Public Document Pack

AGENDA

BORDER TO COAST PENSIONS PARTNERSHIP JOINT COMMITTEE

Tuesday, 24th November, 2026, at 11.15 am
Sterling Suite, Aspire Leeds Limited, 2 Infirmary Street, Leeds, LS1 2JP.

Ask for: **Joel Cook**
Telephone **03000 416892**

Membership:

Chair:

Cllr Christopher Kettle	Warwickshire Pension Fund

Vice-Chair:

Cllr John Slope	Northamptonshire Pension Fund
Cllr Mike Smith	Tyne and Wear Pension Fund
Cllr Chris Fairs	Durham Pension Fund
Cllr Paul Hopton	East Riding Pension Fund
Cllr Raymond Condell	Lincolnshire Pension Fund
Cllr John Kabuye	Teesside Pension Fund
Cllr Doug Rathbone	Cumbria Pension Fund
Cllr Donna Sutton	South Yorkshire Pension Authority
Cllr Richard Tear	Surrey Pension Fund
Cllr Paul Clark	Essex Pension Fund
Cllr Richard Cherry	West Sussex Pension Fund
Cllr Ian Albert	Hertfordshire Pension Fund
Cllr Paul Redstone	East Sussex Pension Fund
Cllr Geoff Seeff	Cambridgeshire Pension Fund
Cllr Sarah Emberson	Kent Pension Fund
Cllr Sam Gibbs	North Yorkshire Pension Fund
Cllr Doug McMurdo	Bedfordshire Pension Fund

Scheme Member Representatives

Lynda Bowen	East Riding LPB
Nicholas Wirz	Tyne & Wear LPB
Gareth Wall	Hertfordshire LPB

Terms of Reference of the BCPP Joint Committee

1. The primary purpose of the Joint Committee is to exercise oversight over the investment performance of the collective investment vehicles operated by Border to Coast and the provision of other investment-related services by Border to Coast.

2. The Joint Committee will provide effective engagement with the Authorities as the investment vehicles are established and ultimately operated by Border to Coast and as other investment related services are developed and ultimately provided by Border to Coast. It will encourage best practice, operate on the basis that all partners have an equal say and promote transparency and accountability to each Authority.

3. The remit of the Joint Committee is:

    3.1.1 To provide support and guidance to the work being undertaken by the Officer Operations Group.
    3.1.2 To consider issues and provide feedback on relevant proposals as they are developed, ensuring effective engagement with the Authorities to scrutinise and monitor project management arrangements and proposals for the appointment of advisers by the Authorities.
    3.1.3 To formulate processes and policies for appointment and termination of membership to the Joint Committee.
    3.1.4 To facilitate the adoption by the Authorities of relevant contracts and policies.
    3.1.5 To review and comment on requests for the creation of investment propositions and services and to make recommendations to Border to Coast as to the creation of additional investment propositions and services.
    3.1.6 To review and comment from time to time on the range of investment propositions and services offered and the winding up and transfer of investment propositions and services.
    3.1.7 To formulate and propose any common voting policy for adoption by the Authorities and to review and comment on any central policy adopted by Border to Coast.
    3.1.8 To formulate and propose any common ESG/RI policy for adoption by the Authorities and to review and comment on any central policy adopted by Border to Coast.
    3.1.9 To formulate and propose any common conflicts policy for adoption by the Authorities.
    3.1.10 To review and comment on each individual Authority's high level transition plans for the transfer of assets to the vehicles established and operated by Border to Coast in accordance with the Shared Objectives.
    3.1.11 To oversee performance of the vehicles established and operated by Border to Coast as a whole and individual investment propositions by receiving reports from Border to Coast and taking advice from the Officer Operations Group on those reports along with any external investment advice that it deems necessary.
    3.1.12 To procure and employ, through an Authority, any professional advisor that the Joint Committee deems necessary to secure the proper performance of their duties.

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

1. Chair's Welcome

2. Apologies and Substitutes

3. Declarations of Interest

4. Minutes of the meeting held on 23 September 2026 (Pages 1 - 9)

5. Public Questions and Responses (Pages 10 - 12)

6. Joint Committee Budget (Pages 13 - 14)

7. Voting Guidelines Annual Review 2026 (Pages 15 - 18)

8. Border to Coast Investment Update (Pages 19 - 26)

Motion to exclude the press and public for exempt business

That, under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act.

Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)

EXEMPT ITEMS

(During these items the meeting is likely NOT to be open to the press and public)

9. Border to Coast Performance Update (Pages 27 - 35)

10. Joint Committee Oversight - Verbal Update

11. Annual Investment Reviews: UK Listed Equity, Overseas Developed Equity and Global Multi-Factor Equity Index (Pages 36 - 44)

12. Annual Pipeline of Development Activity (Pages 45 - 55)

13. Proposition Design: Alternatives 2027 (Pages 56 - 68)

14. Emerging Matters - Verbal Update

Joel Cook
Clerk to the Joint Committee
03000 416892

Monday, 16 November 2026

Border to Coast Pensions Partnership Joint Committee Future Meetings:

- **Tuesday 23 March 2027**
- **Wednesday 7 July 2027**
- **Wednesday 22 September 2027**
- **Tuesday 23 November 2027**
- **Tuesday 21 March 2028**

BORDER TO COAST PENSIONS PARTNERSHIP JOINT COMMITTEE

MINUTES of a meeting of the Border to Coast Pensions Partnership Joint Committee held in the Brigante Suite, Hilton Leeds City, Neville Street, Leeds, LS1 4BX on Wednesday, 23 September 2026.

