company meetings is the main way in which shareholders can influence a company's governance arrangements and its behaviour. Shareholders should have voting rights in equal proportion to their economic interest in a company (one share, one vote). Dual share structures which have differential voting rights are disadvantageous to many shareholders and should be abolished. We will not support measures or proposals which will dilute or restrict our rights.

- **Authority to issue shares**

Companies have the right to issue new shares in order to raise capital but are required by law to seek shareholders' authority. Such issuances should be limited to what is necessary to sustain the company and not be in excess of relevant market norms.

- **Disapplication of Pre-emption Rights**

Border to Coast supports the pre-emption rights principle and considers it acceptable that directors have authority to allot shares on this basis. Resolutions seeking the authority to issue shares with and without pre-emption rights should be separate and should specify the amounts involved, the time periods covered and whether there is any intention to utilise the authority.

Share Repurchases

Border to Coast does not necessarily oppose a company re-purchasing its own shares but it recognises the effect such buy backs might have on incentive schemes where earnings per share measures are a condition of the scheme. The impact of such measures should be reported on. It is important that the directors provide a full justification to demonstrate that a share repurchase is the best use of company resources, including setting out the criteria for calculating the buyback price to ensure that it benefits long-term shareholders.

Memorandum and Articles of Association

Proposals to change a company's memorandum and articles of association should be supported if they are in the interests of Border to Coast, presented as separate resolutions for each change, and the reasons for each change provided.

If proposals to adopt new articles or amend existing articles might result in shareholders' interests being adversely affected, we will oppose the changes.

Mergers and acquisitions

Border to Coast will normally support management if the terms of the deal will create rather than destroy shareholder value and makes sense strategically. Each individual case will be considered on its merits. Seldom will compliance with corporate governance best practice be the sole determinant when evaluating the merits of merger and acquisition activity, but full information must be provided to shareholders on governance issues when they are asked to approve such transactions. Recommendations regarding takeovers should be approved by the full board.

Articles of Association and adopting the report and accounts

It is unlikely that Border to Coast will oppose a vote to adopt the report and accounts simply because it objects to them per se; however, there may be occasions when we might vote against them to lodge dissatisfaction with other points raised within this policy statement. Although it is a blunt tool to use, it can be an effective one especially if the appropriate Chair or senior director is not standing for election.

Virtual Shareholder General Meetings

Many companies are considering using electronic means to reach a greater number of their shareholders. An example of this is via a virtual annual general meeting of shareholders where a meeting takes place exclusively using online technology, without a corresponding in-person meeting. There are some advantages to virtual only meetings as they can increase shareholder accessibility and participation; however, they can also remove the one opportunity shareholders have to meet face to face with the Board to ensure they are held to account. We would expect an electronic meeting to be held in tandem with a physical meeting. If extraordinary circumstances rule out a physical meeting, we expect the company to clearly outline how shareholders' rights to participate by asking questions and voting during the meeting are protected. Any amendment to a company's Articles to allow virtual only meetings without these safeguards will not be supported.

Shareholder Proposals

We will assess shareholder proposals on a case by case basis. Consideration will be given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

Shareholder proposals are an important tool to improve transparency. Therefore, we will, when considered appropriate, support resolutions requesting additional reporting or reasonable action that is in shareholders' best interests on material business risk, ESG topics, climate risk and lobbying.

Climate change

We expect companies with high emissions or in high emitting sectors to have a climate change policy in place, which at minimum includes greenhouse gas emission reduction targets and disclosure of Scope 1 and 2 emissions. We use the Transition Pathway Initiative (TPI)[2] toolkit and the Climate Action 100+ Net Zero Benchmark (CA100+ NZB) to assess our listed equities investments. Both tools enable us to assess how companies are managing climate change, the related business risk and the progress being made. Where a company in a high emitting sector receives a score of zero or one by the TPI, or fails to meet the expectations above, we will vote against the Chair of the board if we consider the company is not making progress. Where a company covered by CA100+ NZB fails the first four indicators of the Benchmark which includes a net-zero by 2050 (or sooner) ambition, and short, medium and long-term emission reduction targets, we will also vote against the Chair of the board.

Investment trusts

Border to Coast acknowledges that issues faced by the boards of investment companies are often different to those of other listed companies. The same corporate governance guidelines do not necessarily apply to them; for example, investment companies can operate with smaller boards. However, the conventions applying to audit, board composition and director independence do apply.

The election of any representative of an incumbent investment manager onto the board of a trust managed or advised by that manager will not be supported. Independence of the board from the investment manager is key, therefore management contracts should not exceed one year and should be reviewed every year. In broad terms, the same requirements for independence, diversity and competence apply to boards of investment trusts as they do to any other quoted companies.

We may oppose the adoption of the report and accounts of an investment trust where there is no commitment that the trust exercises its own votes, and there is no explanation of the voting policy.

---

[2] The Transition Pathway Initiative ('TPI') is a global initiative led by asset owners and supported by asset managers. Aimed at investors, it is a free-to-use tool that assesses how prepared companies are for the low carbon transition.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 12

PENSION FUND COMMITTEE REPORT

15 DECEMBER 2021

DIRECTOR OF FINANCE – IAN WRIGHT

GOVERNANCE POLICIES REVIEW

1. PURPOSE OF THE REPORT

1.1 To provide Members with updated versions of a number of governance policies for comment / noting as appropriate. This includes some policy updates which will be circulated to Pension Fund employers for further comment.

2. **RECOMMENDATION**

2.1 That Members note the report and provide any comments in respect of the updated policies.

3. **FINANCIAL IMPLICATIONS**

3.1 There are no specific financial implications arising from this report.

4. UPDATED GOVERNANCE POLICIES

4.1 Most of the Pension Fund’s governance policies are required to be formally updated every three years. This review is overdue for some policies, mainly as an overarching review of Local Government Pension Scheme (LGPS) governance has been expected for over a year now, as a follow-on from work carried out on behalf of the Scheme Advisory Board.

4.2 As there is still no certainty of when the expected revised regulations or guidance on LGPS governance will appear, and as internal audit has recommended the Fund should update the existing governance documents, the following documents have been reviewed and updated based on the existing regulations and guidance:

- Governance Policy & Compliance Statement
- Training Policy
- Conflict of Interest Policy
- Risk Management Policy
- Procedures for Reporting Breaches of Law
- Communication Policy
- Pension Administration Strategy and Charging Policy
- Fund Officers’ Scheme of Delegation

4.3 The documents are enclosed as appendices A to H. Most of the changes made have been minor and cosmetic, with the exception of the Pensions Administration Strategy which has been substantially rewritten to make it a shorter, more usable document. Significantly, the Pensions Administration Strategy now also includes a Charging Policy setting out a range of possible charges that employers could incur if they fail to comply with requirements in the Pensions Administration Strategy and Charging Policy. The Charging Policy has been introduced following an internal audit recommendation. The intention is only to levy these charges as a last resort, the Fund and its administrator will always seek to work with employers to help them fulfil data exchange and other requirements.

5. NEXT STEPS

5.1 The Pensions Administration Strategy and Charging Policy will be sent to employers for consultation and will be brought back to the Committee for approval should substantive changes be made following that consultation.

5.2 The other governance policies will take immediate effect, subject to any comments from the Committee.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040

Teesside Pension Fund

Governance Policy and Compliance Statement 2021

Governance Policy and Compliance Statement– Administering Authority

Middlesbrough Council is the Administering Authority of the Teesside Pension Fund and administers the Local Government Pension Scheme on behalf of participating employers.

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Local Government Pension Scheme (LGPS) Administering Authorities to publish Governance Compliance Statements setting out information relating to how the Administering Authority delegates its functions under those regulations and whether it complies with guidance given by the Secretary of State. It also requires the Authority to keep the statement under to review and to make revisions as appropriate and where such revisions are made to publish a revised statement.

Aims and Objectives

Middlesbrough Council recognises the significance of its role as Administering Authority to the Teesside Pension Fund on behalf of its stakeholders which include:

- around 73,000 current and former members of the Fund, and their dependants
- over 140 employers within the Teesside Fund
- local taxpayers within the council areas participating in the Teesside Pension Fund.

In relation to the governance of the Fund, our objectives are to ensure that:

- all staff and Pension Fund Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund aims to be at the forefront of best practice for LGPS funds
- the Fund manages Conflicts of Interest appropriately

Structure

The Constitution of the Council sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and that those who made the decisions are accountable to local people. The framework under which the Pension Fund is administered is described below.

Pension Fund Committee

The Pension Fund Committee's principal aim is to carry out the functions of Middlesbrough Council as the Scheme Manager and Administering Authority for the Teesside Pension Fund in accordance with Local Government Pension Scheme and any other relevant legislation.

In its role as the administering authority, Middlesbrough Council owes fiduciary duties to the employers and members of the Teesside Pension Fund and must not compromise this with its own particular interests. Consequently this fiduciary duty is a responsibility of the Pension Fund Committee and its members must not compromise this with their own individual interests.

The Committee's specific roles as outlined in the Council's Constitution are shown in Appendix B. No matters relating to Middlesbrough Council's responsibilities as an employer participating within the Teesside Pension Fund are delegated to the Pension Fund Committee.

The Pension Fund Committee is composed of 15 members as outlined below:

- Nine Councillors of Middlesbrough Council, determined by the Council.
- One Councillor from each of Hartlepool Borough Council, Stockton Borough Council and Redcar & Cleveland Borough Council.
- One representative of the other Scheme Employers in the Teesside Pension Fund appointed in accordance with procedures agreed by the Chief Finance Officer and Monitoring Officer.
- Two representatives of the scheme members of the Teesside Pension Fund, appointed in accordance with procedures agreed by the Chief Finance Officer and Monitoring Officer.

Named substitutes are permitted providing they satisfy the knowledge and skills policy of the pension fund.

Voting Rights are held by all members including the scheme member representatives other than where any are employees of Middlesbrough Council.

The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties; meetings are open to members of the public who are welcome to attend. However, there may be occasions when members of the public are excluded from meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed.

Officers

Under the Council's Constitution the Chief Finance Officer has an overarching responsibility for "ensuring lawfulness and financial prudence of decision making" and is "responsible for all the administration of the financial affairs of the Council". This includes the Council's role as Administering Authority for the Teesside Pension Fund.

In other words, the Chief Finance Officer has a statutory responsibility for the proper financial administration of the Teesside Pension Fund, in addition to that of Middlesbrough Council.

Border To Coast Pensions Partnership (Asset Pooling)

At its meeting on the 15th February 2017, Middlesbrough Council approved its participation, acting as the Administering Authority for the Teesside Pension Fund, in the Border to Coast Pensions Partnership ("Border to Coast") asset pooling arrangement as the Council's approach to pooling the Fund's assets to satisfy the Government's requirements to pool assets with the goal of reducing investment related costs. At the same meeting, the Council also agreed to create Border to Coast Pensions Partnership Limited, an Authorised Contractual Scheme Operator to provide the required services for the (at that time) twelve Partner Funds in Border to Coast.

The following are responsibilities delegated by the Council relating to its participation in Border to Coast. These are in addition to those mentioned in part (f) of the Teesside Pension Fund Committee responsibilities as outlined in Appendix B.

- The Mayor (or whomever he decides to nominate) is the nominated person to exercise the Council's rights as a shareholder in Border to Coast Pensions Partnership Limited and be its representative at shareholder meetings, on behalf of the Teesside Pension Fund. The responsibilities are as set out in the Shareholders Agreement, Articles, Inter Authority Agreement and any other agreements entered into and include, but are not limited to the areas outlined in Appendix C.
- The Chairman (or Vice Chairman in their absence) of the Teesside Pension Fund Committee is the nominated representative of the Council on behalf of Teesside Pension Fund on the Border to Coast Pension Partnership Joint Committee, noting that the Joint Committee shall not making binding decisions on the matters in the Terms of Reference but may make recommendations to each Authority to individually determine.
- The Chief Finance Officer is:
    - The nominated officer to meet and resolve any Deadlock Situation as per Clause 10 of the Shareholder Agreement.
    - The nominated officer to consider and resolve any Dispute as per Clause 13 of the Inter Authority Agreement.

Pension Board

With effect from 1 April 2015, each Administering Authority was required to establish a local Pension Board to assist them with

- securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator
- ensuring the effective and efficient governance and administration of the Pension Fund

Such Pension Boards are not local authority committees; as such the Constitution of Middlesbrough Council does not apply to the Pension Board unless it is expressly referred to in the Board's terms of reference. The Teesside Pension Board was established by Middlesbrough Council on 1st April 2015 and the full terms of reference of the Board can be found on the fund's website www.teespen.org.uk/. The key points are summarised below.

Role of the Pension Board

The Pension Board is providing oversight of the matters set out above and, accordingly, the Pension Board is not a decision making body in relation to the management of the Pension Fund but merely makes recommendations to assist in such management. The Pension Fund's management powers and responsibilities which have been, and may be, delegated by the Council to committees, sub-committees and officers of the Council, remain solely the powers and responsibilities of those committees, sub-committees and officers including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers.

Membership of the Pension Board

The Board consists of six voting members, which includes three Employer Representatives and three Scheme Member Representatives.

Meetings

The Pension Board meets at least twice a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work.

The Pension Board is treated in the same way as a Committee of Middlesbrough Council and, as such, members of the public may attend and papers will be made public in the same was as described above for the Pension Fund Committee.

Policy Documents

There are a number of documents, other than this and the Constitution as previously described, which are relevant to the Governance and management of the Pension Fund. Brief details of these are listed below and the full copies of all documents can either be found on the Teesside Pension Fund Website: www.teespen.org.uk. or by writing to the address given at the end of this document.

Governance Compliance Statement

This sets out the Pension Fund's compliance with the Secretary of State's Statutory Guidance on Governance in the LGPS. This is attached as Appendix A and shows where the Fund is compliant or not compliant with best practice and the reasons why it may not be compliant.

Funding Strategy Statement

The Funding Strategy Statement forms part of the framework for the funding and management of the Pension Fund. It sets out how the Fund will approach its liabilities and contains a schedule of the minimum contribution rates that are required of individual employers within the Fund. The Funding Strategy Statement (FSS) is drawn up by the Administering Authority in collaboration with the Fund's actuary and after consultation with the Fund's employers. The FSS forms part of a broader framework which covers the Pension Fund and applies to all employers participating in the Fund. The FSS represents a summary of the Fund's approach to funding the liabilities of the Pension Fund

Investment Strategy Statement

The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2016 require pension fund administering authorities to prepare, maintain and publish a statement of the principles governing their decisions on the investment of the pension fund.

The areas covered in the Investment Strategy Statement are as follows:

- A requirement to use a wide variety of investments.
- The authority's assessment of the suitability of particular investments and types of investments.
- The authority's approach to risk, including how it will be measured and managed.
- The authority's approach to collaborative investment, including the use of collective investment vehicles and shared services.
- The authority's environmental, social and corporate governance policy.
  The authority's policy on the exercise of rights, including voting rights, attached to its investments.

Training Policy

Middlesbrough Council has a Training Policy which has been put in place to assist the Fund in achieving its governance objectives and all Pension Fund Committee members, Pension Board members and senior officers are expected to continually demonstrate their own personal commitment to training and to ensuring that the objectives within that Training Policy are met.

To assist in achieving these objectives, the Teesside Pension Fund aims to comply with:

- the CIPFA Knowledge and Skills Frameworks and
- the knowledge and skills elements of the Public Service Pensions Act 2013 and the Pensions Regulator's (TPR) Code of Practice for Public Service Schemes

as well as any other LGPS specific guidance relating to the knowledge and skills of Pensions Fund Committee members, Pension Board members or pension fund officers which may be issued from time to time.

