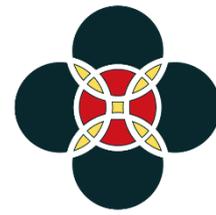


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Local Government
Pension Scheme



Cronfa Bensiynau
CLWYD
Pension Fund

Clwyd Pension Fund Stewardship Report

For the year ending 31 March 2023

In accordance with the UK Stewardship Code 2020



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Foreword

We are proud to submit the Clwyd Pension Fund's (the "Fund") second annual Stewardship Report, covering the year 1 April 2022 to 31 March 2023.

The Fund has long been an advocate of investing sustainably and the importance of active stewardship. As a supporter of the 2020 Stewardship Code, it is important to us to maintain our high standards and continue to demonstrate the work undertaken during the year.

This report explains how the Fund has fulfilled its stewardship obligations that it has set out in its Investment Strategy Statement (ISS) and its Responsible Investment Policy.

The reporting period has been volatile, with inflation rising and central banks hiking interest rates in an attempt to control inflation. In September 2023, the announcement of the UK's unfunded 'mini-budget' sent UK gilt yields soaring, ultimately causing high level of volatility within financial markets. Despite these volatile times, the Fund has not only continued to act in the best interests of its members but has strived to improve its policies and objectives to mitigate future risks the Fund may face, as well as looking for opportunities to add value for its members, particularly in the Local / Impact space.

Climate change has been a key focus for the Fund over the period, with the risks and opportunities presented being carefully considered by the Fund and its advisors. The Fund completed its triennial investment strategy review over the period and updated its ISS which now includes the Fund's 'Exclusions Policy' in relation to its listed equity holdings, which encompasses the responsible investing views of its stakeholders. At the time of writing the Committee has agreed the revisions to the responsible investment section of the ISS, which is now with employers for consultation.

A key objective of the Fund is to invest responsibly in line with the interests of the Fund's members; this allows for members to feel confident that the Fund's investments are invested in such a way that is making a difference for the current and future environment. The Fund's engagement with the Wales Pension Partnership (WPP) and Russell Investments in launching a Sustainable Active Equity Fund for all members of the WPP to invest in is a key example of how the Fund is taking ownership of its responsibilities as a responsible investor.

The Fund continues to work in collaboration with the WPP who are responsible for engagement with the investment managers on behalf of the Welsh Pension Funds, including Clwyd Pension Fund. The WPP has actively engaged with managers over the period; these engagements are discussed further in the report.

We are extremely happy with the work and engagement of the Fund over the period and look forward to continuing the good work over the next 12 months.

Cllr. Ted Palmer

Chair Clwyd Pension Fund Committee

Principle 1

Purpose and Governance

“Signatories’ purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society”

1.1 The Clwyd Pension Fund purpose is to provide death and retirement benefits for around c. 49,000 members, which includes local government employees (other than teachers, police and fire fighters) in North East Wales and employees of other qualifying bodies which provide similar services.

1.2 Local Government Pension Scheme (LGPS) administering authorities are individually responsible for managing their own Fund on behalf of all stakeholders. The key decision making and management of the Fund has been delegated by Flintshire County Council to a formal Pension Fund Committee (with multi-employer and a scheme member representative) supported by a Pensions Advisory Panel. The detailed structure and delegations of authority within the Clwyd Pension Fund is set out further in this report, however much of the culture of the Fund is influenced by the wide representation on the Committee, the Local Pension Board and the officers managing the Fund.

1.3 The Fund is a member of the Wales Pension Partnership (WPP) a pool of LGPS funds all from Wales. Overtime the Fund anticipates the majority, if not all, of its assets will transition into the pool, enabling the Fund to benefit from cost efficiencies through economies of scale. As such, the WPP is a crucial partner for the Fund as it discharges its responsibilities.

1.4 The overarching objective of the Fund is to ensure that the Fund can meet all member benefits as they fall due. The Fund therefore aims for sufficient excess investment returns relative to the growth of liabilities to meet the funding objectives on an on-going basis, whilst maintaining an appropriate balance between long-term consistent investment performance and the funding objectives.

1.5 The Fund’s Mission Statement is:

- to be known as forward thinking, responsive, proactive and professional, providing excellent customer focused, reputable and credible service to all customers
- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality distinctive services within the resource budget
- to work effectively with partners, being solution focused with a ‘can do’ approach

This applies to the approach to investing the Fund’s monies as well as managing the overall Fund. The Mission Statement has been developed to guide the management of all aspects of the Fund.

1.6 In relation to the governance of the Fund, the aims are to:

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- Ensure the Pension Fund is managed, and its services delivered, by people who have the appropriate knowledge and expertise
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- Understand and monitor risk
- Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success
- Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved

This applies to all aspects of managing the Fund, including investments and Stewardship.

1.7 The Fund's responsible investment beliefs are set out in its [Investment Strategy Statement \(ISS\)](#) which was formally approved by the Fund's Committee following consultation with key stakeholders. To ensure that the Fund continues to invest in the way its stewards have agreed, within the ISS they have determined a set of beliefs which will guide their decision making. These beliefs are set out below:

- The Fund's fiduciary duty is to act in the best interests of its members and employers. The Fund recognises that ESG issues create risks and opportunities to its financial performance, and will contribute to the risk and return characteristics. The Fund believes, therefore, that these factors should be taken into account in its Funding and Investment Strategies and throughout the decision making process.
- The Fund is a long-term investor, with pension promises for many years. As a result, it seeks to deliver long-term sustainable returns.
- The Fund integrates ESG considerations across all asset allocations.
- The Fund seeks to apply an evidence based approach to the implementation of Responsible Investment.
- The Fund recognises that transparency and accountability are important aspects of being a Responsible Investor and will demonstrate this by publishing its RI policy and activity for the Fund.
- The Fund has a duty to exercise its stewardship responsibilities (voting and engagement) effectively by using its influence as a long-term investor to encourage corporate responsibility.

- The Fund recognises the significant financial risk of not being a Responsible Investor and it seeks to ensure that this risk is mitigated through its Investment Policy and implementation.
- The Fund recognises the importance of Social/Impact investments which can make a positive social and environmental impact whilst meeting its financial objectives, and it will make selective investments to support this aim.

1.8 The Fund recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its beneficiaries. The Fund has a commitment to actively exercise the ownership rights attached to its investments, reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests and recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees, other stakeholders and also wider society.

The culture of the Fund is one of dedication, collaboration and putting members at the center of all decisions. Officers have dedicated a significant part of their working lives to the Fund and always strive to ensure the objectives of the Fund are met. There is strong collaboration within the team and the wider LGPS community. Whilst the recently launched communication strategy aims to ensure that a greater proportion of stakeholders will receive relevant and focused communications, and understand the benefits of the scheme, whilst reducing the need for face to face meetings (virtual or otherwise) and phone calls which are inefficient and evidence a lack of effective alternative communications.

In 2019, the Fund undertook a review of its Responsible Investment (RI) Policy in conjunction with the overall review of the strategic asset allocation. The target for this review was to re-affirm the Fund's existing beliefs, supplement these with additional views if appropriate and consider ways in which these views could be implemented.

Within the 2019 review, the Fund set a number of high-level beliefs that sat over the more detailed policies. This conveyed the Fund's overarching attitude to being a Responsible Investor; this policy can be reviewed in the existing [Investment Strategy Statement \(ISS\)](#).

In 2022, the Fund reviewed its overall strategy as part of the triennial investment strategy review. As a result, a review was initiated on the Funds Responsible Investment Policy (which sits within the Funds ISS). As at 31 March 2023, the officers with the support of their investment consultant, were conducting analysis to expand the policy to incorporate a formal 'Exclusions Policy' in relation to the listed equity holdings. The Fund's exclusion policy was agreed at the August 2023 Committee meeting following detailed discussion which included going through the steps of the 'Exclusions Policy'. The final ISS incorporating the 'Exclusions Policy' is now with employers for final consultation. For reference, the new

exclusions policy has been provided in section 7.4, to demonstrate the Fund's continuous development on responsible investment.

1.9 The Fund's existing policy supports Fund's specific RI aims along with the funding and investments specific objectives which are as follows:

- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these

The Fund is committed to transitioning to a low carbon economy, and has therefore set a target of achieving net zero by 2045 or sooner.

1.10 The Fund's objectives are set out in its [Investment Strategy Statement \(ISS\)](#). The specific objectives relating to the funding and investment management of the Fund are summarised below:

- Achieve and maintain assets equal to 100% of liabilities within the 12-year average timeframe, whilst remaining within reasonable risk parameters
- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- Ensure net cash outgoings can be met as/when required
- Minimise unrecoverable debt on employer termination
- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- Ensure that the Fund's investments are aligned with the transition to a low carbon economy through a commitment to achieving a net zero carbon dioxide emission's target by 2045
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these
- Aim to use the Wales Pensions Partnership as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including sustainability requirements), within acceptable long-term costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership

The key actions and areas of focus that have been identified to achieve these objectives are included in the Fund's [Business Plan](#), to align with the key aims and objectives of this strategy.

1.11 Flintshire County Council delegates its decision making to the Clwyd Pension Fund Committee who meet five times a year to discuss all Fund related matters including make funding, investment and administration decisions, as well as insuring there are robust risk management arrangements in place. The Committee is made up of five Councillors of Flintshire County Council and four co-opted members who are representatives of the Fund's employers and scheme members. Each member has equal voting rights. All members have a fixed tenure, which is driven by local authority elections for the elected councillor members. However, subject to meeting the criteria for their roles, existing members can be reappointed. The Pension Board is made up of two employer representatives, two Scheme member representatives and one independent member who acts as the chair of the Pensions Board. All Pension Board members are entitled to attend all Pension Fund Committee meetings and are invited to participate.

1.12 The Fund is committed to reporting against the UK Stewardship Code. As a member of the WPP, the Fund expects both WPP and the underlying fund managers to comply with the Stewardship Code. WPP has appointed Robeco as its Voting and Engagement provider and they are assisting in updating and maintaining a voting policy and engagement principles that are in keeping with Local Authority Pension Fund Forum (LAPFF). The Fund achieved signatory status to the UK Stewardship Code in February 2023, following its submission in 2022.

1.13 As part of the Government's investment reform, the Fund has participated in the development of the WPP to pool the investments of the 8 Welsh LGPS funds. Whilst all strategic asset allocation and policy decisions remain with the Fund, implementation responsibilities are the responsibility of WPP. The Clwyd Pension Fund is committed to pooling its investments with WPP, and acknowledges that this presents challenges, and also significant opportunities to enhance the Fund's approach to RI. The Fund has proactively engaged with WPP in setting WPP's RI policy and objectives, and is confident that they will enable it to implement its own policies. The Fund will work with the WPP to develop their policies in the future to ensure they remain relevant and appropriate for the Clwyd Pension Fund.

1.14 The approach taken by the Fund, in line with the above beliefs, has been effective in producing above benchmark returns, improving the funding level, and addressing ESG concerns in a way that leaves the Fund in a strong position as it works to develop more specific ESG policies into 2023/24 and beyond.

- The Fund's assets decreased in value by c.6% in the year ending 31 March 2023, against a strategic benchmark (CPI +3.4% p.a.) of 13.8%. Over the three-year period, the Fund returned 9.5% p.a. against a strategic benchmark of 9.4% p.a.
- The estimated funding level of the Fund as at 31 March 2023 was c.104%, an improvement from c.91% as at 31 March 2019.

- The Fund has an allocation to Local / Impact strategies within the private markets portfolio, which returned 10.1% and 13.3% p.a. over the one and three year periods, respectively.

Principle 2

Purpose and Governance

“Signatories’ governance, resources and incentives support stewardship”

2.1 Flintshire County Council is the Administering Authority responsible for maintaining and managing the Clwyd Pension Fund (the Fund), for the benefit of employees and former employees of Flintshire County Council, two other local authorities (Wrexham and Denbighshire) and fifty two (52) other large and small employers in North East Wales.

2.2 The main activities involved in managing the Fund are to make and manage investments and to administer the payment of scheme benefits. This is carried out in accordance with the requirements of the Local Government Pension Scheme (LGPS) Regulations 2013 and various other legislative requirements, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the Public Service Pensions Act 2013.

2.3 The Council is responsible for ensuring that all its business, including that of the Fund, is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and that there are proper arrangements to use money economically, effectively and efficiently. The Council is also required to ensure that the Fund is managed to deliver best value.

2.4 The governance framework of the Council comprises an underlying set of legislative requirements, good practice principles and management processes, which supports the philosophy of the Council’s operations, the standards it sets itself, the behaviours it expects of itself and the principles it follows.

2.5 To help ensure that the governance framework is robust, the Council recognises the emphasis placed upon corporate governance by the Welsh Government and has developed a Code of Corporate Governance (the Code) which defines the principles that underpin the governance of the organisation and is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: Delivering Good Governance in Local Government. The Code forms part of the Council’s constitution and is available on the Council’s website. The operation of the Fund is governed by this code. The Fund produces its own Annual Governance Statement (AGS) which is in the annual report. Additionally, the Council produces its own AGS, both of these review the effectiveness of the control environment.

2.6 The Fund has its own Governance Policy in place. This policy sets out the Fund's governance arrangements, including its governance structure and operational procedures for the delegation of responsibilities. It also sets out the Fund's aims and objectives relating to its governance. In accordance with the requirements of the Public Services Pensions Act

2013, the Fund has established a Local Pension Board (the Board) to act as a partner in assisting the Fund to meet its statutory and regulatory requirements and in ensuring efficient and effective governance and administration.

2.7 The Council discharges its duty as administering authority by delegation to the Clwyd Pension Fund Committee (the Committee). The Committee is made up of 5 of the Council's own councillors and 4 co-opted members, representing the other 2 local authorities, other employers and the scheme members. The Committee receives advice from the Clwyd Pension Fund Advisory Panel (the Panel) which is made up of officers of the Council and advisors to the Fund.

2.8 The Fund is governed by the Clwyd Pension Fund Committee who have the responsibility for all Fund matters including governance, investment and funding strategies, accounting, employer and scheme member engagement, communications, and administration. The Pension Fund Committee sets the policies for the Fund and is responsible for them. The Fund officers and Advisory Panel implement the policies set by the Committee as the Committee delegates the day-to-day running of the Fund to them. The Head of Clwyd Pension Fund has overall delegated powers for the management of the Fund on a day-to-day basis. The Chief Finance Officer, who is a member of the Advisory Panel, must ensure the proper financial management of the Fund in accordance with Section 151 of the Local Government Act 1972.

2.9 There are strict rules around the governance of the Fund as set out by legislation that applies to all LGPS funds; the Fund reports in detail on how it adheres to those rules every year in the Annual Report, as well as publishing all Fund governance policies which are available on the Fund's website at the following link: [Clwyd Pension Fund Policies](#)

2.10 The Fund has a Knowledge and Skills Policy that applies to all Pension Fund Committee members, Pension Board members and officers. Training is delivered through several avenues including:

- A series of induction sessions for new Pension Fund Committee and Pension Board Members
- In-house training sessions by officers and advisors, sometimes as part of Committee meetings
- Conference, seminars and other externally organised training sessions/ events.

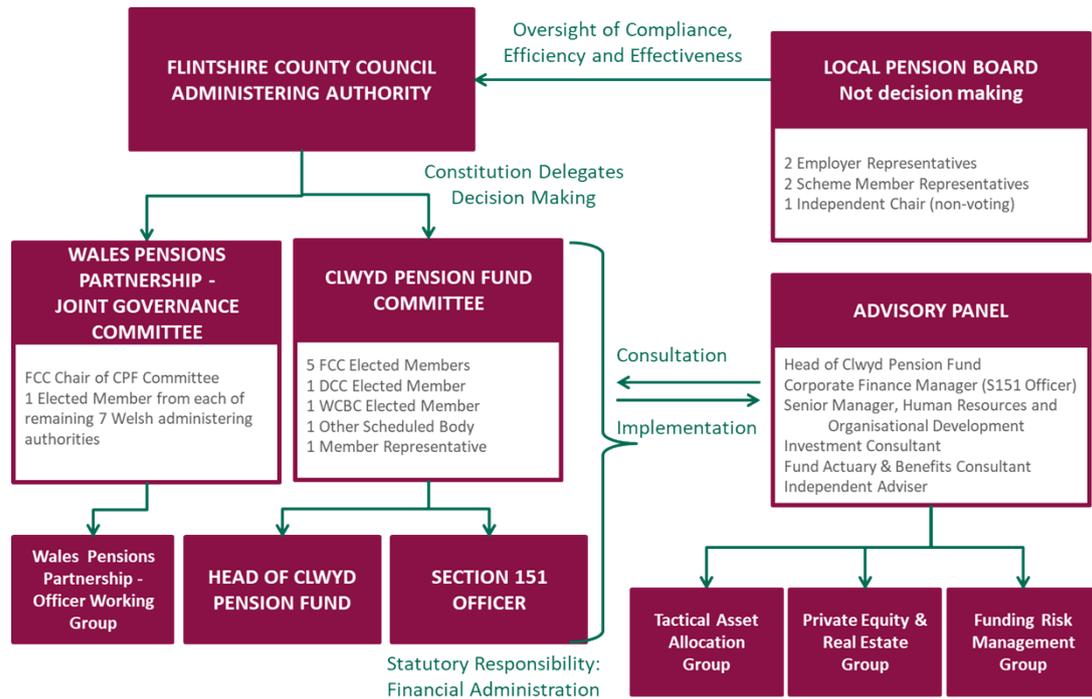
The actual costs and expenses relating to approved training are met directly or can be reimbursed from the Clwyd Pension Fund. The co-opted members of the Pension Fund Committee and members of the Pension Board may receive payments for attendance at meetings (including training events) as detailed within the Flintshire County Council Members' Remuneration Scheme and the Pension Board Protocol.

The Knowledge and Skills Policy is aligned to meet CIPFA's Code and also MiFID II requirements, and has a range of objectives and targets covering induction, essential training and general awareness that are reported at each Committee. A training needs assessment is carried out regularly.

