

APPENDIX 2

SUMMARY OF GOVERNANCE DOCUMENTATION

As per the governance structure set out in Appendix 1, the governance arrangements are comprised in the following draft documents:

- Articles of Association
- Shareholders Agreement
- Inter Authority Agreement

The documents relate to the Council's differing roles (as the Administrating Authority for the Pension Fund) in the project as both a Shareholder in the company, LGPS Central, and as an investment customer of LGPS Central.

Shareholder documents

As the Shareholder, the Council's role will be as a joint owner of the company with the collective discussions of the joint owners taking place at private Shareholder meetings, carried out in accordance with company law. This role, and the relationship between the joint owners would be governed by the Articles and the Shareholders Agreement.

Articles of Association

As LGPS Central Limited is a private company limited by shares, the company's Articles of Association are essentially the Company's constitution governing how it operates, the powers and responsibilities of the Directors and they ensure the company complies with company law.

The Articles include the following issues relevant to the role of the Shareholders:

- the liability of the shareholders being limited to the amount unpaid on their £1 share;
- the process by which a Shareholder may cease to be a shareholder in the company on at least 12 months' notice;
- the process for the declaration of dividends and any payment of dividends to the Shareholders;
- arrangements for the calling and the operation of Shareholder meetings, which will require a quorum of 4, where every Shareholder has one vote;

The Shareholders have no role in the day to day operation of the company, which are carried out by the Board of Directors, but are consulted on key strategic and operational matters of the company and these matters are set out in the list of Reserved Matters in the Shareholders Agreement.

Shareholders Agreement

This is an agreement between the Shareholders and the Company which supplements some of the issues contained within the Articles and sets out the objectives and financing of the company. It establishes some co-operation between the Shareholders of the company to set out their common objectives as joint owners of the company and sets out a framework as to how the Shareholders will act in relation to the company.

The Agreement includes:

- the requirement for the company to develop strategic plans and annual budgets;
- that dividends are to be distributed after profits are used to reduce Annual Operating Charge payable by each Shareholder;
- provision for Shareholder meetings to be held 2 times a year;
- agreement between the Shareholders about their conduct, including acting in good faith towards each other and acting to promote and develop the company;
- further detail around the process for exit by a Shareholder;
- the establishment of a policy and a committee to agree the remuneration of Directors, with any increase in remuneration and the policy to be approved by a Shareholder majority of 75%;
- the list of Reserved Matters which require Shareholder approval prior to being implemented by the company and a process to resolve a deadlock situation between Shareholders, which include:
 - the need for unanimous decisions on:
 - extending the agreed scope of the business undertaken by the company;
 - alter the company's Articles;
 - admit any additional shareholders or investors;
 - decisions to wind the company up;
 - appointment and removal of Directors;
 - appointing and removing auditors;
 - approving annual accounts;
 - the need for majority decisions on:
 - establishing and amending any employee pension scheme;
 - declaration and payment of dividends;
 - adopting or amending a written conflicts policy;
 - entering into capital commitments or operating leases above set limits, unless approved in the strategic plan.

Investment Customer documents

As an investor in the collective investment vehicle operated by the company, the Council has a customer role relating to the Pension Fund's investments. As set out in Appendix 1, discussions between the Pension Funds investing as the company's customers will take place through the Joint Committee, whose meetings will operate through the usual public law requirements for such committee meetings.

Inter-Authority Agreement

The Agreement establishes the Joint Committee between the Councils acting as the Administering Authorities on behalf of the investing Funds and sets out the Committee's role and operation matters which includes:

- setting out the shared objectives of the members of the Committee;

- establishing Cheshire West and Chester Council as the lead authority to administer the Joint Committee, with the ability to recover its costs;
- a requirement for 2 meetings a year;
- sets the scope of discussions to be held by the Committee, which include matters requiring investor approval and matters relating to the company's delivery of investment services to the Funds;
- process for withdrawal and termination of the agreement, and for dispute resolution
- a constitution for the Joint Committee, including each Council being represented by one elected member, the appointment of a Chair and establishing a quorum of 5;
- Terms of Reference for the Joint Committee and the Practitioners Advisory Forum and the relationship between the two bodies.