







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.	•Underperformance of the WPP's Investment Managers. •Adverse and unforeseen economic conditions and market events. •Inappropriate strategic and regional asset allocations.	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	•Ongoing monitoring of investment performance, market developments and economic outlook reported by the Investment Manager and the Operator and discussed at OWG meetings •The Operator/ the Investment Manager engagement with Investment Managers and ongoing reviews of their process •Manager days hosted by the Operator/ the Investment Manager for OWG/Constituent Authorities Pension Fund Committees	Current			👉	The probability of Investment Manager underperformance needs to be reduced, this can be achieved-improved monitoring of investment performance & market developments and economic outlook.	OWG	The OWG is continuing to work with the Operator and the Investment Manager to improve the WPP's investment reporting mechanisms. The Risk Sub-Group recommends that a market benchmarking exercise of the WPP's Sub-funds and Investment Managers is undertaken every two years. The WPP has undertaken significant work during the course of the quarter to improve the WPP's engagement mechanisms with Investment Managers, this includes the finalisation of the WPP Manager Engagement Schedule and putting in place notification mechanisms to identify when and why rebalancing within Russell managed WPP Sub-funds has taken place.		
	Financial		Long Term	4		3	12	Target					4	2
						Target								
I.2	One of the WPP's Investment Managers fails/ exits the market, leading to a financial loss to WPP assets.	•Investment Manager's business model, internal controls and/ or the external oversight of the Investment Manager fails.	Financial loss to assets held within the WPP.	The Operator/ The Investment Manager	The Operator/The Investment Manager facilitate: •Ongoing monitoring of investment managers •Questioning managers on their internal controls, external regulation, succession/retention policies •Engagement with Investment Managers and the Investment Manager industry •Maintaining a shortlist of suitable replacement Managers	Current			👍	The WPP needs to ensure that suitable procedures are in place for the oversight of Sub-Fund Managers and for the replace/ appointment or rebalancing of Sub-Funds. The WPP undertake the following workstreams: •Formulate a Sub-fund Manager Appointment, Replacement and Rebalancing Policy •Codify the means by which the Sub-fund Investment Manager oversees, monitors and challenges underlying Investment Managers. It was noted that these workstream are particularly relevant for non-Russell managed Sub-funds	OWG	The WPP RI Sub-Group will take responsibility for assessing how Sub-fund Managers oversee, monitors and challenges underlying managers on RI matters, this will be completed in Q1 2021. The OWG will be responsible for establishing a protocol for overseeing sub funds, in particular non Russell managed Sub-funds.		
	Financial		Short Term	5		2	10	Target					5	2
						Target								
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.	•Inaccurate recording of asset valuations and transactions. •Unsatisfactory safeguarding of assets. •External and internal controls fail to prevent fraud or misappropriation. •Custodian fails and exists the market, potentially leading to stranded assets.	Financial loss to assets held within the WPP.	The Operator/ OWG	•Robust procurement process overseen by The Operator •Annual review of custodian prepared by The Operator and presented to OWG •Analysis of Investment Manager Records vs Custodian Records •Monitor custodian performance on annual basis •Custodian regulated by FCA •Receipt of annual controls reports from Custodian's External Auditors	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	This work will be undertaken in Q1 2021, with the expectation that the Operator will produce its Annual Custodian Review as at the 31 March 2021.		
	Financial		Short Term	5		2	10	Target					5	2
						Target								

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.4	The WPP does not receive or seek expert investment advice when required.	•An external adviser provides inappropriate or unsatisfactory advice to WPP. •WPP ignores appropriate advice provided by expert advisers. •WPP fails to seek to expert advise.	Inappropriate decisions are implemented which may harm investment performance.	OWG/ JGC	•Robust procurement processes •Ongoing training for JGC and OWG members •Oversight Advisor in place to oversee Investment Advise & decision-making process •Engagement with other LGPS Pools and Funds to cross verify suitability of advice	Current				The WPP believe that the objectivity and range of investment solutions recommendations is the biggest area of concern in relation to this risk. In particular, the WPP needs to ensure that it is fully aware of the limitations, from an objectivity point of view, of the proposal put forward by the Investment Management Solutions Provider. The WPP will ask its Oversight Advisor to codify and formalise the process by which he WPP should go about considering investment solutions. Local level advisors have a important role in considering the suitability of WPP investment solution for their Constituent Authority. 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.	OWG/ Oversight Advisor	This workstream will be undertaken in the fist half of 2021.