2.11 The Fund officers have undertaken various training sessions throughout the year to 31 March 2023, to not only maintain their knowledge of the local government pension scheme sector, but to also improve it. The table below provides a few examples of the training sessions that have been attended by at least one of the Fund's officers that has aided them in the stewardship of the Fund:

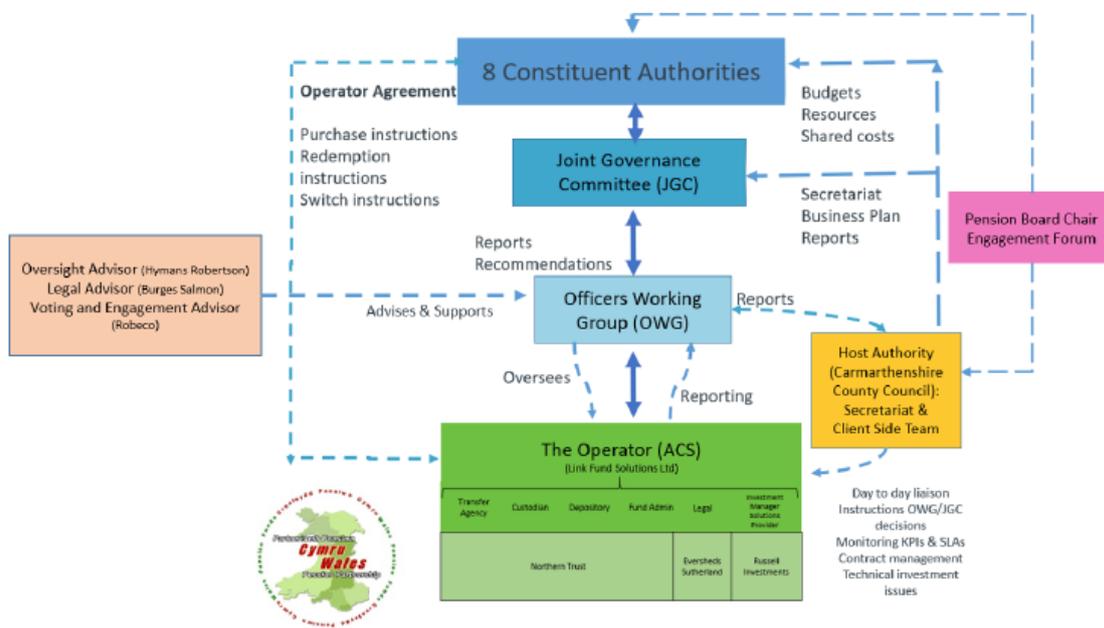
Training Date	Description of Training	Key Themes Discussed
22 September 2022	WPP - Sustainable Equities	<ul style="list-style-type: none"> • Sustainable active equity <ul style="list-style-type: none"> ○ Landscape ○ Setting objectives ○ Portfolio construction ○ Net zero & decarbonisation ○ Solution
19 October 2022	WPP - Governance & Administration / Roles & Responsibilities	<ul style="list-style-type: none"> • Governance Structure • Joint governance committee • Officer working group • Sub-groups • Host authority • External advisors • The operator
5 December 2022	WPP - Responsible Investing, Stewardship Code & TCFD Reporting	<ul style="list-style-type: none"> • RI beliefs • Role of the RI sub-group • Stewardship • ESG integration • Voting & engagement • Addressing climate change • Stewardship code reporting
18 January 2023	 Mercer – Private Markets Investment Considerations	<ul style="list-style-type: none"> • Impact and sustainable investing
1 February 2023	 Mercer – TCFD Reporting	<ul style="list-style-type: none"> • Consultation summary • Climate risks and opportunities • TCFD <ul style="list-style-type: none"> ○ Governance ○ Strategy ○ Risk management ○ Metrics & targets

2.12 The below diagram outlines the governance structure for pension fund matters, with each section of the governance structure explained further down in more detail:



2.13 Wales Pension Partnership (WPP)

The Wales Pension Partnership (WPP) was established in 2017, and represents a collaboration of the eight LGPS funds (Constituent Authorities), including Clwyd Pension Fund, covering the whole of Wales. WPP is one of eight national LGPS pools. Before the WPP was established, the eight Welsh Constituent Authorities had already been working together, having appointed BlackRock as the single passive manager in March 2016. The diagram below outlines the governance structure for the WPP.



WPP Sub-Groups (Clwyd Pension Fund officers are all on sub-groups):

- **Responsible Investment Sub-Group** – responsible for formulating and delivering WPP’s Responsible Investment Workplan, as well as liaising with the WPP’s Voting and Engagement Provider (Robeco). The group meet twice a quarter, has oversight and accountability of stewardship for all WPP Funds and includes officers of the Clwyd Pension Fund.
- **Risk Sub-Group** – responsible for monitoring, maintaining and implementing the WPP’s Risk Register and Policy. The group meet quarterly.
- **Private Market Sub-Group** – responsible for formulating and developing the WPP’s Private Market Sub-Fund(s). The group are currently meeting bi-weekly.
- **Procurement Sub-Group** – responsible for procurement exercises. Members will change depending on the procurement exercise. The group meet as and when required.

Further Information on WPP:

- Carmarthenshire County Council are the host authority for the WPP.
- Hymans Robertson – advisor to the WPP
- Burges Salmon – legal advisor to the WPP
- Robeco – Voting and Engagement provider
- Link Group – Operator of the pool
- Northern Trust – Custodian

Source: Wales Pension Partnership, <https://www.walespensionpartnership.org/>

Principle 7.5 details further how WPP has partnered with Link and Robeco.

2.14 Clwyd Pension Fund Officers

The key officers responsible for investment matters of the Clwyd Pension Fund currently include:

- **Philip Latham** – Head of the Clwyd Pension Fund
 - Has over 27 years’ experience with the Clwyd Pension Fund
- **Debbie Fielder** - Deputy Head of the Clwyd Pension Fund
 - Has over 23 years’ experience with the Clwyd Pension Fund
- **Ieuan Hughes** – Graduate Trainee Investment Officer
 - Is currently studying for the Investment Management Certificate (IMC) to enhance his skills

The Fund hired Ieuan Hughes into the team in 2019, and has been trained up in all areas to help support the historical knowledge and skills within the Fund and ensuring continuity going forward and throughout the year to 31 March 2023 has taken on more responsibility on the private markets investments of the Fund. In addition, the appointment maintains the local investment knowledge required to collaborate and challenge the WPP.

Officers of the Fund use their knowledge and experience with the help of their advisors to recommend policy and strategy to the Pension Committee. Officers help arrange and deliver

training for the Committee in all subject matters including but not limited to: investments, responsible investment, stewardship, risk management, governance. In doing so, this ensures that the Committee have the appropriate knowledge and skills to make informed decisions on all matters related to the Fund.

Officers and employees are normally remunerated with no performance related pay. The officers do not require further incentivisation, as all the officers believe in the culture and values of the Fund, and are committed to running the Fund in a responsible manner. An example of this is within the Funds private market portfolio, the officers are only considering committing capital to Impact investments, to focus on the best outcomes for the greater good of society and create a positive impact locally.

Officers work in collaboration with the WPP on all pooling matters and are therefore closely involved in decision making in areas such as creation of new sub-funds, voting and engagement, and monitoring of existing pooled managers. WPP also provide training sessions, much of which is open to all Pension Fund Committee and Board members.

The Fund is looking to pool more assets with the WPP, which will allow the Fund to utilise the WPP's resources, in areas such as voting, engagement and stewardship. This ultimately will reduce the resourcing pressures the Fund is currently facing.

As part of the WPP's remit in delivering the Fund's strategy, the WPP are also responsible for ensuring the Fund's engagement policy is delivered. This responsibility is then further delegated to Robeco who are appointed to engage on behalf of WPP, and therefore the Fund. Fund officers sit on the WPP RI sub group to review voting and engagement activities conducted on the Fund's behalf. Fund officers engage regularly with the private market managers to understand the latest positions of these funds, their implementation of key objectives and any future plans. The Fund's membership of LAPFF ensures that the Fund is encouraging engagement with companies that the Fund potentially doesn't own, further enhancing the stewardship of the wider financial system.

2.15 Clwyd Pension Fund Committee

The Pension Fund Committee's principal aim is to carry out the functions of Flintshire County Council as the Scheme Manager and Administering Authority for the Clwyd Pension Fund in accordance with LGPS legislation.

The members on the [Clwyd Pension Fund Committee](#) are not trustees of the Fund, however, they do have a fiduciary and public law duties to the Fund's scheme members and employers, which is analogous to the responsibilities of trustees in the private sector and they could be more accurately described as 'quasi trustees' responsibilities.

The Committee may also delegate a limited range of its functions to one or more officers of Flintshire County Council, which it does so under a formal Scheme of Delegation, which ensures timely decision making at an appropriate level.

No matters relating to Flintshire County Council's responsibilities as an employer participating within the Clwyd Pension Fund are delegated to the Pension Fund Committee,

ensuring a clear separation of responsibility between the employer and the “quasi trustee” responsibilities.

The Pension Fund Committee meets at least quarterly and is composed of nine members as follows:

- Five Councillors of Flintshire County Council, determined by the Council.
- Four co-opted members comprising:
 - One Councillor of Wrexham County Borough Council, determined by that Council.
 - One Councillor of Denbighshire County Council, determined by that Council.
 - One Representative of the other Scheme Employers (not admission bodies) in the Clwyd Pension Fund.
 - One Representative of the scheme members of the Clwyd Pension Fund (nominated by the Joint Trade Unions).

The Council's Constitution permits named substitutes for Flintshire County Council members only, providing they satisfy the knowledge and skills policy of the pension fund. Councillors of Flintshire County Council are appointed annually. Otherwise, the terms of reference for the members range from four to six years. Members may be reappointed for further terms.

All members have equal voting rights. Ensuring scheme member and employer representatives can equally contribute to the Fund's strategies and how they are delivered.

2.16 Section 151 Officer – Corporate Manager, People and Organisation Development

Under the Council's current operating model, the Chief Finance Officer (S151) role is designated to the Corporate Finance Manager. The Corporate Finance Manager therefore has a statutory responsibility for the proper financial administration of the Clwyd Pension Fund, in addition to that of Flintshire County Council. The Section 151 Officer is CIPFA qualified and is suitably experienced to lead the finance function.

2.17 Clwyd Pension Fund Advisory Panel

The Clwyd Pension Fund Advisory Panel has been established to provide advice and propose recommendations to the Pension Fund Committee, and to carry out such matters as delegated to it from time to time by the Pension Fund Committee. Its membership consists of:

- The Chief Executive of Flintshire County Council (Recently changed to the Senior Manager – Human Resources and Organisational Development)
- The Chief Finance Officer of Flintshire County Council
- The Head of Clwyd Pension Fund
- Investment Consultant, Mercer
- Scheme Actuary, Mercer
- Independent Advisor, Aon

2.18 Wales Pension Partnership Joint Governance Committee

To satisfy the Government's requirements to reduce investment related costs, the eight LGPS administering authorities in Wales, including Flintshire County Council, have entered into an Inter Authority Agreement to pool pension fund assets, a key part of which is done by appointment of an Authorised Contractual Scheme Operator to make the investments on behalf of the administering authorities. This was agreed at the Flintshire County Council meeting on 1st March 2017. The report and appendices can be found [here](#).

As part of this pooling arrangement, the authorities have also established a Joint Governance Committee with a number of responsibilities including the following:

- Monitoring the performance of the Operator
- Making decisions on asset class sub-funds to be made available by the Operator to implement the individual investment strategies of the eight Funds
- Providing accountability to the participating Funds on the management of the Pool
- Reporting on the Pool to the UK Government and other stakeholders
- Having oversight of an Officer Working Group

Flintshire County Council has determined that the Clwyd Pension Fund representative on the Joint Governance Committee is the Chair of the Pension Fund Committee. In his or her absence, the Vice Chair acts as the Deputy.

The Pension Fund Committee determines which officers of Clwyd Pension Fund represents the Fund on the Officer Working Group. Currently the Head of Clwyd Pension Fund and Deputy Head of Clwyd Pension Fund are both members of the Officer Working Group.

The Joint Governance Committee meets at least four times each year and is composed of one elected member from each Administering Authority responsible for maintaining an LGPS Pension Fund in Wales. These are:

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

Each member present at the Joint Governance Committee is entitled to a vote and all members have equal voting rights.

Carmarthenshire County Council acts as Host Council in relation to the Wales Pension Partnership Inter Authority Agreement. This role includes the following in relation to the management of the pooling arrangements:

- Acting as the main point of contact
- Providing administrative resources and facilities, and governance and administrative services
- Entering into contracts for supplies and services
- Liaising with the Operator

2.19 Wales Pension Partnership Officer Working Group

The Wales Pension Partnership Officer Working Group has been established as part of the Wales Pension Partnership Inter Authority Agreement to support and advise the Joint Governance Committee on such matters as the Joint Governance Committee may reasonably request or any matters relating to the pooling agreement which are raised by any of the authorities' Section 151 Officers or Monitoring Officers.

Each authority delegates two officers to the Officer Working Group. In relation to Clwyd Pension Fund, the Pension Fund Committee determines which of its officers sit on the Officer Working Group. Each authority's Section 151 Officer and Monitoring Officer are entitled to attend the Officer Working Group.

The full list of responsibilities and procedures relating to the Joint Governance Committee, Officer Working Group and Host Council are included in the Inter Authority Agreement.

2.20 Pension Board

As required by legislation, the Fund has established a local Pension Board to assist with:

- securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator
- ensuring the effective and efficient governance and administration of the Pension Fund

The Board is not a committee of Flintshire County Council and so provides an element of independence overseeing the management of the Fund. In practice the Board works in partnership with the Committee and Fund officers, providing constructive challenge and input into the Fund's strategies and governance arrangements, including Stewardship.

The Pension Board is an important vehicle through which the views of key Fund stakeholders, i.e. members (beneficiaries) and employers, can be taken into account. The Board consists of five members as follows:

- Two Employer Representatives
- Two Scheme Member Representatives, one of whom is nominated by the joint trade unions, and one who is a member of the Clwyd Pension Fund
- One Independent Member who acts as chair of the Pension Board.

All Board members, excluding the Independent Member, have individual voting rights but it is expected the Pension Board will as far as possible reach a consensus.

A meeting of the Pension Board is only considered quorate when at least three of the five members are present, including at least one Employer Representative, one Scheme Member Representative and the Independent Member.

Members of the Pension Board are required to declare, on appointment and at each meeting, any interests that may lead to conflicts of interest in relation to Pension Fund matters or agenda items.

The Pension Board meets a minimum of twice and a maximum of four times in each calendar year in the ordinary course of business. Additional meetings may be arranged.

Principle 3

Purpose and Governance

“Signatories’ manage conflicts of interest to put the best interests of clients and beneficiaries first”

3.1 Conflicts of interest have always existed for those with LGPS administering authority responsibilities as well as for advisors to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an advisor to more than one LGPS administering authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

3.2 It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy how any such conflicts or potential conflicts are to be managed.

3.3 Although there is no legal requirement to produce a Conflicts of Interest Policy, the Fund recognises that potential conflicts can arise and therefore still carry out this practice. Clwyd Pension Fund’s Conflict of Interest Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund whether directly or in an advisory capacity. The Policy is established to guide the Pension Fund Committee members, Pension Board members, officers and advisors. It aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund.

3.4 The Conflicts of Interest Policy applies to all members of the Pension Fund Committee and the Pension Board, including scheme member and employer representatives, whether voting members or not. It applies to the Pension Fund Management Team and other senior officers involved with the management of the Fund. The Policy delegates the overall responsibility for implementing its requirements to the Head of Clwyd Pension Fund. The Head of the Clwyd Pension Fund will also monitor potential conflicts for all officers involved in the daily management of the Pension Fund and highlight this Policy to them as they consider appropriate.

3.5 The Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role and including responsibilities representing the Fund on other committees, groups and bodies.

3.6 The Policy also applies to all advisors and suppliers to the Fund, whether advising the Pension Board, Pensions Fund Committee or Fund officers.

3.7 The Policy can be found on the Fund's website – <https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/>

3.8 In addition, in accordance with the Wales Pension Partnership Inter Authority Agreement, the Joint Governance Committee has agreed a Conflicts of Interest Policy which applies to those involved in the Wales Pension Partnership, including the Joint Governance Committee members (which includes the Chair of the Clwyd Pension Fund Committee).

3.9 The Fund's Policy includes procedures (set out below) which must be followed by all individuals to whom this policy applies. However, it should be noted all members of the Pension Fund Committee (including co-opted members) have a pre-eminent requirement to follow and abide by the requirements of Part 3 of the Flintshire County Council Members' Code of Conduct relating to the treatment and disclosure of certain personal and prejudicial interests. Accordingly, for those members, disclosures under this policy may be in addition to disclosures under the Council's Code of Conduct.

3.10 Clwyd Pension Fund officers are employees of the Council and are subject to normal pay arrangements. Officers do not receive any performance related pay, or incentivisation for investing with investment managers or specific asset classes. The Head of Clwyd Pension Fund and the other officers are also only responsible for the Pension Fund and do not have any other further council responsibilities within their roles.

3.11 Over the period in question, there have not been any specific conflicts of interest related to stewardship identified. The Fund reviews its underlying providers approach to managing potential conflicts of interest with respect to stewardship activities.

3.12 In 2021, Debbie Fielder the Deputy Head of the Clwyd Pension Fund was appointed to the board for Pensions for Purpose as a Non-Executive Director (NED). Pensions for purpose seeks to drive best practise on areas of investment. As a result, Debbie updated her Conflict of Interest disclosure and informed all parties required of the appointment.

What is required	How this will be done
Step 1 – Initial identification of interests which do or could give rise to a conflict	On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest. The information contained in these declarations will be collated into the Pension Fund Register of conflicts of interest.
Step 2 – Ongoing notification and	At the commencement of any Pension Fund Committee, Pension Board or other formal meeting where pension fund

management of potential or actual conflicts of interest

matters are to be discussed, the Chair will ask all those present who are covered by this Policy to declare any new potential conflicts. These will be recorded in the minutes of the meeting and also in the Fund's Register of conflicts of interest. In addition, the latest version of the Register will be made available by the Head of Clwyd Pension Fund to the Chair of every meeting prior to that meeting if required.

At Clwyd Pension Fund Committee meetings there will also, at the start of the meeting, be an agenda item for Members to declare any interests under the Members' Code in relation to any items on that agenda. Any individual who considers that they or another individual has a potential or actual conflict of interest, as defined by this Policy, which relates to an item of business at a meeting, must advise the Chair and the Head of the Clwyd Pension Fund prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chair, in consultation with the Head of the Clwyd Pension Fund, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter. If such a conflict is identified outside of a meeting the notification must be made to the Head of the Clwyd Pension Fund and where it relates to the business of any meeting, also to the Chair of that meeting. The Head of the Clwyd Pension Fund, in consultation with the Chair where relevant, will consider any necessary action to manage the potential or actual conflict. Where information relating to any potential or actual conflict has been provided, the Head of the Clwyd Pension Fund may seek such professional advice as they think fit (such as legal advice from the Monitoring Officer) on to how to address any identified conflicts. Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of conflicts of interest and in the minutes of the meeting if raised during a meeting.

Step 3 – Periodic review of potential and actual conflicts

At least once every 12 months, the Head of the Clwyd Pension Fund will provide to all individuals to whom this Policy applies a copy of their currently declared Pension Fund conflicts of interest. All individuals will complete confirm that their information is correct or highlighting any changes that need to be made.

Principle 4

Purpose and Governance

“Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system”

4.1 LGPS Investment Regulation 7(2) (C) requires that funds describe their approach to risk within their investment portfolio, including summarising the key risks and detailing the approach to mitigate the risk (where possible or appropriate).

4.2 The key investment objectives for the Fund are to aim for sufficient excess investment returns relative to the growth of liabilities to meet the funding objectives on an on-going basis, whilst maintaining an appropriate balance between long-term consistent investment performance and the funding objectives.