Present Members:	**Chair:** Cllr Christopher Kettle, Warwickshire Pension Fund Cllr Geoffrey Seeff, Cambridgeshire Pension Fund Cllr Doug Rathbone, Cumbria Pension Fund Cllr Chris Fairs, Durham Pension Fund Cllr Paul Hopton, East Riding Pension Fund Cllr Aidan Fisher, East Sussex Pension Fund Cllr Paul Clark, Essex Pension Fund Cllr Ian Albert, Hertfordshire Pension Fund Cllr Sarah Emberson, Kent Pension Fund Cllr Raymond Condell, Lincolnshire Pension Fund Cllr Neil Swannick, North Yorkshire Pension Fund (substitute) Cllr Nick Everest, South Yorkshire Pensions Authority (substitute) Cllr Richard Tear, Surrey Pension Fund Cllr John Kabuye, Teesside Pension Fund Cllr Mike Smith, Tyne and Wear Pension Fund Cllr Scott Packer, West Northamptonshire Pension Fund (substitute) Cllr Richard Cherry, West Sussex Pension Fund
Scheme Member Representatives:	Nicholas Wirz Lynda Bowen Gareth Wall
Fund Officers:	Mike Batty, Bedfordshire Pension Fund Nick Orton, Durham Pension Fund Kate McLaughlin-Flynn, Cumbria Pension Fund Susan Greenwood, East Sussex Pension Fund Jody Evans, Essex Pension Fund

	Samantha Andrews, Essex Pension Fund Tom Morrison, East Riding & North Yorkshire Pension Funds Taryn Ahlberg, Hertfordshire Pension Fund Phillip Prasad, Hertfordshire Pension Fund Nick Buckland, Kent Pension Fund Jo Kempton, Lincolnshire Pension Fund Ben Barlow, Northamptonshire & Cambridgeshire Pension Funds Gillian Taberner, South Yorkshire Pension Fund Neil Mason, Surrey Pension Fund Andrew Lister, Teesside Pension Fund Paul McCann, Tyne and Wear Pension Fund Chris Norton, Warwickshire Pension Fund Rachel Wood, West Sussex Pension Fund
Partner Fund Nominated Non Executive Directors:	Cllr David Coupe & Cllr George Jabbour
Border To Coast Representatives:	Rachel Elwell – Chief Executive Officer Milo Kerr - Head of Customer Relationship Management Tim Manuel – Head of Responsible Investment Ewan McCulloch - Chief Stakeholder Officer Joe McDonnell – Chief Investment Officer Richard Batley – Investment Specialist
Secretariat:	Joel Cook, Kent County Council Maya Bundy, Kent County Council
Apologies:	Cllr Doug McMurdo, Bedfordshire Pension Fund Cllr Sam Gibbs, North Yorkshire Pension Fund Cllr Donna Sutton, South Yorkshire Pension Authority Cllr John Slope, West Northamptonshire Pension Fund

UNRESTRICTED ITEMS

1. Chair's Welcome
(Item 1)

The Chair welcomed Members and officers to the meeting and expressed his appreciation for their attendance ahead of the upcoming Border to Coast

conference. He highlighted the conference as an important learning opportunity at a significant time for the Local Government Pension Scheme (LGPS), providing valuable insight into its management, governance and oversight.

2. Election of Vice - Chair
(Item 2)

Cllr Condell proposed and Cllr Fisher seconded, that Cllr John Slope be elected Vice-Chair of the Border to Coast Pensions Partnership Joint Committee. There were no other nominations and Cllr Slope was declared Vice-Chair of the Committee.

The Chair expressed thanks to the outgoing Vice-Chair Cllr Doug McMurdo for his contribution to the success of the Border to Coast Pensions Partnership JC over the preceding years.

RESOLVED that Councillor John Slope be elected as Vice-Chair of the Border to Coast Pensions Partnership Joint Committee.

3. Apologies and Substitutes
(Item 3)

Apologies were received from Cllr Sam Gibbs, for whom Cllr Neil Swannick was substituting, Cllr Donna Sutton, for whom Cllr Nick Everest was substituting, Cllr John Slope, for whom Cllr Scott Packer was substituting, Cllr Doug McMurdo and John Lister, Chair of the Board.

4. Declarations of Interest
(Item 4)

There were no declarations of interest.

5. Minutes of the meeting held on 8 July 2026
(Item 5)

Minor amendments to the minutes were requested and agreed, including: that Phillip Prasad's Officer attendance be added, that Gareth Wall's attendance as Scheme Member Representative be added and that Kate McLaughlin-Flynn be removed from the attendance list.

RESOLVED: The Committee agreed that, subject to the above amendments, the minutes of the meeting held on 08 July 2026 were a true and accurate record.

6. Public Questions and Responses
(Item 6)

Two questions had been received from Alison Whalley on behalf of the BCPP Fossil Free Campaign Group.

The Chair thanked Ms Whalley for her question and welcomed Olwyn Hocking, a representative of the BCPP Fossil Free Campaign Group to the meeting.

It was confirmed that the question and answer were included in the published agenda pack for reference.

RESOLVED: The Committee reviewed and noted the questions received and the responses provided.

7. Schedule of Future Meetings
(Item 7)

The most recent calendar of future meetings was included in the agenda pack for Members to note.

RESOLVED: The Committee noted and approved the schedule of future meetings.

8. Joint Committee Budget
(Item 8)

The item was introduced by Neil Mason, Chair of the Officer Operations Group (OOG), who reported that expenditure of £96,764 had been incurred against the £100,000 Joint Committee budget, largely due to legal advice required in developing the Investment Management Agreement (IMA). He advised that further legal and officer costs were anticipated during the year, particularly in relation to the development of new investment services, and that an overspend was therefore expected.

In response to questions regarding the anticipated overspend, Paul McCann, Lead Officer for Tyne and Wear Pension Fund, advised that while no precise estimate was available, any overspend was expected to be modest. He indicated that the IMA review had been particularly resource-intensive and suggested that an overspend of approximately 10-20% was a reasonable estimate at this stage. He advised that a budget increase of around 20-25% would provide sufficient headroom should further costs arise during this exceptional year of increased partnership activity with Border to Coast.

Rachel Elwell, Chief Executive Officer, explained that the budget covered occasions where partner funds required separate legal advice, with most work ordinarily undertaken through existing company budgets. She supported a 20% budget increase for the remainder of the financial year and confirmed that a

further update would be provided in November when there was greater clarity on anticipated costs, including any work associated with the governance review.

In response to questions regarding the location of any surplus from previous years, Mr McCann explained that no surplus was held, as costs were recharged to partner funds on an equal basis rather than being retained in a separate reserve. He also confirmed that no further work was currently pending although future requests could arise. It was clarified that the host authority paid the costs and these were recharged to the partner funds.

