

# Document Pack



Wales Pension Partnership Joint  
Governance Committee,  
Democratic Services Unit,  
Chief Executive's Department,  
Carmarthenshire County Council,  
County Hall,  
Carmarthen SA31 1JP.

**TUESDAY, 23 NOVEMBER 2021**

**TO: ALL MEMBERS OF THE WALES PENSION PARTNERSHIP JOINT  
GOVERNANCE COMMITTEE**

I HEREBY SUMMON YOU TO ATTEND A **VIRTUAL MEETING** OF THE  
**WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE**  
WHICH WILL BE HELD AT **10.00 AM. ON WEDNESDAY, 1ST DECEMBER,  
2021** FOR THE TRANSACTION OF THE BUSINESS OUTLINED ON THE  
ATTACHED AGENDA

*Wendy Walters*

**CHIEF EXECUTIVE  
CARMARTHENSHIRE COUNTY COUNCIL**

**PLEASE NOTE:** THIS MEETING WILL BE FILMED FOR LIVE OR SUBSEQUENT BROADCAST.  
THE IMAGES AND SOUND RECORDING MAY ALSO BE USED FOR TRAINING PURPOSES.

<b>Democratic Officer:</b>	Mrs Kelly Evans
<b>Telephone (direct line):</b>	01267 224178
<b>E-Mail:</b>	KellyEvans@carmarthenshire.gov.uk

**WALES PENSION PARTNERSHIP  
JOINT GOVERNANCE COMMITTEE  
8 MEMBERS**

(1 Member from each Constituent Authority)

**CARMARTHENSHIRE COUNTY COUNCIL**

**COUNCILLOR            ELWYN WILLIAMS**

**CITY & COUNTY OF SWANSEA**

**COUNCILLOR            CLIVE LLOYD**

**CITY OF CARDIFF**

**COUNCILLOR            CHRISTOPHER WEAVER**

**FLINTSHIRE COUNTY COUNCIL**

**COUNCILLOR            TED PALMER**

**GWYNEDD COUNTY COUNCIL**

**COUNCILLOR            PEREDUR JENKINS**

**POWYS COUNTY COUNCIL**

**COUNCILLOR            PETER LEWIS**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**COUNCILLOR            MARK NORRIS**

**TORFAEN COUNTY BOROUGH COUNCIL**

**COUNCILLOR            GLYN CARON**

# A G E N D A

1. APOLOGIES FOR ABSENCE
2. DECLARATIONS OF INTEREST
3. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE JOINT COMMITTEE HELD ON THE 22 SEPTEMBER 2021 5 - 10
4. HOST AUTHORITY UPDATE 11 - 26
5. RISK REGISTER Q4 2021 REVIEW 27 - 36
6. REBALANCING & ALTERATION POLICY 37 - 42
7. ANNUAL POLICY REVIEWS 43 - 60
8. OPERATOR UPDATE 61 - 74
9. PERFORMANCE REPORTS AS AT 30 SEPTEMBER 2021 75 - 100
10. EXCLUSION OF THE PUBLIC  
THE REPORTS RELATING TO THE FOLLOWING ITEMS ARE NOT FOR PUBLICATION AS THEY CONTAIN EXEMPT INFORMATION AS DEFINED IN PARAGRAPH 14 OF PART 4 OF SCHEDULE 12A TO THE LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) (WALES) ORDER 2007. IF, FOLLOWING THE APPLICATION OF THE PUBLIC INTEREST TEST, THE JOINT COMMITTEE RESOLVES PURSUANT TO THE ACT TO CONSIDER THESE ITEMS IN PRIVATE, THE PUBLIC WILL BE EXCLUDED FROM THE MEETING DURING SUCH CONSIDERATION
11. GLOBAL SECURITIES LENDING REVIEW AS AT 30 SEPTEMBER 2021 101 - 138
12. ROBECO ENGAGEMENT SERVICE - Q3 2021 ENGAGEMENT REPORT 139 - 154
13. WPP SUB FUND REVIEW 155 - 172
14. LOCAL INVESTMENT OPPORTUNITY 173 - 182
15. OPERATOR CONTRACT 183 - 204

This page is intentionally left blank

## WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

WEDNESDAY, 22<sup>ND</sup> SEPTEMBER, 2021

**PRESENT:** Councillor C. Weaver [Vice-Chair in the Chair]

**Councillors:** G. Caron, P. Downing (deputising for C. Lloyd), M. Griffiths (deputising for M. Norris), P. Jenkins, P. Lewis, T. Palmer and D.E. Williams.

**The following officers were in attendance:**

C. Moore - Joint Committee Section 151 Officer (CCC)  
L. Rees-Jones - Joint Committee Monitoring Officer (CCC)  
C. Lee - Corporate Director of Resources (CoC)  
P. Griffiths - Service Director Finance and Improvement (RCT)  
N. Aurelius - Assistant Chief Executive - Resources (TCC)  
P. Latham - Head Clwyd Pension Fund (FCC)  
J. Dong - Deputy S151 Officer/ Chief Finance Officer (C&CS)  
D. Edwards - Chief Finance Officer (GCC)  
A. Parnell - Treasury & Pension Investments Manager (CCC)  
T. Williams - Senior Financial Services Officer (CCC)  
M. Evans Thomas - Principal Democratic Services Officer (CCC) [Note Taker]  
J. Owen - Democratic Services Officer (CCC) [Assisting]  
R. Morris – Member Services Officer (CCC) [Webcasting]  
S. Rees – Simultaneous Translator (CCC)

**Also in attendance to present reports:**

I. Colvin – Hymans Robertson  
J. Wright - Hymans Robertson  
E. Gough - Link Fund Solutions  
K. Midl – Link Fund Solutions  
R. Thornton - Link Fund Solutions  
N. Round – Northern Trust  
C. Hille – Robeco  
A. Knell - Robeco  
J. Leggate - Russell Investments  
P. Egan – Russell Investments  
T. Paik – Russell Investments  
A. Quinn - Russell Investments

**Also present as observers:**

M. Falconer – Pension Manager (CoC)  
D. Fielder - Deputy Head of Clwyd Pension Fund (FCC)  
C. Hurst - Pension Fund Manager (PCC)  
D. Jones-Thomas - Investment Manager (GCC)  
G. Watkins - Revenue Services Manager (CoC)  
Y. Keitch - Principal Accountant (RCT)  
K. Cobb – Pension Fund Accounting & Investment Manager (C&CS)



**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Clive Lloyd (City & County of Swansea) and Cllr Mark Norris (Rhondda Cynon Taf County Borough Council).

**2. DECLARATIONS OF INTEREST**

<b>Member</b>	<b>Agenda Item No.</b>	<b>Interest</b>
Cllr. G. Caron	All agenda items	He is a paying and receiving member of the Greater Gwent Pension Fund, his wife is a receiving member and his son-in-law is a paying member
Cllr. P. Downing	All agenda items	His brother is a member of the City & County of Swansea Pension Fund
Cllr. M. Griffiths	All agenda items	She is a member of the Rhondda Cynon Taf Pension Fund
Cllr. P. Jenkins	All agenda items	He is a member of the Gwynedd Pension Fund
Cllr. P. Lewis	All agenda items	Member of the Powys Pension Fund
Cllr. T. Palmer	All agenda items	His daughter and partner are members of the Clwyd Pension Fund
Cllr. E. Williams	All agenda items	Member of the Dyfed Pension Fund

[Note: There is an exemption within the Code of Conduct for Members, which allows a member who has been appointed or nominated by their Authority to a relevant body to declare that interest but remain and participate in the meeting.]

**3. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE JOINT COMMITTEE HELD ON THE 28TH JULY, 2021.**

**RESOLVED** that the minutes of the Joint Governance Committee meeting held on 28th July, 2021 be signed as a correct record.

**4. HOST AUTHORITY UPDATE**

[NOTE: Councillors G. Caron, P. Downing, M. Griffiths, P. Jenkins, P. Lewis, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received a progress update in relation to the following key areas:-

- Governance;
- Ongoing establishment;
- Operator services;
- Communications and reporting;
- Training and meetings;
- Resources, budget and fees.

In response to a question regarding the commencement date for the scheme member representative, members were informed that discussions will be commencing shortly with the Pension Boards of the Constituent Authorities and it was hoped to appoint early next year.

Reference was made to staffing resources and vacancies which was one of the risk identified in the Risk Register and officers were asked if they had sufficient resources in place to undertake the large volume of work which needed to commence. Members were informed that there is currently one vacancy in the structure for a support officer. Officers were currently reviewing the resources available and will appoint to the vacant post if necessary. He reassured members that the current resources were sufficient.

**UNANIMOUSLY RESOLVED that the Host Authority update be received.**

## **5. RISK REGISTER Q3 2021 REVIEW**

[NOTE: Councillors G. Caron, P. Downing, M. Griffiths, P. Jenkins, P. Lewis, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered the Risk Register Q3 2021 Review. It was noted that during the last quarter a review was undertaken of training resources and communication risks. The review outcomes of each risk were summarised in an appendix to the report.

The next review will take place in Q4 2021 and will focus on the Investment Section Risks.

**UNANIMOUSLY RESOLVED that the amendments to the WPP Risk Register, as detailed in the report, be approved.**

## **6. OPERATOR UPDATE**

[NOTE: Councillors G. Caron, P. Downing, M. Griffiths, P. Jenkins, P. Lewis, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received an update on the progress of the Wales Pension Partnership in relation to the following key areas:

- Current Fund Holdings
- Fund Launch Progress
- Corporate Update and Engagement



The report also included a Corporate and Engagement update and provided an update on the progress and milestones of the following Sub Funds:-

- Tranche 1 – Global Equity
- Tranche 2 – UK Equity
- Tranche 3 – Fixed Income
- Tranche 4 – Emerging Markets

**UNANIMOUSLY RESOLVED that the Operator Update be received.**

## **7. PERFORMANCE REPORTS AS AT 30/06/21**

[NOTE: Councillors G. Caron, P. Downing, M. Griffiths, P. Jenkins, P. Lewis, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received a presentation on the Performance Reports as at 30th June, 2021. It was noted that the sub funds had outperformed/underperformed against their respective benchmarks, as follows:-

- Global Opportunities – outperformed by 1.71% gross / 1.35% net
- Global Growth – outperformed by 2.42% gross / 1.95% net
- UK Opportunities - outperformed by 3.07% gross / 2.63% net
- Global Government Bond – outperformed by 1.96% gross / 1.78% net
- Global Credit – outperformed by 1.54% gross / 1.40% net
- Multi Asset Credit – outperformed by 4.631% gross / 4.23% net
- Absolute Return Bond – outperformed by 0.55% gross / 0.20% net
- UK Credit – underperformed by 0.33% gross / 0.22% net

In response to a question asking whether any changes in markets were anticipated, members were informed that portfolios are built in such a way to ensure that they are all weather and take geopolitics into consideration.

Asked what investments are made in healthcare, members were informed that these related mainly to pharmaceutical companies.

**UNANIMOUSLY RESOLVED that the Performance Reports of the Sub Funds, as detailed above, as at 30th June, 2021, be noted.**

## **8. EXCLUSION OF THE PUBLIC**

**UNANIMOUSLY RESOLVED, pursuant to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, that the public be excluded from the meeting during consideration of the following items as the reports contained exempt information as defined in paragraph 14 of Part 4 of Schedule 12A to the Act.**

## **9. SUB FUND MANAGER CHANGES**

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 8 above, to consider





**this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.**

[NOTE: Councillors G. Caron, P. Downing, M. Griffiths, P. Jenkins, P. Lewis, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered a report proposing manager changes for two of its Sub Funds.

**UNANIMOUSLY RESOLVED that the proposed manager changes, as detailed in the report, be approved.**

#### **10. GLOBAL SECURITIES LENDING REVIEW AS AT 30/06/21**

**Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 8 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would adversely impact upon the Pension Fund by disadvantaging negotiations between the Investment Managers.**

[NOTE: Councillors G. Caron, P. Downing, M. Griffiths, P. Jenkins, P. Lewis, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered the Global Securities Lending Review, as at 30th June, 2021.

**UNANIMOUSLY RESOLVED that the Global Securities Lending Review as at 30th June, 2021 be noted.**

#### **11. ROBECO ENGAGEMENT SERVICE - Q2 2021 ENGAGEMENT REPORT**

**Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 8 above, to consider this matter in private, with the public excluded from the meeting, as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.**

[NOTE: Councillors G. Caron, P. Downing, M. Griffiths, P. Jenkins, P. Lewis, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered the Engagement Report for Q2 of 2021, which ended on 30th June.

**UNANIMOUSLY RESOLVED that the Engagement Report for Q2 of 2021 be noted.**

---

**CHAIR**

---

**DATE**



This page is intentionally left blank



## WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

**DATE 1 DECEMBER 2021**

### **SUBJECT**

#### **HOST AUTHORITY UPDATE**

### **RECOMMENDATIONS / KEY DECISIONS REQUIRED:**

**To receive an update from the host authority**

### **REASONS:**

The host authority to provide a progress update in relation to the following key areas:

- Governance
- Ongoing establishment
- Operator services
- Communications and reporting
- Training and meetings
- Resources, budget and fees

**Report Author:**  
**Chris Moore**

**Designation:**  
Director of Corporate Services  
  
**Carmarthenshire County  
Council**

**Tel No. 01267 224160**

**E. Mail:**  
**CMoore@carmarthenshire.gov.uk**

# **EXECUTIVE SUMMARY JOINT GOVERNANCE COMMITTEE**

**DATE 1 DECEMBER 2021**

## **HOST AUTHORITY UPDATE**

### **BRIEF SUMMARY OF PURPOSE OF REPORT**

The WPP Business Plan for 2021/22 was approved by the JGC on 24 March 2021. A Quarter 2 (1 July to 30 September 2021) update is attached showing WPP's progress in relation to the Workplan, Budget and Investments sections.

Work has continued to be developed in a number of key areas, including:

- 2020/21 Annual Report
- Becoming a signatory to the UK Stewardship Code
- New policies and policy reviews
- Responsibilities Matrix
- Operator Review meetings
- Launch of the Emerging Markets Sub-fund
- Private Markets Allocator procurement process
- IAA addendum
- OWG Sub-Groups:
  - Private Markets sub-group
  - Responsible Investment sub-group
  - Risk Register sub-group

Next Steps / Priorities:

- Scheme Member Rep – commence appointment process
- Development of Private Markets Sub-Funds:
  - September 2021 to February 2022 - Procurement of Private Debt and Infrastructure (x2) Allocators
  - 23 March 2022 – JGC to approve Allocator appointments
  - March 2022 to December 2022 – Private Debt and Infrastructure sub funds to be developed, approved and launched

Other key areas:

- Training – training sessions continue to be undertaken virtually
- Website – the website continues to be updated with relevant news and publications

<b>DETAILED REPORT ATTACHED?</b>	<b>NO</b>
----------------------------------	-----------

## IMPLICATIONS

Policy, Crime & Disorder and Equalities <b>YES</b>	Legal <b>NONE</b>	Finance <b>NONE</b>	Risk Management Issues <b>NONE</b>	Staffing Implications <b>NONE</b>
<b>Policy</b> Policy and procedure documents will be formal documents for the Wales Pension Partnership.				

# CONSULTATIONS

Details of any consultations undertaken are to be included here

**Section 100D Local Government Act, 1972 – Access to Information  
List of Background Papers used in the preparation of this report:  
THESE ARE DETAILED BELOW**

<b>Title of Document</b>	<b>File Ref No.</b>	<b>Locations that the papers are available for public inspection/WEBSITE LINK</b>

This page is intentionally left blank



Sub - Fund:	Global Opportunities	Global Growth	UK Opportunities	Multi Asset Credit	Global Credit	Global Gov Bond	Absolute Return Bond	Sterling Credit	Emerging Markets
Launch date	Feb-19	Feb-19	Sep-19	Jul-20	Jul-20	Jul-20	Sep-20	Jul-20	Oct-21
Owner of monitoring Sub-Fund's Alignment with FCA Prospectus Guidelines	LFS	LFS	LFS	LFS	LFS	LFS	LFS	LFS	LFS
Portfolio Manager	Russell	BG, Pzena, Veritas & LFS as rebalancing agent	Russell	Russell	Russell	Russell	Russell	FIL	Russell
Manager research provider	Russell	Russell	Russell	Russell	Russell	Russell	Russell	Russell	Russell
Frequency of manager evaluation	Continuous	Annual	Continuous	Continuous	Continuous	Continuous	Continuous	Annual	Continuous
Owner of Portfolio Manager DD	LFS	LFS on three underlying portfolio managers	LFS	LFS	LFS	LFS	LFS	LFS	LFS
Frequency of Portfolio Manager DD	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual
Owner of Portfolio Manager Investment Performance Oversight	LFS on Russell & Russell on Sub-Advisors	LFS	LFS on Russell & Russell on Sub-Advisors	LFS on Russell & Russell on Sub-Advisors	LFS on Russell & Russell on Sub-Advisors	LFS on Russell & Russell on Sub-Advisors	LFS on Russell & Russell on Sub-Advisors	LFS	LFS on Russell & Russell on Sub-Advisors
Frequency of Portfolio Manager Investment Performance Oversight	Continuous	Continuous	Continuous	Continuous	Continuous	Continuous	Continuous	Continuous	Continuous
Frequency of Sub-Advisers Investment Performance Oversight	Quarterly	Annual	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Annual	Quarterly
Frequency of CA/Advisor performance oversight	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Sub-Advisers	Morgan Stanley, Numeric, Sanders, Jacobs Levy, S.W. Mitchell, NWQ & Oaktree	Baillie Gifford, Pzena & Veritas	Madjedie, Baillie Gifford, Lazard, Ninety One, Liontrust	Bluebay, Baring, ICG, Voya, MAN GLG	Western Asset, T Rowe Price, FIL & Logan Circle	Colchester, Bluebay	Insight, Wellington, Aegon, Putnam	FIL	Artisan, Bin Yuan Capital, Barrow, Axiom, Neuberger, Oaktree
Owner of Sub-Advisers DD	Russell	LFS	Russell	Russell	Russell	Russell	Russell	LFS	Russell
Frequency of Sub-Advisor DD	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual
Owner of Sub-Advisers Investment Performance Oversight	Russell	LFS	Russell	Russell	Russell	Russell	Russell	LFS	Russell
ACS Financial Reports responsibility	LFS	LFS	LFS	LFS	LFS	LFS	LFS	LFS	LFS
TA / Fund Accountant / Custodian / Depository	NT	NT	NT	NT	NT	NT	NT	NT	NT
Owner of TA/ Custodian/ Depository DD and Performance Oversight	LFS	LFS	LFS	LFS	LFS	LFS	LFS	LFS	LFS
Frequency of TA/ Custodian/ Depository DD and Performance Oversight	Annual with monthly service reviews	Annual with monthly service reviews	Annual with monthly service reviews	Annual with monthly service reviews	Annual with monthly service reviews	Annual with monthly service reviews	Annual with monthly service reviews	Annual with monthly service reviews	Annual with monthly service reviews
Rebalancing Sub Advisor Appointments / Terminations	Russell	LFS	Russell	Russell	Russell	Russell	Russell	N/A	Russell
Governance Arrangements	Russell	LFS	Russell	Russell	Russell	Russell	Russell	N/A	Russell
Governance Arrangements	LFS/Russell to consult the WPP prior to any Sub-Advisor Appointments/ Terminations	LFS to consult the WPP prior to any Sub-Advisor Appointments/ Terminations	LFS/Russell to consult the WPP prior to any Sub-Advisor Appointments/ Terminations	LFS/Russell to consult the WPP prior to any Sub-Advisor Appointments/ Terminations	LFS/Russell to consult the WPP prior to any Sub-Advisor Appointments/ Terminations	LFS/Russell to consult the WPP prior to any Sub-Advisor Appointments/ Terminations	LFS/Russell to consult the WPP prior to any Sub-Advisor Appointments/ Terminations	Link to consult the WPP prior to any Sub-Advisor Appointments/ Terminations	LFS/Russell to consult the WPP prior to any Sub-Advisor Appointments/ Terminations
Additional comments	EPI & Decarbonisation	Segregated sub-advisor accounts	EPI	Segregated sub-advisor accounts	Segregated sub-advisor accounts	Segregated sub-advisor accounts	Segregated sub-advisor accounts	Single manager sub-fund	EPI & Decarbonisation