4.3 The Fund’s overall strategic risk and return profile is currently determined through its strategic asset allocation. In establishing the Fund’s long-term strategic asset allocation, or strategic benchmark, the key factors are the overall level of return being sought, the minimum level of risk consistent with this and the impact of diversification in reducing this risk further. At asset class or mandate level, asset class weightings, appropriate benchmarks and out-performance targets are the key building blocks in framing this overall Fund strategy. Clwyd Pension Fund acknowledges that good stewardship involves good risk management and has produced a Risk Management Policy and Risk Register.

4.4 The Risk Management Policy clearly sets out how the Fund identifies, manages and monitors all risks that it faces. The policy also sets out its objectives which are:

- Integrate risk management into the culture and day-to-day activities of the Fund
- Raise awareness of the need for risk management by all those connected with the management of the Fund (including advisors, employers and other partners)
- Anticipate and respond positively to change
- Minimise the probability of negative outcomes for the Fund and its stakeholders
- Establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
- Ensure consistent application of the risk management methodology across all Pension Fund activities, including projects and partnerships

4.5 The Risk Register has a section dedicated to Funding & Investment Risks (including accounting and audit). Specific asset/investment risks highlighted in the risk register include those around investment markets, the failure of managers to achieve their objectives, missing out on market opportunities, and liquidity. The risk register is continually updated and key risks are considered on a regular basis at the Committee and AP meetings.

4.6 To enable the Clwyd Pension Fund to manage risk and achieve its objectives, the fund aims to comply with:

- The CIPFA Managing Risk publication
- The managing risk elements in the CIPFA Investment Pooling Governance Principles guidance and
- The managing risk elements of the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes (or the expected Single Code when it is in place).

4.7 The Risk Register must be presented to the Pensions Committee at least twice a year, but in practise it is provided at each quarterly meeting. The Fund's officers and advisors along with the Committee discuss the risks that the Fund faces and how these risks will be managed. There are currently nine risk categories within the funding and investment section of the risk register and they are:

- Employer contributions are unaffordable and/or unstable
- Funding level reduces, increasing deficit / reducing surplus
- Investment targets are not achieved therefore materially reducing solvency / increasing contributions
- Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions
- Value of liabilities/contributions change due to demographics being out of line with assumptions
- Investment and/or funding objectives and/or strategies are no longer fit for purpose
- Insufficient cash or liquid assets to pay benefits
- Loss of employer income and/or other employers become liable for their deficits

The Fund's Long term Investment Strategy fails to deliver on its ambition and objectives as a Responsible Investor.

4.8 The Fund's ISS also addresses other relevant risks such as solvency and matchmaking risk, manager risk, liquidity risk, political risk, corporate governance risk, legislative risk, market risk (currency risk, interest rate risk and inflation risk). Ultimately the Fund seeks to manage this risk through the strategic policy which ensures diversification of investments across a range of asset classes and markets that have low correlations with each other and across a selection of managers.

4.9 In 2014, the Fund set up the Cash & Risk Management Framework. This framework includes:

- Funding level monitoring
- Liability Hedging
- Synthetic Equity Portfolio
- Currency hedging
- Collateral management strategy

Funding Level Monitoring

An approximate funding level is monitored daily and reported formally to the Funding and Risk Management Group on a monthly basis. Should the approximate daily monitoring indicate that the 110% trigger has been reached, an agreed process will be followed (as outlined in the “Delegation of Functions to officers by the Pension Fund Committee”) to formally confirm whether the trigger has been met and whether any changes to the strategy should be made.

Liability hedging programme, controlling the Fund’s interest rate and inflation risk

In March 2014, the Fund established a liability hedging programme covering both interest rate and inflation risks. A ‘flightpath’ for increasing the level of protection was agreed based on market yield triggers to ensure that risk was reduced at favourable times. Since the adoption of the flightpath, a number of market triggers have been implemented.

As part of the 31 March 2022 actuarial valuation and investment strategy review cycle, the officers and Fund’s actuarial and investment consultants reviewed the flightpath and made changes to the interest rate and inflation triggers. Changes included increasing the interest rate trigger levels, amending the proportion of interest rate notional exposure, additional inflation rate trigger levels and amending the proportion of inflation rate notional exposure.

Synthetic equity portfolio, gaining exposure to equities whilst hedging the downside risk

The Fund implemented a synthetic equity strategy in order to increase its expected return potential in a capital efficient manner. In order to manage the downside risks associated with the synthetic equity strategy, a static equity protection strategy was put in place, protecting against equity market falls on the equity exposure. This was in place from April 2017 until May 2018.

In May 2018, a new dynamic protection strategy was put in place. This provides improved flexibility and lower on-going governance versus the previous static approach as it allows the structure to more easily adapt to changing market conditions.

The Fund added additional synthetic equity exposure in late 2022, to replace physical equities that were sold to provide collateral to the LDI portfolio. This synthetic equity is a short-term position in order to maintain the Fund’s strategic allocation to equity. This is being replaced over 2023 as the physical allocation to the sustainable active equity mandate is built up.

Currency hedging strategy

In August 2019, the Fund implemented a currency hedging strategy to reduce the risk of a strengthening pound devaluing the value of the Fund’s physical overseas equity holdings. This was in light of the continued weakening of sterling. As holders of overseas assets, the Fund had benefitted significantly from the fall in sterling following the EU referendum and wished to reduce currency risk by locking in a portion of the gains made.

Collateral management strategy

The above strategies make use of derivatives and therefore require collateral to be set aside in order to support the positions and protect the Fund (and counterparties) from the risk of default. There is a balance between holding enough collateral to support the strategies against a material and sudden move in markets, versus holding too much that it becomes a drag on the Fund's returns.

In order to manage this balance, the Fund implemented a collateral management strategy. This ensures that the Fund holds the required amount of collateral to support the strategies, with any excess collateral held in higher yielding funds that can be sold quickly if more collateral is required. This helps generate additional return and reduces the governance burden on the Fund, leading to improved efficiency.

4.10 The Fund acknowledges that climate change presents a systemic financial risk that must be addressed, and in 2019 the Fund started a review of its responsible investment policy. The revised policy set out the below Responsible Investment Principles:

- Evaluate and manage carbon exposure
- Identify sustainable investment opportunities
- Improve public disclosure and reporting
- Active engagement on ESG risks
- FRC Stewardship Code

4.11 At the time of writing the Committee has agreed the revisions to the responsible investment section of the ISS, which is now with employers for consultation. The below responsible objectives outline the objectives within the updated ISS:

- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- Ensure that the Fund's investments are aligned with the transition to a low carbon economy through a commitment to achieving a net zero carbon dioxide emission's target by 2045
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these
- Aim to use the Wales Pensions Partnership as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including sustainability requirements), within acceptable long-term costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership

4.12 ISS guidance given by the Secretary of State states that administering authorities should become signatories to the Code, and states how they implement the principles on a "comply or explain" basis. In practice the Fund continues to apply the requirements of the Code both through its arrangements with its asset managers and through membership of the LAPFF. As a member of the WPP, the Fund expects both WPP and the underlying fund managers to comply with the Stewardship Code. WPP has appointed Robeco as its Voting

and Engagement provider and they are assisting in formulating and maintaining a voting policy and engagement principles that are in keeping with the LAPFF. In addition, Robeco are responsible for implementing the voting policy and reporting on it.

4.13 The Fund has continued to engage throughout the last financial year with local authority colleagues, regulators, and industry bodies as part of its wider commitment to improving the functioning of financial markets, including continuing its ongoing membership of the LAPFF and the Pensions and Lifetime Savings Association (PLSA). The Fund engages with all of its asset managers to ensure that they are fully aware of their responsibilities with regard to sustainability, and one of the ways in which the fund management industry can demonstrate that it takes its responsibilities seriously is to become a signatory to the UN Principles for Responsible Investment (UN PRI). Firms that are signatories to the UN PRI are required to commit to a set of six principles promoting and incorporating Environmental Social and Governance (ESG) principles into all aspects of its work.

4.14 The Fund has actively engaged and participated in initiatives with the LAPFF through its membership. The Fund was the second member to join the LAPFF in Wales, becoming a member in the early 'noughties'.

4.15 The Fund has continued to be actively involved and have committed to investing in the new WPP Sustainable Active Equity Fund following the investment strategy review. The Fund's officers were heavily involved in the development of the WPP Sustainable Active Equity Fund along with the other Welsh funds. Demonstrating their ambition and drive to promote sustainable investment across Wales, which will not only benefit the Clwyd Pension Fund but also other Welsh funds invested within the Welsh pool. Further information can be found in Principle 10.1.

4.16 The Fund does not set any explicit expectations for the WPP, however officers of the Fund have an active presence within the working groups of the WPP such as the RI-Sub working group. This allows the Fund to take an active role in formulating and debating decisions that go into the production of new sub-funds available to all constituent authorities within Wales.

The expectation set around non-pooled asset managers is that Mercer will recommend those managers with the highest ESG ratings, in Mercer's opinion, to allocate the Fund's capital too. Throughout the year to 31 March 2023, the Fund has undertaken private market manager selection meetings with the help of Mercer, with a focus on Local/ Impact investing. The Fund expects Mercer to provide sustainable and low carbon options for investments through its best ideas portfolio where possible, this is evidenced by Mercer's recommendation to invest into the LGIM Future World Europe (ex UK) Equity Index Fund in February 2023 over a standard European equity fund. Further information is provided in section 7.6.

Principle 5

Purpose and Governance

“Signatories review their policies, assure their processes and assess the effectiveness of their activities”

5.1 The Fund’s procedures and policies are regularly reviewed by the Fund’s officers, Pension Fund Committee, Pension Fund Advisory Panel and in some situations, by the Pension Board. These reviews are part of the activities that the Committee undertake to provide the Fund with good stewardship. The ISS and Funding Strategy Statement (FSS) are formally approved by the Pensions Committee, and are reviewed at a minimum of every three years, which aligns with the Fund’s triennial actuarial valuation, however these can be reviewed more frequently than this. The review of the ISS and FSS aims to identify and implement any process improvements to reflect emerging / developing initiatives in the industry or required statutory changes. The review of these policies may result in further policies and procedures to be drafted. The Fund’s latest policies are available on the Fund website at the following link: [Clwyd Pension Fund Policies](#) and all key strategies and policies have a clearly defined period for review.

5.2 The Fund’s officers regularly review information that is provided by WPP in respect of stewardship activities. This information along with other relevant reports on voting and engagement are shared with the Committee on a quarterly basis.

5.3 The Fund is committed to reviewing its compliance against the latest Financial Reporting Council (FRC) Stewardship Code. As a member of the WPP, the Fund expects both WPP and the underlying fund managers to comply with the Stewardship Code. WPP has appointed Robeco as its Voting and Engagement provider and they are assisting in updating and maintaining a voting policy and engagement principles that are in keeping with the LAPFF. In addition, Robeco are responsible for implementing the voting policy and reporting on it.

5.4 As a Fund, there are several ways in which assurance is sought in relation to the Fund’s stewardship, for example:

- The Fund’s Annual Report and Financial Statements are externally audited; the most recently audited accounts for March 2022 received an unqualified audit opinion, representing a “true and fair view” of the Fund’s financial transactions to have taken place during the year and the year-end balance of assets and liabilities.
- The Fund officers carry out an annual review against the Pension Regulator’s Code of Practice, to identify areas of compliance and non-compliance.
- The Fund commissioned an effectiveness review of the Pension Fund Committee, the review asked all members their views on the effectiveness of the Fund’s governance arrangements.
- The independent advisor carries out an annual review of the governance of the Fund as a whole, against Aon’s best practice governance framework. By seeking

external assurance from an independent third party, the Fund and its stakeholders can be confident of an unbiased and unprejudiced view of the effectiveness of the Fund's stewardship processes.

- When contracts are due for renewal the Fund follows the stringent procurement policies of Flintshire Council as set out in Flintshire's Contract Standing Orders, which includes a policy on responsible procurement to ensure that all high value procurements focus on delivering value for money and achieving additional economic, social and environmental benefits.
- The majority of policies and strategies have clearly defined objectives and measures in place, which drive the content of the regular reports to the Committee.

5.5 The WPP has appointed Hymans Robertson as Oversight Advisors. Their role spans oversight and advice on governance arrangements, operator services, strategic investments aspects and project management support. One of the ongoing roles of the Oversight advisor will be to assess the management of the Sub-Funds and test the processes that are being employed, as outlined above. Hymans attend all OWG and JGC meetings.

5.6 The RI Sub Group has worked to develop reporting on the ESG and climate risk characteristics of Sub-Funds and intends to cascade this information down to Constituent Authorities. This reporting is being prepared independently of the reporting provided by the investment manager, serving to verify the information that is otherwise made available. Robeco also provide quarterly reporting on Voting and Engagement activity which has been shared with Constituent Authorities.

Principle 6

Investment Approach

“Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them”

6.1 The Clwyd Pension Fund is part of the Local Government Pension Scheme, a statutory public service scheme providing defined benefits to its members based on their earnings and length of service, and is administered by the Flintshire County Council on behalf of all employers in the Fund. Benefits are funded by member and employer contributions and investment returns. However member benefits are guaranteed, so regardless of investment performance members will still receive their pensions, with the ultimate burden falling on the tax payers if investment returns are not sufficient to ultimately meet the payment of future pensions.

6.2 The Fund does not ask for members views with regards to stewardship, however when setting or reviewing policies the Fund consults with the employers. The Fund’s Committee are also responsible for signing off the Fund’s investment strategy and ISS. As previously stated the Committee is formed of 5 councillors and 4 co-opted members, one of which is a representative of the scheme members of the Fund

The Fund and its officers have always strived to consider responsible investment, but note that responsible investment pursuits would not be taken if there was an expectation that it could conflict with the Fund’s fiduciary responsibility.

Through the Fund’s Impact portfolio, the Fund has demonstrated that it has been able to achieve both strong positive performance as well as having a positive impact. This portfolio generated a return of +22.9% over the year to 31 March 2023. Such investments have looked to support the local communities within Wales. One of the latest investments in the Capital Dynamics Clean Energy Wales Fund is a prime example of the investments that have been made by the Fund to generate both a financial return and positive impact in relation to the local communities of Wales. Further information on this case study can be found in section 7.10.

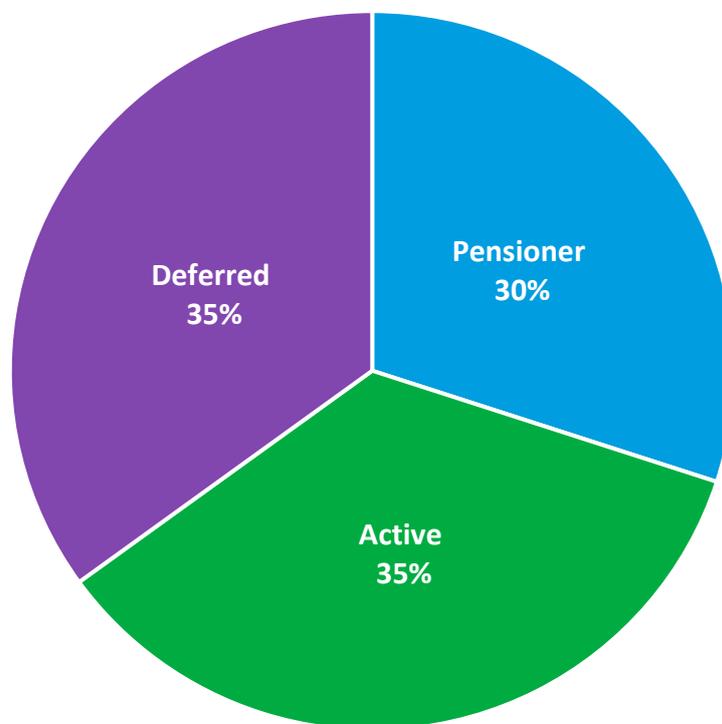
6.3 Whilst most members will be local authority employees (and ex-employees), other employers can also join the scheme where they are providing services in place of (or alongside) local authority services, such as contractors, housing associations and charities.

6.4 As at 31 March 2023, there were c. 49,000 members. The three unitary authorities are the largest employers in the Clwyd Pension Fund, representing 83% of the overall membership at the last valuation date. Membership by category and by employer is shown in the charts below:

Membership by Employer



Member Splits



Source: Mercer. As at 31 March 2023, based on the data provided for the actuarial valuation as at 31 March 2022.

6.5 The Fund's strategic allocation along with invested assets as at 31 March 2023 is set out below:

Asset Class	31 March 2023 (£m)	31 March 2023 (%)	Strategic Allocation (%)
Global Equity*	130.0	5.7	15.0
Emerging Market Equity	115.7	5.1	5.0
Multi-Asset Credit	230.7	10.1	12.0
Hedge Funds	159.3	7.0	5.0
Tactical Allocation Portfolio	262.5	11.5	11.0
Property (Private Markets)	135.7	5.9	4.0
Private Equity (Private Markets)	201.1	8.8	8.0
Local/ Impact (Private Markets)	90.1	3.9	6.0
Infrastructure (Private Markets)	129.0	5.6	8.0
Private Debt (Private Markets)	60.6	2.6	3.0
Timber/ Agriculture (Private Markets)	11.9	0.5	0.0
Cash and Risk Management Framework	664.2	29.0	23.0
Trustee Bank Account	98.3	4.3	0.0
Total Clwyd Pension Fund	2,289.2	100.0	

Source: Investment Managers. Totals may not sum due to rounding.

*Includes 15% target allocation to Sustainable Active Equity. More information on section 6.8.

6.6 WPP vs Non-WPP Funds:

	31 March 2023 (£m)	Weight (%)	Strategic Weight (%)
Pooled Assets			
Global Equity*	130.0	5.7	15.0
Emerging Market Equity	115.7	5.1	5.0
Multi-Asset Credit	230.7	10.1	12.0
Total WPP Assets	476.4	20.9	32.0
Non-pooled Assets			
Hedge Funds	159.3	7.0	5.0
Tactical Allocation Portfolio	262.5	11.5	11.0
Property (Private Markets)	135.7	5.9	4.0
Private Equity (Private Markets)	201.1	8.8	8.0
Local/ Impact (Private Markets)	90.1	3.9	6.0
Infrastructure (Private Markets)	129.0	5.6	8.0
Private Debt (Private Markets)	60.6	2.6	3.0
Timber/ Agriculture (Private Markets)	11.9	0.5	0.0
Cash & Risk Management Framework	664.2	29.0	23.0
Cash	98.3	4.3	0.0
Total Non-WPP Assets	1,812.8	79.1	68.0
Total Assets	2,289.2	100.0	100.0

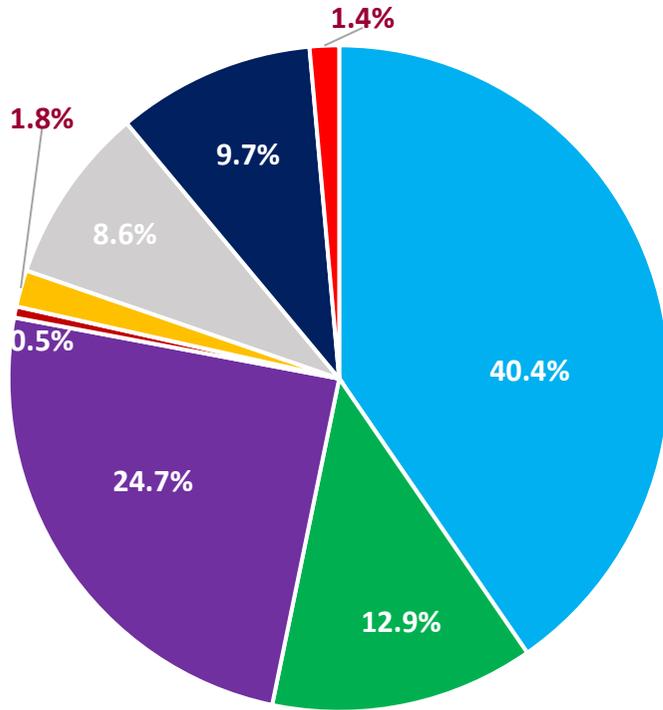
Source: Investment Managers. Totals may not sum due to rounding.

