

## WPP Annual Update – 2020/2021

Welcome to the Wales Pension Partnership ('WPP') annual update, which provides you with a snapshot of the work that the WPP has undertaken over the past twelve months. We could not have foreseen what an unique and surprising year it would be but despite the challenges presented we have been innovative and have delivered on the 2020/21 WPP Business Plan that was formulated before the implications and impacts of the COVID 19 pandemic were known.



The lockdown and travel restrictions put in place throughout the UK had the potential to seriously disrupt the WPP's activities, with the Constituent Authorities being geographically located across all corners of Wales, and our providers and advisors located throughout the UK. However, we have fully embraced technology, and this has enabled us to meet more regularly than would have been possible without the adoption of virtual meetings. The greater frequency of meetings has enhanced what were already high levels of communication amongst the Constituent Authorities and it has undeniably fostered greater levels of collaboration within the Pool. We would like to take this opportunity to thank the Constituent Authorities for the time and energy that they contribute to the pooling collaboration, as well as their positivity and flexibility over the past twelve months.

The launch of the WPP Fixed Income sub-funds was a key objective for 2020/21 and we are pleased to announce that in August and September 2020, with the assistance once again of Link Fund Solutions, Russell Investments and Hymans Robertson, we launched five Fixed Income sub-funds, the design and nature of which was driven by the needs and requirements of the Constituent Authorities. Each Authority makes use of at least one of these sub-funds - this demonstrates that we have been able to develop a range of highly compelling investment solutions for our key stakeholders. This exercise represented another key check point in our journey as it saw the WPP's % of pooled assets reach over 65% (including our passive Investments).

The investment performance of the existing sub-funds was particularly pleasing over the year, as they significantly outperformed their benchmarks, **see table below**, despite the levels of volatility that COVID 19 brought to financial markets. We are fully aware of the need to not only develop new sub-funds but to also ensure that existing ones continue to be aligned to the needs of the Constituent Authorities. As a result we have adopted a highly innovative de-carbonisation mechanism to reduce the levels of carbon risk within some of the existing sub-funds.

	WPP 12-month performance to the 31 March 2021 (Net of Fees)				
	Inception Date	AUM (£'000)	Fund %	Benchmark%	Relative%
<b>Equity sub-funds</b>					
Global Growth	6 February 2019	3,061,322	48.95	38.94	10.01
Global Opportunities	14 February 2019	2,624,491	42.21	38.94	3.27
UK Opportunities	11 October 2019	674,459	41.01	26.71	14.30
<b>Fixed Income sub-funds</b>					
UK Credit *	19 August 2020	550,986	(0.63)	(0.41)	(0.22)
Global Government Bond *	19 August 2020	526,762	(0.91)	(2.62)	1.71
Global Credit *	20 August 2020	791,481	(0.09)	(1.21)	1.12
Multi-Asset Credit Fund *	11 August 2020	714,417	5.91	2.58^	
Absolute Return Bond *	30 September 2020	456,254	2.04	1.02^	

\* Please note that the performance is since inception. ^ These represent the performance targets of the Mutil-Asset Credit and Absolute Return Bond Funds

We will be launching an Emerging Market equity sub-fund in Autumn 2021 and good progress is also being made within Private Markets.

Governance is of the utmost importance and we have continued to develop our procedures and policies, all of which can be found on our website: [Wales Pension Fund | Home \(walespensionpartnership.org\)](https://www.walespensionpartnership.org) We also undertake annual reviews of all our policies and procedures to ensure that they remain suitable and effective.

The WPP is exposed to numerous risks which have the potential to negatively impact our stakeholders, we therefore focused on formulating an extensive Risk Policy during the year which outlines how we identify, manage and monitor risks. In addition, we developed a Risk Register to monitor and manage potential risks and a dedicated Risk Sub-Group was established to maintain and evaluate the WPP's Risk Register on a quarterly basis. A Conflict of Interest Policy has also been developed during the year which outlines the procedures we have put in place to manage and mitigate the extent to which conflicts of interests can negatively impact the WPP's stakeholders.

Responsible Investment ("RI") continues to be a key priority for the Welsh Constituent Authorities. Over the past twelve months we have worked with them to draft and agree a Climate Risk Policy – this outlines our unified climate risk beliefs and what measures we have adopted to manage climate risk within the WPP Sub-Funds. In August 2020, a dedicated WPP RI Sub-Group was established in recognition of the important of this subject matter. The Sub-Group meets twice a quarter and is responsible for progressing any RI related workstreams. The RI Sub-Group has already demonstrated its effectiveness and efficiency by delivering on one of the main commitments made in both the WPP's RI and Climate Risk Policies – the development of reporting that allows the WPP to monitor and manage RI and Climate Risk risks. The Sub Group now receives detailed RI and Climate Risk monitoring reports for each of the WPP's Sub-Funds on a quarterly basis.

Voting and Engagement is another important element of managing Climate Risk and we are glad that we have been able to continue our work with Robeco in this area. Robeco engages with investee companies on behalf of the WPP on matters relating to managing ESG and climate related risks, as well as engaging on a far broader range of matters from cybersecurity to corporate governance. Robeco ensures that the WPP exercises its stewardship duties by casting votes at all investee company AGMs. As part of our work with them we have adopted a WPP Voting Policy, which can be found on the website, and have notified Robeco of our voting priorities.

We believe that innovation, training and communication is critical to our success and we are continually improving the training that we offer and the means of communication that we have in place. Despite COVID 19, we were able to fully deliver on the 2020/21 WPP Training Plan. We hosted seven virtual training events over the year, with topics varying from collaboration opportunities to decision making to voting and engagement. All our training events were well attended by the Constituent Authorities with over seventy attendees in some instances.

Our success is dependent on our ability to communicate and understand the needs of the Constituent Authorities. Virtual meetings have enhanced our levels of communication and, our annual 'Constituent Authority: Requirements and Ambitions Questionnaire' also provided us with invaluable data from the Pension Committees and Pension Boards. Our 'Consultation on RI and Climate Risk' enabled us to better understand what each Constituent Authority requires from the Pool in relation to RI and Climate Risk matters. The exercise was incredibly helpful for all parties and we will be making it an annual exercise.

We are proud of the progress that we have been able to make this year despite challenging circumstances. This year has seen a further strengthening of the relationships between the Welsh Constituent Authorities and has evidenced the benefits of collaboration. We are excited to make further progress in 2021/22 and we look forward to providing you with another update in twelve months' time. Please visit the WPP website for further developments and news announcements throughout the year.