

Border to Coast Pensions Partnership Limited

MIFIDPRU 8 DISCLOSURE

(Based on the audited financial statements as at 31 March 2023)

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1. Introduction

Border to Coast Pensions Partnership Limited (the “**Company**”) is authorised and regulated in the UK by the Financial Conduct Authority (the “**FCA**”) and is classified as a Collective Portfolio Management Investment Company (“**CPMI**”). The Company is a full-scope Alternative Investment Fund Manager and has permissions to conduct Markets in Financial Instruments Directive (“**MiFID**”) activities.

The provisions for public disclosure of the Company’s risk management objectives and policies, governance arrangements, own funds and approach to remuneration are set out in MIFIDPRU 8. Under the Investment Firms Prudential Regime (“**IFPR**”) and the MIFIDPRU section of the FCA Handbook, the Company is categorised as a non-small and non-interconnected (“**Non-SNI**”) investment Company and this document has been produced in order to meet the MIFIDPRU 8 disclosure obligations as applicable to Non-SNI Companies.

The Company does not fall within MIFIDPRU 7.1.4R as the relevant thresholds are not met. As such MIFIDPRU 8.7 (Investment Policy) does not apply to it.

This public disclosure has been prepared on an individual Company basis and is based on the audited financial statements as at 31 March 2023.

2. Governance Arrangements

The Board (the “**Board**”) is collectively responsible for promoting the success of the Company 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 the Company’s strategic aims, ensures the necessary financial resources and people are in place for it to meet its objectives, sets values and standards, reviews Executive performance, and ensures the Company understands and meets its obligations to stakeholders.

The Board comprises the Chair, three independent Non-Executive Directors, two Non-Executive Directors who are nominated by the Company’s shareholders (the Partner Funds) and two Executive Directors. The Chair and the Executive Directors perform senior management functions (“**SMF**”) under the Senior Managers and Certification Regime.

The Company has a conflict of interest policy which outlines robust arrangements it has put in place to ensure all reasonable steps are taken to prevent potential conflicts of interest from affecting the interests of investors in the ACS sub funds and the private market vehicles. The policy ensures that all staff, including Board members, pay due regard to customer interests and take steps to identify and manage any real or potential conflicts fairly and effectively. Colleagues are responsible for reporting any actual or potential conflicts to a named person and each conflict is prevented or managed using a register of interests. If a conflict of interest cannot be managed or prevented, the conflict will be clearly disclosed to the affected customers. A list of all directors’ interests is put to the shareholders at the AGM and shareholders are responsible for approving any potential conflicts of interest the directors may have.

Subject to MIFIDPRU 8.3.2R, the number of directorships held by each member of the Board are outlined in the table below:

Member	Position	Role	Directorships ¹
Chris Hitchen	Independent Non-Executive Director	Chair, Board Member, Risk Committee Member, Remuneration and Nomination Committee	1
Tanya Castell MBE	Independent Non-Executive Director	Chair, Risk Committee Member, Audit Committee	0
Andrew November	Independent Non-Executive Director	Chair, Audit Committee Member of the Risk Committee	1
Kate Guthrie	Independent Non-Executive Director	Chair, Remuneration and Nomination Committee	0
Cllr John Holtby	Partner Fund nominated Non-Executive Director	Member, Remuneration and Nomination Committee	1
Cllr David Coupe	Partner Fund nominated Non-Executive Director	Member, Audit Committee	0
Rachel Elwell	Chief Executive Officer	-	0
Fiona Miller	Deputy Chief Executive Officer	-	0

The Company has established a risk committee under MIFIDPRU 7.3.1. In accordance with this requirement, the Board Risk Committee is chaired by an independent Non-Executive Director. To support its effective operation, the Board has also established four further Board committees: the Board Audit Committee, the Remuneration and Nomination Committee, the Board Risk Escalation Committee and the Administration Committee.