This page is intentionally left blank



# Wales Pension Partnership Business Plan 2021-2022 Q2 Review

## Governance

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Appoint a Scheme Member Representative to the Joint Governance Committee</li> </ul>	In progress	IAA addendum in the process of being approved by the Constituent Authorities
<ul style="list-style-type: none"> <li>Development of a WPP Rebalancing &amp; Alteration Policy</li> </ul>	Yes	Policy being taken to the December 2021 JGC for approval
<ul style="list-style-type: none"> <li>Formulate a Responsibilities Matrix for WPP Sub-Funds</li> </ul>	Yes	
<ul style="list-style-type: none"> <li>Development of a WPP Whistleblowing Policy</li> </ul>		Planned for Q1 (January to March) 2022
<ul style="list-style-type: none"> <li>Develop 'Pre-sign-off Checklist Reports' for WPP Sub Funds</li> </ul>	In progress	To be completed by end of December 2021
<ul style="list-style-type: none"> <li>Development of a WPP Business Continuity Plan</li> </ul>		Planned for Q1 (January to March) 2022
<ul style="list-style-type: none"> <li>Review of Inter Authority Agreement</li> </ul>	Yes	IAA addendum in the process of being approved by the Constituent Authorities
<ul style="list-style-type: none"> <li>Annual review of WPP's policies and plans</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Quarterly reviews of the Risk Register</li> </ul>	Ongoing	

## Ongoing Establishment

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Launch of Emerging Market Sub-Fund</li> </ul>	Yes	Launched 20 October 2021
<ul style="list-style-type: none"> <li>Launch of Private Debt &amp; Infrastructure Sub-Funds</li> </ul>		Launch delayed until 2022/23
<ul style="list-style-type: none"> <li>Formulate the WPP's Property requirements and optimal means of implementation</li> </ul>	In progress	Initial discussions have taken place, requirements to be finalised in 2022/23
<ul style="list-style-type: none"> <li>Consultation with CAs on need for further sub-funds</li> </ul>	Ongoing	

### Operator Services

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>WPP Operator Oversight Framework</li> </ul>	In progress	Ongoing review meetings being held with Link, to be completed in Q1 (January to March) 2022
<ul style="list-style-type: none"> <li>Review of Operator's contract</li> </ul>	Yes	
<ul style="list-style-type: none"> <li>Review of Operator KPI reporting</li> </ul>	In progress	Part of Operator Oversight Framework
<ul style="list-style-type: none"> <li>Market Review of developments within the Operator market</li> </ul>	Yes	
<ul style="list-style-type: none"> <li>Setting up and implementing a framework for monitoring the performance of Russell as investment advisors to Link</li> </ul>	Yes	

### Communication, Training and Reporting

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Formulation of the WPP's Annual Responsible Investment Progress Report</li> </ul>	In progress	Report to be issued after 31 March 2022, in line with the Stewardship Code Reporting
<ul style="list-style-type: none"> <li>Formulation of the WPP's annual training plan</li> </ul>		To be formulated in Q1 (January to March) 2022
<ul style="list-style-type: none"> <li>Formulation of the WPP's Annual Update</li> </ul>	Yes	2020/21 Annual Update published in June 2021
<ul style="list-style-type: none"> <li>Formulation of the WPP's Annual Report</li> </ul>	Yes	2020/21 Annual Report published in October 2021

## Investments and Reporting

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Development of Investment Manager performance reporting, including ESG metrics and climate change risk</li> </ul>	Yes	Responsible Investment & Climate Risk reports for the Equity sub-funds were presented at the July JGC
<ul style="list-style-type: none"> <li>Finalise Voting &amp; Engagement Reporting Requirements</li> </ul>	In progress	This is currently being looked at by the RI Sub-group
<ul style="list-style-type: none"> <li>Become a signatory to the UK Stewardship Code</li> </ul>	In progress	Application submitted 29 October 2021
<ul style="list-style-type: none"> <li>Formulate WPP Engagement Priorities and Implementation Framework</li> </ul>	In progress	Engagement themes being discussed with Robeco
<ul style="list-style-type: none"> <li>Review the compatibility of WPP Sub-Fund Benchmarks with WPP's Responsible Investment and Climate Risk Beliefs</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Annual review of WPP's Cost Transparency Requirements</li> </ul>		Planned for Q1 (January to March) 2022
<ul style="list-style-type: none"> <li>Annual market benchmarking exercise of WPP Sub-Fund Investment Performance</li> </ul>	Yes	Report being presented at the December 2021 JGC
<ul style="list-style-type: none"> <li>Consult with Constituent Authorities regarding minimum ESG/ RI standards and their climate ambitions</li> </ul>	Ongoing	

## Resources, budget and fees

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Annual review of resources and capacity</li> </ul>		To be reviewed in Q1 (January to March) 2022
<ul style="list-style-type: none"> <li>Formulation of Annual WPP Budget</li> </ul>		To be formulated in Q1 (January to March) 2022
<ul style="list-style-type: none"> <li>Review and Monitoring of Fees (including Link &amp; Russell)</li> </ul>	Yes	

## Training Plan

Training topics to be completed during 2021–2022 as per approved 2021-2022 Training Plan and progress to date:

	Completed	Comments
• Private Market – Asset Classes & Implementation	Yes – April 2021	
• Private Market – Fund Wrappers & Governance	Yes – April 2021	
• Responsible Investment Indices and Solutions	Yes – July 2021	
• Responsible Investment Reporting	Yes – July 2021	
• Performance Reporting & Manager Benchmarking	Yes – October 2021	
• Roles & Responsibilities within the ACS	Yes – October 2021	
• Good Governance		To be arranged - March 2022
• Cost Transparency		To be arranged - March 2022
• Progress of other LGPS Pools		Scheduled for 19 January 2022
• Collaboration Opportunities		Scheduled for 19 January 2022

All the above training that has taken place to date has been extended to Pension Committee and Pension Board members and all training sessions have been held virtually.

## Budget

### 2021-2022 Budget Monitoring Report:

	Budget 2021 – 2022 £000	Forecast 2021 – 2022 £000	Variances 2021 – 2022 £000
Host Authority *	182	161	21
External Advisors *	680	802	(122)
<b>TOTAL to be recharged</b>	<b>862</b>	<b>963</b>	<b>(101)</b>
Operator Services **	28,447	27,047	1,400
<b>TOTAL to be deducted from the NAV</b>	<b>28,447</b>	<b>27,047</b>	<b>1,400</b>

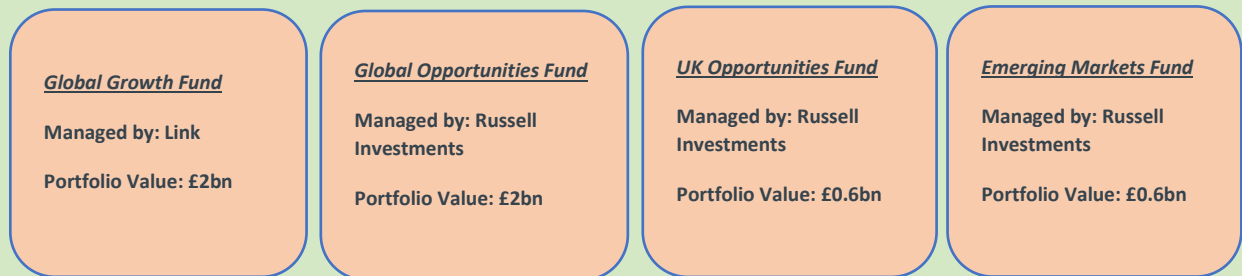
*\*Host Authority and External Advisor costs are to be funded equally by all eight of the WPP's Constituent Authorities and these will be recharged on an annual basis.*

*\*\*Operator Services costs are based on each Constituent Authority's percentage share of WPP assets (held with the Operator) and are deducted directly from the Net Asset Value (NAV) of the Constituent Authority's assets (held with the Operator).*

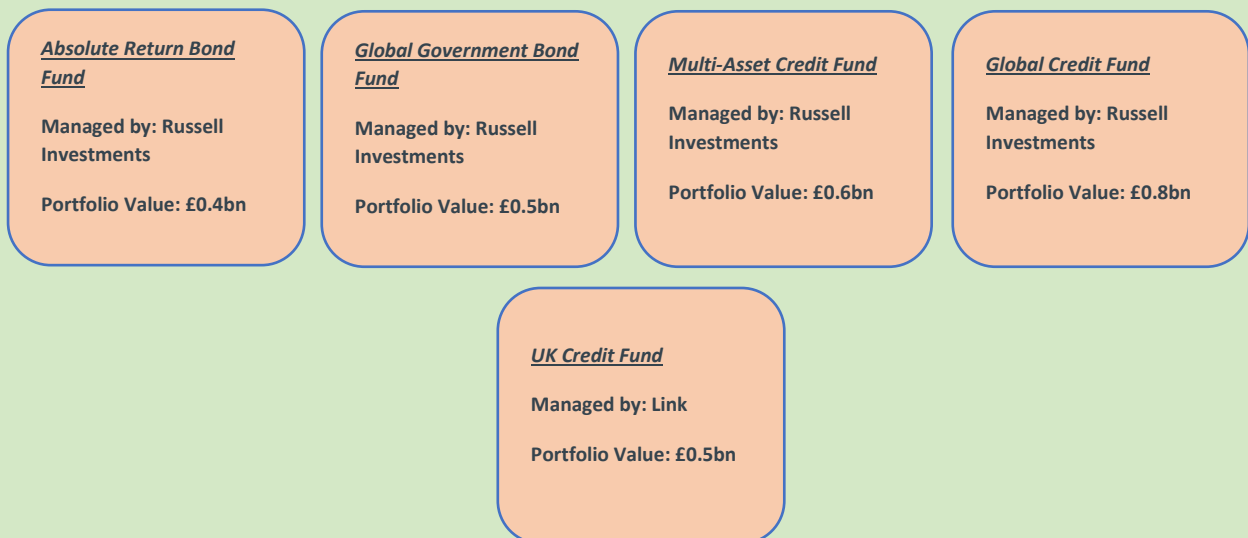


## Investments

### Equity Sub-Funds



### Fixed Income Sub-Funds



\* Portfolio Values as at launch date



Wales Pension Partnership  
<https://www.walespensionpartnership.org/>



## WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

**DATE 1 DECEMBER 2021**

### **SUBJECT**

**RISK REGISTER Q4 2021 REVIEW**

### **RECOMMENDATIONS / KEY DECISIONS REQUIRED:**

**To approve the amendments to the WPP Risk Register**

### **REASONS:**

The Wales Pension Partnership (WPP) Risk Register was formulated and approved by the JGC on 17 July 2020. The Officers Working Group (OWG) has carried out a quarterly review of the register, looking at the Investment & Performance risk section, risks I.1 to I.9.

**Report Author:**  
**Chris Moore**

**Designation:**  
Director of Corporate Services  
  
**Carmarthenshire County  
Council**

**Tel No. 01267 224160**

**E. Mail:**  
**CMoore@carmarthenshire.gov.uk**

**EXECUTIVE SUMMARY**  
**JOINT GOVERNANCE COMMITTEE**

**DATE 1 DECEMBER 2021**

**RISK REGISTER Q4 2021 REVIEW**

**BRIEF SUMMARY OF PURPOSE OF REPORT**

The WPP has formulated a Risk Register which is the means by which risks are documented, managed and monitored. The purpose of the WPP Risk Register is to:

- Outline the WPP's key risks and factors that may limit its ability to meet its objectives
- Quantify the severity and probability of the risk facing the WPP
- Summarise the WPP's risk management strategies
- Monitor the ongoing significance of these risks and the requirement for further risk mitigation strategies

The initial Risk Register was approved by the JGC on 17 July 2020. The OWG is responsible for maintaining the WPP Risk Register and reporting back any changes or developments to the JGC on a quarterly basis.

During the last quarter, a review has taken place of the Investment & Performance risks, risks I.1 to I.9. The summary sheet attached summarises the review outcomes of each risk.

The OWG has a dedicated WPP Risk Sub-Group to take ownership of the WPP Risk Register and the quarterly review of this document. The next review will take place in Q1 2022 and will focus on risks G.1 to G.8 in the Governance & Regulation Risks section.

**DETAILED REPORT ATTACHED?**

**YES**

## IMPLICATIONS

Policy, Crime & Disorder and Equalities <b>YES</b>	Legal <b>NONE</b>	Finance <b>NONE</b>	Risk Management Issues <b>NONE</b>	Staffing Implications <b>NONE</b>
<b>Policy</b> The Risk Register is a formal document for the Wales Pension Partnership.				




# CONSULTATIONS




Details of any consultations undertaken are to be included here

**Section 100D Local Government Act, 1972 – Access to Information  
List of Background Papers used in the preparation of this report:  
THESE ARE DETAILED BELOW**




Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK

## Investment & Performance Risk

Risk Detail				Current Situation	Scoring			Management and Monitoring			
Risk & Nature of Risk	Cause of Risk	Implications of Risk	Risk Owner & Impact Period	Current Risk Controls	Severity	Probability	Score	Current Status	Action Required	Responsible Party & Review Date	Progress Report/ Comments
I.1	The WPP Sub-funds failure to achieve their targeted investment returns.	<ul style="list-style-type: none"> <li>Underperformance of the WPP's Investment Managers.</li> <li>Adverse and unforeseen economic conditions and market events.</li> <li>Inappropriate strategic and regional asset allocations.</li> </ul> A significant strain on the WPP's key stakeholders, the Constituent Authorities. This may result in a requirement for greater employer contributions or a fall in funding level.	JGC	<ul style="list-style-type: none"> <li>Ongoing monitoring of investment performance, market developments and economic outlook reported by the Investment Manager and the Operator and discussed at OWG meetings</li> <li>The Operator/ the Investment Manager engagement with Investment Managers and ongoing reviews of their process</li> <li>Manager days hosted by the Operator/ the Investment Manager for OWG/Constituent Authorities Pension Fund Committees</li> </ul>	Current				N/A	OWG	There has been a significant amount of work undertaken in this area over the past 12 months. Key activities include: <ul style="list-style-type: none"> <li>Quarterly reports from Russell, Northern Trust and Link continue to be discussed at OWG &amp; JGC meetings</li> <li>Bi-annual sub-fund benchmarking has commenced - the initial review of the global equity sub-funds will take place in Q4 2021. Fixed Income sub-funds will be reviewed in 2022 and an on-going monitoring programme will be established.</li> <li>RI reporting on climate risk &amp; ESG risks has commenced on a quarterly basis</li> <li>Link have drafted an 'ACS responsibilities matrix' which formalises targeted &amp; benchmark returns, along with other aspects of sub-fund management.</li> </ul> The current score will remain until a cycle of these activities has been completed and the effectiveness of the activities as mitigations can be validated.
	Financial		Long Term		4	3	12				
I.2	One of the WPP's Investment Managers fails/ exits the market, leading to a financial loss to WPP assets.	<ul style="list-style-type: none"> <li>Investment Manager's business model, internal controls and/ or the external oversight of the Investment Manager fails.</li> </ul> Financial loss to assets held within the WPP.	The Operator/ The Investment Manager	The Operator/The Investment Manager facilitate: <ul style="list-style-type: none"> <li>Ongoing monitoring of investment managers</li> <li>Questioning managers on their internal controls, external regulation, succession/retention policies</li> <li>Engagement with Investment Managers and the Investment Manager industry</li> <li>Maintaining a shortlist of suitable replacement Managers</li> </ul>	Current				The WPP needs to ensure that suitable procedures are in place for the oversight of Sub-Fund Managers. The WPP undertake the following action: <ul style="list-style-type: none"> <li>• Bodify due diligence on non-Russell managed sub-funds.</li> </ul>	OWG	There has been good progress in this area over the last 12 months. Key activities include: <ul style="list-style-type: none"> <li>- A sub-fund ACS manager rebalancing policy has been drafted and will be delivered to the JGC in December 2021</li> <li>- Reporting on any manager changes (inc. rationale) in non-Russell managed sub-funds</li> <li>- Link have drafted an 'ACS responsibilities matrix' which formalises targeted &amp; benchmark returns, along with other aspects of sub-fund management</li> </ul>
	Financial		Short Term		5	2	10				
I.3	Failure of appointed Custodian may lead to assets not being properly managed resulting in financial and/or information loss in relation to investment assets.	<ul style="list-style-type: none"> <li>Inaccurate recording of asset valuations and transactions.</li> <li>Unsatisfactory safeguarding of assets.</li> <li>External and internal controls fail to prevent fraud or misappropriation.</li> <li>Custodian fails and exists the market, potentially leading to stranded assets.</li> </ul> Financial loss to assets held within the WPP.	The Operator/ OWG	<ul style="list-style-type: none"> <li>Robust procurement process overseen by The Operator</li> <li>Annual review of custodian prepared by The Operator and presented to OWG</li> <li>Analysis of Investment Manager Records vs Custodian Records</li> <li>Monitor custodian performance on annual basis</li> <li>Custodian regulated by FCA</li> <li>Receipt of annual controls reports from Custodian's External Auditors</li> </ul>	Current				The OWG will work with the Operator and Oversight advisor to agree the procedure for formulating and the content of the WPP Annual Custodian Review.	OWG/ Oversight Advisor	High level monitoring and information on the custodian has been received. Work is still to be progressed on the annual review of the custodian, which is expected to be part of the Link Management Information template, due to be delivered in Q1 2022.
	Financial		Short Term		5	2	10				

