

Clwyd Pension Fund Stewardship Report

For the year ending 31st March 2024

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") third annual Stewardship Report, covering the year 1st April 2023 to 31st March 2024.

We have long been an advocate of investing sustainably and the importance of active stewardship. As a supporter of the UK 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 we have fulfilled our stewardship obligations set out in our Investment Strategy Statement ("ISS") and Responsible Investment ("RI") Policy.

We have continued to uphold our responsible investment values and continue to act in the best interests of members by striving to improve our policies and objectives to mitigate future risks we may face. We have built on progress achieved over previous periods by seeking out opportunities to add value for our members, particularly in the Local / Impact space.

Key achievements for the Fund under the period of review are:

1. Formal adoption of an 'Exclusions Policy' in relation to our listed equity holdings.
2. Continuation of commitments to Private Market investment opportunities to achieve our target to Local/ Impact investing.
3. Ongoing monitoring and progression towards our net zero target of 2045, as well as our interim decarbonisation targets for listed equity holdings.

A key objective of ours is to invest responsibly in line with the interests of our members; this allows for members to feel confident that our investments are invested in such a way that is making a difference. Our engagement with the Wales Pension Partnership ("WPP") led to the launch of a Sustainable Active Equity Fund in 2023 for all members of the WPP to invest in and is a key example of how we are taking ownership of our responsibilities as a responsible investor. We have now fulfilled our commitment of investing a target allocation of 15% of total assets in the Sustainable Active Equity Fund.

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

We are proud of our work and stewardship activities over the period and look forward to continuing the good work over the next 12 months.

Cllr. Dan Rose

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 is part of the Local Government Pension Scheme (“LGPS”). Its purpose is to provide death and retirement benefits for around c. 50,000 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 Flintshire County Council is the “administering authority” or “scheme manager” responsible for managing the Fund on behalf of all our stakeholders. The key decision making, and management of the Fund has been delegated by the Council to a formal Pension Fund Committee (with employer and scheme member representatives) supported by a Pensions Advisory Panel. The detailed structure and delegations of authority within our fund are set out later in section 2.14 of this report. Much of our culture is influenced by the wide representation on our Committee, Local Pension Board and Officers managing the Fund.

1.3 The Fund is part of the WPP an asset pool which serves all eight LGPS funds in Wales. Over time we anticipate the majority, if not all, of our assets will transition into the pool, enabling the Fund to benefit from cost efficiencies through economies of scale. As such, the WPP is a very important partner for us.

1.4 Our overarching objective is to ensure we can pay all member benefits as they fall due. We aim to achieve investment returns higher than the rate built into the valuation of our liabilities by the Fund Actuary to ensure this is the case, as well as helping to keep employer contributions affordable. We also ensure we strike the right 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.

The Mission Statement has been developed to guide the management of all aspects of the Fund, including how assets are invested.

1.6 Our aims for the governance of the Fund are to:

- Act in our members’ and employers’ best interests

- 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

These aims apply to all aspects of managing the Fund, including investments and Stewardship.

1.7 Our RI beliefs are set out in our Investment Strategy Statement (ISS). We have determined a set of beliefs within the ISS, to guide our 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 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.

1.8 We recognise the importance of the Fund's role as a steward of capital, and the need to ensure the highest standards of governance and promote corporate responsibility in the underlying companies in which we invest. We believe that this ultimately protects the financial interests of the Fund and our members. We are committed to actively exercising the ownership rights attached to our investments. This reflects our conviction that responsible asset owners should maintain oversight of the companies in which they invest and recognises that companies' activities impact not only their customers and clients, but more broadly their employees, other stakeholders and wider society.

Our culture is of dedication, collaboration and ensuring members are considered when making any 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. Our communication strategy aims to ensure stakeholders receive relevant and focused communications and understand the benefits of the scheme. Our communications strategy also considers the different needs across stakeholder groups, to reflect the diversity of our stakeholders.

In 2019, the Fund undertook a full review of its 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. We now review the RI policy in conjunction with any updates to the ISS to ensure that the policies remain appropriate and reflect the latest views of the Fund and leading market guidance such as the 'The Institutional Investors Group on Climate Change (IIGCC)' where appropriate.

Investment Strategy Statement (ISS)

In 2023, we reviewed our overall investment strategy, following the results of the triennial investment strategy review. As a result, our Local/Impact allocation was assessed by the Officers, and it was agreed that the strategic allocation would be increased from 6% to 8%. The increased allocation is in line with our RI beliefs and is further evidence of our commitment to make positive environmental, social and governance ("ESG") changes where possible on behalf of our stakeholders. The ISS was agreed by the Committee at the March 2024 meeting.

At the August 2023 Committee meeting, we agreed a formal 'Exclusions Policy' in relation to the listed equity holdings following detailed discussion which included going through the steps of the 'Exclusions Policy'. The final ISS, incorporating the 'Exclusions Policy', was agreed by Committee and the Employers. For reference, the Exclusions Policy has been provided in section 7.4, to demonstrate the Fund's continuous development on responsible investment.

At the end of February 2024 the 110% funding level trigger was breached, this resulted in the Committee agreeing to de-risk the investment strategy by reducing the Fund's target equity exposure from 45% to 35% of total Fund assets. Further details can be found in section 4.9.

1.9 Our existing policy supports our specific RI aims along with the funding and investments specific objectives which are as follows:

- Ensure that our future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability;
- Ensure that our 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 our effectiveness in implementing these.

We are committed to transitioning to a low carbon economy and has therefore set a target of achieving net zero by 2045 or sooner.

1.10 Our objectives are set out in its 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 an agreed 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 making 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 We are committed to reporting against the UK Stewardship Code. As a member of the WPP, we expect 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). WPP are currently a signatory to the FRC 2020 UK Stewardship Code.

1.13 As part of the Government's investment reform, we have 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 is the responsibility of WPP. We are committed to pooling our investments with WPP, and acknowledge that this presents challenges, and also significant opportunities to enhance our approach to RI. We have proactively engaged with WPP in developing WPP's RI policy and objectives and are confident that they will enable us to implement our 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 Our approach, 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 2023/2024 and beyond.

- The estimated funding level of the Fund as at 31st March 2024 was c.109%, an improvement from c.91% as at 31st March 2019.
- The Fund has an allocation to Local / Impact strategies within the Private Markets' portfolio, which returned 6.4% and 22.4% 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 forty-nine (49) 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 administer the payment of scheme benefits. In carrying out these duties, we comply with the requirements of the Local Government Pension Scheme (LGPS) Regulations 2013, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and the Public Service Pensions Act 2013 and various other legislative requirements.

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 Council’s governance framework comprises an underlying set of legislative requirements, good practice principles and management processes, which support 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. This 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 also produces its own AGS, both of which review the effectiveness of the control environment.

2.6 Our Governance Policy sets out our governance aims and objectives, and governance arrangements, including our governance structure and operational procedures for the delegation of responsibilities.

2.7 The Council delegates decision-making 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 Committee has responsibility for all Fund matters including governance, investment and funding strategies, accounting, employer and scheme member engagement, communications, and administration. The Committee sets the policies for the Fund and is responsible for them. Fund officers and the Advisory Panel, to whom the Committee delegates the day-to-day running of the Fund, implement the policies set by the Committee. The Head of Clwyd Pension Fund has 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 In addition, as required by legislation, we have a Local Pension Board (the Board) to assist the Fund in meeting its statutory and regulatory requirements while ensuring efficient and effective governance and administration. The Board comprises two member representatives, two scheme employer representatives (who are from employers other than Flintshire County Council as administering authority) and an independent chair. The Chair of the Board writes a report every year which is published within our Annual Report and Accounts, and we are proud of the collaborative relationship between the Board and Committee which we believe serves our stakeholders very well, including in relation to Stewardship. As an example, when we were asked to comment on the Stewardship themes by WPP's voting and engagement Provider (Robeco) during the year, we ensured that the Board's views were considered as well as those of the Committee. This reflects both the importance we place on stewardship and our goal of ensuring the views of all our stakeholders are appropriately represented.

2.10 We report in detail on how the Fund adheres to the legislative requirements in relation to governance every year in our Annual Report. We aim to go above and beyond the legislative requirements and ensure that we follow best practice, including the Pensions Regulator's guidance. During the year we developed additional Fund-specific policies such as our Equality, Diversity and Inclusion policy, Business Continuity policy and Cyber strategy. We also publish the Fund's governance policies, which are available on the Fund's website at the following link: [Clwyd Pension Fund Policies](#).

2.11 An example of this governance structure and policies in action is the Fund's investment into the Q- Energy Fund V, further details found in 7.11. Mercer, our investment advisors, provided a recommendation to investment into the Q-Energy Fund V based on our investment needs. This recommendation was then taken by the officers to the Head of Clwyd Pension Fund and the Section 151 Officer who have final approval and delegated responsibility. This ensures that all necessary due diligence has been completed and that the investment remains in the best interest of our aims.

2.12 To support decision-making the Fund has a Knowledge and Skills Policy that applies to all Pension Fund Committee members, Pension Board members and senior officers.

Significant resource is allocated to training and it is delivered in different formats, such as virtual, hybrid or in person, through several avenues including:

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

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 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 to help shape future training plans.

2.13 The Fund officers have undertaken various training sessions throughout the year to 31 March 2024, to not only maintain their knowledge of the local government pension scheme sector, but to also improve it. The table below provides examples of the training sessions that have been attended by at least one of the Fund's officers, committee and board that has aided them in the stewardship of the Fund:

