

# Document Pack



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

**FRIDAY, 1<sup>ST</sup> JUNE 2022**

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

I HEREBY SUMMON YOU TO ATTEND A MEETING OF THE **WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE** WHICH WILL BE HELD IN THE **CHAMBER - COUNTY HALL, CARMARTHEN. SA31 1JP AND REMOTELY AT 10.00 AM, ON FRIDAY, 8TH JULY, 2022** 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>	<b>Kelly Evans</b>
<b>Telephone (direct line):</b>	<b>01267 224178</b>
<b>E-Mail:</b>	<b>kellyevans@carmarthenshire.gov.uk</b>
<b>Webcast Link</b>	<b><a href="https://carmarthenshire.public-i.tv/core/portal/webcast_interactive/680201">https://carmarthenshire.public-i.tv/core/portal/webcast_interactive/680201</a></b>

**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 MIKE LEWIS**

**CITY OF CARDIFF**

**COUNCILLOR CHRISTOPHER WEAVER**

**FLINTSHIRE COUNTY COUNCIL**

**COUNCILLOR TED PALMER**

**GWYNEDD COUNTY COUNCIL**

**COUNCILLOR STEPHEN CHURCHMAN**

**POWYS COUNTY COUNCIL**

**COUNCILLOR PETER LEWIS**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**COUNCILLOR MARK NORRIS**

**TORFAEN COUNTY BOROUGH COUNCIL**

**COUNCILLOR NATHAN YEOWELL**

# **A G E N D A**

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2. **APPOINTMENT OF VICE-CHAIR OF THE JOINT GOVERNANCE COMMITTEE FOR THE FORTHCOMING CALENDAR YEAR.**
3. **APOLOGIES FOR ABSENCE.**
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## WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

Wednesday, 23 March 2022

**PRESENT:** Councillor Cllr. C. Lloyd (Chair)

**Councillors:**

G. Caron, M. Norris, P. Jenkins, P. Lewis, C. Weaver, 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)  
N. Aurelius – Assistant Chief Executive – Resources (TCC)  
J. Dong – Deputy S151 Officer/ Chief Finance Officer (C&CS)  
D. Edwards – Fund Director (GCC)  
J. Thomas – Head of Financial Services (PCC)  
P. Latham – Head of Clwyd Pension Fund (FCC)  
P. Griffiths – Service Director Finance and Improvement (RCT)  
T. Williams – Senior Financial Services Officer (CCC)  
M. Evans Thomas – Principal Democratic Services Officer (CCC) [Note Taker]  
J. Owen – Democratic Services Officer (CCC) [Assisting]  
K. Evans – Assistant Democratic Services Officer (CCC) [Assisting]  
E. Evans – Principal Democratic Services Officer (CCC) [Webcasting]  
S. Rees – Simultaneous Translator (CCC)

**Also in attendance to present reports:**

A. Johnston – Hymans Robertson  
E. Gough - Link Fund Solutions  
K. Midl – Link Fund Solutions  
R. Thornton - Link Fund Solutions  
N. Round – Northern Trust  
A. Knell – Robeco  
K. Robertson – Robeco  
A. Quinn – Russell Investments  
J. Leggate – Russell Investments  
T. Paik - Russell Investments  
S. Gervaise-Jones - bfinance

**Also present as observers:**

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

**Virtual Meeting : 10:00am- 12:42pm**

## 1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

## 2. DECLARATIONS OF INTEREST

Member	Agenda Item No.	Interest
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. Jenkins	All agenda items	He is a member of the Gwynedd Pension Fund
Cllr. P. Lewis	All agenda items	He is a member of the Powys Pension Fund
Cllr. C. Lloyd	All agenda items	He is a member of the County & City of Swansea Pension Fund
Cllr. M. Norris	All agenda items	He is a member of the Rhondda Cynon Taf Pension Fund
Cllr. T. Palmer	All agenda items	His partner and daughter are members of the Clwyd Pension Fund
Cllr. E. Williams	All agenda items	He is a 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 1ST DECEMBER, 2021

**UNANIMOUSLY RESOLVED** that the minutes of the Joint Governance Committee meeting held on 1<sup>st</sup> December, 2021 be signed as a correct record.

## 4. HOST AUTHORITY UPDATE

[NOTE: Councillors G. Caron, P. Jenkins, P. Lewis, C. Lloyd, M. Norris, 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

The Chair took the opportunity to thank the Host authority officers for their contribution to the presentation at the Joint Council for Wales which was held recently.

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

## **5. WPP TRAINING PLAN - 2022/23**

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

The Joint Committee received the Training Plan for 2022/23. The meeting was advised that the WPP's training plan is devised to supplement existing Constituent Authority training and will be relevant to the WPP's pooling activities. The training is primarily focussed on meeting the training needs of members of the OWG and JGC, however it may be extended to Pension Committee members, as well as Pension Board representatives, if relevant.

The 2022/2023 training sessions will be held quarterly and will cover the following topics:

- Product knowledge
- Pool knowledge
- Responsible Investment
- Market Understanding

**UNANIMOUSLY RESOLVED that the WPP training plan 2022/23 report be approved.**

## **6. WALES PENSION PARTNERSHIP BUSINESS PLAN 2022-2025**

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

The Joint Committee considered the Business Plan 2022-2025. The meeting was advised that the Business Plan has been drafted in accordance with Section 6 of the Inter Authority Agreement. Following approval by the Joint Committee, the Business Plan would be sent to all Constituent Authorities for their written approval.

The Chair was thanked for his hard work and contribution to the Joint Committee during his period as Chair.

**UNANIMOUSLY RESOLVED that the Business Plan be approved.**

## **7. RISK REGISTER Q1 2022 REVIEW**

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

The Joint Committee considered the Risk Register Q1 2022 Review. It was noted that during the last quarter a review was undertaken of the Governance and Regulation section, risks G.1 to G.6. The review outcomes of each risk were summarised in an appendix to the report.

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

## **8. ANNUAL POLICY REVIEWS**

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

The Joint Committee received a report detailing the Annual Policy Reviews undertaken on the following policies:-

- Communication Policy
- Governance Matrix

These policies were approved by the JGC in December 2019. A second annual review of the policies has taken place and updated documents require approval by the JGC.

**UNANIMOUSLY RESOLVED that the updated policies, as detailed above, be approved.**

## **9. SCHEME MEMBER REPRESENTATION ON THE JOINT GOVERNANCE COMMITTEE**

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

The Joint Committee considered a report to approve the recommendation of the Joint Governance Committee (JGC) sub-group to appoint:

- Osian Richards from Gwynedd Pension Fund as the Scheme Member Representative of the JGC
- Ian Guy from City and County of Swansea Pension Fund as the Deputy Scheme Member Representative of the JGC (the deputy will be required to attend meetings in the SMR's absence).



The appointment will be effective immediately after the JGC have approved the recommendations, with a tenure of two years. If the individual ceases to be a local pension board scheme member representative within that two-year period, their role as scheme member/deputy scheme member representative will also cease.

Reference was made regarding the high standard of calibre of applicant for the posts and that the successful applicants would be an asset to the JGC.

**UNANIMOUSLY RESOLVED that the recommendations of appointments, as detailed above, be approved.**

## **10. OPERATOR UPDATE**

[NOTE: Councillors G. Caron, P. Jenkins, P. Lewis, C. Lloyd, M. Norris, 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 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

In response to a query, the JGC was advised that it would be kept updated over the next 6 months, as Dye & Durham proceeds to acquire Link.

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

## **11. PERFORMANCE REPORTS AS AT 31 DECEMBER 2021**

[NOTE: Councillors G. Caron, P. Jenkins, P. Lewis, C. Lloyd, M. Norris, 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 31<sup>st</sup> December, 2021. It was noted that the sub funds had outperformed/underperformed against their respective benchmarks, as follows:

- Global Opportunities – outperformed by 0.71% gross / 0.34% net
- Global Growth – outperformed by 0.01% gross / underperformed by 0.44% net
- Emerging Markets – outperformed by 0.24% gross / 0.13% net
- UK Opportunities – outperformed by 1.12% gross / 0.68% net
- Global Government Bond – outperformed by 1.06% gross / 0.83% net
- Global Credit – outperformed by 1.23% gross / 1.06% net
- Multi Asset Credit – outperformed by 1.86% gross / 1.43% net
- ARB – underperformed by 0.73% gross / 1.19% net
- UK Credit – outperformed by 0.37% gross / 0.25% net

**UNANIMOUSLY RESOLVED** that the Performance Reports of the Sub Funds, as detailed above, as at 31<sup>st</sup> December, 2021, be noted.

## **12. 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.

## **13. GLOBAL SECURITIES LENDING REVIEW AS AT 31 DECEMBER 2021**

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 12 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 Fund Managers in negotiations with borrowers to the detriment of the Fund.

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

The Joint Committee considered the Global Securities Lending Review for Quarter ending 31<sup>st</sup> December, 2021.

**UNANIMOUSLY RESOLVED** that the Global Securities Lending Review as at 31<sup>st</sup> December, 2021 be noted.

## **14. ROBECO ENGAGEMENT SERVICE - Q4 2021 ENGAGEMENT REPORT**

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 12 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. Jenkins, P. Lewis, C. Lloyd, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee considered the Engagement Report for Q4 of 2021, which ended on 31<sup>st</sup> December 2021.

**UNANIMOUSLY RESOLVED that the Engagement Report for Q4 of 2021 be noted.**

## **15. WPP PRIVATE MARKET ALLOCATOR APPOINTMENTS**

**Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 12 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. Jenkins, P. Lewis, C. Lloyd, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Governance Committee considered a report to appoint the Private Market Allocators for the Wales Pension Partnership.

Following the completion of the procurement process, it was recommended:

- To appoint bidder 8 as the preferred bidder for the Wales Pension Partnership Allocator for Private Debt (Lot 1) subject to the completion of the standstill period and the finalisation of the Allocator Contract
- To appoint bidder 7 as the preferred bidder for the Wales Pension Partnership Allocator for Infrastructure (Lot 2) subject to the completion of the standstill period and the finalisation of the Allocator Contract
- To appoint bidders 4,8 and 13 as the preferred bidders for the Wales Pension Partnership Allocators for Open Ended Infrastructure (Lot 3) subject to the completion of the standstill period and the finalisation of the Allocator Contract

**UNANIMOUSLY RESOLVED that the Allocator Appointment, as detailed above, be approved**

[NOTE: At this point in the meeting Cllr Ted Palmer had to leave the meeting]

## **16. RESPONSIBLE INVESTMENT & CLIMATE RISK REPORTS**

**Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 12 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. Jenkins, P. Lewis, C. Lloyd, M. Norris, T. Palmer and E. Williams had earlier declared an interest in this item.]

The Joint Committee received an update on the Q3 Responsible Investment & Climate Risk Reports for WPP's:

- Global Credit Sub Fund, and
- Multi Asset Credit Sub Fund.

**UNANIMOUSLY RESOLVED that the Responsible Investment & Climate Risk Reports be noted.**

\_\_\_\_\_  
**CHAIR**

\_\_\_\_\_  
**DATE**



## WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

**DATE 8 JULY 2022**

### SUBJECT

**ANNUAL RETURN / AUDIT 2021/22**

### RECOMMENDATIONS / KEY DECISIONS REQUIRED:

- **To receive the letter from Audit Wales re the WPP 2021/22 Annual Return**
- **To approve the Audited Annual Return for 2021/22**
- **To note the Unaudited full Statement of Accounts for 2021/22**

### REASONS:

An Annual Return is required to be completed for 2021/22.

The Accounting Statements and Annual Governance Statement sections of the Annual Return have been prepared by the Host Authority and Carmarthenshire County Council's Internal Audit Department have carried out an Internal Audit Review. The Annual return has been audited by Audit Wales and the letter from Audit Wales is attached. The JGC is required to approve the Annual Return.

The Host Authority has also produced full Statement of Accounts for the Wales Pension Partnership for 2021/22. This is for information purposes only and does not require to be audited.

**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 8 JULY 2022**

**ANNUAL RETURN / AUDIT 2021/22**

**BRIEF SUMMARY OF PURPOSE OF REPORT**

For joint committees with income and expenditure below £2.5 million, the requirement is that accounts are prepared in the form of an annual return. The Joint Governance Costs of the Wales Pension Partnership for 2021/22 are £1,078k.

The Annual Report is split into the following sections:

1. Accounting Statement 2021/22 – including a statement of income and expenditure / receipts and payments and a statement of balances.
2. Annual Governance Statement
3. Committee approval and certification
4. Auditor General for Wales’ Audit Certificate and report
5. Annual Internal Audit report

Section 1 & 2 above have been completed by the Host Authority in accordance with proper practices as set out in the Practitioners Guide. Section 5 has been completed by the Host Authority’s Internal Audit Department. The Annual Return has been audited by Audit Wales.

The Host Authority has also prepared full Statement of Accounts for the Wales Pension Partnership for 2021/22. The Statement is not a statutory requirement and will not be audited. It has been prepared for information purposes only, to support the information included in the Annual Report.

**DETAILED REPORT ATTACHED?**

**YES**

## IMPLICATIONS

Policy, Crime & Disorder and Equalities <b>NONE</b>	Legal <b>YES</b>	Finance <b>YES</b>	Risk Management Issues <b>NONE</b>	Staffing Implications <b>NONE</b>
<p><b>Legal</b> Compliance with the Accounts and Audit (Wales) Regulations 2014 and the Public Audit (Wales) Act 2004.</p>				
<p><b>Finance</b> The net cost of the Wales Pension Partnership activities was £1,078k which has been recharged to the eight Welsh Pension Funds</p>				

## 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
Accounts and Audit (Wales) Regulations 2014		Corporate Services Department, County Hall, Carmarthen.



24 Cathedral Road / 24 Heol y Gadeirlan  
Cardiff / Caerdydd  
CF11 9LJ  
Tel / Ffôn: 029 2032 0500  
Fax / Ffacs: 029 2032 0600  
Textphone / Ffôn testun: 029 2032 0660  
[info@audit.wales](mailto:info@audit.wales) / [post@archwilio.cymru](mailto:post@archwilio.cymru)  
[www.audit.wales](http://www.audit.wales) / [www.archwilio.cymru](http://www.archwilio.cymru)

Mr Chris Moore  
Director of Corporate Services  
Carmarthenshire County Council County Hall  
Carmarthen  
SA31 1JP

**Reference:** WPP-21/22

**Date issued:** 1 July 2022

Dear Chris,

### Wales Pension Partnership Joint Committee 2021-22 Annual Return

In accordance with the requirements of Section 12 and Section 14 of the Public Audit (Wales) Act 2004 I am giving my report on the Wales Pension Partnership Joint Committee Annual Return for the year ended 31 March 2022.

I have undertaken our work in accordance with the specified procedures issued by the Auditor General for Wales. In summary these procedures require us to consider whether the annual statement of accounts:

- has been prepared on a reasonable basis (for example, the figures agree to the underlying records upon which they have been prepared and are consistent with transactions recorded in the statutory accounts of the constituent local authorities for the same reporting period); and
- casts correctly.

#### **Audit report on the annual statement of accounts relating to Wales Pension Partnership joint committee for the period ending 31 March 2022:**

Subject to the following two actions being completed satisfactorily we will be able to certify the joint committee's annual return and issue our notice of completion of the audit.

- Approval of the 2021-22 statement of accounts by the joint committee which is due to be done at its meeting on 8 July 2022.
- On 25 July 2022, local government electors may exercise their rights under sections 30 and 31 of Public Audit (Wales) Act 2004 to question the Auditor General about or make objections to the joint committee's accounts for the year ended 31 March 2022. Should any issues arise from this process we would need to consider these before being able to certify the joint committee's annual return.

Once these actions are completed to our satisfaction, we will be able to confirm the following:

'On the basis of our review and in our opinion, the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.'

**Other matters**

We have no other matters we need to bring to your attention.

Yours sincerely



**Richard Harries**

**for and on behalf of Adrian Crompton, Auditor General for Wales**

# Minor Joint Committees in Wales

## Annual Return for the Year Ended 31 March 2022

### Accounting statements 2021-22 for:

Name of body: Wales Pension Partnership

	Year ending		Notes and guidance for compilers
	31 March 2021 (£)	31 March 2022 (£)	
<b>Statement of income and expenditure/receipts and payments</b>			
1. Balances brought forward	0	0	Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to line 7 of the previous year.
2. (+) Income from local taxation/levy	0	0	Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies.
3. (+) Total other receipts	706,251	1,077,511	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.
4. (-) Staff costs	-59,455	-64,360	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses eg termination costs.
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on external borrowing (if any).
6. (-) Total other payments	-646,796	-1,013,151	Total expenditure or payments as recorded in the cashbook minus staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	0	0	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6).
<b>Statement of balances</b>			
8. (+) Debtors	381,767	501,316	<b>Income and expenditure accounts only:</b> Enter the value of debts owed to the body.
9. (+) Total cash and investments	-188,185	-317,106	<b>All accounts:</b> The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation.
10. (-) Creditors	-193,582	-184,210	<b>Income and expenditure accounts only:</b> Enter the value of monies owed by the body (except borrowing) at the year-end.
11. (=) Balances carried forward	0	0	<b>Total balances should equal line 7 above:</b> Enter the total of (8+9-10).
12. Total fixed assets and long-term assets	0	0	The asset and investment register value of all fixed assets and any other long-term assets held as at 31 March.
13. Total borrowing	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

## Annual Governance Statement

We acknowledge as the members of the Committee, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2022, that:

	Agreed?		'YES' means that the Council/Board/Committee:	PG Ref
	Yes	No*		
<p>1. We have put in place arrangements for:</p> <ul style="list-style-type: none"> <li>effective financial management during the year; and</li> <li>the preparation and approval of the accounting statements.</li> </ul>	☑	☐	Properly sets its budget and manages its money and prepares and approves its accounting statements as prescribed by law.	6, 12
<p>2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.</p>	☑	☐	Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	6, 7
<p>3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Committee to conduct its business or on its finances.</p>	☑	☐	Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.	6
<p>4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.</p>	☑	☐	Has given all persons interested the opportunity to inspect the body's accounts as set out in the notice of audit.	6, 23
<p>5. We have carried out an assessment of the risks facing the Committee and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.</p>	☑	☐	Considered the financial and other risks it faces in the operation of the body and has dealt with them properly.	6, 9
<p>6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor.</p>	☑	☐	Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the body.	6, 8
<p>7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Committee and, where appropriate, have included them on the accounting statements.</p>	☑	☐	Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.	6
<p>8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.</p>	☑	☐	Considered and taken appropriate action to address issues/weaknesses brought to its attention by both the internal and external auditors.	6, 8, 23

\* Please provide explanations to the external auditor on a separate sheet for each 'no' response given; and describe what action is being taken to address the weaknesses identified.

## Additional disclosure notes\*

The following information is provided to assist the reader to understand the accounting statements and/or the Annual Governance Statement

1. More detailed information in relation to the Accounting Statement and Annual Governance Statement can be found in the Wales Pension Partnership's Statement of Accounts for year ending 31 March 2022.


2.

3.

\* Include here any additional disclosures the Council considers necessary to aid the reader's understanding of the accounting statements and/or the annual governance statement.

## Committee approval and certification

The Committee is responsible for the preparation of the accounting statements and the annual governance statement in accordance with the requirements of the Public Audit (Wales) Act 2004 (the Act) and the Accounts and Audit (Wales) Regulations 2014.

<p><b>Certification by the RFO</b></p> <p>I certify that the accounting statements contained in this Annual Return present fairly the financial position of the Committee, and its income and expenditure, or properly present receipts and payments, as the case may be, for the year ended 31 March 2022.</p>	<p><b>Approval by the Council/Board/Committee</b></p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Committee under minute reference:</p>
<p><b>RFO signature:</b></p> 	<p><b>Minute ref:</b></p>
<p><b>Name:</b> Chris Moore</p>	<p><b>Chair of meeting signature:</b></p>
<p><b>Date:</b> 23 May 2022</p>	<p><b>Name:</b></p> <p><b>Date:</b></p>

## Annual internal audit report to:

Name of body: Wales Pension Partnership

The Committee's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2022.

The internal audit has been carried out in accordance with the Committee's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Committee.

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
1. Appropriate books of account have been properly kept throughout the year.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Accounting records are updated and maintained frequently during the year. Income and expenditure is recorded through the Authority's Financial Management System which means there are adequate records of accounts. Recent review of the Main Accounting System concluded it was operating to a good standard. The accounts of the Authority are prepared in line with 2014 Code of Practice on Local Authority Accounting and therefore are correct as required by regulation.
2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Testing of transactions undertaken concluded that all comply with the financial regulations as required with documentation to support all. No issues were identified.
3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	The risks to the Authority have been identified and these are monitored periodically through the risk register. No risks were assessed as being of significant to the Partnership in achieving their objectives.
4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Carmarthenshire County Council has a budget monitoring process in place which covers the Wales Pension Partnership. A review of this process and the budget monitoring returns identified processes to be satisfactory.

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	The only income will be the recharge to the other authorities for administrating the fund.
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	There is no Petty Cash account that exists that covers the Wales Pension Partnership.
7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	There is one member of staff paid from the Wales Pension Partnership which is paid through Carmarthenshire County Council's payroll. Recharges are made for another 3 Senior Officers time on a pro rata basis. A review of the payroll system has been undertaken and the arrangements for the payment of salaries are considered acceptable. No errors were identified relating to staffing costs
8. Asset and investment registers were complete, accurate, and properly maintained.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Investments are carried out for Carmarthenshire County Council as a whole. The review of Investments found that procedures were operating to a high standard. An asset register is maintained for the Authority, however there are no assets which relate to the Wales Pension Partnership.

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
9. Periodic and year-end bank account reconciliations were properly carried out.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	A review of the bank reconciliations for Carmarthenshire County Council has been undertaken as part of the Audit plan, and procedures were found to be satisfactory. The Wales Pension Partnership forms part of the reconciliations undertaken by Carmarthenshire County Council.
10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Accounting Statements are prepared in line with the 2014 Code of Practice of Local Authority Accounting

**For any risk areas identified by the Council/Board/Committee (list any other risk areas below or on separate sheets if needed) adequate controls existed:**

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
11. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	Insert text
12. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	Insert text
13. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	Insert text

\* If the response is 'no', please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\* If the response is 'not covered', please state when the most recent internal audit work was done in this area and when it is next planned, or if coverage is not required, internal audit must explain why not.

### Internal audit confirmation

I/we confirm that as the Committee's internal auditor, I/we have not been involved in a management or administrative role within the body (including preparation of the accounts) or as a member of the body during the financial years 2020-21 and 2021-22. I also confirm that there are no conflicts of interest surrounding my appointment.

Name of person who carried out the internal audit: **Caroline Powell ACCA**

Signature of person who carried out the internal audit:



Date: 23/5/22





**WALES PENSION PARTNERSHIP**

**STATEMENT OF ACCOUNTS**

**FOR THE YEAR ENDED**

**31 MARCH 2022**

**CHRIS MOORE FCCA  
DIRECTOR OF CORPORATE SERVICES  
COUNTY HALL  
CARMARTHEN  
SA31 1JP**

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## 1 NARRATIVE REPORT

The Statement of Accounts summarises the financial transactions of the Wales Pension Partnership (WPP) for the 2021/22 financial year and its financial position as at year ended 31 March 2022.

### 1.1 Overview

The Wales Pension Partnership (WPP) was established in 2017 and is a collaboration of the eight LGPS funds covering Wales, with Carmarthenshire County Council as the Host Authority. The WPP is one of eight national Local Government Pension pools.

The WPP's objectives and beliefs are outlined below:

#### Objectives

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical).
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments.
- To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers.

#### Beliefs

- The WPP's role is to facilitate and provide an investment pooling platform through which the interests of the Constituent Authorities can be implemented.
- Good governance should lead to superior outcomes for the WPP's stakeholders.
- Internal collaboration between the Host and Constituent Authorities is critical to achieving the WPP's objectives. External collaboration may also be beneficial in delivering cost savings and better outcomes for stakeholders.
- Responsible Investment and effective Climate Risk mitigation strategies, alongside consideration and evidential management of Environmental, Social and Governance issues should result in better outcomes for the WPP's stakeholders.
- Effective internal and external communication is vital to achieving the WPP's objectives.
- External suppliers can be a cost-effective means of enhancing the WPP's resources, capabilities and expertise.
- Fee and cost transparency will aid decision making and improve stakeholder outcomes.
- Continuous learning, innovation and development will help the WPP and its Constituent Authorities to evolve.
- A flexible approach to the WPP pool structure and implementation methods will enable the WPP pool to adapt in future and continue to meet the needs of its stakeholders.

