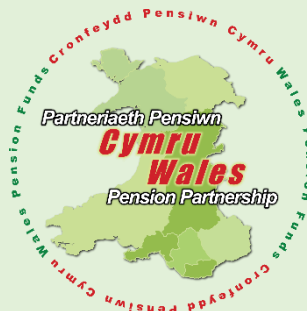




Wales Pension Partnership Governance Manual



Contents

Introduction	<u>3</u>
About the WPP	<u>4</u>
Objectives of the WPP	<u>5</u>
WPP Beliefs	<u>6</u>
Governance Structure & Principles	<u>7</u>
Governance Roles & Responsibilities	<u>10</u>
WPP Policies	<u>21</u>
Practices & Protocols	<u>25</u>
Contact Details	<u>31</u>

Introduction

Welcome to the Wales Pension Partnership ('WPP') Governance Manual.

The purpose of this manual is to provide a detailed overview of the WPP's governance structure, framework and policies. This manual collates all the essential details on how the WPP is governed, as well as articulating the roles, responsibilities and procedures that the WPP has put in place.

One of the documents main objective is to act as a reference point that can be of benefit to WPP personnel, as well as external parties who may wish to learn more about how the WPP is governed. The WPP is very proud of the governance structure, framework and procedures that it has put in place and is keen to articulate and illustrate these to both internal and external audiences. This manual is intended to provide full transparency on the WPP's governance matters. By providing this transparency the WPP hopes that people will be able to fully understand how it operates and that this understanding will improve the levels of engagement between the WPP and all parties.

It is also our hope that this document will meet a second objective - which is to demonstrate how seriously the WPP takes governance matters. The WPP is fully committed to putting in place a robust governance structure through which the pooling activities of the eight Welsh Constituent Authorities can be facilitated. The WPP firmly believes that good governance will lead to better decision making, greater value for money and most importantly better outcomes for the WPP's stakeholders. This document will hopefully provide you with a solid understanding of:

- Who the WPP are, what are our objectives and beliefs which guide us
- How the WPP operates, what our roles and responsibilities are
- Which policies and procedure we follow and adhere too.

Please note that this document will evolve and will be subject to ongoing alterations and amendments as the WPP refines, reviews and up-dates its governance arrangements. This document will be regularly updated to reflect any notable changes in WPP's governance matters, and it will also be amended to reflect updates to the WPP's underlying policies and procedures.

This manual brings together all of the WPP's governance arrangements including the Inter Authority Agreement ('IAA') which is a foundation of these governance arrangements and binds the Constituent Authorities in their common objective of delivering best in class investment pooling for the benefit of LGPS members, participating employers and local tax-payers.

I hope that you will find this WPP Governance Manual helpful and informative and that it will give you a sense of how the WPP is structured and the means by which it operates. Please do feel free to contact us, using the contact details on Page 31, if you have any questions or feedback.

Yours Sincerely,

Chris Moore

Section 151 Officer at the Host Authority (Carmarthenshire County Council)

About the Wales Pension Partnership

Established in 2017, the WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools.

We have a long, successful history of collaboration, including examples that pre-date the Government's pooling initiative. We are proud of our unique identity as a Pool – our Constituent Authorities represent and span the entirety of Wales. Being democratically accountable means, we provide the best of strong public sector governance and transparency.

Our operating model is designed to be flexible and deliver value for money. We appointed an external fund Operator and make use of external advisers to bring best of breed expertise to support the running of the Pool, this includes Hymans Robertson who have been appointed as the WPP's Oversight Advisor. The Operator is Waystone Management (UK) Limited (Waystone) and they have partnered with Russell Investments to deliver effective investment management solutions with the aim of achieving strong net of fee performance for all the Constituent Authorities.

We have a shared vision and agreement on the means and pace at which this vision will be achieved. The eight LGPS Funds (Constituent Authorities) of the Wales Pension Partnership are:

- Dyfed Pension Fund (Carmarthenshire County Council)
- City and County of Swansea Pension Fund (Swansea Council)
- Cardiff & Vale of Glamorgan Pension Fund (City of Cardiff Council)
- Clwyd Pension Fund (Flintshire County Council)
- Gwynedd Pension Fund (Cyngor Gwynedd)
- Powys Pension Fund (Powys County Council)
- Rhondda Cynon Taf (RCT) Pension Fund (Rhondda Cynon Taff County Borough Council)
- Greater Gwent (Torfaen) Pension Fund (Torfaen County Borough Council)

Objectives of the WPP

The WPP is proud to represent the eight Constituent Authorities and recognises its duty to ensure the needs and requirements of all stakeholders are met. The WPP, through consultation with all eight Constituent Authorities, has formulated a list of primary objectives these can be summarised as follows:

- 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
- To embed the delivery of long-term, sustainable investment outcomes into decision making, through capital allocation, the ongoing scrutiny of asset managers, and the exercise of the rights and responsibilities that arise as asset owners.

The eight Constituent Authorities recognise that their strength derives from their shared beliefs and their ability to work together to deliver on their unified objectives for the benefit of all WPP stakeholders.

WPP Beliefs

The WPP's Beliefs reflect the collaborative nature and shared values of the Constituent Authorities, they are as follows:

- 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 broader 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
- 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 beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies.

