BORDER TO COAST
ANNUAL REPORT & ACCOUNTS 2020/21

BORDER TO COAST
PENSIONS PARTNERSHIP

Our purpose

MAKING A DIFFERENCE

We were established by our Partner Funds to facilitate the pooling of their investments with the objective to improve value for money through scale, increased access to investment opportunities, and strengthened governance.

As a customer-owned, customer-focused organisation, our vision is to make a difference for the Local Government Pension Scheme.

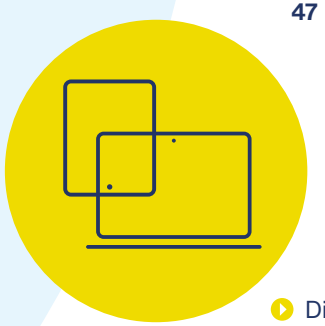
Pooling gives us a stronger voice and, working in partnership with our Partner Funds and across the asset owner and asset management industry, we aim to deliver cost-effective, innovative and responsible investment, thereby enabling sustainable, risk-adjusted, performance over the long term.

Our values underpin everything we do:
Our values represent our culture, guiding our judgements, building trust and helping us to deliver for our Partner Funds:

Collaborative
- We depend on each other.
- We build open and effective partnerships internally and externally.

Sustainable
- We make decisions for the long term.
- We invest in our people to deliver success for our Partner Funds.

Integrity
- We do the right things for the right reasons.
- We're transparent and foster trust, respect and confidence.



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Our Annual Report has images from the areas represented by our Partner Funds.

Front cover:
Bedfordshire Pension Fund (left) and Tyne and Wear (right) Pension Fund

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

At a glance

MAKING GOOD PROGRESS IN CHALLENGING TIMES

10
collective investments

28
colleagues recruited while working remotely

119
meetings with Partner Funds

100
colleagues

7
graduate trainees

£3bn
of Private Market commitments

902
meetings with companies we're invested in

£21.7bn
assets under management

12,011
shareholder resolutions voted

As of 31 March 2021.


Lincolnshire Pension Fund

Chair's statement

DELIVERING FOR OUR PARTNER FUNDS

Chris Hitchen
Chair

Over the past year, local authorities have worked through a pandemic to deliver essential services such as public health, social care, education and environmental protection. Without their hard work and commitment, less visible perhaps than NHS workers but still vital, things would have been much worse for many people. At Border to Coast, we thank and applaud these individuals, and are glad that we can support them by investing responsibly for their retirement in a cost-effective and, we believe, value-enhancing way.

Working together, apart

COVID-19 has meant that Border to Coast has predominantly worked remotely over the past year. Some have enjoyed the release from a long commute, but many have found it harder. As an organisation we have found ourselves working in kitchens and bedrooms, on dining tables and sofas. Still growing, a quarter of our workforce joined whilst remote working, a unique induction challenge.

It is therefore pleasing that when we asked colleagues their views in a culture audit and engagement survey in mid-2020 our cultural alignment was found to be strong, and the sense of engagement even stronger, in comparison with other UK companies. These are key differentiators in a competitive employment market. It will be interesting to see whether the lockdown leads to lasting changes in the way which other investment companies engage with their staff, with consequences for our own ability to attract and retain great people. We have been blessed so far, but the Board is very alive to this risk to the long-term delivery for our Partner Funds.

Delivering for our Partner Funds

Despite all, good progress has continued to be made. Most visibly, we are responsible for investing £24.7bn of the £55.5bn assets of our Partner Funds – driven in part by the launch of a new Fixed Income fund and the expansion of our Private Markets programme. Markets, often ahead of reality, recovered their poise over the year and our own portfolios also ended the year well, although acknowledging that this is still early days for Border to Coast.

The increasing scale of our operations delivers clear cost benefits. For example, one Partner Fund saved more than £700,000 a year by moving to one of our investment funds. Equally, by working together we can also avoid significant costs and we were able to avoid a total of £3.5m for two Partner Funds in a single transaction. These savings could not have been achieved without pooling.

With our collective size, we are beginning to open up investment opportunities which some of our Partner Funds were unable to access on an individual basis. Indeed, this year we participated in our first co-investment opportunity in green energy. Historically only within reach for some, such co-investments are now available to all our Partner Funds and help reduce the cost of investing in Private Markets.

COVID-19

As we are a new organisation, COVID-19 presented a variety of challenges to the Board. The Board held informal meetings weekly, and then fortnightly, with the Executive to discuss how we were responding to the challenges the pandemic was creating. Issues covered included:

- how we were supporting our people through the crisis;
- the impact of COVID-19 on the markets – and the strategies in place to manage our investments;
- enhanced oversight and management of our material outsourcers; and
- the impact of COVID-19 and working remotely on our ability to deliver our agreed purpose.

Chair's statement continued

Delivering for our Partner Funds continued

We were also established to give our Partner Funds a stronger voice as asset owners. Collective voting and engagement, in collaboration with other LGPS funds and like-minded investors where appropriate, is now well established, whilst we facilitate Partner Funds' right to direct their own votes when required. 2020/21 is the year when climate change has really broken through as the pre-eminent engagement issue for institutional investors in general, having long been top of mind for some of our Partner Funds. As the UK prepares to host COP 26, we look forward to working with our Partner Funds to address emerging long-term risks to both portfolios and to the world in which they – and all of us – are invested.

Effective leadership and governance

In a difficult operating environment, I have been delighted by the leadership and dedication shown by our CEO, Rachel Elwell, and her Executive team, both internally and amongst their peers. In such a situation, the Board must strike an appropriate balance between support and empowerment on the one hand, whilst maintaining oversight and constructive challenge on the other. I believe we have successfully achieved this and was pleased that this view was endorsed by our first external Board effectiveness review, which was conducted in late 2020 by Muse Advisory. Ultimately, though, we are only as effective as the service we provide to our Partner Funds and the stewardship we deliver on behalf of our shareholders – that's the real test. So far so good, but not something we take for granted.

Our Board remains a judicious balance of Executive, independent Non-Executive and Partner Fund Non-Executive Directors ('NEDs'). Our Partner Fund NEDs are a valuable link with our Partner Funds who are both our customers and shareholders, and a different and important voice in the boardroom. During 2020 we said goodbye, with our thanks, to Councillor Jeffrey Watson of Northumberland at the end of his term and welcomed in his place Councillor Anne Walsh from Tyne and Wear. Coincidentally, the year also saw the merger of Northumberland's and Tyne and Wear's Pension Funds, a further efficiency gain for their sponsoring authorities, with knock-on changes to Border to Coast's shareholder arithmetic. The number of scheme members covered by our investments is unchanged, however, as is the need for us to deliver strong long-term returns for all our stakeholders.

In the autumn, Enid Rowlands, one of our first independent Non-Executive Directors ('iNEDs') and Chair of the Remuneration and Nominations Committee, also stepped down from the Board and I would like to thank her for her huge contribution and support over her three-year tenure. In her place we have appointed Kate Guthrie, a highly experienced HR Director with strong financial services experience. With such a wide range of skills and experience, and diversity of thought, our Board is well equipped for the undoubted challenges to come.

Continuing our progress in partnership

With more fund launches in 2021/22 and beyond, Border to Coast remains as a trusted investment partner for our Partner Funds. While the events of the last year have demonstrated how uncertain life can be, it has also shown Border to Coast to be a capable and agile organisation, ready and willing to adjust and adapt. I think I speak for many, though, when I say that I am looking forward to seeing people in person once again and to finding a new balance between physical and virtual working. Let's build back better.

We are a customer-owned, customer-focused organisation. We exist only to make a difference for our Partner Funds, working in partnership with them. With shared vision and willingness to collaborate, I believe that the strong foundations we have built over the past three years will help our Partner Funds to invest their assets, and ultimately pay their members' pensions, sustainably.

Chris Hitchen
Chair

119
meetings with Partner Funds

"With our collective size, we are beginning to open up investment opportunities which some of our Partner Funds were unable to access on an individual basis. Indeed, this year we participated in our first co-investment opportunity in green energy. Historically only within reach for some, such co-investments are now available to all our Partner Funds and help reduce the cost of investing in Private Markets."

Chief Executive Officer's statement

DELIVERING THROUGH PARTNERSHIP

Apr

Partner Funds commit £1.6bn to Series 1B of our Private Markets programme

Jul

Receive A and A+ ratings for all modules in our first assessment under the Principles for Responsible Investment

Rachel Elwell
Chief Executive Officer

The last year has been challenging for society, for our Partner Funds, and for our colleagues and their families. When I reflect on how we have risen to the various demands thrown at us – individually and collectively – I have never been prouder to lead the team and work with our Partner Funds here at Border to Coast. The care, commitment and passion shown by everyone has been inspiring. Indeed, it demonstrates the extent to which we depend on each other and the importance of effective partnership. I therefore wanted to start my report by thanking colleagues, partners, suppliers and our Partner Funds for their support, flexibility and patience as we have navigated our way through the COVID-19 pandemic.

Established in July 2018, it is perhaps sobering to reflect that Border to Coast has been working remotely for over one-third of its life. In a time of crisis – and working remotely – it would have been easy for each of us to turn inward and focus solely on the issues at hand. However, in reality we have experienced encouragement, engagement and insight from our Partner Funds, our strategic partners, other pools and the wider investment community. Despite the circumstances, we have continued to make good progress in delivering for our Partner Funds – and I believe we emerge from this period collectively stronger than when we entered it.

Delivering investment opportunities

While we have maintained our focus on a multi-year investment horizon rather than each quarter's developments, it is impossible to ignore the volatility in the markets in 2020/21. At the start of the pandemic there was initial underperformance in value stocks which in turn impacted our externally managed equity funds. It is important to not get caught up in short-term performance; however, it was pleasing to see our externally managed equity funds return to positive territory since inception as markets recovered in the last quarter. Having experienced such challenging markets together over this period, I believe we have established with our Partner Funds some good practice on reporting and oversight that will stand us in good stead for the future.

10
collective investment vehicles

28
colleagues recruited while working remotely

We have continued to develop and deliver for, and on behalf of, our Partner Funds by:

- launching a new Fixed Income fund (the £1.5bn Sterling Index-Linked Bond Fund);
- making significant progress in the build of our new Multi-Asset Credit Fund, gaining FCA approval and appointing four specialist managers – with expected launch during 2021;
- recognising the growing importance of the Chinese market, reshaping our Emerging Markets Equity Fund and appointing two specialist China managers. The ability to adapt our propositions to reflect structural change and Partner Fund needs is fundamental to our success in the longer term;
- additional commitments from our Partner Funds of £2.7bn in the coming period are expected to take us to £5.7bn of committed capital by March 2022;
- completing our first Private Markets co-investment deal, demonstrating the expertise and capabilities of our internal investment team;
- appointing a new Head of Real Estate, Tim Sankey, to develop our Real Estate funds;
- completing our first "crossing deal", which led to a saving of £3.5m for the Partner Funds involved. We have since completed five other crossing deals; and
- continuing to grow our responsible investment capabilities, including publishing our first Task Force on Climate-related Financial Disclosures Report, gaining a strong assessment from the PRI in our first year as a signatory, and receiving recognition from the FRC on our Stewardship Code reporting.

Chief Executive Officer's statement continued

Sep
Appoint UBS and FountainCap to manage the China mandates in the Emerging Markets Equity Fund

Oct
Launch our internally managed UK Sterling Index-Linked Bond Fund

Nov
Our first co-investment in our Infrastructure Fund, with the £40m investment in Sleaford Renewable Energy Plant

Dec
Win two LAPF Investment Awards – for the second time, "Pool of the Year", and the "Collaboration Award"

Jan
Gain FCA regulatory approval for our Multi-Asset Credit Fund

Developing Border to Coast

This is the third year of our original five-year strategy to develop the investment propositions to enable Partner Funds to pool their assets and to create a sustainable organisation built on solid foundations of clear cultural values and strong risk and governance frameworks.

We are a customer-owned, customer-focused business. Accordingly, over the last year we have reviewed how we work together to develop and agree clear and mutual expectations, improve our responsiveness to Partner Fund needs and identify opportunities to maintain our close relationship.

Remote working has highlighted the importance of our Senior Leaders and our People Managers, who have played a huge part in helping us successfully navigate the last year. As outlined on pages 25 and 26, we have continued to invest in the skills and capabilities of our people. As an organisation we have continued to grow, welcoming 28 new colleagues to Border to Coast during the lockdown period, requiring an innovative approach to recruitment and induction.

As we grow, we recognise the importance and benefits that come from maintaining a diverse workforce. Diversity is recognised as a strength for us both by the Investment Association and internally by colleagues. We are one of six firms working with the Investment Association, Cambridge University, and Invesco on a study to provide insights on developing an integrated and holistic approach to managing diversity.

We have continued to further develop our organisational infrastructure, including stronger operational resilience and improved processes and reporting systems for management oversight – as demonstrated by our external control assurance maturity, moving to an Audit and Assurance Faculty ('AAF') type II controls assurance report this year.

Pooling enables our Partner Funds to have a stronger voice – and this means playing a stronger role in the investment management industry to help to redress the balance between asset owners and asset managers. It is for this reason that I accepted a place on the board of the Investment Association, supporting its initiatives on corporate governance, culture, transparency and sustainability.

Our efforts on behalf of our Partner Funds have not gone unrecognised. In our third Partner Fund annual survey, there continued to be a high level of satisfaction with how Border to Coast is developing and with our close and constructive relationship. I am also delighted that, for the second year running, we were named "Pool of the Year" in the LAPF Investment Awards and also received its "Collaboration Award".

Our next steps

While strong progress has been made in the past year, to deliver our purpose we must continue to invest and develop.

As a new, fast-developing organisation, it is critical that we nurture the right culture. Over the past year we have reviewed our values and associated behaviours to ensure they are clearly articulated and remain relevant. We are also evolving our ways of working: we believe in a flexible approach to working, enabling us to deliver for our Partner Funds in a cost-effective and sustainable way whilst also ensuring our colleagues have healthy working lives.