The Company is fully committed to preventing unlawful and unfair discrimination and values the differences that a diverse workforce brings to the organisation. The Company maintains a Diversity and Inclusion Policy which is reviewed on an ongoing basis. The Company is working towards ensuring that the Board is diverse, reflecting its workforce and shareholders. The two Partner Fund Non-Executive Directors provide unique insight and ensure the voice of the Company's shareholders and customers are heard in its decision-making process.

The Company continues to exceed the gender diversity requirement of the Hampton-Alexander Review, which applies to FTSE companies, to have at least 33% women on company boards. The Remuneration and Nomination Committee undertook a review of Board diversity in 2022 and the Company continues to consider how it can further improve Board diversity.

¹ MIFIDPRU 8.3.2 R 01/01/2022 The following directorships are not within the scope of MIFIDPRU 8.3.1R(2):
(1) executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives; and
(2) executive and non-executive directorships held within the same group or within an undertaking (including a non-financial sector entity) in which the Company holds a qualifying holding.

3. Risk Management Objectives and Policies

Border to Coast's Risk Management Framework forms an integral part of the processes and decision-making of our Board and Executive. Based on the financial industry's standard 'three lines of defence' model, it helps us to identify and manage risks in line with our risk appetite and to take reasonable steps to mitigate those risks that could result in significant financial loss, harm to our Partner Funds, or reputational damage.

Governance and culture are fundamental underpins to the risk management framework. The Board and Executive have striven to build a culture that is open and committed to learning when it comes to identifying and managing risk.

Risk management governance structure

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, challenge and guidance. In addition to assurance provided from internal and outsourced functions, certain third parties provide additional assurance, for example our external auditors KPMG LLP and United Register of Systems, which provides our ISO27001 certification.

The Company's Board seeks to ensure that robust risk management and internal controls are delivered through the risk management framework, which forms an integral part of the management and Board processes and decision-making. This framework enables the Board to draw assurance that risks are being appropriately identified and managed within risk appetite, and that risks that may present significant financial loss or reputational damage are being minimised.

The framework is built on the principle that the Policy suite, Risk Appetite Framework, Prospectus, and Investment Mandates provide the boundaries for Risk taking, with each functional business area identifying managing and reporting on the risks they are responsible for.

Assurance is provided to the Board on the effectiveness of the risk management framework and the management of the internal control systems through the following: (1) Each business function performs a twice yearly Risk and Control Self-Assessment (RCSA), (2) Company policies are reviewed and maintained in line with a Board approved Policy Governance Framework, (3) Assurance and review activities undertaken by the Compliance Function and Internal Audit, and external audit where relevant, and (4) On an annual basis the CRO reports to the BRC providing a view of all assurance activities undertaken in the current year and those planned for the forthcoming year.

The Board:

1. Sets the Company's risk appetite, against which exposure is monitored and reported on a regular basis recognising that a clearly defined risk appetite supports balanced decision making, capital and liquidity management and planning including proposition design, performance management and external reporting.
2. Ensures senior management implements risk policies, delivers the business plan within risk appetites, and manages the risk profile.
3. Works with senior management to review strategies and policies for identifying managing, monitoring and mitigation actual and potential risks.

4. Principal Risks

The Executive management team is ultimately responsible for the identification and management of potential harms the company creates. We have identified 12 principal risks which can be categorised into four types of risk:

- Strategic risk; the risk that we are unable to meet our strategic objectives, or that they become misaligned with our mission and values. They are overseen by the Chief Executive Officer, Deputy Chief Executive officer, Chief Risk Officer and the Chief Stakeholder Officer and are presented to the Executive Committee for review and challenge on a quarterly basis
- Investment risk; the risk that the propositions we manage underperform or breach the risk tolerances we set out in the governing documentation for those propositions, and are presented to the Investment Committee for review and challenge on a quarterly basis
- Financial risk; the risk that we maintain insufficient capital and/or financial resources to meet our financial and regulatory obligations, and are presented to the Executive Committee for review and challenge on a quarterly basis
- Operational risk; the risk of loss or missed opportunity resulting from inadequate or failed internal processes, people or systems, or from external events that impact our operations, and are presented to the Executive Risk Committee or Executive Committee for review and challenge on a quarterly basis.