Risk Detail				Current Situation	Scoring			Management and Monitoring				
Risk & Nature of Risk		Cause of Risk	Implications of Risk	Risk Owner & Impact Period	Current Risk Controls	Severity	Probability	Score	Current Status	Action Required	Responsible Party & Review Date	Progress Report/ Comments
1.4	The WPP does not receive or seek expert investment advice when required.	<ul style="list-style-type: none"><li>• An external adviser provides inappropriate or unsatisfactory advice to WPP.</li><li>• WPP ignores appropriate advice provided by expert advisers.</li><li>• WPP fails to seek to expert advise.</li></ul>	Inappropriate decisions are implemented which may harm investment performance.	OWG/ JGC	<ul style="list-style-type: none"><li>• Robust procurement processes</li><li>• Ongoing training for JGC and OWG members</li><li>• Oversight Advisor in place to oversee Investment Advise &amp; decision-making process</li><li>• Engagement with other LGPS Pools and Funds to cross verify suitability of advice</li></ul>	4	2	8		The WPP believe that the objectivity and range of investment solutions recommendations is a significant area of concern . In particular, the WPP needs to ensure that it is fully aware of the limitations, of the proposals put forward by the Investment Management Solutions Provider.	OWG/ Oversight Advisor	Work on private markets sub-funds demonstrated the robustness of WPP's collective challenge in the sub fund design stage.
	Financial	Long Term	4	1	4	The WPP will ask its Oversight Advisor to codify and formalise the process the WPP should follow when considering investment solutions.		The Oversight advisor will identify which aspects of an investment solution it will advise the OWG on and which will continue to be carried by local level advisors, who have an important role to play when considering the suitability of WPP investment solution for their Constituent Authority .		Q4 2022	The action to codify the process by which the WPP should go about considering investment solutions has been discussed. This is expected to be a matrix, including items such as the process by which sub-funds are developed from the 'ideas' stage to launch and roles and responsibilities of various parties (including Link, Russell, Hymans and local/independent advisors). This is expected by Q1 2022.	
1.5	The WPP fails to challenge Manager fees, value for money and mandated objectives.	<ul style="list-style-type: none"><li>• Lack of information and transparency from Investment Managers.</li><li>• Inability to check and challenge Investment Managers and benchmark them relative to market competitors.</li></ul>	Inability to deliver value for money to the WPP's stakeholders.	OWG	<ul style="list-style-type: none"><li>• Ongoing monitoring of investment managers fees</li><li>• Question The Operator, the Investment Manager and Investment Managers on their fees</li><li>• Demand Transparency from Investment Mangers, the Investment Manager and The Operator on fees</li></ul>	2	2	4		The WPP has identified two new means of controlling this risk. As noted in risk I.1, the WPP will undertake bi-annual benchmarking exercises, this will allow the WPP to assess the value for money that they are obtaining relative to market comparators. Furthermore, the WPP recognises that cost transparency exercises are invaluable in identifying value for money, this will be the second means by which the WPP will assess value for money.	OWG/ Oversight Advisor	Link have provided a value for money document to the WPP, focussing on the cost & value of their services and that of their third parties
	Financial	Medium Term	2	1	2	The WPP will consider the findings of the SAB Cost Transparency exercise, following this the OWG will consider what additional action are required and whether there is a need for further cost transparency exercises.		OWG to consider Cost transparency actions and requirements following receipt of SAB information.		Q4 2022	- Bi-annual sub-fund benchmarking has commenced - the initial review of the global equity sub-funds is due to take place in Q4 2021. Fixed Income sub-funds will be reviewed in 2022 and an on-going monitoring programme will be established.	
1.6	The WPP is subjected to counterparty risk	<ul style="list-style-type: none"><li>• The WPP fails to monitor their counterparty exposure and the probability of counterparty defaults.</li><li>• A suitable escalation process to deal with excess counterparty exposure is not put in place.</li></ul>	Financial loss to assets held within the WPP, potential legal costs, reputation risk.	OWG/ The Operator/ The Investment Manager/ The Custodian	<ul style="list-style-type: none"><li>• Ongoing monitoring of counterparty exposure</li><li>• Question The Operator, The Investment Manager, Investment Managers and Custodian on the WPP's level of counterparty exposure</li></ul>	4	2	8		The OWG will ask the Operator to formulate an initial counterparty risk report by Q1 2022.	OWG	The report on counterparty risk is expected to form part of the Link Management Information template. Link have appointed a provider to deliver this report and it is due to be delivered in Q1 2022.
	Financial	Short Term	4	2	8					Q4 2022		







Risk Detail				Current Situation	Scoring			Management and Monitoring			
Risk & Nature of Risk	Cause of Risk	Implications of Risk	Risk Owner & Impact Period	Current Risk Controls	Severity	Probability	Score	Current Status	Action Required	Responsible Party & Review Date	Progress Report/ Comments
1.7	The WPP puts in place sub-optimal sub-funds.	<ul style="list-style-type: none"> <li>Insufficient time and resources are allocated to the design and development of sub-funds.</li> <li>Constituent Authorities do not effectively articulate their requirements and/ or the WPP fails to account for Constituent Authority requirements.</li> <li>Value for money and/ or cost savings are not given adequate consideration.</li> <li>Sub-funds with insufficient scale to achieve cost saving are launched.</li> <li>Manager fee negotiations are ineffective</li> </ul>	The WPP provides sub-funds that do not deliver value for money/ cost saving and or the investment requirements of the Constituent Authorities	OWG/ The Operator/ The Investment Manager  Long Term	<ul style="list-style-type: none"> <li>Numerous advisors used in the formulation of sub-funds</li> <li>Oversight advisor in place to oversee investment strategy and sub-fund design</li> <li>Numerous checks and balances on the decision-making process and approval of invest strategy and sub-funds</li> <li>Cost benefit analysis is carried out prior to each sub-fund launch</li> <li>Use of the Investment Manager's scale and the WPP's scale to negotiate the best Manager fees possible</li> <li>Frequent consultation with Constituent Authorities on their requirements</li> <li>Asset held outside of sub-fund if their inclusion in the sub-fund is cost inefficient</li> <li>The formulation of the WPP Annual Constituent Authority Questionnaire has significantly mitigated the risk that Constituent Authorities needs and requirements are not identified and accounted for in the formulation and alteration of WPP Sub-funds</li> </ul>	Current			-The formulation of the following document, as outlined in Risk 1.2, will need to be carried out to further mitigate this risk: - Codify due diligence on non-Russell managed sub-funds - Carry out an annual review of the size of investment in sub funds to ensure they are of a reasonable size  These mechanisms will focus on ensuring that existing sub-funds continue to be optimal for the Constituent Authorities.	The Operator/ Investment Manager / Oversight Advisor	There has been good progress in this area over the last 12 months. Key activities include: - A sub-fund manager rebalancing policy has been drafted and will be delivered to the JGC in December 2021 - The ACS responsibilities matrix has been drafted and will be delivered to the JGC in December 2021 - this will cover sub-fund objectives and other information - A sub-group of Officers and Hymans Advisers has been formed to look at Private Market sub-funds, including overseeing adviser procurement - Launch of the Emerging Markets Sub Fund
	Financial					4	2	8			
1.8	The WPP fails to adequately account for climate change, climate risk and ESG factors.	<ul style="list-style-type: none"> <li>Lack of knowledge on the impacts of Climate Change, Risk and ESG Factors.</li> <li>Lack of knowledge on how the impacts of Climate Change, Risk and ESG Factors can be managed.</li> <li>Poor attendance at training events.</li> </ul>	Financial loss to assets held within the WPP and potential for stranded assets.	OWG/ The Operator/ The Investment Manager  Long Term	<ul style="list-style-type: none"> <li>Development of suitable Climate Change, Climate Risk and ESG reporting metrics</li> <li>Appointment of a proxy voting and engagement provider, who engages with managers and companies on how they manage Climate Change, Climate Risk and ESG factors</li> <li>Publication of a Responsible Investment policy and Climate Risk Policy</li> <li>Constant engagement and challenging of Managers on how they account for Climate Risk/ Change and ESG Factors</li> <li>Development of Sub-funds that will allow Constituent Authorities to manage their Climate risk Exposure</li> <li>Annual Climate Change, Climate Risk or ESG related training event on the WPP Training Plan</li> </ul>	Current			The WPP RI Sub-Group is working with the Oversight Advisor to develop a robust framework covering the WPP's reporting on Responsible Investment and Climate Risk.	OWG/ Oversight Advisor	The WPP RI Sub-Group has established a quarterly cycle of ESG and Climate Risk reporting and will continue to meet with the Investment Managers of the WPP's Sub-funds to understand, challenge and review how they account of RI matter in the formulation of WPP sub-funds. - the RIS Sub Group have prepared a Stewardship Report and are expected to submit to the FRC in Q4 2021.
	Financial					4	2	8			
1.9	The WPP fails to facilitate investment solutions that enable the Constituent Authorities to meet their investment strategy and objectives.	<ul style="list-style-type: none"> <li>Insufficient time and resources are allocated to engaging with and understanding Constituent Authority needs and requirements.</li> <li>Constituent Authorities do not effectively articulate their requirements and/ or the WPP fails to account for Constituent Authority requirements.</li> <li>Sub-funds are not designed to Constituent Authority requirements.</li> <li>Sub-funds are not flexible enough or able to change to better meet Constituent Authority requirements</li> </ul>	The Constituent Authorities refuse to make use of the investment solution provided by the WPP. Consequently, the WPP fails to Pool assets, which may lead to government intervention and or the collapse of the WPP.	OWG/ The Operator/ The Investment Manager/ Oversight Advisor  Long Term	<ul style="list-style-type: none"> <li>The development of further sub-funds is a prioritised item within the WPP's business plan.</li> <li>Frequent consultation with Constituent Authorities on their requirements</li> <li>Consultation with the Constituent Authorities on the ongoing suitability of existing sub-funds.</li> <li>Numerous advisors used in the formulation of sub-funds</li> <li>Oversight advisor in place to oversee investment strategy and sub-fund design</li> <li>Numerous checks and balances on the decision-making process and approval of invest strategy and sub-funds</li> </ul>	Current			N/A	Oversight Advisor	The annual consultation questionnaire that seeks to determine Constituent Authorities' individual investment requirements and longer-term aspirations continues to be issued and is used to feed into the WPP workplan.  The target score for probability has been increased to a 2 as it was felt to be a more realistic target, taking into account external factors and the changing needs of Constituent Authorities.
	Operational/ Reputational					5	2	10			
						5	2	10		Q4 2022	

This page is intentionally left blank

## WPP Risk Register Update – December 2021 JGC

Risk	Focus of the Risk	Target Risk Score	Current Risk Score	Current Status	Responsible Party	Comments
I.1	The WPP Sub-funds failure to achieve their targeted investment returns.	8	12	👉	OWG	<ul style="list-style-type: none"> <li>There has been a significant amount of work undertaken in this area over the past 12 months, with activities including: <ul style="list-style-type: none"> <li>Quarterly reports from Russell, Northern Trust and Link continue to be discussed at OWG &amp; JGC meetings</li> <li>Bi-annual sub-fund benchmarking has commenced - the initial review of the global equity sub-funds will take place in Q4 2021. Fixed Income sub-funds will be reviewed in 2022 and an on-going monitoring programme will be established.</li> <li>RI reporting on climate risk &amp; ESG risks has commenced on a quarterly basis</li> <li>Link have drafted an 'ACS responsibilities matrix' which formalises targeted &amp; benchmark returns, along with other aspects of sub-fund management.</li> </ul> </li> <li>The current score will remain until a cycle of these activities has been completed and the effectiveness of the activities as mitigations can be validated.</li> </ul>
I.2	One of the WPP's Investment Managers fails/ exits the market, leading to a financial loss to WPP assets.	10	10	👍	OWG	<ul style="list-style-type: none"> <li>There has been good progress in this area over the last 12 months. Key activities include: <ul style="list-style-type: none"> <li>A sub-fund ACS manager rebalancing policy has been drafted and will be delivered to the JGC in December 2021</li> <li>Reporting on any manager changes (inc. rationale) in non-Russell managed sub-funds</li> <li>Link have drafted an 'ACS responsibilities matrix' which formalises targeted &amp; benchmark returns, along with other aspects of sub-fund management</li> </ul> </li> </ul>
I.3	Failure of appointed Custodian may lead to assets not being properly managed resulting in financial and/or information loss in relation to investment assets.	10	10	👍	OWG/ Oversight Advisor	<ul style="list-style-type: none"> <li>High level monitoring and information on the custodian has been received. Work is still to be progressed on the annual review of the custodian, which is expected to be part of the Link Management Information template, due to be delivered in Q1 2022</li> </ul>
Page 35	The WPP does not receive or seek expert investment advice when required.	4	8	👉	OWG/ Oversight Advisor	<ul style="list-style-type: none"> <li>Work on private markets sub-funds demonstrated the robustness of WPP's collective challenge in the sub fund design stage.</li> <li>The action to codify the process by which the WPP should go about considering investment solutions has been discussed. This is expected to be a matrix, including items such as the process by which sub-funds are developed from the 'ideas' stage to launch and roles and responsibilities of various parties (including Link, Russell, Hymans and local/independent advisors). This is expected by Q1 2022.</li> <li>The Oversight advisor will identify which aspects of an investment solution it will advise the OWG on and which will continue to be carried by local level advisors, who have an important role to play when considering the suitability of WPP investment solution for their Constituent Authority</li> </ul>

I.5	The WPP fails to challenge Manager fees, value for money and mandated objectives.	4	2		OWG/ Oversight Advisor	<ul style="list-style-type: none"> <li>Link have provided a value for money document to the WPP, focussing on the cost &amp; value of their services and that of their third parties</li> <li>Bi-annual sub-fund benchmarking has commenced - the initial review of the global equity sub-funds is due to take place in Q4 2021. Fixed Income sub-funds will be reviewed in 2022 and an on-going monitoring programme will be established.</li> <li>OWG to consider Cost transparency actions and requirements following receipt of SAB information.</li> </ul>
I.6	The WPP is subjected to counterparty risk	8	8		OWG	<ul style="list-style-type: none"> <li>The report on counterparty risk is expected to form part of the Link Management Information template. Link have appointed a provider to deliver this report and it is due to be delivered in Q1 2022.</li> </ul>
I.7	The WPP puts in place sub-optimal sub-funds.	4	8		The Operator/ Investment Manager / Oversight Advisor	<ul style="list-style-type: none"> <li>There has been good progress in this area over the last 12 months. Key activities include: <ul style="list-style-type: none"> <li>A sub-fund manager rebalancing policy has been drafted and will be delivered to the JGC in December 2021</li> <li>The ACS responsibilities matrix has been drafted and will be delivered to the JGC in December 2021 - this will cover sub-fund objectives and other information</li> <li>A sub-group of Officers and Hymans Advisers has been formed to look at Private Market sub-funds, including overseeing adviser procurement</li> <li>Launch of the Emerging Markets Sub Fund</li> </ul> </li> <li>The following actions will be carried out: <ul style="list-style-type: none"> <li>The formulation of the document to codify due diligence on non-Russell managed sub-funds</li> <li>Carry out an annual review of the size of investment in sub funds to ensure they are of a reasonable size</li> </ul> </li> </ul>
I.8	The WPP fails to adequately account for climate change, climate risk and ESG factors.	4	8		OWG/ Oversight Advisor	<ul style="list-style-type: none"> <li>The WPP RI Sub-Group has established a quarterly cycle of ESG and Climate Risk reporting and will continue to meet with the Investment Managers of the WPP's Sub-funds to understand, challenge and review how they account of RI matter in the formulation of WPP sub-funds.</li> <li>The RI Sub-Group have prepared a Stewardship Report and this was submitted to the FRC in October 2021.</li> </ul>
I.9	The WPP fails to facilitate investment solutions that enable the Constituent Authorities to meet their investment strategy and objectives.	10	10		Oversight Advisor	<ul style="list-style-type: none"> <li>The annual consultation questionnaire that seeks to determine Constituent Authorities' individual investment requirements and longer-term aspirations continues to be issued and is used to feed into the WPP workplan.</li> <li>The target score for probability has been increased to a 2 as it was felt to be a more realistic target, taking into account external factors and the changing needs of Constituent Authorities. . It is anticipated that this questionnaire will mitigate the risk that WPP investment solutions fail to meet the needs of the Constituent Authorities.</li> </ul>



## WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

**DATE 1 DECEMBER 2021**

<p align="center"><b>SUBJECT</b></p> <p align="center"><b>REBALANCING AND ALTERATION POLICY</b></p>		
<p><b>RECOMMENDATIONS / KEY DECISIONS REQUIRED:</b></p> <p><b>To approve the WPP's Rebalancing and Alteration Policy</b></p>		
<p><b>REASONS:</b></p> <p>A Rebalancing and Alteration Policy has been developed for the Wales Pension Partnership and requires approval by the JGC.</p>		
<p><b>Report Author:</b> <b>Chris Moore</b></p>	<p><b>Designation:</b> Director of Corporate Services</p> <p><b>Carmarthenshire County Council</b></p>	<p><b>Tel No. 01267 224160</b></p> <p><b>E. Mail:</b> CMoore@carmarthenshire.gov.uk</p>

**EXECUTIVE SUMMARY  
JOINT GOVERNANCE COMMITTEE**

**DATE 1 DECEMBER 2021**

<b>REBALANCING AND ALTERATION POLICY</b>
--

<b>BRIEF SUMMARY OF PURPOSE OF REPORT</b>
---

A Rebalancing and Alteration policy has been developed which sets out WPP's approach to rebalancing the assets held within the pools' sub-funds. The policy outlines the framework that has put in place to ensure that manager allocations within sub-funds are monitored and rebalanced where appropriate.