Over the next five years we have a real opportunity to build a mature, long-term, innovative and responsible multi-asset investment business that will enable Partner Funds to fully realise the benefits of pooling.

Our success to date is due in no small part to everyone's ongoing commitment across Border to Coast to ensure that Partner Funds remain central to our thinking and activities. I should like to thank our Partner Fund officers and elected members for their engagement and guidance over the past twelve months, the Border to Coast team for rising to the challenge and finally my fellow Board members for sharing their experience and expertise.

Rachel Elwell
Chief Executive Officer

Crossing deal

In July 2020 we successfully completed our first crossing deal on behalf of two Partner Funds in our UK Listed Equity Fund. As part of strategic asset allocation changes, one Partner Fund was looking to make an investment, while another was looking to redeem from the Fund. Early engagement and a high level of collaboration between Border to Coast, Partner Funds and external parties allowed us to manage their transactions at the same time. This "crossing deal" reduced the cost of cash redemptions and subscriptions for both parties, resulting in £3.5m of cost savings. We have subsequently completed five further crossing deals across multiple Partner Funds.

£3.5m
cost saving in a single transaction

Our response to COVID-19

Managing through the pandemic

COVID-19 is an unprecedented crisis requiring governments and companies to take extraordinary actions to support their people and stakeholders. At Border to Coast we developed a framework to guide our decision making in what was a fast moving and uncertain environment namely: how do we prioritise colleague, Partner Fund and supplier welfare; ensure we maintain continuity of service to our Partner Funds; and continue to act in a socially responsible manner?

Using this framework we made the decision to close the office and move to remote working shortly before the formal UK lockdown announcement was made on 23 March. Given the fluidity of the situation we held daily management meetings to monitor the situation, and the potential impact on colleagues, suppliers and our business, and responded to issues as they arose. We worked with our People Managers to ensure they could support their teams, and our Senior Leaders held team meetings at least twice a week to cascade updates and discuss any issues or concerns colleagues may have had, creating an effective feedback loop to inform decision making. In turn, informal Board meetings were held, initially weekly, to discuss the situation and our evolving response to the crisis.

Throughout this period we have supported colleagues to adapt to remote working with a continued focus on their physical and mental health. This has included adjusting workloads and work patterns to reflect individual circumstances.

We have also maintained a close and detailed dialogue with both our Partner Funds and outsourcing partners. This enabled us to respond or adapt to any issues or challenges that have emerged. Reflecting the increase in market volatility, additional monitoring and enhanced oversight of core outsourced providers were put in place and, due to increased external threats, enhanced cyber and security measures were introduced.

Early into the pandemic we issued a statement regarding our expectations of portfolio companies and continued to engage with the asset management industry regarding the importance of making long-term decisions taking into account all stakeholders.

In many ways the pandemic has made work more challenging. It has slowed down our pace of development, such as the launch of new investment funds. However, with the support of our colleagues, Partner Funds and strategic partners, we have nonetheless made good progress. We have adapted our practices and have developed our ways of working – and we will capture and embed these as we grow and develop as an organisation.

See **page 26**

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 **the Responsible Investment and Stewardship Report**

"We have also maintained a close and detailed dialogue with both our Partner Funds and outsourcing partners. This enabled us to respond or adapt to any issues or challenges that have emerged."

A/A+

ratings in our first assessment under the Principles for Responsible Investment

Cumbria County Council

Our Partner Funds

MAKING A DIFFERENCE

Everything we do at Border to Coast comes back to making a difference to the 1 million LGPS members, c.2,600 local employers, and many millions of taxpayers who are associated with our eleven Partner Funds.

North Yorkshire County Council

Bedfordshire Pension Fund

Number of members
72,105
Participating employers
185

Cumbria County Council

Number of members
58,396
Participating employers
126

Durham County Council

Number of members
57,430
Participating employers
115

ERPF East Riding Pension Fund

Number of members
116,422
Participating employers
317

Lincolnshire Pension Fund

Number of members
74,058
Participating employers
278

North Yorkshire County Council

Number of members
98,391
Participating employers
188

South Yorkshire Pensions Authority

Number of members
161,477
Participating employers
526

Surrey Pension Fund

Number of members
111,314
Participating employers
282

teesside pension fund

Number of members
71,577
Participating employers
173

Tyne and Wear Pension Fund Administered by South Tyneside Council

Number of members
139,312
Participating employers
266

Warwickshire pension fund

Number of members
50,031
Participating employers
190

As of audited accounts, 31 March 2020.

Our Funds

DELIVERING INVESTMENTS WITH, AND FOR, OUR PARTNER FUNDS

Border to Coast, working with our Partner Funds, has developed a range of investment options to enable the implementation of each Partner Fund's investment strategy requirements. To date we have launched seven Public Market funds through both internal and external management, as well as three Private Market portfolios.

Responsible for managing
£24.7bn

Equity

Overseas Developed Markets Equity Fund
Launched
July 2018
Assets under management at 31 March 2021
£4.2bn
The Fund invests in listed equities issued by overseas companies in developed countries, and is managed internally.

UK Listed Equity Fund
Launched
July 2018
Assets under management at 31 March 2021
£4.6bn
The Fund invests primarily in listed equities of UK companies, and is managed internally.

Emerging Markets Equity Fund
Launched
October 2018
Assets under management at 31 March 2021
£0.8bn
The Fund invests in listed equities issued by companies operating in emerging market economies, and as at 31 March 2021 was managed 100% internally. Post the year end, two China specialist external mandates were introduced to the Fund.

UK Listed Equity Alpha Fund
Launched
December 2018
Assets under management at 31 March 2021
£1.4bn
The Fund invests in listed equities offered by companies on the UK market, and is managed externally.

Global Equity Alpha Equity Fund
Launched
October 2019
Assets under management at 31 March 2021
£6.1bn
The Fund combines five complementary investment styles to create a broad portfolio of listed equities across the globe, and is managed externally.

Private Markets

Private Equity
Launched
May 2019
Committed at 31 March 2021
£1.0bn
This provides exposure to a global diversified Private Equity portfolio though collective vehicles selected by the internal Alternatives team.

Infrastructure
Launched
July 2019
Committed at 31 March 2021
£1.4bn
This provides exposure to a global diversified Infrastructure portfolio though collective vehicles selected by the internal Alternatives team.

Private Credit
Launched
October 2019
Committed at 31 March 2021
£0.6bn
This provides exposure to a global diversified Private Credit portfolio though collective vehicles selected by the internal Alternatives team.

Fixed Income

Sterling Index-Linked Bond Fund
Launched
March 2020
Assets under management at 31 March 2021
£1.4bn
The Fund invests primarily in the inflation-linked debt of the UK Government, and is managed internally.

UK Sterling Investment Grade Credit Fund
Launched
October 2020
Assets under management at 31 March 2021
£3.1bn
The Fund combines three complementary external managers to form a varied portfolio of high quality corporate or supranational credit holdings, and is managed externally.

Business model

BUILDING A SUSTAINABLE BUSINESS

What we offer

Border to Coast offers our Partner Funds investment opportunities across a range of asset classes. Partner Funds choose the funds which enable the implementation of strategic asset allocation, holding units or Limited Partnership interests in the selected funds. We also provide advisory services to Partner Funds on aspects of their asset allocations.

Investment capability

Working closely with our Partner Funds, Border to Coast designs, develops and delivers a range of investment capabilities. These investment capabilities are kept under review and will change over time taking into account our Partner Funds' evolving asset allocation strategies.

Our services

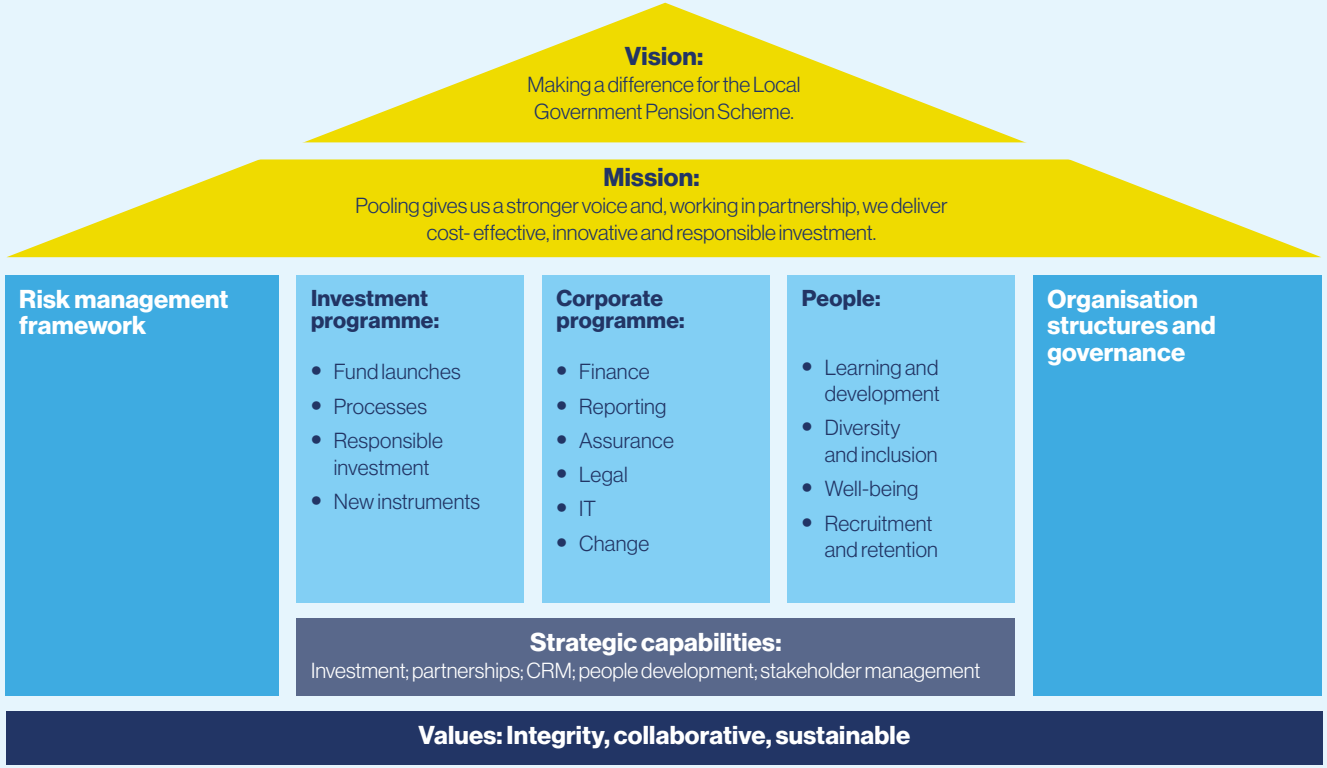
A core set of services supports these investment capabilities including:

- portfolio management: meeting the objectives and risk parameters set out in the funds' prospectuses and associated documentation, and any Partner Fund agreements;
- asset management services, including arranging custody and administration of assets;
- facilitating asset servicing support;
- investment reporting and accounting information;
- supporting Partner Funds on RI and stewardship; and
- investment advisory for those Partner Funds requiring it.

Our operating model

As an FCA regulated asset manager, we manage the assets of our Partner Funds in Public and Private Markets through internal and external management within several investment vehicles, including an Authorised Contractual Scheme. We also provide portfolio and risk management for its investment funds.

This is supported by the appointed third-party administrator, Northern Trust, which provides a range of 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.



We seek to deliver our vision and mission through our three strategic pillars: Investment programme, Corporate programme, and People. However, these can only be delivered through our identified strategic capabilities and supported by a strong risk and governance framework. All of this is underpinned by our culture and values.

Our strategy

A FOCUSED STRATEGY

As a customer-owned, customer-focused business, we exist to make a difference for our Partner Funds. Our strategy outlines how, working in partnership, we intend to deliver this.

Our strategy	Progress in 2020/21	Future focus
Investment capability We aim to be a strategic partner for our Partner Funds, set up to deliver long-term, risk-adjusted investment performance. We work with Partner Funds to develop the investment capabilities they require including Equities, Private Markets, Fixed Income, Property and more. We believe that strong and sustainable investment performance is delivered through strong portfolio risk, research and Responsible Investment ('RI') capabilities.	• Working closely with our Partner Funds we continued to design and launch new investment capabilities. In the year we launched our Sterling Index- Linked Bond Fund, further developed our Private Markets investment programme, and continued work on the restructure of our Emerging Markets Equity Fund and the development of our Multi-Asset Credit and Listed Alternatives Funds. We continued to develop our fundamental research and risk analysis. We made significant strides in our approach to RI, as outlined on page 15.	• We are developing a range of innovative and cost-effective investment capabilities for, and on behalf of, our Partner Funds. This includes the Multi-Asset Credit Fund, Listed Alternatives, and the launch of our second Private Markets investment programme. Integral to this will be our focus on RI, developing and driving reporting standards. We will work to deliver the benefits that our scale can bring, collaborating with other asset owners and the asset management industry issues on such as 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.	• We continue to make good progress in building and strengthening how we work to ensure we remain an effective, efficient and resilient organisation. Achievements from the year include remaining operationally secure and effective throughout the year despite the impact of COVID-19 and remote working; managing the operational, contractual, regulatory and tax requirements following the UK's exit from the EU; and progressing our external control assurance maturity, moving to the AAF type II audit.	• Our priorities include strengthening and embedding the operating base (which includes maturing our risk and controls frameworks, developing our resilience framework, and ensuring our data management is fit for purpose as the business grows); reviewing our operating model (to consider which activities are best managed in house, or outsourced); and reviewing working practices to consider learnings from the remote working enforced by COVID-19.
People strategy Our people enable us to deliver for our Partner Funds. We 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.	• With a quarter of colleagues (28) recruited during lockdown, new strategies have been developed to provide the cultural, risk and regulatory training required to ensure we grow as intended. Reflecting our growth and the FCA's continued focus on the drivers of culture, we conducted a review and refresh of our values and behaviours; introduced new leadership development programmes; and initiated our wellbeing programme. We made good progress in embedding the Senior Managers and Certification Regime – a significant change for the industry.	• We are investing in the development, skills and capabilities of our people, supporting their careers and individual needs, and ensuring we are an employer of choice. Key areas of focus include embedding our values and associated behaviours across our organisation – including recruitment and retention, performance management, and recognition. We are actively working on how our return to the office will support the further development of our culture, and our focus on collaboration and learning, while evolving our new hybrid ways of working. In a highly competitive market for talent we need to continue to develop our people proposition, and be innovative to find solutions for our strategic people risks.