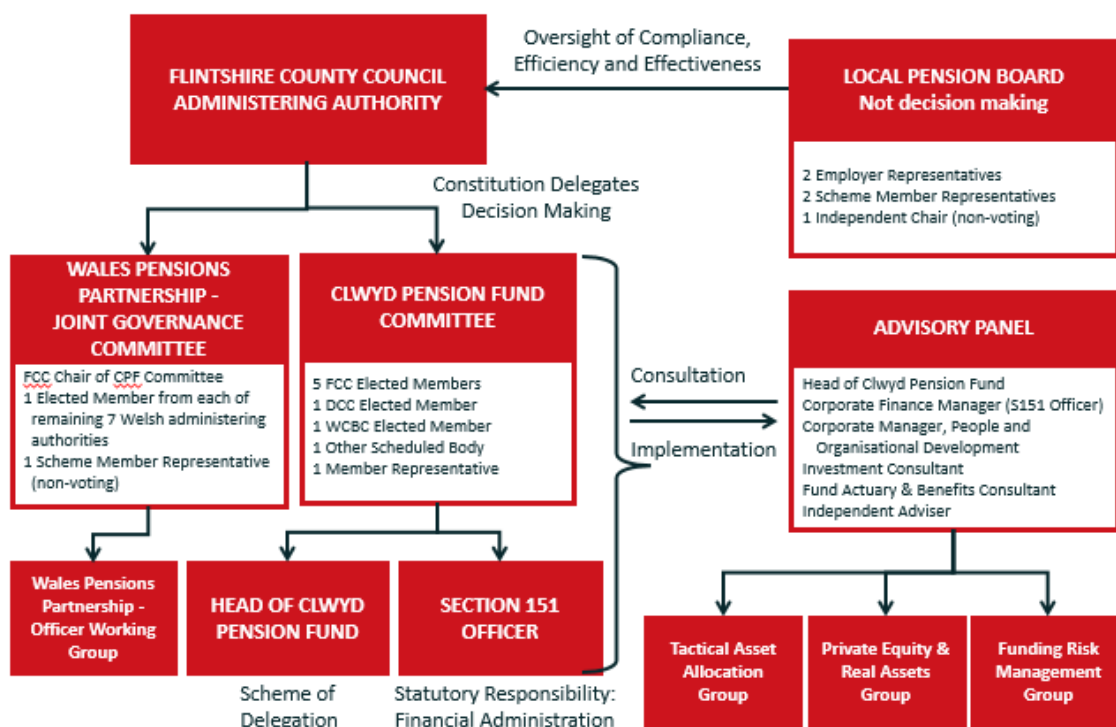
Training Date	Description of Training	Key Themes Discussed
26 th April 2023	Clwyd Pension Fund: Training on Governance of Investments	• Officer led overview of CPF historical funding position, investment strategy and governance structure. • Adviser led training on role of committee relating to investment decision making • Consultant led training and discussion on responsible investment and divestment ambitions
2 nd May 2023	CPF Divestment Framework	• Consultant led divestment framework review (listed equities). Including objectives, investment

		analysis, funding implications, carbon metric implications, implementation considerations and proposed update to ISS.
3rd May 2023	CPF Tactical Asset Allocation and Responsible Investment	• Consultant led update and discussion on proposed options for divestment policy • Officer led overview of CPF funding and investment objectives, investment decision making process, and TAA. • Consultant led training on tactical asset allocation, performance and net zero carbon transition.
8th June 2023	WPP Q1: Private Markets and levelling up/development opportunities	• Product Knowledge ▪ Private Market Asset Classes – Private Equity / Property ▪ Levelling up / development opportunities
26th June 2023	PLSA Local Authority Conference	• Conference themes: ▪ The investment outlook for schemes following recent market turmoil and amid the continued threat of recession ▪ How the LGPS can ensure operational sustainability when schemes are continually pushed to do more with less ▪ How schemes can communicate with employers and

		savers during the cost-of-living crisis ▪ And what's next on ESG, pensions dashboards and the levelling up debate.
11th July 2023	Scheme Advisory Board: the Board's Code of Transparency	• SAB Code of transparency
7th September 2023	LGC Investments and Pensions Summit	• Covering the critical issues and challenges facing the LGPS, including various investment matters, sustainability, cashflows, diversity and inclusion
13th December 2023	WPP Q3: Reporting	• Investment Performance Reporting and TCFD Reporting
28th February 2024	Investment Matters and Training Plan	• Discussion/debate on findings, options and recommendations of the Investment Strategy Review. • Discussion on training needs and format of future reporting.
28th February 2024	CPF Equality, Diversity and Inclusion	• Equality, Diversity and Inclusion in CPF and the wider LGPS
5th March 2024	WPP Q4: Market Understanding & Regulatory Requirements	• Market Understanding & Regulatory Requirements ▪ Progress of other LGPS pools & Collaboration Opportunities ▪ Pooling Guidance

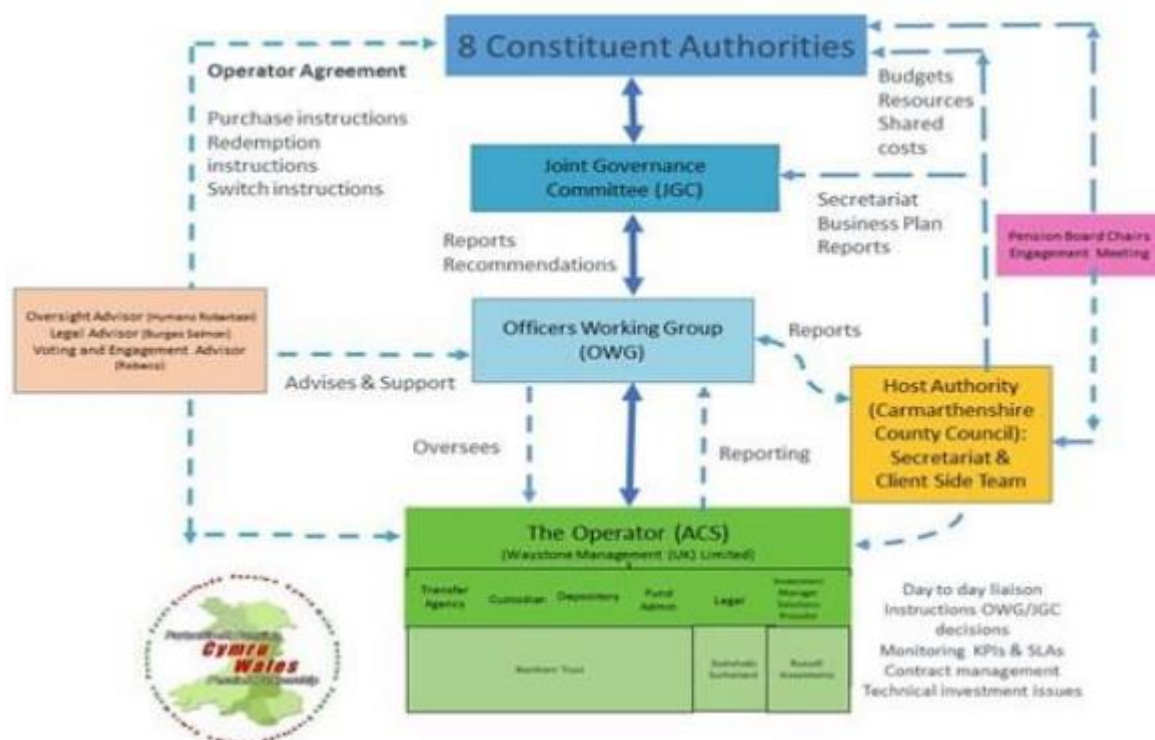
14th March 2024	LGC Investment Seminar 2024	• Session highlights include: ▪ Economic market scene-setter discussing the latest trends and future outlook ▪ Run up to the Valuation 2025 - providing the latest thinking ▪ Workshops focusing on innovation in investment with returns ▪ Examining the fiduciary duty – is it the cornerstone of the LGPS or something to hide behind ▪ Being bold and leading the way – how the LGPS is more than just a pension scheme ▪ Discussing the next steps on investments (and the pooling consultation) ▪ Considering how we can boost investment in the UK • Looking ahead to the future. What the political landscape tells us
20th March 2024	TPR General Code	• Adviser led training on the Regulator's new general code of practice, covering all sections of the Code and next steps for the Fund.

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



2.15 Wales Pension Partnership (WPP)

The 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
- Burgess Salmons: legal advisor to the WPP
- Robeco: voting and engagement provider
- Waystone: Operator of the pool
- Northern Trust: Custodian, Depository, Transfer Agency & Fund Administration
- Bfinance: Allocator Advisor

Source: WPP walespensionpartnership.org

2.16 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 28 years' experience with the Clwyd Pension Fund
- **Debbie Fielder** Deputy Head of the Clwyd Pension Fund (since retired): Has over 24 years' experience with the Clwyd Pension Fund
- **Ieuan Hughes** Graduate Trainee Investment Officer: Has over 5 years' experience and is currently studying for the Investment Management Certificate (IMC) to enhance his skills
- **Dave Bateman** Pension Fund Accountant: C.I.M.A. Qualified Accountant with 1 years' experience with the Clwyd Pension Fund, and 27 years prior experience in local authorities Finance departments.

In anticipation of the retirement of the Deputy Head of the Fund, we hired Ieuan Hughes into the team in 2019 and he has been trained up in all areas to help support the historical knowledge and skills within the Fund and ensuring continuity going forward. Over the last 12 months he has taken on more additional investment responsibilities having demonstrated his ability to successfully support the Fund in its investment operations. The appointment has helped maintain the local investment knowledge required to collaborate and challenge the WPP whilst supporting the Fund's extensive Private Market portfolio which has a strong focus on Local/Impact investing. These assets have been key in making strong local impacts to the community as demonstrated through our latest analysis with 'The Good Economy', we note the key highlights of these investments within section (6.11).

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. 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 on a basic salary and benefits structure without performance related pay. They 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 subgroup 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.

2.17 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 fiduciary and public law duties to the Fund's scheme members and employers, which is similar to the responsibilities of trustees in the private sector.

The Committee may 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 Scheme Manager's responsibilities. The Fund also has a Conflicts of Interest policy which is reviewed regularly.

The Pension Fund Committee meets five times a year, 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, including in relation to investment and stewardship and how they are delivered.

2.18 Section 151 Officer: Corporate Finance Manager

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.

2.19 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 any matters delegated to it by the Pension Fund Committee. Its membership consists of:

- Corporate Manager: People and Organisational Development
- The Chief Finance Officer of Flintshire County Council
- The Head of Clwyd Pension Fund
- Investment Consultant, Mercer
- Fund Actuary, Mercer
- Independent Advisor, Aon

2.20 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 an Inter Authority Agreement to pool pension fund assets. A key part of how the pool operates is through 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](#).

Over the reporting period, the Joint Governance Committee ("JGC") carried out a procurement for the Scheme Operator appointment. This involved the issuance of an "Invitation to Tender" which prescribed qualitative and price-based questions for the bidders to respond to. A detailed evaluation process took place involving representatives from the eight constituent authorities and Hymans Robertson (WPP's oversight adviser). Following the process, it was agreed by the JGC to re-appoint Waystone for the Operator role.

The JGC has 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 (“OWG”)

Our representative on the JGC is the Chair of the Pension Fund Committee. In his or her absence, the Vice Chair acts as the Deputy.

The JGC meets at least four times each year and is composed of one elected member from each Administering Authority 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 JGC is entitled to a vote and all members have equal voting rights.

Carmarthenshire County Council acts as Host Council for the pool, which means it is responsible for areas such as the following:

- 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

2.21 Wales Pension Partnership Officer Working Group (“OWG”)

The WPP Officer Working Group (“OWG”) supports and advises the JGC as requested by them as well as 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 OWG. In relation to Clwyd Pension Fund, the Pension Fund Committee determines which of our officers sit on the OWG. Each authority's Section 151 Officer and Monitoring Officer are entitled to attend the OWG.

The full list of responsibilities and procedures relating to the JGC, OWG and Host Council are included in the Inter Authority Agreement.

2.22 Pension Board

As required by legislation, we have 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
- 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 that 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 employee or elected member of an employer participating in the LGPS or as an advisor to more than one LGPS administering authority. Additionally, any of those persons may have an individual personal, business, or other interests, which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

3.2 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 does not mean those involved in the management of the Fund cannot have other roles or responsibilities, which may result in an actual or potential conflict of interest, so it is good practice to document how any such conflicts or potential conflicts are to be managed.