Note: Cash represents cash in the Trustee Bank Account. Pooled assets relate to assets invested via the Wales Pension Partnership.

* Includes 15% target allocation to Sustainable Active Equity. More information on section 6.8.

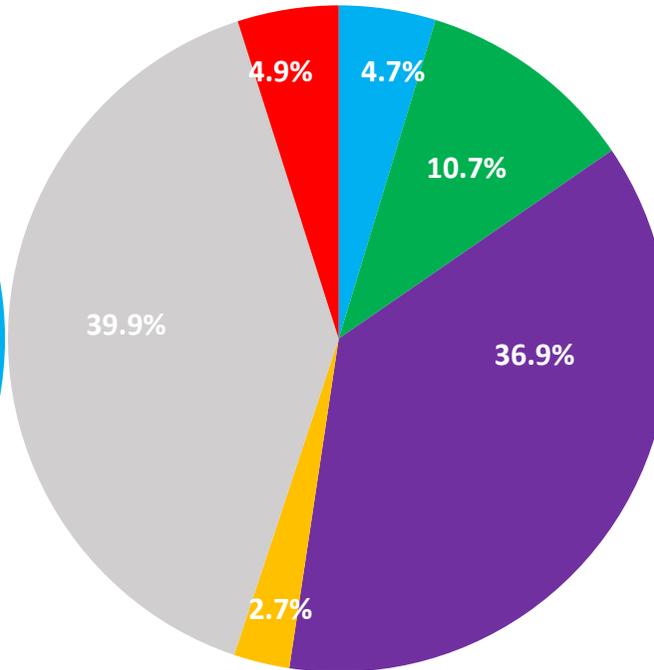
6.7 Geographic Splits

Total Fund



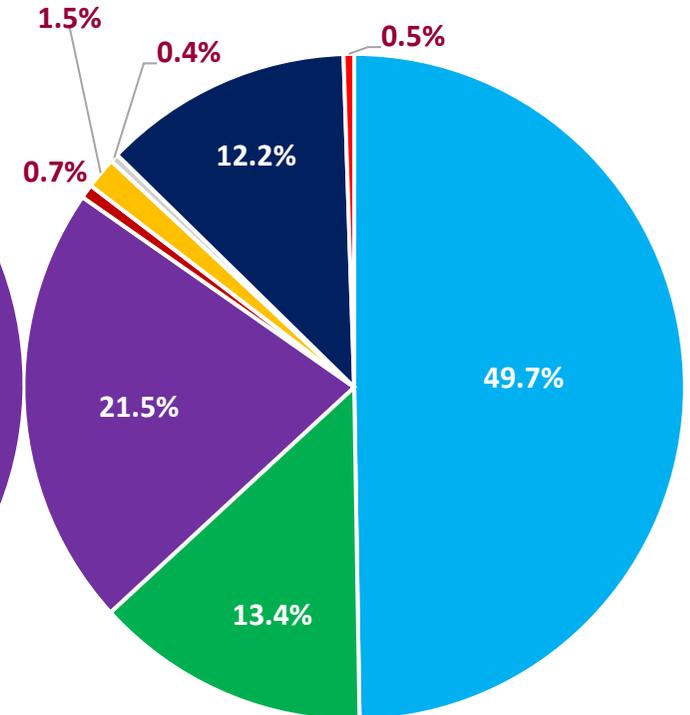
- United Kingdom, 40.4%
- North America, 24.7%
- Asia, 1.8%
- Global, 9.7%
- Europe, 12.9%
- Australia, 0.5%
- Emerging Markets, 8.6%
- Other, 1.4%

Pooled Funds



- United Kingdom, 4.7%
- North America, 36.9%
- Asia, 2.7%
- Global, 0.0%
- Europe, 10.7%
- Australia, 0.0%
- Emerging Markets, 39.9%
- Other, 4.9%

Non-Pooled Funds



- United Kingdom, 49.7%
- North America, 21.5%
- Asia, 1.5%
- Global, 12.2%
- Europe, 13.4%
- Australia, 0.7%
- Emerging Markets, 0.4%
- Other, 0.5%

Source: Investment Managers. Totals may not sum due to rounding. Totals are approximate based on a high-level breakdown of assets under management as at 31 March 2023.

Geographic Splits (continued)

The above charts demonstrate the geographic splits of the current assets under management for Clwyd Pension Fund as at 31 March 2023.

The Fund's current assets invested via the Wales Pension Partnership was 32%, leaving 68% of assets invested outside the pool.

6.8 Post year-end the Fund's allocation to global equities includes a 15% strategic allocation commitment to the WPP Sustainable Active Equity Fund.

Private Markets

6.9 The Fund has always been committed to making responsible decisions and acting in a responsible manner. In 2012, the Fund were engaged with managers on matters pertaining to ESG by sending out surveys to all the private market managers on such matters. In 2017, the Fund had a sustainability policy in place which was well before any formal requirement for such. The Fund at the time supported investments with strong sustainability / impact focus and increased its allocation to infrastructure from 4% to 8%, with a clean energy emphasis. The Fund also wrote to all private equity and real asset managers to determine how aligned the current investments were to the United Nations' Sustainable Development Goals (UNSDG).

6.10 In 2023, the Fund increased its strategic target allocation to Local/Impact investments within private markets from 4% to 6% as part of the investment strategy review, this represented an increase of 50% on the previous strategic target. Investments made within the Local/Impact private markets portfolio can be made to any asset class, so long as the strategy has either a clear and demonstrable Impact focus, or a mandate to invest locally within the United Kingdom. Where possible, investments local to Wales are considered.

Outside of the Local/Impact portfolio, the Fund also endeavoured to make impact or sustainability-focused investments across the wider private markets portfolio (Private Equity, Private Debt, Infrastructure and Real Estate) where possible, subject to the availability of appropriate investable opportunities in the market.

Stewardship is integrated into the manager selection process through Mercer's ESG ratings process. This looks at the ESG (environmental, social, and corporate governance) practices in place at both the manager and the fund level, and awards the strategy from ESG1 to ESG4 (ESG1 being the highest score, and ESG4 being the lowest). All strategies considered for inclusion in the Fund's private markets portfolio must have been assigned a minimum score of ESG2 by Mercer.

Investments made over the period from 1 April 2022 to 31 March 2023:

Private Market Manager	Fund Name	Capital Committed (£m)
Capital Dynamics*	Clwyd Clean Energy Wales	50
Copenhagen Infrastructure*	Energy Transition Fund I	17
Activate Capital Partners	Activate Capital II	11
ECI Partners	ECI 12	20
Newcore	Strategic Situations Fund V	15
Sandbrook Capital	Climate Infrastructure Fund I	17

Note: Where appropriate, Euro (€) and US Dollar (\$) denominated commitment amounts have been converted into Sterling (£) commitment amounts using the exchange rates at the time the commitment was made.

*These commitments were mentioned in last year's report but were finalised during this year's reporting period.

Further details on the 5 commitments are given in Principle 7.

6.11 When making private markets commitments, the Fund receives a Research Report from Mercer on all potential commitments. In these reports, each fund is given an ESG score and there is a section of the report dedicated to ESG. Clwyd takes these ESG scores into account when deciding whether or not to commit to a particular private markets manager.

6.12 The Fund takes a long-term view with regards its investment and funding strategies, given the long-term nature of the payments due to beneficiaries over multiple decades. The Fund's primary investment objective therefore is to achieve sufficient excess investment returns relative to the growth of liabilities to meet the funding objectives set out above on an on-going basis, whilst maintaining an appropriate balance between long-term consistent investment performance and the funding objectives. This means that the Fund inherently takes a long term view to investing in order to align its investments with its long term liabilities.

6.13 The Fund's strategies are decided at the Pension Fund Committee, which has scheme member and employer representation. Members of the Pension Board also have the opportunity to feed into the investment strategies as they participate in Pension Fund Committee meetings. Further to this, the ISS and FSS are shared with all employers a part of the consultation.

6.14 Clwyd Pension Fund were instrumental in driving the addition of a co-opted member on to the Joint Governance Committee to ensure that there is scheme member representation at the body carrying out engagement on behalf of the Fund.

6.15 The Fund’s Communication Strategy can be found here:

<https://mss.clwydpensionfund.org.uk/home/investments-and-governance/strategies-and-policies/>.

The aim of this Communication Strategy is to ensure that scheme members understand the benefits of the scheme and all stakeholders are kept informed of developments within the Pension Fund, and effective communications will also help to maintain the efficient running of the Scheme. The Communication strategy is available in both English and Welsh.

6.16 Effective communication promotes the LGPS as a benefit, therefore reducing the impact of misleading media information.

6.17 Over the period the Fund published a new Communication Strategy that is focused on the following areas:

- Improving member experience and enhancing self-service.
- Identifying smart ways of working on the communications.
- Simplifying language and communicating more concisely.
- Refreshing the Fund’s visual identity.
- Broadening delivery channels to members.
- Developing a segmented approach to engagement.

6.18 The Fund’s overriding objective in relation to communications are to:

- Increase awareness and understanding of the Scheme and provide sufficient information so stakeholders can make informed decisions.
- Communicate in a clear, concise manner.
- Ensure it uses the most appropriate means of communication, taking into account the different needs of different stakeholders, but with a default of using electronic communications where efficient and effective to do so.
- Look for efficiencies and environmentally responsible ways in delivering communications through greater use of technology and partnership working.
- Regularly evaluate the effectiveness of communications and shape future communications appropriately

In relation to member communications, the Fund want the engagement activities to be to:

- Increase awareness and understanding of the benefits of the pension scheme and how it works.
- Encourage members to take ownership of their pension and understand the broader benefits of the pension scheme.

In relation to employer communications, the Fund want the engagement activities to be to:

- Increase awareness and understanding of the information required by the Fund from employers.
- Encourage employers to take ownership of the data and help their

- Maintain and build positive member experiences along every member’s journey, wherever they are on their journey.
- Reduce the need for face-to-face meetings and phone calls.
- employees understand the broader benefits of the pension scheme.
- Maintain and build positive relationships with employers regardless of size or pensions expertise.
- Make the management of the Fund more efficient for both the Fund and employers.

6.19 The Fund communicates with its members via several methods, including, but not limited to the below, the Fund’s website and Annual reports are the two main communication channels for updating members on the Funds stewardship and investment activities:

Communication Method	Description
Website	<p>The Fund’s website http://www.cronfabensiyauclwyd.org.uk (Welsh) or http://www.clwydpensionfund.org.uk (English) is available to everyone. It contains information about the Fund and the LGPS. Members are able to download scheme literature and forms. More detailed information on the scheme can also be obtained on the national LGPS website at https://www.lgpsmember.org</p> <p>Clwyd Pension Fund’s website has to adhere to national standards regarding accessibility to the website and how the content is structured.</p>
Member Self Service (MSS)	<p>Member Self Service is available to the Fund's scheme members. It allows members to log into a secure web area to view information held on their Fund record. Some of the facilities available to members include: ability to update their own personal details, update death grant expressions of wish, calculate retirement estimates and review Annual Benefit Statements online. Electronic communications are issued directly to scheme members via the Member Self Service facility; these are generally via an email alert directing the member to log into their Member Self Service to view the relevant information.</p>

Annual Benefit Statement

These statements are distributed annually to all active and deferred scheme members. These statements are issued to members' via their Member Self Service accounts and are downloadable from there. Paper statements are only issued to home addresses by member request.

Generic Newsletters

The Fund issues a periodic newsletter called Penpal to contributing members, bringing to their attention information such as changes to scheme rules, and including important Facts & Figures from the Annual Report. This is issued once a year.

The Fund also sends a newsletter once per year to its pensioners entitled Clwyd Catch Up. This is usually sent with the annual pensions increase notification and explains how their new annual rate of pension has been calculated. It also includes topical information such as relating to the budget and State benefits.

Annual Report

The Annual Report is published to highlight how the Fund has performed during the previous financial year. It also includes statements with regards to investment principles, funding strategy, risk, governance, audit and administration. It is available on the Fund's website.

6.20 To ensure the delivery of the communication strategy evolves the Fund wants to ensure that they are meeting its objectives which are stated in section 6.17. The Fund will do this by monitoring the progress as shown below:

Objective/Measure	Monitoring	Specific targets
<ul style="list-style-type: none"> • Increase awareness and understanding of the Scheme/Fund and how it works. 	<ul style="list-style-type: none"> • Feedback through annual member and employer surveys and listening groups. Collate informal feedback when any communication is sent out. • Monitor compliments and complaints from member and employer emails and calls to the Fund. 	<ul style="list-style-type: none"> • Surveys: 90% positive responses.
<ul style="list-style-type: none"> • Maintain and build positive member experiences/employer relationships 	<ul style="list-style-type: none"> • Feedback through annual member- and employer-specific survey and listening groups: target 90% positive responses. • Monitor compliments and complaints from member emails and calls to the Fund. 	
<ul style="list-style-type: none"> • Ensure we use the most appropriate means of taking into account the different needs of different stakeholders. 	<ul style="list-style-type: none"> • Feedback through annual member- and employer-specific survey and listening groups. 	

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|---|--|--|
| <ul style="list-style-type: none"> • Encourage members / employers to take ownership of their pension / information required. | <ul style="list-style-type: none"> • Track video and podcast usage. • Track take-up of MSS (members). • Track click throughs of all online communication. • Monitor website usage • | <ul style="list-style-type: none"> • Video, podcast, online communication and website usage –ongoing increases. • MSS take up: 5% per year increases in the proportion of registered members with a long-term target of 75% of all active and deferred members being registered users. |
| <ul style="list-style-type: none"> • Reduce the need for face-to-face meetings and phone calls by scheme members. | <ul style="list-style-type: none"> • Track member calls and face to face meetings. | <ul style="list-style-type: none"> • Ongoing decreases. |
| <ul style="list-style-type: none"> • Make the management of the Fund more efficient for both the Fund and employers. • Look for efficiencies and environmentally responsible ways in delivering communications through greater use of technology and partnership working. | <ul style="list-style-type: none"> • Monitor the workload of the Administration Team relating to ad hoc enquiries. • Track employer and member emails and calls, and face to face meetings. • Track take-up of MSS (members). • Ensure mandatory use of i-Connect by all employers. • Track click throughs of all online communication. | <ul style="list-style-type: none"> • Ad hoc enquiries, emails, calls and face to face meetings –ongoing decreases. • MSS take up: 5% per year increases in the proportion of registered members with a long-term target of 75% of all active and deferred members being registered users. • i-Connect take up: 100% of employers. |
| <ul style="list-style-type: none"> • Regularly evaluate the effectiveness of communications | <ul style="list-style-type: none"> • Regularly reviewing communications plan and strategy based on monitoring mentioned above. | |

**and shape future communications
appropriately.**

6.21 As previously noted in section 1.8 the new Communications Strategy should allow a greater proportion of stakeholders will receive relevant and focussed communications, and understand the benefits of the scheme, whilst reducing the need for face to face meetings (virtual or otherwise) and phone calls which are inefficient and evidence a lack of effective alternative communications.

Following the implementation of the new Communications Strategy:

- Satisfaction surveys were issued to all members and employers. The number of responses from members was slightly higher than the industry benchmark of 5% which is positive.
- As part of the satisfaction survey, scheme members were asked to provide their details if they would like to volunteer to be part of a Communications Focus Group. A total of 73 members volunteered covering all types of membership. Acknowledgement letters have been issued with details of the first focus group action (if applicable to their type of membership).

Principle 7

Investment Approach

“Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities”

7.1 The Clwyd Pension Fund acknowledges that ESG risks (including climate change) present risks to the overall stability of the economy and country, with the potential to impact the members, employers and holdings of the portfolio. Although the Fund is not required to consider the impact of climate change, the Committee believe that consideration of these risks is crucial for the Fund as a long term sustainable investor. As well as creating risks ESG can presents opportunities to make selective investments that achieve the required returns whilst at the same time make a positive social and environmental impact, such as environmental infrastructure and clean energy.

7.2 The Fund’s Pension Committee believes that ESG (including climate change) risks should be considered on an ongoing basis as a priority and that management of those risks is consistent with the Committee’s fiduciary duty as set out in its investment beliefs. ESG considerations are an integral part of the Fund’s strategy as a long-term investor and have been considered as part of the Fund’s Triennial strategy review which took place late 2022/ early 2023. A key change in relation to taking into account ESG risks was in respect of the new 15% commitment to the WPP Sustainable Active Equity Fund.

7.3 The Responsible Investment Policy will support the Fund’s specific RI aims with the funding and investments specific objectives:

- Ensure that its future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- Ensure that the Fund’s investments are aligned with the transition to a low carbon economy through a commitment to achieving a net zero carbon dioxide emission’s target by 2045
- Promote acceptance of sustainability principles and work together with others to enhance the Fund’s effectiveness in implementing these.

7.4 As part of its commitment to RI the Fund has undertaken to evaluate and manage the carbon exposure of its investments to assist in ensuring an effective transition to a low-carbon economy. As part of this work, the Committee has a strategy to achieve net-zero emissions from its investment portfolio. Specifically, the Committee agreed a target for the investments in the Fund, as a whole, to have net zero carbon emissions by 2045, with an interim target of carbon reduction of 50% by 2030. Underlying this commitment, the Fund also has a number of other key targets as outlined below:

For the Fund as a whole:

- to have at least 30% of the Fund’s assets allocated to sustainable investments by 2030 (see principle 4.11 for further responsible objectives within ISS)
- to expand the measurement of the carbon emissions of the Fund’s investments to include as many components of the assets as possible, based on the availability of reliable and accurate data.

Within the Listed Equity portfolio:

- to achieve a reduction in carbon emissions of 36% by 2025 and 68% by 2030
- to target all of the Listed Equity portfolio being invested in sustainable mandates by 2030
- to engage with the biggest polluters within the Fund’s Listed Equity portfolio as part of an overarching stewardship and engagement strategy, to achieve:
 - by 2025, at least 70% of companies in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective.
 - by 2030, at least 90% of companies in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective.

