WPF Revised Investment Beliefs

Purpose

1. The Fund's primary purpose is to pay pension benefits to its members.
2. The Committee should focus on ensuring the Fund has sufficient financial resources to meet its obligations, including efficient management of the Fund's cash position.
3. The Committee should ensure that accrued benefits are fully funded (on a 20 year view).
4. The Fund should set a stable and affordable level of contributions for each employer to fund future service benefits. Long-term stability and affordability are more important than the short-term level of contribution rates.
5. The Fund is a long-term investment vehicle which should be managed to generate sustainable investment returns over the long-term.

Strategy

6. The Fund should take a long-term view when setting investment strategy although the impact of short term volatility should also be considered.
7. Strategic asset allocation is the most important determinant of investment outcomes and it is here that the optimum balance of risk and return is set.
8. The Fund's investment strategy and risk appetite should be set with due consideration for its liabilities and funding strategy which is reviewed at each actuarial valuation.
9. The Fund should consider as broad a range of investment opportunities as possible, subject to these being compatible with its risk appetite.
10. Investment risk should only be taken where the Committee believes it will be rewarded over the longer term.
11. Appropriate diversification of asset and manager risks reduces overall risk but may lower returns; excessive diversification creates complexity and may increase risk.
12. As a long-term investment vehicle, Environmental, Social and Governance ("ESG") factors are expected to have a material impact on the Fund's investment outcomes.
13. The Committee believes that climate change and the expected transition to a low carbon economy will have a significant long-term impact on the Fund and considers managing the associated financial risks to be part of its fiduciary duty.
14. The Committee believes that the transition to a low carbon economy will create investment opportunities, and will mandate the Fund's investment managers to seek out these opportunities.
15. Responsible Investment ("RI") is the practice of integrating consideration of ESG factors, including climate change, into the investment process.
16. The Committee believes that an RI approach will enhance long-term investment outcomes as well as benefiting the economies and societies in which the Fund invests, and is therefore consistent with the Fund's primary purpose.

17. The Committee believes that, in relation to the management of ESG factors, ongoing engagement with portfolio companies is preferable to divestment. Divestment should remain an option if engagement proves unsuccessful.

Implementation

18. Pooling presents an opportunity to access best in class investments at a low cost. The Fund has a bias to using pool products but will only invest if they are aligned with its investment strategy and offer comparable outcomes to best-in-class external solutions.
19. Active management strategies should only be considered where no passive management alternative is available or where the active manager has a long track record of delivering expected returns. The performance of active managers should be assessed over suitably long periods.
20. Foreign currency exposure is inherent to a global portfolio of investments. The Committee believes the strategic hedging of currency exposure from volatile asset classes such as equities has limited benefit to long-term investment returns.
21. Fees and costs incurred within investment manager mandates are important though the primary focus should be on achieving the best risk-adjusted returns net of fees.
22. Systematic rebalancing, subject to appropriate tolerances, can add value over the longer term.

Governance

23. Effective governance not only ensures appropriate levels of control over the Fund but can add value through improved decision making and resource allocation.
24. Staff and members of the Fund's Investment Sub-Committee must have, or have access to, the correct level of skills and investment knowledge to take investment decisions and manage risk effectively.
25. The Fund should retain responsibility for setting RI policy but will delegate much of the implementation to BCPP and its other investment managers. The Committee regularly monitors and evaluates its investment managers' approach to RI.
26. The Fund should only invest with managers who comply with relevant regulations and codes of practice (eg UK Stewardship Code) and have committed to provide full disclosure on ESG issues.
27. The Fund expects its investment managers to invest responsibly and to engage proactively with the management of portfolio companies on key ESG issues, including climate change, wherever it is cost effective to do so. The aim of such engagement should be to enhance investment returns by positively influencing portfolio companies on such matters. [Note: references to voting of shares deleted as applies only to equity investments]
28. The Committee believes engagement is more effective when carried out in collaboration with other investors (eg via BCPP or LAPFF).
29. Full disclosure of the Fund's RI policy and activity strengthens accountability and should be embraced.

Prepared by:-

Philip Pearson, Senior Investment Consultant

Emma Garrett, Investment Consultant

For and on behalf of Hymans Robertson LLP