3.3 The Fund recognises the potential for conflicts to arise and has produced a Conflicts of Interest Policy, despite it not being a legal requirement. Our 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 and aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It reflects our commitment to best practice governance, encouraging transparency and minimising the risk of any prejudiced decision making or management of the Fund. It is also reviewed regularly to ensure it remains up to date as circumstances evolve.

3.4 Our Conflicts of Interest Policy applies to all members of the Pension Fund Committee and the Pension Board, including scheme member and employer representatives. 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 Clwyd Pension Fund also monitors potential conflicts for all officers involved in the daily management of the Pension Fund and highlights 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
clwydpensionfund.org.uk/en/Governance/Strategies-and-Policies/home.aspx

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

3.9 Our Policy includes procedures (set out below) which must be followed by all individuals to whom the policy applies. However, all members of the Pension Fund Committee (including co-opted members) have an overriding 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. 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 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 management of potential or actual conflicts of interest	At the commencement of any Pension Fund Committee, Pension Board or other formal meeting where pension fund 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 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 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 our 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. We acknowledge that good stewardship involves good risk management, and the Fund has a Risk Management Policy and Risk Register, both of which have been recently updated.

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 now reviewed monthly, with key risks being considered on a regular basis at the Committee and Advisory Panel meetings.

4.6 To enable us to manage risk and achieve our objectives, the Fund aims to comply with:

- The CIPFA Managing Risk publication.
- The managing risk elements in the CIPFA Investment Pooling Governance Principles guidance.
- The managing risk elements of the Pensions Act 2004 and the Pensions Regulator's General Code of Practice (and other relevant guidance).

4.7 Committee to 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, 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 Our 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, we seek 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, we set up the Cash & Risk Management Framework. This framework includes:

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

Following the 2023 strategy review, the framework was renamed to the Risk Management Framework (“RMF”) following the development of a separate strategic position for cash and liquidity, to support member benefit payments and Private Market investment drawdowns.

Funding Level Monitoring

Prior to March 2024, the Fund had a 110% funding level trigger in place, with the approximate funding level of the Fund monitored daily by Mercer 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 would be followed (as outlined in the “Delegation of Functions to officers by the Pension Fund Committee”) to formally confirm whether the trigger had been met and recommend to Committee whether any changes to the strategy were required.

At the end of February 2024 the 110% funding level trigger was breached, which prompted discussions between the Funding and Risk Management Group to formally confirm the trigger breach. This was presented to and ratified by the Committee at the March 2024 Committee meeting. On the basis of pre-agreed actions outlined in the Delegation of Functions to Officers by the Pension Fund Committee document, the Committee agreed to de-risk the investment strategy by reducing the Fund’s target equity exposure from 45% to 35% of total Fund assets.

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

In March 2014, we 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 to take account of changes to market conditions.

Following the 2022 gilts crisis, regulation has been introduced meaning that interest rate and inflation hedging has become more capital intensive. In light of this and in view of wider Fund liquidity requirements, the market trigger framework is currently paused. As at 31 March 2024, the Fund targets interest rate and inflation exposure of c29% and c19% of Fund assets respectively.

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

We 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.

We 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 our strategic allocation to equity. This was removed over 2024 on hitting the 110% funding level trigger.

Currency hedging strategy

In August 2019, we implemented a currency hedging strategy to reduce the risk of a strengthening pound reducing the return on our physical overseas equity holdings, following the continued weakening of sterling to date. As holders of overseas assets, we have 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 at this point.

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.

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

The regulation introduced following the 2022 gilts crisis strengthened collateral requirements, and at 31st March 2024 all of the Fund's collateral is now held within the Insight portfolio as cash and gilts. We assess the collateral within the Insight portfolio on a monthly basis and deploy excess collateral to meet liquidity and cashflow needs as needed. Excess collateral can be moved to the strategic liquidity allocation and invested in higher yielding funds to generate additional returns.

4.10 As a Fund we acknowledge that climate change presents a systemic financial risk that must be addressed, and for several years now our RI policy has been a key focus. Our policy sets 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 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, we continue 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, we expect 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 We have continued to engage throughout the last financial year with local authority colleagues, regulators, and industry bodies as part of our wider commitment to improving the functioning of financial markets, including continuing our ongoing membership of the LAPFF and the Pensions and Lifetime Savings Association (PLSA). We engage with all of our directly appointed 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 We have actively engaged and participated in initiatives with the LAPFF through its membership. We were the second member to join the LAPFF in Wales, becoming a member in the early 'noughties.

4.15 We have continued to be actively involved in and have fulfilled our committed to investing in the new WPP Sustainable Active Equity Fund in June 2023. 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 in WPP. Further information can be found in Principle 10.1.

4.16 We do 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 us 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 our capital to. Throughout the year to 31st March 2024, we undertook Private Market manager selection meetings with the help of Mercer, with a focus on Local/ Impact investing. We expect Mercer to provide sustainable and low carbon options for our investments through its Tactical Asset Allocation ("TAA") where possible, this is evidenced by Mercer's recommendation to Switch the LGIM North American Equity Index Fund to the LGIM Future World North American Equity Index Fund – GBP Currency Hedged. 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 our officers, Committee, Advisory Panel and in some situations, by the Pension Board. These reviews support our stewardship activities. The ISS and Funding Strategy Statement (FSS) are formally approved by the Pensions Committee, and are reviewed at least every three years, to align with the Fund’s triennial actuarial valuation. However, both have been reviewed more frequently in recent years, reflecting our commitment to ensuring our policies remain appropriate and evolve as circumstance change. 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 being drafted. For example, Mercer/Fund officers to add as they see fit. Our 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 Fund officers regularly review information 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 We are committed to reviewing the Fund’s compliance against the latest Financial Reporting Council (FRC) Stewardship Code and we expect 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 There are several ways in which we seek assurance 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 2023 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.
- Our officers carry out an annual review against the Pension Regulator’s General Code of Practice, to identify areas of compliance and non-compliance.
- The Fund regularly commissions an effectiveness review asking Committee/Board members for 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 our stewardship processes.

- When contracts are due for renewal, we follow the stringent procurement policies of the 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.
- Our policies and strategies generally 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 Subgroup 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 taxpayers if investment returns are not sufficient to ultimately meet the payment of future pensions.

6.2 We do not ask for members views with regards to stewardship, however when setting or reviewing policies we consult 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.

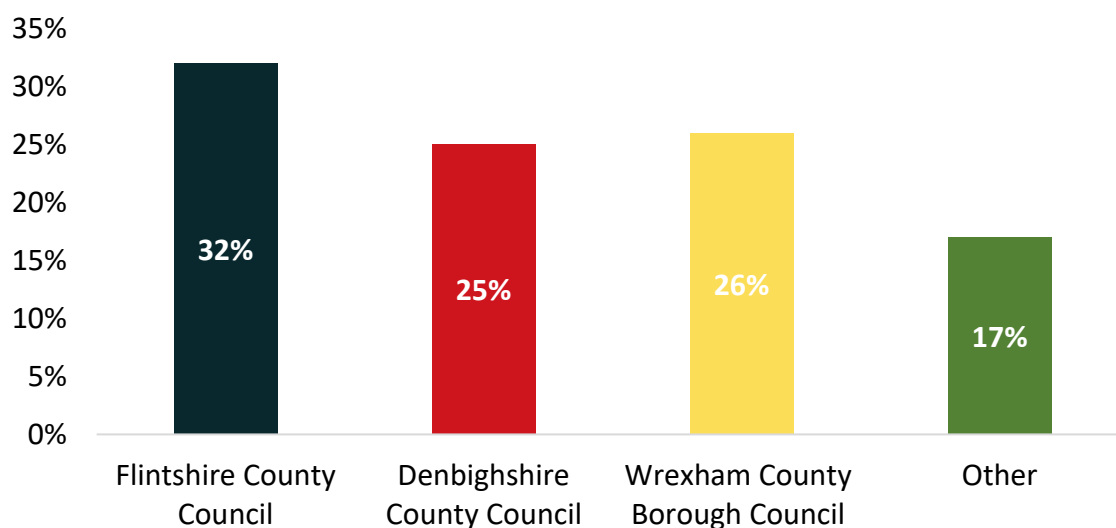
The Fund and its officers have always strived to consider responsible investment but note that responsible investment pursuits would not be taken if there was an expectation that it could conflict with the Fund’s fiduciary responsibility.

Through the Fund’s Impact portfolio, we have 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 +6.4% and +22.4% over the 1- and 3-year periods to 31st March 2024, respectively. 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 7.12.

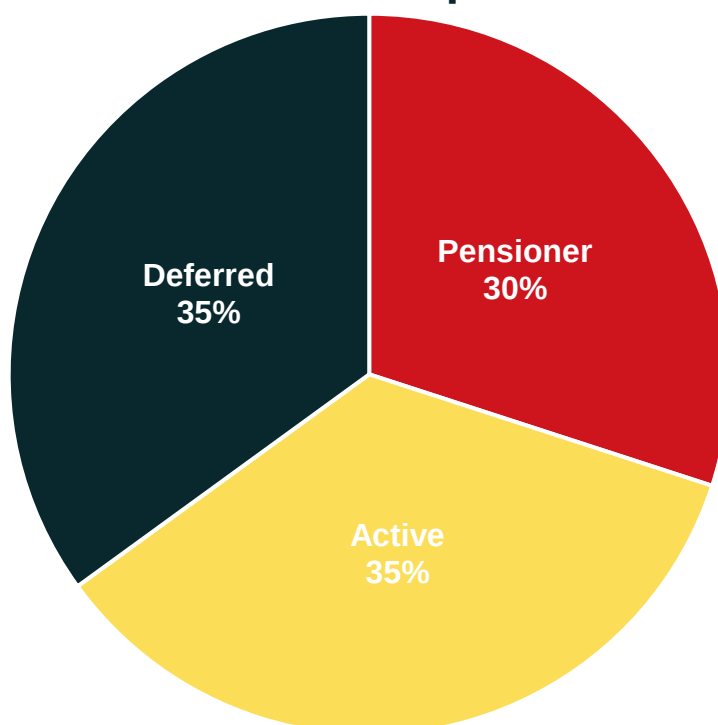
6.3 Whilst most members will be local authority employees (and ex-employees), other employers can also join the scheme where they are providing services in place of (or alongside) local authority services, such as contractors, housing associations and charities.

6.4 As at the 31st March 2022 valuation, there were c. 50,000 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 31st March 2024, based on the data provided for the actuarial valuation as at 31st March 2022.

