

# Clwyd Pension Fund Investment Strategy Statement

**November 2023 ~~February 2022~~**



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## Statutory Requirement for an Investment Strategy Statement

Flintshire County Council is the Administering Authority responsible for maintaining and managing the Clwyd Pension Fund (the Fund) on behalf of its stakeholders; the **scheme** members and employers participating in the Fund. These responsibilities are primarily set out in Local Government Pension Scheme regulations; the regulatory framework is set out below.

Regulation 7(1) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the LGPS Investment Regulations), which replace the 2009 Investment Regulations requires administering authorities to formulate an Investment Strategy Statement (ISS) which must be in accordance with guidance issued by the Secretary of State. This replaces the existing requirement to produce and maintain a Statement of Investment Principles.

The ISS must include:

- A requirement to invest money in a wide variety of investments
- The authority's assessment of the suitability of particular investments and types of investments
- The authority's approach to risk, including the ways in which risks are to be measured and managed
- The authority's approach to pooling investments, including the use of collective investment vehicles and shared services
- The authority's approach on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments and
- The authority's policy on the exercise of rights (including voting rights) attaching to investments.

The ISS must also set out the maximum percentage of the total value of all investments that it will invest in particular investments or classes of investments. This, in effect, replaces Schedule 1 of the 2009 Regulations.

The statement must be published by 1 April 2017 and regularly reviewed at least every three years.

The original **Clwyd Pension Fund** ISS was designed to comply with the guidance given by the Secretary of State and was effective from 1 April 2017. It has been reviewed on a regular basis and was updated in **2023 2022. This updated version was presented to the Committee in February 2023 for approval.**

This ISS should be read in conjunction with the following statutory documents:

- Funding Strategy Statement

- Governance Policy and Compliance Statement
- Communications Strategy
- ~~Clwyd Pension Fund~~ Annual Report and Accounts
- ~~Clwyd Pension Fund~~ Actuarial Valuation.

All the above statements and documents can be found on the Fund's web site at <https://mss.clwydpensionfund.org.uk/>

## About the Fund

~~The Clwyd Pension Fund is a £2.3bn Local Government Pension Fund which~~

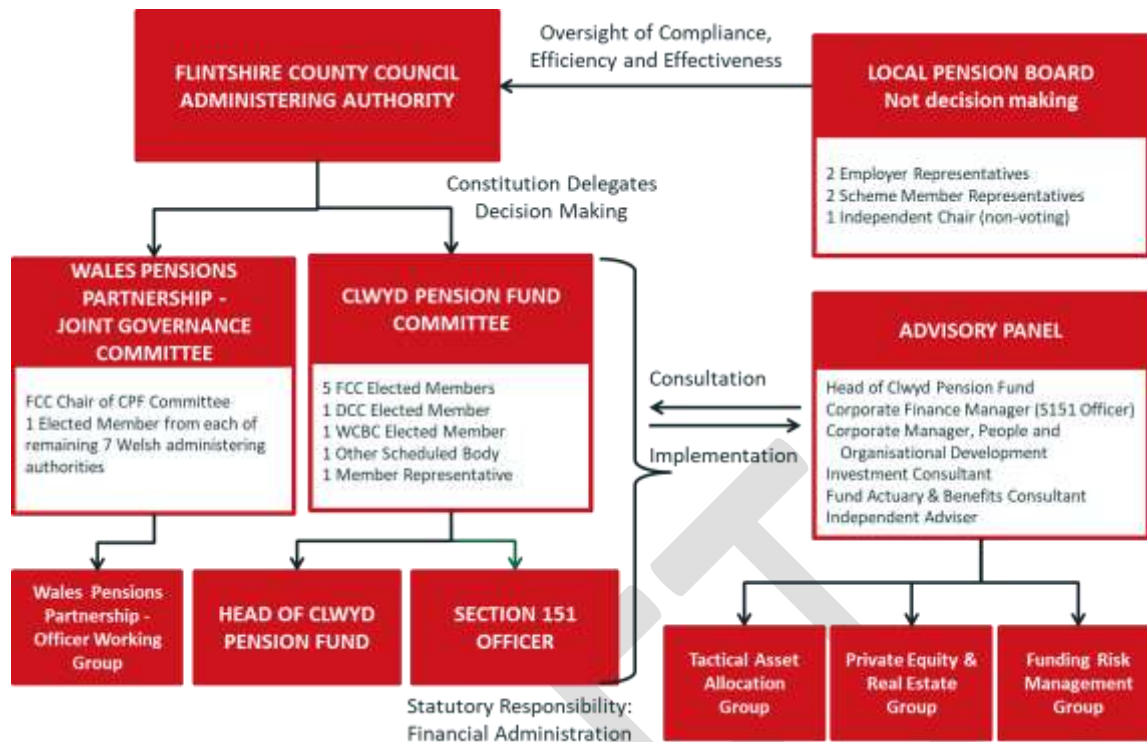
~~The Fund~~ provides death and retirement benefits for local government employees (other than teachers, police and fire-fighters) in North East Wales and employees of other qualifying bodies, which provide similar services.

~~Total Fund membership at the last actuarial valuation was 48,947 with 16,996 active contributors from 51 contributing employers and 31,951 retired members, widows and deferred members.~~

## Governance and Management of the Fund

The key decision making and management of the Fund has been delegated by Flintshire County Council (the Council) to a formal Pension Fund Committee (the Committee), supported by a Pensions Advisory Panel (AP). Before making strategic investment decisions the Fund takes advice from a regulated investment consultant; Mercer, who also provide ~~Funding and~~ Risk Management advice. The Council's Section 151 Officer (Corporate Finance Officer) has a statutory responsibility for the proper financial affairs of the Council including Fund matters.