	Financial			Long Term		4	2	8			4	
I.5	The WPP fails to challenge Manager fees, value for money and mandated objectives.	•Lack of information and transparency from Investment Managers. •Inability to check and challenge Investment Managers and benchmark them relative to market competitors.	Inability to deliver value for money to the WPP's stakeholders.	OWG	•Ongoing monitoring of investment managers fees •Question The Operator, the Investment Manager and Investment Managers on their fees •Demand Transparency from Investment Mangers, the Investment Manager and The Operator on fees	Current				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	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.
	Financial			Medium Term		2	2	4			2	
I.6	The WPP is subjected to counterparty risk	•The WPP fails to monitor their counterparty exposure and the probability of counterparty defaults. •A suitable escalation process to deal with excess counterparty exposure is not put in place.	Financial loss to assets held within the WPP, potential legal costs, reputation risk.	OWG/ The Operator/ The Investment Manager/ The Custodian	•Ongoing monitoring of counterparty exposure •Question The Operator, The Investment Manager, Investment Managers and Custodian on the WPP's level of counterparty exposure	Current				The OWG will ask the Operator to formulate an initial counterparty risk report by Q3 2021.	OWG	The OWG, with assistance from their Oversight Advisor, will review the Operators initial report on counterparty risk.
	Financial			Short Term		4	2	8			4	
I.7	The WPP puts in place sub-optimal sub-funds.	•Insufficient time and resources are allocated to the design and development of sub-funds. •Constituent Authorities do not effectively articulate their requirements and/ or the WPP fails to account for Constituent Authority requirements. •Value for money and/ or cost savings are not given adequate consideration. •Sub-funds with insufficient scale to achieve cost saving are launched. •Manager fee negotiations are ineffective	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	•Numerous advisors used in the formulation of sub-funds •Oversight advisor in place to oversee investment strategy and sub-fund design •Numerous checks and balances on the decision-making process and approval of invest strategy and sub-funds •Cost benefit analysis is carried out prior to each sub-fund launch •Use of the Investment Manager's scale and the WPP's scale to negotiate the best Manager fees possible •Frequent consultation with Constituent Authorities on their requirements •Asset held outside of sub-fund if their inclusion in the sub-fund is cost inefficient	Current				-The formulation of the following two documents, as outlined in Risk 1.2, will need to be carried out to further mitigate this risk: •Formulate a Sub-fund Manager Appointment, Replacement and Rebalancing Policy •Codify the means by which the Sub-fund Investment Manager oversees, monitors and challenges underlying Investment Managers. These mechanism will focus on ensuring that existing sub-funds continue to be optimal for the Constituent Authorities.	The Operator/ Investment Manager / Oversight Advisor	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.
	Financial			Long Term		4	2	8			4	

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.8	The WPP fails to adequately account for climate change, climate risk and ESG factors.	•Lack of knowledge on the impacts of Climate Change, Risk and ESG Factors. •Lack of knowledge on how the impacts of Climate Change, Risk and ESG Factors can be managed. •Poor attendance at training events.	Financial loss to assets held within the WPP and potential for stranded assets.	OWG/ The Operator/ The Investment Manager	•Development of suitable Climate Change, Climate Risk and ESG reporting metrics •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 •Publication of a Responsible Investment policy and Climate Risk Policy •Constant engagement and challenging of Managers on how they account for Climate Risk/ Change and ESG factors •Development of Sub-funds that will allow Constituent Authorities to manage their Climate risk Exposure •Annual Climate Change, Climate Risk or ESG related training event on the WPP Training Plan	Current				The WPP RI Sub-Group is working with the Oversight Advisor to enhance the WPP's reporting on Responsible Investment and Climate Risk. The WPP also received training on ESG and Climate Risk reporting in Q4 2020, this training should help maximise the understanding and thus effectiveness of the WPP ESG and Reporting. The WPP RI Sub-Group was also established in Q3 2020, this group will take ownership of monitoring, challenging and reporting of how the WPP's Investment Managers account of RI matters within WPP sub-funds.	OWG/ Oversight Advisor	The WPP RI Sub-Group will consider a further draft of the WPP ESG and Climate Risk reporting in January 2021, the current plan is to deliver the finalised report as at the 31 March 2021 in Q2 2021. Additionally, the RI Sub-group will 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.