6.5 The Fund's strategic allocation along with invested assets as at 31st March 2024 is set out below:

Asset Class	31 st March 2024 (£m)	31 st March 2024 (%)	Strategic Allocation (%)
Global Equity ¹	344.5	13.9	15.0
Hedge Funds	121.1	4.9	0.0
Tactical Allocation Portfolio	283.3	11.4	11.0
Multi-Asset Credit	251.5	10.2	12.0
Risk Management Framework	653.2	26.4	28.0
Strategic Cash and Liquidity	125.1	5.1	5.0
Real Estate (Private Markets)	113.6	4.6	4.0
Local/ Impact (Private Markets)	142.8	5.8	8.0
Timber/ Agriculture (Private Markets)	9.5	0.4	0.0
Private Equity (Private Markets)	219.7	8.9	8.0
Infrastructure (Private Markets)	148.3	6.0	6.0
Private Debt (Private Markets)	62.6	2.5	3.0
Total Clwyd Pension Fund	2,475.2	100.0	100.0

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

¹Includes 15% target allocation to Sustainable Active Equity. More information on section 6.8.

* Totals include both WPP pooled assets and non-pooled assets, see next table for splits on pooled vs non-pooled assets.

6.6 WPP vs Non-WPP Funds:

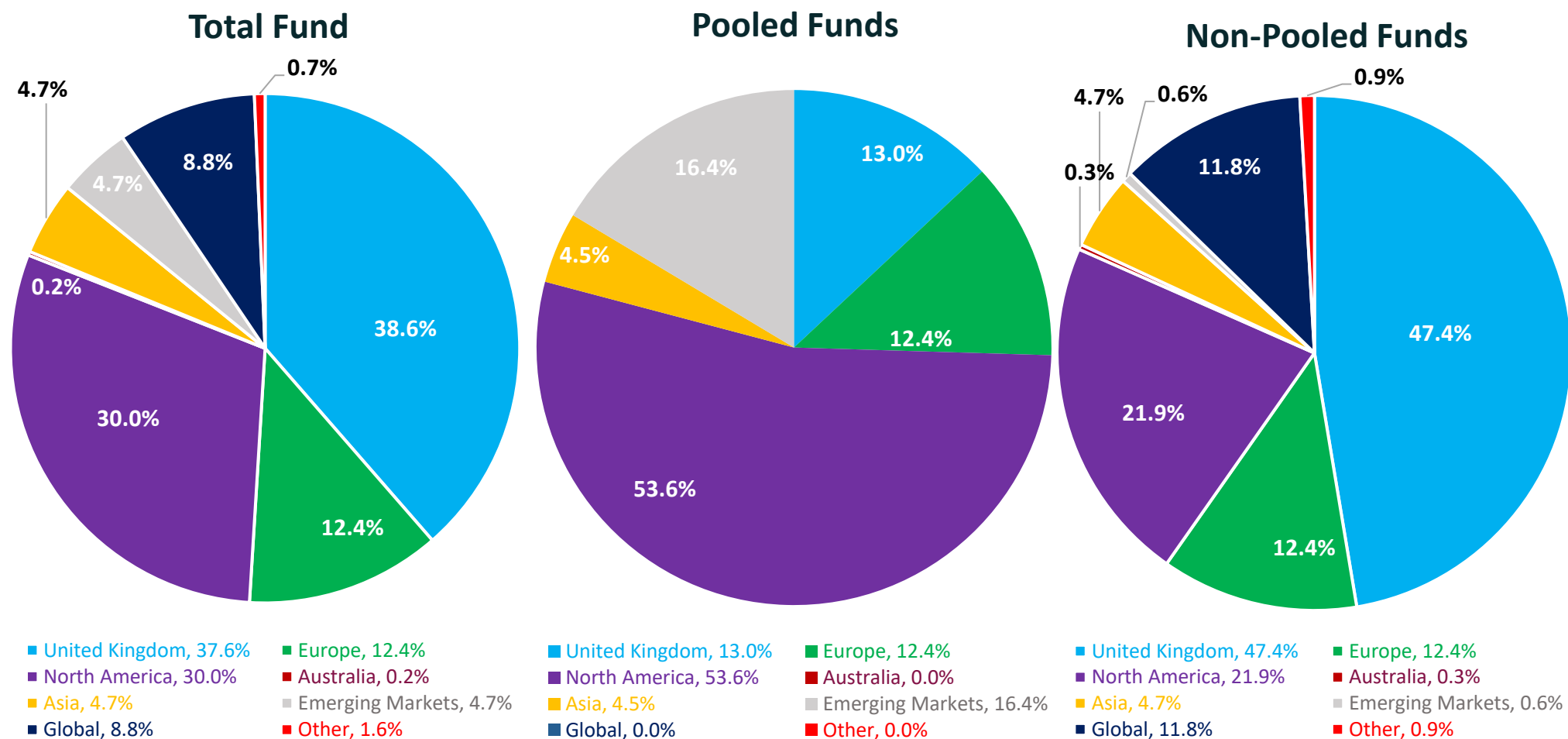
Pooled Assets	31 st March 2024 (£m)	Weight (%)	Strategic Weight (%)
Global Equity ¹	344.5	13.9	15.0
Multi-Asset Credit	251.5	10.2	12.0
WPP Private Equity (Private Markets)	16.5	0.7	8.0**
WPP Infrastructure (Private Markets)	15.4	0.6	6.0**
WPP Private Debt (Private Markets)	4.7	0.2	3.0**
Total WPP Assets	632.7	25.6	44.0
Non-pooled Assets			
Hedge Funds	121.1	4.9	0.0
Tactical Allocation Portfolio	283.3	11.4	11.0
Real Estate (Private Markets)	113.6	4.6	4.0
Local/ Impact (Private Markets)	142.8	5.8	8.0
Timber/ Agriculture (Private Markets)	9.5	0.4	0.0
Private Equity (Private Markets)	203.2	8.2	8.0 ²
Infrastructure (Private Markets)	132.8	5.4	6.0 ²
Private Debt (Private Markets)	57.9	2.3	3.0 ²
Risk Management Framework	653.2	26.4	28.0
Strategic Cash and Liquidity	125.1	5.1	5.0
Total Non-WPP Assets	1,842.5	74.4	73.0
Total Assets	2,475.2	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.

¹ Includes 15% target allocation to Sustainable Active Equity. More information on section 6.8.² target allocation includes pooled and non-pooled assets

6.7 Geographic Splits



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 2024.

The above charts demonstrate the geographic splits of the current assets under management for Clwyd Pension Fund as at 31st March 2024.

The Fund's current assets invested via the WPP was c. 26%, leaving c. 74% of assets invested outside the pool.

Private Markets

6.8 We have always been committed to making responsible decisions and acting in a responsible manner. In 2012, we engaged with managers on matters pertaining to ESG by sending out surveys to all the Private Market managers on such matters. In 2017, we had a sustainability policy in place, which was well before any formal requirement for such. At the time we supported investments with strong sustainability / impact focus and increased its allocation to infrastructure from 4% to 8%, with a clean energy emphasis. We 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).

6.9 We currently have an 8% target allocation to Local/Impact investments in our Private Markets portfolio. 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, we 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 1st April 2023 to 31st March 2024:

Private Market Manager	Fund Name	Capital Committed (£m)
Q-Energy Private Equity	Q-Energy Fund V	~10
Ambienta	Ambienta Sustainable Credit Opportunities	~10
Bridges Fund Management	Bridges Property Alternatives Fund VI	10
Mercer	Mercer Private Investment Partners VII – Global Impact	40

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.

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

6.10 Before making Private Markets commitments, we receive 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. We take these scores into account when deciding whether or not to commit to a particular Private Markets manager.

6.11 We have engaged ‘The Good Economy’ (TGE) for a second year to assess the social impact of the Fund’s local and place based Private Market investments as at 31st March 2024. Using TGE’s Place-Based Impact Reporting Framework, TGE mapped and classified the local, regional and national contributions to inclusive economic development that the Fund’s portfolio of investments is making. This allows the Fund to communicate its social impact clearly and effectively to stakeholders of the Fund. The analysis shows our assets have been able to:

- Support 73 businesses through equity or debt financing, 20 within Wales.
- These businesses account for over 15,280 jobs, with 8% of jobs in Wales.
- Create at least 1,380 new jobs, with 11% in Welsh businesses.
- Create 2,540 homes for over 6,300 people. 26% of homes are Affordable.
- Support senior living homes for up to 338 residents.
- Provide accommodation for c. 1,700 students.
- Support 35 education facilities, including 2 Special Education Needs (“SEN”) schools.
- Create an additional 2,804 child spaces for nursery school places.
- Support 3 health facilities and 1 water and waste facility.
- Support 67 real estate projects, 36 of which are commercial real estate projects supporting employment space for an estimated 7,440 people (28% in the most deprived local authorities in the UK).
- Support 662 permanent and 109 seasonal Real Living Wage jobs.
- c. £50m committed to the development of clean energy projects in Wales.

Further information as well as further examples of how investment is supporting Wales, and the UK is detailed in full within the full report from TGE.

6.12 We take a long-term view with regard to our investment and funding strategies, given the long-term nature of the payments due to beneficiaries over multiple decades. Our 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 we inherently take a long-term view to investing in order to align our investments with our long-term liabilities.

6.13 Our 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 We were instrumental in driving the addition of a co-opted member on to the JGC to ensure that there is scheme member representation at the body carrying out engagement on behalf of the Fund.

6.15 Our Communication Strategy can be found here:

clwydpensionfund.org.uk/en/Governance/Strategies-and-Policies/home.aspx

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 We publish our Communication Strategy online, 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 Our overriding objectives in relation to communications are:

- Increasing awareness and understanding of the Scheme and provide sufficient information so stakeholders can make informed decisions.
- Communicating in a clear, concise manner.

- Ensuring 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.
- Looking 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:	In relation to employer 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. • 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.	• Increase awareness and understanding of the information required by the Fund from employers. • Encourage employers to take ownership of the data and help their 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 We communicate with our members via several methods, including, but not limited to the below, our website and Annual reports are the two main communication channels for updating members on the Funds stewardship and investment activities:

Communication Method	Description
Website	Our website Welsh or 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 www.lgpsmember.org Clwyd Pension Fund's website has to adhere to national standards regarding accessibility to the website and how the content is structured.
Member Self Service (MSS)	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.
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	We issue 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. We also send 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 our website.

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

Objective/Measure	Monitoring	Specific targets
• Increase awareness and understanding of the Scheme/Fund and how it works.	• 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.	• Surveys: 90% positive responses.
• Maintain and build positive member experiences/employer relationships	• 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.	
• Ensure we use the most appropriate means of taking into account the different needs of different stakeholders.	• Feedback through annual member- and employer-specific survey and listening groups.	

• Encourage members / employers to take ownership of their pension / information required.	• Track video and podcast usage. • Track take-up of MSS (members). • Track click throughs of all online communication. • Monitor website usage.	• 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.
• Reduce the need for face-to-face meetings and phone calls by scheme members.	• Track member calls and face to face meetings.	• Ongoing decreases.
• 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.	• 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.	• 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.
• Regularly evaluate the effectiveness of communications and shape future communications appropriately.	• Regularly reviewing communications plan and strategy based on monitoring mentioned above.	

6.21 As previously noted in section 6.15 the latest 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 latest Communications Strategy over the 2022/2023 period:

- 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 We acknowledge 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 we are 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 Our 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 our strategy as a long-term investor and have been considered as part of the 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 RI Policy will support our 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 greenhouse gas 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 we have 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 greenhouse gas 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 greenhouse gas 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.

