



CYNGOR BWRDEISTREF SIROL
RHONDDA CYNON TAF
COUNTY BOROUGH COUNCIL

COMMITTEE SUMMONS

C Hanagan
Service Director of Democratic Services & Communication
Rhondda Cynon Taf County Borough Council
The Pavilions
Cambrian Park
Clydach Vale CF40 2XX

Meeting Contact: Sarah Daniel - Principal Democratic Services Officer
(07385 086 169)

YOU ARE SUMMONED to a virtual meeting of the **PENSION FUND COMMITTEE** to be held on **MONDAY, 9TH OCTOBER, 2023** at **2.00 PM**.

AGENDA

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1. DECLARATION OF INTEREST

To receive disclosures of personal interest from Members in accordance with the Code of Conduct

Note:

1. Members are requested to identify the item number and subject matter that their interest relates to and signify the nature of the personal interest: and
2. Where Members withdraw from a meeting as a consequence of the disclosure of a prejudicial interest they must notify the Chairman when they leave.

2. MINUTES

To receive the minutes of the previous meeting of the Pensions Fund Committee held on 18th July 2023

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3. TO CONSIDER PASSING THE FOLLOWING RESOLUTION:

“That the press and public be excluded from the meeting under Section 100A(4) of the Local Government Act (as amended) for the following agenda item of business - Items 4 and 5 on the grounds that it involves the likely disclosure of the exempt information as

defined in paragraph 14 of Part 4 of the Schedule 12A of the Act”.

- | | |
|--|----------------|
| 4. LEARNING AND DEVELOPMENT | |
| Responsible Investing and Infrastructure | 7 - 38 |
| 5. WALES PENSION PARTNERSHIP | |
| Recommended Evaluation Criteria for WPP Operator Procurement Update. | 39 - 42 |
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| 8. WALES PENSION PARTNERSHIP - UPDATE | 79 - 80 |
| 9. URGENT BUSINESS | |
| To consider any urgent items as the Chairman feels appropriate | |

Service Director of Democratic Services & Communication

Circulation:

The Chair and Vice-Chair: (County Borough Councillor M Norris and County Borough Councillor M Ashford respectively)

County Borough Councillors: Councillor G Jones, Councillor N H Morgan and Councillor D Wood

Mae'r ddogfen hon ar gael yn Gymraeg / This document is also available in Welsh



RHONDDA CYNON TAF COUNCIL

Minutes of the virtual meeting of the Pension Fund Committee held on Tuesday, 18 July 2023 at 2.00 pm.

County Borough Councillors – The following Councillors were in attendance:

Councillor M Norris (Chair)

Councillor M Ashford Councillor G Jones
Councillor N H Morgan Councillor D Wood

Officers in attendance

Mr B Davies, Director of Finance & Digital Services
Mr I Traylor, Service Director – Pensions, Procurement & Transactional Services
Mr P Griffiths, Service Director – Finance & Improvement Services
Ms Y Keitch, Principal Accountant Pensions and Treasury Management

36 Declaration of Interest

In accordance with the Council's Code of Conduct, there were no declarations made pertaining to the agenda.

37 Minutes

It was **RESOLVED** to approve the minutes of the 27 March 2023 as an accurate reflection of the meeting.

38 Work Programme

The Deputy Chief Executive and Group Director - Finance, Digital and Frontline (Group Director) Services presented the report to Members which provided details of the Committee's Terms of Reference, their strategic role and proposed work programme for the 2023/24 Municipal Year. Members were informed of the items scheduled for the year and were reminded that the Work Programme remains flexible to adapt to changing priorities and business requirements, which will be by the agreement of the Chair.

Future meetings of the Pension Fund Committee for the 2023/24 Municipal Year were also set out as part of the update to Members.

Following discussion, Members **RESOLVED** to agree the work programme for the 2023/24 Municipal Year.

39 Delegated Functions Report

The Group Director presented the report in respect of the key issues being addressed as delegated functions and as specified in the Pension Fund

Governance Policy Statement.

The Group Director referred Members to the performance of the fund detailed at paragraph 4.3 of the report and explained that during the quarter ending 31st March 2023, the overall value of the Fund increased from £4,103 million to £4,256 million.

The Group Director informed Members that the Pension Fund is progressing the investment into Blackrock GIS 4 Infrastructure Fund, in line with the agreed Asset Allocation Strategy, with capital contributions to date totalling £29.5 million. Members were also informed that the Pension Fund is committing £70 million to the closed ended infrastructure first vintage launched by the Wales Pension Partnership, with the first capital call of £4.47 million transferred on 30th May 2023.

A Member asked what the increase in value equated to as inflation had been high at 10%. The Group Director advised that inflation is one of the factors that influences the level of return and fed back that the Fund's asset allocation strategy is increasing the value of the Fund's assets over the long term, noting that the level of return may not be in line with short term changes in the rate of inflation.

A Member referred to the Asset Allocation Strategy and asked if there was a timescale in which to progress to Step 3 of the Strategy.

The Group Director advised that the availability of appropriate infrastructure investment opportunities is a key determining factor, with the delivery of the Asset Allocation Strategy anticipated to cover at least a 5-year period.

The Service Director Pensions, Procurement and Transactional Services then took Members through section 5 of the report.

A Member asked if there is a method to recall overpayments. The Service Director fed back that depending on the circumstances, there may be opportunity to off-set overpayments against future payments due and in other cases there will be a need to raise an invoice to recover the funds.

Following discussion, Members **RESOLVED** to note the issues being addressed in the Delegated Functions report.

40 Pension Fund Risk Register- Risk Register Overview

The Service Director, Finance & Improvement Services informed Members of the arrangements in place to manage risk within the Pension Fund.

The Service Director advised Members that the Fund maintains a Risk Register which is reviewed and updated on a quarterly basis and referred Members to the Risk Register attached at Appendix 1 for their consideration. Members were informed of the updates included within the Risk Register, these being in respect of the specific Risk Categories of Funding, Investments, Governance and Operational.

The Service Director confirmed that the Fund's Pension Board continue to monitor and support the Fund's compliance around current and emerging risks.

RESOLVED: Members noted the arrangements in place for the management of risk within the Fund

41 Wales Pension Partnership - Update (including WPP Business Plan 2023-26)

The Principal Accountant Pensions and Treasury Management presented the report to Members which detailed the work and progress of the Wales Pension Partnership and Joint Governance Committee (JGC). Members were informed that the next meeting will be held on the 19th July 2023 where the following annual policies and papers will be reviewed:

- Annual Return for the year ended 31st March 2023.
- Approval of the evaluation criteria including weightings for the Operator Procurement.
- Stock Lending report.
- Policy Reviews of Climate Risk Policy and Voting policy.
- Operator update.
- Performance reports as at 31st March 2023.
- ESG and Climate Risk reports.

The Principal Accountant went on to advise Members of the next steps and key priorities as outlined in paragraph 3.4 of the report and requested the Committee to review and approve the Wales Pension Partnership Business Plan 2023-26, as set out at Appendix 1.

The Group Director also fed back to the Committee that the UK Government's Chancellor of the Exchequer made a recent announcement on a pension scheme assets pooling consultation document, noting that it is anticipated this would present practical challenges in its current form should it be implemented in the future. The Group Director added that further updates will be announced by the UK Government in due course following completion of the consultation process.

RESOLVED: To note the update and Members considered and approved the Wales Pension Partnership Business Plan 2023-26

This meeting closed at 2.55 pm

**Councillor M Norris
Chair.**

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RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2023-24

**PENSION FUND COMMITTEE
9TH OCTOBER 2023**

**REPORT OF: THE DEPUTY CHIEF
EXECUTIVE AND GROUP DIRECTOR –
FINANCE DIGITAL AND FRONTLINE
SERVICES**

AGENDA ITEM NO. 6
DELEGATED FUNCTIONS – UPDATE REPORT

**Author – Barrie Davies, Deputy Chief Executive and Group Director – Finance,
Digital and Frontline Services (01443) 424026**

1.0 PURPOSE OF REPORT

1.1 This report sets out the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement, by the Deputy Chief Executive and Group Director – Finance, Digital and Frontline Services.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Committee:

2.1.1 Note the issues being addressed; and

2.1.2 Consider whether they wish to receive further detail on any issues.

3.0 BACKGROUND

3.1 The Deputy Chief Executive and Group Director - Finance, Digital and Frontline Services (in their capacity as S151 officer) supported by an Investment and Administration Advisory Panel with appropriate officer, independent advisor and professional support, has delegated responsibility for all day-to-day operational matters.

3.2 The Panel advises on all aspects of the Pension Fund. It produces the annual report to Committee and is subject to Audit scrutiny. Areas upon which it gives advice are:-

- Selection, appointment, and dismissal of the Fund’s advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator and independent professional advisers.
 - Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
 - Agreeing the terms and payment of bulk transfers into and out of the Fund.
 - Agreeing Fund business plans and monitoring progress against them.
 - Maintain the Fund's Knowledge and Skills Policy for all Pension Fund Committee Members and for all officers of the Fund, including determining the Fund’s knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.
 - Formulating responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
 - Ensuring the Fund is managed, and pension payments are made in compliance with the extant Local Government Pension Scheme Legislation, His Majesty’s Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.
 - Ensuring robust risk management arrangements are in place.
 - Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Fund.
 - Monitor investment performance.
 - Work with the Fund Actuary to determine the level of employer contributions required from each employer within the Fund and ensure such contributions are received.
- 3.3 The Investment and Administration Advisory Panel meets on a quarterly basis, the most recent meeting taking place on the 19th September 2023.

4.0 INVESTMENT PERFORMANCE

- 4.1 There is a quarterly reporting cycle for pension fund investment performance, with exception reporting agreed with fund managers where there are particular concerns. The most recent Panel Meeting considered investment performance to the end of June 2023.

- 4.2 During the quarter ended 30th June 2023, the overall value of the Fund increased from £4,256 million to £4,263 million.
- 4.3 A summary of performance relative to the Fund specific benchmark is shown below.

Total Portfolio

	2020		2021				2022				2023		3yr
Quarter	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Fund	3.5	9.5	1.6	5.4	0.3	1.6	-6.5	-8.9	-2.7	2.6	3.4	0.3	2.9
B'mark	1.6	6.5	1.1	5.1	0.7	4.2	-3.2	-6.8	-2.8	3.5	3.5	0.9	4.5
Relative	1.9	3.0	0.5	0.3	-0.4	-2.6	-3.3	-2.1	0.1	-0.9	-0.1	-0.6	-1.6

- 4.4 As shown, the rolling 3-year performance of the Fund is 2.9% positive as compared to a benchmark of 4.5%. For the last quarter (i.e. quarter 2), UK Credit Fund and BlackRock Passive UK Equity (low carbon) outperformed their benchmarks; Baillie Gifford Traditional Equity, Global Growth high alpha equity portfolio, Global Opportunities high alpha equity portfolio and CBRE Property under-performed their benchmarks; and BlackRock Passive UK Gilts and BlackRock Global Infrastructure Solutions performed in line with their benchmark.
- 4.5 The 19th September 2023 Panel meeting included a review of fund managers' performance. Presentations were received from Baillie Gifford (the traditional equity manager), Veritas (one of the managers of the WPP Global Growth Fund) and BlackRock, discussing their GIS4 Solutions product.
- 4.6 The asset allocation of the Fund, by Fund Manager and mandate as at 30th June 2023 (which includes cash), is shown in the table below.

Baillie Gifford Traditional	Global Equities	16%
Link – Global Opportunities Fund	Global High Alpha Equities	10%
Link – Global Growth Fund	Global High Alpha Equities	36%
Link – UK Credit Fund	UK Credit	12%
Link – Sustainable Equity Fund	Global High Alpha Equities	2%
BlackRock	Passive Global Equities	6%
Blackrock	Passive UK Gilts	10%
CBRE	UK Property	7%
Blackrock GIS 4 Solutions	Infrastructure	1%
Internal	Cash	0%

- 4.7 The asset allocation strategy for the Fund is set out below along with the steps being taken as we continue to move toward it.