Our strategy continued

HOW WE DELIVER VALUE

Border to Coast benefits

Delivering value

Thanks to our scale we can deliver greater value to, and for, our Partner Funds. This includes increased investment in fundamental research and risk analysis; a broader and more resilient investment team; and delivering cost savings in areas such as aggregate annual management fees, due diligence and oversight. In one "crossing deal" alone, we were able to avoid £3.5m of costs – the benefits of which were captured by the Partner Funds involved.

As an FCA regulated asset manager we have a strong focus on risk management and governance. As a customer-owned business, our propositions and services are based on the needs of our Partner Funds. As part of this, we only seek to cover the costs in the provision of our activities. Our approach is described further in our Governance Charter, which is available on our website.

Due to our scale and in-house expertise we can better support and open investment opportunities for our Partner Funds. Examples include global infrastructure and Private Markets, which smaller investors have previously been unable to access in an effective manner.

Creating investment opportunities

Due to our scale and in-house expertise, we can better support and open investment opportunities for our Partner Funds. This includes the development of opportunities in multi-asset credit and Private Markets, which smaller investors have previously been unable to access in an effective manner.

A stronger voice

We are one of the largest pension pools in the UK. Thanks to the stronger voice that pooling brings, we can have more influence on behalf of our Partner Funds in areas ranging from active stewardship, cost transparency and ESG reporting standards in Private Markets, to responding to policy consultations such as the Government review of the UK funds regime. As a major investor, we are now included in pre-consultation with companies on key issues (e.g. remuneration policies) and on industry initiatives (e.g. managing cyber-security risks).

In-house management

We can drive significant cost savings for our Partner Funds through our in-house expertise. For example on the launch of our Sterling Index- Linked Bond Fund one Partner Fund transferred a £500m investment resulting in a £0.7m annualised cost saving. In addition, when two Partner Funds transferred to our Global Equity Alpha Fund, thanks to our scale we were able to deliver over £0.9m in annual savings for them.

£500m
investment led to a
£0.7m
annualised cost saving

"Due to our scale and in-house expertise we can better support and open investment opportunities for our Partner Funds."

East Riding Pension Fund

Markets

COVID-19 AND MARKET TURMOIL

The year which saw the sharpest fall in global economic activity since the Great Depression also witnessed the fastest rebounds seen in equity markets.

The economic impact of COVID-19

At the peak of the pandemic, lockdown measures had been introduced in countries accounting for 65% of global GDP and we witnessed the sharpest fall in global economic activity since the Great Depression. The economies gradually reopened in midsummer as cases declined but a second wave of infections, featuring more virulent strains, necessitated further lockdowns into the latter part of 2020 and the first half of 2021.

Equity markets fell by over 25% and volatility soared in early 2020 as the pandemic unfolded. However, the liquidity injection through fiscal and monetary stimulus, which was larger, broader and quicker than those during the 2008 global financial crisis, resulted in a V-shaped recovery in capital markets with one of the fastest rebounds seen in equity markets. By the end of the financial year, the majority of equity markets were back above pre-pandemic levels and credit spreads close to pre-pandemic levels.

A series of positive vaccine announcements in late 2020 resulted in a renewed sense of optimism. This prompted a change in market leadership with an ongoing rotation out of highly valued mega-cap quality technology companies and into cheaper and more cyclical value companies that were expected to benefit from economic reopening in 2021. Successful and extensive vaccination programmes continue to be the key to economic recovery and good progress is being made in the developed world. As is often the case, financial markets have anticipated the recovery and valuations have appreciated ahead of strong expected earning growth in 2021.

Although there has been a strong recovery in global economic activity and upward revisions to growth and earnings estimates we remain below pre-pandemic levels of economic activity. The unprecedented levels of fiscal and monetary stimulus which have enabled economies to weather the worst of the disruption have resulted in a significant increase in fiscal deficits, which will need to be addressed at some future point. Whether this is through increased taxation, austerity, higher inflation, or a combination of these remains to be seen. Near term there will be strong growth from fiscal and monetary stimulus combined with excess cash on household and corporate balance sheets but with a negative medium-term impact from addressing fiscal imbalances.

Near-term inflationary measures are elevated due to low year-over-year base effect and near-term supply bottlenecks and there remains a significant risk there has been a change in the inflationary regime. Strong demand due to the above factors, combined with supply side changes (e.g. trade frictions from regionalisation, onshoring corporate supply chains, labour bargaining power), increases the medium-term inflationary risk. It should be noted we have seen surging commodity prices even before economies have fully reopened and large renewable and infrastructure build programmes have started.

"Successful and extensive vaccination programmes continue to be the key to economic recovery and good progress is being made in the developed world."

902
meetings with companies we've invested in

Warwickshire Pension Fund

Markets continued

The economic impact of COVID-19 continued

There appears to be an increased central bank tolerance for higher inflation, especially in the US where they have moved away from a policy of pre-emptive tightening and towards an inflation averaging regime (implying overshoot target after a period of undershooting). Higher inflation helps to reduce debt levels in real terms and central banks may be behind the curve to ensure the recovery is sustainable before withdrawing extraordinary support. Higher near-term inflation and higher inflation risk have started to spook bond investors as prices decline (and yields rise) with higher inflation and and we believe this trend is likely to continue.

There was a sharp increase in unemployment in the early stages of the pandemic, with a lower rise in UK and European countries that had furlough schemes. However, household incomes were broadly maintained as fiscal support offset the loss of income and increased level of precautionary saving is likely to boost near-term levels of activity. Although levels of employment have increased, labour markets may remain under pressure as support schemes are reduced or withdrawn.

In addition to macroeconomic uncertainty, there was also an increase in the level of political uncertainty due to the US Presidential Election. In the end, Biden was elected and the Democrats achieved a clean sweep of the White House, House of Representatives and Senate, albeit with the slimmest of margins in the latter. Biden has introduced another multi-trillion Dollar fiscal stimulus package and is pursuing an ambitious infrastructure programme with a focus on renewables, which will be supportive not just for domestic but also global activity. These programmes will be partly funded by higher debt levels and an increase in corporate tax rates. There has also been an attempt to repair global relations although trade tensions with China remain and strategic competition is likely to persist.

Looking ahead, 2021 is likely to see strong economic activity and earnings growth and investors' attention will now shift to the trajectory of the Fed "transitory" inflation projections in 2022 and what this means for the rate of increases and terminal level of interest rate increases likely to start in 2023 or beyond.


Bedfordshire Pension Fund

"Looking ahead, 2021 is likely to see strong economic activity and earnings growth and investors' attention will now shift to the trajectory of the Fed "transitory" inflation projections in 2022 and what this means for the rate of increases and terminal level of interest rate increases likely to start in 2023 or beyond."

Responsible investment

INVESTING RESPONSIBLY FOR SUSTAINABLE RETURNS

Managing investments on behalf of our Partner Funds, responsible investment ('RI') is fundamental to our approach. We believe that businesses that are governed well and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. As such, we integrate environmental, social and governance ('ESG') factors into our investment analysis across all asset classes. This helps us identify broader risks and opportunities, which leads to better informed investment decisions and improved risk-adjusted returns.

At the core of this approach is our role as stewards of our clients' capital. Holding companies to account is part of the management of the investment risks and opportunities associated with ESG, and other financially material, factors. These factors are increasingly linked to a company's social licence to operate.

As a long-term investor and representative of asset owners, we recognise our responsibilities to:

- promote stewardship across the investment chain;
- hold our external investment managers to account and expect the very highest standards of stewardship from them as our intermediaries;
- exercise our voting rights; and
- engage directly with investee companies, and in collaboration with our stewardship partner, Robeco.

Our approach is set out in our Responsible Investment Policy, and our Corporate Governance and Voting Guidelines, which outline how we practise active ownership. These were developed, and are reviewed annually, with our Partner Funds. Both documents are available on our website.

RI issues and activity are discussed and monitored at weekly Investment Strategy Committee meetings, with regular reports on RI presented to the Investment Committee. The Chief Investment Officer is ultimately accountable for the implementation of the policy. Regular reports on RI are also presented to the Board, our Partner Funds and via our website.

Active stewardship includes engaging with our investee companies and 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, workforce and other stakeholders; and
- diversity – diversity on boards and at Executive Committee level is the antidote to "groupthink", positioning companies for better decision making, better corporate performance and investment returns.

Collaboration is key to increasing our influence and we work with a range of like-minded institutional investors and initiatives which reflect our RI themes, such as Climate Action 100+, the Workforce Disclosure Initiative, and the 30% Club. We are also members of the Local Authority Pension Fund Forum, as are all our Partner Funds.

As an active owner, our voting rights are a key asset. We vote in accordance with our principles to promote and support good corporate governance and sustainability. We appointed Robeco as our voting and engagement provider to engage on our behalf and implement our Voting Guidelines.

More specifically on climate change, we are supporters of the Task Force on Climate-related Financial Disclosures ('TCFD') and of the Transition Pathway Initiative, and are members of the Institutional Investor Group on Climate Change. This enables us to collaborate when engaging with policymakers, regulators and companies, working to address the long-term risks and opportunities associated with climate change.

In 2019 we became a signatory to the United Nations-supported Principles for Responsible Investment ('PRI'). Although it is voluntary to report in a signatory's first year, we reported against four modules: strategy and governance; listed equity; listed equity – incorporation; and listed equity – active ownership. We were delighted to receive A and A+ for these modules, which is a real achievement considering we had only been operational for just over two years.

To ensure transparency of our stewardship activities, we publish quarterly Border to Coast stewardship reports alongside the voting and active ownership reports prepared for us by Robeco. Annually we publish our Responsible Investment and Stewardship Report and our TCFD Report. We also continue to support and work with our Partner Funds on a full range of RI issues.

More detail on our RI strategy and activities can be found on our website.

www.bordertocoast.org.uk

Durham County Council

Financial review

DELIVERING FOR OUR PARTNER FUNDS

Fiona Miller
Chief Operating Officer

In our third year, our results show that the planning and time taken with our Partner Funds to ensure our initial build was effective has enabled us to remain both flexible and resilient to the challenges the year has brought.

Our operating model has been held up by industry leaders as market best practice – with the pandemic seeing many firms moving towards a similar approach to our own information, communication and technology ('ICT') and outsourcing model to remain operationally resilient and efficient. Despite the challenges brought by COVID-19, we continued to enhance our operating model and have made steady progress on our objectives by delivering sustainable solutions and operating frameworks that meet our Partner Funds' longer-term needs – and have done so under budget.

Summary

- Smoothly transitioned to secure and effective remote working following the closure of our office due to COVID-19. As an organisation with an emphasis on learning we have used the last year to adapt and update our planed enhancements of our ICT infrastructure in 2021.
- Revised the fit-out of our newly acquired office space, enabling us to have the right office space and facilities to maximise the benefits of a hybrid way of working.
- Evolved our recruitment and training procedures to efficiently recruit and induct new colleagues remotely.
- Moved to the online provision of training to continue our focus on colleague learning and development.
- Managed the operational, contractual, regulatory and tax requirements resulting in the UK's exit from the EU.
- Progressed in our external control assurance maturity, moving to the AAF type II controls assurance report.
- Worked with our tax specialists and and HM Treasury to ensure our corporate structure and tax policy remain appropriate to meet our maturing organisational and investment offering.
- Continued to develop our operational resilience through reviewing our cyber-security and outsourced oversight.

Border to Coast's Group financial statements for the financial year ending 31 March 2021 are included from page 41 onwards. We include 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 2020/21

Against the backdrop of the challenges of the pandemic, we continued to deliver the Strategic Plan agreed with our Partner Funds.

South Yorkshire Pensions Authority

Financial review continued

Investment

We grew and strengthened the investment team, which included the addition of operational due diligence experience. This has enabled us to add greater value – such as our first co-investment deal.

Reflecting both the importance of the asset class and our increasing capabilities, at the beginning of the year Partner Funds committed £1.2bn to our Private Market offerings, covering Private Equity, Private Credit and Infrastructure. By 31 March 2021 the team had deployed £3bn.

Our Fixed Income offering was expanded with the launch of the £1.5bn Sterling Index-Linked Bond Fund in October 2020.

We have restructured our Emerging Markets Equity Fund. This aligns us more closely to the industry benchmark while we now use specialist external managers familiar with the large and complex Chinese market.

We continue to develop investment propositions, obtaining FCA approval for our Multi-Asset Credit Fund, due to launch later in 2021, and to develop the business case and operating model for our Real Estate funds.

In the year we have supported our Partner Funds to restructure their allocations across our existing product range, managing our first "crossing deal" for two of our Partner Funds with savings of c.£3.5m.