Members of the Pension Fund Committee, Pension Board and officers involved in the management of the Fund will receive training to ensure that they meet the aims of the Training Policy with training schedules drawn up and reviewed on at least an annual basis.

Conflicts of Interest Policy

Conflicts of interest have always existed for those with LGPS administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy how any such conflicts or potential conflicts are to be managed.

Teesside Pension Fund's Conflict of Interest Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund whether directly or in an advisory capacity. The Policy is established to guide the Pension Fund Committee members, Pension Board members, officers and advisers. It aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

Annual Report and Accounts

As part of the financial standing orders it is the duty of the Chief Financial Officer to ensure that record keeping and accounts are maintained by the Pension Fund. The Pension Fund accounts are produced in accordance with the accounting recommendations of the Financial Reports of Pension Schemes - Statement of Recommended Practice. The financial statements summarise the transactions of the Scheme and deal with the net assets of the Scheme. The statement of accounts is reviewed by both the Pension Fund Committee and the Audit Committee and incorporated in the Statement of Accounts for the Council. The Annual Report provides additional information about the Fund to supplement the financial information within the accounts. Full copies of the Annual Report and Accounts are distributed to employers in the Fund and other interested parties and a copy placed on the website: www.teespen.org.uk. A briefing note prepared from the annual report and accounts of the pension fund is distributed to scheme members annually.

Risk Management Policy

The Risk Management Policy details the risk management strategy for the Fund, including:

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk
- how risk management is implemented
- risk management responsibilities
- the procedures that are adopted in the Fund's risk management process
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance of the Fund at a strategic and operational level.

Procedures for Reporting Breaches of the Law

This document sets out the procedures to be followed by certain persons involved with the Teesside Pension Fund, in relation to reporting breaches of the law to the Pensions Regulator.

Middlesbrough Council, as Administering Authority, has delegated responsibility for the implementation of these procedures to the Head of Pensions Governance and Investments.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

The Procedure document applies, in the main, to:

- all members of the Pension Fund Committee and the Local Pension Board
- all senior officers involved in the management of the Fund including members of the Chief Finance Officer, Monitoring Officer, Pensions Governance and Investments team and Pension Administration team.
- any professional advisers and third party suppliers including auditors, actuaries, independent advisers, third party administrators, legal advisers and fund managers
- officers of employers participating in the Fund who are responsible for pension matters.

Communication Policy

This document sets out the communications policy of the administering authority and sets out the strategy for ensuring that all interested parties are kept informed of developments in the Pension Fund. This helps to ensure transparency as well an effective communication process for all interested parties, with a particular focus on engagement with scheme members and employers of the Fund.

Pension Administration Strategy and Employer Guide

In order to assist with the management and efficient running of the Pension Fund, the Pension Administration Strategy encompassing administrative procedures and responsibilities for the Pension Fund for both the Administering Authority and Employing Authorities has been distributed to employers within the Fund following consultation. This represents part of the process for ensuring the ongoing efficient management of the Fund and maintenance of accurate data and is integral to the effective management of the Fund and the payment of benefits to scheme members.

Discretions Policies

Under the LGPS regulations, Middlesbrough Council, as the Administering Authority of the Fund, has a level of discretion in relation to a number of areas of policy. The Administering Authority reviews these policies as appropriate and will notify interested parties of any significant changes. Employing Authorities are also required to set out their discretions policies in respect of areas under the Regulations where they have a discretionary power. Copies of both the Administering Authority and Middlesbrough Council's Employing Authority Discretions can be found on the website: www.teespen.org.uk.

Monitoring Governance of the Teesside Pension Fund

The Fund's governance objectives will be monitored as follows:

Objective	**Monitoring Arrangements**
All staff and Pension Fund Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them	• A Training Policy is in place and regularly reviewed (in line with timescales in the document). • Compare and report attendance at training events, as outlined in the Fund's Training Policy.
The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties	• All meetings of the Pension Fund Committee and Local Pension Board are open to the public and publicised on the Council Website. • All Committee and Board meeting agendas, reports and minutes, with the exception of reserved matters, are published on the Council website in accordance with the Council's required timescales. • The Administering Authority has a communication plan that sets out how it will communicate with members and other relevant parties.
All relevant legislation is understood and complied with	• The Governance of the Fund is considered by both the External and Internal Auditors. All External and Internal Audit Reports are reported to Committee. • The Administering Authority maintains a log of all breaches of the law in accordance with the Fund's breaches procedure. • The Pension Board prepares and publishes an annual report which may include comment on compliance matters.
The Fund aims to be at the forefront of best practice for LGPS funds	• Officers, Pension Fund Committee and Pension Board Members will maintain their knowledge of LGPS legislation and best practice, measured as per the first objective. • The Administering Authority will respond to government LGPS consultations and other consultations that have an impact on the LGPS.
The Fund manages Conflicts of Interest appropriately	• A Conflicts of Interest Policy is in place and regularly reviewed (in line with timescales in the document). • A Conflict of Interest log is in place, where all potential and actual conflicts are recorded and managed as required by the Conflicts of Interest Policy.

Key Risks

The key risks to the delivery of this Strategy are outlined below. The Pension Fund Committee members, will monitor these and other key risks and consider how to respond to them.

- Changes in Pension Fund Committee membership, Pension Board membership and/or key officers resulting in loss of continuity and potentially diminishing knowledge and understanding
- Changes in government/legislative requirements meaning insufficient time allocated to ongoing management, either at Pension Fund Committee meetings or as part of key officers' duties
- Ineffective delegation of duties and/or presentation of Pension Fund Committee items resulting in insufficient time spent on key matters
- Poor attendance and/or a lack of engagement at training and/or formal meetings by Committee members, Board members and/or other key officers resulting in a poor standard of decision making and/or monitoring
- Conflicts of interest not being appropriately managed by Committee members, Board members and/or key officers.

Approval, Review and Consultation

This Governance Policy and Statement was reviewed at the Teesside Pension Fund Committee meeting on 15th December 2021. It will be formally reviewed and updated at least every three years or sooner if the governance arrangements or other matters included within it merit reconsideration.

Contact Information

Further information on the Teesside Pension Fund can be found as shown below:

Nick Orton, Head of Pensions Governance and Investments
Middlesbrough Council
PO Box 506
Civic Centre
Middlesbrough,
TS1 9GA

Email: nick_orton@middlesbrough.gov.uk

Telephone: 01642 729040

Website: www.teespen.org.uk.

Middlesbrough Council Website: https://www.middlesbrough.gov.uk/ (Minutes, Agendas, etc.)

Appendix A

Teesside Pension Fund Governance Compliance Statement

Best Practice	Compliant? With explanation where relevant.
A. STRUCTURE	
a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	**Fully Compliant** The management of the administration of benefits and strategic management of fund assets are delegated by the Council to Pension Fund Committee.
b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	**Fully Compliant** Representatives covering most employers and scheme members are Co-opted Members of the Pension Fund Committee and have voting rights. The Pension Board, although not a formal secondary committee, also includes representatives of scheme members and employers.
c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	**Not Applicable** There is no formal secondary committee or panel. However it is worth noting that the Pension Board members are entitled to attend all Pension Fund Committee meetings and are invited to participate. All Pension Board minutes are circulated around Pension Fund Committee members are soon as they are available as well as being included in Pension Fund Committee reports.

Best Practice	**Compliant? With explanation where relevant.**
d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	**Not Applicable** No secondary committee or panel exists.
B. REPRESENTATION	
a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:- i) employing authorities (including non-scheme employers, e.g. admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis).	**Fully Compliant** The Pension Fund Committee includes the following Co-opted Members: • an employer representative covering all employers • two scheme member representatives. The Fund also has independent investment advisers who regularly attend meetings. It has a range of other expert advisors, such as the Fund Actuary, who attend on an ad-hoc basis. The Pension Board, although not a formal secondary committee, also includes representatives of scheme members and employers.

Best Practice	Compliant? With explanation where relevant.
b. That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	**Fully Compliant** All Pension Fund Committee members, including Co-opted Members, are treated equally with full opportunity to contribute to the decision making process and with unrestricted access to papers and training, and with full voting rights. The only exception is if any are employees of Middlesbrough Council, as they are not legally permitted to have voting rights on a committee of the Council. There is no formal secondary committee or panel. However it is worth noting that the Pension Board members are entitled to attend all Pension Fund Committee meetings and are invited to participate.
C. SELECTION AND ROLE OF LAY MEMBERS	
a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	**Fully Compliant** This is highlighted via induction training for members on joining the Pension Fund Committee (also for Pension Board members) and through ongoing training and participation in meetings.
b. That at the start of any meeting committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	**Fully Compliant** This is no longer a legal requirement but we recognise that potential conflicts of interest can arise between existing roles (e.g. as employer representatives or scheme members) and accordingly we still carry out this practice. The Fund has a Conflicts of Interest Policy outlining the process for identifying and managing actual and potential conflicts of interest.
D. VOTING	

Best Practice	Compliant? With explanation where relevant.
a. The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	**Fully Compliant** The Council's Constitution and the Fund's Governance Policy and Compliance Statement make it clear that all Pension Fund Committee members have equal voting rights, other than any employees of Middlesbrough Council (for legal reasons).
E. TRAINING / FACILITY TIME / EXPENSES	
a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	**Fully Compliant** The Fund has a Training Policy that applies to all Pension Fund Committee members, Pension Board members and officers. Training is delivered through several avenues including: • An initial induction for new Pension Fund Committee and Pension Board Members when an individual training plan will be developed • On-going training through written reports or presentations at Committee meetings • Conferences and seminars. The actual costs and expenses relating to approved training are met directly or can be reimbursed from the Teesside Pension Fund. Some members of the Pension Committee and Board receive payments for attendance at meetings (including training events) as detailed within the Middlesbrough Council Members' Remuneration Scheme and the Pension Board terms of reference.
b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	**Fully Compliant**

Best Practice	Compliant? With explanation where relevant.
c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	**Fully Compliant** A log of individual Member training is maintained. In addition, the Fund has adopted the CIPFA Knowledge and Skills Framework and has a Fund specific Training Policy.
F. MEETINGS (FREQUENCY/QUORUM)	
a. That an administering authority's main committee or committees meet at least quarterly.	**Fully Compliant** The Pension Fund Committee meets five times a year – once every quarter with an additional meeting to consider the draft annual report and accounts.
b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	**Not Applicable** No secondary committee or panel exists.
c. That an administering authority who do not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	**Not Applicable** Lay members are included in the Pension Fund Committee.
G. ACCESS	
a. That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	**Fully Compliant** All Members of the Pension Fund Committee have equal access to papers. In addition, all Pension Board members have access to the same papers.

Best Practice	Compliant? With explanation where relevant.
H. SCOPE	
a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	**Fully Compliant** The remit of the Pension Fund Committee covers all Fund matters, including administration, communications, funding, investments and governance. The Pension Board provides further opportunity for these matters to be considered
I. PUBLICITY	
a. That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	**Fully Compliant** The Fund publishes a detailed Annual Report, newsletters for active and pensioner members. In addition all Pension Fund Committee and Board agendas, reports and minutes are available to view on the Middlesbrough Council website (other than exempt items).

Teesside Pension Fund Committee Responsibilities

The Pension Fund Committee's principal aim is to carry out the functions of Middlesbrough Council as the Scheme Manager and Administering Authority for the Teesside Pension Fund in accordance with Local Government Pension Scheme and any other relevant legislation.

In its role as the administering authority, Middlesbrough Council owes fiduciary duties to the employers and members of the Teesside Pension Fund and must not compromise this with its own particular interests. Consequently this fiduciary duty is a responsibility of the Pension Fund Committee and its members must not compromise this with their own individual interests.

The Pension Fund Committee will have the following specific roles and functions, taking account of advice from the Chief Finance Officer and the Fund's professional advisers:

a) Ensuring the Teesside Pension Fund is managed and pension payments are made in compliance with the extant Local Government Pension Scheme Regulations, Her Majesty's Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.

b) Ensuring robust risk management arrangements are in place.

c) Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Teesside Pension Fund.

d) Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:

   i. Governance – approving the Fund's Governance Policy and Compliance Statement for the Fund within the framework as determined by Middlesbrough Council and making recommendations to Middlesbrough Council about any changes to that framework.

   ii. Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.

   iii. Investment strategy - approving the Fund's Investment Strategy Statement and Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.

   iv. Administration Strategy – approving the Fund's Administration Strategy determining how the Council will the administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers.

v. Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers.

vi. Discretions – determining how the various administering authority discretions are operated for the Fund.

e) Monitoring the implementation of these policies and strategies on an ongoing basis.

f) In relation to the Border to Coast Pensions Partnership Limited (‘Border to Coast’); the Asset Pooling Collaboration arrangements:

i. Monitoring of the performance of Border to Coast and recommending actions to the Joint Committee, The Mayor or his Nominee (in his role as the nominated person to exercise Shareholder rights and responsibilities), Officers Groups or Border to Coast, as appropriate.

ii. Undertake the role of Authority in relation to the Inter Authority Agreement, including but not limited to:

- Requesting variations to the Inter Authority Agreement
- Withdrawing from the Inter Authority Agreement
- Appointing Middlesbrough Council officers to the Officer Operations Group.

g) Considering the Fund's financial statements and the Fund’s annual report.

h) Selection, appointment, dismissal and monitoring of the Fund’s advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, independent professional advisers and AVC provider.

i) Liaison with internal and external audit, including providing recommendations in relation to areas to be covered in audit plans, considering audit reports and ensuring appropriate changes are made following receipt of audit findings

j) Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.

k) Agreeing the terms and payment of bulk transfers into and out of the Fund.

l) Agreeing Pension Fund business plans and monitoring progress against them.

m) Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.

n) Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.

o) Receiving ongoing reports from the Chief Finance Officer, the Head of Pensions Governance and Investments and other relevant officers in relation to delegated functions.

No matters relating to Middlesbrough Council's responsibilities as an employer participating within the Teesside Pension Fund are delegated to the Pension Fund Committee.

Appendix C

Border to Coast Pensions Partnership Limited ('Border to Coast' / 'the Company') Shareholder Responsibilities of the Mayor

The Mayor (or whomever he decides to nominate) is the nominated person to exercise the Council's rights as a shareholder in Border to Coast and be its representative at shareholder meetings, on behalf of the Teesside Pension Fund. The responsibilities are as set out in the Shareholders Agreement, Articles, Inter Authority Agreement and any other agreements entered into and include, but are not limited to the areas shown below.

a) To serve a written notice on the Board of the Company to cease to be a Shareholder in the Company
b) To vote on matters, including the reserved matters in Schedule 1 of the Shareholder Agreement as replicated below:

Reserved Matters

PART A – Matters for approval by all of the Shareholders (unanimous consent required)

1. subject to Financial Conduct Authority (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 15 (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 a Subsequent 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 license 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; and
14. removal of any director and, for the avoidance of doubt, the Chair in accordance with the Companies Act 2006 or otherwise.

Teesside Pension Fund

Training Policy 2021

TRAINING POLICY

Introduction

This is the Training Policy of the Teesside Pension Fund (the Fund), which is managed and administered by Middlesbrough Council. It details the training strategy for those involved in the management of the Fund.

The Training Policy is established to aid Pension Fund Committee members, local Pension Board members and senior officers in performing and developing in their individual roles, with the ultimate aim of ensuring that the Fund is managed by individuals who have the appropriate levels of knowledge and skills.

Aims and Objectives

Middlesbrough Council recognises the significance of its role as Administering Authority to the Teesside Pension Fund.