We 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.

We recognise that to progress the Fund's decarbonisation along the 2045 pathway to net zero, engagement will be a priority within listed equities given that we now only hold one listed equity fund. We are currently reviewing our latest analysis on metrics and are looking to implement a new climate engagement target list for our top 10 contributors to carbon footprint on scope 1 and 2 emissions.

Additionally, we have begun to expand the scope of our analysis to further assets classes in Private Markets having developed a new template following the latest guidance from the IIGCC. As part of this exercise we aim to target Private Equity, Local/Impact, Infrastructure, Real Estate and Private Debt managers.

Over the period the Committee agreed an 'Exclusions Policy' in relation to its listed equity holdings. The Exclusion Policy is provided below for reference.

Exclusions Policy

We have 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%

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.

Our 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, we have established a “Minimum Objective” exclusion policy, which is aligned with the Paris Aligned Benchmark and as such is more achievable.

We recognise that in order to implement the exclusions policy it will need to work with the WPP. Given the pooled fund nature of the investments, we 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.

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 WPP. WPP currently manage the Fund’s equity and multi-asset credit strategies, as well as a proportion of the Private Market mandates, which is detailed in section 6.5 and 6.6.

WPP has partnered with Waystone (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 voting and engagement within the agreed policies. WPP are responsible for the development of appropriate funds and policies and the continued oversight of its partners.

We have worked and continue to work closely with WPP and other Funds within the pool in development and appointment of new funds.

During 2021/2022 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 was 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?

The procurement and set-up process for Private Market Allocators for the WPP was still in progress over the period from 1st April 2023 to 31st March 2024, the majority of Private Market allocators have been selected with the Fund allocating through these allocators to Private Equity, Infrastructure, Private Debt and Real Estate, however some allocations relating to Local/Impact investments are made outside of the pool. We have continued to take recommendations from our Investment Consultant, Mercer, in relation to allocations to be made to Private Market funds to ensure the Fund maintains its strategic weights. We have 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. We also worked with Mercer over the year to continue to support the process for ongoing monitoring of its Private Markets managers. We 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 we are 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 TAA 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.

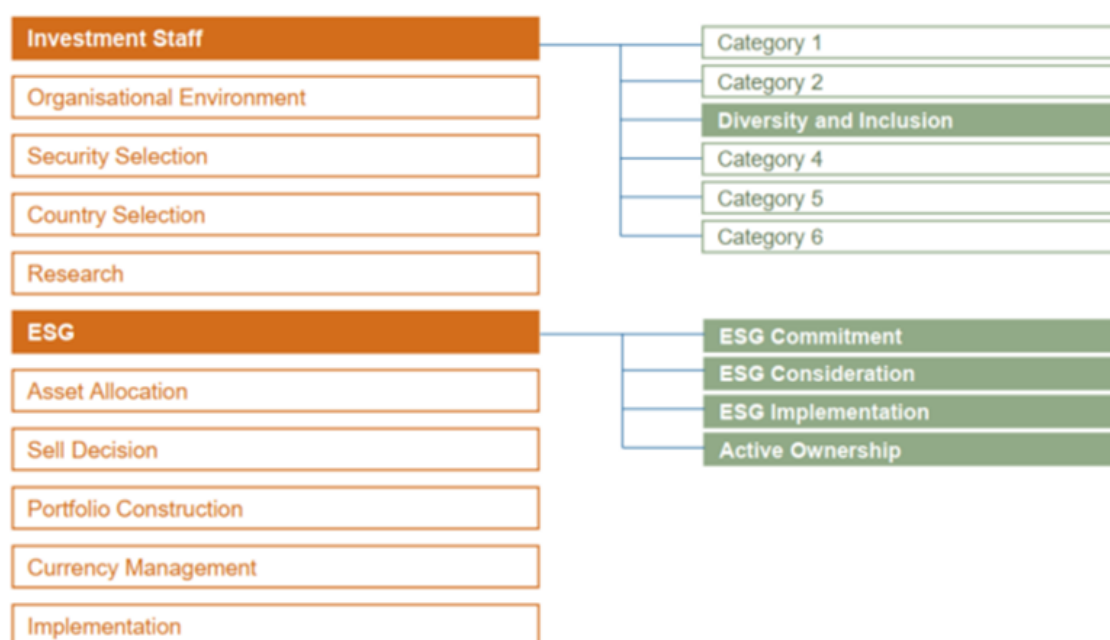
In November 2023, Mercer recommended that we switch our holdings in the LGIM North American Equity Index Fund to the LGIM Future World North American Equity Index Fund – GBP Currency Hedged. Investing in ESG focused funds supports our overall net-zero ambitions by allocating capital to companies with a greater sustainable focus. The Future World fund has improved carbon metrics, focusing on companies with sustainable practices and lower greenhouse gas emissions.

7.7 We have 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 We continue to work closely with WPP and other constituent authorities 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 we have since invested in on the 20th June 2023. We 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. As at the 31 March 2024, 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 Alongside the WPP, we 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 framework and more information can be found in [WPP's Stewardship Code](#) submission document.

Illustration of Russell evaluation framework



7.10 We are committed to pooling assets with the WPP where possible and have recently invested in WPP Private Market solutions which are now available to invest. As a result, we have made commitments to the WPP Infrastructure Fund, WPP Private Equity funds and WPP Private Debt Fund. Over the period all the WPP Private Market Funds have called capital for the first time. The following tables provide detailed information on these commitments and engagement that has been undertaken over the year.

Private Market Manager	Fund Name	Capital Committed (£m)
WPP	Private Equity Fund	£80m
Engagement Description		
One of WPP's investments is in a Private-Equity Fund that focuses on the energy transition, targeting a number of themes, including: electrification; renewables; energy storage; digitalisation. ESG considerations are integrated into the investment thesis and process. Schroders assesses both the General Partner (GP), as well as the fund itself, to identify areas of improvement, considering both current practices and setting out a post-investment plan that can be continually assessed. Schroders has identified a number of stewardship areas, which the manager will continue to report on and WPP can use to monitor progress: GP level: • Encourage the team to add impact-investment-specific ambitions in its ESG policy given the thematic nature of the Fund • Encourage the team to get more active in industry initiatives • Encourage appointment of one dedicated ESG officer		

Fund level:

- Actively engage to further standardise climate-risk assessments
- Monitor PAI and impact data quality and performance and engage where necessary
- Actively engage on Exit from an impact perspective following the Operating Principles for Impact Management

Private Market Manager	Fund Name	Capital Committed (£m)
WPP	Private Debt Fund	£50m
Engagement Description		
WPP is invested in a Private-Debt Fund focused on renewables and infrastructure to fund the energy transition and support decarbonisation, with credit generally being anticipated to be a large source of capital to fund decarbonisation globally. During pre-investment due diligence, the manager identified engagement opportunities to support portfolio companies in meeting the fund's environmental/social expectations. For example, the manager offers a measurement service in partnership with a third-party ESG consultant for portfolio companies to measure their operational carbon footprint. Given the increasing need for availability of climate data in Private Markets, this is a welcome initiative. The manager has also sought any collaborative opportunities here, partnering with another WPP manager on the Private-Equity side to help an underlying portfolio company measure its GHG emissions and record an inventory of operational carbon-footprint data.		

Private Market Manager	Fund Name	Capital Committed (£m)
WPP	Infrastructure Fund	£64m
Engagement Description		
WPP invests in an impact-investment fund, which invests in the energy transition, with the aim of mitigating climate change and avoiding carbon emissions. In keeping with the impact definition of the Global Impact Investing Network, the manager seeks to generate positive and measurable social/environmental impact alongside a financial return. A number of the fund's assets are already within Wales, with a number of companies also expected to invest in Wales, with projects covering a number of areas fundamental to the energy transition: • Electric vehicles: a UK-based charge point installer looking to expand its operations into Wales • Wind: developing onshore wind sites in Wales, helping to deliver clean green energy within and beyond Wales		

- Fossil- fuel alternatives: targeting Welsh industrial names to use green hydrogen as a chemical or energy feedstock instead of fossil fuels
- Energy distribution: an independent distribution network operator, already invested in grid connections in Wales with a material pipeline for more investment

7.11 As mentioned in principle 6.9, we have 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)
Q-Energy Private Equity	Q-Energy Fund V	~10
Description of fund Impact/ESG		
Qualitas Energy V (Q-Energy V) is a global institutional fund that invests in brownfield and greenfield solar photovoltaic (PV), concentrated solar power (CSP), wind, BESS, renewable natural gas, and hydroelectric power assets in low-risk OECD countries in Europe - Spain, Germany, the UK, Poland, and Italy - and the Americas – Chile and the United States. Q-Energy V is an Article 9 Fund under the Sustainable Finance Disclosure Regulation (SFDR) that will contribute directly to several of the UN Sustainable Development Goals: SDG 7 (affordable and clean energy), SDG 8 (decent work and economic growth), SDG 9 (industry, innovation, and infrastructure), SDG 13 (climate action), SDG 15 (life on land) and SDG 16 (peace, justice and strong institutions). Qualitas Energy is committed to integrating ESG frameworks throughout all stages of the investment process and strives to integrate sustainable principles into decision-making processes, ensuring long-term value creation.		

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.

Private Market Manager	Fund Name	Capital Committed (£m)
Ambienta	Ambienta Sustainable Credit Opportunities Fund I	~10
Description of fund Impact/ESG		
Ambienta Sustainable Credit Opportunities SCSp (AmSCO) is a first-time Fund by Ambienta that focuses on lending to European-based “Environmental Champions”. The Fund employs a heavy focus on companies expected to be the beneficiaries of long-term secular environmental trends. AmSCO looks to provide loans to European firms that sit exclusively within two key underlying themes: Resource Efficiency and Pollution Control and invests in		

firms that target contributions to environmental issues addressed by UN Sustainable Development Goals.

Ambienta's approach to ESG is centred around a core set of values and principles and is governed through four key pillars. These are a 1) board-driven approach to the responsible investment policy, 2) a robust ESG in Action program, 3) dedicated support from the in-house Sustainability and Strategy team, and 4) an internal accountability system for ESG integration. The Fund is classified as Article 9 under the EU's SFDR taxonomy regulation.

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.

Private Market Manager	Fund Name	Capital Committed (£m)
Bridges Fund Management	Bridges Property Alternatives Fund VI	10
Description of fund Impact/ESG		
Bridges Property Alternatives Fund VI (BPAF VI) is managed by Bridges Fund Management. BPAF VI looks to invest in real estate assets where a demonstratable positive social and/or environmental impact can be attained. Fund will aim to allocate at least 75% of its investments in the UK and Ireland and up to the remaining 25% across Western Europe. At a sector level, the Fund will primarily focus on needs-driven occupational sectors including healthcare, residential and low carbon last mile distribution. These needs-driven sectors include low-cost and affordable housing and healthcare and senior living accommodation. Bridges integrates impact management and ESG considerations throughout its business, through its structure, policies and practices and its investment approach. It has a dedicated Impact Management team which is deployed across its real estate and Private Equity strategies. In each of these strategies, Bridges has a strong focus on delivering impact alongside attractive financial returns. The Fund is classified as Article 9 under the EU's SFDR taxonomy regulation.		