This policy applies to the full range of sub-funds held in the WPP ACS umbrella, covering equity and fixed income mandates. WPP recognises that Constituent Authorities may have other assets held outside of WPP and these assets are not covered by this policy. The WPP's rebalancing policy is designed to ensure all investors have clarity over the rebalancing policies in place.

This policy will be formally reviewed by the OWG on an annual basis and, if necessary, changes to the policy will be taken to the JGC for approval.

<b>DETAILED REPORT ATTACHED?</b>	<b>YES</b>
----------------------------------	------------

## IMPLICATIONS

Policy, Crime & Disorder and Equalities <b>YES</b>	Legal  <b>NONE</b>	Finance  <b>NONE</b>	Risk Management Issues  <b>NONE</b>	Staffing Implications  <b>NONE</b>
<b>Policy</b> A rebalancing and alteration policy has been prepared which will be a formal document for the Wales Pension Partnership.				

## CONSULTATIONS

Details of any consultations undertaken are to be included here

### **Section 100D Local Government Act, 1972 – Access to Information**

**List of Background Papers used in the preparation of this report:**

**THESE ARE DETAILED BELOW**

<b>Title of Document</b>	<b>File Ref No.</b>	<b>Locations that the papers are available for public inspection/WEBSITE LINK</b>



## WPP Sub-fund Rebalancing and Alteration Policy

### Introduction

- 1 The Wales Pension Partnership (“WPP”) is the pooling arrangement for the assets of the eight Welsh Local Government Pension Scheme funds (“Constituent Authorities”).
- 2 This policy sets out WPP’s approach to rebalancing the assets held within sub-funds. The policy outlines the framework that WPP has put in place to ensure that manager allocations within sub-funds are monitored and rebalanced where appropriate.
- 3 This policy applies to the full range of sub-funds held in the WPP ACS umbrella, covering equity and fixed income mandates. WPP recognises that Constituent Authorities may have other assets held outside of WPP and these assets are not covered by this policy. The WPP’s rebalancing policy is designed to ensure all investors have clarity over the rebalancing policies in place.
- 4 This policy will be formally reviewed by the OWG on an annual basis and, if necessary, changes to the policy will be taken to the JGC for approval.

### Rationale for rebalancing

- 5 A rebalancing policy ensures that the manager allocations within sub-funds are suitably monitored to ensure that they remain consistent with the objectives when the sub-funds were established.
- 6 In addition, having a rebalancing policy and monitoring process helps to ensure that any drift of manager allocations within sub-funds is monitored, reported to investors, and advised on if needed.
- 7 A clear policy helps set clarity over the steps that can be taken by the Portfolio Managers (“PM”) to manage this risk.

### Rebalancing

- 8 WPP invests in a range of funds, which have either Russell or Link as a Portfolio Manager (“PM”). These funds can consist of a single manager, e.g. the WPP Sterling Credit sub-fund where Fidelity are the investment manager, or hold multiple investment managers, as is the case for the majority of other sub-funds.
- 9 For single manager sub-funds, such as WPP Sterling Credit, manager rebalancing considerations are not relevant.
- 10 For the funds with Russell as the PM, Russell Investments seek to actively manage all allocations to the underlying investment managers at the Fund level. Activity is reported to investors on a quarterly basis.
- 11 For the sub-funds with Link as PM, and with multiple managers:
  - 11.1 A target allocation to the underlying investment managers is set at inception. This central strategic target allocation is reviewed annually.
  - 11.2 Link has set a two tiered tolerance level framework for manager allocations which is monitored on a daily basis.
  - 11.3 When tolerance levels are breached, Link have discretion over whether or not to rebalance, i.e. breaching the tolerance level does not automatically trigger rebalancing activity.

- 11.4 A quarterly (or ad-hoc) report is prepared for the Link Investment Committee that includes reference to the tolerance levels along with any recommendations on rebalancing within the fund.
- 11.5 Link's investment committee will consider suitable action and will advise investors of any rebalancing activity.

#### **Further Information**

- 12 If you require any further details on the WPP rebalancing policy, please contact [walespensionpartnership@cararthenshire.gov.uk](mailto:walespensionpartnership@cararthenshire.gov.uk) and refer to the WPP website.

Version 1.0

November 2021



## WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

**DATE 1 DECEMBER 2021**

### **SUBJECT**

### **ANNUAL POLICY REVIEWS**

### **RECOMMENDATIONS / KEY DECISIONS REQUIRED:**

**To approve the updated:**

- **Responsible Investment Policy**
- **Training Policy**

### **REASONS:**

The current Responsible Investment Policy and Training Policy were approved by the JGC in December 2020. An annual review of these policies has taken place and the updated policies require approval by the JGC.

**Report Author:**  
**Chris Moore**

**Designation:**  
Director of Corporate Services  
  
**Carmarthenshire County  
Council**

**Tel No. 01267 224160**

**E. Mail:**  
**CMoore@carmarthenshire.gov.uk**

**EXECUTIVE SUMMARY**  
**JOINT GOVERNANCE COMMITTEE**

**DATE 1 DECEMBER 2021**

<b>ANNUAL POLICY REVIEWS</b>
------------------------------

<b>BRIEF SUMMARY OF PURPOSE OF REPORT</b>
---

The Wales Pension Partnership (WPP) have approved several policies / plans which are to be reviewed on an annual basis. This quarter, the OWG have undertaken an annual review of the Responsible Investment (RI) Policy and Training Policy.

The RI Policy was formally approved by the JGC in September 2019 and was reviewed and updated in December 2020. Following this year's review, the policy has been updated to reflect MHCLG's change of name from the Ministry of Housing, Communities and Local Government (MHCLG) to Department of Levelling Up, Housing and Communities (DLUHC). The policy has also been updated to reflect the work that has been done in relation to metrics monitoring (point 9.1) and the UK Stewardship Code (point 10.2), as well as to include WPP's commitment in relation to the Task Force for Climate-related Financial Disclosures framework (TCFD) (point 9.2).

The Training Policy was approved by the JGC in December 2020 and outlines WPP's approach to training and requirements. As with the RI Policy, this policy has also been updated to reflect MHCLG's change of name. Following the first annual review of this policy, the frequency of its formal review has been amended to biennial, the policy wording (point 5) has been amended accordingly.

If approved, these policies will be updated on the WPP website.

<b>DETAILED REPORT ATTACHED?</b>	<b>YES</b>
----------------------------------	------------

## IMPLICATIONS

Policy, Crime & Disorder and Equalities <b>YES</b>	Legal <b>NONE</b>	Finance <b>NONE</b>	Risk Management Issues <b>NONE</b>	Staffing Implications <b>NONE</b>
<b>Policy</b> The Responsible Investment Policy and Training Policy are formal documents of the Wales Pension Partnership.				

## CONSULTATIONS

Details of any consultations undertaken are to be included here

### **Section 100D Local Government Act, 1972 – Access to Information**

**List of Background Papers used in the preparation of this report:**

**THESE ARE DETAILED BELOW**

<b>Title of Document</b>	<b>File Ref No.</b>	<b>Locations that the papers are available for public inspection/WEBSITE LINK</b>

## **Wales Pension Partnership Responsible Investment Policy**

### **1 Introduction and oversight**

- 1.1 The Wales Pension Partnership (“WPP”) is the pooling arrangement for the assets of the eight Welsh Local Government Pension Scheme funds (“Constituent Authorities”).
- 1.2 The investment arrangements of WPP are overseen by a Joint Governance Committee (“JGC”) and supported by an Officer Working Group (“OWG”) and implemented through pooled funds managed by its “Investment Managers”.
- 1.3 The RI Sub-Group provides oversight and advice to the OWG and JGC on the development and implementation of this policy. The RI Sub-Group operates under an agreed Terms of Reference.
- 1.4 This document sets out WPP’s policy on responsible investment for all assets invested within the WPP. This policy has been developed by WPP in consultation with the Constituent Authorities.
- 1.5 WPP’s objective in preparing and implementing this policy is to be able to:
  - 1.5.1 demonstrate to its stakeholders that the WPP is a Responsible Investor; and
  - 1.5.2 enable the Constituent Authorities to substantially deliver their own Responsible Investment and Social Impact policies through the WPP.
- 1.6 WPP recognises that responsible investment considerations pose financially material risks to the assets of Constituent Authorities held within WPP. Such considerations are relevant in relation to both the way the assets of Constituent Authorities are invested and in the exercise of stewardship responsibilities.
- 1.7 This policy will be reviewed by WPP on an annual basis and, if necessary, changes to the policy will be proposed to and agreed by the JGC and OWG. In order to inform the policy review, WPP will consult with or otherwise obtain the views and requirements of all Constituent Authorities.
- 1.8 In developing and implementing this policy, WPP will have regard to the Well-being of Future Generations (Wales) Act 2015, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and any relevant guidance provided by the Scheme Advisory Board (“SAB”), the Department for Levelling Up, Housing and Communities (“DLUHC”) and the Welsh Government.

### **2 Ambition and beliefs**

- 2.1 WPP’s long-term ambition is to demonstrate leadership on RI practices in managing assets for and on behalf of the Constituent Authorities. WPP, in conjunction with the OWG & JGC, will update its annual business plan to ensure that sufficient time and resources are provided to implement the requirements of this policy.
- 2.2 WPP recognises that the development of beliefs represents best practice for asset owners. In consultation with the Constituent Authorities, the WPP has developed and agreed the

following responsible investment beliefs which serve to underpin its decision-making and governance processes.

- 2.2.1 The RI behaviours we want to see demonstrated by all our stakeholders must be led by WPP;
  - 2.2.2 Integration of ESG factors, including climate change, into investment processes is a prerequisite for any strategy given the potential for financial loss;
  - 2.2.3 WPP is most effective as an investor engaging for change from within, particularly in collaboration with other like-minded investors, as opposed to a campaigner lobbying for change from outside.
  - 2.2.4 Our impact on corporate behaviours will be greatest when we speak with one voice;
  - 2.2.5 Effective oversight of RI practices requires clear disclosure and measurement of comprehensive data.
- 2.3 WPP will test adherence of the investment arrangements it implements to these beliefs on an annual basis. WPP will also periodically test the continuing appropriateness of its beliefs.

### **3 Investment strategy**

- 3.1 The Constituent Authorities are individually responsible for setting investment strategy (and the underlying structure of those strategies, e.g. geographical exposure) for their own funds which reflect their membership profile and funding position. The investment strategy is the high-level split between asset classes including but not limited to equities, debt, property and infrastructure. The role of WPP is to provide a means for each Constituent Authority to implement its agreed strategy.
- 3.2 WPP openly encourages the Constituent Authorities to develop their own RI policy as part of their investment strategy. WPP has developed and may periodically amend this RI policy to ensure that it complements those of the Constituent Authorities.
- 3.3 WPP will consult with Constituent Authorities on at least an annual basis to determine their individual investment requirements and longer-term aspirations. WPP will use this information to prioritise the development and launch of future investment solutions/funds within the WPP.
- 3.4 In conjunction with its advisers the WPP will also consider opportunities arising from a greater understanding of ESG factors. These opportunities could include impact and/or sustainability themed strategies, as well as social beneficial investments. WPP may propose such opportunities directly for consideration by Constituent Authorities including strategies which either meet the responsible investment requirements of Constituent Authorities or have the potential to deliver benefit within the regions covered by the Constituent Authorities.

### **4 Climate change**

- 4.1 Climate change presents a systemic risk that has the potential to affect economies, financial returns and demographics. The risks arising from climate change may arise from environmental, social, governance or other factors and are generally characterised as follows:
  - 4.1.1 Physical risks, such as damage to property from flooding or lower precipitation giving rise to crop failure;



- 4.1.2 Transition risks, being the financial risks arising from changes in policy and technology to adjust to a lower-carbon economy; and
- 4.1.3 Liability risks, being the potential costs arising from parties who have suffered loss or damage due to climate change seeking compensation from those they hold responsible.
- 4.2 Climate change is increasingly being recognised by regulatory bodies and legislators as an issue that must be explicitly addressed by asset owners and investment managers. The uncertainty arising from climate change has implications for Constituent Authorities through the investments made within WPP.
- 4.3 WPP will engage with its providers to ensure that a common mechanism for monitoring climate related risks can be developed in respect of all WPP assets. Through this, WPP aims to provide support to Constituent Authorities in developing and implementing their own climate risk management policies.
- 4.4 WPP will encourage, through its delegates, all investee companies to disclose in line with the requirements of the Taskforce for Climate Related Financial Disclosures.
- 4.5 WPP's broader approach to addressing climate risk is set out in its climate risk policy.

## **5 Exclusions**

- 5.1 WPP has not adopted a policy of exclusionary practices within its underlying active manager portfolios. However, the WPP recognises that the Constituent Authorities may individually adopt an exclusionary policy.
- 5.2 WPP recognises that active investment management is by its very nature exclusionary and therefore expects that all the investment managers employed within WPP will properly consider climate-related and other ESG risks in decision making within their respective portfolios.
- 5.3 Constituent Authorities have the ability to invest in passive or other rules-based strategies through WPP's passive Investment Manager which may follow an exclusionary approach.

## **6 Implementation of strategy**

- 6.1 WPP expects that the Investment Managers employed to manage WPP assets will take account of ESG-risks as part of their investment analysis and decision-making process. WPP further expects its Investment Managers to be able to demonstrate and evidence high standards with regards to their integration of responsible investment considerations. Where necessary, WPP or its delegates will engage with investment managers who fail to meet WPP's expectations to agree a plan to address any shortcomings.
- 6.2 WPP expects that, in all relevant circumstances, its Investment Managers will be signatories to the Principles for Responsible Investment ("PRI") and the Financial Reporting Council ("FRC") UK Stewardship Code.
- 6.3 WPP will engage with its Investment Managers on an ongoing basis to ensure that ESG factors are transparently reflected in decision making processes and that the approach taken to the management of ESG factors can be properly evidenced. WPP expects that such processes extend beyond reliance purely on third party ratings/data.

- 6.4 Within rules-based or index tracking mandates managed, WPP recognises the influence of benchmarks on the selection of assets. Where appropriate, WPP will work with its Investment Managers and Constituent Authorities to ensure that the potential implications and impact of ESG factors on different approaches are properly understood.

## **7 Stewardship**

- 7.1 WPP believes that failing to exercise voting or other rights attached to assets could be contrary to the interest of the beneficiaries of the Constituent Authorities. WPP also believes that successful engagement with investee companies can protect and enhance the long-term value of the Constituent Authorities' investments within WPP.

- 7.2 WPP has appointed a Voting and Engagement provider ("the V&E Provider") to undertake proxy voting on all shares held within WPP sub-funds and to undertake direct engagement with companies on behalf of WPP.

### **Voting**

- 7.3 WPP has agreed a voting policy with the V&E Provider which is responsible for casting votes on behalf of WPP.
- 7.4 WPP recognises that its passive Investment Manager may adopt a single voting policy across their pooled funds and WPP will review the appropriateness of such a policy on a periodic basis. WPP will engage with its passive Investment Manager and V&E Provider to consider how WPP's voting policy can be extended to assets managed by its passive Investment Manager.
- 7.5 WPP will receive a report on all voting activity, including details of any votes which have not been cast and explanations where votes have not been cast in accordance with the agreed principles on a quarterly basis. WPP will discuss any issues of concern with its V&E Provider, Investment Managers or other delegates as necessary.
- 7.6 WPP will review the voting policy in conjunction with its V&E Provider, advisers and Investment Managers on an annual basis.
- 7.7 All the Constituent Authorities are members of the Local Authority Pension Fund Forum ("LAPFF"). As members, the Constituent Authorities receive LAPFF Alerts when there is a campaign to vote in a certain way. WPP and its Constituent Authorities have instructed the V&E Provider to give consideration to all such LAPFF Alerts and, where the V&E Provider considers it appropriate, to vote in line with the LAPFF Alert.

### **Stock lending**

- 7.8 WPP has agreed that stock lending will be permitted within WPP's actively managed pooled funds, subject to consultation with Constituent Authorities in respect of each underlying sub-fund at the point of set up. However, WPP will not lend 100% of the holding in any single stock so WPP can express its views and make a policy stance on any topic it deems worthy though its right to vote.
- 7.9 WPP recognises that stock lending may inhibit the full application of its voting policy as votes may not be cast on stock on loan. WPP will continue to monitor the impact of this policy stance over time and revise its policy if required. WPP also retains the right to recall stock, if required, as part of its stock lending arrangements.

## **Shareholder engagement**

- 7.10 WPP recognises the broader benefits of engagement on a range of thematic issues and has appointed a V&E Provider to undertake engagement on its behalf. WPP has agreed a set of engagement principles with the V&E Provider which will be reviewed on an annual basis.
- 7.11 WPP adopts an evidence-based approach to assessing engagement activity. WPP will receive a report on engagement activity undertaken by the V&E Provider on a quarterly basis. WPP will discuss any issues of concern with the V&E Provider.
- 7.12 WPP also considers that, in some cases, its Investment Managers will be well placed to engage with investee company management due to the existence of research relationships between the managers and underlying investee companies. In such cases, WPP expects that engagement activity will take place through this relationship and that its managers should be able to demonstrate, when challenged, the reason for any engagement activity and the objectives of the engagement. WPP will receive reporting on any engagement undertaken by its Investment Managers on an annual basis.