In relation to knowledge and skills of those managing the Fund, the Administering Authority's objectives are to ensure that:

- the Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and expertise, and that this knowledge and expertise is maintained within the continually changing Local Government Pension Scheme (LGPS) and wider pensions landscape.

- those persons responsible for governing the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.

All Pension Fund Committee members, local Pension Board members and senior officers to whom this Policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

To assist in achieving these objectives, the Fund will aim to comply with:

- the CIPFA Knowledge and Skills Frameworks and
- the knowledge and skills elements of the Public Service Pensions Act 2013 and the Pensions Regulator's (tPR) Code of Practice for Public Service Pension Schemes.

To whom this Policy Applies

This Training Policy applies to all members of the Pension Fund Committee and the local Pension Board, including scheme member and employer representatives. It also applies to all managers of the Teesside Pension Fund and the Section 151 Officer.

Less senior officers involved in the daily management of the Fund will also be required to have appropriate knowledge and skills relating to their roles, which will be determined and managed by the Head of Pensions Governance and Investments.

Advisers to the Fund are also expected to be able to meet the objectives of this Policy.

Officers of employers participating in the Fund who are responsible for pension matters are also encouraged to maintain a high level of knowledge and understanding in relation to LGPS matters, and Middlesbrough Council will provide appropriate training for them.

CIPFA and tPR Knowledge and Skills Requirements

CIPFA Knowledge and Skills Framework and Code of Practice

In January 2010 CIPFA launched technical guidance for pension committees and non-executives in the public sector within a knowledge and skills framework. The Framework set the skill set for those responsible for pension scheme financial management and decision making.

Subsequently, in July 2015 CIPFA launched technical guidance for local pension board members by extending the existing knowledge and skills frameworks in place. This Framework sets the skill set to enable pension board members to properly exercise their functions under Section 248a of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013.

The Code of Practice and Framework were updated and revised versions were published in July 2021.

The Framework covers eight areas of knowledge and skills identified as the core requirements:

- Pensions legislation and guidance
- Pensions governance
- Funding strategy and actuarial methods
- Pension administration and communications
- Pensions financial strategy, management, accounting, reporting and audit standards
- Investment strategy, asset allocation, pooling, performance and risk management
- Financial markets and products
- Pension services procurement, contract management and relationship management

CIPFA's Code of Practice recommends (amongst other things) that administering authorities:

- formally adopt the CIPFA Knowledge and Skills Framework (or an alternative training programme);
- recognise that effective management, governance and decision making for the LGPS can only be achieved where those involved have the necessary knowledge and skills;
- ensure that the appropriate policies and procedures are put in place to meet the requirements of the Framework (or an alternative training programme);
- report how these arrangements have been put into practice each year; and
- delegate responsibility for implementing the Code of Practice to the appropriate officer.

The Pension Regulator's Code of Practice

The Public Service Pensions Act 2013 (PSPA13) requires Pension Board members to:

- be conversant with the rules of the scheme and any document recording policy about the administration of the scheme, and
- have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pension Board.

These requirements have been incorporated and expanded on within tPR's Code of Practice 14: Governance and Administration of Public Service Pension Schemes which came into force in April 2015.

Application to the Teesside Pension Fund

Middlesbrough Council fully supports the use of the CIPFA Knowledge and Skills Framework, and tPR's Code of Practice and adopts the principles they set out. This Training Policy highlights how the Administering Authority will strive to achieve those principles through use of a rolling Training Plan together with regular monitoring and reporting.

The Teesside Pension Fund Training Plan

Middlesbrough Council recognises that attaining, and then maintaining, relevant knowledge and skills is a continual process for Pension Fund Committee members, local Pension Board members and senior officers, and that training is a key element of this process. Middlesbrough Council will develop a rolling Training Plan based on the following key elements:

Individual Training Needs

A training needs analysis will be developed for the main roles of Pension Fund Committee members, Pension Board members and senior officers customised appropriately to the key areas in which they should be proficient. Training will be required in relation to each of these areas as part of any induction and on an ongoing refresher basis.

Hot Topic Training

The Training Plan will be developed to ensure appropriately timed training is provided in relation to hot topic areas, such as a high risk area or an area of change for the Fund. This training may be targeted at specific roles.

General Awareness

Pension Fund Committee members, Pension Board members and senior officers are expected to maintain a reasonable knowledge of ongoing developments and current issues, which will allow them to have a good level of general awareness of pension related matters appropriate for their roles and which may not be specific to the Fund.

Each of these training requirements will be focussed on the role of the individual i.e. a Pension Fund Committee member, a Pension Board member or the specific role of the officer.

Training will be delivered through a variety of methods including:

- In-house training provided by officers and/or external providers
- Training as part of meetings (e.g. Pension Fund Committee and Pension Board meetings) provided by officers and/or external advisers
- External training events
- Circulation of reading material
- Attendance at seminars and conferences offered by industry-wide bodies
- Attendance at meetings and events with the Fund's investment managers and advisers
- Links to on-line training
- Access to the Middlesbrough Council website where useful Fund specific material is available

In addition, Fund officers and advisers are available to answer any queries on an ongoing basis including providing access to materials from previous training events.

Initial Information and Induction Process

On joining the Pension Fund Committee, the Pension Board or on appointment as a Senior Officer of the Teesside Pension Fund, a new member, officer or adviser will be provided with copies of or links to the following documentation to assist in providing a basic understanding of the Fund:

- An Introduction to the Local Government Pension Scheme (Welcome Pack for Committee and Board members prepared by Teesside Pension Fund officers)
- The members' guide to the Local Government Pension Scheme (LGPS)
- The latest Actuarial Valuation report
- The Annual Report and Accounts, which incorporate:
  - The Funding Strategy Statement
  - The Governance Policy and Compliance Statement
  - The Statement of Investment Principles including the Fund’s statement of compliance with the LGPS Myners Principles
  - The Communications Policy
  - The Administration Strategy
- The Administering Authority's Discretionary Policies
- This Training Policy

In addition, an individual training plan will be developed to assist each member, Pension Board member or officer in achieving their identified individual training requirements within six months of those requirements being identified.

Monitoring Knowledge and Skills

In order to identify whether the objectives of this policy are being met, the Administering Authority will compare and report on attendance at training based on the following:

- Individual Training Needs – ensuring refresher training on the key elements takes place for each individual at least once every three years.
- Hot Topic Training – attendance by at least 75% of the required Pension Fund Committee members, Pension Board members and senior officers at planned hot topic training sessions. This target may be focussed at a particular group

of Pension Fund Committee members, Pension Board members or senior officers depending on the subject matter.
- General Awareness – each Pension Fund Committee, Pension Board member or officer attending at least one day each year of general awareness training or events.
- Induction training – ensuring areas of identified individual training are completed within six months.

Key Risks

The key risks to the delivery of this Policy are outlined below. The Pension Fund Committee, with the assistance of the Pension Board, will monitor these and other key risks and consider how to respond to them.

- Changes in Pension Fund Committee and/or Pension Board membership and/or senior officers potentially diminishing knowledge and understanding.
- Poor attendance and/or a lack of engagement at training and/or formal meetings by Committee Members, Pension Board Members and/or other senior officers resulting in a poor standard of decision making and/or monitoring.
- Insufficient resources being available to deliver or arrange the required training.
- The quality of advice or training provided is not an acceptable standard.

Reporting

A report will be presented to the Pension Fund Committee on an annual basis setting out:

- The training provided / attended in the previous year at an individual level
- The results of the measurements identified above.

This information will also be included in the Fund's Annual Report and Accounts.

At each Pension Fund Committee and Pension Board meeting members will be provided with details of forthcoming seminars, conferences and other relevant training events.

Costs

All training costs related to this Training Policy are met directly by the Teesside Pension Fund.

Approval, Review and Consultation

This Training Policy was presented to the Teesside Pension Fund Committee meeting on 15 the December 2021. It will be formally reviewed and updated at least every three years or sooner if the training arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Training Policy, please contact:

Nick Orton, Head of Pensions Governance and Investments

Middlesbrough Council
PO Box 506, Civic Centre
Middlesbrough, TS1 9GA

Email: nick_orton@middlesbrough.gov.uk
Telephone: 01642 729040

Teesside Pension Fund

Conflicts of Interest Policy 2021

Introduction

Conflicts of interest have always existed for those with Local Government Pension Scheme (LGPS) administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an Elected Member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Also, any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interests of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

This is the Conflicts of Interest Policy of the Teesside Pension Fund (the Fund), which is managed by Middlesbrough Council. The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund, whether directly or in an advisory capacity.

This Conflicts of Interest Policy is established to guide the Pension Fund Committee members, local Pension Board members, officers and advisers. Along with other constitutional documents, including the various Codes of Conduct, it aims to ensure that they do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

Aims and Objectives

In relation to the governance of the Fund, the Administering Authority's objectives are to ensure that:

- all staff and Pension Fund Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is open in all its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund is at the forefront of best practice for LGPS funds
- all Conflicts of Interest are managed appropriately

The identification and management of potential and actual conflicts of interest is therefore integral to the Administering Authority achieving its governance objectives.

To whom this Policy Applies

This Conflicts of Interest Policy applies to all members of the Pension Fund Committee and the Pension Board, including scheme member and employer representatives. It applies to all members of the Teesside Fund Management Team and the Director of Finance (Section 151 Officer).

This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role.

The Head of Pensions Governance and Investments will monitor potential conflicts for less senior officers involved in the daily management of the Fund and highlight this Policy to them as appropriate.

This Policy also applies to all advisers and suppliers to the Fund, whether advising the Pension Board, Pension Fund Committee or Fund officers, in relation to their role in advising or supplying the Fund.

In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and Additional Voluntary Contributions (AVC) providers. Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Administering Authority rather than the firm as a whole.

In accepting any role covered by this Policy, those individuals agree that they must:

- acknowledge any potential conflict of interest they may have;
- be open with the Administering Authority on any conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

Legislative and related context

There are a number of overriding requirements relating to the management of potential or actual conflicts of interest for those involved in LGPS funds which are included in legislation or guidance. These are summarised in Appendix 1.

Other Administering Authority Requirements

Individuals to whom this policy applies may also be required to adhere to other requirements in relation to conflicts of interest. This includes:

- Pension Fund Committee Members who are required to adhere to the Middlesbrough Council Members' Code of Conduct
- local Pension Board Members who are required to adhere to the Middlesbrough Council Members' Code of Conduct
- employees who are required to adhere to the Middlesbrough Council Employees' Code of Conduct
- advisers who are expected to have their own policies or protocols.

Further information is provided in Appendix 2.

What is a Conflict or Potential Conflict and how will they be managed?

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Therefore, a conflict of interest may arise when an individual:

- has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by Middlesbrough Council, and
- at the same time, has:
    - a separate personal interest (financial or otherwise) or
    - another responsibility in relation to that matter,

giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

Some examples of potential conflicts are included in Appendix 3.

Middlesbrough Council will encourage a culture of openness and transparency and will encourage individuals to be vigilant; have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.

Middlesbrough Council will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance should an actual conflict of interest materialise.

Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue (for example, a report for a Pension Fund Committee meeting)

- a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen)

Provided that the Administering Authority (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, Middlesbrough Council shall endeavour to avoid the need for an individual to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from the Committee, Board or appointment.

Minor Gifts

For the purposes of this Policy, gifts such as t-shirts, pens, trade show bags and other promotional items (subject to a notional maximum value of £50 per item and an overall maximum value of £100 from an individual company per event) obtained at events such as conferences, training events, seminars, and trade shows, that are offered equally to all individuals attending the event do not need to be declared. Pension Fund Committee members should, however, be aware that they may be subject to lower limits and a separate notification procedure in the Middlesbrough Council Members' Code of Conduct.

Responsibility

The Administering Authority for the Teesside Pension Fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Head of Pensions Governance and Investments is the designated individual for ensuring the procedure outlined below is adhered to.

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

Operational procedure for officers, Pension Fund Committee members and Pension Board members

What is required	How this will be done
Step 1 - Initial identification of interests which do or could give rise to a conflict.	On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest the same or similar to that included in Appendix 4. The information contained in these declarations will be collated into the Pension Fund's Register of conflicts of

	interest in a format the same or similar to that included in Appendix 5.
Step 2 - Ongoing notification and management of potential or actual conflicts of interest	At the commencement of any Pension Fund Committee, Pension Board or other formal meeting where pension fund matters are to be discussed, the Chairman will ask all those present who are covered by this Policy to declare any new potential conflicts. These will be recorded in the Fund's Register of conflicts of interest. Any individual who considers that they or another individual has a potential or actual conflict of interest which relates to an item of business at a meeting, must advise the Chairman and the Head of Pensions Governance and Investments prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chairman, in consultation with the Head of Pensions Governance and Investments, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter. If such a conflict is identified outside of a meeting the notification must be made to the Head of Pensions Governance and Investments and where it relates to the business of any meeting, also to the Chairman of that meeting. The Head of Pensions Governance and Investments, in consultation with the Chairman where relevant, will consider any necessary action to manage the potential or actual conflict. Where information relating to any potential or actual conflict has been provided, the Head of Pensions Governance and Investments may seek such professional advice as he or she thinks fit (such as legal advice from the Monitoring Officer) on how to address any identified conflicts. Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of conflicts of interest.
Step 3 - Periodic review of potential and actual conflicts	At least once every 12 months, the Head of Pensions Governance and Investments will provide to all individuals to whom this Policy applies a copy of the Fund's Register of conflicts of interest. All individuals will complete a new Declaration of Interest (see

	Appendix 4) confirming that their information contained in the Register is correct or highlighting any changes that need to be made to the declaration. The updated Register will then be circulated by the Head of Pensions Governance and Investments to all individuals to whom it relates.

Conduct at Meetings

There may be occasions / circumstances when a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The Administering Authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a Pension Board or Pension Fund Committee meeting, and that this will be recorded in the minutes.

Operational procedure for advisers

Although this Policy applies to all of the key advisers, the operational procedures outlined in steps 1 and 3 above relating to completing ongoing declarations are not expected to apply to advisers. Instead all advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated
- adhere to the principles of this Policy
- provide, on request, information to the Head of Pensions Governance and Investments in relation to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to Middlesbrough Council as Administering Authority
- notify the Head of Pensions Governance and Investments immediately should a potential or actual conflict of interest arise.

All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of conflicts of interest.

Monitoring and Reporting

The Fund's Register of conflicts of interest may be viewed by any interested party at any point in time. It will be made available on request to the Head of Pensions Governance and Investments. In addition it will be published in the Fund's annual report and accounts.

In order to identify whether the objectives of this Policy are being met the administering authority will review the Register of conflicts of interest on an annual basis and consider whether there has been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

Key Risks

The key risks to the delivery of this Policy are outlined below all of which could result in an actual conflict of interest arising and not being properly managed. The Head of Pensions Governance and Investments will monitor these and other key risks and consider how to respond to them.

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- Insufficient training or failure to communicate the requirements of this Policy
- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with this Policy
- Failure by a chairperson to take appropriate action when a conflict is highlighted at a meeting.

Costs

All costs related to the operation and implementation of this Policy will be met directly by Teesside Pension Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

Approval, Review and Consultation

This Conflicts of Interest Policy was presented to the Teesside Pension Fund Committee meeting on 15th December 2021. It will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

Further Information

If you require further information about anything in or related to this Conflicts of Interest Policy, please contact:

Nick Orton, Head of Pensions Governance and Investments

Middlesbrough Council
PO Box 506, Civic Centre
Middlesbrough, TS1 9GA

Email: nick_orton@middlesbrough.gov.uk
Telephone: 01642 729040

Legislative and Related Context

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. These are considered further below.