Members discussed the need for a proposed increased to the Joint Committee budget for 2026/27 in light of expenditure incurred to date and the potential for further legal and governance-related costs during the remainder of the financial year. Following this discussion, Members endorsed a 20% increase in the budget, from £100,000 to £120,000.

RESOLVED: The Committee:

- **Notes the budget report**
- **Recognises a need for an additional £20k**
- **Endorses the proposed budget increase**

9. Investment Markets Update
(Item 9)

The item was introduced by Joe McDonnell, Chief Investment Officer - Border to Coast Pension Partnership, who highlighted the strong performance of global equity markets, with emerging markets outperforming developed markets and South Korea among the strongest performing markets. He advised that the US market had remained strong, supported by earnings growth, particularly within the technology sector and investment associated with Artificial Intelligence (AI).

Mr McDonnell also outlined the more challenging conditions in fixed income markets, stating that government bond yields had risen amid concerns over inflation, energy prices and fiscal deficits in a number of developed economies. Despite ongoing geopolitical tensions, he reported that equity markets had remained resilient and that overall investment performance across principal risk assets had been positive.

Members queried the continued resilience of markets in the context of rising energy prices, inflation and high bond yields. In response, it was explained that market expectations remained closely linked to political and geopolitical developments and that, without further progress in these areas, markets could become increasingly focused on economic challenges over the coming months.

Members queried the risks associated with continued investment in AI-related companies and sought further information on the potential implications of increasing concentration within passive investment strategies. Mr McDonnell explained that, whilst investment in AI had grown significantly and market concentration had increased, strong underlying profitability distinguished current

conditions from previous technology-led market corrections. He further explained that passive investment strategies were becoming increasingly concentrated in a smaller number of large technology companies and that passive investing should not necessarily be regarded as a lower-risk approach, as it may increase exposure to prevailing market trends and concentration risk.

In response to questions on trade wars, Mr McDonnell advised that trade restrictions were generally negative for global growth and stated that current market conditions reflected wider geopolitical and economic uncertainty. He added that the longer-term impact remained difficult to predict.

Members asked how the social risks and implications associated with AI were being considered. Tim Manuel, Head of Responsible Investment, explained that work was underway through an internal working group to better understand AI-related risks, opportunities and safety considerations. Ms Elwell added that AI was a significant area of focus across the investment industry and regulatory bodies, and that work was continuing to develop appropriate frameworks and governance arrangements in response to the pace of technological change.

Members sought further information on the risks arising from fiscal expansion and bond market conditions. In response, Mr McDonnell explained that higher bond yields had made government bonds more attractive, although significant liquidity remained in markets. He added that there was little evidence of greater fiscal restraint internationally and that concerns around government debt and deficits remained.

RESOLVED: The Committee noted the report.

EXEMPT ITEMS

RESOLVED that under Section 100A(4) of the Local Government Act 1972, that the press and public be excluded from the following items of business on the grounds that these would involve the likely disclosure of exempt information as defined under paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

10. Border to Coast Performance Update
(Item 10)

Mr McDonnell introduced the report and provided an overview of investment performance across Border to Coast's investment propositions during Quarter 2 2026. He highlighted positive performance across the majority of strategies, acknowledged that one equity strategy, the Global Equity Alpha Fund, continued to face challenges and advised on steps that had been taken to improve performance. He also provided an update on private market investments, outlining their long-term nature and that a number of propositions remained at an early stage of development.

Members sought further information on the categorisation of investment propositions and the criteria for enhanced monitoring. It was explained that categorisations took account of a range of factors, including changes to investment processes and propositions, rather than investment performance alone. Milo Kerr, Head of Customer Relationship Management, added that there was no prescribed timescale for a proposition to move between categories, as this depended on the circumstances of each case.

On the enhanced monitoring process, Ms Elwell also explained that there was a distinction between Border to Coast's monitoring of investment managers and propositions and the oversight undertaken by Partner Fund officers. She welcomed further discussion on how greater understanding of both processes could be supported through future reporting.

In response to Members' questions about the development of oversight arrangements, Mr Mason stated that an officer subgroup was working to establish a clear and proportionate oversight framework across the partnership. Ms Elwell added that this remained a work in progress and would develop alongside the pool's evolving services and capabilities. She explained that Members would see incremental changes over time, with a paper scheduled for the March 2027 meeting to set out the scope and timeline for the wider governance review.

RESOLVED: The Committee noted the report.

11. Annual Investment Proposition Reviews: Private Markets; Global Real Estate
(Item 11)

Mr Mason introduced the report, providing an overview of the Annual Investment Proposition Reviews undertaken over the quarter. This included the assessment undertaken by officers across the Partner Funds of the private markets portfolio, comprising private equity, private credit, infrastructure, opportunities and global real estate.

Members sought assurance on how hotel investments were monitored and managed, particularly where specialist operational expertise was required. Ms Elwell explained that the assets concerned were managed by third-party property managers, with Border to Coast focused on portfolio construction, financing and oversight. She added that specialist activities, including hotel management and valuations, were outsourced to external providers. Mr McDonnell also confirmed that the UK Real Estate team had been expanded to support oversight of this area of activity.

In response to questions regarding the review of real estate propositions, Ms Elwell explained that the scheduling of annual reviews was being reviewed to better align with portfolios for construction.

RESOLVED: The Committee noted the report.

12. Overview of Pooling Progress
(Item 12)

Mr Kerr introduced the report and provided an overview of pooling progress, including Partner Fund engagement, asset transitions, proposition development and key risks. He stated that 92% of assets across Partner Funds were under management by the Pool or forecast to come under management and provided an update on the expansion of the partnership and ongoing proposition developments. He also highlighted continued progress towards pooling assets and the development of new capabilities.

Ms Elwell reminded the Joint Committee that the annual satisfaction survey would shortly be issued and encouraged Members to provide feedback to help inform and support ongoing engagement with Partner Funds.

Discussion covered engagement with Scheme Member Representatives and Pension Boards and the future role of Pension Boards as governance arrangements evolved. Ms Elwell advised that further consideration would be given to how Pension Boards could be supported through information sharing and engagement and how their views could be reflected within future arrangements.