The Fund's governance structure is illustrated in the diagram below.



## Aims and Objectives

Our 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.

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 WPP as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's Committee'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 WPP.

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.

## Approach to pooling

LGPS Investment Regulation 7(2) (d) requires that all authorities commit to a suitable pool to achieve benefits of scale. It also requires that administering authorities confirm the chosen investment pool meets Government's investment reform criteria, or to the extent that it does not, that Government is content for it to continue.

The Clwyd Pension Fund is participating in the development of the Wales Pension Partnership (WPP). The proposed structure and basis on which the WPP will operate was set out in the July 2016 submission to the Government.

The WPP received confirmation from the Minister for Local Government that he was happy that the proposals met the required criteria, with the exception of the size requirement. However, the Minister confirmed in his letter to the Welsh Funds that given the special position of Wales, and the long history of collaboration he was content with the final proposal.

Within Wales, all the LGPS administering authorities agreed to work together and an Inter Authority Agreement was signed by them to create the Wales Pension Partnership (WPP) and the principles of how it operates.

The ~~agreed~~ objectives of the WPP are:

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical).
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments.
- To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers. To embed the delivery of long-term, sustainable investment outcomes into decision making, through capital allocation, the ongoing scrutiny of asset managers, and the exercise of the rights and responsibilities that arise as asset owners.

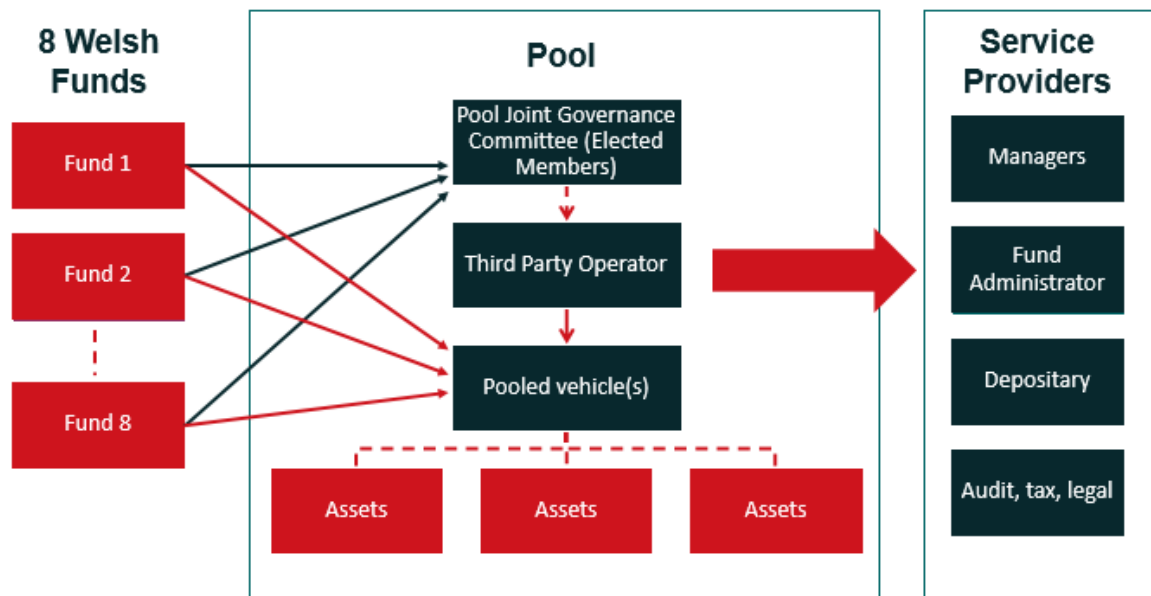
~~The Clwyd Pension Fund will aim to use the WPP as the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including sustainability requirements), within acceptable long-term costs to deliver the expected benefits and subject to ongoing confidence in the governance of the Partnership.~~ *[Note that this is now one of the objectives on the previous page]*

## Structure and governance of the WPP

The Pool has WPP appointed Link Fund Solutions Ltd (now Waystone Management (UK) Limited) as the WPP Operator. The Operator's role is to establish and run a collective investment vehicle for the sole use of the LGPS funds in Wales. A diagram showing the governance structure is shown below.



## Governance Structure of the WPP



A The Joint Governance Committee (JGC) was established in 2017 to carry carries out a number of responsibilities relating to WPP including overseeing the operator. The JGC comprises elected members – one from each of the eight participating funds, as well as a Scheme Member Representative. It is anticipated that this may be the The Chairs of the respective Pensions Committees are members of the JGC although administering authorities may choose to nominate alternative members if appropriate. This arrangement provides accountability for management of the WPP and the operator back to individual administering authorities.

The JGC is set up formally as a Joint Committee between the participating administering authorities. It operates on the basis of “One Fund, One Vote”, though in practice any decisions are reached on a consensus wherever possible. The Scheme Member Representative is non-voting. A formal Terms of Reference for the Committee has been agreed.

Each authority has committed to the pool by agreeing and signing an Inter Authority agreement. The agreements sets out the principles behind the WPP.

The WPP Officer Working Group has been established as part of the Inter Authority Agreement to support and advise the JGC on such matters as the JGC 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 to officers to the Officer Working Group. In relation to the Clwyd Pension Fund, the Pension Fund Committee determines which of its officers sit on the Officer Working Group – currently the Head and Deputy Head of Clwyd Pension Fund. Each

authority's Section 151 Officer and Monitoring Officer are entitled to attend the Officer Working Group.