The WPP's Governance Structure is detailed in Section 3 – Annual Governance Statement.

## 1.2 Accounts

The accounts have been produced in line with the 2021/22 Code of Practice on Local Authority Accounting and consist of the following Financial Statements:

### **Comprehensive Income and Expenditure Statement (CIES)**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

### **The Balance Sheet**

This shows the assets and liabilities of the WPP as at 31 March 2022.

### **The Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the WPP during the reporting period.

The accounts are supported by the Statement of Accounting Policies (Note 6.1 - Notes to the Accounts).

## 1.3 Budget

The following table shows the WPP's actual expenditure during 2021/22 compared with the approved budget for the year, detailing any variances. The Budget was approved by the Joint Governance Committee at the Joint Governance Committee meeting on 24 March 2021 and subsequently by all eight Constituent Authorities.

<b>Wales Pension Partnership 2021/22</b>	<b>Note</b>	<b>Budget £</b>	<b>Actual £</b>	<b>Variance £</b>
<b>Gross Expenditure</b>				
Employee costs	1	84,000	64,360	19,640
Host Authority costs	2	18,600	18,490	110
Host Authority Support Services	3	79,183	79,183	0
<b>Total Host Authority Gross Expenditure</b>	4	<b>181,783</b>	<b>162,033</b>	<b>19,750</b>
External Consultants	5	680,000	915,478	(235,478)
<b>Total Gross Expenditure</b>		<b>861,783</b>	<b>1,077,511</b>	<b>(215,728)</b>

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**Notes:**

1. This includes staff employed to work solely on the WPP. The Budget includes a Senior Financial Services Officer (1fte) and an Assistant Accountant (1fte for 6 months)
2. These costs include staff travelling expenses, subsistence and meeting expenses, admin, office and operational consumables, website (development and ongoing costs), audit fees and translation services
3. These are central recharges from the Host Authority and includes costs apportioned for the Section 151 Officer, Monitoring Officer, Treasury & Pension Investments Manager, Democratic Services Officer and also Premises and HR support
4. The total Host Authority expenditure is funded equally by all eight Pension Funds and are recharged on an annual basis
5. External Consultants include Investment & Legal Consultants, these costs are also funded by all eight Pension Funds

There was an overspend of £216k for the year, which was mainly due to:

- Employee costs – Assistant Accountant not appointed
- External Consultants – Work completed by external consultants was greater than anticipated, this has been reflected in the budget for 2022/23.

#### **1.4 Further Information**

Further information regarding the accounts is available from the Treasury & Pension Investments Manager, Corporate Services Department, County Hall, Carmarthen, SA31 1JP.

## 2 STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### **The Joint Governance Committee Responsibilities**

The Joint Governance Committee is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. Within Carmarthenshire County Council (the Host Authority), that officer is the Director of Corporate Services.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

### **The Director of Corporate Services' Responsibilities**

The Director of Corporate Services is responsible for the preparation of the Wales Pension Partnership's Statement of Accounts, in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Corporate Services has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper and timely accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **Certification of Accounts**

I certify that the Statement of Accounts on pages 13 to 17 gives a true and fair view of the financial position of the Wales Pension Partnership as at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

Chris Moore FCCA

Dated: 28 June 2022

Director of Corporate Services

### 3 ANNUAL GOVERNANCE STATEMENT

#### 3.1 Scope of Responsibility

The Wales Pension Partnership (WPP) is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It must also ensure that public money is safeguarded and properly accounted for and used economically, efficiently and effectively and to secure continuous improvement and delivery in this regard.

The WPP is responsible for putting in place proper arrangements for the Governance of its affairs and facilitating the effective exercise of its functions including having appropriate arrangements for the management of risk.

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA) which defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers. The IAA includes a Scheme of Delegation outlining the decision-making process allowing for current relevant legislation.

#### 3.2 The Governance Framework

The Governance Framework comprises the systems, processes, cultures and beliefs by which the WPP is directed and controlled. It enables the Partnership to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

The system of Internal Control is a significant part of that framework and is designed to manage risk to a reasonable level. It aims to identify and prioritise the risks which may inhibit the WPP's ability to achieve its policies, aims and objectives. It evaluates the likelihood and impact of risks being realised and manages individual risks appropriately.

The Code of Corporate Governance recognises policies and processes that are consistent with the principles of the CIPFA / SOLACE Framework - '**Delivering Good Governance in Local Government**' (Guidance Notes for Welsh Authorities 2016 Edition – Published September 2016). This framework identifies 7 key principles of good governance which complement the Well – being of Future Generations Act requirements.

This Statement explains how the WPP has complied with the various elements of the Governance Framework.

#### 3.3 The Governance Environment

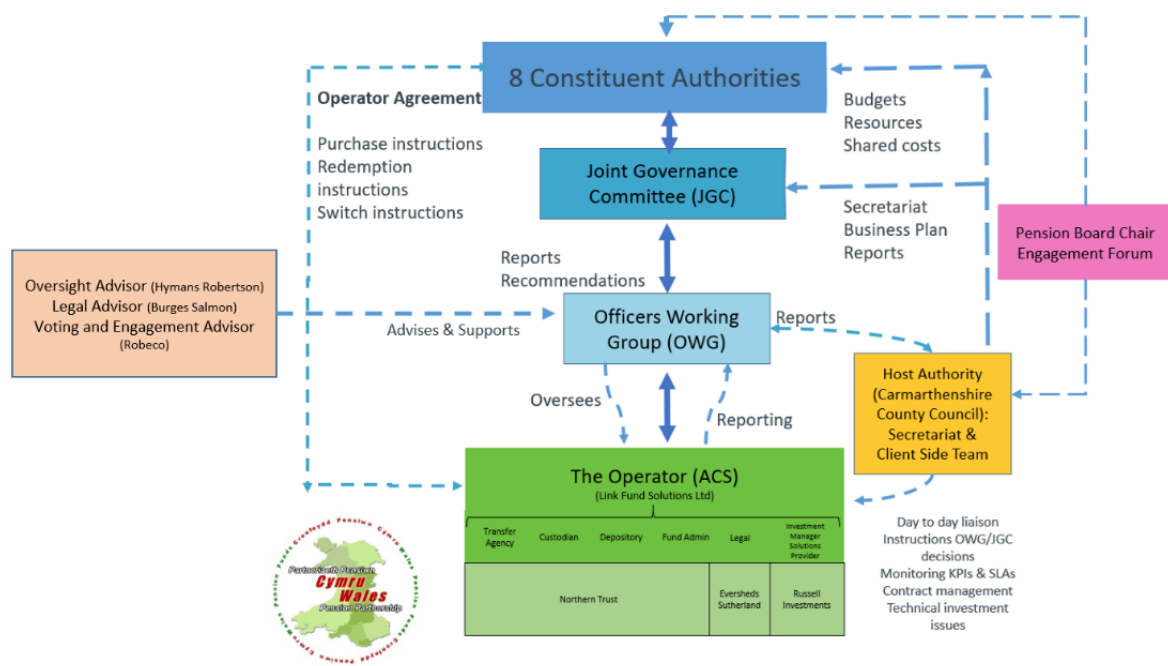
The Governance framework comprises of seven fundamental principles implemented to endorse high standards of confidence and trust in the governance and operation of the partnership, whilst upholding a commitment to ongoing improvement on a continuing basis through a process of evaluation and review.

The CIPFA/SOLACE Governance Framework sets out 7 fundamental principles of Corporate Governance. The 'CIPFA Seven' are:

1. Integrity and Values - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2. Openness and engagement - Ensuring openness and comprehensive stakeholder engagement.
3. Making a difference - Defining outcomes in terms of sustainable economic, social, and environmental benefits.
4. Making sure we achieve what we set out to do - Determining the interventions necessary to optimise the achievement of the intended outcomes.
5. Valuing our people; engaging, leading and supporting - Developing capacity and the capability of leadership and individuals.
6. Managing risks, performance and finance - Managing risks and performance through robust internal control and strong public financial management.
7. Good transparency and accountability - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

### 3.4 The Governance Structure

The diagram below illustrates the governance structure established by the WPP



#### 3.4.1 Constituent Authorities

The Constituent Authorities of the Wales Pension Partnership are:

- Carmarthenshire County Council
- City & County of Swansea Council
- City of Cardiff Council
- Flintshire County Council



- Gwynedd Council
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council

These are the Constituent Authorities of the eight Local Government Pension Scheme funds in Wales, which form the WPP. Carmarthenshire County Council is the Host Authority.

Although there is a Joint Governance Committee set up to make most of the decisions on behalf of the WPP, there are a number of matters / decisions that are reserved and have to be taken back to the Constituent Authorities for approval, these are detailed in Schedule 2 of the Inter Authority Agreement.

### **3.4.2 Joint Governance Committee**

The Wales Pension Partnership Joint Governance Committee (JGC) was formalised in June 2017 and since then has met frequently. The JGC meets a minimum of 4 times a year and each meeting is webcasted for the public. The WPP ensures open and transparent meetings and publication of agendas, minutes and webcasts, where appropriate.

The JGC is comprised of one elected member from each of the eight Constituent Authorities and a co-opted (non-voting) scheme member representative. The elected member must be a member of that Constituent Authority and that Constituent Authority's Pensions Committee. The Chair and Vice-chair are rotated on an annual basis. The current chair is Cllr. Clive Lloyd - City & County of Swansea Council (City and County of Swansea Pension Fund) and the current vice-chair is Cllr. Christopher Weaver – City of Cardiff Council (Cardiff & Vale of Glamorgan Pension Fund).

The JGC is responsible for overseeing the pooling of the investments of the eight Local Government Pension Scheme funds in Wales. The JGC's full set of responsibilities are set out in Schedule 3 (JGC Matters) and Schedule 4 (JGC Terms of Reference) of the Inter Authority Agreement.

### **3.4.3 Officers Working Group**

A WPP Officers Working Group (OWG) has been established with the purpose of providing support and advice to the Joint Governance Committee. The group meets quarterly with additional meetings held as and when required.

The OWG comprises of practitioners and Section 151 officers from all eight Constituent Authorities. The Chair of the OWG is Chris Moore, Section 151 Officer of Carmarthenshire County Council (Host Authority). The remit of the OWG is set out in Schedule 8 of the IAA.

### **3.4.4 Host Authority**

Carmarthenshire County Council has been appointed as the Host Authority for the Wales Pension Partnership, providing administrative and secretarial support to the JGC and liaising day to day with the operator on behalf of all the LGPS funds in Wales. The role of the Host Authority is set out in Section 6 of the IAA.

### Monitoring Officer

The Monitoring Officer (Head of Administration & Law) is responsible for maintaining the IAA to ensure that it reflects up to date legislative requirements and the WPP's Governance needs and is also responsible for ensuring that the provisions are fully complied with at all levels. The Monitoring Officer attends all JGC meetings.

The Monitoring Officer is well placed to play a proactive role in supporting Members and Officers in both formal and informal settings to comply with the law and with the WPP's own procedures. As the Head of Service with ultimate responsibility for the Democratic Services Unit, the Monitoring Officer is also responsible for the formal recording and publication of the democratic decision-making process.

The Monitoring Officer works closely with the Section 151 Officer in accordance with the provisions of the Local Government and Housing Act 1989 and will report to the Joint Governance Committee if she considers that any proposal will give rise to unlawfulness.

### Section 151 Officer

The Director of Corporate Services is the responsible officer for the administration of the WPP's affairs under Section 151 of the Local Government Act 1972 and carries overall responsibility for the financial administration of the WPP.

The Chartered Institute of Public Finance and Accountancy (CIPFA) previously published a "Statement on the Role of the Chief Financial Officer in Local Government". The Statement describes the role and responsibilities of the Chief Financial Officer (CFO) and sets out 5 Key Principles (see below) that define the core activities and behaviours that belong to the role of CFO in public service organisations and the organisational arrangements needed to support them. Carmarthenshire County Council through the appointment of the Director of Corporate Services fully complies with the Statement.

- Principle 1 - The CFO in a Local Authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the Authority's strategic objectives sustainably and in the public interest.
- Principle 2 - The CFO in a Local Authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the Authority's overall financial strategy.
- Principle 3 - The CFO in a Local Authority must lead the promotion and delivery by the whole Authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
- Principle 4 - The CFO in a Local Authority must lead and direct a finance function that is resourced to be fit for purpose.
- Principle 5 - The CFO in a Local Authority must be professionally qualified and suitably experienced.

### **3.4.5 Link Fund Solutions**

The WPP have designed an operating model which is flexible and able to deliver value for money. Link Fund Solutions Ltd (Link) have been appointed as the external Operator and with the support of Russell Investments, they deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities.

There is an Operator Agreement in place with Link Fund Solutions which sets out the contractual duties of the Operator and governs the relationship between the Operator and the WPP.

### **3.4.6 External Advisors**

The WPP have appointed External Advisors to provide additional support and advice. All contracts go through a formal procurement process in line with CCC's Procurement Guidelines.

#### Legal Advisors – Burges Salmon

Burges Salmon provide Legal advice, as and when required.

#### Oversight Advisors – Hymans Robertson

Hymans Robertson have been appointed the Oversight Advisors for the WPP. Hymans Robertson's role spans oversight and advice on governance arrangements, operator services, strategic investment aspects and project management support. They attend all OWG and JGC meetings.

#### Voting and Engagement Provider – Robeco Ltd

Robeco have been appointed the WPP's Voting and Engagement provider and they will assist the WPP in formulating and maintaining a Voting Policy and Engagement Principles that are in keeping with the Welsh Constituent Authorities' membership of the Local Authority Pension Fund Forum ('LAPFF'). Robeco will also take responsibility for implementing the Voting Policy across WPP's £5bn active equity portfolio and reporting to WPP and the underlying Funds.

## **3.5 Governance Sources of Assurances**

### **3.5.1 Internal Audit**

The Internal Audit team within Carmarthenshire County Council carry out Internal Audit reviews in a number of areas within the Authority, reviewing the effectiveness of the systems and governance arrangements. Internal Audit are required to undertake their work in accordance with the standards as set out in the Public Sector Internal Audit Standards (PSIAS) established in 2013 are the agreed professional standards for Internal Audit in Local Government.

### **3.5.2 Governance Matrix**

The WPP has developed a Governance Matrix which focuses on outlining the different roles that bodies within the WPP play in the WPP's decision making process. It also articulates that the WPP consults / or seeks input from several different bodies within the WPP before decision are formalised. This process highlights the number of checks and balances that the WPP has built into its decision-making process to ensure good governance is delivered.

### **3.5.3 Engagement Protocol**

The WPP believes in regularly engagement with its key stakeholders. The WPP has an Engagement Protocol Framework in place, this is carried out via the following engagement mechanisms:

- Strategic Relationship Review meetings - Bi-Annual
- JGC Engagement – Quarterly
- OWG Engagement – Quarterly
- Pension Board Engagement – Every 6 months
- Annual Shareholder Day – Annual
- Pension Fund Committees – Annual
- Manager Engagement Days – Annual
- Member Communications – Annual
- Engagement via the website & LinkedIn - continuous

As well as regular engagement between Officers, Members and External Parties, as detailed on the Governance Structure diagram, these engagements also involve engagements between Pension Committee Members, Pension Board Members and Investment Fund Managers, both existing and potential.

### **3.5.4 Responsible Investment Policy**

WPP understand the importance of Responsible Investment and has developed an overarching Responsible Investment Policy for the WPP. This policy has been developed in consultation with the Constituent Authorities and covers the following main areas:

- Introduction and Oversight
- Ambition and Beliefs
- Investment Strategy
- Climate Change
- Exclusions
- Implementation of Strategy
- Stewardship – Voting, Stock Lending and Shareholder Engagement
- Collaboration
- Monitoring, Reporting and Measurement

### **3.5.5 Training**

WPP personnel must have appropriate knowledge and understanding of:

- the regulations and markets relating to the Local Government Pension Scheme;
- the pooling of Local Government Pension Funds; and

- relevant investment opportunities.

In order to achieve this, the WPP have developed a training plan that is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

The Host Authority arranges quarterly training sessions which cover major areas such as investments, administration, regulation requirements, government guidance and market developments. A training plan log is kept as a record of all the training completed to date and the training that is due to take place in the foreseeable future.

The training events primarily focus on meeting the training needs of members of the OWG and JGC, however Constituent Authorities are encouraged to invite Pension Committee Members, as well as Pension Board Representatives if they believe that the training would be beneficial to these individuals.

### **3.5.6 Communication**

The WPP believes that effective internal and external communication is vital to achieving its objectives. The WPP has developed a communication policy which is reviewed annually. The policy outlines the WPP's:

- Target Audience
- Key Messages / Key Purpose
- Means of Communication
- Responsibilities
- Review & Reflection Process

The WPP also has a website and LinkedIn page which is regularly updated. The website ([www.walespensionpartnership.org](http://www.walespensionpartnership.org)) covers a number of areas including Governance, Publications (including WPP Policies), Sub Fund developments and News (including press releases).

### **3.5.7 Risk Management**

Risk management is embedded throughout the governance of the WPP. Risks are considered in all of the WPP's activities, especially when deciding on the development and structure and of sub funds. An extensive Risk Policy has been formulated which outlines how the WPP identifies, manages and monitors risks. In addition, a Risk Register has been developed to monitor and manage potential risks which is maintained and evaluated by a dedicated Risk Sub-Group on a quarterly basis.

### **3.5.8 External Regulators**

Audit Wales, as External Auditors to the WPP, reviews and comments on the financial aspects of Corporate Governance which includes the legality of financial transactions, financial standing, systems of Internal Financial Control and standards of financial conduct and fraud and corruption. The External Audit plan is approved by the Joint Governance Committee.

### **3.6 Governance issues to be addressed / Action Plan**

The WPP believes that good governance leads to better outcomes for its stakeholders, as such it will further develop its governance framework by developing additional policies, registers, plans and carrying out ongoing reviews of its existing governance documents and structure.

The WPP have a 3-year workplan which will form part of the Business Plan. This covers a number of work areas with Governance being one of them. WPP's Action Plan for the next 12 months:

1. Development of the WPP's 3-year Business Plan\*
2. Development of a Whistleblowing Policy
3. Development of a Business Continuity Plan (including Cyber)
4. Ongoing review of Inter Authority Agreement
5. Regular Review of WPP's Policies and Plans

\* The Business Plan has been developed and approved by the JGC on 23 March 2022, it is now with the Constituent Authorities for their final approval.

### **3.7 Conclusion**

A good level of assurance has been demonstrated with regards to the governance arrangements within the WPP with adequate and effective systems in place. All officers have been working remotely since March 2020 and JGC / OWG meetings have and continue to be held virtually. The implementation of the actions from the action plan in section 3.5 will be monitored and reviewed as part of the next annual review.

## 4 FINANCIAL STATEMENTS

The financial statements comprise the following:

### 4.1 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

2020/21 (£)	Description	2021/22 (£)	Notes
	<b>Expenditure</b>		
59,455	Employee costs	64,360	
13,556	Host Authority costs	18,490	
556,177	External Advisor costs *	915,478	
77,063	Host Authority Support Service costs	79,183	
<b>706,251</b>	<b>Total Operating Expenditure</b>	<b>1,077,511</b>	
	<b>Income</b>		
(706,251)	Constituent Authority Recharges **	(1,077,511)	
<b>(706,251)</b>	<b>Total Operating Income</b>	<b>(1,077,511)</b>	
<b>0</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>0</b>	

\* The budget for External Advisor costs increased in 2021/22

\*\* These costs are funded equally by all eight LGPS Funds and are recharged on an annual basis.

### 4.2 BALANCE SHEET

The Balance Sheet shows the assets and liabilities of the WPP as at 31 March 2022.

31st March 2021 (£)	Description	31st March 2022 (£)	Notes
	<b>Current Assets</b>		
381,767	Short Term Debtors	501,316	3
<b>381,767</b>	<b>Total Current Assets</b>	<b>501,316</b>	
	<b>Current Liabilities</b>		
(188,185)	Cash and Cash Equivalents	(317,106)	
(193,582)	Short Term Creditors	(184,210)	4
<b>(381,767)</b>	<b>Total Current Liabilities</b>	<b>(501,316)</b>	
<b>0</b>	<b>Total Net Assets</b>	<b>0</b>	

### 4.3 CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the WPP during the reporting period.

2020/21 (£)	Description	2021/22 (£)	Notes
<b>Cashflow from operating activities</b>			
0	Net (surplus) / deficit on the provision of services	0	
Adjustments for:			
(14,278)	(Increase) in trade and other debtors	(119,549)	
49,809	Increase in trade and other creditors	(9,372)	
<b>35,531</b>	<b>Net Cash from operating activities</b>	<b>(128,921)</b>	
<b>Net (Increase) / Decrease in cash and cash equivalents</b>			
(223,716)	Cash & Cash Equivalents as at 1 April	(188,185)	
(188,185)	Cash & Cash equivalents as at 31 March	(317,106)	
<b>35,531</b>	<b>Cash and cash equivalents as at 31 March</b>	<b>(128,921)</b>	

## 5 NOTES TO THE ACCOUNTS

### 5.1 Statement of Accounting Policies

#### General

The Statement of Accounts summarises the transactions of the Wales Pension Partnership (WPP) for the 2021/22 financial year and its position at the year ended 31 March 2022. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### 5.1.1 Going Concern

The Financial Statements have been prepared on a going concern basis.

#### 5.1.2 Accruals of Income and Expenditure

Financial Statements have been prepared under the Accruals concept of accounting which requires that both income and expenditure must be recognised in the accounting periods to which they relate rather than on a cash basis.

#### 5.1.3 Cash and Cash Equivalents

The WPP itself does not operate or control its own individual bank account. Carmarthenshire County Council in its role as the Host Authority administers all cash and cash equivalent transactions on behalf of the WPP.



**5.1.4 Provisions, Contingent Assets and Liabilities**

The WPP have not recognised any provisions, contingent assets or contingent liabilities in the accounts.

**5.1.5 Value Added Tax (VAT)**

Transactions are shown net of VAT, all VAT is accounted for by Carmarthenshire County Council.

**5.1.6 Employee Benefits**

Direct employees supporting the activities of the WPP are contractually employed by Carmarthenshire County Council, with additional support being provided by Carmarthenshire on a recharge methodology. Employee remuneration costs will be disclosed within the Financial Statements of Carmarthenshire County Council.

**5.2 Investments**

No investments are held directly with the WPP. The sub funds opened as part of the pooling arrangement sit within the financial statements of the respective pension funds. The Operator costs and other fees relating to these investments are shared between the eight LGPS Funds based on their individual percentage share of WPP assets and are deducted directly from the Net Asset Value (NAV). These are not cash transactions.

**5.3 Short Term Debtors**

2020/21 (£)	Description	2021/22 (£)
380,854	Constituent Authorities	499,432
913	Prepayments	1,885
<b>381,767</b>	<b>Total Short Term Debtors</b>	<b>501,316</b>

**5.4 Short Term Creditors**

2020/21 (£)	Description	2021/22 (£)
103,500	Trade Creditors	5,448
90,082	Accruals	178,762
<b>193,582</b>	<b>Total Short Term Creditors</b>	<b>184,210</b>

**5.5 Audit Costs**

In 2021/22 the WPP incurred the following fees relating to financial audit and inspection, payable to Audit Wales

2020/21 (£)	Description	2021/22 (£)
2,590	Audit Fees	5,548
<b>2,590</b>	<b>Total External Audit Fees</b>	<b>5,548</b>

**5.6 Related Party Transactions**

WPP is required to disclose material transactions between partners, bodies, individuals or related parties, that could potentially influence the decisions of the JGC or be influenced by the JGC. The WPP has arrangements in place requesting members and Officers to identify and disclose related party transactions. These interests are declared and assessed at the start of each JGC meeting.

Any transactions between parties outlined above will require disclosure to allow the users of these Financial statements to assess the extent to which the JGC's independence could potentially been impaired or influenced another party's ability to transact with the Committee.

During 2021/22 Carmarthenshire County Council, as Host Authority for the WPP raised debtor invoices to all eight LGPS pension funds to recover the running costs of the WPP, as detailed in the CIES. The tables below show the total value of transactions raised during 2021/22 and the debtor balances outstanding as at 31 March 2022.