Private Market Manager	Fund Name	Capital Committed (£m)
Mercer	Mercer PIP VII Global Impact	40
Description of fund Impact/ESG		
Mercer PIP VII Global Impact is a Fund of Funds which has the flexibility to invest across global Private Market asset classes. The Fund aims to invest in line with environmental and social impact themes including climate change, health planet, resource stewardship, basic needs and wellbeing and empowerment. The underlying Funds aim to be exposed to a well-diversified portfolio of companies and assets with strong ESG credentials. Geographically, the Fund is expected to be broadly diversified across North America and Western Europe, with a smaller allowance for Emerging Markets. While the Fund will invest in all Private Market asset classes, Mercer expects the overwhelming majority of investments to be made in Private Equity and Real Assets. The Fund follows a variety of environmental and social impact themes mapped to relevant United Nations' Sustainable Development Goals. In addition to the regular sustainability assessment measuring ESG integration, a dedicated impact assessment is undertaken to directly link investments to the relevant impact theme. The Fund is classified as Article 8 under the EU's SFDR taxonomy regulation.		

7.12 Previous to the current reporting period, we have focussed on capital commitments to a number of Private Market mandates that have an objective to make a positive impact in the local surrounding areas. The below table provides a detailed example of one such Fund within our Private Market portfolio:

Private Market Manager	Fund Name	Current NAV (£m)
Capital Dynamics	Capital Dynamics Clean Energy in Wales	£50m
Description of fund		
In summer 2022, Capital Dynamics entered a partnership with Clwyd Pension Fund to deliver clean energy infrastructure in Wales. The partnership allows Clwyd to invest directly into renewable energy opportunities and contribute to the Welsh government's commitment to net zero and energy transition targets, in alignment with the Welsh Government's National Development Framework. Clwyd approached Capital Dynamics to partner with, drawing on their relationship of over 25 years and Capital Dynamic's experience in the clean energy		

sector. £50 million has been allocated by Clwyd to invest in four to five renewable energy projects across the development spectrum, from early-stage development through to operating assets. To date, £42.7 million has been committed to three projects, of which £19.3 million has been invested.

Principle 8

Investment Approach

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

8.1 We actively monitor all underlying managers and service providers to ensure that they are delivering the services as expected. We 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 We monitor its underlying managers through regular catchups either in person or virtual and also through the WPP. The Head of the Pension Fund, Philip Latham also completes annual review meetings with all service providers including, but not limited to, our Investment Consultant and Independent Advisor. Further information is given below on how the reviews are completed.

8.3 We monitor our 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 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) we 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. We monitor adherence to the objectives annually and engage with Mercer to discuss areas that are working well, and areas of concerns. Examples of the objectives we monitor Mercer against are shown on the next page.

We monitor 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
- TAA Portfolio
- Monitoring Objective

8.5 Aon Evaluation

We regularly review the Aon (the Independent Advisor), scoring 1-5 on several objectives, 1 being substantial improvement required and 5 being consistently outperforms the required objective. We score 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 31st March 2024, the Fund's officers have engaged in some form with all managers. Investment managers include Russell, Man Group, Legal & General, Insight, Capital Dynamics, Foresight and Newcore etc. In doing so, this keeps us 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 regard to performance or the overall running of the funds.

A key example of such engagement over the year to 31st March 2024 occurred in March 2024, when officers with the support of their investment consultant, Mercer, engaged with the Fund's listed equity manager, Russell, to understand the fossil fuel exposure in line with the existing Exclusions Policy.

8.7 In 2022, in consultation with Mercer, we developed a monitoring template, which we use to monitor our Private Market managers. 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 greenhouse gas 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 31st March 2024 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. We continue to work with our Private Market managers to improve RI data collation and analysis as we look to expand target setting across further asset classes, as such we engaged with managers using our latest template to obtain data in line with guidance from the IIGCC.

8.8 WPP's selected investment managers such as Russell 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, we 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 Waystone, Northern Trust and Russell, with the host authority (Carmarthenshire) being responsible for monitoring the performance of both Waystone and Russell. The host authority produces reports that are subsequently delivered to the individual constituent authorities. The WPP OWG, receive quarterly performance updates on key performance indicators, and at the WPP OWG individual constituent authorities are given the opportunity to challenge the performance of both Waystone and Russell and provide their feedback.

8.9 Our investment solution provider appointed through the pool (Russell) report to the JGC (see diagram in 2.15) 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 the Chair of the Clwyd Pension Fund Committee, 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 We engage with the WPP and Russell on a regular basis for updates on performance, manager selection, market information and engagement activities. We also report to the Pensions Committee quarterly covering the performance of the Fund and underlying managers as well as all other aspects of the Fund including items such as responsible investment.

9.2 We believe in the benefit of engagement on a wide range of topics with companies and have delegated all voting rights to the WPP, 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. As previously noted, we are also developing a new climate engagement target list to target our top 10 contributors to carbon footprint, to enable us to engage further with underlying companies, which will help us along our decarbonisation pathway should engagement be successful.

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.

Robeco engaged with 69 companies on behalf of the WPP Sustainable Active Equity Sub-Fund over the period. The topics on which the engagement was undertaken are listed below:

- Biodiversity
- Climate Transition of Financial Institutions
- Corporate Governance
- Natural Resource Management
- Net Zero Carbon Emissions
- Responsible Executive Remuneration
- SDG Engagement
- Diversity and Inclusion
- Human Rights Due Diligence
- Modern Slavery in Supply Chains

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:	Sustainable Active Equity Sub-Fund
Theme:	Biodiversity
Company:	American Multinational Consumer Goods Company
Activity:	Follow up call on forest degradation
Summary:	

On March 15th, together with various other investors, Robeco spoke to the Company's Vice President for Paper Communications and Responsible Sourcing, Corporate Social Responsibility officer and a representative of its Corporate Secretary Office, to continue our dialogue on the Company's approach to forest degradation risks in the Canadian boreal forest, following their retraction of their No Degradation ambition in summer 2023.

The discussion built on a scientific study released earlier in 2024, which had found an accumulated degradation of the boreal forest due to the widespread logging industry, exposing the North American forestry industry to increasing physical risks including wildfires and diseases. The Company is aware of both the study and the risks, however, continues to struggle given the aggregate impact across the sector, and their limited role within it (sourcing 3% of Canadian wood pulp, which is a co-product of the wood industry). The Company was encouraged to hear that the collaborative engagement efforts extended beyond the company, with the investor group engaging various other companies and organizations in the region on the topic.

While the Company's Canadian wood sourcing aligns with best practice forestry management, with 99% of pulp originating from the discussed sourcing regions (Ontario and Quebec) being FSC certified and verified by non-profit organization Preferred by Nature, Robeco shared our concerns on the sourcing activity in the region altogether, given the sole focus on old growth trees. Tree pulp sourced from Canada comes from trees of 100 years in age or more, inherently exposing the company to the degradation of the extensive biodiversity and carbon value that has built up over this timespan in these parts of the forest.

Robeco asked the Company to develop more transparent strategies to move away from old growth trees, which are used for enhanced absorbency in their premium toiletry products. In other regions the sourced trees are a lot younger, with tree age from other locations being between 20 and 7 years. While open to the suggestion, no clear next steps nor ambitions to increase transparency on current efforts around forest degradation, as had been available prior 2022, were agreed upon.

Lastly, Robeco were pleased to see that in April 2023, the WWF's Senior Vice President heading Private Sector Engagement, joined the Company's Board of Directors. Robeco shared our

support for the new board member and were pleased to hear about their current deep dive into the company's operations, including its forestry business. Robeco will follow up with the Company once the board member shares their first insights and concerns later this year.

Outcome:

The Company is aware of the risks posed by the cumulative degradation of the Canadian boreal forest, however, remains resistant to review their sourcing mix, which while harvested in line with commercial best practice continues to rely on old growth forest for premium toilet paper characteristics. While a collaborative discussion, Robeco continue to be negative on the Company's perception of responsibility in light of their reduced commitments around forest degradation upon which this engagement was initiated, not registering any progress to date.

Source: Robeco

Fund:	Sustainable Active Equity Sub-Fund
Theme:	Corporate Governance
Sector:	Electronics
Activity:	Analysis of disclosures and conclusion of engagement
Summary:	

Robeco analysed their engagement to date with the Company. Robeco reviewed their notes since their engagement began in 2017. Robeco also reviewed the company's public reports and investor presentations for the past two financial years. Robeco evaluated the reports for evidence that the Company has acted upon our recommendations to improve the transparency and accountability of its business and financial strategy, including relevant metrics and targets.

The Company began quantifying the "Social Value" of their business in 2019, as part of an initiative to build social value in its corporate performance for long-term investors. The Company's priority is to understand how investors evaluate ESG materiality, and then incorporating that into their reporting strategy. Memory and semiconductor firms require significant capital expenditure to maintain their competitiveness. In 2018, the Company did not have any published material on their shareholder return policies. Their main communication on this topic remains via investor meetings and earnings calls. In October 2023, Robeco recommended that the Company improve its disclosures on its financial strategy and targets and strategies, as the company often does not provide any guidance for capital expenditure and capital management.

Outcome:

Robeco have been engaging with the Company to improve its corporate governance since 2017. In March 2023, Robeco compared the Company's dividend payout ratio of 37% to its peers. Robeco are satisfied with the Company's cash balances and dividend payout and closed our objective of capital management as effective.

Since 2021, the Company has been proactive in holistic reporting on how it creates and measures social value. The company also conducted a one-off survey of investors for areas to improve in reporting. Robeco were satisfied with the Company's disclosure of its business strategy in acquiring Intel's NAND business.

Robeco commended the Company's diligence in publishing audited financial statements earlier than peers, and its appointment of its first female director as positive developments in its corporate governance. Robeco close the objective of disclosure of corporate strategy as effective, and the overall engagement as effective.

Source: Robeco

Fund:	Sustainable Active Equity Sub-Fund
Theme:	Corporate Governance
Sector:	Renewable Energy - Solar
Activity:	Conference call on supplier due diligence
Summary:	

On March 1st, 2024, Robeco had a call with the Company's Head of Investor Relations, delving into the company's human rights due diligence processes, with a specific focus on supplier audits and risk assessment in conflict-affected and high-risk areas. The Company does not source materials from Xinjiang, China, as its focus is on optimizers rather than PV modules. However, with the expansion of its storage business, the company's supply chain is exposed to other conflict-affected and high-risk areas (CAHRAs) such as Democratic Republic of Congo (DRC).