Asset Class	Current Allocation	Step 1	Step 2	Step 3
Total Equities	70%	64%	59%	54%
Infrastructure	1%	0	5%	10%
Property	7%	7%	7%	7%
Government Bonds (UK)	10%	12%	12%	12%
Corporate Bonds (UK)	12%	15%	15%	15%
Cash	0%	2%	2%	2%
Absolute Return (10 years pa)		5.3%	5.5%	5.6%
Volatility (10 years pa)		13.3%	12.7%	12.3%

- 4.8 With regard to infrastructure, the approach is for the Fund to invest over a number of years in order to secure and optimise opportunities across the different time periods (and vintage years).
- 4.9 Baillie Gifford's global core mandate has been reduced by £180 million which has been transitioned to UK government bonds, with a further £45 million reduction transferred to UK corporate bonds.
- 4.10 The Pension Fund is progressing the investment into Blackrock GIS4 Infrastructure Fund. Capital contributions to date total £31.4 million.
- 4.11 The Pension Fund is committing £70 million to the closed ended infrastructure first vintage launched by the WPP. Capital contributions to date total £4.47 million.
- 4.12 A £10 million commitment into a local impact opportunity was agreed in the form of a wind farm investment. The first drawdown of £2.25 million took place on 25th April 2023, with a further drawdown of £0.074 million on 21st June 2023.
- 4.13 Given the current decline in gilt and bond prices, Panel agreed to increase the bond allocation in line with the Fund's current strategy. The increase is to be funded from the Bailie Gifford exposure held outside of the pool for such purposes as we continue to implement the strategy. This re-balancing exercise is to take place during October 2023.
- 4.14 Subject to the necessary due diligence the Pension Fund proposes to make a commitment of \$75 million into the BlackRock Renewable Power IV product, the first close being end of October 2023.

5.0 ADMINISTRATION UPDATE

- 5.1 The Fund's key administrative activity during the period included the successful publication of Annual Benefit Statements to all 'Active' and 'Deferred' Pension Scheme Members prior to the statutory deadline, followed by a further statutory

requirement in respect of the production of the 2023 'Annual Allowance' pension saving statements, which is currently underway.

- 5.2 The Pensions Regulator (TPR) is expected to now publish their new General Code of Practice by the end of the year. The new consolidated code will set out proposed new governance standards for pension schemes. As soon as the code becomes available, Officers and the Pension Board will review the requirements against existing practices within the Rhondda Cynon Taf Fund.
- 5.3 There has been no further national update provided on the Pensions Dashboard Programme (PDP) since the previous update to the Fund's Pension Committee. Legislation will be updated to set an overall connection deadline for all schemes by 31st October 2026.
- 5.4 In September 2023, the Department for Levelling Up, Housing and Communities (DLUHC) finalised its regulatory update '[The Local Government Pension Scheme \(Amendment\) \(No. 3\) Regulations 2023](#)' effective from 01st October 2023, and published its response to the most recent McCloud consultation. It also published updated versions of the member factsheet (English and Welsh versions) and can be viewed on the [GOV.UK website](#)
- 5.5 The above regulations address the 'McCloud remedy' and amend the existing underpin rules in the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, to ensure it works effectively and consistently for qualifying scheme members. The regulations take effect from 1 October 2023, further activity to support the implementation includes:
 - i. The Local Government Association (LGA) are currently reviewing the regulations and plan to issue guidance and member communications;
 - ii. DLUHC will publish statutory guidance on prioritisation and set up an implementation group to identify what other statutory guidance is needed; and
 - iii. Government Actuary Department (GAD) is currently reviewing the actuarial guidance notes that will need to be updated.
- 5.6 The Scheme Advisory Board (SAB) is considering its own cost control mechanism following changes made to HM Treasury's mechanism. HM Treasury changed its mechanism after a review by the Government Actuary and public consultation. A further update will be provided to Committee as SAB considerations progress.
- 5.7 The end-of-year accounting exercise for employers with year-end 31st July 2023 was completed and relevant disclosures provided by the Fund Actuary.
- 5.8 The Fund's Annual General Meeting has been scheduled for Wednesday 15th November 2023 and production of the Fund's Annual Report is underway.
- 5.9 Further to the support provided by the Fund's Employer Communication Forum which met in July 2023, a programme of work is continuing to ensure on-going effective communication, for example, the trial of a new starter process and self-help videos being developed for inclusion on the Fund website to support scheme

members with key activities such as ‘understanding your Annual Benefits Statement’.

- 5.10 The Fund’s McCloud Working Group continues to progress the necessary work on Employer data collection and sign-off. The resource impact required to deliver this retrospective exercise and maintaining usual activity is being closely monitored, with targeted implementation training arranged for the whole team during October 2023. Whilst a successful recruitment exercise was finalised earlier in the year, the Rhondda Cynon Taf Fund continues to monitor its resources as a result of this significant project.
- 5.11 Member Self-Serve (MSS) continues to be promoted and registrations of Active, Deferred, Pensioner and Dependant members are shown below (as at August 2023).

	<u>Member Numbers</u>	<u>MSS Registrations</u>	<u>Current Percentage Take-up</u>	<u>Percentage Reported Previously</u>
Actives	24,907	11,664	46.83%	48.40%
Deferred	29,961	11,458	38.25%	37.92%
Pensioners	19,146	6,301	32.92%	31.94%
Dependants	3,078	197	6.41%	6.39%

- 5.12 The Service’s eight ‘Key Performance Service Standards’ are regularly monitored by the Investment and Administration Advisory Panel and Pension Board. Overall, service performance is positive and a focus on team development continues.
- 5.13 The number of ‘Internal Dispute Resolution Procedure’ Appeals in progress continues to be extremely low, with no obvious trends or concerns to report.
- 5.14 Following the actuarial Fund Valuation exercise, cashflow projections have been prepared to provide indicative funding maturity levels over the next 10 years.
- 5.15 The Fund has responded to the consultation on Pooling (Local Government Pension Scheme (England and Wales): Next steps on investments) setting out the views of the Fund, this being alongside the response provided by the Wales Pension Partnership.

6.0 PENSION BOARD

- 6.1 The Pension Board last met on a hybrid basis on 1st August 2023, with the next meeting scheduled for the 26th October 2023.

- 6.2 There were no formal items raised by the Pension Board requiring feedback to Committee.
- 6.3 Pension Board Members have continued to support their skills and knowledge requirements through attendance at relevant events. More recently this has included supporting Fund compliance through attendance at the Scheme Advisory Board's 'Cost Transparency' event in September 2023.

7.0 OTHER ISSUES

- 7.1 The Panel reviewed the skills and knowledge framework and noted the updates.
- 7.2 The Risk Register was considered and the position noted. A review of the Risk Register is being dealt with elsewhere in this agenda.
- 7.3 Attached at Appendix 1 is the latest LAPFF quarterly engagement report for the period April to June 2023.

8.0 CONCLUSION

- 8.1 This report sets out, for the Committee, the key issues being addressed as delegated functions, as specified in the Pension Fund Governance Policy Statement, by the Deputy Chief Executive and Group Director – Finance, Digital and Frontline Services.

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Quarterly
Engagement
Report

April-June
2023



AGM Season, LAPFF Brazil Visit Report, Climate Voting Alerts, BP, Shell

UPDATES

AGM Season

LAPFF is always busy during AGM season, and this year was no different. In addition to attending six AGMs (including the US-based Home Depot's meeting) this quarter, LAPFF drafted a record number of voting alerts. These alerts showcased LAPFF's climate voting alert initiative, for which voting alerts were issued on over 50 climate-related shareholder resolutions.

LAPFF also issued 55 voting recommendations for environmental, social and governance (ESG) resolutions at mining companies and technology companies. These recommendations were prompted by another round of shareholder resolutions at US technology companies covering a range of ESG issues. Notably, Amazon faced 16 resolutions this year, with Alphabet and Meta Platforms each facing 10 and 11 respectively. A couple of LAPFF members even co-filed resolutions on freedom of association and collective bargaining.

LAPFF issued a voting alert for Starbucks this year in support of a shareholder resolution calling for the company to uphold better practices on freedom of association and collective bargaining. This resolution was supported by a whopping 52 percent of the shareholder vote. There were a

number of shareholder resolutions on this topic at US AGMs this year, and LAPFF anticipates more during the 2024 season.

Oil and gas companies and banks were a further area of focus for LAPFF this AGM season. LAPFF supported the Follow This resolutions at BP and Shell. The resolution received nearly 15 percent support at BP and over 20 percent support at Shell. LAPFF also raised concerns about HSBC's approach to human rights and engaged extensively with Barclays.

Drax's rhetoric and practices on climate have been a particular concern for LAPFF over the last few years. Consequently, LAPFF Vice Chair, Cllr Rob Chapman, attended the Drax AGM on the back of a LAPFF voting alert that raised significant concerns about the company's climate practices and reporting in this area.

It is interesting to note that while many ESG resolutions, and in particular socially oriented resolutions, gained traction this year, the so-called 'anti-ESG' resolutions aimed at questioning the value of ESG issues in relation to financial performance, appeared to lose ground. LAPFF will continue to issue voting alerts throughout the year as appropriate.

LAPFF Report on Visit to Brazil

As reported previously, LAPFF Chair, Cllr Doug McMurdo, visited communities devastated by the Mariana tailings dam collapse of 5 November 2015 and the Brumadinho tailings dam collapse of 25 January 2019 during the summer of 2022. The Mariana dam is owned by Samarco, which is a joint venture between BHP and Vale. The Brumadinho dam is wholly owned by Vale. LAPFF also visited Conceição do Mato Dentro to see Anglo American's Minas Rio tailings dam, which has not collapsed but about which surrounding community members have concerns.

The report of LAPFF's findings from this visit has now been made public. A related video is also available.

The report flags a host of human rights and environmental concerns that have yet to be addressed in the wake of the Mariana and Brumadinho disasters. Apart from issues related to housing, health, and livelihoods, the impact on cultural rights was a prominent problem for affected community members to whom LAPFF spoke throughout the visit. Among the range of environmental impacts noted in conversations with affected community representatives, severe concerns about water quality and availability arose consistently. There were underlying concerns about the companies' failure to engage meaningfully and effectively with all communities affected by all three of the companies' mining operations.

Cllr McMurdo also met with company



"I knew the visit would be difficult, but I wasn't prepared for the scale of devastation I saw nearly seven years on from the Mariana collapse and three and a half years on from the Brumadinho collapse. Seeing it with my own eyes was a wake up call – investors must do more! It was truly heartbreaking. My main concerns were the issues around water quality and availability and the apparent lack of communication between the companies and the communities. I can't see how there can be meaningful progress until this communication gap is rectified, but it is a tall order. I am also now more convinced than ever that this is an issue of financial materiality."

LAPFF Chair, Cllr Doug McMurdo

VOTING ALERTS

representatives and Brazilian investors during his visit. Vale Chair, José Penido, spent two days showing Cllr McMurdo two resettlement areas in Mariana and the site of the dam collapse at Brumadinho. Cllr McMurdo met with staff at Samarco to understand better how the collapse had happened and measures the company is taking to rectify the problems. JGP Asset Management then organised a meeting of LAPFF, Brazilian investors, and Vale to discuss a sustainable way to rectify the outstanding reparations work. BHP declined to make a representative available to meet with LAPFF in Brazil.

It was clear to LAPFF from these meetings that the companies need to do a better job of communicating to both communities and investors the steps they are taking to address human rights and environmental concerns.

CLIMATE VOTING ALERTS

Objective: Due to the scale of the investment risks and as part of a continued focus on mitigating climate risks, LAPFF has been issuing a series of dedicated climate change voting alerts. These alerts recommend voting positions on climate-related shareholder resolutions with the aim of ensuring companies properly address the climate risks they face. The alerts covered companies in different sectors and centred on climate topics that LAPFF engages on, including transition plans, adequate targets, lobbying, and a just transition.

Achieved: Over the quarter, LAPFF issued climate alerts covering over 50 resolutions with half receiving the backing of 20 percent or more shareholder votes. The scale of support highlights the support for climate action among responsible investors and delivered a strong message to companies on the need for credible climate action policies and plans.