The Public Service Pensions Act 2013

Section 5 of this Act requires that the scheme manager (in the case of the LGPS, this is the administering authority) must be satisfied that a local pension board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires local pension board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

The Act defines a conflict of interest as "a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)."

Further, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue (see below).

The Local Government Pension Scheme Regulations 2013

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each administering authority to satisfy itself that local pension board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.

Regulation 109 states that each administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards. Further, regulation 110 provides that the national scheme advisory board has a function of providing advice to administering authorities and local pension boards. There is also guidance relating to the creation of local pension boards including a section on conflicts of interest on the Scheme Advisory Boards website. This Conflicts of Interest Policy has been developed having regard to that guidance.

The Pensions Act 2004

The Public Service Pensions Act 2013 also added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator has issued such a code and this Conflicts of Interest Policy has been developed having regard to that code.

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for Pension Board members are not being adhered to.

The Localism Act 2011

Chapter 7 of this Act requires councillors to comply with the code of conduct of their local authority and that code of conduct must be consistent with the Seven Principles of Public Life (considered further below). In addition the Act requires that the code of conduct must include provisions requiring the disclosure and registration of pecuniary interests and interests other than pecuniary interests.

The Seven Principles of Public Life

Otherwise known as the 'Nolan Principles', the seven principles of public life apply to anyone who works as a public office-holder. This includes people who are elected or appointed to public office, nationally and locally, and all people appointed to work in:

- the civil service
- local government
- the police
- the courts and probation services
- non-departmental public bodies
- health, education, social and care services

The principles also apply to all those in other sectors that deliver public services.

Many of the principles are integral to the successful implementation of this Policy. The principles are as follows:

- selflessness
- integrity
- objectivity
- accountability
- openness
- honesty
- leadership.

Advisers' Professional Standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Any Protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

Other Administering Authority Requirements

Pension Fund Committee Members

In addition to the requirements of this Policy, Pension Fund Committee members and co-opted members are required to adhere to the Middlesbrough Council Members' Code of Conduct which includes requirements in relation to the disclosure and management of pecuniary and other interests.

Local Pension Board Members

In addition to the requirements of this Policy, Local Pension Board members are required to adhere to Parts 30 - 32 of the Terms of Reference of the Local Pension Board. This includes the following requirements:

30. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

31. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.

32. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Board Secretary, with the assistance of the Monitoring Officer if required, shall ensure that any potential conflict is effectively managed in line with both the requirements of the Board's conflicts policy and the requirements of the Code (the Pensions Regulator's Code of Practice No 14: governance and administration of public service pension schemes).

Employees

In addition to the requirements of this Policy, officers of Middlesbrough Council are required to adhere to the Middlesbrough Council Code of Conduct for Employees which includes requirements in relation to aiming to avoid conflicts of interests and declaring them in writing should they occur.

Advisers

The Administering Authority appoints its own advisers. There may be circumstances where these advisers are asked to give advice to Middlesbrough Council or other scheme employers, or even to scheme members or member representatives such as the Trades Unions, in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the Teesside Pension Fund and on which advice is required. An adviser can only continue to advise the Administering Authority and another party where there is no conflict of interest in doing so. Where the Pension Board decides to appoint an adviser, this can be the same person as is appointed to advise the Pension Fund Committee or Fund officers as long as there is no conflict of interest between the two roles. The key advisers are all expected to have their own policies or protocols on how conflicts of interest will be managed in their relationships with their clients, and these should have been shared with Middlesbrough Council.

Examples of Potential Conflicts of Interest

a) An elected member on the Pension Fund Committee is asked to provide views on a funding strategy which could result in an increase in the employer contributions required from the employer he or she represents.

b) A member of the Pension Fund Committee is on the board of a Fund Manager that the Committee is considering appointing.

c) An officer of the Fund or member of the Pension Fund Committee accepts a dinner invitation from a firm that has submitted a bid as part of a tender process.

d) An employer representative on the Local Pension Board is employed by a company to which the administering authority has outsourced its pension administration services and the Local Pension Board is reviewing the standards of service provided by that company.

e) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.

f) The administering authority is considering buying its own payroll system for paying pensioners, rather than using the payroll system used for all employees of the Council. The Finance Director, who has responsibility for the Council budget, is expected to approve the report to go to the Pension Fund Committee, which, if agreed, would result in a material reduction in the recharges to the Council from the Fund.

g) Officers of the Fund are asked to provide a report to the Local Pension Board or Pension Fund Committee on whether the administration services should be outsourced which, if it were to happen, could result in a change of employer or job insecurity for the officers.

h) An employer representative employed by the administering authority and appointed to the pension board to represent employers generally could be conflicted if he or she only acts in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the pension board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.

i) A Fund adviser is party to the development of a strategy which could result in additional work for their firm, for example, delegated consulting of fund monies or providing assistance with monitoring the covenant of employers.

j) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pension Fund Committee or Local Pension Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pension Fund Committee or Local Pension Board.

Declaration of Interests relating to the management of the Teesside Pension Fund administered by Middlesbrough Council

I, [insert full name], am:

Tick as appropriate

- an officer involved in the management ☐
- a Pension Fund Committee Member ☐
- a Pension Board Member ☐

of the Teesside Pension Fund and I set out below under the appropriate headings my interests, which I am required to declare under the Teesside Pension Fund Conflicts of Interest Policy. I have put "none" where I have no such interests under any heading.

Responsibilities or other interests that could result in a conflict of interest (please list and continue on a separate sheet if necessary):

1. *Relating to me*
    a. *Responsibilities relating to an employer in the pension fund*

    b. *Membership of the LGPS*

    c. *Other (see examples)*

2. Relating to family members or close colleagues

a. Responsibilities relating to an employer in the pension fund

b. Membership of the LGPS

c. Other (see examples)

Undertaking:

I declare that I understand my responsibilities under the Teesside Pension Fund Conflicts of Interest Policy. I undertake to notify the Monitoring Officer of any changes in the information set out above.

Signed ____Date _____________________

Name (CAPITAL LETTERS) ____

Teesside Pension Fund - Register of Potential and Actual Conflicts of Interest

All reported conflicts of interest will be recorded in the minutes and a register of conflicts will be maintained and reviewed annually by Middlesbrough Council, the Administering Authority.

Date identified	Name of Person	Role of Person	Details of conflict	Actual or potential conflict	How notified(1)	Action taken(2)	Follow up required	Date resolved

(1) E.g. verbal declaration at meeting, written conflicts declaration, etc.

(2) E.g. withdrawing from a decision making process, left meeting

Teesside Pension Fund

Risk Management Policy 2021

Risk Management Policy

Introduction

This is the Risk Management Policy of the Teesside Pension Fund ("the Fund"), part of the Local Government Pension Scheme ("LGPS") managed and administered by Middlesbrough Council ("the Administering Authority"). The Risk Management Policy details the risk management strategy for the Fund, including:

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk
- how risk management is implemented
- risk management responsibilities
- the procedures that are adopted in the Fund's risk management process
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:

- demonstrate best practice in governance
- improve financial management
- minimise the risk and effect of adverse conditions
- identify and maximise opportunities that might arise
- minimise threats.

The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance of the Fund at a strategic and operational level.

To whom this Policy Applies

This Risk Management Policy applies to all members of the Pension Fund Committee and the local Pension Board, including both scheme member and employer representatives. It also applies to senior officers involved in the management of the Fund.

Less senior officers involved in the daily management of the Fund are also integral to managing risk for the Fund, and will be required to have appropriate understanding of risk management relating to their roles, which will be determined and managed by the Head of Pensions Governance and Investments.

Advisers and suppliers to the Fund are also expected to be aware of this Policy, and assist officers, Committee members and Board members as required, in meeting the objectives of this Policy.

Aims and Objectives

In relation to understanding and monitoring risk, the Administering Authority aims to:

- integrate risk management into the culture and day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners)
- anticipate and respond positively to change
- minimise the probability of negative outcomes for the Fund and its stakeholders
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
- ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

To assist in achieving these objectives in the management of the Fund, the Administering Authority will aim to comply with:

- the CIPFA Managing Risk publication and
- the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

Risk Management Philosophy

The Administering Authority recognises that it is not possible or even desirable to eliminate all risks. For example, the Fund's investment strategy shows a strong preference for growth assets, which involves accepting a level of risk. Accepting and actively managing risk is therefore a key part of the risk management strategy for the Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in light of the Administering Authority's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained
- adopt a system that will enable the Fund to anticipate and respond positively to change
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided
- make sure that any new areas of activity (new investment strategies, joint-working, framework agreements etc.), are only undertaken if the risks they present are fully understood and taken into account in making decisions.

The Administering Authority also recognises that risk management is not an end in itself; nor will it remove risk from the Fund or the Administering Authority. However it is a sound management technique that is an essential part of the Administering Authority's stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

CIPFA and The Pensions Regulator's Requirements

CIPFA Managing Risk Publication

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

The Pension Regulator's Code of Practice

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 relating to the requirement to have internal controls in public service pension schemes.

> ***"249B Requirement for internal controls: public service pension schemes***
>
> *(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed—*
>
> > *(a) in accordance with the scheme rules, and*
> >
> > *(b) in accordance with the requirements of the law.*
>
> *(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.*
>
> *(3) In this section, "enactment" and "internal controls" have the same meanings as in section 249A."*

Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued such a code in which they encourage scheme managers (i.e. administering authorities in the LGPS) to employ a risk based approach to assessing the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator's code of practice guidance on internal controls requires scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly. The risk assessment should begin by:

- setting the objectives of the scheme
- determining the various functions and activities carried out in the running of the scheme, and
- identifying the main risks associated with those objectives, functions and activities.

The code of practice goes on to say that schemes should consider the likelihood of risks arising and the effect if they do arise when determining the order of priority for managing risks, and focus on those areas where the impact and likelihood of a risk materialising is high. Schemes should then consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. The code of practice includes the following examples as issues which schemes should consider when designing internal controls to manage risks:

- how the control is to be implemented and the skills of the person performing the control
- the level of reliance that can be placed on information technology solutions where processes are automated
- whether a control is capable of preventing future recurrence or merely detecting an event that has already happened
- the frequency and timeliness of a control process
- how the control will ensure that data is managed securely, and
- the process for flagging errors or control failures, and approval and authorisation controls.

The code states that risk assessment is a continual process and should take account of a changing environment and new and emerging risks. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that schemes should periodically review the adequacy of internal controls in:

- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

Under section 13 of the Pensions Act 2004, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to internal controls are not being adhered to.

Application to the Teesside Pension Fund

The Administering Authority adopts the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to the Fund. This Risk Policy highlights how the Administering Authority strives to achieve those principles through use of risk management processes and internal controls incorporating regular monitoring and reporting.

Responsibility

The Administering Authority must be satisfied that risks are appropriately managed. For this purpose, the Head of Pensions Governance and Investments is the designated individual for ensuring the process outlined below is carried out, subject to the oversight of the Pension Fund Committee.

However, it is the responsibility of each individual covered by this Policy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

The Teesside Pension Fund Risk Management Process

The Administering Authority's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections:

1. Risk Identification

The risk identification process is both a proactive and reactive one: looking forward i.e. horizon scanning for potential risks, and looking back, by learning lessons from reviewing how previous decisions and existing processes have manifested in risks to the organisation.

Risks are identified by a number of means including, but not limited to:

- formal risk assessment exercises managed by the Pension Fund Committee
- performance measurement against agreed objectives
- findings of internal and external audit and other adviser reports
- feedback from the local Pension Board, employers and other stakeholders
- informal meetings of senior officers or other staff involved in the management of the Fund
- liaison with other organisations, regional and national associations, professional groups, etc.
- legal determinations, including from the Pensions Ombudsman, Pensions Regulator and court cases

Once identified, risks will be documented on the Fund's risk register, which is the primary control document for the subsequent analysis, control and monitoring of those risks.

2. Risk Analysis & Evaluation

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the impact if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating, as illustrated in Middlesbrough Council's Risk Matrix on the next page.

Likelihood	5	**Almost Certain >80%**	Low (5)	Medium (10)	High (15)	High (25)	High (35)
	4	**Likely 51% - 80%**	Low (4)	Medium (8)	High (12)	High (20)	High (28)
	3	**Possible 21% - 50%**	Low (3)	Medium (6)	Medium (9)	High (15)	High (21)
	2	**Unlikely 6- 20%**	Low (2)	Low (4)	Medium (6)	Medium (10)	High (14)
	1	**Rare <6%**	Low (1)	Low (2)	Low (3)	Low (5)	Medium (7)
			1	**2**	**3**	**5**	**7**
			Insignificant	**Minor**	**Moderate**	**Major**	**Extreme**

Risk/Impact Type	**Impact**				
Financial	<£0.1m	£0.1m - £0.5m	£0.5m - £1m	£1m - £3m	>£3m
Reputation	No publicity	Adverse internal publicity	Local media coverage	National media < 3 day coverage	National media > 3 day coverage
Health and Safety	No/minor injury	Superficial injuries, minor cuts and bruises, nuisance and irritation, ill health leading to temporary minor disability	Occupational deafness, dermatitis, allergy, WRULDs, RSIs, VWF, ill health leading to permanent minor disability. HSE Enquiry	Amputations, permanent loss of eyesight, major fractures, poisonings and gassings, severe/multiple/fatal injuries Long term disability or need for redeployment	Multiple fatalities
Data		Business critical information compromised	Serious breach of information confidentiality	Temporary loss of business critical information	Indefinite loss of business critical information
Staff Morale	Passing Problem, Days	Short term issue (weeks)	Staff morale – longer term issue (months)	Staff morale – significant problem (>12 months)	Staff morale – major breakdown/loss of staff confidence or management authority
Business Targets	Occasional missing of business targets by more than 20%	Frequent missing of business targets by more than 30%	Frequent missing of business targets by more than 40%	Frequent missing of business targets by more than 50%	Frequent missing of all business targets
Operational	Operational inconvenience not affecting quality of service	Service disruption causing operational inconvenience for up to 12 hours	Service interrupted and/or work area unusable, necessitating temporary working arrangements for up to 24 hours	Services curtailed for up to 48 hours and/or areas beyond the directorate affected	Services curtailed for more than 48 hours
Partnership	Weak partnerships – general inconvenience only	Weak partnerships – minor issues readily overcome	Significant weakness in partner relationships	Unreliable partner(s) in contracts	Partnership performance so bad needs dissolving
Legal		Minor out-of-court settlement	Civil action – no defence	Class action	Criminal prosecution – no defence

When considering the risk rating, the Administering Authority will have regard to the existing controls in place and these will be summarised on the risk register.

3. Risk Response

The Head of Pensions Governance and Investments will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Before any such action can be taken, Pension Fund Committee approval may be required where appropriate officer delegations are not in place. The result of any change to the internal controls could result in any of the following:

- **Tolerate** – the exposure of a risk may be tolerable without any further action being taken; this is partially driven by the Administering Authority's risk 'appetite' in relation to the Pension Fund;
- **Treat** – action is taken to constrain the risk to an acceptable level;
- **Terminate –** some risks will only be treatable, or containable to acceptable levels, by terminating the activity;
- **Transfer** - for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action.

4. Risk Monitoring & Review

Risk monitoring is the final part of the risk management cycle and will be the responsibility of the Pension Fund Committee. In monitoring risk management activity, the Committee will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate
- greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- there are any lessons to be learned for the future assessment and management of risks.

5. Risk Reporting

Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on an annual basis to the Pension Fund Committee.

The Pension Fund Committee will be provided with updates on a quarterly basis in relation to any changes to risks and any newly identified risks.

As a matter of course, the local Pension Board will be provided with the same information as is provided to the Pension Fund Committee and they will be able to provide comment and input to the management of risks.