## **8 Collaboration**

- 8.1 WPP believes that collaboration has an important role in helping the WPP achieve its RI objectives. In conjunction with its V&E Provider, WPP will continually assess potential collaboration opportunities and will inform and seek input from the Constituent Authorities on any such opportunity that it deems to be relevant.
- 8.2 WPP together with all Constituent Authorities are members of the Local Authorities Pension Fund Forum ("LAPFF"). LAPFF undertakes engagement with companies on behalf of all its members.
- 8.3 WPP has an ambition to work collaboratively with other like-minded investors and representative bodies in order to maximise the influence of WPP's assets on investee companies. In conjunction with its V&E Provider, WPP will seek to identify investor led responsible investment initiatives and collaborations that can be actively supported.
- 8.4 WPP will encourage underlying investment managers to participate in or support collaborative engagements where it is deemed to be in the best overall financial interests of Constituent Authorities.
- 8.5 WPP will continue to collaborate with the cross-pool RI collaboration project at any suitable opportunity.

## **9 Monitoring, Reporting and Measurement**

- 9.1 WPP aims to be aware of, and monitor, financially material ESG-related risks and issues within WPP assets. In consultation with Constituent Authorities, Advisers and the Investment Managers, WPP has developed appropriate monitoring metrics for existing portfolios and will continue to agree appropriate metrics in respect of all new portfolios. Such metrics include climate-related risk exposures. WPP will require managers to include such metrics in their quarterly reporting to Constituent Authorities.

- 9.2 WPP will assist Constituent Authorities with the gathering of data and preparation of reporting in line with the requirements of the Task Force for Climate-related Financial Disclosures framework.
- 9.3 WPP requires that the responsible investment credentials of all appointed Investment Managers are subject to annual review. In conjunction with the relevant parties, the WPP will develop an appropriate reporting framework for its Investment Managers.
- 9.4 On an annual basis, the WPP will prepare and publish a report detailing the actions undertaken in fulfilment of this policy and the results achieved, following the principles of the 2020 FRC UK Stewardship Code.

## **10 Other**

- 10.1 WPP recognises the need for ongoing education for Constituent Authorities on a broad range of investment matters, including responsible investment. As part of its Annual Training Plan, WPP will ensure there is at least one formal training session is directly focused on Responsible Investment.
- 10.2 WPP will prepare and publish an annual stewardship report in line with the principles of the 2020 FRC UK Stewardship Code.
- 10.3 WPP will explore the possibility of incorporating the United Nations' Sustainable Development Goals into its RI beliefs and its monitoring and measurement mechanisms.
- 10.4 WPP expects that all investment managers employed on behalf of WPP will disclose costs in accordance with the SAB Code of Transparency.
- 10.5 WPP will review the adherence of all parties to this policy on an annual basis. WPP will publish the results of their assessment in a public report.

## **11 Further Information**

- 11.1 If you require any further details on the RI Policy please contact [WalesPensionPartnership@carmarthenshire.gov.uk](mailto:WalesPensionPartnership@carmarthenshire.gov.uk) and refer to the WPP website.

October 2021

## **Glossary**

Engagement refers to the process of interaction between an investor (or its delegate) and the management of an investee company with the objective of creating change in how the underlying company is managed or governed.

ESG is used to collectively describe a series of different risk factors arising from Environmental (e.g. resource scarcity, waste management, pollution, energy efficiency), Social (e.g. health & safety, workforce diversity, working conditions, data protection) and Governance (e.g. board structure, business ethics, shareholder rights, executive compensation) issues.

Impact is a term generally used to describe the social or environmental outcome arising from a particular investment or investment decision, being distinct from the associated financial outcome.

Investment Managers refers to those investment managers appointed directly or indirectly by WPP for the purposes of managing assets on behalf of WPP.

Operator means Link Fund Solutions as the appointed operator of the Authorised Contractual Scheme through which sub-funds are implemented for WPP.

Principles for Responsible Investment is a global network of asset owners, asset managers and service providers which has the objective of advancing responsible investment practices.

Proxy Voting Agent means an entity which is instructed to advise on and/or cast votes on resolutions on behalf of an asset owner.

Responsible investment refers to investment practices that integrate the consideration of ESG factors into investment management processes and ownership practices, recognising that these factors can have a material impact on financial performance.

Stewardship describes the activities of investors in exercising the rights and responsibilities that come with asset ownership. These practices can include voting on shares and engaging with company management but also includes the oversight of those to whom such responsibilities are delegated.

UK Stewardship Code is a set of principles and provisions produced by the Financial Reporting Council which sets out best practice in stewardship activities by Asset Owners and Asset Managers.

UN Sustainable Development Goals are a set of 17 global goals for 2030 set by the UN General Assembly in 2015.

This page is intentionally left blank

## WPP Training Policy

### Introduction

- 1 This policy sets out the Wales Pension Partnership (“WPP”) approach to training and development. The policy outlines the strategy that WPP has put in place to ensure that its Personnel and decision makers have the required knowledge base to fulfil their roles and make decisions that will deliver the best possible outcomes for the WPP’s stakeholders.
- 2 This policy applies to WPP Personnel which includes the Host Authority, Members of the WPP Joint Governance Committee (‘JGC’) and Officer Working Group (‘OWG’). WPP recognises that Constituent Authority Pension Committee Members, as well as Pension Board Representatives, may be invited to attend WPP training events and may therefore be indirectly subjected to the content of this policy.
- 3 The WPP’s training policy and plan is designed to supplement existing Constituent Authority training documentation, it is not intended to replace or override the need for and importance of local level training policies and plans. Local level training needs will continue to be addressed by the Constituent Authorities while the WPP will offer training that is relevant to the WPP’s pooling activities.
- 4 This policy will be formally reviewed by the OWG on a biennial basis or when a significant change has been made. Significant in this context means a change to the fundamental principles or objectives underpinning the policy or where there is a change that impacts on what is expected or required from any of the groups or bodies in scope of this policy. Any changes to this policy will be taken to the JGC for approval. In maintaining and acting on this policy, WPP will have an ongoing dialogue with the Constituent Authorities and the Host Authority. WPP will also seek input from third parties where appropriate and will take account of the evolving training needs of the Constituent Authorities and developments in the facilitation of training.
- 5 This policy will have regard to guidance from the Chartered Institute of Public Finance and Accountancy (“CIPFA”) and The Pension Regulator and any relevant guidance provided by the Scheme Advisory Board (“SAB”) and the Department of Levelling Up, Housing and Communities (“DLUHC”). The policy incorporates, where applicable, any relevant guidance from the Public Services Ombudsman for Wales or Welsh Government.

### Beliefs

- 6 WPP has established a set of beliefs, which underpin and guide its decision making, policies and business plans. The two beliefs outlined below are of particular relevance to the WPP’s Training Policy:
  - Continuous learning, innovation and development will help the WPP and its Constituent Authorities to evolve.
  - Good governance should lead to superior outcomes for the WPP’s stakeholders.
- 7 WPP recognises that having a detailed training policy is critical in ensuring that WPP’s actions are aligned to its beliefs. This policy has been formulated with the aim of putting in place measures that will enable WPP to be an institution that is continuously learning, innovating and developing.

- 8 WPP believes that a critical element of good governance is enacting procedures and structures that will promote well informed decision making. The WPP's Training Policy has been put in place to seek to ensure that WPP's knowledge and ability to make well informed decisions is maximised.

### Objectives

- 9 WPP's objective in preparing and implementing this policy is to:
- Demonstrate that WPP has put in place procedures that will seek to ensure that it has the skills and knowledge to carry out the roles and activities that it undertakes on behalf of stakeholders;
  - Ensure that WPP Personnel are fully informed of all relevant matters prior to make decisions on behalf of WPP stakeholders; and
  - Ensure that WPP, as a collective, has sufficient knowledge to challenge and critique the advice that it receives from its external providers.

### Risks and mitigations

- 10 In maintaining a training plan and policy, WPP's objective is to progressively reduce the likelihood that stakeholder outcomes are negatively impacted due to a lack of expertise or the presence of knowledge gaps amongst WPP Personnel. The WPP Risk Register highlights that failing to maintain and foster appropriate expertise and knowledge amongst relevant personnel is a material risk to the WPP which, if left unmanaged, could result in the WPP taking ineffective action, making inappropriate decisions or being unable to deliver on its responsibilities. To manage this potential risk, WPP has put in place the following measures and controls:
- Ensure sufficient training takes place;
  - Maintain a mechanism for accessing training requirements;
  - Ensure that new personnel receive appropriate training at the outset of their duties;
  - Publication of the WPP Annual Training Plan;
  - Outsourcing training requirements to specialists when required; and
  - Outsourcing tasks to expert advisors where appropriate.

### Guidance & Regulation

- 11 In formulating this policy WPP has considered and incorporated CIPFA's 'Investment Pooling Governance Principles for LGPS Administering Authorities' guidance, which notes the importance of "Members and Officers having a detailed knowledge of the pooling of investment arrangements. The WPP Training Policy and the associated WPP Training Plan have been developed with the aim of providing Members and Officers with the knowledge of investment pooling that they require to carry out their WPP roles and responsibilities. Local level training policies and plans will continue to address the knowledge of pooling that Members and Officers require to carry out their roles at Constituent Authority Level.
- 12 WPP recognises that there is a significant amount of training related regulation and guidance which is targeted at LGPS Funds and Private Sector Pension Schemes, this includes but is not limited to:



- The Pensions Act 2004
- The Public Service Pensions Act 2013
- Markets in Financial Instruments Directive (“MiFID II”)
- CIPFA’s Code of Practice & Knowledge and Skills Frameworks
- The Pensions Regulator’s codes of practice and toolkits
- Scheme Advisory Board

- 13 WPP is supportive of these sources of guidance and regulation. WPP has sought to incorporate the sentiment and nature of these sources into its own training policy and plans. WPP expects and encourages the Constituent Authorities to formulate and maintain their own training policies and plans. WPP anticipates that Constituent Authorities will put in place policies that will uphold the guidance and regulation that the sources outlined above place on LGPS Funds.

### Strategy

- 14 WPP recognises that training is critical to achieving good outcomes for its stakeholders and will allocate resources to ensure that it undertakes regular training. WPP has committed to hosting at least four formal training events during the course of the year. Training events will be facilitated by the Host Authority. The Host Authority will maintain a training log which will keep a record of all the training WPP personnel have completed to date and the training that is due to take place in the foreseeable future.
- 15 The WPP Training Policy has six key elements;
- Understanding of the WPP’s remit and environment
  - Identification of training needs
  - Facilitation of training
  - Training methods
  - Duties and expectations
  - Review and monitoring
- 16 WPP, in formulating this policy, has considered the nature of the work that it carries out on behalf of its stakeholders and the environment in which it operates. WPP recognise that training requirements, alongside the WPP’s knowledge base, will need to be fluid due to the changing and variable nature of the WPP’s work. The environment in which WPP operates is also subject to constant change, it is vital that the WPP’s Training Policy is able to address any training or knowledge requirements that may stem from these changes, this is particularly relevant for regulatory changes.
- 17 Prior to identifying training needs it is important to consider the sources and drivers of these needs. WPP has identified four main sources from which training needs can stem:
- Regular Role & Responsibilities – the day to day roles and responsibilities of WPP Personnel will require them to have a certain knowledge base and skill set.
  - Target Areas of Focus and Project Work – new workstreams or projects may require WPP Personnel to develop skill or knowledge which they had not previously needed or required.

- Market Developments & Current Issues – the introduction of hot topics within the market that WPP operates within may result in WPP's existing workplan or practices being subject to change and it is natural to assume that new training requirements may result from these changes.
  - Regulatory Changes – amendments or changes to existing regulation will need to be swiftly actioned by the WPP. Any WPP action will include an assessment and facilitation of any training needs that stem from the regulatory changes.
- 18 WPP will identify training need requirements by issuing a WPP Annual Training Requirement Questionnaire. The Questionnaire will be issued to JGC and OWG Members, the responses to the questionnaire will be used to inform the WPP Annual Training Plan – this will identify the topics that WPP will receive training on over the course of the subsequent twelve months. The topics identified will not only take account of the questionnaire responses but will also be formulated with a consideration to the WPP's Annual Business Plan and the nature of the work that WPP will be undertaking during the course of the year.
- 19 The means and methods of undertaking training are constantly evolving and WPP is keen to embrace any new developments that will enhance the effectiveness of its training. WPP currently makes use of the following training methods, this list is by no means exhaustive and is likely to change in line with relevant developments and innovations:
- Formal Training Events
  - Virtual Training Sessions
  - Online Training Portals
  - Workshops
  - Briefing Notes, Guidance Papers or any other relevant reading materials
  - Relevant Seminars, Webinars and Conferences
  - In-Meeting Training Sessions
- 20 WPP Personnel have a duty to play an active role in the development of their own knowledge base and skill set. It is best practice for individuals to review their own knowledge and understanding at least annually and undertake further training for any areas that are identified as requiring further attention or development. Individuals should record any training activity undertaken which is relevant to their WPP role and where appropriate inform the Host Authority of the details. WPP Personnel are asked to use the completion of the WPP Training Requirement Questionnaire as an opportunity to evaluate their knowledge and skills.
- 21 New WPP Personnel are required to undertake introductory training to reach the level of knowledge that will enable them to carry out their new duties and roles. Upon joining the WPP, new Personnel will be provided with an introduction pack from the Host Authority. New WPP Personnel are expected to review the information provided to them in the introduction pack, which will include detail on their WPP role and the WPP's Governance Framework and Policies. The Host Authority will reach out to new WPP Personnel within one month of sending the introduction pack to ensure that they have a good understanding of their new role and responsibilities and the WPP's structures and procedures. If required, the Host Authority and

Oversight Advisor will make themselves available for a meeting to address any outstanding questions or points of clarification that the new Personnel Member may have.

- 22 Following any introductory training, Personnel are expected to maintain their understanding by completing any additional training that is required. All Personnel should be aware of the WPP's framework, beliefs, policies, governance matrix, the decision-making process and decision logging process.
- 23 WPP recognises the importance of monitoring the effectiveness and ongoing suitability of this Policy. The following sources of data will be used to assess the extent to which this Policy has delivered on its objectives - any findings or insight will be considered and actioned during the annual review of the WPP's Training Policy;
  - The attendance levels at WPP Training Events
  - The responses to the WPP Annual Training Requirement Questionnaire
  - Where applicable, knowledge benchmarking exercises will be carried out

#### Transparency

- 24 The WPP Training Policy will be made publicly available on the WPP website. On an annual basis, WPP will prepare and publish an Annual Training Plan on its website, the Plan will outline the training topics that the WPP will receive training on over the next twelve months.
- 25 The WPP Annual Report will outline what training the WPP completed during the past year, where it was held and the attendees.

#### Further Information

- 26 If you require any further details on the WPP Training Policy, please contact [walespensionpartnership@cararthenshire.gov.uk](mailto:walespensionpartnership@cararthenshire.gov.uk) and refer to the WPP website.

Version 2.0

October 2021

This page is intentionally left blank



## WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

**DATE 1 DECEMBER 2021**

<p align="center"><b>SUBJECT</b></p> <p align="center"><b>OPERATOR UPDATE</b></p>		
<p><b>RECOMMENDATIONS / KEY DECISIONS REQUIRED:</b></p> <p><b>To receive a presentation from the Operator on the progress of the Wales Pension Partnership</b></p>		
<p><b>REASONS:</b></p> <p>The operator to provide an update on the following key areas:</p> <ul style="list-style-type: none"> <li>• Current Fund Holdings</li> <li>• Fund Launch Progress</li> <li>• Corporate Update and Engagement</li> </ul>		
<p><b>Report Author:</b> <b>Chris Moore</b></p>	<p><b>Designation:</b> Director of Corporate Services</p> <p><b>Carmarthenshire County Council</b></p>	<p><b>Tel No. 01267 224160</b></p> <p><b>E. Mail:</b> CMoore@carmarthenshire.gov.uk</p>

**EXECUTIVE SUMMARY  
JOINT GOVERNANCE COMMITTEE**

**DATE 1 DECEMBER 2021**

<b>OPERATOR UPDATE</b>
------------------------

<b>BRIEF SUMMARY OF PURPOSE OF REPORT</b>
---

A report from the Operator providing an update on the progress and milestones of the following Sub Funds:

- Tranche 1 – Global Equity
- Tranche 2 – UK Equity
- Tranche 3 – Fixed Income
- Tranche 4 – Emerging Markets

Also, a Corporate and Engagement update including the engagement protocol and key meeting dates.