Resolutions focused on climate transition plans did well. Almost half (48 percent) of shareholder votes backed a resolution at Quest Diagnostics and over a third at Raytheon Technologies (37 percent), and JPMorgan Chase (35 percent). Similar resolutions received significant support at Lockheed Martin (33 percent), Wells Fargo (31 percent), Mosaic Company (30 percent) and Bank of America (28 percent).

Several resolutions focused on emission targets, including targets that cover all emission scopes, absolute emission reductions targets and Paris aligned targets. There were significant votes on the issue at Public Storage (35 percent), Valero Energy (32 percent), Chubb Limited (29 percent), TotalEnergies (29 percent) and Berkshire Hathaway (23 percent).

Shareholder requests for reports into alignment of direct and indirect lobbying activity with climate goals gained significant backing by shareholders. Cenovus board supported the shareholder proposal which received backing of 99 percent of shareholder votes. Lobbying resolutions were also strongly supported in spite of board opposition at Paccar (46 percent), Coterra Energy (37 percent), Wells Fargo (32 percent) and Amazon (24 percent).

This year also saw shareholder resolutions on just transition reporting, a topic which LAPFF has focused on over the past few years. The just transition resolution at BorgWarner received 31 percent of shareholder votes, 27 percent at Amazon and 16 percent at Marathon Petroleum.

In Progress: LAPFF will continue to issue climate voting alerts to support resolutions aligned with LAPFF engagement objectives. LAPFF also intends to follow up with the companies where there were significant votes in favour of shareholder resolutions to understand how the board intends to respond.

MINING VOTING ALERTS

Objective: LAPFF issued voting alerts this quarter for Rio Tinto, Anglo American, Glencore, and Vale. The aim of these voting alerts was to draw attention to both the companies and investors that there is still significant work to do on both human rights and decarbonisation in respect of creating shareholder value for investors.

Achieved: Three of the resolutions for which LAPFF recommended oppose votes at Rio Tinto were related to executive remuneration and the re-election of the sustainability committee chair. These resolutions received the highest number

of oppose votes from voting shareholders. The sustainability committee chair is scheduled to step down later in the year because she reached her nine-year limit on the board. However, LAPFF has opposed her re-election since 2021 because she has been in this role since before the company's destruction of Juukan Gorge in 2020. LAPFF also recommended opposing Anglo American's remuneration implementation and policy reports, which received oppose votes at the AGM of over five and four percent respectively.

In addition to issuing voting alerts for Rio Tinto and Anglo American, LAPFF attended the AGMs of these two companies. As with the Rio Tinto sustainability committee chair, the Anglo American sustainability committee chair received a high oppose vote (over six percent). However, unlike his Rio Tinto counterpart, he was not present at the AGM. The Anglo American chair also received an oppose vote of over three percent. LAPFF was quite surprised and disappointed when he requested that people asking questions at the meeting do so only in English, especially given that a number of affected community members had travelled from South America to attend the AGM and ask questions.

The Vale and Glencore AGMs were in Brazil and Switzerland, respectively, so LAPFF was not able to attend. Nearly 22 percent of votes opposed and abstained on Vale's annual report (the vast majority abstaining); LAPFF had recommended an oppose vote on this report in relation to its coverage of the Mariana and Brumadinho tailings dam collapses. LAPFF recommended a vote in favour of the shareholder resolution on climate at Glencore, which received nearly 30 percent support from voting shareholders.

In Progress: LAPFF will continue to engage all of these companies on both their human rights and environmental practices on the basis that improved practice in these areas will set the conditions for sustainable shareholder returns.

COMPANY ENGAGEMENTS



The headquarters of Tesla Motors

TECHNOLOGY VOTING ALERTS

Objective: LAPFF has issued voting alerts largely supporting ESG shareholder resolutions filed at technology companies over the last few years and did so again this year. In LAPFF's experience, US companies do not have a culture of engaging with investors in the way that UK and Australian companies do. Therefore, while voting alerts are part of an engagement escalation strategy in most markets, LAPFF often issues voting alerts as an initial point of engagement with US companies with which it deems there are ESG or financial concerns. LAPFF continues to have concerns about corporate governance and social practices at large US technology companies.

Achieved: LAPFF issued voting alerts for Amazon, Tesla, Meta Platforms, and Alphabet, supporting shareholder resolutions on platform content and improved corporate governance practices, among others.

In Progress: Prior to issuing voting alerts, LAPFF sends the draft alerts to the target companies for comment. If the companies comment, LAPFF includes the company comments in the alert issued to its members. However, none of the technology companies receiving voting alerts provided comments or responses to LAPFF. LAPFF continues to seek ways to engage these companies meaningfully in relation to the issues of concern to LAPFF.

COMPANY ENGAGEMENT MEETINGS

Shell

Objective: LAPFF has been seeking a meeting with the new CEO given concerns about the company's climate transition strategy under the previous CEO. Instead, Shell offered a meeting with the Chair, Sir Andrew Mackenzie.

Achieved: After a difficult start to the meeting, the tone and content of the engagement improved, and there was a more refreshing and open conversation about the challenges of decarbonisation. For that reason, and because Sir Andrew is relatively new, and was appointed after the deficit 2021 Climate Transition Plan, LAPFF recommend voting for his re-election and against the incumbent NEDs that were appointed prior to him.

In Progress: LAPFF noted at the AGM that Sir Andrew indicated that Shell would be presenting a new Climate Transition Plan before the 2024 AGM; the Forum will be engaging further on that plan. Of particular interest is the extent of disclaimers in the Transition Plan itself and in the Annual Report's reference to the Transition Plan. We therefore have the conclusion that the Transition Plan is not reliable enough to be included for strategic purposes in the Annual Report, the requirements for which have legal thresholds of reliability.

BP

Objective: LAPFF sought a meeting with the CEO to better understand BP's decision to move down its 2030 reduction targets.

Achieved: LAPFF had a cordial meeting and gained some explanations of BP's thinking, with further research and engagement in this area to follow.

In Progress: Further contact and engagement with the company is ongoing.

HSBC

Objective: LAPFF's aim in engaging with HSBC is to ensure the company continues to show leadership in climate and addresses the human rights concerns arising from the increasing integration of Hong Kong into mainland China. While

HSBC has made substantial progress on climate, certain aspects of its strategy need strengthening, in particular over the assessment of credible transition plans when lending. HSBC also faces growing human rights challenges from the increasing integration of Hong Kong into mainland China and has faced criticism for blocking the accounts of activists and the payment of pensions to those leaving Hong Kong. This point relates to shareholder proposals to split the UK and Hong Kong businesses, which have been strongly opposed by management but would be one approach to easing human rights concerns.

Achieved: LAPFF met with the Senior Independent Director to discuss its concerns. On the issue of the company split LAPFF explained that it is prepared to support the company for now, but this issue does link with broader human rights concerns over strategy and involvement in mainland China.

As a result of this meeting, LAPFF decided to issue a voting alert, recommending voting against the report and accounts as the human rights disclosures were inadequate and a broader strategy in response to the changes in Hong Kong is needed. Climate disclosure too could be improved, in particular around credible transition plans.

In Progress: The company has invited LAPFF to a follow up meeting to focus on human rights. LAPFF will seek to explore further with HSBC how it can manage the challenge of having substantial retail operations in Hong Kong now that it is under effective direct control of mainland China, while maintaining a progressive international reputation. LAPFF has also been invited to have further discussion with the company on climate finance and reporting.

Barclays

Objective: The aim of meeting with Barclays was two-fold. The first objective was to ensure continued progress on climate related disclosure and investment, including challenging the company on fossil fuel investments. The second objective was to seek to improve governance, noting CEO appointments have been a long-term issue for the company.

COMPANY ENGAGEMENTS



Headquarters of Barclays Bank in Canary Wharf

Achieved: LAPFF was offered a very late meeting with the Chair, where it expressed its concerns primarily over governance. The discussion centred on why the Financial Conduct Authority (FCA) investigation reached a different conclusion to that of the Board a year earlier, and what that might mean for the analysis and judgement of the Board. Recent press allegations had further heightened our concerns, with suggestions that the Board could have known more. LAPFF was considering issuing a voting alert recommending abstaining on the election of the Chair. However, in light of further discussions with the Chair, the alert was withdrawn.

In Progress: LAPFF expects to follow up with the Chair shortly and will further discuss governance, seeking reassurances and identifying any possible actions. LAPFF will also follow up with Barclays on climate action and disclosure, in particular the rate of wind down of fossil fuel lending.

Rio Tinto

Objective: LAPFF was outspoken about Rio Tinto's destruction of Juukan Gorge and has been engaging consistently with communities around the world affected by the miner's activities. Although LAPFF met briefly with Rio Tinto's new Chair, Dominic Barton, at the 2022 Rio

Tinto AGM, it had not met with him one-on-one. LAPFF's aim was to have a meaningful meeting with him and ensure that the company is being overseen by an effective chair.

Achieved: LAPFF Chair, Cllr Doug McMurdo, met with Mr Barton toward the end of March to discuss the company's on-going transformation in the wake of Juukan Gorge. The meeting was cordial, and Mr Barton was receptive to LAPFF's thoughts and observations. LAPFF also met with community representatives from the US, Serbia, and Madagascar to hear about their experiences with Rio Tinto. Shortly after meeting Mr Barton, Cllr McMurdo attended the Rio Tinto AGM and posed a question about how the company is seeking to improve its social license to operate.

The morning of the AGM, LAPFF also met with Vicky Peacey, the new head of Rio Tinto and BHP's joint venture, Resolution Copper, in Arizona. Having met with a community representative from Arizona, it was helpful to hear about Resolution Copper's view on the project's developments and its perceptions of community concerns about the project.

In Progress: In addition to continued community concerns about Rio Tinto's engagement with them on social and environmental matters, LAPFF continues to question the company's approach

to social and environmental impact assessments. LAPFF's view is that these impact assessments need to be more methodologically rigorous, independent, and more reflective of concerns raised by affected stakeholders critical of the company's operations.

Anglo American

Objective: LAPFF's main objective in engaging with Anglo American this quarter was to obtain the company's views on its report from LAPFF's time in Brazil visiting communities affected by Anglo American's Minas Rio mine. However, as a member of the PRI Advance group on Anglo American, LAPFF also sought to work with the other group members to establish a relationship with the company through that forum.

Achieved: Anglo American engaged significantly with LAPFF in relation to the Brazil report. Part of the engagement included a meeting with operational staff familiar with Minas Rio and with community concerns in relation to the mine and its tailings dam. The company's insights and contributions were extremely useful, and LAPFF was able to include many of them in the Brazil report.

LAPFF also attended the Anglo American AGM after having met community members from Peru, Colombia, and one of the Brazilian community members it had met during its visit. LAPFF's AGM question was whether the board would commit to visiting community members affected by Anglo American's operations during its visits to various Anglo American project sites throughout the year. The Anglo American Chair, Stuart Chambers, stated that the board would make this commitment.

Toward the end of the quarter, LAPFF joined with lead investors, Morgan Stanley and Schroders, to meet with Anglo American through the PRI Advance initiative. The company representatives appeared to welcome the engagement. LAPFF asked about the company's perceptions of why affected community members did not want to meet with local management at Anglo American sites.

In Progress: LAPFF was surprised at the Chair's request that AGM participants ask

COMPANY ENGAGEMENTS

their questions in English given the effort and expense made by the community members in traveling to the UK to attend the AGM. In the PRI Advance meeting, LAPFF asked whether the company would be willing to re-think this requirement at the next AGM. LAPFF will also seek to engage the chair about this decision.

BHP

Objective: LAPFF was pleased that BHP began to respond to LAPFF's request for engagement in relation to Brazil given that the company did not grant a meeting with BHP Brazil during LAPFF's visit. LAPFF's aim was to meet with the company to discuss further its approach to non-operated joint ventures and its community engagement approach, as well as developments in Brazil.

Achieved: The company provided helpful comments on LAPFF's report about its visit to Brazil and offered a meeting to discuss the UK litigation pertaining to the company's activities in relation to the Samarco tailings dam collapse. Samarco is a joint venture between Vale and BHP, with BHP being the non-operating joint venture partner.