In order to identify whether the objectives of this policy are being met, the Administering Authority will review the delivery of the requirements of this Policy on an annual basis taking into consideration any feedback from the local Pension Board.

The risks identified are of significant importance to the Pension Fund. Where a risk is identified that could be of significance to the Council it could also be included in the Council's Risk Register.

Key risks to the effective delivery of this Policy

The key risks to the delivery of this Policy are outlined below. The Pension Fund Committee will monitor these and other key risks and consider how to respond to them.

- Risk management becomes mechanistic, is not embodied into the day to day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pension Fund Committee and/or local Pension Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources are available to satisfactorily assess or take appropriate action in relation to identified risks

- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls
- Lack of engagement or awareness of external factors means key risks are not identified.
- Conflicts of interest or other factors lead to a failure to identify or assess risks appropriately

Costs

All costs related to this Risk Policy are met directly by the Fund.

Approval, Review and Consultation

This Risk Policy will presented to the Teesside Pension Fund Committee meeting on 15th December 2021. It will be formally reviewed and updated at least every three years or sooner if the risk management arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Risk Policy, please contact:

Nick Orton, Head of Pensions Governance and Investments

Middlesbrough Council
PO Box 506, Civic Centre
Middlesbrough, TS1 9GA

Email: nick_orton@middlesbrough.gov.uk
Telephone: 01642 729040

Further information on the Teesside Pension Fund can be found at:
www.teespen.org.uk.

Teesside Pension Fund

Procedure for Reporting Breaches of the Law

Reporting Breaches Procedure

Introduction

This document sets out the procedures to be followed by certain persons involved with the Teesside Pension Fund (“the Fund”), the Local Government Pension Scheme managed and administered by Middlesbrough Council, in relation to reporting breaches of the law to the Pensions Regulator.

Middlesbrough Council, as Administering Authority, has delegated responsibility for the implementation of these procedures to the Head of Pensions Governance and Investments.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

This Procedure document applies, in the main, to:

- all members of the Pension Fund Committee and the Local Pension Board
- all senior officers involved in the management of the Fund including members of the Chief Finance Officer, Monitoring Officer, Loans & Investments Section and Pension Administration team.
- any professional advisers and third party suppliers including auditors, actuaries, independent advisers, third party administrators, legal advisers and fund managers
- officers of employers participating in the Fund who are responsible for pension matters.

The next section clarifies the full extent of the legal requirements and to whom they apply.

Requirements

Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme
- a member of the pension board of a public service pension scheme
- a person who is otherwise involved in the administration of an occupational or personal pension scheme
- the employer in relation to an occupational pension scheme
- a professional adviser in relation to such a scheme
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme,

to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

(a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
(b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse.

The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

The Pensions Regulator's Code of Practice

Practical guidance in relation to this legal requirement is provided in The Pensions Regulator's Code of Practice including in the following areas:

- implementing adequate procedures
- judging whether a breach must be reported
- submitting a report to The Pensions Regulator
- whistleblowing protection and confidentiality.

Application to the Teesside Pension Fund

Middlesbrough Council has developed this procedure which reflects the guidance contained in The Pensions Regulator's Code of Practice in relation to the Fund and this document sets out how the Council will strive to achieve best practice through use of a formal reporting breaches procedure.

Training on reporting breaches and related statutory duties, and the use of this procedure is provided to Pension Fund Committee members, Pension Board members and key officers involved with the management of the Fund on a regular basis. Further training can be provided on request to the Head of Pensions Governance and Investments.

The Teesside Pension Fund Reporting Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Fund.

It aims to ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

1. Clarification of the law

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004: www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996: www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations): www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013: www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various): http://www.lgpsregs.org/timelineregs/Default.html (pre 2014 schemes) http://www.lgpsregs.org/index.php/regs-legislation (2014 scheme)
- The Pensions Regulator's Code of Practice:

http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx
In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the Code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Head of Pensions Governance and Investments, as long as requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

2. Clarification when a breach is suspected

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred.

Where the individual does not know the facts or events, it will usually be appropriate to check with the Head of Pensions Governance and Investments at Middlesbrough Council, a member of the Pension Fund Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3. Determining whether the breach is likely to be of material significance

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach.

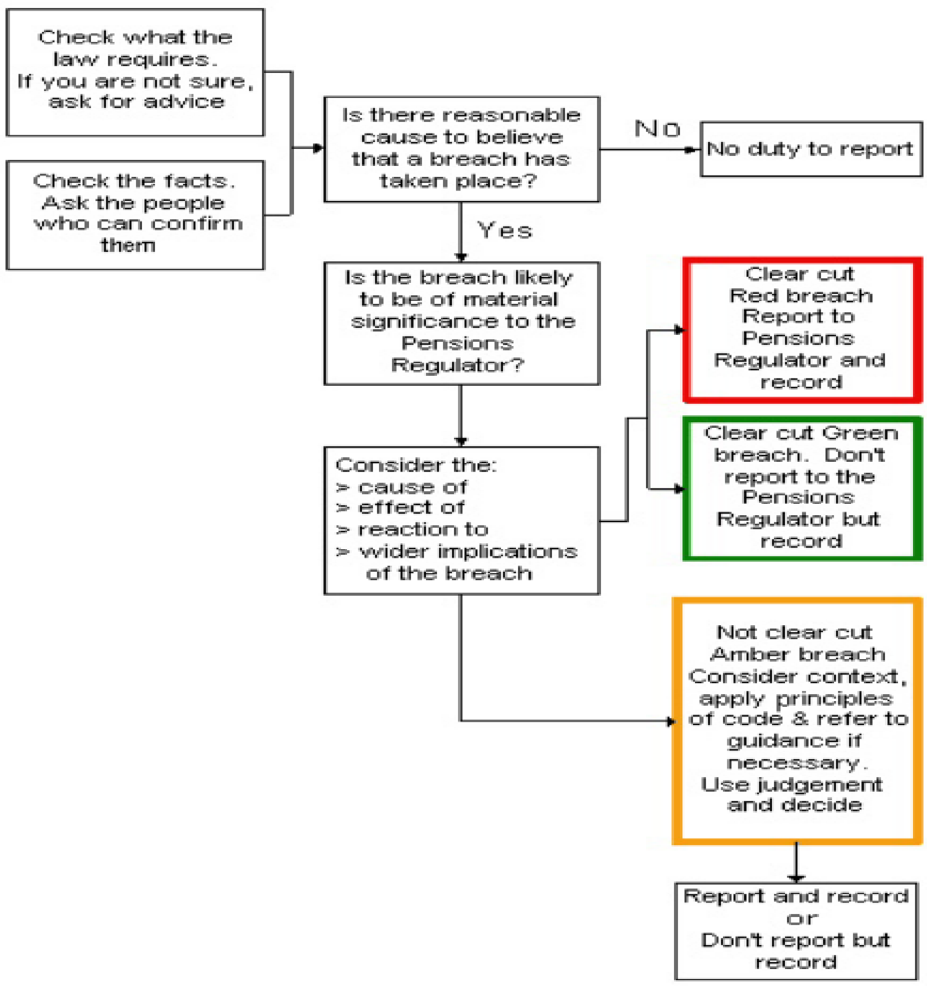
Individuals may also request the most recent breaches report from the Head of Pensions Governance and Investments, as there may be details on other breaches which may provide a useful precedent on the appropriate action to take.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore needs to be reported.

Decision-tree: deciding whether to report



4. Referral to a level of seniority for a decision to be made on whether to report

Middlesbrough Council has designated an officer (the Head of Pensions Governance and Investments) to ensure this procedure is appropriately followed. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate.

If breaches relate to late or incorrect payment of contributions or pension benefits, information the matter should be highlighted to the Head of Pensions Governance and Investments at the earliest opportunity to ensure the matter is resolved as a matter of urgency.

Individuals must bear in mind, however, that the involvement of the Head of Pensions Governance and Investments is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The potential reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to the Head of Pensions Governance and Investments if doing so would alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in the case of a more serious breach.

5. Dealing with complex cases

The Head of Pensions Governance and Investments may be able to provide guidance on particularly complex cases. Guidance may also be obtained by reference to previous cases, information on which will be retained by Middlesbrough Council, or via discussions with those responsible for maintaining the records. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the Local Government Association (LGA)) - http://www.local.gov.uk/our-support/workforce-and-hr-support/local-government-pensions).

If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Committee or Board meeting.

6. Timescales for reporting

The Pensions Act and The Pensions Regulator's Code require that, if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not wait for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on “reasonable cause to believe” and on “material significance” should be consistent with the speed implied by ‘as soon as reasonably practicable’. In particular, the time taken should reflect the seriousness of the suspected breach.

7. Early identification of very serious breaches

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary.

The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

8. Recording all breaches even if they are not reported

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Middlesbrough Council will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports submitted to The Pensions Regulator to the Head of Pensions Governance and Investments. Records of unreported breaches should also be provided to the Head of Pensions Governance and Investments as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Fund Committee meeting, and this will also be shared with the Pension Board.

Reporting a breach

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary a written report can be preceded by a telephone call.

Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (Teesside Pension Fund)
- description of breach(es)
- any relevant dates
- name, position and contact details
- role in connection to the scheme
- employer name or name of scheme manager (the latter is Middlesbrough Council).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator
- scheme address (provided at the end of this procedures document)
- scheme manager contact details (provided at the end of this procedures document)
- pension scheme registry number (PSR – 10171072)
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

Confidentiality

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so.

If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

Reporting to Pension Fund Committee

A report will be presented to the Pension Fund Committee on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those not reported, with the associated dates.
- in relation to each breach, details of what action was taken and the result of any action (where not confidential)
- any future actions for the prevention of the breach in question being repeated

- new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings).

An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

Review

This Reporting Breaches was approved at the Teesside Pension Fund & Investment Panel (later renamed as the Teesside Pension Fund Committee) meeting on 28th June 2017. It will be kept under review and updated as considered appropriate by the Head of Pensions Governance and Investments. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

Further Information

If you require further information about reporting breaches or this procedure, please contact:

Nick Orton, Head of Pensions Governance and Investments

Middlesbrough Council
PO Box 506, Civic Centre
Middlesbrough, TS1 9GA

Email: nick_orton@middlesbrough.gov.uk
Telephone: 01642 729040

Further information on the Teesside Pension Fund can be found as shown below:

Teesside Pension Fund website: www.teespen.org.uk.

Appendix A – Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach

The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- Acting, or failing to act, in deliberate contravention of the law.
- Dishonesty.
- Incomplete or inaccurate advice.
- Poor administration, i.e. failure to implement adequate administration procedures.
- Poor governance.
- Slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time

- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement

- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time
- Misappropriation of assets, resulting in scheme assets not being safeguarded
- Other breaches which result in the scheme being poorly governed, managed or administered

The reaction to the breach

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion, or
- fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Appendix B - Traffic light framework for deciding whether or not to report

Middlesbrough Council recommends those responsible for reporting to use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:

Red	Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance. These must be reported to The Pensions Regulator. Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.
Amber	Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported. Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.
Green	Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported. Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link

http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx

Appendix C – Example Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions

*New breaches since the previous meeting should be highlighted

Teesside Pension Fund

Communication Policy

Administering the Local Government Pension Scheme

December 2021

Contents

1. Introduction

Middlesbrough Council (the "administering authority") is responsible for the local administration of the Fund, which is part of the Local Government Pension Scheme ("the LGPS"). Operationally, the administration of the Fund is partly outsourced to a third-party administrator (currently XPS Administration), and partly carried out by Council staff. The third-party administrator's staff and Council staff work together to provide a seamless service to scheme employers and members, and as such effective communication between the two organisations is vitally important.

This policy sets out the Fund's intentions regarding engagement with its stakeholders and has been produced to meet the requirements of the LGPS Regulations 2013.

Our communications are accurate and accessible as expected by the Pensions Regulator. We communicate to our stakeholders in an understandable and clear way with this in mind.

2. Who we communicate with?

The Key Stakeholders for the Fund are:

- Scheme Members and their representatives
- Prospective Scheme members
- Scheme Employers
- Prospective Scheme Employers
- Pension Fund Committee and Pension Board members
- Pension Fund Staff

Other Interested Organisation:

- The Fund Actuary
- Investment Advisors and Managers
- Border to Coast Pensions Partnership Limited (the asset pooling company)
- Asset Custodian
- AVC Provider
- Fund Solicitor
- Government Departments
- Scheme Advisory Board and Advisors to the Pension Fund

3. Key Objectives

The objectives are:

- To inform stakeholders regularly around the administration and management of the Fund

- Communicate in a clear, concise manner
- Promote the Scheme as a valuable benefit and provide sufficient information to educate members to help them to make informed decisions about their benefits.
- Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders
- Regularly evaluate the effectiveness of communications and shape future communications appropriately for example through greater use of technology to provide up to date and timely information

4. Methods of Communication

Communicating to Scheme Members:

Communication	When	How
Scheme Literature	Permanently Available	Website
Telephone Helpline	Available during working hours	Telephone
Website	Permanently Available	Website
Annual benefit statements / Pension Saving Statements	Annually	Online, Paper
Outlook & At Ease	Bi-Annually	Online, Paper
Pensioner Pay Slip	Monthly	Online, Paper
Member Self Service	Permanently Available	Online
Member Pension Awareness Sessions	As Required	Via Employer, delivered by Employer Liaison Team

Communication to Scheme Employers:

Communication	When	How
Employer Bulletins	As Required	Email
Technical Updates	As Required	Email
Website	Permanently Available	Website
Employer Training	As Required	Via Employer, delivered by Employer Liaison Team

Employer Guide	Permanently	Website
Employer Annual Conference	Annually	Face to Face
Pensions Administration Strategy	Permanently Available	Website
Charging Policy	Permanently Available	Website
Admission Agreements Guide	Permanently Available	Website
Academies Guide	Permanently Available	Website

Communicating with Pension Fund Committee and Pension Board:

Communication	When	How
Committee Papers	Quarterly	Website / Email / Paper
Workshops	As Required	Face to Face
Board Reports	Quarterly	Website / Email / Paper
3rd Party Training	As Required	Face to Face

5. Monitoring and Reporting

To manage expectations and meet regulatory requirements we will evaluate the effectiveness of our communications by the methods listed below:

- Satisfaction Surveys
- Assess compliments and complaints
- Report and reviews by the Local Pension Board

In order to continually develop we plan to:

- Increase the use of Member Self Serve
- Produce and simplify the annual benefit statements
- Actively review letter content to benefit members and employers
- Continuously update the website
- Continuously update guides and policies
- Increase communication and information we provide to employers

6. Overview of Communications

The below are the other key documents available on our website relating to the administration and governance of the fund:

- Administration Strategy
- Charging Policy
- Employers Guide
- Annual Report and accounts
- Investment Strategy Statement
- Funding Strategy Statement
- Internal Dispute Resolution Procedure

7. Further Information

Any enquiries in relation to the day to day communications with scheme members and employers of the Fund should be sent to:

Graeme Hall
XPS Administration
PO Box 340
Middlesbrough
TS1 2XP

E-Mail: pensionsunit@xpsgroup.com
Telephone: 01642 030693

Any other enquiries in relation the Fund's communications or the principles or content of this Policy should be sent to:

Nick Orton,
Middlesbrough Council,
Head of Pensions, Governance and Investments,
Civic Centre,
Middlesbrough,
TS1 9GA

E-mail: Nick_Orton@middlesbrough.gov.uk
Telephone: 01642 729040

Teesside Pension Fund

Pensions Administration Strategy

Administering the Local Government Pension Scheme

December 2021

Contents

1. Purpose and Intent of Strategy

The LGPS is a statutory scheme, established by an Act of Parliament. The Local Government Pension Scheme Regulations 2013 provide the conditions and regulatory guidance surrounding the production and implementation of Administration Strategies.