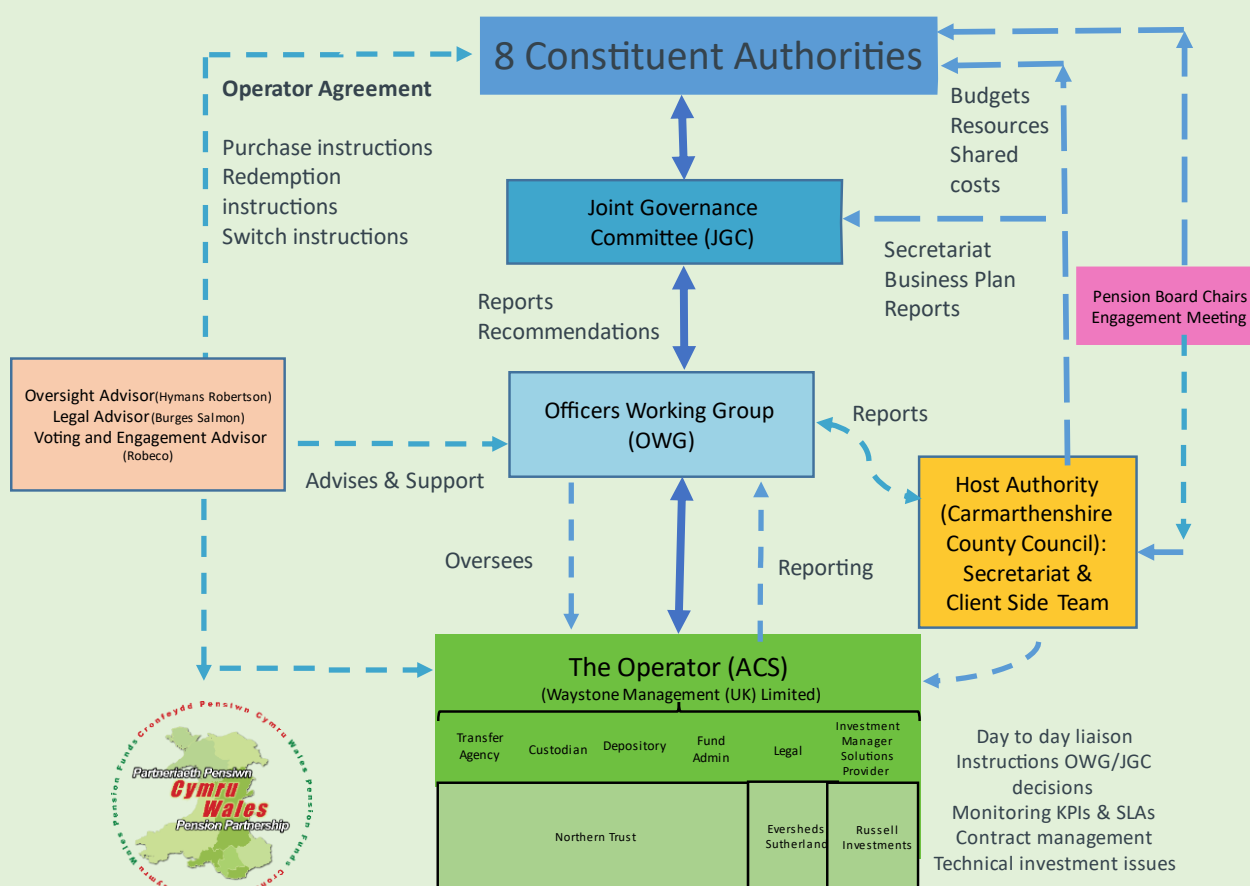
Governance Structure & Principles

The WPP is responsible for ensuring that its business is conducted in accordance with regulation and guidance. We must also ensure that: public money is safeguarded and properly accounted for; used economically, efficiently and effectively to ensure value for money. We also strive for continuous improvement and to conform with industry best practice.

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, taking into account the relevant legislation. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure, which has been designed to:



The diagram below shows WPP's governance structure.



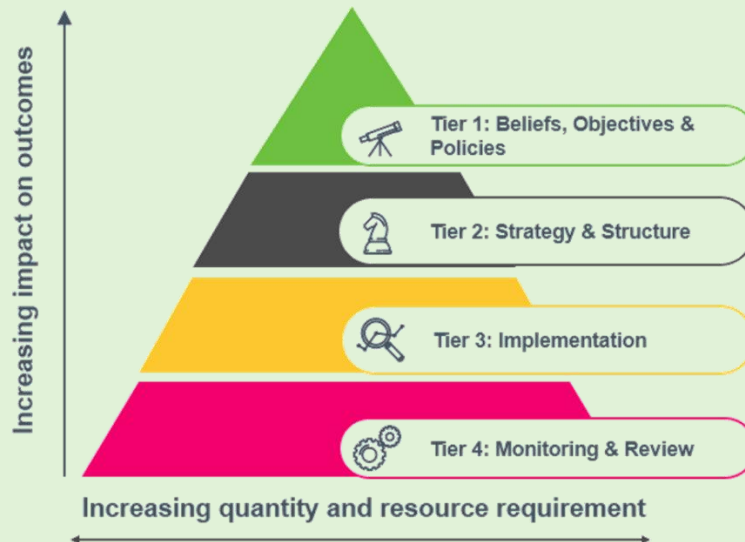
The Constituent Authorities sit at the top of the WPP's governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving the WPP's Business Plan, which outlines the WPP's budget and workplan, as well as its Beliefs and Objectives. The WPP Business Plan can be found on our [website](#). The Constituent Authorities are heavily involved in all aspects of the WPP's governance structure, while the WPP's Joint Governance Committee and Officers Working Group are comprised respectively of elected councillor and officer representatives from the Constituent Authorities.

As previously noted, the WPP Inter Authority Agreement outlines the governance bodies that make up the WPP's governance structure and identify how these bodies interact with one another and roles that each of these bodies play. The governance decision matrix, which can be found on the website, provides a concise summary of the different roles, responsibilities and interaction between all the WPP's committees, groups and suppliers. In particular, it shows which governance body is responsible for which decisions.

The WPP has created a number of committees, groups and roles as part of its governance structure, the creation of which has ensured that the WPP has been able to deliver a robust governance structure to its stakeholders. In particular, the WPP's governance structure seeks to achieve:



Alongside this governance structure, the WPP has developed a governance framework which can be used to evaluate, categorise and attribute resources to the WPP’s ongoing workstreams. The WPP’s governance framework is outlined below, this framework aims to ensure that key decisions are given priority and resources are focussed on areas most likely to contribute to the future success of the WPP:



As illustrated in the diagram above, the framework is based on the principle that your beliefs, objectives and policies are of the utmost importance as they inform all work and activities that the WPP undertakes. Formulation and review of the WPP’s Beliefs, Objectives and Policies represent a relatively small proportion of the WPP’s overall time and activity – however they have the potential to produce the greatest impact on the outcomes that the WPP is able to provide to its stakeholders. We set out below in more detail the different Tiers of the WPP’s governance framework:



- Overriding Beliefs, Objectives - Clear and well defined objectives are essential to achieving future success
- Policies that codify the WPP’s beliefs and objectives and set the requirements of strategy and structure
- E.g. WPP objectives, WPP beliefs and specific policies such as WPP Climate Risk Policy

- Agreement on the WPP’s governance structure, relationship with the Constituent Authorities and third party suppliers (e.g. the Operator)
- Identification of required sub-funds and investment solutions
- E.g. IAA, Governance Matrix, Operator Agreement and sub-fund offerings

- Appointing suitable suppliers and service providers
- Formulating and implementing sub-funds
- Identify approach to assessing investment managers and approach to management
- E.g. choice of regional equity allocation, credit quality and liquidity of bonds. Choice of managers, decision on active or passive management, mandate guidelines prior to investing.

- Approach to implementing agreed changes and ongoing management and monitoring of assets
- Identify lessons to be learnt and areas of improvement across all four tiers
- E.g. operator oversight assessment of transition activity, changes to sub-fund guidelines when already established.