In Progress: LAPFF will continue to try to engage meaningfully with BHP, including in relation to its role in the reparations for the Mariana communities in Brazil affected by the Samarco tailings dam collapse.

Vale

Objective: An ongoing area of engagement with Vale has been the time it has taken for affected community members to be resettled following the destruction of their homes in the tailing dam disasters. Alongside gaining assurances regarding the resettlement process, LAPFF sought to engage the company on other findings in the report from LAPFF's time Brazil.

Achieved: LAPFF met with representatives from the company. Whilst still slow, the company indicated that progress was being made regarding the resettlement process. LAPFF heard how the company was continuing to seek to learn from what happened to improve its practices and that the changes occurring were in part due to engagement it has had with



B&Q DIY store, Kingfisher plc

LAPFF. The meeting also discussed the importance of investors spending time with NGOs and communities, as LAPFF did in its visit to Brazil.

In progress: LAPFF will continue to follow the progress of the resettlement projects and engage on issues highlighted in LAPFF's report, including dam safety and water quality.

Kingfisher

Objective: Kingfisher was cited in a Financial Times article as providing above inflation wage increases for its lowest paid staff, in contrast to the vast majority of FTSE100 companies. LAPFF sought a meeting to understand the company's approach to remuneration and employee engagement, particularly in the context of a cost-of-living crisis.

Achieved: LAPFF met with Kingfisher in April, when company representatives provided an overview of its efforts around employee engagement and where it had provided support for its employees, looking at benefits as well as salary increases. Overall, Kingfisher described steps it was taking business-wide in this context.

In Progress: LAPFF continues to monitor company remuneration, looking at both CEO and employee pay.

Bank Leumi

Objective: As a part of the Forum's engagement with companies considered to be active in the Occupied Palestinian Territories, LAPFF has sought a meeting with Bank Leumi, an Israeli bank, to encourage the company to undergo an independently led human rights impact assessment, and to better understand the company's approach to human rights in its financing decisions.

Achieved: LAPFF met with representatives from the bank, who were open to dialogue. The Forum pointed out areas it believed disclosures could be enhanced around human rights and how the company managed such risks in its investment decisions. Whilst the company talks about human rights in its reporting, it does not provide any detail on its risk management protocols when looking at investment decisions, and how it manages potential direct and indirect adverse human rights impacts.

In Progress: LAPFF continues to push companies for meetings to discuss their approaches to human rights risk management in relation to the Occupied Palestinian Territories.

COMPANY ENGAGEMENTS



Garment factory workers in Myanmar

Home Depot

Objective: The Home Depot was reported to have alleged links to forced labour in its polyvinyl chloride (PVC) supply chain in the ‘Built on Repression’ report produced by Sheffield Hallam University. Alongside members from the Investor Alliance on Human Rights Uyghur Working Group, LAPFF met with the company in December and subsequently asked a question at the company’s AGM in May.

Achieved: At the AGM, LAPFF asked the company if it would commit to undertaking a mapping of its supply chain in higher-risk areas such as Xinjiang, and whether it would undertake an independently led human rights impact assessment on its PVC supply chain. The company provided a general response on its supply chain due diligence but did not commit to either of LAPFF’s requests.

In Progress: Alongside the other investors involved in the engagement, LAPFF will be seeking to organise another call with

the company to further discuss its global supply chain due diligence with a focus on its PVC supply chain and Uyghur forced labour.

Next

Objective: Myanmar has been under an extended state of emergency and fraught with a variety of human rights issues since the military coup in February 2021. The Ethical Trading Initiative posted guidance last September for companies in the country’s garment sector, with many choosing to exit the country having exhausted efforts to leverage positive human rights outcomes. Next is one of just a few companies still operating in the country, so LAPFF wanted to understand why the company has chosen to stay.

Achieved: LAPFF Executive member, Sian Kunert, met with Next to discuss its position in the country and what it was doing in the context of human rights risk management and due diligence. Sian asked the company representatives if they thought that Next was doing something different from its peers that allowed it to stay in the country and to respect

workers’ and community members’ human rights in doing so. Whether it was safe to carry out audits in the country was also probed. LAPFF requested increased disclosure of child labour concerns and remediation practices.

In Progress: LAPFF will continue to monitor the company’s response to the ongoing coup in Myanmar and potential labour rights issues that may arise and affect its approach to human rights.

Adidas

Objective: Adidas is another company that maintains operations in Myanmar. It was also subject to a letter from the US House Select Committee on the Chinese Communist Party regarding supply chain links to cotton produced with Uyghur forced labour. As with Next, LAPFF was keen to understand why Adidas has decided to maintain operations in the country.

Achieved: LAPFF met with Adidas to discuss these supply chain issues in the context of the company’s approach to human rights risk management in its

COLLABORATIVE ENGAGEMENTS

global supply chains. LAPFF Executive member, Sian Kunert, asked questions about the development of the company's human rights policy, its decision to remain in Myanmar, and on its due diligence regarding Uyghur forced labour in its supply chains, which the company provided comprehensive answers to.

In Progress: It is unclear whether Adidas' response to the House Select Committee is something that will be made public. LAPFF will continue to monitor how the company chooses to publicise its supply chain practices, as well as continuing to monitor labour rights issues in both Myanmar and Xinjiang.

COLLABORATIVE ENGAGEMENTS

Toyota – CA100+

Objective: Transportation is a major cause of carbon emissions and therefore a strategically important sector to decarbonise. It is also a sector in the middle of significant transition, as technology advances and regulations and public policies make EVs more price competitive. Those companies not making the shift and seeking to slow the passage of environmental laws and regulation are therefore creating investment risks associated with not staying within 1.5 degrees of warming and being left behind by competitors shifting to EVs. One company of concern about its lobbying alignment and its plans and targets for moving to electric vehicles has been Toyota. Through the CA100+ transportation group, LAPFF has been seeking to ensure these risks are properly addressed.

Achieved: This quarter LAPFF signed on to a letter to Toyota organised by NYC Office of the Comptroller and Domini Impact Investments, which called on the company to align its strategy and lobbying activity to a 1.5 degree scenario.

Concern about Toyota's lobbying activity led to a shareholder resolution, calling for an annual review and report on the impact on Toyota caused by climate-related lobbying activities and the alignment of their activities with the goals of the Paris Agreement. As part of its climate voting alerts LAPFF supported

the resolution.

During the quarter, LAPFF also met with the company as part of the collaborative engagement. The meeting covered proposed US regulations and the company's likely position towards it. The company outlined capital expenditure on EVs, its plans for EV production, and discussed the challenges around battery sourcing.

In Progress: LAPFF will continue to engage with Toyota, and other carmakers, to ensure that plans for EV production are aligned to a 1.5 degree pathway and also ensure alignment of public policy positions with the Paris agreement.

Welltower – IIRC

Objective: LAPFF is a member of the Investor Initiative for Responsible Care (IIRC), a coalition of 138 responsible and long-term investors in the care sector with \$4.4 trillion in assets under management, coordinated by UNI Global Union. The initiative aims to address investment risks associated with employment and care standards within the social care sector. The initiative not only engages with care providers, but also Real Estate Investment Trusts to ensure that they are supporting operators meet expectations on such standards. As part of the initiative, LAPFF wrote to Welltower, a US-based REIT, seeking a meeting. LAPFF also requested the company provide information including on exposure levels and oversight mechanisms.

Achieved: As the company had not responded to requests for a meeting and information, LAPFF decided to issue a voting alert. As set out in LAPFF's policy guide, investee companies are expected to engage with shareholders and LAPFF expects boards to keep in touch with shareholder opinion. Given the lack of engagement from the company and the potential investment risks, LAPFF recommended voting against the chair of the company. In total 6.9 percent of shareholders voted against the chair, which although a minority position does indicate some concern from shareholders with the chair of the company.

In Progress: LAPFF will continue to participate in the IIRC and will follow up

with Welltower to engage on the potential social risks facing the REIT.

National Grid – CA100+

Objective: LAPFF's aim in engaging National Grid is to ensure that the company remains at the forefront of the energy transition. LAPFF is one of the co-leads at CA100+ on National Grid. Despite a positive superficial impression, detailed analysis reveals substantial issues – gaps in disclosure and transition plans, particularly on climate lobbying and a just transition, continuing involvement in gas distribution without a clear long term transition plan for it, and growing delays in connecting to the grid in UK, affecting the roll out of clean energy in the UK.

Achieved: Several meetings as part of LAPFF's leadership of the group have been held with the company, giving it the chance to explain its concerns and suggest best practice. The company has acknowledged some of LAPFF's comments, particularly on climate lobbying, and shortly before the AGM announced that it would publish a comprehensive review of its climate lobbying activities, a key demand of LAPFF and other CA100+ members. The company has publicised a policy proposal for addressing the delays in grid connection, which is broadly sensible, and a welcome development. In our meeting with the Chair, she acknowledged some of our concerns over strategy communication, and therefore LAPFF will expect to see further improvement on this in the coming year.

In Progress: LAPFF's focus is on understanding the company's broader long-term strategy and the assumptions behind it, in particular the role it sees for domestic gas. Continuing support for gas may explain much of its reluctance to embrace Net Zero more fully. Improved strategic disclosure would help address this, including a more balanced discussion of the use of low carbon gas, and the Company's own plans or vision for improving grid connections (ideally with targets) rather than passing the blame to regulators. These areas will form the focus on LAPFF ongoing engagement with the company over the coming year.

COLLABORATIVE/STAKEHOLDER ENGAGEMENT



National Grid gas distribution operations

Vale and Anglo American - PRI Advance

Objective: LAPFF continued to engage with both the Vale and Anglo American groups through the PRI Advance initiative on human rights. Both groups are in the process of establishing their engagement strategies, and LAPFF’s aim is to contribute its knowledge from its own engagements with both companies to these engagement strategies, and to the engagements themselves.

Achieved: The Vale group held a meeting to establish its engagement strategy, and the Anglo American group held its first meeting with the company. Anglo American appeared to be very receptive to a meeting with the group, and the meeting was cordial. LAPFF contributed content to the questions posed at the meeting.

In Progress: LAPFF has been asked to become a lead investor in the Vale group given its work in Brazil and has accepted this invitation. It will continue to work with both the Vale and Anglo American

groups to engage the companies and push for meaningful human rights improvements.

30% Club Investor Group

Objective: LAPFF continues to support the 30% Club Investor Group, a coalition of investors pushing for women to represent at least 30% of boardroom and senior management positions at FTSE-listed companies. The group has extended its remit globally and has been engaging in different markets, encouraging companies to join regional charters and looking at other aspects of diversity in company practices.

Achieved: LAPFF met with Sanwa Holdings and Kamigumi Co in April. Although neither company is currently a member of the Japanese 30% Club Charter, both companies provided information around their company wide, and senior level diversity efforts.

In Progress: The Group has continued to extend its outreach to companies outside of the UK, with LAPFF set to lead on

engagements through the Group’s Global Workstream subgroup.

STAKEHOLDER ENGAGEMENT

OECD Forum on Responsible Supply Chains

Objective: LAPFF was asked to present at a side event of the OECD Forum on Responsible Supply Chains. The aim of the presentation was to share LAPFF’s learning from its visit to Brazil and, more broadly, its engagement with stakeholders affected by mining operations. It was also useful to engage with the other panellists to understand their work and perspectives better.

Achieved: LAPFF was approached by a number of event participants after its presentation. These participants stated that they were impressed with LAPFF’s work in this area and wanted to learn more about LAPFF’s experience.

In Progress: LAPFF is continuing to engage with these contacts and others made through them to explore

STAKEHOLDER ENGAGEMENT

opportunities to develop this work stream further.

Mining Communities and Workers

Objective: Communities affected by mining operations always approach LAPFF in the run up to mining company AGMs. LAPFF's aim in meeting with them is to listen to the communities' experiences in order to understand better any operational, reputational, legal, and/or financial risks associated with its members' investments. This information then feeds into questions LAPFF poses at company AGMs and company meetings.