~~Link Fund Solutions Ltd-WPP's Operator, currently Waystone Management (UK) Limited~~, is responsible for selecting and contracting with investment managers for each of the sub-funds as well as appointing other service providers such as a depository asset servicer, and an external valuer as necessary.

Listed bonds and equities ~~will be are~~ invested ~~through the Operator, which~~ is a UK based Authorised Contractual Scheme (ACS) in order to benefit from the tax transparent nature of the vehicle. ~~However alternative vehicles, not through the Operator, have been created for private equity, private credit and infrastructure. It may be that alternative vehicles are more appropriate for some asset classes. As well as considering the options with Link Fund solutions, advice will be sort of the final proposed approach from a tax efficiency and legal compliance basis.~~

~~The process and benefits of doing so will be discussed with the operator.~~ Given the Fund has a significant proportion of its assets in alternative, less liquid investments, it may be some time before all of the Fund's assets are able to be pooled.

## Investment Strategy ~~of the Clwyd Pension Fund~~

The following sections detail the Fund's investment strategy, which takes into account LGPS Investment Regulations 7(2)(a) and 7(2)(b) as summarised below:

- Investment of money in a wide variety of investments

Regulation 7(2)(a) requires that administering authorities invest in a diversified portfolio of assets to ensure that risk is appropriately managed and volatility of overall return is reduced. The guidance does not prescribe the specific asset classes over which Fund monies must be invested.

- Suitability of particular investments and types of investments

Regulation 7(2)(b) requires that in assessing the strategic allocation for the Fund, an administering authority assesses the suitability of particular investments and types of investments against the need to meet pension obligations as they fall due.

In assessing the suitability and variety of investments, and considering the risks, the starting point should be the Fund's overall objectives. The investment and funding objectives are listed in the previous section "About the Fund".

In order that these primary objectives can be achieved, the following funding and investment principles have been agreed.

## Funding Principles

The ~~Clwyd Pension Fund~~ Funding Strategy implemented ~~for three years~~ at the 31 March 2022 valuation includes a number of investment return assumptions:

- An investment return (discount rate) for the funding target of CPI inflation plus 1.5% p.a. (assumed 4.60% p.a.).
- An investment return (discount rate) for the future service contribution rate of CPI inflation plus 2% p.a. (assumed 5.10% p.a.).

Over a three-year period, an investment return above these assumptions (updated accordingly for changes in market outlook as per the separate funding monitoring reports) will contribute to improving the funding position and thus employer contributions, providing that liability assumptions such as longevity and inflation remain on target and the membership remains broadly the same profile. The Fund's triennial valuation considers all these factors when determining employer contribution rates. New employer rates ~~will be~~ ~~revised~~ implemented from 1 April 2023 as part of the 2022 valuation.

A Funding Strategy Statement (FSS) was prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013. ~~The FSS outlines the strategy for recovering the funding deficit over 12 years.~~ A copy of the FSS can be obtained from the Fund's web site at <https://mss.clwydpensionfund.org.uk/>. The funding strategy will be monitored during 2023/26.

In managing the Fund, the key funding objectives are:

- to aim for a funding level of 100% and
- to aim for long term stability in employers' contribution rates, whilst recognising the constraints on affordability for employers.

A full list of the funding aims and objectives of the Fund are set out within the FSS.

~~The Clwyd Pension Fund was funded at 105% of liabilities (as at 31 March 2022) and employers' contribution rates are currently structured to achieve a gradual return to 100% funding by 2035 i.e. 12 years from 1 April 2023.~~

Whilst stability of costs from the employers' contribution rates has the higher priority, absolute cost to the employer is also important. This implies that:

- the cost of administering the Fund will be constrained by the adoption of best management practice
- employers will adopt appropriate and economic policies in those areas where they have discretion and where the costs of their actions fall on the Fund
- the Fund's overall investment policy will be aimed at achieving superior investment returns relative to the growth of liabilities. This implies that the Fund will continue to take active risk in how it invests its assets relative to its liability profile.

The investment principles of the Fund are stated in full below and are intended to strike the appropriate balance between delivering the strategy most suitable for long-term consistent performance and achieving the funding objectives. A favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

## Investment Principles

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 set out above on an on-going basis, whilst maintaining an appropriate balance between long-term consistent investment performance and the funding objectives.

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.

It is Fund policy to carry out a fundamental review of the Fund's investment structure and management arrangements at least every four years, **or more frequently if deemed appropriate.** The review includes research on market views for the longer-term risk, return and correlation profiles for different asset classes and a more tactical view on the global economic and market environment over the next three to five years. This research is used to determine an optimum future balance between the various **assetsasset** classes and hence the Fund's fixed strategic benchmark.

~~The latest Fund review was undertaken in 2022 and the resulting changes will be implemented in 2023. Details of the investment strategy are included in the following sections.~~

## Investment Strategy

### Setting the Strategy

The Fund's investment strategy has been determined to meet the objectives outlined earlier in this Statement. This includes consideration for the Fund's liability profile and the attitude to risk.

The strategic benchmark highlighted later in this section takes account of the risk and return characteristics of each asset class and provides a reasonable long-term balance appropriate to the liabilities of the Fund. The Fund considers the mix of asset classes in forming an overall portfolio and considers the correlation in volatility and return of each.