The Company's approach involves conducting physical audits on-site at selected tier 1 suppliers, representing over 80% of their direct spending, once every two years. The Company emphasized that having contract manufacturers and the continuous presence of the company's own personnel on-site, with an additional layer of audits conducted by its own team, make it possible to have higher visibility into processes compared to industry peers. Although having high visibility in itself does not ensure the quality of supplier assessment, it can help in responding swiftly to potential and actual human rights impact. Robeco expressed interest in gaining further

insights into the specifics of the company's supplier audit process, as a follow up item for next dialogue.

The Company's tier 1 suppliers typically comprise of large, publicly listed multinational entities (MNCs). The Company strategically partners with such reputable MNCs as suppliers, often prominent American global firms with stringent codes of conduct, to ensure adherence to compliance standards. The Company often offers guidance to suppliers on corrective measures related to safety and workforce conditions, while severing ties is rare. It did, however, terminate a cleaning service contract due to reported human rights abuses within their workforce, as reported in its 2022 Sustainability Report. Robeco will follow up during our next dialogue on how this has come to light.

Robeco further inquired about the Company's risk assessment process, particularly for CAHRAs. As the company expands its battery storage business, cobalt sourcing presents a challenge, as over 70% of the world supply comes from the DRC. The Company explained that it uses external consultants to define 'conflict' or 'high-risk' regions. Suppliers such as Samsung, sourcing from the DRC, are considered high risk and are required by the Company to adhere to the Responsible Minerals Assurance Process (RMAP) to guarantee responsible sourcing practices. While the Company could not provide a specific percentage, it indicated that the vast majority of cobalt is sourced from suppliers listed on the RMAP. The Company is currently updating the process of supplier assessment internally. Furthermore, the Company confirmed that the list of smelters/refiners at risk of human rights violations is updated on an annual basis, including assessments on the risk level, in collaboration with third-party consultants. More comprehensive details on these efforts are expected to be outlined in the upcoming sustainability report. The Company also mentioned that it is considering conducting audits on tier 2 suppliers selectively to ensure compliance, although the timeline of a rollout is not confirmed. The Company also engages with industry peers through collaboration initiatives to exchange best practices in responsible sourcing. It is encouraging to learn that the Company is taking several steps to enhance its due diligence process. Robeco intend to follow up on progress in our next dialogue.

Robeco also asked about the expected impact of proposed EU legislation on banning products made with forced labour. The Company expects the impact to be minimal, as they assert that forced labour is not present in their supply chain. However, the Company acknowledges that such regulations may necessitate more robust internal protocols and enhanced traceability processes. The Company shared that, while the increase in costs associated with meeting regulatory requirements can be anticipated, not all its customers would appreciate the enhanced traceability and/or reflection of such costs in the pricing of its products.

Outcome:

Robeco are encouraged by some of the steps taken by the Company to further enhance the human rights due diligence process, such as the update to the supplier assessment and potential audits of tier 2 suppliers. Robeco plan to follow up on the progress of these enhancements, as

well as key timelines. For now, Robeco continue to report flat progress on all engagement objectives.

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 We continually engage with the underlying fund managers on a regular basis, via email, phone, online video or face to face meetings.

An example of such engagement over the period was the engagement with the underlying TAA managers to understand the ongoing key ESG metrics of each fund; we conduct this engagement each time we enter into a new fund within the TAA.

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

9.14 As previously mentioned, we are 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: 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 31st March 2024 are outlined in the table below:

Fund:	Man Group Hedge Fund
Theme:	Climate Change
Company:	Nippon Steel Corp
Activity:	Engagement – decarbonisation strategy
Summary:	

Nippon Steel Corp is the largest steel maker in Japan and one of the largest globally. The company has an emissions reduction target of 30% by 2030 and its decarbonisation strategy is based on hydrogen injected blast furnaces (a technology branded COURSE 50) and electric arc furnaces (EAF). Notable concerns with COURSE 50 are that coal remains a key ingredient in the process and a portion of the associated emissions reduction is reliant on carbon capture and storage. Investor preference is for EAF powered by wholly renewable energies and this is a technology beginning to be rolled out by certain global peers.

An investor group comprised of Man Group, Storebrand, Corporate Action Japan and co-ordinated by Australian Center for Corporate Responsibility (“ACCR”) engaged with the company ahead of its annual general meeting. Multiple meetings were held 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:

After months of engagement, the shareholder group welcomed the company’s announcement of enhanced climate commitments. The company constructively worked to improve the ambition in relation to building knowledge internally for its shift from a blast furnace to an electric arc furnace steelmaking process. Further, a company statement that a stable supply of green hydrogen and green power (renewable energy) is needed as a key input to achieve its target of carbon neutrality was also welcomed. In June, the Stewardship team hosted a follow-up in-person meeting with the company and the momentum of this engagement has continued into 2024.

Fund:	Man Group Hedge Fund
Theme:	Climate Change
Company:	Electronic Power Development (“J-Power”)
Activity:	Engagement – GHG emission reduction targets aligned with the Paris Agreement
Summary:	

While J-Power, Japan’s largest coal power operator and sixth largest energy utility, has publicly committed to transitioning towards carbon neutrality, evidence indicates a significant gap between its decarbonisation strategy and the goals of the Paris Agreement. The company lacks a defined phase-out schedule for domestic coal assets, an essential component for achieving a net zero pathway, which advanced economies like Japan should aim to reach by 2035, per the International Energy Agency (IEA). In 2022, a coalition arose between Man Group and the Australasian Centre for Corporate Responsibility (“ACCR”), HSBC Global Asset Management and Amundi, whom each individually held concerns in relation to J Power’s climate commitments. Subsequently, Man Group, as part of the newly formed investor group, co-filed the first institutional investor group-led climate shareholder proposals filed in Japan. The decision to file followed a series of meetings with the company and a letter exchange outlining the investor group’s expectations. During this process it became evident that the company was not prepared to meet these asks.

In 2023, for the second successive year, the coalition targeted the AGM by filing two shareholder resolutions to call on the Company to set and disclose credible short- and medium-

term emissions reduction targets, aligned with the goals of the Paris Agreement; and disclose how remuneration policies incentivise progress against emission reduction targets. In light of the significant divergence between J-Power's decarbonisation strategy and the goals set by the Paris Agreement, combined with the company's lack of substantial progress following the 2022 AGM, the investor group also signalled intent to vote against the re-election of the director principally responsible for the company's climate strategy, Representative Director (Executive Vice President) Hitoshi Kanno.

Outcome:

The shareholder resolutions received 21% and 15% support, respectively, representing a strong call by J-Power shareholders to strengthen the firm's decarbonisation strategy and for continued engagement to monitor the company's response to these matters. The level of shareholder dissent for Hitoshi Kanno was higher than the average seen on other board members.

Principle 10

Engagement

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

10.1 We participated in the development of the WPP 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. We have been actively engaging with all parties involved including WPP and Russell, 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. The outcome of our work 3 to 4 years ago has now enabled the investment opportunity for ourselves and other to invest in a sustainable equity fund, having successfully launched in June 2023 with over £1bn in AUM at the time of writing. We, along with other constituent authorities within Wales are committed to collaborating and working together to further develop investment solutions that meet our responsible objectives.

10.2 As a member of the WPP we have delegated all voting rights to WPP, who utilise Robeco as their dedicated voting and engagement provider. We also delegate our voting rights to the underlying managers of the TAA Portfolio. We regularly receive voting and engagement examples from all underlying managers of our TAA portfolio (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:	Sustainable Active Equity Sub-Fund
Theme:	Sustainable Development Goals – Human Rights
Sector	Beauty Sector
Activity:	Meeting with human rights and sourcing experts
Summary:	

On 20th February Robeco had an engagement talk at the Company's office in Paris with IR and the director of human rights. The main topic was living wages.

Human rights: The Company stated that human rights are at the forefront of its sustainability approach and that European investors in particular have a keen interest. They announced the publication of their first human rights report the very day of our talk. In the report they follow the due diligence approach of assessing salient human rights risks and how they manage them in supply chains. As the report was published shortly after our meeting, Robeco will address it in their next engagement call.

Living Wages: In 2020 the Company made a public commitment to guarantee a living wage for its own employees (88.000 worldwide) by 2030, retail staff included. The second commitment is that strategic suppliers guarantee a living wage by 2030. The living wage benchmark they use is the most evolved: the Anker methodology based on the work of former employee of the International Labour Organisation (ILO) Richard Anker and his wife Martha Anker. The Company did admit that this benchmark because of its depth is not always widely available, in that case they resort to the experts of the Fair Wage Network (FWN) to apply benchmarks such as the Wage Indicator Foundation. High risk regions for the Company in terms of living wage are Latin America, some regions in the US and Southeast Asia. The FWN threshold is now build in with HR systems, in existing HR reporting tools. In practice this means that every country has to disclose the wage gap between existing and living wage levels. Corrective Action Plans (CAPs) are then required in order to address and close that gap. In 2023 the Company was certified by FWN as global living wage employer. Robeco applaud the integration of living wage in the scorecards of their strategic suppliers (as bonus), which they consider best practice. Though Robeco welcome this work, they do want to see the Company apply this work in supply chains, beyond strategic suppliers.

Outcome:

Robeco appreciate the open dialogue with the Company on human rights. In the next conversation they plan to look into their brand-new human rights report and discuss some of the other decent work risks in supply chains.

Source: Robeco

Fund:	Sustainable Active Equity Sub-Fund
Theme:	Nature Action 100
Sector:	Multinational Retail and Wholesale Holding Company
Activity:	Conference call with independent board member
Summary:	

Robeco spoke to the Company's Chair of the Remuneration Committee, Head of Investor Relations and representatives from their sustainability department on January 18th. This collaborative dialogue with other investors was coordinated by Eumedion, an organization representing Dutch institutional investors' interests on corporate governance and sustainability. During the call we discussed their latest governance updates, climate plans and broader impact on nature.

The Company shared that their Scope 1 and 2 reduction targets for 2030 and 2050 have been validated by the Science Based Targets initiative (SBTi), while the validation of Scope 3 reduction targets is pending. The targets have been ratified to be on a 1.5 degrees trajectory. They are working with suppliers to build capacity on setting SBTi targets, and the emissions reporting based on the GHG Protocol.

On their efforts on nature-related issues, they cited their Refresh strategy which aims to bring climate and nature together and recognize their interdependencies. More details on this strategy will be announced at their Strategy Day in 2024. They are currently working on ensuring their value chain for their own brands is deforestation and conversion free and conducting analysis with tools like ENCORE to identify their impacts and dependencies on nature. We encouraged the Company to consider reporting their efforts in line with the Task Force for Nature-related Disclosures (TNFD) guidance, as other retailers such as Carrefour have committed to doing so this year. The Company is assessing the viability of reporting against the TNFD guidance and aims to achieve this soon.

In terms of reducing their exposure to animal-based proteins, The Company's food retail brands in Europe have committed to baseline their current protein ratio (animal versus plant-based) and set targets to increase the offering of plant-based proteins by the end of 2024. They recognize that the United States is not progressing at the same pace in terms of plant-based proteins, and thus they do not intend to set such a target in the United States.