Because LAPFF has been engaging with these communities for a number of years now, much of the engagement is focused on updates from community members about mining impacts. However, there are sadly always new communities and new concerns arising from community experiences. LAPFF is keen to learn about the perspectives of these new communities too.

LAPFF also meets with trade union representatives and hears from workers at investee companies where possible to inform its engagements with these companies.

Achieved: LAPFF met with community representatives from the US, Serbia, Madagascar, Papua New Guinea, Mexico, Peru, Colombia, and Brazil to hear about their experiences with Rio Tinto, Anglo American, and Vale. LAPFF also virtually attended a 'pre-AGM' meeting hosted by ShareAction and IndustriALL in relation to Glencore where trade union leaders and community members from a range of countries reported their concerns about Glencore's practices.

LAPFF attended a webinar to hear about the Amazon shareholder resolution on freedom of association and collective bargaining. There were Amazon workers on the call who spoke about their experiences and views about Amazon's work place practices. This webinar informed the content of LAPFF's voting alert for Amazon.

In Progress: LAPFF is continuing to meet with representatives of all of these communities on a regular basis to obtain updates for company engagements. In LAPFF's experience, the companies are



Uyghur activists and other supporters gathered on Parliament Square

receptive to the information conveyed. The ultimate goal, though, is to ensure that company practice on human rights and the environment meets community needs so that it can create the conditions for more sustainable shareholder returns.

Uyghur Forced Labour in Green Technology Supply Chains

Objective: This year, the Modern Slavery and Human Rights Policy and Evidence Centre (Modern Slavery PEC) announced a project to explore and uncover links between the climate crisis and modern slavery globally. Within this, Anti-Slavery International, Sheffield Hallam University and the Investor Alliance for Human Rights are examining Uyghur forced labour in the production of green technology, such as electric vehicles and solar panels. The project aims to provide guidance on how investors can address the risk of Uyghur forced labour and other affected peoples in green technology holdings.

Achieved: LAPFF took part in an initial consultation process for the project, looking at the Forum's understanding of forced labour in these sectors. LAPFF subsequently joined a two-day workshop alongside other investors and NGOs, taking an in-depth look at the challenges investors face in addressing these risks, engagement barriers and information gaps, before looking at potential avenues to move forward.

In Progress: LAPFF is engaging with electric vehicle manufacturers on a range of issues, inclusive of human rights, and will raise these relevant supply chain issues in engagements with such manufacturers.

CONSULTATION RESPONSES

UN Working Group on Business and Human Rights

Objective: The UN Working Group on Business and Human Rights ran a consultation this quarter on extractives, human rights, and the just transition. LAPFF has been working heavily in all three of these areas so was keen to share its views and experiences.

Achieved: LAPFF submitted a consultation response that expressed support for good human rights and environmental due diligence legislation and emphasised the need for improved stakeholder engagement by extractive companies. LAPFF welcomed the opportunity to respond, appreciating the consultation's recognition that both state and business actors have imperatives to act effectively on these issues. LAPFF's response called for mandatory reporting on climate plans to cover just transition factors, including stakeholder mapping and free, prior and informed consent (FPIC), and for boards to regularly engage with stakeholders and undertake FPIC in good faith.

WEBINARS/MEDIA

In Progress: LAPFF will continue to look for opportunities to respond to consultations when it believes it can contribute helpfully based on its engagement and policy experience.

LAPFF WEBINARS

All-Party Parliamentary Group

In early April, the LAPFF-supported APPG on Local Authority Pension Funds held a meeting with LGPS minister, Lee Rowley MP, accompanied by a senior civil servant from the Department for Levelling Up, Housing and Communities.

The meeting focused in large part on the proposed consultations on LGPS pooling and investment in illiquid assets. The minister indicated the government's preference would be for a voluntary approach to both issues and stated that the pooling consultation would be published in the coming months. On the matter of TCFD reporting, because the department received so many responses to its consultation, it was suggested that reporting requirements may not come into force until the following financial year.

The APPG also met at the end of June to discuss the LGPS and investment in illiquid assets. In the 2023 Budget, the government stated that it would: "Consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as venture and growth capital, thereby seeking to unlock some of the £364 billion of LGPS assets into long-term productive assets."

On the back of the proposed consultation, the meeting heard from the Karim Palant (director of External Affairs) and Garry Wilson (chairman) of the British Private Equity & Venture Capital Association (BVCA) who highlighted the opportunities of such investment. The meeting also heard from Andrew Williamson of Cambridge Innovation Capital on the growth of venture capital. Sian Kunert, Head of Pensions at East Sussex Pension Fund and LAPFF Executive member, outlined what her fund was already doing and the opportunities and challenges of investing in illiquid assets.

LAPFF/IndustriALL Garment Workers Webinar

LAPFF again partnered with IndustriALL to host a webinar on the importance of concluding negotiated, binding agreements rather than relying on voluntary, business-driven standards to reduce both human rights risk and business risk. The webinar was chaired by LAPFF Vice Chair, Cllr John Gray, and included speakers from Due Diligence Design, Aviva Investors, IndustriALL Global Union, and the Bangladesh Garment & Industrial Workers Federation (BGIWF).

MEDIA COVERAGE

Climate

Financial Times: [Only 5% of FTSE100 companies have 'credible' climate transition plans, says EY](#)

Reuters: [UK's LAPFF recommends vote for BP climate activist resolution at AGM](#)

CNBC: [Oil major BP braces itself for shareholder revolt after scaling back its climate targets](#)

Minuto Mais [Portuguese]: [BP to quell shareholder anger after climate strategy flip](#)

Reuters: [Shell shareholders urged by LAPFF to back climate activist's resolution](#)

Syndicated in Canada's [Financial Post and Globe and Mail](#)

The Times: [Climate backlash from Shell investors](#)

The MJ: [Shell hits back after council fund criticism](#)

Offshore Technology: [LAPFF urges Shell shareholders to back climate resolution](#)

Net Zero Investor: [Shell's upcoming AGM showcases the challenges for shareholder activism](#)

CNBC: [Oil giant Shell braces for shareholder revolt over climate plans](#)

Reuters: [Analysis: Shell faces tense shareholder meeting as profits and climate collide](#)

Capital Monitor: [How investors voted on climate change at Big Oil AGMs](#)

Plastics

Business Green: [Investors sound alarm over weak corporate plastic pollution policies](#)

Mining and Human Rights

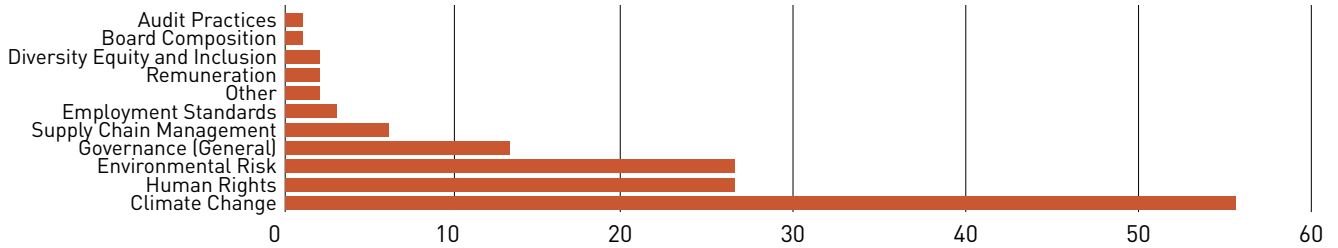
Daily Mail: [BHP blasted over clean-up of deadly mine disaster](#)

Legal Future: [Supreme Court will not hear appeal on largest-ever group action](#)

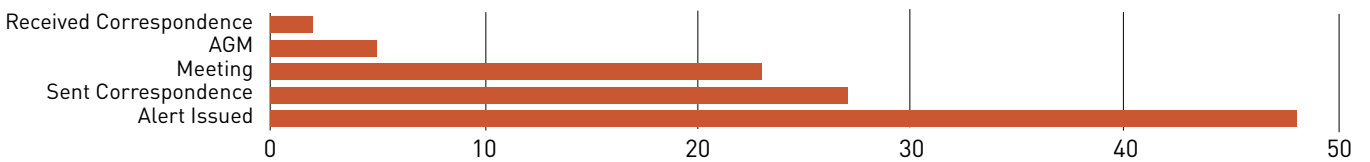
The Times: [Mindful miner Jakob Stausholm is trying to dig Rio Tinto out of a hole](#)