The Fund will monitor and report against these targets at least annually, and may review and revise them as appropriate, particularly to ensure that targets and ambitions are in line with national and international developments and initiatives.

At year end, the Fund was in the process of developing an additional ‘Exclusions Policy’ in relation to its listed equity holdings. The Exclusion Policy was agreed by the Committee in August 2023 and is provided below for reference.

Exclusions Policy

The Fund has developed an exclusions policy assessment framework and will be looking to develop a plan to implement the following exclusions:

The policy is to exclude companies from which breach the following thresholds	Minimum Objective	Fund’s Ambition
[x%] or more of revenues from exploration, mining, extraction, distribution and / or refining of hard coal and lignite	1%	Same
[x%] or more of revenues from Oil: companies involved in exploration, extraction, refining and / or distribution of oil fuels.	10%	1%

[x%] or more of revenues from Gas: companies involved in exploration, extraction, manufacturing or distribution of hydrocarbons, hydrogen and carbon monoxide mixtures present in gaseous state.	50%	1%
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The above policy applies to the physical listed equity assets initially. This is because this part of the portfolio has the most comprehensive and accurate data on which the policy can be analysed and monitored in a robust and cost efficient way. The ambition of the Fund is to consider the application of the exclusions policy to all parts of the portfolio over time, based on the availability of robust data and implementation practicalities.

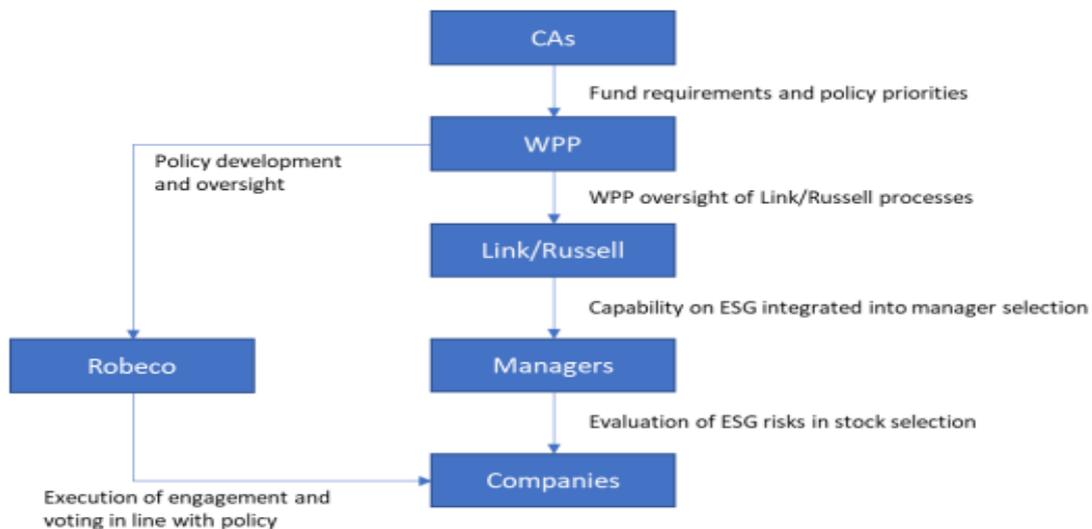
The Fund’s ambition is to implement the above “Fund’s Ambition” exclusion policy. It is recognised that at present there are limited implementation options for this policy. As a result the Fund has established a “Minimum Objective” exclusion policy which is aligned with the Paris Aligned Benchmark and as such is implementable.

The Fund recognises that in order to implement the exclusions policy it will need to work with the Wales Pension Partnership. Given the pooled fund nature of the investments, the Fund will take a best efforts approach and acknowledges that this could result in companies being held which are not consistent with the above exclusion policy. This will be monitored on an annual basis with an explanation sought, where relevant, if companies are held in breach of the exclusions criteria.

7.5 The Fund is invested in a wide range of asset classes with different investment managers, but has not been through any formal tenders over the period. The Fund is predominantly moving towards assets that are pooled within the Wales Pension Partnership. WPP currently manage all of the Fund’s active and passive equity strategies as well as the Fund’s credit strategy.

WPP has partnered with Link (the group operator) and Russell for the implementation of its sub-funds for which Clwyd Pension Fund invest. WPP has also partnered with Robeco for policy development oversight and execution of engagement and voting within the agreed policies. WPP are responsible for the development of appropriate funds and policies and the continued oversight of its partners.

The Fund has worked and continues to work closely with WPP and other Funds within the pool in development and appointment of new funds.



A table charting the relationships between providers and WPP is provided above for context.

During 2021/22 officers of the Fund were involved in the procurement of Private Market Allocators for the WPP. This involved agreeing the tender specification including a section on ESG. There were a total of 25 specific questions on ESG, examples of which are provided below:

- Is your firm currently a signatory to the UK Stewardship Code?
- What is your firm’s ESG philosophy?
- Please describe how ESG is integrated into the investment process.
- Are any external resources or organisations used for ESG analysis?
- Is ESG incorporated into reporting?
- Does your firm have in place policies relating to diversity and inclusion? If yes, describe and comment on the extent to which their impact is tracked
- Does your firm have in place policies on human rights and prevent modern slavery? If yes, describe a description and any plans for further development
- Does your firm support and report against TCFD?

Whilst the procurement and set-up process for Private Market Allocators for the WPP was still in progress over the period from 1 April 2022 to 31 March 2023, the Fund has continued to take recommendations from its Investment Consultant, Mercer, in relation to allocations to be made to Private Market funds. The Fund has mandated that allocations may only be made to funds which have an investable rating from Mercer and either an ESG1 or ESG2 rating from Mercer (these being the two highest ESG ratings available from Mercer) in addition to a thorough investment due diligence process required for each of the Fund’s allocations. The Fund also worked with Mercer over the year to continue to support the process for ongoing monitoring of its Private Markets managers. The Fund arranged a series of meetings with managers, both in person and virtual. Managers were sent a list of questions and a quantitative questionnaire in advance of these meetings. There was a focus

on collating responsible investing and carbon metric data, where available, from the Private Markets managers. There is a known lack of data availability in private markets and the Fund is an advocate for improved data provision and transparency. This work will continue in future years as data gaps still remain in some legacy assets.

7.6 Within the Best Ideas Portfolio (which takes a dynamic strategy approach to take advantage of short-term investment opportunities) the ethos is to comply with the Fund's RI policy or explain any exceptions that is required to efficiently operate.

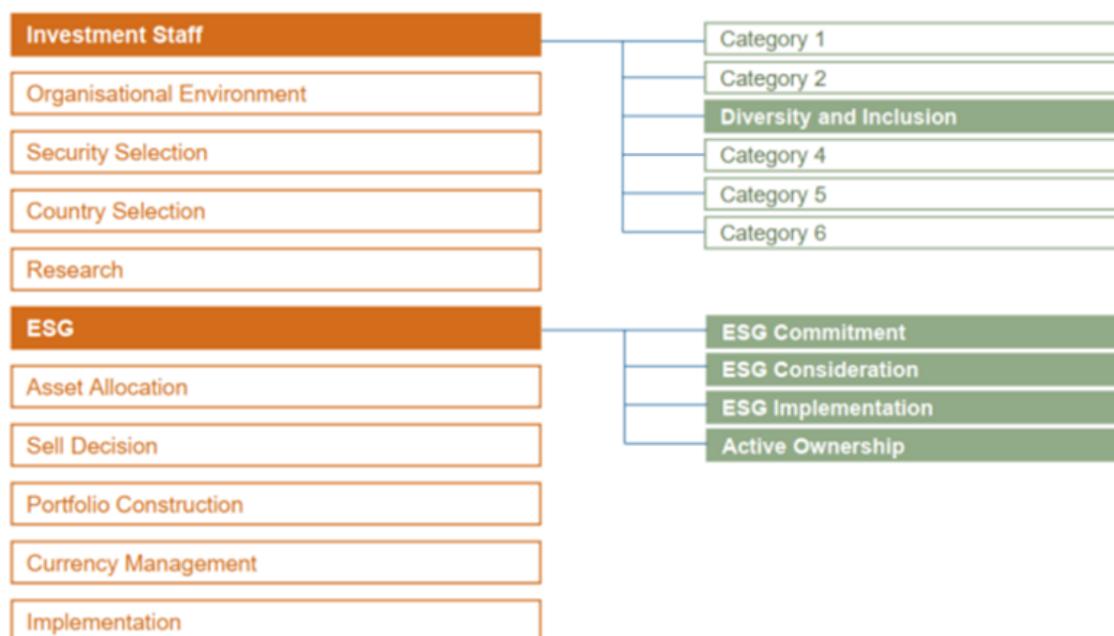
Wherever there is a Mercer ESG1 or ESG2 rated fund within the recommended asset class on the Mobius platform, Mercer should either recommend that fund or explain in writing the rationale for choosing an alternative non-ESG rated funds.

7.7 The Fund has always sought to act with due consideration when it comes to its investments, and recognises that its approach to RI will need to evolve continually, given the speed of change with regard to the impact and understanding of ESG issues, and the ever changing world in which we live. Due to the increased focus on RI within the investment industry there is continuous development of thinking and best practice and the Fund is committed to ensuring its approach remains relevant and appropriate. The Fund's RI Policy is formally reviewed at least every three years as part of any strategic review of the Fund's asset allocation, or as required due to changing regulatory requirements or to address specific issues that may arise.

7.8 The Fund has worked and continues to work closely with WPP and other Funds within the pool in development and appointment of new funds. A recent example of this was in the creation of the WPP Sustainable Active Equity Fund, which the Fund has since invested in on the on 20 June 2023. The Fund collaborated with other WPP partner funds, as well as WPP and Russell in designing a detailed specification for the Fund. Several Welsh funds have since invested into the new fund in which the officers were heavily involved in developing. At the time of writing, the WPP Sustainable Active Equity Fund had over £1bn asset under management, which is a great outcome for the whole of Wales and a positive step in the right direction to invest in a sustainable future for all.

7.9 The Fund and WPP expect that all investment managers employed within WPP properly consider climate change and other ESG risks in their decision making process. This is also considered by Russell as part of their evaluation of investment managers during the fund structure design and on an ongoing basis through annual reports to WPP. An illustrative example of how these considerations are factored into initial and ongoing evaluation of underlying managers is shown in the illustrative frame work and more information can be found in [WPP's Stewardship Code](#) submission document.

Illustration of Russell evaluation framework



7.10 As mentioned in principle 6.9, Clwyd Pension Fund has substantially increased its commitments to Impact focused portfolios within its Private Market mandates. The following tables provide detailed information on these commitments.

Private Market Manager	Fund Name	Capital Committed (£m)
Capital Dynamics	Clwyd Clean Energy Wales	50
Description of fund Impact/ESG		
<p>Clwyd Pension Fund has entered into an agreement with Capital Dynamics to invest directly in Clean Energy projects in Wales. By establishing a Separately Managed Account (“SMA”) with Capital Dynamics, the Fund aims to leave a lasting and positive impact locally and contribute to the UK ambitions to support renewables and the country’s Levelling Up plan.</p> <p>The intention of the Fund is to have a positive impact both environmentally and locally within the communities. The SMA will invest directly into projects in Wales, providing clean energy capacity and offsetting carbon emissions. An integral part of the SMA’s success will be ensuring that the needs of the local communities are met. To further promote the positive impact within the communities, local employees will be hired to carry out the majority of civil works, where possible.</p>		

An example of one investment opportunity within the pipeline expects c.200 jobs to be created during construction per project, with the potential of c.2,000 -3,000 jobs being created for the full portfolio by 2026.

Clwyd Pension Fund has committed £50 million into the Fund which will look to source opportunities through recommendation from Capital Dynamics and officers of the Fund. The Fund is looking to invest in 3 to 5 clean energy projects in Wales. Capital Dynamics and Netro Energy (an affiliate of Capital Dynamics) will manage construction and daily monitoring of the Fund. Sample projects which are a potential for the Fund include Solar PV (photovoltaic) and Onshore wind.

Private Market Manager	Fund Name	Capital Committed (£m)
Copenhagen Infrastructure Partners	Energy Transition Fund I	17

Description of fund Impact/ESG

The Energy Transition Fund I ("ETF I") is a first-time fund by Copenhagen Infrastructure Partners ("CIP") that will focus on the second generation of renewable energy and hard-to-abate sectors. Its main focus is decarbonising hard-to-abate sectors such as industrial processes, shipping, fertilisers and aviation fuels with next generation energy infrastructure such as Power to X ("P2X"). ETF I will invest into electrolyzers, ammonia plants, as well as first-generation renewable power generation such as wind and solar to generate green hydrogen, ammonia and eMethanol.

ETF I will be an Article 9 Fund under the Sustainable Finance Disclosure Regulation (SFDR). ETF I will contribute to a number of the UN Sustainable Development Goals: SDG 6 (affordable and clean energy), SDG 8 (decent work and economic growth), SDG 12 (responsible consumption and production) and SDG 13 (climate action). CIP has strongly integrated ESG considerations on a firm-level as well as in its screening and investment processes. A main element across all of CIP's strategies including ETF I is to have a positive environmental impact through the developed assets.

Private Market Manager	Fund Name	Capital Committed (£m)
Activate Capital Partners	Activate Capital II	11

Description of fund Impact/ESG

Activate Capital Partners is a venture capital firm focused on investing in infrastructure and industrial technologies that support an efficient and sustainable industrial economy. Activate Capital Partners II ("Fund II") will make venture capital and growth equity investments in

companies that provide technology products, services and solutions that enable energy development, smart mobility and industrial digitization.

Activate are committed to ESG in underwriting and portfolio management, with ESG incorporated throughout the investment due diligence process. Activate has implemented a formal ESG policy to support its investment and regulatory practices, with guidelines modelled after the Private Equity Growth Capital Council, as well as the UN Principles for Responsible Investment. Activate also incorporates ideals sourced from the Global Reporting Initiative, Sustainability Accounting Standards Board, International Corporate Governance Framework, Impact Reporting and Investment Standards, Task Force for Climate-Related Financial Disclosures, and other leading global ESG organisations and accompanying standards. On an annual basis, Activate will prepare portfolio level KPI impact metrics as well as a detailed ESG report for each portfolio company.

Private Market Manager	Fund Name	Capital Committed (£m)
ECI Partners	ECI 12	20

Description of fund Impact/ESG

ECI Partners is a UK-based private equity manager focused on making control buyout investments in the UK mid-market. ECI was originally established in 1976 as Equity Capital for Industry by the Bank of England, tasked with providing liquidity and equity to UK small and mid-market businesses, and so has a long track record of investing in the UK.

ECI has been integrating ESG considerations into its investment process since 2007. Today, thorough ESG assessments are undertaken at each stage of ECI’s investment decision making process. ECI established its ESG committee in 2019, tasked with building out ESG engagement across the business and the wider portfolio. ECI 12 will be an Article 8 Fund under the Sustainable Finance Disclosure Regulation (SFDR). Each portfolio company is required to provide bi-annual ESG KPI reporting and ECI produces an annual ESG report, which provides an ESG overview of the entire portfolio.

Private Market Manager	Fund Name	Capital Committed (£m)
Newcore	Strategic Situations Fund V	15

Description of fund Impact/ESG

Newcore is a small, independent, UK-based real estate specialist, focused on social infrastructure investments. Newcore Strategic Situations Fund V (“NSSF V”) will make value-add investments in social infrastructure real estate assets in England. Social infrastructure investments are defined as real estate assets that enable the provision of essential services

to society. These services include education, healthcare, waste management, life sciences, roadside uses and public sector buildings.

Newcore’s philosophy has a sustainable focus however, under the Impact Management Project (IMP) framework, Newcore is classified as a Sustainable Investor, meaning it has a strong sustainable focus but does not fall within the definition of an impact strategy. Its mission is to deliver value-add returns from real estate investments, while improving and growing the stock of social infrastructure in England. ESG is well integrated into the investment process; Newcore actively measures environmental and social impact both quantitatively and qualitatively. Their investment approach seeks to repair rather than replace existing assets and deliver future-proofing environmental initiatives within the portfolio.

Newcore is a B Corporation, meaning it is legally required to consider the impact of its decisions on its workers, customers, suppliers, community and the environment. Newcore also donates 10% of its profits to charity. Although not required to, NSSF V will be voluntarily following the requirements of Article 9 under the Sustainable Finance Disclosure Regulation (SFDR), and will also be submitting to GRESB (Global Real Estate Sustainability Benchmark).

Private Market Manager	Fund Name	Capital Committed (£m)
Sandbrook Capital	Climate Infrastructure Fund I	17

Description of fund Impact/ESG

Sandbrook Capital is a new manager established in 2021 to invest into infrastructure solutions combatting climate change. Sandbrook Climate Infrastructure Fund I (“SCIF I”) is the first fund by the manager. The strategy focuses on both greenfield and brownfield opportunities across five core sectors: clean power generation, transmission and storage, energy use and efficiency, low carbon supply chains and low carbon services.

Sandbrook became a signatory to the UN PRI framework in October 2021. Sandbrook have a proprietary Climate Impact Management System, which will be deployed to integrate impact measurement and management through the full investment process. All investments made by SCIF I must benefit at least one of the following UN Sustainable Development Goals: SDG 7 (access to affordable, reliable, sustainable and modern energy for all), SDG 9 (build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation), SDG 12 (ensure sustainable consumption and production patterns) and SDG 13 (deploy capital focused on reducing climate change and its impact on population).

Sandbrook plans to report on ESG performance quarterly and will also publish an annual ESG and Impact report which details progress over the year.

7.11 Before the addition of the above capital commitments to the Fund’s Local/ Impact portfolio, the Fund’s private market mandate was already invested in a number of holdings that were actively involved in making an impact in relation to ESG factors, despite not being solely impact focused. The below table provides a detailed example of one such Fund within the Fund’s Private Market portfolio:

Private Market Manager	Fund Name	Current NAV (£m)
Legal and General Investment Management	Managed Property Fund	*£12.2

Description of fund Impact/ESG

LGIM define social impact as the intentional, additional, and attributable economic, social and environmental benefits to communities as a result of our investment. They adopt a place-based approach. This means taking an asset-level view as to how they could intentionally contribute, deliver, and catalyse positive outcomes that address local needs.

The communities in which LGIM operate face different challenges, have different wants and needs – some areas are facing homelessness, others are facing challenges around ageing demographics. It’s therefore essential that the measurement of impact is adapted and flexed to consider the specific asset, and its context. Whilst delivering positive outcomes for local communities is key, it’s also vital that this impact aligns with LGIM’s commercial objectives, protecting the investments of investors, many of whom will be pension funds.