Members sought further information on the development of the asset allocation capability pilot and the criteria that would be used to assess its success. In response, Mr Kerr explained that the capability formed part of the future implementation model, sitting within the portfolio construction stage of the investment process. He emphasised that a key measure of success would be maintaining effective engagement with Partner Funds to ensure their preferences were reflected in implementation decisions.

In response to Members' queries regarding whether responsibility for strategic asset allocation should remain with individual funds or be delegated to the Pool, Mr Kerr explained that strategic asset allocation remained the primary mechanism for controlling investment risk and should continue to be determined by individual funds to reflect their funding levels, contribution rates, risk appetites, cashflow requirements and liquidity needs.

Members questioned Border to Coast's approach to local investment and how opportunities within individual administering authority areas would be supported. Ms Elwell explained that Border to Coast was continuing to work with Partner Funds and other stakeholders to identify suitable opportunities. She emphasised that opportunities should be capable of attracting investment from across the Pool and encouraged Members to put forward potential opportunities for consideration.

RESOLVED: The Committee noted the report.

13. Emerging Matters - Verbal Update
(Item 13)

The item was introduced by Ms Elwell, who reminded Joint Committee Members to complete the annual satisfaction survey in October.

RESOLVED: The Committee noted the verbal update.

Border to Coast Joint Committee

Date of Meeting: **24 November 2026**

Report Title: **Questions from the Public and Responses**

Report Author: **Milo Kerr, Head of Customer Relationship Management & Daniel Devine, Responsible Investment Manager**

1 Executive Summary

1.1 This item provides responses to questions submitted by members of the public.

2 Recommendations

2.1 The Joint Committee is asked to review and note the questions received and the responses provided.

3 Background

3.1. The Border to Coast Joint Committee welcomes questions from members of the public as one element of ensuring transparency and a degree of wider accountability to stakeholders.

3.2. The process was reviewed in March 2026 in light of experience and in preparation for the expansion of the partnership to ensure that questions could continue to be dealt with whilst also ensuring effective management of the Committee meeting time. It was agreed that questions will now be dealt with in writing only as an item on the agenda, with questions limited to no more than 150 words, and a stipulation that questions that have been substantially addressed in the preceding six months will not be provided with a response.

3.3. This report sets out two questions received for this meeting and the responses provided.

4 Questions and Responses

4.1. Two questions were submitted by Alison Whalley on behalf of Border to Coast Fossil Free Campaign.

Question 1 (Lesley Mountain – BCPP Fossil Free Campaign)

Pensions Minister Torsten Bell has praised “really impressive progress” made by the LGPS (*Pensions UK Annual Conference, Liverpool, 15 October*) and picked

out quality of service, strong investment returns, and diverse investment options – including local investment. For the latter, the LGPS 2030 targets outlined in 2025 are an increase to 5% of assets under management.

What proportion of BCPP AUM was local investments in March 2026, and what is the target for 2030? In addition, will BCPP publish a list by region (8 English regions; 3 nations) of the geographic distribution of local investment at March 2026?

https://www.gov.uk/government/publications/pensions-investment-review-final-report/pensions-investment-review-final-report#boosting-the-uks-pipeline-of-investment-opportunities

Question 2 (Olwyn Hocking – BCPP Fossil Free Campaign)

Following the announcement by Wales Pension Partnership to update its Responsible Investment Policy to exclude companies with material involvement in thermal coal and unconventional oil and gas (such as tar sands, fracking), does BCPP foresee any approximate year in its Roadmap to Net Zero by 2050 or sooner when future developments may lead it to consider introducing a similar exclusion?

https://walespensionpartnership.org/news/wpp-statement-on-exclusions-and-divestment-1/

4.2. The responses have been prepared in accordance with terms of policies agreed by partner funds on the issues raised and is provided as follows.

Response 1

The LGPS has a strong track record of investment in the UK. At Border to Coast, our partnership has built on this commitment with around £1 in every £4 of our partnership's assets invested on home soil.

Our investments range from supporting significant UK public companies creating thousands of jobs to helping young firms with the capital they need to grow. We invest in corporate bonds helping to reduce the cost of capital for UK businesses, and invest in major infrastructure projects. We invest across public and private markets, supporting life sciences, transport, affordable housing, and care homes, among many others.

An interactive map is available on our website setting out the location of many of the UK assets that we invest in for Partner Funds. Data is not yet available to calculate the % of assets invested in the Border to Coast region(s), but this an area that we seek to develop. Partner Funds are in the process of updating their Investment Strategy Statements, ahead of the 31 March 2027 deadline, which includes information on their local investment strategies.

Response 2

Border to Coast already applies exclusions relating to thermal coal and oil sands as set out in our Responsible Investment Policy, which you can find on our website. The policy specifies the revenue thresholds that trigger exclusion, including a threshold of a company generating more than 25% of its revenue derived from thermal coal and oil sands extraction. The reason this is not lower is to allow companies that are seeking to reduce this exposure, the time to do so.

These exclusions were introduced in 2023 and are reviewed periodically as part of policy framework. In updates published in 2026, we strengthened our approach by reducing the revenue threshold for thermal coal power generation in developed markets from 50% to 25%.

Exclusions relating to companies deriving material revenues from thermal coal and oil sands are already established within our Responsible Investment framework and form part of our existing approach to managing long-term investment risks associated with the energy transition.

AGENDA ITEM XX

Border to Coast Pensions Partnership Limited

Joint Committee

Date of Meeting: **24th November 2026**

Report Title: **Joint Committee Budget**

Report Sponsor: **Neil Mason, Chair Officer Operations Group**

1.0 Recommendation

1.1 The Joint Committee is asked to:

- Note the budget position for 2026/27.

2.0 2026/27 Joint Committee Budget

2.1 At the Joint Committee meeting in March 2026, a budget of £100,000 was approved for 2026/27.

2.2 The budget was increased to reflect the partnership expanding to 18 Partner Funds and the need to incur costs to provide a larger meeting room at an external venue, at least for the time being.

2.3 In addition, there is expected to be significant legal work required to agree new legal documents including the IMA (Investment Management Agreement).