The company's principle risks and how they are mitigated are:

Strategic Risks	Mitigants
<p>1.Strategic plans</p> <p>The risk that our strategy is flawed, or we are unable to execute the strategy and fail to deliver our strategic objectives.</p>	<p>Our strategic plan is developed in collaboration with our Partner Funds and is subject to review and challenge. Progress against the plan is monitored by the Executive and Board.</p>
<p>2. Partner Fund concentration</p> <p>Our customer base is our 11 Partner Funds. This gives rise to concentration, has the potential to impact the viability of individual propositions, should a particular proposition become over-reliant on one Partner Fund.</p>	<p>We work closely with our Partner Funds to create and maintain suitable and attractive propositions that are sustainable through the economic cycle.</p>
<p>3. Change management implementation and oversight</p> <p>The risk that our significant development programme leads to the material failure of our strategy to deliver the benefits of pooling.</p>	<p>We have a robust change methodology in place, supported where relevant by qualified asset transition managers and advisors, to enable us to oversee programme delivery and to manage the associated risks.</p>
<p>4. External political environment</p> <p>Our Partner Funds operate in a political landscape which is shifting. 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.</p>	<p>We work closely with our Partner Funds, like-minded asset owners/managers and other third parties to understand the implications of the changing external environment on strategic objectives and how this might change the strategic capabilities required to support our Partner Funds</p>
<p>5. Climate change</p> <p>The risk that our approach to climate change is inappropriate or inadequate and becomes detrimental to achieving our strategic objectives.</p>	<p>We have a well-developed and effective Responsible Investment Policy and a dedicated Climate Change Policy. These cover risk analysis within our investment process and engagement with portfolio companies directly, through our partnership with Robeco, via a number of collaborations with other asset owners, and by engaging with policy makers.</p>