ENGAGEMENT DATA

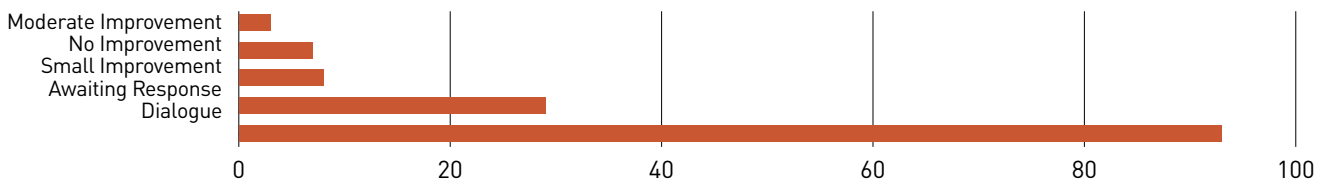
ENGAGEMENT TOPICS



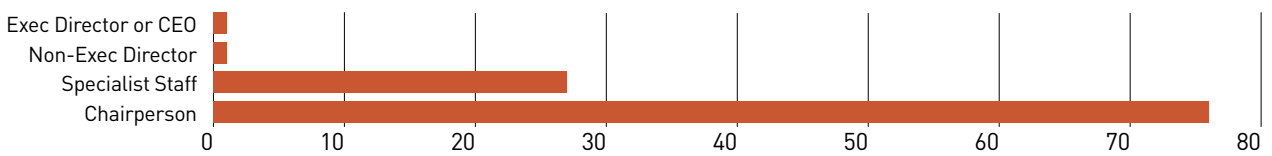
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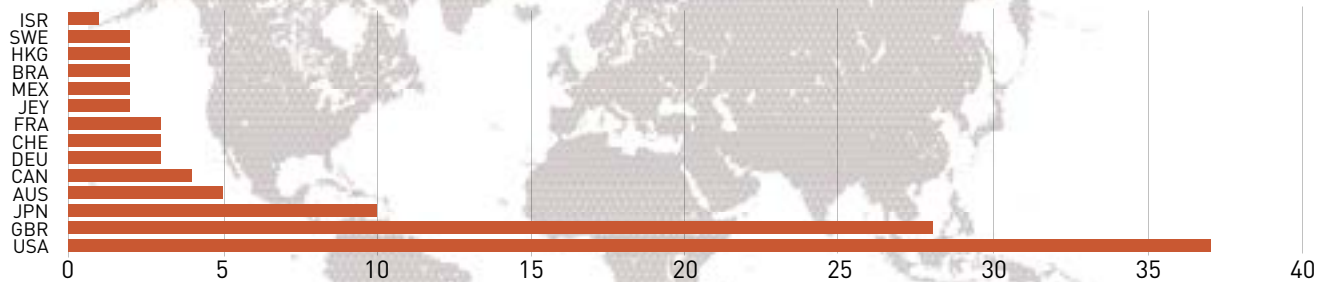
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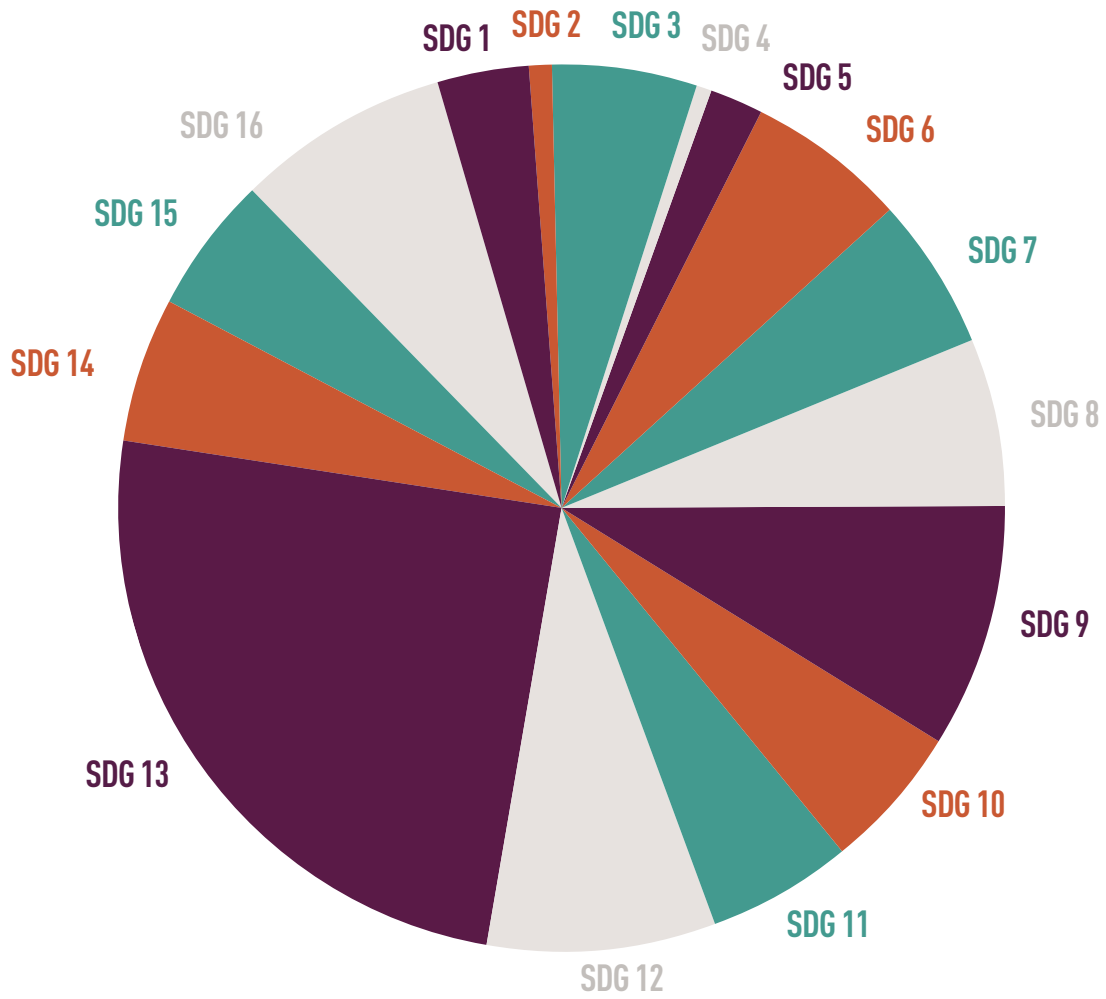
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	10
SDG 2: Zero Hunger	3
SDG 3: Good Health and Well-Being	16
SDG 4: Quality Education	1
SDG 5: Gender Equality	6
SDG 6: Clean Water and Sanitation	18
SDG 7: Affordable and Clean Energy	16
SDG 8: Decent Work and Economic Growth	19
SDG 9: Industry, Innovation, and Infrastructure	26
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	16
SDG 12: Responsible Production and Consumption	25
SDG 13: Climate Action	74
SDG 14: Life Below Water	16
SDG 15: Life on Land	15
SDG 16: Peace, Justice, and Strong Institutions	23
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

COMPANY PROGRESS REPORT

LAPFF engaged 84 companies during the quarter

Company/Index	Activity	Topic	Outcome
ADIDAS AG	Meeting	Supply Chain Management	Moderate Improvement
ALPHABET INC	Alert Issued	Human Rights	Dialogue
AMAZON.COM INC.	Alert Issued	Human Rights	Dialogue
AMEREN CORPORATION	Alert Issued	Climate Change	Dialogue
ANGLO AMERICAN PLC	AGM	Human Rights	Dialogue
ASSOCIATED BRITISH FOODS PLC	Received Correspondence	Human Rights	Dialogue
BANK LEUMI LE-ISRAEL BM	Meeting	Human Rights	No Improvement
BANK OF AMERICA CORPORATION	Alert Issued	Climate Change	Dialogue
BARCLAYS PLC	Meeting	Climate Change	Dialogue
BERKSHIRE HATHAWAY INC.	Alert Issued	Climate Change	Dialogue
BHP GROUP LIMITED (AUS)	Meeting	Human Rights	Small Improvement
BORGWARNER INC	Alert Issued	Climate Change	Dialogue
BP PLC	Alert Issued	Environmental Risk	Dialogue
BRIDGESTONE CORP	Meeting	Board Composition	Small Improvement
CENOVUS ENERGY INC	Alert Issued	Climate Change	Dialogue
CENTERPOINT ENERGY INC	Alert Issued	Climate Change	Dialogue
CENTRICA PLC	Sent Correspondence	Social Risk	Awaiting Response
CHEVRON CORPORATION	Alert Issued	Climate Change	Dialogue
CHUBB LIMITED	Alert Issued	Climate Change	Dialogue
CK HUTCHISON HOLDINGS LTD	Sent Correspondence	Environmental Risk	Awaiting Response
COMCAST CORPORATION	Alert Issued	Climate Change	Dialogue
COSTAR GROUP INC	Alert Issued	Climate Change	Dialogue
COTERRA ENERGY INC	Alert Issued	Climate Change	Dialogue
DBS BANK LTD	Meeting	Climate Change	Dialogue
DOLLARAMA INC	Alert Issued	Climate Change	Dialogue
DRAX GROUP PLC	AGM	Governance (General)	Dialogue
E.ON SE	Sent Correspondence	Social Risk	Awaiting Response
EDF (ELECTRICITE DE FRANCE) SA	Sent Correspondence	Social Risk	Awaiting Response
ELECTRIC POWER DEVELOPMENT CO	Alert Issued	Climate Change	Dialogue
ENBRIDGE INC	Alert Issued	Climate Change	Dialogue
EXXON MOBIL CORPORATION	Alert Issued	Climate Change	Dialogue
GLENCORE PLC	Alert Issued	Human Rights	Dialogue
GRUPO MEXICO SA DE CV	Sent Correspondence	Human Rights	Dialogue
GSK PLC	Sent Correspondence	Climate Change	Awaiting Response
HENNES & MAURITZ AB (H&M)	Sent Correspondence	Human Rights	Awaiting Response
HONEYWELL INTERNATIONAL INC.	Sent Correspondence	Environmental Risk	Awaiting Response
HSBC HOLDINGS PLC	Alert Issued	Governance (General)	Dialogue
IBERDROLA SA	Sent Correspondence	Social Risk	Awaiting Response
IDEX CORPORATION	Sent Correspondence	Climate Change	Awaiting Response
IMPERIAL OIL LIMITED	Alert Issued	Climate Change	Dialogue
JPMORGAN CHASE & CO.	Alert Issued	Climate Change	Dialogue
KAMIGUMI CO LTD	Meeting	Diversity Equity and Inclusion	Small Improvement
KELLOGG COMPANY	Meeting	Other	No Improvement
KINGFISHER PLC	Meeting	Employment Standards	Moderate Improvement
LINDT & SPRUNGLI AG	Sent Correspondence	Environmental Risk	Awaiting Response
LOCKHEED MARTIN CORPORATION	Alert Issued	Climate Change	Dialogue
MARATHON PETROLEUM CORPORATION	Alert Issued	Climate Change	Dialogue
MARKEL CORPORATION	Sent Correspondence	Climate Change	Awaiting Response
META PLATFORMS INC	Alert Issued	Human Rights	Dialogue
MITSUBISHI UFJ FINANCIAL GRP	Alert Issued	Climate Change	Dialogue
NATIONAL GRID PLC	Alert Issued	Climate Change	Dialogue
NEW YORK COMMUNITY BANCORP INC	Alert Issued	Climate Change	Dialogue
NEXT PLC	Meeting	Supply Chain Management	Small Improvement
NIKE INC.	Sent Correspondence	Human Rights	Awaiting Response
NINTENDO CO LTD	Sent Correspondence	Environmental Risk	Awaiting Response
PACCAR INC.	Alert Issued	Climate Change	Dialogue
PENNON GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
PUBLIC STORAGE	Alert Issued	Climate Change	Dialogue

COMPANY PROGRESS REPORT

QUEST DIAGNOSTICS INCORPORATED	Alert Issued	Climate Change	Dialogue
RAYTHEON TECHNOLOGIES CORP	Alert Issued	Climate Change	Dialogue
RIO TINTO GROUP (AUS)	AGM	Human Rights	Dialogue
ROCHE HOLDING AG	Sent Correspondence	Environmental Risk	Awaiting Response
SANOFI	Sent Correspondence	Environmental Risk	Awaiting Response
SANWA HOLDINGS CORP	Meeting	Diversity Equity and Inclusion	Small Improvement
SEVERN TRENT PLC	Sent Correspondence	Environmental Risk	Awaiting Response
SHELL PLC	AGM	Climate Change	No Improvement
SOUTHERN COMPANY	Alert Issued	Climate Change	Dialogue
SUMITOMO MITSUI FINANCIAL GROUP	Alert Issued	Climate Change	Dialogue
TESLA INC	Alert Issued	Human Rights	Dialogue
THE GOLDMAN SACHS GROUP INC.	Alert Issued	Climate Change	Dialogue
THE HOME DEPOT INC	AGM	Human Rights	No Improvement
THE MOSAIC COMPANY	Alert Issued	Climate Change	Dialogue
THE TJX COMPANIES INC.	Sent Correspondence	Environmental Risk	Awaiting Response
THE TRAVELERS COMPANIES INC.	Alert Issued	Climate Change	Dialogue
TOKYO ELECTRIC POWER CO INC	Alert Issued	Climate Change	Dialogue
TOTALENERGIES SE	Alert Issued	Climate Change	Dialogue
TOYOTA MOTOR CORP	Meeting	Climate Change	Small Improvement
UNITED UTILITIES GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
VALE SA	Meeting	Environmental Risk	Dialogue
VALERO ENERGY CORPORATION	Alert Issued	Climate Change	Dialogue
VOLVO AB	Sent Correspondence	Human Rights	Dialogue
WELLS FARGO & COMPANY	Alert Issued	Climate Change	Dialogue
WELLTOWER INC	Alert Issued	Governance (General)	Dialogue
WH GROUP LTD	Sent Correspondence	Climate Change	Awaiting Response

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund	Environment Agency Pension Fund	Lincolnshire Pension Fund	Swansea Pension Fund
Barking and Dagenham Pension Fund	Essex Pension Fund	London Pension Fund Authority	Teesside Pension Fund
Barnet Pension Fund	Falkirk Pension Fund	Lothian Pension Fund	Tower Hamlets Pension Fund
Bedfordshire Pension Fund	Gloucestershire Pension Fund	Merseyside Pension Fund	Tyne and Wear Pension Fund
Berkshire Pension Fund	Greater Gwent Pension Fund	Merton Pension Fund	Waltham Forest Pension Fund
Bexley (London Borough of)	Greater Manchester Pension Fund	Newham Pension Fund	Wandsworth Borough Council Pension Fund
Brent (London Borough of)	Greenwich Pension Fund	Norfolk Pension Fund	Warwickshire Pension Fund
Cambridgeshire Pension Fund	Gwynedd Pension Fund	North East Scotland Pension Fund	West Midlands Pension Fund
Camden Pension Fund	Hackney Pension Fund	North Yorkshire Pension Fund	West Yorkshire Pension Fund
Cardiff & Glamorgan Pension Fund	Hammersmith and Fulham Pension Fund	Northamptonshire Pension Fund	Westminster Pension Fund
Cheshire Pension Fund	Haringey Pension Fund	Nottinghamshire Pension Fund	Wiltshire Pension Fund
City of London Corporation Pension Fund	Harrow Pension Fund	Oxfordshire Pension Fund	Worcestershire Pension Fund
Clwyd Pension Fund (Flintshire CC)	Havering Pension Fund	Powys Pension Fund	
Cornwall Pension Fund	Hertfordshire Pension Fund	Redbridge Pension Fund	
Croydon Pension Fund	Hillingdon Pension Fund	Rhondda Cynon Taf Pension Fund	Pool Company Members
Cumbria Pension Fund	Hounslow Pension Fund	Scottish Borders Pension Fund	Border to Coast Pensions Partnership
Derbyshire Pension Fund	Isle of Wight Pension Fund	Shropshire Pension Fund	LGPS Central
Devon Pension Fund	Islington Pension Fund	Somerset Pension Fund	Local Pensions Partnership
Dorset Pension Fund	Kensington and Chelsea (Royal Borough of)	South Yorkshire Pension Authority	London CIV
Durham Pension Fund	Kent Pension Fund	Southwark Pension Fund	Northern LGPS
Dyfed Pension Fund	Kingston upon Thames Pension Fund	Staffordshire Pension Fund	Wales Pension Partnership
Ealing Pension Fund	Lambeth Pension Fund	Strathclyde Pension Fund	
East Riding Pension Fund	Lancashire County Pension Fund	Suffolk Pension Fund	
East Sussex Pension Fund	Leicestershire Pension Fund	Surrey Pension Fund	
Enfield Pension Fund	Lewisham Pension Fund	Sutton Pension Fund	