2.4 As always only the final actual costs are recharged to partner funds and so the budget only provides an indicative figure for each partner fund to budget for.

3.5 To date expenditure has been incurred of £98,871 which relates to primarily to legal advice. Given the significant amount of work required to complete the IMA and development of new investment services further additional legal costs are anticipated during the year and so an overspend should be expected.

3.0 Conclusion

3.1 For 2026/27 expenditure of £98,871 has been incurred against the £100,000 budget.

Report Author:

Neil Sellstrom, neil.sellstrom@southtyneside.gov.uk

Further Information and Background Documents:

N/A

AGENDA ITEM 7

Border to Coast Pensions Partnership Limited

Joint Committee

Date of Meeting: **24 November 2026**

Report Title: **Corporate Governance & Voting Guidelines Annual Review**

Report Sponsor: **Joe McDonnell – Chief Investment Officer**

1. Executive Summary

1.1 Border to Coast's Corporate Governance and Voting Guidelines ("the Guidelines") are reviewed annually to ensure continued alignment with our responsible investment approach, stewardship activities and developments in market practice.

1.2 The Joint Committee terms of reference state that the Joint Committee are "to formulate and propose any common voting policy for adoption by the Authorities and to review and comment on any central policy adopted by Border to Coast".

1.3 The 2026 review was undertaken by the Responsible Investment team with support from Robeco, our voting and engagement provider. The review also included benchmarking against a range of asset owners and asset managers.

1.4 The review concluded that the Guidelines continue to provide an appropriate basis for voting activity and support our stewardship activities, with no major changes proposed.

1.5 Four targeted amendments are recommended to reflect developments in market practice and provide additional guidance. The proposed changes relate to: shareholder proposals; shareholder rights; dual-class share structures and climate-related voting expectations. In some cases, the amendments formalise approaches already applied through our voting activity rather than representing a material change in policy.

1.6 Partner Funds and relevant internal stakeholders have been consulted as part of the review process. The revised Guidelines will be presented to the Board Investment Oversight Committee on 30 November for feedback ahead of the Board's final consideration.

2. Recommendation

2.1 That the Committee reviews and comments on the proposed changes to the Corporate Governance & Voting Guidelines.

INTERNAL

3. Annual Review of the Guidelines

Review Process

3.1 The Guidelines are reviewed annually as part of the Policy Governance Framework.

3.2 The 2026 review was undertaken by the Responsible Investment team with support from Robeco, the Company's voting and engagement provider. The review included benchmarking against a range of asset owners and asset managers, including BNP Paribas, Amundi, PGGM, LGIM, Nest and LGPS Central.

Outcome of the Review

3.3 The review concluded that the Guidelines remain aligned with the Border to Coast Responsible Investment Policy and continue to provide an appropriate basis for voting and stewardship activities. No fundamental changes are proposed.

3.4 Four amendments are recommended following the review:

- Shareholder proposals: clarify the circumstances in which shareholder proposals will be supported and bring the wording into line with existing voting practice.
- Shareholder rights: introduce guidance covering situations where companies reduce shareholder rights without seeking shareholder approval.
- Dual-class share structures: introduce a voting response where companies with dual-class share structures also demonstrate wider governance concerns.
- Climate-related voting expectations: introduce an escalation mechanism where a company materially reduces its climate ambitions without adequate explanation.

3.5 The current Guidelines are available for reference on the Border to Coast website. Details of the proposed amendments are set out at Appendix 1.

4. Impact Assessment

4.1 The proposed amendments are not expected to have a material impact on the Company's investment processes, stewardship programme or operational activities.

4.2 The amendments do not require any additional budget or resource and can be implemented through existing voting and stewardship arrangements with Robeco.

4.3 The proposed changes are intended to keep the Guidelines aligned with the Company's Responsible Investment Policy and current voting practice, while reflecting developments in market practice where appropriate.

5. Risks

5.1 Failure to update the Guidelines where appropriate may result in the Company's voting approach becoming less aligned with market practice and emerging stewardship expectations. This risk is mitigated through the annual review process.

5.2 The proposed amendments may result in additional votes against directors in a limited number of situations. This is considered consistent with the Company's stewardship approach and voting activities and is not expected to result in any material change to investment processes or operational activities.

6. Author

Tim Manuel, Head of Responsible Investment

tim.manuel@bordertocoast.org.uk

7. Supporting Documentation

Appendix 1: Proposed Amendments to Corporate Governance and Voting Guidelines

Important Information

Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority (FRN 800511). The information provided in this paper does not constitute a financial promotion and is only intended for the use of Professional Investors. The value of your investment and any income you take from it may fall as well as rise and is not guaranteed. You might get back less than you invested. Issued by Border to Coast Pensions Partnership Ltd, Toronto Square, Leeds, LS1 2HP.

APPENDIX 1

Proposed Amendments to Corporate Governance and Voting Guidelines

Area	Location in Guidelines	Proposed Amendment	Rationale
Shareholder proposals	Shareholder Proposals (page 12)	Existing wording replaced with revised wording: *"We will support resolutions requesting reporting or reasonable action that is in shareholders' best interests on material business risks, sustainability-related issues, climate risk and lobbying, unless we determine that the company has already sufficiently addressed the substance of the proposal."*	Provides additional clarity and formalises the Company's current approach to shareholder proposals.
Shareholder rights	Memorandum and Articles of Association (page 11)	Existing wording replaced with revised wording: *"Where a company adopts amendments to its articles of association that materially reduce shareholder rights without submitting them to a shareholder vote, we will vote against the board member considered most accountable."*	Reinforces the principle that material changes to shareholder rights should be subject to shareholder approval.
Dual-class share structures	Shareholder Rights – Voting Rights (page 10)	Wording to be added: *"Where a company with a dual-class share structure demonstrates associated poor corporate governance practices, we will vote against the board member responsible for governance oversight."*	Provides an additional accountability mechanism where governance concerns arise alongside structures that reduce shareholder influence.
Climate-related voting expectations	Climate Change (pages 12-13)	Wording to be added: *"Where a company has materially scaled back its climate strategy without adequate explanation, we will oppose the election of the Chair."*	Reflects emerging practice among stewardship-focused investors and provides a response where climate commitments are weakened significantly.

