TEESSIDE PENSION FUND COMMITTEE

Date: Wednesday 14th December, 2022
Time: 11.00 am
Venue: Mandela Room

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 6 December 2022

<u>MEMBERSHIP</u>

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

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

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Friday 21 October 2022.

PRESENT: Councillors D Coupe, (Chair), A Bell, R Creevy, (Hartlepool Borough Council), T Furness, S Hill, J Hobson, D McCabe, E Polano (Vice-Chair), J Rostron, and G Wilson
Ms J Flaws and Mr T Watson

ALSO IN ATTENDANCE: W Bourne (Independent Adviser), P Moon (Independent Adviser)
P Mudd (XPS Administration)
S Law (Hymans Robertson)
M Kerr (Border to Coast)
A Owen (CBRE), A Peacock (CBRE)
M Rutter (External Auditor) (Ernst Young)

OFFICERS: S Lightwing, N Orton and W Brown

APOLOGIES FOR ABSENCE: were submitted on behalf of Councillors J Beall (Stockton On Tees Borough Council) and G Nightingale (Redcar and Cleveland Borough Council)

22/20 WELCOME, INTRODUCTIONS AND EVACUATION PROCEDURE

The Chair welcomed all present to the meeting and read out the Building Evacuation Procedure.

22/21 DECLARATIONS OF INTEREST

Name of Member	Type of Interest	Item/Nature of Interest
Councillor Creevy	Non Pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non Pecuniary	Member of Teesside Pension Fund

22/22 MINUTES - TEESSIDE PENSION FUND COMMITTEE - A) 29 JUNE 2022 AND B) 27 JULY 2022

The minutes of the meeting of the Teesside Pension Fund Committee held on 29 June and 27 July 2022 were taken as read and approved as a correct record.

The Chair explained that as Members were aware, unfortunately the Teesside Pension Fund Committee meeting held on 27 July 2022 was inquorate and therefore abandoned. The Draft Annual Teesside Pension Fund Report and Accounts 2021/2022 were to be presented to the Committee for noting and a copy of the Draft Accounts were included in the agenda pack for that meeting for Members' information.

The Teesside Pension Fund Accounts were subsequently included in Middlesbrough Council's Draft Statement of Accounts 2021/2022 which were reviewed and noted by the Corporate Affairs and Audit Committee at a meeting held on 29 September 2022. The target date for the Corporate Affairs and Audit Committee's approval of the audited accounts, based on there being no significant delays or issues, was 2 March 2023.

Once EY, the external auditors, had completed their work an audit completion report including their findings would be brought to the next available meeting.

22/23 BORDER TO COAST SHAREHOLDER NON-EXECUTIVE DIRECTOR

The Head of Pensions Governance and Investments informed the Committee that Councillor Coupe had recently been appointed as a Shareholder Non-Executive Director at Border to Coast.

A dispensation had been sought and approved by Middlesbrough Council's Standards

Committee for a period of three years, at a meeting held on 17 October 2022. The dispensation allowed Councillor David to participate in any discussion of any matter concerning Border to Coast at the meetings of the Teesside Pension Fund and/or participate in any vote, or further vote, taken on the matter at the said meeting(s). Under this dispensation, Councillor Coupe should not participate in any discussion or vote where changes to the remuneration of Directors of the Company were discussed.

As it was no longer appropriate for Councillor Couple to continue in his previous role at Border to Coast, Councillor Polano had agreed to represent Teesside Pension Fund Committee on the Border to Coast Joint Committee.

NOTED

22/24 **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. It was suggested that it was timely for the Committee to give consideration as to whether to invest in index linked government bonds, bonds related to companies or high grade corporate bonds.

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 2022 were 14.9%. 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. No direct property purchases or sales were made in the period, however and additional investment of £15m was made into an existing Property Unit Trust.

Investment in Alternatives, such as infrastructure and private equity, offered the Fund diversification from equities and bonds. They came with additional risks of being illiquid, traditionally had costly management fees and investing capital could be a slow process. The Fund was 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. £31.6 million was invested in the quarter.

Appendix A to the submitted report detailed transactions for the period 1 April 2022 to 30 June 2022. There were net purchases of £131m in the period, compared to net sales of £252m in the previous reporting period.

As at 30 June 2022, the Fund had £724.5 million invested with approved counterparties. This was a decrease of £92.9 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 2022, including cash, was £4,868 million, compared with the last reported valuation as at 31 March 2022, of £5,071 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 2022 compared with the Fund's customised benchmark.

The Forward Investment Programme provided commentary on activity in the current quarter and looked ahead to the next three to five years. Details of the Strategic Asset Allocation agreed at the March 2021 Pension Fund Committee were shown at paragraph 8.2 of the submitted report.

At the end of June 2022 the Fund's equity weighting was 58.1% compared to 59.9% at the end of March 2022. There were no plans to purchase or sell equities at this time. A summary of equity returns for the quarter 1 April 2022 to 30 June 2022 was shown at paragraph 8.3 of the submitted report.

There were two property assets that the Fund was currently waiting to exchange contracts on and progress would be reported to the Committee at the next meeting.

To date the Fund had agreed three Local Investments.

The Border to Coast Series 2 Alternative Funds went live on 1 April 2022, and the Fund had agreed to commit £150 million per year for the next 3 years to the Infrastructure Fund, £100 million per year for the next 3 years to the Private Equity Fund and £80 million to the Climate Opportunities Fund.

As at 31 August 2022 total commitments to private equity, infrastructure, other alternatives and other debt were approaching £1,563 million and a breakdown of that figure was included at paragraph 8.7 of the submitted report.

ORDERED that the report was received and noted.

22/25 **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 2022 the Fund had investments in the Border to Coast UK Listed Equity, Overseas Developed Markets and Emerging Markets Equity Funds. For all three sub funds the return target was expected to be delivered over rolling 3 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. To date, total commitments of £650 million had been made to these sub-funds (£350m to infrastructure and £300m to private equity) with around 26% of this commitment invested so far. These investments were not reflected within the Border to Coast report attached at Appendix A to the submitted report but were referenced in the Border to Coast presentation at Agenda Item 8 of the meeting.

The Border to Coast report showed the market value of the portfolio as at 30 June 2022 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 Fund had achieved returns of 0.94% above benchmark over the last year, nearly meeting its 1% overachievement targets. The Overseas Developed Markets Equity Fund had achieved returns of 2.10% above benchmark over the last year, comfortably above its 1% overachievement target, albeit in a falling market. Since inception, both Funds had delivered performance roughly in line with their targets. The performance of the Emerging Markets Equity Fund had been below benchmark throughout most of the period of the Fund's investment – performance over quarter to 30 June 2022 was slightly above benchmark, but below target, with the internal team delivering better results that quarter than the external China managers due to a mixture of sector and stock selection.

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 2022.

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. As the State Street investments were passive and closely tracked the appropriate regional equity indices, the portfolio's rating in these terms closely matched the benchmark indices ratings.

The latest report showed the performance of the State Street funds against revised indices – excluding controversies (UN Global Compact violators) and excluding companies that manufactured controversial weapons. 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 covers 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: UK Listed Equity, Overseas Developed Markets Equity and Emerging Markets Equity. Amongst other information, 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.

ORDERED that the report was received and noted.

22/26 **PRESENTATION FROM BORDER TO COAST**

The Committee received a presentation from Border to Coast which included information in relation to the following:

Fixed Income:

- An introduction.
- Border to Coast's Fixed Income Fund Range.

Border to Coast Update:

- Investment Strategy Capabilities.
- Valuation and Commitments.
- Listed Equity Fund Updates.
- Alternatives Updates.

ORDERED that the information provided was received and noted.

22/27 **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.

Following the presentation from Border to Coast, W Bourne recommended that the Committee consider investing in fixed income as the products available looked reasonable. Price and timing would be key considerations. It was highlighted that the Committee should also think about the amount invested in Alternatives and whether to continue investing at the same pace or consider Bonds.

The Committee were reminded that the Fund was well funded and that short term volatility was a slight distraction. P Moon recommended that some of the Fund's cash should be invested in equities in the short term.

A query was raised in relation to Officers' delegations and whether they were sufficient to enable quick decision making if required. The Head of Pensions Governance and

Investments confirmed that the current delegations were wide-ranging and provided good flexibility but could be reviewed.

ORDERED that:
1. the information provided was received and noted.
2. a report on the current Officer delegations would be brought to a future meeting for review by the Committee.

22/28 **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.

The property market was not immune to the wider issues in the financial markets and there were fewer buyers. Pricing was reducing and there was a price correction across the market. Generally, as at June 2022, there had been a fall of about 5% across funds but only 2.5% on the Teesside Pension Fund's portfolio. This was an indication of the quality of the property held which was lower risk and lower return. On more a positive note, new acquisitions could be purchased for lower prices and CBRE would look to ensure that the Fund continued to buy quality assets.

As requested, the report included at page 5 of the submitted report was a table demonstrating the Fund's Portfolio's return compared to a reference index over the past 1, 3 and 5 years. The CBRE Property Index was provided for illustrative purposes only.

The Asset Management Update and the Arrears Update were also included in the submitted report. The rent collection across the entire portfolio in the last three quarters was 99%.

As the market became tougher for investors, those investors with debt had drifted away which presented more opportunities for long term investors such as the Teesside Pension Fund looking for sensible pricing.

Details were provided of three acquisitions: in Covent Garden, Swindon and an affluent south-east commuter town. Once completed the value of the Fund's Portfolio would be £416 million.

ORDERED that the information provided was received and noted.

22/29 **XPS PENSIONS ADMINISTRATION REPORT**

A report was presented to provide an overview of administration services provided to the Teesside Pension Fund by XPS Administration.

The report provided information on the following:

- Overview.
- Member Movement.
- Member Self Service.
- Pension Regulator Data Scores.
- Customer Service.
- Completed Cases Overview.
- Completed Cases by Month.
- Complaints.

Annual Benefits Statements had been produced for active and deferred Members during the summer. Information had been sent to the pensioner cohort regarding increased benefits from April 2022.

Take up on member self service was still low and the team continued to promote it through the employer health checks. XPS was not yet in a position to rely on the online system to be the hub for benefit statement production.

With regard to data scores, XPS was currently mapping all the data to an internal system that would test, validate and give a score on common data to ensure that it was as accurate as possible for the new Pensions Dashboard in 2024.

A new online form had been designed to enable feedback on Customer Service. Questionnaires also continued to be sent out.

There had been an increase in web traffic and the average time people spent on the platform was now 21%, although they were not necessarily new users.

Details of late payments were included in the submitted report and there had been a reduction.

The deadline for the Pensions Regulator Annual Scheme Return was 18 November 2022 and the return had been drafted.

XPS had received enquiries regarding the uplift in pensions in April 2023. HM Treasury would agree the index in April and XPS would apply whatever indices was provided. The CARE accrual and CPI uplift would apply also. Members had also enquired about the Bank of England intervention and what that might mean for them. XPS confirmed that there was no risk to Scheme Members.

ORDERED that the information provided was received and noted.

22/30 **CONSULTATION ON MANAGING AND REPORTING CLIMATE-RELATED RISKS**

A report of the Director of Finance was presented to provide Members of the Pension Fund Committee with details of an ongoing consultation exercise on managing and reporting climate-related risks in the Local Government Pension Scheme (LGPS), and to request Members to agree a consultation response.

On 1 September 2022 the Government issued a long-anticipated consultation document on managing and reporting climate-related risks in the Local Government Pension Scheme (LGPS). The proposals in the consultation were mainly aimed at Administering Authorities (AAs) of LGPS Funds and were summarised in the submitted report.

A copy of the consultation document was attached at Appendix A to the submitted report. The following points were highlighted:

- The proposed requirements were similar to those that already applied to trustees of larger private sector pension schemes – those with ‘relevant assets’ of £5 billion or more had been in scope of similar requirements since 1 October 2021 and those with assets of £1 billion or more since 1 October 2022. There was no proposed phasing in introducing these requirements to the LGPS, they would come in force from the year starting 1 April 2023 with the first report due to be published by 1 December 2024.

- The consultation made explicit reference to not wanting to encourage schemes to divest from energy companies, but instead to encourage a (more gradual) transition to cleaner energy: “The UK Energy Security Strategy was published in April 2022 and emphasises the importance of investment in energy by the private sector to improve energy security and support the transition to clean energy. The LGPS has an important role to play as a major investor with a commitment to stewardship and engagement. These proposals seek to support that approach to addressing high carbon emissions and discourage any pursuit of lower emissions through withdrawing investment from energy companies.” This pragmatic approach was unlikely to placate pressure groups.

- There was acknowledgement in the document that data quality would be an issue, and administering authorities would be required to report on their assessment of the quality of the data available to them. The methods for analysing the data were also less than perfect, and the document acknowledged this, for example stating: “We would expect AAs to aim to do the best scenario analysis that they can, and to aim to improve their scenario analysis over time”.

- The document considers the increasingly important role the LGPS pool companies would play in providing data and analysis in relation to climate risks and recommended close working between funds and pools to ensure consistency: “Pool operators are required to report on climate risks in relation to pooled assets by the Financial Conduct Authority. If AAs' strategies significantly differ it will be resource intensive for their pool to produce analysis for them. We expect to see this issue reduce in importance over time as more assets transition into the pools. AAs could also minimise this issue by aligning their strategies and targets within their pool and ensuring as shareholders that the pool's strategy also aligns with that of the partner AAs. This would enable AAs to commission their pool to conduct analyses for both pooled and non-pooled assets on a consistent basis with the pool's own reporting."

- Administering authorities would be required to take "proper" advice on the issues set out in the consultation. No clear definition was given of this, but it appeared further guidance would be provided in due course: "The scheme manager will need to appoint properly qualified advisers, fully consider their advice, and take appropriate action in order to address these risks. The committee's officers and advisers and the pool, where appropriate, will need to provide advice which is accessible for non-specialists and adequately addresses climate risks to the fund, bringing in additional expertise where needed. We propose to provide statutory guidance to assist AAs".

The consultation period would end on 24 November 2022. With the Committee's approval, the Head of Pensions Governance and Investments would provide a response to the consultation taking into account views and information from Border to Coast and the other Partner Funds, where available. Further information on the final regulations and guidance would be provided to the Committee as it became available.

ORDERED as follows:
1. that the information provided was received and noted.
2. the Head of Pension Governance and Investments, in consultation with the Chair and Vice Chair, would provide a response to the consultation by 24 November 2022.

22/31 **FUND ACTUARY - 31 MARCH 2022 VALUATION - FUNDING STRATEGY STATEMENT UPDATE**

The Funding Strategy Statement (FSS) was prepared in collaboration with the Fund Actuary and formed an integral part of the triennial valuation. The FSS also outlined how the funding strategy fitted in with the Investment Strategy.

The current FSS was last presented to the Teesside Pension Fund Committee on 23 June 2021, to reflect updates required for the administering authority to be able to exercise powers in relation to "employer flexibilities", for exiting employers and for contribution reviews between triennial valuations.

The 2022 review has focussed on adapting the FSS to the changing regulations and environment within which the Fund operated. The 2022 review also reflected the updated approach to funding, working with the new Fund Actuary - Hymans Robertson.

The evolving challenges, increasing diversity of employers, and growing complexity and regulation in the LGPS over the last few years meant that many LGPS Funds had found themselves with an FSS that had become understandably, but increasingly, long and complex. While the purpose of the FSS was to act as a compliant and robust reference document, it was acknowledged that a more streamlined document and modular approach to policies would improve accessibility and useability - ultimately making it more practical for all stakeholders, and particular employers.

The revised structure would be a streamlined core FSS document which was complemented by a number of satellite policies. This would replace the current approach of having a single FSS covering all circumstances.

Alongside the restructure there were regulatory and other updates required since the current FSS was prepared. The most significant changes included:

- Review of funding assumptions and approach

  The actuary has reviewed the funding approach and assumptions as part of the

2022 valuation. These had been updated to reflect Hymans Robertson's actuarial methodology, and emerging experience and market conditions as at 31 March 2022. The Committee considered and noted these at its 29 June 2022 meeting.

- Climate risk

The Fund recognised that climate change was a key risk due to the open-ended time horizons of the liabilities. As part of the modelling analysis for reviewing the Council's contribution strategy, the Actuary would stress-test the results under additional climate scenarios. The Fund's draft FSS would clarify this ongoing work.

- Risk-based exit valuation approach

The Fund was reviewing the approach to cessation valuations that were carried out when an employer left the Fund. The current approach was closely tied to gilt yields on a particular day, an approach which introduced much volatility into cessation valuations over time. The new approach under consideration would instead be linked to the expected investment return of the assets held by the Fund, with a prudent level of risk incorporated for the protection of the Fund. Details of this proposed approach would be made available by the Fund Actuary for discussion with Officers.

A draft version of the FSS and policies was being prepared by Officers and Hymans Robertson working in collaboration. LGPS Regulations required the FSS to be subject to formal consultation with employers. This would most likely take place during December 2022 and January 2023. Following the end of the consultation period, any comments received might lead to amendments to the document. The Committee would be requested to approve the final version of the FSS at its 15 March 2023 meeting, which would enable the Actuary to sign off the final valuation documents in time for the statutory deadline of 31 March 2023.

ORDERED that the report was received and noted.

22/32 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

22/33 **EXCLUSION OF PRESS AND PUBLIC**

ORDERED that the press and public be excluded from the meeting for the following items on the grounds that, if present, there would be disclosure to them of exempt information as defined in Paragraph 3, of Part 1 of Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

22/34 **FUND ACTUARY - 31 MARCH 2022 VALUATION - INITIAL WHOLE OF FUND RESULTS**

A report from the Fund Actuary was presented on the 31 March 2022 Valuation – Initial Whole of Fund Results.

ORDERED that the information provided was received and noted.

22/35 **FUND ACTUARY - MARKETS VOLATILITY, FUNDING ISSUES**

A report from the Fund Actuary was presented on Markets Volatility and Funding Issues.

ORDERED that the report was received and noted.

22/36 **LOCAL INVESTMENT PROPOSAL**

A report of the Director of Finance was presented to provide Members of the Pension Fund Committee with Local Investment Proposal.

ORDERED that:

1. the report was received and noted.
2. due diligience would be undertaken on the proposal and the outcome of that analysis would be brought back to a subsequent Committee meeting together with a recommendation in relation to investment.

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 5

PENSION FUND COMMITTEE REPORT

14 DECEMBER 2022

DIRECTOR OF FINANCE – HELEN SEECHURN

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 2022**

4.1 The Fund continues to favour growth assets over protection assets. For the period under discussion here, bonds were still not considered value for the Fund, further comment is made under Section 8 of this report re future investments.

<u>The Fund has no investments in Bonds at this time.</u>

4.2 At the June 2018 Committee it was agreed that, a maximum level of 20% of the Fund would be held in cash.

<u>Cash levels at the end of September 2022 were 11.51%</u>.

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

The Fund purchased a retail property in London (Zara, Covent Garden) at a purchase price of £32m.

Two further purchases will be reported at the next meeting.

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. The Fund is 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 £110m was invested in the quarter.

5. TRANSACTION REPORT

5.1 It is a requirement that all transactions undertaken are reported to the Committee. Appendix A details transactions for the period 1 July 2022 – 30 September 2022.

5.2 There were net purchases of £162m in the period, this compares to net purchases of £131m 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 Director of Finance.

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 2022, the Fund had £604 million invested with approved counterparties. This is a decrease of £120 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 Director of Finance 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 2022, and is prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, is **£4,812 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 2022 of **£4,868 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 2022 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:

<table>
<tr><th>Asset Class</th><th>Long Term Target Strategic Asset Allocation</th><th>Minimum</th><th>Maximum</th></tr>
<tr><td>GROWTH ASSETS</td><td>75%</td><td>55%</td><td>95%</td></tr>
<tr><td>UK Equities</td><td>10%</td><td rowspan="2">40%</td><td rowspan="2">80%</td></tr>
<tr><td>Overseas Equities</td><td>45%</td></tr>
<tr><td>Property</td><td>10%</td><td>5%</td><td>15%</td></tr>
<tr><td>Private Equity</td><td>5%</td><td>0%</td><td>10%</td></tr>
<tr><td>Other Alternatives</td><td>5%</td><td>0%</td><td>10%</td></tr>
<tr><td>PROTECTION ASSETS</td><td>25%</td><td>5%</td><td>45%</td></tr>
<tr><td>Bonds / Other debt / Cash</td><td>15%</td><td rowspan="2">5%</td><td rowspan="2">45%</td></tr>
<tr><td>Infrastructure</td><td>10%</td></tr>
</table>

8.3 It has been agreed by the Pension Fund Advisers and Fund Officers that there will be no changes to the Asset Allocation shown above following the Actuarial Valuation. However it was acknowledged that work would continue to ensure the Fund's assets were more closely aligned to the strategic asset allocation. It was also acknowledged that there may be times in the short to medium term where the strategic allocation to a particular asset class is above the long term target – in any such case it should remain within the maximum level set out in the table at paragraph 8.2.

8.4 **EQUITIES**

As at the end of September 2022 the Fund's equity weighting was 58.3% compared to 58.1% at the end of March 2022. There are no plans to purchase or sell equities at this time.

Summary of equity returns for the quarter 1 July 2022 – 30 September 2022:

Asset	Fund Performance	Benchmark	Excess Return
BCPP UK	-2.96%	-3.45%	0.49%
BCPP Overseas	0.38%	0.09%	0.28%
BCPP Emerging Market	-1.26%	-2.39%	1.14%
SSGA Pacific	-3.04%	-3.11%	0.07%
SSGA Japan	0.97%	0.82%	0.15%
SSGA Europe	-2.33%	-2.44%	0.11%
SSGA North America	3.39%	3.26%	0.13%

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

8.5 **BONDS + CASH**

The Fund has no investments in bonds at this time, the level of cash invested is 11.51%. Discussions were held within the Committee Meeting re investing in bonds, although there was no directive to invest at this time the Advisers have since indicated the levels at which they feel investment would be appropriate. Officers are monitoring the situation, when the levels come into range we will have a further discussion with the advisers, current thinking is that an investment via the Border to Coast Sterling Index Linked Bond Fund would be the most appropriate vehicle.

8.6 **PROPERTY**

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

8.7 **LOCAL INVESTMENT**

To date the Fund has agreed 3 Local Investments:

GB Bank – Initial agreement of £20m called in full in September 2020.
An additional £6.5m was paid to the bank in December 2021.
Further payment of £13.5m was made in August as the bank received regulatory approval to exit mobilisation.

Ethical Housing Company - £5m investment of which £765k has been called
Waste Knot - £10m investment agreed at the June 2021 Committee, payment was made in full in December 2021.

At the October Committee Meeting it was agreed that a due diligence exercise would be carried out on a proposed Local Investment from FW Capital. We are in the process of appointing someone to carry out this due diligence, the intention is to bring a report to the March 2023 Committee for a decision.

8.8 **ALTERNATIVES**

As at 30 November 2022 total commitments to private equity, infrastructure, other alternatives and other debt were approaching £1,655m, as follows:

	Total committed	Total Invested
Border to Coast Infrastructure	£350m	£110m
Other Infrastructure Managers	£317m	£225m
Border to Coast Private Equity	£300m	£92m
Other Private Equity Managers	£364m	£215m
Other Alternatives	£224m	£129m
Other Debt	£100m	£92m
Totals	**£1,655m**	**£863m**

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

TEL NO.: 01642 729040

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Appendix A

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)		(£)	(£)	(£)
01 July 2022	P	Ancala Infrastructure Fund II	Infrastructure	Infrastructure	~	~	EUR	389,344.91	389,344.91	0.00
01 July 2022	S	Ancala Infrastructure Fund II	Infrastructure	Infrastructure	~	~	EUR	-34,398.14	-34,398.14	0.00
01 July 2022	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	16,741.59	16,741.59	0.00
05 July 2022	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-172,548.94	-172,548.94	0.00
05 July 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	4,995.06	4,995.06	0.00
08 July 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	10,420.82	10,420.82	0.00
08 July 2022	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-79,287.61	-79,287.61	0.00
08 July 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	155.65	155.65	0.00
08 July 2022	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-7,367.64	-7,367.64	0.00
08 July 2022	S	ACIF Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	-712,448.10	-712,448.10	0.00
13 July 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	266,503.70	266,503.70	0.00
13 July 2022	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-4,004.65	-4,004.65	0.00
14 July 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	646,989.97	646,989.97	0.00
18 July 2022	P	Blackrock Global Renewable Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	623,185.81	623,185.81	0.00
18 July 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	294,885.92	294,885.92	0.00
19 July 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	2,191,030.40	2,191,030.40	0.00
19 July 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	204,977.72	204,977.72	0.00
20 July 2022	P	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	3,037,983.55	3,037,983.55	0.00
21 July 2022	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-149,487.96	-149,487.96	0.00
25 July 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	533,438.70	533,438.70	0.00
03 August 2022	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	-83,290.29	-83,290.29	0.00
05 August 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	3,650.65	3,650.65	0.00
05 August 2022	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-3,467.87	-3,467.87	0.00
10 August 2022	S	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-95,040.61	-95,040.61	0.00
16 August 2022	P	Capital Dynamics Clean Energy and Infrastructure VIII	Infrastructure	Infrastructure	~	~	GBP	2,333,333.33	2,333,333.33	0.00
16 August 2022	P	Capital Dynamics Clean Energy and Infrastructure VIII Co-Investment	Infrastructure	Infrastructure	~	~	GBP	1,166,666.67	1,166,666.67	0.00
25 August 2022	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-263,784.96	-263,784.96	0.00
25 August 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	238,655.73	238,655.73	0.00
26 August 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	882,690.46	882,690.46	0.00
09 September 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	346,250.19	346,250.19	0.00
09 September 2022	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-1,754.22	-1,754.22	0.00
12 September 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	493,624.43	493,624.43	0.00
12 September 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	769,105.45	769,105.45	0.00
14 September 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	9,628.11	9,628.11	0.00
14 September 2022	P	Foresight Energy Infrastructure Partners	Infrastructure	Infrastructure	~	~	EUR	2,832,720.89	2,832,720.89	0.00
16 September 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	219,226.55	219,226.55	0.00
16 September 2022	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-4.69	-4.69	0.00
16 September 2022	P	JP Morgan, Infrastructure Investment Fund	Infrastructure	Infrastructure	~	~	USD	46,491,301.48	46,491,301.48	0.00
16 September 2022	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	187,256.16	187,256.16	0.00
22 September 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	1,790,773.46	1,790,773.46	0.00
22 September 2022	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-35,797.89	-35,797.89	0.00
29 September 2022	P	Gresham House British Strategic Infrastructure Fund	Infrastructure	Infrastructure	~	~	GBP	1,689,373.30	1,689,373.30	0.00
30 September 2022	P	Blackrock Global Renewable Power Infrastructure III	Infrastructure	Infrastructure	~	~	USD	175,358.46	175,358.46	0.00
30 September 2022	S	Blackrock Global Renewable Power Infrastructure III	Infrastructure	Infrastructure	~	~	USD	-23,897.98	-23,897.98	0.00
								66,183,687.58		
07 July 2022	P	Darwin Leisure Property Fund, K Income Units	Other Alternatives	Other Alternatives	19,527,436	1.02	GBP	20,000,000.00	20,000,000.00	0.00
31 July 2022	P	Darwin Leisure Property Fund	Other Alternatives	Other Alternatives	~	0.04	GBP	236,892.71	236,892.71	0.00
11 August 2022	P	La Salle Real Estate Debt Strategies IV	Other Alternatives	Other Alternatives	~	~	EUR	104,517.54	104,517.54	0.00
16 August 2022	P	Hearthstone Residential Fund 2	Other Alternatives	Other Alternatives	~	~	GBP	1,972,359.78	1,972,359.78	0.00

21 September 2022	P	Pantheon Private Debt PSD II	Other Alternatives	Other Alternatives	~	~	USD	1,225,905.38	1,225,905.38	0.00
29 September 2022	P	La Salle Real Estate Debt Strategies IV	Other Alternatives	Other Alternatives	~	~	GBP	50,785.18	50,785.18	0.00
								23,590,460.59		
03 August 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	1,323,976.65	1,323,976.65	0.00
19 August 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	3,150.00	3,150.00	0.00
26 August 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	2,316,075.44	2,316,075.44	0.00
16 September 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	6,300.00	6,300.00	0.00
29 September 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	2,800,239.77	2,800,239.77	0.00
								6,449,741.86		
02 August 2022	P	GB Bank Limited	Private Equity	Local Investments	181,067	75	GBP	13,580,025.00	13,580,025.00	0.00
								13,580,025.00		
01 July 2022	P	Foresight Regional Investment IV LP	Private Equity	Private Equity	~	~	GBP	35,945.21	35,945.21	0.00
04 July 2022	P	Crown Global Opportunities VII	Private Equity	Private Equity	~	~	USD	1,692,276.45	1,692,276.45	0.00
05 July 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	GBP	791,671.36	791,671.36	0.00
05 July 2022	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	GBP	-50,459.27	-50,459.27	0.00
08 July 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	1,029,185.93	1,029,185.93	0.00
18 July 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	2,654,976.15	2,654,976.15	0.00
21 July 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	51,713.39	51,713.39	0.00
21 July 2022	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	611,184.26	611,184.26	0.00
21 July 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	192,668.83	192,668.83	0.00
27 July 2022	P	Capital Dynamics Mid-Market Direct V	Private Equity	Private Equity	~	~	EUR	1,548,444.84	1,548,444.84	0.00
28 July 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	547,239.51	547,239.51	0.00
28 July 2022	S	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	-3,412.13	-3,412.13	0.00
29 July 2022	P	Foresight Regional Investment IV LP	Private Equity	Private Equity	~	~	GBP	388,903.29	388,903.29	0.00
08 August 2022	P	Crown Co-Investment Opportunities III	Private Equity	Private Equity	~	~	USD	1,008,989.25	1,008,989.25	0.00
09 August 2022	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	17,314.34	17,314.34	0.00
15 August 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	2,577,143.67	2,577,143.67	0.00
17 August 2022	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-114,731.59	-114,731.59	0.00
19 August 2022	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-169,088.76	-169,088.76	0.00
22 August 2022	S	Access Co-Investment Fund Buy-Out Europe II	Private Equity	Private Equity	~	~	EUR	-537,599.38	-537,599.38	0.00
30 August 2022	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	EUR	765,989.11	765,989.11	0.00
31 August 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	130,082.26	130,082.26	0.00
06 September 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	975,847.25	975,847.25	0.00
06 September 2022	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-463.02	-463.02	0.00
07 September 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	1,154,791.62	1,154,791.62	0.00
07 September 2022	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-197,090.24	-197,090.24	0.00
13 September 2022	P	Hermes GPE Innovation Fund	Private Equity	Private Equity	~	~	GBP	1,744,353.67	1,744,353.67	0.00
13 September 2022	S	Hermes GPE Innovation Fund	Private Equity	Private Equity	~	~	GBP	-171,956.44	-171,956.44	0.00
13 September 2022	P	Crown Secondaries Special Opportunities II	Private Equity	Private Equity	~	~	USD	1,267,082.85	1,267,082.85	0.00
14 September 2022	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	EUR	29,156.24	29,156.24	0.00
15 September 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	32,265.21	32,265.21	0.00
15 September 2022	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	41,268.65	41,268.65	0.00
15 September 2022	S	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	-20,745.85	-20,745.85	0.00
20 September 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	111,233.20	111,233.20	0.00
29 September 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	718,355.97	718,355.97	0.00
29 September 2022	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	1,770,678.13	1,770,678.13	0.00
29 September 2022	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-1,501,309.01	-1,501,309.01	0.00
30 September 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	927,847.91	927,847.91	0.00

								20,049,752.87		
22 July 2022	P	London - 51-54 Long Acre, Covent Garden	Property Unit Trusts/Direct Property	Property Unit Trusts/Direct Property	~	~	GBP	32,209,698.63	32,209,698.63	0.00
								32,209,698.63		
20 July 2022	S	Candover Investments Plc	UK Equities	UK Equities	~	2.89	GBP	-1,734.59	-1,734.59	0.00
								-1,734.59		
Periods July, August and September 2022 (Cumulative) Total								**162,061,631.94**		
Total Profit - ***NB: Losses are shown with a ( )***										**0.00**

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Appendix B

	Call/Notice	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	0.49%	1.89%	1.60%	1.56%	1.84%	2.08%	2.77%	2.29%	0.00%	2.10%	0.00%
Amount Invested	102,300,000	135,300,000	34,000,000	67,000,000	148,200,000	89,200,000	20,000,000	3,000,000	0	5,000,000	0
Proportion of Cash	16.94%	22.40%	5.63%	11.09%	24.54%	14.77%	3.31%	0.50%	0.00%	0.83%	0.00%

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30 Sep 22

TEESSIDE PENSION FUND

◆ 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	0.06400000	15.780
Common Stock YOUNG AUSTRALIAN MINES LTD SEDOL : 6741626	0.00	AUD	225,391.000	287,505.650	0.06900000	8,957.400
Total Australia	**0.00**		**225,819.000**	**287,505.650**		**8,973.180**
Europe Region						
Common Stock ACIF INFRASTRUCTURE FUND LP CUSIP : 9936FC996	0.00	EUR	25,079,920.550	22,289,931.830	0.85669570	18,855,704.300
Total Europe Region	**0.00**		**25,079,920.550**	**22,289,931.830**		**18,855,704.300**
Guernsey, Channel Islands						
Common Stock AMEDEO AIR 4 PLUS LIMITED SEDOL : BMZQ5R8	0.00	GBP	5,333,332.000	4,682,127.850	0.33000000	1,759,999.560
Total Guernsey, Channel Islands	**0.00**		**5,333,332.000**	**4,682,127.850**		**1,759,999.560**
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**		**32,525,471.550**	**29,643,559.150**		**20,704,870.840**
Funds - common stock						
Guernsey, Channel Islands						
Funds - Common Stock VISTRA FD SERVICES DARWIN LEISURE DEV D GBP SEDOL : BD41T35	0.00	GBP	15,000,000.000	15,000,000.000	1.29200000	19,380,000.000
Total Guernsey, Channel Islands	**0.00**		**15,000,000.000**	**15,000,000.000**		**19,380,000.000**

**Generated by Northern Trust from periodic data on 24 Oct 22*

Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Equities						
Funds - common stock						
United Kingdom						
Funds - Common Stock BORDER TO COAST PE UK LISTED EQUITY A GBP ACC SEDOL : BDD86K3	0.00	GBP	524,261,627.970	524,213,309.960	1.09660000	574,905,301.230
Total United Kingdom	**0.00**		**524,261,627.970**	**524,213,309.960**		**574,905,301.230**
Total Funds - common stock	**0.00**		**539,261,627.970**	**539,213,309.960**		**594,285,301.230**
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	1.22660000	17,613,440.550
Total Guernsey, Channel Islands	**0.00**		**14,359,563.469**	**15,000,000.000**		**17,613,440.550**
Japan						
Unit Trust Equity SSGA MPF JAPAN EQUITY INDEX SEDOL : 001533W	0.00	GBP	48,440,992.757	89,842,364.060	2.05110000	99,357,320.240
Total Japan	**0.00**		**48,440,992.757**	**89,842,364.060**		**99,357,320.240**
Luxembourg						
Unit Trust Equity ABERDEEN STANDARD EUR PPTY GROWTH FD LP SEDOL : 8A8TB3U	0.00	EUR	324.970	21,282,170.990	138,615.71000000	39,531,722.630
Total Luxembourg	**0.00**		**324.970**	**21,282,170.990**		**39,531,722.630**
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	5.85750000	296,930,179.520
Total Pacific Region	**0.00**		**50,692,305.509**	**242,515,511.220**		**296,930,179.520**
United Kingdom						
Unit Trust Equity CANDOVER INVSTMNTS PLC GBP0.25 SEDOL : 0171315	0.00	GBP	60,000.000	321,939.430	0.00000000	0.000
Unit Trust Equity LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY SEDOL : 0521664	0.00	GBP	1,368,174.000	1,282,865.490	3.47792600	4,758,407.930
Unit Trust Equity MPF EUROPE EX UK SUB-FUND SEDOL : 4A8NH9U	0.00	GBP	15,402,552.970	97,836,405.640	7.12130000	109,686,200.470
Unit Trust Equity MPF N AMER EQTY SUB-FUND SEDOL : 1A8NH9U	0.00	GBP	2,621,178.211	24,012,835.230	14.08900000	36,929,779.810
Total United Kingdom	**0.00**		**19,451,905.181**	**123,454,045.790**		**151,374,388.210**

◆ Asset Detail - Customizable

Asset Subcategory

Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Equities						
Total Unit trust equity	**0.00**		**132,945,091.886**	**492,094,092.060**		**604,807,051.150**
Total Equities	**0.00**		**704,732,191.406**	**1,060,950,961.170**		**1,219,797,223.220**

◆ 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	10,995,359.510	9,432,790.410	1.21410530	11,715,364.470
Real Estate La Salle Real Estate Debt Strategies IV CUSIP : 9944J7997	0.00	EUR	3,537,470.950	2,995,320.690	0.99569840	3,091,083.280
Total Europe Region	**0.00**		**14,532,830.460**	**12,428,111.100**		**14,806,447.750**
United Kingdom						
Real Estate HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP CUSIP : 9936FD994	0.00	GBP	10,000,000.010	10,000,000.010	0.98307670	9,830,767.010
Real Estate HEARTHSTONE RESIDENTIAL FUND 2 CUSIP : 9942CJ992	0.00	GBP	6,771,768.590	6,771,768.590	0.97800930	6,622,852.660
Real Estate TEESSIDE PENSION FUND - DIRECT PROPERTY CUSIP : 9936HG995	0.00	GBP	312,499,144.980	312,499,144.980	1.19139430	372,309,700.080
Total United Kingdom	**0.00**		**329,270,913.580**	**329,270,913.580**		**388,763,319.750**
Total Real Estate	**0.00**		**343,803,744.040**	**341,699,024.680**		**403,569,767.500**
Funds - real estate						
United Kingdom						
Funds - Real Estate DARWIN LEISURE PRO UNITS CLS 'C' SEDOL : B29MQ57	0.00	GBP	6,493,057.480	10,132,664.190	3.67470000	23,860,038.320
Funds - Real Estate DARWIN LEISURE PROPERTY FUND UNITS K GBP INC SEDOL : 4A9TBEU	0.00	GBP	34,527,436.047	35,000,000.000	1.03020000	35,570,164.620
Funds - Real Estate HERMES PROPERTY UT SEDOL : 0426219	0.00	GBP	2,589,184.000	15,720,126.330	7.52600000	19,486,198.780
Funds - Real Estate LEGAL AND GENERAL MANAGED PROPERTY FUND SEDOL : 004079W	0.00	GBP	108,263.760	385,000.000	68.06600000	7,369,081.090
Funds - Real Estate THREADNEEDLE PROP THREADNEEDLE PROP UNITTRST SEDOL : 0508667	0.00	GBP	12,750.000	1,527,939.200	317.91000000	4,053,352.500
Total United Kingdom	**0.00**		**43,730,691.287**	**62,765,729.720**		**90,338,835.310**
Total Funds - real estate	**0.00**		**43,730,691.287**	**62,765,729.720**		**90,338,835.310**
Total Real Estate	**0.00**		**387,534,435.327**	**404,464,754.400**		**493,908,602.810**