The Fund recognises the benefits of diversification across asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. ~~Where they consider it advisable to do so, investment managers have been appointed to select and manage the allocations across asset classes, in particular where it would not be practical (or appropriate) for the Fund's Committee and officers to commit the resources necessary to make these decisions themselves.~~

In assessing the suitability of ~~investments required to form the overall portfolio~~ asset classes, a number of characteristics ~~of each asset class, and sub-asset class,~~ are considered. ~~These characteristics include including~~ potential return, risk/volatility of returns, liquidity, ~~responsible investment,~~ duration and interest rate sensitivity. In setting and reviewing ~~an~~ the overall investment strategy for the Fund the starting point is always the Actuary's assessment of the liabilities of the Fund. This assessment ~~will include~~ includes cash flow requirements and an assessment of the required return to ensure the long-term solvency of the Fund, and it is essential that the investment strategy is compatible with this.

## 2022/23 Review

The 2022/23 review showed, using Mercer market forecasts as at 31 March 2022, that the expected market returns over the coming ten-year period would mean that the Fund could be expected to generate a return of 5.8% p.a. (CPI inflation plus 2.7% p.a.). Investigations showed that the portfolio was, in the main, well diversified and did not need significant change. However, there were opportunities to incorporate the Fund's Responsible Investment objectives ~~without substantially reducing return.~~

These opportunities led to ~~four~~ five main areas of change:

- New Sustainable equity allocation to support Responsible Investment Policy
- Decrease physical listed equity allocations in Emerging Markets due to uncertainties in this asset class
- Reduce existing Hedge Funds allocation
- Increase allocation to Local/Impact portfolio in Private Markets portfolio
- **Remodel the Cash and Risk Management Framework.**

These changes meant that the expected return would decrease by 0.1%, however the changes made are appropriate for the Funds long-term objectives.

Further details in relation to the investment strategy are outlined in this section.

## Investment Decisions

The Fund ~~distinguish~~ distinguishes between three types of investment decision: strategic, tactical and stock-level.

## Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Fund.

Strategic investment decisions are made by the Committee. They do so after receiving advice from their investment consultant. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Fund benchmark
- Reviewing the investment objectives and strategic asset allocation.

## Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are ultimately the responsibility of the Committee. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the respective fund. Furthermore, the Committee have delegated certain powers to the Head of the Clwyd Pension Fund taking advice from the Tactical Asset Allocation Group. The purpose of the Tactical Allocation Portfolio, managed by the group is to take advantage of short-term (approximately one year) opportunities that are consistent with the long-term risk and return goals of the Fund. The Tactical Allocation Group is bound by the Tactical Allocation Portfolio Terms of Reference.

## Stock Selection Decisions

All such decisions are the responsibility of the investment managers with which the Fund invests.

## Strategic Asset Allocation

In setting the Strategic Asset Allocation for the Fund the LGPS Investment Regulations require the Fund to invest in a wide variety of investments and in doing so assess the suitability of particular types of investments. Subject to satisfying these elements of the Regulations the Fund is not constrained to certain types of investments; the requirement is for the Fund to set its own limits. In reviewing the strategy, the Fund considers the existing and a range of alternative asset classes.

In setting the Strategic Asset Allocation for the Fund, the Fund has taken into consideration how it might best achieve its Responsible Investment objectives, which are noted later **on** in this document.

## Balance between different types of investments

The LGPS Investment Regulations require the administering authority to have regard for the diversification of the Fund's investments.

The Fund will, at all times, invest across a diversified portfolio of investments to reduce investment risk. In addition to diversifying by assets, the Fund will invest across a number of managers and via different approaches and styles to investing.

The Fund may invest via pooled and segregated portfolios based on the appropriateness of each portfolio. The Fund can invest across a combination of passive, active and absolute return investment approaches based on return potential, cost and flexibility of implementation.

The **investment structure agreed in the 2022/23 current** investment strategy **review** is detailed in the table below:

Asset Class	Strategic Weight
<b>Sustainable</b> Developed Global Equity*	15.0%
Emerging Market Equity	5.0%
Hedge Funds	5.0%
TAA/Best Ideas***	11.0%
Multi-Asset Credit	12.0%
Cash and Risk Management Framework	23.0%
<b>Private Markets</b> ***	
Property	4.0%
Private Equity	8.0%
Local/Impact	6.0%
Infrastructure	8.0%
Private Credit	3.0%
<b>Total</b>	<b>100.0%</b>

### Notes:

\*The Global Equity Portfolio includes a 15% Strategic Weight to a the WPP Active Sustainable Global Equity Fund

\*\*\*The Best Ideas Portfolio is tactically allocated according to shorter-term market views. This can be implemented by increasing the allocation to any of the asset classes listed above or by separate asset classes in any type of investment. This allocation is made through consultation with the Tactical

Allocation Group, which is bound by the Tactical Allocation Portfolio Terms of Reference. The objective of the Tactical Allocation Portfolio is to add value to the **overall Clwyd Pension** Fund return.

**\*\*\*The Target allocation of the underlying asset classes in Private Markets will take some time to achieve due to the illiquidity of the asset classes involved.**

The Fund's investment managers are remunerated either by way of an ad valorem fee, i.e. the fee is a percentage of the value of assets under management, or a combination of an ad valorem and performance-related fee. The principle of performance-related fees is that the base fee is lower and that the manager is only paid a higher fee if the performance objective is met or exceeded.

## Asset Allocation and Long Term Expected Return on Investment

The strategic asset allocation for the Fund must be consistent with the investment return assumed in the funding strategy (updated accordingly for changes in market outlook). The investment strategy reflects the medium to long term nature of the liabilities but must also provide flexibility to manage short term volatility in markets. In addition, the investment strategy must take account of possible changes to cash flows as the membership profile of the Fund or the benefits structure changes.