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RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2023-24

PENSION FUND COMMITTEE

9TH OCTOBER 2023

**REPORT OF: THE DEPUTY CHIEF
EXECUTIVE AND GROUP DIRECTOR -
FINANCE, DIGITAL AND FRONTLINE
SERVICES**

AGENDA ITEM NO. 7
PENSION FUND RISK REGISTER – RISK REGISTER OVERVIEW

**Author – Barrie Davies, Deputy Chief Executive and Group Director –
Finance, Digital and Frontline Services (01443) 424026**

1.0 PURPOSE OF REPORT

1.1 To provide the Committee with details of the arrangements in place to manage risk within the Pension Fund.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Committee:

2.1.1 Note the arrangements in place for the management of risk within the Fund; and

2.1.2 Review the Risk Register (Appendix 1) and consider whether they wish to receive further detail on any issues.

3.0 BACKGROUND

3.1 The terms of reference of the Pension Fund Committee sets out its responsibilities with regard to risk management, namely:

- *To provide independent assurance to members of the Fund of the adequacy of the risk management and associated control environment, responsible for the Fund's financial and non-financial performance.*

3.2 The Deputy Chief Executive and Group Director – Finance, Digital and Frontline Services (in their capacity as S151 officer) supported by the Investment and Administration Advisory Panel with appropriate officer,

independent advisor and professional support, has delegated responsibility for all day-to-day operational matters, which includes ensuring that robust risk management arrangements are in place.

4.0 RISK MANAGEMENT

- 4.1 With regard to Risk Management, the Fund maintains a Risk Register which is reviewed and updated, as necessary and appropriate, on a quarterly basis.
- 4.2 The Risk Register is reviewed in detail and operationally by the Pension Fund Working Group, where recommended updates are made to reflect changes in risks. This is then presented to the quarterly meetings of the Investment and Administration Advisory Panel for further review, challenge and agreement.
- 4.3 Following the agreement of the updated register, it is published on the Fund Website.
- 4.4 The Risk Register is also reviewed by the Pension Board, as part of their role in supporting the Fund's overall governance arrangements.
- 4.5 The Risk Register, dated September 2023, is attached as Appendix 1 for consideration by the Committee, noting that the latest quarterly review process as not identified any updates required to the Risk Register to that reported to the July 2023 Pension Fund Committee.

5.0 CONCLUSION

- 5.1 This report sets out, for the Committee, the arrangements in place for the management of risk by the Pension Fund.

Summary of Pension Fund Risks

Introduction

The purpose of this document is to assess the risk associated with the RCT Pension Fund and to outline the control measures in place.

Key to scoring

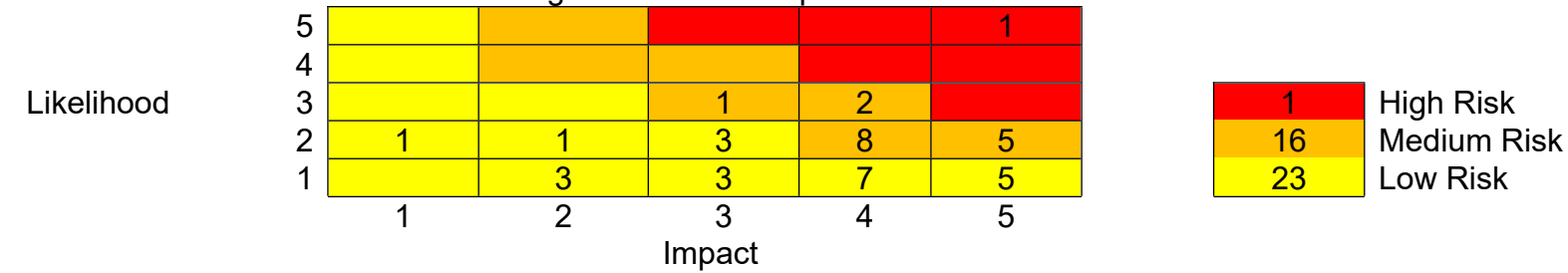
Likelihood Assessment Matrix:

Factor	Score	Indicators
Almost certain	5	99% likely to happen or has happened on a regular basis over the last 12 months
Very likely	4	75% likely to happen or has happened at least once or twice in the last 12 months
Likely	3	50% likely to happen or has happened once or twice in the last 24 months
Unlikely	2	20% likely to happen or has happened once or twice in the last 5 years
Highly unlikely	1	5% likely to happen or hasn't happened within the last 5 years

Impact Assessment Matrix:

Risk	Score
Major	5
High	4
Moderate	3
Minor	2
Trivial	1

Ascertainment Of Risk Level According To Levels Of Impact And Likelihood:



Overarching Fund Objective – to ensure Fund assets are sufficient to meet Fund liabilities in the short, medium and long term

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating Sept 2023 qtr
Funding	Long term investment strategy unable to meet the objective of funding liabilities.	5	2	10	MR	<ul style="list-style-type: none"> Monitoring of funding position, reporting on the funding levels produced by the actuaries. Monitoring of the adopted asset / liability model. Monitoring the remedies of the McCloud case and ensuring appropriate provision is made against the Fund's liabilities. 	
	Sub-optimal asset allocation throughout the portfolio.	4	2	8	MR	<ul style="list-style-type: none"> The investment strategy is reviewed and adopted by the Pension Fund Committee. Regular review of the asset allocation strategy by the Committee (with advice from the Advisory Panel), covering both the fund strategy and the asset allocation. Post 2022 valuation review. 	
	Actuarial assumptions are not met. e.g. discount rate, life expectancy assumptions.	4	3	12	MR	<ul style="list-style-type: none"> Agree and set prudent assumptions in conjunction with the appointed Fund Actuary, based on past trends, forecasts, longevity modelling. Adhere to triennial valuations. Monitor performance against assumptions, consider Interim Valuations where necessary. Monthly monitoring of Pension Fund investment valuation given the uncertainty in markets due to economic volatility. Receive regular Actuarial Funding updates. 	
	Increases in Employer contributions.	4	2	8	MR	<ul style="list-style-type: none"> Participate in LGPS Scheme design consultation. Engage with Employers during and between Valuation cycles, particularly during times of organisational change e.g. downsizing, outsourcing. Ensure adequate securities / guarantees are in place where possible and that consequential risk is fully communicated to relevant parties. 	
	Potential for 'Cashflow Negativity'	4	2	8	MR	<ul style="list-style-type: none"> Regularly monitor cashflow impact position as contributions reduce. Ensure sufficient income generation/liquid assets are available. Regularly review Asset Strategy and adjust as necessary. 	

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating Sept 2023 qtr
	Detrimental changes to the maturity of fund membership. As the scheme matures the ratio of pensioner / deferred pensioner to active employees increases.	4	2	8	MR	<ul style="list-style-type: none"> Monitor carefully through the valuation cycle. Ensure the investment strategy reflects current and forecast Fund maturity. Actively participate in pension consultation, giving due consideration to any proposals that may have a disproportional impact on scheme 'opt out' rates. 	
Investments	Financial Market suppressed by economic climate, national / global austerity measures and Geo-political instability.	5	5	25	HR	<ul style="list-style-type: none"> Long-term funding plan with a diverse range of asset classes and Fund Manager styles. Panel clearly understand the impact of market conditions on asset classes and fund manager performance. Panel monitor and scrutinise performance, market conditions and forecasts. Continue to monitor the potential implications of Brexit. Material economic and financial risk of infectious diseases. 	
	Failure to adequately take into account climate change, climate risk and ESG factors resulting in the financial loss.	3	2	6	LR	<ul style="list-style-type: none"> The Fund's Responsible Investment Policy is contained within the Investment Strategy Statement and available on the Pension Fund web-site. Appointment of a voting engagement provider to monitor fund managers voting and engagement held outside the WPP. Appointment of a proxy voting engagement provider by the WPP, who engages with managers and companies on climate change, climate risk and ESG factors. Panel engages and challenges fund managers on how they account for ESG factors. Participation in training and development when available. 	
	Custody arrangements may not be sufficient to safeguard pension fund assets.	4	2	8	MR	<ul style="list-style-type: none"> An agreement is in place between the custodian and Pension Fund. Monthly reconciliations are carried out to check external custodian records. Funds held in the name of the Pension Fund or the WPP, not the Fund Manager nor the Custodian. 	

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating Sept 2023 qtr
	Investment returns fail to meet agreed targets.	4	2	8	MR	<ul style="list-style-type: none"> Regular monitoring of investment returns. Advisory Panel review and challenge of fund manager performance against their benchmarks and targets. Use advisors to support the monitoring and challenge of fund managers. Where performance issues arise, put more targeted review and challenge arrangements in place. Monitor individual fund managers performance and address where necessary by closer monitoring and scrutiny 	
	Adverse impact of the transition of the Pension Fund's assets into the Wales Pension Partnership pooling	4	2	8	MR	<ul style="list-style-type: none"> Effective governance arrangements of the Joint Governance Committee and Officer Working Group. Key role undertaken by the Joint Governance Committee at transition process. Ensure operator establishes a tax efficient UK collective investment vehicle. Ensure the appropriate 'wrappers' for the investments in illiquid assets. 	
	Investments are not carried out by the fund manager in accordance with instructions given by the Pension Fund.	3	2	6	LR	<ul style="list-style-type: none"> Investment assets and transactions are monitored in-house Investment management fees are monitored on a quarterly basis. Investment malpractices are reported to the FCA. 	
	Pension fund investments may not be accurately valued.	4	1	4	LR	<ul style="list-style-type: none"> Investments are valued using correct prices obtained by fund managers from independent third party agencies. 	
	Fund managers may not have the appropriate control framework in place to protect pension fund assets.	4	1	4	LR	<ul style="list-style-type: none"> Agreements are in place between fund managers and the Pension Fund. Portfolios are managed in accordance with the investment objectives. Monthly reconciliations are carried out to check portfolios against administering authority records. Third parties provide the Pension Fund with an annual internal control report, which provides assurance. FCA regulated. Fund managers have robust arrangements in place to manage mandates. 	