Whilst this document is a statement of strategy prepared in line with the requirements of the Local Government Pension Scheme Regulations it is not intended to be a prescriptive document other than to outline legislative requirements.

In delivering this Administration Strategy, the Administering Authority has a number of specific objectives, as follows;

- Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund
- Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- Maintain accurate records and ensure data is protected and has authorised use only.

To achieve these objectives we rely on the good will of all stakeholders; be they employer, administrator, scheme member or professional adviser.

This Strategy outlines how the Administering Authority will achieve these objectives, including the level of service the Administering Authority aims to provide to scheme members and employers, as well as the role employers will need to play in providing that quality of service.

It is recognised that the aims and objectives in this Strategy are ambitious in some cases, and meeting these is dependent on the implementation of some changes in the existing ways of working.

Whilst we can, if required, resort to financial penalties, we will only do so as a final measure. From our point of view, as the administering authority, it is critically important that our focus is on building and maintaining strong relationships with the employers of the Fund.

2. Review of the Strategy

Middlesbrough Council (the "Administering Authority") is responsible for the local administration of the Fund, which is part of the Local Government Pension Scheme (“the LGPS”). Operationally, the administration of the Fund is partly outsourced to a third party administrator (XPS Administration), and partly carried out by Council staff. The third party administrator's staff and Council staff work together to provide a seamless service to scheme employers and members. It is for that reason that references to Administering Authority in this document are not separated out between the Council and administrator.

The administering authority will review this policy statement annually and make revisions as are considered appropriate.

In subsequent reviews or when making revisions to this policy, the administering authority will consult with its employing authorities. Subsequent revisions will be published, and copies made available to each employing authority and to the Secretary of State.

This Pension Administration Strategy does not supersede any contractual arrangements between the Administering Authority and the administrators or between the Administering Authority and the employers. However, is it intended to complement such arrangements and provide greater clarity in relation to each party's role and responsibilities.

This Strategy applies to all existing employers in the Fund, and all new employers joining the Fund. The Statement sets out the expected levels of administration performance of both the Administering Authority and the employers within the Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

3. Levels of Performance

Overriding legislation, including The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended), dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. Further, the LGPS itself sets out a number of requirements for the Administering Authority or employers to provide information to each other, to scheme members and to prospective scheme members, dependants, other pension arrangements or other regulatory bodies. In addition to the legal requirements, local performance standards have been agreed which cover all aspects of the administration of the Fund. In many cases these go beyond the overriding legislative requirements.

We will keep these levels of performance under review to reflect changing expectations and legislation and all locally agreed performance standards will be monitored on an ongoing basis by the administering authority.

The Fund will be introducing a Charging Policy from April 2022 to be used where necessary during the financial year 2022/23.

4. Responsibilities and Duties of Employers

The following are responsibilities of the Employer:

- To decide any rights or liabilities of any person under the LGPS (for example, what rate of contributions a person pays and whether or not a person is entitled to any benefit under the scheme) as soon as is reasonably practicable*
- To formally notify that person of the decision in relation to their rights or liabilities in writing as soon as is reasonably practicable (including a decision where a person is not entitled to a benefit and why not), including information about their internal dispute resolution procedure
- To inform the Administering Authority of all such decisions made
- To provide the Administering Authority with such information it requires so it can carry out its functions including, within three months of the end of each Scheme year**, the following information in relation to any person who has been an active member of the scheme in the previous year:
    - i. name and gender
    - ii. date of birth and national insurance number
    - iii. a unique reference number relating to each employment in which the employee has been an active member
    - iv. in respect of each individual employment during that year:
    - v. the dates during which they were a member of the scheme
    - vi. the normal pensionable pay received and employee contributions paid
    - vii. the pensionable pay received and employee contributions paid whilst there was any temporary reduction in contributions
    - viii. the normal employer contributions paid
    - ix. any additional employee or employer contributions paid
    - x. any Additional Voluntary Contributions paid by the employee or employer
- To appoint a person to consider complaints under stage 1 of the internal dispute resolution procedure relating to employer decisions (or a lack of a decision)***

*And at the latest within 1 month of the need for a decision

**Note that, in practice, the Administering Authority will require this information by a specific date as outlined in the Service Level Agreement in order to meet statutory deadlines on benefit statements. This will be less than the three month basis mentioned above

***Note that, in practice, employers in the Teesside Pension Fund may not use the same person to consider stage 1 IDRP complaints as used by the Administering Authority

5. Responsibilities of the Teesside Pension Fund

- To decide the amount of benefits that should be paid, including whether the person is entitled to have any previous service counting towards this for LGPS purposes, as soon as is reasonably practicable
- To formally notify that person of the decision in relation to the amount of their benefits in writing as soon as is reasonably practicable, including a statement showing how they are calculated and information about their internal dispute resolution procedure
- To appoint a person to consider complaints under stage 1 of the internal dispute resolution procedure relating to Administering Authority decisions (or a lack of a decision)
- To appoint a person to consider complaints under stage 2 of the internal dispute resolution procedure (which covers both employer and Administering Authority decisions or lack of decisions)
- To provide on request any information to an employer about a complaint under the internal dispute resolution procedure that may be required by an employer
- Regulation 59(1) enables an LGPS Administering Authority to prepare a written statement ("the pension administration strategy") to assist in delivering a high-quality administration service to its scheme members and other interested parties, by setting out local standards which often go beyond the minimum requirements set out in overriding legislation as outlined above, and which the Administering Authority and employers should comply with. The statement can contain such of the matters mentioned below as they consider appropriate:-
- Procedures for liaison and communication with the relevant employers in their Fund.
- The establishment of levels of performance which the Administering Authority and the employers are expected to achieve in carrying out their functions under the LGPS by-
    i. the setting of performance targets;
    ii. the making of agreements about levels of performance and associated matters; or
    iii. such other means as the Administering Authority consider appropriate;
- Procedures which aim to secure that the Administering Authority and the employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance.
- Procedures for improving the communication by the Administering Authority and the employers to each other of information relating to those functions.
- The circumstances in which the Administering Authority may consider giving written notice to an employer on account of that employer's unsatisfactory performance in carrying out its functions under the LGPS Regulations when measured against the desired levels of performance.

- The publication by the Administering Authority of annual reports dealing with—
    i. the extent to which the Administering Authority and the employers have achieved the desired levels of performance, and
    ii. such other matters arising from its pension administration strategy as it considers appropriate
- Such other matters as appear to the Administering Authority to be suitable for inclusion in that strategy.

Regulation 59(2)e allows an Administering Authority to recover additional costs from an employer where they are directly related to the poor performance of that employer. Where this situation arises the Administering Authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

In addition, regulation 59(6) also requires that, where a pension administration strategy is produced, a copy is issued to each of their relevant employers as well as to the Secretary of State. It is a requirement that, in preparing or revising any pension administration strategy, that the Administering Authority must consult its relevant employers and such other persons as it considers appropriate.

Both the Administering Authority and employers must have regard to the current version of the pension administration strategy when carrying out their functions under the LGPS Regulations.

6. Contribution Rates and Administration Costs

The members' contribution rates are fixed within bands by the regulations. The Fund will notify employers of these rates each year.

Employers' contribution rates are determined by a triennial valuation process.

Employers are required to pay contributions to secure the solvency of their part of the Fund and meet their liabilities over an agreed term.

The Fund is valued every three years by the Fund actuary. The actuary balances the assets and liabilities in respect of each employer and assesses the contribution rate and, where applicable, the deficit amount for each employer.

Employer contribution rates and, where applicable, the deficit amounts apply for three years. If the Fund undertakes work specifically on behalf of an employer, the employer will be charged directly for the cost of that work as detailed in the Fund Charging Policy.

7. Liaison and Communications

The delivery of a high quality, cost effective administration service is not the responsibility of just the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure scheme members, and other interested parties, receive the appropriate level of service and ensure that statutory requirements are met.

Employing authorities must nominate a pension liaison officer to deal with certain enquiries from the administering authority. Key responsibilities of a Pensions Liaison Officer are:

- to act as a conduit for communications to appropriate staff within the employer – e.g. Human Resources, Payroll teams, Directors of Finance;
- to ensure that standards and levels of service are maintained;
- to ensure that details of all nominated representatives and authorised signatures are correct, and to notify the administration unit of any changes immediately;
- to arrange distribution of communications literature such as scheme guides, packs, newsletters and promotional material as and when required;
- to inform the administration unit of any alternative service arrangements required to ensure equitable member access, addressing the diverse needs of the membership;
- to assure data quality and ensure the timely submission of data to the Fund; and
- to assist and liaise with the Fund on promotional activities that aim to increase, where appropriate, the Scheme membership and knowledge in the overall benefits of the Scheme.

The administering authority will maintain a schedule of all employing authority contact officers and ensure that all pension administration staff utilise the contact details provided by the employer.

The administering authority will maintain a Pension Fund website with a dedicated employers' area. This will include:

- General guidance and information on procedures for administering the Local Government Pension Scheme;
- Employer bulletins used to communicate current issues pertaining to the Scheme;
- Copies of all standard forms to be used by employers when providing information to the pensions unit;
- Copies of all publications issued by the Pension Fund including newsletters, scheme guides and factsheets and details of legislative changes

The administering authority will comply with the Communication Strategy Statement in its dealings with stakeholders of the Fund.

8. Further Information

Any enquiries in relation to the day to day communications with scheme members and employers of the Fund should be sent to:

Graeme Hall
XPS Administration
PO Box 340
Middlesbrough
TS1 2XP

E-Mail: pensionsunit@xpsgroup.com
Telephone: 01642 030693

Any other enquiries in relation the Fund's communications or the principles or content of this Strategy should be sent to:

Nick Orton,
Middlesbrough Council,
Head of Pensions, Governance and Investments,
Civic Centre,
Middlesbrough,
TS1 9GA

E-mail: Nick_Orton@middlesbrough.gov.uk
Telephone: 01642 729040

Teesside Pension Fund

Charging Policy

Administering the Local Government Pension Scheme

December 2021

Contents

9. Introduction

The Administering Authority will work closely with all employers to assist them in understanding all statutory requirements, whether they are specifically referenced in the Local Government Pension Scheme (LGPS) Regulations, in overriding legislation, or in this Administration Strategy however the LGPS regulations provide the pension Fund with the ability to recover costs from an employer.

This policy details the Teesside Pension Fund's ability to charge employers where necessary and should be read alongside the Pensions Administration Strategy.

10. Approach to Managing Employer Performance

The Fund and the employers will ensure that all functions and tasks are carried out to agreed standards.

The Fund will monitor performance against the Administration Strategy and will liaise with employers if any concerns arise.

Where the Administering Authority wishes to recover any additional costs it will give written notice stating:-

- The reasons in their opinion that the employer's level of performance contributed to the additional cost
- The amount the Administering Authority has determined the employer should pay
- The basis on which this amount was calculated, and
- The provisions of the Pensions Administration Strategy relevant to the decision to give notice.

Employers must make both Employee and Employer contributions to the Fund each month. All monies due must be cleared in the Fund's bank account by the 19th of each month (or the last working day before where the 19th is not a working day) following the month the contributions relate to.

Where continuous issues occur and no improvement is demonstrated by the employer further action will be taken as detailed in this policy.

11. Charging Policy

The Fund has the ability to charge where necessary for the chasing of outstanding information if poor performance occurs on a regular basis and is detailed in the steps below:

- Original request (no charge)
- Initial chaser will be issued 10 working days after the original request if no response is received and this can activate the first charge.
- Two further chasers will be issued 10 working days apart and a charge can incur for each.
- If no response is received within 10 working days in regards to the three chasers the case will; then be escalated to the Employer Liaison Team who will contact to discuss an improvement plan.

Employers will receive a contribution spreadsheet at the start of each financial year which sets out the payment and accompanying information due. The Fund will chase any late payments and/or documentation, one month after the due date the first charge will be activated and each subsequent month where payment or information is still outstanding the charges will be applied as per the grid in section 4 below.

The Employer Liaison Team will monitor the frequency of charges and where significant volumes occur the team will contact the employer and offer support and guidance.

The Employer Liaison Team will work with the employer to find the cause and agree the following:

- Training Requirements
- Measurable improvement plan
- Timescales
- Regular contact with Employer Liaison Team to provide updates against the improvement plan

If performance does not improve and it affects the Fund's ability to perform its statutory functions, the Fund can report the employer to the Pensions Regulator.

It is the intention to have this policy in place to use if needed in the financial year 2022/23.

12. Charging Grid

Item	Charge
Monthly contributions Charge for late payment Charge for late submission of supporting documentation	*The following charges will apply for each full month the file is delayed beyond it's due date *£100 per file plus a daily interest surcharge for the period the payment is outstanding of 1% above the bank base rate *£100 per file
Accounting IAS19/FRS102 valuations	Professional fees recharged where late information is provided by the employer. Cost will be notified prior to work starting
Actuarial & legal advice Actuarial & legal advice for admission bodies and academy conversions, exit valuations, bonds and mergers	Professional fees recharged. Cost will be notified prior to work starting
Year End Failure to submit year end file by 30 April (charged by the number of pensionable members) 1 - 99 100 - 999 1,000 - 1,999 2,000 - 4,999 5,000 - 9,999 10,000 + Missing Starter and Leaver information	*The following charges can apply for each full month the file is delayed beyond 30 April *£50.00 per file *£100.00 per file *£200.00 per file *£300.00 per file *£400.00 per file *£500.00 per file **£5.00 per record
Data Post information: chase for missing or incorrect information where one request has already been made e.g. hours, service etc.	£5.00 per record, per chase
Starter information Chase for missing information where one request has already been made	£5.00 per record, per chase

Item	Charge
Employer estimate Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase
Notification of Retirement Chase for missing form where one request has already been made	£5.00 per record, per chase
Death in service Chase for missing leaver form where one request has already been made	£10.00 per record, per chase
Leaver form Chase for missing form where one request has already been made	£10.00 per record, per chase
Employer Authorisation (ill health and redundancy/efficiency) Request for missing employer authorisation	£10.00 per record, per chase

i-Connect Charges (Note: i-Connect is the software that XPS is planning to introduce to employers during 2022/23 which will allow monthly provision of the pension information that is currently typically provided at the financial year-end)

i-Connect Failure to use i-Connect to submit monthly data (charged by the number of pensionable members held on the Fund's database)	£5.00 per record charged at year end
Failure to submit monthly data by the agreed deadline. A charge will apply for each full month the file is delayed beyond its due date **Number of pensionable members**	
1 – 99	£50.00 per file
100 - 999	£100.00 per file
1,000 - 1,999	£200.00 per file
2,000 - 4,999	£300.00 per file
5,000 - 9,999	£400.00 per file
10,000 +	£500.00 per file

This page is intentionally left blank

Teesside Pension Fund Officers' Scheme of Delegations

Delegation of Functions to Officers by Pension Fund Committee December 2021

Key:
PFC – Pension Fund Committee
CFO – Chief Finance Officer (Section 151 Officer and Deputy Section 151 Officer)
HPGI – Head of Pensions Governance and Investments
FA – Fund Actuary
IA – Investment Advisors