2020/21 £	Description	2021/22 £
88,281	Cardiff & Vale of Glamorgan Pension Fund	134,689
88,281	Clwyd Pension Fund	134,689
88,281	Dyfed Pension Fund	134,689
88,281	Gwynedd Pension Fund	134,689
88,281	Powys Pension Fund	134,689
88,281	Rhondda Cynon Taf (RCT) Pension Fund	134,689
88,281	City and County of Swansea Pension Fund	134,689
88,281	Greater Gwent (Torfaen) Pension Fund	134,689
<b>706,251*</b>	<b>Total Related Party Transactions</b>	<b>1,077,511*</b>

\* Roundings

2020/21 £	Description	2021/22 £
52,583	Cardiff & Vale of Glamorgan Pension Fund	71,347
52,583	Clwyd Pension Fund	71,347
52,583	Gwynedd Pension Fund	71,347
52,583	Powys Pension Fund	71,347
52,583	Rhondda Cynon Taf (RCT) Pension Fund	71,347
65,356	City and County of Swansea Pension Fund	71,347
52,583	Greater Gwent (Torfaen) Pension Fund	71,347
<b>380,854</b>	<b>Related Party Transactions outstanding at year end</b>	<b>499,432*</b>

\* Roundings

Carmarthenshire County Council charged the WPP for administration and support services during 2021/22. Invoices have also been received from Gwynedd Council for services they have provided in the form of translation services. The table below shows the value of these services and the creditor balances outstanding as at 31 March 2022.

Related Party Transactions - Creditors	Value of services provided during 2021/22 £	Balance outstanding as at 31 March 2022 £
Carmarthenshire County Council	147,226	0
Gwynedd Council	6,089	1,783
<b>Total</b>	<b>153,315</b>	<b>1,783</b>

The Director of Corporate Services and the Monitoring Officer are both Senior Officers within Carmarthenshire County Council.

### 5.7 Prior Period Adjustment

No Prior Period adjustments were made during the financial year 2021/22.

## 6 GLOSSARY OF TERMS

The following section attempts to explain the meaning of some of those technical terms that are used in the Statements.

### ***Accrual***

An accrual is a sum shown in our accounts to cover income or expenditure for the accounting period that was not paid at the date of the balance sheet.

### ***Audit***

An audit is an independent examination of our activities.

### ***Balance***

The surplus or deficit on any account at any point in time.

### ***Balance Sheet***

This is a statement of our assets, liabilities and other balances at the end of the financial year.

### ***Budget***

A budget is a spending plan, usually for the following financial year.

### ***Creditor***

A creditor is someone to whom money is owed at the end of the financial year for work done, goods received, or services rendered.

### ***Current Assets***

These are short-term assets that are available for us to use in the following accounting year.

### ***Current Liabilities***

These are short-term liabilities that are due for payment by us in the following accounting year.

### ***Debtor***

A debtor is someone who owes money to us at end of the financial year.

### ***Financial Year***

This is the accounting period. For this committee it starts on 1 April and finishes on 31 March the following year.

### ***Gross Expenditure***

The total cost of providing the Host Authorities services before taking into account any income received

### ***Liability***

A liability is an amount due and payable at some time in the future.

**Prepayment**

A prepayment is a payment that has been made in advance, a payment which relates to a future accounting period.

**Provision**

Provisions are amounts set aside for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain.

**Variance**

The difference between actual expenditure and budget - expressed in cash or percentage terms.

**Audit Wales**

An independent body lead by the Auditor General for Wales who is responsible for the appointment of external auditors to local authorities.

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## WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

**DATE 8 JULY 2022**

<p><b>SUBJECT</b></p> <p><b>HOST AUTHORITY UPDATE</b></p>		
<p><b>RECOMMENDATIONS / KEY DECISIONS REQUIRED:</b></p> <p>To receive an update from the host authority</p>		
<p><b>REASONS:</b></p> <p>The host authority to provide a progress update in relation to the following key areas:</p> <ul style="list-style-type: none"> <li>• Governance</li> <li>• Ongoing establishment</li> <li>• Operator services</li> <li>• Communications and reporting</li> <li>• Training and meetings</li> <li>• Resources, budget and fees</li> </ul>		
<p><b>Report Author:</b> Chris Moore</p>	<p><b>Designation:</b> Director of Corporate Services  Carmarthenshire County Council</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 8 JULY 2022

## 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 4 (1 January to 31 March 2022) 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:

- Completing the 2021/22 year-end closure of accounts
- New policies and policy reviews
- Private Markets Allocator procurement process
- OWG Sub-Groups:
  - Private Markets sub-group
  - Responsible Investment sub-group
  - Risk Register sub-group

Next Steps / Priorities:

- Development of Private Markets Sub-Funds:
  - March 2022 to December 2022 – Private Debt and Infrastructure sub funds to be developed, approved and launched
  - 21 September 2022 – JGC to approve Private Equity Allocator appointment
- Operator contract - procurement process
  - Existing contract coming to an end in December 2024
  - Started discussions with Burges Salmon re legal requirements
  - Put a timeline in place
- Formulate the 2021/22 Annual Update and Annual Report
- Launch of the Active Sustainable Equity Sub-fund

Other key areas:

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

DETAILED REPORT ATTACHED?

YES

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## 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**

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



Wales Pension Partnership  
Business Plan  
2021-2022  
Q4 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>	Yes	
<ul style="list-style-type: none"> <li>Development of a WPP Rebalancing &amp; Alteration Policy</li> </ul>	Yes	
<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>	In progress	To be taken to the July 2022 JGC for approval
<ul style="list-style-type: none"> <li>Develop 'Pre-sign-off Checklist Reports' for WPP Sub Funds</li> </ul>	Yes	
<ul style="list-style-type: none"> <li>Development of a WPP Business Continuity Plan</li> </ul>	In progress	To be taken to the July 2022 JGC for approval
<ul style="list-style-type: none"> <li>Review of Inter Authority Agreement</li> </ul>	Yes	
<ul style="list-style-type: none"> <li>Annual review of WPP's policies and plans</li> </ul>	Yes	
<ul style="list-style-type: none"> <li>Quarterly reviews of the Risk Register</li> </ul>	Yes	

## 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>	Yes	
<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>	Yes	
<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>	Yes	
<ul style="list-style-type: none"> <li>Formulation of the WPP's annual training plan</li> </ul>	Yes	
<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	
<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>	Yes	
<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>	Yes	
<ul style="list-style-type: none"> <li>Annual market benchmarking exercise of WPP Sub-Fund Investment Performance</li> </ul>	Yes	
<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>	Yes	
<ul style="list-style-type: none"> <li>Formulation of Annual WPP Budget</li> </ul>	Yes	
<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	Yes – March 2022	
• Cost Transparency	Yes – March 2022	
• Progress of other LGPS Pools	Yes – January 2022	
• Collaboration Opportunities	Yes – January 2022	

In February 2022 we also held an extra training session on Responsible Investment

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:

	<b>Budget 2021 – 2022 £000</b>	<b>Forecast 2021 – 2022 £000</b>	<b>Variiances 2021 – 2022 £000</b>
Host Authority *	182	162	20
External Advisors *	680	915	(235)
<b>TOTAL to be recharged</b>	<b>862</b>	<b>1,078</b>	<b>(216)</b>
Operator Services **	28,447	31,643	(3,196)
<b>TOTAL to be deducted from the NAV</b>	<b>28,447</b>	<b>31,643</b>	<b>(3,196)</b>

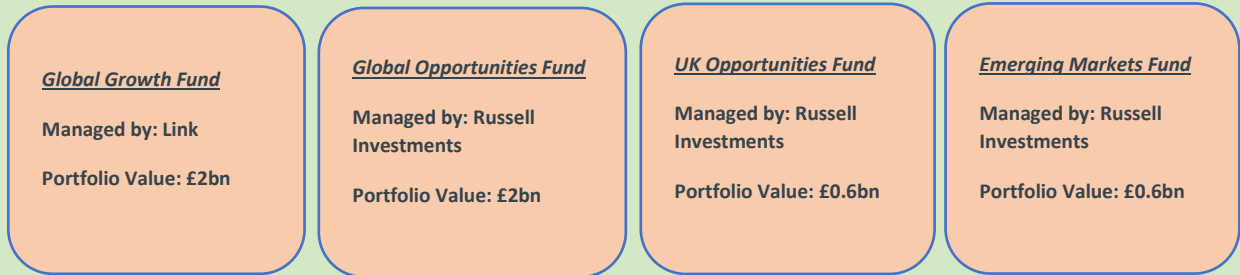
*\*Host Authority and External Advisor costs are to be funded equally by all eight of the WPP's Constituent Authorities and these will be recharged on an annual basis.*

*\*\*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).*

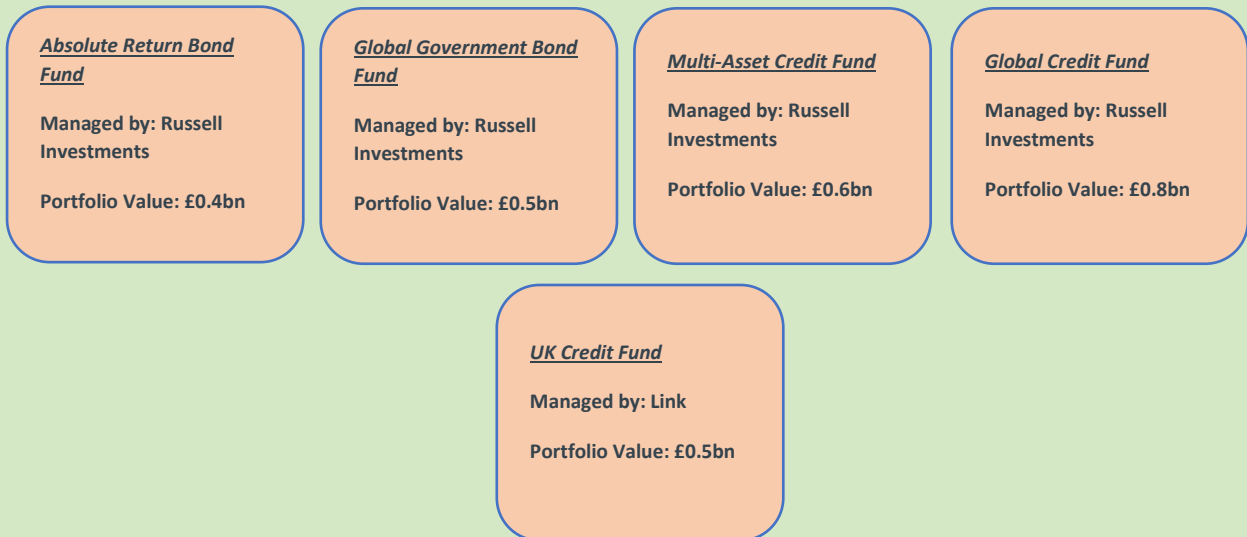


## Investments

### 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 8 JULY 2022**

### **SUBJECT**

**RISK REGISTER Q2 2022 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 second half of the Governance and Regulation section, risks G.7 to G.14.

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**Chris Moore**

**Designation:**  
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**Carmarthenshire County  
Council**

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**EXECUTIVE SUMMARY  
JOINT GOVERNANCE COMMITTEE**

**DATE 8 JULY 2022**

**RISK REGISTER Q2 2022 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 some of the risks within the Governance and Regulation section of the Risk Register, risks G.7 to G.14. 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 Q3 2022 and will focus on the Training & Resources and Communication 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

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.7	The WPP is unable to operate efficiently or carry out its duties due to uncontrollable events.	<ul style="list-style-type: none"> <li>WPP Personnel and/or key suppliers are unable to carry out work due to fire, extreme weather, epidemics.</li> <li>Key system, IT systems, communication methods and portals fail.</li> </ul>	The WPP is unable to work efficiently, required work is not completed, key decisions are unable to be made. Potential financial loss to assets held within the WPP. Alongside, potential reputational risk or referral to Scheme Advisory Board, Pension Regulator or the DLUHC	<ul style="list-style-type: none"> <li>Host Authority has business continuity/ disaster recovery plan in place.</li> <li>Majority of Personnel and Advisors are able to work remotely</li> <li>Numerous communications mechanisms in place</li> <li>WPP Personnel are located across several geographical locations</li> <li>The Constituent Authorities have their own disaster recovery policies, plan and procedures in place at local level.</li> </ul>	4	2	8		The Constituent Authorities currently have their own disaster recovery procedures however the WPP will formulate a WPP Disaster Recovery Plan, this will be heavily influenced by the Host Authority's and Constituent Authorities' existing procedures. The Host Authority will also ask the WPP's key suppliers for their disaster recovery plans to ensure that they also have sufficient procedures in place.	HA	The WPP Disaster Recovery Plan (Business Continuity Plan) is in progress and will be presented to the JGC on 8th July 2022.
	Financial / Reputational		Short Term		4	2	8			Q2 2023	
G.8	The WPP's governance arrangements result in inefficient management and decision making.	<ul style="list-style-type: none"> <li>Failure to account for relevant guidance in relation to good governance/ best practice.</li> <li>Inability to follow existing governance structure and protocols.</li> <li>Inefficient delegation of duties and resources.</li> <li>Governance structure does not allow for sufficient time/ resources and debate on key decisions and matters.</li> </ul>	The WPP is unable to work efficiently, required work is not completed, key decisions are unable to be made. Potential financial loss to assets held within the WPP. Alongside, potential reputational risk or referral to Scheme Advisory Board, Pension Regulator or the DLUHC.	<ul style="list-style-type: none"> <li>Governance Structure in place and codified in the Inter Authority Agreement</li> <li>Use of tiered governance structure to assist in the prioritisation of key decisions</li> <li>Oversight Advisor in place to provide advice on governance structure</li> <li>Engagement with relevant bodies on good governance guidance and best practice</li> <li>Annual resource assessment to ensure governance structure can be adhered to</li> <li>Ongoing review of governance structure</li> <li>The WPP has a governance matrix in place which clearly outlines the different roles and decision-making responsibilities within the WPP</li> <li>The WPP Governance Manual outlines the WPP's governance arrangements, this document is continually reviewed to ensure that WPP's governance arrangements remain fit for purpose</li> <li>All the WPP's key decision-making bodies or working groups have their own terms of reference</li> <li>The WPP's Inter Authority Agreement, which is reviewed annually, provides extensive detail on the WPP's governance arrangements</li> <li>The WPP's governance structure focuses on giving decision making powers to the Constituent Authorities, with the aim of ensuring that decision making continues to focus on the needs and requirements of the Constituent Authorities.</li> </ul>	4	1	4		Now the IAA changes have taken effect, the WPP will assess whether the changes have resulted in any short- or long-term inefficiencies.	Oversight Advisor	The IAA has now been revised and this has resulted in minor changes to the wording. The WPP member representative is now in place on the Joint Governance Committee. The probability score has been revised down to a 1 now that these actions have taken place which results in a current risk score of 4, in line with target.
	Operational / Reputational / Financial		Long Term		4	1	4			Q2 2023	
G.9	Difference of opinion/ or views within the WPP can not be reconciled.	<ul style="list-style-type: none"> <li>Different decision-making bodies are unable to come to an agreement. Conflicting interests and priorities of Constituent Authorities.</li> <li>Governance structure does not provide a mechanism or forum by which opinions and differences can be reconciled.</li> <li>Sub-optimal number of decisions makers/ opinion</li> </ul>	The WPP is unable to agree on key decisions leading to delays, inefficiencies and alienation or breakup of stakeholders. Potential financial loss to assets held within the WPP and/ or reputational risk.	<ul style="list-style-type: none"> <li>High levels of communication between decision makers (and Constituent Authorities)</li> <li>Codified set of agreed/ united WPP objectives and beliefs</li> <li>Regular scheduled meetings, and ad hoc meetings if required, to facilitate the sharing and reconciliation of views</li> <li>Oversight Advisor in place to provide advice on governance structure</li> <li>Engagement with relevant bodies on good governance guidance and best practice</li> <li>Ongoing review of governance structure</li> <li>Democratic decision-making process in place</li> <li>Clear escalation process in place for obtain consent if mutual agreement cannot be reached</li> </ul>	5	3	15		The WPP is aware that Climate Risk and Responsible Investment is an area which is constantly and quickly evolving and that the requirements/ needs of the Constituent Authorities are consequently changing significantly and frequently. The WPP is trying to reduce the probability of this risk occurring by increasing its levels of consultation with the Constituent Authorities. The WPP has committed to carrying out an annual Constituent Authority Climate Risk/ Responsible Investment Consultation exercise. The Responsible Investment Sub-Group continues to meet every 6 weeks and has a representative from each Constituent Authority. The WPP will review whether these two additional risk mitigations have been effective before considering whether the probability of this risk occurring should be revised down to a 2.	OWG	No changes have been made to the actions required or risk score as this work is still ongoing.
	Operational / Reputational / Financial		Medium Term		5	2	10			Q2 2023	
G.10	WPP suppliers fail to deliver on their contractual commitments.	<ul style="list-style-type: none"> <li>Lack of a suitable supplier monitoring framework.</li> <li>Insufficient competition amongst suppliers.</li> <li>Unsuitable/ undeliverable contractual terms agreed.</li> <li>Poor communication with suppliers on the WPP's requirements and expectations.</li> </ul>	The WPP work in progress goes uncompleted or is delayed. The requirements of the WPP's stakeholders are not met. The WPP makes inappropriate decisions which could result in financial loss, inefficiencies, reputational risk.	<ul style="list-style-type: none"> <li>Legal Advisor in place to review contractual terms and commitments</li> <li>Regular service delivery meetings held</li> <li>Regular procurement and reappointment exercises carried out to ensure competition</li> <li>The WPP has formulated contracts that have natural break or exit points and minimal exit fees</li> <li>The WPP has a shortlist of reputable replacement suppliers, via the LGPS National Framework Lots, who can step in if required</li> <li>The Host Authority has expertise in contract and</li> </ul>	4	2	8		N/A	OWG	N/A

	Operational / Reputational / Financial			Medium Term	relationship management	4	2	8			Q2 2023	
G.11	WPP suppliers fail to enact the WPP's decisions in a timely and effective manner.	<ul style="list-style-type: none"> <li>• Poor communication with suppliers on the WPP's requirements and expectations.</li> <li>• Back of resources at suppliers.</li> <li>• Relevant suppliers have overwhelming and/or conflicting priorities.</li> <li>• Back of engagement or attendance from relevant suppliers.</li> <li>• Decision made are not picked up in a timely manner.</li> </ul>	The WPP work in progress goes uncompleted or is delayed, which could result in financial loss or inefficiencies. The requirements of the WPP's stakeholders are not met.	Oversight Advisor/ OWG	<ul style="list-style-type: none"> <li>• Regular service delivery meetings held</li> <li>• Regular procurement and reappointment exercises carried out to ensure competition</li> <li>• Designated Oversight Advisor in place</li> <li>• Intensive engagement protocols with relevant suppliers</li> <li>• Intensive engagement protocols with relevant suppliers</li> <li>• The monthly WPP Practitioners meeting is a forum in which any issues can be raised and then escalated at the Pool level</li> <li>• The addition of sub-groups to the WPP's governance arrangements has create additional forums in which the WPP has more time to challenge and follow up with suppliers</li> </ul>	4	2	8	👍	There has been progress in this area, but the WPP will continue to monitor the performance of suppliers to ensure timely responses to queries and that all actions are completed.	OWG & Oversight Advisor	WPP has regular meetings with all suppliers and monitor performance on an on-going basis. There has been progress in this area and subsequently the probability score has been reduced to a 2 - this is now in line with the target score.
	Operational / Financial			Medium Term		4	2	8			Q2 2023	
G.12	The WPP's Operator fails to deliver on its contractual obligations or stops providing Operator services due to exiting the market or regulatory restrictions.	<ul style="list-style-type: none"> <li>• Operator is not adequately resourced.</li> <li>• Operator does not put sufficient performance/risk reporting systems in place.</li> <li>• The Operator does not have the resources/expertise to carry out Manager monitoring, fee negotiations, facilitate vehicles &amp; establishment services.</li> <li>• The Operator does not put in place sufficient checks and balances to ensure compliance with all relevant regulations.</li> <li>• The Operator lacks the ability or regulatory approval to provide Depository and Custody services (via ACS).</li> <li>• Insufficient monitoring of appointed entities for fund administration &amp; transfer agency (Northern Trust).</li> <li>• The Operator fails to put in place suitable</li> </ul>	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"> <li>• Designated Operator Oversight Advisor in place</li> <li>• Intensive engagement protocols with Operator</li> <li>• Operator Oversight Framework currently in development</li> <li>• Engagement with the wider Operator market (and other suitable suppliers) is built into the WPP business plan</li> <li>• The WPP has formulated contracts that have natural break or exit points and minimal exit fees</li> <li>• The WPP has put in place an Operator Workplan to monitor the various workstreams relating to Operator Oversight</li> <li>• The FCA maintains a list of replacement ACS Operators which could step in if the WPP's Operator were to exit the market</li> </ul>	5	3	15	👎	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. The Host Authority, with support from its Operator Oversight Advisor, is continuing to have regular review meetings with the Operator. The main workstream currently being progressed during these review meetings is the formulation of an enhanced Operator Management Information Reporting Pack.	OWG	The OWG will continue to ask the Operator for regular updates on the progress of the Scheme Implementation Deed Link Group has entered into with Dye & Durham to acquire the organisation
	Financial / Operational			Short Term		5	2	10			Q2 2023	This risk continues to be significant and all current mitigations will continue. Other mitigations will also be considered if deemed necessary.
G.13	The WPP's confidential/ commercially sensitive data is leaked, stolen or misplaced.	<ul style="list-style-type: none"> <li>• Lack of adequate procedures.</li> <li>• Insufficient knowledge of best practice</li> <li>• A lack of suitable systems and IT solutions to facilitate and assist in the storing and maintenance of confidential/ commercially sensitive data</li> <li>• Misunderstanding if a piece of information is confidential/ commercially sensitive</li> <li>• Not clearly stating which audience can see certain confidential/ commercially sensitive data</li> <li>• Failure to clearly label information as being confidential/ commercially sensitive</li> </ul>	The WPP faces financial losses as a result of other external parties act on data which they should not have sight or access too. There is also the risk that this data breach results in a negative reputational impact to the WPP.	OWG/ CAS	<ul style="list-style-type: none"> <li>• Ongoing training</li> <li>• Appropriate level of expertise in place at Host Authority</li> <li>• The WPP asks and check what procedures and security measures the CA have in place a local level</li> <li>• The WPP will clearly identify documents/ emails and other materials which contain confidential/ commercially sensitive data</li> <li>• When confidential/ commercially sensitive data suitably secure methods of information sharing are used</li> <li>• The sharing and distributions of confidential/ commercially sensitive data is limited in all instance and is only done so if absolutely essential</li> <li>• External advisors and provider are informed and expected to follow the WPP's own procedures in relation to this matter</li> </ul>	5	2	10	👍	N/A	OWG	
	Financial/ Reputational			Medium Term		5	2	10			Q2 2023	N/A
G.14	The WPP's fails to identify and take measures to remedy malpractice	<ul style="list-style-type: none"> <li>• Failure to encourage a culture of openness in which personnel feel comfortable to flag any potential cases of malpractice</li> <li>• Not having suitable mechanisms in place to protect any member of personnel, who reports a potential issue, from victimisation or unfair prosecution</li> <li>• An inability to put in place and adhere to an effective Whistleblowing Policy.</li> <li>• Lack of adequate procedures</li> <li>• Insufficient knowledge of best practice</li> <li>• Poor or insufficient communication mechanisms</li> <li>• Not allocating enough time or resources to the investigation of potential malpractice</li> </ul>	The WPP is negatively impacted by malpractice which may include fraud, corruption, illegal activities or unethical behaviour. The malpractice may result in financial losses, fines, legal action or negative reputational impacts.	WPP Personnel/ Suppliers and Advisors	<ul style="list-style-type: none"> <li>• The WPP has adopted a governance framework with several checks and balances which are designed to limit the potential for malpractice to occur</li> <li>• Multiple means of communication are in place within the WPP with a view to encouraging information sharing and the ability to flag any potential concerns</li> <li>• Monitoring officer in place at the Host Authority</li> <li>• The WPP has a Conflict or Interest Policy in place</li> </ul>	5	2	10	👎	The WPP will: <ul style="list-style-type: none"> <li>• Formulate a procedure that ensures that Personnel have the ability and means to flag any potential malpractice concerns</li> <li>• Produce a codified Whistleblowing Policy which outlines how the WPP will protect any who 'blows the whistle', while also assuring that their job security is not impacted by their flagging/ highlighting of potential malpractice</li> <li>• Carry out ongoing training on identifying malpractice and how to safely raise any potential malpractice concerns</li> <li>• Ensure that there is enough resources and expertise available to investigate and deal with any potential cases of malpractice</li> <li>• Continue to encourage an environment in which all personnel are encouraged to speak freely and openly</li> </ul>	OWG	The WPP whistle blowing policy is in progress and will be presented to the JGC on 8th July. The risk rating will be reviewed at the next formal review in Q2 2023.
	Financial/ Reputational			Short Term		5	1	5			Q2 2023	



Risk	Focus of the Risk	Target Risk Score	Current Risk Score	Current Status	Responsible Party	Comments
G.7	The WPP is unable to operate efficiently or carry out its duties due to uncontrollable events.	8	8		HA	<ul style="list-style-type: none"> <li>The WPP Disaster Recovery Plan (Business Continuity Plan) is in progress and will be presented to the JGC on 8th July 2022.</li> </ul>
G.8	The WPP's governance arrangements result in inefficient management and decision making.	4	4		Oversight Advisor	<ul style="list-style-type: none"> <li>The IAA has now been revised and this has resulted in minor changes to the wording. The WPP member representative is now in place on the Joint Governance Committee. The probability score has been revised down to a 1 now that these actions have taken place which results in a current risk score of 4, in line with target.</li> </ul>
G.9	Difference of opinion/ or views within the WPP can not be reconciled.	10	15		OWG	<ul style="list-style-type: none"> <li>No changes have been made to the actions required or risk score as there is still work to be done in this area.</li> </ul>
G.10	WPP suppliers fail to deliver on their contractual commitments.	8	8		OWG	<ul style="list-style-type: none"> <li>N/A</li> </ul>
G.11	WPP suppliers fail to enact the WPP's decisions in a timely and effective manner.	8	8		OWG & Oversight Advisor	<ul style="list-style-type: none"> <li>WPP has regular meetings with all suppliers and monitor performance on an on-going basis. There has been progress in this area and subsequently the probability score has been reduced to a 2, resulting in a risk score of 8, in line with target.</li> </ul>

G.12	The WPP's Operator fails to deliver on its contractual obligations or stops providing Operator services due to exiting the market or regulatory restrictions.	10	15	👎	OWG	<ul style="list-style-type: none"> <li>The OWG will continue to ask the Operator for regular updates on the progress of the Scheme Implementation Deed Link Group has entered into with Dye &amp; Durham to acquire the organisation</li> <li>A number of key Link employees have resigned and will leave the company soon. These include the Relationship Manager, Eamonn Gough. He has been replaced by an experienced replacement and handover activities have been ongoing.</li> <li>This risk continues to be significant and all current mitigations will continue. Other mitigations will also be considered if deemed necessary.</li> </ul>
G.13	The WPP's confidential/commercially sensitive data is leaked, stolen or misplaced.	10	10	👎	OWG	<ul style="list-style-type: none"> <li>N/A</li> </ul>
G.14	The WPP's fails to identify and take measures to remedy malpractice	5	10	👎	OWG	<ul style="list-style-type: none"> <li>The WPP whistle blowing policy is in progress and will be presented to the JGC on 8th July 2022. The risk rating will be reviewed at the next formal review in Q2 2023.</li> </ul>



## WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

**DATE 8 JULY 2022**

### **SUBJECT**

**NEW POLICIES / PLANS**

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

**To approve WPP's:**

- **Whistleblowing Policy**
- **Business Continuity Plan**

### **REASONS:**

A Whistleblowing Policy and Business Continuity Plan have been developed for the Wales Pension Partnership (WPP) and requires approval by the JGC.

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**EXECUTIVE SUMMARY  
JOINT GOVERNANCE COMMITTEE**

**DATE 8 JULY 2022**

<b>NEW POLICIES / PLANS</b>
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<b>BRIEF SUMMARY OF PURPOSE OF REPORT</b>
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A Whistleblowing Policy has been developed for the WPP which provides guidance to WPP Personnel and Providers on how to raise concerns should they suspect malpractice by anyone acting for or on behalf of WPP. The policy also advises of the protection provided by The Public Interest Disclosure Act 1998 ("PIDA"). This policy will be formally reviewed by the OWG on a triennial basis and, if necessary, changes to the policy will be taken to the JGC for approval.

A Business Continuity Plan has also been developed which outlines how WPP will continue operating during an unplanned disruption in service. An appendix to the Plan, which is not for publication, contains the details of individuals to be contacted in the event of an issue occurring which prevents any of the WPP's key governance bodies, namely the Host Authority, Constituent Authorities, JGC and OWG as well as the WPP's key suppliers from working effectively. This Plan will be updated as required.

<b>DETAILED REPORT ATTACHED?</b>	<b>YES</b>
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## 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 Whistleblowing Policy and Business Continuity Plan 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**

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

## WPP's Whistleblowing Policy ("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"). The eight Constituent Authorities are:

- Carmarthenshire County Council
- City & County of Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Gwynedd Council
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council

Carmarthenshire County Council (CCC) is the Host Authority for the WPP.

2 Whistleblowing is the act of disclosing information about wrongdoing in the workplace. The statutory categories for wrongdoing are:

- a criminal offence (such as insurance fraud or illegal tax evasion)
- a breach of any legal obligation
- a miscarriage of justice
- endangering an individual's health and safety
- damage to the environment
- deliberate concealment of information about any of the above.

The Public Interest Disclosure Act (PIDA) 1998 provides legal protection for employees against dismissal and other detriments where a disclosure is made in relation to any of the above categories. Elected Members are not employees of the authorities that they represent.

3 This Policy is designed to provide guidance to WPP Personnel and Providers. The Joint Governance Committee (JGC), Officer Working Group (OWG) and Host Authority are collectively referred to as the "WPP Personnel", alongside advisors and suppliers ("Providers"). The JGC is comprised of one elected member from each of the eight Constituent Authorities and a co-opted (non-voting) scheme member representative. The OWG is comprised of practitioners and Section 151 officers from all eight Constituent Authorities.

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

### How to raise a concern

- 5 Constituent Authority officers should refer to their own individual Authority's Whistleblowing Policy.
- 6 External Providers should refer to their own company's Whistleblowing Policy.
- 7 Elected members should raise any concerns via their own Constituent Authorities by contacting their individual authorities S151 / deputy S151 or monitoring / deputy monitoring officers.
- 8 Elected members may also raise their concerns by contacting the Host Authority / CCC directly, this can either be
  - by contacting the Host Authority via the WPP email address [walespensionpartnership@carmarthenshire.gov.uk](mailto:walespensionpartnership@carmarthenshire.gov.uk)  
or alternatively
  - by emailing CCC's confidential Whistleblowing mailbox [CEWhistleBlowing@carmarthenshire.gov.uk](mailto:CEWhistleBlowing@carmarthenshire.gov.uk).  
This mailbox is monitored by CCC's Monitoring Officer and Deputy Monitoring Officer.

Guidance will then be provided.

### Further Information

- 9 If you require any further details on the WPP whistleblowing policy, please contact: [walespensionpartnership@carmarthenshire.gov.uk](mailto:walespensionpartnership@carmarthenshire.gov.uk)

Version 1.0

May 2022



# Business Continuity Plan for the Wales Pension Partnership

## 1. Introduction

This plan is designed to provide guidance to WPP Personnel and Providers. The Joint Governance Committee (JGC), Officer Working Group (OWG) and Host Authority (HA) are collectively referred to as the “WPP Personnel”, alongside advisors and suppliers (“Providers”).

The key functions identified for each body will need to be updated following any changes to the Inter Authority Agreement.

All officers and elected members carrying out WPP functions are employed by or represent one of the eight Constituent Authorities (CAs). All technology, systems and premises used by those individuals to conduct WPP functions is owned and maintained by one of the CAs. In the first instance any interruption to the ability to deliver WPP functions will be managed under the relevant CA’s business continuity plan while also ensuring that all relevant WPP parties are informed of the issue and steps being taken to rectify it.

This plan is split into two parts. The main part of this document contains a summary of the functions of the main governance bodies of the WPP as well as a description of actions to be taken in the event of a business continuity issue. The main part may be published in the public domain.

The second part of the document comprises an appendix listing the details of individuals who will be contacted in various circumstances. The appendix to this document will not be published in the public domain.

## 2. Host Authority

Host Authority – Key Functions
Employ staff engaged in pooling functions
Point of contact for managing the pool
Provide administration resource and facilities for the pool
Provide governance and administrative services including arranging and clerking meetings
Provide training for JGC members
Provide appropriate financial and legal expertise
Provide s151 and monitoring officer oversight
Contract with suppliers on behalf of the pool
Liaise with the Operator on behalf of the CAs
Provide the accounting function for the pool

The HA function is delivered by Carmarthenshire County Council (CCC), using the authority's staff and systems.

In the event that that an issue occurs which compromises the ability of the HA to deliver any of its functions relating to the delivery of the WPP, then the HA shall rely on the CCC's business continuity plan.

Where Business Continuity processes are relied upon, the HA will inform each CA, using the contact list in Appendix 1, Table B.

The officers responsible for informing CAs and suppliers can be found in Appendix 1, Table A

### 3. Constituent Authorities

Constituent Authorities – Key Function
Appoint, terminate or replace the operator
Approve additional expenditure which exceeds 30% of approved budget
Admitting a new authority to the pool
Amend/terminate the Inter Authority Agreement
Approve material change to the operator contract
Approval of the Business plan, including the strategic objectives of the pool
Approve evaluation criteria for operator procurement

The CAs are responsible for deciding reserved matters. Each CA has its own decision-making process, consistent with its own constitution and scheme of delegation.

In the event that an issue occurs which compromises the ability of a CA to exercise its decision-making responsibilities in respect of WPP decisions, then that CA shall rely on its own business continuity/emergency decision making processes. This will include any cyber security measures as required.

In the event that any CA is required to rely on its business continuity plan and there is a potential that WPP functions may be impacted, the named officer from the affected CA shall contact each of the named officers from the other CAs and inform them of the situation.

A list of named officers at the Constituent Authorities can be found in Appendix 1, Table B

#### 4. Joint Governance Committee

<b>Joint Governance Committee – key Functions</b>
Recommend on the appointment, termination or replacement of the Operator to the Constituent Authorities
Appointing and replacing service providers, advisers to the JGC (other than the Operator)
Approving the creation of new pooled vehicles for the Operator
Approving the creation/termination of new sub-funds provided by the Operator
Approving non-material changes to the Operator Contract
General ongoing management of the Pooling Collaboration
Delegation of tasks to the OWG
Liaison with Pension Boards
Determining the best means of alternative investment structures for assets where a sub-fund is not being provided by the Operator

The JGC meets quarterly and is responsible for overseeing the pooling arrangements for the 8 CAs. Meeting may be face to face or held remotely on IT networks supported by the CAs.

Organisation, distribution of papers and clerking of meetings is provided by the HA.

In the event that an issue occurs which affects the ability of a JGC member to effectively carry out their role, then the business continuity plan or cyber security measures of the CA which the member represents will be relied upon. The HA should be immediately contacted and informed.

If any event occurs which impacts the HA's ability to support the meeting, then the process under section 1 "Host Authority" shall be followed.

## 5. Officer Working Group

<b>Officer Working Group – Key Functions</b>
Proposing to the JGC on the procurement of external support
Proposing to the JGC on governance arrangements
Proposing to the JGC on the most appropriate means of accessing different asset types, the structure of the Investment Pool including the number and make-up of sub-funds
Proposing to the JGC on high level transition plans
Recommend to the JGC on the appointment, termination or replacement of the Operator
Monitoring and reviewing the performance of the Operator and the Allocators in meeting their objectives, service levels and key performance indicators and reporting to the JGC
Receiving reports on performance of the assets and reporting to the JGC
External reporting on the Pooling Collaboration and its performance
Liaison with other pools as required
Prepare the draft Business Plan for further consultation
Developing and keeping under review the programme of training to be delivered to Members
Seeking advice from professional advisors that are authorised and regulated
Managing the procurement process for the procurement of any replacement Operator or Allocator including proposing criteria for the evaluation of bids or tenders

The OWG supports, advises and makes recommendations to the JGC. The OWG meets formally at least 4 times a year. In addition, it meets, virtually, every two weeks in order to progress work and deal with any issues occurring between formal meetings. From time to time, subgroups of the OWG are formed to consider particular areas of responsibility.

Meetings may be in person or take place remotely on IT networks supported by the CAs.

Organisation, distribution of papers and clerking of meetings is provided by the HA.

In the event that an issue occurs which affects the ability of an OWG member to participate in a meeting or effectively carry out their role, then the business continuity plan or cyber security arrangements of the CA which the member represents will be relied upon. The HA should be immediately contacted and informed.

If any event occurs which impacts the HA's ability to support the meeting, then the process under section 1 "Host Authority" shall be followed.

## 6. Critical Suppliers and Third-Party Organisations

The following suppliers provide services to the WPP. They have been categorised as follows;

Category	Third party suppliers	Function/service provided
1	Link Fund Solutions Ltd	Operator
1	Russell Investments	Investment Management Solutions Provider
1	Northern Trust	Custodian
2	Hymans Robertson	Oversight Advisor
2	Burges Salmon	Legal Advisor
2	Robeco UK	Proxy Voting & Engagement Provider

**Category 1** – where inability/failure to deliver the service would result in an immediate critical impact on WPP functions.

**Category 2** – where inability/failure to deliver the service could result in a detriment to WPP functions, whether immediate or manifesting over a period of time, but that impact can be managed by, for example, extending deadlines, prioritising, procuring services from elsewhere etc.

A list of contact details for suppliers can be found in Appendix 1, Table C

Each supplier has in place a suitable business continuity plan which makes provision for the prompt and efficient handling of any incident that may impair its ability to perform any of its obligation under the WPP. Each supplier should periodically test and review its business continuity and cyber plans and ensure a copy is available to the CAs on request.

For suppliers procured through the LGPS National Framework that are no longer able to deliver the services they were contacted for, the HA will undertake a new procurement process under the National Framework.

There are specific FCA requirements in place which set out the circumstances when the authorised fund manager of the ACS is subject to removal by the Depositary. This provides a further level of security to WPP in circumstances where the ACS is unable to provide the required service for one of the listed reasons.

Further information can be found at 6.5.7 of Chapter 6 of the FCA's Handbook. A link to which can be found here <https://www.handbook.fca.org.uk/handbook/COLL/6/5.pdf>

## 7. Terms used in this document

### **Authorised Contractual Scheme (“ACS”)**

**Constituent Authorities (“CA”)** namely;

- Carmarthenshire County Council
- City & County of Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Gwynedd Council
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council

**Host Authority (“HA”)** is Carmarthenshire County Council

**Joint Governance Committee (“JGC”)** means the joint committee formed by the Inter Authority Agreement.

**Operator** means the operator of the pooled investment vehicles principally being an Authorised Contractual Scheme or “ACS” (as defined by the Operator Contract) and any other collective investment vehicle used to hold assets of the Investment Pool pursuant to the Operator Contract.

**Officers Working Group (“OWG”)** supports, advises and makes recommendations to the JGC.

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## WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

**DATE 8 JULY 2022**

### SUBJECT

### ANNUAL POLICY REVIEWS

#### RECOMMENDATIONS / KEY DECISIONS REQUIRED:

**To approve the updated:**

- **Voting Policy**
- **Conflict of Interest Policy**
- **Risk Policy**
- **Climate Risk Policy**

**To note the RI and Climate Risk Annual progress update**

#### REASONS:

The current Voting Policy was approved by the JGC in December 2020 and the Conflict of Interest Policy, Risk Policy and Climate Risk Policy were initially approved by the JGC in July 2020 and reviewed in July 2021. An annual review of these policies has taken place and the updated policies require approval by the JGC.

Also, Hymans have undertaken a review of the work undertaken in line with the commitments set out in the RI Policy and Climate Risk Policy and have provided a report providing an assessment of the progress the WPP has made during the 12 months to 31 March 2022 and the proposed areas for future focus.

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**EXECUTIVE SUMMARY**  
**JOINT GOVERNANCE COMMITTEE**  
**DATE 8 JULY 2022**

**ANNUAL POLICY REVIEWS**

**BRIEF SUMMARY OF PURPOSE OF REPORT**

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:

- Voting Policy,
- Conflict of Interest Policy,
- Risk Policy, and
- Climate Risk Policy.

In December 2020, the JGC approved for the WPP to adopt Robeco's Voting Policy. This policy has been reviewed by the RI sub-group and the OWG and it is proposed that WPP continues to adopt Robeco's House Voting Policy. Robeco reviews and updates their Voting Policy on a periodic basis to ensure that it represents prevailing best practice and the OWG believes that the principles embedded in the Robeco House Voting Policy appropriately reflect the objectives of the WPP. A short "WPP specific" voting policy has been developed that sets out WPP's policy on proxy voting in respect of all assets invested within the WPP sub-funds. This policy also includes a link to Robeco's House Voting Policy.

The Conflict of Interest Policy outlines how conflicts are identified, managed and monitored. The policy has been reviewed by the OWG and amended 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 frequency of its formal review has also been amended to triennial, the policy wording (point 12) has been amended accordingly.

The Risk Policy outlines the WPP's beliefs and objectives in relation to risk, it details its strategy in relation to how risks are identified, managed and monitored. The OWG have undertaken an annual review of this policy. As with the Conflict of Interest Policy, this policy has been amended to reflect MHCLG's change of name and also the frequency of its formal review has been amended to triennial, the policy wording (point 9) has been amended accordingly.

The Climate Risk Policy sets out WPP's approach to addressing the requirements of the Constituent Authorities in regard to climate related risks and the monitoring of these risks. The OWG have undertaken an annual review of this policy and amended the policy to reflect the launch of the Fixed Income sub funds. The policy has also been amended to signal WPP's commitment to report in line with TCFD requirements and to support Constituent Authorities with their own TCFD reporting (point 33).

Hymans have also provided an update report providing an assessment of the progress the WPP has made during the 12 months to 31 March 2022 in relation to Responsible Investment and Climate Risk, highlighting some of the key areas. This report also details some areas where work had not progressed over the year and potential areas for activity/improvement over 2022/23.

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

<b>DETAILED REPORT ATTACHED?</b>	<b>YES</b>
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## 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 Voting Policy, Conflict of Interest Policy, Risk Policy and Climate Risk Policy are all 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**

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

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## Voting Policy (“Policy”)

### 1 Introduction

- 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 a range of sub-funds. Responsibility for the scrutiny of voting practices is delegated to the WPP Responsible Investment Sub-Group (“RI Sub-Group”).
- 1.3 This document sets out the WPP’s policy on proxy voting in respect of all assets invested within the WPP sub-funds. This policy has been developed by the WPP in consultation with the Constituent Authorities and taking advice from its advisers and appointed Voting and Engagement Provider (“V&E Provider”).
- 1.4 WPP has appointed Robeco as its V&E Provider. The role of the V&E Provider is to:
  - Provide input to the WPP on the development of a suitable voting policy;
  - Work with the WPP to understand the WPP’s and Constituent Authorities’ priority themes for voting and engagement and ensure that these are reflected in the work undertaken by Robeco on behalf of the WPP;
  - Undertake proxy voting on all shares held within WPP sub-funds;
  - Undertake engagement with companies held within WPP sub-funds to achieve the engagement objectives on behalf of WPP;
  - Report quarterly on voting undertaken on behalf of WPP;
  - Discuss with the RI Sub-Group and other parties the voting and engagement activity undertaken on behalf of the WPP.

### 2 Voting policy

- 2.1 The WPP recognises that Robeco maintains a house voting policy (“Robeco House Voting Policy”). The WPP further recognises that Robeco reviews and updates this Robeco House Voting Policy on a periodic basis to ensure that it represents prevailing best practice.
- 2.2 The WPP has reviewed Robeco’s [house voting policy](#) and believes that the principles embedded in the Robeco House Voting Policy appropriately reflect the objectives of the WPP. The WPP has therefore instructed Robeco to vote all shares held in WPP Sub-Funds in line with the Robeco House Voting Policy.
- 2.3 The WPP is a member of the Local Authority Pension Fund Forum (LAPFF). Where the LAPFF issues voting alerts, the WPP has instructed Robeco to consider the substance of the voting alert before casting votes on behalf of the WPP although Robeco retains responsibility for the final decision on any vote and WPP’s expectation is that the voting policy will be followed. Where a vote cast is out of line with the LAPFF voting alert, the WPP requires Robeco to provide an explanation of the difference.

### **3 Voting Priorities**

- 3.1 The WPP will maintain a set of 'Voting Priorities' covering topics which are particularly relevant to the WPP's beliefs and objectives. The purpose of setting Voting Priorities is twofold:
- to ensure the WPP can more readily scrutinise voting activity carried out on its behalf, and
  - to ensure that the issues of concern to WPP have been fully communicated to its V&E Provider.
- 3.2 The WPP will consult with the Constituent Authorities on an annual basis to consider emerging themes that should be reflected in the WPP's Voting Priorities. Such themes will also contribute to the development of engagement priorities.
- 3.3 The WPP will make the V&E Provider aware of its Voting Priorities. The WPP will use the Voting Priorities on an ongoing basis to scrutinise the activity of the V&E Provider, to ensure that voting outcomes remain in line with expectations and identify any potential areas of concern.
- 3.4 The WPP will report votes on Voting Priorities on an annual basis within its Stewardship report.

### **4 Review of voting policy**

- 4.1 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.
- 4.2 WPP recognises that Robeco's House Voting Policy is reviewed and updated on a periodic basis. The WPP RI Sub-Group will review any changes to the House Voting Policy and will report any material areas of concern to the OWG and JGC..
- 4.2.1 In the event that there are no material areas of concern, the WPP RI Sub-Group will instruct Robeco to apply the updated house policy with immediate effect.
- 4.2.2 In the event that there are areas of material concern, the WPP RI Sub-Group will instruct Robeco to maintain the prevailing house voting policy. The WPP will then engage with Robeco and determine what action may be taken.
- 4.3 Where WPP identifies any WPP specific area of interest through its engagement with Constituent Authorities, the RI Sub-Group will consider and agree whether such issue should be raised with Robeco. Where such issue is agreed, WPP will set out its position to Robeco and request that such issue be reflected in the ongoing development of the Robeco House Voting Policy.



## **5 Monitoring/Reporting of voting activity**

- 5.1 The WPP Sub-Group is responsible for the oversight and monitoring of voting carried out by the V&E provider, and if required, to challenge Robeco to understand the Voting activity it has undertaken on WPP's behalf.
- 5.2 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, or other delegates as necessary.
- 5.3 The WPP will report on voting activities each quarter to each of the Constituent Authorities.

## **6 Further Information**

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

April 2022

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## Conflicts of Interest and Procedure Policy (“Policy”)

### Introduction

1. This policy sets out principles which the Joint Governance Committee (“JGC”), Officer Working Group (“OWG”), Host Authority, collectively referred to as “WPP Personnel”, alongside advisors and suppliers (“Providers”) are expected to follow for the purpose of identifying, managing and monitoring conflicts of interest in relation to their duty they carry out for the Wales Pension Partnership (“WPP”).
2. The Constituent Authorities of the WPP have always had to identify, manage and monitor conflicts of interest. The process of Local Government Pension Scheme (“LGPS”) pooling has resulted in the Wales Pension Partnership also having to deal with the existence of conflicts of interests. This simply reflects the fact that WPP Personnel and Providers will have a variety of other roles and responsibilities.
3. The WPP has a fiduciary and legal duty to act in the best interest of the WPP’s stakeholders and beneficiaries, but this does not preclude WPP Personnel and Providers from having other roles or responsibilities which may result in a conflict of interest. It is important that good governance principles are followed and that a conflict of interest and procedure policy, such as this, is put in place to outline how conflicts are identified, managed and monitored.
4. WPP’s objective in preparing and implementing this policy is to be able to:
  - 4.1 demonstrate its commitment to identifying, managing and monitoring conflicts of interest.
  - 4.2 adherence to the WPP’s belief that good governance and transparency will deliver superior outcomes for WPP stakeholders.
  - 4.3 continue the WPP’s creation of a decision making and governance framework that is focussed on achieving the best outcomes for the WPP’s stakeholders.
5. The WPP has adopted a definition of conflicts of interest which includes potential, perceived and actual conflicts. The WPP understands that it may not be possible to identify, manage and monitor all potential and perceived conflicts of interest, however it will endeavour to where possible.
6. WPP recognises that a failure to manage conflicts of interest poses material risks to the WPP, the consequences of which may include decisions that are not in the best interests of the WPP’s stakeholders, the WPP’s reputation being negatively impacted and/or referral to regulatory bodies. There are a number of factors that need to be monitored and managed to allow for the successful implementation of this policy, these include:
  - 6.1 Effective communication of the responsibilities outlined in this policy.
  - 6.2 Clear Identification and ownership of the roles outlined in this policy.
  - 6.3 Suitable training and understanding of the roles and responsibilities outlined in this policy.
7. This Policy is designed to provide guidance to WPP Personnel and Providers, its aim is to ensure that WPP Personnel and Providers do not act improperly. This policy has been developed by the WPP in consultation with the Constituent Authorities. A list of WPP Personnel and Providers is publicly available on the WPP website.
8. This Policy is reflective of the WPP’s belief that good governance and greater transparency will improve decision-making and deliver superior outcomes for the WPP’s stakeholders. The WPP must try to be

aware of conflicts of interest and have procedures in place to manage them. This Policy outlines the procedures that WPP have adopted to do this.

9. The Host Authority will be responsible for monitoring conflicts of interest and ensuring that all WPP Personnel and Providers are aware and follow this policy. The Host Authority will collate declarations of conflicts and maintain a conflict of interests register.
10. The WPP recognises that training and education is critical in achieving good outcomes and will allocate resources to ensure that it undertakes regular training and education on identifying, managing and monitoring conflicts of interest.
11. This Policy is focused solely on conflicts of interest that may arise from the work that WPP Personnel or Providers carry out on behalf of the WPP. The WPP's Constituent Authorities remain responsible for managing conflicts of interest that WPP Personnel or Providers may encounter when carrying out work at a Constituent Authority level. Alongside meeting the requirements and expectations of this Policy, WPP Personnel and Providers should continue to adhere to any other conflict of interest management policies that they are subject to, this may include Constituent Authority or company policies and other relevant codes of conducts.
12. The WPP's Conflicts of Interest and Procedure Policy will be formally reviewed by the OWG, and updated if required, on a triennial basis. However, the Policy may be reviewed or amended more frequently if the WPP needs to take account of relevant guidance or regulations.

#### **Definition & Interpretation**

13. The WPP has adopted the Public Service Pensions Act 2013's definition of a conflict of interest, which states that a conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of functions.
14. The WPP recognises that a conflict of interest may be present when WPP Personnel or a Provider has a responsibility or fiduciary duty in the operation, decision making process or management of the WPP but also has:
  - 14.1 A separate personal or corporate interest, which can be financial or non-financial in nature.
  - 14.2 Another connection to the matter that may provide a possible conflict with their primary responsibility to the WPP. This interest could arise through association and may stem from a family member or colleague having an obligation or interest.

#### **Policy and Procedure**

15. For this Policy to work WPP Personnel and Providers have agreed that they must:
  - 15.1 acknowledge conflict of interest they may have;
  - 15.2 be open with each other on any conflicts of interest they may have;
  - 15.3 adopt practical solutions; and
  - 15.4 plan ahead and manage any conflicts of interest which arise.

16. The WPP has adopted the following procedure to gain full transparency and allow for the detailed record-keeping of any conflicts of interest within the WPP:
  - 16.1 All WPP Personnel will provide on appointment, and once each year thereafter, a declaration of interest form which will be stored and made easily available to all WPP Personnel if requested. WPP Personnel need to inform the Host Authority if there are any changes to the information contained in their declaration.
  - 16.2 At the beginning of JGC meetings, Members have to formally declare their conflicts of interest. Other WPP Personnel and Providers will also have to declare any conflicts relating to any of the meeting's agenda items.
  - 16.3 WPP Personnel who feel that they, or another member of the WPP community has a conflict of interest on a particular topic must advise the Monitoring Officer, so that advice can be sought. The conflict of interest and the action taken will be recorded in the minutes.
  - 16.4 At the beginning of each OWG meeting, OWG Officers in attendance have to declare if their declarations have changed since their last submitted declaration of interest forms.
  - 16.5 WPP Personnel who feel that they, or another member of the WPP community has a conflict of interest that has arisen between meetings must advise the Host Authority at the earliest opportunity. Following this, the Host Authority should be provided with an updated declaration of interest form.
  - 16.6 The WPP's Providers are required to provide the Host Authority with details of their conflict management procedures or their professional code of practice. Providers will be provided with a copy of this Policy upon appointment.
  - 16.7 Providers to the WPP are required to disclose to the Host Authority any conflict of interest that may arise, including any related third-party engagements.
17. Upon identifying any conflicts of interest, the Host Authority will carry out an evaluation process, which will be reviewed by the OWG. The evaluation process will assess the potential severity of the impacts that could result if the chosen conflict is not suitably managed. Following the evaluation process the WPP will classify the conflict based on its nature and its potential impact severity. The WPP will make use of a three-level severity scale, a conflict be classified as either low, medium or high risk.
18. The WPP will seek to manage conflicts of interest in a fair and balanced way. The WPP has put in place a four-stage escalation process to effectively manage any conflicts of interest that have been identified as requiring further management:
  - 18.1 The WPP may request further detail on the relevant conflict of interest to ensure that its nature and potential impact is fully understood.
  - 18.2 If required, the WPP will ask the relevant Personnel or Provider to abstain or voluntarily exclude themselves on the matter over which they are conflicted.
  - 18.3 If the relevant Personnel or Provider is unwilling to abstain or exclude themselves then the WPP will ensure that the relevant Personnel or Provider is excluded from the matter over which they are conflicted.
  - 18.4 If all previous endeavours fail, the WPP may ask the relevant WPP Personnel or Provider for their resignation.

19. The WPP's four-stage escalation process will be suitable in most instances. However, there may be situations where an element of flexibility is required, in these instances the WPP will use its discretion to ensure the swift and effective management of the relevant conflict. For example, it may be apparent from the outset, that the conflict of interest can only be managed effectively through the resignation of the relevant WPP Personnel or Provider.
20. The WPP recognises that its decision-making process and structure has a significant influence on a conflict of interest's ability to impact the WPP. The WPP regularly reviews and receives training on its decision-making processes, with the intention of identifying aspects that may provide an environment for conflicts of interest to take place and negatively impact the WPP.
21. In particular, the WPP has identified unconscious biases, such as anchoring, as a way in which conflicts of interest can subtly impact the WPP's decision making process. The WPP believes that awareness of and training on unconscious biases will help alleviate their ability to foster conflicts of interest within the WPP's decision making processes.

### Guidance and Legislation

22. The WPP notes that no specific government legislation on managing the conflicts of interest that may result for the pooling of LGPS has been provided to date. However, in formulating this Policy the WPP has considered and incorporated the following guidance and regulation.
23. The Public Service Pensions Act 2013 is focussed on Pension Boards, however in formulating this Policy the WPP has extrapolated the following guidance from the Act, the WPP must be;
  - 23.1 Satisfied, that on appointment, WPP Personnel do not have a conflict of interest that cannot be adequately managed and monitored.
  - 23.2 Satisfied from time to time that no WPP Personnel has a conflict of interest that cannot be adequately managed and monitored.
  - 23.3 Requiring WPP Personnel, or a soon to be appointed individual, to provide the WPP with such information as reasonably required for the WPP to be satisfied of points 23.1 and 23.2.

Please note that regulation 108 of the Local Government Pension Scheme Regulations 2013 applied the requirements of the Public Service Pensions Act to the LGPS.

24. The WPP will continue to engage with the Department for Levelling up, Housing and Communities ("DLUHC") and Scheme Advisory Board and take account of any relevant guidance in relation to conflicts of interest and the effective management of these. The WPP will update this policy when required to ensure that it is in keeping with relevant guidance.
25. The WPP recognises that Constituent Authority elected Members must give due considerations of 'The Public Services Ombudsman for Wales' Ten Guiding Principles' when carrying out their designated role. In line with Welsh National Assembly guidance, the WPP expects all WPP Personnel to be aware of the ten principles and to recognise the importance and significance of these principles when carrying out work on behalf of the WPP. The WPP has considered these principles when formulating this Policy and notes the importance of WPP Personnel adopting these principles:
  - 25.1 Selflessness
  - 25.2 Honesty
  - 25.3 Integrity and Propriety

25.4 Duty to Uphold the Law

25.5 Stewardship

25.6 Objectivity in Decision-making

25.7 Equality and Respect

25.8 Openness

25.9 Accountability

25.10 Leadership

26. The Pensions Regulator produced a Conflicts of Interest Guidance document, the WPP recognises that this guidance has been formulated with regards to Pension Boards, however the general principles and guidance have been considered in the development of this Policy. The Regulator's Conflicts of Interest Guidance document has been issued to all WPP Personnel and is available through the WPP's online document storage facility.

27. The Chartered Institute of Public Finance & Accounting report on Investment Pooling Governance Principles for LGPS Administering Authorities noted that the introduction of LGPS pooling would have a material impact of the roles carried out by LGPS committee members, representatives, officers and advisors. The Report highlights the need for conflict of interest policies to be updated to reflect the new conflicts that may arise from LGPS pooling. The WPP expected its Personnel to proactively notify their Constituent Authority of any new conflicts that may arise from their WPP activities. Furthermore, the WPP has considered the new conflicts that may arise from LGPS pooling in formulating this policy and has sought to enact policies and procedures that will manage these conflicts.

#### **Further Information**

28. If you require any further details on the WPP's Conflict of Interest and Procedure Policy, please contact [walespensionpartnership@cararthenshire.gov.uk](mailto:walespensionpartnership@cararthenshire.gov.uk).

***Version 3.0***

***June 2022***

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## WPP Risk Policy (the “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 The Wales Pension Partnership (“WPP”) recognises that it faces numerous risks which if left unmanaged can limit the WPP’s and Constituent Authorities ability to meet their objectives and to act in the best interest of its stakeholders and beneficiaries.
- 3 WPP’s objective in preparing this policy is to outline:
  - 3.1 How the WPP views risks, its attitude to risk and the extent to which risk is accounted for in its governance and decision-making processes;
  - 3.2 The means by which the WPP identifies, classifies and measures the potential impact of risks;
  - 3.3 How risks are managed and mitigated;
  - 3.4 The mechanisms and procedures in place to monitor risks; and
  - 3.5 The process by which the effectiveness and development of risk mitigation strategies are reviewed.
- 4 This policy applies to the Joint Governance Committee (“JGC”), Officer Working Group (“OWG”), Host Authority, collectively referred to as “WPP Personnel”, alongside advisors and suppliers (“Providers”). The WPP recognises that all WPP Personnel and Providers have a role to play in identifying, understanding, managing and monitoring potential and actual risks facing the WPP.
- 5 This policy is reflective of the WPP’s belief that good governance and greater transparency will improve the decision-making process and deliver superior outcomes for WPP stakeholders. The WPP must endeavour to be aware of all risks facing the WPP and have procedures in place to manage them.
- 6 The WPP recognises that training and education is critical to achieving good outcomes and will allocate resources to ensure that it undertakes regular training and education on identifying, managing and monitoring risk.
- 7 This policy is focused solely on the risks that may arise from the work that WPP Personnel or Providers carry out on behalf of the WPP. The WPP’s Constituent Authorities remain responsible for managing risks at a Constituent Authority level. Alongside meeting the requirements and expectations of this policy, WPP Personnel and Providers should continue to adhere to any other risk policies that they are subject to, this may include Constituent Authority or company policies and other relevant codes of conducts. This policy has been developed by WPP in consultation with the Constituent Authorities.
- 8 In maintaining and acting on this policy, the WPP will have an ongoing dialogue with any relevant suppliers. The WPP will also seek input from third parties where appropriate.
- 9 The Policy will be formally reviewed by the WPP’s Risk Sub-Group and OWG, and updated if required, on a triennial basis. However, the Policy may be reviewed or amended more frequently to take account of relevant guidance or regulations. The Policy will be a triennial JGC agenda item, while the WPP’s Risk Register (covered from Point 25 onwards) will be a quarterly JGC agenda item.

**Beliefs**

- 10 The WPP is aware that some risks cannot be fully mitigated, it recognises the need to embrace risk and ensure that it is actively and effectively managed.
- 11 The WPP recognises that risk management is a critical element of its commitment to good governance as such the WPP will develop and adhere to a structured, extensive and robust risk strategy. This strategy will be imbedded into the WPP's governance framework to ensure better decision-making, improved outcomes for stakeholders and greater efficiency.
- 12 Effective identification, understanding, management and monitoring of risks will allow the WPP to:
- 12.1 Minimise the probability of failing to meet its objectives;
  - 12.2 Demonstrate its commitment to good governance;
  - 12.3 Limit the extent to which it is impacted by unpredictable or adverse developments;
  - 12.4 Correctly balance opportunities and risk;
  - 12.5 Be better informed in its decision-making; and
  - 12.6 Achieve better outcomes for its stakeholders.
- 13 To deliver on its objectives, the WPP needs to carry out activities or seize opportunities that subject it to significant levels of risk. The success of WPP will to an extent, depend on its ability to effectively balance risk and return.
- 14 The WPP believes that risks are fluid in nature and that the severity and probability of risks can change rapidly and without fair warning. This highlights the need for the Policy to anticipate and deal with changes in a swift and effective manner to minimise potential loss or harm to the WPP and its stakeholders.
- 15 It's critical that prior to making decisions, the WPP understands the associated risks and considers the means by which these risks could be managed.

**Objectives**

- 16 The primary objectives for WPP are:
- 16.1 To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical);
  - 16.2 To achieve material cost savings for participating funds while improving or maintaining investment performance after fees;
  - 16.3 To put in place robust governance arrangements to oversee the Pool's activities;
  - 16.4 To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments; and

- 16.5 To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers.
- 17 The greatest risk to the WPP's continued operation is its ability to deliver on its primary objectives, if the WPP is unable to deliver investment performance, opportunities and cost savings for its Constituent Authorities, within a robust governance framework the WPP risks:
- 17.1 Constituent Authorities declining to participate in the WPP and invest their assets with the WPP
- 17.2 A cultural drift or misalignment occurring between the WPP and its Constituent Authorities which may result in the Constituent Authorities opting to withdraw from the WPP
- 17.3 Government intervention which may force the WPP to cease operations
- 18 In recognition of the unique and critical nature of the risks outlined in points 16 and 17 the WPP has taken additional steps to manage these risks. Alongside this policy, the WPP Business Plan is the means by which the WPP gives special recognition to these risks and the actions required to manage them. The WPP's Business Plan is reflective of the WPP's need to:
- 18.1 Provide a diverse and attractive set of investment opportunities to the Constituent Authorities
- 18.2 Manage and monitor investment risk, including Climate Risk
- 18.3 Deliver improved investment performance after fees
- 18.4 Facilitate broader cost savings to the Constituent Authorities
- 18.5 Provide effective and robust governance arrangements
- 19 During the course of the WPP Business Plan the follow actions will be prioritised to mitigate the risk of the WPP failing to meet these needs:
- 19.1 Further sub-funds will be launched
- 19.2 Providing regular Climate Risk reporting and embracing investment solutions which enable the WPP to effectively mitigate climate risk exposure
- 19.3 Best in class investment manager performance and risk reporting will be developed
- 19.4 The continued investigation of cost saving opportunities
- 19.5 Further development of the WPP's governance arrangements
- 20 The WPP also recognises the significant risk posed by its reliance on its Operator. The WPP Business Plan's commitment to formulating an Operator Oversight Framework is recognition of the need to take additional steps to manage this risk.

### **Risk Strategy**

- 21 The WPP's risk strategy is focussed on putting in place mechanisms and process that allow it to identify, understand, manage and monitor risk. The strategy is not only concerned with risks relating to the WPP's current activities but also those carried out in the past or to be carried out in the future.
- 22 As part of its risk strategy the WPP will carry out following:

- 22.1 Risk Identification
- 22.2 Risk Understanding
- 22.3 Risk Management
- 22.4 Risk Monitoring
- 23 The WPP recognises the need to ensure that its risk strategy is:
  - 23.1 Effectively communicated and fully understood by WPP Personnel and Providers
  - 23.2 Integrated into all WPP processes, procedures and activities
  - 23.3 Adaptable, innovative and effective
- 24 The JGC will be responsible for ensuring that the WPP's risk strategy is carried out and adhered too. However, all WPP Personnel and Providers have an individual duty to identify, understand, manage and monitor any potential risks to the WPP. The WPP has established a dedicated Risk Sub-Group to ensure that WPP has sufficient time to manage and review its approach to risk.
- 25 The WPP Risk Sub-Group meets quarterly and is responsible for maintaining the WPP Risk Register and reporting back any changes or developments to the OWG and JGC on a quarterly basis.
- 26 The Risk Sub-Group has a vital role in proactively identifying new risks and assessing the effectiveness of existing or requirements for additional risk mitigation measures. The Sub-Group puts forward recommendations, to the OWG, on what actions should be taken to further mitigate or manage risks, the group is not responsible for enacting the recommended actions.

### Identification and Understanding

- 27 The WPP's risk identification is focussed on identifying existing risks and risks which may materialise in the future. A proactive approach to identifying future risk will allow the WPP to be proactive as opposed to reactive, this should ensure more efficient risk management.
- 28 The WPP uses the following to identify risks:
  - 28.1 A detailed risk assessment exercise carried out by the Risk Sub-Group and OWG
  - 28.2 Feedback and communication with WPP's stakeholders
  - 28.3 Internal or external audit exercises
  - 28.4 Regular meetings, conversations and consultations with other LGPS Pools, the Scheme Advisor Board and the Department for Levelling up, Housing and Communities
  - 28.5 An annual review of the WPP's performance towards its long-term objectives
  - 28.6 Formulation of the WPP's Annual Business Plan

The WPP recognises that methods other than those outlined above can be an effective means of identifying risks and the WPP will look to employ these alternative methods if required.
- 29 Once a risk has been identified the WPP will seek to understand the risk and its potential impacts. As part of this process the WPP will:

- 29.1 Classify the nature of the risk
- 29.2 Identify the cause of the risk
- 29.3 Outline the potential impacts of the risk
- 29.4 Consider the time period over which the impact will be felt
- 29.5 State the Owner(s) of the Risk
- 29.6 Attribute a probability and severity score to the risk
- 29.7 Give the risk an overall risk score

30 In understanding a risk, the WPP will consider whether the risk is Financial, Operational or Reputational in nature. In addition, the WPP will use the following criteria to classify the timeframe over which the impact of the risk will be felt:

Short Term	The majority of the impact is expected to materialise within a 12-month period
Medium Term	The majority of the impact is expected to materialise within a 1 to 3-year period
Long Term	The majority of the impact is expected to take longer than 3 years to materialise

31 The WPP will use the following system to attribute a probability score to a given risk:

Probability Score:	Probability	% Probability
1	Improbable	0-25%
2	Unlikely	25-40%
3	Possible	40-60%
4	Likely	60-75%
5	Highly Likely	75%+

32 The WPP will use the following system to attribute a severity score to a given risk:

Severity Score:	Impact	% Impact
1	Insignificant	0-25%
2	Minor	25-40%
3	Moderate	40-60%
4	Significant	60-75%
5	Critical	75%+

33 The Overall Risk Score is calculated by multiplying the severity score by the probability score. The Overall Risk Score is used to classify the risk based on the following matrix:

Probability Score	Severity Score				
	1	2	3	4	5
1	Low	Low	Low	Low	Low
2	Low	Low	Medium	Medium	High
3	Low	Medium	Medium	High	High
4	Low	Medium	High	Very High	Very High
5	Low	High	High	Very High	Very High

34 Once the WPP has identified and understood a risk it will be documented in the WPP’s Risk Register.

**Management and Monitoring**

35 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:

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




36 The Overall Risk score indicates the level of management that is required when the risk is initially added to the WPP’s Risk Register:

<b>Green</b>	Low Priority	1 to 5	No Action Required - Ongoing Monitoring Required
<b>Yellow</b>	Medium Priority	6 to 9	Review Suitability of Existing Risk Mitigation Strategies
<b>Orange</b>	High Priority	10 to 15	Action Required
<b>Red</b>	Very High Priority	16 to 25	Urgent Action Required

37 The WPP’s risk management strategy considers what existing risk controls are in place, identifying existing controls is important in guaranteeing that any further risk management strategies are not

inefficiently duplicating existing measures. Any existing risk controls will be clearly outlined in the WPP’s Risk Register.

- 38 The next step of the WPP’s risk management strategy is to attribute a target risk score to each risk. The target risk score represents the risk that would remain if the WPP were to employ all possible risk management strategies with maximum efficiency, in this regard the score can be considered a ‘best-case scenario’. The WPP’s use of a target risk score is reflective of its belief that not all risks can be fully mitigated.
- 39 Once a target risk score has been devised the WPP will consider if this score has been met, if it has not action will be taken to reduce the risk’s probability, severity or both. The Risk Register will state which party is responsible for the completion of this action.
- 40 The Risk Register will provide a status update on the progression of the WPP’s risk management actions and activities. The WPP has adopted the following classification system:

Status	Meaning	Description
	Satisfied	The WPP has met its target risk score, its focus will revert to monitoring this risk and maintaining the current risk score.
	Comfortable	The WPP is comfortable that the risk score is progressing toward its target score. The WPP will continue to adhere to and implement the ‘required actions’ until it becomes satisfied.
	Unsatisfied	The WPP remains concerned about this risk due to its significance or the progress made toward fulfilling the ‘required actions’ or the effectiveness of these actions.

- 41 The final stage of the WPP’s risk strategy is risk monitoring, this is the process by which the WPP considers and reviews if:
  - 41.1 Risk management actions have been completed or progressed since the last review date
  - 41.2 The risk management strategies have been effective
  - 41.3 Further action is required
  - 41.4 A risk’s characteristics have changed materially
  - 41.5 Lessons can be learnt which may improve future risk management
- 42 During its quarterly meeting the Risk Sub-Group will identify any required actions that have been identified during its detailed review of the Risk Register and will document these in its rolling ‘Risk Sub-Group Action Points Log’ - this document is a standing OWG agenda item.
- 43 The Risk Sub-Group and OWG will be responsible for maintaining the WPP Risk Register and reporting back any changes or developments to the JGC on a quarterly basis via the WPP’s Abbreviated Risk Register.

**Further Information**

44 The WPP has identified the following as potential risks which may limit its ability to enact this policy:

44.1 A lack of knowledge means that the WPP cannot effectively identify and understand risks

44.2 A lack of resources means that the WPP cannot effectively identify and understand risks

44.3 A lack of knowledge or resources limits the effectiveness of the WPP's risk management strategies

44.4 The WPP's Risk Strategy is not fully understood by WPP Personnel and Provider and fails to become embedded into the WPP's decision making process

44.5 Other factors, such as conflicts or interest, interferes with the implementation of this policy

The WPP will continually monitor these risks and were possible will take steps to mitigate these risks.

45 If you require any further details on the WPP's Risk Policy, please contact:  
walespensionpartnership@carmarthenshire.gov.uk.

***Version 3.0***

***June 2022***





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## WPP Climate Policy (“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 The investment arrangements of WPP are overseen by the Joint Governance Committee (“JGC”) and supported by the Officer Working Group (“OWG”) and implemented through Sub-Funds managed by its “Investment Managers”.
- 3 The Wales Pension Partnership (“WPP”) recognises that climate change represents a material financial risk to its stakeholders, the Constituent Authorities. Climate change has the potential to disrupt economic, financial and social systems.
- 4 The WPP is aware that climate change may result in mis-priced assets and unique investment opportunities. The WPP believes that its adherence to responsible investment policies and climate risk mitigation strategies will mean that its Constituent Authorities are well placed to identify and benefit from these potential investment opportunities.
- 5 The potential impact of Climate Change on the WPP’s Constituent Authorities and their internal stakeholders (Scheme Members and Employers) is unknown, given policy uncertainty and the unknown physical impacts that may result from Climate Change. Risks to the Constituent Authorities arising from climate change include, but are not limited to:
  - 5.1 Physical risks: such as damage to property from flooding or lower precipitation giving rise to crop failure. Such impact could be felt directly by CA’s or through the impact on returns delivered to CA’s via investments in WPP Sub-Funds;
  - 5.2 Transition risks: being the financial risks arising from changes in policy and technology to adjust to a lower-carbon economy and the extent to which these flow through to the returns delivered to CA’s via investments in WPP Sub-Funds;
  - 5.3 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.
- 6 This policy sets out the WPP’s approach to addressing the requirements of the Constituent Authorities in regard to climate-related risks and the monitoring of these risks.
- 7 This policy will be reviewed by the OWG on an annual basis and, if necessary, changes to the policy will be proposed to and agreed by the JGC. As part of the annual review process the WPP will take account of the evolving risk to and requirements of the Constituent Authorities.
- 8 This policy will have regard to 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 of Levelling Up, Housing and Communities (“DLUHC”) and the Intergovernmental Panel on Climate Change (“IPCC”). The policy will note Welsh Government guidance and the Well-being of Future Generations (Wales) Act 2015.
- 9 In maintaining and acting on this policy, the WPP will have an ongoing dialogue with its Operator, Investment Managers, Voting and Engagement Provider and Oversight Advisor. The WPP will also seek input from third parties where appropriate.