◆ 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	14,156,000.000	12,452,668.040	1.09477640	13,600,535.120
Partnerships ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE CUSIP : 993KDB999	0.00	EUR	14,760,000.000	12,698,301.000	1.32479650	17,160,326.430
Partnerships ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2) CUSIP : 993SRL995	0.00	EUR	4,185,000.000	3,576,866.240	1.04255530	3,828,993.050
Partnerships ACCESS CAPITAL, CO-INVESTMENT FUND BUY-OUT EUROPE II CUSIP : 993SRM993	0.00	EUR	8,200,000.000	7,047,277.820	0.95710810	6,887,551.500
Partnerships Darwin Bereavement Services Fund, Incomeunits CUSIP : 993XBG992	0.00	GBP	10,000,000.000	10,000,000.000	1.02640000	10,264,000.000
Total Europe Region	**0.00**		**51,301,000.000**	**45,775,113.100**		**51,741,406.100**
Global Region						
Partnerships CAPITAL DYNAMICS GLOBAL SECONDARIES V - GBP CUSIP : 993LJT992	0.00	GBP	10,988,394.730	10,988,394.730	2.04715950	22,494,996.660
Partnerships CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD CUSIP : 993BRL992	0.00	USD	25,532,130.030	19,279,597.100	1.29571750	29,635,785.800
Partnerships INSIGHT IIFIG SECURED FINANCE FUND II (GBP) CUSIP : 9946P0990	0.00	GBP	50,000,000.000	50,000,000.000	0.96602580	48,301,290.000
Partnerships LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS2018/19 - GBP CUSIP : 993LRK992	0.00	GBP	5,550,000.000	5,550,000.000	1.32424560	7,349,563.080
Partnerships PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV CUSIP : 993FYQ994	0.00	USD	26,020,000.000	20,419,474.980	1.43278460	33,396,985.840
Partnerships UNIGESTION DIRECT II - EUR CUSIP : 993MTE992	0.00	EUR	14,594,785.340	12,630,605.340	1.42264130	18,221,458.640
Total Global Region	**0.00**		**132,685,310.100**	**118,868,072.150**		**159,400,080.020**
United Kingdom						
Partnerships ANCALA INFRASTRUCTURE FUND II SCSP CUSIP : 993FSE998	0.00	EUR	18,078,218.220	15,944,151.690	1.09383690	17,353,944.730
Partnerships BORDER TO COAST EMERGING MARKET HYBRID FUND - GBP CUSIP : 9942CC997	0.00	GBP	230,000,000.000	230,000,000.000	0.98933610	227,547,303.000
Partnerships BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A CUSIP : 993BRK994	0.00	GBP	1,348,108,643.700	1,348,108,643.700	1.10028880	1,483,308,841.850
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 1 CUSIP : 993FYP996	0.00	USD	68,834,245.140	52,546,527.090	1.16180440	71,640,176.360
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 1B CUSIP : 993U46998	0.00	USD	23,077,487.040	17,428,942.520	1.09050260	22,544,172.370
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 1C CUSIP : 993XGK998	0.00	GBP	10,618,339.650	10,618,339.650	0.99744240	10,591,182.180

◆ 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 BORDER TO COAST PRIVATE EQUITY SERIES 2A- GBP CUSIP : 994JQY997	0.00	GBP	69,100.180	69,100.180	0.71955690	49,721.510
Partnerships CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP CUSIP :	0.00	GBP	5,217,043.710	5,217,043.710	1.04044780	5,428,061.650
Partnerships CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp CUSIP : 993FP0991	0.00	GBP	13,976,855.410	13,976,855.410	0.99870310	13,958,728.830
Partnerships FORESIGHT REGIONAL INVESTMENT LP CUSIP : 994JXS992	0.00	GBP	424,848.500	424,848.500	0.91656980	389,403.300
Partnerships GRESHAM HOUSE BSI HOUSING FUND LP CUSIP : 993FP6998	0.00	GBP	13,096,624.570	13,096,624.570	1.08807590	14,250,121.570
Partnerships GRESHAM HOUSE BSI INFRASTRUCTURE LP CUSIP : 993FP5990	0.00	GBP	17,971,505.340	17,971,505.340	1.20523920	21,659,962.720
Partnerships GRESHAM HOUSE, BRITISH SUSTAINABLE INFRASTRUCTURE FUND II CUSIP : 994FXD993	0.00	GBP	7,537,646.070	7,537,646.070	0.95302220	7,183,544.040
Partnerships GREYHOUND RETAIL PARK, CHESTER CUSIP : 9948YV998	0.00	GBP	20,000,000.000	20,000,000.000	1.00000000	20,000,000.000
Partnerships HERMES GPE INNOVATION FUND CUSIP : 993NEB992	0.00	GBP	10,370,014.050	10,370,014.050	1.35401310	14,041,134.870
Partnerships INNISFREE PFI CONTINUATION FUND CUSIP : 9936FE992	0.00	GBP	8,672,972.000	8,672,972.000	1.15439740	10,012,056.330
Partnerships INNISFREE PFI SECONDARY FUND 2 CUSIP : 9936FF999	0.00	GBP	7,728,331.000	7,728,331.000	1.13962810	8,807,423.170
Partnerships LEONARDO WAREHOUSE UNIT CUSIP : 9948YW996	0.00	GBP	9,955,668.940	9,955,668.940	0.99904920	9,946,203.090
Partnerships THE MODEL T FINANCE COMPANY - GBP CUSIP : 993QJB990	0.00	GBP	26,499,975.000	26,499,975.000	1.00000000	26,499,975.000
Partnerships TPF CO-INVESTMENT BSI LP - WASTE KNOT GBP CUSIP : 994FFL995	0.00	GBP	10,000,000.000	10,000,000.000	1.00000000	10,000,000.000
Total United Kingdom	**0.00**		**1,850,237,518.520**	**1,826,167,189.420**		**1,995,211,956.570**
United States						
Partnerships BLACKROCK GLOBAL ENERGY AND POWER INFRASTRUCTURE FUND III CUSIP :	0.00	USD	16,676,849.000	13,029,986.090	1.00471650	15,009,858.780
Partnerships BLACKROCK GLOBAL RENEWABLE POWER FUND III CUSIP : 993QHY992	0.00	USD	6,232,782.850	4,646,774.390	0.87903690	4,908,040.950
Partnerships BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL CUSIP : 993FYK997	0.00	USD	19,974,430.000	15,004,392.520	1.18260020	21,160,767.630
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 1 CUSIP : 993FT4999	0.00	USD	66,420,892.350	51,916,607.160	0.90572410	53,891,429.670
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 1B CUSIP : 993KGJ999	0.00	USD	21,552,613.640	16,459,664.610	0.82311550	15,892,045.460

◆ 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 BORDER TO COAST INFRASTRUCTURE SERIES 1C CUSIP : 9942A6992	0.00	GBP	24,451,771.560	24,451,771.560	1.09111070	26,679,589.580
Partnerships BRIDGES EVERGREEN TPF HOUSING CO-INVEST LP CUSIP : 993XEU998	0.00	GBP	765,180.380	765,180.380	0.93361120	714,380.970
Partnerships CROWN CO INVESTMENT OPPORTUNITIES III CUSIP : 993XX2999	0.00	USD	1,200,000.000	1,016,690.670	1.00000000	1,074,979.840
Partnerships CROWN CO-INVEST OPPORTUNITIES III CUSIP : 993XBM999	0.00	USD	6,540,000.000	4,860,449.360	1.01717630	5,959,269.910
Partnerships CROWN GLOBAL OPPORTUNITIES VII CUSIP : 993FYN991	0.00	USD	15,480,000.000	11,997,154.440	1.21854490	16,897,854.560
Partnerships Crown Growth Opportunities Global III fund CUSIP : 993FYM993	0.00	USD	24,267,421.820	17,974,077.540	1.91710560	41,676,261.100
Partnerships FORESIGHT ENERGY INFRASTRUCTURE PARTNERS CUSIP : 993FS9999	0.00	USD	7,510,582.240	6,178,908.650	0.90434750	6,084,543.820
Partnerships LGT CAPITAL CROWN SECONDARIES SPECIAL OPPORTUNITIES II CUSIP : 993QEY995	0.00	USD	14,612,500.000	11,055,075.240	1.31240070	17,179,481.530
Partnerships PANTHEON SENIOR DEBT SECONDARIES II CUSIP : 993UAP999	0.00	USD	4,924,858.000	4,002,099.910	1.08285930	4,777,325.350
Partnerships UNIGESTION SA CUSIP : 993FYL995	0.00	USD	22,104,726.730	16,403,476.550	1.26070150	24,964,133.430
Total United States	**0.00**		**252,714,608.570**	**199,762,309.070**		**256,869,962.580**
Total Partnerships	**0.00**		**2,286,938,437.190**	**2,190,572,683.740**		**2,463,223,405.270**
Total Venture Capital and Partnerships	**0.00**		**2,286,938,437.190**	**2,190,572,683.740**		**2,463,223,405.270**

**Generated by Northern Trust from periodic data on 24 Oct 22*

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	50,000,000.000	38,209,354.980	0.90407130	40,494,101.050
Total Global Region	**0.00**	**50,000,000.000**	**38,209,354.980**		**40,494,101.050**
Total Hedge equity	**0.00**	**50,000,000.000**	**38,209,354.980**		**40,494,101.050**
Total Hedge Fund	**0.00**	**50,000,000.000**	**38,209,354.980**		**40,494,101.050**

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	299,563.55	0.000	0.000	0.00000000	0.000
Recoverable taxes EUR - Euro	1,130,035.37	0.000	0.000	0.00000000	0.000
Recoverable taxes CHF - Swiss franc	2,455,601.59	0.000	0.000	0.00000000	0.000
Total	**3,982,916.26**	**0.000**	**0.000**		**0.000**
Total Recoverable taxes	**3,982,916.26**	**0.000**	**0.000**		**0.000**
Total All Other	**3,982,916.26**	**0.000**	**0.000**		**0.000**

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	819.630	819.630	1.00000000	819.630
Cash EUR - Euro	-0.04	0.000	0.000	1.00000000	0.000
Cash THB - Thai baht	0.00	5,129.810	5,129.810	1.00000000	5,129.810
Total	**-0.04**	**5,949.440**	**5,949.440**		**5,949.440**
Total Cash	**-0.04**	**5,949.440**	**5,949.440**		**5,949.440**
Invested cash					
Invested cash USD - United States dollar	5.98	17,407.030	17,407.030	1.00000000	17,407.030
Total	**5.98**	**17,407.030**	**17,407.030**		**17,407.030**
Total Invested cash	**5.98**	**17,407.030**	**17,407.030**		**17,407.030**
Cash (externally held)					
Cash (externally held) GBP - British pound sterling	0.00	599,711,418.320	599,711,418.320	1.00000000	599,711,418.320
Total	**0.00**	**599,711,418.320**	**599,711,418.320**		**599,711,418.320**
Total Cash (externally held)	**0.00**	**599,711,418.320**	**599,711,418.320**		**599,711,418.320**
Funds - short term investment					
Funds - Short Term Investment GBP - British pound sterling	551.26	400,000.000	400,000.000	1.00000000	400,000.000
Total	**551.26**	**400,000.000**	**400,000.000**		**400,000.000**
Total Funds - short term investment	**551.26**	**400,000.000**	**400,000.000**		**400,000.000**
Total Cash and Cash Equivalents	**557.20**	**600,134,774.790**	**600,134,774.790**		**600,134,774.790**

**Generated by Northern Trust from periodic data on 24 Oct 22*

Asset Detail - Customizable

Asset Subcategory

Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Report Total:					
	3,983,473.46	**4,029,339,838.713**	**4,294,332,529.080**		**4,817,558,107.140**

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ASSET	BOOK COST	PRICE	MARKET VALUE	FUND %
GROWTH ASSETS				
UK EQUITIES				
BORDER TO COAST PE UK LISTED EQUITY A GBP ACC	594,395,481.15	1.10	574,905,301.23	11.95%
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 INVESTMENTS PLC GBP0.25	321,939.43	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			**574,985,495.03**	**11.95%**
OVERSEAS EQUITIES				
YOUNG AUSTRALIAN MINES LTD	287,505.65	0.07	8,957.40	0.00%
MEJORITY CAPITAL NPV (FINEXIA FINL GROUP)	0.00	0.06	15.78	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	5.86	296,930,179.52	6.17%
SSGA MPF JAPAN EQUITY INDEX	89,842,364.06	2.05	99,357,320.24	2.06%
MPF EUROPE EX UK SUB-FUND	97,836,405.64	7.12	109,686,200.47	2.28%
MPF N AMER EQTY SUB-FUND	24,012,835.23	14.09	36,929,779.81	0.77%
BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A	1,420,228,230.11	1.10	1,483,308,802.62	30.83%
BORDER TO COAST EMERGING MARKET HYBRID FUND	233,625,118.56	0.99	203,073,770.92	4.22%
TOTAL OVERSEAS EQUITIES			**2,229,295,026.76**	**46.33%**
TOTAL EQUITIES			**2,804,280,521.79**	**58.28%**
PRIVATE EQUITY				
CAPITAL DYNAMICS LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS 18/19	5,550,000.00	1.32	7,349,563.08	0.15%
CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD	19,279,597.10	1.30	35,214,470.78	0.73%
CROWN CO INVESTMENT OPPORTUNITIES III	5,877,140.03	1.02	6,881,399.78	0.14%
CROWN SECONDARIES SPECIAL OPPORTUNITIES II	11,055,075.24	1.31	20,194,603.99	0.42%
UNIGESTION SA	16,403,476.55	1.26	24,749,942.28	0.51%
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV	20,419,474.98	1.43	33,396,985.84	0.69%
CROWN GLOBAL OPPORTUNITIES VII	11,997,154.44	1.22	17,379,068.96	0.36%
CROWN GROWTH OPPORTUNITIES GLOBAL III	17,974,077.54	1.92	40,828,768.22	0.85%
BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL	15,004,392.52	1.18	21,186,361.03	0.44%

BORDER TO COAST PRIVATE EQUITY SERIES 1A	52,546,527.09	1.16	71,640,176.36	1.49%
BORDER TO COAST PRIVATE EQUITY SERIES 1B	17,428,942.52	1.09	22,544,172.37	0.47%
BORDER TO COAST PRIVATE EQUITY SERIES 1C	10,618,339.65	1.00	10,591,182.18	0.22%
BORDER TO COAST PRIVATE EQUITY SERIES 2A	69,100.18	0.72	49,721.51	0.00%
UNIGESTION DIRECT II	12,630,605.34	1.42	18,221,735.17	0.38%
ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE	12,698,301.00	1.32	17,160,586.98	0.36%
ACCESS CAPITAL CO INVESTMENT FUND BUY OUT EUROPE II	7,047,277.82	0.96	7,436,155.66	0.15%
HERMES GPE INNOVATION FUND	10,370,014.05	1.35	14,041,134.87	0.29%
CAPITAL DYNAMICS GLOBAL SECONDARIES V	10,988,394.73	2.05	19,589,026.08	0.41%
CAPITAL MID-MARKET DIRECT V	9,432,790.41	1.21	11,737,648.13	0.24%
FORESIGHT REGIONAL INVESTMENTS LP	721,242.64	0.92	389,403.30	0.01%
PRIVATE EQUITY			**400,582,106.57**	**8.32%**
GB BANK LIMITED	40,080,000.00	1.00	40,080,000.00	0.83%
PRIVATE EQUITY - LOCAL INVESTMENT			**40,080,000.00**	**0.83%**
TOTAL PRIVATE EQUITY			**440,662,106.57**	**9.16%**
OTHER ALTERNATIVES				
AMEDEO AIR FOUR PLUS LTD	4,682,127.85	0.33	1,759,999.56	0.04%
DARWIN LEISURE PRO UNITS CLS 'C'	10,132,664.19	3.67	23,860,038.32	0.50%
DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION	15,000,000.00	1.23	17,613,440.55	0.37%
DARWIN BEREAVEMENT SERVICES FUND, INCOME UNITS	10,000,000.00	1.03	10,264,000.00	0.21%
DARWIN LEISURE DEVELOPMENT FUND ACCUMULATION UNITS - D CLASS	15,000,000.00	1.29	19,380,000.00	0.40%
DARWIN LEISURE PROPERTY FUND, K INCOME UNITS	35,000,000.00	1.03	35,570,164.62	0.74%
HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP	10,000,000.01	0.98	9,830,767.01	0.20%
HEARTHSTONE RESIDENTIAL FUND 2	6,771,768.59	0.98	6,622,852.66	0.14%
GRESHAM HOUSE BSI HOUSING LP	13,096,624.57	1.09	14,250,121.57	0.30%
PANTHEON SENIOR DEBT SECONDARIES II	4,002,099.91	1.08	8,962,074.14	0.19%
LA SALLE REAL ESTATE DEBT STRATEGIES IV	2,995,320.69	1.00	3,091,083.28	0.06%
OTHER ALTERNATIVES			**151,204,541.71**	**3.14%**
BRIDGES EVERGREEN TPF HOUSING CO-INVESTMENT LP	765,180.38	0.93	714,380.97	0.01%
OTHER ALTERNATIVES - LOCAL INVESTMENT			**714,380.97**	**0.01%**
TOTAL OTHER ALTERNATIVES			**151,918,922.68**	**3.16%**

PROPERTY

DIRECT PROPERTY

TEESSIDE PENSION FUND - DIRECT PROPERTY	344,709,391.75	1.19	363,150,000.00	7.55%
TOTAL DIRECT PROPERTY			**363,150,000.00**	**7.55%**

PROPERTY UNIT TRUSTS

ABERDEEN STANDARD LIFE EUROPEAN PROPERTY GROWTH FUND	21,282,170.99	138,615.71	39,532,323.33	0.82%
LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY	1,282,865.49	3.48	4,758,407.93	0.10%
HERMES PROPERTY PUT	15,720,126.33	7.53	19,485,464.65	0.40%
THREADNEEDLE PROP PROPERTY GBP DIS	1,527,939.20	317.91	4,053,352.50	0.08%
LEGAL AND GENERAL MANAGED PROPERTY FUND	385,000.00	68.07	7,369,081.09	0.15%
TOTAL PROPERTY UNIT TRUSTS			**75,198,629.50**	**1.56%**
TOTAL PROPERTY			**438,348,629.50**	**9.11%**

PROTECTION ASSETS

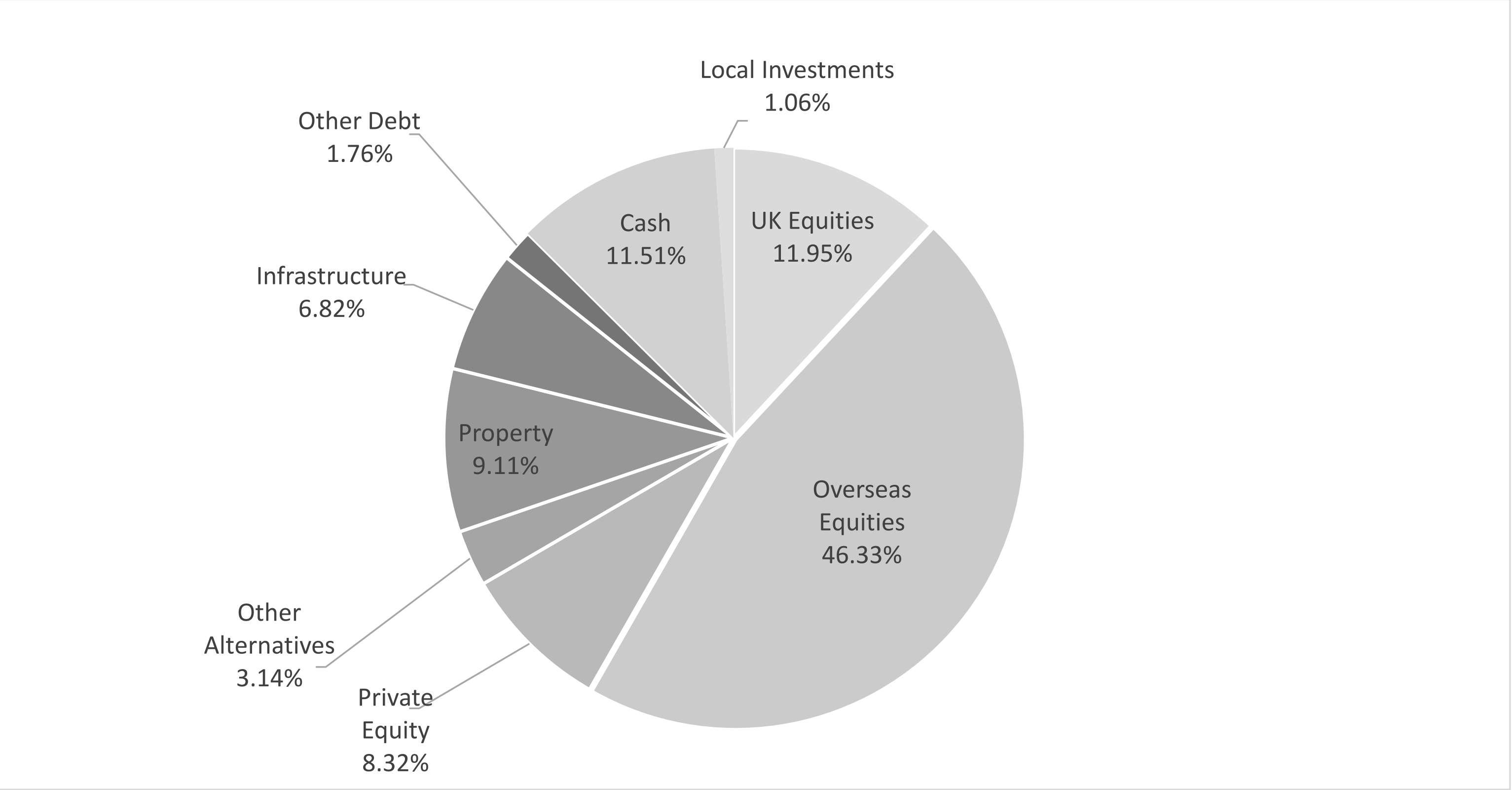
INFRASTRUCTURE

ACIF INFRASTRUCTURE FUND LP	22,289,931.83	0.86	19,885,415.43	0.41%
ACCESS CAPITAL FUND INFRASTRUCTURE II	12,452,668.04	1.09	13,625,313.83	0.28%
ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2)	3,576,866.24	1.04	4,566,235.62	0.09%
INNISFREE PFI CONTINUATION FUND	8,672,972.00	1.15	10,012,056.33	0.21%
INNISFREE PFI SECONDARY FUND 2	7,728,331.00	1.14	8,807,423.17	0.18%
BORDER TO COAST INFRASTRUCTURE SERIES 1A	51,916,607.16	0.91	53,891,429.67	1.12%
BORDER TO COAST INFRASTRUCTURE SERIES 1B	16,459,664.61	0.82	15,892,045.46	0.33%
BORDER TO COAST INFRASTRUCTURE SERIES 1C	24,451,771.56	1.09	26,679,589.58	0.55%
BLACKROCK GLOBAL ENERGY & POWER INFRASTRUCTURE FUND III	13,029,986.09	1.00	15,009,858.78	0.31%
BLACKROCK GLOBAL RENEWABLE POWER FUND III	4,646,774.39	0.88	5,346,981.68	0.11%
CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP	6,383,710.38	1.04	5,428,061.65	0.11%
CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp	12,767,420.74	1.00	13,958,728.83	0.29%
IIF UK I LP	82,537,293.94	1.00	82,537,293.94	1.72%
ANCALA INFRASTRUCTURE FUND II SCSP	15,944,151.69	1.09	17,843,504.40	0.37%
FORESIGHT ENERGY INFRASTRUCTURE PARTNERS	6,178,908.65	0.90	6,084,543.82	0.13%
GRESHAM HOUSE BSI INFRASTRUCTURE LP	19,660,878.64	1.21	21,659,962.72	0.45%
GRESHAM HOUSE BRITISH SUSTAINABLE INFRASTRUCTURE FUND II	7,537,646.07	0.95	7,183,544.04	0.15%
INFRASTRUCTURE			**328,411,988.95**	**6.82%**

CO-INVESTMENT BSI LP - WASTE KNOT	10,000,000.00	1.00	10,000,000.00	0.21%
INFRASTRUCTURE - LOCAL INVESTMENT			**10,000,000.00**	**0.21%**
TOTAL INFRASTRUCTURE			**338,411,988.95**	**7.03%**
OTHER DEBT				
INSIGHT IIFIG SECURED FINANCE II FUND	50,000,000.00	0.97	48,301,290.00	1.00%
GRAFTONGATE INVESTMENTS LTD (LEONARDO)	16,405,410.80	1.00	16,405,410.80	0.34%
GREYHOUND RETAIL PARK CHESTER	20,000,000.00	1.00	20,000,000.00	0.42%
TOTAL OTHER DEBT			**84,706,700.80**	**1.76%**
CASH				
	819.63	1.00	819.63	0.00%
	17,407.03	1.00	17,407.03	0.00%
	400,000.00	1.00	400,000.00	0.01%
CUSTODIAN CASH			**418,226.66**	**0.01%**
INVESTED CASH	599,711,418.32	1.00	**553,220,116.84**	**11.50%**
TOTAL CASH			**553,638,343.50**	**11.51%**
TOTAL FUND VALUE - 30th September 2022			**4,811,967,213.79**	**100%**

Market Value timing differences included in valuation above	Market Value
Private Equity	
CROWN GROWTH OPPORTUNITIES GLOBAL III	3,015,122.46
CROWN SECONDARIES SPECIAL OPPORTUNITIES II	5,578,684.98
GB BANK LIMITED	13,580,025.00
	22,173,832.44
Other Alternatives	
PANTHEON SENIOR DEBT SECONDARIES II	4,184,748.79
	4,184,748.79
Infrastructure	
IIF UK I LP	42,043,192.29
	42,043,192.29
Other Debt	
GRAFTONGATE INVESTMENTS LTD (LEONARDO)	6,459,207.71
	6,459,207.71
Total	**74,860,981.23**

Asset Allocation Summary		Actual	Benchmark
UK Equities	574,985,495.03	11.95%	10%
Overseas Equities	2,229,295,026.76	46.33%	45%
Private Equity	400,582,106.57	8.32%	5%
Other Alternatives	151,204,541.71	3.14%	5%
Property	438,348,629.50	9.11%	10%
Infrastructure	328,411,988.95	6.82%	10%
Other Debt	84,706,700.80	1.76%	5%
Cash & Bonds	553,638,343.50	11.51%	10%
Local Investments - Private Equity, Other Alternatives & Infrastructure	50,794,380.97	1.06%	0%
	4,811,967,213.79	100.00%	100%



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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 6

PENSION FUND COMMITTEE REPORT

14 DECEMBER 2022

DIRECTOR OF FINANCE – HELEN SEECHURN

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 2022 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 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. To date, total commitments of £650 million have been made to these sub-funds (£350m to infrastructure and £300m to private equity) with around 28% of this commitment invested so far. In addition, a commitment to invest £80 million over a three year period to the Border to Coast Climate Opportunities Fund has been made. These investments are not reflected within the Border to Coast report (at Appendix A) but are referenced in the Border to Coast presentation later in the agenda.

4.2 The Border to Coast report shows the market value of the portfolio as at 30 September 2022 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 Fund has achieved returns of 1.54% above benchmark over the last year, exceeding its 1% overachievement target, whereas the Overseas Developed Markets Equity Fund has achieved returns of 1.83% above benchmark over the last year, also comfortably above its 1% overachievement target, albeit for both Funds this was in a falling market. Since inception, both Funds have delivered performance roughly in line with their targets. The performance of the Emerging Markets Equity Fund has been below benchmark throughout most of the period of our Fund's investment – performance over quarter to 30 September 2022 was above target, with the both the internal team and the external China managers contributing to this short term improvement in performance.

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 2022. 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 are around four years as this represents a relatively 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. 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.

6. BORDER TO COAST – QUARTERLY CARBON AND ESG REPORTING

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

6.2 Appendix C contains the latest available ESG and carbon exposure in relation to the three Border to Coast listed equity sub-funds the Fund invests in: UK Listed Equity, Overseas Developed Markets Equity and Emerging Markets Equity. Amongst other information, the reports include 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 is also compared to benchmarks representing the 'average' rating across the investment universe of that particular benchmark.

6.3 A colleague from Border to Coast will be available at the meeting to answer any questions Members may have on the information shown in the Quarterly ESG Reports.

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

TEL NO.: 01642 729040

Appendix A

Teesside Pension Fund

Quarterly Investment Report - Q3 2022

Contents

Executive Summary

Overall Value of Teesside Pension Fund

Value at start of the quarter	£2,275,951,871
Inflows	£0
Outflows	£0
Net Inflows / Outflows	£0
Realised / Unrealised gain or loss	£(14,663,997)
Value at end of the quarter	£2,261,287,875

Over Q3 2022, Teesside's holdings performed as follows:

- The UK Listed Equity Fund outperformed its benchmark by 0.49%
- The Overseas Developed Markets Equity Fund outperformed its benchmark by 0.27%
- The Emerging Markets Equity Fund outperformed its benchmark by 1.14%

Teesside made no subscriptions or redemptions during Q3 2022.

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.
3) Inflows and outflows may include income paid out and/or reinvested.
4) Values do not always sum due to rounding.

Portfolio Analysis - Teesside Pension Fund
at 30 September 2022

Funds Held

Fund	Market Index	Market Value (£)	Value (%)
Border to Coast UK Listed Equity	FTSE All Share GBP	574,905,301.23	25.42
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	1,483,308,802.62	65.60
Border to Coast Emerging Equity Fund	EM Equity Fund Benchmark[2]	203,073,770.92	8.98

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
Border to Coast Multi Asset Credit
Border to Coast Listed Alternatives

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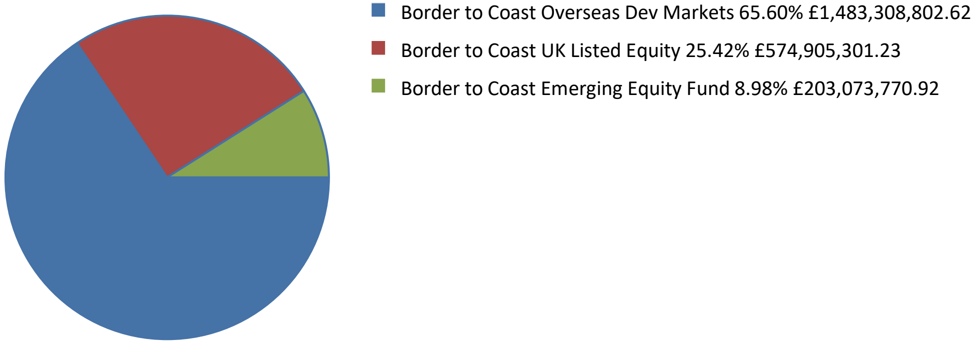
Teesside Pension Fund - Fund Breakdown



Note
1) Source: Northern Trust

Portfolio Contribution - Teesside Pension Fund
at 30 September 2022

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	25.42	(2.96)	(3.45)	0.49	(0.73)
Border to Coast Overseas Dev Markets	65.60	0.37	0.09	0.27	0.22
Border to Coast Emerging Equity Fund	8.98	(1.26)	(2.39)	1.14	(0.13)
Total	**100.00**	**(0.64)**			

The UK Listed Equity Fund returned –2.96% over the quarter, which was 0.49% ahead of the FTSE All Share Index.
The Overseas Developed Markets Equity Fund returned 0.37% over the quarter, which was 0.27% ahead of the composite benchmark.
The Emerging Markets Equity Fund returned –1.26% over the quarter, which was 1.14% ahead of the FTSE Emerging Markets.

Overall, Teesside's investments with Border to Coast returned –0.64% during Q3 2022.

Note
1) Source: Northern Trust & Border to Coast
2) Performance shown is investor-specific, calculated using a time-weighted methodology which accounts for the impact of investor flows, whereby investments held for a longer period of time will have more of an impact than those held for a shorter time.
3) Past performance is not an indication of future performance and the value of investments can fall as well as rise.
4) Performance shown is net of charges incurred within the ACS, such as depository, audit and external manager fees. Performance is gross of any fees paid to Border to Coast which are set out separately within the papers supporting the Shareholder Approval of the Border to Coast Strategic Business Plan.

Valuation Summary
at 30 September 2022

Fund	Market value at start of the quarter GBP (mid)	Total weight (%)	Purchases (GBP)	Sales (GBP)	Realised / unrealised gain or loss	Market value at end of the quarter GBP (mid)	Total weight (%)
Border to Coast UK Listed Equity	592,415,639.61	26.03			(17,510,338.38)	574,905,301.23	25.42
Border to Coast Overseas Dev Markets	1,477,879,017.12	64.93			5,429,785.50	1,483,308,802.62	65.60
Border to Coast Emerging Markets Equity	205,657,214.75	9.04			(2,583,443.83)	203,073,770.92	8.98
Total	**2,275,951,871.48**	**100.00**			**(14,663,996.71)**	**2,261,287,874.77**	**100.00**

Note
1) Source: Northern Trust
2) Purchases and sales may include income paid out and/or reinvested.
3) Past performance is not an indication of future performance and the value of investments can fall as well as rise.
4) Values do not always sum due to rounding.

Summary of Performance - Funds (Net of Fees) Teesside Pension Fund at 30 September 2022

	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	1.98	0.96	1.02	(2.96)	(3.45)	0.49	(2.46)	(4.00)	1.54	1.59	0.80	0.80	--	--	--
Border to Coast Overseas Dev Markets	7.21	5.94	1.27	0.38	0.09	0.28	(4.87)	(6.70)	1.83	7.11	5.61	1.50	--	--	--
Border to Coast Emerging Markets Equity	3.06	4.93	(1.87)	(1.26)	(2.39)	1.14	(10.56)	(8.84)	(1.72)	0.67	2.33	(1.66)	--	--	--

Note
1) Source: Northern Trust
2) Performance shown is for the pooled fund, which may differ to the investor-specific performance.
3) Performance inception dates are shown in the appendix.
4) Performance for periods greater than one year are annualised.
5) Performance shown is net of charges incurred within the ACS, such as depository, audit and external manager fees. Performance is gross of any fees paid to Border to Coast which are set out separately within the papers supporting the Shareholder Approval of the Border to Coast Strategic Business Plan.
6) 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 2022

	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	1.99	0.96	1.03	(2.96)	(3.45)	0.49	(2.46)	(4.00)	1.54	1.60	0.80	0.80	--	--	--
Border to Coast Overseas Dev Markets	7.22	5.94	1.29	0.38	0.09	0.29	(4.86)	(6.70)	1.84	7.12	5.61	1.51	--	--	--
Border to Coast Emerging Markets Equity	3.20	4.93	(1.73)	(1.19)	(2.39)	1.21	(10.32)	(8.84)	(1.47)	0.83	2.33	(1.50)	--	--	--

Note
1) Source: Northern Trust
2) Performance shown is for the pooled fund, which may differ to the investor-specific performance.
3) Performance inception dates are shown in the appendix.
4) Performance for periods greater than one year are annualised.
5) Performance shown is gross of charges incurred within the ACS, such as depository, audit and external manager fees. Performance is gross of any fees paid to Border to Coast which are set out separately within the papers supporting the Shareholder Approval of the Border to Coast Strategic Business Plan.
6) 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 2022

UK Listed Equity Fund

The fund generated a total return of -2.96% during the quarter, compared to the benchmark return of -3.45%, resulting in 0.49% of outperformance.

The UK underperformed the broader global market indices during the quarter. This was due to a lower weighting in Consumer Discretionary stocks, which performed strongly on a global basis, and a higher weighting in Materials stocks which lagged. Inflation is higher and the Bank of England is under pressure to raise rates more aggressively to bring it under control. This will weigh on the growth outlook, although to this point the Bank has proceeded more slowly than some might have hoped.

The Fund benefited from the following factors:

- Underweight Real Estate where the sharp rise in yields has impacted property valuations, whilst increasing the cost of debt.
- Underweight Consumer Discretionary, where consumer confidence has fallen sharply and disposable income is under pressure from rising energy and mortgage costs, combined with stock selection (overweight Flutter which continues to take significant market share in the rapidly growing US sports betting and gaming market).
- Stock selection in Technology with an overweight holding in Aveva which received a cash bid from its largest shareholder.

This was partly offset by the following:

- Stock selection in Materials with an underweight position in Glencore (beneficiary of higher coal prices) and an overweight position in Hill & Smith (unexpected CEO departure).
- Stock selection in Telecoms with an overweight position in BT (sustainability of consumer price increases and future returns from fibre capex).
- Overweight Collectives where the underperformance of UK smaller companies has impacted the Liontrust and Schroder holdings.

The Portfolio Managers have continued to selectively add to mid-cap exposure, including more cyclical stocks, during the quarter. Heightened political uncertainty following a rocky start to the new Truss Government, a potential looming energy crisis, and the likelihood of higher interest rates to combat inflation, have impacted the outlook but we remain vigilant for opportunities to add to quality long term holdings at attractive valuations.

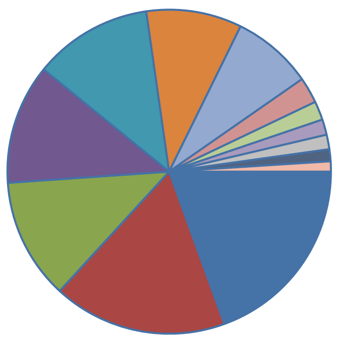
Note
1) Source: Border to Coast

Border To Coast UK Listed Equity Fund at 30 September 2022

Largest Relative Over/Underweight Sector Positions (%)

Common Stock Funds	+1.54
Industrials	+1.53
Health Care	+0.85
Consumer Staples	+0.57
Telecommunications	+0.06
Financials	-2.65
Real Estate	-1.20
Utilities	-0.80
Consumer Discretionary	-0.59
Basic Materials	-0.19

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) – Whilst UK small caps have underperformed the wider market recently, over the longer-term they benefit from stronger growth potential and the funds have long-term track records of outperformance.

Industrials (o/w) – Broad mix of companies typically with significant global market positions, benefitting from the post-pandemic global economic re-opening, recovery in end-markets, supply chain normalisation and rising infrastructure expenditure, such as in the US.

Healthcare (o/w) – Benefits from thelong-term growth drivers of rising global population, ageing demographics and increased incidence of chronic illnesses, which typically sees healthcare expenditure growth (government funded and private healthcare) exceeding GDP growth.

Financials (u/w) – Predominantly due to being underweight investment trusts and Asian-focused banks. Increased near-term recessionary risks with potential for deteriorating bank loan books and rising credit risk in insurers bond portfolios.

Real Estate (u/w) – Concerns around retail/leisure sector exposure such as long-term vacancy rates and downward rent re-negotiations, costs associated with mandatory energy rating improvements, negative impact of rising yields on valuations and uncertainty around the impact of home/flexible working on the longer-term demand for office space.

Utilities (u/w) – Government policy risk and potential for increased regulatory intervention around allowable investment returns, increased operational and capital expenditure costs to meet rising environmental standards and elevated costs associated with an accelerated energy transition.

Border To Coast UK Listed Equity Fund Attribution at 30 September 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
TP ICAP PLC	0.37	74.73	0.07	74.53	0.13
Aveva	0.57	41.06	0.17	41.04	0.13
Biotech Growth Trust	0.60	22.78	0.02	23.63	0.12
SEGRO	0.00	0.00	0.42	(22.32)	0.10
Haleon	0.89	(14.43)	0.65	(21.78)	0.07

TP ICAP PLC (o/w) – Beneficiary of market volatility, cost savings from acquisitions, and the potential for excess capital return to shareholders.

Aveva (o/w) – Aveva'smajority shareholder, Schneider Electric (59% shareholder), announced an all-cash bid to buy-out the minority shareholders.

Biotech Growth Trust (o/w) – Biotech valuations have started to recover from 20-year lows as takeover activity returns and the passing of drug pricing legislation in the US removes an overhang for the sector.

SEGRO (u/w) – Recent sharp increase in bond yields is placing downward pressure on property valuations whilst adding to debt funding costs, compounding weaker property sector sentiment due to recession concerns and comments from Amazon regarding excess logistics supply.

Haleon (o/w) – Formerly the consumer healthcare division of GlaxoSmithKline. Initial market valuation post the new listing was towards the lower end of expectations but solid maiden interim results were well received, demonstrating the organic growth and cash generating capability of the business.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund Attribution Continued at 30 September 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Glencore	2.11	12.04	2.93	12.32	(0.11)
BT	0.62	(32.44)	0.39	(32.61)	(0.10)
Melrose Industries	0.50	(31.04)	0.19	(31.24)	(0.10)
GSK	0.00	0.00	0.00	0.00	(0.09)
Persimmon	0.34	(33.42)	0.18	(33.57)	(0.07)

Glencore (u/w) – Benefitted from elevated commodity prices driven by the need for energy security and substitution of Russian gas. The company is gradually emerging from regulatory investigations.

BT (o/w) – Concerns over the sustainability of consumer price increases, impact of fibre investment requirements on potential returns and increased competition.

Melrose Industries (o/w) – Positive interim results were overshadowed by the announcement of the intention to separate its automotive assets (GKN Auto and Powder Met) into a separate listed entity next year.

GSK (o/w) – Concerns over the potential scale of Zantac litigation claims (former common ulcer and heartburn medication), with early-stage court proceedings commencing in the US.

Persimmon (o/w) – Slowing house price growth/volumes, ongoing build cost inflation and mortgage affordability concerns as interest rates rise, have combined to weigh on the housebuilding sector.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund at 30 September 2022

Largest Relative Over/Underweight Stock Positions (%)

Impax Environmental Markets	+0.91
Schroder UK Smaller Companies Fund	+0.81
Liontrust UK Smaller Companies	+0.74
Biotech Growth Trust	+0.58
Shell	+0.54
Glencore	-0.82
NatWest	-0.54
Scottish Mortgage Investment Trust	-0.53
3I Group plc	-0.49
Bunzl	-0.44

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Impax Environmental Markets – Leading ESG-focused fund, specialising in alternative energy, energy efficiency, water treatment, sustainable food, clean transport, smart environment, pollution control and waste technology.

Schroder UK Smaller Companies Fund – Strong long term track record; smaller companies typically out-perform over the longer term given their higher growth potential. Schroders incorporate proprietary ESG scoring systems in their investment process.

Liontrust UK Smaller Companies – Focussed on intellectual property, strong distribution channels and durable competitive advantage, factors considered relevant to the stronger long-term growth profile of smaller companies.

Biotech Growth Trust – Focussed on investments at the forefront of innovative therapeutic areas such as oncology, cell therapy and gene editing/gene therapy. The majority of new pharmaceutical drug approvals have their origins in biotechnology.

Shell – Shares continue to benefit from elevated oil and gas prices.

Bottom 5 Holdings Relative to Benchmark:

Glencore – Historically a higher risk commodity company with significant operations in geographies with weaker governance and coal exposure higher than peers. Regulatory investigations into allegations of bribery and market manipulation been significant factors.

NatWest – The increased risk of the UK entering recession may impact provisioning, surplus capital and shareholder distributions.

Scottish Mortgage Investment Trust – Specialist investment trust with a focus on global large-cap technology stocks; the Fund has similar global technology exposure through its holding in Allianz Technology Trust.

3i Group plc – Global private equity investor with a highly concentrated investment portfolio. Over half (~55%) of the current net asset value is invested in a single asset – Action, a European discount retailer.

Bunzl – Supplier of non-food consumable products to business which benefitted significantly from the sale of PPE equipment during the Covid pandemic, at which point we exited the holding on concerns this would be difficult to replicate.

Major transactions during the Quarter

Purchases:
Haleon (£7.0m) – Consumer healthcare business recently spun-out of GSK. Initial debt on listing and potential exposure to Zantac claims weighed on the shares. Added to holding as concerns appear overdone given the attractive product portfolio and cash generating capability.

Sales:
Homeserve (£5.1m) – Reduced holding following the recently agreed all-cash bid from Brookfield.

Border To Coast Overseas Developed Markets Equity Fund - Overview at 30 September 2022

Overseas Developed Markets Fund

The Fund generated a total return of 0.38% during the quarter compared to the composite benchmark return of 0.09% resulting in outperformance of 0.28%. The US was the best performing region (3.4%), while Pacific Ex-Japan was the weakest (-3.0%). The Europe ex-UK and US portfolios outperformed their respective benchmarks during the quarter, while Japan and Pacific ex-Japan underperformed. The Europe ex-UK portfolio's strong performance (+1%) had the largest positive contribution to the Fund's relative performance.

The Fund has navigated the volatility in markets, with differing regions showing strength and weakness at differing times. Interest rate sensitive stocks have come under pressure, certain cyclical sectors have recovered, and classic defensive sectors like consumer staples and healthcare have generally performed in line. Earnings expectations have remained relatively firm but are likely to move lower if the economy slows meaningfully.

The Fund has outperformed due to the following:

- Strong stock selection in Europe ex-UK; and
- Strong stock selection within Industrials and across most regions, together with relatively low exposure to Real Estate and Utilities.

This has been partly offset by:

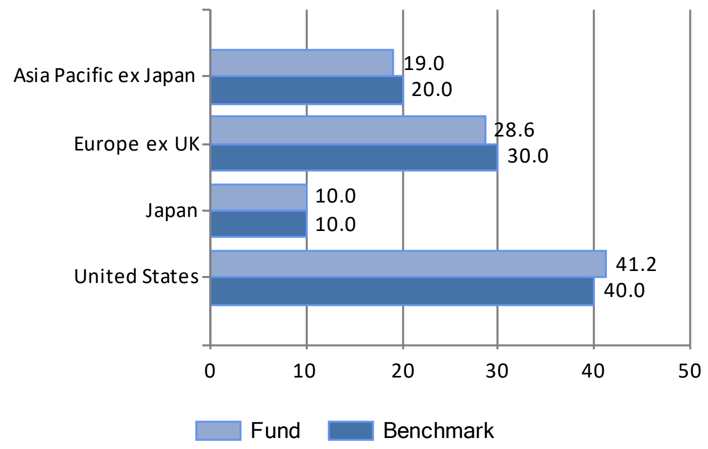
- Weaker stock selection in Consumer Discretionary stocks; and
- Weaker stock selection generally in Japan.

The Fund has a relatively low risk profile which is 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 2022

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.

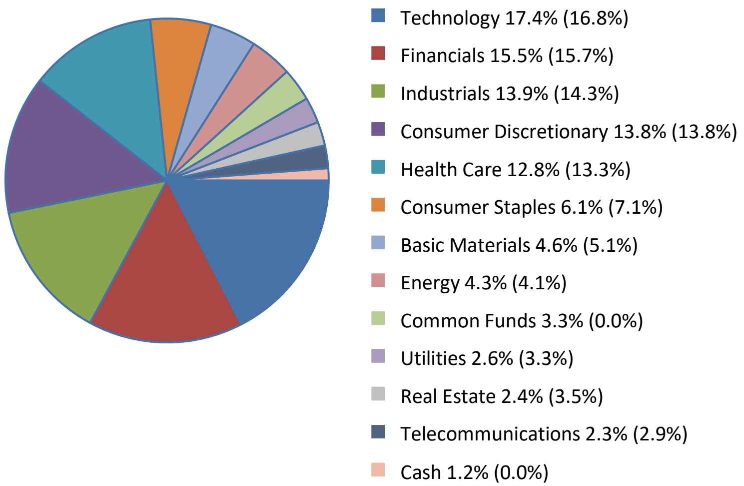
(*) The Benchmark is a composite of the following indices:
•40% S&P 500
•30% FTSE Developed Europe ex UK
•20% FTSE Developed Asia Pacific ex Japan
•10% FTSE Japan

	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	**7.21**	**5.94**	**1.27**	**0.38**	**0.09**	**0.28**	**(4.87)**	**(6.70)**	**1.83**	**7.11**	**5.61**	**1.50**
United States	12.44	11.25	1.19	3.66	3.35	0.31	3.21	1.62	1.59	12.78	11.24	1.54
Japan	2.79	1.27	1.51	(0.55)	0.77	(1.32)	(15.41)	(13.98)	(1.43)	2.20	0.81	1.39
Europe ex UK	3.63	2.34	1.29	(1.39)	(2.43)	1.04	(9.12)	(13.61)	4.49	2.89	1.52	1.37
Asia Pacific ex Japan	4.07	2.65	1.42	(3.09)	(2.97)	(0.12)	(9.32)	(9.16)	(0.16)	4.02	2.42	1.59

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 2022

Sector Portfolio Breakdown



Overseas Developed Markets Fund

<u>Sector Weights:</u>

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.

Energy (o/w) – Small overweight position driven by overweight in Europe ex-UK, Pacific ex-Japan, and Japan offsetting small underweight in the US. Supply dislocations and disruptions likely to support higher prices in the medium term, generating strong cashflows with which to address the challenges of the energy transition and offer attractive returns for shareholders.

Real Estate (u/w) – High leverage leaves the sector exposed in a rising interest rate environment. Improving economies would ordinarily be favourable for asset pricing and demand trends but these compensatory factors are less certain in a post-Covid world.

Consumer Staples (u/w) – Although favoured as a safe haven during recessions, high valuations and vulnerability to margin compression due to higher input costs and weaker end demand make the sector less attractive even with the uncertainty surrounding the economy.

Utilities (u/w) – Companies generally facing higher capital expenditure requirements necessary to position for the energy transition which is expected to challenge their business models and leave them facing increasing political risk.

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 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Vanguard US Mid Cap ETF	2.84	4.25	0.00	0.00	0.11
ConocoPhillips	0.56	26.39	0.17	25.55	0.08
Deere & Co	0.43	21.78	0.12	21.58	0.05
Verizon Communications	0.00	0.00	0.21	(17.88)	0.05
TJX Companies	0.37	21.63	0.10	21.40	0.05

Vanguard Mid Cap ETF (o/w) – More muted valuation compression relative to larger companies resulted in outperformance.

ConocoPhillips (o/w) – Energy names continued to outperform despite a moderation in oil prices.

Deere & Co (o/w) – Shares were buoyed by firming agricultural commodity prices after a weak second quarter.

Verizon Communications (u/w) – Challenging combination of a levered balance sheet in the face of heavy capital commitments and growing price competition.

TJX Companies (o/w) – Better navigation of inventory and margin challenges than peers resulted in outperformance.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund Attribution Continued at 30 September 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Tesla	0.00	0.00	0.94	28.56	(0.20)
Alphabet A	1.87	(4.53)	0.76	(4.50)	(0.05)
Hong Kong Exchanges & Clearing	0.52	(23.22)	0.36	(23.22)	(0.05)
Exxon Mobil	0.00	0.00	0.48	11.65	(0.05)
Sanofi	0.62	(17.07)	0.42	(17.04)	(0.04)

Tesla (u/w) – Resilient electric vehicle sales, potential leverage from new factory openings and strong management of supply chain challenges.

Alphabet A (o/w) – Ongoing concerns on the outlook for digital advertising which, owing to its ubiquity, is seen are being more exposed to the economy than in previous cycles.

Hong Kong Exchanges & Clearing (o/w) – Underperformed due to lower than average trade volumes and ongoing challenging business conditions.

Exxon Mobil (u/w) – Material exposure to positive outlook for LNG with energy companies continuing to outperform despite a moderation in oil prices.

Sanofi (o/w) – The company underperformed due to concerns with the ongoing lawsuit around Zantac, a popular antacid that has been alleged to cause cancer, which may result in considerable damages.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund
at 30 September 2022

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.84
Alphabet A	+1.11
Novo Nordisk	+0.60
Microsoft	+0.58
Visa Inc	+0.52
Tesla	-0.94
Alphabet C	-0.68
Exxon Mobil	-0.48
Mastercard	-0.32
AbbVie	-0.32

Top 5 Holdings Relative to Benchmark:

Vanguard US Mid Cap ETF – Provides exposure to the smaller companies in the US index, although the portfolio has an underweight exposure to smaller companies overall.

Alphabet A – Parent company of Google: zero weight in the C shares results in a moderate overweight position overall. Recent derating of the shares affords exposure to high margin digital advertising revenues at a modest valuation.

Novo Nordisk – Strong market position in diabetes treatments with extension of products into obesity treatment.

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.

Visa Inc – Exposed to strong drivers of the move to cashless payments and recovery in cross border transactions.

Bottom 5 Holdings Relative to Benchmark:

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

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

Exxon Mobil – Integrated energy exposure gained via companies with a better record of ESG engagement.

Mastercard – Preference for Visa, the other global payment network company with similar exposure to growth trends in the payments space, but which trades on a lower valuation.

AbbVie – Patent cliff for leading anti-inflammatory drug creates potential near-term earnings gap.

Note
1) Source: Northern Trust

Summary of Performance - Funds (Net of Fees) Border to Coast Emerging Markets Equity Fund at 30 September 2022

	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	3.06	4.93	(1.87)	(1.26)	(2.39)	1.14	(10.56)	(8.84)	(1.72)	EM Equity Fund Benchmark³
Border to Coast	1.75	4.43	(2.68)	6.32	5.86	0.45	(3.16)	(1.03)	(2.13)	FTSE Emerging ex China (Net)
FountainCap	(23.55)	(25.53)	1.98	(11.04)	(15.73)	4.69	(24.91)	(21.70)	(3.21)	FTSE China (Net)
UBS	(26.04)	(25.53)	(0.51)	(14.43)	(15.73)	1.30	(19.66)	(21.70)	2.04	FTSE China (Net)

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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 2022

Emerging Markets Equity Fund

New quarter, same story. In Q3 2022, emerging market equities continued to struggle with slowing global growth and inflation concerns. China was again the laggard, with continued lockdowns and property market woes curtailing domestic demand. October's Communist Party Congress could yet be the positive impetus the market desperately needs.

Other areas of weakness were those Eastern European names on the periphery of Russia's war in Ukraine and growth-sensitive markets like Taiwan which suffered from increasingly pessimistic global trades expectations. Surprisingly, Turkey, despite sky-high inflation was the best performing market as the economy continues to perform strongly.

Against this tough backdrop, the Fund outperformed the benchmark by 1.1%, but delivered negative absolute returns (minus 1.3%). On a since inception to date basis, however, the Fund is still behind benchmark.

Looking through to the underlying mandates, the internally managed emerging markets ex. China portfolio had a strong relative quarter, outperforming its benchmark by 0.5%. Key contributors were stock selection in Energy (Petrobras) and Industrials (Bharat Electronics), as well as stock selection in Brazil (Petrobras and Itaú Unibanco) and Chile (SQM).

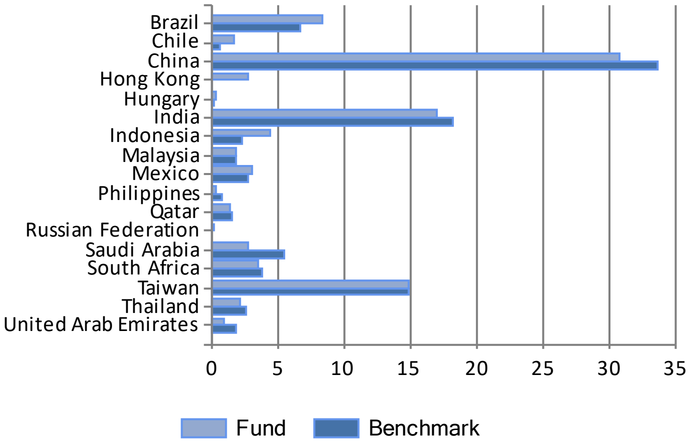
Despite negative absolute returns from China, the Fund's China specialists contributed meaningfully to relative performance, with the aggregate allocation 2.5% ahead of benchmark over the period (which was down ~16%). FountainCap, in particular, performed strongly (+5%), helping to claw back some year-to-date losses. Sungrow Power (renewables), Sonoscape Medical (ultrasound equipment) and Chow Tai Fook (jewellery) were key contributors. For UBS, stronger than market performance (though still negative) from top position Kweichow Moutai was the key driver of outperformance.

As we have discussed before, volatility is likely to persist throughout 2022 and longer. We also expect large regional dispersions to continue. Despite many headwinds, we are cautiously optimistic about the long-term prospects for emerging market equities. Our investment philosophy continues to be rooted in long-term thinking and analysis and we believe that our stock and thematic positioning should help turn short-term volatility into opportunities.

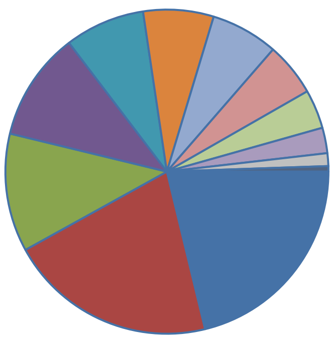
Note
1) Source: Border to Coast

Border to Coast Emerging Markets Equity Fund at 30 September 2022

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.

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.

Energy (o/w) – The Fund is marginally overweight in the energy sector, taking positions in select names, like Petrobras, that trade cheaply despite strong cashflow generation and shareholder return.

Consumer Discretionary (u/w) – The Fund's underweight to this sector is primarily driven by the material underweight to Alibaba and other online marketplaces in China (such as JD.com and Pinduoduo). The Fund also has limited exposure to the Chinese electric vehicle sub-sector (which is now a relatively sizeable portion of the 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.

Utilities (u/w) – The Fund is underweighted 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 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Alibaba	0.96	(23.39)	2.70	(24.24)	0.52	Consumer Discretionary	China
Petrobas	1.84	35.47	0.56	37.54	0.45	Energy	Brazil
SQM	1.66	25.60	0.23	25.31	0.32	Basic Materials	Chile
Itau Unibanco	1.59	31.53	0.45	31.70	0.30	Financials	Brazil
ITC	1.35	27.89	0.22	28.28	0.27	Consumer Staples	India
Bharat Electronics	0.82	37.98	0.07	37.16	0.22	Industrials	India
ICICI Bank	1.15	29.38	0.30	29.28	0.21	Financials	India
Grasim Industries	0.86	35.19	0.14	34.64	0.20	Industrials	India
BYD	0.00	0.00	0.37	(32.67)	0.17	Consumer Discretionary	China
Banco Bradesco	1.13	21.54	0.34	21.66	0.16	Financials	Brazil

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 2022

Positive Issue Level Impacts

Alibaba (u/w) – Alibaba continues to struggle on domestic consumption and competition fears. The stock had rallied somewhat in June but gave all this back again in Q3 2022. The Fund is materially underweight Alibaba and therefore this added to performance.

Petrobras (o/w) – Despite strong political pressure to lower gasoline prices for Brazilian households (effective subsidies), Petrobras has continued to adhere to a market based pricing mechanism and substantial capital has returned to shareholders. This has marked the company out as materially undervalued and contributed to strong share price performance.

SQM (o/w) – Is a leading low cost producer of fertilisers and lithium. A key concern facing the business was the potential for further taxation and environmental regulations. The defeat of the new constitution in the recent referendum was very supportive for the outlook and future profitability of SQM.

Itaú Unibanco (o/w) – Is a leading Brazilian banking franchise with a strong consumer business. The interest rate environment in Brazil (high, and ahead of inflation) is very supportive for Itaú and should support increased levels of profitability.

ITC (o/w) – As a leading Indian conglomerate, ITC has investments across hotels, consumer goods, agriculture and tobacco. The Indian economy has been recovering well post-COVID and this has translated into strong performance across all of ITC's divisions. Commodity price inflation that could affect its consumer division has been a boon due to its vertical integration, as both revenue and profitability in its agricultural division has been strong.

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 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Hong Kong Exchanges & Clearing	0.89	(23.24)	0.00	0.00	(0.25)	Financials	Hong Kong
China Merchants Bank	1.09	(21.36)	0.32	(21.90)	(0.20)	Financials	China
Netease	2.32	(11.09)	0.50	(10.24)	(0.19)	Consumer Discretionary	China
Hengli Hydraulic	0.58	(24.94)	0.01	(24.94)	(0.17)	Industrials	China
Petrobas	0.00	0.00	0.41	37.46	(0.14)	Energy	Brazil
Ping An Bank	0.73	(17.78)	0.04	(17.84)	(0.13)	Financials	China
LONGi Green Energy	0.45	(26.42)	0.06	(26.44)	(0.13)	Technology	China
Bajaj Finance	0.00	0.00	0.38	43.46	(0.12)	Financials	India
Kweichow Moutai	2.97	(6.35)	0.42	(6.32)	(0.12)	Consumer Staples	China
Chinasoft International	0.24	(34.59)	0.00	0.00	(0.12)	Technology	Hong Kong

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 2022

Negative Issue Level Impacts

Hong Kong Exchanges and Clearing (o/w) – Operates a range of equity, commodity, fixed income, and currency markets through its range of subsidiaries. The firm is a key conduit of capital flows to/from China. Weak operating results and fears that economic headwinds would continue to restrict volumes resulted in poor share price performance over the quarter.

China Merchants Bank (o/w) – A leading Chinese banking group. Slowing economic activity and fears over credit contagion from the property sector resulted in weak performance from the Chinese banking sector over the period. CMB was not immune from this weakness despite a strong market position.

NetEase (o/w) – Is a Chinese internet technology company that primarily develops and operates online PC and mobile games and content. Despite reasonably positive operating results in the period, the firm's share price tracked the broad market lower, ending the period some 10% down.

Hengli Hydraulic (o/w) – Is a leading producer of hydraulic equipment for use in heavy machinery (like excavators). Property market woes and the general slowing of economic activity weighed on the firm's share price during the quarter.

Petrobras (Common Shares) (u/w) – The Fund is overweight in aggregate to Petrobras but does not own the Common Shares.

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 2022

Largest Relative Over/Underweight Stock Positions (%)

Kweichow Moutai	+2.55
Netease	+1.82
SQM	+1.43
Petrobas	+1.28
Itau Unibanco	+1.13
Alibaba	-1.73
China Construction Bank	-0.98
Tencent	-0.72
ICBC	-0.67
Baidu	-0.59

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.

Netease – Is a Chinese internet technology company that primarily develops and operates online PC and mobile games and content. Despite some headwinds in its domestic market, growing success on the international stage (in particular Japan) along with a strong pipeline of games, including a new metaverse gaming platform, should bode well for sales and profit growth.

SQM – Is a leading low cost producer of fertilisers and lithium from the Atacama desert in Chile. The firm's low cost production base has placed it in an enviable position to cater for the growing demand for lithium from battery demand driven by the electronic vehicle boom.

Petrobras – The state-owned Brazilian oil and gas company. Despite increasing political pressure to help manage the rising cost of gasoline and diesel, Petrobras continues to benefit from a high oil price which should underpin its strong cashflow generation and generous dividend payments.

Itaú Unibanco – Is one of the best run banks in Brazil with a leading consumer franchise. Brazil's proactive approach to tackling inflation has set the foundation for banks like Itaú to return to pre-COVID levels of profitability and loan growth.

Bottom 5 Holdings Relative to Benchmark:

Alibaba – Another Chinese multinational technology company, 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.

China Construction Bank – Is 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.

Tencent – A Chinese technology conglomerate with numerous business units – for example, mobile messaging (WeChat) and video games. 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.

Industrial and Commercial Bank of China – Is the world's largest bank providing a multitude of services to corporate customers and individuals. The Fund maintains a structural underweight to Chinese State-Owned Enterprises, many of which are within the banking and finance sector.

Baidu – Operates a Chinese internet search engine (think Google in China). The Chinese internet sector continues to remain under pressure (from regulation) and, for Baidu in particular, a slow recovery in advertising revenue could constrain any upside from other business units (e.g. autonomous driving).

Major Transactions During the Quarter

Purchases:

Elite Material (New Addition, £4m) – Produces halogen-free substrates for printed circuit boards, which are the building block for most electronic products. Elite Material has a technological lead which provides it with a sustainable competitive advantage. This allows it to charge higher prices and generate better margins. In addition, the broadening utilisation of its products provides both diversification and the potential for higher growth than the market currently anticipates.

Shenzen Inovance Tech (New Addition, £1m) – Leading manufacturer that produces and sells automate control products such as low frequency converter, servo drive, and programmable logic controller (PLC) to EV, solar, and other new energy sectors. The company has a strong record in management capabilities that can be employed to capture China's automation demand and contribute to its market share increase as well as sustaining its long-term competitiveness.

Note
1) Source: Northern Trust

APPENDICES

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 September 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Vanguard US Mid Cap ETF	2.84	0.00	0.11
ConocoPhillips	0.56	0.17	0.08
Deere & Co	0.43	0.12	0.05
Verizon Communications	0.00	0.21	0.05
TJX Companies	0.37	0.10	0.05

Vanguard Mid Cap ETF (o/w) – More muted valuation compression relative to larger companies resulted in outperformance.

ConocoPhillips (o/w) – Energy names continued to outperform despite a moderation in oil prices.

Deere & Co (o/w) – Shares were buoyed by firming agricultural commodity prices after a weak second quarter.

Verizon Communications (u/w) – Challenging combination of a levered balance sheet in the face of heavy capital commitments and growing price competition.

TJX Companies (o/w) – Better navigation of inventory and margin challenges than peers resulted in outperformance.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 September 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Tesla	0.00	0.94	(0.20)
Alphabet A	1.87	0.76	(0.05)
Exxon Mobil	0.00	0.48	(0.05)
Charter Communications	0.14	0.04	(0.04)
PayPal	0.00	0.13	(0.03)

Tesla (u/w) – Resilient electric vehicle sales, potential leverage from new factory openings and strong management of supply chain challenges.

Alphabet A (o/w) – Ongoing concerns on the outlook for digital advertising which, owing to its ubiquity, is seen are being more exposed to the economy than in previous cycles.

Exxon Mobil (u/w) – Material exposure to positive outlook for LNG with energy companies continuing to outperform despite a moderation in oil prices.

Charter Communications (o/w) – Financially levered in the face of increasing price competition and moderating demand for broadband cable.

PayPal (u/w) – Recovery from record low relative to the market reached in the previous quarter.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 September 2022

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.84
Alphabet A	+1.11
Microsoft	+0.58
Visa Inc	+0.52
Chevron	+0.43
Tesla	-0.94
Alphabet C	-0.68
Exxon Mobil	-0.48
Mastercard	-0.32
AbbVie	-0.32

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Vanguard US Mid Cap ETF – Provides exposure to the smaller companies in the US index, although the portfolio has an underweight exposure to smaller companies overall.

Alphabet A – Parent company of Google: zero weight in the C shares results in a moderate overweight position overall. Recent derating of the shares affords exposure to high margin digital advertising revenues at a modest valuation.

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.

Visa Inc – Exposed to strong drivers of the move to cashless payments and recovery in cross border transactions.

Chevron – Preferred integrated oil company, providing diversified exposure to elevated energy prices.

Bottom 5 Holdings Relative to Benchmark:

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

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

Exxon Mobil – Integrated energy exposure gained via companies with a better record of ESG engagement.

Mastercard – Preference for Visa, the other global payment network company with similar exposure to growth trends in the payments space, but which trades on a lower valuation.

AbbVie – Patent cliff for leading anti-inflammatory drug creates potential near-term earnings gap.

Major transactions during the Quarter

Sales:

Broadcom Inc (£2.9m), NVIDIA Corp Inc (£2.8m) and **Texas Instruments Inc (£2.6m) –** reduced exposure to the semiconductor sector on concerns of a cyclical slowdown and a possible inventory overhang resulting from overordering through the recent supply drought.

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 September 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Munich Re	0.48	0.17	0.04
Telefonica	0.00	0.08	0.03
Prosus	0.00	0.23	0.03
Enel SPA	0.00	0.16	0.03
Vonovia	0.00	0.09	0.02

Munich Re (o/w) – The reinsurance company confirmed their profit guidance in spite of a more challenging macroeconomic environment. The sector is becoming more defensive as it offers companies with robust balance sheets and strong capital returns.

Telefonica (u/w) – The Spanish telecom company underperformed on growing fears that it may not be as immune from broader macro pressures as previously thought.

Prosus (u/w) – Negative impact of higher interest rates on the high valuations of technology growth stocks.

Enel SPA (u/w) – Visibility of returns impacted by high gas and power prices (reduced margins) and regulatory uncertainties.

Vonovia (u/w) – The German real estate developer has underperformed due to concerns regarding highly leveraged companies in a rising interest rate environment.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 September 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Sanofi	0.62	0.42	(0.04)
Koninklijke Philips	0.18	0.07	(0.03)
Orange	0.23	0.09	(0.03)
Teleperformance	0.33	0.07	(0.03)
Continental	0.00	0.02	(0.03)

Sanofi (o/w) – The company underperformed due to concerns with the ongoing lawsuit around Zantac, a popular antacid that has been alleged to cause cancer, which may result in considerable damages.

Koninklijke Philips (o/w) – Impacted by reduced sales guidance due to inflationary pressures and supply chain troubles, as well as legal action over the safety of one of its products.

Orange (o/w) – Revenue declined due to ongoing competition in the telecom sector, particularly in Spain.

Teleperformance (o/w) – A growth stock with a high valuation failed to beat analyst expectations in the latest results update.

Continental (o/w) – Impacted by the Ukraine invasion, disrupted supply chains and the shortage of electronic components, as well as price increases for raw materials, energy and logistics.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 September 2022

Largest Relative Over/Underweight Stock Positions (%)

Novo Nordisk	+0.60
TotalEnergies	+0.47
AXA	+0.36
LVMH	+0.32
Schneider Electric	+0.31
Zurich Insurance Group	-0.30
Prosus	-0.23
Mercedes-Benz	-0.22
EssilorLuxottica	-0.21
Banco Santander	-0.20

Top 5 Holdings Relative to Benchmark:

Novo Nordisk – Strong market position in diabetes treatments with extension of products into obesity treatment.

TotalEnergies – Shifting away from its core oil business and is now the second largest player in LNG as well as seeking to diversify further into green energy.

AXA – Attractive valuation, trading at a significant discount to key peers such as Allianz and Zurich, despite having an increasingly similar business mix.

LVMH – A strong management team with a good understanding of the luxury end of the market, and potentially less impacted by a consumer slowdown with a focus on high net worth customers.

Schneider Electric – Well-run global company positioned in the structural growth markets in Energy Management and Industrial Automation.

Bottom 5 Holdings Relative to Benchmark:

Zurich Insurance Group – High valuation relative to peers and over ambitious profitability targets.

Prosus – Concerns over concentrated exposure in its largest investment, Tencent (Chinese technology company) and a management team that is not always considered to be aligned with shareholders.

Mercedes-Benz – Concerns that margins are peaking, and valuation is high relative to peers.

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

Banco Santander – Considered to be one of the weakest banks in the sector with concern over its future direction.

Major transactions during the Quarter

Purchases:

Inditex (£3.7m) – Reinvesting proceeds from the sale of H&M, higher quality company with a strategy expected to generate higher future returns.

Sales:

H&M (£5.7m) – Full disposal due to potential impact from currency movements and increased input prices.

Note
1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Japan
at 30 September 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Pan Pacific International	0.15	0.02	0.02
Ballie Gifford Shin Nippon	0.31	0.00	0.02
ZOZO	0.12	0.01	0.02
MatsukiyoCocokara	0.14	0.02	0.02
HOYA	0.19	0.10	0.02

Pan Pacific International (o/w) – Discount store chain benefited from strong results and solid forward guidance.

Baillie Gifford Shin Nippon (o/w) – Stronger performance from underlying holdings and a stabilisation in the Yen, current discount to net asset value provides further scope for performance improvement.

ZOZO (o/w) – Online fashion operator benefited from good results and receding fears of losing market share to physical operators as Covid risks recede.

MatsukiyoCocokara (o/w) – Drug store chain operator supported in the recent market shift to more defensive domestic names, as well as potential growth and synergies from the Cocokara acquisition.

HOYA (o/w) – Manufacturer of electro-optics products has benefitted from solid earnings and recent addition to the flagship Japanese index.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan
at 30 September 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Tokyo Electron	0.27	0.11	(0.03)
Daiichi Sankyo	0.00	0.16	(0.03)
Sony	0.38	0.25	(0.02)
Eisai	0.00	0.04	(0.01)
Shiseido	0.00	0.04	(0.01)

Tokyo Electron (o/w) – Manufacturer of semiconductor manufacturing machines impacted by the recent market aversion to growth and technology themes, combined with continued expectations of falling microchip demand.

Daiichi Sankyo (u/w) – A strong quarter from this volatile pharmaceutical company on more positive news regarding trials of its breast cancer drug, Enhertu (developed jointly with AstraZeneca).

Sony (o/w) – Although results were roughly in line with expectations Sony has continued to be weighed down by the market aversion to growth and technology themes.

Eisai (u/w) – Share priced leapt by over 30% at the end of September on unexpectedly positive trial results for Alzheimer drug.

Shiseido (o/w) – Impacted by further delays to inbound tourism from China and concerns about brand positioning – position has been exited.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan
at 30 September 2022

Largest Relative Over/Underweight Stock Positions (%)

Ballie Gifford Shin Nippon	+0.31
Hitachi	+0.21
Shin-Etsu Chemical	+0.19
Sumitomo Mitsui Financial	+0.19
Mitsubishi UFJ Financial	+0.18
Daiichi Sankyo	-0.16
Honda Motor	-0.11
Mitsui & Co	-0.10
NTT	-0.10
Mizuho Financial	-0.08

Top 5 Holdings Relative to Benchmark:

Ballie Gifford Shin Nippon – Focussed on growth stocks, with strong long-term relative performance.

Hitachi – The benefits from restructuring are becoming apparent as the company enters a new growth phase, with a strong balance sheet supporting increased returns for shareholders.

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

Sumitomo Mitsui Financial – Exposure to the banking sector is obtained via the larger banks as these are likely to be better managed with improved governance compared to the regional banks.

Mitsubishi UFJ Financial – Exposure to the banking sector via larger banks.

Bottom 5 Holdings Relative to Benchmark:

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

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

Mitsui & Co – Slight preference for other general trading companies,Itochu and Mitsubishi Corp.

NTT – Preference for KDDI as a purer play in the mobile and broadband sector.

Mizuho Financial – Exposure to the banking sector through Sumitomo Mitsui Financial and Mitsubishi UFJ Financial.

Major transactions during the Quarter

Purchases:

Kansai Electric Power (£6.7m) – New holding, resuming exposure to the utility sector due to potential for a rerating on the restart of nuclear power production.

Sales:

Toyota Motor (£6.0m) – Reduced overweight on concern that global recession may reduce pent up demand caused by chip shortages, and raw material costs may reduce profit margins.

Note
1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 September 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
DBS Group	0.55	0.35	0.03
Samsung Electronics Prefs	0.00	0.22	0.03
Kakao	0.00	0.10	0.02
Qantas Airways	0.16	0.02	0.02
CSL	0.91	0.73	0.01

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DBS Group (o/w) – Continued to enjoy rising net interest margins on the back of rising interest rates and dollar strength whilst keeping costs controlled and improving shareholders' returns via higher dividends.

Samsung Electronics Prefs (u/w) – Underperformed due to impact of slowing economic growth on demand for its memory chips and consumer electronic products.

Kakao (u/w) – Underperformed on concerns relating to the deteriorating environment and increased competition for its advertisement, e-commerce and internet related services as a result of slowing economic growth.

Qantas Airways (o/w) – Outperformed due to strong passenger demand, a strong competitive position in the domestic market, improving balance sheet and announcement of a share buyback.

CSL (o/w) – Benefitted from recovering plasma donations in the US and the operational leverage provided by its technological edge on plasma collection.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 September 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Hong Kong Exchanges & Clearing	0.52	0.36	(0.05)
SK Innovation	0.16	0.04	(0.04)
AIA Group	1.02	0.83	(0.04)
Samsung Electronics	1.83	1.46	(0.04)
NAVER	0.30	0.16	(0.04)

Hong Kong Exchanges & Clearing (o/w) – Underperformed due to lower than average trade volumes and ongoing challenging business conditions.

SK Innovation (o/w) – Impacted by expectations of lower refining and petrochemical margins, less benefits from the US stimulus package, and a tougher financing environment for its expanding EV battery business.

AIA Group (o/w) – Impacted by difficult operating conditions due to protracted Covid-related restrictions in Hong Kong and China.

Samsung Electronics (o/w) – See Samsung Electronics Prefs above.

NAVER (o/w) – In a similar position to Kakao (above) the company continued to underperform on concerns relating to the deteriorating environment for its advertisement and e-commerce businesses as a result of slowing economic growth and increased competition.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 September 2022

Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.37
Techtronic Industries	+0.22
DBS Group	+0.20
Samsung SDI	+0.20
AIA Group	+0.19
Samsung Electronics Prefs	-0.22
UOB	-0.20
Celltrion	-0.11
Kia	-0.11
Kakao	-0.10

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; the overweight in the ordinary shares is partly offset by not owning the preference shares.

Techtronic Industries – The group's technology leading focus on cordless power tools market should lead to improving margins and market share as global penetration continues rising on the back of innovative products.

DBS Group – Leading bank in Singapore trading at a justified premium on the back of its superior returns, capital position and digitalization strategy whilst benefiting from rising interest rates in Singapore and Hong Kong.

Samsung SDI – One of the global market leaders in terms of the development of EV batteries with attractive competitive position in premium EV battery cells and small-size batteries.

AIA Group – Best-in-class provider of insurance and financial services with a strong distribution franchise in Asia Pacific and sizeable potential for growth in the underpenetrated Life Insurance market in China.

Bottom 5 Holdings Relative to Benchmark:

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

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

Celltrion – Position was exited in early 2022 as reports of accounting regularities emerged as well as concerns over the deteriorating competitive dynamics in the biosimilars space in pharmaceuticals.

Kia – preference for Hyundai Motor and Hyundai Mobis in the Korean autos sector although this positioning is currently under review.

Kakao – Korean internet company with fintech, e-commerce and entertainment businesses; the Fund has a preference for NAVER.

Major transactions during the Quarter

Purchase:

Woodside Energy Group (£5.3m) – added on relative weakness and would be a beneficiary of higher oil prices.

Note

1) Source: Northern Trust

Market Background
at 30 September 2022

The third quarter was a tale of two halves. For the first half, markets enjoyed a rally driven by the sense that inflation in the US was peaking and the Federal Reserve would be less aggressive in raising interest rates. By mid-August equity markets had recovered nearly half of their fall in 2022 and bond yields had trended lower despite a mixed picture of the relative strength of the US economy. Continued strength in economic data and high inflation resulted in stronger language from the Fed, bond yields rebounded by ~100bps in anticipation of further monetary tightening, and equity markets retreated. It doesn't appear that the Fed are going to back off from further interest rate rises to curb inflation, despite signs that the economy may be weakening. Monetary tightening is being mirrored by other central banks which suggests that a global recession is a real possibility. A side effect of the Fed's aggressive stance is dollar strength which has been compounded by its traditional safe haven status. This does little to alleviate inflationary pressures around the world.

For Europe in particular, the economic headwinds presented by higher interest rates are compounded by the gas supply crisis. With Russia squeezing supplies ever tighter and showing every sign that it is prepared to halt them entirely, Europe is facing the prospect of severe disruptions this winter despite higher than hoped for storage levels. The only way a crisis will be averted is by fortune (normal or mild winter) or force majeure (enforced demand curtailment). Industrial users have already responded to the high gas price and reduced demand, but early signs are that consumers have yet to respond with lower consumption. The substantial support package in Germany, ahead of broad EU agreement, was unhelpful in reaching a coordinated approach.

In the UK, there was a significant adverse reaction to the "mini-Budget". Markets do not like uncertainty and an unfunded package of significant tax cuts without an independent assessment of the impact resulted in a few days of chaos with a sharp rise in gilt yields and a short-term collapse in sterling. The potential "doom loop" of forced selling of gilts to meet collateral calls also highlighted that there are some flaws with the plumbing of the financial system. The Bank of England's announcement to purchase government bonds soothed market fears without having to use much of this firepower, although markets remain nervous.

The Ukraine crisis appears to have swung back in favour of the defenders and their NATO backers but has raised fears that Putin may double down on his stance and raise the stakes even higher. The prospect of potential regime change in Russia is not one that is very comforting as it seems as likely to be an equally hard-line would be adopted by any new regime. Thus, the war seems likely to drag on with increasing economic cost and tail risks around more extreme negative outcomes.

In aggregate, global equity markets (MSCI ACWI) produced a return of 2.1% in sterling terms during the quarter, but this return was flattered by sterling weakness with a dollar return of -6.7%. Developed Markets (+2.8%) outperformed Emerging Markets (-3.1%) as China weakened due to ongoing Covid lockdown restrictions. The US was the most resilient major developed market whilst the UK and Europe ex-UK were the weakest.

At a sector level, Consumer and Energy outperformed which supported the notion of a peaking in the interest rate cycle although this was contradicted by weakness in Real Estate, Utilities and Telecoms which tend to be more sensitive to higher interest rates. This perhaps supports the view that short rates could peak sooner but long rates remain higher in the event of a mild recession and subsequent recovery. However, it is also possible that the Consumer sector was rebounding from a weak second quarter and the Energy sector continued to be buoyed by high prices.

As we enter the final quarter of the year, it seems most market participants share the belief that the world's central banks will regain control over inflation, assisted to some degree by a natural rebalancing of supply dynamics across both the commodity space and global supply chains. The debate now seems firmly centred on whether central banks will pause too early and risk a resurgence in inflation which may be difficult to tame or overshoot and cause a deeper contraction in economic activity. With financial markets having already shown signs

Note
1) Source: Border to Coast

Market Background
at 30 September 2022

of structural dysfunctionality in recent weeks, this latter scenario could have profound repercussions.

To complicate the picture a little further, central banks are removing, and in some cases reversing, the unconventional monetary stimulus provided by quantitative easing that has supported economic growth, and asset prices, for the last decade. Being a net seller at the same time as governments increasing debt issuance to fund support for higher energy prices will have a significant impact on the supply/demand balance and, ultimately, bond yields. As witnessed recently, it does not take much to cause significant volatility in the bond markets under current conditions, and this is a source of risk as we progress through this cycle.

It should be noted that, despite the weak economic backdrop, we have not seen a sharp fall in corporate earnings which, in certain areas, have remained robust. Nor have we seen much of a correction in earnings expectations, although analysts are notorious for not anticipating slowdowns.

It seems an act of consistency and reason, rather than laziness, to conclude the market summary with only a few amendments to the same words we concluded the market summary last quarter.

“In the face of these risks it is natural that valuations of equity markets move lower, and they have. By many measures they now incorporate the risk of a mild recession. Further adjustment will be necessary though if a recession proves deeper. The comfort is that both consumer and industrial balance sheets are in a healthy state, over-inflated property markets are confined to a few smaller economies such as Canada, and the global banking system is seemingly well-capitalised. Those looking for clouds can easily find them though in the shape of high levels of government debt, inflated central bank balance sheets, and weak political incumbents in most of the Western democracies, *Europe’s need to adjust to permanently higher energy prices, and China’s continuing reliance on lockdowns to suppress Covid*.”

“The global economy is at a juncture which presents multiple risks for investors, with the *possibility of a mild global recession reliant upon* central banks *not prioritising the restoration of their reputations* above all else and the potential for further geopolitical events *and financial market dislocations* to add even more volatility to the mix. In this context, and even in light of the weakness in equity markets and thus incorporation of a degree of these concerns into investor expectations, it remains more likely that equity markets will move lower than higher over the remainder of the year. Careful stock selection, and conservative positioning, thus seem appropriate.

Note
1) Source: Border to Coast

Border to Coast News

People:

- We are delighted to confirm that Mark Lyon, currently our Head of Internal Management, is to take on a new role of Deputy Chief Investment Officer. In addition, Ian Sandiford has been promoted into a new role of Head of Alternatives, Richard McBeath has been promoted into a new role of Senior Portfolio Risk Manager, and Daniel Loughney has been promoted into a new role of Senior Portfolio Manager – Fixed Income.
- We are pleased that four new graduates have joined our Graduate Programme. The graduates will spend time across the different investment teams to gain hands-on experience.

Investment Funds:

- Townsend Group have been appointed to support the development of Border to Coast's global Real Estate proposition. As a consultant, it will work in close partnership with Border to Coast to help leverage the scale of pooling, expanding access to cost-effective investment opportunities in global real estate. This marks a key step in the launch of real estate investments for Border to Coast's Partner Funds.
- We have appointed Northern Trust (NT) as our Third-Party Administrator (TPA) and Depositary to support the development of our real estate investment capabilities. NT will deliver fund accounting, custody services and investment operations support for the real estate offering, alongside depositary services. The appointment marks an important step in the ongoing development of the real estate offering, and further builds on the strong relationship we have built with NT in recent years.

Responsible Investment:

- Early in the quarter, we published both our Annual Responsible Investment and Stewardship (RI) Report and Taskforce on Climate-related Financial Disclosures (TCFD) Report for 2021/22. The report sets out our work as a responsible investor during 2021/22, highlight the strength of the collective voice provided by pooling, and the positive impact it can have. The RI Report provides a detailed view into our approach to stewardship and the management of the investment risks and opportunities associated with ESG factors, demonstrating our commitment to the UK Stewardship Code. The 2021/22 period was our third year of reporting in line with the recommendations of the TCFD. The report details our approach to managing climate-related risks and opportunities within the four thematic areas of Governance, Strategy, Risk Management and Metrics and Targets.
- We recently launched our Net Zero Implementation Plan detailing how we will address the systemic risk of climate change, drive reductions in real world carbon emissions, and reduce our carbon footprint to Net Zero by 2050 or sooner. The plan demonstrates how we will continue to leverage our collective scale and influence to proactively engage with companies to decarbonise and create investment propositions aligned with net zero emission goals. The plan is aligned with the global goals of the Paris Agreement and follows the Net Zero Investment Framework (NZIF) set by the Institutional Investors Group for Climate Change (IIGCC). Its publication comes a year after we formally committed to the 2050 goal and joined the Net Zero Asset Managers' initiative.

Other News:

- A huge thank you to everyone who attended our annual conference at the end of September. It was the fifth time we have gathered in Leeds and we hope you found it an insightful, interesting, and enjoyable two days.

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

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Fund List and Inception Dates

Fund	Inception Date
Border to Coast UK Listed Equity	26/07/2018
Border to Coast Overseas Dev Markets	26/07/2018
Border to Coast Emerging Markets Equity	22/10/2018
Border to Coast UK Listed Equity Alpha	14/12/2018
Border to Coast Global Equity Alpha	24/10/2019
Border to Coast Sterling Investment Grade Credit	18/03/2020
Border to Coast Sterling Index-Linked Bond	23/10/2020
Border to Coast Multi Asset Credit	11/11/2021
Border to Coast Listed Alternatives	18/02/2022

Quarterly Investment Report - 80237

For the Period 01 Jul 2022 to 30 Sep 2022

Middlesbrough Borough Council

Middlesbrough Borough Council

Report ID: 3399318.1 Published: 17 Oct 2022

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Accounting Summary (expressed in GBP)

As of 30 Sep 2022

Middlesbrough Borough Council

	Market Value 01 Jul 2022		Contributions	Withdrawals	Change in Market Value	Market Value 30 Sep 2022	
Passive Equity Portfolio							
North America ESG Screened Index Equity Sub-Fund	35,716,174	6.46%	0	0	1,213,606	36,929,780	6.80%
Europe ex UK ESG Screened Index Equity Sub-Fund	112,292,312	20.32%	0	0	(2,606,112)	109,686,200	20.20%
Japan ESG Screened Index Equity Sub-Fund	98,398,189	17.80%	0	0	959,132	99,357,320	18.30%
Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund	306,237,287	55.41%	0	0	(9,307,107)	296,930,180	54.69%
Total	**552,643,962**	**100.00%**	**0**	**0**	**(9,740,482)**	**542,903,480**	**100.00%**

Performance Summary (expressed in GBP)

As of 30 Sep 2022

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	-5.54%	3.40%	-9.16%	-0.37%	11.29%	N/A	N/A	11.28%
FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX	-5.60%	3.26%	-9.53%	-0.87%	10.94%	N/A	N/A	11.01%
Difference	**0.06%**	**0.14%**	**0.37%**	**0.50%**	**0.35%**	**N/A**	**N/A**	**0.27%**
Total Returns (Net)	-5.55%	3.39%	-9.17%	-0.40%	N/A	N/A	N/A	N/A
FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX	-5.60%	3.26%	-9.53%	-0.87%	N/A	N/A	N/A	N/A
Difference	**0.05%**	**0.13%**	**0.36%**	**0.47%**	**N/A**	**N/A**	**N/A**	**N/A**
Europe ex UK ESG Screened Index Equity Sub-Fund								26 Sep 2018
Total Returns	-4.84%	-2.32%	-17.05%	-12.84%	2.19%	N/A	N/A	2.87%
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX	-4.95%	-2.44%	-17.73%	-13.54%	1.89%	N/A	N/A	2.64%
Difference	**0.11%**	**0.12%**	**0.68%**	**0.70%**	**0.30%**	**N/A**	**N/A**	**0.23%**
Total Returns (Net)	-4.84%	-2.33%	-17.06%	-12.86%	N/A	N/A	N/A	N/A
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX	-4.95%	-2.44%	-17.73%	-13.54%	N/A	N/A	N/A	N/A
Difference	**0.11%**	**0.11%**	**0.67%**	**0.68%**	**N/A**	**N/A**	**N/A**	**N/A**
Japan ESG Screened Index Equity Sub-Fund								01 Jun 2001
Total Returns	-6.00%	0.97%	-9.33%	-13.73%	1.11%	3.37%	9.31%	3.76%
FTSE JAPAN EX CONTROVERSIES EX CW INDEX	-6.13%	0.82%	-9.68%	-14.11%	0.85%	3.23%	9.23%	3.60%
Difference	**0.13%**	**0.15%**	**0.35%**	**0.38%**	**0.26%**	**0.14%**	**0.08%**	**0.16%**

Middlesbrough Borough Council

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Total Returns (Net)	-6.00%	0.97%	-9.34%	-13.75%	N/A	N/A	N/A	N/A
FTSE JAPAN EX CONTROVERSIES EX CW INDEX	-6.13%	0.82%	-9.68%	-14.11%	N/A	N/A	N/A	N/A
Difference	**0.13%**	**0.15%**	**0.34%**	**0.36%**	**N/A**	**N/A**	**N/A**	**N/A**
Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund								01 Jun 2001
Total Returns	-9.63%	-3.04%	-10.06%	-10.37%	1.99%	3.17%	6.31%	8.91%
FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX	-9.62%	-3.11%	-10.14%	-10.50%	1.93%	3.14%	6.26%	8.85%
Difference	**-0.01%**	**0.07%**	**0.08%**	**0.13%**	**0.06%**	**0.03%**	**0.05%**	**0.06%**
Total Returns (Net)	-9.63%	-3.04%	-10.08%	-10.39%	N/A	N/A	N/A	N/A
FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX	-9.62%	-3.11%	-10.14%	-10.50%	N/A	N/A	N/A	N/A
Difference	**-0.01%**	**0.07%**	**0.06%**	**0.11%**	**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 2022

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	75.64	75.66	-0.02
ESG	76.26	76.28	-0.02
Corporate Governance	46.95	46.93	0.02

Source: SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

What is R-Factor?

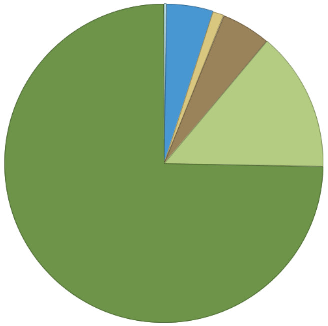
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-inclass ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors 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	442	98.44%	99.74%
Total Number of Securities in Portfolio	449		

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

Fund R-Factor Profile	
Not Available	0.26%
Laggard	4.97%
Underperformer	1.20%
Average Performer	5.26%
Outperformer	14.88%
Leader	78.33%

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.



Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Nestle S.A.	4.97%	4.99%	-0.03%	89.14
Roche Holding Ltd Dividend...	3.86%	3.88%	-0.02%	71.62
ASML Holding NV	2.90%	2.89%	0.00%	81.23
Novartis AG	2.66%	2.68%	-0.01%	89.29
Novo Nordisk A/S Class B	2.66%	2.65%	0.00%	76.26
LVMH Moet Hennessy Louis...	2.52%	2.52%	0.00%	70.28
TotalEnergies SE	1.90%	1.89%	0.01%	79.43
SAP SE	1.55%	1.55%	0.00%	89.73
Sanofi	1.42%	1.41%	0.00%	89.89
L'Oreal S.A.	1.35%	1.35%	0.00%	95.66

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

Top 5 R-Factor Ratings				
Danone SA	0.49%	0.49%	0.00%	99.88
Teleperformance SA	0.25%	0.25%	0.00%	97.68
L'Oreal S.A.	1.35%	1.35%	0.00%	95.66
Enagas SA	0.07%	0.07%	0.00%	94.27
Capgemini SE	0.44%	0.44%	0.00%	93.89

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

Bottom 5 R-Factor Ratings				
CTS Eventim AG & Co. KGa...	0.04%	0.04%	0.00%	27.34
InPost S.A.	0.02%	0.02%	0.00%	30.05
PSP Swiss Property AG	0.08%	0.07%	0.00%	34.32
arGEN-X SE	0.34%	0.34%	0.00%	34.71
Lifco AB Class B	0.06%	0.05%	0.00%	35.63

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

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.

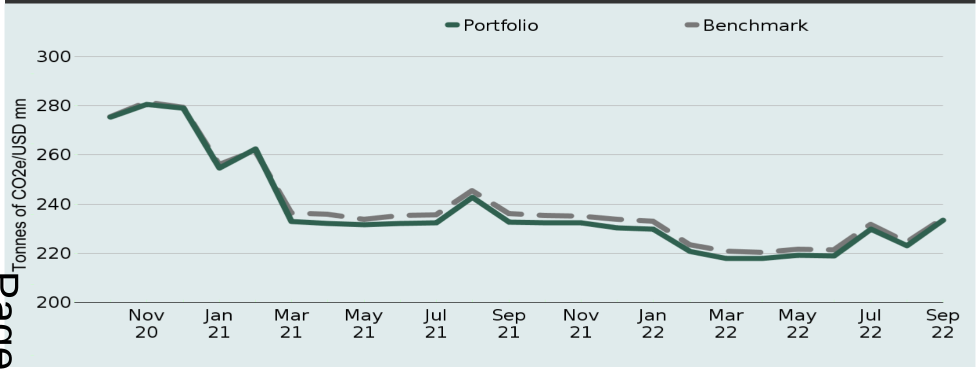
Climate Profile

As of 30 Sep 2022

Europe ex UK ESG Screened Index Equity Sub-Fund

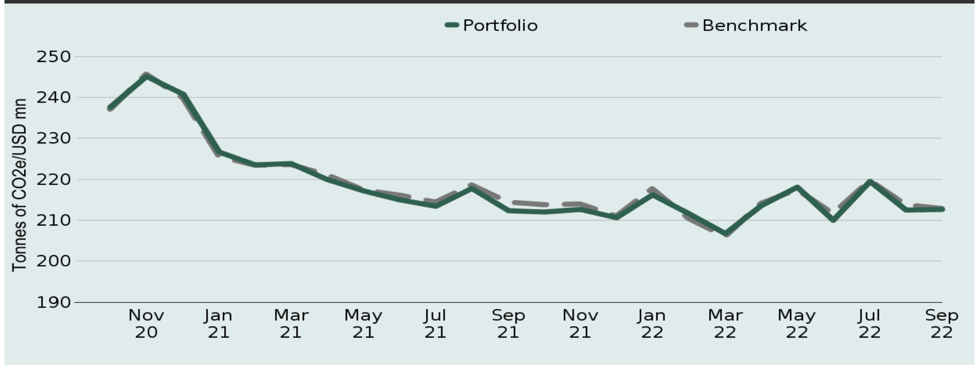
Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX

Carbon Intensity



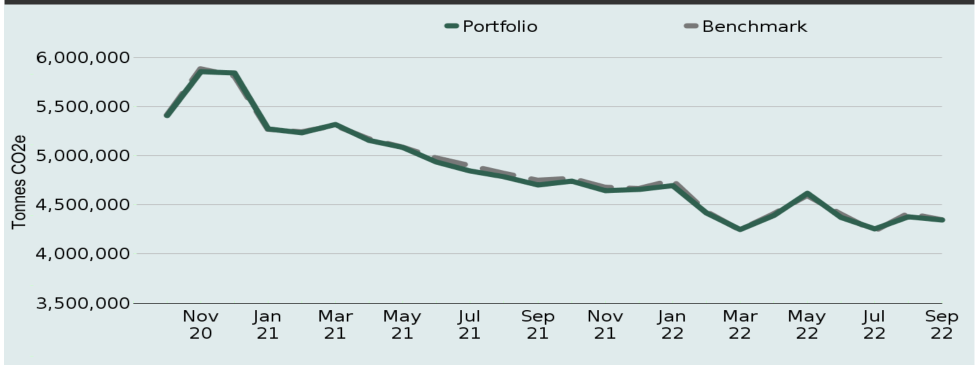
Source: SSGA Holdings as of 30 Sep 2022. Trucost data as of 31 Aug 2022.

Weighted Average Carbon Intensity



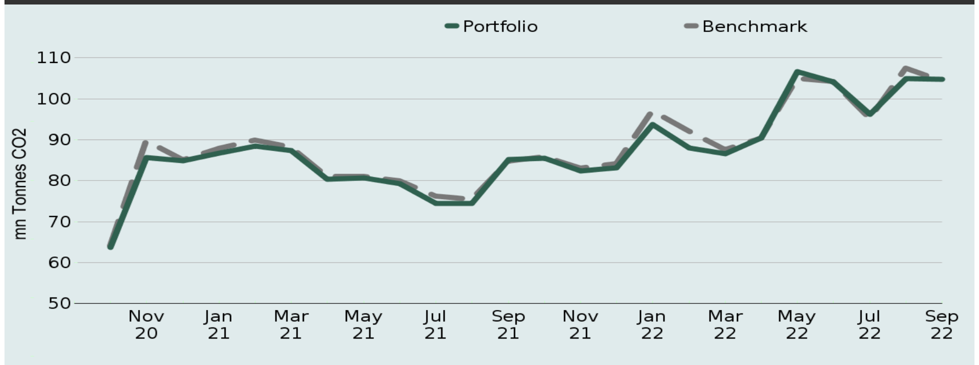
Source: SSGA Holdings as of 30 Sep 2022. Trucost data as of 31 Aug 2022.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 30 Sep 2022. Trucost data as of 31 Aug 2022.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 30 Sep 2022. Trucost data as of 31 Aug 2022.

Stewardship Profile

As of 30 Sep 2022

Europe ex UK ESG Screened Index Equity Sub-Fund

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

Stewardship Profile	Q2 2022
Number of Meetings Voted	399
Number of Countries	16
Management Proposals	7,149
Votes for	89.01%
Votes Against	10.99%
Shareholder Proposals	176
With Management	97.73%
Against Management	2.27%

Source: SSGA as of 30 Jun 2022

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	6
1	18
2	54
3	88
4	88
5	77
6	55
7	33
8	14
9	9
10	3
10+	3
Not Available	1
Total	**449**

Source: Factset/SSGA. Holdings as of 30 Sep 2022, Factset data as of 31 Aug 2022.

R-Factor™ Summary

As of 30 Sep 2022

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	67.76	67.82	-0.06
ESG	66.40	66.46	-0.06
Corporate Governance	64.06	64.05	0.01

Source: SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

What is R-Factor?

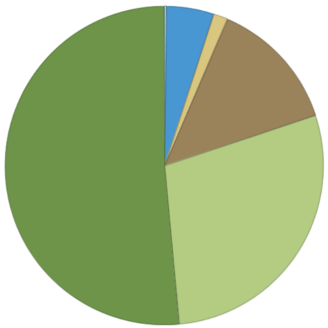
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-inclass ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors 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	641	98.92%	99.79%
Total Number of Securities in Portfolio	648		

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

Fund R-Factor Profile	
Not Available	0.21%
Laggard	4.97%
Underperformer	1.47%
Average Performer	13.83%
Outperformer	29.35%
Leader	52.86%

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.



Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Apple Inc.	6.72%	6.82%	-0.10%	92.61
Microsoft Corporation	5.52%	5.56%	-0.04%	77.85
Amazon.com Inc.	3.20%	3.19%	0.01%	63.93
Tesla Inc	2.15%	2.14%	0.01%	61.93
Alphabet Inc. Class A	1.82%	1.83%	-0.01%	71.74
Alphabet Inc. Class C	1.64%	1.66%	-0.02%	71.74
UnitedHealth Group Incorpo...	1.51%	1.49%	0.02%	51.67
Exxon Mobil Corporation	1.16%	1.16%	0.00%	64.44
Berkshire Hathaway Inc. Cla...	1.10%	1.09%	0.01%	20.81
Meta Platforms Inc. Class A	0.99%	0.98%	0.01%	73.33

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

Top 5 R-Factor Ratings				
HP Inc.	0.09%	0.08%	0.01%	100.00
Cisco Systems Inc.	0.54%	0.53%	0.01%	98.64
Apple Inc.	6.72%	6.82%	-0.10%	92.61
Adobe Incorporated	0.41%	0.41%	0.00%	88.02
Colgate-Palmolive Company	0.18%	0.19%	0.00%	87.58

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

Bottom 5 R-Factor Ratings				
Constellation Software Inc.	0.08%	0.08%	-0.01%	6.46
Live Nation Entertainment In...	0.03%	0.04%	0.00%	9.60
AMC Entertainment Holding...	0.01%	0.01%	0.00%	14.69
Berkshire Hathaway Inc. Cla...	0.44%	0.43%	0.00%	20.81
Berkshire Hathaway Inc. Cla...	1.10%	1.09%	0.01%	20.81

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

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.

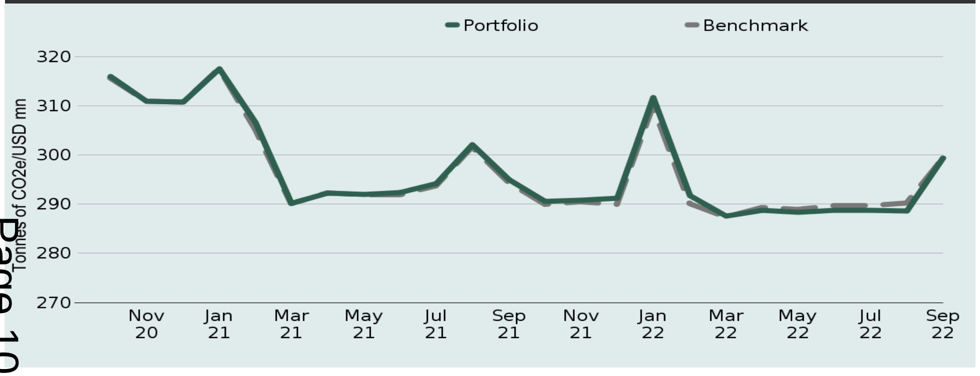
Climate Profile

As of 30 Sep 2022

North America ESG Screened Index Equity Sub-Fund

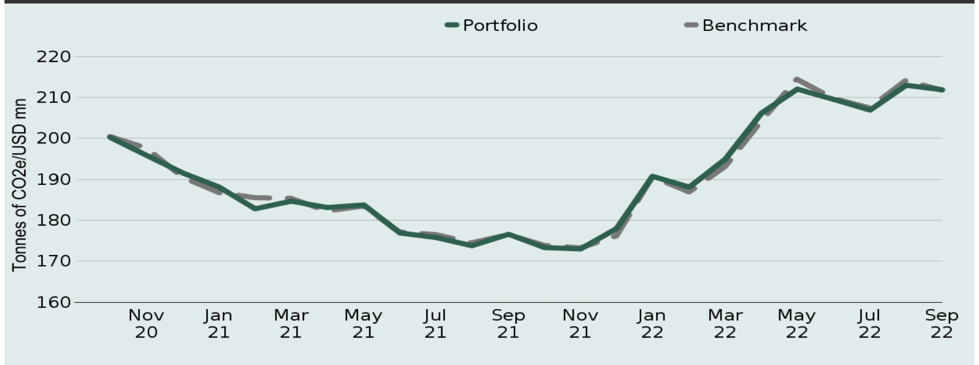
Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX

Carbon Intensity



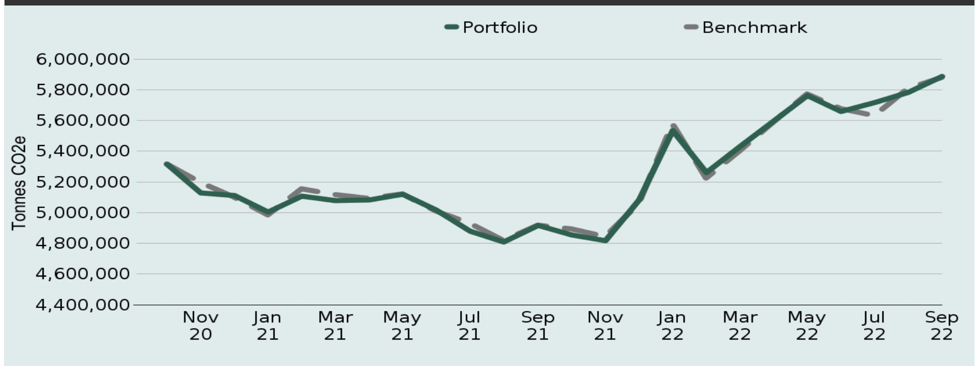
Source: SSGA Holdings as of 30 Sep 2022. Trucost data as of 31 Aug 2022.

Weighted Average Carbon Intensity



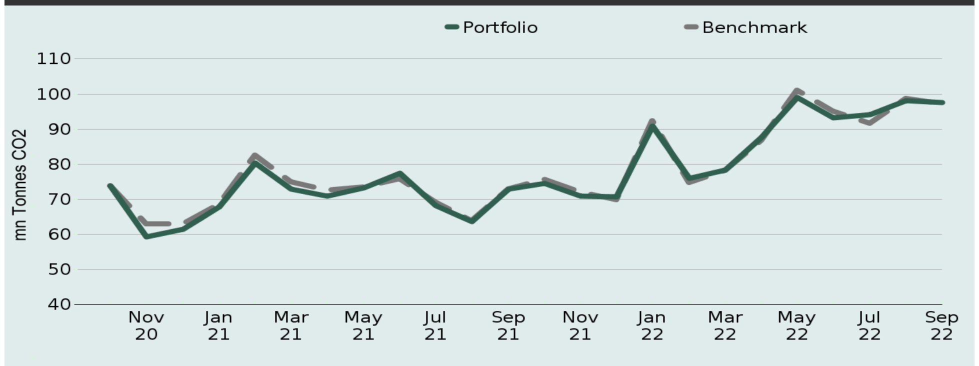
Source: SSGA Holdings as of 30 Sep 2022. Trucost data as of 31 Aug 2022.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 30 Sep 2022. Trucost data as of 31 Aug 2022.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 30 Sep 2022. Trucost data as of 31 Aug 2022.

Stewardship Profile

As of 30 Sep 2022

North America ESG Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q2 2022
Number of Meetings Voted	524
Number of Countries	12
Management Proposals	6,260
Votes for	90.94%
Votes Against	9.06%
Shareholder Proposals	427
With Management	78.45%
Against Management	21.55%

Source: SSGA as of 30 Jun 2022

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	4
1	17
2	108
3	231
4	170
5	77
6	25
7	8
8	3
9	2
10	0
10+	0
Not Available	3
Total	**648**

Source: Factset/SSGA. Holdings as of 30 Sep 2022, Factset data as of 31 Aug 2022.

R-Factor™ Summary

As of 30 Sep 2022

Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	62.91	62.95	-0.04
ESG	61.36	61.40	-0.04
Corporate Governance	65.60	65.57	0.03

Source: SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

What is R-Factor?

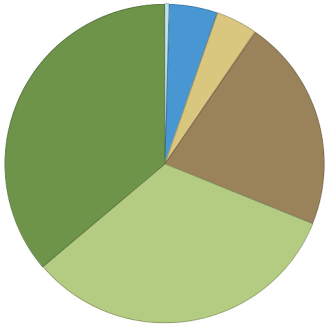
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-inclass ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors 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	492	97.04%	99.51%
Total Number of Securities in Portfolio	507		

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

Fund R-Factor Profile	
Not Available	0.49%
Laggard	4.97%
Underperformer	4.34%
Average Performer	21.98%
Outperformer	33.41%
Leader	37.00%

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.



Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Toyota Motor Corp.	4.90%	4.90%	0.00%	77.34
Sony Group Corporation	2.47%	2.47%	0.00%	84.18
Keyence Corporation	2.01%	2.01%	0.00%	52.02
Mitsubishi UFJ Financial Gr...	1.68%	1.68%	0.00%	62.34
Daiichi Sankyo Company Li...	1.63%	1.64%	-0.01%	68.96
KDDI Corporation	1.48%	1.49%	-0.01%	63.68
Nintendo Co. Ltd.	1.37%	1.32%	0.05%	63.58
DAIKIN INDUSTRIES LTD.	1.26%	1.27%	-0.01%	73.56
Recruit Holdings Co. Ltd.	1.24%	1.24%	0.01%	67.00
Takeda Pharmaceutical Co....	1.22%	1.22%	0.00%	77.72

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

Top 5 R-Factor Ratings				
Sony Group Corporation	2.47%	2.47%	0.00%	84.18
Kao Corp.	0.57%	0.58%	-0.01%	83.95
Bridgestone Corporation	0.57%	0.57%	-0.01%	83.28
TOTO Ltd	0.16%	0.15%	0.01%	82.99
Ricoh Company Ltd.	0.13%	0.13%	0.00%	81.83

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

Bottom 5 R-Factor Ratings				
Relo Group Inc.	0.05%	0.05%	0.00%	7.39
Sanrio Company Ltd.	0.05%	0.04%	0.00%	10.99
Sankyo Co. Ltd.	0.04%	0.04%	0.00%	12.62
Kotobuki Spirits Co. Ltd.	0.03%	0.03%	0.00%	14.62
SMS Co. Ltd.	0.03%	0.03%	0.00%	15.88

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

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.

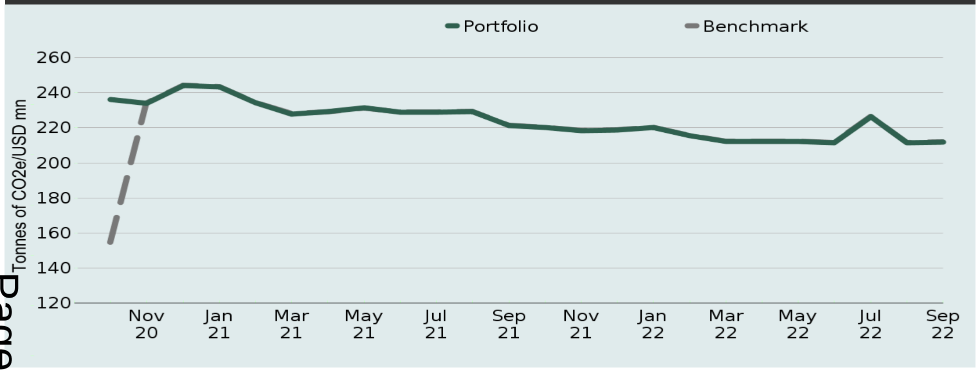
Climate Profile

As of 30 Sep 2022

Japan ESG Screened Index Equity Sub-Fund

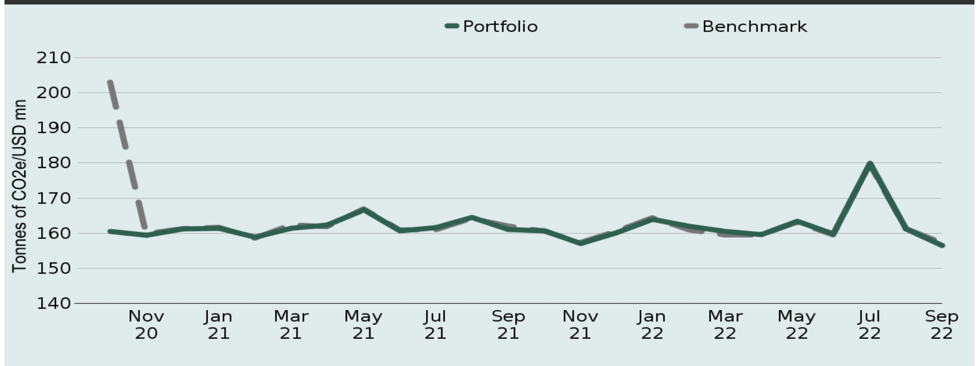
Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

Carbon Intensity



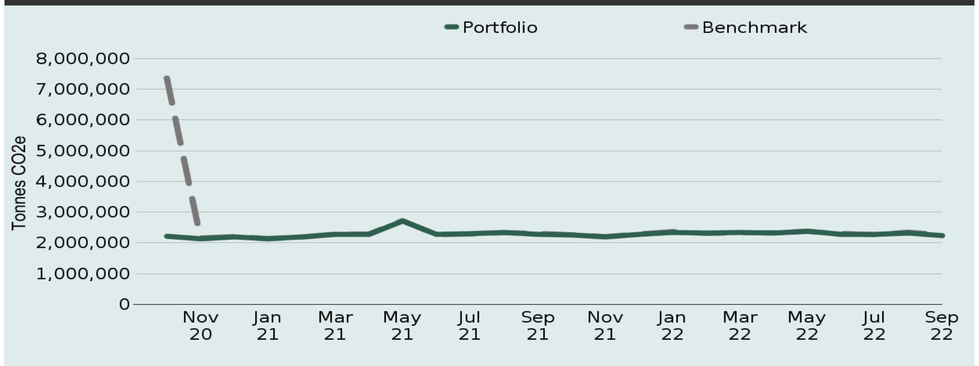
Source: SSGA Holdings as of 30 Sep 2022. Trucost data as of 31 Aug 2022.

Weighted Average Carbon Intensity



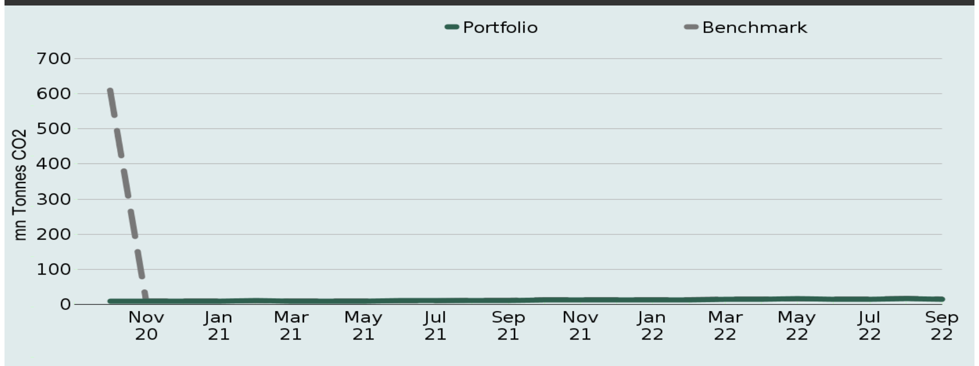
Source: SSGA Holdings as of 30 Sep 2022. Trucost data as of 31 Aug 2022.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 30 Sep 2022. Trucost data as of 31 Aug 2022.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 30 Sep 2022. Trucost data as of 31 Aug 2022.

Stewardship Profile

As of 30 Sep 2022

Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q2 2022
Number of Meetings Voted	413
Number of Countries	1
Management Proposals	5,238
Votes for	92.59%
Votes Against	7.41%
Shareholder Proposals	107
With Management	93.46%
Against Management	6.54%

Source: SSGA as of 30 Jun 2022

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	130
1	224
2	109
3	32
4	12
5	0
6	0
7	0
8	0
9	0
10	0
10+	0
Not Available	0
Total	**507**

Source: Factset/SSGA. Holdings as of 30 Sep 2022, Factset data as of 31 Aug 2022.

R-Factor™ Summary

As of 30 Sep 2022

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	65.28	65.29	-0.01
ESG	65.17	65.18	-0.01
Corporate Governance	53.01	52.99	0.02

Source: SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

What is R-Factor?

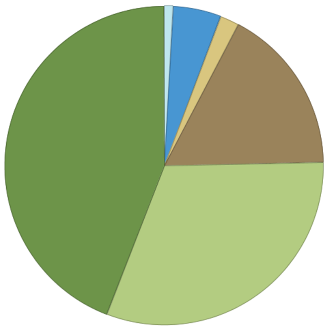
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-inclass ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors 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	381	97.19%	99.07%
Total Number of Securities in Portfolio	392		

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

Fund R-Factor Profile	
Not Available	0.93%
Laggard	4.97%
Underperformer	1.95%
Average Performer	17.21%
Outperformer	31.67%
Leader	44.88%

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.



Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Samsung Electronics Co. Lt...	7.78%	7.72%	0.06%	79.60
Commonwealth Bank of Aus...	4.41%	4.44%	-0.03%	79.32
AIA Group Limited	4.41%	4.40%	0.01%	75.29
CSL Limited	3.90%	3.93%	-0.02%	69.00
National Australia Bank Limi...	2.61%	2.62%	-0.01%	80.40
Westpac Banking Corporati...	2.05%	2.06%	-0.01%	72.80
Australia and New Zealand...	2.00%	2.01%	-0.01%	87.69
Hong Kong Exchanges & Cl...	1.93%	1.93%	0.00%	66.24
DBS Group Holdings Ltd	1.86%	1.86%	0.00%	72.22
Woodside Energy Group Ltd	1.70%	1.71%	-0.01%	71.06

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

Top 5 R-Factor Ratings				
City Developments Limited	0.11%	0.11%	0.00%	89.58
Australia and New Zealand...	2.00%	2.01%	-0.01%	87.69
Dexus	0.24%	0.24%	0.00%	87.28
GPT Group	0.21%	0.21%	0.00%	86.13
LG Electronics Inc.	0.26%	0.26%	0.00%	81.52

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

Bottom 5 R-Factor Ratings				
SSANGYONGC&E.CO.LTD.	0.02%	0.02%	0.00%	5.31
Paradise Co. Ltd	0.02%	0.02%	0.00%	6.79
Hanssem Co. Ltd	0.01%	0.01%	0.00%	7.66
HLB Co. Ltd.	0.12%	0.12%	0.00%	10.27
JS Global Lifestyle Compan...	0.04%	0.05%	-0.01%	11.75

Source: Factset/SSGA. Holdings as of 30 Sep 2022, R-Factor data as of 31 Aug 2022.

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 2022

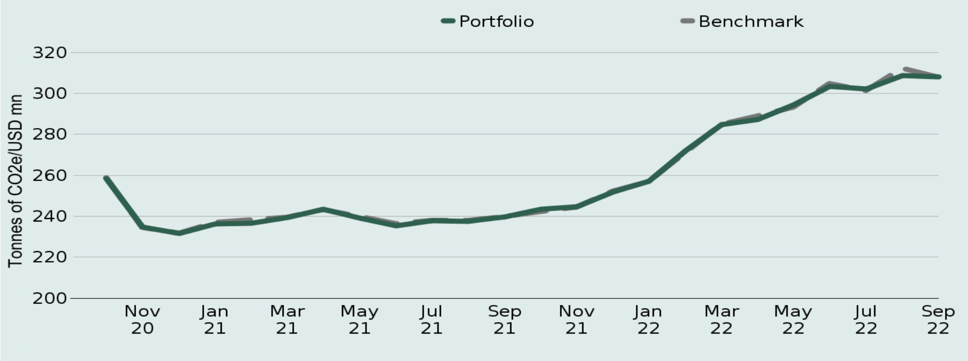
Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund

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

Carbon Intensity

Source: SSGA Holdings as of 30 Sep 2022. Trucost data as of 31 Aug 2022.