LGIM have adopted this approach at The Dolphin Community and Shopping Destination in Poole. In partnership with the NHS, LGIM welcomed the first outpatient assessment clinic in a shopping centre, and the first in Dorset, to help tackle long patient waiting lists. LGIM now know that over half of patients stay and shop within the asset following their medical appointment (Source: NHS Dorset March 2023). So, alongside delivering positive social outcomes for the community, LGIM are bolstering footfall and revenue for occupiers, creating a relevant and resilient asset, and therefore, driving returns for investors.

Meanwhile, LGIM’s Kingland initiative – whereby they gave 10 local entrepreneurs rent- and rate-free shops for 2 years – has transformed a once vacant section of the high street into an eclectic mix of independent retailers, selling a range of goods from plants to fish, coffee to restored furniture. Through LGIM’s intervention, these small businesses have been given the support they need to establish and grow, contributing to an ecosystem at The Dolphin, which also includes a flexible office and co-working facility, wellbeing hub and events space.

In addition, LGIM have brought together a group of local stakeholders who represent some of the needs of the local community (Community Partnership) to co-create solutions to local

issues such as anti-social behaviour, loneliness and employment opportunities. Members include charities, the NHS, local education institutions and the local council.

This model forms part of LGIM's long-term goal to deliver place-based social impact, creating a wellbeing hub which will engage and support residents. Pivoting The Dolphin away from a predominantly retail-led use will, LGIM believe, uncover opportunities to generate social impact, help to secure its long-term future and provide a positive return for investors.

*The Fund is open-ended and therefore current NAV is used as it is a more representative figure than the original commitment.

Principle 8

Investment Approach

“Signatories monitor and hold to account managers and/or service providers”

8.1 Clwyd Pension Fund actively monitor all underlying managers and service providers to ensure that they are delivering the services as expected. The Fund believe this is an effective way of monitoring all parties and is necessary in promoting good stewardship practises. Monitoring is measured through a number of methods explained below.

8.2 The Fund monitors its underlying managers through regular catch-ups either in person or virtual and also through the Wales Pension Partnership. The Head of the Pension Fund, Philip Latham also completes annual review meetings with all service providers including, but not limited to, the Fund’s Investment Consultant and Independent Advisor. Further information is given below on how the reviews are completed.

8.3 The Fund monitor its investment consultant, Mercer, through regular monthly investment day meetings. Mercer provide quarterly performance reports which summarise individual manager performance and total Scheme performance against their respective benchmarks. Mercer also provide fund and ESG score ratings where available to each of the strategies within the portfolio, (including new private market mandates) and provide the latest manager research available covering items such as manager updates, business updates or general information. In addition, Mercer also provide economic reports which summarise the latest market information. In conjunction with the Tactical Asset Allocation (TAA) portfolio, Mercer provide a monthly report covering the latest position. These reports support the regular monthly investment day meetings where officers discuss the latest position and take active decisions on the portfolio. Where Mercer and/ or officers of the Fund have concern over any of the underlying managers, these managers are investigated and if the outlook does not look positive for the fund/s in question, these would be removed from the portfolio either partial or in full.

8.4 In compliance with “The Investment Consultancy and Fiduciary Management Market Investigation Order 2019” (the order) the Fund established a list of strategic objectives for its investment consultants, Mercer. The objectives may be revised at any time but are reviewed at least every three years, and after any significant change to the Fund’s investment strategy and objectives. The Fund monitors adherence to the objectives annually and engage with Mercer to discuss areas that are working well, and areas of concerns. Examples of the objectives the Fund monitors Mercer against are shown on the next page.

The Fund monitors Mercer against several objectives which form the “Overall Objective”, including:

- Alignment of services with Overall Objectives
- Investment Strategy Objective
- Investment Strategy Statement

- Responsible Investment Objective
- Investment Manager Selection Objective
- Implementation Objective
- Tactical Asset Allocation Portfolio
- Monitoring Objective

8.5 Aon Evaluation

The Fund regularly reviews the Aon (the Independent Advisor), scoring 1-5 on several objectives, 1 being substantial improvement required and 5 being consistently outperforms the required objective. The Fund scores the provider on a list of objectives which cover a broad range of topics including:

- Governance objectives
- Tender requirements
- Resource, budget and timeliness

The evaluation process takes place across all service providers to ensure that the Fund keeps all service providers accountable for deliverables and addressing areas of improvement required.

8.6 Fund officers regularly engage with the underlying investment managers via email, video conferencing and face-to-face meetings. Over the 12 months to 31 March 2023, the Fund's officers have engaged in some form with all managers. Investment managers include Russell, Man Group, BlackRock and Insight etc. In doing so, this keeps the Fund up to date with the latest information provided by the managers and allows the officers to highlight and query any issues they may have in regards to performance or the overall running of the funds.

A key example of such engagement over the year to 31 March 2023 occurred in March 2023, when the officers with the support of their investment consultant, Mercer, engaged with the Fund's underlying managers, regarding potential exposure in the Fund's holdings to: Silicon Valley Bank (SVB), Signature Bank (SB), First Republic (RB) and Credit Suisse (CS). The officers collated the underlying manager's total exposure to the above mentioned distressed banks and whether any of them had any concerns about their exposure to said banks, which would therefore allow the officers to determine the scale of action, if any that was required to limit the Fund's exposure to any potential bank defaults that may occur. The outcome of the engagement was positive for the Fund as the exposure to the distressed banks was minimal and none of the underlying managers had any concerns about any exposure they did have, which therefore resulted in no further action was required.

8.7 In 2022, the Fund in consultation with Mercer, developed a monitoring template which it will use to monitor all of its Private Market managers going forward. The template specifically picks up information from the managers on ESG and Impact, including:

- Does the manager have a Sustainable Investment Policy?
- Is the manager doing anything to contribute to net zero or to a specified carbon emissions reduction target?

- Impact/ESG considerations that will help with TCFD and TNFD reporting
- Is the fund (or any of the underlying investments) aligned with any of the SDGs? Explaining which ones.
- Are the funds subject to the Sustainable Finance Disclosure Regulation? If so, please advise whether the fund is categorised as Article 6, Article 8 or Article 9 under the SFDR?

The monitoring template was used over the period to 31 March 2023 as part of the ongoing monitoring of existing private market managers. Officers and Mercer met with managers over the period to review mandates and keep an active dialogue to enable effective stewardship of mandates. The Fund continues to work with its private market managers to improve RI data and disclosures.

8.8 WPP's selected investment managers such as Russell Investments provide monthly valuation statements and quarterly performance reports for the underlying funds. WPP hold regular business update meetings with clients to discuss updates on pooling and discuss any new developments such as new funds coming to into the pool. Officers are in regular communication with WPP and play an integral part in the feedback of existing and upcoming mandates, as well as covering all aspects of Fund management. Further to the above the Fund also receive a Voting and Engagement Report from Robeco and a Responsible Investment & Climate Risk Report from Hymans Robertson.

The key service providers for the WPP are Link Fund Solutions and Russell Investments, with the host authority (Carmarthenshire) being responsible for monitoring the performance of both Link and Russell. The host authority produce reports that are subsequently delivered to the individual constituent authorities. The WPP Officer Working Group, receive quarterly performance updates on key performance indicators, and at the WPP Officer Working Group individual constituent authorities are given the opportunity to challenge the performance of both Link and Russell and provide their feedback.

8.9 The Fund's investment solution provider appointed through the pool (Russell) report to the Joint Governance Committee (JGC, see diagram in 2.12) on a quarterly basis. The JGC receive updates on the performance of all WPP funds from Russell, voting and engagement updates from Robeco, stock lending reports from Northern Trust (custodian) and 'responsible investment and climate risk reports' from Hymans Robertson (as oversight advisor to the WPP). Further to this, Cllr Ted Palmer, Chair Clwyd Pension Fund Committee (now Chair of the JGC as of July 2023), attends every JGC in which these service providers present updates.

Principle 9

Engagement

“Signatories engage with issuers to maintain or enhance the value of assets”

9.1 The Fund’s officers engage with the WPP and its appointed manager, Russell, on a regular basis for updates on performance, manager selection, market information and engagement activities. The Fund’s officers report to the Pensions Committee quarterly covering the performance of the Fund and its underlying managers as well as all other aspects of the Fund including items such as responsible investment.

9.2 Clwyd Pension Fund believe in the benefit of engagement on a wide range of topics with companies and has therefore delegated all voting rights to the Wales Pension Partnership, who in turn, have appointed Robeco to undertake engagement on its behalf. Robeco place particular focus on six key areas when engaging with companies, these are identified in Principle 12.

9.3 Robeco’s Engagement Policy is updated annually, or more frequent if required. Robeco have a dedicated team of engagement specialists and voting analysts who work closely with the sustainable investment research analysts and portfolio managers, focussing mainly on financially material ESG issues.

9.4 Robeco carry out three types of engagement, including corporate engagement, value engagement and enhanced engagement.

9.5 Value engagement focuses on long-term financially material ESG opportunities and risks, with the objective of creating value for investors through improved corporate governance and sustainable conduct. Enhanced engagement is covered in Principle 11, along with an example of voting escalation.

9.6 Robeco’s active ownership program covers several asset classes and geographies. In some circumstances, engagement may differ for equity and fixed income portfolios. For example, engagement for credit portfolios are likely to be focused on downside ESG risks whereas engagements for equity portfolio are more likely to focus on both ESG risks and opportunities and or shareholders rights. Robeco note that the enhanced engagement program does not differentiate between investment styles or asset classes.

9.7 Robeco prioritise engagement by focusing efforts on a select group of companies on the most material ESG factors and themes. The Active Ownership team at Robeco select four to five new engagement themes each year for the value engagement program. The themes focus on both financially material topics that address ESG issues in a variety of investable areas as well as adverse sustainability impacts. Each theme focuses on 10-15 companies and typically runs over a three-year period.

9.8 In selection of Robeco’s quarterly enhanced engagement cases, Robeco screen news flows for breaches of the United Nations Universal Declaration of Human Rights, the International Labor Organization’s (ILO) labour standards, the United Nations Guiding Principles for Business and Human Rights (UNGPs), the United Nations Global Compact (UNGC) and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

Robeco screens portfolio holdings on:

- 1) validation of impact on stakeholders or the environment of the UN Global compact principles or OECD Guidelines
- 2) the severity of the breach
- 3) the company’s responsibility for and management of the issue.

For each enhanced engagement, SMART (Specific, Measurable, Attainable, Relevant, Time-based) engagement objectives are defined. Remediation is a key objective for enhanced engagement in all cases. The process for enhanced engagement theme selection is a formal part of Robeco’s exclusion policy.

9.9 Robeco provide WPP a confidential engagement report on a quarterly basis, which provides detailed activity at an individual company contact level, including the topic, engagement objectives and overall status of each engagement for that period. Whenever Robeco engages with a company, such as meeting with management, chair of boards, or writing letters to raise concern full information is documented in the confidential engagement report. Examples of engagement conducted by Robeco are provided on the next page. For confidentiality reasons, all examples have been anonymised at the request of the provider.

9.10 Examples of Robeco engagement:

Fund:	WPP Global Opportunities
Theme:	United Nations Sustainable Development Goals (“UN SDGs”)
Company:	Software
Activity:	Engagement – Artificial Intelligence (“AI”)
Summary:	

Robeco have been engaging with a global software company who have significant links to the UN SDGs, characterized by its potential involvement in the manipulation of digital content, among which are AI-created ‘deepfakes’. The potential for adverse use of products such as Photoshop and its video counterpart, exposes the company to societal risks embodied by SDG 16 (peace, justice and strong institutions). To address these risks, the company has created a

digital watermark to facilitate transparency and authentication, and Robeco will encourage that this tool is rolled out to all its products. The company has also taken a leading role in a cross-sector collaboration that seeks to create an open industry standard for content authentication.

Outcome:

Robeco supports the work done by the company in relation to the risks AI creates to the company. Robeco continue to monitor and engage on topics linked to the UN SDGs.

Fund: WPP Global Opportunities

Theme: Social Impact of Artificial Intelligence

Section: Technology

Activity: Engagement – Artificial Intelligence

Summary:

Robeco have been engaging with an American multinational technology company, which has been showing strong performance in developing and implementing AI policies and guidelines. For example, the company has published six ethical principles to drive responsible AI as well as user tools, guidelines, and resources to help implement it throughout the lifecycle of technologies, from concept to deployment. One specific example is a checklist, which helps prioritize fairness when developing AI. Additionally, the company has added requirements on responsible use by clients in the terms of service and marketing materials of its AI products and services.

Outcome:

Robeco supports the work done by the company, and continue to engage on matters pertaining to AI.

Fund: WPP Global Opportunities & WPP Emerging Market Equity

Theme: Acceleration to Paris Agreement

Sector: Materials - Steel

Activity: Engagement – Carbon Emissions

Summary:

A South Korean steel-making company, has been expanding its steel production using coal-fired plants, which is one of the main topics of Robeco’s engagement. As part of the engagement, Robeco sent a letter to the Chair of the company’s ESG Committee, who also sits on its board, and followed up with the company’s investor relations team over a call, to explain the relevance to investors of stopping coal investments.

In 2022, the company sold its coal business in Vietnam and has instead applied to construct a lower-emissions Liquefied Natural Gas plant. It continues construction of its coal-fired plant in Korea because of contractual agreements but has indicated it will exit that business after completion.

Outcome:

Robeco continue to engage and monitor the situation with the company in question.

9.11 Robeco’s Engagement Policy is fully compliant with the requirements of the European Shareholder Rights Directive II (SRD II). Full details of Robeco’s Engagement Policy can be found in the [Robeco’s Stewardship Policy](#). WPP assets form part of this wider engagement.

9.12 Officers continually engage with the underlying fund managers which the Fund invests in on a regular basis, via email, phone, online video or face to face meetings.

An example of such engagement over the period was to engagement with the underlying managers on exposure to several banks following news of potential collapse and adverse impacts on holdings. As a result, officers with the support of their investment consultant, Mercer, engaged with the underlying managers to collate total exposures to the banks in turmoil. This allowed the officers to determine the scale of impact and determine if action would be needed. The outcome was positive for the Fund as the exposure was minimal, and therefore no further action was required.

9.13 Robeco’s latest full stewardship report submission can be found here: [Robeco Stewardship Report](#). Robeco will report against the stewardship code on an annual basis.

9.14 As previously mentioned, the Fund is a member of LAPFF. “LAPFF promotes high standards of corporate governance to protect long-term of local authority pension funds” (Source: LAPFF). LAPFF currently has over 80 members with assets exceeding £350bn, LAPFF engages directly with companies with the aim to affect change. Further information on the LAPFF can be found here: <https://lapfforum.org/about/>

9.15 The Fund has holdings with several managers outside of the WPP, who engage with companies on behalf of the Fund. Examples of the engagement carried out over the year to 31 March 2023 are outlined in the table below:

Fund:	Man Group Hedge Fund
Theme:	Climate Change
Company:	JFE Holdings
Activity:	Engagement - Emissions reduction target
Summary:	

JFE Holdings is a Japan headquartered corporation. Through its subsidiary, JFE Steel, the company is the second largest steel producer in Japan, both in terms of installed capacity and market capitalisation. In 2020, JFE Steel revenues represented more than 60% of the corporation's total revenues, while contributing to 99% of its total emissions. In terms of both their headline target for emissions reduction, and their stated strategy for achieving it, JFE lag behind their steel producer peers.

An investor group comprised of Man Group, Storebrand, and the Australasian Centre for Corporate Responsibility (ACCR) engaged with JFE Holdings ahead of the company's annual general meeting. This comprised of a letter, followed by multiple meetings with management discussing the ambition of existing targets, the strategy to achieving them, and whether current incentives for management via the remuneration policy were sufficiently aligned with these goals.

Outcome:

The investor group successfully secured enhanced climate commitments from JFE Holdings, including:

- 1) a focus on exceeding its current 30% emissions reduction target by 2030;
- 2) annual shareholder consultation on technology investment to meet target;
- 3) a commitment to link executive remuneration with company's medium term business plan.

Since the engagement, JFE Holdings announced it will switch one of its furnaces to electric around 2028, in contrast to statements made as recently as May 2021. The company also agreed to meet with Man Group's Stewardship Team at the beginning of 2023, representing an on-going, constructive dialogue.

Fund:	Man Group Hedge Fund
Theme:	Climate Change
Company:	HSBC Holdings PLC
Activity:	Engagement – Fossil fuel exposure, phase out coal, timeline aligned with the Paris Agreement

Summary:

In 2021, Man Group initiated a co-filed shareholder resolution, together with 14 other institutional investors (representing \$2.4 trillion in assets under management) and 130+ retail investors, which was co-ordinated by responsible investment NGO ShareAction, calling on the bank to reduce its exposure to fossil fuel assets, starting with coal, in line with the goals of the Paris agreement. Following constructive engagement with ShareAction and the co-filing group, the bank committed to phase out from coal by 2030 in OECD countries and by 2040 in non-OECD countries, and to publish a new coal policy. Subsequently, due to the bank's positive response on climate policies and coal targets, the shareholder resolution was withdrawn. In December 2021, HSBC announced its new coal phase out policy, which the co-filing group identified as failing to meet the red lines previously set out by investors. While HSBC's renewed coal policy was an important step forward, after previously lagging those of its European peers, certain important loopholes were identified.

Man Group have since co-filed a second shareholder resolution during the reporting period, together with 10 other institutional investors and retail shareholders, calling on the bank to close its fossil fuel policy loopholes. Man Group participated in further constructive engagement, including various meetings and a collective investor letter outlining investors' expectations sent to HSBC.

Outcome

As a result of the engagement and investor pressure, HSBC committed to phase down financing of fossil fuels in line with limiting global temperature rise to 1.5C, as well as to update the scope of its oil, gas, and thermal coal policies by the end of 2022. Importantly, HSBC pledged to update the scope of its fossil fuel targets to cover capital markets activities by Q4 2022. The coalition of investors and ShareAction agreed to drop the shareholder resolution with the expectation that the bank followed through on its commitment with serious action. In December 2022, as part of its new energy policy, HSBC announced it will stop funding new oil and gas fields and new metallurgical coal mines, introduce strict requirements for new clients relating to oil and gas exploration, and set an absolute thermal coal on balance sheet financed emissions target of 70% reduction by 2030, among other commitments.

Principle 10

Engagement

“Signatories, where necessary, participate in collaborative engagement to influence issuers”

10.1 Clwyd Pension Fund participated in the development of the Wales Pension Partnership to pool the investments of the Eight Welsh LGPS funds. The Fund also proactively engaged with WPP in setting WPPs Responsible Investment (RI) policy and objectives. The Fund’s officers formally requested an active sustainable equity sub-fund to be considered as part of the pool. The Fund has been actively engaged with all parties involved including WPP and Russell Investments, and lead the development of the sub-fund, with the Committee subsequently approving a 15% allocation to it. Although it was Clwyd who requested that this fund be created most/all local government pension funds within Wales will now be investing into the fund Therefore the outcome of the Clwyd Pension Fund’s early work 3 to 4 years ago there is now a sustainable equity fund for the whole of Wales which launched in June 2023 with over £1bn in AUM at the time of writing. The Fund along with other constituents of the WPP are committed to collaborating and working together to further develop investment solutions that meet the climate objectives and commitments of all the Constituent Authorities.