	Financial					Long Term	4	2				
I.9	The WPP fails to facilitate investment solutions that enable the Constituent Authorities to meet their investment strategy and objectives.	•Insufficient time and resources are allocated to engaging with and understanding Constituent Authority needs and requirements. •Constituent Authorities do not effectively articulate their requirements and/ or the WPP fails to account for Constituent Authority requirements. •Sub-funds are not designed to Constituent Authority requirements. •Sub-funds are not flexible enough or able to change to better meet Constituent Authority requirements	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	•The development of further sub-funds is a prioritised item within the WPP's business plan. •Frequent consultation with Constituent Authorities on their requirements •Consultation with the Constituent Authorities on the ongoing suitability of existing sub-funds. •Numerous advisors used in the formulation of sub-funds •Oversight advisor in place to oversee investment strategy and sub-fund design •Numerous checks and balances on the decision-making process and approval of invest strategy and sub-funds	Current				The WPP needs to ensure that the feedback to the Constituent Authority questionnaire is effectively implemented into the WPP's workplan.	Oversight Advisor	An annual consultation questionnaire has been developed and issued to Constituent Authorities. The questionnaire seeks to determine Constituent Authorities' individual investment requirements and longer-term aspirations. It is anticipated that this questionnaire will mitigate the risk that WPP investment solutions fail to meet the needs of the Constituent Authorities. However, the Risk Sub-fund has decided to retain the current risk score until they have reviewed how effectively the feedback from the questionnaire has filtered through into the WPP workplan for 2021/2022 and beyond.
	Operational/ Reputational					Long Term	5	2				
						5	1	5				

Governance & Regulation 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	
G.12	The WPP's Operator fails to deliver on its contractual obligations or stops providing Operator services due to existing the market or regulatory restrictions.	<ul style="list-style-type: none">•Operator is not adequately resourced.•Operator does not put sufficient performance/risk reporting systems in place.•The Operator does not have the resources/ expertise to carry out Manager monitoring, fee negotiations, facilitate vehicles & establishment services.•The Operator does not put in place sufficient checks and balances to ensure compliance with all relevant regulations.•The Operator lacks the ability or regulatory approval to provide Depositary and Custody services (via ACS).	The WPP assets held within the Operator ACS are put at risk. A number of the WPP's contracts are broken, as these are currently mandated via the Operator. The WPP is unable to work efficiently, required work is not completed, sub-funds are unable to be managed or launched.	Oversight Advisor/HA/ OWG/ Legal Advisor	<ul style="list-style-type: none">•Designated Operator Oversight Advisor in place•Intensive engagement protocols with Operator•Operator Oversight Framework currently in development•Engagement with the wider Operator market (and other suitable suppliers) is built into the WPP business plan•The WPP has formulated contracts that have natural break or exit points and minimal exit fees	Current				The OWG will develop an 'impact limitation procedure' which could be enacted if the Operator were to exit the market or if an immediate replacement needed to be appointed. The OWG is continuing to monitor any developments resulting from the FCA's review of the ACD Operator market. The OWG recognises the resource strain this review places on the Operator.	OWG	The OWG will ask the Operator for an update on the progress of the takeover bid that their parent company has received.
	Financial / Operational	<ul style="list-style-type: none">•Insufficient monitoring of appointed entities for fund administration & transfer agency (Northern Trust).•The Operator fails to put in place suitable Risk Management (RM), including: RM policy, procedures and mitigation strategies.•The Operator is not adequately resourced to provide adequate relationship management and service delivery.				Short Term	5	3				
						Target						
						5	2	10				