Investment Risks	Mitigants
<p>6. Partner Fund outcomes The risk that our propositions do not meet our Partner Funds' desired outcomes.</p>	<p>Our propositions are extensively tested prior to launch and reviewed annually to assess their continued appropriateness for Partner Funds requirements. This is monitored through our Investment Committee, which oversees ongoing performance of the propositions. Performance reporting is prepared for quarterly review meetings with our Partner Funds.</p>
<p>7. Liquidity The risk that our collective investment vehicles do not hold sufficient liquidity to meet Partner Funds' requests within their required timeframes.</p>	<p>The ACS Prospectus, the Investment Risk Management Policy and the liquidity monitoring framework set out management and oversight arrangements. The proposition design process incorporates an assessment of both investment capacity and redemption liquidity risk profile.</p>
Financial Risks	Mitigants
<p>8. Credit and liquidity The risk of an adverse impact on the company due to credit risk exposure in relation to balance sheet assets held and associated counterparty failure or having insufficient resources to meet financial obligations as they fall due.</p>	<p>We hold a prudent level of capital, including a buffer over our minimum regulatory requirements, including those assessed using our ICARA process. Liquidity metrics are monitored against risk. Monitoring is via the Executive Committee with oversight by the Board Risk Committee.</p>
Operational Risks	Mitigants
<p>9. IT systems availability, cyber threats, and performance The risk that the IT systems operated and relied on by the company do not operate as intended. This includes modelling the stability, resilience, and capacity of the company's IT platforms and systems.</p>	<p>We undertake an annual review of our business continuity and disaster recovery plans and consider our operational resilience. We have effective processes in place that comply with ISO 27001 accreditation under the information security standard and require all material outsource providers have this, or an equivalent, accreditation.</p>
<p>10. People: key person availability and dependency As a relatively new company outside traditional asset management hubs it is important for us to recognise and manage the risk of recruiting and retaining the right calibre of people. Increasing demand for certain skillsets has caused some challenges in relation to recruitment and retention. In addition, our significant development and change agenda can place a burden on key colleagues.</p>	<p>We work with our recruitment partners to identify cost-effective approaches to attracting high-calibre candidates. We have embedded succession planning, performance review, and personal development processes and ensure colleague wellbeing is central to our culture. We undertake coordinated capacity and resource management across the company.</p>
<p>11. Outsourcing By design, we have a high reliance on third parties as we have outsourced several of our critical and important operational functions. Our key risk in this area is that these third parties fail to deliver agreed services, leading to material operational disruption, a failure to deliver our business objectives, and severe reputational damage. This reliance on third parties may also give rise to counterparty risk.</p>	<p>Our outsourcing framework includes monitoring and management of arrangements, with established controls in place to ensure Partner Funds do not face an increased level of risk due to outsourcing. Third parties are monitored and held to account in their regular management and service meetings, where service performance is reviewed. Associated risk information is prepared by management and monitored, with governance via our executive and board risk committee.</p>
<p>12. Regulatory compliance and change The continuing evolution and breadth of the regulatory environment including for financial services, and our obligations to certain public sector regulations, means there is a risk of a failure of our company's activities, policies, processes, and procedures that leads to regulatory requirements not being met.</p>	<p>We carefully manage the implementation of regulatory change, which receives Executive and Board committee-level oversight. The Senior Managers and Certification Regime is embedded across the company, which supports regulatory compliance. The annual compliance monitoring programme reviews adherence to applicable FCA regulatory requirements, and the compliance function oversees adherence with non-UK financial services regulations that apply to the Company.</p>

5. Own Funds

Under MIFIDPRU 8.4, the Company discloses:

- a reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied in order to calculate the own funds of the Company – see Table 1 below;
- a reconciliation of 1 (above) with the capital in the balance sheet in the audited financial statements of the Company – see Table 2; and
- a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the Company – see Table 3.

These are presented in the three tables below based on audited figures as at 31 March 2023.

All of the Company's capital resources are held in the form of Common Equity Tier 1 capital; it does not hold any Additional Tier 1 Capital or Tier 2 capital. The Company's **CET1** capital consists of share capital and audited retained earnings.

As at the financial year ending 31 March 2023, the Company complied with the relevant capital regulatory obligations as outlined in the IFPR.

Table 1: Composition of regulatory own funds			
	Item	Amount (£'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	14,293	
2	TIER 1 CAPITAL	14,293	
3	COMMON EQUITY TIER 1 CAPITAL		
4	Fully paid-up capital instruments	13,000	Page 74 Share Capital
5	Share premium	-	
6	Retained earnings	1,349	Page 61 Statement of Changes in Equity
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	
19	CET1: Other capital elements, deductions and adjustments	(56)	
20	ADDITIONAL TIER 1 CAPITAL	-	
21	Fully paid-up, directly issued capital instruments	-	
22	Share premium	-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24	Additional Tier 1: Other capital elements, deductions and adjustments	-	
25	TIER 2 CAPITAL	-	
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

Table 2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		Balance sheet as in published/audited financial statements as at 31 March 2023	Under regulatory scope of consolidation	Cross-reference to template OF1
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Intangible	56	N/A	19
2	Tangible	398	N/A	
3	Investments		N/A	
4	Debtors – amounts falling due within one year	8,065	N/A	
5	Debtors – amounts falling due over one year	392	N/A	
6	Cash at bank and in hand	17,822	N/A	
	Total Assets	26,733	N/A	
Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors: Amounts falling due within one year	11,992	N/A	
	Creditors: Amounts falling due within one year	392	N/A	
	Total Liabilities	12,384	N/A	
Shareholders' Equity				
1	Called up share capital	13,000	N/A	4
2	Share premium account	-	N/A	
3	Other reserves	-	N/A	
4	Profit and loss account	1,349	N/A	6
	Total Shareholders' equity	14,349	N/A	