Border to Coast Pensions Partnership Limited

Joint Committee

Date of Meeting: **24 November 2026**

Report Title: **Border to Coast Investment Update**

Report Sponsor: **Joe McDonnell – CIO**

1. Executive Summary

1.1. This report provides a brief overview of investment markets, responsible investment and stewardship activity over the quarter. We have also introduced a quarterly "thematic" section to the report, designed to provide deeper insight into an investment issue that is shaping markets, portfolios or long-term investment outcomes for Partner Funds. The intention is both to share evolving thinking on topics that may materially affect Partner Fund portfolios and to provide a framework for Partner Funds to input into our thematic views and research agenda.

1.2. In this instance, Border to Coast is not providing financial advice or making any personal recommendation regarding the suitability of making specific investments. The information supplied is intended to be factual and should not be interpreted as advice tailored to the circumstances of any Partner Fund or individual.

1.3. A separate item on the agenda provides detail on performance of Border to Coast propositions.

2. Recommendation

2.1. That the Committee notes the report.

3. What happened in markets over the quarter?

3.1. **Global equities** delivered generally positive returns over the quarter, supported by a resilient macroeconomic backdrop and continued earnings growth. Valuation multiples tightened across most regions, but this largely reflected stronger corporate earnings rather than weaker share prices. Europe was an exception, with equity markets moderately declining on the quarter despite improved earnings (Chart 1). This divergence is consistent with point-in-the-cycle indicators, where the euro area appears closer to a slowdown than other major regions.

3.2. The combination of solid growth and healthy earnings outcomes helped equity markets absorb higher interest rates without a significant impact.

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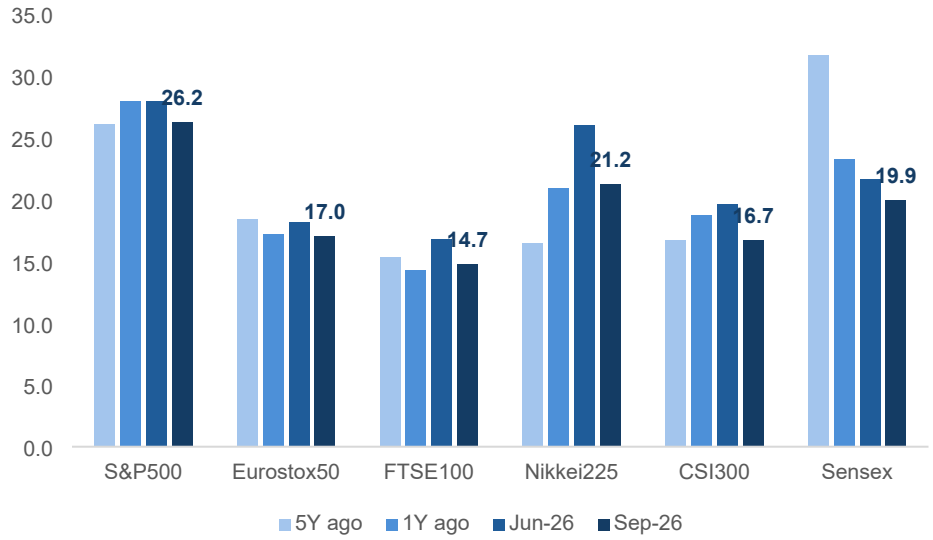
Chart 1: 12-month trailing price/earnings ratios



3.3. Following the end of the quarter, the market reacted to both the US midterm election results and the company-specific news of the involvement of the Nvidia CEO, Jensen Huang, in a chip smuggling probe by US authorities. In the former instance, analysis of voting patterns indicated unexpected Democratic outperformance was at least in part driven by local hostility toward data centre build out. This resulted in 5.5% decline in the tech-heavy NASDAQ index on the day following the election. In the latter instance, concern about the knock-on from the investigation to Nvidia's high revenue growth expectations (currently 225% over the next two years), resulted in an 18% decline in Nvidia stock price (currently the second largest stock in a global index) in the week following the initial revelation.

3.4. **Cash** became materially more attractive during the quarter as investors reassessed the outlook for monetary policy. By the end of Q3, markets were pricing around 0.75% of interest rate rises from The Federal Reserve, European Central Bank and Bank of England. This represented a substantial shift from the end of Q2, when investors were effectively undecided as to whether any further rate increases at all would be required. By the end of Q3 the12-month money market rate in the UK was 0.57% higher on the year, with 0.43% of that increase occurring during Q3.

3.5. In **fixed income** markets, the gilt curve flattened modestly as expectations for higher policy rates and rising inflation exerted greater pressure on the yields of shorter-dated maturities. Although higher real yields continued to explain most of the increase in nominal gilt yields, inflation expectations began to play a more important role during the quarter. (See Section 5, *'The Investment Implications of Higher Yields'* for more detail)

3.6. All of the rise in long-term inflation expectations seen over the previous year occurred during Q3, suggesting that investors became more concerned about the persistence of inflationary pressures even as central banks signalled increasingly restrictive policy settings.

3.7. Although the October 2026 UK Budget forecast 0.5% of GDP more government borrowing over the three-year forecast period than at the time of the November 2025 forecast, this was within the expected range, given the already observed increase in debt service costs. As such, there was no appreciable financial market reaction following this increased borrowing forecast - illustrating both the impact of and the cushion provided by higher yields.

3.8. **Commodities**, particularly energy, also contributed to this changing inflation narrative. The key development here was not simply an increase in oil prices, which are inherently volatile, but a more sustained shift higher in expectations for future oil prices. During Q2, the price of oil futures beyond one year were broadly unchanged; by contrast, during Q3 prices increased across much of the future maturities, in fact extending almost four years into the future

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3.9. This mainly reflected ongoing Saudi supply restrictions and growing scepticism that these supply constraints would be resolved quickly. There were also signs that this more persistent upward pressure was spreading beyond energy markets. Raw industrial commodity prices rose by 15% over the quarter and were approximately 35% higher over the year, reinforcing concerns that inflation could remain elevated for longer than previously expected.