10.2 As a member of the WPP Clwyd Pension Fund has delegated all voting rights to WPP, who utilise Robeco as their dedicated voting and engagement provider. The Fund also delegates its voting rights to the underlying managers of the Best Ideas Portfolio, with the Fund regularly receiving significant voting and engagement examples from all managers where applicable.

10.3 To ensure relevant engagement case selection, Robeco work collaboratively with other institutional investors in join initiatives such as Climate Action 100+.

Robeco actively engages with companies on behalf of the Fund to promote discussion around Net Zero, Decarbonisation, Capital Alignment, Climate Change Policy, Climate Change governance and TCFD disclosures.

Over the period in question, Robeco have been actively engaging with companies on such matters, examples of which are provided below. For confidentiality reasons, all examples have been anonymised at the request of the provider.

Fund: WPP Global Opportunities & WPP Emerging Market Equity

Theme: Climate lobbying and disclosures

Activity: Collaboration - Net Zero Emissions

Summary:

Robeco have co-led an engagement with the company in question under the Climate Action 100+ initiative since 2018. Robeco have seen significant progress across most of their engagement objectives since then. More recently, Robeco have focused their engagement on the company's climate lobbying and disclosures.

Over the last year, Robeco have had intense engagement with the company on this topic and provided extensive feedback based on Robeco's expectations.

Outcome:

In Q2 2022, Robeco have seen positive results from this engagement effort, as the company has significantly improved its disclosures on climate lobbying. In the company's 2021 Consolidated and Sustainability Reports, they disclosed for the first time an assessment on the level of alignment with the goals the Paris Agreement. This is something that the industry associations that the company is member of had been advocating for.

Based on the enhanced transparency and adoption of good practice, InfluenceMap – an independent think-tank ranking corporate climate lobbying – has upgraded the company's score from 21/100 to 57/100. This means the company now ranks third among Climate Action 100+ focus companies that have published an industry association review.

Fund: All WPP Funds

Theme: Biodiversity

Activity: Collaboration - Finance Sector Deforestation Action ("FSDA")

Summary:

Robeco are actively partaking in the Finance Sector Deforestation Action ("FSDA") initiative, a collaborative investor group constituting of over 30 investors that have signed the COP26 Financial Sector Commitment on Eliminating Agricultural Commodity-Driven Deforestation throughout investment and financing activities by 2025.

Outcome:

As part of the investor group, Robeco have joined a letter and engagement campaign launched at the end of 2022, jointly aiming to engage more than 50 companies. These include, among others, meat producing and forestry companies, on creating clear no-deforestation and traceability targets, due diligence processes and disclosures.

10.4 The Fund applies the requirements of the Stewardship Code both through its arrangements with its asset managers and through membership of LAPFF. As a member, the Fund has active engagement with its underlying investments. As previously mentioned the Fund has been a member since the early 'noughties'.

10.5 The Fund is committed to reviewing its compliance against the latest Code, and as a member of the WPP expects both WPP and the underlying fund managers to comply with the Stewardship Code. Clwyd Pension Fund are pleased that WPP are a signatory of the latest Code.

10.6 The Fund is an affiliate member of [Pensions for Purpose](#). "Pensions for purpose exists as a bridge between asset managers, pension funds and their professional advisors, to encourage the flow of capital towards impact investment" (Source: Pensions for Purpose, 2022). Officers of the Fund also encouraged the WPP to become an affiliate of Pensions for Purpose, to which they were successful.

Debbie Fielder, Deputy Head of Clwyd Pension Fund currently sits on the board for Pensions for Purpose as a Non-Executive Director (NED).

10.7 The Fund is also a member of the Impact Investing Adopters Forum, which is run by Pensions for Purpose in partnership with the Impact Investing Institute to advance the Principles. As an adopter the Fund has committed to the Impact Investing Institute's Impact Investing Principles – and advancing the impact investing agenda. Detailed information on the principles can be found here: [Pensions with Impact](#).

10.8 The Fund's officers are actively engaged with and aim to influence for the better groups, boards and committees they sit on. Current officers of the Fund are members of the following:

- Scheme Advisory Board Responsible Investment Group
- LGPS Cross Pool Responsible Investment Group
- WPP RI-Sub Group
- UK Pension Schemes Responsible Investment Roundtable
- GIIN Institutional Asset Owner Roundtable Working Group
- NED Pensions for Purpose (Pro Bono)
- Pensions and Lifetime Savings Association (PLSA) Local Authority Committee.

10.9 Fund officers receive questions from members, local groups and employers about the Fund's approach to responsible investment, in particular the management of climate

risk. During the period in question, Together Creating Communities (TCC) reached out to Fund officers to discuss the Fund's approach on such issues. Also during the year, the Head of the Clwyd Pension Fund engaged with Wrexham County Borough Council (WCBC) surrounding the Funds policy on disinvesting from fossil fuels. The members of the WCBC supported the Fund in its carbon reduction approach. These discussions help reinforce the priority of responsible investment within the Fund's business plan and provides comfort that the Fund's approach has support from wider stakeholders.

10.10 The Fund invites all employers and member representatives to an Annual Joint Consultative Meeting (AJCM), where the Fund explains its investment approach (including responsible investment) and seeks views and opinions from the audience.

10.11 Over the 12 months to 31 March 2023, the Fund was invited to speak and participate in discussions covering items responsible investment. An example has been provided below.

- **Speaking Panel – Mercer UK's LGPS Sustainable Investment Conference (March 2023)**
 - Deputy Head of the Clwyd Pension Fund was invited to speak at Mercer's LGPS Sustainable Investment Conference to discuss levelling up and investing in local opportunities.

Principle 11

Engagement

“Signatories, where necessary, escalate stewardship activities to influence issuers”

11.1 Clwyd Pension Fund expects its investment managers and Wales Pension Partnership (WPP) to take appropriate action acting on behalf of the Fund when engaging in stewardship activities. This includes ongoing monitoring of current investments and practises on issues which could present a material financial risk to the long-term performance of the Fund, including environmental, social and governance (ESG) factors.

11.2 Clwyd Pension Fund expects the highest level of monitoring from both investment managers and WPP to allow for any potential issues to be identified in a timely manner and resolved at an early stage.

Escalation Process

11.3 Clwyd Pension Fund expects the WPP to escalate any stewardship activities on its behalf with Robeco as noted in our response to Principle 12.

11.4 WPP regard escalation in relation to engagements as a key aspect of effective stewardship, and have been working closely with Robeco to ensure that escalation is embedded into Robeco’s approach where necessary.

11.5 Robeco believe that communicating with companies in which WPPs clients invest is a more effective approach than excluding such companies from portfolios, as this allows Robeco to have an influence and make a positive impact. WPP and Robeco consider exclusions as a last resort approach, applicable only after engagement and escalation has been undertaken. WPP look to influence issuers whenever possible.

11.6 Where initial engagement with a company fails, Robeco implement ‘enhanced engagement’, which includes escalation of dialogue with companies in breach of behavioural norms in areas such as human rights, environmental, labour and corruption.

Enhanced engagement looks to address shortfalls against international codes of conduct in corporate governance, social responsibility, environment and transparency.

If enhanced engagement does not lead to the desired outcome, Robeco and/ or clients of Robeco can then take the decision to exclude the company from selection. Robeco’s enhanced engagement usually runs over a three-year period, during which Robeco engage with the companies.

Further information on Robeco’s engagement can be found in Robeco’s [Stewardship Policy](#) and [Stewardship Report](#).

11.7 Examples of voting escalation:

Fund	WPP Multi-Asset Credit
Engagement Theme	Global Controversy
Date	10/11/2022
Objectives	Transparency, Elimination of breach, Risk management systems, Stakeholder dialogue

Robeco conducted a final analysis of a large multi-national pharmaceutical company's performance in relation to its alleged anti-competitive practices, including price-fixing of generic drugs in the U.S. and involvement in cases of unethical business practices in several countries. Robeco has placed the company in its exclusion list in the second quarter of 2022 as it failed to comply with Robeco's minimum good governance standards under the EU Sustainable Finance Disclosure Regulation (SFDR) requirements. This relates to the company's non-compliance status against Principle 10 (business ethics) of the UN Global Compact. The latest legal update on the case was in October 2022, when the European Commission disclosed its preliminary findings from an antitrust investigation that started in 2020. It concluded that the company in question had breached EU antitrust regulations by engaging in delay schemes to block competition, harming competitors and patients, as well as inflating public health spending. There was repeated involvement in multiple anti-competitive practices across jurisdictions and track record of misconduct involving top management could indicate a structural failure to manage the issue adequately and prevent a recurrence. Robeco closed the engagement objective 'Risk management systems' as unsuccessful.

The company has been working on strengthening its compliance and ethics programs in the past years, however, the efficiency of these remains to be proven. In previous calls Robeco stressed the importance of increasing transparency regarding how it monitors and ensures the effectiveness of its compliance programs. There has not been new information released on that topic. While the company has firmly rejected the Department of Justice ("DOJ") allegations, three out of the four companies that it has conspired with have admitted wrongdoing. This increases the likelihood of the company receiving a negative ruling from the DOJ. Given the defensive stance of the company on the DOJ indictment, lack of disclosure on the findings from their internal investigation concluding that the allegations are unsubstantiated and the lack of robustness of its compliance and ethical programs, Robeco closed the engagement objective 'Transparency' as unsuccessful.

The company allegedly played a central role in an industry-wide price-fixing scheme involving generic drugs in the US and other markets. The latest allegations follow previous severe anti-competitive and corruption incidents related to bribing competitors to delay the introduction of generic drugs and bribing government officials to increase sales of its medicines in several countries. The company has infringed on consumers' rights because patients had to pay inflated prices for these drugs and constrained their accessibility. Given the ongoing nature of

these legal investigations, Robeco closed the engagement objective 'Elimination of the breach' as unsuccessful.

The company reports on a comprehensive approach to stakeholder engagement, specifying the different communication channels and key topics discussed with relevant groups. However, there is no clarity on how these dialogues are considered to inform their strategy and activities. The company has an Integrity Hotline accessible to anyone with concerns regarding potential violations of the 'Company's Code', policies or laws. Yet there is no disclosure on the number of issues raised through this channel or protocol to handle serious complaints. Given the lack of material evidence on how the company engages in constructive dialogue with stakeholders, Robeco closed the engagement objective 'Stakeholder Dialogue' as unsuccessful. Finally, the company has been revamping its policies and procedures around business ethics and compliance. It has recently published an updated compliance strategy with concrete goals. Furthermore, the company now has a stronger ethical marketing and drug promotion program, which adheres to global standards in the pharmaceutical industry.

Status Robeco have closed the engagement objectives 'Transparency', 'Elimination of the breach', 'Risk Management Systems' and 'Stakeholder Dialogue' as unsuccessful and therefore close the overall engagement dialogue as non-effective.

Fund	WPP Global Opportunities
Engagement Theme	Sound Social Management
Date	27/06/2022
Objectives	Human rights practices, Labour practices, Supply chain management

Robeco evaluated a health care multi-nationals progress over the last few years with regards to its oversight and management of human and labour rights in its palm oil supply chain. Since the start of the engagement, the company has enhanced its supply chain oversight, enforcing its responsible sourcing commitments through its 2020 initiated satellite monitoring system to detect deforestation incidents in their supply chain, and its recently published Forestry Grievance Tracker, creating a more transparent overview of how the company captures and addresses deforestation and human rights incidents. To this end, in July 2021 the company reached their target to use 100% Roundtable on Sustainable Palm Oil ("RSPO") certified Palm and Palm Kernel Oils and derivatives in their brand products (compared to 45% in 2019). However, the company continues to face limitations in oversight. Questions remain around the granularity of oversight, clarity on the exact share of sourced volume traced, the portion of mass balance versus segregated RSPO volumes sourced, and the RSPO certification ambition for not only the company's brands but also its chemicals products, which reflect approximately

half of the company’s sourced palm kernel oil and is only to 53% certified. Beyond the company’s oversight, Robeco have also encouraged them to promote socially and environmentally responsible practices across its supplier base. While the company shared their supplier non-compliance process with us, and while their Forestry Grievance Tracker puts forward clear examples on how human rights and labour grievances have been resolved across its supply chain by the termination of certain sub-supplier contracts after illegal logging and labour rights violations were found, Robeco perceive the company’s approach to remain reactive. This reactive approach seems to also dominate their approach towards broader labour and human rights challenges in their supply chain. While the company acknowledges the importance of reinforcing labour and collective bargaining rights among rural and migrant communities in palm oil sourcing countries, little further action was shared to evidence the company’s proactive stance to the remaining labour challenges. Updates around the suppliers holding’s actions to address labour rights in its operations also remain scarce and the company’s support to its suppliers remains unclear. Meanwhile, even though on a smaller allegations around community rights abuses. Some of the most recent controversies from 2022 involve suppliers such as Golden Agri-Resources depriving rural and indigenous communities in Indonesia of legally required plasma plantations, and suppliers in Africa being associated with illegal land acquisition and violence against local communities. While recognizing the smaller scale of the latter examples, they reflect a lack in human rights chain.

Status Overall, despite remaining gaps, Robeco believe the company has made good progress in improving their supply chain oversight since 2020, leading Robeco to close the engagement objective ‘Supply Chain Management’ successfully. They have clearly outlined the knowledge barriers hindering labour rights in previous calls and repeatedly highlights the importance of human and community rights in its policies. However, the limited proactive response to overcome these challenges lead Robeco to leave both the ‘Labour rights’ and ‘Human rights practices’ objectives on flat progress, thereby closing the overall engagement unsuccessfully.

Fund	WPP Global Opportunities
Engagement Theme	Sound Social Management
Date	27/06/2022
Objectives	Human capital management, Product stewardship

On June 27, Robeco spoke to Human Resources representatives at a multi-national drug development company. During the call, Robeco discussed their latest updates on their

Diversity and Inclusion (D&I) strategy and disclosures, as well as how Robeco voted at their latest shareholder meeting. In their latest CSR report, the company reflected on the end of their five-year D&I strategic plan. Globally, they have increased the representation of women in executive management roles by 7.2% from 2017 to 2021. Over the same period, US representation of women increased by 1% and racially and ethnically diverse colleagues by 6.2%, including in executive management roles by 8.9% and 2.3%, respectively. Despite the increased level of disclosures, Robeco encouraged them to set global D&I targets on the level of diversity they would like to achieve across different job categories. Doing so, investors could better understand the overarching D&I strategy and level of ambition across the organization. Although there are internal targets on D&I that company is reluctant to share this externally, given the lack of standardization on data availability across the jurisdictions where it operates. Robeco informed the company about their vote against the chairman of the Nomination Committee at the Board, given the lack of sufficient gender diversity. During the call, the company shared its ambition to increase the female representation up to 30% of the board seats by 2023, which would comply with Robeco's minimum level of female representation required on supervisory boards. Finally, Robeco discussed the overall low Gender Score that the company gets under the S&P Corporate Sustainability Assessment (CSA) questionnaire. Robeco highlighted the lack of disclosures on global female representation across different job categories and the gender pay gap as key detractors of their Gender Score. Robeco agreed on sharing a detailed breakdown of their current Gender Score and how it compares to peers in a follow-up call.

Status

Although Robeco recognize the increased level of disclosures around the D&I efforts the company implemented in the last years, these still remain on a high level and do not address key topics such as the gender pay gap. Given the launch of a dedicated engagement theme on D&I in Q3 2022, Robeco will close the current engagement dialogue as unsuccessful and transfer this case to the new engagement program.

Robeco keep a track of unsuccessful engagements and discuss these with WPP at regular meetings.

The officers through the RI-sub group of the WPP have been working with the pool to create an escalation policy for failed engagements. This is now recognised within the WPP Stewardship Policy (approved by JGC July 2023). Officers are now working on the details of the escalation policy with the WPP, to be approved by the JGC in 2023/24. This policy will look to put in place a process to take action in areas where engagement has been unsuccessful or where there is high concern that a company is in breach of WPP's existing policies. This is a positive step in WPP's progress towards being an active steward and supporting good governance across all underlying constituent authorities within Wales.

Principle 12

Exercising rights and responsibilities

“Signatories actively exercise their rights and responsibilities”

12.1 Clwyd Pension Fund is a long term investor that supports and promotes high standards of stewardship. It is the Fund’s belief that effective stewardship can strengthen and protect the interests of both the Fund and its beneficiaries.

12.2 As part of the Government’s investment reform, Clwyd Pension Fund has participated in the development of the Wales Pension Partnership (“WPP”) to pool the investments of the 8 Welsh LGPS funds. Whilst all strategic asset allocation and policy decisions remain with the Fund, implementation responsibilities are the responsibility of WPP.

12.3 Clwyd Pension Fund proactively engaged with WPP in setting WPP's RI policy and objectives, and is confident that they will enable it to implement its own policies. Clwyd Pension Fund will work with the WPP to develop their policies in the future to ensure they remain relevant and appropriate for the Clwyd Pension Fund.

Delegation of voting rights to the WPP

12.4 As a member of the WPP Clwyd Pension Fund has delegated all voting rights to WPP; voting rights give shareholders the opportunity and responsibility to engage and promote the participation in the stewardship of companies. Clwyd Pension Fund expects both WPP and the underlying fund managers to comply with the Stewardship Code.

It is the belief of WPP that failing to exercise voting or other rights attached to assets could be contrary to the interest of the beneficiaries of the Constituent Authorities.

12.5 WPP has appointed Robeco as its Voting and Engagement provider who assist in formulating and maintaining a voting policy and engagement principles that are in keeping with the LAPFF. In addition, Robeco are responsible for implementing the voting policy and reporting on it.

12.6 Before WPP appointed Robeco and implemented the WPP voting policy, individual managers within Sub-Funds were responsible for voting in line with their own house policy. The implementation of a single policy has ensured that all votes are cast in a consistent manner.

Voting Policy

12.7 WPP formed an RI-Sub Group in order to support the pool’s RI policies and provide ongoing scrutiny of its providers. The group has officer representation from all Constituent Authorities and meets two times a quarter.

12.8 Following their appointment, WPP worked with Robeco to agree an appropriate voting policy. Rather than developing a tailored portfolio, WPP reviewed Robeco’s own

policy and took the decision to adopt this as an initial template. WPP's RI Sub-Group took into consideration various approaches in the development of its voting policy, including a "bottom-up" policy. However, the group decided that adopting a house policy as an initial standard would enable the pool to implement a single standard at a faster pace.

WPP will review the [Voting Policy](#) annually to ensure that it remains appropriate.

Voting Areas

12.9 WPP recognised the challenge in focusing on all voting activities and therefore in the development of its voting policy choose to place focus on six key areas. These six areas were selected by the RI-Sub Group and are subject to detailed scrutiny. The areas are as follows:

1. Management of Climate Change
2. Climate Risk Disclosures
3. Improving shareholder governance
4. Board diversity
5. Retention and Development of Human Capital
6. Executive remuneration: focusing on long-term outcomes

WPP and Robeco have discussed the six key areas and agreed these will be a key element of the ongoing discussions and scrutiny exercised. Robeco will be proactive in voting on shareholder proposals with a particular focus on the six chosen areas as stated.