The investment strategy reflects the differing return and risk profiles of each asset class. However, long term risk and return expectations are not consistently generated over all time frames and, for all asset classes, there can be periods of under or out-performance compared to the long-term expectations.

The strategic framework includes a target allocation against which strategic performance will be monitored (referred to as the Strategic Allocation). In addition, there are ranges for each asset category that allow limited deviation within the framework (referred to as the Strategic Range). The ranges enable the Fund to reflect changes in the market outlook and provide greater flexibility to implement cash management and rebalancing.

In addition to the Strategic Allocation and Strategic Ranges, a conditional medium-term asset allocation (the Conditional Range) exists, to manage major risks to the long-term strategic asset allocation, which may emerge between Fund reviews.

The Fund's strategic allocation, as set out below, does not assume any outperformance from the investment managers. The expected returns stated in this table are as at the date of the 2022/23 strategic review.

Asset Class	Strategic Allocation (%)	Strategic Range (%)	Conditional Range* (%)	Expected return above inflation (CPI) p.a.**
Developed Global Equity	15.0	10.0 - 20.0	0 – 30	3.5%
Emerging Market Equity	5.0	2.5 – 7.5	0 – 15	2.1%
Hedge Funds	5.0	2.5 – 7.5	0 – 15	1.2%
TAA/Best Ideas***	11.0	9.0 – 13.0	0 – 20	2.5%



Multi-Asset Credit	12.0	10.0 – 14.0	0 – 20	2.5%
Cash and Risk Management Framework****	23.0	10.0 – 35.0	0 – 40	1.34%
<b>Private Markets</b>				
Property	4.0	2.0 – 6.0	0 – 8	1.2%
Private Equity	8.0	6.0 – 10.0	0 – 15	3.0%
Local/Impact	6.0	4.0 – 8.0	0 – 15	2.7%
Infrastructure	8.0	6.0 – 10.0	0 – 15	2.3%
Private Credit	3.0	1.0 – 5.0	0 - 6	2.2%
<b>Total</b>	<b>100.0</b>			

**Notes:**

\* The Conditional ranges are at a total Fund level.

\*\* Median expected return is expressed as an excess long-term return over CPI Inflation to reflect extra risk being taken, excluding active management. This is based on Mercer Market Forecast as at the date of the 2022/23 strategic review. CPI Inflation is used as the basis for expected returns as it is a proxy for valuing the liabilities.

\*\*\* The Best Ideas allocation is a short term (12-month horizon) tactical allocation based on Mercer’s (the Fund’s Investment consultant) “best ideas”. The portfolio should be liquid and cost efficient.

\*\*\*\* The Cash and Risk Management Framework, a combination of Liability Driven Investment (LDI) synthetic equity instruments and cash plus funds (allocated to for collateral management efficiency), is managed as part of a risk management approach. Given the nature of this mandate i.e. protection against liability changes, it is not intended to rebalance the allocation, which can lead to a movement away from the initial strategic allocation of 23%.

The inclusion of a diversified range of assets and the scope for tactical allocation in the strategy is expected to improve the probability of the Fund achieving its long-term objectives, whilst maintaining the overall volatility of returns without significantly altering the Fund’s expected long-term return. **This is explained in more detail in the risk section below.**

## Cash and Risk Management Framework

In March 2014, the Fund set up a Risk Management Framework (now referred to as Cash and Risk Management Framework). This has evolved since its initial implementation, and now includes the following strategies that seek to manage a variety of financial risks. These strategies are implemented by Insight Investment Management (Insight). Further information on the Framework can be found in the Funding, Flight-Path and Risk Management report which goes to each Pension Fund Committee meeting.

### 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

agreed by the Pension Fund Committee<sup>4</sup>) to formally confirm whether the trigger has been met and whether any changes to the strategy should be made. This will then be brought to Committee for approval.

### **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 Funding and Risk Management Group (FRMG) have reviewed the flightpath and no change has been made to the interest rate and inflation triggers at this stage.

~~As at 30 September 2022 the interest rate and inflation hedge ratios were 50%/40%, respectively, in line with their targets.~~

~~Furthermore, as part of the strategy review new triggers have been put in place and if these are achieved then the hedge ratios will be increased and implemented in line with the delegations to the Head of Fund, after taking appropriate regulated advice, given the needs to implement quickly and efficiently in line with the overall strategic objective agreed by the Pension Fund Committee.~~

The level of hedging is monitored quarterly and a full review is conducted annually.

### **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 dynamic equity protection strategy was put in place in May 2018. This provides improved flexibility and on-going governance versus the previous static approach as it allows the structure to more easily adapt to changing market conditions. The Fund intends to fully transition its synthetic equity exposure to a global equity Paris Aligned benchmark over time, in a way that minimises transaction costs.

### **Currency hedging strategy**

The Fund has 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 Fund's collateral management strategy is regularly monitored. 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 required. This helps generate additional return and reduces the governance burden on the Fund, leading to improved efficiency.

## Realisation of investments

The Fund's investment policy is structured so that the majority of its investments (in equities and bonds) can, except in the most extreme market conditions, be readily realised.

However, the availability of alternative investment vehicles enables the Fund to invest in less liquid asset classes and to build well-diversified portfolios. Investments such as property, infrastructure and private equity/debt are long term investments, which the Fund is less likely to be able to realise in a short period. "Lock-up" periods are normal practice in hedge funds (to manage the in/out flows to ensure existing clients' capital is protected) which means that these investments are not readily realisable either.