<b>DETAILED REPORT ATTACHED?</b>	<b>YES</b>
----------------------------------	------------

## IMPLICATIONS

Policy, Crime & Disorder and Equalities <b>NONE</b>	Legal  <b>NONE</b>	Finance  <b>NONE</b>	Risk Management Issues  <b>NONE</b>	Staffing Implications  <b>NONE</b>

# CONSULTATIONS

Details of any consultations undertaken are to be included here

**Section 100D Local Government Act, 1972 – Access to Information**  
**List of Background Papers used in the preparation of this report:**  
**THESE ARE DETAILED BELOW**

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK



# Wales Pension Partnership

## Q3 Joint Governance Committee

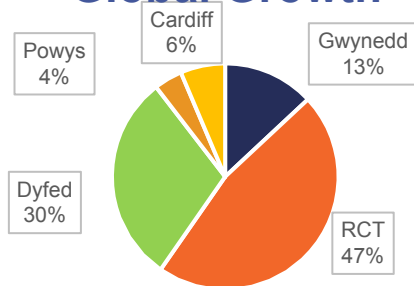
1<sup>st</sup> December 2021

# September 2021 LF Wales PP Fund Snapshot

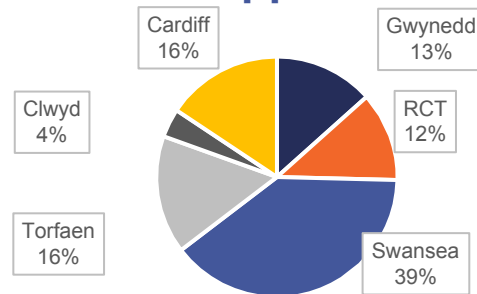
Key:

- Dyfed
- Powys
- Gwynedd
- RCT
- Torfaen
- Clwyd
- Swansea
- Cardiff

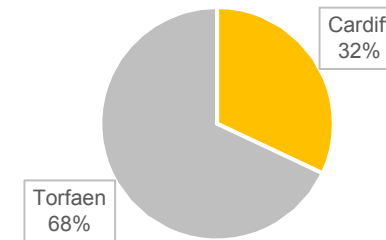
## Global Growth



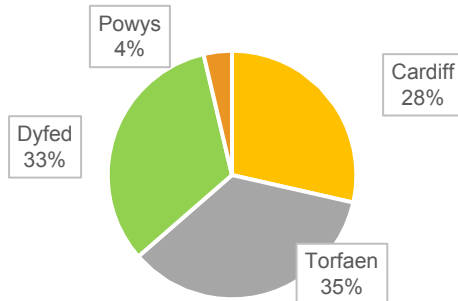
## Global Opportunities



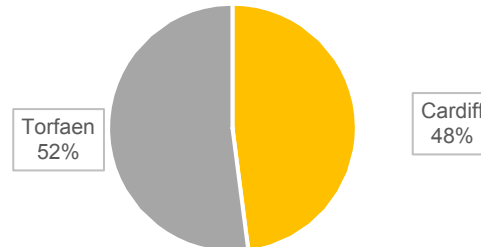
## UK Opportunities



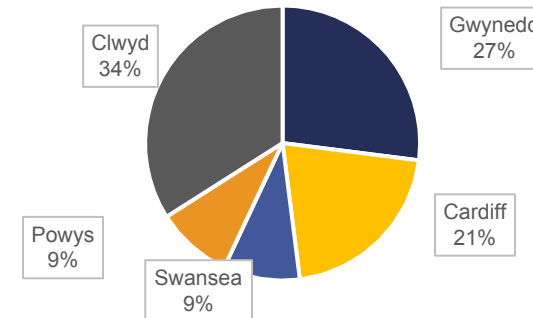
## Global Credit



## Global Gov. Bond



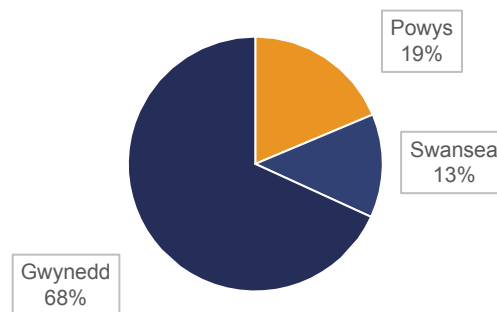
## Multi Asset Credit



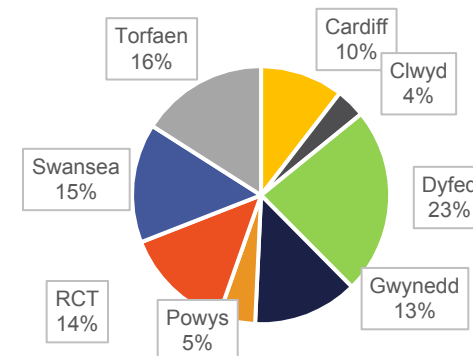
## Sterling Credit



## Absolute Return Bnd



## Passive



# September 2021 LF Wales PP Fund Snapshot

Fund	AUM	Inception date
Global Growth	£3,424,390,657	6 <sup>th</sup> Feb 2019
Global Opportunities	£3,264,686,297	14 <sup>th</sup> Feb 2019
UK Opportunities	£763,871,743	10 <sup>th</sup> Oct 2019
Global Credit	£810,662,820	21 <sup>st</sup> Aug 2020
Global Government Bond	£530,505,300	20 <sup>th</sup> Aug 2020
Multi Asset Credit	£752,139,840	12 <sup>th</sup> Aug 2020
Sterling Credit	£603,246,243	19 <sup>th</sup> Aug 2020
Absolute Return Bond	£486,555,419	30 <sup>th</sup> Sept 2020
<b>Total Active Investments</b>	<b>£10,636,058,319</b>	
<b>Total Passive Investments</b>	<b>£5,663,459,415</b>	
<b>Total Pooled Assets</b>	<b>£16,299,517,734</b>	

Note: All data as at 30<sup>th</sup> September 2021

# Fund Launch Progress Report

Tranche 4 & other updates

# Open Launch Activity

## Key Achievements & Updates

Fund Launches Progress				
	Overview	Status	Progress in period	Launch / completion dates
Tranche 4: <b>Emerging Markets sub-fund launch</b>	<ul style="list-style-type: none"> <li>Emerging Market fund to be created under the Enhanced Portfolio Implementation model with a carbon reducing overlay</li> </ul>	In progress	<ul style="list-style-type: none"> <li>FCA approval received 22<sup>nd</sup> March</li> <li>Transition plan agreed and shared with each investor</li> <li>Fund launch 20<sup>th</sup> October</li> <li>Trading activity to be completed w/c 1<sup>st</sup> Nov</li> </ul>	October 2021
<b>Fund prospectus updates</b>	<ul style="list-style-type: none"> <li>Proposed in-flight prospectus updates</li> </ul>		<ul style="list-style-type: none"> <li>Review of prospectus language to align all sub funds under PS19/4 requirements - LFS to determine if this will require filing or full FCA approval (in line with other updates)</li> <li>Baillie Gifford GAPA: implementation of a carbon screening process on the BG sleeve of the GG fund</li> </ul>	Q4

## LFS Corporate Update & Engagement

# LFS Corporate Update & Engagement

---

## **LFS updates**

- LFS has recruited two investment specialists reporting to Ronan Walsh (CIO):
  - Peter Ritchie - Head of Equities – Investment Risk
  - Fabrice Jaudi - Head of Multi Asset and Fixed Income - Investment Risk

## **Key Q3 and future WPP Engagement**

### **Link attendance at OWG/JGC meetings in period:**

- OWG 19<sup>th</sup> July 2021
- JGC 28<sup>th</sup> July 2021
- JGC 22<sup>nd</sup> Sep 2021

### **Link attendance at OWG/JGC meetings in next quarter:**

- OWG 3<sup>rd</sup> Nov 2021
- JGC 1<sup>st</sup> Dec 2021

### **Link - Pension Committee attendance in period:**

- None

### **Link - Pension Committee attendance in next quarter :**

- Cardiff 14<sup>th</sup> Dec 2021

### **Other meetings in period**

- Host Authority update – occurs bi-weekly
- Working group - occurs bi-weekly

### **Other meetings in next quarter**

- Host Authority update – occurs bi-weekly
- Working group - occurs bi-weekly

# LFS Engagement Protocol

## Business as Usual

Strategic Relationship Review	Frequency	Objective
	<ul style="list-style-type: none"> <li>▪ Bi-annual</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure strategic alignment between Host Authority and Link</li> </ul>
<b>WPP Attendees</b> <ul style="list-style-type: none"> <li>▪ Chris Moore</li> <li>▪ Anthony Parnell</li> <li>▪ Two Section 151 / Deputy Section 151 officers</li> </ul>		<b>Link Attendees</b> <ul style="list-style-type: none"> <li>▪ Karl Midl, Managing Director</li> <li>▪ Richard Thornton, Head of Relationship Management, Asset Owners</li> </ul>
JGC Engagement	Frequency	Objective
	<ul style="list-style-type: none"> <li>▪ Quarterly</li> </ul>	<ul style="list-style-type: none"> <li>▪ Engage with JGC on pertinent matters and strategic deliverables</li> </ul>
<b>WPP Attendees</b> <ul style="list-style-type: none"> <li>▪ Joint Governance Committee (JGC)</li> </ul>		<b>Link Attendees</b> <ul style="list-style-type: none"> <li>▪ Karl Midl, Managing Director / Adam Tookey, Head of Product – as required</li> <li>▪ Richard Thornton, Head of Relationship Management, Asset Owners</li> <li>▪ Eamonn Gough, Senior Relationship Manager</li> <li>▪ Russell Investments</li> </ul>
OWG Engagement	Frequency	Objective
	<ul style="list-style-type: none"> <li>▪ Every 2 Months</li> </ul>	<ul style="list-style-type: none"> <li>▪ Identify and deliver on opportunities to improve and expand the relationship</li> <li>▪ Provide update on open projects or issues</li> <li>▪ Monthly KPI Review (Data supplied monthly)</li> </ul>
<b>WPP Attendees</b> <ul style="list-style-type: none"> <li>▪ Officers Working Group (OWG)</li> </ul>		<b>Link Attendees</b> <ul style="list-style-type: none"> <li>▪ Eamonn Gough, Senior Relationship Manager</li> <li>▪ Richard Thornton, Head of Relationship Management, Asset Owners</li> <li>▪ Alistair Coyle, Relationship Manager (as required)</li> <li>▪ Ad-hoc Link attendance from functional departments: Tax, Compliance, Product, etc.</li> <li>▪ Russell Investments</li> </ul>



# Link Engagement Protocol continued...

## Business as Usual

Host Authority Update	Frequency	Objective
	<ul style="list-style-type: none"> <li>▪ Bi-Weekly</li> </ul>	<ul style="list-style-type: none"> <li>▪ Regular Host Authority – LFS to discuss deliverables and business updates</li> </ul>
<b>WPP Attendees</b> <ul style="list-style-type: none"> <li>▪ Anthony Parnell</li> <li>▪ Tracey Williams</li> </ul>		<ul style="list-style-type: none"> <li>▪ Richard Thornton, Head of Relationship Management, Asset Owners</li> <li>▪ Eamonn Gough, Senior Relationship Manager</li> <li>▪ Alistair Coyle, Relationship Manager (as required)</li> <li>▪ Clair Baguley, Client Service Manager (as required)</li> </ul>
WPP Working Group	Frequency	Objective
	<ul style="list-style-type: none"> <li>▪ Bi-Weekly</li> </ul>	<ul style="list-style-type: none"> <li>▪ Regular project call to discuss progress of deliverables</li> </ul>
<b>WPP Attendees</b> <ul style="list-style-type: none"> <li>▪ Officers Working Group (OWG)</li> <li>▪ Hymans</li> </ul>		<ul style="list-style-type: none"> <li>▪ Link Client Team</li> <li>▪ Northern Trust</li> <li>▪ Russell Investments</li> <li>▪ Other consultants (e.g. bFinance)</li> </ul>
Annual Shareholder Day	Frequency	Objective
	<ul style="list-style-type: none"> <li>▪ Annual</li> </ul>	<ul style="list-style-type: none"> <li>▪ Open day for presentations on strategy and performance (with IM)</li> </ul>
<ul style="list-style-type: none"> <li>▪ Open to all involved parties</li> </ul>		<ul style="list-style-type: none"> <li>▪ Link Client Team</li> <li>▪ Northern Trust</li> <li>▪ Russell Investments and other Investment Managers (e.g. Global Growth Managers)</li> <li>▪ Other consultants as required (e.g. bFinance)</li> </ul>
Pension Fund Committees		Objective
	<ul style="list-style-type: none"> <li>▪ Annual</li> </ul>	<ul style="list-style-type: none"> <li>▪ General update on the ACS and planned initiatives</li> </ul>
Individual Pension Fund Committee meetings		<ul style="list-style-type: none"> <li>▪ Eamonn Gough, Senior Relationship Manager</li> <li>▪ Alistair Coyle, Relationship Manager</li> <li>▪ Richard Thornton, Head of Relationship Management, Asset Owners</li> <li>▪ Russell Investments</li> </ul>

This page is intentionally left blank



## WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

**DATE 1 DECEMBER 2021**

### **SUBJECT**

**PERFORMANCE REPORTS AS AT 30 SEPTEMBER 2021**

### **RECOMMENDATIONS / KEY DECISIONS REQUIRED:**

**To note the performance reports of the following sub funds as at 30 September 2021:**

- **Global Opportunities Equity Fund**
- **Global Growth Equity Fund**
- **UK Opportunities Equity Fund**
- **Global Government Bond Fund**
- **Global Credit Fund**
- **Multi Asset Credit Fund**
- **Absolute Return Bond Strategy Fund**
- **UK Credit Fund**

### **REASONS:**

Northern Trust have prepared performance reports for the WPP sub funds as at 30 September 2021.

**Report Author:**  
**Chris Moore**

**Designation:**  
Director of Corporate Services  
  
**Carmarthenshire County  
Council**

**Tel No. 01267 224160**

**E. Mail:**  
**CMoore@carmarthenshire.gov.uk**

# EXECUTIVE SUMMARY

## JOINT GOVERNANCE COMMITTEE

**DATE 1 DECEMBER 2021**

### PERFORMANCE REPORTS AS AT 30 SEPTEMBER 2021

#### BRIEF SUMMARY OF PURPOSE OF REPORT

Northern Trust have provided performance reports for the WPP's sub funds as at 30 September 2021.

#### Performance - Inception to date:

<b>Global Opportunities Fund</b>	<b>Gross of Fees (%)</b>	<b>Net of Fees (%)</b>
Actual	15.58	15.22
Benchmark	14.45	14.45
<b>Excess Return</b>	<b>1.14</b>	<b>0.77</b>

<b>Global Growth Fund</b>	<b>Gross of Fees (%)</b>	<b>Net of Fees (%)</b>
Actual	16.82	16.37
Benchmark	14.93	14.93
<b>Excess Return</b>	<b>1.90</b>	<b>1.44</b>

<b>UK Opportunities Fund</b>	<b>Gross of Fees (%)</b>	<b>Net of Fees (%)</b>
Actual	6.57	6.12
Benchmark	4.13	4.13
<b>Excess Return</b>	<b>2.44</b>	<b>1.99</b>

<b>Global Government Bond Fund</b>	<b>Gross of Fees (%)</b>	<b>Net of Fees (%)</b>
Actual	0.03	(0.18)
Benchmark	(1.78)	(1.78)
<b>Excess Return</b>	<b>1.80</b>	<b>1.60</b>

<b>Global Credit Fund</b>	<b>Gross of Fees (%)</b>	<b>Net of Fees (%)</b>
Actual	2.27	2.11
Benchmark	0.78	0.78
<b>Excess Return</b>	<b>1.49</b>	<b>1.33</b>

<b>Multi Asset Credit Fund</b>	<b>Gross of Fees (%)</b>	<b>Net of Fees (%)</b>
Actual	7.27	6.85
Target	4.06	4.06
<b>Excess Return</b>	<b>3.21</b>	<b>2.79</b>

<b>Absolute Return Bond Strategy Fund</b>	<b>Gross of Fees (%)</b>	<b>Net of Fees (%)</b>
Actual	2.32	1.86
Target	2.05	2.05
<b>Excess Return</b>	<b>0.27</b>	<b>(0.19)</b>

<b>UK Credit Fund</b>	<b>Gross of Fees (%)</b>	<b>Net of Fees (%)</b>
Actual	0.86	0.74
Benchmark	0.59	0.59
<b>Excess Return</b>	<b>0.28</b>	<b>0.15</b>

Link and Russell Investments have also provided a summary paper, summarising the performance of each individual fund and providing individual fund commentary.

<b>DETAILED REPORT ATTACHED?</b>	<b>YES</b>
----------------------------------	------------

## IMPLICATIONS

Policy, Crime & Disorder and Equalities <b>NONE</b>	Legal <b>NONE</b>	Finance <b>YES</b>	Risk Management Issues <b>NONE</b>	Staffing Implications <b>NONE</b>
--	----------------------	-----------------------	---------------------------------------	--------------------------------------

### Finance

The sub funds have outperformed / underperformed their benchmarks / targets, as follows:

- Global Opportunities – outperformed by 1.14% gross / 0.77% net
- Global Growth – outperformed by 1.90% gross / 1.44% net
- UK Opportunities - outperformed by 2.44% gross / 1.99% net
- Global Government Bond – outperformed by 1.80% gross / 1.60% net
- Global Credit – outperformed by 1.49% gross / 1.33% net
- Multi Asset Credit – outperformed by 3.21% gross / 2.79% net
- ARB – outperformed by 0.27% gross / underperformed 0.19% net
- UK Credit – outperformed by 0.28% gross / 0.15% net

# CONSULTATIONS

Details of any consultations undertaken are to be included here

**Section 100D Local Government Act, 1972 – Access to Information**  
**List of Background Papers used in the preparation of this report:**  
**THESE ARE DETAILED BELOW**