Governance Roles & Responsibilities

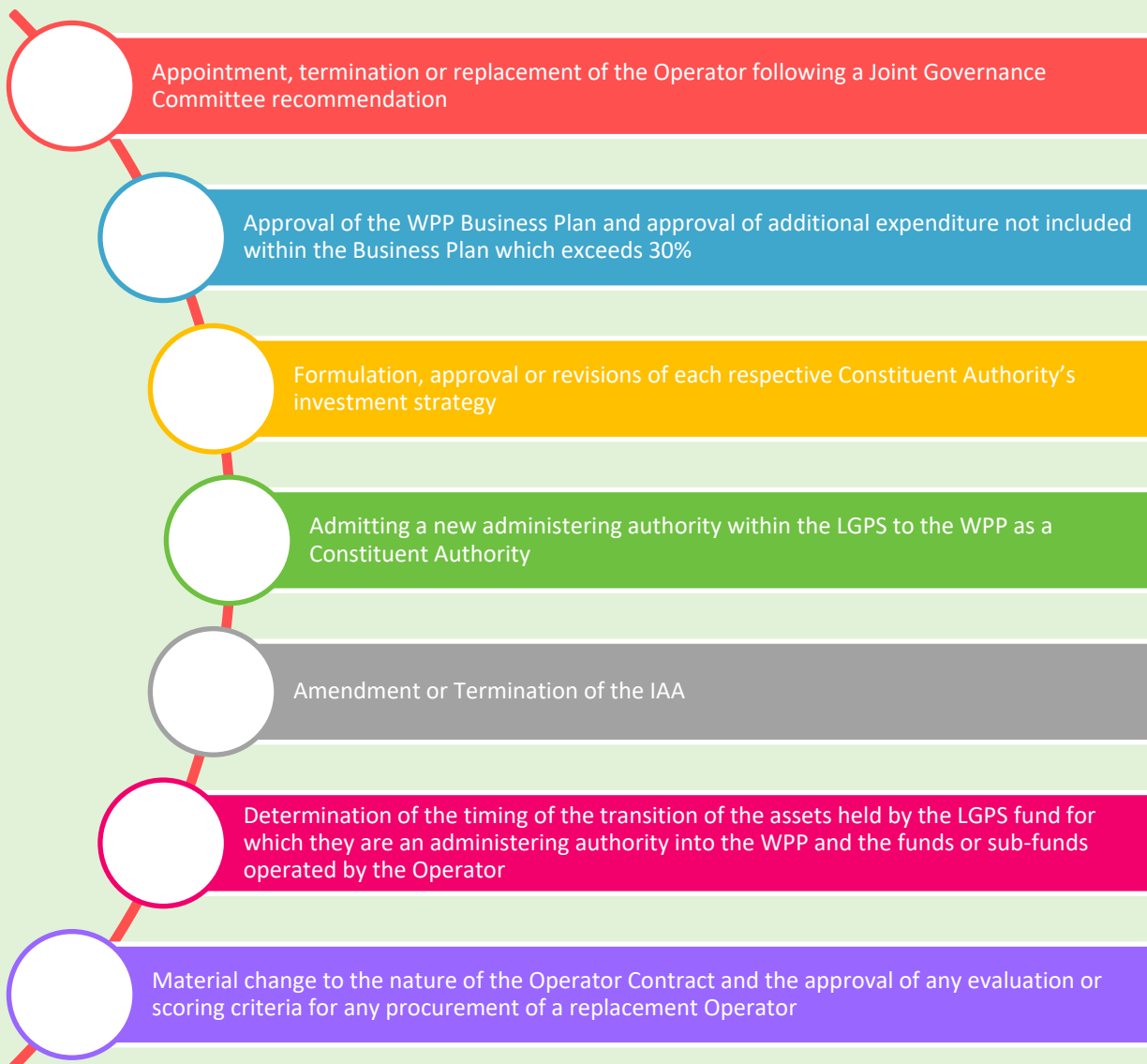
A brief introduction to the purpose, membership and functionality of the WPP's Committees, Groups and Roles can be found below:

The Constituent Authorities

As previously noted, the Constituent Authorities are the most important element of the WPP, they not only represent the founding members of the WPP but also its key stakeholders. The Constituent Authorities forms the WPP's Joint Governance Committee to oversee and report on the WPP. Prior to formulating the JGC the Constituent Authorities agreed that a number of decision-making matters should be reserved to the Constituent Authorities, while the remainder could be considered to be matters for the WPP's Joint Governance Committee.

Constituent Authority Matters

The matters reserved to the Constituent Authorities are set out in Schedule 2 of the Inter Authority Agreement, they can be summarised as follow:

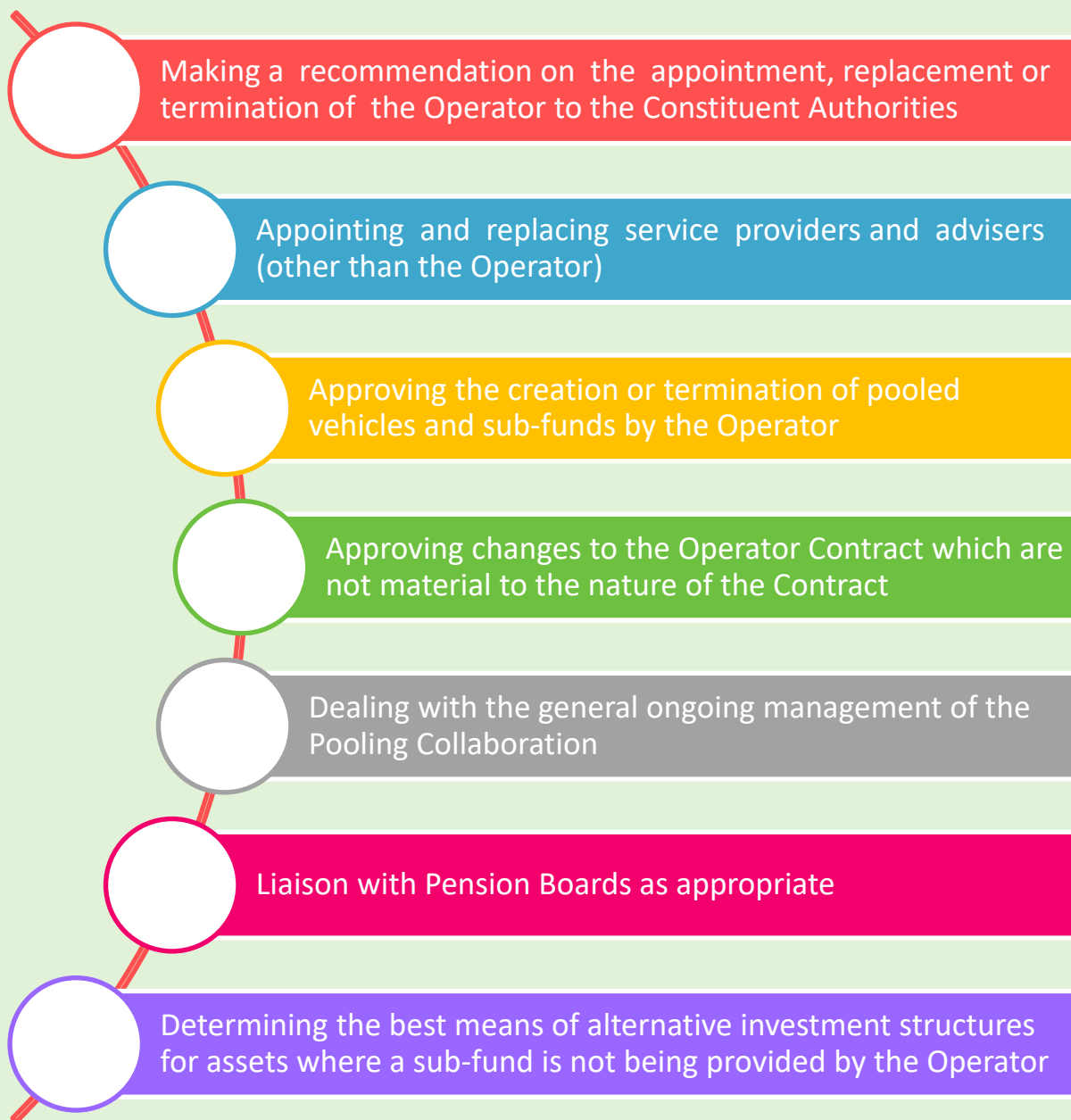


Joint Governance Committee

The Wales Pension Partnership Joint Governance Committee (JGC) was formalised in June 2017 and meets at least four times a year. 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 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, brief summary of JGC Matters and its Terms of References are outlined below.