Function delegated to PFC	**Further Delegation to Officer(s)**	**Delegated Officer(s)**	**Communication and Monitoring of Use of Delegation**
Investment strategy - approving the Fund's Investment Strategy Statement and Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.	Authority to vary asset allocation beyond the short term asset allocation as currently in place (generally agreed at the each PFC).	CFO or HPGI, in consultation with IAs.	Detailed monitoring at PFC
	Implementing investment deals within specified limits (in accordance with the Fund's Investment Strategy Statement and the agreed short term asset allocation range).	See appendix 1	Detailed monitoring at PFC
In relation to Borders to Coast Pooling Collaboration arrangements: • Appointing Middlesbrough Council's officers to the Officer Operations Group.	The appointed members of the Officer Working Group	HPGI	Detailed monitoring at PFC

Function delegated to PFC	**Further Delegation to Officer(s)**	**Delegated Officer(s)**	**Communication and Monitoring of Use of Delegation**
In relation to Borders to Coast Pooling Collaboration arrangements: • Undertake the role of Authority in relation to the Inter Authority Agreement.	All matters included in the Inter Authority Agreement as being responsibilities of officers	HPGI	Detailed monitoring at PFC
Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, independent professional advisers and AVC provider.	Ongoing monitoring and suspension of Fund Managers (note formal termination remains a PFC responsibility)	CFO or HPGI, in consultation with IAs as appropriate	Detailed monitoring at PFC

Agreeing the terms and payment of bulk transfers into and out of the Fund.	Agreeing the terms and payment of bulk transfers into and out of the Fund where there is a bulk transfer of staff from the Fund. Exceptions to this would be where:
	• there is a dispute over the transfer amount or
	• it relates to a significant transfer relating to:
	  ○ one employer (equivalent to over 15% of its liabilities) or
	  ○ the Fund as a whole up (equivalent to over 2% of the Fund's liabilities).
		CFO or HPGI	Ongoing reporting to PFC for noting

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.	Making decisions relating to employers joining and leaving the Fund and compliance with the Regulations and policies relating to employers with liabilities up to a level of 2% of the total Fund's liabilities. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.	CFO or HPGI.	Ongoing reporting to PFC for noting
Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.	Agreeing the Administering Authority responses to significant matters where the consultation timescale does not provide sufficient time for a draft response to be approved by PFC.	HPGI or CFO, subject to agreement with Chairman and Deputy Chairman (or either, if only one available in timescale)	PFC advised of consultation via e-mail (if not already raised previously at PFC) to provide opportunity for other views to be fed in. Copy of consultation response provided at following PFC for noting.
	Agreeing the Administering Authority responses where the consultation is not significant e.g. a small number of operational matters.	HPGI or CFO	Ongoing reporting to PFC for noting

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund’s knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.	Implementation of the requirements of the CIPFA Code of Practice	HPGI or CFO	Regular reports provided to PFC and included in Annual Report and Accounts.
Determining the Pension Fund’s aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund	Making minor changes to existing strategies, statutory compliance statements, policies and procedures. These will still be required to be considered by the PFC in line with the period stated in that document.	HPGI or CFO	Ongoing reporting to PFC for noting
The Committee may delegate a limited range of its functions to one or more officers of the Authority. The Pension Fund Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pension Fund Committee.	Other urgent matters as they arise	HPGI or CFO, subject to agreement with Chairman and Deputy Chairman (or either, if only one is available in timescale)	PFC advised of need for delegation via e-mail as soon as the delegation is necessary. Result of delegation to be reported for noting to following PFC.
	Other non-urgent matters as they arise	Decided on a case by case basis	As agreed at PFC and subject to monitoring agreed at that time.

Appendix 1

Limitations on Implementing Investment Deals

i) The Pensions Investment team typically have responsibility for allocated investment asset classes. These are determined, from time to time, by the Deputy Head of Pensions – Investments.

ii) Dealing limits take two forms. A stock limit is the total value of purchases or sales (or commitments) in a stock on any one day. A floor limit is the total value of all transactions (or commitments) in any one day. These limits are (£ millions):

	Stock Limit				Floor Limit
	Equities	**Bonds**	**Property**	**Pooled Funds**	**Total**
Level 1					
Head of Pensions Governance and Investments	40	40	30	50	50
Deputy Head of Investments - Pensions	20	20	30	25	50
Level 2					
Pensions Officer – Investments	10	15	20	20	30
Trainee Investment Manager	2	N/A	N/A	5	10

Individual managers cannot exceed their limits without the prior approval of the Head of Pensions Governance and Investments or the Deputy Head of Pensions – Investments, who can approve transactions up to their own limits. Any transactions above those limits can only be approved by the Section 151 Officer or the Deputy Section 151 Officer.
All limits both stock limits and floor limits, can only be varied, in writing, by the Section 151 Officer or Deputy Section 151 Officer with any such variation reported to the Pension Fund Committee.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 13

PENSION COMMITTEE REPORT

15 DECEMBER 2021

DIRECTOR OF FINANCE – IAN WRIGHT

XPS ADMINISTRATION REPORT

1. PURPOSE OF THE REPORT

1.1 To provide an overview of administration services provided to the Teesside Pension Fund by XPS Administration.

2. RECOMMENDATIONS

2.1 That Members note the contents of the paper.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications for the Fund.

4. BACKGROUND

4.1 To enable the Committee to gain an understanding of the work undertaken by XPS Administration and whether they are meeting the requirements of the contract. The report is contained within Appendix A.

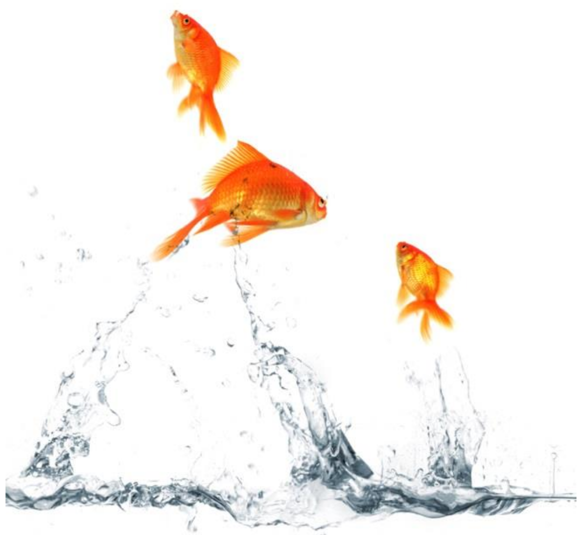
4.2 The report will also cover progress on recruitment to the posts discussed at previous meetings relating to the improvement to services.

CONTACT OFFICER: Graeme Hall (Operations Manager)

TEL. NO.: (01642) 030643

This page is intentionally left blank

Appendix A



Teesside Pension Fund

Service Delivery Report

2020/21

Teesside Pensions Fund

Headlines

High Court judgement on exit credits

On 27 May 2021, the High Court handed down judgement in the case of EMS & Amey v Secretary of State for MHCLG. The case relates to the non-payment of a £6.5 million exit credit. The Court found in favour of MHCLG and upheld the retrospective effect of the LGPS (Amendment) Regulations 2020.

The judgement also clarified that excluding the possibility of paying an exit credit because a pass-through arrangement is in place is an incorrect application of the regulations. Please check the wording in funding strategy documents to ensure it complies with this.

The full judgement can be found online on bailii.org

Response to consultation on new codes of practice

On 4 June 2021, the Board's secretariat, in consultation with the Investment, Governance and Engagement committee, responded to TPR's consultation on a new code of practice on behalf of the Scheme Advisory Board (SAB).

The response can be accessed on the responses to consultations page of SAB's website.

LGPS mortality data

On 15 June 2021, the SAB in England and Wales updated its LGPS mortality data to the end of March 2021. On the same day, the SAB published updated records from Aon and Barnett Waddingham which sets out analysis of the mortality data of a single LGPS fund during the pandemic.

The data and the reports can be seen on the SAB COVID-19 Mortality page.

Treasury launches consultation on cost control mechanism

On 24 June 2021, HM Treasury launched a consultation on proposed changes to the cost control mechanism alongside a written ministerial statement. It sets out the Treasury's response to GAD's findings in a recent review of the mechanism and proposes several changes. The consultation closed on 19 August 2021, but it can be seen on the non-scheme consultations page of the www.lgpsregs.org.

Treasury launches consultation on the SCAPE discount rate methodology

On 24 June 2021, HM Treasury launched a consultation on the methodology the Government uses to set the SCAPE discount rate alongside a written ministerial statement.

The consultation seeks views on the objectives for the SCAPE discount rate and the most appropriate methodology for setting it.

The consultation closed on 19 August 2021, but it can be seen on the non-scheme consultations page of the www.lgpsregs.org.

Actuarial guidance

LGA have published a revised log of outstanding queries relating to actuarial guidance. The old log, which includes resolved queries that have been resolved, will be available for a limited period. Both logs can be found on the Actuarial guidance page of www.lgpsregs.org.

MHCLG consultation on special severance payments

The MHCLG has published draft statutory guidance and a covering letter covering special severance payments for local authorities in England. It can be found on the Scheme consultations page of www.lgpsregs.org as well as the LGA's initial comments on the proposals.

MHCLG publishes data on local authority exit payments

On 20 July 2021, MHCLG published 'Local Authority Exit Payments (First Estimates)', covering payments made by English authorities in 2019/20 and 2020/21. It can be found on the gov.uk website.

Consultation response, policy paper and draft legislation on increasing NMPA published

On 20 July 2021, HM Treasury published their response to the consultation on implementing the increase to the normal minimum pension age from 55 to 57 (NMPA). On the same day, HMRC published a policy paper and draft legislation which will be part of the next Finance Bill and will amend the Finance Act 2004. For more information on this see bulletin 209 and 206 which can be found on LGPSregs.org.

Stronger nudge to pensions guidance consultation

On 9 July 2021, DWP launched a consultation on draft regulations that will require occupational pension schemes to nudge members into seeking independent advice when they come to request access to or a transfer for the purposes of accessing their pension benefits. It appears the draft regulations will apply to LGPS members with AVCs.

Stronger nudge to pensions guidance consultation

On 9 July 2021, DWP launched a consultation on draft regulations that will require occupational pension schemes to nudge members into seeking independent advice when they come to request access to or a transfer for the purposes of accessing their pension benefits. It appears the draft regulations will apply to LGPS members with AVCs.

Scheme return

TPR is sending out scheme return notices to manager of public service pension schemes in September. They are encouraging scheme managers to double check their details by logging into the Exchange before submitting their return. Failing to submit the return by the deadline could result in a fine.

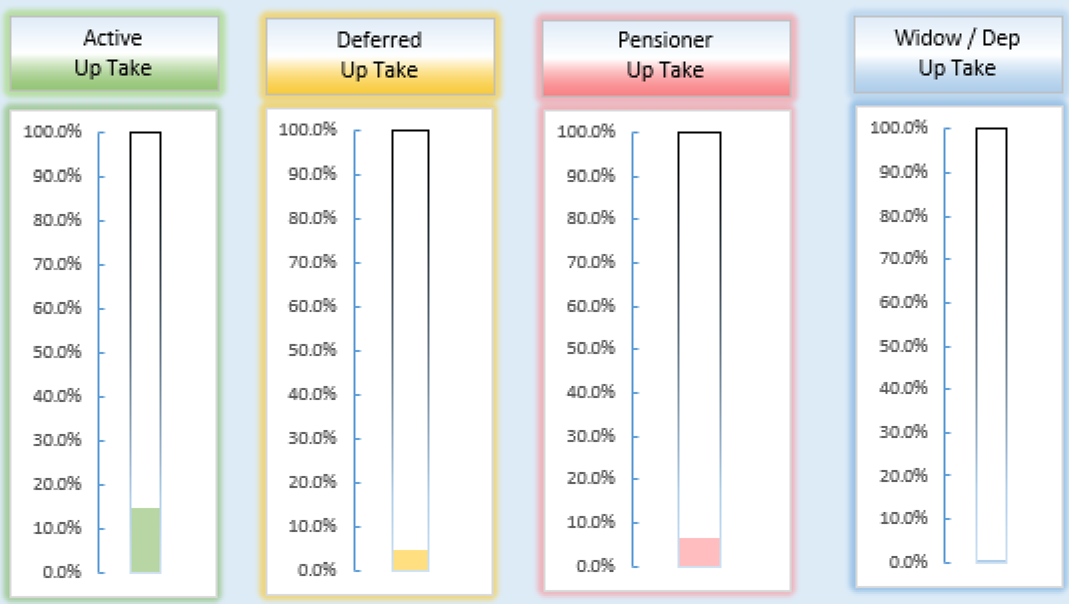
Membership Movement

	Actives		Deferred		Pensioner		Widow/Dependent	
Q2 2021/22	24,403	▲	26,002	▲	22,348	▲	3,232	▲
Q1 2021/22	24,403	▲	26,002	▲	22,348	▲	3,232	▲
Q4 2020/21	23,332	▲	25,703	▼	22,100	▲	3,191	▲
Q3 2020/21	23,199	▲	25,713	▼	21,971	▲	3,182	▲
Q2 2020/21	23,018	▼	25,936	▼	21,763	▲	3,134	▲
Q1 2020/21	23,243	▲	25,958	▲	21,538	▲	3,101	▼

Member Self Service

Below is an overview on the activity and registration of the Member Self Service System:

Quarter 1	REGISTERED	ACCOUNT DISABLED	ACTIVATION LINK SENT	NOT REGISTERED	TOTAL	Percentage Uptake
Actives	3,000	45	491	20,751	**20,751**	**14.7%**
Deferred	981	15	182	21,998	**21,998**	**4.5%**
Pensioner	1,375	39	138	20,843	**20,843**	**6.8%**
Widow/Dep	20	0	2	3,188	**3,188**	**0.6%**
Total	**5,376**	**99**	**813**	**66,780**	**66,780**	**8.2%**



		ACTIVITY			REGISTERED		REGISTERED	
QUARTER 2	Actives	23%	727	▼ 242	3,219	▲ 219	20,397	▼ 354
	Deferred	20%	216	▼ 42	1,091	▲ 110	21,887	▼ 111
	Pensioner	7%	111	▼ 131	1,509	▲ 134	20,956	▲ 113
	Widow/Dep	14%	3	▼ 3	21	▲ 1	3,217	▲ 29
	Total		**1,057**	▼ 418	**5,840**	▲ 464	**66,457**	▼ 323
		ACTIVITY			REGISTERED		REGISTERED	
QUARTER 1	Actives	32%	969		3,000		20,751	
	Deferred	26%	258		981		21,998	
	Pensioner	18%	242		1,375		20,843	
	Widow/Dep	30%	6		20		3,188	
	Total		**1,475**		**5,376**		**66,780**	

Additional Work

Guaranteed Minimum Pension reconciliation exercise

Work continues on this project, with expectation being Stage 0 will be complete by end of Q4 2021/22. We will then move on to Rectification Stage 1 which will highlight those cases that need recalculating.

Complaints

Type of complaint	Date received	Date responded

Internal Dispute Resolution Process

For the period from 1st April to 31st October 2021 there are two known IDRP cases:

- Relates to Scheme Employer quoting redundancy as reason for leaving then stating this was in error once costs were requested – member had been overpaid benefits.
- Member had not received inflationary increases. This has been remedied with arrears plus interest paid.

Pensions Ombudsman

For the period from 1st April to 31st October 2021 there are no known cases passed for consideration to, nor a ruling by, the Pensions Ombudsman. We are expecting a ruling shortly on an ongoing case which relates to the backdating of ill health benefits.

High Court Ruling

For the 3 months to 30th September 2021 there are no known cases.