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK

This page is intentionally left blank

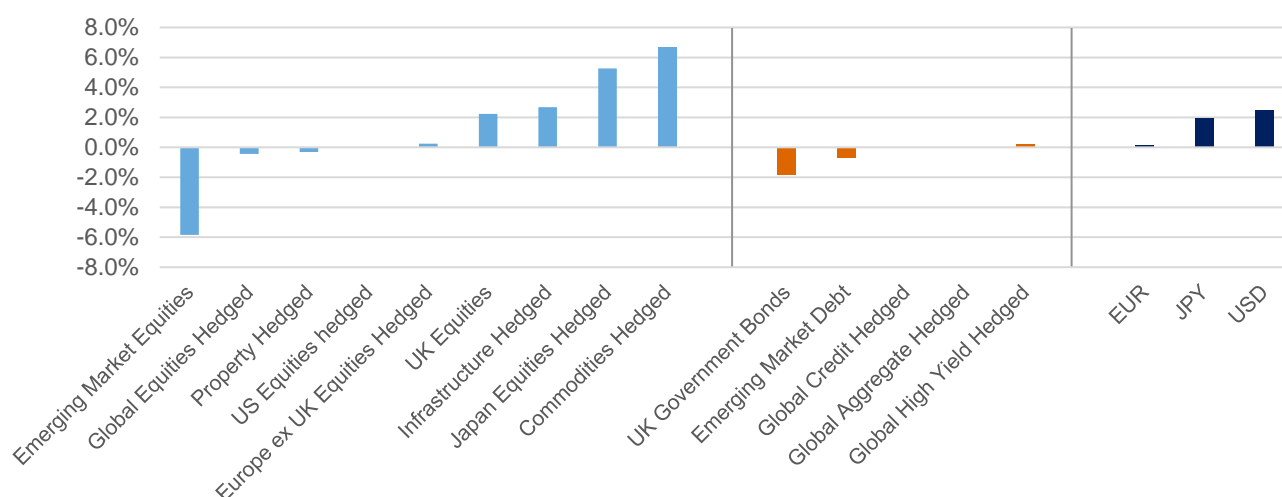


# JGC - WPP Performance Summary Q3 2021

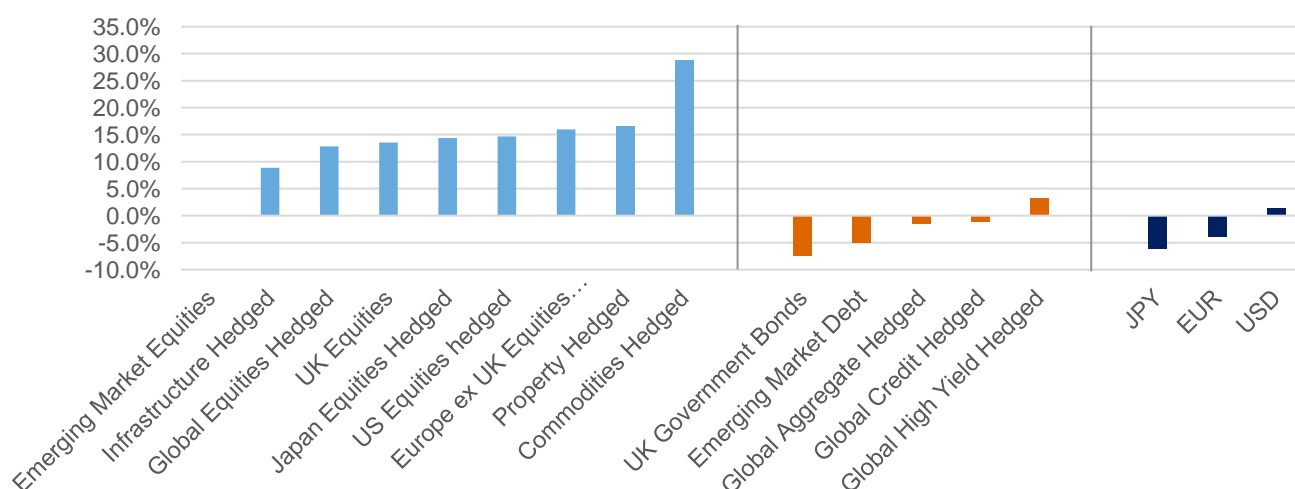
## Global Market Commentary

The positive market momentum which dominated the first two months of the quarter, reversed quite sharply in September. Lingering concerns about higher inflation persisted throughout the whole period, forcing major central banks to turn more hawkish. The Federal Reserve (Fed) confirmed in September that it will taper its asset purchase programme by the end of the year, whilst the Bank of England (BoE) and the European Central Bank (ECB), also acknowledged that a change in policy may be needed. Additionally, the spread of the "Delta" variant of Covid-19, despite the continued rollout of vaccines, dented global economic growth projections. China also contributed to market volatility as its government cracked down on several sectors in the name of general prosperity. Furthermore, the prospect that China's highly indebted property developer Evergrande could collapse, also sent shivers across global markets. Over the quarter, both the US dollar and oil prices strengthened.

## Asset class performance – Quarter to September 2021



## Asset class performance – Year to September 2021



Benchmarks : Global equity hedged (MSCI World ACWI), UK equity (FTSE All Share), US equity hedged (Russell 1000 Net GBPH), Europe ex UK equity (MSCI Europe ex UK Equity Net GBPH), Japan equity (TOPIX Net GBPH), Emerging equity (MSCI Emerging Markets Net), Global HY bonds (BofAML Global High Yield 2% Constrained Index), EMD LC (JP Morgan GBI-EM Global Diversified Index), Global credit hedged (Bloomberg Barclays Global Aggregate Credit Index), Global aggregate hedged (Bloomberg Barclays Global Aggregate Bond Index GBPH), UK Government Bonds (ICEBofAML UK Gilts All Stocks (GB)), Property hedged (FTSEEPRA Nareit Dev Re GBP)

### Global Opportunities Equity Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	0.46	24.37	15.58
<b>Net</b>	0.39	24.01	15.22
<b>MSCI AC World Index Net</b>	1.37	22.19	14.45
<b>Excess returns (gross)</b>	-0.91	2.18	1.14

Inception Date: COB 14th February 2019

#### Overall Fund Commentary

The Fund registered positive absolute returns over the third quarter but finished behind the benchmark on a relative basis. Momentum, growth, large-caps and quality outperformed. As such, growth manager SW Mitchell registered robust positive returns helping to limit underperformance. Volatility in Emerging Markets (EM), driven by negative returns in China, also spilled over to the Funds EM strategy. Further underperformance was driven by the Fund's exposure to small-caps and value as this did not suit the market environment.

## Global Growth Equity Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	0.76	27.19	16.82
<b>Net</b>	0.66	26.70	16.37
<b>MSCI AC World Index Net</b>	1.37	22.19	14.93
<b>Excess returns (gross)</b>	-0.62	5.01	1.90

**Inception Date: 6th February 2019**

### Overall Fund Commentary

The Fund marginally underperformed its benchmark in the September 2021 quarter. Pzena slightly underperformed the MSCI ACWI Index but outperformed the MSCI ACWI Value Index. Within their portfolio, Newell Brands (consumer products), NOV (oil services), and Lear Corp. (car seat manufacturer) were the largest absolute detractors from performance.

Baillie Gifford also recorded underperformance for the quarter of 2.0%. Prosus' share price continued to come under pressure, a result of concerns relating to its large holding in Tencent. This concern emanated from investor concern about possible actions from China's market regulators. Shares in the e-commerce software platform Shopify declined during the quarter reflecting broader weakness in high growth 'technology' companies.

Veritas outperformed the benchmark during the quarter by 1.1%. Alphabet continued to perform well over the quarter as did Thermo Fisher Scientific, whose shares rose after the company said it anticipates total revenues of \$40 billion for 2022, a 12 percent increase over its \$36 billion in anticipated revenues for 2021. It has also increased expected earnings per share.

## UK Market Commentary

The Bank of England (BoE) unanimously decided to keep its interest rate unchanged but acknowledged that inflation could peak at 4.0% and remain at that level until the second quarter of 2022. The positive market momentum which dominated the first two months of the quarter reversed in September. Inflationary pressures, uncertain global growth expectations and the anticipated tightening of monetary policy by global central banks weighed on investor sentiment amid an apparent fuel shortage and lack of HGV drivers. The global spread of the "Delta" variant of Covid-19 also dented economic growth projections. Notably, the benchmark 10-year gilt yield increased by 30 bps in this environment. Sterling weakened over the period despite appreciating in September.

## UK Opportunities Equity Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	1.75	31.82	6.57
<b>Net</b>	1.65	31.30	6.12
<b>FTSE All Share</b>	2.23	27.89	4.13
<b>Excess returns (gross)</b>	-0.47	3.93	2.44

Inception Date: COB 11th October 2019

### Overall Fund Commentary

The Fund underperformed the positive benchmark return in the third quarter. Growth was the strongest-performing factor this quarter whereas value underperformed the benchmark which did not suit the market environment. Overall Fund performance was primarily driven by stock selection effects. Selection within the consumer discretionary sector was the key detractor. Negative selection within the basic materials, information technology and consumer staples sectors outweighed positive sector positioning. However, strong stock selection within the financials sector (banks) was rewarded as investors anticipated higher interest rates.

## Fixed Income Market Commentary

Higher inflation was persistent throughout the whole of the third quarter of 2021. The Fed maintained its current monetary policy for now, however Fed Chair Jerome Powell revealed that tapering of monthly bond purchases could “easily move ahead” as soon as November. Across the pond, the BoE unanimously decided to keep its interest rate unchanged for now but acknowledged that inflation could peak at 4.0% and remain at that level until the second quarter of 2022. On mainland Europe, the ECB decided to keep its interest rate unchanged but added that it would move to “a moderately lower pace” in its €1.85 trillion pandemic emergency purchase programme initiative. President Joe Biden’s \$3.5 trillion domestic spending package faced immense pressures as influential Democrat and US Senator Joe Manchin, only declared his support for up to \$1.5 trillion of a potential fiscal package. This comes as political concerns around the US debt ceiling also continued to rage on. Meanwhile in Europe, German coalition negotiations await following federal elections in late September. The Social Democratic Party (SDP) secured the highest share of votes, edging out the conservative bloc of outgoing chancellor Angela Merkel’s Christian Democratic Union. These factors helped corporate high yield spreads to widen in the US and in the EU.

## Global Government Bond Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	-0.03	0.03	0.03
<b>Net</b>	-0.08	-0.17	-0.18
<b>FTSE World Gvt Bond Index (GBP Hedged)</b>	-0.08	-2.30	-1.78
<b>Excess returns (gross)</b>	0.05	2.33	1.80

Inception Date: COB 19th August 2020

### Overall Fund Commentary

The Fund outperformed the benchmark this period. In the UK, the benchmark 10-year gilt yield increased by 30 bps. Meanwhile, the German 10-year bund yield increased by 1 bp to -0.20%. Within this environment, the Fund benefitted from its underweight duration positioning to the UK. However, underweight exposure to the US and Germany were small detractors. Colchester extended its inception-to-date outperformance this quarter whereas BlueBay underperformed over the period.

## Global Credit Fund:

	Three Months	1 Year	Since Inception
Gross	0.12	2.87	2.27
Net	0.08	2.71	2.11
Bloomberg Barclays Global Agg Credit Index (GBP Hedged)	0.01	1.19	0.78
Excess returns (gross)	0.11	1.68	1.49

Inception Date: COB 20th August 2020

### Overall Fund Commentary

The Fund outperformed the benchmark this period. The overweight to European HY industrials and UK HY financials was beneficial this quarter. An underweight to European IG industrials as well as an overweight to UK IG financials were further contributors. Similar to the previous quarter, underweight exposure to Emerging Market names detracted from additional outperformance.

## Multi Asset Credit Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	0.07	8.53	7.27
<b>Net</b>	0.00	8.12	6.85
<b>3 Month GBP Sonia + 4%</b>	1.00	4.05	4.06

Performance Target is 3 Month GBP SONIA + 4%, we have not shown excess return as this is a target.

**Inception Date: COB 11th August 2020**

### Overall Fund Commentary

The Fund returned marginally below its target over the quarter. The exposure to securitised assets was a positive contributor to performance. In addition to this the overweight to high yield industrials was also a benefit to the Fund. However, broader uncertainty amongst investors saw emerging market debt (EMD) underperform and high yield spreads widen.

### Absolute Return Bond Strategy Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	0.23	2.32	2.32
<b>Net</b>	0.13	1.86	1.86
<b>3 Month GBP Sonia + 2%</b>	0.51	2.05	2.05

Performance Target is 3 Month GBP SONIA + 2%, we have not shown excess return as this is a target.

**Inception Date: COB 30th September 2020**

#### Overall Fund Commentary

The Fund returned below its target this quarter. Concerns about higher inflation persisted throughout the whole period. Prepayment strategies were a detractor to the Fund's overall performance over the quarter. However, exposure to securitised assets such as asset backed securities was a positive contributor to performance as investors demand for assets with lower interest rate sensitivity increased.



## Sterling Credit Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	-0.81	0.94	0.86
<b>Net</b>	-0.84	0.82	0.74
<b>ICE Bank of America Merrill Lynch Euro-Sterling Index plus 0.65%</b>	-0.79	0.36	0.59
<b>Excess returns (Gross)</b>	-0.02	0.58	0.28

Inception Date: COB 19th August 2020

### Overall Fund Commentary

The portfolio generated negative returns over the quarter but only slight underperformance against the index. Fidelity have been biased towards ABS names for some time; this positioning buoyed returns over the quarter as the asset-backed sector outperformed. The overweight exposure to securitised names such as Together Asset Backed Securitisation, AA Bond Co and Peel South East added value.

The overweight stance in financials such as UBS, Pension Insurance and Phoenix Group boosted performance given the potential for higher interest rates. However, overall credit strategy detracted from returns as risk sentiment wobbled with the likes of Evergrande, potential Fed tapering, and rising gas prices created concerns.

The portfolio's interest rate strategy enhanced returns. The underweight position at various maturities across the Gilt yield curve added relative value as core government bond yields rose. Gains were partially offset by the overweight position at the long end of the Gilt yield curve, as yields rose across the curve. Adverse positioning across the US Treasury yield curve also weighed on returns.

This page is intentionally left blank

# Wales Pension Partnership

---

## Investment Risk & Analytical Services

September 30, 2021

# Table of Contents

---

<b>Section 1. Wales Pension Partnership</b>	3
1.1. <u>Investment Hierarchy</u>	4
1.2. <u>Wales Pension Partnership Summary</u>	5
1.3. <u>Total Fund Gross of Fees</u>	6
1.4. <u>Total Fund Net of Fees</u>	7
1.5. <u>Asset Allocation over Time</u>	8
<b>Section 2. Appendix</b>	9
2.1. <u>Disclaimer(s)</u>	10

## SECTION 1

# Wales Pension Partnership

---

Investment Risk & Analytical Services

September 30, 2021

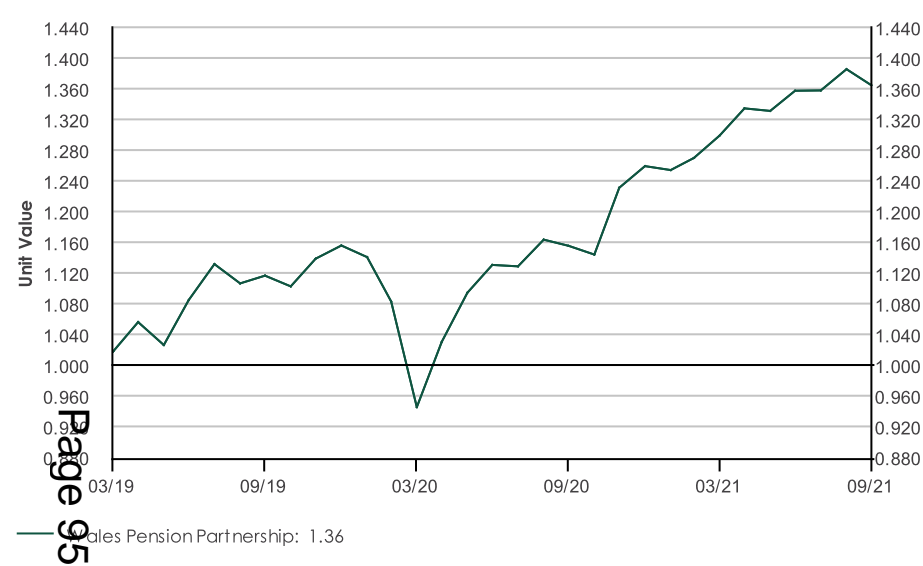
## Investment Hierarchy

Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return					Inception to Date	Inception Date
			One Month	Three Months	One Year				
<b>Wales Pension Partnership</b>	<b>10,643,653,639</b>	<b>100.00</b>	<b>-1.51</b>	<b>0.53</b>	<b>18.11</b>			<b>12.45</b>	<b>06/02/2019</b>
<b>Global Growth Fund</b>	<b>3,427,256,195</b>	<b>32.20</b>	<b>-1.88</b>	<b>0.76</b>	<b>27.19</b>			<b>16.82</b>	<b>06/02/2019</b>
MSCI ACWI ND			-2.15	1.37	22.19			14.93	06/02/2019
Excess Return			0.27	-0.62	5.01			1.90	06/02/2019
<b>Global Opportunities Equity</b>	<b>3,267,054,166</b>	<b>30.69</b>	<b>-1.67</b>	<b>0.46</b>	<b>24.37</b>			<b>15.59</b>	<b>14/02/2019</b>
MSCI ACWI ND			-2.15	1.37	22.19			14.45	14/02/2019
Excess Return			0.47	-0.91	2.18			1.14	14/02/2019
<b>UK Opportunities Equity</b>	<b>764,500,350</b>	<b>7.18</b>	<b>-1.96</b>	<b>1.75</b>	<b>31.82</b>			<b>6.57</b>	<b>11/10/2019</b>
FTSE All-Share			-0.96	2.23	27.89			4.13	11/10/2019
Excess Return			-1.00	-0.47	3.93			2.44	11/10/2019
<b>Global Credit Fund</b>	<b>810,978,616</b>	<b>7.62</b>	<b>-0.91</b>	<b>0.12</b>	<b>2.87</b>			<b>2.27</b>	<b>20/08/2020</b>
BBG Global Aggregate Credit Index hedged into GBP			-1.01	0.01	1.19			0.78	20/08/2020
Excess Return			0.09	0.11	1.68			1.49	20/08/2020
<b>Global Government Bond Fund</b>	<b>530,789,346</b>	<b>4.99</b>	<b>-0.87</b>	<b>-0.03</b>	<b>0.03</b>			<b>0.03</b>	<b>19/08/2020</b>
FTSE WGBI Index			-1.22	-0.08	-2.30			-1.78	19/08/2020
Excess Return			0.35	0.05	2.33			1.80	19/08/2020
<b>Multi Asset Credit Fund</b>	<b>752,732,704</b>	<b>7.07</b>	<b>-0.56</b>	<b>0.07</b>	<b>8.53</b>			<b>7.27</b>	<b>11/08/2020</b>
3 month GBP Sonia plus 4%			0.33	1.00	4.05			4.06	11/08/2020
Excess Return			-0.89	-0.93	4.48			3.20	11/08/2020
<b>Sterling Credit Fund</b>	<b>603,435,909</b>	<b>5.67</b>	<b>-2.08</b>	<b>-0.81</b>	<b>0.94</b>			<b>0.86</b>	<b>19/08/2020</b>
ICE BofA ML Eur-Stg plus 0.65%			-2.07	-0.79	0.36			0.59	19/08/2020
Excess Return			-0.01	-0.02	0.58			0.28	19/08/2020
<b>Absolute Return Bond Fund</b>	<b>486,906,352</b>	<b>4.57</b>	<b>0.51</b>	<b>0.23</b>	<b>2.32</b>			<b>2.32</b>	<b>30/09/2020</b>
3 month GBP Sonia plus 2%			0.17	0.51	2.05			2.05	30/09/2020
Excess Return			0.34	-0.28	0.26			0.26	30/09/2020