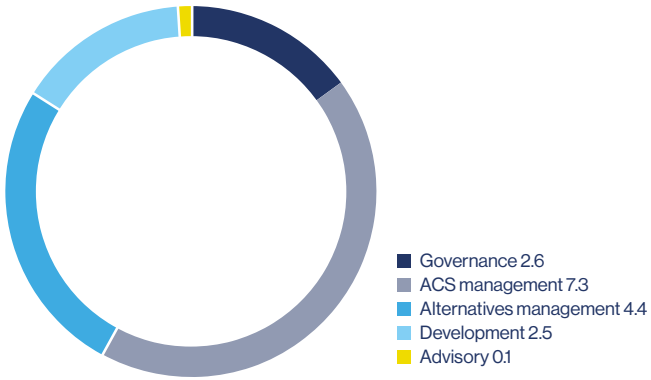
Operational resilience

The last year has highlighted the importance of operational resilience and the frameworks in place to ensure continuity of service, regardless of the challenges. However, the tangible aspects of outsource management (e.g. ICT infrastructure and cyber-security) can only work effectively when non-tangible elements of culture, purpose, risk management, colleague engagement and strategic partnerships work effectively alongside them. We are pleased that when tested, our operational resilience remained robust.

To remain effective against a world of ever increasing and more sophisticated threats, we remain vigilant and will maintain the evolution of our operating model and supporting infrastructure. The regulatory focus has shifted, with the assumption now being that all firms will be breached at some point, and the requirement being to demonstrate how the organisation would protect customers and re-establish operations. As such this will be a key focus going forward.

To monitor our continued progress on this important deliverable I am pleased to report that achievements in our controls framework include the retention of ISO 27001 certification, unqualified audit opinions for all the underlying alternative structures (20 sets of accounts) and in our first year of AAF II achieving a time bound qualified opinion for the 31 December 2020 AAF 1/06 type II controls assurance report, with all matters being successfully remediated prior to the close and further testing providing assurance that no actual breaches to systems occurred.

Expenses by category £m



"To remain effective against a world of ever increasing and more sophisticated threats, we remain vigilant and will maintain the evolution of our operating model and supporting infrastructure."

East Riding Pension Fund

Financial review continued

Expenditure

Border to Coast aims to operate on a "not-for-profit" basis by recharging all costs (including corporation tax) to the Partner Funds. We are reporting a £6k profit after tax (£1k profit) for the financial year.

Total expenses of £16.9m (£12.6m) were incurred in the year and recharged back to the Partner Funds. Whilst we now have £21.7bn of funds under management, as at the year end, with an additional £3bn of Private Market commitments, we are still very much in our growth phase. As such our costs are split into the following categories: ongoing costs, which include running a regulated company ('governance'); managing assets ('ACS management' and 'Alternatives management'); developing and launching new funds ('development'); and investment advisory services ('advisory'). During the year substantial work has been undertaken to develop detailed financial models that will enable us to benchmark our total cost of manufacture against our industry peers as our cost base stabilises.

Key performance indicators

Shown below are the key performance indicators for 2020/21 (with 2019/20 comparators shown in brackets).

Investment capability development

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

Number of propositions launched since inception	
ACS	7 (6)
Alternatives	3 (3)
Assets under management at 31 March 2021	
ACS	£21.72bn (£14.16bn)
Alternatives commitment	£3.00bn (£1.76bn)
Number of Partner Funds invested	11 (11)

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 2021	100 (77)
Graduate trainees at 31 March 2021	7 (7)

Operating model efficiency

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

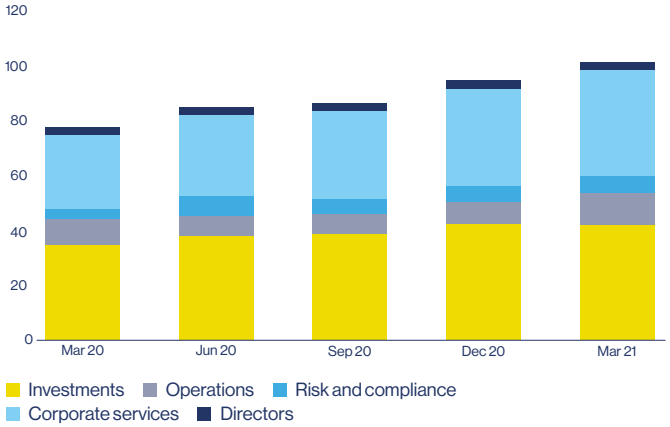
Delivery to operating budget	£0.30m/2% underspend (£1.39m/11% underspend)
Profit/(loss) after tax	£6k profit (£1k profit)
Expenses	£16.89m (£12.67m)

People

Our people and culture 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. The flexibility, collaboration and resilience of our people have been key to meeting the challenges of this year.

To support our development as an organisation, recruitment remains a key priority. We have developed new processes to recruit a high calibre of colleagues from across a breadth of disciplines and sectors, enabling us to build our workforce and maintain a positive colleague experience. Colleague numbers have grown from 77 to 100, with this expected to remain broadly stable by the end of 2022.

Colleague number by function



Financial review continued

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 drew down the additional approved capital in the year to increase our holding to £13m 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.

Each year we undertake a formal process to determine the level of capital necessary to support the risks relevant to our business which is approved by the Board. We also assess the impact on capital adequacy prior to the launch of each new proposition or other significant change to the business. In addition to this, the Board sets an additional capital buffer level to ensure that we remain above the level required by the FCA.

Liquidity

As well as it being good business practice, the FCA requires us to ensure the Company has sufficient liquidity to meet our financial obligations as they fall due. Our Partner Funds have agreed to pay the annual operating charge 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 2021: £12.4m (£8.6m)) with our short-term working capital held in a current account (as at 31 March 2021: £2.1m (£2.5m)). In light of COVID-19 and market liquidity risks our treasury limits were reviewed and temporarily increased to support us through this period; as the position stabilised they then returned to their original levels in December 2020.

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 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 with not just the letter of the law, but the spirit of the law. As such, this means not aggressively pursuing tax loopholes or adopting unreasonable tax filing positions.

Equally, one of the objectives of pooling (as set by the UK Government) was to deliver cost savings for our Partner Funds. While our Partner Funds are tax exempt, as a corporate entity, we are not. To deliver on the objective set by the UK Government, any taxes should therefore be minimised.

To balance these two issues, we do not seek to implement convoluted or aggressive tax planning strategies. We proactively engage with HMRC, in collaboration with other pools that are of a similar structure, on issues such as VAT, corporation tax, transfer pricing 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.

With the support of our tax consultants, substantial work has been undertaken throughout the year to ensure our current and future financial procedures and organisational structure remain regulatory compliant and tax efficient.

This has supported our first corporation tax assessment and discussions with HM Treasury to review our VAT methodology for the future.

Business outlook for 2021/22

The shareholders have unanimously approved the budgeted expenditure for the next financial year at £16.4m (£14.3m). The increase reflects the additional capabilities that our Partner Funds will be able to take advantage of in 2021/22, including supporting our Partner Funds' growing RI needs and the additional regulatory requirements. The primary cost driver, headcount (which drives salaries and associated costs), is expected to rise to 103 by the end of the year, representing an increase in average colleague numbers from 90 to 101.

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 COVID-19 outbreak 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, and 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. Taking this, and the Group's and key outsource partners' operational resilience, into account, 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


Durham County Council

Risk management

MANAGING RISKS

"Governance and the risk culture are fundamental elements of the framework and management has striven to build a culture that is open and learning when it comes to identifying and managing risk."

Tanya Castell, MBE
Board Risk Committee Chair

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 identify and manage risks in relation to our risk appetite and to mitigate 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.

Governance and the risk culture are fundamental elements of the framework and management has striven to build a culture that is open and learning when it comes to identifying and managing risk.

The role of the Board

The Board's primary risk management roles are to:

- instil an appropriate risk culture, balancing risk with strong performance whilst overseeing the Executive's compliance with regulatory requirements and internal policies;
- agree strategy, objectives and overall direction, and oversee and monitor Executive decision making in relation to risk;
- set Border to Coast's risk appetite;
- oversee the Executive's implementation of an effective risk management framework to support the delivery of the business strategy and manage our risk profile within risk appetite; and
- oversee whether the risk management and associated internal control systems are functioning effectively and risk mitigation is being taken promptly where necessary.

Teesside Pension Fund

PRINCIPAL RISKS

Risk management governance structure

Border to Coast's risk management governance is 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 effectively mitigated:

- The first line of defence is the business and its support functions. Function Heads are responsible for identifying and managing risks in their area and this includes implementing and maintaining effective controls.
- Our Risk and Compliance function constitutes the second line of defence, and is responsible for independently assessing the risks associated with the Company's business activities and for the effective challenge and oversight of these risks.
- The third line of defence is provided by Internal Audit, which reports to the Board Audit Committee and provides risk-based assurance over the Company's governance, risk and control framework.

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

In addition to assurance provided from internal functions, external providers may also provide assurance services, for example our external auditor, KPMG.

Key developments

During the year, with the Board's support, we appointed an interim Chief Risk Officer ('CRO'). The experience of the interim CRO has helped Border to Coast to continue to deliver on its risk management development priorities and evolve the risk oversight while the search for a new CRO was undertaken. Our new CRO, Richard Charlton, joined us in May 2021.

The development priorities in 2020/21 have seen the strengthening of the Board and Executive reporting of the Company's risk profile, including conduct risk, the implementation of a new Policy Governance Framework setting revised documentation standards and reinforcing the policy links to the risk management framework and the further development of the operational risk management processes supporting the Company's identification, assessment and management of risk.

Principal risks

We have identified eleven principal risks which can be split into four categories.

Strategic risk:
- the risk that we are unable to meet our strategic objectives and development plan.

Investment risk:
- the risk that the propositions we manage fail to deliver Partner Funds' expected outcomes or breach the risk tolerances as set out in the governing documentation for those propositions.

Financial risk:
- the risk of an adverse impact on the Company due to market fluctuations and counterparty failure or having insufficient resources to meet financial obligations as they fall due.

Operational risk:
- the risk of loss or missed opportunity resulting from inadequate or failed internal processes, people or systems or from external operational events.

A description our principal risks, how we mitigate them, and any key changes during the year are shown on pages 20 to 24.

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

South Yorkshire Pensions Authority

Risk management continued

Risk	Description	How we mitigate the risk	Changes during 2020/21
Strategic risk	**1. Strategic plans** Risk that the strategy is flawed, or we are unable to execute the strategy and fail to deliver our strategic objectives.	Our plan is developed in collaboration with our Partner Funds. The plan is monitored by the CEO and COO, with periodic reporting made to the Board through our Balanced Scorecard. Our propositions are extensively tested prior to launch and reviewed annually to assess their continued appropriateness for Partner Fund requirements.	Border to Coast extended its proposition offering through the launch of Sterling Index-Linked Gilts. In addition, we made our first co-investment in infrastructure as part of a strategy to access Private Market opportunities. We continue to respond to Partner Fund needs by increasing our Alternatives fund options, restructuring our Emerging Markets Equity Fund, and developing a Multi-Asset Credit Fund for implementation in 2021.
	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.	2020/21 saw the delivery of a significant change programme. During the year we reviewed our approach to managing change, enhancing our processes and developing further change governance as the level of change grows in magnitude and complexity.
	3. 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, the Local Authority Pensions Fund Forum, the Local Government Association and other collaborations with like-minded asset owners and managers.	Due to the pandemic the scale and pace 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. Due to the pandemic, the 2020 Local Government elections for 2020 were rescheduled for May 2021; this "double" election has resulted in a larger change than normal among elected councillors for some of our Partner Funds.
	4. 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 RI policy which includes the management of climate change risk. This covers 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 are working closely with our Partner Funds to promote a joined-up approach between strategy and implementation. This includes revised Voting Guidelines published on our website in January 2021 (with more focus on climate change) and developing a standalone Climate Change Policy, including our approach to net zero, which we expect to publish in the second half of 2021. We have enhanced our quarterly ESG reporting to include portfolio carbon benchmarking, identifying and mapping against Transition Pathway Initiative ('TPI') ratings the top carbon emitters which Portfolio Managers are required to support with a detailed investment rationale.

Risk management continued

Risk	Description	How we mitigate	Changes during 2020/21
Investment risk	**5. Customer outcomes** The risk that Border to Coast propositions do not meet customers' desired outcomes.	Our propositions are extensively tested prior to launch and reviewed annually to assess their continued appropriateness for Partner Fund requirements. Rigorous and regular Executive oversight performed, with comprehensive performance reporting and quarterly review meetings with customers. Benchmarks are set to measure and report proposition performance against.	During the period quarterly review meetings with our clients and their advisors have been introduced. Our Emerging Markets Equity Fund underwent a product design and benchmark change that was implemented in April 2021, to leverage specialist external managers familiar with the large and complex Chinese market.
	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. The proposition design process incorporates an assessment of both the investment capacity and the redemption liquidity risk profile for each fund.	We have further enhanced our liquidity monitoring arrangements as the breadth of our investment capabilities has grown through the year. The range of liquidity metrics has been expanded to enhance the understanding of the redemption liquidity profile of our funds.
Financial risk	**7. Credit and liquidity** The risk of an adverse impact on the Company due to market fluctuations and counterparty failure or having insufficient resources to meet financial obligations as they fall due.	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 set specific limits on financial risks, which are monitored and reported via the Executive Committee to the Board Risk Committee.	We continue to develop our ICAAP, enhancing our wind-down planning and developing further the operational risk scenarios as the breadth and complexity of our investment capabilities continue to grow. We are further enhancing our wind-down plan for inclusion in our 2021 ICAAP and planning for the impact of the new UK Investment Firm Prudential Regime ('IFPR').