Notwithstanding this, the Fund maintains sufficient investments in liquid assets to meet its liabilities in the short and medium term as they fall due.

## Cash Strategy

From 1 April 2011, the 2009 Investment Regulations required the Fund to have a separate bank account from the Local Authority.

The Pension Fund does not have a strategic allocation to cash for investment purposes but holds surplus cash for paying:

- Benefits and transfers as per the Regulations.
- The administration costs of the Fund.
- The Investment management fees.
- Commitments to real assets and private market investments.

However, in extreme market conditions cash could be used as part of the Conditional Asset Allocation. The aim is to avoid requiring to borrow for liquidity purposes, although the LGPS Investment Regulations allow Pension Funds to borrow for a maximum of 90 days.

The cash could be deposited in one of the following, subject to cash flow requirements:

- The Pension Fund bank account with the National Westminster bank for daily liquidity.
- A deposit account with the National Westminster Bank with instant access.

- The Insight Liquidity Fund for unexpected liquidity requirements or higher rates of return.

## Stock Lending

~~The Fund only currently invests in pooled vehicles so cannot undertake any stock lending. The stock lending policy on pooled funds is determined by the individual investment managers. Any income not retained by the fund manager and / or the lending agent is incorporated in the net asset values of each pooled fund. It has been agreed that investments made through the Wales Pension Partnership will be covered by the pool's stock lending policy. Where the Fund invests with WPP, this is via pooled funds. WPP determine the stock lending policy for its relevant funds and has appointed Northern Trust to implement the policy.~~

### **Approach to risk, including the ways in which risks are to be measured and managed**

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).

## Risk Register

The ~~Clwyd Pension~~ Fund has a Risk Management Policy and Risk Register in place.

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.

The main risk for the Fund is the mismatch between its assets and liabilities. As a consequence, if the investment returns are less than that required in the funding strategy, the funding level will deteriorate (all else being equal). The main risks within the funding strategy are interest rate, inflation and mortality risks, and investment risk arising from the investment portfolio, which is controlled through diversification of asset holdings. The Fund has a bespoke Cash and Risk Management Framework that has established objectives to ensure that the Fund's exposure to interest rate risk and inflation risk is managed and monitored on an on-going basis.

Investment, by its very nature, is a risk-based activity where the returns achieved will reflect differing levels of risk. There are a number of investment risks to consider within an investment fund, namely manager, market, credit, currency and liquidity risks.

Consideration of financially material non-financial risks is considered in the Fund's Responsible Investment Policy, which is explained later in this document. This includes the Fund's approach to the risks and opportunities associated with climate change, and the transition to a low carbon economy.

In considering the Fund's investment strategy, it is necessary to have regard to the balance between risk and return. In practice, the investment strategy objective will be to achieve the highest possible return whilst minimising the downside risk, within agreed parameters.

## Solvency Risk and Mismatching Risk

These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.

These are managed by setting a Fund-specific strategic asset allocation with an appropriate level of risk.

## Manager Risk (including the Wales Pension Partnership WPP)

This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.

It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and by monitoring and replacing any managers where concerns exist over their continued ability to deliver the investment mandate.

The aim of the investment strategy and management structure is to manage the appropriate level of risk for the return target, which reflects the funding strategy. The Fund's external investment managers are required to invest in line with the investment guidelines set by the Fund. Independent custodians safe keep the assets on behalf of the Fund.

## Liquidity Risk

This is monitored according to the level of cash-flows required by the Fund over a specified period.

Whilst ensuring that there is the appropriate liquidity within the assets held, the Fund invests in less liquid investments to take advantage of the "illiquidity premium" offered.

Despite this, the Fund holds an appropriate amount of readily realisable investments. The Fund's assets are invested in pooled funds, which are readily realisable, and there is a significant amount of liquidity based upon the existing strategic asset allocation.

## Political Risk

This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.

The Fund manages this by regular reviews of the investments and through investing in funds, which give a wide degree of diversification.

## Corporate Governance Risk

This is assessed by reviewing the Fund's investment managers' policies regarding corporate governance.

~~It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. In the future the Wales Pension Partnership will engage and exercise voting rights on behalf of the Fund. The Fund's Responsible Investment Policy explains the approach in detail and it is explained later in this document.~~

~~In respect of assets invested via the WPP, these are subject to an agreed Stewardship Policy. The WPP works with Robeco and the underlying investment managers to implement this policy.~~

## Legislative Risk

This is the risk that legislative changes will require action from the Committee so as to comply with any such changes in legislation.

~~The Fund will respond to consultations on proposed legislative changes to help influence appropriate changes.~~

The Committee acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

## Market Risk

This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

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.

The Fund has ~~a significant weighting an allocation~~ to a Tactical Asset Allocation/ Best Ideas portfolio (TAA) which aims to take advantage of market risk, by making shorter term tactical allocations, which suit the specific characteristics of the Fund. As most of the portfolio is exposed to market risk, the main risk to the Fund is a fall in market prices. Although market movements cannot be completely avoided, and indeed there are periods when all assets become more highly correlated, the impact can be mitigated through diversifying across asset classes and approaches to investing.

Market risk comprises of the following three types of risk:

### Currency Risk

This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In this context, the Fund may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk

that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.

The Fund seeks to address this within the TAA and has also addressed this in the Cash and Risk Management Framework from a strategic perspective.

### Interest rate risk

This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.

The Fund seeks to address this within the Cash and Risk Management Framework from a strategic perspective.

### Inflation risk

This is the risk that the value of the Fund's liabilities, which are inextricably linked to Consumer Price Index (CPI) inflation, increase at greater rate than the assets.