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating Sept 2023 qtr
	Fund manager mandate restrictions and benchmarks constrain returns.	3	1	3	LR	<ul style="list-style-type: none"> Obtain advice from advisors. Obtain advice from performance measurement company. 	
Governance	Introduction of pooling arrangements by central government	5	2	10	MR	<ul style="list-style-type: none"> Joint Governance Committee and Officer Working Group has been formally constituted. Establishment of sub groups of the WPP for specialisation. Wales Pension Partnership's CIV proposal approved by FCA on 24th July 2018, further submissions approved to allow for the development of additional sub funds. External 'Operator' appointed by WPP. Participation on consultation papers. Engagement with local pension boards. Creation of sub funds continues to be effectively progressed. Pension Board Engagement days held to update Pension Board Chairs and provide feedback. Development of appropriate business plans, policies and procedures. Scheme Member Representative co-opted as a non voting member of the JGC meetings, feeding back to Pension Board Chairs 	
	Failure to comply with LGPS Governance Regulation / Pension Regulator Code of Practice.	5	1	5	LR	<ul style="list-style-type: none"> Fund Governance Compliance Statement is reviewed and published annually. The Fund's 'Pension Board' became effective from 1st April 2015. The Fund has a Breaches policy. Review the Investment Strategy Statement annually in accordance with MHCLG (now Department for Levelling Up, Housing and Communities) guidance. Benchmark against regulator on code of practice. Submit Annual Pension Scheme Regulator Return on time. Good governance review currently being considered by MHCLG (now Department for Levelling Up, Housing and Communities). Participation on consultation papers. 	Awaiting publication of the new General Code of Practice from The Pension Regulator.
	Members, officers and advisors do not have the right knowledge or skills.	4	1	4	LR	<ul style="list-style-type: none"> The Pension Fund has adopted the CIPFA knowledge and skills framework. The Pension Fund Skills and Knowledge framework is reviewed at each Investment and Administration Advisory Panel, Pension Committee and Pension Board. The Pension Fund subscribes to relevant professional bodies, e.g. LAPFF. 	

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating Sept 2023 qtr
	Loss of reputation.	2	2	4	LR	<ul style="list-style-type: none"> The Fund holds Annual General Meetings, Communication Forums, seminars and training both directly and through the WPP. The Fund has a dynamic website responding to stakeholder requirements. Knowledgeable and professional staff. Meetings are held regularly with the Fund's employer authorities. Benefit statements are sent out annually to members by 31st August. Monitoring the policy on voting decisions and the impact should UK shareholder lose voting rights in EU companies. Annual reports are produced by 1st December. The Fund's Responsible Investment Policy is contained within the Investment Strategy Statement and available on the Pension Fund web-site https://www.rctpensions.org.uk/EN/GovernanceAndInvestment/Investments.aspx The Pension Fund's passive equities are invested in a low carbon product. External Audit and Governance and Audit Committee. 	
	Conflicts of Interest arise.	3	1	3	LR	<ul style="list-style-type: none"> Declarations to be made by Advisory Panel Members, Pension Board Members and Pension Committee Members. Director of Legal & Democratic Services maintains a Register of Interests. Fund Governance Policy. Employer / Member Engagement – Communication Policy. Transparency – published audited accounts, Valuation, Annual Report, etc. 	
	Failure to comply with the Myners Statement of Investment Principles.	2	1	2	LR	<ul style="list-style-type: none"> The Statement is reviewed annually by the Advisory Panel and approved by the Pension Committee. 	
Operational	Loss of key staff / expertise.	4	3	12	MR	<ul style="list-style-type: none"> Job descriptions and person specifications. Dynamic training program. Workforce planning arrangements in place. All staff are currently working on a hybrid basis in line with the needs of the service. Training and retaining of specialists in a challenging recruitment market. 	

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating Sept 2023 qtr
	Compliance with data quality regulation and best practice.	5	2	10	MR	<ul style="list-style-type: none"> • Data Improvement Plan in place. • Good relationships / communication with Employers. • Ensure timely notification by Fund Employers of new starters, changes and leavers. • Issue annual benefit statements to scheme members for review. • Breaches policy in place. • Mandatory rollout of I-connect, monthly data submissions. • Monthly Data Screening. • Common and Scheme Specific Data reviews / scoring. • Scheme Member Self Serve validation available. • Fund participation in the National 'Tell us Once Service'. • TPR Annual Scheme Return and data score. • Membership data is hosted in the UK. 	
	Inability to implement the 'McCloud' remedies within expected timelines	5	2	10	MR	<ul style="list-style-type: none"> • Project Team established. • Investment in team resources. • Data retrospection solutions discussed and agreed through the Fund's Employer Comms Forum. • Monitor and contribute to remedy draft regulations when available. • Early engagement with Pensions Software Supplier. • Sharing best practice through the various LGPS forums. 	
	Inability to comply with Pension Dashboard Staging Dates and Duties	4	1	4	LR	<ul style="list-style-type: none"> • Connection deadline for public service schemes is to be agreed and will be prior to October 2026 – Government announced in March 2023 that it intends to legislate to amend the staging timetable. • Updates from industry bodies regarding staging deadlines and requirements reviewed. • Existing software provider, Heywood, to be used as Integrated Service Provider (ISP). • Data cleansing exercises ahead of staging date. • Resource to be allocated and processes to be implemented to deal with member queries arising from use of dashboards. • Regular progress updates are provided to the Fund's governance groups. 	

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating Sept 2023 qtr
	Cyber security breach of the Fund's pension system and personal data contained.	5	2	10	MR	<ul style="list-style-type: none"> • Third Party supplier – cyber reliance controls. • Controls and environment maintained and regularly reviewed in line with Council's standards. Internal controls include, appropriate password and access conventions, firewalls, virus and malware protection, data encryption requirements. • Annual control review or more frequent depending on environment / service changes. • Designated Information Management Officer, with Security Incident reporting protocol. • Cyber Essential Accreditation. • Public Service Network (PSN) Accreditation. • Information & Security Board. • All Wales Security Forum (WARP). • Cyber Security Principles for Pension Schemes' (Self Assessment). • Cyber Security Risk Assessments undertaken 	
	Confidential / commercially sensitive data is leaked, stolen or misplaced	5	1	5	LR	<ul style="list-style-type: none"> • The Pension Fund will clearly mark any confidential / commercially sensitive data that it shares. 	
	Failure to meet Service Standards.	3	3	9	MR	<ul style="list-style-type: none"> • Pension Fund Administration Strategy. • Workforce planning, realign to meet one off demands, skills and training review. • Appropriate systems and technology. • Regular monitoring by Fund governance groups. 	
	Failure to implement scheme changes.	4	2	8	MR	<ul style="list-style-type: none"> • Regular updates are received, reviewed and acted upon in a timely manner. • Ensure software is adapted appropriately. • Membership of relevant pensions professional bodies. • Implementation of McCloud remedies 	
	Employer ceases to participate in Fund / Admitted bodies go into administration.	3	2	6	LR	<ul style="list-style-type: none"> • Employer covenants or bonds. • Regular review of covenants. 	

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating Sept 2023 qtr
	Failure to hold and share personal data in accordance with the General Data Protection Regulation (effective 28 th May 2018).	5	1	5	LR	<ul style="list-style-type: none"> Administering Authority Information Management Security policies. All Scheme Member correspondence securely imaged. Appropriate Data Protection Registration. Third Party Data Sharing agreements in place. Fund Privacy Notice published. Employer Memorandum of Understanding implemented. Mandatory training undertaken by all staff. Awareness sessions held with the Fund's Governance groups. 	
	Failure to pay pensioners on time.	5	1	5	LR	<ul style="list-style-type: none"> Payroll Timetables maintained. Business Continuity Plan. 	
	Delivery of the Triennial Valuations	5	1	5	LR	<ul style="list-style-type: none"> Data Cleaning exercise. Actuarial 'Employer Covenant' reviews. Employer Engagement : Year End Data Schedules Issued / Timetable / Support. Project Terms of Reference / Timetable agreed with Actuary. Assumptions to be agreed with Actuary. Data to be submitted as per agreed timeline. 	Triennial valuation for 2022 completed.
	Qualification of accounts.	4	1	4	LR	<ul style="list-style-type: none"> Financial information reconciled on a timely basis. Accounts are prepared in accordance with the relevant regulations, guidance and Codes of Practice. Regular dialogue with external auditors. 	
	Operational disaster (fire / flood, etc)	4	1	4	LR	<ul style="list-style-type: none"> Business continuity procedures are in place and tested. 	
	Compliance with Fund 'Dispute' Regulation.	3	1	3	LR	<ul style="list-style-type: none"> Internal Dispute Procedure in place. 	
	Failure by employers to pay contributions into the Fund on time and in accordance with the 2022 'Rates and Adjustments Certificate'.	2	1	2	LR	<ul style="list-style-type: none"> Monitoring of monthly receipts to remittances, with reference to the 2022 'Rates and Adjustment Certificate'. Report any material breaches to Regulator in accordance with the Fund's 'Breaches Policy'. 	

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING		Control Measure	Comments on changes in risk rating Sept 2023 qtr
	Fraud.	2	1	2	LR	<ul style="list-style-type: none"> • Strict internal control mechanisms, segregation of duties, etc. • Internal and External Audit Review. • National Fraud Inspectorate participation. • Whistleblowing policy in place. • Enhanced processes in place to avoid scam pension fund transfers in accordance with TPR guidance. • The Pension Fund is signed up to the Regulator Pledge to carry out due diligence to reduce the risk of fraud 	
Regulatory	Failure to comply with LGPS regulations and any other new regulations.	4	1	4	LR	<ul style="list-style-type: none"> • There are sufficient fully trained staff. • Regular updates are received and acted upon. • Membership of relevant pensions professional bodies. • Welsh Pension Officer Group participation. • Welsh Pension Fund Treasurers Group participation. • Compliance with MiFID II. • Submit Annual Pension Scheme Regulator Return on time. • MHCLC/LGA guidance issued to Fund Employers around the 'Exit' Regulations (now revoked). 	
	Non compliance of procurement rules	1	2	2	LR	<ul style="list-style-type: none"> • Regular budget monitoring. • Periodic review of suppliers. • Contract Procedure Rules. 	

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2023-24

**PENSION FUND COMMITTEE
9TH OCTOBER 2023**

**REPORT OF: THE DEPUTY CHIEF
EXECUTIVE AND GROUP DIRECTOR -
FINANCE, DIGITAL AND FRONTLINE
SERVICES**

AGENDA ITEM NO. 8

**WALES PENSION
PARTNERSHIP - UPDATE**

**Author – Barrie Davies, Deputy Chief Executive and Group Director -
Finance, Digital and Frontline Services (01443) 424026**

1.0 PURPOSE OF REPORT

- 1.1 This report provides the Committee with an update on the work and progress with regard to the Wales Pension Partnership (WPP) and Joint Governance Committee (JGC).

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Committee:

- 2.1.1 Note the update.

3.0 BACKGROUND

- 3.1 As the Committee is aware the UK Government's requirement for all pension funds to pool their investments has been progressing in Wales through the WPP.
- 3.2 The Partnership governance arrangements include a JGC which meets around 4 times a year. Each pension fund in Wales is represented on the JGC by their Chair (or Vice Chair), with the Committee membership also comprising a co-opted (non-voting) scheme member representative.
- 3.3 The latest meeting of the JGC took place on the 20th September 2023. The agenda can be accessed [here](#), which was shared with all Committee (and board) members before the meeting.
- 3.4 At the last scheduled meeting of the JGC, the following annual policies and papers were reviewed:
- Breaches and Errors Policy.

- Stock Lending report.
- Operator update.
- Performance reports as at 30th June 2023.
- ESG and Climate Risk reports.
- Quarter 2 2023 engagement report of Robeco, the voting and engagement provide of the WPP.
- Risk Register quarter 3 review.

Next Steps / Priorities:

- Development of the Private Markets Sub-Funds.
 - Launch of the Private equity sub fund.
 - Formulate the WPP's Property requirements.
- Operator contract procurement process.
 - The existing contract comes to an end in December 2024.
 - The procurement process is ongoing.
 - The prior information notice was issued 17th January 2023.
 - A market engagement day took place on the 9th March 2023.
 - A report is scheduled to be presented to the JGC to approve the operator appointment March 2024.
 - Each individual Pension Committee will need to approve the appointment March / April 2024.
- Task Force on Climate-Related Financial Disclosures (TCFD) reporting.
- Respond to the LGPS Investments Consultation.
- Submit the 2022/23 Stewardship Code Report by 31st October 2023.

Other Key areas:

- Virtual training sessions continue.
- The website continues to be updated with approved policies, press releases and details of sub-fund launches.

4.0 CONCLUSION

- 4.1 This report provides the Committee with an update on the work of the Wales Pension Partnership and the Joint Governance Committee.