Tyne and Wear Pension Fund

Risk management continued

Risk	Description	How we mitigate	Changes during 2020/21
Operational risk	**8. 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 an important 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. We operate a cloud-based strategic approach to our technical infrastructure ensuring robust data resilience through third parties.	During the year we maintained our ISO 27001 accreditation. Business continuity plans were utilised successfully through the COVID-19 pandemic with all colleagues able to work remotely with very little technical disruption.
	9. 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 skill sets has caused some challenges; it is important that these are 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 and professional services industry and is an attractive place to work and live. We have an embedded succession planning, performance review and personal development process. 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' wellbeing is central to our long-term cultural build.	During the year, we have built additional resources, employing more than 28 colleagues while working remotely. While turnover has been low in a suppressed market, there is a risk that we see that increase when lockdown eases. A more active resource planning approach has helped actively risk prioritise our change projects and identify any resource stretch. During the pandemic we have supplemented our permanent headcount with temporary resources to help manage the resource stretch and minimise mental fatigue. We have reviewed and refreshed our Company values and behaviours, ensuring we maintain and support the right culture. We successfully managed the transition of key roles through skilled interim resources.
	10. 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 Partner Funds 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. The Board Risk Committee oversees the annual review of material and high risk service providers.	We have increased the oversight of our outsource partners and continue to work closely and supportively with them during the COVID-19 pandemic. We have updated our Outsourcing policy, strengthening the exit planning requirements and associated procedures. Exit plans are currently being developed for all our Material Outsourcers and Key Service Providers, ahead of our annual Outsourcing attestation process.

External environment

As a regulated financial services company, we have many requirements that we are subject to and horizon scanning has identified regulatory developments (Investment Firm Prudential Regime, climate change, etc.) that may impact Partner Fund requirements and our business strategy. As a result, we continue to work closely with our Partner Funds to identify the potential implications and proactively plan for the implementation of these new requirements through our development programmes.

In addition, as the impact of Brexit takes effect we may see a divergence in the UK's approach to financial services regulation from the European Union which may lead to further change.

People and culture

INVESTING IN OUR PEOPLE

Despite the challenges of the past twelve months, COVID-19 has underscored how important our colleagues are to our business, to each other, and in how we make a difference to our Partner Funds.

£1,000
raised for St George's Crypt

COVID-19

The pandemic has been challenging. However, it has also highlighted the resilience and commitment of our people, and the strength of our culture. In the year we have continued to build on our strengths and to develop a sustainable organisation, with a focus on learning, collaboration and innovation.

The year has accelerated changes to certain elements of how we work. However, a key concern is how lockdown has impacted our more junior team members and graduates who have not had access to an office environment to learn alongside their colleagues, mentors and other senior team members. As a result, we took the decision to postpone the next cohort of graduate recruits from 2020 into 2021.

Another consequence of the pandemic is that we have been unable to run volunteering days that had been newly launched in the first quarter of 2020. This scheme will be relaunched once it is safe and appropriate to do so. Nevertheless, many colleagues continued to volunteer in charity projects within their local communities providing food and emergency supplies, getting involved in vaccination trials, helping vulnerable and elderly neighbours and as trustees. Our flexible working practices enable colleagues to support their communities.

Wellbeing

Taking care of our colleagues' wellbeing is essential. Our planned partnership with Vitality was launched in April 2020 which, throughout the pandemic, has proved invaluable to many colleagues, giving them access to medical, occupational, fitness and mental health support. The incentives for physical activity that Vitality provides have been embraced by many colleagues. Vitality also hosted several webinars offering classes on health, food, fitness and mindfulness, all of which were well received by colleagues.

The Community Working Group has continued its fundraising efforts through online solutions. Along with the Social Group it has delivered a range of social activities including regular quizzes and competitions – including an autumn photography and creative Christmas quiz – to raise more than £1,000 for our chosen charity, St George's Crypt, which supports homeless people in Leeds.

Social activities have been supplemented with small gifts being sent to colleagues for significant events such as Christmas and Easter to encourage a team spirit as people worked remotely.

"The pandemic highlighted the resilience and commitment of our people, and the strength of our culture. In the year we have continued to build on our strengths and to develop a sustainable organisation, with a focus on learning, collaboration and innovation."

People and culture continued

Culture

Having the right culture is fundamental to Border to Coast. It enables our growth, the development of our people and our relationship with our Partner Funds. We know we need to actively manage our culture, particularly while working remotely, and in 2020 we conducted a culture audit and engagement survey to identify our strengths and areas in which need further development.

The survey showed that while colleagues embrace our strong purpose they couldn't consistently articulate our values and behaviours. There is a strong sense of teamship, a focus on personal development and appreciation of visible leadership. We have worked with colleagues to make our purpose, values and behaviours easier to articulate, repeat and use in our daily activities. Further work will be undertaken to embed our values and behaviours into our recruitment, onboarding performance management and recognition programmes.

Recruitment

In the last year we have recruited around a quarter of our workforce during the pandemic. This is a great achievement and a counterpoint to much of the prevailing economic winds which has enabled our growth.

Due to the impact on productivity from working from home, some activities became more complex and lengthier. With the additional pressures of home schooling and other caring responsibilities, we created additional temporary resource for some of our teams.

One change which might well be adopted after the pandemic is the use of video calls in the first stage of the interview process where there is significant travel or to provide more flexibility for candidates around their current roles.

Learning and development

During COVID-19 the resilience of our people was quickly identified as an important area to protect, and increased leadership and people management training was provided at the start of the lockdown to help managers support their people though the change curve, the volatile markets and economy, and the personal challenges of the new working regime.

New leadership development programmes were postponed from the original spring 2020 date but commenced again in the second half of 2020 for our People Leaders and Future Leaders. We continue to promote learning opportunities and make personal development a priority for colleagues.

Equality, diversity and inclusion

Diversity is as important as ever and events during 2020, alongside the pandemic, have brought this into sharper focus.

Without the opportunity to recruit graduate trainees in 2020, Border to Coast agreed during the year to support two female interns over the summer of 2021 and a Kickstarter placement under the Investment Association umbrella scheme. We are also one of the six firms working with the Investment Association, Cambridge University and Invesco study on "Developing a Holistic Understanding of Inclusion" which aims to provide crucial practical insights to investment management organisations on developing an integrated and holistic approach to managing diversity. We are keen to play our part in developing this, learn lessons and make improvements in our inclusive approach.

Diversity is an area which is recognised as a strength for us by the Investment Association and internally by colleagues. Social cohesion, feeling included and work-life balance, especially for people with caring responsibilities, have all been areas that have been tested through the pandemic. It also highlighted additional challenges for people without the space for quiet work or study at home.

Despite the challenges of the past twelve months, COVID-19 has underscored how important our colleagues are to the business, to each other, and in how we make a difference to our Partner Funds today, and in the long term.

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

Fiona Miller
Chief Operating Officer
Border to Coast
30 June 2021

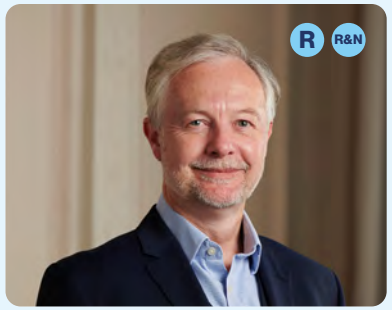
"Diversity is an area which is recognised as a strength for us by the Investment Association and internally by colleagues."

7
graduate trainees

Surrey Pension Fund

Board of Directors and Company Secretary

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



Chris Hitchen
Chair

Appointment date 23 January 2018

Chris has more than 30 years' experience as an actuary, Chief Investment Officer and Chief Executive Officer ('CEO'). He has also been a board member for several 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, and is the chair of the Pension Superfund. He is also a director of two further organisations: the Investment Forum, which engages with UK companies to encourage good governance and long-term strategy; and the Toronto-based International Centre for Pensions Management, which 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 as CEO in November 2017 with over 20 years' experience of working in pensions and institutional investment, both as a consultant with PricewaterhouseCoopers and, latterly, as investment office director for The Royal London Mutual Insurance Society Limited, where she was responsible for the assets on the insurer's balance sheet including investment strategy and oversight of asset managers. In October 2020 Rachel joined the board of the Investment Association, the UK asset management industry's trade body. Rachel is a Cambridge maths graduate, qualified actuary and member of the Institute of Directors.

Fiona Miller
Chief Operating Officer

Appointment date 23 January 2018

After being the driving force behind Border to Coast's initial conception and response to the Government's pooling agenda, Fiona joined Border to Coast from one of our Partner Funds, Cumbria County Council, where she managed the Local Government Pension Scheme, as well as the treasury, accounting and insurance functions.

Fiona has more than 25 years' experience in finance, ICT and operational restructuring across both the public and private sectors. Fiona continues to support the development of pooling in the UK by being appointed to represent the LGPS pooling companies on the LGPS Scheme Advisory Board ('SAB') Investment Committee and the CIPFA Pensions Panel.

Tanya Castell, MBE
Independent Non-Executive Director

Appointment date 23 January 2018

Tanya is a former senior global banking executive with expertise in corporate governance, risk management and regulation, having spent most of her career with JP Morgan and UBS. Tanya sits on the board of Handelsbanken plc. She has also served on a range of boards including Faster Payments Scheme, Scottish Canals, Multrees Investor Services Scheme and the platform businesses Standard Life Savings and Elevate Portfolio Services. She has chaired the Quality Assurance Scheme for the Institute of Faculty of Actuaries and has been a pension trustee for both the defined contribution scheme of HBOS and the 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.

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.

Board of Directors and Company Secretary continued

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

Andrew November
Independent Non-Executive Director

Appointment date 5 February 2020

Andrew has spent more than 25 years in asset management, currently as the head of the investment office at Scottish Widows. Prior to this he was the global chief operating officer, distribution, at Aberdeen Standard Investments, and as the 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.

John Holtby
Partner Fund nominated Non-Executive Director

Appointment date 5 February 2020

John is a councillor in the East Riding of Yorkshire Council where he is the deputy leader, with a portfolio for corporate affairs including pensions. He is also 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.

Kate Guthrie
Independent Non-Executive Director

Appointment date 2 October 2020

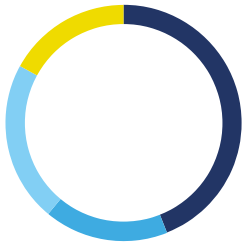
Kate has many years' experience as a human resources professional and is currently group human resources director for Virgin Money UK PLC. Her background has been in managing mergers and acquisitions, culture change, talent and development, employee relations and performance management. She has extensive experience of remuneration in financial services and is experienced in working in highly regulated environments. In the past she has worked for a number of organisations including Novartis, Diageo, Lloyds Banking Group and Marks and Spencer. Kate has recently stepped down from the board of Action for Children having joined in 2014. She also sits on the board of the Virgin Money Foundation.

Anne Walsh
Partner Fund nominated Non-Executive Director

Appointment date 6 October 2020

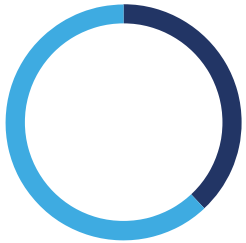
Anne is a councillor on South Tyneside Council, having first been elected in 2008. She is the chair of the Tyne and Wear Pension Committee and sits on the Human Resources Committee and Contracts Performance Panel. Anne is a lay member of the Cumbria, Northumberland, Tyne and Wear NHS Foundation Trust where she chairs hearings for patients who are on a Section 3 of the Mental Health Act and Community Treatment Orders. She is also a governor on two school governing bodies in South Shields.

Sector experience



Finance and investment	8
Legal	3
Governance	4
Public sector	3

Board diversity



Male	38%
Female	62%

Corporate governance report

COMMITTED TO BUILDING TRUST AND CONFIDENCE

"We are a customer-owned, customer-focused organisation. Working in partnership, we exist to make a difference for our Partner Funds. And this is something we are delivering on."

Chris Hitchen
Chair

It is my pleasure to present the Corporate governance report for the 2020/21 financial year. Border to Coast is a wholly owned private limited company registered in England and Wales with eleven shareholders (the administering Authorities of our 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 Partner Funds total £21.7bn, with an additional £3bn of Private Market commitments (as of 31 March 2021). To enable us to succeed for our Partner Funds it is important we continue to develop our corporate capabilities and invest in our people as well as developing the pipeline for new propositions in future years.

One key change to occur in the period was the merger of two Administrating Authorities of our Partner Funds, Northumberland and Tyne and Wear, with effect from 1 April 2020. The Local Government Pension Scheme assets held by Northumberland County Council were transferred to Tyne and Wear's Administrating authority, South Tyneside Borough Council.

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 – in short, doing the right thing because it is the right thing to do, and is consistent with our approach as an investor, and holding the companies in which we invest to the same high standards.

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 an independent Non-Executive Director with specific financial sector people leadership experience as the previous Chair of the Remuneration and Nominations Committee retired. Councillor Jeff Watson was replaced on the Board and Board Audit Committee by Councillor Anne Walsh, following a Partner Fund nomination process. I believe these changes continue to give us an appropriate balance, enabling us to hear and understand the voice of our Partner Funds. 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.

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

	2021	2020
Age 40–49	**1**	1
Age 50–59	**5**	4
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. This is a contributing factor in constructive and inclusive challenge around the boardroom table.

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. The Board mirrors these values, and all Directors are encouraged to participate in open and effective debate and to contribute to building the business.

Corporate governance report continued

Key governance changes continued

Governance developments during the year have included:

- a change in one of our Partner Fund nominated Non-Executive Directors;
- the appointment of a new independent Non-Executive Director with specific HR experience following the retirement of the previous Remuneration and Nominations Committee Chair;
- conducting an external review of the effectiveness of the Board and its Committees; and
- reviewing the culture of the organisation and how this flows from our values.

Particularly important to the Board is the Whistleblowing Policy, which underwent its last review by the Board Risk Committee at its meeting on 8 September 2020. The same meeting of the Board Risk Committee considered a review of whistleblowing over the preceding twelve months, which reported no incidents. It also agreed that our Whistleblowing Champion should be changed to Andrew November as Chair of the Board Audit Committee, making him responsible for ensuring that appropriate procedures are in place to allow employees to speak up without fear or favour.