LAPFF alerts and WPP instruction to Robeco

12.10 As a member of the LAPFF, LAPFF provide alerts when there is a campaign to vote in a certain way. WPP have instructed Robeco to give due regard to all LAPFF alerts, and where Robeco considers appropriate will vote in line with the LAPFF alert. If in the instance Robeco's view differs from LAPFF, WPP will engage with Robeco and request reasons for each event.

Monitoring voting effectiveness

12.11 Before WPP implemented its own voting policy, votes were cast in line with the underlying individual managers voting policies. Due to the contrasting nature of each of the underlying manager's voting policies and the focus on implementing a single voting policy, WPP took the decision to not exercise independent scrutiny of voting outcomes ahead of the single policy implementation.

WPP receive quarterly voting reports from Robeco which cover key statistics and information on voting over the period. Robeco has only been voting in line with the agreed voting policy since 1 January 2021.

Engagement and Voting

12.12 The Fund requires that its managers report how they voted the shares held within their portfolios. A summary of the voting activities of the managers for 2022/23 is shown in the following table.

Manager	Annual/ Special Meetings	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted/ Refer/ Withheld
Russell - Global Opportunities	539	6,903	5,970	800	58	75
Russell - Emerging Market	561	6,128	5,119	915	40	54
Best Ideas Portfolio						
BlackRock - US Opportunities	96	1,270	1,180	79	1	5
Ninety One - Global Natural Resources	53	732	675	40	17	0
LGIM - Listed Infrastructure	86	1,073	817	256	0	0
LGIM - North America Equity Index	676	8,543	5,587	2,952	5	0
LGIM - Future World Europe (ex-UK) Equity	431	7,617	6,265	1,319	33	0
LGIM - High Yield Bonds	3	14	12	2	0	0

Source: Investment Managers.

Note: LGIM Sterling Liquidity Fund and LGIM Commodity Index do not have voting data. Figures may not sum due to rounding.

Voting Examples

12.13 Robeco cover all voting and engagement for Clwyd Pension Fund's pooled assets, examples of votes cast over the 12 months to 31 March 2023 are shown below:

Fund:	WPP Global Opportunities
Company:	Amazon
Date of meeting:	25/05/2022
Resolution:	Shareholder Proposals Asking for the Company to Report on Plastic Packaging, Lobbying Activities, and Working Conditions

Voted: Voted in support of all three proposals

Outcome: No proposals were passed

Amazon.com, Inc. is a U.S. multinational technology company that engages in the retail sale of consumer products and subscriptions in North America and internationally. The company operates through three segments: North America, International, and Amazon Web Services (AWS). The company faced 15 shareholder proposals (SHPs) at its annual general meeting (AGM) on the 25th of May. As expected, shareholders pressured the company to address issues focusing on all aspects of sustainability. Resolutions focusing on political expenditures and lobbying activities, the use of facial recognition technology, and the racial and gender pay gap were a few that came back on the agenda this year. Below provides insights on a few shareholder proposals that received media attention and high support from investors.

Robeco supported the proposal that requested the company to report on plastic packaging. The resolution asked how the company could reduce its plastics use in alignment with reduction findings of authoritative sources, to reduce the majority of ocean pollution. According to the proponent's statement, Amazon does not disclose how much plastic packaging it uses but is believed to be one of the largest corporate users of flexible plastic packaging that cannot be effectively recycled. Additionally, the company generates approximately 465 million pounds of plastic packaging waste, of which 22 million ends in the ocean. Robeco acknowledge the environmental risks stemming from plastic pollution and encourage the company to take necessary action to address this issue by producing the requested report. The resolution received 48.62% votes in favour.

Another resolution encountered in the company's agenda, similarly to most big Tech companies, was the one regarding the preparation of a lobbying report. Robeco believed that the company could reasonably provide more meaningful disclosure regarding its indirect lobbying expenditures and that it should publicly disclose this information in a more accessible manner. Considering the increased scrutiny placed on corporate political spending, Robeco decided to support the resolution. The proposal received 47% of support from investors.

On human capital and employment rights, shareholders requested the company to commission an independent audit and report the working conditions and treatment that Amazon warehouse workers face, including the impact of its policies, management, performance metrics, and targets. Reckoning that the company has faced several fines, inquiries, and significant media attention on account of the working conditions of its warehouse employees, Robeco supported the resolution considering the high turnover ratio. The proposal received almost 44% support from shareholders.

None of the shareholder proposals received majority support. Still, the voting outcome gave the board a loud and clear message that shareholders are keeping a close eye on the company's actions and pushing for transparency and accountability.

Fund:	WPP Global Opportunities
Company:	Metro Inc.
Date of meeting:	24/01/2023
Resolution:	Shareholder Proposals regarding the Adoption of Emission Reduction Targets in line with Paris and a Human Rights Impact Assessment
Voted:	Voted in favour of both proposals
Outcome:	While support rates for both proposals were around 28.5%, neither got approved by a majority of shareholders

Metro Inc. operates as a retailer, franchisor, distributor, and manufacturer in the food and pharmaceutical sectors in Canada. Besides the regular governance-related agenda items like the election of Board directors, the appointment of the auditor and an advisory vote on Executive compensation, the 2023 Annual General Meeting (AGM) of Metro Inc. included two shareholder proposals.

The first shareholder proposal requested the company to adopt near- and long-term science-based greenhouse gas emissions reduction targets, including Scope 3 emissions from its full value chain. These targets should align with the Paris Agreement’s 1.5°C goal requiring net-zero emissions by 2050 or sooner and to effectuate appropriate emissions reductions prior to 2030. After analysing the proposal, Robeco decided to vote in favour of it, as they believe it is a reasonable request, which allows sufficient latitude to the board while making sure the company prepares and plans for mitigating environmental risks.

The second shareholder proposal requested the company to publish a report, at reasonable cost and omitting proprietary information, with the results of an independent Human Rights Impact Assessment identifying and assessing the actual and potential human rights impacts on migrant workers from the company’s business activities in its domestic operations and supply chain in Canada. In this case, Robeco’s general approach applies to support shareholder proposals requesting reporting on company’s compliance with international human rights standards.

Fund	WPP Global Opportunities
Company:	Meta Platforms Inc.
Date of meeting:	25/05/2022

Resolution: Shareholder Proposals Asking for Recapitalization, Human Rights Impact Assessment, and Report on Lobbying.

Voted: Voted in favour of all three proposals

Outcome: No proposals were passed

Meta Platforms, Inc. is a U.S. multinational conglomerate that develops products that enable people to connect and share with friends and family through mobile devices, personal computers, virtual reality headsets, and in-home devices worldwide. Meta offers products and services globally through its social networking platforms, Facebook, Facebook Messenger, Instagram, and WhatsApp. Similar to other big tech companies, at Meta's annual general meeting on May 25th, there were numerous shareholder proposals up for a vote.

The resolutions aimed to address various Environmental, Social, and Governance topics, from corporate governance practices to human rights and climate lobbying.

As was expected, due to the dual-class voting structure, shareholders requested the company to adopt a recapitalization plan for all outstanding stock to have one vote per share. The plan will gradually eliminate the special class of super-voting shares that gives founder and CEO Mark Zuckerberg majority control despite owning approximately 13% of the outstanding shares. Robeco supported this resolution since they believed that one vote per share operates as a safeguard and is in the best interest of minority shareholders. The resolution received 28.1% support from shareholders.

On social issues, shareholders requested the company to report on the actual and potential human rights impacts of its targeted advertising policies and practices. Over the last years, regulators and governments have increased their efforts to minimize social media misuse, exposing social platforms to more liability for their targeted advertising practices. Robeco consider additional disclosure to be in the best interests of shareholders, and decided to support the resolution. The proposal received 23.8% support.

Lastly, shareholders requested the company to report on its lobbying activities. Robeco supported the resolution for the reasons mentioned hereafter. Robeco believe that the current disclosure level is insufficient considering the company's size and the increased scrutiny placed on corporate political spending. Meta could reasonably improve its disclosure to provide shareholders with an itemized list of recipients of its lobbying contributions, including payments made to trade associations for political purposes. Further, Robeco are concerned with the lack of board-level oversight of its political contributions and lobbying activities, and Robeco consider some degree of board oversight to be desirable. The proposal received 20.6% of support from investors.

Fund

WPP Emerging Market Equity

Company:	Prosus NV
Date of meeting:	24/08/2022
Resolution:	Remuneration Report, Remuneration Policy Executive and Non-Executive Directors & Authority to Repurchase Shares.
Voted:	Voted for proposal: 1 Voted against proposal: 2 & 3
Outcome:	Proposals passed: 1, 2 & 3

Prosus N.V. engages in the e-commerce and internet businesses. It operates internet platforms, such as classifieds, payments and fintech, food delivery, travel, education, retail, health, social, and other internet platforms.

The company's 2022 annual general meeting occurred amidst high scrutiny over the continued rise in Prosus' valuation discount. In this context, three resolutions were particularly noteworthy.

First, Prosus asked shareholders to approve a share buyback authority enabling the board to repurchase shares representing up to 50% of the issued share capital over a period of 18 months. Robeco voted for the resolution, having assessed that the proposed buyback is an effective means to address Prosus' steep valuation discount. The proposal was supported by an overwhelming majority c. 93%.

Second, Prosus asked for approval on certain changes to the remuneration policy aimed at incentivizing the executive team to focus on reducing the discount to NAV. Specifically, the company proposed to not award any long term incentives for the 2023 financial year and to instead issue a special discount-linked short term incentive, to be earned based on whether a "material reduction" of the discount to NAV is achieved by the end of 2023 financial year. Per the company's disclosure, the board retains full discretion to assess the materiality of the reduction. Robeco voted against the resolution based on the concern that the proposed changes place excessive focus on short-term performance and that the proposed plan lacks sufficient transparency. The resolution was approved with 12% dissent.

Finally, Robeco voted Against Prosus' remuneration report, which was opposed by 14% of the votes cast. In line with the voting policy, Robeco assessed the report based on Robeco's proprietary remuneration framework and identified concerns with regards to pay magnitude and transparency.

12.14 Robeco provide the WPP with a full breakdown of all votes that are cast over the period, this description, meeting type, management recommendation, proponent and Robeco's vote. In doing so this enables WPP to monitor the activity Robeco is undertaking

on behalf of the WPP and compare against the voting principles that are set within the voting policy.

Further Information

12.15 Further information on WPP's approach to exercising rights and responsibilities can be found in the latest [Wales Pension Partnership Stewardship Report](#).

Further information on the WPP and ongoing updates on the WPPs progress can also be found on the WPP [website](#) and [LinkedIn page](#).

Non-Pooled Assets - Voting Examples

12.16 The Clwyd Pension Fund also holds investments outside the pool and therefore has voting rights from holdings within the Best Ideas Portfolio. Examples of votes cast within the Best Ideas Portfolio by the Funds underlying managers over the 12 month period to 31 March 2023 are shown below:

Best Ideas Sub-Fund	LGIM Infrastructure MFG (GBP Hedged)
Company:	Getlink SE
Date of meeting:	27/04/2022
Resolution:	Approve Company's Climate Transition Plan
Voted:	Against
Outcome:	The resolution was passed

LGIM voted against the Company's Climate Transition Plan due to the lack of clarity around long-term goals and net zero ambitions. Although the resolution was passed LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Best Ideas Sub-Fund	LGIM Infrastructure MFG (GBP Hedged)
Company:	SBA Communications Corporation
Date of meeting:	12/05/2022
Resolution:	Elect Director Jack Langer
Voted:	Against
Outcome:	The resolution was passed

LGIM voted against the resolution as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM are targeting the largest companies as they believe that these should demonstrate leadership on this critical issue. Although the resolution was passed LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Best Ideas Sub-Fund	LGIM Future World Europe (ex UK) Equity Index
Company:	UBS Group AG
Date of meeting:	06/04/2022
Resolution:	Approve Climate Action Plan
Voted:	Against
Outcome:	The resolution was passed

LGIM voted against the proposal following internal discussion. While LGIM positively note the company's progress over the last year, as well as its recent commitment to net zero by 2050 across its portfolio, there are concerns about the strength and coverage of the Climate Action Plan's Scope 3 targets and would ask the company to seek external validation of its targets against credible 1.5°C scenarios. Gaining approval and verification by SBTi (or other external independent parties as they develop) can help demonstrate the credibility and accountability of plans. Although the resolution was passed LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Best Ideas Sub-Fund	LGIM Future World Europe (ex UK) Equity Index
Company:	Siemens Gamesa Renewable Energy SA
Date of meeting:	25/01/2023
Resolution:	Ratify Appointment by Co-option of and Reelect Christian Bruch as Director
Voted:	Against
Outcome:	The resolution was passed

LGIM believes that voting against these items is warranted because:

- The proposed elections are connected with the company's delisting, which does not warrant shareholder support.
- The board composition will not comply with the minimum requirements on independence and gender diversity.

Although the resolution was passed LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Best Ideas Sub-Fund	LGIM North America Equity Index Fund
Company:	Amazon.com, Inc.
Date of meeting:	25/05/2022
Resolution:	Elect Director Daniel P. Huttenlocher
Voted:	Against
Outcome:	The resolution was passed

LGIM voted against the proposal as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings. Although the resolution was passed LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Best Ideas Sub-Fund	LGIM North America Equity Index Fund
Company:	Exxon Mobil Corporation
Date of meeting:	25/05/2022
Resolution:	Set GHG Emissions Reduction targets Consistent With Paris Agreement Goal
Voted:	For
Outcome:	The resolution did not pass

LGIM voted for the resolution as the absence of reductions targets for emissions associated with the company's sold products and insufficiently ambitious interim operational targets. LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5 C goal. Although the resolution was passed LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

12.17 Leadership in stewardship across various asset classes

As a Fund we recognise that the approach to stewardship is typically more developed for listed equity managers. They are expected to fully exercise their voting and engagement responsibilities. However, we also expect manager across other asset classes to exercise their stewardship rights and responsibilities to the fullest extent possible. Below briefly explains some of the key characteristics we expect to see from each of the investment managers looking to demonstrate strong stewardship across various asset classes.

- **Fixed Income** – engagement with issuers can enhance creditworthiness, such as engaging with companies on issues regarding the environment and human rights.
- **Private Equity** – funds typically have significant stakes in companies, meaning that they have significant influence and/or full control over management and decision making.
- **Private Debt** – there is typically less control for investors compared to private equity, but one way of creating influence is to shape the term of a loan to influence the issuer. Recent initiatives have been inclusion of ratchet mechanisms to the borrowing rate linked to key ESG objectives for some loans.
- **Real Estate and Infrastructure** - assets can be enhanced and improved through a 'hands on' approach by enhancing the sustainability characteristics of the assets. Strong ownership positions can also help in terms of active engagement with management (including hiring strong teams) and working with key stakeholders.

Glossary

Item	Description
Actuarial Valuation	The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.
Administering authority or scheme manager	Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.
Advisory Panel (AP)	A group consisting of Flintshire County Council Chief Executive and Corporate Finance Manager, the Head of the Clwyd Pension Fund, Fund Consultant, Fund Actuary and Fund Independent Advisor.
Clwyd Pension Fund (the "Fund")	The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region.
Clwyd Pension Fund Committee (the "Committee")	The Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.
Chartered Institute of Public Finance and Accountancy (CIPFA)	UK based accountancy membership and standard setting body.
Department for Levelling Up, Housing & Communities (DLUHC)	Supports communities across the UK to thrive, making them great places to live and work.
Funding Strategy Statement (FSS)	The main document that outlines how we will manage employers' contributions to the Fund.
Funding & Risk Management Group (FRMG)	A subgroup of Pension Fund officers and advisors set up to discuss and implement any changes to the Risk Management framework as delegated by the Committee. It is made up of the Head of the Clwyd Pension Fund, Fund Actuary, Strategic Risk advisor and Investment Advisor.

Item	Description
Financial Reporting Council (FRC)	Regulates auditors, accountants and actuaries, and sets the UK's Corporate Governance and Stewardship Codes.
Investment Strategy Statement (ISS)	The main document that outlines our strategy in relation to the investment of assets in the Clwyd Pension Fund.
Local Authority Pension Form Forum (LAPFF)	Is both an engagement partner and forum for member funds to share insights and best practice and to identify opportunities. Promoting specific investment interests of local authority pension funds as asset owners.
Local Government Pension Scheme (LGPS)	The national scheme, which Clwyd Pension Fund is a part of.
Markets in financial instruments directive II (MiFID II)	A European Union (EU) regulatory framework designed to regulate financial markets and institutions and improve protections for investors. It aims to standardise practises across the EU.
Pensions and Lifetime Savings Association (PLSA)	A trade association for those involved in designing, operating, advising and investing in all aspects of workplace pensions.
Pensions for Purpose	Exists as a bridge between asset managers, pension funds and their professional advisors, to encourage the flow of capital towards impact investment.
Private Market Investments	Commitments to Private Equity / Debt, Property, Infrastructure, Timber, Agriculture and other Opportunistic Investments.
Scheme Actuary	A professional advisor, specialising in financial risk, who is appointed by pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary's primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.

Item	Description
Stewardship	The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
Sustainable Finance Disclosure Regulation (SFDR)	Imposes mandatory ESG disclosure obligations for asset managers and other financial market participants (FMP). SFDR aims to bring a level playing field for FMP and financial advisors on transparency in relation to sustainability risks the consideration of adverse sustainability impacts in their investment processes and the provision of sustainability-related information with respect to financial products.
Society of Local Authority Chief Executives (SOLACE)	A leading members' network for local authority government and public sector professionals through the UK.
Tactical Asset Allocation Group (TAAG)	A group consisting of The Clwyd Pension Fund Manager and investment consultant, Mercer, the Fund Consultant.
Task Force on Climate Related Financial Disclosures (TCFD)	TCFD recommendations provide guidance to all market participants on the disclosure of information on the financial implications of climate-related risks and opportunities so that they can be integrated into business and investment decisions.
Taskforce on Nature Related Financial Disclosures (TNFD)	Builds upon TCFD but acting on behalf of nature. It is a nature-related framework to drive better understanding and reporting of nature-related risks and opportunities.
UK Stewardship Code 2020	Set of high standards for those investing money on behalf of UK savers and pensioners, and those that support them.
UN Principles for Responsible Investment (PRI)	International organisation that works to promote the incorporation of ESG factors into all decision making processes, seeking to build a more sustainable financial system.
Wales Pension Partnership (WPP)	A collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of the eight national Local Government Pension pools. WPP was established in 2017.



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Please note that Flintshire County Council is the administrative authority of the Clwyd Pension Fund and we use your personal data in accordance with Data Protection legislation to provide you with a pension administration service. For more information about how we use your data, who we share it with and what rights you have in relation to your data, please visit the Privacy Notice on our website.