JGC Matters



JGC Terms of Reference

The Joint Governance Committee responsibilities are:

- Making recommendations to the Constituent Authorities on the termination of the Operator Contract where the performance is considered unacceptable;
- Ensuring that there are an appropriate range of sub-funds available to allow the Constituent Authorities to meet their strategic investment aims;
- Monitoring the performance of the Operator against the agreed set of key performance indicators;
- Reporting on the performance of the Investment Pool, its costs and other activities;
- Review the appropriateness of the existing structures, including the number and make-up of sub-funds;
- Liaising with the Operator on the appointment of suppliers, for example manager preferences or the appointment of depositories;
- Liaising with the Constituent Authorities on the appropriate range of sub-funds to be provided in the Investment Pool;
- Reviewing policies in respect of ethical, social and governance matters and voting rights and where appropriate make recommendations to the Constituent Authorities;
- Applying any processes or policies that are assigned to it within the IAA;
- Recommend a high-level plan for the transition of assets into the pool;
- Ensuring that the OWG acts within its remit;
- Providing any analysis or commentary on annual accounts to the Constituent Authorities;
- Monitoring the implementation and effectiveness of policies and initiating reviews where required;
- Delivery and ongoing monitoring against the Pooling Collaboration objectives, Business Plan and budgets;
- Approving responses from the Pooling Collaboration in relation to consultations or other matters considered appropriate;
- Seeking advice from professional and authorised and regulated advisers where necessary;
- Agreeing the Business Plan to be put forward to the Constituent Authorities for approval;
- Report to the Constituent Authorities quarterly on the matters within their remit;
- Agreeing criteria for the evaluation of bids or tenders for any procurement (other than the Operator) to be put forward for the approval of the Constituent Authorities.

The WPP prides itself on being open and transparent and this is evidenced by the fact that JGCs are publicly webcasted, while agendas and minutes are also made publicly available. Additionally, the WPP has put in place the following meeting procedure to ensure that JGC meetings operate in an efficient, transparent and democratic fashion.

Meeting Procedure (JGC)

- All agendas, reports and minutes shall be in both Welsh and English, and simultaneous translation of proceedings will be available throughout all meetings. The Chair will sign the minutes of the proceedings at the next suitable meeting;
- The Chair is responsible for the running of meetings. The Chair shall invite Members expressing a desire to speak in turn. All discussion and debate shall be held through the Chair and the Chair may draw a discussion to a vote at any time where they consider that every Member has been given a fair opportunity to speak;
- Where any item to be discussed forms exempt information the Chair shall move that the public and press from the meeting for the duration of the discussion and voting on that item. Motions to exclude the press and public do not require to be seconded and shall be determined by simple majority vote of the Members present. The Chair may invite any person to remain in the meeting where they consider it to be necessary or appropriate to do so and any members of the OWG present shall be presumed to be invited to remain unless the Chair specifies otherwise;
- Any person may be excluded from a meeting or required to leave a meeting where in the opinion of the Chair they are causing a disturbance to the running of the meeting and have not desisted from doing following a request; or where any person is so disruptive that their conduct if allowed to remain would prevent the meeting from proceeding in a fair and acceptable manner;
- Any Member may propose a motion. All motions must be seconded. Motions which are opposed shall be put to a vote;
- A Member may raise a point of order at any time. The Chair will hear them immediately. The Member must indicate the provision or law or regulation and the way in which he/she considers it has been broken. The ruling of the Chair on the matter will be final. The Chair may take advice on the point of order from the appropriate officer;
- The Chair shall seek consensus wherever possible however where a vote is required each Member present will have one vote and voting will be by means of a show of hands. In the event of a tied vote, the Chair shall have a second or casting vote. All decisions will be determined by simple majority.

Officers Working Group

The WPP's Officers Working Group (OWG) was established with the purpose of providing support and advice to the Joint Governance Committee. The group meets at least four times a year. An overview of the roles and responsibilities of the OWG can be found below:

- Making proposal to the JGC on:
 - Procuring external support to meet the WPP's requirements;

- Governance arrangements;
- The most appropriate means of accessing different asset types – including the structure and number and make-up of sub-funds;
- High level transition plans for the transfer of assets to pool the Investment Pool;
- Challenging and contributing to the development of the Pool and helping the JGC achieve its objectives;
- Making recommendations to the JGC on the appointment, replacement or termination of the Operator;
- Monitoring and reviewing the performance of the Operator;
- Receiving reports on performance of the assets and reporting to the JGC;
- External reporting on the Pooling Collaboration and its progress;
- Liaison with other pools as required;
- Consider, recommend and draft the Business Plan for consideration by the JGC;
- Develop and keep under review the programme of training to be delivered to Members
- Seek advice from professional advisors that are authorised and regulated by competent authorities;
- Managing the procurement process for the procurement of any replacement Operator;
- Any other matters that the JGC has delegated to the OWG.

The OWG is comprised 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 OWG, in a similar fashion to the JGC, has a strong track record in terms of engagement and attendance. There is at least one representative from each Constituent Authority in attendance at OWG meetings and it is common to see both the Section 151 Officer and Practitioner for all eight Constituent Authorities in attendance.

The WPP's providers and external advisors also attend OWG meetings and provide support or advise when required. At present the WPP's Operator, Investment Management Solutions Provider and Oversight Advisor attend all OWG meetings. Other parties such as WPP's Voting and Engagement Provider, LAPFF and Audit Wales representatives are also invited to attend OWG meetings when required.

In addition to the OWG meetings, members of the OWG participate in virtual meetings on a fortnightly basis. These fortnightly meetings are used to deal with any matters that arise in between formal OWG meetings, they are also used to progress work between OWG meetings. These meetings are an invaluable mechanism for progressing work and fostering collaboration between the Constituent Authorities and the WPP's suppliers.

The WPP has also established a number of 'sub-groups', these sub-groups are generally formulated to progress or develop certain elements of the WPP's workplan. All the sub-groups are made up from a sub-section of the OWG and are responsible for formally reporting back to the entire OWG. Current WPP sub-groups include:

- The Private Market Sub-Group – which is responsible for formulating and developing the WPP's Private Market Sub-Funds.
- The Risk Register Sub-Group – which is responsible for maintaining the WPP Risk Register and reporting back any changes or developments to the OWG and JGC on a quarterly basis.
- The Responsible Investment Sub-Group – which is responsible for overseeing all Responsible Investment matters within the WPP, including policy development and reviews, external reporting, and scrutiny / oversight.

Host Authority

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

- To act as the employing authority for any staff solely engaged in carrying out work on behalf of the WPP;
- Being the point of contact for the purposes of managing the WPP;
- Providing administrative resources and facilities relating to the WPP's activities;
- Providing governance and administrative services relating to the WPP's activities;
- Providing training for Members to support their role;
- Enter into contracts, on behalf of the WPP, for supplies and services that the WPP requires;
- Liaise with the Operator on behalf of the Constituent Authorities and provide any contract management and co-ordination services that are required;
- Provide appropriately qualified and experienced officers who will act as the primary legal and financial advisers to the Pool. This will include a Section 151 Officer and Monitoring Officer to undertake oversight and review of the operation of the Pool and decisions of the Joint Governance Committee on behalf of all of the Constituent Authorities.

The Host Authority's role is critical to the WPP, it is responsible for the day to day management of the Pool and takes ownership of managing and progressing the WPP's activities and endeavours. The size and nature of the Pool means that the Host Authority is responsible for a broad, and ever changing, range of activities and responsibilities, these range from organising and facilitating the WPP's training sessions to formulating and submitting the WPP's 'Pooling Update' submissions to the Ministry of Housing, Communities & Local Government.

The Host Authority is the main point of contact for all WPP related questions and is also tasked with maintaining the WPP's communication methods (e.g. Website and LinkedIn). The Host Authority has an internal team from which it can draw resources and expertise to help it meet its responsibilities.

Section 151 Officer

Carmarthenshire County Council's 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.

Monitoring Officer

The Monitoring Officer Role is currently carried out within the Host Authority (Carmarthenshire County Council). The Monitoring Officer is responsible for maintaining the IAA to ensure that it reflects up to date legislative requirements and the WPP's Governance needs. It 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 they consider that any proposal will give rise to unlawfulness.

