

## **Conflicts of Interest and Procedure Policy (“Policy”)**

### **Introduction**

1. This policy sets out principles which the Joint Governance Committee (“JGC”), Officer Working Group (“OWG”), Host Authority, collectively referred to as “WPP Personnel”, alongside advisors and suppliers (“Providers”) are expected to follow for the purpose of identifying, managing and monitoring conflicts of interest in relation to their duty they carry out for the Wales Pension Partnership (“WPP”).
2. The Constituent Authorities of the WPP have always had to identify, manage and monitor conflicts of interest. The process of Local Government Pension Scheme (“LGPS”) pooling has resulted in the Wales Pension Partnership also having to deal with the existence of conflicts of interests. This simply reflects the fact that WPP Personnel and Providers will have a variety of other roles and responsibilities, for example as members of the Constituent Authority Schemes or as an adviser to more than one of the WPP’s Constituent Authorities.
3. The WPP has a fiduciary and legal duty to act in the best interest of the WPP’s stakeholders and beneficiaries, but this does not preclude WPP Personnel and Providers from having other roles or responsibilities which may result in a conflict of interest. It is important that good governance principles are followed and that a conflict of interest and procedure policy, such as this, is put in place to outline how conflicts are identified, managed and monitored,
4. WPP’s objective in preparing and implementing this policy is to be able to:
  - 4.1 demonstrate its commitment to identifying, managing and monitoring conflicts of interest.
  - 4.2 adherence to the WPP’s belief that good governance and transparency will deliver superior outcomes for WPP stakeholders.
  - 4.3 continue the WPP’s creation of a decision making and governance framework that is focussed on achieving the best outcomes for the WPP’s stakeholders.
5. The WPP has adopted a definition of conflicts of interest which includes potential, perceived and actual conflicts. The WPP understands that it may not be possible to identify, manage and monitor all potential and perceived conflicts of interest, however it will endeavour to identify, manage and monitor these conflicts were possible.
6. WPP recognises that a fail to manage conflicts of interest poses a material risks to the WPP, the consequences of which may include decisions that are not in the best interests of the WPP’s stakeholders, the WPP reputation being negatively impacted and referral to regulatory bodies. There are a number of factors that need to be monitor and managed to allow for the successful implementation of this Policy, these include:
  - 6.1 Effective communication of the responsibilities outlined in this policy.
  - 6.2 Clear identification and ownership of the roles outlined in this policy.
  - 6.3 Suitable training and understanding of the roles and responsibilities outlined in this policy.
7. This Policy is designed to provide guidance to WPP Personnel and Providers, its aims are to ensure that WPP Personnel and Providers do not act improperly. This policy has been developed by WPP in consultation with the Constituent Authorities. A list of WPP Personnel and Providers is publicly available of the WPP website.

8. This Policy is reflective of the WPP's belief that good governance and greater transparency will improve the decision-making process and deliver superior outcomes for WPP stakeholders. The WPP must endeavour to be aware of conflicts of interest and have procedures in place to manage them. This Policy outlines the procedures that WPP have adopted to do this.
9. The Host Authority will be responsible for monitoring conflicts of interest and ensuring that all WPP Personnel and Providers are aware and follow this policy. The Host Authority will collate declarations of conflict, formulate and maintain a conflict of interests register.
10. The WPP recognises that training and education is critical to achieving good outcomes and will allocate resources to ensure that it undertakes regular training and education on identifying, managing and monitoring conflicts of interest.
11. Please note that this Policy is focused solely on conflicts of interest that may arise from the work that WPP Personnel or Providers carry out on behalf of the WPP. The WPP's Constituent Authorities remain responsible for managing the conflicts of interest that WPP Personnel or Providers may encounter when carrying out work at a Constituent Authority level. Alongside meeting the requirements and expectation of this Policy, WPP Personnel and Providers should continue to adhere to any other conflict of interest management policies that they are subject to, this may include Constituent Authority or company policies and other relevant codes of conducts.
12. The WPP's Conflicts of Interest and Procedure Policy will be formally reviewed by the OWG, and updated if required, on an annual basis. However, the Policy may be reviewed or amended more frequently if the WPP needs to take account of relevant guidance or regulations. The WPP's Policy will be an annual JGC agenda item, this will ensure that the WPP provides full transparency of its conflicts of interest at least annually.