How the Board works

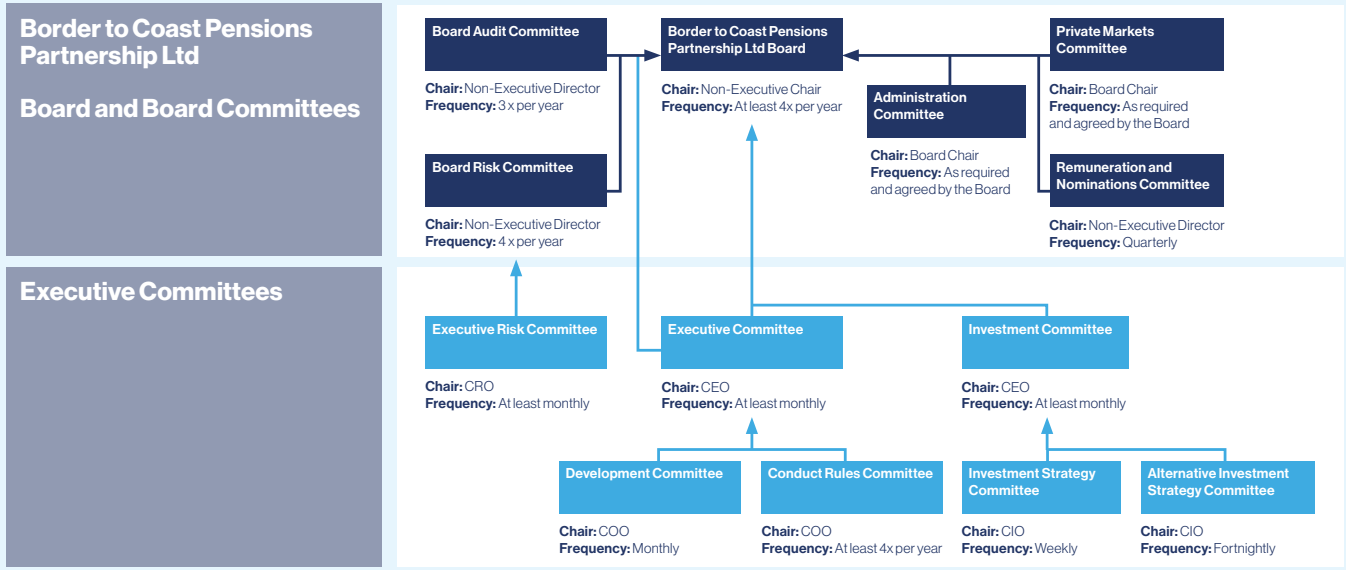
The Board is collectively responsible for promoting the success of Border to Coast by directing and supervising its affairs, with due regard for the interests of its shareholders, customers, employees and other stakeholders.

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, customers and propositions to enable them to carry out all their responsibilities effectively, efficiently and compliantly.



The Board Audit, Board Risk, and Board Remuneration & Nominations Committees have independent NED Chairs

Within the Board, the roles of Chair and CEO are distinct but complementary in accordance with the Corporate Governance Code which 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;
- offer specialist advice; and
- draw on wider experience to provide the Board and the Executive team with a breadth of understanding and insight.

They are also responsible (through the Remuneration and Nominations Committee) 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, the Partner Funds. The Partner Funds have nominated two appropriate 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 Board Audit Committee, the Board Risk Committee, the Remuneration and Nominations Committee, the Private Markets Committee and the Administration Committee.

Corporate governance report continued

How the Board works continued

	Board (6)	Board Audit Committee (5)	Board Risk Committee (6)	Remuneration and Nominations Committee (4)	Private Markets Committee (2)	Administration Committee (0)
Chris Hitchen (Chair)	6 (6)	1+	6 (6)	4 (4)	2 (2)	—
Tanya Castell (iNED)	6 (6)	5 (5)	6 (6)	3 (3)	2 (2)	—
Rachel Elwell (CEO)	6 (6)	5+	6+	4+	2 (2)	—
Kate Guthrie (iNED)**	3 (3)	—	—	2 (2)	— (1)	—
John Holtby (PF-NED)	6 (6)	—	6+	4 (4)	2 (2)	—
Fiona Miller (COO)	6 (6)	5+	6+	—	1 (2)	—
Enid Rowlands (iNED)*	3 (3)	—	—	2 (2)	— (1)	—
Andrew November (iNED)	6 (6)	5 (5)	6 (6)	—	2 (2)	—
Anne Walsh (PF-NED)***	3 (3)	3++ (2)	1+	—	— (1)	—
Jeff Watson (PF-NED)*	2 (3)	3 (3)	—	—	1 (1)	—

* Resigned with effect from 30 September.
** Appointed on 2 October.
*** Appointed on 6 October.
+ Attended by invitation and was not present for private business.
++ Attended one meeting prior to being appointed to the Board.

Information regarding the Board Risk Committee, the Board Audit Committee and the Remuneration and Nominations Committee can be found on pages 27 to 38.

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 on page 30.

The Board met eight times (six Board meetings and two strategy days) during the year, when it considered a range of items relating to the Company, its business and performance. Due to the COVID-19 pandemic these meetings have been held virtually. The Chair has established regular private meetings of the Non-Executive Directors without the presence of the Executive prior to the ordinary quarterly meetings. Attendance at meetings is shown above for the Board and its Committees. The number in brackets shows the number of meetings each Director was eligible to attend.

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 ('iNED'). Although all Directors are invited to these meetings there is no expectation that they must all attend other than if they have been included in the agreed quorum.

The Private Markets Committee

The Private Markets Committee can be called upon to consider recommendations from the Executive on risks 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. Although all Directors are invited to these meetings there is no expectation that they must all attend other than if they have been included in the agreed quorum.

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

Board composition

Executive Directors	2
Non-Executive Directors	6

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:

John Holtby	30 September 2021
Andrew November	30 September 2022
Anne Walsh	30 September 2022
Kate Guthrie	30 September 2023
Tanya Castell	30 September 2024
Chris Hitchen	30 September 2025

The extension of terms for Chris Hitchen and Tanya Castell was approved by the shareholders at the 2020 AGM, by five and four years respectively. These terms were agreed to mitigate the risks associated with the previous coterminous terms of office.

The engagement of our people at Border to Coast in the values and strategy is important to the Board and the shareholders. The Board has, however, made the decision that it will not appoint a director from the workforce or require a specific designated Board director. This is because we are a small organisation, so it is possible to cascade information to and from colleagues using other methods. The Board also believes that there is no requirement for a workforce advisory panel as there are other methods of communication with colleagues. These methods include regular town halls, newsletters, board debriefs and focus groups. The Board keeps under review ways in which it can engage with our people and enable them to have a voice.

Corporate governance report continued

Conflicts of interest

Directors have a statutory duty to declare any interests, 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 required.

Board effectiveness and skills

At its meeting on 16 September 2020 the Board approved the process for the appointment of an external provider to conduct an independent review of the effectiveness of the Board and its Committees. Subsequent to a procurement process Muse Advisory was appointed. The review, which was commissioned by the Board and conducted independently in line with good practice, was undertaken in late 2020. Muse's findings were discussed with the Board at its February 2021 meeting, with a summary of the findings subsequently shared with the Partner Funds.

The review included a questionnaire, meeting observations, interviews with each Director and others including Partner Fund representatives. Feedback was provided directly to the Board and Remuneration and Nominations Committee Chairs. The review found a strong, positive culture delivering asset management on behalf of and for the Partner Funds. The Board and the Committees were assessed to be doing a good job thus far in leading the Company, with respect for regulatory needs and attention to risks to the strategy. The next stage of Board development will build on this to further embed good practice in a proportionate manner as the organisation grows.

Induction and development

The Chair, assisted by the Company Secretary, is responsible for ensuring that a full and tailored induction is provided to all new Directors. The induction is designed to enhance their knowledge and understanding of Border to Coast and its stakeholders. The Chair also has responsibility to agree with Directors their development needs and the Company Secretary ensures that ongoing training is provided for Directors to refresh their skills and knowledge. During the year the Directors received regular briefings to develop their knowledge and understanding of key business issues. The main topics were:

- new investment propositions which included multi-asset credit, real estate and emerging markets;
- the Senior Managers and Certification Regime; and
- FCA expectations of boards.

Border to Coast Pensions Partnership Ltd
Board and Board Committees

Board Audit Committee
Chair: Independent Non-Executive Director

Frequency: 5x per year

Board Risk Committee
Chair: Independent Non-Executive Director

Frequency: 6x per year

Border to Coast Pensions Partnership Ltd Board
Chair: Non-Executive Chair

Frequency: 6x per year

Administration Committee
Chair: Board Chair

Frequency: As required and agreed by the Board

Private Markets Committee
Chair: Board Chair

Frequency: As required and agreed by the Board

Remuneration and Nominations Committee
Chair: Independent Non-Executive Director

Frequency: 4x per year

Bedfordshire Pension Fund

Remuneration and Nominations Committee report

CONTINUING TO BUILD AND SUSTAIN THE ORGANISATION

Embedding our purpose and culture whilst supporting our colleagues through the pandemic.

"I joined the Board in September 2020 during what has been an exceptional time. The Committee's focus has been providing support and challenge to the Executive team and to colleagues as we continue to build the organisation. We have paid close attention to ensuring the alignment between our culture, our governance and our people in delivering our purpose of supporting Partner Funds and delivering strong performance. We have hired and inducted 28 colleagues whilst working remotely whilst and pivoting quickly to deliver ongoing development for our colleagues."

Kate Guthrie
Independent 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 Board.

- Enid Rowlands (Chair) (until 30 September 2020)
- Kate Guthrie (Chair) (with effect from 2 October 2020)
- Tanya Castell (until 31 January 2021)
- Chris Hitchen
- John Holtby

Following her resignation on 30 September 2020, Enid Rowlands continued to advise the Committee on a consultancy basis until 31 December 2020. For this service she received remuneration of £8,000.

Attendance at the meetings of the Committee during 2020/21 is outlined in the Corporate governance statement on page 31. The Chair of the Committee attends the AGM, where shareholders are able to ask questions regarding all aspects of the Committee's role and its work.

The Chief Executive and the Head of HR attend all meetings but leave them when discussing matters relating to themselves. The Committee holds private sessions with the CEO and Head of HR separately throughout the year.

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.

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 pay information from a range of sectors to advise on remuneration policies. • 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 one Partner Fund Non-Executive Director 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	• Consideration of people risk. • Establishing and review of the outputs of the culture audit and engagement survey to develop our culture. • Regular review of all aspects of people strategy and the operational/people risk management during the pandemic.

Remuneration and Nominations Committee report continued

Report from the Remuneration and Nominations Committee Chair

During the year the Committee scheduled, and held, four meetings and a remuneration workshop.

Focus for the year

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

- the identification and oversight of the Executive's management of people risk, especially during the pandemic;
- the further development of the reward strategy assisted by the services of an external remuneration consultant, PwC 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 Bampfylde) and one Partner Fund nominated Non-Executive Director; and
- the implementation of a culture audit and engagement survey for colleagues, consideration of the results and the action plan.

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 industry average levels in development for colleagues and strong support for professional qualifications. We have invested in a leadership development programme which combines (virtual) classroom teaching, practical peer group learning and coaching. Our Future Leaders development programme launched in September 2020 to support internal progression, further develop our learning culture, and inspire leadership at all levels.

Following discussion with our Community Working Group, two days' paid volunteering was introduced for colleagues. They have, however, been unable to avail themselves of opportunities to use this to greatest effect during lockdown. Border to Coast also supports volunteering through flexible working, which has continued during lockdown. 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 and Nominations Committee in February 2021, our mean gender pay gap on 1 April 2020 was +0.3% (a change of 18pts compared to last year and achieving parity on this measure), and our median gender pay gap was +37.9% (an increase of 9pts since last year).

A higher number of women in the most senior roles and most junior roles results in the mean gender pay gap being negligible. There are, however, proportionally more men than women, both in the organisation and in mid-senior professional roles, which affects the median gap. We are seeking to address this gap in the longer term through diversity in the recruitment of interns, in graduate roles and at more junior levels as well as, in the shorter term, using search techniques alongside our recruitment and attraction strategies to identify suitable women for the typically male-dominated investment professional roles. Our culture is inclusive and has strength from gender balance at senior level, and flexible working across all roles and levels, resulting in more men than women working part time.

Equal pay is reviewed in detail as part of overall pay reviews and our ongoing reward activity. As explained, 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 do have equal pay for equal work. 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.

We have an ethnic and racial diversity within Border to Coast that reflects the Yorkshire region's average.

Looking forward to the coming year and as we hopefully transition to a less restricted world, the Committee will be developing the future reward strategy to recognise the strategic achievement to date and to address the risks of retention. Plans will be brought forward for discussion with our shareholders later in the year.

The Committee would like to recognise the efforts of the Executive team and all of our colleagues in continuing to deliver for our shareholders and Partner Funds in a truly exceptional year which has required huge levels of resilience and determination.

Durham County Council

Board Audit Committee report

ROBUST AND EFFECTIVE OVERSIGHT IN CHALLENGING TIMES

"In a year of uncertainty, robust reporting and controls have enabled Border to Coast to successfully continue its journey – safe and in good health."

Andrew November
Independent Non-Executive Director

Committee members

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

- Andrew November (Chair)
- Tanya Castell
- Anne Walsh (with effect from 6 October 2020)
- Jeff Watson (resigned from the Board on 30 September 2020)

The Board considers that Andrew November and Tanya Castell have the recent and relevant financial experience that the Committee Terms of Reference and the UK Corporate Governance Code require.

Attendance at the meetings of the Committee during 2020/21 is outlined in the Corporate governance statement on page 31. The Chair of the Committee attends the AGM, where shareholders can ask questions regarding all aspects of the Committee's role and its work.

The Chief Executive Officer and the Chief Operating Officer attend all meetings, as do the Chief Risk Officer and the Head of Finance. The Internal Audit Partner and External Audit Partner also attend meetings of 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 the Group's financial controls. The Committee holds private sessions with Internal Audit and External Audit throughout the year.

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. • Approve the Transfer Pricing Policy. • Review the VAT Partial Exemption Special Methodology to be proposed to HMRC.
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. • Receive feedback from the internal auditor without the presence of 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 the fees. • Monitor the external auditor's process for maintaining its independence and compliance with relevant law, regulation and professional standards. • Receive feedback from the external auditor without the presence of the Executive.

Board Audit Committee report continued

Report from the Board Audit Committee Chair

During the year, the Committee held five meetings: four quarterly meetings and one scheduled specifically to consider the Annual Report and Accounts. At each meeting the members of the Committee met with Internal Audit and External Audit without the presence of the Executive.

Internal audit

Deloitte LLP was appointed as internal auditor from September 2018 for an initial period of three years, with the option to extend for a further two years. The option to extend is being exercised. The Committee is satisfied that Internal Audit is independent from the business, having a dual reporting line to both the Chair of the Committee and the Chief Executive Officer.

External audit

KPMG LLP 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 15 July 2020. The option to extend is being exercised and it will be proposed for re-appointment at the 2021 AGM.

Overseeing our audit process is Audit Partner Tom Tyler. 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 2021, the Committee reviewed the policy for the provision of non-audit services by the external auditor, which was subsequently approved on 24 March 2021. The policy states that any fees paid to the external auditor for work outside the scope of audit services should not exceed 50% of the total fees in any financial reporting period. Audit services cover the audit of the Group's financial statements, the audit of the Authorised Contractual Scheme and the audit of the ten Scottish Limited Partnerships established to support the alternative investments.

The Company is to pay KPMG a fee of £90,000 for the audit of our 2020/21 consolidated and subsidiaries' financial statements and £269,900 for the audit of the Authorised Contractual Scheme and Scottish Limited Partnerships financial statements. In addition to these audit fees, we also paid KPMG a further £107,172 for the Audit and Assurance Faculty ('AAF') work and the Client Assets Sourcebook ('CASS') review, both of which are assurance related. As the non-audit fees were less than 50% of the total fees paid, the Committee considered that KPMG's independence was not compromised.

"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."

Surrey Pension Fund

Board Risk Committee report

EFFECTIVELY MANAGING RISKS IN AN UNCERTAIN TIME

"The pandemic has certainly made it a challenging year for everyone and, whilst there have been some resourcing challenges, Border to Coast has made good progress in evolving its risk management framework to support its activities effectively."

Tanya Castell
Independent 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)
- Chris Hitchen
- Andrew November

Attendance at the meetings of the Committee during 2020/21 is outlined in the Corporate governance statement on page 29. The Chair of the Committee attends the AGM, where shareholders can ask questions regarding all aspects of the Committee's role and its work.

The Chief Risk Officer attends all meetings as do the Chief Executive Officer, the Chief Operating Officer and the Head of Compliance. Internal Audit and External Audit also attend meetings of the Committee.

Purpose

The Committee helps the Board ensure that the interests of the shareholders, and the LGPS Pension Funds that they administer, are properly protected through the application of effective risk and capital management frameworks.

Roles and responsibilities

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

Risk	• Make recommendations for the Board's approval on the Company's risk appetite. • Review the risk management framework and oversee its implementation. • Review overarching policies and the creation of new risk policies. • Review the risk profile, material risk events and any potential breaches of risk appetite.
Compliance and financial crime	• Review of the annual market abuse report. • Review of the annual Money Laundering Risk Officer's report. • Approve and review progress of the compliance monitoring plan and review material regulatory breaches. • Review of conduct risk and introduction of a conduct risk dashboard.
Capital	• Oversee the Internal Capital Adequacy Assessment Process ('ICAAP') and recommend to the Board for approval. • Challenge the design and execution of stress and scenario tests.
Policies	• Consider and, if thought fit, approve those policies delegated to it by the Board. • Consider and, if thought fit, recommend to the Board for approval those policies the Board has reserved to itself.
Chief Risk Officer	• Ratify, following the delegation of the matter by the Board to the CEO (in consultation with the Committee Chair), the appointment of the interim CRO and the subsequent appointment of a permanent CRO.

Board Risk Committee report continued

Report from the Board Risk Committee Chair

The Committee met nine times during the year: seven meetings and two ICAAP workshops. The major risks discussed are set out in further detail in the Risk management report on pages 20 to 24. The areas of focus of the Committee over the year, in addition to discussing the risk profile, were:

- Risk management framework: the Committee recommended the annual review of the risk management framework policy to the Board.
- Risk appetite framework and risk taxonomy: the Committee reviewed the revised risk taxonomy and risk appetite statements and recommended their approval to the Board.
- Whistleblowing: reviewed the procedures for handling allegations from whistleblowers and the arrangements for employees to raise concerns about improprieties. The role of Whistleblowing Champion was transferred from the Chair of the Board Risk Committee to the Chair of the Board Audit Committee in September.
- Stress testing: the Committee considered options of reverse stress testing and recommended to the Board that two or three scenarios leading to investment risk being transferred onto the balance sheet be analysed. The Committee also reviewed the liquidity stress test output and related actions and the wind-down plan.
- ICAAP: following review, throughout the year, of the various components, the Committee recommended to the Board the approval of the ICAAP.
- Conduct risk: the Committee reviewed the developments to oversee conduct risk including enhancements to the management of conflicts and revisions to the conflict register.
- Compliance monitoring plan: having approved the plan, the Committee monitored progress and ratified several changes throughout the year arising as a result of resourcing challenges.
- Resourcing: the Committee was briefed on challenges in resourcing for the Risk and Compliance team, the impacts identified and how these were being addressed.

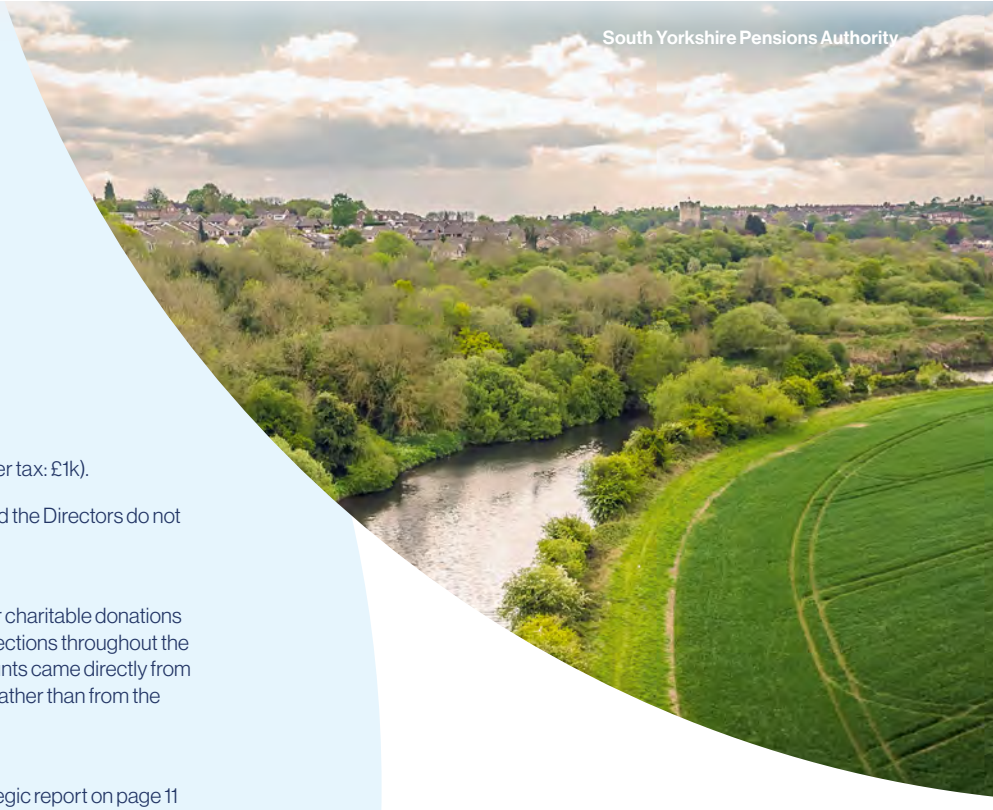
"The Committee helps the Board ensure that the interests of the shareholders, and the LGPS Pension Funds that they administer, are properly protected through the application of effective risk and capital management frameworks."


North Yorkshire County Council

Directors' report

PRINCIPAL ACTIVITIES

The Directors present their report and the audited financial statements of the Group and Company for the year ended 31 March 2021.



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	30 Sep 2020
Tanya Castell	23 Jan 2018	—
Rachel Elwell	23 Jan 2018	—
Fiona Miller	23 Jan 2018	—
Andrew November	5 Feb 2020	—
Jeffrey Watson	5 Feb 2020	30 Sep 2020
John Holtby	5 Feb 2020	—
Anne Walsh	6 Oct 2020	—
Kate Guthrie	2 Oct 2020	—

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

Results and dividends

The Group made a £6k profit after tax (2020: profit after tax: £1k).

No dividends were paid during the year (2020: £nil) and the Directors do not recommend the payment of a final dividend.

Political or charitable donations

During the year, the Group did not make any political or charitable donations (2020: £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 11 and include the build of further investment capabilities, including multi-asset credit, listed alternatives, and the launch of our second Private Markets investment programme. These are expected to lead to further increases in the level of assets under management.

Directors' report continued

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent company 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 and parent company'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 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 auditor

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
Border to Coast
30 June 2021

Teesside Pension Fund

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 2021 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 2021 and of the group's profit and parent 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the group or the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, risk committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit committee, Risk committee and Remuneration and Nominations committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited perceived pressure and opportunity from the nature of revenue transactions.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries containing consistent ending numbers and those containing certain journal description words.
- Evaluated the business purpose of one-off transactions, including the purchase, cancellation and transfer of shares in connection with the merger of partner funds.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent auditor's report continued
to the members of Border to Coast Pensions Partnership Limited

Fraud and breaches of laws and regulations – ability to detect continued

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations continued

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, employment law, FCA regulation and certain aspects of company legislation recognising the financial and regulated nature of Border to Coast Pension Partnership Limited's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information, which comprises the Strategic Report, the Directors' Report, and the Governance Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion 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 40, 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 Peter's Square
Manchester
M2 3AE
United Kingdom
30 June 2021

Consolidated income statement and statement of comprehensive income
for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Turnover	3	**17,262**	12,604
Administrative expenses	4	**(16,892)**	(12,672)
Operating profit		**370**	(68)
Other interest receivable and similar income	7	**20**	91
Interest payable and similar expenses	7	**—**	(11)
Profit before taxation		**390**	12
Tax on profit	8	**(384)**	(11)
Profit for the financial year		**6**	1
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**6**	1

The results above all related to continuing operations.

The notes on pages 47 to 54 form an integral part of these financial statements.

Company income statement and statement of comprehensive income
for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Turnover	3	**17,252**	12,592
Administrative expenses	4	**(16,892)**	(12,672)
Operating profit		**360**	(80)
Other interest receivable and similar income	7	**20**	91
Interest payable and similar expenses	7	**—**	(11)
Profit before taxation		**380**	—
Tax on profit	8	**(382)**	(9)
Loss for the financial year		**(2)**	(9)
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive loss for the year		**(2)**	(9)

The results above all related to continuing operations.

The notes on pages 47 to 54 form an integral part of these financial statements.

Consolidated balance sheet
at 31 March 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Intangible assets	9	**40**		14	
Tangible fixed assets	10	**198**		240	
			238		254
Current assets					
Debtors:					
– amounts falling due within one year	12	**7,419**		4,788	
– amounts falling due after one year	12	**3,142**		2,419	
Cash at bank and cash equivalents	14	**14,451**		11,099	
			25,012		18,306
Creditors: amounts falling due within one year	15	**(9,190)**		(6,229)	
			(9,190)		(6,229)
Net current assets			**15,822**		12,077
Total assets less current liabilities			**16,060**		12,331
Creditors: amounts falling due after more than one year					
Pensions and similar obligations	16		**(3,142)**		(2,419)
Net assets			**12,918**		9,912
Capital and reserves					
Called up share capital	17		**13,000**		10,000
Profit and loss account			**(82)**		(88)
Shareholders' funds			**12,918**		9,912

These financial statements were approved by the Board of Directors on 30 June 2021 and were signed on its behalf by:

Fiona Miller
Chief Operating Officer
Border to Coast Pensions Partnership Limited
Registered no. 10795539
30 June 2021

The notes on pages 47 to 54 form an integral part of these financial statements.

Company balance sheet
at 31 March 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Intangible assets	9	**40**		14	
Tangible fixed assets	10	**198**		240	
Investments	11	**—**		—	
			238		254
Current assets					
Debtors:					
– amounts falling due within one year	12	**7,397**		4,775	
– amounts falling due after one year	12	**3,142**		2,419	
Cash at bank and cash equivalents	14	**14,451**		11,099	
			24,990		18,293
Creditors: amounts falling due within one year	15	**(9,186)**		(6,226)	
			(9,186)		(6,226)
Net current assets			**15,804**		12,067
Total assets less current liabilities			**16,042**		12,321
Creditors: amounts falling due after more than one year					
Pensions and similar obligations	16		**(3,142)**		(2,419)
Net assets			**12,900**		9,902
Capital and reserves					
Called up share capital	17		**13,000**		10,000
Profit and loss account			**(100)**		(98)
Shareholders' funds			**12,900**		9,902

These financial statements were approved by the Board of Directors on 30 June 2021 and were signed on its behalf by:

Fiona Miller
Chief Operating Officer
Border to Coast Pensions Partnership Limited
Registered no. 10795539
30 June 2021

The notes on pages 47 to 54 form an integral part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 March 2021

	Called up share capital £000	Profit and loss account £000	Total equity £000
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
Balance at 1 April 2020	**10,000**	**(88)**	**9,912**
Total comprehensive income for the period	**—**	**6**	**6**
Issue of share capital	**3,000**	**—**	**3,000**
Total contributions by and distributions to owners	**—**	**—**	**—**
Balance at 31 March 2021	**13,000**	**(82)**	**12,918**

The notes on pages 47 to 54 form an integral part of these financial statements.

Company statement of changes in equity
for the year ended 31 March 2021

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2019	10,000	(89)	9,911
Total comprehensive loss 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
Balance at 1 April 2020	**10,000**	**(98)**	**9,902**
Total comprehensive loss for the period	**—**	**(2)**	**(2)**
Issue of share capital	**3,000**	**—**	**3,000**
Total contributions by and distributions to owners	**—**	**—**	**—**
Balance at 31 March 2021	**13,000**	**(100)**	**12,900**

The notes on pages 47 to 54 form an integral part of these financial statements.

Consolidated cash flow statement
for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Profit before tax		**390**	12
Adjustments for:			
Depreciation, amortisation and impairment		**111**	93
Loss on disposal of fixed assets		**1**	—
Interest receivable and similar income		**(20)**	(91)
Interest payable and similar expenses		**—**	11
Corporation tax		**(384)**	—
Increase in trade and other debtors		**(2,631)**	(3,259)
Increase in trade and other creditors		**2,961**	503
Net cash from operating activities		**428**	(2,731)
Cash flows from investing activities			
Interest received		**20**	91
Acquisition of tangible fixed assets	10	**(56)**	(69)
Acquisition of other intangible assets	9	**(40)**	—
Net cash from investing activities		**(76)**	22
Cash flows from financing activities			
Proceeds from the issue of share capital	17	**3,000**	—
Interest paid		**—**	(11)
Net cash from financing activities		**3,000**	(11)
Net increase/(decrease) in cash and cash equivalents		**3,352**	(2,720)
Cash and cash equivalents at 1 April	14	**11,099**	13,819
Cash and cash equivalents at 31 March	14	**14,451**	11,099

The notes on pages 47 to 54 form an integral part of these financial statements.

Company cash flow statement
for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Profit before tax		**380**	—
Adjustments for:			
Depreciation, amortisation and impairment		**111**	92
Loss on disposal of fixed assets		**1**	—
Interest receivable and similar income		**(20)**	(91)
Interest payable and similar expenses		**—**	11
Corporation tax		**(382)**	—
Increase in trade and other debtors		**(2,622)**	(3,246)
Increase in trade and other creditors		**2,960**	503
Net cash from operating activities		**428**	(2,731)
Cash flows from investing activities			
Interest received		**20**	91
Investment in subsidiaries		**—**	—
Acquisition of tangible fixed assets	10	**(56)**	(69)
Acquisition of other intangible assets	9	**(40)**	—
Net cash from investing activities		**(76)**	22
Cash flows from financing activities			
Proceeds from the issue of share capital	17	**3,000**	—
Interest paid		**—**	(11)
Net cash from financing activities		**3,000**	(11)
Net increase/(decrease) in cash and cash equivalents		**3,352**	(2,720)
Cash and cash equivalents at 1 April	14	**11,099**	13,819
Cash and cash equivalents at 31 March	14	**14,451**	11,099

The notes on pages 47 to 54 form an integral part of these financial statements.

Notes to the financial statements
for the year ended 31 March 2021

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 r.

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 2021.

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 Group and Company were established to support the pooling of Local Government Pension Schemes. The shareholders and investors are Local Government Pension Schemes and the Directors have 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 for at least twelve months from the date of approval of the financial statements.

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 turnover 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 2021

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 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 eleven 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 the 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 match the sum of all benefits 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 are therefore presented net of the defined benefit cost in profit or loss and other comprehensive income respectively, as permitted under FRS 102.

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.

Notes to the financial statements continued
for the year ended 31 March 2021

2. Accounting policies continued

o. Employee benefits continued

Any movements in the pension liability and the corresponding reimbursement asset which do not have a cash impact are excluded from the statement of cash flows but are disclosed elsewhere in the financial statements.

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. Contingent liabilities

A contingent liability is disclosed if the Group has a possible future obligation as a result of past events, and either the amount of the expected future outflow of economic resources or the likelihood of payment cannot be reliably estimated.

r. 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 2021 £000	Group 2020 £000	**Company 2021 £000**	Company 2020 £000
Recharge of costs	**17,252**	12,592	**17,252**	12,592
Priority profit share	**10**	12	**—**	—
	17,262	12,604	**17,252**	12,592

4. Expenses and auditor's remuneration

Included in profit/loss are the following:

	2021 £000	2020 £000
Amortisation of intangible fixed assets	**13**	10
Depreciation of tangible fixed assets	**98**	82
Operating leases	**137**	137
Foreign exchange differences	**79**	14

Auditor's remuneration:

	2021 £000	2020 £000
Audit of these financial statements	**40**	35
Audit of the subsidiaries	**50**	50

Non-audit services:

	2021 £000	2020 £000
Controls assurance	**97**	60
Client assets	**10**	10

5. Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year was 90 (2020: 69). The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	**6,520**	4,560
Social security costs	**757**	512
Contributions to defined contribution plans	**452**	306
Expenses related to defined benefit plans	**180**	642
	7,909	6,020

Notes to the financial statements continued
for the year ended 31 March 2021

6. Directors' remuneration

	2021 £000	2020 £000
Emoluments	**634**	560
Contributions to defined contribution plans	**31**	21
	665	581

During the year two Directors (2020: two) participated in money purchase pension schemes.

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

	2021 £000	2020 £000
Emoluments	**254**	251
Contributions to defined contribution plans	**16**	7
	270	258

7. Finance income and expense

	2021 £000	2020 £000
Interest receivable on bank deposits and cash equivalents	**20**	91
Total interest receivable and similar income	**20**	91
Interest payable on loans	**—**	11
Total other interest payable and similar expenses	**—**	11

8. Taxation

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

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Current tax on income for the period	**330**	51	**328**	49
Deferred tax (see note 13)	**54**	(40)	**54**	(40)
Total tax	**384**	11	**382**	9

8. Taxation continued

Reconciliation of effective tax rate

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Profit/(loss) excluding taxation	**390**	12	**380**	—
Tax using the UK corporation tax rate of 19% (2020: 19%)	**74**	2	**72**	—
Net effect of other non-taxable/ non-deductible items	**(42)**	59	**(42)**	59
Adjustments to tax charge in respect of prior years	**150**	(10)	**150**	(10)
Deferred tax change	**54**	(40)	**54**	(40)
Transfer pricing adjustment	**148**	—	**148**	—
Total tax expense included in profit or loss	**384**	11	**382**	9

9. Intangible assets (Group and Company)

	Software £000
Cost	
Balance at 1 April 2020	30
Additions	40
Disposals	(5)
Balance at 31 March 2021	**65**
Amortisation and impairment	
Balance at 1 April 2020	16
Amortisation for the year	13
Disposals	(4)
Balance at 31 March 2021	**25**
Net book value	
At 1 April 2020	14
At 31 March 2021	**40**

Notes to the financial statements continued
for the year ended 31 March 2021

10. Tangible fixed assets (Group and Company)

	Leasehold £000	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
Balance at 1 April 2020	58	200	123	381
Additions	20	36	—	56
Balance at 31 March 2021	**78**	**236**	**123**	**437**
Depreciation and impairment				
Balance at 1 April 2020	23	96	22	141
Depreciation charge for the year	12	73	13	98
Balance at 31 March 2021	**35**	**169**	**35**	**239**
Net book value				
At 1 April 2020	35	104	101	240
At 31 March 2021	**43**	**67**	**88**	**198**

11. Investments

	2021 £000	2020 £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 2021 £000	Group 2020 £000	**Company 2021 £000**	Company 2020 £000
Trade debtors	**5,260**	2,477	**5,260**	2,477
Other debtors	**4**	3	**4**	3
Pension Fund guarantee (see note 16)	**3,142**	2,419	**3,142**	2,419
Deferred tax assets (see note 13)	**3**	57	**3**	57
Prepayments and accrued income	**2,152**	2,251	**2,130**	2,238
	10,561	7,207	**10,539**	7,194
Due within one year	**7,419**	4,788	**7,397**	4,775
Due after more than one year	**3,142**	2,419	**3,142**	2,419
	10,561	7,207	**10,539**	7,194

There was no impairment on trade debtors during the year (2020: £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 (Group and Company)

Deferred tax assets provided for at 19% (2020: 19%) in the financial statements are set out below:

	2021 £000	2020 £000
Balance b/f	**57**	17
Deferred tax (charge)/credit in profit and loss account	**(54)**	40
Balance c/f	**3**	57
The closing balance represents:		
Other timing differences	**3**	57

14. Cash and cash equivalents (Group and Company)

	2021 £000	2020 £000
Cash at bank and cash equivalents	**14,451**	11,099

Notes to the financial statements continued
for the year ended 31 March 2021

15. Creditors: amounts falling due within one year

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade creditors	**950**	1,036	**950**	1,036
Taxation and social security	**1,001**	355	**1,001**	355
Corporation tax	**380**	51	**376**	49
Other creditors	**626**	470	**626**	469
Accruals and deferred income	**6,233**	4,317	**6,233**	4,317
	9,190	6,229	**9,186**	6,226

16. Employee benefits (Group and Company)

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The total expense relating to this scheme in the current year was £452k (2020: £306k).

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

	2021 £000	2020 £000
Defined benefit obligation	**(8,284)**	(6,388)
Plan assets	**5,142**	3,969
Net pension liability	**(3,142)**	(2,419)

Movements in present value of defined benefit obligation

	2021 £000	2020 £000
At 1 April	**6,388**	5,410
Current service cost	**344**	309
Interest on pension liabilities	**149**	139
Remeasurements: Experience (gain)/loss	**(66)**	599
Remeasurements: Loss/(gain) on assumptions	**1,273**	(99)
Past service cost	**—**	217
Member contributions	**111**	92
Benefits/transfers paid	**85**	(279)
At 31 March	**8,284**	6,388

16. Employee benefits (Group and Company) continued

Movements in fair value of plan assets

	2021 £000	2020 £000
At 1 April	**3,969**	3,556
Interest on plan assets	**96**	95
Remeasurement (assets)	**707**	(132)
Administrative expenses	**(6)**	(5)
Employer contributions	**180**	642
Member contributions	**111**	92
Benefits/transfers paid	**85**	(279)
At 31 March	**5,142**	3,969

Expense recognised in the profit and loss account

	2021 £000	2020 £000
Current service cost	**344**	309
Net interest cost	**53**	44
Administrative expenses	**6**	5
Past service cost	**—**	217
Total expense recognised in profit or loss	**403**	575

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

	2021 Fair value £000/%	2020 Fair value £000/%
Equities	**2,524/49.1**	2,052/51.7
Government debt	**694/13.5**	536/13.5
Corporate bonds	**422/8.2**	290/7.3
Property	**468/9.1**	357/9.0
Other	**72/1.4**	119/3.0
Cash	**962/18.7**	615/15.51
	5,142/100	3,969/100
Actual return on plan assets	**803/15.6**	(112)/(2.8)

Notes to the financial statements continued
for the year ended 31 March 2021

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

	2021	2020
Discount rate	**2.20%**	2.30%
Future salary increases	**3.95%**	3.35%
Future pension increases	**2.80%**	2.20%
CPI inflation	**2.70%**	2.10%

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

In valuing the liabilities of the Pension Fund at 31 March 2021, the following mortality assumptions have been made:

Current pensioner aged 65: 22.5 years (male) and 25.3 years (female). Future retiree upon reaching 65: 24.0 years (male) and 27.2 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 provides an estimate of the potential impact on the pension scheme of changing these assumptions:

	2021 £000	2020 £000
Net pension liability	**3,142**	2,419
+0.1% p.a. discount rate	**2,949**	2,270
+0.1% p.a. inflation	**3,340**	2,572
+0.1% p.a. pay growth	**3,195**	2,462
+1 year life expectancy	**3,373**	2,576
+1% change in 2020/21 (2019/20) investment returns	**3,089**	2,377
-1% change in 2020/21 (2019/20) investment returns	**3,195**	2,461

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 and therefore any change in the net pension liability will be matched by a corresponding change in the Pension Fund guarantee asset (see note 12) resulting in a net nil balance sheet impact.

17. Capital and reserves
Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
11 ordinary shares of £1 each	**11**	12
12,999,998 non-voting redeemable shares of £1 each	**12,999,998**	9,999,996
	13,000,009	10,000,008

All shares have been issued and fully paid in cash.

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.

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 became 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 purchased and subsequently cancelled one ordinary 'A' share (voting), and purchased and subsequently cancelled six non-voting redeemable 'B' shares, and the remaining Northumberland shares were transferred equally to the remaining eleven shareholders. The Directors have concluded the financial statements do not require any adjustment.

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

	2021 £000	2020 £000
Less than one year	**57**	137
Between one and five years	**953**	276
More than five years	**—**	—
	1,010	413

Notes to the financial statements continued
for the year ended 31 March 2021

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 2021 £000	Sales to related party 2020 £000	**Amounts owed from related party 2021 £000**	Amounts owed from related party 2020 £000
Shareholders of the Company	**12,897**	10,769	**7,373**	4,370
Related parties	**4,365**	1,836	**1,301**	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 2021 £000	Sales to related party 2020 £000	**Amounts owed from related party 2021 £000**	Amounts owed from related party 2020 £000
Shareholders of the Company	**12,897**	10,769	**7,373**	4,370
Related parties	**4,355**	1,823	**1,301**	526

20. Contingent liabilities

The Company has contingent liabilities arising in the ordinary course of business, including losses which might arise from litigation, disputes, regulatory compliance (including data protection) and interpretation of tax law. It is not considered that the ultimate outcome of any contingent liabilities will have a significant adverse impact on the financial condition of the Company.

BORDER TO COAST

PENSIONS PARTNERSHIP

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Surrey Pension Fund

Warwickshire Pension Fund