Current External Providers

The WPP believes that external suppliers can be a cost-effective means of enhancing the WPP's resources, capabilities and expertise. The WPP has undertaken thorough market testing and associated procurement or appointment exercises to contract the following suppliers in the belief that, at present, these suppliers will be able to assist the WPP in delivering the best and most cost-effective outcomes for its stakeholders. Please note that the list below outlines the WPP's current providers and suppliers, this list is continuously reviewed and subject to change.

Waystone Management (UK) Ltd (The Operator)

The WPP has designed an operating model which is flexible and able to deliver value for money. Waystone Management (UK) Ltd (Waystone) have been appointed as the external Operator and, with the support of Russell Investments, they will be tasked with delivering effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities. Waystone is the provider of the WPP's Authorised Contractual Scheme ('ACS') which houses the WPP's investment Sub Funds.

The Operator is FCA-authorized firm and its responsibilities include:

- The day-to-day operation and managing the investments/regulatory compliance/risks;
- Managing / appointing third parties;
- Buying and selling the open-ended collective investment vehicle's shares; and
- Ensuring the accurate pricing of shares at net asset value.

To ensure the ACS meets its regulatory obligations, Waystone outsources the day-to-day running of the WPP's ACS to service providers such as the fund accountant/ administrator and the transfer agent (Northern Trust). In addition, Waystone has appointed Northern Trust as the depositary.

There is an Operator Agreement in place with Waystone which sets out the contractual duties of the Operator and governs the relationship between the Operator and the WPP. The JGC and OWG, with the support of its Oversight Advisor, oversee the work that Waystone carry out on behalf of the WPP. The WPP's Operator Engagement Protocols have also been put in place to ensure that there is sufficient levels of engagement between the Operator and the individual Constituent Authorities. The Operator engages with the Constituent Authorities in two key ways:

- Direct engagement, through regular meetings with the individual CA stakeholders and their investment advisors (committee meetings)
- Indirect engagement with CAs collectively, through the Joint Governance Committee (JGC) and the Officers Working Group (OWG)

Direct Engagement

Waystone attend committee meetings at a minimum frequency of once per annum with stakeholders and investment advisors of each Constituent Authority. The benefits of this ongoing engagement are as follows.

- Development of the ongoing relationship
- Aid Waystone's understanding of each Constituent Authority's investment strategy - including asset allocation, risk and return requirements and any asset class preferences.
- It also allows Russell Investments, as the Investment Management Solutions Provider to the WPP, an opportunity to provide a fresh perspective and sound advice to CA committees and their advisors

At these meetings, Waystone present detailed reporting to each individual Constituent Authority. These reports will include:

- Asset allocations summary, including holdings across Pool
- Manager updates and notification of changes to evaluations and rankings
- Transaction reports, including full transparency of all costs
- Performance reports for each sub-fund / strategy

Indirect Engagement

Through formal OWG and JGC meetings the WPP can communicate the following to Waystone:

- Expectations for the Sub-Fund structures that need to be created
- Views and input on Manager selections
- Customisations of Manager guidelines requirements, in particular with regard to Responsible Investment and ESG criteria
- Any LGPS specific considerations

Meanwhile Waystone will be responsible for communicating the following:

- Detailed reporting on assets in ACS and project updates (including launch activity)
- Manager oversight reporting, including performance and Manager ranking changes
- Key Performance Indicators (KPI), which helps JGC/OWG monitor service delivery
- Regulatory and industry updates
- This list is not exhaustive but provides an example of the efficient engagement between the various entities.

Waystone carry out a broad range services for the WPP, these include:

- Facilitating Investment Vehicles & Sub-Funds
- Performance reporting
- Transitions implementation
- Manager monitoring and fee negotiations
- Risk reporting
- Provide events and individual meetings to provide education and training

The WPP has also put in place additional engagement mechanisms to ensure sufficient oversight of the Operator and high-quality service delivery:

- A Bi-Weekly Host Authority Update – during the course of these meetings the Host Authority discuss deliverables, workflow and progress update with the Operator to ensure that work is progressing in a timely fashion and in a way that is aligned with the WPP's objectives.
- A 6 Monthly Strategic Relationship Review – This is an opportunity for Section 151 Officers and the Host Authority to outline the WPP's strategic objectives and ensure that the Operator is aware, aligned and able to deliver on these objectives.
- An Annual Shareholder Day – where Constituent Authorities receive a strategic and performance update from the Operator and Underlying Managers. Constituent Authorities have the opportunity to question or challenge any aspects of the Operator's or Investment Manager's performance or strategic thinking.



Russell Investments (Investment Management Solutions Provider)

In collaboration with Waystone, Russell Investments provide investment management solution services to the WPP. Alongside Waystone, they work in consultation with WPP's eight Constituent Authority to establish investment vehicles. Russell's remit includes advising Waystone and WPP on portfolio construction which includes manager selection. Waystone continues to work with Russell Investments, where applicable, to further reduce WPP's costs through multi-manager structures, currency managements solutions, portfolio overlays, transition management and other execution services.



Hymans Robertson (The Oversight Advisor)

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.



Burges Salmon (Legal Advisor)

Burges Salmon provide Legal advice, as and when required. Burges Salmon's remit requires them to provide expertise in FCA regulated funds, tax, public sector procurement and local government. In addition, Burges also advises on governance arrangements, building complex procurement specifications, advising on the procurement process and evaluation criteria. They also support WPP in finalising legal agreements and formulating FCA prospectus applications.



Northern Trust (The Custodian, Depository, Transfer Agent and Fund Accountant)

Northern Trust provides numerous services to the WPP including securities lending, fund administration, compliance monitoring and reporting.

Northern Trust is the Depository for the WPP ACS vehicle. There is a requirement for the depository to be an FCA authorised firm and fully independent of the ACS vehicle. As Depository, Northern Trust holds legal titles to the ACS' investments and is responsible for their safe custody. Northern Trust has responsibility for ensuring that the Operator complies with regulatory requirements. Fundamentally, Northern Trust protects the shareholders of the Fund who have the rights to the vehicle's assets.

Northern Trust are also appointed by the Operator (Waystone) to act as Fund Accountant and Administrator. This role means that Northern Trust is responsible for all aspects of the day-to-day accounting of the fund including reporting of the Net Asset Value (NAV). The fund accountant will work closely with the Operator, transfer agent and custodian. In addition, the fund accountant is responsible for:

- Securities data management and corporate actions processing
- Trade capture management and reconciliations
- Derivative support
- Expense processing
- Production of the annual and semi-annual financial statements

Northern Trust is the Transfer Agent for the WPP's ACS, in fulfilling this role Northern Trust carries out the following activities:

- Investor AML and due diligence
- Maintaining the records of the shareholder/unitholder register of the fund
- Establishing the tax status of investors
- Processing investor dealing – subscriptions/redemptions etc
- Working closely with the investment manager to provide cash reporting
- Issuing investor media – contract notes, statements



Robeco UK (Proxy Voting & Engagement Provider)

Robeco UK has been appointed the WPP's Voting and Engagement provider and 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'). Furthermore, Robeco takes responsibility for implementing the Voting Policy across WPP's portfolio.



WPP Policies

The WPP believes that good governance should lead to superior outcomes for the WPP’s stakeholders. In recognition of this belief, the WPP, in consultation with the Constituent Authorities, has developed a robust governance structure and framework and a set of governing policies. In all instances the WPP’s policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP understands the importance of formulating and codifying its policies and procedures. This process allows the WPP, and the Constituent Authorities, to:



The WPP’s key policies, registers and plans are listed below and can be found on the WPP website



The WPP’s policies are reviewed on a regular basis and the WPP will continually assess whether any additional policies, registers or plans are required. The policies play a vital role in the WPP’s governance arrangements and have been formulated with the sole purpose of providing a codified framework which will ensure that the WPP achieves its objectives in an effective and transparent means

Risk Management

The Wales Pension Partnership ('WPP') recognises that it faces numerous risks which, if left unmanaged, can limit the WPP's ability to meet its objectives and to act in the best interest of its stakeholders and beneficiaries. However, the WPP also understands that some risks cannot be fully mitigated and that in these instances' risks need to be embraced through active and effective management.

Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy. This strategy will be embedded into the WPP's governance framework to ensure better decision-making, improved outcomes for stakeholders and greater efficiency.

The WPP's risk strategy seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP believes that risks are fluid in nature and that the severity and probability of risks can change rapidly and without warning. To reflect this belief, the WPP's Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

To deliver on its objectives, the WPP needs to carry out activities or seize opportunities that subject it to risk. The extent to which the WPP is able to effectively balance risk and return will depend on the success of its Risk Policy. It is critical that prior to making decisions the WPP understands the associated risks and considers the means by which these risks could be managed. Effective identification, understanding, management and monitoring of risks will allow the WPP to:

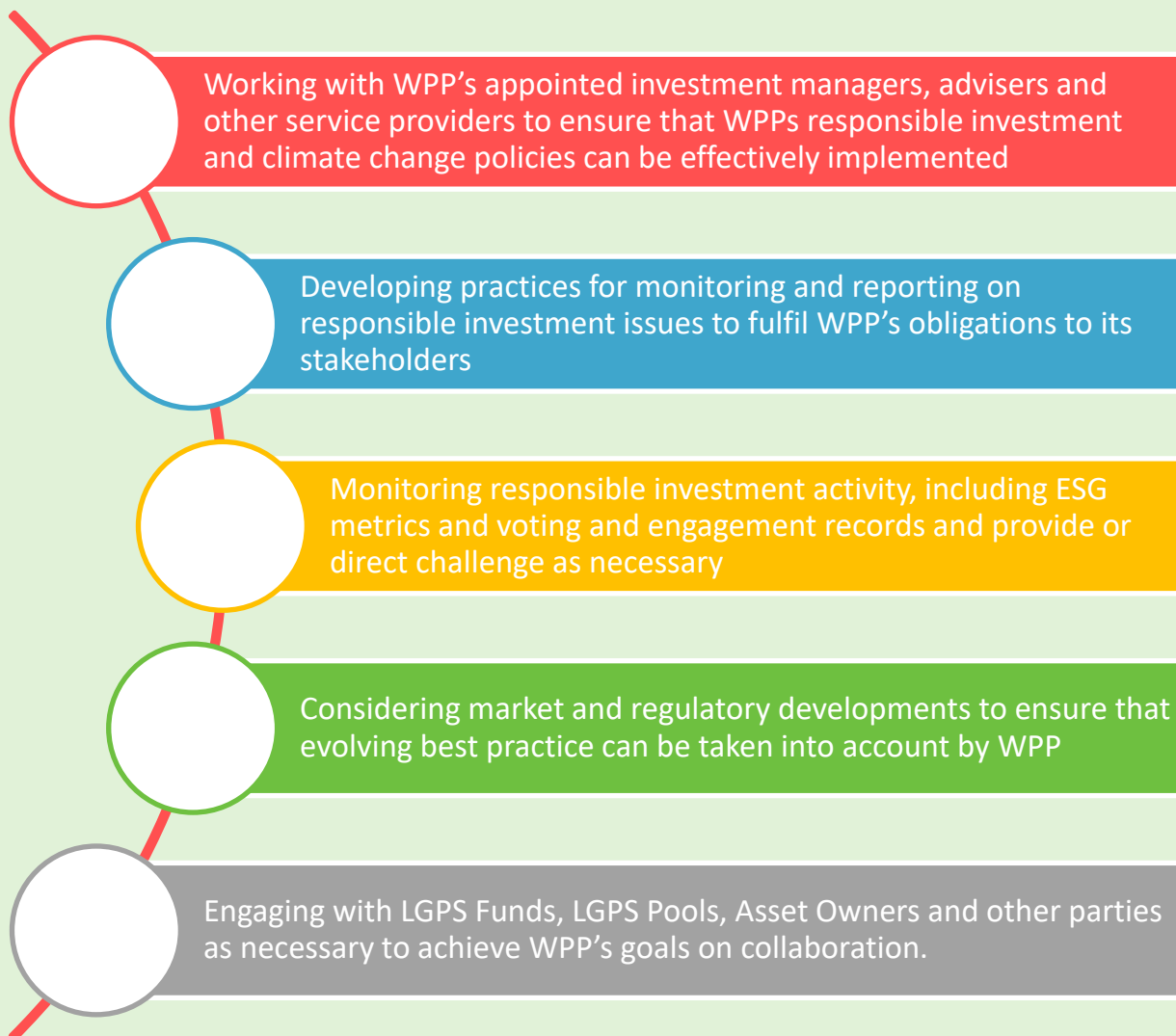


The greatest risk to the WPP's continued operation is its ability to deliver on its primary objectives. The WPP's Business Plan is an additional means through which the WPP will give special recognition to risks that pose a material threat to the delivery of its objectives and the actions required to manage these risks. WPP maintains a Risk Register which is reviewed regularly by a dedicated Risk Sub-Group which reports back to the OWG and JGC on a quarterly basis. The Sub-Group is not only responsible to maintaining the WPP's Risk Register, it is also responsible for reviewing the WPP Risk Policy on an annual basis and progressing any actions that result or arise from its monitoring and review of the WPP Risk Register. The Risk Policy and the Risk Register can be found on the website. <https://walespensionpartnership.org/publications/risk-policy-and-risk-register/>

Responsible Investment

The WPP believes that Responsible Investment, alongside consideration and evidence-based management of Environmental, Social and Governance issues, should result in better outcomes for its stakeholders. Hence, it has been a key priority for us since we were established in 2017. Various activities have been undertaken to work towards our ambition of becoming a leader in Responsible Investment. Initially, our focus was on formulating a Responsible Investment Policy, The WPP has since formulated its own Climate Risk Policy, and has worked with its Voting and Engagement Provider, Robeco, to agree a Voting Policy. These policies can be found on the WPP website: <https://walespensionpartnership.org/publications/>

In Q3 2020 the WPP RI Sub-Group was formulated and this sub-group has taken ownership of RI related workstreams and actions that are required to achieve the commitments made in the WPP's RI and Climate Risk Policies – this includes;



The Group reports to and advises the OWG and JGC on any changes to WPP's policies or implementation approach that may be necessary to ensure that WPP's goals can be met.

Conflict of Interest and Procedure

The WPP recognises that a fail to manage conflicts of interest poses a 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 reputation being negatively impacted and referral to regulatory bodies. It is important that good governance principles are followed and that is why the WPP has formulated a Conflict of Interest and Procedure Policy, which outlines how conflicts are identified, managed and monitored. The main objectives of the WPP’s Conflict of Interest and Procedure Policy is to;

- Demonstrate its commitment to identifying, managing and monitoring conflicts of interest.
- Adhere to the WPP’s belief that good governance and transparency will deliver superior outcomes for WPP stakeholders.
- 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.

Communication

The Wales Pension Partnership (“WPP”) believes that effective internal and external communication is vital to achieving its objectives. The WPP, as part of its commitment to this belief, has formulated a Communication Policy, The Policy is reviewed regularly, the review will take account of innovative developments within the communication industry and the expressed views of WPP’s stakeholders. The Policy sets out how the WPP will carry out its internal and external communication strategies, it covers the following topics:



Training

The WPP is commitment to be an organisation that is continually evolving and learning. The formation of the WPP’s Training Policy, and the accompanying WPP Annual Training Plan, in collaboration with the Constituent Authorities was particularly pleasing as it showed the WPP’s continued commitment to providing benefits from Pooling that are not solely investment focussed, it also highlighted the strong levels of engagement and likeminded thinking amongst the Constituent Authorities.