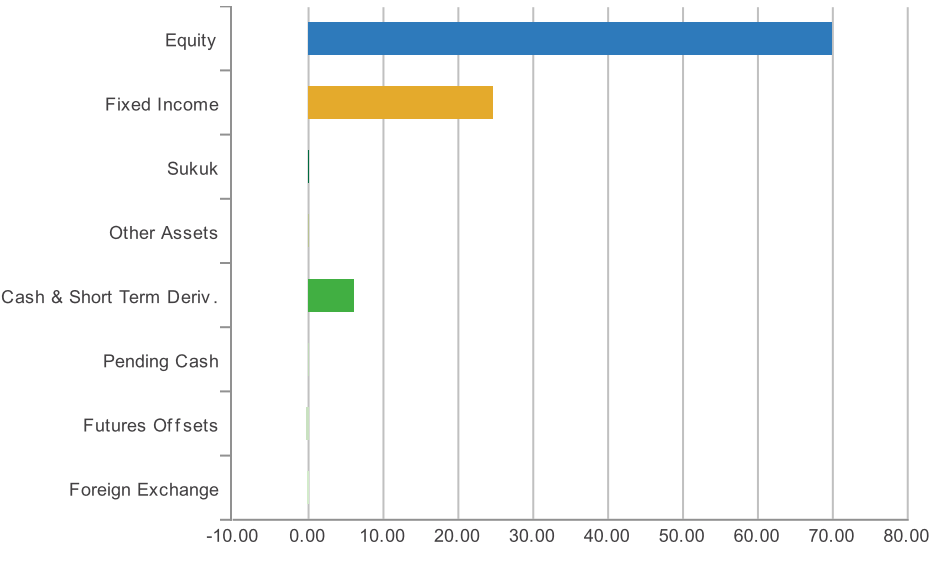
Wales Pension Partnership Summary

Account/Group -Rate of Return	E.MV-GOF	End Wt	1 Mo	3 Mos	1 Yr	ITD	Inc Date
Wales Pension Partnership	10,643,653,639	100.00	-1.51	0.53	18.11	12.45	06/02/2019
Global Growth Fund	3,427,256,195	32.20	-1.88	0.76	27.19	16.82	06/02/2019
Global Opportunities Equity	3,267,054,166	30.69	-1.67	0.46	24.37	15.59	14/02/2019
UK Opportunities Equity	764,500,350	7.18	-1.96	1.75	31.82	6.57	11/10/2019
Global Credit Fund	810,978,616	7.62	-0.91	0.12	2.87	2.27	20/08/2020
Global Government Bond Fund	530,789,346	4.99	-0.87	-0.03	0.03	0.03	19/08/2020
Multi Asset Credit Fund	752,732,704	7.07	-0.56	0.07	8.53	7.27	11/08/2020
Sterling Credit Fund	603,435,909	5.67	-2.08	-0.81	0.94	0.86	19/08/2020
Absolute Return Bond Fund	486,906,352	4.57	0.51	0.23	2.32	2.32	30/09/2020

GROWTH OVER TIME - INCEPTION TO DATE - TOTAL FUND GROSS OF FEES



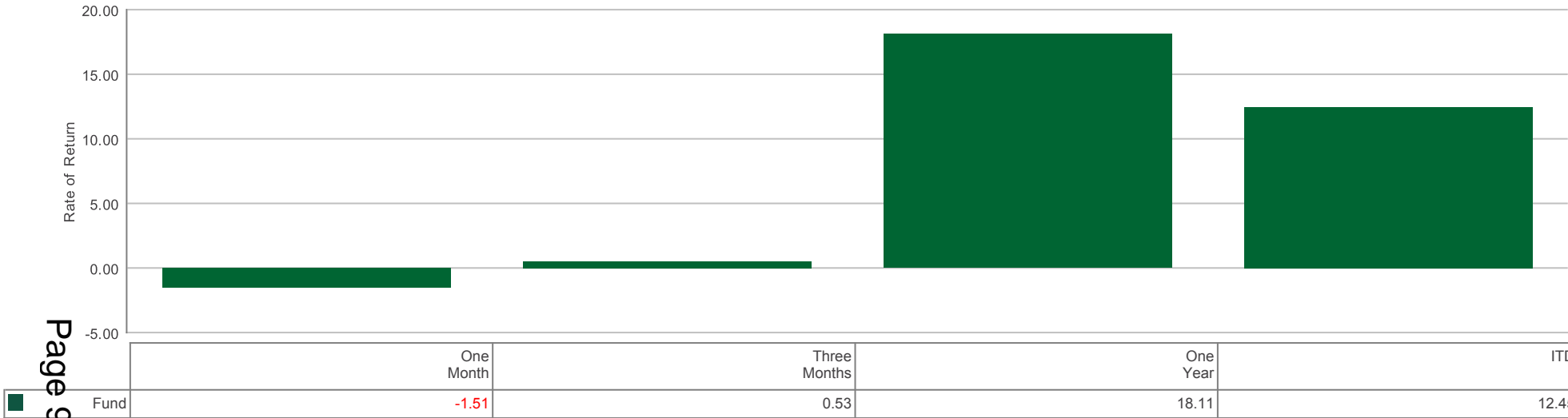
ASSET CLASS ENDING WEIGHTS



Total Fund Gross of Fees

Account/Group -Rate of Return	E.MV-GOF	End Wt	1 Mo	3 Mos	1 Yr	ITD	Inc Date
Wales Pension Partnership	10,643,653,639	100.00	-1.51	0.53	18.11	12.45	06/02/2019
Global Growth Fund	3,427,256,195	32.20	-1.88	0.76	27.19	16.82	06/02/2019
Global Opportunities Equity	3,267,054,166	30.69	-1.67	0.46	24.37	15.59	14/02/2019
UK Opportunities Equity	764,500,350	7.18	-1.96	1.75	31.82	6.57	11/10/2019
Global Credit Fund	810,978,616	7.62	-0.91	0.12	2.87	2.27	20/08/2020
Global Government Bond Fund	530,789,346	4.99	-0.87	-0.03	0.03	0.03	19/08/2020
Multi Asset Credit Fund	752,732,704	7.07	-0.56	0.07	8.53	7.27	11/08/2020
Sterling Credit Fund	603,435,909	5.67	-2.08	-0.81	0.94	0.86	19/08/2020
Absolute Return Bond Fund	486,906,352	4.57	0.51	0.23	2.32	2.32	30/09/2020

WALES PENSION PARTNERSHIP TOTAL FUND GROSS OF FEES

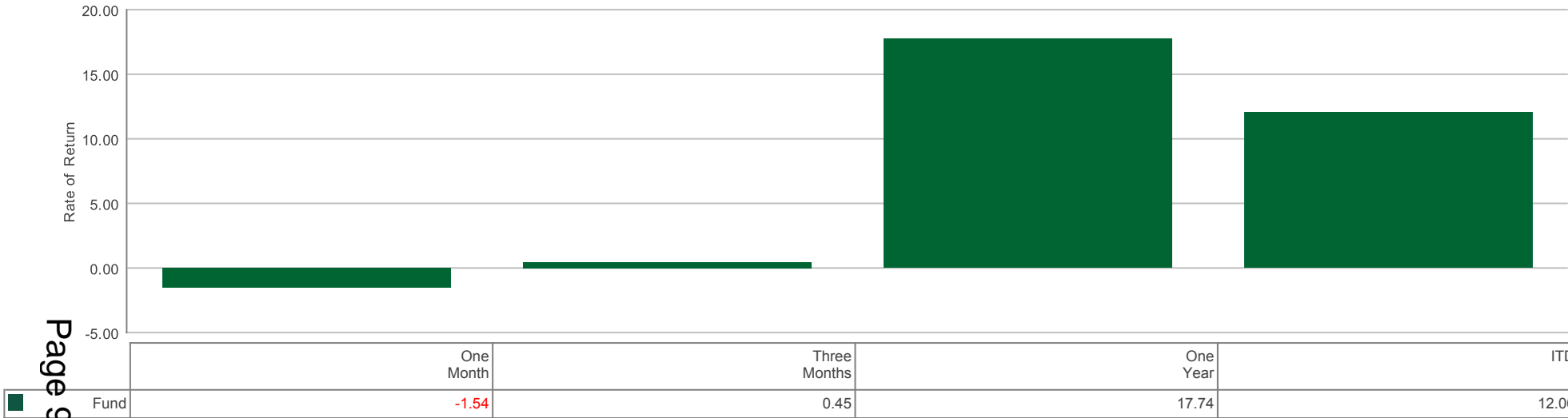




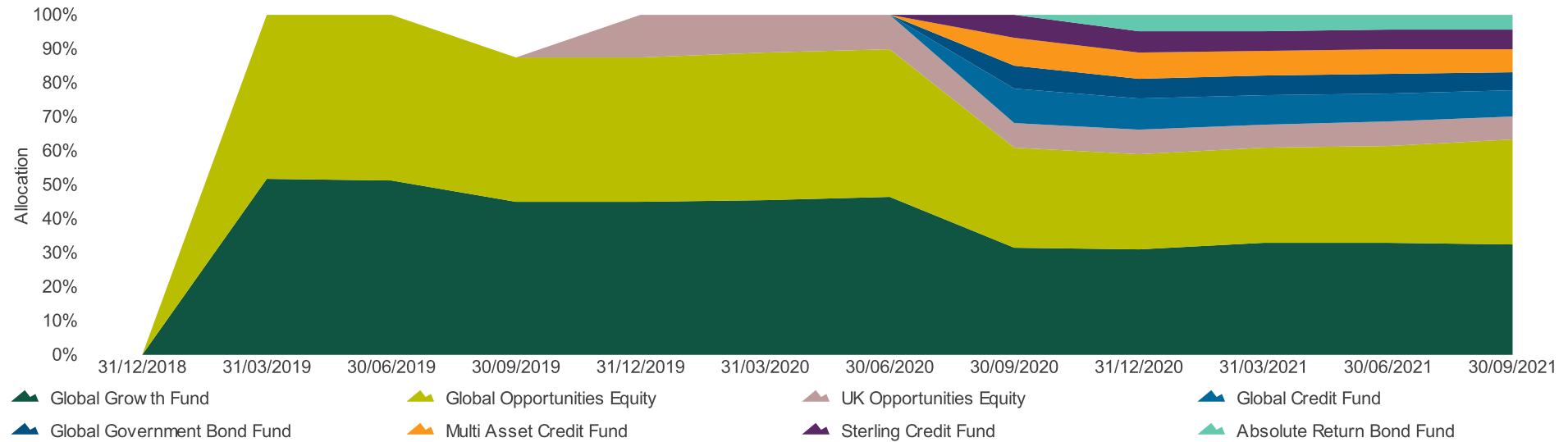
Total Fund Net of Fees

Account/Group -Rate of Return	E.MV-NOF	End Wt	1 Mo	3 Mos	1 Yr	ITD	Inc Date
Wales Pension Partnership	10,636,058,320	100.00	-1.54	0.45	17.74	12.06	06/02/2019
Global Growth Fund	3,424,390,657	32.20	-1.91	0.66	26.70	16.37	06/02/2019
Global Opportunities Equity	3,264,686,297	30.69	-1.70	0.39	24.01	15.23	14/02/2019
UK Opportunities Equity	763,871,743	7.18	-2.00	1.65	31.30	6.12	11/10/2019
Global Credit Fund	810,662,820	7.62	-0.93	0.08	2.71	2.11	20/08/2020
Global Government Bond Fund	530,505,300	4.99	-0.88	-0.08	-0.17	-0.18	19/08/2020
Multi Asset Credit Fund	752,139,840	7.07	-0.59	0.00	8.12	6.85	11/08/2020
Sterling Credit Fund	603,246,243	5.67	-2.09	-0.84	0.82	0.74	19/08/2020
Absolute Return Bond Fund	486,555,419	4.57	0.47	0.13	1.86	1.86	30/09/2020

WALES PENSION PARTNERSHIP TOTAL FUND NET OF FEES



## Allocation over Time



Account / Group	31/12/2020		31/03/2021		30/06/2021		30/09/2021	
	Market Value	Actual Weight	Market Value	Actual Weight	Market Value	Actual Weight	Market Value	Actual Weight
<b>Wales Pension Partnership</b>	<b>8,943,513,201</b>	<b>100.00</b>	<b>9,404,785,766</b>	<b>100.00</b>	<b>9,851,301,218</b>	<b>100.00</b>	<b>10,643,653,639</b>	<b>100.00</b>
Global Growth Fund	2,765,653,588	30.92	3,062,857,245	32.57	3,211,141,668	32.60	3,427,256,195	32.20
Global Opportunities Equity	2,497,364,432	27.92	2,626,222,580	27.92	2,794,277,972	28.36	3,267,054,166	30.69
UK Opportunities Equity	635,984,319	7.11	674,772,273	7.17	751,880,470	7.63	764,500,350	7.18
Global Credit Fund	813,895,265	9.10	791,655,440	8.42	810,233,415	8.22	810,978,616	7.62
Global Government Bond Fund	541,409,848	6.05	526,922,196	5.60	531,139,365	5.39	530,789,346	4.99
Multi Asset Credit Fund	672,186,892	7.52	714,714,424	7.60	727,653,587	7.39	752,732,704	7.07
Sterling Credit Fund	575,953,784	6.44	551,190,920	5.86	563,906,331	5.72	603,435,909	5.67
Absolute Return Bond Fund	441,065,073	4.93	456,450,688	4.85	461,068,410	4.68	486,906,352	4.57

## SECTION 2

# Appendix

---

## Investment Risk & Analytical Services

September 30, 2021

## Disclaimer(s)

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of Morgan Stanley Capital International Inc. ("MSCI") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed for use by The Northern Trust Corporation and its wholly owned subsidiaries. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

The Dow Jones Wilshire Indexes are calculated, distributed and marketed by Dow Jones & Company, Inc. pursuant to an agreement between Dow Jones and Wilshire and have been licensed for use. All content of the Dow Jones Wilshire Indexes © 2005 Dow Jones & Company, Inc. & Wilshire Associates Incorporated.

Standard and Poor's including its subsidiary corporations ("S&P") is a division of the McGraw-Hill Companies, Inc. Reproduction of S&P Index Alerts in any form is prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P sources, S&P or others, S&P does not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P gives not express or implied warranties, including, but not limited to, any warranties or merchantability or fitness for a particular purpose or use. In no event shall S&P be liable for any indirect, special or consequential damages in connection with subscriber's or others' use of S&P Index Alerts.

All MSCI equity characteristic results except for Dividend Yield, Price to Book Value, Price to Cash Earnings and Price Earnings Ratio were calculated by The Northern Trust Company.

FTSE ® is a trade mark of London Stock Exchange Plc and The Financial Times Limited and is used by FTSE under license. All rights in the FTSE Indices vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE Indices or underlying data.

The Merrill Lynch Indices are used with permission. Copyright 2007, Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. The Merrill Lynch Indices may not be copied, used, or distributed without Merrill Lynch's prior written approval.

The Citi Index data is provided to you on an "AS IS" basis and you agree that use of the index data is at your sole risk. Citi Index makes no representations or warranties, express or implied, to you or any other person or entity, including without limitation any warranty of merchantability, originality, suitability or fitness for a particular purpose of the index data or any other matter and no warranty is given that the index data will conform to any description thereof or be free of omissions, errors, interruptions or defects. 4. In no event shall Citi Index be liable to you or any other person or entity for any direct, incidental, indirect, special or consequential damages (including, without limitation,

lost profits or revenues, loss of data, loss of use or claims of third parties), arising out of or in any manner in connection with your use of (or inability to use) the index data, whether or not you have been advised of, or otherwise might have anticipated the possibility of, such damages. Without limitation on the foregoing, you acknowledge that the index data may be incomplete or condensed, is for information purposes only and is not intended as, and shall not be construed to be, an offer or solicitation with respect to the purchase or sale of any security. All opinions and estimates provided constitute judgments as of their respective dates and are subject to change without notice. Such data, information, opinions and estimates are furnished as part of a general service, without regard to your particular circumstances, and Citi Index shall not be liable for any damages in connection therewith. Citi Index is not undertaking to manage money or act as a fiduciary with respect to your accounts or any of your managed or fiduciary accounts and you acknowledge and agree that the index data does not and shall not serve as the primary basis for any investment decisions made with respect to such accounts.

iShares® and BlackRock® are registered trademarks of BlackRock, Inc. and its affiliates ("BlackRock") and are used under license. BlackRock has licensed certain trademarks and trade names of BlackRock to The Northern Trust Company. The Northern Trust Company's products and services are not sponsored, endorsed, sold, or promoted by BlackRock, and BlackRock makes no representations or warranties related to such products or services either to The Northern Trust Company or any other person or entity, including but not limited to the advisability of investing in the products of The Northern Trust Company. BlackRock has no obligation or liability in connection with the operation, marketing, trading or sale of the products or services from The Northern Trust Company.

Please note that this report has been prepared using best available data. This report may also contain information provided by third parties, derived by third parties or derived from third party data and/or data that may have been categorized or otherwise reported based upon client direction - Northern Trust assumes no responsibility for the accuracy, timeliness or completeness of any such information. If you have questions regarding third party data or direction as it relates to this report, please contact your Northern Trust relationship team.

INVESTMENT ADVICE NOTICE: The data and analysis contained in this report is for informational purposes only. In providing the information contained herein, The Northern Trust Company is not undertaking to provide "investment advice" or to give advice in a fiduciary capacity for purposes of the Employee Retirement Income Security Act of 1974, as amended. Nothing in this report is intended as, or should be understood as, a recommendation to hire, retain, or terminate an investment manager or engage in any purchase or sale transaction with such a manager or any fund that it manages. The Northern Trust Company and/or its affiliates may have business relationships with one or more investment managers or funds for included in this report, and may receive compensation for providing custody, administration, banking, brokerage, foreign exchange or other services to such investment managers or funds. The Northern Trust Company and its affiliates shall have no responsibility for the consequences of investment decisions made in reliance on information contained in this report.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank



Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank



Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank