


Investment & Performance Risk

Risk Detail				Current Situation	Scoring			Management and Monitoring			
Risk & Nature of Risk	Cause of Risk	Implications of Risk	Risk Owner & Impact Period	Current Risk Controls	Severity	Probability	Score	Current Status	Action Required	Responsible Party & Review Date	Progress Report/ Comments
I.1	The WPP Sub-funds failure to achieve their long term targeted investment returns.	<ul style="list-style-type: none"> Underperformance of the WPP's Investment Managers. Diverse and unforeseen economic conditions and market events. Inappropriate strategic and regional asset allocations. 	Loss of confidence in Russell and/or Investment Managers which results in change and additional transition costs	<ul style="list-style-type: none"> Ongoing monitoring of investment performance, market developments and economic outlook reported by the Investment Manager and the Operator and discussed at OWG meetings Triennial sub-fund benchmarking Quarterly reporting on climate & ESG risks ACS responsibilities matrix in place The Operator/ the Investment Manager engagement with Investment Managers and ongoing reviews of their process Manager days hosted by the Operator/ the Investment Manager for OWG/Constituent Authorities Pension Fund Committees 	Current			👉	Continued monitoring required over the next 12 months, and the need for further internal controls to be considered when developing the 2024/25 business plan.	OWG	N/A
	Financial				Long Term	4	3				
I.2	One of the WPP's Investment Managers fails/ exits the market, leading to a financial loss to WPP assets.	<ul style="list-style-type: none"> Investment Manager's business model, internal controls and/ or the external oversight of the Investment Manager fails. 	Financial loss to assets held within the WPP.	<ul style="list-style-type: none"> The Operator/The Investment Manager facilitate: <ul style="list-style-type: none"> Ongoing monitoring of Investment Managers Questioning managers on their internal controls, external regulation, succession/retention policies Engagement with Investment Managers and the Investment Manager industry Maintaining a shortlist of suitable replacement Managers Sub-fund review process in place Rebalancing policy in place ACS responsibilities matrix in place 	Current			👍	N/A	OWG	N/A
	Financial				Short Term	5	2				
I.3	Failure of appointed Custodian may lead to assets not being properly managed resulting in financial and/or information loss in relation to investment assets.	<ul style="list-style-type: none"> Inaccurate recording of asset valuations and transactions. Unsatisfactory safeguarding of assets. External and internal controls fail to prevent fraud or misappropriation. Custodian fails and exists the market, potentially leading to stranded assets. 	Financial loss to assets held within the WPP.	<ul style="list-style-type: none"> Robust procurement process overseen by The Operator Annual review of custodian prepared by The Operator and presented to OWG Analysis of Investment Manager Records vs Custodian Records Monitor custodian performance on annual basis Custodian regulated by FCA Receipt of annual controls reports from Custodian's External Auditors 	Current			👍	N/A	OWG/ Oversight Advisor	N/A
	Financial				Short Term	5	1				
I.4	The WPP does not receive or seek expert investment advice when required.	<ul style="list-style-type: none"> An external adviser provides inappropriate or unsatisfactory advice to WPP. WPP ignores appropriate advice provided by expert advisers. WPP fails to seek to expert advise. 	Inappropriate decisions are implemented which may harm investment performance.	<ul style="list-style-type: none"> Robust procurement processes Ongoing training for JGC and OWG members Oversight Advisor in place to oversee Investment Advise & decision-making process Engagement with other LGPS Pools and Funds to cross verify suitability of advice ACS responsibilities matrix in place 	Current			👍	N/A	OWG/ Oversight Advisor	Work on private markets sub-funds continues to demonstrate the robustness of WPP's collective challenge in the sub fund design stage. This includes additional support from BFinance. Additional resource from Hymans on responsible investment has provided further advice and scrutiny.
	Financial				Long Term	4	1				

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I.5	The WPP fails to challenge Manager fees, value for money and mandated objectives.	<ul style="list-style-type: none"> Back of information and transparency from Investment Managers. Inability to check and challenge Investment Managers and benchmark them relative to market competitors. 	Inability to deliver value for money to the WPP's stakeholders.	<ul style="list-style-type: none"> Ongoing monitoring of investment managers fees Question the Operator, the Investment Manager and Investment Managers on their fees Demand Transparency from Investment Managers, the Investment Manager and The Operator on fees Triennial sub fund benchmarking 	Current			2	1	2	👍	<p>The WPP will consider the findings of the SAB cost transparency exercise, following this the OWG will consider what additional action are required and whether there is a need for further cost transparency exercises.</p> <p>OWG to consider cost transparency actions and requirements following receipt of SAB information.</p>	OWG/ Oversight Advisor	The findings of the SAB cost transparency exercise have still not been published.
	Financial				Medium Term	Target								
I.6	The WPP is subjected to counterparty risk	<ul style="list-style-type: none"> The WPP fails to monitor their counterparty exposure and the probability of counterparty defaults. A suitable escalation process to deal with excess counterparty exposure is not put in place. 	Financial loss to assets held within the WPP, potential legal costs, reputation risk.	<ul style="list-style-type: none"> Ongoing monitoring of counterparty exposure Question The Operator, The Investment Manager, Investment Managers and Custodian on the WPP's level of counterparty exposure 	Current			4	2	8	👍	N/A	OWG	N/A
	Financial				Short Term	Target								
I.7	The WPP puts in place sub-optimal sub-funds.	<ul style="list-style-type: none"> Insufficient time and resources are allocated to the design and development of sub-funds. Constituent Authorities do not effectively articulate their requirements and/ or the WPP fails to account for Constituent Authority requirements. Value for money and/ or cost savings are not given adequate consideration. Sub-funds with insufficient scale to achieve cost saving are launched. Manager fee negotiations are ineffective 	The WPP provides sub-funds that do not deliver value for money/ cost saving and or the investment requirements of the Constituent Authorities	<ul style="list-style-type: none"> Numerous advisors used in the formulation of sub-funds Triennial review of sub funds, including the size of investment to ensure they are of a reasonable size Oversight advisor in place to oversee investment strategy and sub-fund design Numerous checks and balances on the decision-making process and approval of investment strategy and sub-funds Cost benefit analysis is carried out prior to each sub-fund launch Use of the Investment Manager's scale and the WPP's scale to negotiate the best Manager fees possible Frequent consultation with Constituent Authorities on their requirements Asset held outside of sub-fund if their inclusion in the sub-fund is cost inefficient Rebalancing policy in place CS responsibilities matrix in place 	Current			4	1	4	👍	N/A	The Operator/ Investment Manager / Oversight Advisor	<p>There continues to be significant progress in this area. Key activities include:</p> <ul style="list-style-type: none"> Launch of the sustainable equities sub fund Continued involvement of bFinance to assist the WPP with the allocator appointments for a range of Private Market sub-funds As at 31 March 2023, 70% of all WPP assets are pooled
	Financial				Long Term	Target								
	The WPP fails to adequately account for climate change, climate risk and ESG factors.	<ul style="list-style-type: none"> Back of knowledge on the impacts of Climate Change, Risk and ESG Factors. Back of knowledge on how the impacts of Climate Change, Risk and ESG Factors can be managed. Poor attendance at training events. 	Financial loss to assets held within the WPP and potential for stranded assets.	<ul style="list-style-type: none"> Development of suitable Climate Change, Climate Risk and ESG reporting metrics Appointment of a proxy voting and engagement provider, who engages with managers and companies on how they manage Climate Change, Climate Risk and ESG factors Publication of a Responsible Investment policy and Climate Risk Policy Constant engagement and challenging of Managers on how they account for Climate Risk/ Change and ESG factors 	Current			4	2	8	👎	Continued dialogue with the Constituent Authorities on the 'net zero agenda', ensuring some consistency across the pool.	OWG/ Oversight Advisor	<p>There continues to be progress in this area over the past 12 months. Key activities include:</p> <ul style="list-style-type: none"> Robust quarterly reporting of ESG & Climate risk WPP continues to be a signatory of the Stewardship Code Annual on-going stewardship code reporting process in place Additional resource from the Oversight Advisor to focus on key RI issues & actions Integration of clear climate change ambitions in the design of private markets sub-funds Development of an All Wales Climate Report
						Target								

1.8	Financial			Long Term	<ul style="list-style-type: none"> Development of Sub-funds that will allow Constituent Authorities to manage their Climate risk Exposure Annual Climate Change, Climate Risk or ESG related training event on the WPP Training Plan Quarterly climate risk reporting Annual stewardship code reporting 	4	1	4	س		Q4 2024	
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I.9	The WPP fails to facilitate investment solutions that enable the Constituent Authorities to meet their investment strategy and objectives.	<ul style="list-style-type: none"> Insufficient time and resources are allocated to engaging with and understanding Constituent Authority needs and requirements. Constituent Authorities do not effectively articulate their requirements and/or the WPP fails to account for Constituent Authority requirements. Sub-funds are not designed to Constituent Authority requirements. Sub-funds are not flexible enough or able to change to better meet Constituent Authority requirements 	<p>The Constituent Authorities refuse to make use of the investment solution provided by the WPP. Consequently, the WPP fails to Pool assets, which may lead to government intervention and or the collapse of the WPP.</p>	<ul style="list-style-type: none"> The development of further sub-funds is a prioritised item within the WPP's business plan. Frequent consultation with Constituent Authorities on their requirements Consultation with the Constituent Authorities on the ongoing suitability of existing sub-funds. Numerous advisors used in the formulation of sub-funds Oversight advisor in place to oversee investment strategy and sub-fund design Numerous checks and balances on the decision-making process and approval of invest strategy and sub-funds Sub fund review document in place 	Current				N/A	Oversight Advisor	N/A
	Operational/ Reputational				OWG/ The Operator/ The Investment Manager/ Oversight Advisor	5	2				
			Long Term		5	2	10				