The WPP has committed to hosting at least one quarterly training session and these have already proved to be a great way to further developed the expertise within the WPP and also to increase the means of engagement with the WPP’s stakeholders.

On an Annual basis the WPP will publish an annual training plan to support its overarching Training Policy. The WPP Annual Training Plan will outline the training topics which the WPP will provide training on during the next twelve months. The full WPP Training Policy and the Annual WPP Training Plans can be found on the website. <https://walespensionpartnership.org/publications/training-policy-and-training-plans/>

Practices & Protocols

The WPP recognises that its formal policies will be unable to cover all of its endeavours and day to day activity. However, the WPP still believes in the benefits of codifying the mechanisms and procedures that it has adopted informally in the form of WPP Practices & Protocols. The WPP has therefore put in place a list of Practices & Protocols with the objective of ensuring:



The list of WPP Practices & Protocols are listed below and further details of all of these can be found on the subsequent pages:



Engagement Protocols

The WPP has set itself the objectives of putting in place engagement protocols that;

- Foster effective relationships and lines of communication between WPP personnel, providers and stakeholders.
- Allow for effective debate, evaluation and discussion between WPP personnel, providers and stakeholders
- Ensure that the WPP's objectives and business plan is reflective and pays due consideration of the strategies and plans of the Constituent Authorities.
- Enable all WPP personnel & stakeholders to contribute and support the WPP in achieving its objectives
- Suitably informs and updates all relevant stakeholders on the WPP's activities, key messages and progress towards its objectives

JGC meeting papers are made publicly available. Local Pension Board engagement days are held regularly as a means of fostering stakeholder engagement. We have formalised our engagement protocols which will ensure the continued engagement and collaboration amongst the WPP's Constituent Authorities and providers, this is carried out via the following engagement mechanisms:

Engagement mechanisms	Frequency
Strategic Relationship Review meeting	Bi-Annual
JGC Engagement	Quarterly
Manager Performance Meetings/ Calls	Quarterly
Training Events	Quarterly
OWG Engagement	Quarterly
Bi-Weekly Meetings	Every 2 Weeks
Pension Fund Committees	Annual
Manager Engagement Days	Annual
Member Communications	Annual
Pension Board Chairs Engagement	Bi-Annual
Engagement via the website & LinkedIn	Continuous

The WPP has always sought the highest possible levels of engagement with its stakeholders and that is why, alongside our communication strategy, we will continue to develop and improve our levels of engagement with our internal, as well as external, stakeholders.

Transparency

The WPP believes in being open and transparent as such the WPP will ensure that the meetings of the Joint Governance Committee are accessible to the public via a live webcast stream, all non-exempt meeting papers will also be made publicly available. Additionally, the WPP has attributed a large amount of time and resources to formulate and publishing the following documents and publication to the public. All these documents and publications have been created to provide transparency on what the WPP is up to and how it operates. We hope that by reading these document and publications our stakeholder and the wider audience will have full transparency on the WPP's activity and progress:

WPP Business Plan

WPP Governance Manual

WPP Annual Report

WPP Policies

WPP Annual Update

WPP Annual Training Plan

WPP Responsible Investment Progress Report

WPP Performance Reports

Cyber Security/ Data Security

The WPP is very aware of the threat posed by cyber security breach and the importance of data security. As noted previously, Carmarthenshire County Council act as Host Authority for the WPP, therefore the WPP has adopted Carmarthenshire County Council's:

- Data Protection Policy and;
- Handling Personal Information Policy

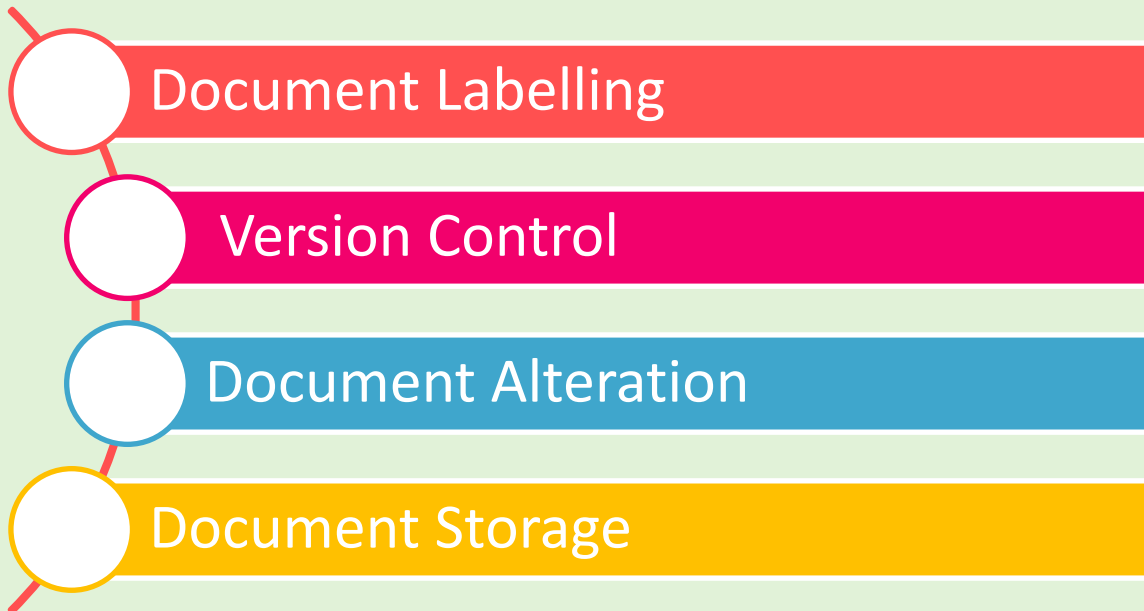
There two policies cover how the Host Authority ensures that data is suitably protected, and that personal information is handled in a way that safeguards data from being lost, stolen, disclosed inappropriately or otherwise misused. In particular, the policies cover the following areas:

- Responsibilities
- Use of portable devices or removable media
- Secure storage of personal information
- Taking personal information out of the office
- Transferring personal information securely
- Retention of personal information
- Breaches of security
- Ensuring equality of treatment

The Constituent Authorities retain responsibility for individual member data for their respective LGPS Pension Funds. If you are interested in finding out more about these policies, you can find them on the Carmarthenshire County Council Website. <https://www.carmarthenshire.gov.wales/>

Document Storage & Labelling

The WPP believes that it is important to effectively store and label all relevant WPP paperwork and documentation – as this will reduce the likely of any inefficiencies within the WPP’s governance structure and will help maximise the WPP’s overall efficiency. The WPP has therefore developed a best practice Document Storage & Labelling practice which all WPP Personnel and advisors are encouraged to adhere to, it covers:

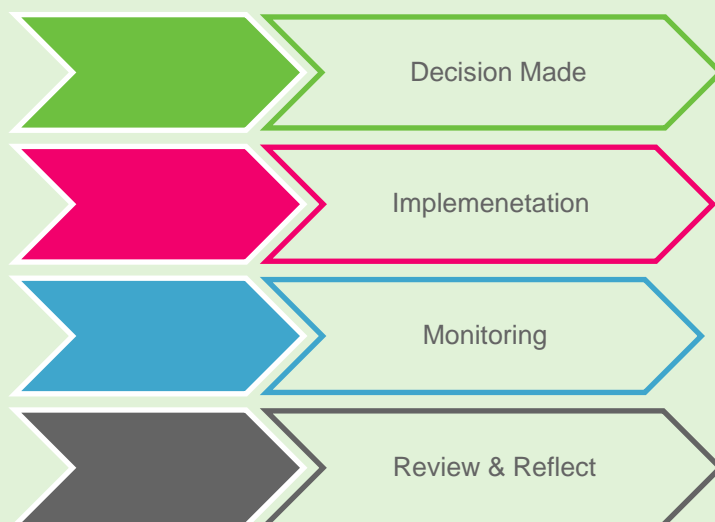


The WPP will make use of the following document storage methods to ensure that documents can be easily and quickly located when required by WPP Personnel, Stakeholders and Providers:

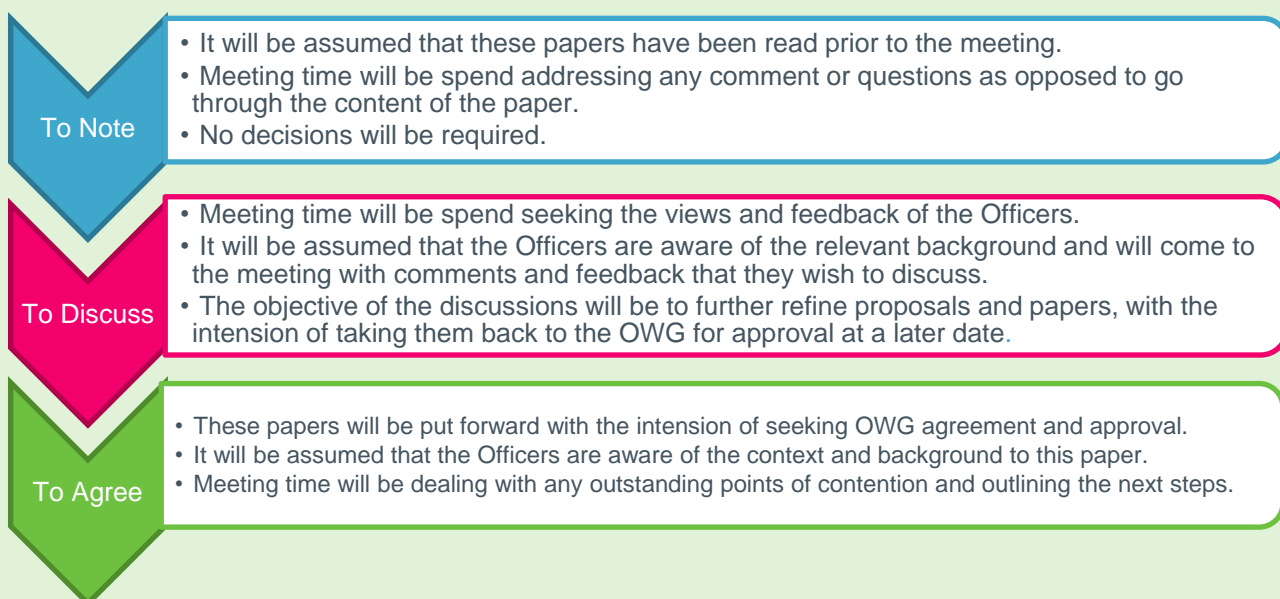
- **Democratic Services** – will ensure that all public papers from the WPP’s JGC will be uploaded and made available on its website
- **WPP Website** – The Host Authority will use the WPP’s website as means of storing and sharing public documents – this will for example include the WPP Progress Update, Business Plan or Policies
- **FocalPoint** – Is a secure online document storage facility which the WPP uses for internal and confidential papers. WPP Personnel, and Providers where appropriate, are granted login details to this facility and are able to use it to access all WPP documents remotely via an internet connection
- **Host Authority** – The Host Authority will also locally store all relevant WPP documents and paperwork to ensure that documentation can be sourced if any on the other three methods outlined above are subject to disruption

Decision Making & Reflection

The WPP is fully aware of the impact that its decisions can have on outcomes for WPP stakeholders. The WPP has sought to develop an efficient and effective decision making procedure which allows for well-informed debate and challenge as well clear and decisive decisions, The WPP has adopted a holistic approach to its decision making procedure – in which the point of decision is not the final stage but is instead that starting point for the WPP’s reflection process. The illustration below represents the WPP’s decision making and reflection process:

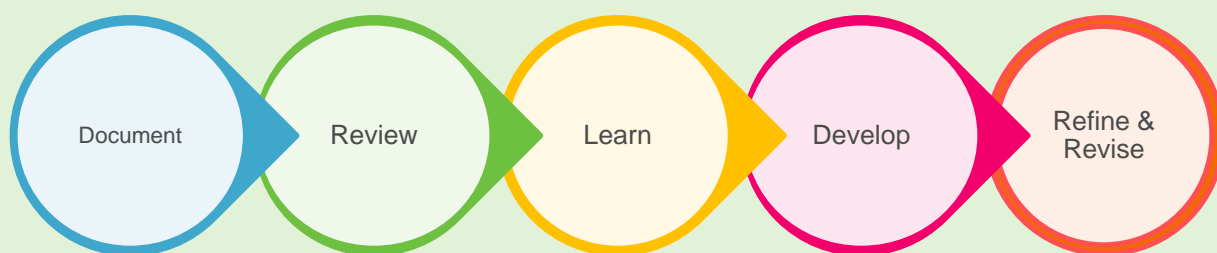


The initial stage of this process is focused on the actual decision making. Effective decision-making results from a combination of sufficient challenge and evaluation, expert advice, a deep knowledge base and numerous checks and balances. The WPP recognises the importance of time in the decision-making process, it is vital that WPP Personnel and Provider are given sufficient time to debate, evaluate and challenge. The WPP has therefore introduced a mechanism for ensuring that meeting time is spent in the most effective way. All WPP advise papers make use of the classification mechanism outlined below. The objective of this mechanism is to guarantee that WPP Personnel know from the outset of the paper what is required of them.



The WPP also notes that in some circumstances it can be important to document decisions made in a concise and clear way – this is especially true if the decision relates to a contentious or particularly important matter. In these instances, the WPP will make use of its ‘Documenting Decision Making’ procedure.

The documentation of decision is the first step in the WPP’s ‘Lessons to be learnt’ procedure. The WPP is committed to being an institution that is always learning and evolving. It is important that the WPP reviews its decisions, tries to learn lessons from them and then filters the lessons learnt back into its future endeavours and decisions. To help embedded this process into its governance framework the WPP has formulated the following five steps ‘Lessons to be learnt’ procedure:



Introduction Checklist

The WPP is aware that during the course of its existence there will be turnover of both Providers and Personnel as such it is important to have measures in place to help any new Personnel or Providers build up their knowledge base on what the WPP does and how it operates. Upon commencing their new WPP role Personnel or Provider, where appropriate, will be asked to progress through the WPP Introduction Checklist.

We also note that the WPP Training Policy and Plan are also invaluable in ensure that any new WPP Personnel have the required knowledge and skill base that they require.

Contact Details

If you require further information about anything in or related to this business plan, please contact the Wales Pension Partnership:

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Treasury & Pension Investments Section

County Hall

Carmarthen

SA31 1JP

E-mail - WalesPensionPartnership@carmarthenshire.gov.uk

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Further information on the WPP and ongoing updates on the WPP's progress can be found on the website and LinkedIn page.

The website can be found here:

<https://www.walespensionpartnership.org/>