Table 3: Own funds - main features of instruments issued by the Company	
Issuer	Border to Coast Pensions Partnership Limited
Instrument type	Ordinary shares
Amount recognised in regulatory capital (£'000)	13,000
Nominal amount of instrument	£1
Issue price	£1
Redemption price	N/A
Accounting classification	Called up share capital
Original date of issuance	Various (oldest 31 May 2017)
Perpetual or dated	Perpetual
Maturity date	N/A
Issuer call subject to prior supervisory approval	N/A
Optional call date	N/A
Subsequent call dates, if applicable	N/A
Coupons/dividends	N/A
Fixed or floating dividend/coupon	N/A
Coupon rate and any related index	N/A
Existence of a dividend stopper	N/A
Convertible or non-convertible	N/A
Write-down features	N/A
Link to the terms and conditions of the instrument	N/A
Write-down features	N/A
Link to the terms and conditions of the instrument	N/A

6. Own Funds Requirement

As a non-SNI Company, the Company complies with the provisions contained within MIFIDPRU 4.3.2R by holding the highest of:

- 1) Its permanent minimum capital requirement (per MIFIDPRU 4.4);
- 2) Its FOR (per MIFIDPRU 4.5); or
- 3) Its K-factor Requirement (per MIFIDPRU 4.6).

The only K-factor relevant to the Company's activities is K-AUM. The Company does not expect the other K-Factors to be relevant to its calculations given the Company's current permissions and activities.

Category of requirement	As at FYE 31 March 2023 £'000
Permanent Minimum Requirement	75
Fixed Overheads Requirement	6,280
K-Factor Requirement This is determined solely by the Company's K-AUM. There are no other K- Factors applicable to the Company.	485
Basic Own Funds Requirement (the highest of the three rows above)	6,280

Additionally, the rules to determine the level of the Own Funds Threshold Requirement (“**OFTR**”) and the Liquid Assets Threshold Requirement (“**LATR**”) mandate that additional amounts may have to be held in the event they are needed to support an orderly wind down, and to reflect the assessment of risks that relate to the Company.

Under MIFIDPRU 8.5.2, the Company discloses its approach to assessing the adequacy of its own funds and liquid assets in accordance with the overall financial adequacy rule (“**OFAR**”) in MIFIDPRU 7.4.7R.

Under the IFPR and, in particular MIFIDPRU 7, as a CPMI Company, the Company conducts an ICARA, which serves as the means of assessing the key risks to which the Company is exposed.

The ICARA process builds on a number of capital and liquidity requirements to which the Company is subject:

- as a condition of its authorisation, the Company has appropriate resources;
- the Company is subject to the FCA's Principles for Businesses, one of which (Principle 4) is that it maintains adequate financial resources; and
- the Company is required to meet a Basic Own Funds Requirement and a Basic Liquid Assets Requirement.

The Company uses its ICARA process to identify whether it is complying with the OFAR and, if it is not, to identify what steps it should take to remedy this.

The risk of some material harms can be reduced through proportionate measures other than holding additional financial resources, for example implementing additional internal systems and controls, strengthening governance and oversight processes or changing the manner in which the Company conducts certain business.

However, for other harms identified, it may be that the only realistic option to manage them and to comply with the OFAR is for the Company to hold additional own funds and/or additional liquid assets above its Basic Own Funds Requirement and Basic Liquid Assets Requirement.

The Company has therefore formed a judgement about what is appropriate and proportionate in its particular circumstances, informed by its risk appetite. This has led the Company to conclude that it must hold £8,169k as the Company's OFTR which is the higher figure required under the two assessments, namely risk of harm from ongoing operations and risk of harm from wind-down. Furthermore, the amount determined to be the Company's LATR is £9,255k. The own funds held are £14,466k and the eligible liquid assets are £17,822k, which is sufficient to meet the Company's OFTR and LATR respectively.