The Committee also acknowledge the interest rate risk and inflation risk related to individual debt instruments. This is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management. The Fund also invests in assets whose value moves in line with inflation such as Infrastructure.

Since 2014 the Fund has adopted a Risk Management/Flight-path approach to managing the specific inflation and interest rate risk. The Flight-path is regularly reviewed and appropriate yield trigger levels set.

The Fund seeks to address this within the Cash and Risk Management Framework from a strategic perspective.

### Risk Budgets

When reviewing the Investment Strategy in 2022/23, as well as addressing the potential for investment return, the Fund also considered the risk of the proposed strategy when compared to the previous one. Risk is assessed by using a Value at Risk (VaR) approach. This approach measures the risk of potential loss for investments and estimates how much an investment strategy might lose (with a given possibility) given normal market conditions, in a probability over a set time period such as a day or a year. The VaR of the Fund's assets is monitored in a regular basis.

The Fund needs to take risk within its Investment Strategy in order to achieve an adequate level of return above the Actuary's future service discount rate of Inflation (CPI) +2% per annum at 31 March 2022 (updated in line with market outlook).

At a total Fund level, the total expected return of the previous strategy was 5.9% per annum with a 3-year VaR of £887m. The revised strategy as described earlier in the document reduces the potential return to 5.8% per annum whilst also reducing the 3-year VaR to £873m.

## Proper advice

In assessing the Fund's strategy, including an assessment of the implicit risks, and setting the maximum limits the Fund has taken proper advice from officers, the Actuary, Investment Consultants and Risk Management Advisers.

As part of the Fund's governance structure, there are regular meetings of the FRMG between the Fund's officers, the Investment Consultants, the Actuary and Risk Management Advisers. The Fund receives advice from these parties on a continuous basis.

## Responsible Investment Policy within the Investment Strategy Statement

### Regulatory Background

In preparing, developing and implementing this Policy, the Fund has paid due regard to the regulatory background. The LGPS Investment Regulations require administering authorities to demonstrate that any factors are considered that are financially material to the performance of the fund's investments, including social, environmental and corporate governance factors, and over the long term, dependent on the time horizon over which their liabilities arise.

The LGPS Investment Regulations also require administering authorities to explain their policy on exercising rights (including voting rights) attaching to investments. The guidance refers to the Financial Reporting Council's UK Stewardship Code and requires that funds explain, where appropriate, their policy on stewardship with reference to the Stewardship Code.

In addition to considering the LGPS Investment Regulations in developing the Responsible Investment Policy the Fund has taken professional advice. It has also had regard to the Well-being of Future Generations (Wales) Act 2015, guidance from the Scheme Advisory Board, the Department for Levelling Up, Housing and Communities and the Welsh Government. The Fund commits to keeping the policy reviewed in line with any future changes or updates in regulation or guidance.

The Fund has also considered, researched and reviewed a number of other areas of best practice when preparing this Policy such as the United Nations Principles for Responsible Investment, the Sustainable Development Goals and the Task Force on Climate-related Financial Disclosures (TCFD).



## Responsible Investment Policy

The Fund's Responsible Investment (RI) Policy reflects the Committee's current position. In addition to help formally frame the policies, the Fund has set a number of high-level beliefs that will sit over the more detailed policies, and will convey the Fund's overarching attitude to being a Responsible Investor.

In 2023, the Committee introduced a framework to assess the appropriateness of adopting an exclusions policy. This was designed to ensure that the Committee understands the rationale for and potential impact of exclusions while continuing to meet its fiduciary duties in order to support the funding of pensions. It assesses the impact of exclusions on risk, return and diversification characteristics to understand implications for meeting financial objectives.

### Background

The latest Policy will support the Fund's specific RI aims along 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 emission's target by 2045.
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these.

### Investment Pooling

As part of the Government's investment reform, the Fund has participated in the development of the WPP to pool the investments of the eight Welsh LGPS funds. Whilst all strategic asset allocation and policy decisions remain with the Fund, implementation responsibilities in the future will be the responsibility of WPP.

The Fund is committed to pooling its investments with WPP, and acknowledge 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 its RI policy and objectives, and will continue to play an active role to help enhance these in the future with the aim of ensuring they remain relevant and appropriate for the Fund.

### Stewardship and Engagement

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for investors and the Fund's beneficiaries, leading to sustainable benefits for the economy, the environment and society. The Financial Reporting Council (FRC) first published the UK Stewardship Code ("the Code") in 2010 and there have been a number of updates since then with the latest being launched in 2020. The Code sets out a number of areas of good practice to which the FRC believes institutional investors should aspire.

ISS guidance given by the Government states that administering authorities should become signatories to the Code, and states how they implement the principles on a “comply or explain” basis. The Fund supports and is currently a signatory to the UK Stewardship Code. The Fund’s submission can be found on the FRC website. 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.

## Reporting and Disclosure

The Fund is committed to transparency of its actions, in particular with respect to RI. The Annual Report contains copies of a number of documents including policy statements, and the ISS (in full). The annual report is available on the Fund’s website. It is accepted that approaches to RI and sustainability will evolve over time, and it is therefore essential to keep policies and practices under regular review to ensure their effectiveness. In addition, the Fund recognises the importance of transparency and reporting in respect to RI and ESG issues, and has enhanced its analysis, disclosure and reporting. This includes manager, voting and engagement and carbon emissions analysis, and impact where relevant.