Common Data

Data Item	Teesside Pension Fund		
	Max Population	Total Fails	% OK
NINo	77,369	168	99.78%
Surname	77,369	0	100.00%
Forename / Inits	77,369	0	100.00%
Sex	77,369	0	100.00%
Title	77,369	88	99.89%
DoB Present	77,369	0	100.00%
Dob Consistent	77,369	0	100.00%
DJS	77,369	0	100.00%
Status	77,369	0	100.00%
Last Status Event	77,369	687	99.11%
Status Date	77,369	1,663	97.85%
No Address	77,369	439	99.43%
No Postcode	77,369	578	99.25%
Address (All)	77,369	4,815	93.78%
Postcode (All)	77,369	4,842	93.74%
Common Data Score	**77,369**	**3,187**	**95.88%**
Members with Multiple Fails	**77,369**	**419**	**99.46%**

Conditional Data

XPS Administration, Middlesbrough are working on a method to report Conditional Data. Discussions are ongoing with Aquila Heywood on a cost for this reporting function along with investigation on whether this can be achieved internally. This follows the issuance by SAB of 22 data fields that should be reported on.

An overview of the Conditional (Scheme Specific) Data for the Teesside Pension Fund:

Scheme	Member Total	Errors from tests carried out	%age accuracy based on tests carried out
TPF (inc GMP)	68,296	9,151	86.60
TPF (exc GMP)	68,296	1,197	98.25

These scores come from the following tests. Only those tests shown in yellow have been reported on; the other reports will be developed and added to results in future reports.

Report	Report Description	Test 1	Test 2	Test 3	Member Totals	Errors	%
1.1.1	Divorce Details						
1.1.2	Transfers in	Date the transfer in was received is present on record	Ensure the transfer value on record isn't blank	N/A	45,183	65	99.86
1.1.3	Additional Voluntary Contribution (AVC) Details and other additional benefits						
1.1.4	Total Original Deferred Benefit						
1.1.5	Tranches of Original Deferred Benefit						
1.1.6	Total Gross Pension						
1.1.7	Tranches of Pension						
1.1.8	Total Gross Dependant Pension						
1.1.9	Tranches of Dependant Pension						
1.2.1	Date of Leaving	Date of Leaving Blank	Date joined blank or <01/01/1900	Date joined later than Date of Leaving	4,164	43	98.97
1.2.2	Date Joined scheme	Check all Key Dates are present and later than 01/01/1900	N/A	N/A	68,296	11	99.98
1.2.3	Employer Details	Employer Code present	N/A	N/A			

1.2.4	Salary	Pay not within 12 months	N/A	N/A	46,338	1,078	97.67
1.3.1	CARE Data	CARE Missing on relevant records	N/A	N/A			
1.3.2	CARE Revaluation						
1.4.1	Benefit Crystallisation Event (BCE) 2 and 6						
1.4.2	Lifetime allowance						
1.4.3	Annual allowance						
1.5.1	Date Contracted Out	Date Contracted Out missing					
1.5.1	NI contributions and earnings history						
1.5.2	Pre-88 GMP				24,400	7,954	67.40
1.5.3	Post-88 GMP						

Customer Service

Since December 2016, XPS Administration, Middlesbrough have included a customer satisfaction survey with the retirement options documentation.

A summary of the main points are as follows:

Issued	Returned	%
16,162	3,066	18.97

Question	Previous Response*	Current Response*
1. It was easy to see what benefits were available to me	4.26	4.27
2. The information provided was clear and easy to understand	4.19	4.19
3. Overall, the Pensions Unit provides a good service	4.29	4.29
4. The retirement process is straight forward	4.03	4.04
5. My query was answered promptly	4.45	4.45
6. The response I received was easy to understand	4.43	4.44
7. Do you feel you know enough about your employers retirement process	76.46%	76.68%
8. Please provide any reasons for your scores (from 18/05/17)		
9. What one thing could improve our service		
10. Did you know about the www.teespen.org.uk website? (from 18/05/17)	47.27%	47.75%
11. Did you use the website to research the retirement process? (from 18/05/17)	27.24%	27.59%
12. Have you heard of Member Self Service (MSS)? (from 18/05/17)	23.75%	23.80%

*scoring is out 5, with 5 being strongly agree and 1 being strongly disagree

Service Development

Following the agreement of the Pensions Committee to fund enhancements to the Pensions Administration Services at their meeting of 7th March 2018, XPS Administration, Middlesbrough has looked to recruit into the roles required to provide this enhanced service.

Additional funds were only drawn down when roles were filled to undertake the additional services. This has so far led to:

Initial Planning

To help with the creation of the teams that will assist with the additional services two new posts were created to covering Governance & Communications plus Systems & Payroll. These were filled by Paul Mudd and Neale Watson respectively on 11th July 2018. Their roles were then to look at how XPS could then provide the agreed services to the Fund.

Employer Liaison

On 1st May 2019, the Employer Liaison team leader was appointed. Quickly followed by an assistant on 24th June 2019.

Since appointment, they have undertaken numerous tasks including Employer training, late contribution monitoring, and data cleansing. They have recently started Employer Health checks, which are now undertaken virtually due to the Covid restrictions.

The team are also working with the actuary to provide relevant and timely information.

Next steps will be to work with the Fund to determine how to undertake employer covenant and introducing the monthly contribution process across all employers.

Communications

The new website was launched to Scheme Members and Employers on the 5th May 2021 and feedback received from both cohorts has been very positive. We are conducting a full feedback review of the site and will share this with the Board.

Underpinning the website is a raft of analytical data which serves to tell us limited information about the audience. This allows us to target news and important items to pages we now know people are viewing and searching for.

Below is an infographic showing a number of measures for the month 5th May 2021 to 4th June 2021:

We can learn a lot from this data, and we will of course be trying to increase footfall to the site by strategically linking the site with participating employers.

As well as these above analytics, we are testing the website regularly to prove its structural and technical integrity. This ensures that people see exactly what we want them to see, regardless of what browser or device they use. We can test these levels and do so several times per week to ensure the web coding is robust and modern. It all helps with the overall Member and Employer experience and allows web indexation to be that much better. This promotes the website in something like a google search.

Next Steps

XPS are currently reviewing processes to enable a move to monthly contribution postings which should lead to greater efficiencies, and more up to date information on member records. It is expected that this will occur during the 2021/22 financial year. Since March 2018, the plan has changed from the recruitment of two additional members of staff to use a piece of software that will provide an auditable process that will allow employers to upload member data directly to records. This will help ensure starters, leavers and variations are provided in a timely manner and current data is held to speed up the calculation process.

The next steps will include the procurement of the additional software and the recruitment of at least one further member of staff to assist with the processing of the data.

Performance

Following discussions with both the Pension Board and Committee, XPS Administration are investigating a way to report the time between a member being entitled to a benefit and it being finalized (e.g. time between date of leaving and deferred benefit statement being issued or pension being brought into payment).

XPS Administration are therefore investigating whether sufficient reporting tools already exist within the pension administration system or whether bespoke reports are required to be developed (either internally or via the administration software providers).

The Pension Committee will be kept updated on the progress to provide this information.

Employer Liaison

Employers & Members

Employer Health Checks have continued as well as some face-to-face employer training which has been extremely well received and a lovely easing back into a normal way of life. I have also established a relationship with all Local Authorities Financial Wellbeing officers in which we are making ourselves available to work with them on their events and promotions alongside our usual employer and member sessions.

Date	Late Payments	Expected Payments	% Late	<10 Days Late	>10 Days Late
Apr-20	4	151	3.00%	0	4
May-20	3	151	2.00%	0	3
Jun-20	2	151	1.00%	1	1
Jul-20	6	150	4.00%	6	0
Aug-20	9	150	6.00%	0	9
Sep-20	8	149	5.00%	3	5
Oct-20	3	149	2.00%	3	0
Nov-20	3	149	2.00%	3	0
Dec-20	2	149	1.00%	0	2
Jan-21	2	149	1.00%	2	0
Feb-21	4	149	3.00%	0	4
Mar-21	3	149	2.00%	1	2
Apr-21	8	148	5.00%	7	1
May-21	0	148	0.00%	0	0
Jun-21	3	149	2.00%	3	0
Jul-21	1	149	1.00%	1	0
Aug-21	4	149	3.00%	3	1
Sep-21	4	149	3.00%	1	3

Annual Benefit Statements

During the last quarter an annual event occurred with the production and issuance of Annual Benefit Statements to Active and deferred members.

Annaul Benefit Statement - Statistics	**Year:**	2021
	Number	**%**
Active member employments at year end = 31/03	24023	
Not Due ABS	462	1.92%
Due ABS	**23561**	98.08%
Due - Produced	**22025**	**93.48%**
Due - Not Produced	**1536**	**6.52%**

Not Produced - Detail	**Number**	**% of Not Produced**
Missing Care pay	1415	92.12%
Status change post ABS Run	56	3.65%
ABS run time fail		0.00%
Exclude benefit calculation indicator set	1	0.07%
Other	64	4.17%

Not Due ABS - Detail	**Number**	**% of Not Due**
Status change pre ABS RUN (1st September)	442	95.67%

XPS are reviewing those cases that did not receive an ABS and rectify, where possible, any data issues.

Pension Saving Statements

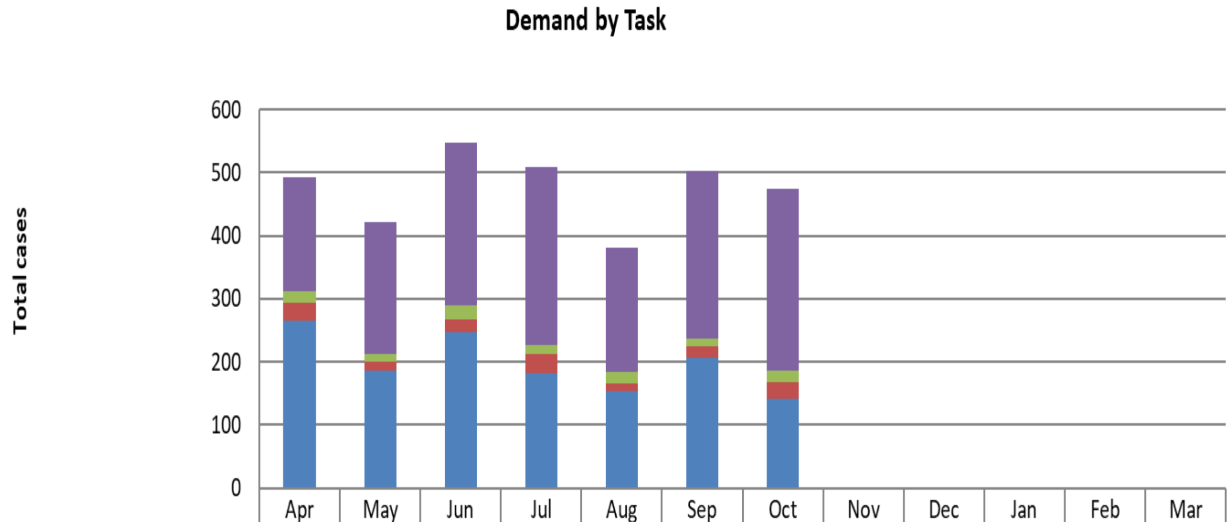
As part of the year end process, those members who either breach, or are close to breaching, the Annual Allowance limits (i.e. the maximum amount of pension growth in a financial year before tax may be applicable) are due a Pension Saving Statement informing them on the relevant figures.

Not everyone who breaches will owe tax, previous years unused allowance can be used to offset a tax charge but will still be entitled to a statement.

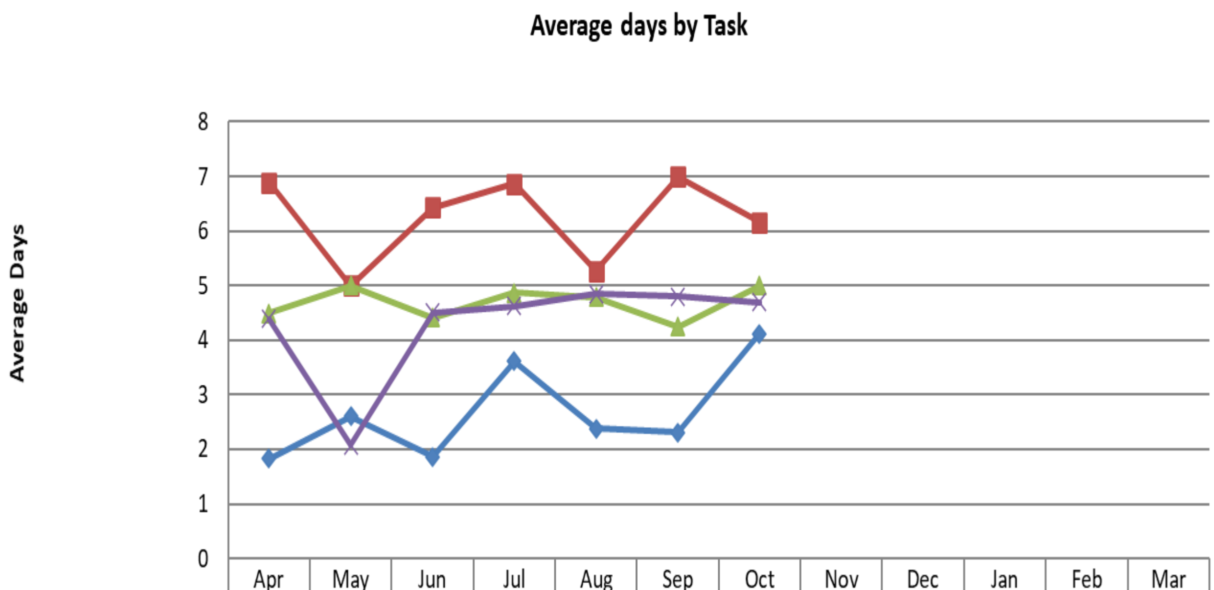
XPS produced 99 statements to members of the Teesside Pension Fund and issued them by the 6th October deadline.

Performance Charts

Overall Demand



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Estimates & Deferreds	181	208	259	283	197	265	288					
Refunds	18	12	22	15	19	12	19					
Transfer Values	28	16	21	31	11	18	25					
Processing new entrants	266	185	246	181	154	207	142					



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Processing new entrants	2	3	2	4	2	2	4					
Transfer Values	7	5	6	7	5	7	6					
Refunds	5	5	4	5	5	4	5					
Estimates	4	2	5	5	5	5	5					

The following charts show performance against individual service level requirements.

April 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.83	266	0	266	266
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	28	0	28	28
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	18	0	18	18
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	181	0	181	181
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

May 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.61	185	0	185	185
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	5	16	0	16	16
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	12	0	12	12
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	12	208	0	208	208
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

June 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.87	246	0	246	246
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6	21	0	21	21
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	22	0	22	22
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	259	0	259	259
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

July 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL	Average Case Time (days	Number of Cases	Over targ
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	99.45%	3.62	181	1
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	31	0
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	15	0
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	283	0
Estimate of benefits - Statement of benefit entitlements to be issued within ten working days of receipt of request, and the correct information being supplied.	Monthly	10	98.25%			182	0
Deferred Benefits - issue statement within ten working days of receipt of all relevant information.	Monthly	10	98.50%			101	0
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A

August 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL	Average Case Time (days	Number of Cases	Over targ
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.38	154	0
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	5	11	0
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	19	0
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	99.0%	5	197	2
Estimate of benefits - Statement of benefit entitlements to be issued within ten working days of receipt of request, and the correct information being supplied.	Monthly	10	98.25%			125	1
Deferred Benefits - issue statement within ten working days of receipt of all relevant information.	Monthly	10	98.50%			72	1
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	94%	N/A	23561	1479
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A

September 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.31	207	0
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	18	0
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	12	0
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	265	0
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A

October 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	4.12	142	0
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6	25	0
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	19	0
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	288	0
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank