BORDER TO COAST

PENSIONS PARTNERSHIP

BORDER TO COAST ANNUAL REPORT & ACCOUNTS 2019/20

DELIVERING THE BENEFITS OF POOLING

Border to Coast was established by its Partner Funds to facilitate the pooling of their investments with the aim of improving value for money through scale, increased access to investment opportunities and strengthened governance.

As a customer-owned, customer-focused organisation, our long-term vision is to make a 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.

Discover more at **bordertocoast.org.uk**

Cover photos: The Pennines and South Gare, north east coast of England

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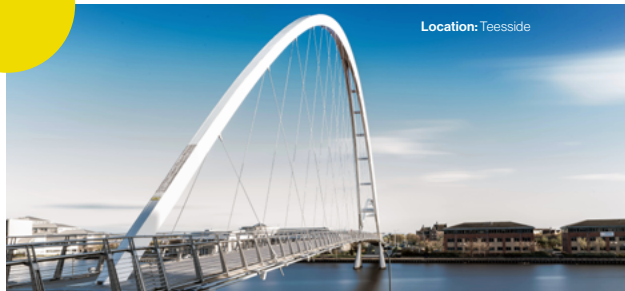


Location: Teesside

BUILDING ON STRONG FOUNDATIONS

"We are building on the firm foundations of our first year. With the support of our Partner Funds we are delivering a strong and sustainable business. Even in these challenging times, we continue to deliver what we said, on time, and under budget."

Rachel Elwell
Chief Executive

WHAT

We were founded to help manage the pension fund assets of our Local Government Partner Funds. As equal partners they own us outright and are our only customers.

HOW

Border to Coast is responsible for designing, delivering and operating a range of investment funds and services to allow our Partner Funds to implement their investment strategies.

WHO

Our Partner Funds represent c.2,500 employers who are part of the Local Government Pension Scheme (for example schools, colleges, and councils). In total, they are responsible for delivering benefits to c.1 million members.

11
Partner Funds invested

Signatory to the UN-supported Principles for Responsible Investment

Customer meetings
127

Graduate trainees as a proportion of our workforce
9%

Colleagues
77

Propositions launched to date
9

Resolutions voted on
11,440

Number companies we've engaged with
814

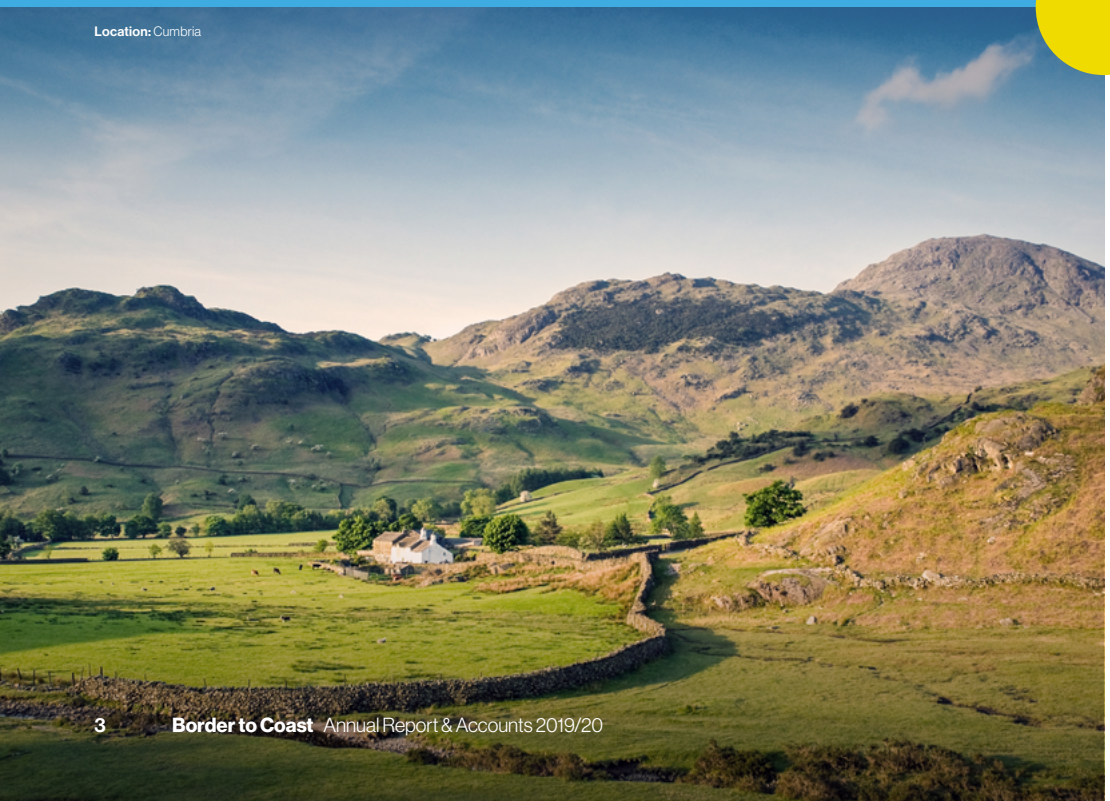
Our purpose and values

MAKING A DIFFERENCE FOR OUR PARTNER FUNDS

Making a positive difference to investment outcomes for Local Government Pension Funds through pooling to create a stronger voice and working in partnership to deliver cost-effective, innovative, and responsible investment, thereby enabling sustainable, risk-adjusted performance over the long term.

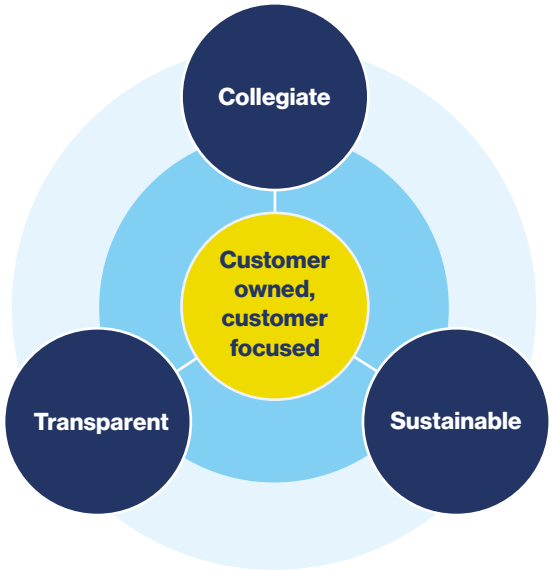
See **page 4**

Location: Lincolnshire



Location: Cumbria

Our values underpin everything we do



Collegiate
Working together in an open and trusting environment with shared vision and goals to deliver long-term, strong and sustainable outcomes for our Partner Funds.

Sustainable
Investing in our colleagues by facilitating work – life balance; by encouraging personal and professional development; creating a flexible and open to change culture that is equipped to develop new capabilities as the needs of our Partner Funds evolve.

Transparent
Maintaining Partner Fund and public trust in our integrity to enable us to deliver on our objectives.

MAKING A DIFFERENCE

Everything we do at Border to Coast comes back to making a difference to the c.1million LGPS members, c.2,500 local employers and many millions of taxpayers who are associated with our twelve Partner Funds.

Our twelve Partner Funds

Bedfordshire Pension Fund

Number of members
70,729*
Participating employers
182*

Cumbria County Council

Number of members
57,840*
Participating employers
127*

Durham County Council

Number of members
55,507*
Participating employers
112*

ERPF

Number of members
114,882*
Participating employers
320*

Lincolnshire Pension Fund

Number of members
72,756*
Participating employers
258*

Northumberland County Council**

Number of members
26,736*
Participating employers
43*

North Yorkshire County Council

Number of members
93,393*
Participating employers
193*

South Yorkshire Pensions Authority

Number of members
159,779*
Participating employers
493*

Surrey Pension Fund

Number of members
110,095*
Participating employers
271*

teesside pension fund

Number of members
70,068*
Participating employers
170*

Tyne and Wear Pension Fund

Number of members
136,967*
Participating employers
265*

Warwickshire pension fund

Number of members
48,542*
Participating employers
192*

* Correct as of 31 March 2019.
** With effect from 1 April 2020 Northumberland merged with Tyne and Wear Pension Fund.

The benefits of pooling

Delivering value

Thanks to our scale we can deliver greater value to our Partner Funds. This ranges from increased investment in fundamental research and risk analysis; a broader and more robust investment team; and delivering cost savings (for example, our newly launched Global Alpha Equity fund will deliver aggregate annual management fee savings to Partner Funds of c.£3.5m per year).

As an FCA regulated asset manager we have a strong focus on risk management, governance and oversight. However, being owned by our Partner Funds ensures our priorities are based on their needs. As a not for profit business, all of our products are developed on behalf of, and designed with, our Partner Funds. This process is described further in our Governance Charter, which is available on our website.

Creating investment opportunities

Due to our scale we can also open up new investment opportunities for our Partner Funds. Examples include multi-asset credit and global infrastructure and other private markets, which smaller investors may previously have been unable to access.

A stronger voice

We are one of the largest pensions pools in the UK. Thanks to our stronger voice, we are able to have more influence on behalf of our Partner Funds on Responsible Investment, active stewardship and regulatory change such as the code of cost transparency. We are now included in pre-consultation with companies on key issues, such as their remuneration policies; and on industry initiatives, such as managing cyber-security risks.

DELIVERING FOR OUR PARTNER FUNDS

5

new propositions launched during the year

"Our sole purpose is to help our Partner Funds protect and pay their members' pensions by realising benefits of scale and managing their assets effectively for the long term. We are proud to do it."

Summary

- Launched five funds and appointed nine external managers
- Established a strong, supportive and sustainable culture
- Built a resilient organisation, able to respond and continue to deliver despite the COVID-19 pandemic

I am pleased to introduce Border to Coast's Annual Report and Accounts, covering our second year of operation. In so doing, I am conscious that, for most of humanity, the world looks very different today from how it looked in April 2019, when our financial year began. Our reporting year ended with the UK and much of the rest of the world locked down by virus COVID-19. The immediate focus has been, rightly, on protecting lives. The longer-term consequences for the Local Government Pension Scheme ('LGPS') are as yet unknowable, though both the sharp contraction in economic activity and the expansionary response by central banks will have affected asset values. Our work to pool and effectively manage the assets of our Partner Funds is likely to be even more important as a result.

Our Partner Funds provide pensions for around a million people in local communities. I would like to put on record my own and my colleagues' gratitude to these unsung heroes for delivering so many of the vital local services that support us all. The COVID-19 crisis placed many of them on or near the frontline, often with over-stretched resources.

Border to Coast's sole purpose is to help our Partner Funds protect and pay their members' pensions by realising benefits of scale and managing their assets effectively for the long term. We are proud to do it.

A year of progress for a resilient organisation

Notwithstanding COVID-19, I am pleased to report another year of strong progress at Border to Coast.

Key achievements of the year include launching five new funds, building out our capabilities in public equity and bond investments, and preparing the ground for future launches by careful collaboration with our Partner Funds about their emerging strategic requirements. We made our first investments in Private Markets on their behalf, having set up a structure to enable each Partner Fund to retain ownership and flexibility.

We strengthened our own team through the addition of 16 new colleagues, and during the year we also selected nine external managers after rigorous assessment. This is emblematic of the approach Border to Coast takes in all aspects of our business – well-trained, right-motivated people in-house and high-quality outsourcing partners who understand our requirements. It is a model which has responded well to recent circumstances. Partly because Border to Coast is regulated by the Financial Conduct Authority ('FCA'), we consider stress-test scenarios to examine organisational resilience. Even our worst case was perhaps less extreme than recent world events, yet my Board colleagues and I have been reassured to witness the resilience and risk-management capabilities that our people and the wider organisation have displayed. Border to Coast's ability to transform seamlessly into a business based entirely on remote working is a testament to the thought which went into its set-up. I should like to thank Rachel Elwell our CEO, Fiona Miller our COO and all our fantastic colleagues for making this possible.

How we work with our partners

As a customer-owned, customer-focused organisation, effective communication and engagement with our Partner Funds are fundamental to our ways of working. The Board and our Partner Funds have therefore developed a Governance Charter setting out the governance, roles and responsibilities of the various parties. This is available on the Border to Coast website. Border to Coast also holds an Annual General Meeting to give shareholders a forum to discuss our performance, hold Directors to account, discuss future strategic capability and review any resolutions as put forward by either party.

See **page 4**

Chair's statement continued

A long-term, responsible investor with a strong corporate culture

Our Partner Funds are long-term institutions, and Border to Coast reflects this in the way we manage our assets, and in our own corporate behaviour.

As a long-term investor, we believe companies should take a balanced approach which reflects the importance of supporting their employees, suppliers and other stakeholders. Why? Not only because it is the right thing to do, but because we believe it is the most likely way to achieve sustainable returns to shareholders. We will therefore continue to engage with boards and management teams, supporting those that take sustainability into account when making decisions. We do so in accordance with our Responsible Investment (RI) Policy, developed in conjunction with our Partner Funds, and where appropriate we partner with other investor groups such as the Local Authority Pension Fund Forum ('LAPFF') – ably chaired by Councillor, Doug McMurdo, who has also been the elected Chair of our Joint Committee for the past two years.

You can read more about our approach to responsible engagement on page 27 of this report and in our Responsible Investment and Stewardship Report.

During the year, Border to Coast became a signatory to the UN-supported Principles for Responsible Investment ('PRI'), and I should single out for special mention the immensely hard work of our RI team in successfully preparing for that. I also wish to congratulate the team, under Head of Responsible Investment Jane Firth, for winning the Institutional Investor Peer to Peer Award for Best ESG Programme. The award, made by industry peers, is thoroughly deserved.

Whilst mentioning awards, I can't resist mentioning that Border to Coast won LAPF Pool of the Year in 2019. We can't hope to repeat this every year, of course, but it's evidence at least of a strong start.

A challenging and supportive Board

I am lucky to have as my Board colleagues talented individuals with deep wells of personal expertise, both in financial services and in public sector governance. We have not always agreed on everything – nor should we, since we exist to provide constructive challenge as well as strategic direction.

I have nevertheless been pleased with the sense of fellowship and constructive engagement on our Board, which has been of great value to our collective decision making.

During the year, Councillor Sue Ellis retired as a Non-Executive Director. I would like to thank her for her huge contribution, both during and indeed before her time on the Board, when she was vice chair of our Partner Funds' Joint Committee. Border to Coast owes her a deep debt of gratitude.

I am delighted to welcome three new Non-Executive Directors – Andrew November, Jeffrey Watson and John Holtby. They bring us wide experience and deep understanding, in Andrew's case gained through senior positions in the asset management industry, and in Jeff and John's cases as businessmen as well as Pension Committee chairs at two of our Partner Funds.

Increased Board numbers have also allowed us to strengthen our committee structure by replacing the combined Audit and Risk Committee with a dedicated Board Audit Committee and a Board Risk Committee. We believe this will enhance our governance of these areas in the coming year.

Outlook

Recent events have provided us with an early reminder that the world is an uncertain place, and that we need to show resilience and resourcefulness in pursuit of our Partner Funds' aims.

Looking ahead, I believe that our strong culture and widening capabilities will, in calmer times as well as crises, help our Partner Funds to invest their assets sustainably and ultimately pay their members' pensions. This is our sole aim.

Chris Hitchen
Chair

Winner
of LAPF Pool of the Year in 2019


Location: Northumberland


Location: Bedfordshire

"Looking ahead, I believe that our strong culture and widening capabilities will, in calmer times as well as crises, help our Partner Funds to invest their assets sustainably and ultimately pay their members' pensions. This is our sole aim."

STRENGTH IN PARTNERSHIPS

"We continued to make significant strides in our development during 2019/20 – measured by the level and breadth of assets pooled, the strength of our relationships with our Partner Funds, and the capabilities within the team."

Summary

- Launched global equity, private equity, infrastructure, private credit and investment grade credit funds
- Became a signatory to the Principles for Responsible Investment
- Recruitment and induction of 16 new colleagues

During the 2019/20 financial year, we built strongly on the progress made in our first year of operation. It has been a year in which we and our Partner Funds, as one of the UK's largest pension pools, continued to bring to life our shared vision of making a difference by together delivering long-term, sustainable investment returns for all our stakeholders.

I am immensely proud of the team, both in Leeds and across our Partner Funds, which has collectively risen to the challenges of adjusting to one of the largest impacts on society, the economy and investment markets since World War II. As I write, the team is successfully working from home. Our Partner Fund officers, and their advisors, have continued to be involved in virtual workshops to develop new capabilities to support their strategies.

This for me is part of the strength of pooling: how we have continued to work together through these complex times, maintaining focus on our collective purpose.

Key milestones in 2019/20

With a great deal of support from elected members, officers and Partner Fund advisors, we have successfully completed year two of our original five-year development and growth plan. In the true spirit of the partnership that we always envisaged, this plan has flexed over the period to accommodate Partner Funds' changing needs and Border to Coast's growing capabilities.

I am pleased to say that we're still achieving in line with plan, on time and within budget.

As of March 2020, Border to Coast is an authorised investment fund manager, offering regulated products as an operator of an Authorised Contract Scheme ('ACS'), and Investment Advisory Services. We are also a service provider to the General Partners managing ten Scottish Limited Partnerships that provide access to Private Markets.

Delivering our roll-out plans has enabled eleven of our twelve Partner Funds to pool their assets; the exception being Northumberland – it merged with Tyne and Wear in April 2020, enabling its assets to be pooled. Approximately £16bn of our Partner Funds £46bn of assets had transitioned to Border to Coast by March 2020, with initial commitments to Private Markets in 2019 of £1.8bn.

Some highlights from the last twelve months in each of our strategic pillars follow:

Investment capabilities

- We completed the Alternatives capability build according to plan, with Partner Fund commitments to private equity, infrastructure and private credit 50% greater than those originally indicated. The commitments to Series 1A have now been placed, and the team is starting work on Series 1B.
- Nine Partner Funds invested in our Global Equity Alpha Fund; we launched this in September, working in partnership with Ninety-One UK, Ninety-One South Africa, Harris, Loomis Sayles and Lindsell Train.
- Our Investment Grade Credit launched in February 2020 working with RLAM, Insight and M&G.
- We are making good progress in developing the responsible investment ('RI'), risk and research capabilities that underpin the investment process. The team is also moving towards capacity – and has been enhanced with the expansion of our graduate placement scheme.
- During 2019 we became a signatory to the UN-supported Principles for Responsible Investment ('PRI') and have agreed an RI development strategy in conjunction with Partner Funds.

Corporate functions

- We made good progress on building our corporate function during the year, including maintaining our information security accreditation ISO 27001. We also developed the processes that enabled our business continuity planning to kick in so smoothly in the recent environment.
- We worked alongside Northern Trust to provide information that gives our Partner Funds oversight of Border to Coast and helps them complete annual reporting (including compliance with the LGPS Code of Cost Transparency and development of controls assurance). We were delighted to receive an unqualified opinion in respect of the 31st Dec 2019 AAF 01/06 Type 1 controls assurance report – a particularly special achievement for our first year under the controls assurance standard.

Responsible investment

As long-term investors, responsible investment is fundamental to our investment process: we, alongside our Partner Funds, believe that well and sustainably run companies deliver better returns over time. And with a lengthened investing horizon, identifying long-term risks becomes even more important.

See page 27

Chief Executive Officer's statement continued

Key milestones

We continue to build on the foundations we laid last year for a strong and sustainable future. This has included the launch of several new investment funds to enable our Partner Funds to deliver their investment strategies.

Key milestones in 2019/20 continued

People

- We are a people business: it is our people's decision making and risk management that achieve our organisational goals. Our approach to delivering an engaged team that is motivated by our purpose includes several factors: a focus on learning and development across the organisation; identifying opportunities for our talented individuals; and reviewing our approach to supporting the well-being of our colleagues.
- We recognise the challenges and opportunities that building a team outside London and Edinburgh can bring. We were delighted to be recognised by Investment Association 2020 for the work we have done to build a diverse workforce, which is an important part of supporting better, more representative decision making.
- I was particularly pleased to welcome our second intake of recruits onto our graduate programme. The Border to Coast team stood at 77 at the end of the financial year, with further recruitment planned over the coming years as we bring online more investment capabilities to support Partner Fund requirements.
- We have implemented the changes in process required to comply with the FCA's new Senior Manager and Certification Regime ('SMCR').

We also continued to strengthen our governance and risk frameworks during the year. The Board saw changes to its line-up of Non-Executive Directors, and we developed a strategy to mature our approach to risk management as the business develops from managing only publicly quoted equities to become a truly multi-asset manager.

Outlook 2020 and beyond

An outlook in the short to medium term is difficult in these circumstances. However, as a long-term sustainable investor, we aim to work with our Partner Funds and the asset management industry to achieve cost-effective, innovative and responsible investment that delivers sustainable long-term performance for our Partner Funds.

Areas of focus for the next few years include:

- the further development of our investment capabilities (including index-linked gilts, multi-asset credit, further public equity funds in emerging markets and a regional based strategy, property and an ESG passive equity proposition);
- the implementation of our RI strategy (described in our annual RI Report on our website). We very much recognise the increasing role of RI in sustainable performance; and
- investment in developing our Partner Fund relationships to ensure we provide what they need, and in our people, culture and values, which are the bedrock of our organisation.

We aim to be seen as a full investment partner by our Partner Funds over the coming years. We will continue to collaborate and innovate with everyone involved to achieve the best long-term outcomes for our Partner Funds.

The headwinds I talked about in the 2018/19 Annual Report continue: the challenges faced by Partner Funds in setting asset allocation; the technical complexity of pooling illiquid asset classes such as property and credit; and, perhaps most significantly, the impact on investment markets of government interventions that we have seen across the world as a result of COVID-19.

These must all be navigated with the care, attention to detail and collaboration that Border to Coast has adopted from the beginning, and which continue to underpin our wider partnership. I cannot overstate the importance of being a learning organisation when seeking to mitigate risks and cope with these challenges.

This year had the potential to be difficult: think troublesome second album. Our success is due in no small part to the ongoing commitment across Border to Coast to ensure that Partner Funds remain central to our thinking and activities. I would particularly like to thank our Partner Fund officers for their engagement and guidance as we have built the organisation together; the team at Border to Coast for rising to the challenge and learning to apply their skills in new ways; and finally to my fellow Board Directors for providing challenge, experience and insight over this period.

Rachel Elwell
Chief Executive Officer

"Our success is due in no small part to the ongoing commitment across Border to Coast to ensure that Partner Funds remain central to our thinking and activities."

GENERATING SUSTAINABLE LONG-TERM INVESTMENT PERFORMANCE

What we do

What we offer
Border to Coast offers Partner Funds a series of risk and return-focused investment funds covering a comprehensive set of asset classes. Partner Funds choose the funds which support their strategic asset allocation, holding units or Limited Partnership interests in the funds they select. We also provide advisory services to Partner Funds on aspects of their strategic asset allocations.

Launching funds
Border to Coast is taking a phased approach to the launch of funds and the subsequent transition of assets into them. The number and nature of these investment funds is kept under review and will evolve and change over time taking into account our Partner Funds' evolving asset allocation strategies.

Our services
A core set of services supports the provision of these investment funds, the management of portfolios within the funds and the transactions associated with investing within them. These include:

- portfolio management: Border to Coast portfolio managers are responsible for managing funds to meet the objectives and risk parameters set out in the funds' prospectuses and associated documentation, and any Partner Funds agreements;
- asset management services including arranging custody and administration of assets;
- facilitating asset servicing support;
- investment reporting and accounting information; and
- investment advisory (for Partner Funds requiring it).

Operating model

Split in house/outsourced
Border to Coast develops and operates a variety of internally and externally managed investments across a range of asset classes in both public and Private Markets. Border to Coast provides portfolio and risk management of our investment funds. This is supported by the appointed third-party administrator, Northern Trust, to which we have outsourced the performance of (some) middle- and back-office activities and fund administration. Border to Coast retains accountability for these functions, and has a robust approach to oversight of all third-party providers.

Deal execution
As part of the operating model, Border to Coast has also outsourced the execution of trading orders in listed securities to Northern Trust Securities LLP. Border to Coast's investment team is responsible for generating and issuing orders to the Northern Trust dealing desk, which then carries out the instructions in the market. Northern Trust deals as an agent and only on Border to Coast's instruction. The decision to outsource the dealing function was taken in order to leverage Northern Trust's expertise, scale and market penetration. Border to Coast remains fully aware of, and committed to, its responsibilities for achieving and demonstrating best execution and good customer outcomes.

Benefits

Delivering value
Thanks to our scale we can deliver greater value to our Partner Funds. This includes increased investment in fundamental research and risk analysis; a broader and more robust investment team; and delivering cost savings (for example, our newly launched Global Alpha Equity Fund will deliver aggregate annual management fee savings to Partner Funds of c.£3.5m per year).

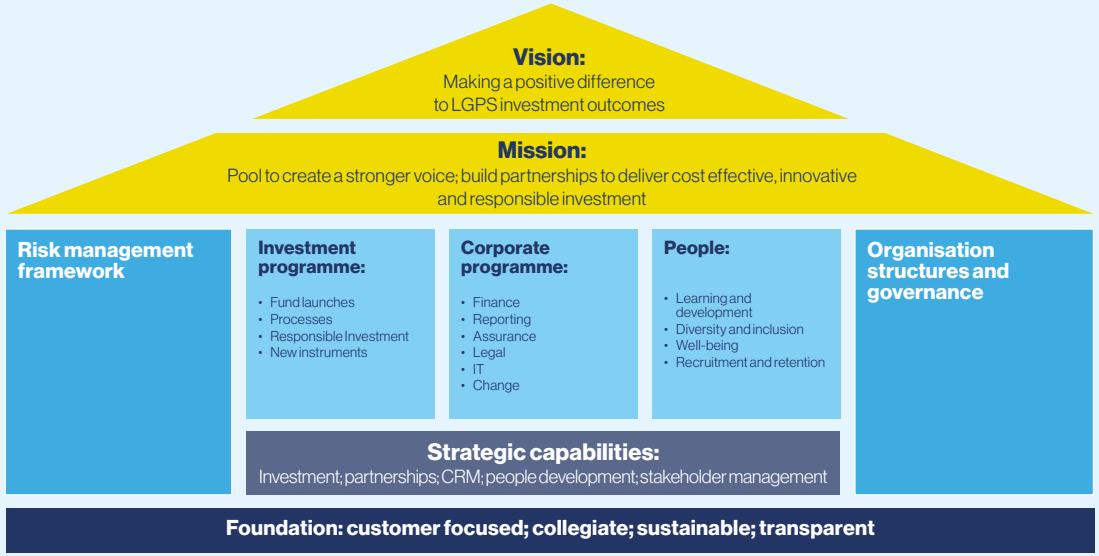
As an FCA regulated asset manager we have a strong focus on risk management, governance and oversight. However, being owned by our Partner Funds ensures our priorities are based on their needs. As a not for profit business, all of our products are developed on behalf of, and designed with, our Partner Funds. This process is described further in our Governance Charter, which is available on our website.

Creating investment opportunities
Due to our scale we can also open up new investment opportunities for our Partner Funds. Examples include multi-asset credit and global infrastructure and other private markets, which smaller investors may previously have been unable to access.

A stronger voice
We are one of the largest pensions pools in the UK.Thanks to our stronger voice, we are able to have more influence on behalf of our Partner Funds on Responsible Investment, active stewardship and regulatory change such as the code of cost transparency. We are now included in pre-consultation with companies on key issues, such as their remuneration policies; and on industry initiatives, such as managing cyber-security risks.

A FOCUSED STRATEGY

By delivering against our strategy, we aim to achieve the sustainable investment performance that our Partner Funds require over the long term.



Investment capability

We aim to be a full investment partner for our Partner Funds, set up to deliver long-term, risk-adjusted investment performance. We have therefore agreed with Partner Funds the investment capabilities that we will build, covering Equities, Private Markets, Fixed Income, Property and more. We will also continue the development of the portfolio risk, research and RI capabilities that underpin our investment process.

Progress in 2019

We created access to new opportunities for Partner Funds, including Investment Grade Credit, Private Equity, Private Credit and Infrastructure, and continued our build in Public Equities. As part of our focus on RI, we became a signatory to the PRI. We also invested further in fundamental research and risk analysis.

Future focus

We will continue to develop new investment opportunities, maintaining strong collaboration to ensure that these meet our Partner Funds' changing needs. We will focus on developing the benefits that our scale can bring, working with other asset owners and the asset management industry on areas such as RI, transparency in reporting (including in costs) and ensuring value for money in the services we procure and offer to our Partner Funds.

Corporate function

We continue to build capabilities to ensure we are an efficient organisation that is sustainable for the long term. Our primary focus is on the needs of our Partner Funds, covering areas that range from reporting and assurance requirements to compliance with evolving regulation around operational resilience and capital adequacy.

Progress in 2019

We have embedded and consistently reviewed practices and processes that ensure our operating model is effective, efficient and resilient. Achievements from the year include maintaining accreditation to the ISO 27001 information security standard and receiving an unqualified opinion in respect of the 31st Dec 2019 AAF 1/06 Type 1 controls assurance report. We also significantly enhanced our ability to access and deliver the information we need to give Partner Funds the best possible service. In addition, we undertook a detailed review of our change capabilities to help ensure we can take a sustainable approach to the development of the organisation including new services for our Partner Funds and responding to regulatory change.

Future focus

The world doesn't stand still and nor should we. Continuous review of processes, technology and ensuring we work with the right strategic partners is core to our operating model. By doing this the corporate function continues to build on our strong foundations to ensure we continue to mature into a sustainable, resilient, efficient and effective organisation for the benefit of our Partner Funds.

People strategy

We achieve our goals through the quality of our people's decision making and risk management. We aim to develop and sustain an engaged and motivated team that works in a collegiate, transparent and sustainable way to deliver our purpose. Achieving this involves work in many areas, including recruitment and retention, engagement, learning and development, performance management, succession planning, well-being, diversity and inclusion (D&I) and culture.

Progress in 2019

As a learning organisation whose value is delivered by our people, we focused much effort on developing their knowledge and skills during the year. We completed our second graduate recruitment process, with 4 new bright and committed individuals joining Border to Coast. This helped bring our team to 77 with growth expected to continue as we develop further capabilities for our Partner Funds. D&I was a key part of our recruitment effort, as we believe a diverse team makes superior decisions.

Future focus

Our culture is always front of mind and the foundation for our successes. We will work with colleagues to support their ambitions, invest in their skills and capabilities and ensure we are an employer of choice.

MANAGING RISKS

Risk management framework

Border to Coast's risk management framework forms an integral part of our executive and Board processes and decision making. It enables us to appropriately identify and manage risks in relation to risk appetite and to minimise those that could result in significant financial loss or reputational damage. We believe a strong risk framework is fundamental for a regulated asset manager responsible for many billions of pounds of pension scheme assets.

The role of the Board

The Board's primary risk management roles are to:

- agree strategy, objectives and overall direction, and oversee and monitor executive decision making in relation to risk;
- set Border to Coast's risk appetite. It recognises that a well-defined risk appetite supports balanced decision making, capital management and planning, including proposition design, performance management and external reporting;
- ensure the executive implements risk policies, delivers the business plan within risk appetites and manages our risk profile; and
- work with the executive to review strategies and policies for identifying, managing, monitoring and mitigating actual and emerging risks.

Governance and the risk culture are fundamental elements of the framework, supporting both the risk strategy and the business strategy as a whole. Management has striven to build a culture that is open and learning when it comes to identifying and reporting risk issues.

Risk management governance structure

Border to Coast's risk management governance structures are based on the financial industry standard "three lines of defence" model. This structure gives the Board assurance that risks are being appropriately identified and managed in relation to risk appetite, and that those with the potential for significant financial loss or reputational damage are being minimised:

- Business functions are responsible for managing both the risks that they explicitly take and the risks that arise as a result of their activity, so acting as the first line of defence.
- A second line of defence is provided by our independent Risk and Compliance function, which manages our risk framework and reviews the work of the first line.
- The third line of defence is provided by Internal Audit, which provides control assurance.

The Board has ultimate responsibility for ensuring the adequacy and effectiveness of risk management, and the Investment Committee, Executive Risk Committee, Board Audit Committee and Board Risk Committee provide regular oversight.


Location: Warwickshire

"We believe a strong risk framework is fundamental for a regulated asset manager responsible for many billions of pounds of pension scheme assets."

Our three lines of defence model

First line – risk and control ownership	Second line – oversight, support and challenge	Third line – assurance
Specific accountabilities include:		
• Setting business objectives • Defining management risk appetite • Identifying, owning and managing risks • Defining, operating and testing controls • Implementing and maintaining regulatory compliance • Managing within the frameworks set by the Board • Identifying future threats and risks	• Providing expert advice on business initiatives • Advising the Board on setting risk appetite and risk framework design • Reporting aggregate enterprise risks to the Board • Conducting independent and risk-based oversight • Interpreting material regulatory change • Managing the policy framework • Identifying future threats and risks	• Performing independent audits of the effectiveness of first and second line • Recommending and completing a risk-based audit review programme • Preparing an annual opinion on the risk management, controls and governance framework

Border to Coast functional teams are subject to policies and procedures detailing how business should be conducted within the defined risk appetites, laying down the basis for oversight and control.

Border to Coast's Chief Risk Officer provides independent oversight of business risk owners and ensures effective escalation to the Executive Risk Committee and the Board Audit and Risk Committees.

PRINCIPAL RISKS

We group the principal risks Border to Coast faces into the following broad themes, all managed through the risk management framework:

- **STRATEGIC RISK:** the risk that we are unable to meet our strategic objectives and growth plan;
- **INVESTMENT RISK:** the risk that the funds we manage underperform or breach the investment and liquidity parameters;
- **FINANCIAL RISK:** the risk that we have insufficient capital and/or financial resources to meet our financial and regulatory obligations;
- **OPERATIONAL RISK:** the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. This incorporates people risk, legal risk, outsourcing risk and systems failures including cyber-security;

Two subsets of these risks in particular are:

- **CONDUCT AND COMPLIANCE RISK:** the risk that Border to Coast exercises inappropriate judgement or makes errors in running its business, leading to non-compliance with regulation or legislation, market integrity being undermined, or an unfair outcome being created for its customers; and
- **COUNTERPARTY RISK:** the risk that the person or institution with whom we have entered into a contract (i.e. the counterparty to the contract) fails to fulfil their side of the contractual agreement. For Border to Coast this is particularly important to monitor due to the outsourced nature of our business model.

Border to Coast's key current and emerging risks to delivering our strategy, and how they are mitigated, are shown pages 11 to 15.

PRINCIPAL RISKS

Risk	Description	How we mitigate	Changes during 2019/20
Strategic risk	**1. Proposition design, delivery and oversight** Border to Coast fails to develop the propositions needed by Partner Funds to implement their strategic asset allocations; or that our propositions fail to deliver as intended, thereby negating the benefits of pooling.	Our propositions are developed in collaboration with our Partner Funds and are extensively tested prior to launch. They are reviewed on an annual basis to assess their continued appropriateness for Partner Fund requirements. The performance of propositions is also monitored on an ongoing basis to ensure they are delivering as intended.	Border to Coast extended its proposition offering during 2019/20 through the launch of Global Equity Alpha and Sterling Investment Grade Credit, as well as new Private Markets capabilities in Private Equity, Private Credit and Infrastructure. We have continued to build our understanding of Partner Fund needs through their Strategic Asset Allocation reviews, changing our strategy to reflect their changing needs.
	2. Change management implementation and oversight Our significant development programme leads to the material failure of our strategy to deliver the benefits of pooling.	We have a robust change methodology in place, supported where relevant by qualified transition managers and advisors, to enable the business to oversee programme delivery and to manage the associated risks including executive-level sponsorship.	As noted above, 2019/20 saw the delivery of a significant change programme on time and to budget. During the year we reviewed our approach to managing change, enhancing our processes and introducing further change governance as the level of change grows in magnitude and complexity.
	3. Partner Fund concentration Our income comes solely from our Partner Funds. This concentration could also undermine our collective investment scheme (where more than one customer is required in each proposition).	We work closely with our Partner Funds to create and maintain suitable and attractive propositions that are sustainable through the economic cycle.	While there will continue to be exposure to Partner Fund concentration, currently no funds consist of a single investor. As product offerings evolve, this risk is expected to decrease and, following the merger of Northumberland and Tyne & Wear pension funds with effect from April 2020, we will have all Partner Funds invested in at least one of our investment propositions.
	4. External political environment Our Partner Funds operate in a political landscape which is shifting. This includes proposed changes to their valuation cycles, benefits and governance structures, as well as forces external to LGPS. This could change Partner Fund investment needs and/or lead to a divergence in Partner Fund requirements, reducing pooling opportunities. The current political landscape could also affect the prioritisation of the pooling agenda within Central Government.	We work closely with our Partner Funds to understand the implications of the changing external environment on their strategic objectives and how this might change the investment capabilities needed from us. We are also involved with policymakers via the Investment Association, Local Authority Pensions Fund Forum, Local Government Association and other collaborations with like-minded asset owners and managers.	With the general election result in 2019 and the global pandemic, the scale of change within the political environment has softened in the short to medium term. However, this brings other challenges as policymakers seek to manage the consequences of COVID-19.

Risk management continued

Risk	Description	How we mitigate	Changes during 2019/20
Strategic risk	**5. Climate change** The risk that our approach to climate change is inappropriate or inadequate and becomes detrimental to achieving our strategic objectives, particularly given the increased focus and attention on this area.	Border to Coast has a well-developed policy with respect to the management of climate change risk which includes the embedding of risk analysis within our investment process (for both internally and externally managed mandates); and engagement with portfolio companies directly, through our partnership with Robeco, and via a number of collaborations with other asset owners, and engaging with policy makers through our membership of the Institutional Investor Group on Climate Change ('IIGCC'). This policy has been approved by our Partner Funds.	We have made significant progress in the development of our climate change tools in this second year of our operation. This has included working closely with our Partner Funds to promote a joined-up approach between strategy and implementation. More information can be found on our website in our standalone Task Force on Climate-related Financial Disclosures (TCFD) report.
Investment risk	**6. Liquidity** The risk that Border to Coast's collective investment vehicles do not hold sufficient liquidity to meet Partner Funds' redemption requests within their required timeframes.	The ACS Prospectus, the Liquidity Policy and the liquidity monitoring framework detail the liquidity management and oversight arrangements across the portfolios. We maintain close relationships with our Partner Funds to help ensure we understand their needs.	We have further enhanced our liquidity monitoring arrangements as the breadth of our investment capabilities has grown through the year.
Financial risk	**7. Capital strength** The risk that Border to Coast has insufficient financial resources to sustain the organisation and regulatory capital requirements. This is a particular focus as we build new capabilities under our strategic plan.	Border to Coast sets a prudent level of capital including a buffer over our current minimum regulatory requirements as assessed using our Internal Capital Adequacy Assessment Process ('ICAAP'). We also have a Treasury Policy setting out parameters for security and availability of funds.	We have developed our ICAAP as the breadth of our investment capabilities has grown through the year, further refining our approach to stress testing and introducing reverse stress testing. We have closely monitored our corporate liquidity and worked with Partner Funds to ensure cash flow is well-managed as the COVID-19 crisis evolved.
Operational risk	**8. Regulatory environment** The continuing evolution of the regulatory environment for financial services, and our obligations to certain public sector regulations, increases the risk that we misinterpret or misapply regulations. It also has potential implications for people and financial resources. Areas of focus include the Senior Managers and Certification Regime; financial crime prevention and systems and controls ; the LGPS code of cost transparency; public procurement; and freedom of information.	We manage the implementation of regulatory changes through dedicated programmes, which are monitored by the Board, working closely with our advisors and industry experts to ensure compliance with both the letter and the spirit of regulation. The annual compliance monitoring programme reviews adherence to applicable regulatory requirements; completion of this and any resulting findings are monitored and controlled by governance oversight.	We implemented the Senior Managers and Certification Regime during the year. Change continues, including EU withdrawal, LIBOR, climate change and operational resilience. We continue to monitor and prepare for such changes. We continue to consider the FCA focus on culture and governance on an ongoing basis, aided by our clarity of purpose.

Risk management continued

Risk	Description	How we mitigate	Changes during 2019/20
Operational risk	**9. IT systems availability and performance** Border to Coast's operating model is dependent on access to its IT systems in order to manage and oversee the investments made on behalf of Partner Funds. Ever-increasing volumes of data must be managed securely and reliably. Operational resilience including cyber-security is a focus of the FCA.	We undertake an annual review of our business continuity and disaster recovery plans. We have robust processes in place that comply with the ISO 27001 accreditation under the information security standard and require all material outsource providers have this, or an equivalent, accreditation.	During the year we maintained our ISO 27001 accreditation. We also undertook preliminary work in line with the FCA's operational resilience consultation.
	10. People: key person availability and dependency As a new organisation outside the traditional asset management hubs of London and Edinburgh, it is important for us to recognise and manage the risk of recruiting and retaining the right calibre of people. Increasing demand for certain skillsets has caused some challenges; it is important that these are identified and effectively addressed. Our significant development and change agenda can place a burden on key employees.	We work with our recruitment partners to identify cost-effective approaches to attracting great candidates. Leeds has a healthy financial services industry and is an attractive place to work and live. We undertake capacity and resource planning across the organisation and seek to supplement our operating model with additional temporary employees or external support where appropriate. Colleagues' well-being is central to our long-term cultural build. We are developing our support in this area as the business develops.	During the year, we introduced additional support for employees on health and critical illness benefits. We implemented succession planning for all key roles throughout the organisation. And we strengthened our team with the arrival of four new graduate trainees, as well as with experienced hires.
	11. Outsourcing We have a high reliance on third parties as we have outsourced several of our critical and important operational functions. This was as a result of a robust assessment on the most appropriate operating model. Our key risk in this area is that these third parties fail to deliver the agreed services, leading to material operational disruption, a failure to deliver our business objectives and severe reputational damage. This reliance on third parties also leads to counterparty risk.	Our outsourcing framework includes the requirement for Board approval prior to commencing material outsourcing arrangements. It is an important acceptance criterion that our customers do not face an increased level of risk due to outsourcing. We hold a register of our outsourced arrangements; all have bespoke contracts and Service Level Agreements. Third parties are held to account in regular management and service meetings where service performance is reviewed. We also monitor their financial strength as part of our ongoing oversight process.	We have increased the oversight of our outsource partners, and continue to work closely and supportively with them during the COVID-19 pandemic. Operational reliance continues to be enhanced during 2020.

Global matters

Through horizon scanning we can identify potential emerging risks that could impact the wider asset management sector or polling agenda. Our principal areas of interest are:

Political

There are many potential changes (the McCloud ruling, four-year valuation cycle, benefit changes and governance segregation) that impact Partner Fund requirements and our strategy. As a result we continue to work closely with our Partner Funds to identify the potential implications.

Local political pressure remains as we prepare for reduced access to policymakers, pension committees and officers as a result of the COVID-19 crisis. National government policy is also likely to come under review. Societal aspects of environmental, social and governance policy is coming to the fore, and in response we have published our expectations of companies with respect to wider stakeholder groups and taking a long-term horizon in decision making.

Brexit

Our initial analysis indicates the direct impact of Brexit on Border to Coast will be minimal; we continue to maintain a watching brief as things evolve in terms of investment and legal agreements, taxation and regulatory arrangements.

COVID-19

We have assessed our principal risks in response to the challenges presented by the current operating environment. The delivery of the Company strategy could potentially become more challenging the longer COVID-19 restrictions are in force as both internal and external resource and capacity could be impacted. We anticipate reduced assets under management due to market falls, which will reduce the opportunity to deliver cost savings for our Partner Funds. There is also heightened exposure to outsource providers changing their operating model to manage the global lock-down and keyman dependencies with our service providers. We have increased our contact with, and oversight of, our key outsource and service providers. We continue to closely monitor all aspects of our exposure, with regular oversight from the Board. We maintain a watching brief over the longer term economic and societal impacts, nationally and globally.

A STRONG FINANCIAL PERFORMANCE

"In our second year, our results show that we have maintained the momentum generated last year. We are making good progress on our objectives, on time and under budget for the second year in a row."

Summary

- Created General Partnerships and Limited Partnerships to facilitate our Partner Funds' investments into alternative asset classes
- Smoothly transitioned to remote working following the closure of our office in response to COVID-19
- Recruited and inducted 16 new colleagues

Border to Coast's Group financial statements for the financial year ending 31 March 2020 are included from page 31 onwards. We include here a brief overview of the results covering business achievements, expenditure, people, capital, liquidity, tax and the financial outlook for the year ending 31 March 2021.

Business achievements for 2019/20

Delivery against our development plan agreed with our Partner Funds continued strongly throughout 2019/20.

Investment – the start of the year began with the creation of ten new subsidiary companies, acting as General Partners, and ten new underlying Scottish Limited Partnerships established in April 2019 to facilitate our Partner Funds' investments into Alternatives including private equity, private credit and infrastructure. Partner Funds showed their support of these with first-year commitments of £1.8bn. Shortly after our Global Equity Alpha Fund was launched in September 2019 with initial assets of £5bn and our first fixed income proposition, the Sterling Investment Grade Credit Fund, launched in February 2020 with assets of £2.7bn.

Resilience – key achievements on this important deliverable included achievements being the retention of ISO 27001 certification, unqualified audit opinions for all the underlying alternative structures and an unqualified opinion for the 31st Dec 2019 AAF 1/06 Type 1 controls assurance report. Following the outbreak of COVID-19 our business continuity planning was successfully tested to the full when we had to close the office and switch to remote working across the firm.

People – our people are essential to our ability to deliver on our promise of providing multi-asset services to our Partner Funds in line with our growth and development plans. In recognition of the vital role played by our people, we continue to focus on training, development, and recruitment, including continued commitment to our graduate programme. Headcount for the business grew from 61 to 77 by the close of the year.

Committed to Alternatives

£1.8bn

Global Equity Alpha Fund launched

£5bn

Investment Grade Credit Fund launched

£2.7bn

Expenditure

Border to Coast operates on a "not-for-profit" basis by recharging costs to the Partner Funds and therefore the Company is reporting a break-even nil operating profit and a £2k after tax (£3k loss) for the financial year.

Total expenses of £12.6m (£9.2m) were incurred in the year and recharged back to the Partner Funds as illustrated in the chart. Whilst this was our first full year of operations, we are still very much in what we consider to be our growth phase. As such our costs are split into the following categories: ongoing costs which include running a regulated company (governance), managing assets (AUM), developing and launching new funds (development) managing our alternatives business (Alts managements) and investment advisory services (advisory).

Expenses by category £m

Key Performance Indicators

Shown below are the Key Performance Indicators for 2019/20 (with 2018/19 comparators shown in brackets). For 2018/19 Border to Coast managed assets for only nine months of the financial year.

Investment capability development

Aim – to be a full investment partner for our Partner Funds, set up to deliver a long-term, risk-adjusted investment performance.

Number of Propositions launched since inception	
ACS	6 (4)
Alternatives	3 (0)
Asset Under Management as at 31 March 2020	
ACS	£14.161bn (£8.706bn)
Alternatives Commitment	£1.756bn (0)
Number of Partner Funds invested	11 (7)

People development

Aim – to build a sustainable and diverse workforce capable of making effective decisions by employing high calibre colleagues, with effective retention, development and succession planning combined with cost effective external recruitment.

Employee numbers at 31 March 2020	77 (61)
Graduate trainees at 31 March 2020	7 (3)

Operating model efficiency

Aim – to deliver effective and efficient services to our customers by operating within budget based on a cost recovery model.

Delivery to Operating Budget	£1.388m /11% underspend (£1.483m /18% underspend)
Profit/(loss) after tax	£1k profit (£3k loss)
Expenses	£12.672m (£9.248m)

Financial review continued

People

Throughout the year our focus has been two fold, managing the assets we are responsible for and continuing with the roll-out of the building blocks to enable the Group to function and manage Partner Fund assets. To support this as we continue to grow and develop recruitment remains a key priority. We have continued to recruit a high calibre of colleagues from across a breadth of disciplines and sectors which has continued to support us to build a balanced workforce and maintain a positive employee experience.

In recognition of the vital role played by our people, we will continue to focus on training, development, and recruitment, including plans to add to our graduate intake.

As demonstrated in the chart below, colleague numbers have grown from 61 to 77, with this expected to grow to 95 by the end of 2021.

Colleague numbers by function

Capital

We are authorised by the Financial Conduct Authority ('FCA') as a Collective Portfolio Management Investment Firm and are therefore subject to the requirements of the General Prudential Sourcebook, the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') and the Interim Prudential Sourcebook for Investment Businesses (Chapter 11) for capital requirement purposes.

As a corporate entity regulated by the FCA, we have an obligation to ensure there are adequate measures in place to monitor current – and plan for future – financial resilience. We currently hold £10m (with shareholders approval to call an extra £3m as required) of share capital to meet both our current and expected regulatory capital requirements. This is kept under review and, as each new product is launched, its impact on capital adequacy is assessed.

We are required to undertake an Internal Capital Adequacy Assessment Process, which enables us to determine the level of capital necessary to support the risks relevant to our business (Pillar 2 capital). In addition to this, our policy is to also hold a minimum £1m capital buffer (or 10%, if larger).

Liquidity

In addition to our regulatory capital requirements, we are also required to ensure there is adequate liquidity to meet our financial obligations as they fall due. To help manage our liquidity profile, the Partner Funds have agreed to pay the annual operating charges in advance to ensure the Company can at all times remain cash flow solvent.

Surplus liquidity is invested in AAA-rated money market funds (as at 31 March 2020 £8.6m) with our short-term working capital held in a current account (£2.5m). In light of COVID 19 and market liquidity risks our treasury limits were reviewed to support us through this period.

Tax

We comply with tax law and practice in all territories in which we operate, including the UK, which is our main place of business. Compliance for us means paying the right amount of tax in the right place at the right time and involves disclosing all relevant facts and circumstances to the tax authorities. It is our intention to act in accordance not only with the letter of the law, but also the spirit of the law (where readily understood), not aggressively pursuing tax loopholes or adopting unreasonable tax filing positions.

We were set up with the specific objective (as set by Central Government) of making savings for our Partner Funds, therefore any tax drag resulting from the fact that the Partner Funds are tax exempt, while as a corporate entity, we are not, should be minimised.

To balance these two outcomes, while we will not seek to implement convoluted or aggressive tax planning strategies, it is the intention that we proactively engage with HMRC, in collaboration with other pools that are of a similar structure particularly on VAT, corporation tax and global investment taxes. We seek to ensure that the investments we make on behalf of our Partner Funds are based wherever possible on their tax exempt status.

Business outlook for 2020/21

The shareholders have approved the budgeted expenditure for the next financial year at £14.3m (£12.4m). The increase reflects our expanding capability offering in 2020/21. The primary cost driver, being headcount (salaries plus associated costs), is expected to rise to 95, representing an increase in average staffing from 70 to 86.

Going concern

Following a robust assessment of the Group's financial and liquidity forecasts, cash position, regulatory capital position, principal risks and other relevant matters, the Directors are satisfied that the financial statements of the Group can be prepared on a going concern basis as they do not intend to liquidate the Group or Company or to cease its operations. The impacts of the COVID-19 outbreak have caused a significant deterioration in economic conditions for some companies and increased economic uncertainty. The Directors have therefore made more detailed assessments to determine whether these events or conditions cast significant doubt on the Group and Company's ability to continue as a going concern, whether the going concern assumption is still appropriate as a basis for the preparation of the financial statements. The Directors have concluded that the Group's financial position means that this is realistic and taking into account this and the Group's and key outsource partners' operational resilience, there are no material uncertainties that could cast significant doubt over the Group and Company's ability to continue as a going concern for at least a year from the date of approval of the financial statements.

Fiona Miller
Chief Operating Officer

MEET THE BOARD OF DIRECTORS IN OFFICE AT 31 MARCH 2020

A Board Audit Committee
R Board Risk Committee
R&N Remuneration and Nominations Committee
Chair

Chris Hitchen R R&N
Chair

Appointment date 23 January 2018

Chris has more than 30 years' experience as an actuary, chief investment officer and CEO. He has also been a board member for a number of pension funds, companies and non-profit entities. As CEO, Chris transformed RPMI Railpen – the Railways Pension Scheme's asset manager – into an outcome-focused, cost-aware and internationally recognised investor. As well as chairing Border to Coast, Chris is a trustee and investment committee chair for NEST, the eight-million-member pension scheme. He is also a director of two further organisations. The Investment Forum engages with UK companies to encourage good governance and long-term strategy. The Toronto-based International Centre for Pensions Management, meanwhile, researches and shares best practice among asset owners. Chris is a former chair of the Pensions and Lifetime Savings Association.

Rachel Elwell
Chief Executive Officer

Appointment date 23 January 2018

Rachel joined Border to Coast with more than 20 years' experience of working in pensions and institutional investment and as a consultant with PricewaterhouseCoopers. Latterly, in her role at Royal London, she was responsible for the organisation's own pension arrangements as well as for its investment strategy and overseeing the internal and external management of its £80bn insurance assets.

Fiona Miller
Chief Operating Officer

Appointment date 23 January 2018

Fiona joined Border to Coast from Cumbria County Council where she managed the £2.4bn Local Government Pension Scheme, as well as the treasury accounting and insurance functions. Fiona has more than 25 years' experience in finance across both the public and private sectors. She was a driving force behind Border to Coast's response to the Government's pooling agenda in the initial stages of development.

Enid Rowlands R&N
Independent Non-Executive Director

Appointment date 23 January 2018

A psychologist by qualification, Enid has over recent years specialised in governance in the public and not-for-profit sectors. She was chair of the Solicitors' Regulation Authority for four years to the end of 2018, and of the General Medical Council's HR/Remuneration Committee for seven years. She has served as a non-executive director with the Information Commissioner's Office, NEST Corporation, Consumer Focus, North Wales Health Authority and Victim Support charity. Enid's executive career includes posts in Shropshire and Wiltshire County Councils, as CEO of the North West Wales Training and Enterprise Council, and as MD of the Welsh Development Agency.

Tanya Castell, MBE A R R&N
Independent Non-Executive Director

Appointment date 23 January 2018

Tanya's non-executive board roles include Handelsbanken plc and the platform businesses (for independent financial advisors) of Standard Life Savings and Elevate Portfolio Services. She has also served on the boards of the Faster Payments Scheme, Scottish Canals and Multrees Investor Services Scheme. She has chaired the Quality Assurance Scheme for the Institute of Faculty of Actuaries, and has been a pension trustee (for the defined contribution scheme of HBOS and defined benefit scheme at UBS). She is a trustee at Changing the Chemistry, a charity she founded to promote diversity of thought in the boardroom, for which she received an MBE. She also sits on the FCA's regulatory decisions committee. Having spent most of her career at JP Morgan and UBS, Tanya is a former senior global banking executive with expertise in corporate governance, risk management and regulation.

Board of Directors and Company Secretary continued

A Board Audit Committee
R Board Risk Committee
R&N Remuneration and Nominations Committee
Chair

Andrew November A R
Independent Non-Executive Director

Appointment date 5 February 2020

Andrew has spent more than 25 years in asset management, most recently as global chief operating officer, distribution at Aberdeen Standard Investments. He also served as chief investment officer for Scottish Widows Investment Partnership. He holds an MSc in Applied Economics from the University of California at Santa Cruz, USA, and a BA in Chinese and Economics from the University of Leeds.

Jeff Watson A
Partner Fund nominated
Non-Executive Director

Appointment date 5 February 2020

Jeff is a councillor in Northumberland and is the chair of the Northumberland County Council Pension Fund. He has had a varied career in the private sector working for companies including Johnson & Johnson, Unilever and Sara Lee. He has also served five years as a magistrate and eleven years in the reserve armed forces.

John Holtby R&N
Partner Fund nominated
Non-Executive Director

Appointment date 5 February 2020

John is a councillor in the East Riding of Yorkshire Council and is the vice-chair of the East Riding Pension Fund. He is an arable and livestock farmer on the land his family has farmed since 1890. He has an MA (Hons) in Land Economy from Magdalene College, Cambridge.

Norah Burns
Company Secretary and Head of Legal

Appointment date 29 May 2018

Norah has practised as a solicitor for more than 20 years and has held several in-house legal and company secretarial roles in financial services and other regulated industries. Having started her career as a banking lawyer with Clifford Chance LLP in London, she has worked with Fortis Bank, BNP Paribas, BAE Systems and, most recently, Brown Shipley.

Sector experience

Finance and investment	8
Legal	2
Governance	2
Public sector	4

Board diversity

Female	50%
Male	50%

COMMITTED TO BUILDING TRUST AND CONFIDENCE

"Pooling has the potential to change the UK's institutional investor landscape and deliver benefits to millions of hard-working people. We are starting to deliver on this ambition."

Chris Hitchen
Chair

It is my pleasure to present the Corporate governance report for the 2019/20 financial year. Border to Coast is a wholly owned private limited company registered in England and Wales with, as at the end of the financial year, twelve shareholders (the administering authorities of our twelve founding Local Government Pension Funds, which we call our Partner Funds). These shareholders have equal voting rights in the Company.

We operate investment funds for our Partner Funds to invest in, based on their strategic asset allocations. The assets under management across our twelve Partner Funds total c.£46bn (based on their asset values as of 31 March 2020). During the last year, the organisation has focused on launching the Investment Grade and Global Equity Funds, and our Alternatives capabilities (Private Equity, Infrastructure and Private Credit). To enable us to do this it is important we continue to develop our corporate capabilities and invest in our people as well as developing the pipeline for launches in future years.

Our governance

As Chair, it is my role to lead the Board, ensuring that it operates effectively, within a strong and sound governance framework. The effectiveness of the Board is important, not only in ensuring the stability of the Group but also in ensuring we regularly and effectively challenge the Executive.

We have adopted relevant parts of the UK Corporate Governance Code, reflecting our size and the nature of our business. Although the Code's standards are intended for publicly listed companies, we feel it is right to comply with its spirit and, where appropriate, its principles and provisions. Doing so aligns us with good practice, transparency and openness – in short, doing the right thing because it is the right thing to do.

The Board is unitary in nature. Besides the Chair, it consists of two Executive Directors, three independent Non-Executive Directors and two Non-Executive Directors nominated by our Partner Funds.

Since last year, the Board has benefited from recruiting two Non-Executive Directors nominated by our Partner Funds, and an independent Non-Executive Director with specific investment experience. I believe this gives us an appropriate balance between direction and oversight, while enabling us to hear and understand the voice of our customers. As Border to Coast is wholly owned by our local government partners, it is important to us that we operate independently from, but in harmony with, our Partner Funds.

A continued review of the Board has led us to increase the number of Directors by one, bringing a greater depth of experience. We have also split the former Audit & Risk Committee – we now have an Audit Committee and a separate Risk Committee. We will continue to review the make-up of the Board and its Committees to ensure they remain fit for purpose.

We also work to ensure that the Board is diverse, reflecting our workforce and our customers. The age distribution of our current Board members is as follows:

	2020	2019
Age 40–49	**1**	2
Age 50–59	**4**	2
Age 60–69	**2**	2
Age 70–79	**1**	—

We significantly exceed the gender diversity requirement of the Hampton-Alexander Review, which applies to FTSE companies, to have at least 33% women on company boards. We do, however, recognise that other groups, whether related to ethnicity or other factors, are currently under-represented. We will keep this under review, recognising that the key is to achieve diversity of thought. This is what leads to constructive and inclusive challenge around the boardroom table.

Location: Tyne and Wear

Key governance changes

The Board has continued in its responsibility for overseeing the running of the business and holding the Executive to account for promoting an open and inclusive culture and establishing the values required to maintain a successful business. Governance developments during the year have included:

- the appointment of two new Partner Fund nominated Non-Executive Directors;
- the appointment of a new independent Non-Executive Director with specific investment experience;
- the splitting of the Audit & Risk Committee into separate Audit and Risk Committees; and
- conducting a review of the effectiveness of the Board and its Committees.

Corporate governance report continued

Our governance continued

The Board has responsibility for the continued good running of the business. It also holds the Executive to account for promoting an open and inclusive culture and establishing the values required to maintain a successful business. The Board mirrors these values, and all Directors are encouraged to participate in open and effective debate and to contribute to building the business.

This established "tone from the top" is promoted among our colleagues. Particularly important to the Board is the Whistleblowing Policy, which underwent its annual review and was approved by the Audit & Risk Committee at its meeting on 5 November 2019. At its meeting on 10 September 2019, the same Committee also considered a review of whistleblowing over the preceding twelve months, which reported no incidents. Tanya Castell continues as our Whistleblowing Champion, making her responsible for ensuring that appropriate procedures are in place to allow employees to speak up without fear or favour.

In November 2019, the Board undertook a review of the effectiveness of the Board and its Committees. The results, which were reported to the February 2020 meetings, indicated good progress on the actions identified during the 2019 review, including the appointment of an additional Non-Executive Director with an investment background, and provided further input to the ongoing development of our approach to governance. The review prompted the split of the Audit and Risk Committee and a review of Board committee membership.

How the Board works

The Board is collectively responsible for promoting the success of Border to Coast by directing and supervising its affairs, with due regard for the interest of its shareholders, customers and other stakeholders.

The Board's role is to provide entrepreneurial leadership within a framework of prudent and effective controls which enable the Company to assess and manage risk. It sets Border to Coast's strategic aims, ensures the necessary financial resources and people are in place for us to meet our objectives, sets values and standards and reviews management performance. It also ensures that we understand and meet obligations to shareholders, customers and other stakeholders.

In carrying out these responsibilities, the Board must recognise:

- what is appropriate for Border to Coast's business and reputation;
- the significance of the financial and other risks inherent in the business; and
- the costs and benefits of implementing specific controls.

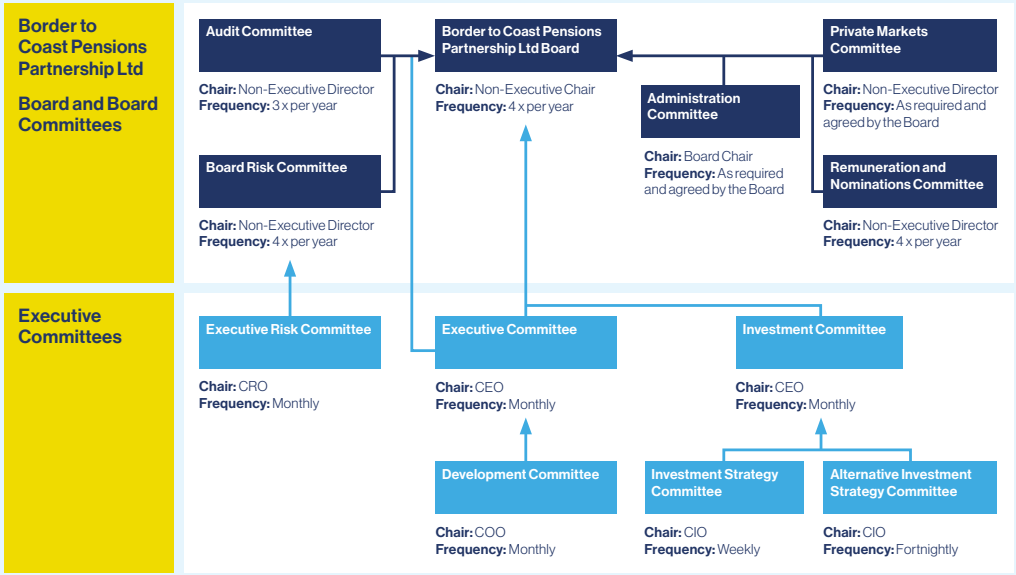
The Board is made up of suitably skilled and experienced individuals with the collective knowledge and understanding of the Company's markets and propositions to enable them to carry out all their responsibilities effectively, efficiently and compliantly. Within the Board, the roles of Chair and CEO are distinct but complementary. The Corporate Governance Code states that the Chair is responsible for Board leadership and ensuring its effectiveness in all aspects of its role. The CEO's role is to ensure appropriate day-to-day management of the Company in line with the Board's strategy.

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

- constructively challenge and contribute to strategy development;
- scrutinise the performance of management in meeting agreed goals and objectives;
- monitor performance; and
- review financial information to ensure its accuracy and the resilience of our financial controls and risk management systems.

They are also responsible for recommending, for shareholder approval, appropriate levels of remuneration of Executive Directors. In addition, they have a primary role in succession planning – appointing and where necessary removing senior management.

Border to Coast has sought to include Board representation from its shareholders and Partner Funds. The Partner Funds have nominated two individuals as Non-Executive Directors. They are obliged to conduct themselves in the same way as all other members of the Board, as outlined above and in accordance with the requirements for directors set out by the Companies Act and Financial Conduct Authority.



To support its effective operation, the Board has established five Board Committees: the Audit Committee, the Board Risk Committee, the Remuneration and Nominations Committee, the Private Markets Committee and the Administration Committee. The Board agreed at its meeting in February 2020 to replace the Audit & Risk Committee with the Audit Committee and the Board Risk Committee. Neither of the new Committees met during the 2019/20 financial year.

The Board has delegated the day-to-day management of the Company to the CEO, subject always to those matters reserved for decision by the Board or its Committees. The CEO has in turn delegated some of her responsibilities to her direct reports. Several executive committees have been created to assist her in her decision making or to monitor activities. These, together with the Board-level Committees, are shown in the governance diagram above.

The Board met eleven times (ten Board meetings and one strategy day) during the year, when it considered a range of items relating to the Company, its business and performance. The Chair met with the Non-Executive Directors without Executives present on several occasions. Attendance at meetings is shown below for the Board and its Committees. The number in brackets shows the number of meetings each Director was eligible to attend. At the end of the year, the Board was meeting on a weekly basis to receive reports on the effect of the COVID-19 pandemic and how it was affecting the business.

Corporate governance report continued

How the Board works continued

	Board (10)	Audit & Risk Committee (7)	Remuneration Committee (5)	Administration Committee (2)	Private Markets Committee (0)
Chris Hitchen (Chair)	10 (10)	***	5 (5)	2 (2)	—
Rachel Elwell (CEO)	10 (10)	***	***	2 (2)	—
Fiona Miller (COO)	10 (10)	***	—	2 (2)	—
Enid Rowlands (NED)	9 (10)	7(7)	5 (5) Chair	1 (2)	—
Tanya Castell (NED)	9 (10)	7 (7) Chair	5 (5)	1 (2)	—
Sue Ellis*	5 (7)	6 (7)	—	1 (2)	—
Andrew November**	3 (3)	—	—	—	—
John Holtby**	3 (3)	—	—	—	—
Jeff Watson**	3 (3)	—	—	—	—

* Resigned on 5 February 2020.

** Appointed on 5 February 2020.

*** Attended by invitation and was not present for private business.

Information regarding the Board Audit and Risk Committee and the Remuneration and Nominations Committee can be found on pages 23 to 26.

The Administration Committee

The Administration Committee can be called by the Board at short notice to make emergency decisions on matters reserved for the Board which may arise between Board meetings where there is insufficient time or quorum to convene a full Board meeting. The Chair and quorum for each Administration Committee shall be decided by the Board on a case-by-case basis but the quorum must be a minimum of two of whom one shall be an independent Non-Executive Director.

The Private Markets Committee

The Board established the Private Markets Committee during the financial year. The Private Markets Committee can be called upon to consider recommendations from the Executive on investments that are outside its delegated authority. All members of the Board are members of the Committee and the Board Chair is the Committee Chair. To enable business to be conducted, the quorum of the Committee is decided on a case-by-case basis. It must, however, include at least two Non-Executive Directors of whom one should be the Chair or the Chair of the Board Risk Committee. If the matter relates to financial crime the MLRO or CRO must attend to advise.

Strategic objectives

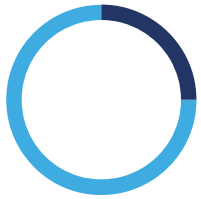
Our mission is to use the pooling of our Partner Funds' assets to make a significant positive difference to long-term investment outcomes for the Local Government Pension Scheme. We aim to achieve this by creating a stronger collective voice and working in partnership to achieve sustainable long-term performance through cost-effective, innovative and responsible investment. We will achieve this by following the three main strategic objectives detailed below.

Strategy:
Delivering Border to Coast's strategy to achieve the benefits of pooling by creating a regulated asset manager in line with the guiding principles

Customer outcomes:
Putting customers at the heart of Border to Coast, delivering great customer service and meeting their expectations of (risk adjusted) investment return and performance over the long term

Governance:
Creating a sustainable organisation through making efficient and effective decisions with an appropriate level of oversight

Board composition



Executive Directors	2
Non-Executive Directors	6

When they were appointed, Sue Ellis, John Holtby and Jeff Watson were assessed as being not independent as they had been nominated by our Partner Fund shareholders. All other Non-Executive Directors were assessed as being independent upon appointment, including our Chair Chris Hitchen.

Given the shareholders' ability to remove and appoint Directors, Border to Coast's Non-Executive Directors are not subject to annual re-election at the Annual General Meeting ('AGM'). Rather, they enter into an agreement to serve a term of office approved by the shareholders, which can be extended at the agreement of the shareholders, the Company and the individual Director. The dates of expiry for Directors' terms are shown below:

Tanya Castell	14 October 2020
Chris Hitchen	31 August 2020
Enid Rowlands*	14 October 2021
John Holtby	15 November 2021
Andrew November	4 February 2023
Jeff Watson	1 October 2020

* Enid Rowlands has expressed her intention to resign from the Board in 2020.

We will be submitting proposals to the shareholders regarding term extensions and other actions to mitigate the risks associated with the coterminous terms of office.

Conflicts of interest

Directors have a statutory duty to declare any conflicts of interest, covering (but not limited to) external directorships. The Company and the Board have assessed all external directorships of serving Directors to identify those which may give rise to conflicts, authorising those they recognise as appropriate with reference to the shareholders for approval where relevant.

Board effectiveness and skills

One principle of the UK Code of Corporate Governance Code is that an "annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives". The Code also suggests that "the Chair should act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the Board, with each Director engaging with the process and taking appropriate action when development needs have been identified.'

At the Board meeting held in February 2020, the Company Secretary reported on the outcome of the evaluation undertaken in 2019. The review, based on the Directors' self-assessment, identified opportunities to further develop the interaction between the Board and the Executive and to provide additional training for new Board members.

The review included a separate evaluation of the performance of the Board Committees, which supported the move to create separate Board Risk and Board Audit Committees.

Individual Director performance was reviewed by the Chair, and the Chair's performance was reviewed by the Chair of the Remuneration & Nominations Committee.

DEVELOPING OUR PEOPLE TO DELIVER OUR PURPOSE

"The alignment of Border to Coast's culture, governance and, ultimately, our people to our purpose of supporting Partner Funds to pay LGPS members' benefits is fundamental to the Committee's business."

Enid Rowlands
Non-Executive Director

Committee members

Members of the Committee are appointed by the Board on the recommendation of the Remuneration and Nominations Committee, in consultation with the Chair of the Committee.

- Enid Rowlands (Chair)
- Tanya Castell
- Chris Hitchen
- John Holtby (with effect from 5 February 2020)

The role of the Committee

Under the Shareholder Agreement, remuneration of all Directors, including Executive Directors, is a matter reserved to the shareholders. The Committee makes recommendations to the shareholders for approval.

Purpose

The role of the Committee is, subject to the agreement of the shareholders as relevant, to advise the Board on matters relating to the effective management of our people; and oversee processes related to Board appointments and the review of Non-Executive Director performance.

The Committee conducted its own effectiveness review and the themes of the responses and actions arising were to ensure that:

- the Committee plays a key role in succession planning, identifying and developing talent in the Executive Team;
- there are well-developed plans for the orderly succession of all Board members so that the appropriate balance of skills and experience can be maintained; and
- the Board takes full account of the Committee's observations in its decisions.

Roles and responsibilities

The Committee considered the following areas as detailed in its Terms of Reference, during the year.

Remuneration	• Determine, and recommend to shareholders where relevant, the overall reward framework for the senior executive and management team. • People strategy and policies. • Provide assurance to the Board regarding the strategic approach to equality, diversity and inclusion. • Reviewing a range of information from both public and private sectors to advise on remuneration settlements. • Oversee changes to the employee benefit structure.
Nominations	• Talent management and succession planning for the senior executive and management team. • Board succession planning, including the appointment of two Partner Funded Non-Executive Directors and the identification and appointment of a new independent Non-Executive Director. • The Chair of the Remuneration and Nominations Committee conducts the appraisal of the Board Chair.
Corporate ethos	• Review potential conflicts of interest of Directors. • Review reports and people management information around the cultural development programme. • Review Committee evaluation results.

Meetings

Within the year the Committee scheduled, and held, five meetings.

Remuneration and Nominations Committee report continued

Focus for the year has been
The areas on which the Committee has focused during the year are:

- the identification and oversight of the Executive's management of people risk;
- the reward strategy and colleague benefits assisted by the services of an external remuneration consultant, PricewaterhouseCoopers LLP;
- succession planning including the appointment of a new independent Non-Executive Director (for which we used the services of an external search consultancy, Saxton Bamplyde) and two Partner Fund nominated Non-Executive Directors; and
- culture and engagement.

Our approach to remuneration, inclusion and diversity
Our approach to reward is to view pay and benefits within the broader context of the overall people experience and our employee value proposition. Our remuneration is designed to support our business strategy, objectives and values, our risk appetite and risk management approach, and our customers' long-term interests.

We are committed to being a learning organisation with investment above average levels in development for colleagues and strong support for professional qualifications. We have invested in a Leadership Development Programme which combines classroom teaching, practical peer group learning and coaching. Our Future Leaders development programme launches in September 2020 to support internal progression, continue to develop our learning culture and inspire leadership at all levels.

Following discussion with our Community Working Party, two days' paid volunteering for 2020 was introduced. This will be re-launched once face to face activities can resume. Border to Coast also supports volunteering through flexible working, which has continued during lock-down. We welcome people from all backgrounds based on their talent and capabilities and their commitment to our purpose and cultural values.

Given our relatively small team – well below the 250 minimum for formal reporting on the gender pay gap – small changes can have a big impact on reported figures. We try to be sensitive in our reporting, and avoid disclosing individual salaries where we regard it as inappropriate. As reported to the Remuneration Committee in May 2020, our mean gender pay gap on 1 April 2020 was -18% (an increase from -12% last year), and our median gender pay gap +29% (an increase from +8% last year). The difference between the gender pay gap figures is created by having a higher number of women in the most senior roles, even though proportionally there are more men in mid-level professional roles, which affects the mean pay gap. We are addressing this through developing graduates and more junior level roles as well as reviewing our recruitment and attraction strategies. Gender pay comparisons are based on full-time equivalent salaries; we have more men than women working part-time.

Equal Pay is reviewed in detail as part of overall pay reviews and our ongoing reward activity. Gender differentials reflect the balance of men and women in certain functions and at specific levels, rather than a difference in pay for people in the same roles. We also demonstrate inclusion more widely in our recruitment, development and management practices, and regularly receive positive feedback from colleagues about our open, diverse teams and culture.


Location: Leeds

"We are committed to being a learning organisation, and we welcome people from all backgrounds based on their talent and capabilities and their commitment to our purpose and cultural values."

ENSURING INTEGRITY OF OUR FINANCIAL STATEMENTS

"As an asset manager regulated by the Financial Conduct Authority and operating for the benefit of our LGPS Partner Funds, the Board expects a high degree of integrity and effectiveness across the business."

Tanya Castell
Non-Executive Director

Committee members

The Board appointed the following members of the Committee on the recommendation of the Remuneration and Nominations Committee in consultation with the Chair of the Committee:

- Tanya Castell (Chair)
- Enid Rowlands (stepped down from the ARC on 5 February 2020)
- Sue Ellis (resigned from the Board on 5 February 2020)
- Andrew November (with effect from 5 February 2020)
- Jeff Watson (with effect from 5 February 2020)

The Board considers that Tanya Castell, as Committee Chair, has the recent and relevant financial experience that the Committee Terms of Reference and the UK Code of Corporate Governance require.

The Board agreed at its meeting on 25 February 2020 to replace the Audit & Risk Committee with a Board Audit Committee and a Board Risk Committee from that date. Since neither of the new Committees met during the financial year, this report solely covers the work of the Audit & Risk Committee.

Members

Tanya will remain the Chair of the Board Risk Committee, with Chris Hitchen and Andrew November as members.

From 25 February 2020, Andrew November took on the role of Board Audit Committee Chair and he also has current and relevant financial experience. Tanya Castell and Jeff Watson will also sit on the Committee.

Purpose

The Committee helps the Board meet its responsibilities for monitoring the integrity of the Group's financial statements and the performance and objectivity of its external and internal auditors. It also oversees the effectiveness of its financial controls.

In addition, the Committee monitors that the Company's risk and capital management frameworks are serving to protect the interests of its shareholders and the LGPS Pension Funds it manages.

The Committee carried out its own effectiveness review during the year. The key areas of development proposed were to:

- split the Committee into a separate Board Audit Committee and Board Risk Committee to allow the latter to focus on more technical risk and regulatory matters;
- enhance the training provided to Committee members;
- continue to improve the risk and compliance reporting; and
- ensure that decisions and actions were clearly agreed within meetings.

"The Board agreed at its meeting on 25 February 2020 to replace the Audit & Risk Committee with a Board Audit Committee and a Board Risk Committee."

Audit and Risk Committee report continued

Roles and responsibilities

During the year, the Committee considered the following areas that are covered by its Terms of Reference:

Financial reporting	• Oversee the integrity of the financial statements, in accordance with relevant policies. Review and challenge where necessary to enable recommendation for Board approval. • Report to the Board on significant financial reporting issues and judgements. • Review other statements that require Board approval and contain financial information. • Review the effectiveness of financial controls and financial reporting.
Internal audit	• Approve the internal audit charter and plan. • Consider reports produced by Internal Audit and the actions arising from them. • Ensure that Internal Audit has the necessary resources and access to information it needs to fulfil its mandate. • Meet with Internal Auditors without the Executive.
External audit	• Make recommendations to the Board and shareholders regarding the external auditor's re-appointment. • Oversee the relationship with the external auditor and approve its remuneration. • Monitor the external auditor's process for maintaining its independence and compliance with relevant law, regulation and professional standards. • Meet with the external auditor without the Executive.
Compliance, whistleblowing and fraud	• Review the adequacy and security of arrangements for employees and contractors to whistle blow. • Review the policies and controls for preventing and detecting fraud. • Review the systems and controls for preventing bribery. Review any concerns that arise. • Review proposed changes to regulation. • Oversee the management of conduct risk. • Review reports from the Money Laundering Reporting Officer. • Oversee the effectiveness and adequacy of the Compliance function and approve the annual work plan.
Risk	• Make recommendations for the Board's approval on the Company's risk appetite. • Review the risk management framework. • Challenge the design and execution of stress and scenario tests. • Review overarching policies and the creation of new risk policies. • Review the maturity of the risk management framework's design and operation and recommend to the Board actions required to enhance the Company's approach. • Oversee the Internal Capital Adequacy Assessment Process ('ICAAP') and recommend for Board approval.

Report from the ARC Chair

During the year, the Committee built on its work from 2018/19, when its focus was mainly on ensuring the right frameworks, oversight and policies were in place, both internally and covering third-party suppliers and reviewing the annual report and accounts, including accounting policies and critical judgements. Due to the timing of governance changes the final review was actually undertaken by the newly formed Board Audit Committee.

The Committee held seven meetings during the year of which two were solely focused on specific ICAAP-related topics.

The major risks under discussion were as follows – we explore them in further detail in the Risk management report on pages 11 to 15.

- Proposition development and in particular delivering to our Partner Funds' expectations.
- People risk including key person availability and dependency as well as more generally the impact of resourcing our significant change agenda.
- Regulatory compliance.
- Delivery of outsourced services given the heavy operational reliance on outsource providers.
- Liquidity risk.
- Operational resilience.
- Cyber risk as the level of external threat continues to grow.
- Political risk including significant changes to regulatory expectations on Responsible Investment.
- Impact of external developments including Brexit and COVID-19.

Internal audit

Deloitte LLP was appointed as internal auditor from September 2018 for a period of three years. The Committee is satisfied that Internal Audit is independent from the business, having a reporting line to the Chair of the Committee.

External audit

Following a public procurement exercise, KPMG was appointed as external auditor in January 2018 for a period of three years with an option to extend for a year. Our shareholders re-appointed the firm at the AGM held on 18 July 2019.

Overseeing our audit process, Audit Director David Allen was replaced by Audit Partner Tom Tyler. The first meeting of the Committee he attended was held on 5 November 2019. The Committee considers Tom Tyler and KPMG to be independent within the meaning of regulatory and professional requirements. It also considers the objectivity of Tom Tyler and the audit staff not to be impaired.

At its meeting in February 2020, the Committee reviewed the policy for the Provision of Non-Audit Services by the external auditor. The Board Audit Committee subsequently approved the policy at its meeting on 29 April 2020. The policy allows fee payments for any additional works to be considered in total. Therefore, as a general rule, any fees paid to the external auditor for work outside the scope of audit services should not exceed 50% of the audit fee in any financial reporting period. At the same meeting, the Committee noted that KPMG would be completing the Audit and Assurance Faculty ('AAF') assurance work and the Client Asset Sourcebook ('CASS') review.

The Company is to pay KPMG a fee of £85k for the statutory audit of our 2019/20 consolidated and subsidiaries financial statements. In addition to the fees for audit of the financial statements we also paid KPMG a further £70k for controls assurance and taking into account CASS work. The Committee discussed that these fees were more than 50% of the audit fees but, because considering the Group's total audit related fees (in addition to the ACS funds and 10 Scottish Limited Partnerships) and the fact that these were control assurance related, the Committee considered that KPMG's independence was not compromised.

OUR RESPONSIBILITIES

We manage the investment of our Partner Funds' pension assets across a range of investment funds. As well as our fiduciary duty, we have a responsibility to our Partner Funds to ensure the effective stewardship of the companies we invest in. This can be through direct relationships, or indirectly through mandates with fund managers.

Our holistic approach to Responsible Investment ('RI') is core to our corporate and investment thinking, through which we aim to manage risk and generate sustainable, long-term returns for our Partner Funds.

As a responsible long-term investor, we practise active stewardship. We believe well-governed, sustainably run businesses are more resilient than others, better able to endure market volatility and deliver good returns for investors. We set out our approach in our Responsible Investment Policy and Corporate Governance & Voting Guidelines, which outline how we practise active ownership through monitoring, engagement, voting and, if necessary, litigation. We developed the policy and voting guidelines documents alongside our Partner Funds. We also own them jointly, and review the documents together each year to ensure they continue to conform with best practice. Both documents are available on our website.

We monitor and discuss RI at our Investment Strategy Committee. It reports regularly to the Investment Committee, where the Chief Investment Officer is ultimately accountable for the implementation of the policy. We also make regular reports to the Board and our Partner Funds.

As an active owner, we view our voting rights as a key asset. We vote in accordance with our principles to promote and support good corporate governance and sustainability.

Even before we launched our first investment funds, we appointed Robeco as our voting and engagement provider to engage globally on our behalf and implement the detailed voting guidelines that ensure votes are executed in accordance with our policies. We publish our voting activity on our website each quarter, and each year we make our full voting activity public.

For us active stewardship means engaging with our investee companies as we believe this is the best way to influence companies. To maximise our effectiveness, we made the decision to focus on three broad RI engagement themes:

- governance – well-governed companies tend to be good at managing environmental and social factors;
- transparency and disclosure – it is crucial that investors understand the underlying risks affecting portfolios and investee companies, including those concerning finance, climate and workforce; and
- diversity – there is increasing evidence that more diverse boards result in better corporate performance and investment returns.

Working in collaboration with other like-minded institutional investors allows us to increase our influence further, helping companies modify their behaviour for improved investment outcomes. We continue to support collaborative initiatives which reflect our RI themes, including Climate Action 100+, the Workforce Disclosure Initiative, the 30% Club and the Investor Mining and Tailings Safety Initiative.

We are supporters of the Task Force on Climate-related Financial Disclosures and, over the last year, have become a supporter of the Transition Pathway Initiative. In addition, we are members of the Institutional Investor Group on Climate Change. This enables us to collaborate with other institutional investors on engaging with policymakers, regulators and companies, working to address the long-term risks and opportunities associated with climate change. We are also members of the Local Authority Pension Fund Forum, alongside our Partner Funds.

A significant achievement during 2019 was becoming a signatory to the United Nations-supported Principles for Responsible Investment (PRI), reflecting our own and our Partner Funds' commitment to long-term sustainable investment. Having agreed our RI strategy with Partner Funds for the next three years, we also continued our journey to integrate environmental, social and governance ('ESG') factors into the investment decision-making process, across asset classes and for internally and externally managed funds alike.

ESG and RI are integral to how we select, appoint and continuously monitor and challenge external managers. We carry out our stewardship activities transparently, and publish our own quarterly Border to Coast stewardship report alongside the voting and active ownership reports prepared for us by Robeco. We also continue to support and work with our Partner Funds on a full range of RI issues.

You can find more detail on our RI strategy and activities on our website, including our annual Responsible Investment and Stewardship Report.

Location: Durham

"We believe well-governed, sustainably run businesses are more resilient, better able to cope with market volatility and deliver good long-term risk-adjusted returns for investors."

PRINCIPAL ACTIVITIES

The Directors present their report and the audited financial statements of the Group and Company for the year ended 31 March 2020.

Incorporation
Border to Coast Pensions Partnership Limited ('the Company') is incorporated in the United Kingdom and registered in England and Wales, registration number 10795539.

Principal activities
The principal activities of the Group and Company are that of investment management and, from 3 April 2019, acting as General Partner to a number of Limited Partnerships to facilitate the efficient deployment of the Limited Partner's capital into private equity, infrastructure and private credit investments.