## Responsible Investment Beliefs

The Fund recognises the importance of its role as stewards 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 exercising 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 Fund defines a **Responsible Investment (RI)** as:

*Incorporating sustainability considerations within the investment process, including environmental, social and governance (ESG) factors for a broader perspective on risk and return opportunities.*

In developing its approach to RI, the Fund seeks to understand and manage the ESG and reputational risks to which it is exposed. This policy sets out the Fund’s approach to this.

The foundations of the Fund’s approach to RI are its Principles which are set out below:

### Responsible Investment Principles

- 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 endeavours to integrate 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 continue to make dedicated investments to support this aim.

## Climate Change

The Fund recognises the importance in addressing the financial risks associated with climate change through its investment strategy, and believes that:

- Climate change poses a systemic risk to the overall stability of every economy and country, with the potential to impact on the members, employers and all of the holdings in the Fund's investment portfolio.
- Considering the impacts of climate change is not only the legal or fiduciary duty of the Fund, but is also consistent with the long-term nature of the Fund. The Fund’s investments need to be sustainable to be in the best interests of all key stakeholders.
- Engagement is critical to enabling the change required to address the Climate Emergency and to facilitate the move to a low carbon economy. However, selective risk-based disinvestments and exclusions can be appropriate.
- As well as creating risk, climate change also presents opportunities to make dedicated 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.

### Net-Zero commitment

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.
- 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 as measured by value invested and emissions exposure, 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 as measured by value invested and emissions exposure, 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.

Where companies in carbon-intensive sectors do not demonstrate a credible strategy to attain net zero over time, and are not considered to be on the right trajectory to make progress in this area, the Committee's policy view is that selective divestment is potentially a valid outcome. Given the pooled fund nature of the investments, the Committee recognises that its actual ability to divest is dependent on the processes and policy of the Wales Pension Partnership WPP. The Committee will actively engage with the Wales Pension Partnership WPP on this area.

## 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 which breach the following thresholds	Minimum Objective	Fund's Ambition
The % of or more of revenues from exploration, mining, extraction, distribution and / or refining of hard coal and lignite	1%	Same
The % of or more of revenues from Oil: companies involved in exploration, extraction, refining and / or distribution of oil fuels.	10%	1%
The % of 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%

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 is seeking 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 believes is practically more implementable.

The Fund recognises that in order to implement the exclusions policy it will need to work with the [Wales Pension Partnership \(WPP\)](#). 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, if companies are held in breach of the exclusions criteria.

## Strategic RI Priorities

The Fund recognises that as a Responsible Investor there are a multitude of potential areas on which to focus, however it is not possible to concentrate on everything together. These strategic priorities identified from an RI perspective:

### Evaluate and manage carbon exposure

- The Fund has identified climate change as a financial risk, and intends to measure and understand its carbon exposure within its investment portfolio.
- The Fund has agreed to use the carbon footprinting metric as the primary metric for monitoring carbonisation progress, whilst also monitoring progress against absolute emissions and weighted average carbon intensity (WACI).

### Identify sustainable investments opportunities

- The Fund has for a number of years looked to make Social/Impact investments; whereby in addition to making the requisite financial return the investment has a positive social or environmental impact. The 2022 Investment Strategy Review has further supported this with the asset allocation to the Local/Impact portfolio being increased.
- This portfolio has a strategic target weight of 6% of the Fund's assets.
- The Fund has increased its strategic allocation to sustainable equities to 15% of total Fund assets following the latest strategy review, an increase of 10% from its previous allocation.

### Improve public disclosure and reporting

- The Fund recognises the importance of transparency and reporting with respect to ESG issues. The Fund continues to enhance its analysis, disclosure and reporting on its RI activities, including, voting and engagement and carbon emissions analysis.
- The Fund has drafted its first Task Force on Climate-Related Financial Disclosures ("TCFD") report covering 12 months to 31 March 2022. The report was drafted in line with the recommendations from the TCFD and the proposals for LGPS on governance and reporting of climate change risks available at the time.
- The Fund carries out Analytics for Climate Transition ("ACT") analysis (a Mercer analytical tool), which provides the Fund with a bottom up analysis of the portfolio's transition capacity. Analysis is carried out every 12 months, with the latest analysis carried out as at 31 March 2022.

## Active Engagement on ESG risks

- As a member of the LAPFF, the Fund has active engagement with its underlying investments, this engagement is supplemented by the work of the WPP. The Fund is committed to working proactively with WPP and its providers to improve the levels of engagement.

## FRC Stewardship Code

- The Fund was successful with its first application to the UK Stewardship Code 2020 and is currently a signatory to the Code. The Fund's submission can be found on the FRC website.

## Actuarial Valuation and review of Investment Strategy

The assessment of the impact of climate change on the Fund's investment strategy will underpin the actuarial valuation and investment strategy review processes, both of which were carried out during 2022. Addressing climate change related risks was a key factor in each.

## Commitment

The Fund has always sought to act with conscience 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. This RI Policy will be 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.

## Approval, review and further information

### Approval, Review and Consultation

This version of the Investment Strategy Statement was approved **atby** the Clwyd Pension Fund Committee on **15 February 29 November** 2023. **#The Investment Strategy Statement** will be formally reviewed and updated at least every three years or sooner based on when it is considered appropriate to review the Fund's approach to investing the Fund's assets, including responsible investing.

## Further Information

If you require further information about anything in or related to this Investment Strategy Statement, please contact:

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Further information about the Fund can be found on its website

<https://mss.clwydpensionfund.org.uk/>

Further information about the ~~Wales Pension Partnership~~ WPP can be found on its website -

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

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[mss.clwydpensionfund.org.uk](https://mss.clwydpensionfund.org.uk)

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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.