Weighted Average Carbon Intensity

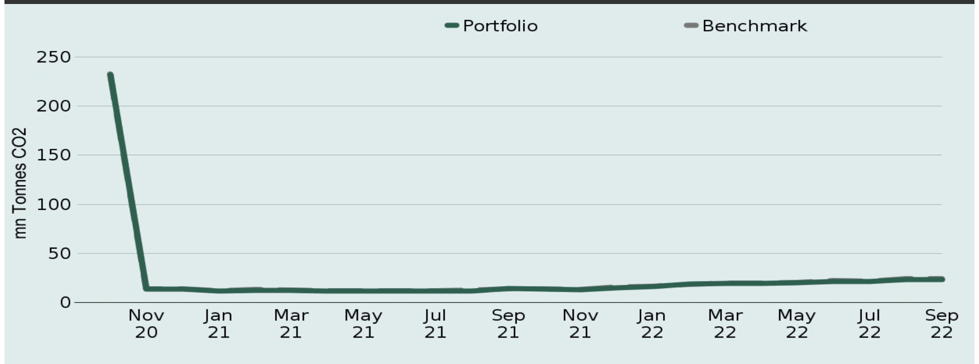


Source: SSGA Holdings as of 30 Sep 2022. Trucost data as of 31 Aug 2022.

Scope 1+2 Carbon Emissions

Source: SSGA Holdings as of 30 Sep 2022. Trucost data as of 31 Aug 2022.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 30 Sep 2022. Trucost data as of 31 Aug 2022.

Stewardship Profile

As of 30 Sep 2022

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 2022
Number of Meetings Voted	132
Number of Countries	10
Management Proposals	1,202
Votes for	84.86%
Votes Against	15.14%
Shareholder Proposals	15
With Management	93.33%
Against Management	6.67%

Source: SSGA as of 30 Jun 2022

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	96
1	89
2	82
3	70
4	41
5	10
6	1
7	1
8	0
9	0
10	0
10+	0
Not Available	2
Total	**392**

Source: Factset/SSGA. Holdings as of 30 Sep 2022, Factset data as of 31 Aug 2022.

Relationship Management Team

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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.

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- 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.
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- 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.

- If your account holds Russian securities and instruments, then as of the date of this publication, they have been fair valued. Such fair value may be zero. If your portfolio holds such Russian securities and instruments, then the portfolio may not be able to dispose of such securities and instruments depending on the relevant market, applicable sanctions requirements, and/or Russian capital controls or other counter measures. In such circumstances, the portfolio would continue to own and have exposure to Russian-related issuers and markets. Please refer to your portfolio holdings report.

Appendix C

BORDER TO COAST
UK LISTED EQUITY FUND

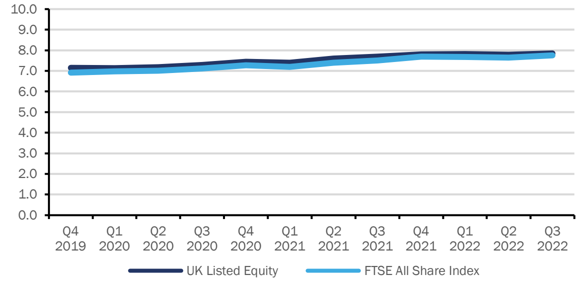
ESG & CARBON REPORT

Q3 2022

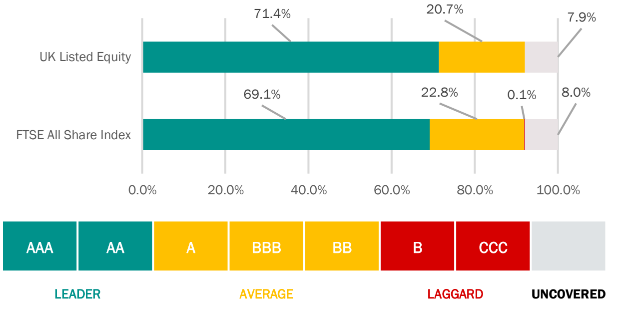
MSCI ESG RATING
AAA

	Q3 2022 Position [1]			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark		Fund has an equal or better *Weighted ESG Score* than the benchmark.
UK Listed Equity	AAA [1]	7.9 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
FTSE All Share Index	AAA [1]	7.8 [1]			Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



Highest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating	Lowest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating
Diageo	4.4%	+0.3%	AAA [1]	TP ICAP	0.4%	+0.3%	BB [1]
Relx	2.3%	+0.3%	AAA [1]	British American Tobacco	3.1%	-0.3%	BBB [1]
National Grid	1.9%	+0.3%	AAA [1]	Glencore	2.1%	-0.8%	BBB [1]
CRH	1.2%	+0.2%	AAA [1]	Smith & Nephew	0.6%	+0.2%	BBB [1]
Legal & General Group	0.7%	+0.1%	AAA [1]	Fresnillo	0.3%	+0.3%	BBB [1]

Quarterly ESG Commentary

- The ESG Weighted score remained consistent in the quarter, retaining its 'AAA' Rating and slightly above the benchmark. This is due to the Fund holding a higher weighting of companies considered to be 'Leaders' and no 'Laggards'.
- The Fund is generally underweight the lowest ESG rated companies relative to the benchmark.

Feature Stock: TP ICAP

TP ICAP Group plc is a leading electronic market infrastructure and information provider. It offers intermediary services, contextual insight, trade execution, pre-trade / settlement services, data-led solutions. The Company's main business divisions include Global Broking, Energy & Commodities, Agency Execution and Parameta Solutions. TP ICAP is a market leader in the inter-dealer broker (IDB) market with 40% of the market share and operates in 26 countries with 2,500 brokers. The group strategy is to diversify away from the core money broking business, which is a mature market, by developing digital assets, data solutions, electronic trading and liquidity pools. The Company scores well on 'Governance' with strong ethics controls in place to prevent excessive risk taking and potential malpractice. As the business model moves from voice trading to electronic trading this oversight can be strengthened further.

TP ICAP is rated BB ("Average") by MSCI. However, the Company lacks a peer group that is directly comparable. This means that any metric that relies on relative scoring may be misleading. For example, MSCI rates TP ICAP lower on initiatives for ESG / sustainable investing relative to peers. However, many of these initiatives are more applicable to banks and financial institutions. TP ICAP's initiatives in carbon credits, renewable energy certificate markets, climate indices and weather derivatives have grown from a low relative base alongside underlying market development. The Company has benefited from a low attrition and staff turnover rate, this has meant that the Company scores lower on 'diversity' and 'human capital development' relative to its peers. However, the Company has set improvement targets and remains in line to meet them.

[1]Source: MSCI ESG Research 30/09/2022

BORDER TO COAST
UK LISTED EQUITY FUND

ESG & CARBON REPORT

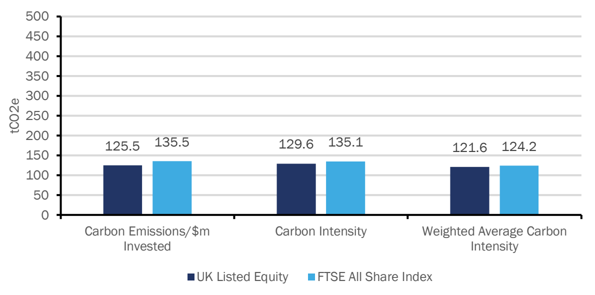
Q3 2022

MSCI ESG RATING

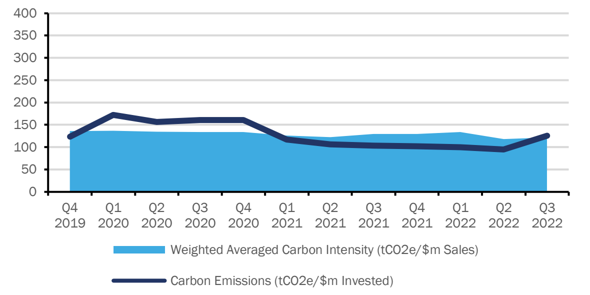
AAA

PENSIONS PARTNERSHIP

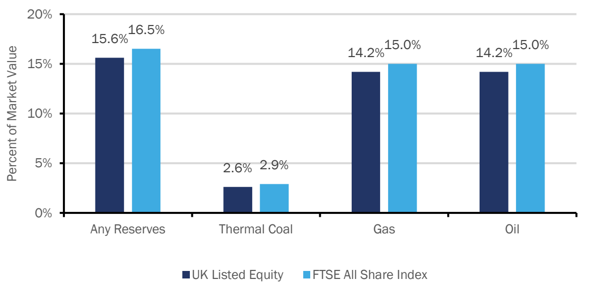
Carbon Emissions and Intensity[1]



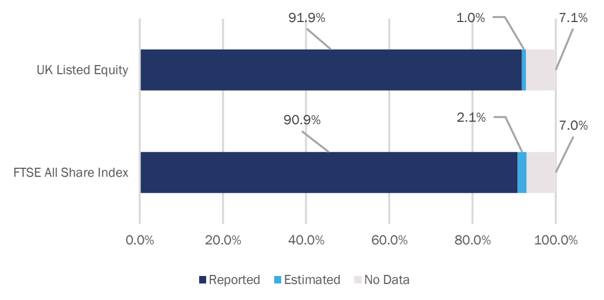
Weighted Average Carbon Intensity Trend[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



Availability of Carbon Emissions Data (% of Market Value)[1]



Largest Contributors to Weighted Average Carbon Intensity [1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Shell	7.5%	+0.4%	29.1% [1]	Yes	4
CRH	1.2%	+0.2%	12.8% [1]	Yes	4
Rio Tinto	2.1%	-0.3%	9.4% [1]	Yes	4
BP	2.0%	+0.3%	7.7% [1]	Yes	4*
National Grid	2.9%	-0.4%	5.6% [1]	Yes	4

Quarterly Carbon Commentary

- The Fund is currently below the benchmark for carbon emissions, carbon intensity and weighted average carbon intensity (WACI).
- Carbon emissions increased in the quarter mainly driven by a slightly increased weighting to Shell and BP, and BP reporting higher annual emissions. WACI and carbon intensity remained stable in the quarter.

Feature Stock: Rio Tinto

Rio Tinto plc is an international mining company. The Company has interests in mining for aluminium, borax, coal, copper, gold, iron ore, lead, silver, tin, uranium, zinc, titanium dioxide feedstock, diamonds, talc and zircon.

Rio Tinto is a significant emitter of carbon with scope 1 and 2 emissions of 31.1mt in 2021, the majority of this derived from the Aluminium business. Aluminium is an essential metal for the low-carbon transition used in lowering carbon emissions from vehicles, aircraft and other carbon producers where weight is a factor. Currently the industrial process taking the bauxite raw material and smelting into pure aluminium takes an enormous amount of electricity and thus the carbon footprint of production is poor. However, this is being mitigated by the utilisation of low carbon energy in the smelting process and Rio Tinto now sources 75% of its power from renewable sources such as hydro, wind, and solar.

In 2020, it set a target to reduce scope 1 and 2 carbon emission intensity by 30% by 2030 (using 2018 as a baseline) and this has now been increased to 50%. The company will invest $7.5bn in carbon reduction between 2022 and 2030 to achieve this goal. Rio Tinto has a net zero target across all operations by 2050.

[1]Source: MSCI ESG Research 30/09/2022

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	0.8%	0.0%
Investment Trust/ Funds	7.1%	7.1%

[1]Source: MSCI ESG Research 30/09/2022

Important Information

The material in this report has been prepared by Border to Coast Pensions Partnership Limited ("Border to Coast") and is designed for the use of professional investors and provides investor information about this fund. The MSCI ESG Fund Ratings and material in this document are for information purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy, or investment product. There is no assurance that any socially responsible investing strategy and techniques employed will be successful. Past performance is not a guarantee or reliable indicator of future results. The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested. Border to Coast accepts no liability for any loss or damage arising from any use of, or reliance on, any information provided in this document. Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority (FRN 800511).

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[1]Source: MSCI ESG Research 30/09/2022
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BORDER TO COAST OVERSEAS DEVELOPED MARKETS EQUITY FUND

ESG & CARBON REPORT

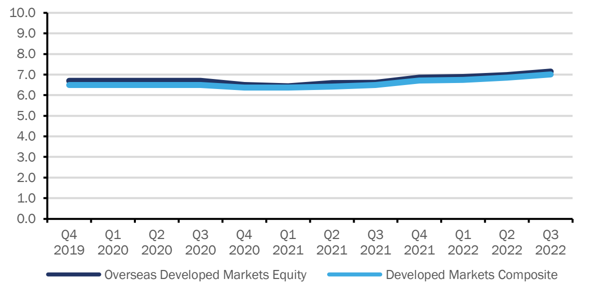
Q3 2022

MSCI ESG RATING

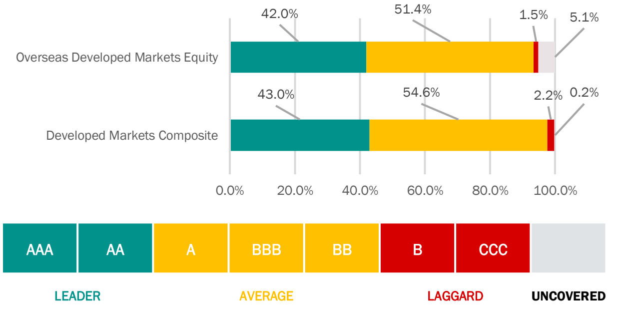
AAA

	Q3 2022 Position [1]			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark	Green	Fund has an equal or better *Weighted ESG Score* than the benchmark.
Overseas Developed Markets Equity	AAA [1]	7.2 [1]	Green	Amber	Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
Developed Markets Composite	AAA [1]	7.0 [1]		Red	Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



Highest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating	Lowest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating
Microsoft Corporation	2.9%	0.0%	AAA [1]	Jardine Matheson Holdings	0.1%	+0.1%	CCC [1]
Novo Nordisk	1.4%	+0.6%	AAA [1]	Hyundai Mobis	0.1%	+0.1%	CCC [1]
ASML Holding	1.1%	+0.3%	AAA [1]	META Platforms	0.4%	-0.1%	B [1]
L'Oreal	0.7%	-0.1%	AAA [1]	Hyundai Motor	0.3%	+0.3%	B [1]
Schneider Electric	0.6%	+0.3%	AAA [1]	Philips	0.2%	+0.1%	B [1]

Quarterly ESG Commentary

- The ESG Weighted score increased slightly over the quarter and remains 'AAA' rated. It also remains slightly above the benchmark which is rated as 'AAA'; this is due to the Fund holding fewer ESG 'Laggards'.
- During the quarter Hyundai Mobis was de-rated to 'CCC' following a methodology update by MSCI. This followed a prior upgrade in 2021.

Feature Stock: Hyundai Motor

Hyundai Motor (HMC) is a Korean auto manufacturer which also owns finance businesses as consolidated affiliates (Hyundai Capital/Card, Hyundai Capital America). HMC is Korea's largest auto manufacturer with around 5% global market share (4mn units). Having been one of the few manufacturers that delivered positive operating profit during COVID-19, HMC is set to continue enjoying record profits supported by an improving product mix, rising prices and normalisation of supply conditions. HMC is currently establishing a strong presence in the electrical vehicle (EV) business as a 'fast follower' with increasingly attractive product line-up (developed and manufactured on shared platforms with Kia), and as a dominant leader in fuel cell electric vehicles (FCEV).

There are several ESG concerns associated with HMC. As is the case with many Korean companies, HMC compares poorly against its global peers in terms of governance. Issues include related party transactions, over-boarded executive directors, combined CEO/Chair roles and a circular ownership structure with cross-shareholdings involving Kia and Hyundai Mobis. These issues are common across the region and generally HMC is in-line with regional peers where there tends to be strong controlling family owners. Border to Coast is currently engaging with HMC under the 'Corporate Governance in Emerging Markets' theme. The major aims of the engagement are to improve the independent oversight of the board and improving corporate disclosures. The engagement started in 2020 and is due to complete in 2023.

[1]Source: MSCI ESG Research 30/09/2022

BORDER TO COAST OVERSEAS DEVELOPED MARKETS EQUITY FUND

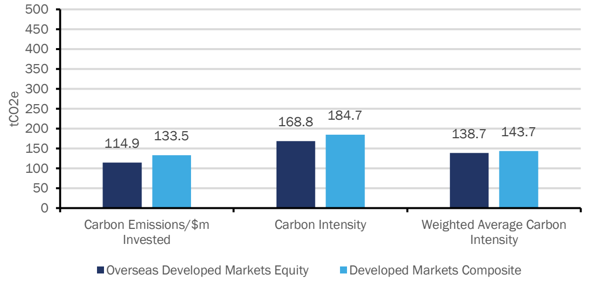
ESG & CARBON REPORT

Q3 2022

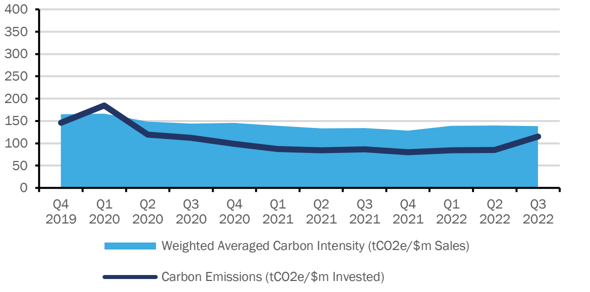
MSCI ESG RATING
AAA

PENSIONS PARTNERSHIP

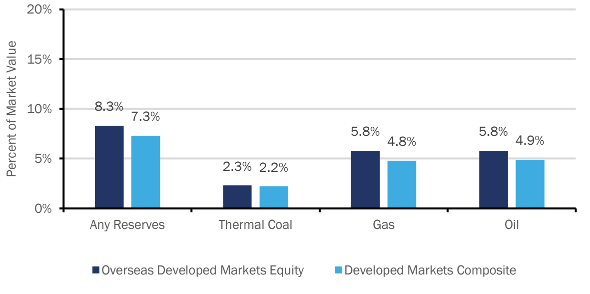
Carbon Emissions and Intensity[1]



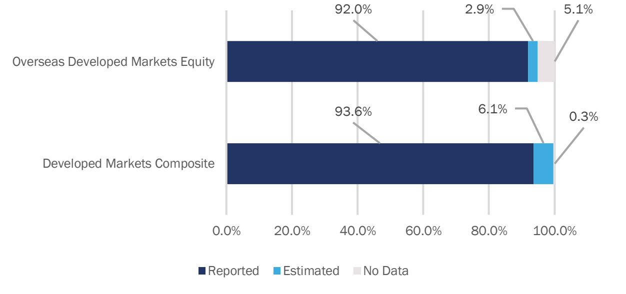
Weighted Average Carbon Intensity Trend[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



Availability of Carbon Emissions Data (% of Market Value)[1]



Largest Contributors to Weighted Average Carbon Intensity [1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
NextEra Energy	0.5%	+0.3%	9.6% [1]	Yes	3
RWE	0.4%	+0.3%	8.9% [1]	Yes	3
Holcim	0.2%	+0.1%	7.6% [1]	Yes	4
L'Air Liquide	0.6%	+0.3%	6.2% [1]	Yes	4
Linde	0.6%	+0.3%	5.6% [1]	No	3

Quarterly Carbon Commentary

- The Fund remains below the benchmark for carbon emissions, carbon intensity and weighted average carbon intensity (WACI).
- WACI and carbon intensity remained relatively flat in the quarter. Carbon emissions increased in the quarter largely driven by Holcim and ArcelorMittal reporting higher annual emissions, this followed COVID impacting emissions the previous year. Holcim is the Feature Stock covered below.

Feature Stock: Holcim

Holcim is a global leader in building materials and cement and is well positioned to take advantage of growth opportunities in state infrastructure spending. The cement sector is hard-to-abate from a carbon perspective and accounts for as much as a tenth of global emissions. Most of these emissions arise from manufacturing, specifically, the process of heating limestone and clay to create "clinker" which has changed little since its 19th-century expansion.

The company is, however, on the path to being carbon neutral by 2050, with its targets endorsed by the Science Based Targets initiative (SBTi). The company has outlined a clear decarbonisation strategy and is one of the first companies to have its short- and long-term CO2 targets validated by the Science Based Targets initiative (SBTi).

Reducing the group's total emissions, however, will take time and require the deployment of carbon capture and usage or storage (CCUS) technologies at scale. The European Commission considers CCUS as one of the seven strategic pillars in its "A clean planet for all" strategy, and the IEA Roadmap for the cement sector projects CCUS to begin at scale from 2030 onwards. Carbon capture technologies, that effectively collect CO2 from industrial processes, offer promising opportunities to combat climate change and Holcim are exploring their potential across over thirty pilot projects worldwide. The company remains at the forefront of green building solutions, with 25% of ready-mix net sales coming from its 'ECOPact' lower emissions concrete.

[1]Source: MSCI ESG Research 30/09/2022

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	0.2%	0.2%
Investment Trust/ Funds	4.9%	4.9%

[1]Source: MSCI ESG Research 30/06/2022

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[1]Source: MSCI ESG Research 30/09/2022

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BORDER TO COAST EMERGING MARKETS EQUITY FUND

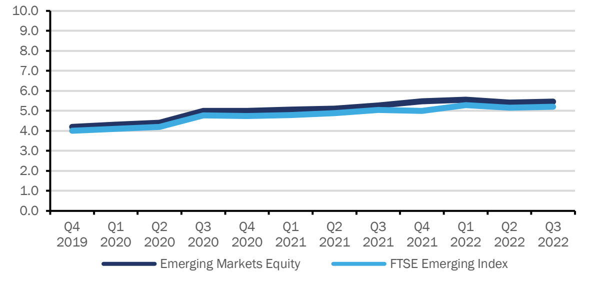
ESG & CARBON REPORT

Q3 2022

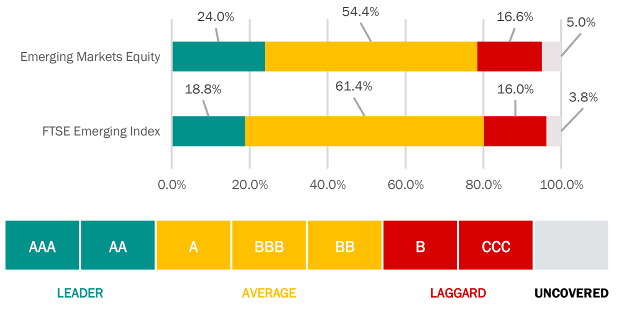
MSCI ESG RATING **BBB**

	Q2 2022 Position [1]			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark		Fund has an equal or better *Weighted ESG Score* than the benchmark.
Emerging Markets Equity	BBB [1]	5.5 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
FTSE Emerging Index	BBB [1]	5.2 [1]			Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



Highest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating
Taiwan Semiconductor	6.5%	+0.7%	AAA [1]
Infosys	1.5%	+0.4%	AA [1]
ITC Limited	1.4%	+1.1%	AA [1]
Banco Bradesco	1.1%	+0.7%	AA [1]
Naspers Limited	1.1%	+0.5%	AA [1]

Lowest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating
Vale	0.8%	-0.1%	CCC [1]
Jiangsu Hengli Hydraulic	0.6%	+0.6%	CCC [1]
Sun Pharmaceutical Industries	0.6%	+0.3%	CCC [1]
Formosa Plastics	0.5%	+0.3%	CCC [1]
Zijin Mining Group	0.3%	+0.2%	CCC [1]

Quarterly ESG Commentary

- The ESG Weighted score increased slightly over the quarter and remains above the benchmark. This is due to the Fund holding a higher weighting of companies considered to be 'Leaders'.
- During the quarter Jiangsu Hengli Hydraulic (covered below) was downgraded to 'CCC'. However, Kweichow Moutai was upgraded to 'B' from 'CCC'.

Feature Stock: Jiangsu Hengli Hydraulic

Jiangsu Hengli Hydraulic ('Hengli') is a market leader in the manufacture of hydraulic components and systems for excavators and other types of construction machinery. The Company has been successful in diversifying its business and is targeting increased sales from non-excavator product lines including arial work platforms and tunnel boring machines. Hengli also aims to increase its international sales from 15% in 2021 to 25-30% by 2025. The Company is already in the process of building a factory in Mexico to reduce international trade costs and is an important strategic partner to both Caterpillar and JLG.

The primary reason for the Company's 'laggard' status, is the perceived strength of corporate governance, relative to global peers. The Company has a controlling shareholder (the Wang family holds c.70% of the Company) which may pose conflicts of interest risk. The chair is a former CEO and his ties to management may impact his ability to provide independent leadership of the board.

Given most of the Company's sales are generated by selling hydraulic components and systems to construction machinery players, the amount of infrastructure spending in China is also one of the key risks to watch. However, the weaker the macroeconomic outlook, the more likely it is that the government will be willing to spend on infrastructure to boost GDP growth.

[1]Source: MSCI ESG Research 30/09/2022

BORDER TO COAST EMERGING MARKETS EQUITY FUND

ESG & CARBON REPORT

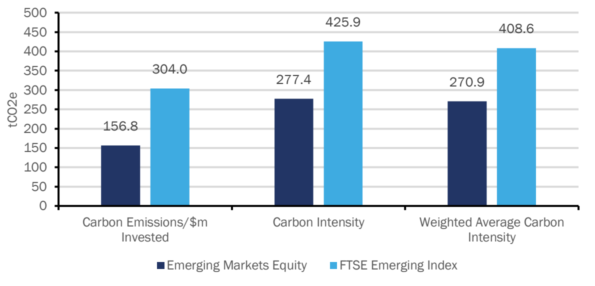
Q3 2022

MSCI ESG RATING

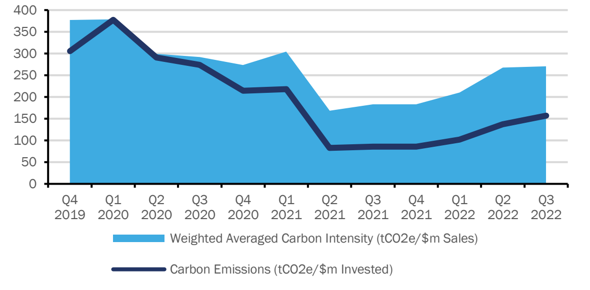
BBB

PENSIONS PARTNERSHIP

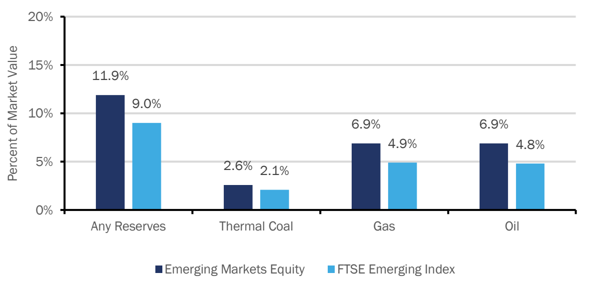
Carbon Emissions and Intensity[1]



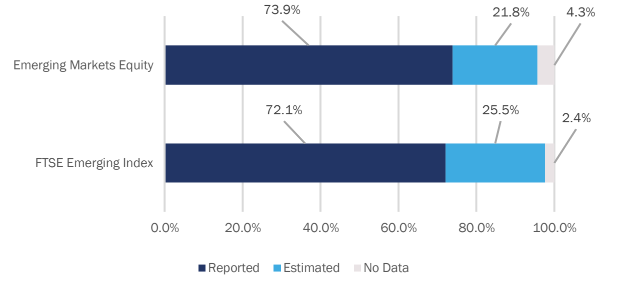
Weighted Average Carbon Intensity Trend[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



Availability of Carbon Emissions Data (% of Market Value)[1]



Largest Contributors to Weighted Average Carbon Intensity [1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Qatar Gas Transport Company	0.6%	+0.5%	11.8% [1]	No	N/A
Petrobras	1.8%	+0.9%	7.4% [1]	Yes	4
China Resources Power Holdings	0.1%	+0.1%	6.2% [1]	No	2
Reliance Industries	2.7%	+0.9%	6.2% [1]	Yes	1
Tenaga Nasional	0.4%	+0.3%	5.8% [1]	No	2

Quarterly Carbon Commentary

- The Fund is currently significantly below the benchmark for carbon emissions, carbon intensity and weighted average carbon intensity (WACI).
- While WACI and carbon intensity remained largely the same or decreased this quarter, carbon emissions increased by approximately 10%. This was not attributable to any individual company but was a result of the portfolio weight generally increasing for the highest emitters.

Feature Stock: Tenaga Nasional

Tenaga Nasional (Tenaga) is the main electricity utility in Malaysia and the sole grid network provider in Peninsular Malaysia and controls 60% of the country's current generation capacity. With a 30,000km distribution network and near 10m customers it is part of Malaysia's critical infrastructure. The Company currently has an unfavourable energy mix with 45% of installed capacity coming from legacy coal power plants, 33% from gas, 5% oil and only 15% from renewables. Despite a slow start, Tenaga has stepped up its commitments to climate change. In August 2021, it committed to an energy transition plan which would take it to net zero and coal free by 2050 and provided a transition pathway with intermediate steps. By 2025 it has committed to build scale in renewable energy, materially improve the efficiency of its existing facilities and by 2035 reduce emission intensity by 35% and coal capacity by 50%.

These are promising signs and place the Company ahead of Malaysia's nationally determined contributions. The Transition Pathway Initiative has acknowledged Tenaga is moving in the right direction and that it now has policies and commitments for action on climate change. An acceleration in this program with the front loading of these carbon reduction aspirations combined with better disclosure and more granular targets would be the next steps in what looks to be a promising commitment from Tenaga.

[1]Source: MSCI ESG Research 30/09/2022

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	1.7%	1.0%
Investment Trust/ Funds	3.3%	3.3%

[1]Source: MSCI ESG Research 30/09/2022

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Border to Coast Pensions Partnership Ltd

Teesside Pension Fund

14 December 2022

Agenda Item 7

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Agenda

1. Recent Developments
    - Border to Coast Update
    - Personnel Update
    - Fund Launch Pipeline
    - RI Policies Review
    - TCFD

2. Investments Summary

3. Equity Fund Performance

4. Alternatives Update

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Border to Coast Pensions Partnership Ltd

Recent Developments

Border to Coast

WHAT

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

HOW

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

WHO

- Our Partner Funds represent c2,800 employers and are responsible for paying the benefits of c.1 million members

Highlights from FY 21/22:

11
Partner Funds Invested
c.£60bn assets in total

£38.3bn
Assets under Management

£14m
of savings

Pledged to be
Net Zero by 2050
or sooner

£9.7bn
Private Markets Commitments

Colleagues
139

Propositions launched to date
13

Voted on
12,206
Shareholder Resolutions

Engaged with companies
1,672
times

Source: Border to Coast's 31 March 2022 Report & Accounts

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Welcoming our new CIO: Joe McDonnell

- We are delighted that Joe McDonnell will be joining us in early January 2023 as our new Chief Investment Officer.
- Joe is currently Managing Director, Head of Portfolio Solutions, at Neuberger Berman. He has held several investment leadership roles including ten years at Morgan Stanley and, before that, internal asset management at Shell and IBM.
- John Harrison will be stepping back from his current role as interim CIO. We are delighted that John will continue as an advisor on our Investment Committee.

Border to Coast Team

CEO: Rachel Elwell						
Interim-CIO: John Harrison	Deputy-CEO: Fiona Miller		CRO: Richard Charlton	CSO: Ewan McCulloch	CPO: Peri Thomas
Investment Team	Operations Team	Corporate Functions	Risk & Compliance Team (2nd Line)	CRM, Policy, Comms	HR
53 people	11 people	33 people	7 people	6 people	3 people

- Team of 119 in total (as at June 2022)

Investment Strategy – Asset Capability Launch Timetable

	Scheduled 2022	Scheduled 2023	Scheduled 2024	Scheduled 2025
Equities	*UK Alpha - review*	*Emerging Markets Alpha*	*Overseas Dev Equity Review*	
	Global Alpha - change implementation		*ESG / Factor Index-Tracking*	
Alternatives	*Listed Alternatives*	*UK Opportunities*		
	Series 2a	*Series 2b*	*Series 2c plus next Climate Opps*	*Series 3*
			Cashflow Mgmt	
Fixed Income		*Green, Social and Sustainable Bonds*		
Real Estate		*Global Real Estate*		
			UK Real Estate	
Other	*Climate Change Strategy*	*Responsible Investment Strategy*		*Review of Climate Change Strategy*
		Currency Hedging	*Rebalancing*	
		Income Distribution	*Equity Protection/Hedging*	

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

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Fund Launches: Key Dates

Emerging Markets Alpha

- Necessary Conditions Documents: Published
- Partner Fund Governance Process: Q4 2022
- Launch: March 2023

Global Real Estate

- Necessary Conditions Documents: End Dec 2022
- Partner Fund Governance Process: Before 31 March 2022
- Launch: May 2023

UK Real Estate

- TPIM Procurement: Completed February 2023
- Partner Fund Indicative Commitment: By 30 June 2023
- Launch: H2 2024

RI Policies annual review process

EARLY JULY
Policies are reviewed by Robeco

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

EARLY 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 2023
New policies are live ahead of proxy voting season

TCFD consultation – key requirements

- Establish and maintain a Governance approach for oversight of climate risks and opportunities.
- Assess impact of climate related risks/opportunities on funding and investment strategies.
- Carry out scenario analysis at least once in each valuation period reflecting different temperature pathway alignments (one being Paris aligned).
- Establish and maintain processes for identifying/managing climate related risks and opportunities.
- Report on minimum of four defined climate metrics, measured and disclosed annually.
- Set a (non-binding) target in relation to one metric, chosen by the Authority.
- AAs will need to publish an annual climate risk report.
- Scheme Advisory Board to prepare an annual report, linking to LGPS reports and aggregate figures for the four defined metrics.
- Take proper advice and have the knowledge and skills required.

TCFD consultation

- DLUHC launched TCFD consultation on 1st September - deadline 24th November.

- No surprises – similar to requirements for occupational pension schemes.

- Some differences:
  - No staged implementation
  - Regs to be in place by April 2023
  - First reporting year 2023-24, report required by December 2024
  - Data quality proposed as a mandatory metric
  - SAB produce a Scheme Climate Risk Report

- Refers to the role of pools in supporting AAs regarding conducting analyses of both pooled and non-pooled assets - joint procurement for scenario analysis/legacy assets data?

- Border to Coast have drafted a response and shared with Partner Funds for comments.

- Encourage Partner Funds to respond to the consultation.

Border to Coast Pensions Partnership Ltd

Teesside Pension Fund – Investments Summary

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Teesside – Valuation & Commitments

Listed Investments	Teesside Value (as at 30/09/2022)	Total Fund Value (as at 30/06/2022)
	£	£
UK Listed Equity Fund	574m	3.3bn
Overseas Developed Markets Equity	1,480m	5.2bn
Emerging Markets Equity	203m	940m

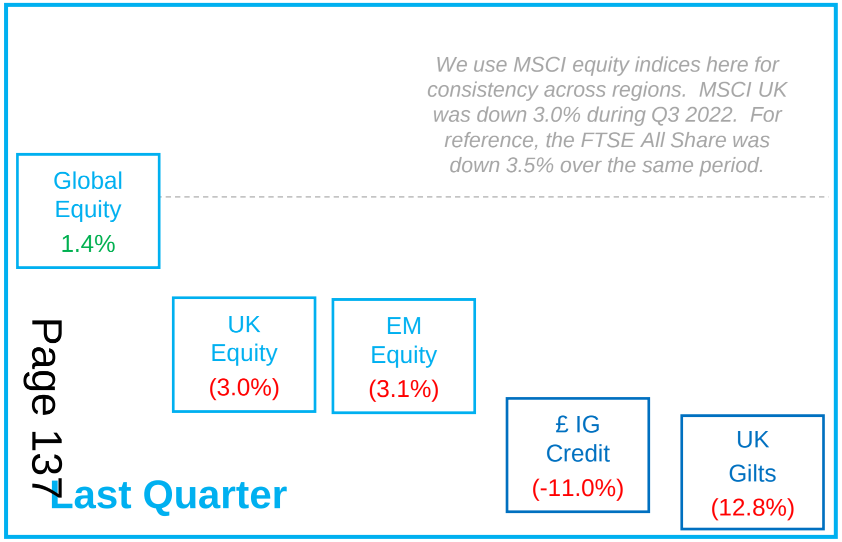
Alternative Investments	Teesside Commitment (Series 1)	Teesside Commitment (Series 2A)	Total Series 1 Commitment (all Partner Funds)	Total Series 2A Commitment (all Partner Funds)
	£	£	£	£
Infrastructure	200m	150m	2,455m	1,025m
Private Equity	200m	100m	1,720m	705m
Private Credit	-	-	1,501m	985m
Climate Opportunities	-	80m	-	1,350m

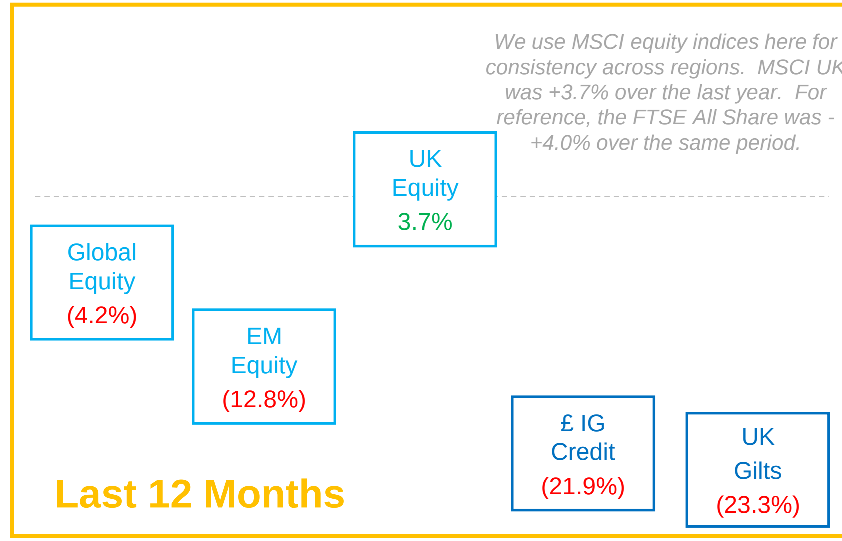
Source: Border to Coast.
Past performance is not a reliable indicator of future performance and is not guaranteed.