During the call Robeco informed the Company about its inclusion in the NA100 list of target companies under engagement. The Company provided a written response to the investor letter sent by the end of 2023 where it was formally notified about the engagement initiative and the investor expectations attached to this engagement dialogue. The Company aims to communicate more about how it plans to conduct impact, dependency and risk assessments, review current and possible new targets, implement actions within its brands and how to

disclose the progress achieved during 2024. The Company is keen to work together with the investor group representing NA100 to further advance its work on their nature agenda, and Robeco have the first NA100 engagement scheduled for 11th April.

Outcome:

The Company recognises the strategic relevance of nature in its business and has commenced additional work to understand its business' impacts and dependencies on nature. It expects to scale up this work throughout 2024 and it remains keen to work together with investors to accelerate its efforts. Robeco keep all engagement objectives on flat progress and plan to engage with the Company in April 2024 together with the NA100 investor group to formally start this engagement dialogue with the broader initiative2.

Source: Robeco

Fund:	Sustainable Active Equity Sub-Fund
Theme:	SDG Mapping
Sector:	Multinational Consumer Goods
Activity:	In-person meeting with the Head of ESG Engagement on labour relations management
Summary:	

On 18th March 2024 a Company delegation visited Robeco's Rotterdam offices. They spoke with the Head of ESG Engagement, an ESG Engagement Specialist, the Legal COO and the Legal Director Europe. Robeco mainly discussed labour related issues and also touched upon the company's strategy for automation and their approach to their supply chain.

Robeco's discussion on labour conditions at the Company looked at three main topics: safety, wages & benefits, and career choice programs. The Company noted that the biggest gap between external scrutiny and internal performance can be found in their safety approach. Their newest safety update provided data on the decrease in recordable incident rate and lost time incident rate. They mentioned investments in new technology, job rotations and protective gear as variables contributing to this improvement. The Company has disclosed safety data since 2019 and continues to make meaningful progress. In the United States they also provide data to the Occupational Safety and Health Administration (OSHA) which compares it to industry averages. Whilst Robeco would like to see more detailed disclosures on safety data per department and location. The Company highlighted wage increases, benefits, and career choice programs as themes they are proud of, and which fits their pledge to become "Earth's best employer and earth's safest place to work". They have 10 different upskilling programs that help

their employees with skills needed for switching jobs within the company or joining another employer.

The other discussion topics related to the company's strategy for automation and their approach to their supply chain. The company's automation strategy looks at their centres individually. They have retrofitted some buildings and included new technologies to improve the efficiency of delivery, but employees remain important. They stressed that in FCs where they run at full capacity, they are unlikely to retrofit as in these cases current labour is more cost-efficient than large-scale technological investments. When asked about mitigation of supply chain risks, the company noted their public disclosures of suppliers lists that allow third party scrutiny as a checks and balances system².

Outcome:

Robeco believe the Company to be making meaningful investments and progress in the area of safety. For the following conversations, Robeco would also like to engage the Company further on the question of supply chain practices.

Source: Robeco

10.4 We apply the requirements of the Stewardship Code both through our arrangements with asset managers and through our membership with the LAPFF. As a member, we have active engagement with our underlying investments. As previously mentioned, we have been a member since the early 'noughties.

10.5 We are 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. We are pleased that WPP are a signatory of the latest Code.

10.6 We are 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 also encouraged the WPP to become an affiliate of Pensions for Purpose, to which they were successful.

During the period, Debbie Fielder, former Deputy Head of Clwyd Pension Fund (retired as at date of writing) sits on the board for Pensions for Purpose as a Non-Executive Director (NED).

10.7 We are 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 we have 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 We 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 We receive questions from members, local groups and employers about the Fund's approach to responsible investment, in particular the management of climate risk and we continue to address these appropriately as and when they are received. In previous periods, Together Creating Communities (TCC) reached out to Fund officers to discuss our approach on such issues. Also, during the previous 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 us in its carbon reduction approach. These discussions help reinforce the priority of responsible investment within our business plan and provides comfort that our approach has support from wider stakeholders.

10.10 We invite all employers and member representatives to an Annual Joint Consultative Meeting (AJCM), where we explain our investment approach (including responsible investment) and seeks views and opinions from the audience.

10.11 Over the 12 months to 31st March 2024, we have been invited to speak and participate in discussions covering items responsible investment. Some examples have been provided in the table below.

Date	Description & Speakers	Key Topics Discussed
26th June 2023	PLSA Local Authority Conference 26th June 2023	• Plenary session on the subject of 'ESG 2.0 and the role for LGPS Forward thinking panel on next steps and challenges for ESG, taking stock of milestones for funds on their net zero journey, mapping the changes in policy and regulation that may emerge – natural capital, TNF, and dealing with data and metrics.
28th September 2023	DB Strategic Investment Forum. ESG Panel	• Panel on ESG. Climate change is usually framed as a risk. But it also presents one of the greatest investment opportunities of the next two decades. We will explore the various stages of the Net Zero pathway and how asset owners can navigate

		the tipping points that will drive wealth creation.
11th October 2023	The Energy Investor Transition Forum Phil Latham	• Panel on Investment strategies for 2023 and beyond ▪ impact of inflation and rate hikes on investor sentiment and returns ▪ how climate-goals and ESG / sustainability imperatives internally impact investors' strategies when allocating funds ▪ the key considerations of institutional investors when selecting investments in the energy transition ▪ views on transition fuels given recent geopolitics ▪ defining energy transition investments vs previous infrastructure equity buckets, and the effect of pooling ▪ strategy looking forward
14th March 2024	LGC Investment Podcast (LGC Investment Seminar) Phil Latham Debbie Fielder	• Podcast on developments in the scheme including collaboration within the Wales Pool, government investment ambitions and increasing investment pressures on the LGPS.

Principle 11

Engagement

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

11.1 We expect our investment managers and WPP to take appropriate action acting on our behalf 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 ESG factors.

11.2 We expect 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 We expect 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 An example of voting escalation within the WPP Sustainable Active Equity Fund is shown below:

Fund	WPP Sustainable Active Equity Fund
Engagement Theme	Remuneration practices
Date	15 th November 2023
Objectives	Improve remuneration practices

“There has been significant scrutiny over this US technology company’s remuneration practices over recent years. While Robeco notes that practices have improved recently, including an expansion of the company’s clawback policy, this was not enough to support the Say on Pay proposal. Among Robeco’s concerns was the discretionary nature of the long-term incentive awards for certain executives. This was coupled with pay/performance alignment, and the performance-based stock-option awards for the CEO and CTO. To escalate concerns, Robeco chose to vote against the re-election of all members of the remuneration committee. The remuneration-committee elections held at least 76% support, while the Say on Pay proposal passed with 73% of the vote (up from 67% in 2022).

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 We are a long-term investor that supports and promotes high standards of stewardship. It is our 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, we have 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 us, implementation responsibilities are the responsibility of WPP.

12.3 We 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. We will work with the WPP to develop their policies in the future to ensure they remain relevant and appropriate for the us.

Delegation of voting rights to the WPP

12.4 As a member of the WPP we have 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. We expect 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 Robeco's **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.

Engagement and Voting

12.12 We require our managers to report how they voted the shares held within their portfolios. A summary of the voting activities of the managers for 2023/2024 is shown in the following table.

Manager	Annual/ Special Meetings	Proposals	Votes For	Votes Against	Votes Abstained	Not Voted/ Refer/ Withheld
Russell: Sustainable Active Equity ¹	N/A	N/A	N/A	N/A	N/A	N/A
Tactical Asset Allocation						
BlackRock: US Opportunities	109	1,523	1,492	31	6	0
LGIM: Future World North America Equity Index (GBP Hedged)	560	7,784	5,070	2,697	3	14
LGIM: Future World Japanese Equity Index	323	3,967	3,532	435	0	0

Source: Investment Managers.

¹ Over the reporting period the WPP Sustainable Active Equity Fund voting information was not available, as the Fund was in the process of setting up its reporting systems. Since the end of the reporting period, the reporting systems have been updated, and reporting will be available for next years' report.

Note: Insight Maturing Buy and Maintain Bond Funds 2021-2025, Insight Short Dated Buy and Maintain, LGIM Sterling Liquidity Fund, LGIM Over 5 Year Index Linked Gilts, LGIM Over 15 Year Gilts, LGIM Emerging Market Passive Local Currency Government Bond and NB US Put Writing strategy do not have voting data. Figures may not sum due to rounding.

Voting Examples

12.13 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

12.14 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

12.15 We also hold investments outside the pool and therefore has voting rights from holdings within the TAA portfolio. Examples of votes cast within the TAA portfolio by our underlying managers over the 12-month period to 31st March 2024 are shown below:

TAA Sub-Fund	LGIM Future World North America Equity Index (GBP Hedged)
Company:	NVIDIA Corporation
Date of meeting:	22 nd June 2023
Resolution:	Elect Director Stephen C. Neal
Voted:	Against
Outcome:	The resolution was passed

A vote against is applied as LGIM expects a company to have at least one-third women on the board. Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.

TAA Sub-Fund	LGIM Future World North America Equity Index (GBP Hedged)
Company:	Amazon.com, Inc.
Date of meeting:	24 th May 2023
Resolution:	Report on Median and Adjusted Gender/Racial Pay Gaps
Voted:	For
Outcome:	The resolution did not pass

A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as LGIM believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.

TAA Sub-Fund	LGIM Future World North America Equity Index (GBP Hedged)
Company:	JP Morgan Chase & Co.
Date of meeting:	16 th May 2023
Resolution:	Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets
Voted:	For
Outcome:	The resolution did not pass

LGIM generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. LGIM believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the ‘how’ rather than the ‘what’, including activities and timelines) can further focus the board’s attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.

TAA Sub-Fund	LGIM Future World Japanese Equity Index
Company:	Toyota Motor Group
Date of meeting:	14 th June 2023
Resolution:	Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement
Voted:	For
Outcome:	The resolution did not pass

LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. LGIM acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, LGIM believe that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, LGIM expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. LGIM believe the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.

TAA Sub-Fund	LGIM Future World Japanese Equity Index
Company:	Mitsubishi UFJ Financial Group, Inc.
Date of meeting:	29 th June 2023
Resolution:	Amend the articles of incorporation to publish a transition plan to align lending and investment portfolios with the Paris Agreement
Voted:	For
Outcome:	Results not disclosed

LGIM continue to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met. A group of climate-focused NGOs has been active in this area in the Asian market for a number of years, resulting in the first climate-related proposal of its type at Mizuho ahead of its 2020 AGM. LGIM since has supported previous resolutions at each of these Japanese banks at their AGMs since 2020, and LGIM have found that these proposals and the ensuing shareholder dialogue has helped drive improved disclosures and tighter policies at the companies. Therefore, LGIM supports this proposal to invigorate and encourage further strengthening of policies in line with science-based temperature-aligned pathways towards a net-zero-by-2050 world. LGIM believe that the drafting of the resolution text is sufficiently general as not to be overly prescriptive on management given the binding nature of amending the articles of incorporation.

12.16 Leadership in stewardship across various asset classes

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 credit worthiness, 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 collaborating 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.



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.