**Beliefs**

- 10 The WPP has a set of climate-related beliefs, which underpin its approach to dealing with the potential risk arising from climate change, and the investment solutions it provides to the Constituent Authorities to facilitate the management of their climate-related risks. The WPP's beliefs are as follows:
- 10.1 Climate-related risks are systemic in nature and have the potential to impact the investment return from all asset classes and sectors to varying degrees. Such impact may be positive or negative.
  - 10.2 A greater public understanding of climate-related risks, alongside government commitments, are likely to trigger a low carbon transition which will present numerous compelling investment opportunities for investors, such as the WPP's Constituent Authorities, who are well informed on Climate Risk matters and able to effectively manage and mitigate transition risk.
  - 10.3 It is incumbent on WPP to identify potential sources of climate-related risks in the development of any sub-fund and/or the procurement of any service from providers and, where necessary, seek to ensure such risks are appropriately managed and communicated to stakeholders.
  - 10.4 The WPP has appointed a specialist Voting and Engagement Provider to directly engage with investee companies on a range of issues, including climate risk and climate risk disclosures, to enhance the long-term value of the Constituent Authorities' investments within WPP.
  - 10.5 As part of its role, the WPP's Voting and Engagement Provider collaborates with other asset owners to maximise the effectiveness of the WPP's engagement activities. The WPP believes that collaboration with other asset owners and its investment managers can be an effective method for amplifying its voice with investee companies and raising awareness of climate-related issues.

**Objectives**

- 11 WPP's objective in preparing and implementing this policy is to:
- 11.1 demonstrate to its stakeholders that the WPP takes account of climate change and the climate-related risk associated with it;
  - 11.2 clearly outline its role and responsibilities in relation to carrying out ongoing consultation with the Constituent Authorities and facilitating investment offerings which enable each Constituent Authority to implement their own climate risk policy and climate-related targets and ambitions; and
  - 11.3 formally outline the actions that the WPP will be held accountable for by its stakeholders.
- 12 The Constituent Authorities are responsible for their own investment strategy, including their own Climate Change / Risk Policy. The WPP is not involved in formulating, nor will it seek to influence, the climate change objectives or commitments that each Constituent Authority has made a local level.
- 13 The WPP's role is to consult with each Constituent Authority in relation to their climate objectives, on at least an annual basis, and to fully understand what implementation solutions they require to meet their objectives and commitments.
- 14 Following its consultation with each Constituent Authorities the WPP will endeavour to develop and facilitate investment solutions that enable each and every Constituent Authority to achieve their climate objectives and commitments.
- 15 Where possible the WPP, and its Constituent Authorities, will seek to collaborate and work together to develop investment solutions that meet the climate objectives and commitments of all the Constituent Authorities.

- 16 If unified and collaborative investment solutions that simultaneously meets the objectives and requirement of all the Constituent Authorities cannot be developed, the WPP will work with any Constituent Authority to develop tailored investment solutions that will enable them to achieve their own local objectives and requirements.
- 17 The Constituent Authorities are aware that there may be additional costs, or reduced fee savings, associated with the WPP's facilitation of these tailored investment solutions and have signalled their willingness to bear the costs to ensure that they are able to meet their local level objectives and requirements.
- 18 On an annual basis the WPP will assess whether its consultation exercise with the Constituent Authorities has identified a common climate-related objective that all Constituent Authorities are willing to support. If unanimous support can be obtained, from all eight Welsh Constituent Authorities, the WPP we seek to adopt this climate related objectives as the WPP's 'Climate Goal' and incorporate it across all WPP Sub-Funds.
- 19 The WPP's Climate Goal will be regularly reviewed, following consultation with the Constituent Authorities, and will always be driven by the collective requirements and objectives of the Constituent Authorities. If the WPP's consultation exercise with the Constituent Authorities fails to identify a common climate-related objective that all Constituent Authorities are willing to unanimously support, then no WPP Climate Goal will be formulated until there is unanimous support for a given Climate Goal.

### Strategy

- 20 The WPP recognise that all assets have some level of exposure to climate-related risks, particularly transition risks, but that sector, geography, policy uncertainty and investment timeframes are key determinants of climate risk exposure.
- 21 Recognising its current investment arrangements and offerings, the WPP's immediate focus will be on climate-related risk exposure within its equity and fixed income holdings. The WPP will however consider climate-related risks in other asset classes when circumstances allow or require them to do so. The WPP will endeavour to provide climate risk solutions across all of it sub-funds, including private market assets.
- 22 The WPP recognises the importance of monitoring exposure to climate-related risks in different ways. One way the WPP facilitates this is by monitoring the carbon risk exposure of each sub-fund to ensure that the Constituent Authorities have all available information at their disposal. The WPP receives regular Climate Risk Monitoring Reports for its Equity and Fixed Income Sub- Funds. The WPP will continue to explore and investigate market developments which enhance its ability to assess climate risk exposures within its Sub-Funds.
- 23 The WPP recognises the merits of undertaking scenario analysis on the potential economic impact of climate-related risks and articulating the findings of said analysis to the Constituent Authorities. However, the WPP notes that this is an evolving area, and such analysis is in its infancy. The WPP will endeavour to continually facilitate climate scenario analysis across assets held within the WPP to ensure that the Constituent Authorities are aware of the potential climate risks within the WPP Sub-Funds.
- 24 The WPP recognises that training and education is critical to achieving good outcomes for its stakeholders and will allocate resources to ensure that it undertakes regular training and education on climate risk. The WPP has committed to hosting at least one annual climate risk-related training session for its stakeholders. The WPP carries out an annual training needs identification exercise, in conjunction with the Constituent Authorities, this is the mechanism by which the WPP gauges the climate risk training requirements of its stakeholders.

**Implementation**

- 25 The WPP's approach to manager selection is set out in its Responsible Investment Policy. The WPP's sub-fund Investment Managers have delegated responsibility for challenging managers on their approaches to the consideration of climate risk as part of its manager selection process.
- 26 The WPP expects its Investment Managers to ensure that all underlying active managers integrate the consideration of climate-related risks into their investment process and to regularly challenge underlying managers to evidence their approach.
- 27 The WPP will work with its Investment Managers to ensure that they account for and integrate climate-related risks into their investment processes. The WPP considers the effective management of climate-related risks to be a key criterion in any Manager appointment and understands that each Investment Manager will have its own means of integrating climate-related risk into their investment process. The WPP, on at least an annual basis, will review each of its Investment Managers' approach to Climate Risk integration.
- 28 The WPP's stewardship strategy is set out in its Responsible Investment Policy. The WPP will emphasise the importance of engagement on climate-related risks through its Voting and Engagement Provider. In particular, the WPP will encourage its Voting and Engagement Provider to engage with investee companies on climate-related issues, including an increase in the disclosure on climate-related risks by companies to investors.
- 29 The WPP has a Voting Policy and a set of engagement principles in place which will outline how it will use its voting rights and engagement activities to influence investee companies. The WPP's Voting and Engagement Provider is responsible for enacting these policies on behalf of the WPP.

**Monitoring/Reporting**

- 30 The WPP monitors exposure to climate-related risks within its equity sub-funds on a quarterly basis. The metrics monitored include, but are not limited to, exposure to fossil fuel producers, carbon emissions and carbon intensity. The WPP will monitor changes in market practice to ensure that the WPP is fully aware of changing best practice and the feasibility of monitoring climate-related risk within its non-equity sub-funds on at least an annual basis.
- 31 In addition to its own reporting, the WPP will require its Investment Managers to provide monitoring on climate-related risk exposure in their quarterly reports to WPP and the Constituent Authorities. As noted above, the WPP will initially expect their equity and fixed income Investment Managers to provide this monitoring, with the expectation that its alternative Investment Managers will provide this information as soon as sub-fund launches and market developments allow.
- 32 The WPP's Voting and Engagement Provider is responsible for producing quarterly and annual reports on the WPP's voting and engagement activities. These reports evidence how the WPP has used engagement and voting to manage its climate-related risk.
- 33 The WPP will report in line with the Taskforce for Carbon-related Financial Disclosures (TCFD) requirements, including a report on the actions taken in fulfilment of this policy and will support the Constituent Authorities in their own TCFD reporting.

**Transparency**

- 34 The WPP will encourage, through its Voting and Engagement Provider and Investment Managers, all investee companies to disclose in line with the requirements of the TCFD.

## Annual progress update against policy commitments

### Overview

The purpose of this paper is to review how the WPP has progressed towards fulfilling commitments made in its Responsible Investment and Climate Risk policies over the year to 31 March 2022. The paper also identifies areas for future activity. Detail reported in this paper will also be reflected in the WPP's Stewardship Code report for the year.

This paper should be regarded as “**Tier 4 -Monitoring and Review**” in terms of the WPP's governance framework.

This paper should not be released or otherwise disclosed to any third party without our prior written consent except as required by law or regulatory obligation. We accept no liability to any other party unless we have especially accepted such liability in writing.

### Background

The Wales Pension Partnership's ('WPP') Joint Governance Committee ('JGC') has formally approved both a Responsible Investment ('RI') Policy and a Climate Risk Policy for the WPP. These policies are representative of the broad range of investment beliefs within the Pool, are ambitious in nature and reflective of WPP's desire to be a leader in RI. During this year the WPP and Constituent Authorities have worked to implement and deliver the various policy commitments.

Hymans carried out an annual review of the RI policy in October 2021 where some updates were made to the policy to reflect the progress the WPP had made during the period since the previous review. The process for reviewing and updating the policy was also reviewed, where it was agreed that the full in-depth policy review would take place every three years which will take a more granular look at the suitability of the policy and the commitments within. The next in-depth review is due to take place in 2023.

As similar light touch review of the Climate Risk policy has been separately undertaken as at April 2022. It is proposed that the in-depth review of both Climate Risk and RI policies are undertaken coincidentally in future given the overlap between the two.

It was also agreed for WPP to review progress against the commitments in the RI policy on an annual basis although in undertaking this exercise, it was appropriate to also undertake a review of progress against commitments in the Climate Risk policy. It was agreed that this be undertaken at the end of the financial year so as to align with Stewardship Code reporting requirements. This review was discussed by the RI Sub-Group on 5 April 2022.

### Progress Against Commitments

Appendix 1 provides an assessment of the progress the WPP has made towards delivering on the commitments in its RI Policy during the 12 months to 31 March 2022. Appendix 2 covers a similar assessment for commitments under the Climate Risk policy. We note that in the vast majority of areas, progress has continued to be made against the policy commitments.

We separately note that the FRC has provided feedback on the recent stewardship code reporting which will be considered in drafting the 2021/22 report.

### Highlights of the year

A significant amount of work has been undertaken over the year on RI and climate risk. We provide some highlights below.

- After consultation with the CA's, WPP will provide a comprehensive report covering all sub-funds for TCFD purposes in line with each CA's requirements. WPP also intends to report in line with the TCFD requirements.
- To continue to progress the WPP's stewardship activities, Robeco's quarterly voting and engagement reports are reviewed and matters of interest discussed by the RI Sub-Group. Any issues are raised with Robeco as necessary.
- The WPP published its first annual Stewardship Report and has been accepted as a signatory to the 2020 UK Stewardship Code.
- The WPP has adopted Robeco's house voting policy although WPP intends to put in place its own voting policy (which will reference the Robeco policy), subject to agreement by the JGC.
- WPP has discussed voting principles with BlackRock and potential mechanisms for extending the voting policy to passive mandates.
- WPP has worked with Russell and the Constituent Authorities to develop the Sustainable Equity Fund. Whilst this has created some dialogue with CA's on climate strategy, CA's have not yet reached a position where a common climate objective can be adopted by WPP.
- The RI Sub-Group has been active in monitoring the ESG and climate characteristics of its sub-funds and discussing issues raised with Russell.

### Gaps to address

The reviews also noted some areas where work had not progressed over the year. These included:

- Work has not yet progressed on giving consideration to the UN Sustainable Development Goals although some work was undertaken on developing a process to provide input to Robeco on key voting and engagement themes. This area of work is intended to be progressed further over H2, 2022.
- It is intended that WPP report in line with the TCFD requirements for the 2021/22 financial year and will be supporting CA's which wish to do the same. Consideration will be given to scenario analysis, and how it may be usefully employed by WPP as part of this reporting process.
- The WPP did not complete a formal annual review of each of its Investment Managers' approaches to Climate Risk integration (but did conduct significant work on Russell's approach through ongoing scrutiny).



### Areas for future focus

In completing this assessment, we note the following potential areas for activity/improvement over 2022/23:

#### 1 Improving the process of consultation with the Constituent Authorities.

Whilst we note that this has been successful in developing training needs, in progressing the Sustainable Equity Fund and through the broader committee structure, there remain areas where this process could be improved, particularly in developing an understanding of climate goals.

#### 2 Assessing the ongoing implementation of strategy

The RI Sub-Group has sought to improve the mechanisms by which it exercises scrutiny over Russell, making better use of the information available to it. However, there is still scope for improvement in this area. We propose working with Russell to both develop a form of annual assessment reporting to meet the various commitments in the policies, and ongoing dialogue around the scrutiny meetings to ensure these best meet WPP's requirements.

#### 3 Seeking further opportunities for collaboration

Whilst there are some examples of where there has been good collaboration on engagement and the working of the WPP itself is a positive demonstration of collaborative efforts, consideration can be given to more granular collaborative efforts. Improved collaboration around reporting within the WPP could also be beneficial, particularly around TCFD reporting needs. Work on this has already begun.

### Conclusions

The WPP continues to make positive progress against each of the policy commitments it has made although, as expected, there remain areas for improvement.

We look forward to discussing this with you,

Prepared by:

Simon Jones, Partner  
Iain Campbell, Senior Investment Consultant  
Jamie Forsyth, Investment Analyst

For and on behalf of Hymans Robertson LLP





June 2022

## Appendix 1: Progress against RI policy commitments

Ref	Commitment/ Policy Statement	Update/ Comment	RAG Status
<b>Investment Strategy</b>			
3.3	WPP will consult with Constituent Authorities on at least an annual basis to determine their individual investment requirements and longer-term aspirations.	In 2021 the 'ambitions and requirement questionnaire' was issued to the JGC, OWG, Constituent Authority Pension Committees and the Chairs of Constituent Authorities Pension Boards.	●
3.4	The WPP will consider opportunities arising from a greater understanding of ESG factors.	The WPP is considering ESG factors and impact investments as part of its Private Markets discussions.  The RIWG is currently working with Russell in the development of a sustainable active equity sub-fund which is expected to launch later in 2022.	●
<b>Climate change</b>			
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.	CA's have been consulted on potential climate metrics for reporting purposes. WPP will provide a comprehensive report covering all sub-funds for TCFD purposes. WPP also intends to report in line with the TCFD requirements.	●
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.	This engagement activity will be carried out via Robeco and Russell. WPP has highlighted this requirement to Robeco through its voting principles and will continue to engage with Robeco on the subject. <b>Consideration will be given to how this affects new managers/sub-funds</b>	●
<b>Implementation of strategy</b>			
6.1, 6.3	The WPP 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.  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	Link/ Russell, as part of their manager selection process already evaluates how managers integrate climate-related and other ESG risks into their decision making.  The RIWG are responsible for monitoring Russell and underlying investment managers on the extent to which they have integrated Climate risk & ESG consideration into the portfolios that they run for WPP.	●

Ref	Commitment/ Policy Statement	Update/ Comment	RAG Status
	approach taken to the management of ESG factors can be properly evidenced.	The RIWG has developed a process for receiving climate risk and ESG reports from their advisors which aim the monitoring of its investment managers.	
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.	WPP will request a report from Russell/Link on the extent to which this is in place	●
<b>Stewardship</b>			
7.4	WPP will engage with its passive Investment Manager to consider how WPP’s voting principles can be extended to assets managed by its passive Investment Manager.	WPP has discussed voting principles with BlackRock and potential mechanisms for extending the voting policy to passive mandates. No changes have been made during the year	●
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 Investment Managers.	Quarterly voting reports are received from Robeco. A review of the voting reports is undertaken and matters of interest discussed by the RIWG. Any issues are raised with Robeco 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.	The WPP has adopted Robeco’s house policy. The WPP intends to put in place its own policy subject to agreement by the JGC.	●
7.12	WPP will receive reporting on any engagement undertaken by its Investment Managers on an annual basis.	WPP receives reporting on engagement activity on a quarterly basis. These reports are reviewed on a quarterly basis and matters of interest are raised with Robeco as necessary.  WPP separately raises any issues of concern with other managers as necessary.	●
<b>Collaboration</b>			
8.1	WPP will continually identify and assess potential collaboration opportunities, including investor led responsible investment initiatives.	The WPP needs to consider if its current mechanism for identifying and assessing opportunities is effective and how it can record its collaboration activities. The WPP should liaise with Robeco & LAPFF on opportunities here.	●

Ref	Commitment/ Policy Statement	Update/ Comment	RAG Status
		<p>The WPP have been accepted as a signatory to the 2020 UK Stewardship Code and published their first annual stewardship Report.</p> <p>The WPP is also using its training sessions as a means of learning more about the collaboration opportunities that are available to the WPP.</p>	
8.3	In conjunction with its V&E Provider, WPP will seek to identify investor led responsible investment initiatives and collaborations that can be actively supported.	WPP has co-signed a letter to Amazon at the instigation of Robeco.	●
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.	No action taken on this.	●
8.5	WPP will continue to collaborate with the cross-pool RI collaboration project at any suitable opportunity.	WPP is represented on the cross-pool RI group and updates are regularly provided to the RIWG on ongoing activity.	●
<b>Monitoring, Reporting and Measurement</b>			
9.1	WPP will develop appropriate monitoring metrics for its portfolios.	<p>The RI Sub-Group have established a process for receiving sub-fund 'deep dive' ESG and climate risk reports which are provided by Hymans. These allow the WPP to see how each sub-fund and underlying manager perform from climate and ESG perspectives.</p> <p><b>It is intended that the reporting regime be reviewed in the 2022/23 year.</b></p>	●
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.	<p>Link/ Russell, as part of their manager selection process already evaluates how managers integrate Responsible Investment considerations into their decision making.</p> <p>WPP receives regular updates from its investment managers on performance and RI issues. <b>WPP will request an update from Russell and Link on key aspects of the sub-funds as at 31 March 2022.</b></p>	●

Ref	Commitment/ Policy Statement	Update/ Comment	RAG Status
9.4, 10.2	<p>On an annual basis, the WPP will prepare and publish a stewardship report detailing the actions undertaken in fulfilment of this policy and the results achieved.</p> <p>WPP will prepare and publish an annual stewardship report in line with the principles of the 2020 FRC UK Stewardship Code.</p>	<p>WPP completed a stewardship report for the year to 31 March 2021 which was submitted to the FRC in October 2021 and published in March 2022.</p> <p>WPP has been accepted as a signatory to the FRC UK Stewardship Code 2020.</p>	
<b>Other</b>			
10.1	WPP will ensure there is at least one formal training session directly focused on Responsible Investment.	<p>During 2021/22 the RI sub-group had sessions that included training sessions on developing climate goals, monitoring and metrics, and stewardship.</p> <p>WPP has produced a 22/23 training plan that includes the following RI subjects:</p> <ul style="list-style-type: none"> <li>• What RI mean for the WPP</li> <li>• Stewardship Code and TCFD Reporting</li> <li>• Progress of other LGPS Pools</li> <li>• Collaboration Opportunities</li> </ul>	
10.3	WPP will also explore the possibility of incorporating the United Nations' SDGs into its RI beliefs and its monitoring and measurement mechanisms.	No significant action was taken to progress this ambition during the year although WPP still intends to introduce private markets and impact mandates.	
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 as part of their annual stewardship and governance report.	<p>The recently published WPP annual stewardship report acts as the WPP's RI stewardship and governance report. WPP has received feedback on learnings from the report and also from the FRC which are to be considered. This review also meets the requirements of this commitment</p> <p>A full deep-dive of the policy and commitments within will take place every 3 years with the next review in 2023.</p>	

## Appendix 2: Progress against climate policy commitments

Ref	Commitment/ Policy Statement	Update/ Comment	RAG Status
<b>Objectives</b>			
13	WPP will consult with Constituent Authorities in relation to their climate objectives, on at least an annual basis, and to fully understand what implementation solutions they require to meet their objectives and commitments.	No detailed consultation has been undertaken during the last 12 months although there has been dialogue around the introduction of a Sustainable Equity Fund.  <b>Process for periodic consultation on climate risk to be prioritised over 2022/23.</b>	●
14	The WPP will endeavour to develop and facilitate investment solutions that enable each and every Constituent Authority to achieve their climate objectives and commitments.	WPP has worked with Russell and the Constituent Authorities to develop the Sustainable Equity Fund. .	●
15	The WPP, and its Constituent Authorities, will seek to collaborate and work together to develop investment solutions that meet the climate objectives and commitments of all the Constituent Authorities.		
18	On an annual basis, the WPP will assess whether its consultation exercise with the Constituent Authorities has identified a common climate-related objective that all Constituent Authorities are willing to support.	Consultation has not taken place so assessment is not possible.	●
<b>Strategy</b>			
23	The WPP receives quarterly Climate Risk Monitoring Reports for its Equity Sub-Funds and is planning on extending this form of reporting to its Fixed Income Sub-Funds.	Climate Risk Monitoring Reports were produced for Fixed Income Sub-Funds as at 30 September 2021.  Reports are not provided for all sub-funds on a quarterly basis for scrutiny purposes. WPP intends to work with both Hymans and Russell on the evolution of its monitoring processes.	●
24	The WPP will endeavour to continually facilitate climate scenario analysis across assets held within the WPP to ensure that the Constituent Authorities are aware of the	Collective scenario analysis is not currently undertaken but could be facilitated. Aim to consider in more detail as CA's become subject to TCFD requirements.	●

Ref	Commitment/ Policy Statement	Update/ Comment	RAG Status
	potential climate risks within the WPP Sub-Funds.		
25	<p>The WPP has committed to hosting at least one annual climate risk-related training session for its stakeholders.</p> <p>The WPP carries out an annual training needs identification exercise, in conjunction with the Constituent Authorities, this is the mechanism by which the WPP gauges the climate risk training requirements of its stakeholders.</p>	<p>A training session on the Climate Risk Monitoring Reports was held during the year.</p> <p>As set out under 10.3 of the RI policy review, a training needs assessment has been undertaken for the 2022/23 year.</p>	●
<b>Implementation</b>			
28	The WPP, on at least an annual basis, will review each of its Investment Managers' approach to Climate Risk integration.	WPP has sought to understand Russell's approach to the management of climate risk during the year through the scrutiny process. However, a formal assessment has not taken place and will be considered.	●
29	The WPP will encourage its Voting and Engagement Provider to engage with investee companies on climate-related issues, including an increase in the disclosure on climate-related risks by companies to investors.	WPP has adopted six key voting priorities in with Robeco. Climate risk disclosure is among these.	●
<b>Monitoring/Reporting</b>			
31	The WPP will monitor changes in market practice to ensure that the WPP is fully aware of changing best practice and the feasibility of monitoring climate-related risk within its non-equity sub-funds on at least an annual basis.	<p>The Climate Risk Monitoring Reports include a wide range of climate metrics and discusses with Hymans the metrics used.</p> <p>WPP intends to work with both Hymans and Russell on the evolution of its monitoring processes.</p>	●
32	The WPP will require its Investment Managers to provide monitoring on climate-related risk exposure in their quarterly reports to WPP and the Constituent Authorities.	WPP intends to work with both Hymans and Russell on the evolution of its monitoring processes.	●

Ref	Commitment/ Policy Statement	Update/ Comment	RAG Status
<b>Transparency</b>			
35	The WPP will encourage, through its Voting and Engagement Provider and Investment Managers, all investee companies to disclose in line with the requirements of the TCFD.	WPP has adopted six key voting priorities in with Robeco. Climate risk disclosure is among these.	●
34, 36	<p>The WPP has an ambition to report on progress on actions undertaken to address climate risk in line with the framework set out by the Taskforce for Climate-related Financial Disclosures.</p> <p>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.</p>	<p>WPP submitted a report in line with the FRC UK Stewardship Code Requirements in 2021 which addressed climate risk considerations to some degree.</p> <p>It is proposed that WPP report in line with the TCFD requirements in 2022 and going forward.</p>	●





## WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

**DATE 8 JULY 2022**

### SUBJECT

**OPERATOR UPDATE**

### RECOMMENDATIONS / KEY DECISIONS REQUIRED:

**To receive a presentation from the Operator on the progress of the Wales Pension Partnership**

### REASONS:

The operator to provide an update on the following key areas:

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

**Report Author:**  
Chris Moore

**Designation:**  
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**Carmarthenshire County  
Council**

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**E. Mail:**  
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**EXECUTIVE SUMMARY  
JOINT GOVERNANCE COMMITTEE**

**DATE 8 JULY 2022**

**OPERATOR UPDATE**

**BRIEF SUMMARY OF PURPOSE OF REPORT**

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.