Border to Coast Pensions Partnership Ltd

Equity Fund Performance – Q3 2022

Market Movements (to 30 September 2022)

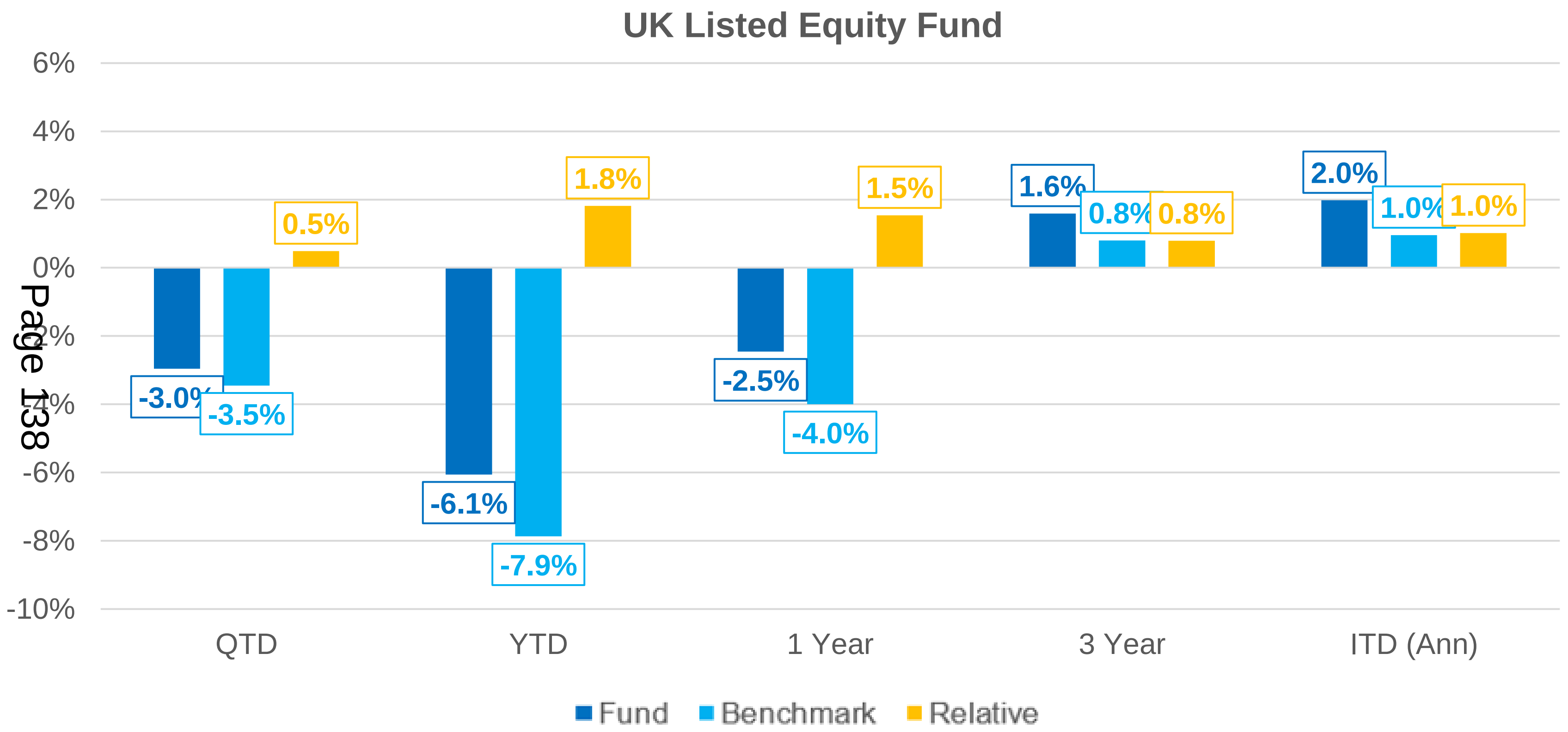




- Market turbulence continued through Q3, which could be attributed to the now familiar macroeconomic themes (e.g., geopolitical unrest, energy prices). Central Banks are continuing to act in combatting soaring price levels by **raising interest rates at speed**, which has had the effect of increasing the discount rate used to value equities and reducing prices.
- Having traded largely sideways for much of Q3, a largely un-funded fiscal plan announced by the UK government – **already challenging macroeconomic backdrop** - resulted in significant weakness experienced across Sterling based assets into the end of the period.

Source: Bloomberg (2022). Charts for illustration only and are not to scale.

UK Listed Equity Fund –
Performance to 30 September 2022



- Performance benefitted from good selection in consumer discretionary and healthcare stocks, together with relatively lower exposure to the consumer discretionary sector and higher exposure to the materials sector
- Performance showing an improving trend in recent months as portfolio changes beginning to impact

Source: Northern Trust, Border to Coast **Note:** Inception date: 26 July 2018.
Figures refer to the past. Past performance is not a reliable indicator of future performance and is not guaranteed.

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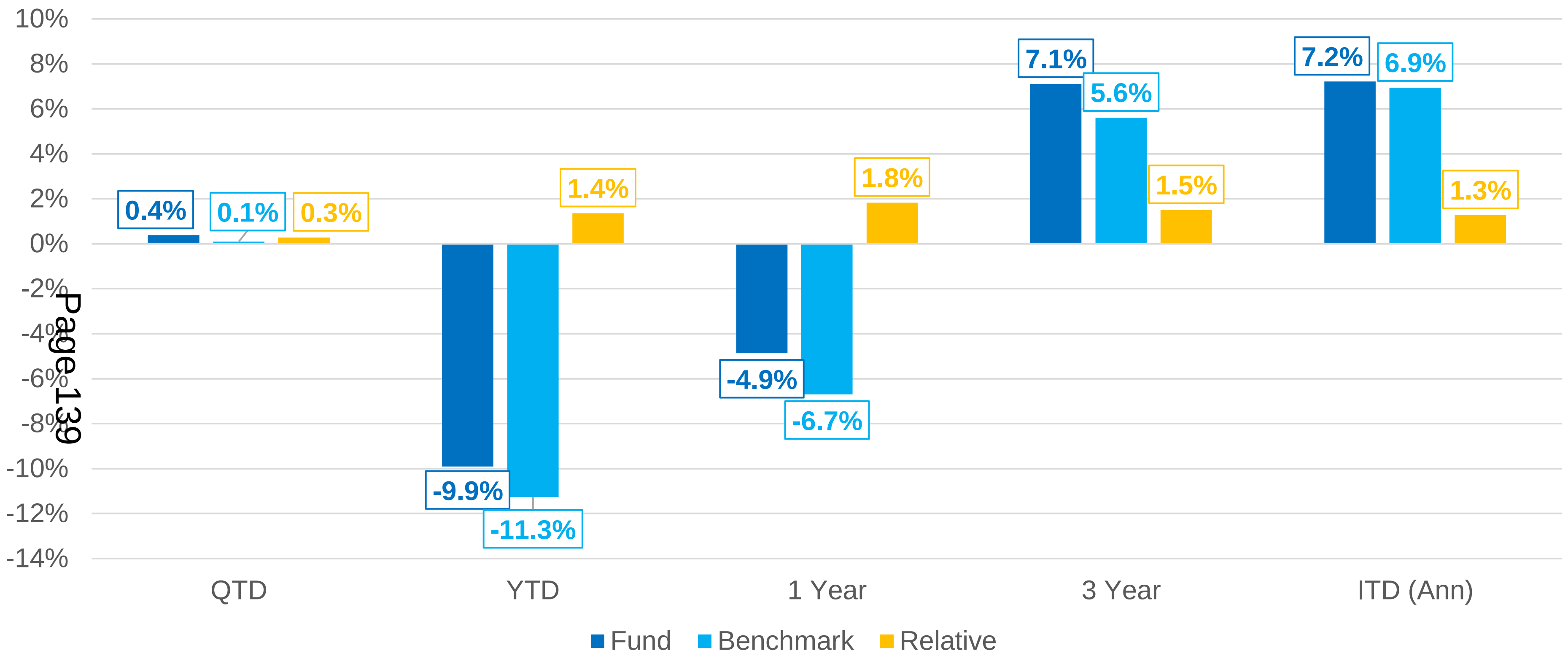
Overseas Developed Equity Fund – Performance to 30 September 2022



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- Continued strong performance in US and Europe portfolios ensured a solid start to 2022

Source: Northern Trust, Border to Coast **Note:** Inception date 9 July 2018.
Figures refer to the past. Past performance is not a reliable indicator of future performance and is not guaranteed.

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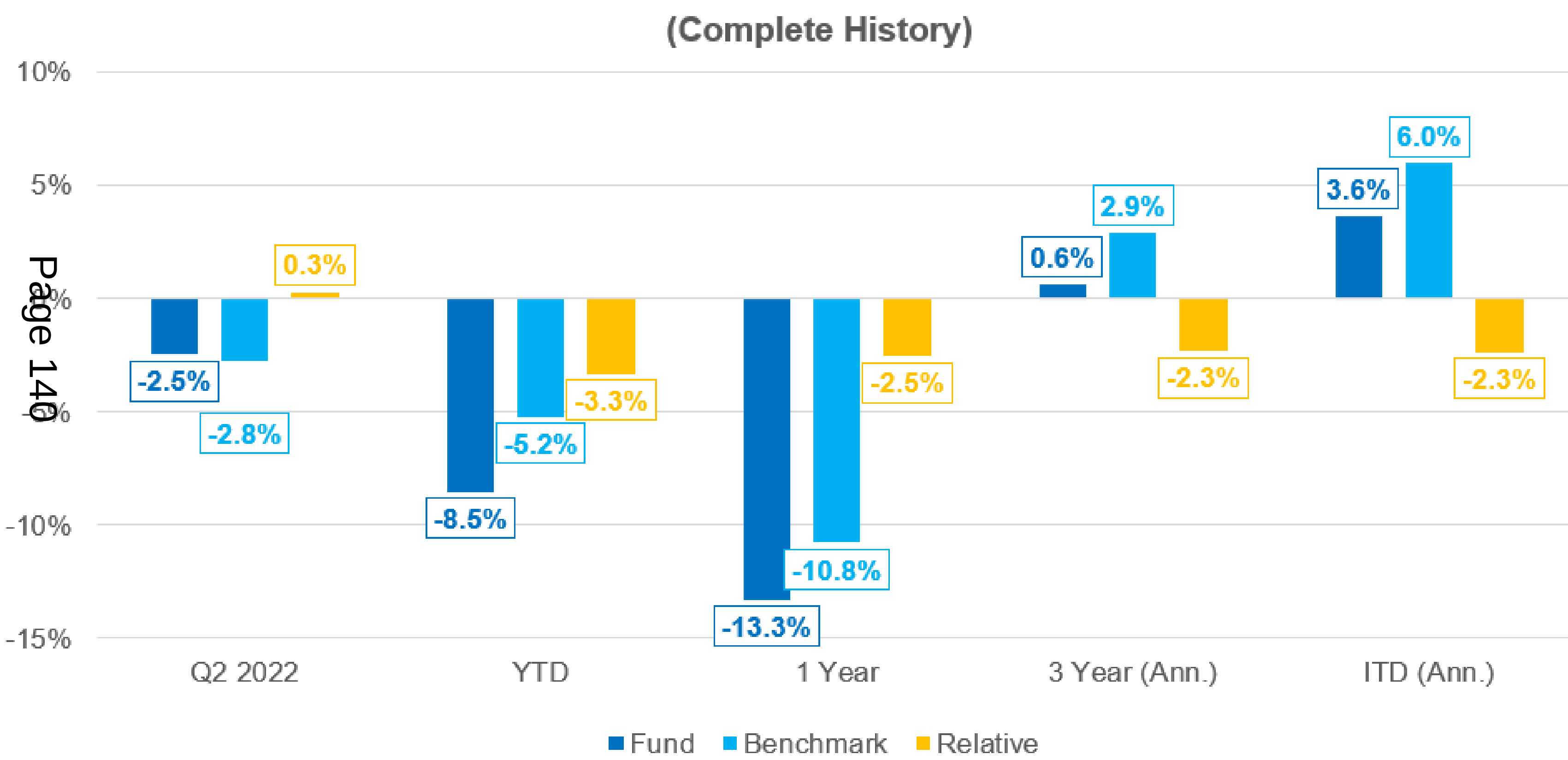
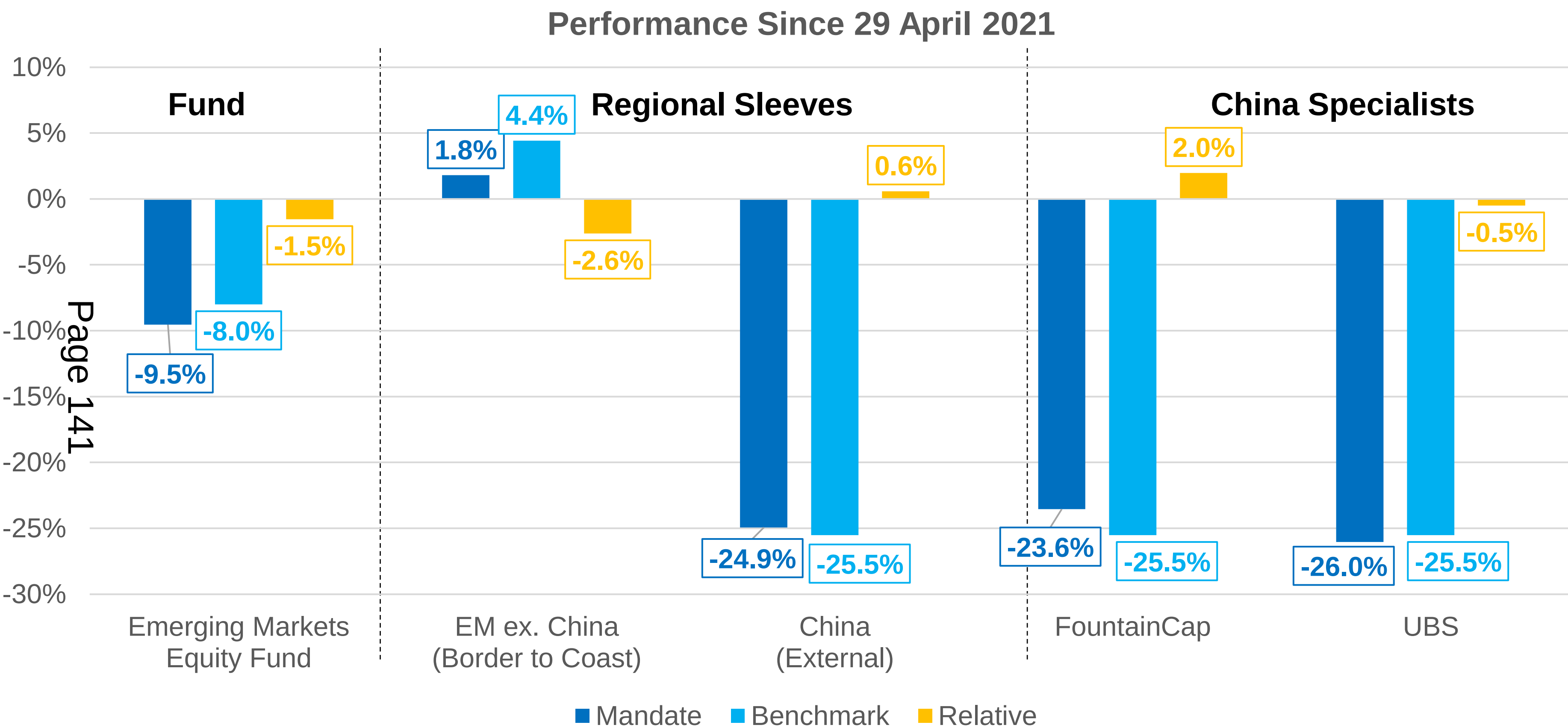
Emerging Markets Equity Fund – Performance to 30 September 2022



From **29 April 2021**, 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). Between 10 April and 28 April 2021, the benchmark return was equal to the Fund return (performance holiday for restructure) and prior to 9 April 2021, the benchmark was S&P Emerging BMI with a performance target of 1% per annum.

Source: Northern Trust (2022) **Note:** Inception date for the Emerging Markets Equity Fund was 22 October 2018.
Figures refer to past performance. Past performance is not a reliable indicator for future results.

Emerging Markets Equity Fund – Post Restructure Performance to 30 September 2022



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 (2022) **Note:** Restructure of the Emerging Markets Equity Fund completed on 28 April 2021.
Figures refer to past performance. Past performance is not a reliable indicator for future results.

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Border to Coast Pensions Partnership Ltd

Alternatives

Private Equity Series 1: Capital Deployment

Series 1A	30 September 2022	30 June 2022
Capital Committed	99.7%	99.7%
Capital Drawn	58.7%	51.7%
Capital Distributed[1]	11.4%	9.8%
Series 1B	**30 September 2022**	**30 June 2022**
Capital Committed	99.1%	99.1%
Capital Drawn	40.0%	39.2%
Capital Distributed[1]	0.3%	0.3%
Series 1C	**30 September 2022**	**30 June 2022**
Capital Committed	100.0%	100.0%
Capital Drawn	18.0%	16.0%
Capital Distributed[1]	0.1%	0.0%

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[1] Including recallable distributions
Source: Albourne

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Private Equity Series 1: Performance

Series	Fund	IRR	TVPI
Series 1A	GreatPoint Ventures Innovation Fund II, L.P.	52.9	2.7
	Palatine Private Equity IV	24.0	1.2
	Baring Asia Fund VII	38.4	2.0
	Neuberger Berman Co-investment IV	54.6	1.5
	StepStone Opportunities Fund VI	30.4	1.4
	StepStone Secondaries Op Fund IV	68.4	1.8
	Hg Saturn 2	43.9	1.5
	Hg Genesis 9	26.6	1.2
	Blackstone Life Sciences V	5.4	1.1
	Digital Alpha Fund II-A, LP	22.6	1.2
	Series 1A	**41.6**	**1.6**
Series 1B	KKR Asian IV	11.4	1.1
	Thoma Bravo XIV-A, LP	N/M	1.1
	Nordic Capital X Alpha LP	N/M	1.4
	AlpInvest Co-Investment Fund VIII	N/M	1.0
	Endless V	N/M	1.2
	C-Bridge Healthcare Fund V	N/M	1.4
	Series 1B	**34.9**	**1.2**
Series 1C	Strategic Value Special Situations Fund V	N/M	1.1
	Insight Partners XII	N/M	0.9
	HarbourVest Co-investment Fund VI Feeder AIF SCSp	N/M	N/M
	Baring Asia (BPEA) VIII	N/M	N/M
	StepStone VC Opportunities VII	N/M	N/M
	General Catalyst Group XI – Aggregator	N/M	1.0
	PAI Partners VIII	N/M	N/M
	Veritas VIII	N/M	N/M
	Series 1C	**1.6**	**1.0**
	Series 1	**36.1**	**1.35**

Performance is effective 30/06/22. **Past performance is not a reliable indicator of future results.**
Source: Private Monitor

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Infrastructure Series 1: Capital Deployment

Series 1A	30 September 2022	30 June 2022
Capital Committed	98.7%	98.7%
Capital Drawn	54.8%	50.9%
Capital Distributed[1]	8.2%	7.5%
Series 1B	**30 September 2022**	**30 June 2022**
Capital Committed	98.7%	98.7%
Capital Drawn	33.4%	29.9%
Capital Distributed[1]	1.8%	1.1%
Series 1C	**30 September 2022**	**30 June 2022**
Capital Committed	100.0%	100.0%
Capital Drawn	44.8%	60.9%
Capital Distributed[1]	5.4%	6.2%

[1] Including recallable distributions
Source: Albourne

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Infrastructure Series 1: Performance

Series	Fund	IRR	TVPI
Series 1A	Brookfield Infrastructure Fund IV	16.8	1.3
	Global Infrastructure Partners IV-C2, L.P.	14.8	1.1
	AMP Global Infra Fund II	7.0	1.2
	Infracapital Greenfield Partners II	>99	2.0
	iCON Infrastructure Partners V - B, LP	8.4	1.1
	Macquarie GIG Renewable Energy Fund 2	10.7	1.1
	Stonepeak Global Renewable Fund	-0.5	1.0
	Arcus European Infrastructure Fund 2 ScSp	22.2	1.3
	Series 1A	**16.1**	**1.2**
Series 1B	Patria Infrastructure Fund IV	43.6	1.3
	I Squared Global Infrastructure Fund III	N/M	0.9
	Greencoat Carlisle Place LP	N/M	1.2
	BlackRock Global Renewable Power III	N/M	1.1
	Stonepeak Infrastructure Fund IV	N/M	1.1
	Infranode II	N/M	0.9
	Antin Mid Cap I	N/M	1.0
	EQT Infrastructure Fund V	N/M	1.0
	Series 1B	**8.4**	**1.1**
Series 1C	Meridiam Sustainable Infrastructure Europe IV	N/M	0.9
	KKR Core	N/M	1.1
	Stonepeak Asia Infrastructure Fund	N/M	1.1
	Digital Colony Partners II	N/M	1.1
	KKR Aqueduct Co-invest LP	N/M	1.2
	for DC Lower Tier Trident Holdings II LP	N/M	1.1
	Axium Infrastructure North America IV L.P.	N/M	N/M
	Arcus European Infrastructure Fund 3 SCSp (Lux)	N/M	N/M
	Series 1C	**23.7**	**1.1**
	Series 1	**16.9**	**1.2**

Performance is effective 30/06/22. **Past performance is not a reliable indicator of future results.**
Source: Private Monitor

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Border to Coast Pensions Partnership Ltd

Appendix

MAC* – Secondary Benchmarks

Secondary Benchmarks (Page 14)

- **Ashmore** – Custom Benchmark *(made up of Local Currency and Corporate EM Debt)*
- **Barings** – Credit Suisse GLLI (Hdgd)
- **PGIM** – JPM A CLO Index (Hdgd)
- **PIMCO** – Custom Benchmark *(composite of underlying asset class benchmarks)*
- **Wellington** – ICE Dev Market High Yield Constrained (Hdgd)
- **Border to Coast** – JPM EMBI Global Diversified (Hdgd)

* Multi-Asset Credit Fund

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Private Equity / Infrastructure – IRR and TVPI Definitions

IRR and TVPI (Pages 29 and 32)

- **Internal Rate of Return (IRR):** Most common measure of Private Equity performance. IRR is technically a discount rate: the rate at which the present value of a series of investments is equal to the present value of the returns on those investments.

- **Total Value to Paid-in Capital (TVPI):** TVPI is the sum of the DPI and RVPI. TVPI is net of fees. TVPI is expressed as a ratio.

- **Distributions to Paid-in-Capital (DPI):** The amount a partnership has distributed to its investors relative to the total capital contribution to the fund. DPI is expressed as a ratio. Also known as realization ratio.

- **Residual Value to Paid-in Capital (RVPI):** The measure of value of the limited partner's interest held within the fund, relative to the cumulative paid-in capital. RVPI is net of fees and carried interest. This is a measure of the fund's "unrealized" return on investment. RVPI is expressed as a ratio.

Source: Private Monitoring Report

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

PENSION FUND COMMITTEE REPORT

14 DECEMBER 2022

DIRECTOR OF FINANCE – HELEN SEECHURN

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

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Appendix A

Linch pin

Independent Adviser's Report for Teesside Pension Fund Committee

William Bourne **1st December 2022**

Market Commentary

1. In October I warned that a global recession was looking quite likely. Since then, we have seen substantial interest rate rises and evidence of slowing economies almost everywhere. It is only in the U.S. that there has been some evidence of higher employment and perhaps some resilience.

2. Central banks have continued to tighten policy further to lower inflation rates. The European Central bank raised rates in November to 2%, U.K. rates have risen to 3%, and U.S. rates are now 4%. It is well to remember that twelve months earlier the equivalent rates were 0%, 0.1% and 0.25% respectively. Only Japan is maintaining rates at close to zero, and there are some signs of movement even there.

3. **The hawkish stance of central banks has had some success in lowering inflation**. October CPI fell back to 6.2% in the U.S. as energy prices came down, but remains at 11% in the U.K., albeit the core rate excluding food and energy was 6.5%. Central banks and bond markets are both forecasting that inflation will fall (e.g. the Office for Budget Responsibility's forecast for the UK is 9% in 2022, and 7.4% in 2023), but there is clearly a risk that it may remain higher for longer.

4. Bond yields fell back from their highs in early October, and the yield curve is virtually flat (i.e. 3 month bills yields almost the same as 30 year bonds). This is normally an indication of a recession ahead. The Bank of England in the U.K. will need to issue some £350bn of gilts over the next two years to finance or refinance government debt. There are also around £835bn of gilts purchased as part of quantitative easing over the past ten or so years overhanging the market. I struggle to see how the market can absorb all this at current interest rate levels. I therefore expect bond yields to rise.

5. FTX Exchange, (the third largest crypto currency exchange), went into administration in November, and the secondary repercussions are still reverberating. Millions of investors, among them some large institutions, have lost most of their money. Two of the biggest tech firms, Twitter and Meta (i.e. Facebook) also fell from grace. Following the takeover by Elon Musk, the former's business model is being wrenched in a different direction. Meta suffered a 50% decline in net earnings as it invests for a different world.

6. Geo-politics is back with a vengeance. The passing of the Chips and Science Act makes it clear that **the U.S. now views China as its main economic and leadership competitor,** and will take whatever measures are needed to try and thwart its progress. The continuing war between Russia and Ukraine

continues both to put upward pressure on food and energy prices.

7. Equity markets so far have been remarkably sanguine about all the negative news. U.S. corporate earnings per share have continued to rise, albeit at the lowest rate since COVID. Investors may also be starting to bet on the Federal Reserve changing direction ("pivoting" is the jargon word here) and starting to ease policy again.

8. Valuations of most private assets (infrastructure, private equity) have not yet fully discounted the events of the last twelve months, though their liquid counterparts are trading at large discounts relative to their previous history. That suggests the market expects private valuations to fall too.

9. I note the resilience of equity markets and the slightly better news from the U.S. However, bond markets are more pessimistic, and the monetary environment is as tight as it was before the Global Financial Crisis. I therefore anticipate that valuations of all assets are likely to fall. Worse outcomes are possible if the financial system comes under stress. The Fund's cash weighting will help mitigate the short-term detriment and provide opportunities to invest at better prices, but it will not be able to insulate it from market falls.

Recommendations

10. Despite this, as I said two months ago, the longer-term outlook for investors like the Fund who are providers of capital to private companies is not bad. The coming shake-out is likely to provide attractive opportunities for investors with capital to deploy, although investors will need to show discrimination and discipline when investing.

11. The current Strategic Asset Allocation is a reasonably diversified portfolio on the premise that the Fund wishes to continue to take some investment risk to try and keep contributions low. I do not propose any changes to it at the top level.

12. The biggest question is likely to be how to invest the 15% allocated to bonds/debt and cash. Over the last few years this has largely been held in cash. I do not favour UK gilts at current yields, mainly because of the financing predicament the U.K. Government finds itself in. However, there may be opportunities elsewhere in credit such as investment grade corporate bonds, which are currently yielding between 5% (AAA- the best credit) and 7% (BB - the lowest credit still considered investment grade).

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Investment report for Teesside Pension Fund December 2022

Political and economic outlook

The political situation remains uncertain with the strains which have been present for most of this year. There seems to be no sign of an ending of the conflict in Ukraine. Russia seems to be in control of energy supplies to Europe and increasingly prepared to put further squeezes on them before Europe turns off the taps voluntarily in 2030. The European Community had intended to reduce off take from Russia by 40% initially and taper down zero by 2030 however the Russians seem to be in charge of the process by cutting off supplies through NordStream 1 and 2 by blowing them up. Effectively this policy of international terrorism puts Russia in charge of economic developments in the European Union. This is not a state of affairs to be relished and implications will result in long term lasting damage to Europe. Those economies reliant on Russian gas have been lucky up to now as it has been a relatively mild winter but this is not a situation that can be relied on to continue indefinitely. The past mistakes in policy will eventually come home to roost with traumatic consequences.

The outlook for the UK is no better despite the new and improved looking Prime Minister. At least we have a person in charge who has a good knowledge of Economics and hopefully of politics. The wreckage left by previous incumbents in the position has gifted Rishi Sunak with an unenviable task. Getting Brexit done isn't progressing as smoothly as Boris Johnson had indicated, in fact is going nowhere except backwards. Trade deals have been hard to come by, in short no meaningful deals have been signed and the minor ones that have been are not on particularly favourable terms. The Northern Ireland protocol has yet to be sorted out and is having a detrimental impact on relationships in Ireland. The levelling up agenda has been put on the back burner along with just about everything else as the government struggles to come up with any coherent policies to keep the economy afloat. On domestic energy prices, on infrastructure, on the NHS, on education. In fact on just about everything. The chances of Rishi Sunak delivering are substantially higher than the recent run of prime ministers so we can only wish him luck and a following wind.

One area where the political tension seems to be easing a touch Is between the USA and China despite the recent sabre-rattling over Taiwan. The meeting between president Biden and Xi Jinping in Bali will hopefully improve Communications and lead to reduced chances of any significant mistakes being made.

The hopeful expectation that inflation would tail off in a relatively short period of time has been replaced more and more by the realisation that it will continue for longer than was initially forecast. Core inflation is now running at about 6% in the US and UK with slightly lower levels elsewhere. This is reflected in the Misery index which is now at its highest level since 1982 so it should come as no surprise that workers are demanding higher wages and are prepared to go on strike to get them.

Markets

As core inflation becomes embedded at higher levels than current Central Bank targets the monetary environment will remain tight which is not necessarily good news for stock and bond markets. There is clearly the potential for Central Banks to become overly restrictive which would have a negative impact on markets. Fiscal policy, as we have seen in the UK, is also likely to become increasingly tight as governments struggle to regain control of their finances. Stock markets worldwide have already had quite a setback so despite the difficult conditions I do not envisage them falling substantially from these levels. Developing markets which are in better financial shape than the developed markets and have better growth trajectories in many cases are likely to outperform. Many of these markets have better thought out economic programmes with better demographics to deliver superior performance.

Fixed interest markets are also facing a hostile environment as core inflation remains high over the medium term. The tight monetary Policy should mean that bond markets struggle to maintain their current levels and I expect further declines, despite the recent improvement in pricing. Credit markets appear to be unattractive in a high inflation, slow growth environment. Index linked securities are likely to be weak and volatile until real yields move into positive territory. In the present environment this is likely to be some time off.

Property is likely to find progress difficult in this tight environment especially with the changing employment and consumer practices. However there will always be some sectors which will perform adequately.

Likewise there will always be some sectors in alternative Investments that perform well whatever the environment. Private equity is struggling under the burden of higher fuel prices and financing costs. Infrastructure is facing uncertainty in the light of declining economic performance and higher interest rates. Alternative energy providers and those facilitating the transition to renewables are performing well and look to do so for some time to come. There are other alternative strategies which are likely to do well.

Cash, as I've been saying for some considerable time, still looks like an unattractive investment with yield levels and inflation where they are.

Portfolio recommendations

With core inflation at its current level bond prices have the potential to fall considerably and therefore they remain unattractive. The same applies to credit markets which have the added uncertainty of corporate performance. Index linked Securities should be avoided until a realistic real yield basis has established itself, which could be some time. I therefore recommend that we keep our current for low weighting in fixed interest securities.

Equity markets have corrected somewhat and are probably fairly priced to take account of the difficult future environment. I would recommend holding our current investment stance and increasing weighting on any setbacks especially into developing markets.

With the array of investment options available in the alternative space opportunities will occur which should enable us to invest within our investment guidelines.

Selective investment should be made in the property portfolio when appropriate opportunities occur.

The cash position should be run down when attractive Investments within growth assets become available.

Peter Moon
5 December 2022

Agenda Item 9

CBRE

TEESSIDE PENSION FUND
Q3 2022

Quarterly Report
Prepared: 29th November 2022

Fund Objectives

Teesside Pension Fund's primary objective is to create a sustainable income stream to match its long term pension liabilities. This is achieved 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)

As at 30th September 2022, the portfolio comprised 29 mixed-use properties located throughout the UK, with a combined value of £363.2m. This reflects an overall Net Initial Yield of 4.77%, and an Equivalent Yield of 4.92%.

The portfolio comprises principally prime and good secondary assets. High Street retail, retail warehouse and industrial comprise 89.3% of the portfolio by capital value. There are 78 demises and a total net lettable area of 1,975,960 sq ft.

The portfolio has a current gross passing rent of £18,488,273 per annum against a gross market rent of £18,814,795 per annum, making the portfolio reversionary in nature.

The weighted average unexpired term is 6.8 years to the earlier of the first break or expiry, and 7.9 years to expiry, ignoring break dates.

Fund Summary

Total Pension Fund Value (June 2022)	**£4,868m**
Real Estate Weighting (target allocation)	7.5% (9%)
Direct Portfolio Value (Sep 2022)	£363.2m

Direct Portfolio

Direct portfolio value (Sep 2022)	**£363.2m**
Number of holdings	29
Average lot size	£12.5m
Number of demises	78
Void rate (% of ERV) (Estimated UK Benchmark)	0.8% (7.0% – 9.0%)
WAULT to expiry (break)	7.9 years (6.8 years)
Current Gross Passing Rent (Per Annum)	£18,488,273
Current Gross Market Rent (Per Annum)	£18,814,795
Net Initial Yield	4.77%
Reversionary Yield	4.92%
Equivalent Yield	4.85%

Portfolio Highlight (Q3 2022) – Long Acre

The Fund has completed the purchase of a flagship High Street Retail asset located on Long Acre in Covent Garden, London. The property totals 16,882 sq ft and is let to Zara and Vodafone for an average unexpired term of 5.3 years. Purchased for £31.0m reflecting 5.32% NIY.

UK Economic Commentary

- UK GDP is estimated to have contracted by 0.1% in Q2 2022, following growth of 0.8% in Q1 2022. GDP in Q1 2022 was 0.6% above its pre-pandemic (Q4 2019) level.
- Retail sales volumes rose by 0.3% in July 2022 following a fall of 0.2% in June 2022; sales volumes were 2.3% above their pre-pandemic February 2020 levels.
- The proportion of retail sales online rose to 26.3% in July 2022 from 25.3% in June. It remains substantially higher than pre-pandemic (19.8% in February 2020) but continues a gradual downward trend since February 2021 (37.5% of sales).
- The UK unemployment rate decreased by 0.2 percentage points to 3.6% in the three months to July 2022. Economic inactivity increased by 0.4 percentage points to 21.7% on the quarter in May-July 2022. The increase in inactivity was driven by increasing numbers of students and long-term sickness.
- The number of job vacancies in May to July 2022 rose to 1,266,000. This constituted a decrease of 34,000 from the previous quarter. It was also the largest quarterly fall in vacancies since June-August 2020, but vacancies are still above pre-pandemic levels.
- Average total pay (including bonuses) grew by 5.5% and regular pay (excluding bonuses) by 5.2% in May-July 2022. In real terms (adjusted for inflation), total pay fell by 2.6% and regular pay fell by 2.8%, compared to Q2 2021. The fall in real pay is due to accelerating inflation in recent months, and the inability of nominal wage growth to keep up with it.
- Looking forward, CBRE forecast UK GDP growth of 3.3% in 2022. The biggest risks to the outlook are a protracted war in Ukraine, leading to ever higher costs of energy and fuel. Unexpected lockdowns in China might further delay the recovery of global supply chains. An overreaction to inflation by central banks might also slow down the economy through excessively high borrowing costs.
- The Bank of England increased the Base Rate to 3.00% in November 2022. CBRE's base case is that short-term interest rates will continue rising throughout 2022. After peaking in 2023, the Base Rate is expected to then gradually reduce to 2% by 2025.

UK Real Estate Market Commentary

- Year on year total returns for All UK Property were 13.8% (8.7%* capital return, 4.8%* income return) for the period Q3 2021 to Q3 2022**. Industrial and retail reported the highest year on year total returns with 18.1% and 14.6% respectively. However, upward yield movement resulted in -4.0% quarterly total return for All UK Property for Q3 2022. Across the sectors, industrial total returns were -8.8%, retail total returns were -2.1% and office total returns were -1.3% for the quarter.
- Negative total returns over the quarter were driven by capital growth declines. All UK Property capital values to fall by 5.1% over the quarter, whilst the Industrial sector was most affected by yield movements and saw the largest capital value decline of 9.5%. Office and Retail capital value growth for the quarter was -2.3% and -3.6% respectively.
- Rental values for All UK Property increased by 1.1% over Q3 2022. All sectors reported positive rental value growth over Q3, with Industrials reporting the highest growth of 2.7%. The Office and Retail sectors also posted 0.4% and 0.1% growth respectively.
- There were £10.8bn of investment transactions in the UK in Q3 2022 compared to a revised estimate of £15.0bn in Q2. Q3 deals brought the 2022 YTD total to £44.3bn.
- £3.4bn (32%) of Q3 deals were in the office sector and £3.3bn (30%) were for Industrial assets, with Residential investment seeing the next highest share at £1.4bn (13%).
- 43% of deals in Q3 involved domestic buyers while 57% were cross-border acquisitions. Despite the drop in volume overall, relative shares for domestic and cross-border buyers were consistent with H1.
- North American and European purchasers each accounted for £1.7bn of deals in Q3. The average deal size for North American buyers was much larger at £53m versus £24m for their European counterparts.
- Asian investors accounted for a further £1.3bn of acquisitions in Q3. This was heavily concentrated in just a handful of transactions, with an average deal size of £133m.

* Return figures will not always sum due to the use of compounding calculations over an annual horizon

** Based on CBRE Monthly Index, all property total returns to September 2022

Investments

Sales

No sales this period.

Acquisitions

The Fund has completed the purchase of a flagship High Street Retail asset located on Long Acre in Covent Garden, London. The property totals 16,882 sq ft and is let to Zara and Vodafone for an average unexpired term of 5.3 years. Purchased for £31.0m reflecting 5.32% NIY.

The Fund has also agreed terms in respect of two new assets. Firstly, a Retail Park located within an affluent south-east commuter town, let to retailers such as M&S, Halfords and Home Bargains. Secondly, a 220,000 sq ft industrial unit, single-let to Iceland Foods.

Both transactions are expected to complete in Q4 2022.

Direct Portfolio Analysis

Top Ten Holdings (by Capital Value)

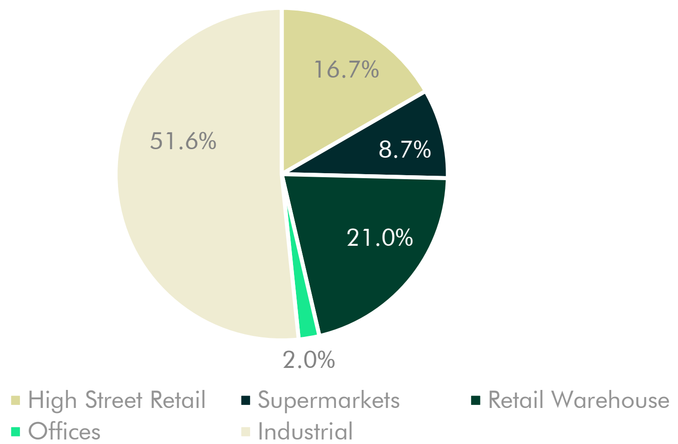
No.	Asset	Sector	Value	% of Direct Portfolio
1	THORNE - Capitol Park	Industrial	£37,100,000	10.2%
2	LONDON - Long Acre	High Street Retail	£31,000,000	8.5%
3	GATESHEAD - Team Valley	Industrial	£23,600,000	6.5%
4	BIRMINGHAM - Bromford Central	Industrial	£23,400,000	6.4%
5	PARK ROYAL - Minerva Road	Industrial	£22,100,000	6.1%
6	RUGBY - Valley Park	Industrial	£19,800,000	5.5%
7	LUTTERWORTH - Magna Park	Industrial	£18,500,000	5.1%
8	PARK ROYAL - Coronation Road	Industrial	£18,300,000	5.0%
9	STOW-ON-THE-WOLD - Fosse Way	Supermarket	£15,500,000	4.3%
10	SWADLINCOTE - William Nadin Way	High Street Retail	£15,500,000	4.3%
		Total	**£224,800,000**	**61.9%**

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

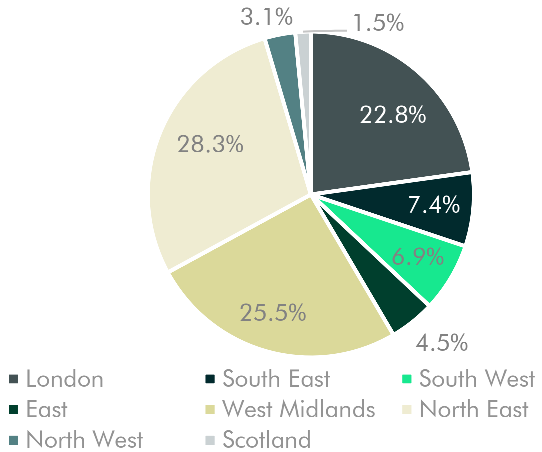
In addition to recommendations on industrial purchases, we may also recommend alternative and long-let investments that offer good covenants, attractive yields and long unexpired terms; these may include hotels, car showrooms, healthcare, leisure, supermarkets and student housing.