### **Definition & Interpretation**

13. The WPP, in formulating this Policy, has been guided by the basic principle of a conflicts of interest – 'a man must not put himself in a position where duty and interest conflict or where his duty to one conflicts with his duty to another unless expressly authorised' (High Court case of Re Thompson's Settlement [1986]).
14. The WPP has adopted the Public Service Pensions Act 2013's definition of a conflict of interest, which states that a conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of functions.
15. The WPP recognises that a conflict of interest may be present when WPP Personnel or a Provider has a responsibility or fiduciary duty in the operation, decision making process or management of the WPP but also has:
  - 15.1 A separate personal or corporate interest, which can be financial or non-financial in nature
  - 15.2 Another connection to the matter that may provide a possible conflict with their primary responsibility to the WPP. This interest could arise through association and may stem from a family member or colleague having an obligation or interest

### **Policy and Procedure**

16. For this Policy to work WPP Personnel and Providers have agreed that they must:
  - 16.1 acknowledge conflict of interest they may have;

- 16.2 be open with each other on any conflicts of interest they may have;
  - 16.3 adopt practical solutions; and
  - 16.4 plan ahead and agree on how they will manage any conflicts of interest which arise.
17. With these objectives in mind the WPP has adopted the following procedure to gain full transparency and allow for the detailed record-keeping of any conflicts of interest within the WPP:
- 17.1 All WPP Personnel will provide on appointment, and once each year thereafter, a declaration of interest and related parties which will then be stored and made easily available to all WPP Personnel on the WPP's documents portal. WPP Personnel will need to inform the Host Authority immediately should there be any change to the information contained in their declaration, they will also have to provide written confirmation of the changes. At the beginning of JGC meetings all JGC Members will have to formally declare their conflicts of interest. All other WPP Personnel and Providers will also have to declare any conflicts relating to any of the meeting's agenda items. The attendees of OWG meetings will have to declare whether their declarations remain unchanged since the last meeting, this will be done at the beginning of each OWG meeting.
  - 17.2 Any WPP Personnel who feels that they, or another member of the WPP community has a conflict of interest on a particular topic must advise the Monitoring Officer, so that advice can be sought. In this way the conflict of interest and the action taken can be recorded in the minutes. An entry will also be made in the WPP's conflicts of interest register.
  - 17.3 Any WPP Personnel who feels that they, or another member of the WPP community has a conflict of interest that has arisen in between meetings must advise the Host Authority at the earliest opportunity, written confirmation should also be provided. The Host Authority will inform WPP Personnel of the conflict. An entry made in the WPP's Conflicts of Interest Register will also be made.
  - 17.4 Providers to the WPP will be required to provide the Host Authority with details of their conflict management procedure or their professional code of practice. Providers will be provided with a copy of this Policy upon appointment.
  - 17.5 Providers to the WPP are required to confirm that they will disclose to the Host Authority any conflict of interest that may arise, including any related third-party engagements.
  - 17.6 Any WPP Personnel and WPP Providers may identify information which they think should not be shared outside of the WPP and advise the Host Authority, this may relate to any potentially confidential or sensitive information such as potential manager appointments, amendments to investment strategies or personal declarations of conflicts. The Host Authority will then advise WPP Personnel, seeking a decision from them on how to proceed.
18. The WPP will seek to manage conflicts of interest in a fair and balanced way. The WPP has put in place a four-stage escalation process to effectively manage any conflicts of interest that have been identified as requiring further management:
- 18.1 The WPP may request further detail on the relevant conflict of interest to ensure that its nature and potential impact is fully understood.
  - 18.2 If required, the WPP will ask the relevant Personnel or Provider to abstain or voluntarily exclude themselves on the matter over which they are conflicted.

- 18.3 If the relevant Personnel or Provider is unwilling to abstain or voluntarily exclude themselves then the WPP will ensure that the relevant Personnel or Provider is excluded from the matter over which they are conflicted.
- 18.4 If all previous endeavours fail, the WPP may ask the relevant WPP Personnel or Provider for their resignation.