4. Looking ahead

4.1. The investment backdrop remains broadly supportive for risk assets, despite growing uncertainty around the medium-term economic outlook, particularly inflation expectations. In most regions, growth has moderated from the exceptionally strong post-CoVID period but continues to be expansionary. Equity investors have also been encouraged by evidence that many companies, including large tech companies, retain pricing power and the ability to protect margins – the avoidance of margin compression being particularly important when the main challenge facing sustained earnings growth is often higher input costs.

4.2. Against this backdrop, equities continue to offer the most compelling long-term return potential. While valuations are no longer universally attractive, earnings growth remains strong - and is the dominant driver of returns over time. Given heightened expectations of tech company earnings growth, periods of market volatility are more likely but should be viewed more as opportunities than as signs of a fundamentally weaker outlook.

4.3. Within fixed income markets, higher government bond yields have materially improved the opportunity set available to investors. After many years in which sovereign bonds offered limited income and little protection against inflation risks (*"Return free risk"*, to use a much-repeated phrase of the 2010s), current yield levels provide a more balanced combination of income, valuation support and diversification potential. This represents a significant improvement in the asset class's prospective return profile.

4.4. Note that for a pension scheme investor, it is important to be aware of both sides of the balance sheet. Index-linked gilts remain the optimal low risk asset for the LGPS, with interest rate and inflation-linkage that represent a good match for uncapped, inflation-linked liabilities. Choosing to invest in fixed interest gilts rather than linkers is essentially reflecting a view that inflation expectations are overpriced.

4.5. The attractiveness of government bonds in general has, in turn, reduced the relative appeal of some areas of credit. Corporate balance sheets remain generally healthy and default expectations are contained, but investment-grade credit spreads offer only limited compensation relative to government securities.

4.6. Notwithstanding these valuation concerns, higher-yielding segments of the credit market continue to benefit from attractive income characteristics. The combination of elevated running yields (the yield level on bonds at the time of their purchase) and supportive corporate fundamentals means that credit can still play an important role in generating income.

4.7. Real assets present a more mixed picture. Infrastructure and other private market investments continue to offer diversification benefits and access to differentiated return drivers. By contrast, real estate remains challenged by a combination of sensitivity to higher interest rates and operational pressures that have weighed on both valuations and investor sentiment, while remaining a useful long-term asset for predictable cashflows.

4.8. Given these cross-currents, maintaining a meaningful level of liquidity, and the ability to respond to change, remains valuable. The macro environment remains supportive of growth assets, underpinned by resilient earnings growth, but needs to be balanced against the importance of liquidity and the ability to respond to change.

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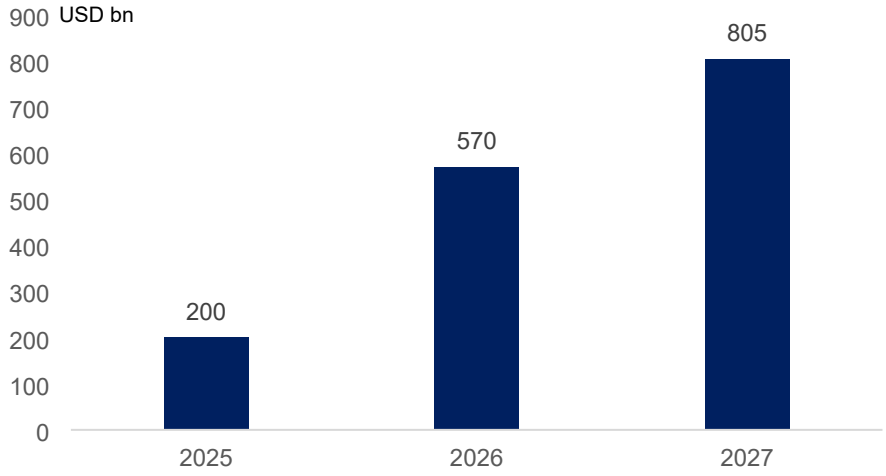
5. Quarterly theme – The Investment Implications of Higher Yields

5.1. Alongside the concentration of equity returns in mega-cap US technology stocks (see Joint Committee CIO Report, 23 September 2026, here), the sharp rise in government bond yields has been one of the most important developments in financial markets in recent years. Government bond yields also matter for equity investors because they influence how future earnings are valued. Equity prices reflect the present value of expected future cashflows. When yields are low, this increases the value placed on profits expected many years ahead. As yields rise, the present value of those earnings falls, particularly for growth companies whose profitability lies further in the future. Higher yields also improve the relative attractiveness of fixed income investments, encouraging some investors to reallocate capital away from equities.

5.2. Because government bond yields underpin the valuation of other financial assets and pension fund liabilities, a key question for long-term investors such as the LGPS is whether the recent increase in yields is primarily cyclical or reflects a more durable secular shift. A common explanation for higher yields focuses on inflation. While inflation undoubtedly contributed to the repricing of yields in 2022, it is less convincing as an explanation for developments over the last year. Market inflation expectations have remained broadly stable despite substantial increases in nominal government bond yields. This suggests that much of the recent increase in yields has reflected higher real interest rates rather than rising inflation expectations. (Japan is an important exception here.)

5.3. A further explanation for higher real rates is increased competition for capital. Governments across developed markets are running larger fiscal deficits than was typical before the Covid pandemic (Chart 2), requiring sustained and substantial bond issuance. At the same time, private-sector demand for capital has risen sharply. Investment associated with artificial intelligence, particularly data centres and supporting infrastructure, is now measured in hundreds of billions of dollars annually. As governments and companies compete for financing, investors are able to demand higher real yields as compensation for supplying capital.

Chart 2: Estimates of AI-related bond issuance



5.4. A second structural factor is the term premium; the additional compensation investors require to hold long-dated bonds rather than continuously rolling short-term debt. This premium tends to rise when future inflation and interest rates become more uncertain, increasing the risks associated with holding long-maturity securities.