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

Sector Allocation (by Capital Value)



Geographical Allocation (by Capital Value)



Direct Portfolio Analysis (continued)

Top Ten Tenants (by Contracted Income)

The portfolio currently has 78 different demises let to 63 tenants. The largest tenant is Zara UK Limited which accounts for 8.2% of the annual contracted income. Experian currently lists Zara as representing a "Very Low Risk" of business failure.

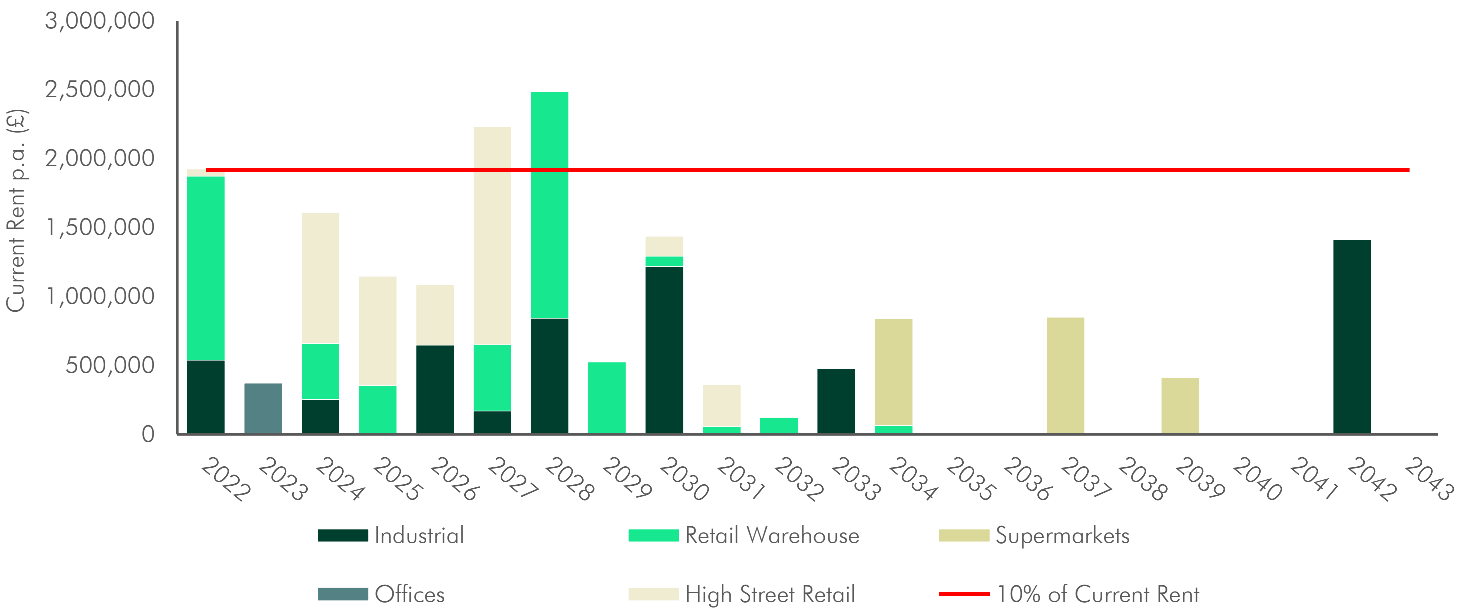
As a significant portion of the portfolio income will be from the top ten tenants, we will monitor their covenant strength and flag any potential issues. Our most recent assessment shows a large majority of these tenants are classed as having a "Low Risk" of business failure.

Top Ten Tenants (by Contracted Rent)

#	Tenant	Sector	Number of Leases	Contracted Rent p.a.	% of Portfolio Rent	Risk Rating (Experian)
1	Zara UK Limited	Retail	2	£1,580,000	8.2%	Very Low Risk
2	Omega Plc	Industrial	1	£1,413,690	7.4%	Very Low Risk
3	B&Q plc	Retail	2	£997,000	5.2%	Very Low Risk
4	Unipart Logistics Limited	Industrial	1	£985,000	5.1%	Very Low Risk
5	H&M	Retail	1	£918,123	4.8%	Below Average Risk
6	Royal Mail Group Limited	Industrial	1	£899,162	4.7%	Very Low Risk
7	B&M Retail Limited	Retail	3	£863,400	4.5%	Very Low Risk
8	Libra Textiles	Retail	1	£850,000	4.4%	Very Low Risk
9	Brunel Healthcare	Industrial	1	£843,761	4.4%	Very Low Risk
10	Tesco Stores Limited	Supermarkets	1	£774,714	4.0%	Very Low Risk
			Total	£10,124,850	52.8%	

Key Lease 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 graph below identifies the years where more than 10% of the portfolio income is due to expire. A number of the 2022 lease expiries are in negotiations or in solicitor's hands.



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Property Portfolio Returns

The below table demonstrates the Portfolio's return compared to a reference index over the past 1, 3 and 5 years. The CBRE Property Index* is provided for illustrative purposes only:

	1 Year Sep 21 - Sep 22			3 Year (p.a.) Sep 19 - Sep 22			5 Year (p.a.) Sep 17 - Sep 22		
	TPF	Index	Variance	TPF	Index	Variance	TPF	Index	Variance
Income Return	5.1%	4.8%	+0.3%	5.5%	5.4%	+0.2%	5.6%	5.4%	+0.2%
Capital Return	15.4%	8.7%	+6.7%	4.6%	1.8%	+2.8%	2.2%	1.2%	+1.0%
Total Return	21.5%	13.8%	+7.6%	10.4%	7.3%	+3.1%	8.0%	6.7%	+1.3%

* Note that the CBRE Property Index is not the performance benchmark for the Portfolio.

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 Fund's strategy. The Fund's requirement has been articulated to the investment market and we are receiving a substantial number of investment opportunities each week.

Asset Management Update

H&M, Exeter – November 2022

The Fund has completed the June 2022 inflation-linked rent review with H&M, increasing the passing rent by 24%, in line with the RPI provision within the Lease.

Rentokil, Bromford Central – November 2022

The Fund has completed a Lease renewal with Rentokil for a term of 10-years reflecting £7.65 psf, a 23% increase on the existing passing rent of the unit. The tenant will benefit from 4-months rent-free and a break on the 5th anniversary of the Lease commencement date.

Regatta Furniture, Ipswich – September 2022

The Fund has completed a new Lease with Regatta Furniture for a term of 10-years reflecting £17.25 psf, a 6% increase on the existing passing rent, the tenant will benefit from a rent-free period of 4-weeks.

Pets at Home, Arbroath – September 2022

The Fund has completed a Lease renewal with Pets at Home for a term of 5-years reflecting £12.00 psf, a 5% increase in the Retail Park's estimated rental value.

Tesco, Stow-on-the-Wold – June 2022

The Fund has completed the annual inflation-linked rent review with Tesco, increasing the passing rent by 5%, in line with the annual RPI cap within the Lease.

Royal Mail, Gateshead – February 2022

The Fund has instructed a rent review surveyor to agree the September 2020 outstanding rent review.

Portfolio Arrears Update – 28th November 2022

	Rent Due 29 September	Collectable Rent	Quarter Date up to and including 29/09/2022	Week 1 up to and including 06/10/2022	Week 2 up to and including 13/10/2022	Week 3 up to and including 20/10/2022	Week 4 up to and including 27/10/2022	Payment after 27/10/2022	Difference
			Targets	92.00%	96.00%	98.00%	99.00%		
	4,620,935.75	4,620,935.75	3,170,336.92	506,501.25	166,976.50	0.00	53,100.00	642,975.80	81,045.28
Non Collectable Total		0.00							
Collections Including non collectables			68.61%	79.57%	83.18%	83.18%	84.33%	98.25%	
Collections Excluding non collectables			68.61%	79.57%	83.18%	83.18%	84.33%	98.25%	

The rent collection across the entire portfolio in the previous three quarters has reflected the following.
September 2022 – 98.3%
June 2022 – 99.9%
March 2022 – 99.9%

The total Collectable Arrears on the entire portfolio is £247,783 as at 28th November 2022.

The Collectable Arrears exclude the following:

- Tenants that have overall credit balances on their accounts
- Tenants with recent charges raised within the last month

Below, is a summary of the tenants that have arrears in excess of £10,000. These six tenants account for 78.2% (£193,794) of the total collectable arrears:

B&Q plc (Arbroath) – Total arrears of £49,448 (20.0% of the collectable arrears). This relates mainly to service charge arrears. B&Q have service charge queries and we are working with them to resolve.

Royal Mail Group Limited (Gateshead) – Total arrears of £49,316 (19.9% of the collectable arrears). This relates solely to insurance. This is being reviewed due to a query with the reinstatement value and whether this should include tenant's fixtures.

Nuffield Health (Guildford) – Total arrears of £31,024 (12.5% of the collectable arrears). This relates mainly to the third monthly instalment of the September 2022 quarter's rent. Payment is expected week commencing 28th November 2022, which will leave them in an overall credit position.

Aurum Group Limited (Newcastle) – Total arrears of £30,500 (12.3% of the collectable arrears). This relates solely to the third monthly instalment of the September 2022 quarter's rent. Payment is expected is expected week commencing 28th November 2022.

Pizza Hut (UK) Limited (Ipswich) – Total arears of £21,120 (8.5% of the collectable arrears). Current rents are being paid and this relates to the period of insolvency. We are working with Pizza Hut to justify these arrears in line with their CVA and Deed of Variation to the Lease.

Boots UK Limited (Congleton) – Total arrears of £12,386 (5.0% of the collectable arrears). These arears are being resolved through the Lease renewal process. The new Boots Lease is being set-up on the system and we will work with the tenant to reconcile their old and new accounts, together with their rent free period.

The remaining £53,989 (21.8% of the collectable arrears) of arrears is spread across 29 tenants, ranging from £5,917 to 29p.

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.

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 10

PENSION FUND COMMITTEE REPORT

14 DECEMBER 2022

DIRECTOR OF FINANCE – HELEN SEECHURN

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 Committee 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.

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TEL. NO.: (01642) 030643

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XPS Administration

Teesside Pension Fund

Performance Delivery Report

2022-2023

Contents

Regulations and Guidance

Government confirms academy guarantee will continue

The Government confirmed on 21 July 2022 in a written ministerial statement that it will continue to provide the academy guarantee. The annual ceiling will also increase to £20 million.

Technical consultation on resolving low earners tax relief anomaly

On 20 July 2022, H M R C launched a technical consultation on draft legislation that aims to resolve the tax relief anomaly. The consultation closes on 14 September 2022. The proposed changes will be included in the next Finance Bill. The legislation proposes placing a duty on H M R C to make top up payments directly to eligible members

Cost cap results published

On 29 June 2022, the Government Actuary's Department published the results of the first cost cap valuation for L G P S (England and Wales) and L G P S (Scotland). The results of the first valuations show that the cost has remained within the two per cent corridor for both schemes. This means no changes to benefits or member contributions are needed.

The Public Service Pensions (Employer Cost Cap and Specified Restricted Scheme) Regulations 2022

On 13 July 2022, H M T laid The Public Service Pensions (Employer Cost Cap and Specified Restricted Scheme) Regulations 2022. The regulations take effect from 3 August 2022. Regulation three amends The Public Service Pensions (Employer Cost Cap) Regulations 2014. The margins are currently set at two percentage points above and below the employer cost cap rate. The new regulations amend this to three percentage points

D W P responds to consultation on the draft pensions dashboards regulations

On 14 July 2022, the Department for Work and Pensions (D W P) responded to the consultation on the draft Pensions Dashboards Regulations. The key areas of the response that affect L G P S administering authorities are set out below. D W P will amend the draft regulations ('the Regulations') to reflect the response. The LGA expect D W P to lay the Regulations before Parliament in autumn. The Summary of this can be found in Bulletin 227 (https://lgpslibrary.org/assets/bulletins/2022/227.pdf)

Pensions Dashboard (Prohibition of Indemnification) Bill

On 15 July 2022, Guy Opperman MP, Pensions Minister, confirmed that the Government will support the Pensions Dashboards (Prohibition of Indemnification) Bill. This confirmation was given during the Bill's Second Reading in the Commons

HMT consultation on public sector exit payments

On 8 August 2022, HM Treasury (HMT) launched a consultation on public sector exit payments. The Government is proposing to introduce: • an expanded approval process for employee exits and special severance payments • additional reporting requirements. This does not include local authorities or bodies under devolved administrations. The guidance will apply to academies. The document can be found at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1096743/Guidance_on_Public_Sector_Exit_Payments_27.7.22.pdf

TPO publishes corporate plan The Pensions Ombudsman's

The (TPO) corporate plan for 2022 to 2025 has been published. The corporate plan outlines TPO's key performance indicators, strategic goals and priorities for the period, along with the actions required to deliver those priorities. This can be found at https://www.pensions-ombudsman.org.uk/news-item/corporate-plan-2022-2025-published

Supreme Court decision concerning term time workers

The Supreme Court has ruled in favour of a zero hours contract worker who works on a term-time only contract in a school. The case concerned how to calculate their holiday pay. It also has implications for workers who work varying hours during only certain weeks of the year but have a continuing contract. A Bulletin has been issued to TPF employers to advise of this.

Collective Money Purchase Schemes launched

A new type of pension scheme officially opened for applications on 1 August 2022. Collective Money Purchase Schemes (also known as Collective Defined Contribution or CDC schemes) are designed to provide improved retirement returns for savers with more predictable costs for employers. The new schemes were made possible by the Pension Schemes Act 2021

Letter about discrimination in the LGPS sent to minister

On 26 August 2022, Cllr Roger Phillips, Chair of the SAB, wrote to the Local Government Minister, Paul Scully. The letter to the minister recommends amending the regulations on death grants and survivor benefits. The SAB expressed concern about continuing to restrict death grants to cases where the member died before age 75. It considers the restriction may be at risk of legal challenge and should be removed. The SAB reminded the minister that the LGPS rules on survivor benefits have not yet been amended to reflect the Goodwin judgment. It has previously recommended the Government investigate the feasibility of removing all differences in the survivor benefit rules.

Governance and reporting of climate change risk consultation

On 1 September 2022, the Department for Levelling Up Housing and Communities (DLUHC) launched a consultation called 'Governance and reporting of climate change risks. The consultation seeks views on proposals to require administering authorities to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures. The consultation closes on 24 November 2022 and can be found here https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks

TPS McCloud remedy and the LGPS

The implementation of the McCloud remedy in the Teachers' Pension Scheme (TPS) means that some teachers will be retrospectively eligible for the LGPS for the period from 1 April 2015 to 31 March 2022. This is provided for in the Public Service Pensions and Judicial Offices Act 2022 (2022 Act). Chapter 1 of Part 1 of the 2022 Act defines remediable service as including 'excess teacher service'. The Department for Education (DfE) and the Department for Levelling Up, Housing and Communities (DLUHC) will consult on how this will work in practice in due course.

Broad comparability assessments resume in full later this year

The Government Actuary's Department (GAD) announced on 22 September 2022 in a press release that it will resume broad comparability assessments in full this autumn. In August 2020, GAD paused the assessments due to uncertainties from the McCloud judgment. Earlier this year, GAD partially resumed assessments. These assessments were for service from April 2022 only.

02 Membership Movement

	Actives		Deferred		Pensioner		Widow/Dependent	
Q2 2022/23	25,713	▼	26,686	▲	23,317	▲	3,321	▼
Q1 2022/23	25,990	▲	26,487	▲	23,128	▲	3,338	▲
Q4 2021/22	25,609	▲	26,240	▲	22,918	▲	3,309	▲
Q3 2021/22	24,729	▼	26,165	▲	22,710	▲	3,240	▲
Q2 2021/22	24,736	▲	26,040	▲	22,640	▲	3,261	▲

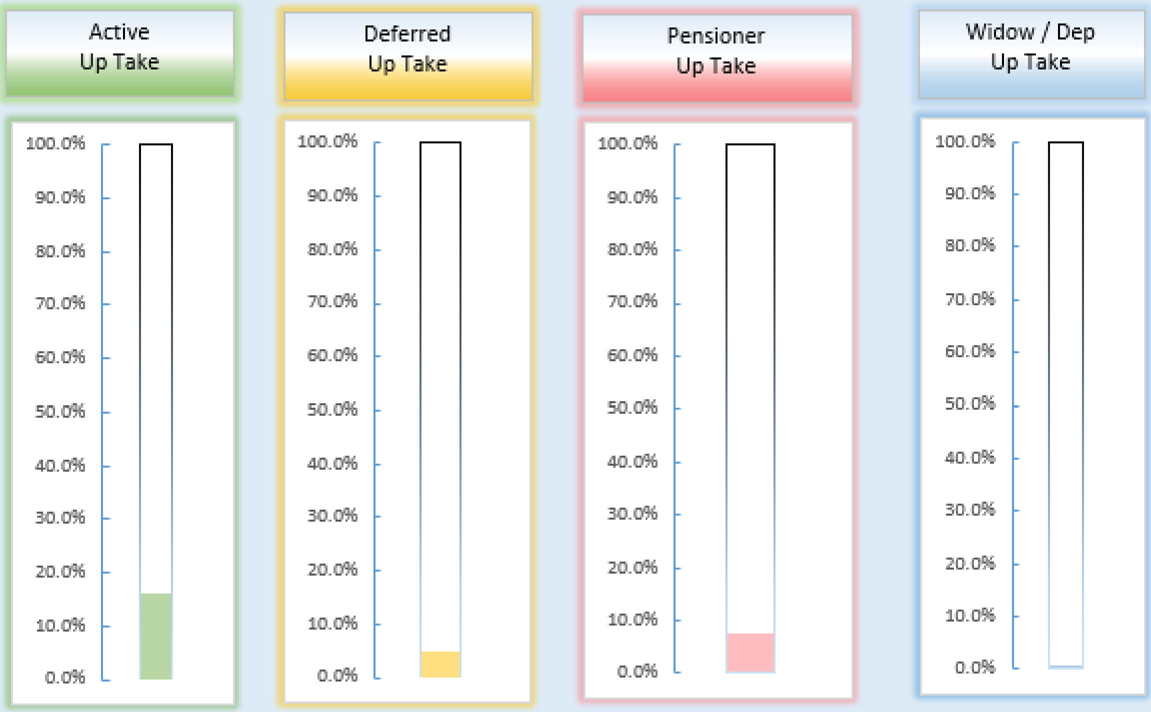
03 Member Self Service

Below is an overview on the activity and registration of the Member Self Service System:

XPS Administration

Member Self Service
User Statistics For:
Teesside Pension Fund

Quarter 2	REGISTERED	ACCOUNT DISABLED	ACTIVATION LINK SENT	NOT REGISTERED	TOTAL	Percentage Uptake
Actives	3,219	51	520	20,397	**20,397**	**16.0%**
Deferred	1,091	16	211	21,887	**21,887**	**5.1%**
Pensioner	1,509	49	153	20,956	**20,956**	**7.4%**
WidowDep	21	0	2	3,217	**3,217**	**0.7%**
Total	**5,840**	**116**	**886**	**66,457**	**66,457**	**9.0%**



04 **Pension Regulator Data Scores**

Common Data

Data Item	Teesside Pension Fund		
	Max Population	Total Fails	% OK
NINo	80,425	177	99.78%
Surname	80,425	0	100.00%
Forename / Inits	80,425	0	100.00%
Sex	80,425	0	100.00%
Title	80,425	133	99.83%
DoB Present	80,425	0	100.00%
Dob Consistent	80,425	1	100.00%
DJS	80,425	0	100.00%
Status	80,425	0	100.00%
Last Status Event	80,425	661	99.18%
Status Date	80,425	1,753	97.82%
No Address	80,425	482	99.40%
No Postcode	80,425	0	100.00%
Address (All)	80,425	5,085	93.68%
Postcode (All)	80,425	4,615	94.26%
Common Data Score	**80,425**	**3,117**	**96.12%**
Members with Multiple Fails	**80,425**	**90**	**99.89%**

Scheme Specific 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, this work will be complete by the 31st March 2022.

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 Guaranteed Minimum Pension)	68,296	9,151	86.60
TPF (exc Guaranteed Minimum Pension)	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 Guaranteed Minimum Pension (GMP)				24,400	7,954	67.40
1.5.3	Post-88 Guaranteed Minimum Pension (GMP)						

05 **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	4.27	4.26
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	4.04	4.04
5. My query was answered promptly	4.45	4.45
6. The response I received was easy to understand	4.44	4.43
7. Do you feel you know enough about your employers retirement process	76.68%	76.75%
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)	47.75%	46.21%
11. Did you use the website to research the retirement process? (from 18/05/17)	27.59%	26.45%
12. Have you heard of Member Self Service (MSS)? (from 18/05/17)	23.80%	22.25%

*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

Following the resignation of the original Team Leader, a replacement has been appointed into the role.

The team are currently working on Year End files from the Teesside Pension Fund employers and commencing the role out of the collation of pension contributions on a monthly basis.

Next steps will be to work with the Fund to determine how to undertake employer covenant.

Communications

The new website was launched to Scheme Members and Employers on the 5th May 2021 which is underpinned with 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. The following chart provides an overview of the information we have collected.

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. The initial stage is currently underway and we have a number of employers who have agreed to undertake the initial rollout. 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 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 and member training. We have continued to promote the I-connect service with keen interest from employers. We are awaiting final confirmation an employer to agree to start rollout and working with a number to obtain final agreement. Additional training sessions on pensions tax are being developed at the request of a Local Authority along with a scheme promotion bulletin to promote the importance of pensions planning and the option of the 50/50 scheme for members who may consider opting out due to the cost of living crisis.

Late Payment Analysis

This table shows analysis of contributions received from participating employers.

We do chase these on a monthly basis and an e-mail has been sent to regular offenders asking them to explain why contributions are being paid across late. Health Checks have been initiated with these employers.

Date	Late Payments	Expected Payments	% Late	<10 Days Late	>10 Days Late
Sep-21	1	149	1.00%	0	1
Oct-21	3	144	2.00%	0	3
Nov-21	11	144	7.00%	0	11
Dec-21	5	144	3.00%	2	3
Jan-22	10	146	7.00%	1	9
Feb-22	9	146	6.00%	2	7
Mar-22	8	146	5.00%	0	8
Apr-22	9	146	6.00%	1	8
May-22	4	146	3.00%	4	0
Jun-22	3	142	2.11%	2	1
Jul-22	2	142	1.41%	0	2
Aug-22	4	140	2.86%	1	3
Sep-22	2	140	1.43%	0	2

06 Completed Cases Overview

2022/23

Teesside Pension Fund	Cases completed	Cases completed within target	Cases completed outside target	Cases: % within target
LG Team – Admin Manager Mathew Spurrell				
April	392	392	0	100%
May	346	346	0	100%
June	434	434	0	100%
Quarter 1	**1,172**	**1,172**	**0**	**100%**
July	458	458	0	100%
August	590	590	0	100%
September	426	426	0	100%
Quarter 2	**1,474**	**1,474**	**0**	**100%**
October	728	728	0	100%
November				
December				
Quarter 3	**728**	**728**		**100%**
January				
February				
March				
Quarter 4				
Year - Total	**3,374**	**3,374**	**0**	**100%**

07 **Completed Cases by Month**

July 2022

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Day	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (A	Average Case Time (day	Number of Cases	Over targ	TOTAL (case	Within Targ
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100%	4.19	183	0	183	183
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	26	0	26	26
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	16	0	16	16
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	233	0	233	233
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 2022

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Day	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (A	Average Case Time (day	Number of Cases	Over targ	TOTAL (case	Within Targ
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	4.43	299	0	299	299
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	8	15	0	15	15
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	23	0	23	23
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	253	0	253	253
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%	#DIV/0!	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		

September 2022

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%	3.51	107	0	107	107
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	49	0	49	49
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	16	0	16	16
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	254	0	254	254
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 2022

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%	6.17	347	0	347	347
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	32	0	32	32
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	22	0	22	22
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	327	0	327	327
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		

08 **Complaints**

Full Name	Description	Date received	Date completed	Comment
Retired Member	Delay in allocating the 2nd leaver notification meant payroll was missed.	22/7/2022	2/8/2022	Interest paid, original delay caused by incorrect L/F received

Graeme Hall
Operations Manager
01642 030643

XPS Pensions Group, XPS Pensions, XPS Group, XPS Administration, XPS Investment and XPS Transactions are the trading names of Xafinity Consulting Ltd, Punter Southall Ltd and Punter Southall Investment Consulting Ltd.

XPS Administration is the trading name of PS Administration Ltd.

Registration
Xafinity Consulting Ltd, Registered No. 2459442. Registered office: Phoenix House, 1 Station Hill, Reading RG1 1NB. Punter Southall Investment Consulting Ltd Registered No. 6242672,
Punter Southall Ltd Registered No. 03842603, PS Administration Ltd Registered No. 9428346.
All registered at: 11 Strand, London WC2N 5HR. All companies registered in England and Wales.

Authorisation
Punter Southall Investment Consulting Ltd (FCA Register number 528774) and Xafinity Consulting Ltd (FCA Register number 194270) are both authorised and regulated by the Financial Conduct Authority (FCA) for investment business.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 11

TEESSIDE PENSION FUND COMMITTEE REPORT

14 DECEMBER 2022

DIRECTOR OF FINANCE – HELEN SEECHURN

Border to Coast Responsible Investment Policy, Corporate Governance & Voting Guidelines and Climate Change Policy

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, Corporate Governance & Voting Guidelines and Climate Change Policy.

2 RECOMMENDATION

2.1 That Members note and approve the revised Border to Coast documents that are included as tracked changes versions in Appendices A, 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. Last year, Border to Coast also introduced a standalone Climate Change Policy.

4.3 The Responsible Investment Policy, Corporate Governance & Voting Guidelines and Climate Change Policy are reviewed annually or when material changes need to be made. The annual review process commenced in summer to ensure any revisions are in place ahead of the 2023 proxy voting season.

4.4 Border to Coast has worked with its voting and engagement partner Robeco to update the documents, using the International Corporate Governance Network Global Governance Principles, UK Stewardship Code and to reflect changes in market best practice. 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 30 November 2022 meeting.

5 RESPONSIBLE INVESTMENT POLICY - KEY CHANGES

5.1 This year's Responsible Investment Policy review reflects work undertaken during the year, including Border to Coast's commitment to Net Zero – a commitment to achieving net-zero greenhouse gas emissions across its investments by 2050 or sooner.

5.2 Border to Coast has highlighted its expectation of companies in relation to Human Rights within the Responsible Investments Policy, which now includes the following:

> "When considering human rights issues, we believe that all companies should abide by the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. Companies should have processes in place to both identify and manage human rights risks across their business and supply chain."

5.3 Revenue thresholds for thermal coal and oil sands have been reviewed, taking into account key financial risks, including the potential for stranded assets the revised policy states: "we will not invest in companies with more than 70% of revenues derived from thermal coal and oil sands. We will continue to monitor companies with such revenues for increased potential for stranded assets and the associated investment risk which may lead to the revenue threshold decreasing over time". Due to the illiquid nature of private markets the threshold is set lower at 25%.

5.4 Controversial weapons were highlighted as an area to consider for exclusions last year but due to a lack of data and ability to screen portfolios effectively this was deferred. Additional screening tools are now available allowing better analysis of cluster munition companies. Consequently, the exclusion policy will now cover companies manufacturing cluster munition whole weapons systems and companies that manufacture components that were developed or are significantly modified for exclusive use in cluster munitions.

5.5 With increased exclusions, the policy has been adapted to include a separate section specifically detailing the exclusions approach.

5.6 A ‘tracked changes’ version of the new Responsible Investment Policy is included at Appendix A, and a summary of the amendments is shown in the table below:

Section	Page	Type of Change	Rationale
1. Introduction	2	Amendment	Update on UK Stewardship Code signatory status.
1.1 Policy framework	3	Amendment	Revised diagram to include Climate Change Policy
2. What is responsible investment	3	Amendment	Insertion of ‘opportunities’.
3. Governance and implementation	3	Amendment	Revision on use of term ‘sustainability’.
5. Integrating RI into investment decisions	4 4 4	Amendment Addition Addition	Remove ‘internally and externally managed’. Add ‘Pay conditions’ to table under social issues New text on human rights.
5.2 Private markets	5	Addition	Reference to annual monitoring questionnaire.
5.4 Real estate	6	Amendment	Revised in line with TCFD report.
5.5 External manager selection	6	Addition	Update on climate change and net zero.
5.6 Climate change	7 7	Amendment Addition	Text on exclusions cut and moved to new section. New text on just transition.
6 Stewardship	7	Amendment	Update on Stewardship Code signatory status
6.1.1 Use of proxy advisors	8	Amendment	Removal of Voting & Engagement provider name.
6.2.3 Exclusions	11 - 13	Addition	New section on exclusions.
6.3 Due diligence and monitoring procedure	13	Amendment	Removal of Voting & Engagement provider name.
8. Communication and reporting	13	Addition	Reporting on progress on implementation of Net Zero Plan.
10. Conflicts of interest	14	Addition	Includes reference to stewardship conflicts.
Appendix A	14	Addition	New section referencing third-party providers.

6 CORPORATE GOVERNANCE & VOTING GUIDELINES - KEY CHANGES

6.1 The Corporate Governance & Voting Guidelines have been reviewed by Robeco, Border to Coast’s voting and engagement provider, to take into account current best practice. Asset owner and asset manager voting policies and the Investment Association Shareholder Priorities for 2022 have also been used in the review process.

6.2 Some additions/amendments have been made to reflect best practice or local market standards, as one set of guidelines covers all markets.

6.3 A new section on human rights has been included to support the addition to the Responsible Investment Policy.

6.4 A 'tracked changes' version of the new Corporate Governance & Voting Guidelines is included at Appendix B and a summary of the amendments is shown in the table below:

Section	Page	Type of Change	Rationale
Composition and independence	3 4	Amendment Addition	Remove 'large cap'. Detail on expectations of overall board tenure.
Leadership	4	Addition	Clarification on voting intention, considering market practice.
Diversity	5	Amendment	Expectations of FTSE 100 and FTSE 250 companies.
Succession planning	5	Amendment	Remove 'solely' to cover all jurisdictions.
Stakeholder engagement	6	Addition	Additional reference to key stakeholders and expectations of the board.
Long-term incentives	8	Addition	To cover standards for other markets.
Human rights	14	Addition	New section to articulate voting approach and expectations of companies.
Climate change	12 13 13 13	Amendment Amendment Addition Addition	Text amended to reflect changes to Climate Change Policy. Revised thresholds for TPI and CA100_ indicators. New text regarding banks New text on just transition.

7 CLIMATE CHANGE POLICY - KEY CHANGES

7.1 The Just Transition (the goal of moving to a more sustainable global economy in a way that is fair to everyone) was not previously referenced in the Policy, but is included in this version. This is an important area as the transition to a low carbon economy should consider all stakeholders and be inclusive whilst recognising global inequalities.

7.2 As Border to Coast has used the Net Zero Investment Framework (NZIF) and joined the Net Zero Asset Managers initiative (NZAM) this has been added to the Policy. The scope of the assets covered and high-level wording on targets is now included. Extra detail is also included on the expectations of external managers regarding engagement, and how Border to Coast will work with them on implementing specific decarbonisation parameters for their mandates.

7.3 As mentioned in the Responsible Investment Policy (see 5.3 above), revenue thresholds for thermal coal and oil sands have been reviewed, taking into account key financial risks, including the potential for stranded assets.

7.4 A 'tracked changes' version of the new Climate Change Policy is included at Appendix C and a summary of the amendments is shown in the table below:

Section	Page	Type of Change	Rationale
2.1. Our views and beliefs on climate change	2	Addition	Impact of climate change on the investment universe.
2.2 Why climate change is important	3 4	Addition Addition	Reference to physical and transition risk. Included text on a Just Transition.
2.4 Roadmap	6	Revision	Replace with timeline going out to 2050.
3.1 Our ambition – Net zero	7	Amendment	Reference use of NZIF and joining NZAM.
3.5 Regulatory change management	8	Revision	Reviewed by Head of Compliance.
4.1 How we identify climate-related risks	8	Revision	Revised in line with TCFD report.
4.2 How we assess climate-related risks and opportunities	9	Revision	Update on climate change scenario analysis.
5.1 Our approach to investing	9 10	Addition Amendment	Text on engagement as a key lever for reducing emissions – investee companies and fund managers (private markets). Revise exclusion threshold to 70% from 'pure'; 25% for illiquid assets.
5.2 Acting within different asset classes	10 10 10	Addition Amendment Addition	Extra data sources used. Reference to Climate Opportunities offering. Reference to targets set at portfolio and asset class level.
5.3 Working with external managers	11 11 11	Addition Addition Addition	Engagement expectations. Encourage managers to set firm wide net zero commitment and join NZAM. Working with managers on decarbonisation parameters for mandates.
6. Engagement and advocacy	11	Addition	Reference to engagement with regulators, policy makers etc.
6.1 Our approach to engagement	11 12 12	Addition Amendment Addition	Additional areas for engagement e.g. Just Transition. Revisions to voting text in line with proposed revisions to Voting Guidelines. Reference to use of Net Zero Stewardship Toolkit.
7. Disclosures and reporting	12/13	Amendment	Reporting on Policy implementation and progress against Net Zero commitment.

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 (including Climate Change) and Corporate Governance.

CONTACT OFFICER: Nick Orton, Head of Pensions Governance & Investments

TEL NO: 01642 729040

Responsible Investment Policy

Border to Coast Pensions Partnership

~~November 2021~~
January 2023

Responsible Investment Policy

This Responsible Investment Policy details the approach that Border to Coast Pensions Partnership ~~will~~ follows in fulfilling its commitment to our Partner Funds in their delegation of the implementation of certain responsible investment (RI) and stewardship responsibilities.

1. Introduction

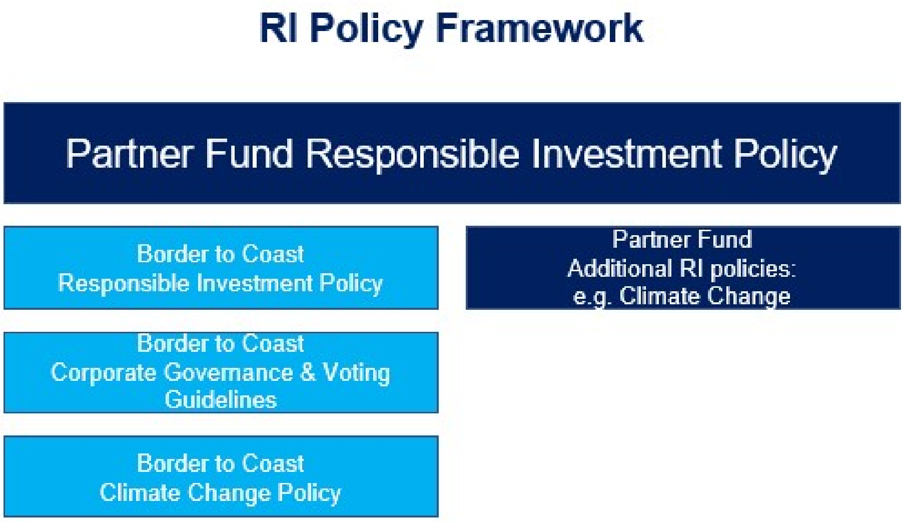
Border to Coast Pensions Partnership Ltd is an FCA-authorised investment fund manager (AIFM). It operates investment funds for its eleven shareholders which are Local Government Pension Scheme funds (Partner Funds). The purpose is to make a difference to the investment outcomes for our Partner Funds 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.

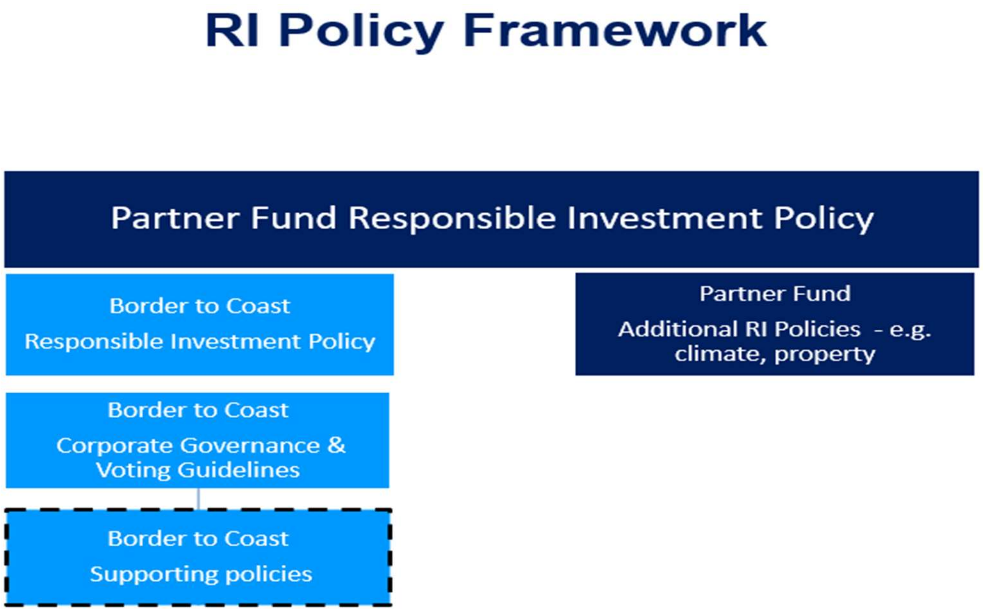
Border to Coast takes a long-term approach to investing and believes that businesses that are governed well, have a diverse board and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. Diversity of thought and 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. This commitment is demonstrated through achieving signatory status to the Financial Reporting Council UK Stewardship Code. ~~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~~ practices 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:





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 and the opportunities 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 the integration of sustainability and~~-~~ responsible investment, which are~~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, takes 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 is ~~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 are~~will be~~ considered and monitored in relation to ~~both internally and externally managed~~ all asset classess. The CIO is~~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 ~~Human capital~~ Employment standards Pay conditions (e.g. living wage in UK)	Board independence~~/~~ D~~d~~iversity of thought Executive pay Tax transparency Auditor rotation Succession planning Shareholder rights	Business strategy Risk management Cyber security Data privacy Bribery & corruption Political lobbying

When considering human rights issues, we believe that all companies should abide by the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. Companies should have processes in place to both identify and manage human rights risks across their business and supply chain. Further detail on our voting approach is included in the Corporate Governance & Voting Guidelines.

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 is~~will be~~ shared with the team to increase and maintain knowledge, and portfolio managers are~~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 complete an annual monitoring questionnaire which contains both binary and qualitative questions, enabling us to monitor several key performance indicators, including RI policies, people, and processes, promoting RI and RI-specific reporting.
- 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 preparing to launch funds to make~~considering making~~ Real Estate investments through both direct properties and indirect through investing in real estate funds. For real estate funds, a central component of the fund selection/screening process will be an assessment of~~reviewing~~ the General Partner and Fund/Investment Manager's Responsible Investment and ESG approach and policies. Key performance indicators will include~~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 includes~~will involve~~ procuring a third-party manager and working with them to develop our~~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 which includes assessing and mitigating climate risk, and~~ 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 P~~p~~olicy.

The monitoring of appointed managers~~ will~~ also includes assessing stewardship and ESG integration in accordance with our policies. All external fund managers are~~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[1] ('PRI'). We also encourage managers to make a firm wide net zero commitment and to join the Net Zero Asset Manager initiative (NZAM) or an equivalent initiative. Managers are~~will be~~ required to report to Border to Coast on their RI activities quarterly.

[1] 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.

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 that may manifest 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.~~In addition, the transition to a low-carbon economy will undoubtedly affect the various stakeholders of the companies taking part in the energy transition. These stakeholders include the workforce, consumers, supply chains and the communities in which the companies' facilities are located. A just transition involves maximising the social and economic opportunities and minimising and managing challenges of a net zero transition. We expect companies to consider the potential stakeholder risks associated with decarbonisation.

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[2] and were accepted as a signatory in March 2022. ~~have made an application to become a signatory by submitting our 2021~~

[2] 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

~~Responsible Investment & Stewardship Report to the Financial Reporting Council~~; ~~W~~We are also a signatory to the PRI.~~UN-supported Principles of Responsible Investment~~[3].

6.1. Voting

Voting rights are an asset and Border to Coast ~~will~~ exercises its rights carefully to promote and support good corporate governance principles. It ~~will~~ aims 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 are~~will~~ also ~~be~~ applied to assets managed externally. Policies are~~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 advisors

Border to Coast use a~~appointed Robeco as~~ Voting and Engagement provider to implement the set of detailed voting guidelines and ensure votes are executed in accordance with policies. Details of the third-party Voting and Engagement provider and proxy voting advisor are included in Appendix A.

A proxy voting platform is used with proxy voting recommendations produced for all meetings voted managed by ~~Robeco as~~ the Voting & Engagement provider. The~~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.

The Voting and Engagement provider~~Robeco~~ evaluates its~~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 the~~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 is~~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.

[3] ~~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.~~

- 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~~ considers co-filing shareholder resolutions and~~ will~~ notifies~~y~~ Partner Funds in advance. Consideration is~~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 is~~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 Local Authority Pension Fund Forum ('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 is~~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, Border to Coast use an external V~~v~~oting and E~~e~~ngagement service provider. ~~has been appointed.~~We~~ Border to Coast~~ provide~~s~~ input into new engagement themes which are considered to be materially financial, selected by the external engagement provider on an annual basis, and also participate~~s~~ in some of the engagements undertaken on our behalf.
- Engagement~~ will~~ takes 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[4] breaches or OECD Guidelines[5] 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 policies~~y~~.

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 the ~~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[6] 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 I~~i~~nvestment T~~t~~eam have access to our engagement provider's thematic research ~~Active Ownership profiles~~ and engagement records. This additional information feeds into the investment analysis and decision making process.

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[4] 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.

[5] 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.

[6] SMART objectives are: specific, measurable, achievable, relevant and time bound.

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.

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.

6.2.3 Exclusions

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.

When considering whether a company is a candidate for exclusion, we do so based on the associated material financial risk of a company's business operations and whether we have concerns about its long-term viability. We initially assess the following key financial risks:

- regulatory risk
- litigation risk
- reputational risk
- social risk
- environmental risk

Thermal coal and oil sands:

Using these criteria and due to the potential for stranded assets, we will not invest in companies with more than 70% of revenues derived from thermal coal and oil sands. We will continue to monitor companies with such revenues for increased potential for stranded assets and the associated investment risk which may lead to the revenue threshold decreasing over time.

We support a just transition towards a low-carbon economy which should be inclusive and acknowledge existing global disparities. We recognise that not all countries are at the same stage in their decarbonisation journey and need to consider the different transition timelines for emerging market economies. Therefore, in the interests of a just transition we will assess the implications of the exclusion policy and where we consider it appropriate, may operate exceptions.

For illiquid assets the threshold will be 25%. This is due to the long-term nature of the investments and less ability for investors to change requirements over time.

Cluster munitions:

In addition, we will not invest in companies contravening the Convention on Cluster Munitions (2008). It is illegal to use these weapons in many jurisdictions and many signatories to the Convention regard investing in the production of cluster munitions as a form of assistance that is prohibited by the convention. Therefore, as a responsible investor we will not invest in the following:

- Companies where there is evidence of manufacturing cluster munition whole weapons systems.
- Companies manufacturing components that were developed or are significantly modified for exclusive use in cluster munitions.

Companies that manufacture "dual-use" components, such as those that were not developed or modified for exclusive use in cluster munitions, will be assessed and excluded on a case-by-case basis.

Restrictions relate to the corporate entity only and not any affiliated companies.

Any companies excluded will be monitored and assessed for progress and potential reinstatement at least annually.

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 t~~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.

The Voting and Engagement provider~~Robeco~~ also undertakes verification of its stewardship~~active ownership~~ activities and the~~. Robeco's~~ external auditor audits stewardship~~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, we 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 is~~will be~~ transparent with regard to its RI activities and~~ will~~ keeps beneficiaries and stakeholders informed. This is ~~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 Task Force on Climate-related Financial Disclosures (TCFD) recommendations and provide an annual progress report on the implementation of our Net Zero Plan.

9. Training and assistance

Border to Coast ~~will~~ offers the Partner Funds training on RI and ESG issues. Where requested, assistance ~~will be~~is 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 includes potential conflicts in relation to stewardship.

Appendix A: Third-party Providers

Voting and Engagement provider	Robeco Institutional Asset Management BV	June 2018 - Present
Proxy advisor	Glass Lewis	June 2018 - Present

Corporate Governance & Voting Guidelines

Border to Coast Pensions Partnership

~~November 2021~~
January 2023

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 Executive 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.

If the board has an average tenure of greater than 10 years and the board has had fewer than one new board nominee in the last five years, we will vote against the chair of the nomination committee.

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. Where the Chair and CEO roles are combined and no senior independent non-executive director has been appointed, we will vote against the nominee holding the combined Chair/CEO role, taking into consideration market practice.

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 expect FTSE 100 companies to have met the Parker Review target and FTSE 250 companies to disclose the ethnic diversity of their board and have a credible plan to achieve the Parker Review targets by 2024. 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. The committee should comprise of a majority~~,~~ ~~comprised solely~~ of independent directors or comply with local standards and be 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 need to develop and maintain relationships with key stakeholders to be successful in the long-term. The board therefore~~Companies~~ should take into account the interests of and feedback from stakeholders which includes the workforce. Considering the differences in best practice across markets, companies should report how key stakeholder views and interests have been considered and impacted on board decisions. Companies should also have an appropriate system in place to engage with employees.

Engagement and dialogue with shareholders and wider stakeholders 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

[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.

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 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, taking into account local market standards. 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 r~~R~~eport and a~~A~~ccounts. 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.

Human rights

When considering human rights issues, we believe that all companies should abide by the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. We expect companies exposed to human rights issues to have adequate due diligence processes in place to identify risks across their business and supply chain, in line with the UN Guiding Principles on Business and Human Rights. Where a company is involved in significant social controversies and at the same time is assessed as having poor human rights due diligence, we will vote against the most accountable board member or the report and accounts.

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.~~

Climate change is a systemic risk which poses significant investment risks, but also opportunities, with the potential to impact long-term shareholder value. 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 voting and engagement is to encourage companies to adapt their business strategy in order to align with a low carbon economy and reach net zero by 2050 or sooner. The areas we consider include climate governance; strategy and Paris alignment; command of the climate subject; board oversight and incentivisation; TCFD

~~[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.~~

disclosures and scenario planning; scope 3 emissions and the supply chain; capital allocation alignment, climate accounting, a just transition and exposure to climate-stressed regions.

For companies in high emitting sectors that do not sufficiently address the impact of climate change on their businesses, we will oppose the agenda item most appropriate for that issue. To that end, the nomination of the accountable board member takes precedence. Companies that are not making sufficient progress in mitigating climate risk are identified using recognised industry benchmarks including the Transition Pathway Initiative (TPI) and the Climate Action 100+ (CA100+) Net Zero Benchmark. We will vote against the Chair (or relevant agenda item) where companies are scored 2 or lower by the TPI. In addition, we will vote against the Chair for Oil and Gas companies scoring 3 or lower. Where a company covered by CA100+ Net Zero Benchmark fails 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.

Additionally, an internally developed framework is used to identify companies with insufficient progress on climate change.

Banks will play a pivotal role in the transition to a low carbon economy, and we will therefore be including the sector when voting on climate-related issues. We will assess banks using the IIGCC/TPI framework and will vote against the Chair of the Sustainability Committee, or the agenda item most appropriate, where a company materially fails the first four indicators of the framework.

We support a just transition towards a low-carbon economy which should be inclusive and acknowledge existing global disparities. We recognise that not all countries are at the same stage in their decarbonisation journey and need to consider the different transition timelines for emerging market economies. Therefore, in the interests of a just transition we will assess the implications when considering our voting decisions on a case-by-case basis.

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.

Climate Change Policy

Border to Coast Pensions Partnership

Policy Owner: The Chief Investment Officer
Live from: ~~October 2021~~January 2023

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.

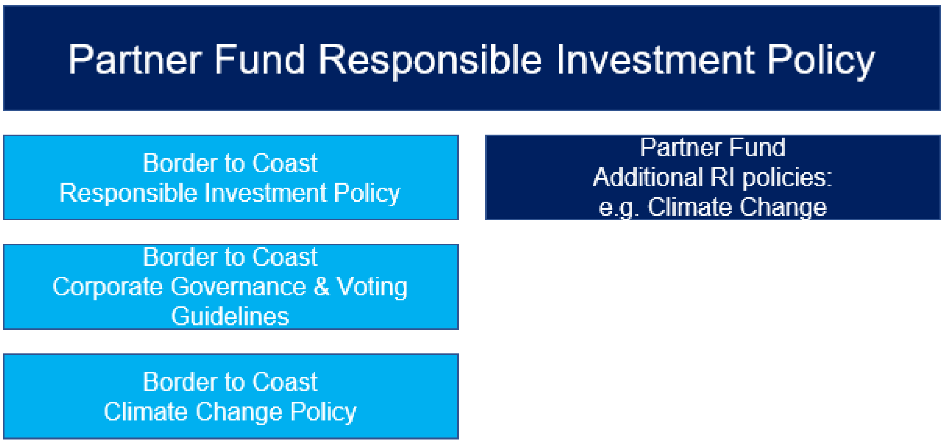
1 Introduction

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:

RI Policy 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 (CO2) 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. This changes the world in which we live, but also the world in which we invest.

Atmospheric CO2 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 CO2 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. Urgent collaborative action is needed to reach net zero greenhouse gas emissions globally by 2050, and everyone has a part to play in ensuring the goal is met.

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. There are two types of risks that investors are exposed to, the physical risk of climate change impacts and the transitional risk of decarbonising economies, both can also impact society resulting in social risks.

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.

1 https://www.ipcc.ch/sr15/

In addition, the transition to a low-carbon economy will undoubtedly affect the various stakeholders of the companies taking part in the energy transition. A just transition refers to the integration of the social dimension in the net zero transition and is part of the Paris Agreement, the guidelines adopted by United Nations' International Labour Organization (ILO) in 2015, and the European Green Deal. These stakeholders include the workforce and the communities in which the companies' facilities are located. We expect companies to consider the potential stakeholder risks associated with decarbonisation.

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.

INTERNAL

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.

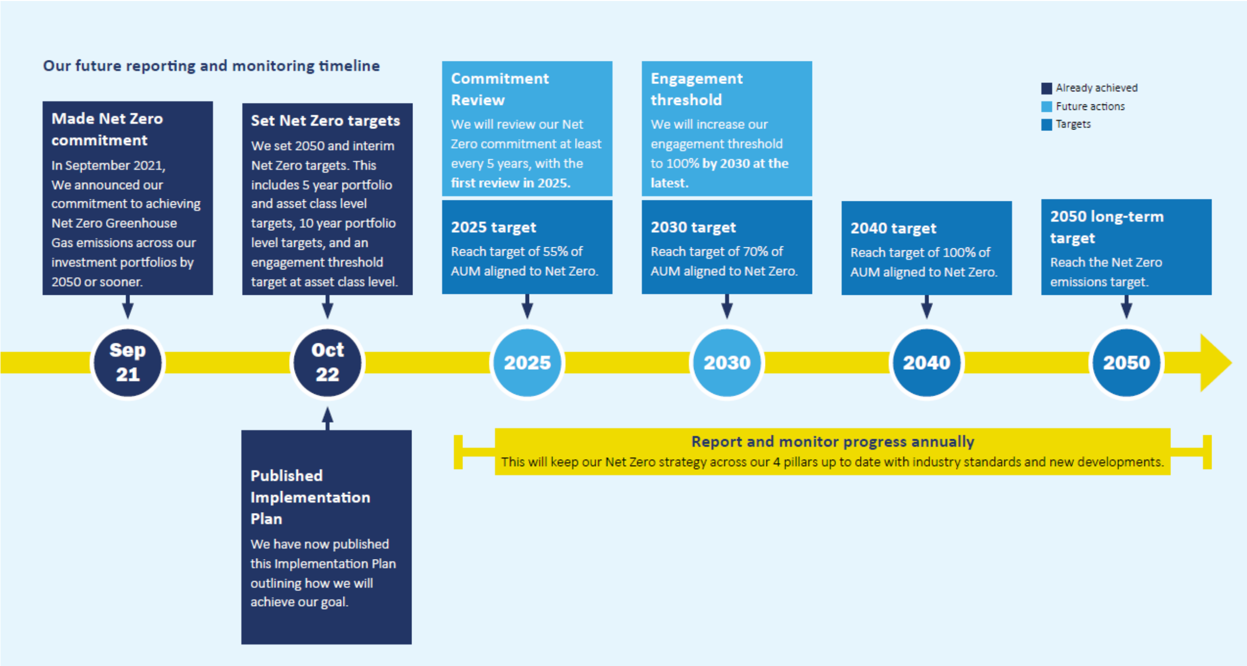
We consider climate change risks and opportunities within our investment decision making process.

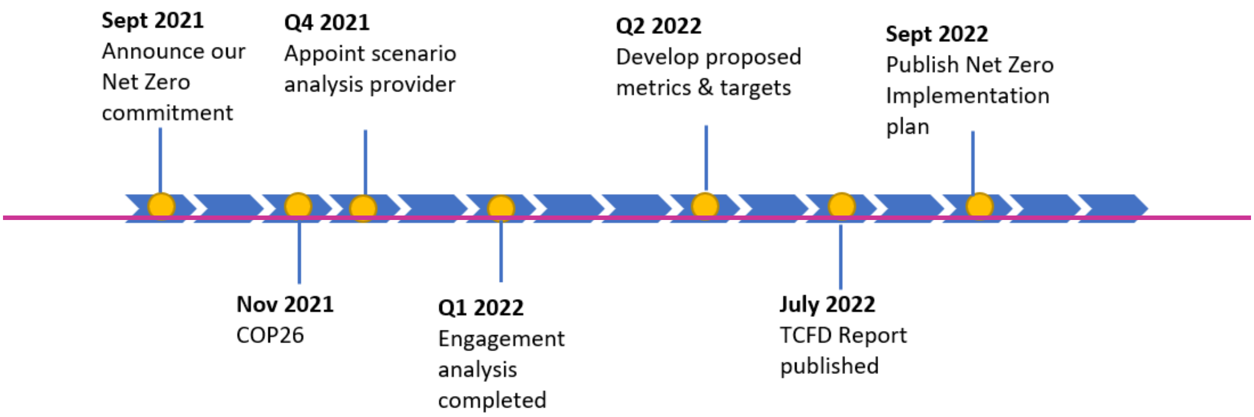
Border to Coast, as a large investor, aims to influence companies to adapt and articulate their climate change strategy, to enable them to be well prepared for the transition to a low carbon economy. This in turn will improve investment outcomes.

We are committed to transparency regarding our climate change issues and activities.

2.4 Roadmap

~~The roadmap demonstrates the milestones to implement the policy over the next 12 months~~.
The roadmap demonstrates the future reporting and monitoring timeline for implementing our Net Zero plan.


Our future reporting and monitoring timeline
Made Net Zero commitment
In September 2021, We announced our commitment to achieving Net Zero Greenhouse Gas emissions across our investment portfolios by 2050 or sooner.
Set Net Zero targets
We set 2050 and interim Net Zero targets. This includes 5 year portfolio and asset class level targets, 10 year portfolio level targets, and an engagement threshold target at asset class level.
Commitment Review
We will review our Net Zero commitment at least every 5 years, with the first review in 2025.
Engagement threshold
We will increase our engagement threshold to 100% by 2030 at the latest.
Already achieved
Future actions
Targets
2025 target
Reach target of 55% of AUM aligned to Net Zero.
2030 target
Reach target of 70% of AUM aligned to Net Zero.
2040 target
Reach target of 100% of AUM aligned to Net Zero.
2050 long-term target
Reach the Net Zero emissions target.
Sep 21
Oct 22
2025
2030
2040
2050
Report and monitor progress annually
This will keep our Net Zero strategy across our 4 pillars up to date with industry standards and new developments.
Published Implementation Plan
We have now published this Implementation Plan outlining how we will achieve our goal.


Sept 2021
Announce our Net Zero commitment
Q4 2021
Appoint scenario analysis provider
Q2 2022
Develop proposed metrics & targets
Sept 2022
Publish Net Zero Implementation plan
Nov 2021
COP26
Q1 2022
Engagement analysis completed
July 2022
TCFD Report published

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.

To demonstrate our Net Zero commitment, we joined the Net Zero Asset Manager initiative (‘NZAM’) pledging to decarbonise investment portfolios by 2050 or sooner.

We are using the Net Zero Investment Framework to support us in implementing our strategy to being Net Zero by 2050.
~~In support of our Net Zero commitment~~W~~, w~~e have~~will~~ developed ~~and set out~~ an implementation plan ~~with~~ which sets out the four pillars of our approach: governance and strategy, targets and objectives, asset class alignment, and stewardship and engagement. We believe success across these four elements will best enable us to implement the change needed. ~~high-level targets for each of the four supporting pillars of our climate change strategy which will be published in September 2022~~The Net Zero Implementation Plan can be found on our website.

3.2 Governance and implementation

We take a holistic approach to the integration of sustainability and responsible investment; it is at the core of our corporate and investment thinking. Sustainability, which includes RI 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, more broadly oversees the identification and management of risk and opportunities. The Board is responsible for the overarching oversight of climate related considerations~~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 identify and 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 a key task undertaken by~~the role of~~ the Compliance function, which regularly scans for applicable regulatory change. This includes FCA, associated UK financial services regulations, and wider regulation impacting financial services 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.~~,~~ Primary responsibility for risk management lies with the Investment and Operations teams. Second line of defence is provided by the Risk and Compliance functions, which report to the Board Risk Committee, and the third line of defence is provided by Internal Audit, which reports to the Audit Committee and provides risk-based assurance over the Company's governance, risk and control framework.
~~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 ('TPI')[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.

We continue to~~are~~ develop~~ing~~ climate risk assessments 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 is~~s 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 understand that scenario analysis is useful for understanding the potential risks and opportunities attached to investment portfolios and strategies due to climate change. We note that scenario analysis is still developing, with services and products evolving as data quality and disclosure from companies continues to improve. During 2022 we will be evaluating our third-party scenario analysis tools and conducting analysis using a number of different scenarios.

~~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. Engaging with our investee companies will be a key lever we will use to reach our Net Zero goals, but we also recognise the role of screening, adjusting portfolio weights, and tilted benchmarks in decarbonising our investments.

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.

[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 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 public market companies with 70% of revenue derived from thermal~~pure~~ coal and oil~~tar~~ sands~~ companies~~ and will therefore not invest in these companies. For private markets a revenue threshold of 25% is in place, this is due to the illiquid nature of these investments. Any companies excluded will be monitored with business strategies and 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+ (‘CA100+) Net Zero Company Benchmark and the Science Based Targets initiative (‘SBTi) 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. Climate scenario analysis is also conducted for listed equity and fixed income portfolios using third-party data.

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 have therefore launched a Climate Opportunities offering and will be facilitating increased investment in climate transition solutions taking into account Partner Fund asset allocation decisions. ~~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.~~

To meet our commitment to reach net zero carbon emissions by 2050 or sooner, we have developed targets for our investments in line with the Net Zero Investment Framework (NZIF). We have set targets at two levels: portfolio level, which refers to our combined total investments in the asset classes covered by this plan, and asset class level, which refers to our investments split by investment type (i.e. listed equity, corporate fixed income etc). This covers 60% of our AUM (at 31/03/2022) and we will look to increase coverage across the rest of our investments when appropriate.

5.3 Working with E~~e~~xternal M~~m~~anagers

Assessing climate risk is an integral part of the E~~e~~xternal M~~m~~anager 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~~ expect managers to engage with companies in line with our Responsible Investment Policy and to support collaborative initiatives on climate, and to report in line with the TCFD recommendations. In addition, we encourage ~~assess and monitor where~~ managers~~-~~ to make a firm wide net zero commitment.~~are making net zero commitments~~. We will work with External Managers to implement specific decarbonisation parameters for their mandate. We will monitor our managers' carbon profiles and progress against targets on a quarterly basis and as part of our annual reviews. We will also consider the suitability of those targets on an annual basis. Where carbon profiles are above target, this will act as a prompt for discussion with the manager to understand why this has occurred, any appropriate actions to be taken to bring them back to target, and the timescales for any corrective action.

6 Engagement and advocacy

As a shareholder, we have the 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 that effective stewardship is key to the success for our climate ambition. As well as engaging with our investee companies it is important that we engage on systemic risks, including climate change, with policymakers, regulators and standard setters to help create a stable environment to enhance long-term investment returns. ~~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, particularly with regard to promoting decarbonis~~z~~ation in the real world. If engagement does not lead to the desired results, we have an escalation process which forms part of our RI Policy, this includes adverse voting instructions on related AGM voting items, amongst other steps. 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 reach~~ing~~ net ~~Net Z~~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; capital allocation alignment, a just transition 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+~~CA100+, 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.~~ . When exercising our voting rights for companies in high emitting sectors that do not sufficiently address the impact of climate change on their businesses, we will oppose the agenda item most appropriate for that issue. To that end, the nomination of the accountable board member takes precedence. Companies that are not making sufficient progress in mitigating climate risk are identified using recognised industry benchmarks including the TPI and Climate Action 100+ Net Zero Benchmark. Additionally, an internally developed framework is used to identify companies with insufficient progress on climate change. 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 and lobbying, 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 the IIGCC's Net Zero Stewardship Toolkit to develop our net zero stewardship strategy,

- Use carbon footprints ~~and~~ the TPI toolkit, CA100+ Net Zero Benchmark and SBTi 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 and Net Zero commitment, as well as our exposure to the risks and opportunities of climate change. This will include:

- Reviewing annually how we are implementing this policy with findings reported to our Board and Partner Funds;

~~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.~~

- ~~R~~report~~ing~~ in line with the TCFD recommendations on an annual basis, including reporting on the actions undertaken with regards to implementation of this policy and progress against our Net Zero commitment. ~~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.~~
- We will d~~D~~isclos~~ing~~e our voting activity and ~~.~~
  r~~R~~eport~~ing~~ on engagement and RI activities, including climate change, to the Partner Funds quarterly and in our annual RI & Stewardship report.
- Disclos~~ing~~e 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.~~

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 12

PENSION FUND COMMITTEE REPORT

14 DECEMBER 2022

DIRECTOR OF FINANCE – HELEN SEECHURN

VALUATION UPDATE

1. PURPOSE OF THE REPORT

1.1 To update the Committee on progress on the ongoing triennial actuarial valuation of the Pension Fund as at 31 March 2022.

2. **RECOMMENDATION**

2.1 That the Committee notes the report.

3. **FINANCIAL IMPLICATIONS**

3.1 No specific financial implications are attached to this report, although the eventual outcome of the actuarial valuation will have significant financial implications for the Fund employers as it will determine the employer contribution rates they will pay for the three years from 1 April 2023 onwards.

4. **BACKGROUND**

4.1 Every three years the administering authority of each Local Government Pension Scheme (LGPS) Fund is required to obtain an actuarial valuation of the assets and liabilities of their Fund, together with an actuary's report on the valuation and a 'rates and adjustments certificate' setting out the employer contributions required to the Fund over the next three year period. Each LGPS Fund in England Wales (including our Fund) is currently undergoing their three-yearly valuation, which will look at the position of each Fund as at 31 March 2022, will set contribution rates for the three year period starting 1 April 2023 and whose final report needs to be produced before 31 March 2023.

5. **UPDATE REPORTS**

5.1 As part of this process the Fund's actuary Hymans Robertson has produced an update report (enclosed at Appendix A) summarising some of the initial outcomes across employers and looking at how post valuation date events may impact on the result.

5.2 Hymans Robertson has also produced a document (enclosed at Appendix B) summarising the main changes being made to the Funding Strategy Statement as a consequence of the actuarial valuation. This is being circulated to employers with the revised Funding Strategy Statement as part of the consultation process.

5.3 Colleagues from Hymans Robertson will be available at the meeting to explain, and answer any questions on, the appendices to this report.

6. NEXT STEPS

6.1 The Committee will be kept updated on progress with the valuation, and reports will be brought to upcoming scheduled meetings.

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

TEL NO.: 01642 729040

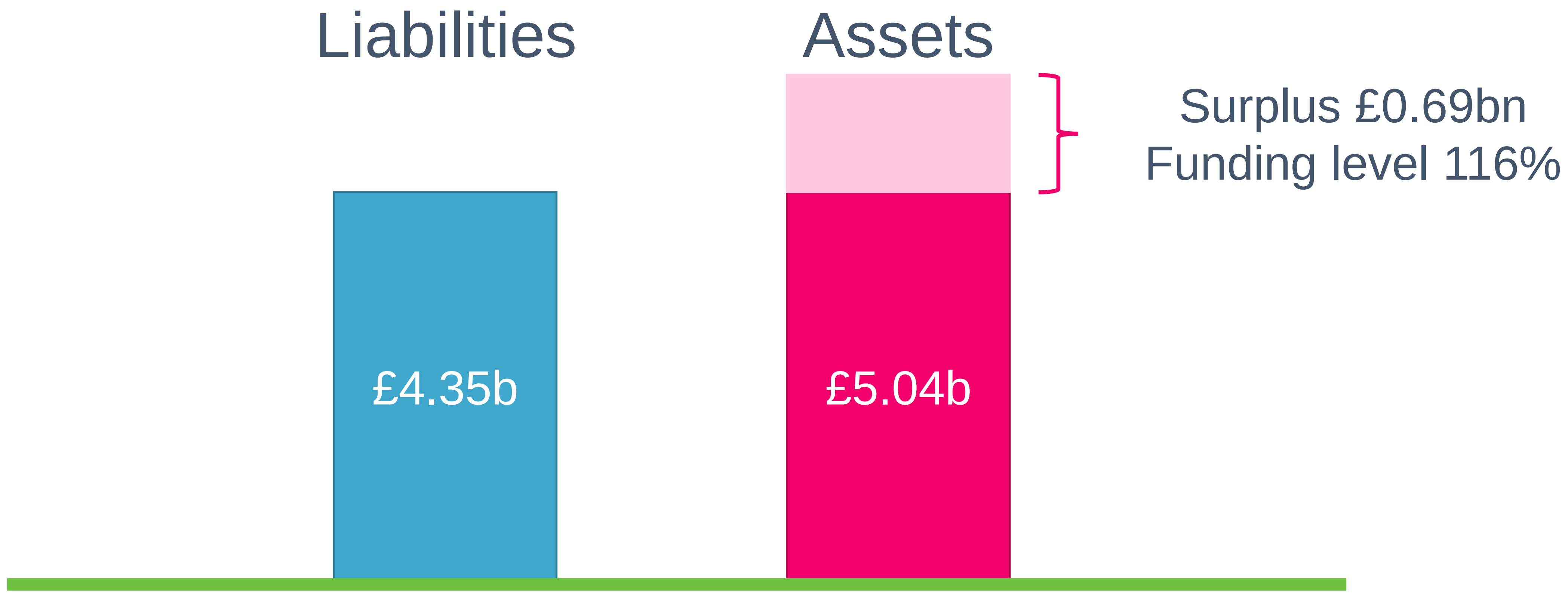
Teesside Pension Fund

Employers & post valuation events

Hymans Robertson LLP is authorised and
regulated by the Financial Conduct Authority

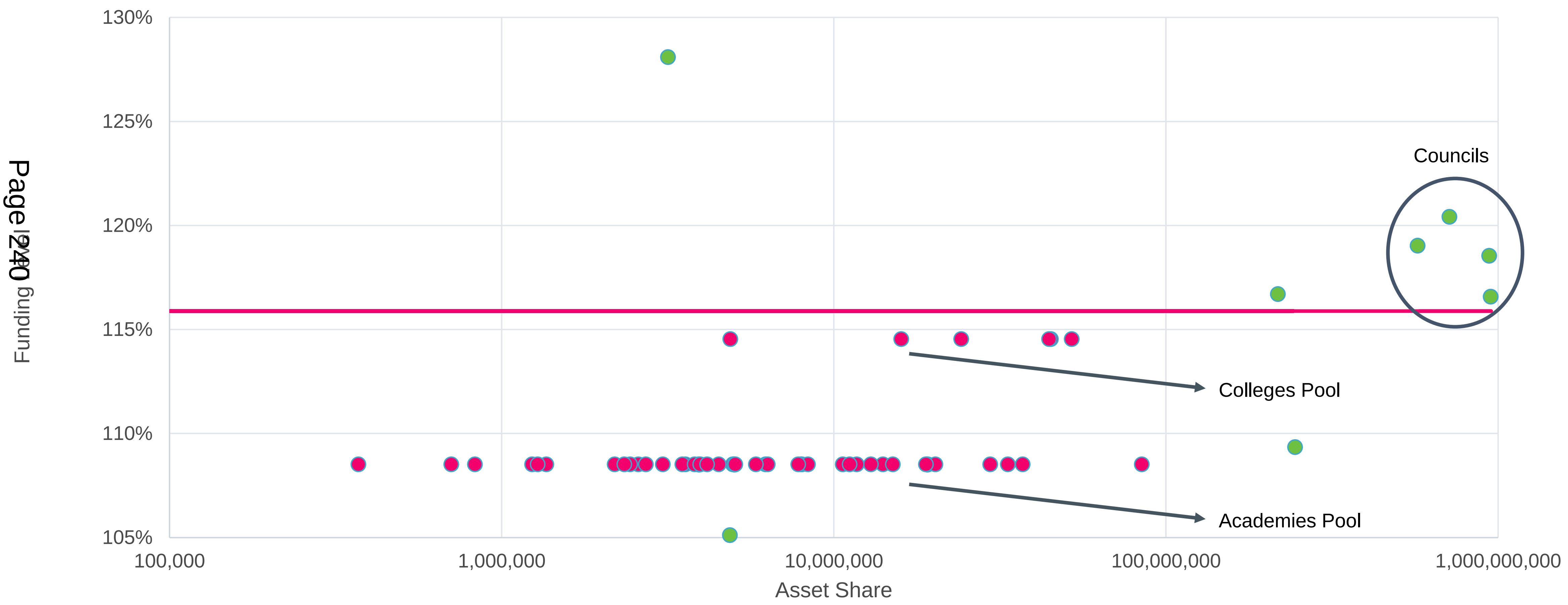
Employers

Results – whole fund



HYMANS ROBERTSON

Results - employers



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Contribution pressures

Inflation — Higher expected CPI = higher costs

Long term returns — Lower long term expected returns = higher costs

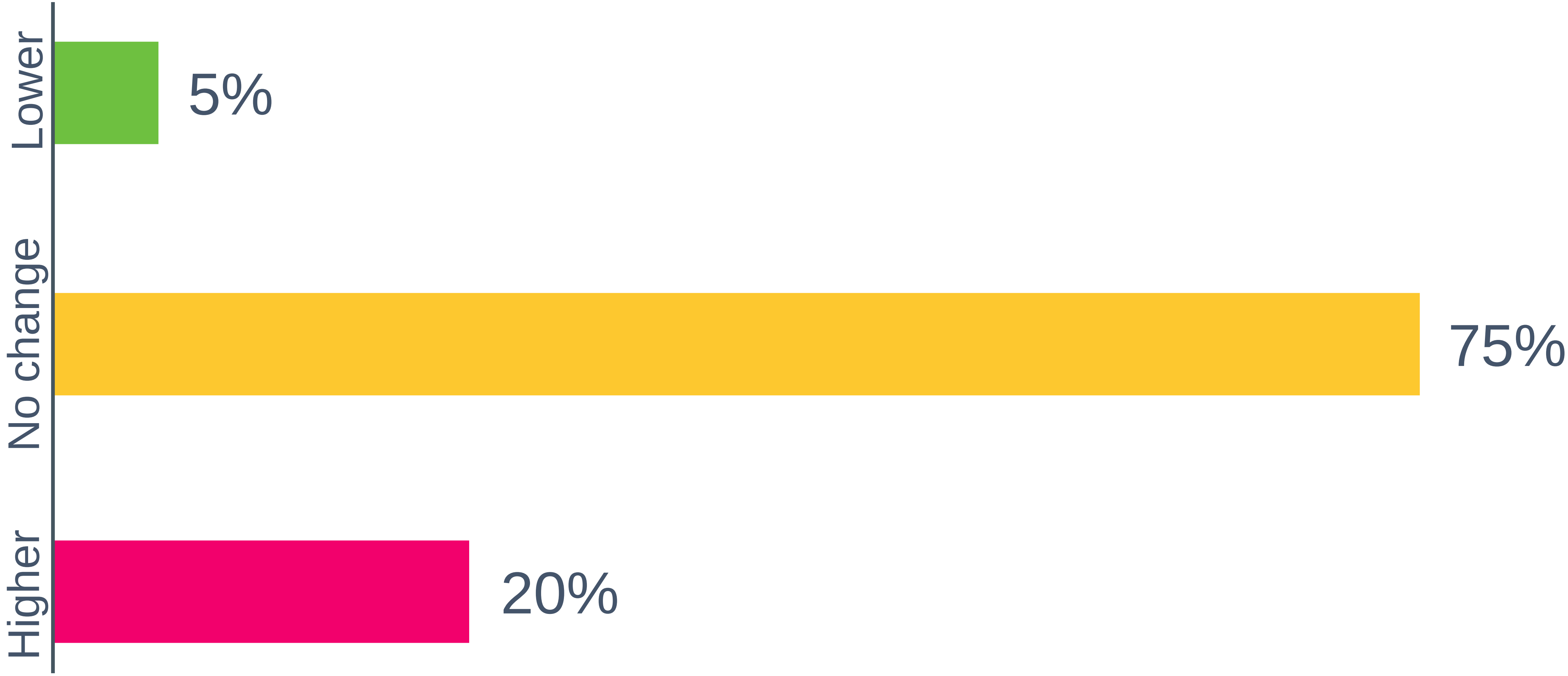
Funding level — Higher funding = lower costs

Setting employer rates

Sustainability

Stability

Initial rates



However…

Target strategic benchmark underpins the results

HYMANS ROBERTSON

Hymans Robertson

Post valuation events

Markets

Expected benefit increases	10.1% expected – increases liabilities and costs
Actual returns to date	Asset values have reduced – reduces funding, increases costs
Expected returns in future	Expected returns increasing – decreases liabilities and costs

Employers

College reclassification

ONS has re-designated colleges as public bodies

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Employer exits

Admitted bodies considering exiting the fund

Teacher's McCloud issue

Admin strain for LGPS funds

Thank you

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Teesside Pension Fund – 2022 FSS review

Purpose and scope

This paper has been commissioned by and is addressed to Middlesbrough Council, the Administering Authority to Teesside Pension Fund ("the Fund"). Its purpose is to set out how the key principles of the Funding Strategy Statement ("FSS") may change as part of the 2022 valuation of the Fund.

Process and consultation

The FSS is reviewed and consulted on at least every three years in line with the LGPS Regulations. As part of the consultation process, the Fund invites all interested parties to feedback on the Fund's approach to funding and managing pension risks.

Fundamental changes to the FSS are not expected as part of the current review. The suggested changes are designed to better manage risk in the Fund and improve the employer experience.

This document sets out the key principles and policies contained in the current FSS and how these are expected to change as a result of this review.

Key funding principles and suggested changes

The tables below set out the key principles contained in the FSS, and the current expectation with regards to how these may change as part of the 2022 review.

Assumptions

Principle	Current position	Change
Solvency objective	Achieve a 100% solvency level over the long term	No change.
Prudence	75% likelihood	No change
Discount rate	Ongoing (scheduled body/subsumption) discount rate - Model portfolio returns and select the return target which meets the Fund's prudence target of 75% Ongoing (orphan body) discount rate – 'left service' liabilities for orphan body employers were measured on a more prudent basis Orphan discount rate – based on gilt yields	Ongoing (scheduled body/subsumption) discount rate – no change Ongoing (orphan body) discount rate has been discontinued as it may mislead employers planning exit from the Fund who will ultimately be measured on the orphan discount rate (cessation basis) on exit. Orphan discount rate has been renamed the 'cessation' or 'low risk' discount rate.
Consumer Price Inflation (CPI) – pension increase rate	Equal to long-term RPI less 1.0% per annum	A revised approach to recognise the distortions caused in the market price of RPI by the planned harmonisation of RPI with CPIH from 2030
Salary growth	CPI plus 1.0% per annum plus a separate age related allowance for promotional increases.	No change
Baseline longevity	Standard mortality tables published by the actuarial profession's Continuous	Based on Club Vita tables allowing for the specific characteristics of each individual

	Mortality Investigation (CMI) group adjusted to reflect the characteristics of Fund members	member. In effect, a separate mortality assumption is set for each member of the Fund based on relevant factors (e.g. lifestyle, affluence etc)
Longevity improvements	Based on the latest future improvements tables provided by the CMI	No change

Setting contributions

The focus at the 2022 valuation will be in setting total contribution rates that are sufficient to lead to the employer being fully funded at the end of their appropriate time horizon.

Principle	Current position	Change
Stability for long term secure employers	Desire for as nearly a constant rate as possible	No change
Deficit recovery periods	Typical maximum of 20 years for statutory bodies, colleges, universities, academies and 'community admission bodies' with funding guarantees Maximum of remaining contract length for best value admission bodies Maximum remaining period of the deferred debt agreement for deferred employers. Maximum of future working lifetime for all other employers	No change with the exception of 'community admission bodies' where average future working lifetimes will apply unless the employer is both open to new entrants and has a funding guarantee.
Surplus	Certain limitations may apply on recovering surpluses and recovery period set at a maximum of 22 years	Limitations removed. The administering authority will apply its discretion to manage the Fund's objective of maintaining stability of rates
Phasing of contribution rates	Up to 6 years for rate increases, up to 3 years for rate reductions, and none for best value admission bodies.	Limitations removed. The administering authority will apply its discretion to manage the Fund's objective of maintaining stability of rates

Other funding issues

Issues	Current position	Change
McCloud & cost management valuations	0.9% of pay added to employer rates to cover these potential costs	Allowance for the McCloud remedy will be included in the measurement of the past service liabilities and (where appropriate) future service contribution rates, for all employers as a matter of course.

		No allowance is being made for cost management valuations.
Ill health retirement strains and death in service strains	All ill-health and death in service risks are shared across all employers.	No change to ill health arrangements The death in service arrangement has been amended to cover death-in-service lump sums specifically.

New policies

Policies	**Details**
New employers	Elements of the FSS covering the approach to new employers joining the Fund have been moved into a stand-alone policy.
Bulk transfers	New policy setting out the Fund’s approach to members transferring into and out of the Fund.
Academies & free schools	Elements of the FSS covering the approach to the participation of academies and free schools has been moved into a stand-alone policy.
Employer exits	Elements of the FSS covering the approach to exits, including deferred debt agreements, deferred spreading arrangements and exit credits, has been moved into a stand-alone policy.

Reliances and limitations

This paper has been prepared for the Teesside Pensions Authority for the purpose described above. It has not been prepared for use for any other purpose and should not be so used.

This paper may be shared with participating employers for consultation purposes but should not be considered as advice to the employers.

This paper should not be disclosed to any other third party except as required by law or regulatory obligation or with our prior written consent. We accept no liability where the paper is used by or disclosed to a third party unless we have expressly accepted such liability in writing. Where this is permitted, the paper may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

Steve Law FFA – Fund Actuary

Julie Baillie FFA – Fund Actuary

5 December 2022

For and on behalf of Hymans Robertson LLP

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of the Local Government Act 1972.

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