The WPP's four-stage escalation process will be suitable in most instances. However, there may be situations where an element of flexibility is required, in these instances the WPP will use its discretion to ensure the swift and effective management of the relevant conflict. For example, it may be apparent from the outset, that the conflict of interest can only be managed effectively through the resignation of the relevant WPP Personnel or Provider.

### **Guidance and Legislation**

19. The WPP notes that no specific government legislation on managing the conflicts of interest that may result for the pooling of LGPS has been provided to date. However, in formulating this Policy the WPP has considered and incorporated the following guidance and regulation much of which is targeted at LGPS and Private Sector Pension Schemes but is equally applicable to LGPS pools.
20. The Public Service Pensions Act 2013 is focussed on Pension Boards, however in formulating this Policy the WPP has extrapolated the following guidance from the Act, the WPP must be;
  - 20.1 Satisfied, that on appointment, WPP Personnel do not have a conflict of interest that cannot be adequately managed and monitored.
  - 20.2 Satisfied from time to time that no WPP Personnel has a conflict of interest that cannot be adequately managed and monitored.
  - 20.3 Requiring WPP Personnel, or a soon to be appointed individual, to provide the WPP with such information as reasonably required for the WPP to be satisfied of points 20.1 and 20.2.

Please note that regulation 108 of the Local Government Pension Scheme Regulations 2013 applied the requirements of the Public Service Pensions Act to the LGPS.

21. The WPP will continue to engage with the Ministry of Housing, Communities & Local Government ("MHCLG") and Scheme Advisory Board and take account of any relevant guidance in relation to conflicts of interest and the effective management of these. The WPP will update this policy when required to ensure that it is in keeping with relevant guidance.
22. The WPP recognises that Constituent Authority elected members must give due considerations of 'The Public Services Ombudsman for Wales' Ten Guiding Principles' when carrying out their designated role. In line with Welsh National Assembly guidance, the WPP expects all WPP Personnel to be aware of the ten principles and to recognise the importance and significance of these principles when they carry out work on behalf of the WPP. The WPP has considered these principles when formulating this Policy and notes the importance of WPP Personnel adopting these principles to ensure the efficient implementation of this Policy:
  - 22.1 Selflessness
  - 22.2 Honesty
  - 22.3 Integrity and Propriety
  - 22.4 Duty to Uphold the Law

22.5 Stewardship

22.6 Objectivity in Decision-making

22.7 Equality and Respect

22.8 Openness

22.9 Accountability

22.10 Leadership

23. The Pension Regulator has provided guidance to help manage conflicts of interest in a number of codes of practice and guidance issued since April 2005, including their guidance on conflicts of interest. Section 90A.2G of the Public Service Pensions Act 2013 stated the Pension Regulator would be required to issue a code of practice relating to conflicts of interest. The Pensions Regulator produced a Conflicts of Interest Guidance document, the WPP recognises that this guidance has been formulated with regards to Pension Boards, however the general principles and guidance have been considered in the development of this code. The Regulator's Conflicts of Interest Guidance document has been issued to all WPP Personnel and is available through the WPP's online document storage facility. The codes and guidance can be found on the regulator's website - [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)
24. The Chartered Institute of Public Finance & Accounting report on Investment Pooling Governance Principles for LGPS Administering Authorities notes that the introduction of LGPS pooling will have a material impact of the roles carried out by LGPS committee members, representatives, officers and advisors. The Report highlights the need for conflict of interest policies to be updated to reflect the new conflicts that may arise from LGPS pooling. The WPP expected its Personnel to proactively notify their Constituent Authority of any new conflicts that may arise from their WPP activities. Furthermore, the WPP has considered the new conflicts that may arise from LGPS pooling in formulating this policy and has sought to enact policies and procedures that will manage these conflicts.

#### **Further Information**

25. If you require any further details on the WPP's Conflict of Interest and Procedure Policy, please contact [walespensionpartnership@cararthenshire.gov.uk](mailto:walespensionpartnership@cararthenshire.gov.uk).

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