**DETAILED REPORT ATTACHED?**

**YES**

# 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

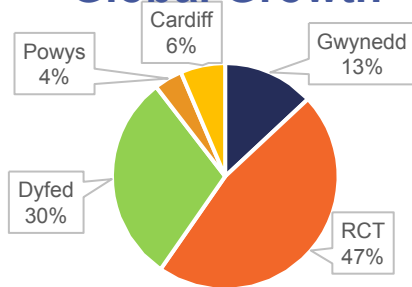
# Wales Pension Partnership

## Q1 2022 review

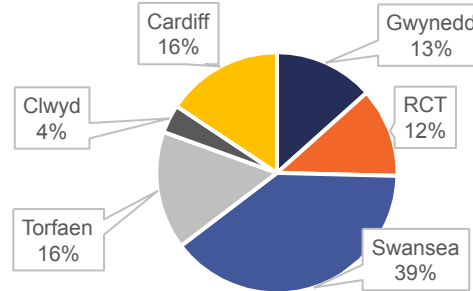
Joint Governance Committee  
8th July 2022

# March 2022 Fund Snapshot - Equities

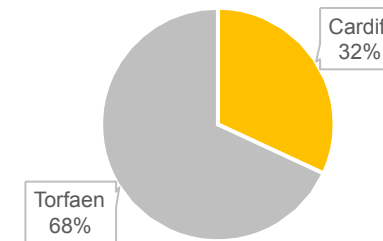
## Global Growth



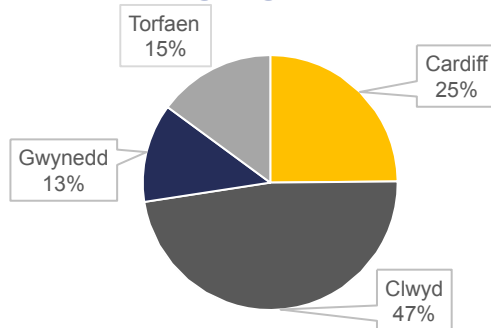
## Global Opportunities



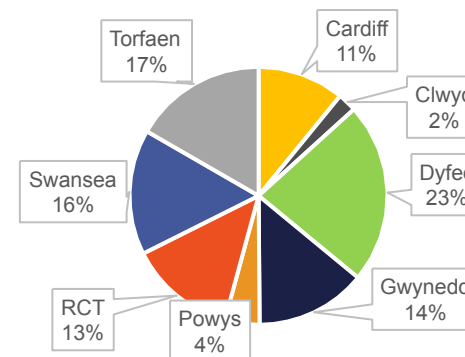
## UK Opportunities



## Emerging Markets



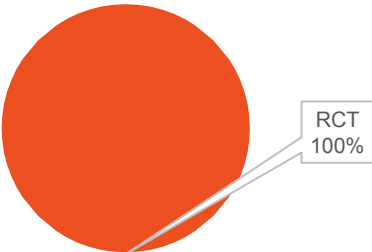
## Passive\*



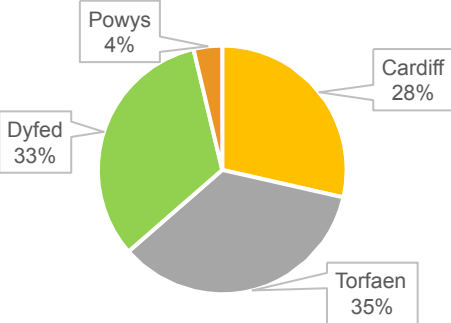
- Key:
- Dyfed
  - Powys
  - Gwynedd
  - RCT
  - Torfaen
  - Clwyd
  - Swansea
  - Cardiff

# March 2022 Fund Snapshot - Fixed Income

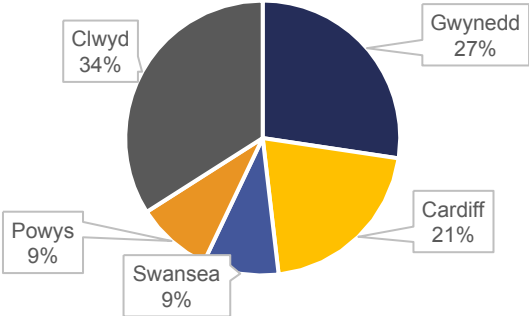
**Sterling Credit**



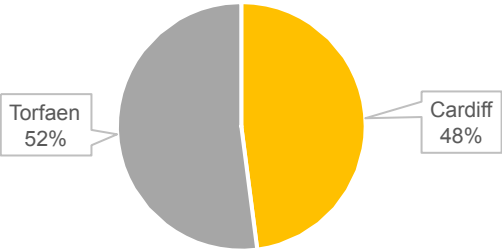
**Global Credit**



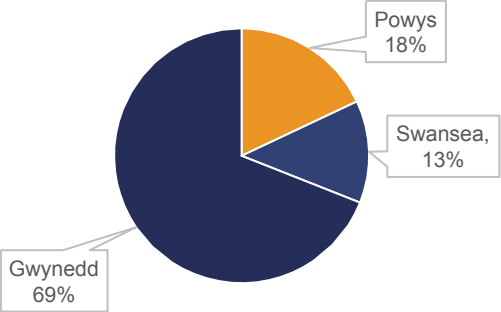
**Multi Asset Credit**



**Global Gov. Bond**



**Absolute Return Bnd**



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

# March 2022 LF Wales PP Fund AUM

Fund	AUM	Inception date
Global Growth	£3,303,494,324	6 <sup>th</sup> Feb 2019
Global Opportunities	£3,387,940,322	14 <sup>th</sup> Feb 2019
UK Opportunities	£730,277,801	10 <sup>th</sup> Oct 2019
Emerging Markets	£464,615,396	20 <sup>th</sup> Oct 2021
Sterling Credit	£574,224,152	19 <sup>th</sup> Aug 2020
Global Credit	£757,658,876	21 <sup>st</sup> Aug 2020
Multi Asset Credit	£723,183,882	12 <sup>th</sup> Aug 2020
Global Government Bond	£507,272,837	20 <sup>th</sup> Aug 2020
Absolute Return Bond	£509,602,394	30 <sup>th</sup> Sept 2020
<b>Total Active Investments</b>	<b>£10,958,269,984</b>	
<b>Total Passive Investments</b>	<b>£5,599,926,568</b>	
<b>Total Pooled Assets</b>	<b>£16,558,196,552</b>	



# Fund Launches & Updates

Progress Report

# Fund Activity in the Period

## Key Achievements & Updates

Fund Launches Progress				
	Overview	Status	Progress in period	Launch / completion dates
<b>UK Opps decarb</b>	<ul style="list-style-type: none"><li>Addition of the Russell Investments decarb function to the UK Opportunities fund</li></ul>	In progress	<ul style="list-style-type: none"><li>Host Authority (on behalf of WPP), Torfaen and Cardiff officially approve the addition of the decarb function on the UK Opportunities fund</li><li>LFS to progress through internal governance</li></ul>	June 1 <sup>st</sup> 2022
<b>Sustainable Equity fund</b>	<ul style="list-style-type: none"><li>Establishment of a sustainable equities fund</li></ul>	In progress	<ul style="list-style-type: none"><li>Russell Investments to present paper to JGC 8<sup>th</sup> July 2022</li></ul>	

# LFS Corporate Update & Engagement

# LFS Corporate Update & Engagement

## LFS updates

- Eamonn Gough, Senior Relationship Manager to the WPP, has left the organisation and is replaced by James Zealander who will take responsibility for the WPP/LFS relationship
- Link Fund Solutions Limited (LFSL) is aware that two law firms have filed a claim in relation to the LF Equity Income Fund (formerly, the LF Woodford Equity Income Fund). The law firms have submitted an application for a Group Litigation Order. LFSL has not yet been served with any proceedings and will vigorously defend itself in such an event.
- The meeting of Link Group shareholders to consider and vote on the proposed acquisition of Link Group by Dye & Durham Corporation is set for 13 July 2022. This is subject to certain approvals being received including the decision of the Australian Competition and Consumer Commission which is due 16 June 2022.

## Key Q1 and future WPP Engagement

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

- OWG 1<sup>st</sup> Feb 2022
- JGC 23<sup>rd</sup> March 2022

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

- OWG 24<sup>th</sup> May 2022
- JGC 8<sup>th</sup> July 2022

### Link - Pension Committee attendance in period:

- Gwynedd 17<sup>th</sup> Jan 2022
- Clwyd 9<sup>th</sup> Feb 2022
- RCT 8<sup>th</sup> March 2022
- Dyfed 29<sup>th</sup> March 2022

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

- None

### 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
- Pension Board Chairs – 26<sup>th</sup> April

# 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>▪ James Zealander, 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>▪ James Zealander, 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>▪ James Zealander, 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>▪ James Zealander, 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>



## WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE

**DATE 8 JULY 2022**

### **SUBJECT**

**PERFORMANCE REPORTS AS AT 31 MARCH 2022**

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

**To note the performance reports of the following sub funds as at 31 March 2022:**

- **Global Opportunities Equity Fund**
- **Global Growth Equity Fund**
- **Emerging Markets 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 31 March 2022.

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

**Designation:**  
Director of Corporate Services  
  
**Carmarthenshire County  
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**Tel No. 01267 224160**

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**CMoore@carmarthenshire.gov.uk**

**EXECUTIVE SUMMARY  
JOINT GOVERNANCE COMMITTEE**

**DATE 8 JULY 2022**

**PERFORMANCE REPORTS AS AT 31 MARCH 2022**

**BRIEF SUMMARY OF PURPOSE OF REPORT**

Northern Trust have provided performance reports for the WPP's sub funds as at 31 March 2022.

**Performance - Inception to date:**

<b>Global Opportunities Fund</b>	<b>Gross of Fees (%)</b>	<b>Net of Fees (%)</b>
Actual	14.33	13.99
Benchmark	13.21	13.21
<b>Excess Return</b>	<b>1.12</b>	<b>0.78</b>

<b>Global Growth Fund</b>	<b>Gross of Fees (%)</b>	<b>Net of Fees (%)</b>
Actual	12.76	12.31
Benchmark	13.62	13.62
<b>Excess Return</b>	<b>(0.86)</b>	<b>(1.31)</b>

<b>Emerging Markets Fund</b>	<b>Gross of Fees (%)</b>	<b>Net of Fees (%)</b>
Actual	(5.71)	(5.94)
Benchmark	(5.36)	(5.36)
<b>Excess Return</b>	<b>(0.35)</b>	<b>(0.58)</b>

<b>UK Opportunities Fund</b>	<b>Gross of Fees (%)</b>	<b>Net of Fees (%)</b>
Actual	3.37	2.95
Benchmark	5.22	5.22
<b>Excess Return</b>	<b>(1.85)</b>	<b>(2.27)</b>

<b>Global Government Bond Fund</b>	<b>Gross of Fees (%)</b>	<b>Net of Fees (%)</b>
Actual	(2.85)	(3.08)
Benchmark	(3.69)	(3.69)
<b>Excess Return</b>	<b>0.84</b>	<b>0.61</b>



<b>Global Credit Fund</b>	<b>Gross of Fees (%)</b>	<b>Net of Fees (%)</b>
Actual	(2.57)	(2.74)
Benchmark	(3.93)	(3.93)
<b>Excess Return</b>	<b>1.36</b>	<b>1.19</b>

<b>Multi Asset Credit Fund</b>	<b>Gross of Fees (%)</b>	<b>Net of Fees (%)</b>
Actual	2.48	2.12
Target *	4.12	4.12

<b>Absolute Return Bond Strategy Fund</b>	<b>Gross of Fees (%)</b>	<b>Net of Fees (%)</b>
Actual	1.96	1.64
Target *	2.11	2.11

<b>UK Credit Fund</b>	<b>Gross of Fees (%)</b>	<b>Net of Fees (%)</b>
Actual	(2.40)	(2.52)
Target *	(3.03)	(3.03)

\* EXCESS RETURN IS NOT SHOWN AS THIS IS A TARGET

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>
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**Finance**

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

- Global Opportunities – outperformed by 1.12% gross / 0.78% net
- Global Growth – underperformed by 0.86% gross / 1.31% net
- Emerging Markets – underperformed by 0.35% gross / 0.58% net
- UK Opportunities – underperformed by 1.85% gross / 2.27% net
- Global Government Bond – outperformed by 0.84% gross / 0.61% net
- Global Credit – outperformed by 1.36% gross / 1.19% net

The MAC and ARB have not met their targets, however the UK Credit has exceeded its target.


## 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

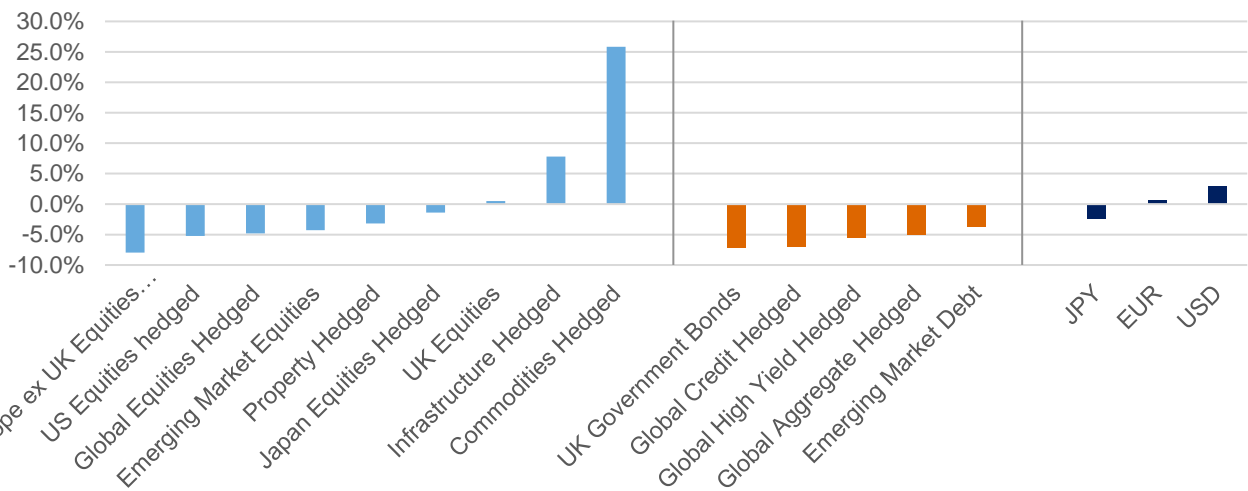
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# JGC - WPP Performance Summary Q1 2022

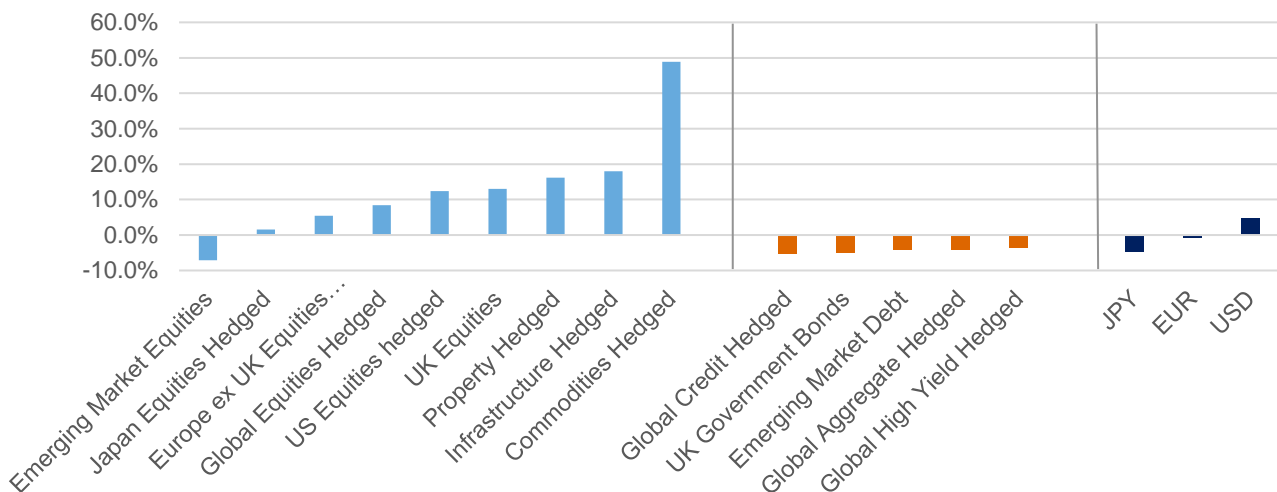
## Global Market Commentary

Global financial markets recorded a negative start to 2022. Russia's invasion of Ukraine –the largest conventional warfare operation in Europe since the Second World War –drove market volatility. The unpredictability of the war and its potential impacts on global economic growth heightened investor uncertainty. Record levels of inflation and a faster-than-expected path for monetary policy tightening from the US Federal Reserve (Fed) and Bank of England also weakened investor sentiment. In the UK, the Bank of England recorded its first back-to-back rate hike since 2004. In the US, a tight labour market and high inflation ensured the Fed raised its interest rate by 25 bps to 0.50% at its March meeting. The European Central Bank (ECB) is expected to raise its interest this year, whilst the Bank of Japan (BoJ) maintained an ultra-loose monetary policy despite a weakening yen. Chinese markets struggled with Beijing's zero-Covid policy, which left several regions under severe lockdown rules, denting growth prospects. Meanwhile, oil prices also rose significantly owing to growing risks to global supplies.

## Asset class performance – Quarter to March 2022



## Asset class performance – Year to March 2022



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>	-1.34	11.12	14.33
<b>Net</b>	-1.38	10.84	13.99
<b>MSCI AC World Index Net</b>	-2.64	12.42	13.21
<b>Excess returns (gross)</b>	1.30	-1.30	1.12

Inception Date: COB 14th February 2019

### Overall Fund Commentary

The Fund registered negative absolute returns over the first quarter but finished ahead of the benchmark on a relative basis. In factor performance, defensive styles and large-cap value outperformed over the period. Yield and low volatility also held up well. As such, the multi-factored approach of Jacobs Levy (overweight value, underweight volatility) was beneficial over the period, as well as Numeric's low volatility and Numeric's core strategies, which has an overweight to value. Whilst Sanders' value tilt was suited to the market environment, the manager's exposure within the financials and communication services sectors, was negative. Japan's contrarian value manager Nissay outperformed, alongside the Emerging Markets mandate of Oaktree. Meanwhile, growth styles were out of favour amongst investors, whilst quality, small-caps and cyclical sectors also struggled. This weighed heavily on growth manager Morgan Stanley, whilst SW Mitchell's growth bias was helped by the overweight to the well-performing energy sector.

## Global Growth Equity Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	-4.97	3.00	12.76
<b>Net</b>	-5.07	2.61	12.31
<b>MSCI AC World Index Net</b>	-2.64	12.42	13.62
<b>Excess returns (gross)</b>	-2.33	-9.41	-0.86

Inception Date: 6th February 2019

### Overall Fund Commentary

The Fund exhibited negative returns in the first quarter of 2022. While having similar region exposures to its benchmark, the MSCI AC World Index, including the US, the largest weight exceeding 50% of the fund, the UK and Eurozone, the fund underperformed its benchmark by 2.33%. The fund has also similar sector exposures to the benchmarks. The underperformance could be explained by its higher exposure to the consumer discretionary sector, which is the worst performance by far among the sectors since the start of 2022. Cyclical sectors have been the most impacted (information technology, consumer discretionary, telecommunication) in the wake of rising inflation, as opposed to defensive sectors (consumer staples, utilities, healthcare). The Energy has been the only positive sector due to the conflict in Ukraine.

However, the fund somewhat benefited from its exposure to UK equities (about 9% of the fund), which have shown strong resilience to the stressed market compared to the other regions due to its low exposure to the information technology and consumer discretionary sectors. With more than 50% invested in USD stocks, the fund also benefited from the increase in USD relative to GBP, which has reduced the negative performance compared to currency hedged USD equities.

Global equities have been penalized by inflationary pressures in the Western world in the wake of the Ukraine war hurting consumers' purchasing power and increasing the risk of stagflation, global economic growth uncertainty as a result of the war in Ukraine exacerbating supply chain disruptions, and China economy slowing as a result of its tighter covid-19 containment measures.

## EM Market Commentary

In Emerging Markets, Chinese equities lagged as the country's zero-Covid policy left several regions under severe lockdown rules, denting growth prospects. Meanwhile, international sanctions on Russia led to the country's exclusion from major equity and bond indices. The unpredictability of the war and its potential impacts on global economic growth heightened investor uncertainty. In March, MSCI removed Russia from the benchmark, with securities removed at a price that is effectively zero. Negative performance from China, particularly large cap growth stocks, also weighed on the benchmark return. Oil prices surged higher while the US dollar was supported by investor risk aversion and the first rate increase by the US Federal Reserve. Over the quarter, small cap value stocks were in the highest demand. This ensured value comfortably outperformed growth, extending its period of outperformance.

## EM Opportunities Equity Fund:

	Three Months	Since Inception
<b>Gross</b>	-4.89	-5.71
<b>Net</b>	-5.02	-5.94
<b>MSCI Emerging Market Index</b>	-4.30	-5.36
<b>Excess returns (gross)</b>	-0.59	-0.35

Inception Date: COB 20th October 2021

### Overall Fund Commentary

The Fund underperformed the negative benchmark return. Within this environment, the Fund's tilt towards value and small cap stocks contributed positively. However, underweights to oil exporting countries Saudi Arabia and the United Arab Emirates (UAE) detracted in a period where the oil price rallied. Stock selection within Taiwan was also negative. The Fund's small overweight exposure to Russia was a slight negative but not a material driver of performance. In contrast, an underweight to China contributed positively to relative performance. This included underweights to large cap names within the consumer discretionary sector. The overweight to Brazil, which had a strong start to 2022, was also additive to relative returns. Barrow Hanley was the best-performing strategy, recording a positive absolute return. Pan China specialist Bin Yuan was the weakest-performing strategy and underperformed its benchmark.



## UK Market Commentary

Record levels of inflation and a faster-than-expected path for monetary policy tightening from the Bank of England weighed on investor risk sentiment. Central bank Governor Andrew Bailey warned the inflation rate could reach 8.0% by June, as the central bank recorded its first back-to-back rate hike since 2004, taking interest rates back to pre-Covid levels at 0.75%. However, UK equities outperformed other regions, driven by narrow market leadership. Defensive, large cap and high dividend-yielding stocks within the energy and materials sectors performed well, benefitting from investor uncertainty and the rapid rise in commodity prices. Large cap pharmaceuticals led a rally for the health care sector. Small- and mid-cap stocks were the weakest-performers this quarter, which was a large headwind for active managers.