The ICARA is an ongoing process to identify the material harms it can potentially create through administering its day to day business, or as a result of significant business change (including changes to strategy or operational environment), and is documented on an annually and approved at the December Board of each year. For the financial year ended 31 March 2023, taking into account the material harms faced and posed by the Company, as well as the stress tests it has conducted, the recovery and wind-down plans it has prepared, and the governance framework it operates, the Company has determined that it satisfies all of its regulatory capital requirements (liquidity) both its OFTR and LATR, and therefore its OFAR, and, as far as the Company can reasonably determine, it will continue to do so on an ongoing basis.

7. Remuneration Policy and Practices

Qualitative Disclosure

Border to Coast's approach to remuneration is one element in the overall colleague proposition, along with culture, purpose and building a learning organisation. This proposition is focused on attracting, motivating and retaining high calibre employees.

Remuneration at Border to Coast is simple - salary, pension and benefits. There are no variable pay elements in financial year 22/23, no long-term incentive schemes or share based awards. For the financial year 23/24 a variable pay scheme is being introduced.

Target salaries for all roles are determined by benchmarking against the market. The aim is to move colleagues towards target salary, based on performance and contribution. Annual salary awards are determined by market conditions, pay bands, affordability and the performance management approach. The performance approach measures colleagues against a balanced set of measures, including objectives, behaviours, strategy, values and the need of stakeholders.

The company governs reward through the Remuneration Policy, overseen by the Remuneration and Nomination Committee. The Remuneration policy sets out core principles for reward, and has been updated to manage variable pay for financial year 23/24. This policy is reviewed on a regular basis, for approval by the Remuneration Committee. PricewaterhouseCoopers LLP provide advice to the Remuneration Committee and have supported the development of remuneration policies and practices.

Border to Coast (HR, Risk and Compliance) have developed frameworks for the identification of AIFM Code Staff and IFPR Material Risk Takers, in line with the criteria published by the FCA. The frameworks are approved by the Remuneration and Nomination Committee. Individuals are identified on an annual basis and include the Board, members of the Executive Committee and other individuals who could have a material impact on the risk profile of Border to Coast. The lists are updated throughout the year where required and the Remuneration and Nomination Committee notified of any changes. The Remuneration and Nomination Committee approves the lists of individuals at least annually.

Quantitative Disclosure

	Staff No	Remuneration £'000	Fixed £'000	Variable £'000	Severance £'000
Senior Management	4	754	754	N/A	
Other material risk takers	16	2,507	2,507	N/A	N/A
Other	148	7,433	7,433	N/A	N/A
Total	168	10,694	10,694	N/A	N/A

8. Glossary of terms

Abbreviation	Term	Definition
CET1	Common Equity Tier1 Capital	The highest quality of regulatory capital
LATR	Liquid Asset Threshold Requirement	Basic Liquid Asset Requirement plus the higher of the additional liquidity for future outgoings or the cost of winddown
MRT	Material Risk Taker	staff member at a non-SNI MIFIDPRU investment firm whose professional activities have a material impact on the risk profile of the firm or of the assets that the firm manages
Non-SNI MIFIDPRU firm	Non Small and Non-Interconnected firm	FCA classification of an investment firm under MIFIDPRU Handbook
OFAR	Overall Financial Adequacy Rule	A FCA regulatory requirement to hold adequate financial resources (GENPRU 1.2)
OFTR	Own Funds Threshold Requirement	Own assessment of the harms the Company could cause the Customer, Market or Company.
SMF	Senior Management functions	Part of the Senior Managers and Certification Regime.
SNI MIFIDPRU firm	Small and Non-Interconnected firm	FCA classification of an investment firm under MIFIDPRU Handbook