5.5. Estimates from the Federal Reserve Bank of New York[1] suggest that the ten-year US Treasury term premium has increased by around 2.0%, rising from approximately -1.3% in the immediate post-Covid period to positive territory today. This appears to represent a reversal of the unusually low term premia that characterised much of the decade following the Global Financial Crisis. During that period,

[1] *"Treasury Term Premia"*, Federal Reserve Bank of New York, here

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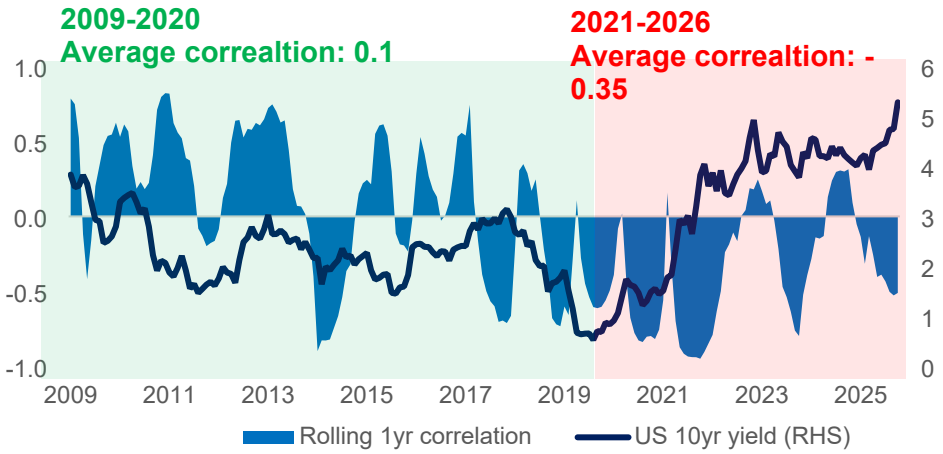
quantitative easing and consistently low inflation encouraged investors to have a high degree of confidence in the future path of interest rates.

5.6. Evidence from the UK points in the same direction. Recent Bank of England analysis suggests that the UK's neutral real interest rate has risen structurally by around 0.9% relative to its pre-Covid level.[2] If correct, this implies that higher bond yields are not merely a temporary response to the economic cycle but may reflect a lasting shift in the pricing of capital. The implications for equities depend not only on the level of yields but also on how equity valuations respond to changes in yields. At relatively low yield levels, rising yields can coincide with stronger economic growth and improving earnings expectations. However, as yields move higher, their effect on equity valuation increasingly dominates.

5.7. Recent market evidence suggests this transition may already be underway. As government bond yields have returned towards levels last seen before the Global Financial Crisis, rolling correlations between equity valuation multiples and bond yields have turned negative (Chart 3).

Chart 3: MSCI World 12m fwrd P/E and US Treasury yield correlations



5.8. Rising yields increasingly appear to be a headwind for valuations rather than a signal of stronger growth. This does not mean higher yields must result in poor equity returns. Earnings growth remains the most important long-term driver of equity market performance, and many periods of rising yields have coincided with strong economic activity and robust corporate profits. Nevertheless, investors should recognise that the valuation tailwind created by the exceptionally low-yield environment of the 2010s is no longer present.

5.9. The key conclusion is that, if government bond yields remain structurally higher than in the previous decade, equity valuations will need to rely more on actual earnings growth and less on anticipated earnings growth. With the opportunity cost of waiting for future profits now higher, markets may place greater value on companies capable of generating cashflows today. As such, higher yields could provide one mechanism through which leadership rotates from growth-oriented strategies towards quality-focused approaches, even if overall equity market performance remains robust. Diversified equity strategies which are not reliant on a single factor are a useful way of navigating these challenge

6. Risks

6.1. Effectiveness of Oversight: There is a risk that the Joint Committee does not receive sufficient information, context and insight to effectively oversee Border to Coast's investment activities and understand the implications of market developments for Partner Fund outcomes. The existing oversight framework is currently being reviewed and developed through work being undertaken by the Joint Committee Oversight Working Group and the Officer Operations Group. This report forms part of the current framework and provides market context, emerging themes and forward-looking

[2] *"The Long Run Equilibrium Interest Rate"*, Bank of England, Monetary Policy Report, Feb 2025, here

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analysis to support informed discussion and challenge while the future approach to oversight is being developed.

6.2. Risk of Narrow Perspectives: There is a risk that investment oversight and strategic discussions become reliant on a limited range of viewpoints, resulting in insufficient challenge to prevailing assumptions and a reduced ability to identify emerging risks, opportunities or changes in market structure. This risk is mitigated through Border to Coast's engagement with a broad range of external stakeholders, including investment managers, advisers, research providers and market participants. The Pool also draws on a wide range of external research and market intelligence when developing its investment views and thematic analysis, helping to ensure that discussions are informed by diverse perspectives and evidence from across the investment industry.

6.3. Risk of Insufficient Market Context: There is a risk that proposition performance and investment outcomes are considered without sufficient understanding of the wider market environment in which they are delivered, potentially leading to incomplete conclusions regarding performance, risk and long-term outcomes.

7. Author

Richard Batley, Investment Specialist

30 October 2026

8. Supporting Documentation

Appendix 1: Market performance Q2 2026

Important Information

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Appendix 1: Market Performance Q3 2026

	Quarter	1-year	3-year (annualised)
Equities	%	%	%
Global Equities	1.5	18.3	18.3
Emerging Market Equities	1.5	12.6	18.7
US Equities	2.3	15.7	22.9
UK Equities	2.4	16.8	15.9
Europe ex UK Equities	-2.4	13.0	19.3
Asia Pacific ex Japan Equities	-3.2	55.8	29.3
Japan Equites	2.0	33.6	23.6
Fixed Income			
UK Index Link Gilts	-3.1	1.0	-2.2
Sterling Investment Grade	-1.7	1.8	5.2
Developed Markets High Yield	-1.8	1.4	8.2
Leveraged Loans	2.0	4.6	7.1
Emerging Markets Debt (Hard)	-3.9	2.6	10.0
Real Assets			
Listed Private Equities	0.6	-15.5	10.0
Global Listed Infrastructure	-7.4	4.1	17.7
Global Real Estate Investment Trusts	-5.8	5.2	12.1
Commodities	15.1	35.5	11.0

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