## UK Opportunities Equity Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	-6.05	1.50	3.37
<b>Net</b>	-6.13	1.10	2.95
<b>FTSE All Share</b>	0.49	13.03	5.22
<b>Excess returns (gross)</b>	-6.54	-11.54	-1.85

Inception Date: COB 11th October 2019

### Overall Fund Commentary

The Fund struggled in what was a difficult market environment over the period. Within this unfavourable factor environment, the Fund's underweights to the largest market capitalisation companies in the UK detracted. The Fund's positioning and negative selection within the consumer discretionary (overweight), communication services (overweight), health care (underweight) and energy (underweight) sectors was negative. However, the underweight to consumer staples contributed positively and limited negative selection effects. Baillie Gifford was the primary laggard. The long-term growth-oriented strategy suffered from multiple factor headwinds this period. Lazard and Liontrust also underperformed.

## Fixed Income Market Commentary

Global financial markets recorded a negative start to 2022. Russia's invasion of Ukraine drove market volatility. Government bonds also sold off despite the heightened geopolitical uncertainty. By the end of the period, inflation had risen to decade-highs, leading to the US Federal Reserve and Bank of England to raise interest rates. The benchmark US 10-year Treasury yield surged 83 basis points (bps) to 2.34%, peaking in late March at its highest yield since May 2019. Segments of the US Treasury yield also inverted in late March. Meanwhile, the benchmark 10-year UK gilt yield increased 64 bps for the quarter to 1.61%, having touched its highest yield since 2015 in late March. In the eurozone, the European Central Bank left interest rates unchanged, but surprised investors with plans for a faster tapering of its asset purchase programme. The German 10-year bund yield increased to its highest since early 2018 in late March and ended 73 bps higher for the quarter at 0.55%.

## Global Government Bond Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	-3.77	-3.47	-2.85
<b>Net</b>	-3.83	-3.70	-3.08
<b>FTSE World Gvt Bond Index (GBP Hedged)</b>	-4.85	-4.17	-3.69
<b>Excess returns (gross)</b>	1.08	0.70	0.84

Inception Date: COB 19th August 2020

### Overall Fund Commentary

The Fund outperformed the negative benchmark return this quarter. Within this environment, the Fund's underweights to US and UK duration contributed to relative returns. BlueBay's macro-fundamental strategy outperformed. An underweight to US and UK duration added to relative returns. An overweight to the benchmark 10-year eurozone bond weighed on further outperformance. Colchester's value-oriented strategy outperformed. An underweight to US and core eurozone duration contributed to relative returns. The underweight to UK gilts also suited the market environment.

## Global Credit Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	-6.46	-4.12	-2.57
<b>Net</b>	-6.50	-4.29	-2.74
<b>Bloomberg Barclays Global Agg Credit Index (GBP Hedged)</b>	-7.02	-5.10	-3.93
<b>Excess returns (gross)</b>	0.56	0.98	1.36

Inception Date: COB 20th August 2020

### Overall Fund Commentary

The Fund outperformed the negative benchmark return this quarter. High yield spreads widened over the period, particularly within Europe. However, credit markets were partially supported in the US by broadly positive corporate earnings reports and higher energy prices. Emerging market debt (EMD) lagged other fixed income markets, with hard EMD the weakest-performing market. The Fund's underweight to Russia and dynamic positioning to European high yield fields suited this market environment. All underlying strategies outperformed this quarter. US duration exposure weighed on additional outperformance.

### Multi Asset Credit Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	-3.91	-1.98	2.48
<b>Net</b>	-3.91	-2.28	2.12
<b>3 Month GBP Sonia + 4%</b>	1.08	4.14	4.12

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 recorded a negative absolute return this quarter. High yield spreads widened over the period, particularly within Europe. However, credit markets were partially supported in the US by broadly positive corporate earnings reports and higher energy prices. Within this environment, Voya was the strongest-performing strategy, benefitting from its exposure to non-agency commercial mortgage-backed securities. In contrast, Barings returned some of its longer-term performance due to its exposure to Russia ahead of the Ukraine invasion, however an underweight to European high yield financials was positive. BlueBay recorded a positive return. ICG – the strongest-performing strategy since inception – recorded a negative return this quarter.

### Absolute Return Bond Strategy Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	1.28	0.67	1.96
<b>Net</b>	1.36	0.42	1.64
<b>3 Month GBP Sonia + 2%</b>	0.59	2.14	2.11

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 recorded a positive absolute return this quarter. Government bonds also sold off despite the heightened geopolitical uncertainty. The benchmark 10-year UK gilt yield increased 64 bps for the quarter to 1.61%, having touched its highest yield since 2015 in late March. Within this environment, global macro specialist Wellington was the strongest-performing strategy, benefitting from its low duration exposure. In contrast, Aegon recorded a negative return in a volatile period as Russia's invasion of Ukraine weighed heavily on the region and the market was not immune to generic risk-off sentiment.

## Sterling Credit Fund:

	Three Months	1 Year	Since Inception
<b>Gross</b>	-5.48	-3.30	-2.40
<b>Net</b>	-5.51	-3.42	-2.52
<b>ICE Bank of America Merrill Lynch Euro-Sterling Index plus 0.65%</b>	-6.00	-4.45	-3.03

Inception Date: COB 19th August 2020

### Overall Fund Commentary

The Fund exhibited negative returns in the first quarter of 2022. However, it outperformed its benchmark by 51 bps.

The bond market has been having its worst performance since the 2008 crisis with government yields increasing significantly since the start of 2022, and credit spreads widening above their median levels of the past 12 years. Inflation pressures, in the wake of the Ukraine war have pushed UK government yields to levels not seen since December 2015. The conflict in Ukraine has also generated economic growth uncertainty with rising prices hurting purchasing power resulting in a widening of corporate credit spreads across the board.

The fund is mostly exposed to US (~15%), UK (~40%), and EU (~32%) corporate IG and HY bonds denominated in GBP and, as such, has been negatively impacted by the increase in UK government yields, the widening in GBP swap spreads and the widening in US, UK, and EU corporate credit spreads. In the first quarter of 2022, the GBP 10-year swap rate rose by 72bps to 1.93% and IG and HY credit spreads widened on average by 25bps and 38 bps, respectively.

In this context, the fund's long-only corporate bond investment strategy denominated in GBP has generated a negative performance but better than its benchmark and global bonds, which, for a large proportion, are denominated in USD. Global IG and HY bonds generated a negative performance of 7.4% and 5.7%, respectively, over the same period.



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# Wales Pension Partnership

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## Investment Risk & Analytical Services

March 31, 2022

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SECTION 1

# Wales Pension Partnership

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## Investment Hierarchy

Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return				
			One Month	Three Months	One Year	Inception to Date	Inception Date
<b>Wales Pension Partnership</b>	<b>10,963,236,664</b>	<b>100.00</b>	<b>1.30</b>	<b>-3.68</b>	<b>3.45</b>	<b>9.84</b>	<b>06/02/2019</b>
<b>Equity</b>	<b>7,890,248,052</b>	<b>71.97</b>	<b>2.26</b>	<b>-3.55</b>	<b>6.14</b>	<b>12.80</b>	<b>06/02/2019</b>
<b>Global Growth Fund</b>	<b>3,304,938,415</b>	<b>30.15</b>	<b>1.97</b>	<b>-4.97</b>	<b>3.00</b>	<b>12.76</b>	<b>06/02/2019</b>
MSCI ACWI ND			4.11	-2.64	12.42	13.62	06/02/2019
Excess Return			-2.15	-2.33	-9.41	-0.86	06/02/2019
<b>Emerging Markets Equity Fund</b>	<b>465,099,336</b>	<b>4.24</b>	<b>0.25</b>	<b>-4.89</b>	<b>-</b>	<b>-5.71</b>	<b>29/10/2021</b>
MSCI Emerging Markets Index			-0.40	-4.30	-	-5.36	29/10/2021
Excess Return			0.65	-0.59	-	-0.35	29/10/2021
<b>Global Opportunities Equity</b>	<b>3,389,635,031</b>	<b>30.92</b>	<b>3.63</b>	<b>-1.34</b>	<b>11.12</b>	<b>14.34</b>	<b>14/02/2019</b>
MSCI ACWI ND			4.11	-2.64	12.42	13.21	14/02/2019
Excess Return			-0.49	1.30	-1.30	1.13	14/02/2019
<b>UK Opportunities Equity</b>	<b>730,575,270</b>	<b>6.66</b>	<b>-1.19</b>	<b>-6.05</b>	<b>1.50</b>	<b>3.37</b>	<b>11/10/2019</b>
FTSE All-Share			1.30	0.49	13.03	5.22	11/10/2019
Excess Return			-2.49	-6.54	-11.54	-1.85	11/10/2019
<b>Fixed Income</b>	<b>3,072,988,612</b>	<b>28.03</b>	<b>-1.10</b>	<b>-4.01</b>	<b>-2.57</b>	<b>-0.87</b>	<b>11/08/2020</b>
<b>Absolute Return Bond Fund</b>	<b>509,821,541</b>	<b>4.65</b>	<b>0.26</b>	<b>1.28</b>	<b>0.67</b>	<b>1.96</b>	<b>30/09/2020</b>
3 month GBP Sonia plus 2%			0.21	0.59	2.14	2.11	30/09/2020
Excess Return			0.04	0.68	-1.47	-0.15	30/09/2020
<b>Sterling Credit Fund</b>	<b>574,330,031</b>	<b>5.24</b>	<b>-0.56</b>	<b>-5.48</b>	<b>-3.30</b>	<b>-2.40</b>	<b>19/08/2020</b>
ICE BofA ML Eur-Stg plus 0.65%			-1.16	-6.00	-4.45	-3.03	19/08/2020
Excess Return			0.60	0.51	1.15	0.64	19/08/2020
<b>Multi Asset Credit Fund</b>	<b>723,508,905</b>	<b>6.60</b>	<b>-1.08</b>	<b>-3.91</b>	<b>-1.98</b>	<b>2.48</b>	<b>11/08/2020</b>
3 month GBP Sonia plus 4%			0.37	1.08	4.14	4.12	11/08/2020
Excess Return			-1.45	-4.99	-6.12	-1.64	11/08/2020
<b>Global Government Bond Fund</b>	<b>507,497,615</b>	<b>4.63</b>	<b>-1.88</b>	<b>-3.77</b>	<b>-3.47</b>	<b>-2.85</b>	<b>19/08/2020</b>
FTSE WGBI Index			-2.30	-4.85	-4.17	-3.69	19/08/2020
Excess Return			0.42	1.08	0.70	0.84	19/08/2020
<b>Global Credit Fund</b>	<b>757,830,520</b>	<b>6.91</b>	<b>-1.92</b>	<b>-6.46</b>	<b>-4.12</b>	<b>-2.57</b>	<b>20/08/2020</b>
BBB Global Aggregate Credit Index hedged into GBP			-2.42	-7.02	-5.10	-3.93	20/08/2020
Excess Return			0.50	0.56	0.98	1.36	20/08/2020



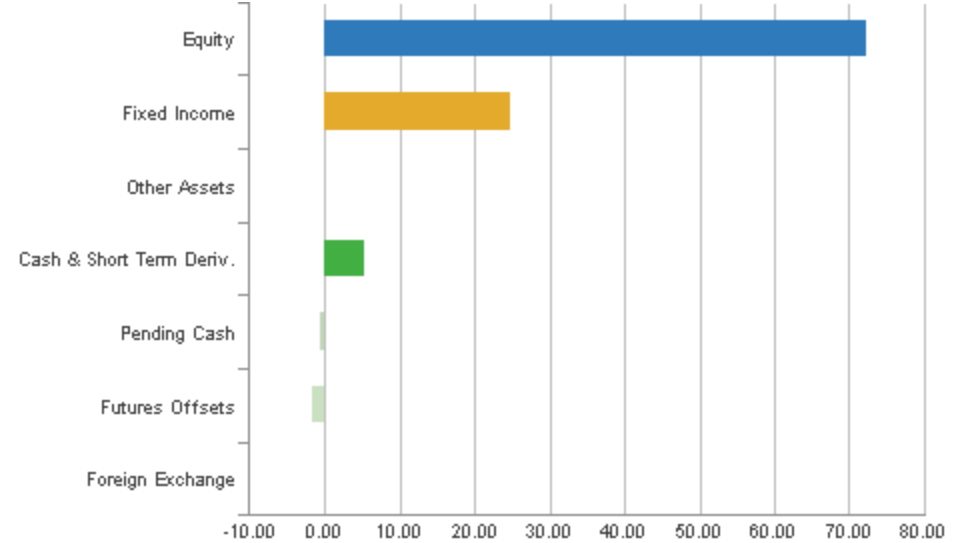
## Wales Pension Partnership Summary

Account/Group -Rate of Return	E.MV-GOF	End Wt	1 Mo	3 Mos	1 Yr	ITD	Inc Date
Wales Pension Partnership	10,963,236,664	100.00	1.30	-3.68	3.45	9.84	06/02/2019
Equity	7,890,248,052	71.97	2.26	-3.55	6.14	12.80	06/02/2019
Global Growth Fund	3,304,938,415	30.15	1.97	-4.97	3.00	12.76	06/02/2019
Emerging Markets Equity Fund	465,099,336	4.24	0.25	-4.89	-	-5.71	29/10/2021
Global Opportunities Equity	3,389,635,031	30.92	3.63	-1.34	11.12	14.34	14/02/2019
UK Opportunities Equity	730,575,270	6.66	-1.19	-6.05	1.50	3.37	11/10/2019
Fixed Income	3,072,988,612	28.03	-1.10	-4.01	-2.57	-0.87	11/08/2020
Absolute Return Bond Fund	509,821,541	4.65	0.26	1.28	0.67	1.96	30/09/2020
Sterling Credit Fund	574,330,031	5.24	-0.56	-5.48	-3.30	-2.40	19/08/2020
Multi Asset Credit Fund	723,508,905	6.60	-1.08	-3.91	-1.98	2.48	11/08/2020
Global Government Bond Fund	507,497,615	4.63	-1.88	-3.77	-3.47	-2.85	19/08/2020
Global Credit Fund	757,830,520	6.91	-1.92	-6.46	-4.12	-2.57	20/08/2020

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



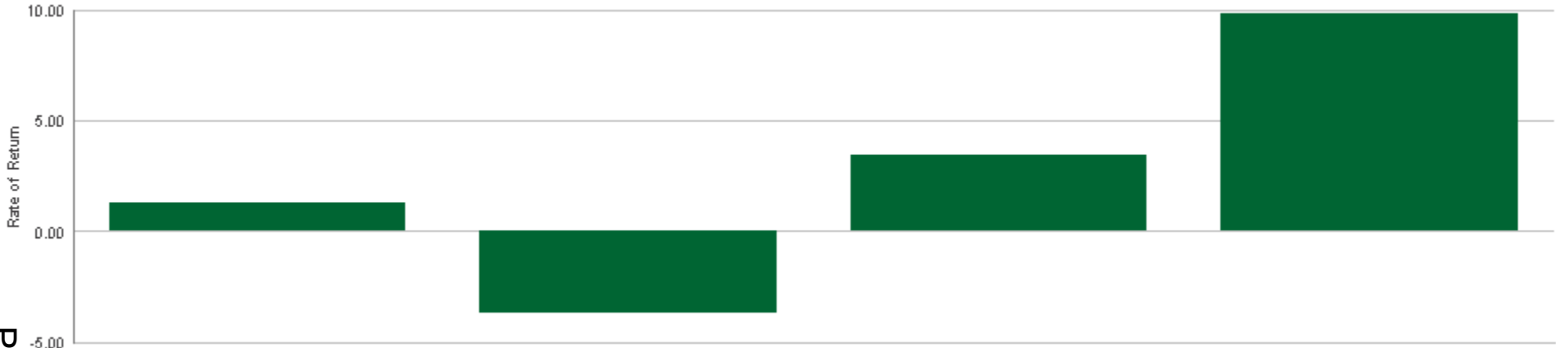
ASSET CLASS ENDING WEIGHTS



## 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	10,963,236,664	100.00	1.30	-3.68	3.45	9.84	06/02/2019
Equity	7,890,248,052	71.97	2.26	-3.55	6.14	12.80	06/02/2019
Global Growth Fund	3,304,938,415	30.15	1.97	-4.97	3.00	12.76	06/02/2019
Emerging Markets Equity Fund	465,099,336	4.24	0.25	-4.89	-	-5.71	29/10/2021
Global Opportunities Equity	3,389,635,031	30.92	3.63	-1.34	11.12	14.34	14/02/2019
UK Opportunities Equity	730,575,270	6.66	-1.19	-6.05	1.50	3.37	11/10/2019
Fixed Income	3,072,988,612	28.03	-1.10	-4.01	-2.57	-0.87	11/08/2020
Absolute Return Bond Fund	509,821,541	4.65	0.26	1.28	0.67	1.96	30/09/2020
Sterling Credit Fund	574,330,031	5.24	-0.56	-5.48	-3.30	-2.40	19/08/2020
Multi Asset Credit Fund	723,508,905	6.60	-1.08	-3.91	-1.98	2.48	11/08/2020
Global Government Bond Fund	507,497,615	4.63	-1.88	-3.77	-3.47	-2.85	19/08/2020
Global Credit Fund	757,830,520	6.91	-1.92	-6.46	-4.12	-2.57	20/08/2020

### WALES PENSION PARTNERSHIP TOTAL FUND GROSS OF FEES

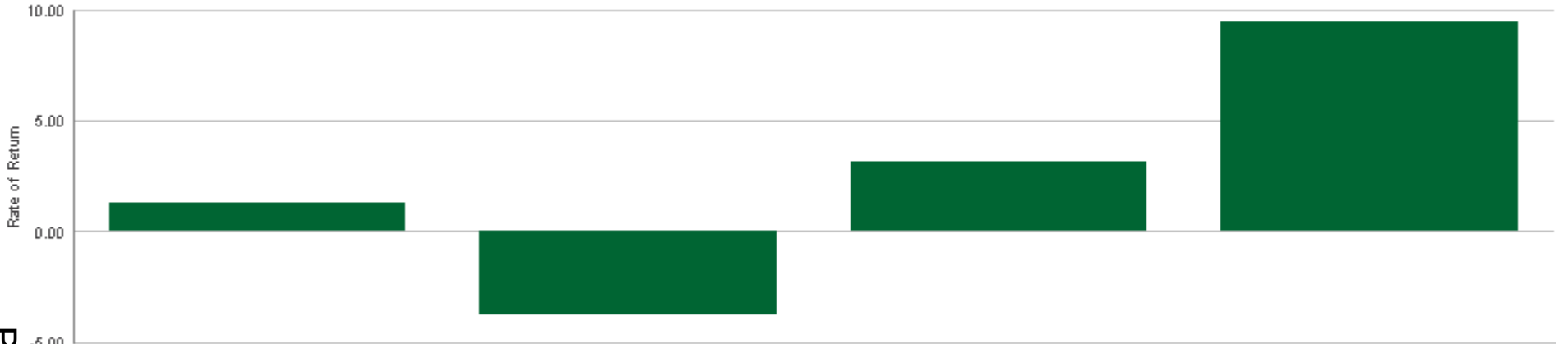


	One Month	Three Months	One Year	ITD
Fund	1.30	-3.68	3.45	9.84

## Total Fund Net of Fees

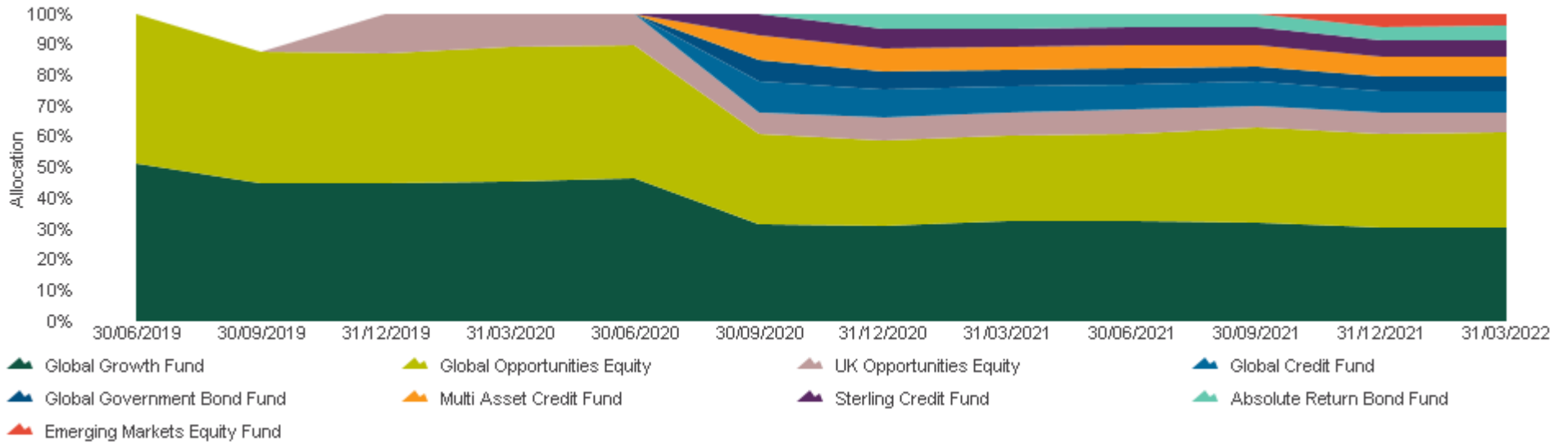
Account/Group -Rate of Return	E.MV-NOF	End Wt	1 Mo	3 Mos	1 Yr	ITD	Inc Date
Wales Pension Partnership	10,958,270,664	100.00	1.29	-3.74	3.14	9.47	06/02/2019
Equity	7,886,328,524	71.97	2.25	-3.62	5.78	12.40	06/02/2019
Global Growth Fund	3,303,494,324	30.15	1.93	-5.07	2.61	12.31	06/02/2019
Emerging Markets Equity Fund	464,615,396	4.24	0.19	-5.02	-	-5.94	29/10/2021
Global Opportunities Equity	3,387,941,002	30.92	3.64	-1.38	10.84	13.99	14/02/2019
UK Opportunities Equity	730,277,801	6.66	-1.20	-6.13	1.10	2.95	11/10/2019
Fixed Income	3,071,942,140	28.03	-1.07	-4.03	-2.78	-1.10	11/08/2020
Absolute Return Bond Fund	509,602,394	4.65	0.41	1.36	0.42	1.64	30/09/2020
Sterling Credit Fund	574,224,152	5.24	-0.57	-5.51	-3.42	-2.52	19/08/2020
Multi Asset Credit Fund	723,183,882	6.60	-1.01	-3.91	-2.28	2.12	11/08/2020
Global Government Bond Fund	507,272,837	4.63	-1.90	-3.83	-3.70	-3.08	19/08/2020
Global Credit Fund	757,658,876	6.91	-1.94	-6.50	-4.29	-2.74	20/08/2020

### WALES PENSION PARTNERSHIP TOTAL FUND NET OF FEES



	One Month	Three Months	One Year	ITD
Fund	1.29	-3.74	3.14	9.47

### Allocation over Time



Account / Group	30/06/2021		30/09/2021		31/12/2021		31/03/2022	
	Market Value	Actual Weight	Market Value	Actual Weight	Market Value	Actual Weight	Market Value	Actual Weight
<b>Wales Pension Partnership</b>	<b>9,851,301,218</b>	<b>100.00</b>	<b>10,643,653,639</b>	<b>100.00</b>	<b>11,387,569,665</b>	<b>100.00</b>	<b>10,963,236,664</b>	<b>100.00</b>
Global Growth Fund	3,211,141,668	32.60	3,427,256,195	32.20	3,481,906,434	30.58	3,304,938,415	30.15
Emerging Markets Equity Fund					489,656,291	4.30	465,099,336	4.24
Global Opportunities Equity	2,794,277,972	28.36	3,267,054,166	30.69	3,436,852,996	30.18	3,389,635,031	30.92
UK Opportunities Equity	751,880,470	7.63	764,500,350	7.18	778,248,774	6.83	730,575,270	6.66
Absolute Return Bond Fund	461,068,410	4.68	486,906,352	4.57	503,099,785	4.42	509,821,541	4.65
Sterling Credit Fund	563,906,331	5.72	603,435,909	5.67	607,842,498	5.34	574,330,031	5.24
Multi Asset Credit Fund	727,653,587	7.39	752,732,704	7.07	751,898,876	6.60	723,508,905	6.60
Global Government Bond Fund	531,139,365	5.39	530,789,346	4.99	527,715,815	4.63	507,497,615	4.63
Global Credit Fund	810,233,415	8.22	810,978,616	7.62	810,348,197	7.12	757,830,520	6.91

SECTION 2

# Appendix

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## Investment Risk & Analytical Services

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## Disclaimer(s)

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