Directors
The Directors in office during the period and at the date of signing this report were as follows*:

Name	Appointed	Resigned
Chris Hitchen	23 Jan 2018	—
Enid Rowlands	23 Jan 2018	—
Tanya Castell	23 Jan 2018	—
Rachel Elwell	23 Jan 2018	—
Fiona Miller	23 Jan 2018	—
Sue Ellis	15 Oct 2018	5 Feb 2020
Andrew November	5 Feb 2020	—
Jeffery Watson	5 Feb 2020	—
John Holtby	5 Feb 2020	—

* Shareholders agree the terms of appointment for Non-Executive Directors.

Results and dividends
The Group made a £1k profit after tax (2019 loss after tax: £3k).

No dividends were paid during the year (2019: nil) and the Directors do not recommend the payment of a final dividend.

Post balance sheet events
Details of events which have occurred since 31 March 2020, and up to the date of this report, are disclosed in note 20 to the consolidated financial statements.

Political or charitable donations
During the year, the Group did not make any political or charitable donations (2019: nil). Our colleagues have chosen to make collections throughout the period, which were donated to local charities. All amounts came directly from people within the Group and any external supporters rather than from the Group itself.

Expected future developments
Expected future developments are set out in the Strategic report on page 8 and include the build of further investment capabilities .including index-linked gilts, multi-asset credit, further public equity and private market capabilities, and property. These are expected to lead to further increases in the level of assets under management.

" As a long-term investor, we believe companies should take a balanced approach which reflects the importance of supporting their employees, suppliers and other stakeholders. Why? Not only because it is the right thing to do, but because we believe it is the most likely way to achieve sustainable returns for shareholders."

Directors' report continued

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they intend to liquidate the group or parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmation

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditor is aware of that information.

Independent Auditors

The auditor, KPMG LLP, has indicated its willingness to continue in office and a resolution concerning its re-appointment will be proposed at the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board:

Fiona Miller
Chief Operating Officer
30 June 2020


Location: Surrey

Independent auditor's report

to the members of Border to Coast Pensions Partnership Limited.

Opinion

We have audited the financial statements of Border to Coast Pensions Partnership Limited ('the Company') for the year ended 31 March 2020 which comprise the Consolidated and Company Income Statement and Statement of Comprehensive Income, Consolidated and Company Balance Sheet, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Cash Flow Statement, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2020 and of the Group's profit and Company's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

Other information

The Directors are responsible for the other information, which comprises the Strategic Report, the Directors' Report, the At a Glance section, the Corporate Governance Report, the Remuneration and Nominations Committee report, the Audit and Risk Committee report and the Responsible investment section. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' Remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 29, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Thomas Tyler (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peters Square
Manchester
M2 3AE
United Kingdom
30 June 2020

Consolidated income statement and statement of comprehensive income
for the year ended 31 March 2020

	Note	**2020 £000**	2019 £000
Turnover	3	**12,604**	9,188
Administrative expenses		**(12,672)**	(9,248)
Other income	4	**—**	2
Operating loss		**(68)**	(58)
Other interest receivable and similar income	7	**91**	79
Interest payable and similar expenses	7	**(11)**	(21)
Profit before taxation		**12**	—
Tax on profit	8	**(11)**	(3)
Profit for the financial year		**1**	(3)
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**1**	(3)

The results above all related to continued operations.

The notes on pages 35 to 42 form an integral part of these financial statements.

Company income statement and statement of comprehensive income
for the year ended 31 March 2020

	Note	**2020 £000**	2019 £000
Turnover	3	**12,592**	9,188
Administrative expenses		**(12,672)**	(9,248)
Other income		**—**	2
Operating loss		**(80)**	(58)
Other interest receivable and similar income	7	**91**	79
Interest payable and similar expenses	7	**(11)**	(21)
Profit before taxation		**—**	—
Tax on profit	8	**(9)**	(3)
Loss for the financial year		**(9)**	(3)
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive loss for the year		**(9)**	(3)

The results above all related to continued operations.

The notes on pages 35 to 42 form an integral part of these financial statements.

Consolidated balance sheet
at 31 March 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Intangible assets	9	**14**		24	
Tangible fixed assets	10	**240**		253	
			254		277
Current assets					
Debtors:					
- amounts falling due within one year	12	**4,788**		1,488	
- amounts falling due after one year	12	**2,419**		1,854	
Cash at bank and cash equivalents	14	**11,099**		13,819	
			18,306		17,161
Creditors: amounts falling due within one year	15	**(6,229)**		(5,673)	
			(6,229)		(5,673)
Net current assets			**12,077**		11,488
Total assets less current liabilities			**12,331**		11,765
Creditors: amounts falling due after more than one year					
Pensions and similar obligations	16	**(2,419)**		(1,854)	
Net assets			**9,912**		9,911
Capital and reserves					
Called up share capital	17		**10,000**		10,000
Profit and loss account			**(88)**		(89)
Shareholders' funds			**9,912**		9,911

These financial statements were approved by the Board of Directors on 30 June 2020 and were signed on its behalf by:

Fiona Miller
Chief Operating Officer
Border to Coast Pensions Partnership Limited
Registered no: 10795539
30 June 2020

The notes on pages 35 to 42 form an integral part of these financial statements.

Company balance sheet
at 31 March 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Intangible assets	9	**14**		24	
Tangible fixed assets	10	**240**		253	
Investments	11	**—**		—	
			254		277
Current assets					
Debtors:					
- amounts falling due within one year	12	**4,775**		1,488	
- amounts falling due after one year	12	**2,419**		1,854	
Cash at bank and cash equivalents	14	**11,099**		13,819	
			18,293		17,161
Creditors: amounts falling due within one year	15	**(6,226)**		(5,673)	
			(6,226)		(5,673)
Net current assets			**12,067**		11,488
Total assets less current liabilities			**12,321**		11,765
Creditors: amounts falling due after more than one year					
Pensions and similar obligations	16	**(2,419)**		(1,854)	
Net assets			**9,902**		9,911
Capital and reserves					
Called up share capital	17		**10,000**		10,000
Profit and loss account			**(98)**		(89)
Shareholders' funds			**9,902**		9,911

These financial statements were approved by the Board of Directors on 30 June 2020 and were signed on its behalf by:

Fiona Miller
Chief Operating Officer
Border to Coast Pensions Partnership Limited
Registered no: 10795539
30 June 2020

The notes on pages 35 to 42 form an integral part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 March 2020

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2018	—	(86)	(86)
Total comprehensive income for the period	—	(3)	(3)
Issue of share capital	10,000	—	10,000
Total contributions by and distributions to owners	—	—	—
Balance at 31 March 2019	10,000	(89)	9,911
Balance at 1 April 2019	**10,000**	**(89)**	**9,911**
Total comprehensive income for the period	**—**	**1**	**1**
Issue of share capital	**—**	**—**	**—**
Total contributions by and distributions to owners	**—**	**—**	**—**
Balance at 31 March 2020	**10,000**	**(88)**	**9,912**

The notes on pages 35 to 42 form an integral part of these financial statements.

Company statement of changes in equity
for the year ended 31 March 2020

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2018	—	(86)	(86)
Total comprehensive income for the period	—	(3)	(3)
Issue of share capital	10,000	—	10,000
Total contributions by and distributions to owners	—	—	—
Balance at 31 March 2019	10,000	(89)	9,911
Balance at 1 April 2019	**10,000**	**(89)**	**9,911**
Total comprehensive income for the period	**—**	**(9)**	**(9)**
Issue of share capital	**—**	**—**	**—**
Total contributions by and distributions to owners	**—**	**—**	**—**
Balance at 31 March 2020	**10,000**	**(98)**	**9,902**

The notes on pages 35 to 42 form an integral part of these financial statements.

Consolidated cash flow statement
for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Profit before tax		**12**	—
Adjustments for:			
Depreciation, amortisation and impairment		**93**	65
Interest receivable and similar income		**(91)**	(79)
Interest payable and similar expenses		**11**	21
Increase in trade and other debtors		**(3,259)**	(1,423)
Increase in trade and other creditors		**503**	5,562
Net cash from operating activities		**(2,731)**	4,146
Cash flows from investing activities			
Interest received		**91**	79
Acquisition of tangible fixed assets	10	**(69)**	(297)
Acquisition of other intangible assets	9	**—**	(30)
Net cash from investing activities		**22**	(248)
Cash flows from financing activities			
Proceeds from the issue of share capital	17	**—**	10,000
Interest paid		**(11)**	(21)
Repayment of borrowings		**—**	(1,800)
Net cash from financing activities		**(11)**	8,179
Net (decrease)/increase in cash and cash equivalents		**(2,720)**	12,077
Cash and cash equivalents at 1 April	14	**13,819**	1,742
Cash and cash equivalents at 31 March	14	**11,099**	13,819

The notes on pages 35 to 42 form an integral part of these financial statements.

Company cash flow statement
for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Profit before tax		**—**	—
Adjustments for:			
Depreciation, amortisation and impairment		**92**	65
Interest receivable and similar income		**(91)**	(79)
Interest payable and similar expenses		**11**	21
Increase in trade and other debtors		**(3,246)**	(1,423)
Increase in trade and other creditors		**503**	5,562
Net cash from operating activities		**(2,731)**	4,146
Cash flows from investing activities			
Interest received		**91**	79
Investment in subsidiaries		**—**	—
Acquisition of tangible fixed assets	10	**(69)**	(297)
Acquisition of other intangible assets	9	**—**	(30)
Net cash from investing activities		**22**	(248)
Cash flows from financing activities			
Proceeds from the issue of share capital	17	**—**	10,000
Interest paid		**(11)**	(21)
Repayment of borrowings		**—**	(1,800)
Net cash from financing activities		**(11)**	8,179
Net (decrease)/increase in cash and cash equivalents		**(2,720)**	12,077
Cash and cash equivalents at 1 April	14	**13,819**	1,742
Cash and cash equivalents at 31 March	14	**11,099**	13,819

The notes on pages 35 to 42 form an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 March 2020

1. General information

Border to Coast Pensions Partnership Limited ('the Company') is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales, registration number 10795539. The address of the Company's registered office is 5th Floor, Toronto Square, Toronto Street, Leeds LS1 2HJ.

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The Group and Company financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and the requirements of the Companies Act 2006.

a. Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note p.

b. Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings drawn up to 31 March 2020.

A subsidiary is an entity controlled by the parent. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

Subsidiaries are consolidated at the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

The Group financial statements include the results of ten subsidiary companies, each established on 3 April 2019 to act as a General Partner for ten Scottish Limited Partnerships ('SLPs') set up to manage alternative investments.

Border to Coast Pensions Partnership Limited has control over the assets held by the underlying ten SLPs in which the ten subsidiary companies act as the General Partner in its capacity as investment manager. However, since these are held on behalf of investors and Border to Coast Pensions Partnership Limited has no right to the economic benefits arising from these assets, the assets and the investment income and costs associated with the ten SLPs have not been consolidated.

Similarly, in its capacity as investment manager, Border to Coast Pensions Partnership Limited has control over the assets held by the Border to Coast ACS. However, since these are held on behalf of investors, and Border to Coast Pensions Partnership Limited has no right to the economic benefits arising from these assets, the assets and the investment income and costs associated with them have not been consolidated.

c. Functional and presentational currency

The financial statements are presented in Pounds Sterling and rounded to the nearest thousand (£000).

d. Going concern

The financial statements have been prepared using the going concern basis of accounting. The Directors have undertaken an assessment to establish whether the use of the going concern basis is appropriate for the preparation of the financial statements.

The impacts of the COVID-19 outbreak have caused a significant deterioration in economic conditions for some companies and increased economic uncertainty for others. The Directors have therefore made more detailed assessments to determine whether these events or conditions cast significant doubt on the Group and Company's ability to continue as a going concern or, in severe cases, whether the going concern assumption is still appropriate as a basis for the preparation of the financial statements.

The assessment includes consideration of the following:

- the Group and Company were established to support the pooling of Local Government Pension Schemes. The shareholders and investors are Local Government Pension Scheme and the Directors no reason to doubt their ongoing support;
- the subsidiary companies will remain appointed as the General Partner and the Company will remain appointed as the Operator to support the pooling of the Limited Partner's alternative investments;
- the nature of the income and expenses and the impact of potential downside scenarios on profitability, liquidity and capital as well as potential management actions;
- the effectiveness of the Group and Company's operational resilience processes including the ability of key outsourcers to continue to provide services; and
- the forecasted future level of investments by the shareholders and investors will continue.

From the above assessment, in conclusion, the Directors are not aware of any material uncertainties that would cast doubt over the Group and Company's ability to continue as a going concern.

e. Turnover

Turnover comprises fees for the provision of investment management services. Turnover is measured at the fair value of the consideration received or receivable, net of value added taxes. The Company operates on a cost recovery basis and therefore revenue is recognised in line with costs incurred.

f. Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding, and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

g. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items, which are recognised in other comprehensive income.

h. Intangible assets

Computer software licences and software are capitalised on the basis of the cost incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives of up to three years.

i. Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life or minimum lease commitments, as follows:

Fixtures and fittings	10 years
Leasehold	5 years
IT hardware	3 years

Notes to the financial statements continued
for the year ended 31 March 2020

2. Accounting policies continued

j. Impairment of financial assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group and Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

k. Trade and other debtors

Trade and other debtors are recognised initially at transaction price and subsequently less any provision for impairment where such subsequent measurement would result in a difference to the carrying value of the asset.

l. Trade and other creditors

Trade and other creditors are recognised at transaction price.

m. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with banks and other financial institutions. All cash and cash equivalents held are immediately available for withdrawal.

n. Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group and Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group and Company's taxable profits and their results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. In other cases, the measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group and Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax income or expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax income or expense.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group and Company intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group and Company have a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

o. Employee benefits

The Company operates a defined benefit pension scheme and a defined contribution pension scheme.

Defined benefit pension scheme – The defined benefit scheme is a Local Government Pension Scheme ('LGPS') administrated by South Yorkshire Pensions Authority and is only open to members from existing LGPSs who have transferred into the Company LGPS or have rights under TUPE. The liabilities of the LGPS pension fund attributable to the Company are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions, for example, but not limited to, mortality rates, employee turnover rates, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high-quality corporate bonds. In determining these liabilities, an assumption has been made on the advice of our actuaries that 50% of employees retiring will take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.
- The assets of the South Yorkshire Pension Fund attributable to the Company are included in the balance sheet at their fair value.

In accordance with the Pension Recharge Agreement Deed between the Company and the twelve shareholders of the Company, the deed guarantees reimbursement of any pension liability, additional employer contributions, entry payments or exit payments not covered by the rates pursuant to the regulations in accordance with the Funding Strategy Statement and the Rates and Adjustments Certificate in force.

The deed guarantees both current and future deficits. Reimbursement from the shareholders would be through the annual operating charge or a charge to the investment sub-funds or by the provision of a payment notice.

The deed is considered a reimbursement asset and is recognised separately from the defined benefit liability. The net change in fair value of this asset is recognised as part of the cost of the defined benefit plan with interest element presented in profit or loss and other movements taken to other comprehensive income. As the amount and timing of the reimbursement of the asset matches the sum of all benefit payable under the Defined Benefit Pension Scheme, the fair value of this asset is deemed to be the present value of the related obligation. Movements arising from the asset is therefore presented net of the defined benefit cost in profit or loss and other comprehensive income respectively, as permitted under FRS 102.

Notes to the financial statements continued
for the year ended 31 March 2020

2. Accounting policies continued

o. Employee benefits continued

The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are included as either accruals or prepayments in the balance sheet.

Defined contribution pension scheme – The defined contribution scheme is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

p. Leases

Leases in which the Group and Company assume substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

q. Critical accounting judgements and estimates

In the application of the Group and Company's accounting policies, which are described in note 2, the directors are required to make judgements and estimates that have a significant impact on the amounts recognised. The following are the critical judgements and estimates that the directors have made in the process of applying the Group and Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Non-consolidation of Scottish Limited Partnerships – Although the Company, in its capacity as investment manager, has control over the assets held by the underlying ten SLPs in which the ten subsidiary companies act as the General Partner, since these are held on behalf of investors and the Company has no right to the economic benefits arising from these assets, the ten SLPs have not been consolidated.

Defined benefit pension scheme - Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A consulting actuary is engaged to provide the Group and Company with expert advice about the assumptions to be applied. However, because these judgements cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

3. Turnover

	Group 2020 £000	Group 2019 £000	**Company 2020 £000**	Company 2019 £000
Recharge of costs	**12,592**	9,188	**12,592**	9,188
Priority Profit share	**13**	—	**—**	—
	12,605	9,188	**12,592**	9,188

4. Expenses and auditor's remuneration

Included in profit/loss are the following:

	2020 £000	2019 £000
Amortisation of intangible fixed assets	**10**	6
Depreciation of tangible fixed assets	**82**	59
Operating leases	**137**	137
Foreign exchange differences	**14**	12

Auditor's remuneration:

	2020 £000	2019 £000
Audit of these financial statements	**35**	32
Audit of the subsidiaries	**50**	—

Non-audit services:

	2020 £000	2019 £000
Controls assurance	**60**	40
Client assets	**10**	10

5. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 69 (2019: 42). The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	**4,560**	2,934
Social security costs	**512**	332
Contributions to defined contribution plans	**306**	150
Expenses related to defined benefit plans	**642**	100
	6,020	3,516

Notes to the financial statements continued
for the year ended 31 March 2020

6. Directors' remuneration

	2020 £000	2019 £000
Emoluments	**560**	526
Company contributions to money purchase pension plans	**21**	19
	581	545

During the year two directors (2019: two) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2020 £000	2019 £000
Emoluments	**251**	239
Company contributions to money purchase pension plans	**7**	5
	258	244

7. Finance income and expense

	2020 £000	2019 £000
Interest receivable on bank deposits and cash equivalents	**91**	79
Total interest receivable and similar income	**91**	79
Interest payable on loans	**11**	21
Total other interest payable and similar expenses	**11**	21

8. Taxation

Total tax expense recognised in the profit and loss account and other comprehensive income

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Current tax on income for the period	**51**	—	**49**	—
Deferred tax (see note 13)	**(40)**	3	**(40)**	3
Total tax	**11**	3	**9**	3

8. Taxation continued

	2020			2019		
	Current tax £000	Deferred tax £000	Total tax £000	Current tax £000	Deferred tax £000	Total tax £000
Group						
Recognised in profit and loss account	**51**	**(40)**	**11**	—	3	3
Company						
Recognised in profit and loss account	**49**	**(40)**	**9**	—	3	3

Reconciliation of effective tax rate

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Profit/(loss) excluding taxation	**12**	—	**—**	—
Tax using the UK corporation tax rate of 19% (2019: 19%)	**2**	—	**—**	—
Net effect of other non-taxable/ non-deductible items	**59**	—	**59**	—
Adjustments to tax charge in respect of prior years	**(10)**	—	**(10)**	—
Deferred tax change	**(40)**	—	**(40)**	—
Reduction in tax rate on deferred tax balances	**—**	3	**—**	3
Total tax expense included in profit or loss	**11**	3	**9**	3

9. Intangible assets

	Software £000
Cost	
Balance at 1 April 2019	30
Additions	—
Balance at 31 March 2020	**30**
Amortisation and impairment	
Balance at 1 April 2019	6
Amortisation for the year	10
Balance at 31 March 2020	**16**
Net book value	
At 1 April 2019	24
At 31 March 2020	**14**

Notes to the financial statements continued
for the year ended 31 March 2020

10. Tangible fixed assets

	Leasehold £000	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
Balance at 1 April 2019	58	146	108	312
Additions	—	54	15	69
Balance at 31 March 2020	**58**	**200**	**123**	**381**
Depreciation and impairment				
Balance at 1 April 2019	11	38	10	59
Depreciation charge for the year	12	58	12	82
Balance at 31 March 2020	**23**	**96**	**22**	**141**
Net book value				
At 1 April 2019	47	108	98	253
At 31 March 2020	**35**	**104**	**101**	**240**

11. Investments

	2020 £000	2019 £000
Investment in subsidiaries	**—**	—

The Company owns 100% of the equity share capital of the following ten subsidiary companies, each registered in the United Kingdom at 3 Melville Street, Edinburgh EH3 7PE:

Border to Coast Bedfordshire GP Limited
Border to Coast Cumbria GP Limited
Border to Coast Durham GP Limited
Border to Coast East Riding GP Limited
Border to Coast North Yorkshire GP Limited
Border to Coast South Yorkshire GP Limited
Border to Coast Surrey GP Limited
Border to Coast Teesside GP Limited
Border to Coast Tyne & Wear GP Limited
Border to Coast Warwickshire GP Limited

The above companies each act as the General Partner to a number of Limited Partnerships, established in April 2019 to facilitate the efficient deployment of the Limited Partner's capital into private equity investments, infrastructure and private credit investments.

The investments are £1 each representing 100% of the share capital.

12. Debtors

	Group 2020 £000	Group 2019 £000	**Company 2020 £000**	Company 2019 £000
Trade debtors	**2,477**	930	**2,477**	930
Other debtors	**3**	146	**3**	146
Pension fund guarantee (see note 16)	**2,419**	1,854	**2,419**	1,854
Deferred tax assets (see note 13)	**57**	17	**57**	17
Prepayments and accrued income	**2,251**	395	**2,238**	395
	7,207	3,342	**7,194**	3,342
Due within one year	**4,788**	1,488	**4,775**	1,488
Due after more than one year	**2,419**	1,854	**2,419**	1,854
	7,207	3,342	**7,194**	3,342

There was no impairment on trade debtors during the year (2019: nil).

As detailed within a "Pension Cost Recharge Agreement", dated 4 February 2019 between the shareholders and the Company, the shareholders have guaranteed that any deficit arising in respect of the Company's participation in the defined benefit pension scheme will be underwritten by the shareholders.

13. Deferred tax assets

Deferred tax assets provided for at 19% (2019: 19%) in the financial statements are set out below:

	2020 £000	2019 £000
Tax losses carried forward	**—**	17
Other timing differences	**57**	–
	57	17

14. Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and cash equivalents	**11,099**	13,819

Notes to the financial statements continued
for the year ended 31 March 2020

15. Creditors: amounts falling due within one year

	Group 2020 £000	Group 2019 £000	**Company 2020 £000**	Company 2019 £000
Trade creditors	**1,036**	310	**1,036**	310
Taxation and social security	**355**	139	**355**	139
Corporation tax	**51**	—	**49**	—
Other creditors	**470**	43	**469**	43
Accruals and deferred income	**4,317**	5,181	**4,317**	5,181
	6,229	5,673	**6,226**	5,673

16. Employee benefits

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The total expense relating to this scheme in the current year was £306k (2019: £150k).

Defined benefit pension scheme

The Company operates a Local Government Pension Scheme ('LGPS') administered by South Yorkshire Pension Authority. A Pension Recharge Agreement Deed between the Company and the twelve Local Authority shareholders guarantees the reimbursement of any pension liability.

Net pension (liability)

	2020 £000	2019 £000
Defined benefit obligation	**(6,388)**	(5,410)
Plan assets	**3,969**	3,556
Net pension (liability)	**(2,419)**	(1,854)

Movements in present value of defined benefit obligation

	2020 £000	2019 £000
At 1 April	**5,410**	—
Current service cost	**309**	196
Interest on pension liabilities	**139**	115
Remeasurements: experience losses	**599**	—
Remeasurement: assumptions (gains)/losses	**(99)**	385
Past service cost (gain)	**217**	—
Member contributions	**92**	64
Benefits/transfers paid	**(279)**	—
Business combinations	**—**	4,650
At 31 March	**6,388**	5,410

16. Employee benefits continued

Movements in fair value of plan assets

	2020 £000	2019 £000
At 1 April	**3,556**	—
Interest on plan assets	**95**	82
Remeasurement (assets)	**(132)**	82
Administrative expenses	**(5)**	(3)
Business combinations	**—**	3,231
Employer contributions	**642**	100
Member contributions	**92**	64
Benefits/transfers paid	**(279)**	—
At 31 March	**3,969**	3,556

Expense recognised in the profit and loss account

	2020 £000	2019 £000
Current service cost	**309**	196
Net interest cost	**44**	33
Administrative expenses	**5**	3
Past service cost (gain)	**217**	—
Total expense recognised in profit or loss	**575**	232

The fair value of the plan assets and the return on those assets were as follows:

	2020 Fair value £000/%	2019 Fair value £000/%
Equities	**2,052/51.7**	1,807/50.8
Government debt	**536/13.5**	558/15.7
Corporate bonds	**290/7.3**	263/7.4
Property	**357/9.0**	345 9.7
Other	**119/3.0**	117/3.3
Cash	**615/15.5**	466/13.1
	3,969	3,556
Actual return on plan assets	**(112)/(2.8)**	164/4.6

Notes to the financial statements continued
for the year ended 31 March 2020

16. Employee benefits continued
Expense recognised in the profit and loss account continued
Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2020	2019
Discount rate	**2.30%**	2.50%
Future salary increases	**3.35%**	3.45%
Future pension increases	**2.20%**	2.30%
CPI inflation	**2.10%**	2.20%

The last full actuarial valuation was performed on 31 March 2019.

In valuing the liabilities of the pension fund at 31 March 2020, the following mortality assumptions have been made:

Current pensioner aged 65: 22.4 years (male) and 25.2 years (female).
Future retiree upon reaching 65: 23.9 years (male) and 27.1 years (female).

Sensitivities
The scheme asset values are sensitive to market conditions. The scheme liabilities are sensitive to actuarial assumptions used to determine the scheme obligations. Changes in these assumptions could have a material impact on the Consolidated Statement of Financial Position. The main assumptions are the discount rate, rate of inflation, salary increase and life expectancy rate. The following table demonstrates the sensitivities to the estimated valuation on the pension scheme of changing these assumptions:

	2020 £000	2019 £000
Net pension liability	**2,419**	1,854
+0.1% pa discount rate	**2,270**	1,724
+0.1% pa inflation	**2,572**	1,988
+0.1% pay growth	**2,462**	1,892
+ 1 year life expectancy	**2,576**	1,949

17. Capital and reserves
Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
12 ordinary shares of £1 each	**12**	12
9,999,996 non-voting redeemable shares of £1 each	**9,999,996**	9,999,996
	10,000,008	10,000,008

All shares have been issued and fully paid in cash.

17. Capital and reserves continued
Share capital continued
The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

The holders of non-voting redeemable shares are entitled to receive dividends as declared but are not entitled to vote at meetings of the Company.

18. Operating leases
Non-cancellable operating lease rentals are payable as follows:

	2020 £000	2019 £000
Less than one year	**137**	137
Between one and five years	**276**	413
More than five years	**—**	—
	413	550

19. Related parties
Group
During the year, the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 March, are as follows:

	Sales to related party 2020 £000	Sales to related party 2019 £000	**Amounts owed from related party 2020 £000**	Amounts owed from related party 2019 £000
Shareholders of the Company	**10,769**	9,188	**1,951**	930
Related parties	**1,836**	—	**539**	—

Company
During the year, the Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 March, are as follows:

	Sales to related party 2020 £000	Sales to related party 2019 £000	**Amounts owed from related party 2020 £000**	Amounts owed from related party 2019 £000
Shareholders of the Company	**10,769**	9,188	**1,951**	930
Related parties	**1,823**	—	**526**	—

Notes to the financial statements continued
for the year ended 31 March 2020

20. Subsequent events

COVID-19

Given that the emergence and spread of the COVID-19 virus is not considered to provide more information about conditions that existed at the balance sheet date, the directors have concluded that measurement of assets and liabilities in the financial statements should not be adjusted for its potential impact.

Merger of Partner Funds

On 3 June 2020, Statutory Instrument 2020 No. 502 ('SI') came into force having retrospective effect as of 1 April 2020. The effect of the SI was to transfer all assets of the Local Government Pension Scheme held by Northumberland County Council up to that date to South Tyneside Borough Council which becomes the appropriate administering authority for all members of the Scheme for whom the appropriate administering authority was previously Northumberland County Council. As a result of this, in respect of the shareholding held by Northumberland County Council; the Company will purchase and subsequently cancel 1 ordinary "A" share (voting), purchase and subsequently cancel 6 non-voting redeemable "B" shares and the remaining Northumberland shares will be transferred equally to the remaining 11 shareholders. The directors have concluded the financial statements do not require any adjustment.

Border to Coast Pensions Partnership Limited is authorised and regulated by the Financial Conduct Authority (FRN 800511).

Registered in England (registration number 10795539) at the registered office:

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www.bordertocoast.org.uk

BORDER TO COAST

PENSIONS PARTNERSHIP

Location: East Riding

Location: North Yorkshire

www.bordertocoast.org.uk