Report to:	**Pension Committee**
Date:	**20 July 2022**
By:	**Chief Finance Officer**
Title of report:	**Investment Report**
Purpose of report:	**This report provides Pension Committee with an update on the investment activities undertaken by the East Sussex Pension Fund.**

RECOMMENDATION

The Pension Committee are recommended to:

1) **note the Investment Workplan (appendix 1);**
2) **note the Quarterly Investment Report from the Investment Advisor, Isio (appendix 2)**
3) **note the investment strategy review (appendix 3) and agree the following amendments to the implementation plan for the investment strategy:**

- **maintain the absolute return mandates until the infrastructure equity mandate is drawn;**
- **to continue using the corporate bonds to fund the new diversified credit mandate;**
- **retain the index-linked gilt allocation over the short term;**
- **trim the core property exposure and hold this in index linked gilts until decision made on inflation-linked property;**
- **re-visit the case for inflation-linked property in the current environment ahead of implementing the strategic allocation.**

4) **note the equity performance and investment outlook considering investment style and exclusions;**
5) **note the update on the Carbon footprint of the Fund;**
6) **note the Q1 Engagement Report (appendix 4);**
7) **approve that officers make a submission of the Stewardship Code to the Financial Reporting Council (FRC);**
8) **note the External Assurance report update;**
9) **note the ACCESS update; and**
10) **delegate authority to the Chief Finance Officer to take all necessary actions to give effect to the implementation of the above recommendations**

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1. Background

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, the Council is required to maintain a Pension Fund for its employees and other 'scheduled bodies' as defined in the Regulations. The Pension Committee is required to maintain an Investment Strategy Statement (ISS) to govern the Funds' investments and receives a quarterly investment monitoring report, from its investment consultant, Isio.

1.2 The ACCESS Joint Committee has been established as a result of the changes implemented in the 2016 LGPS Investment regulations to facilitate the arrangements relating to the collective investment vehicles, to allow the administering authorities to pool their respective investments. The ACCESS Joint Committee meets quarterly.

2. Action Log and Investment Workplan

2.1 Appendix 1 shows the Workplan which acts as the reference point of all actions agreed at Pension Committee meetings and areas of work anticipated over the next 12 months. Unless otherwise stated, items in the workplan are to be considered by the Committee or a comment provided explaining why the item is not to be covered at this time.

2.2 The main focus over the next 12 months is the ongoing review of Responsible Investment, with a focus on climate analysis for the Fund, with the implementation of the investment strategy where investment opportunities are possible, as agreed at the 12 July 2021 Pension Committee meeting.

3. Quarterly Performance Report

3.1 The Quarterly Performance Report is attached as appendix 2. Since the last quarter, the valuation of the Fund decreased from £4.74bn as at 31 December 2021 to £4.68bn as at 31 March 2022 (a decrease of £0.06bn). A negative absolute return of 1.2% over the quarter, underperforming its respective benchmark by 0.7%. Performance across mandates was relatively mixed, with Russia's invasion of Ukraine, coupled with growing inflationary pressures being drivers of market volatility over the quarter.

3.2 Over the period, the private equity mandates (Harbourvest and Adam Street) continued to deliver strong returns, with private markets often slower to adjust to macroeconomic conditions. Similarly, the infrastructure and property mandates performed well, partially driven by the assets' inflation linkage.

3.3 The Fund's Equity allocation was the largest detractor from returns, with sustainable funds underperforming more traditional markets, due to limited exposure to the energy sector and tilts towards high growth stocks, which lagged traditional energy and financial firms over the period.

4. Investment Strategy Review

4.1 The investment strategy was last reviewed in July 2021, with the Committee agreeing the following changes to the Fund's strategic asset allocation:

- Reduced target allocations for diversified growth, balanced property, corporate bonds and index-linked gilts.
- Increased target allocations for infrastructure equity, inflation-linked property, private credit and diversified credit.

4.2 Amendments to the Investment Strategy Statement (ISS) were subsequently agreed at the September 2021 meeting to the following strategic asset allocation:

Asset class	Target allocation %	Maximum invested* %	Role within the Strategy
Global Equity	40	44	Growth Assets
Absolute Return	17	23**	Growth Assets
Private Equity	5.5	7.5	Growth Assets
Property	7	10	Income Assets
Inflation-Linked Property	4	5	Income Assets
Infrastructure	11	12	Income Assets
Private Credit	5	5	Income Assets
Diversified Credit	10.5	12	Income Assets
Index-Linked Gilts	-	4**	Protection Assets
Corporate Bonds	-	4**	Protection Assets
Cash	-	2	Protection Assets
Total	100		

*The maximum invested figures are based on the rebalancing ranges agreed by the East Sussex Pension Committee within its rebalancing policy.
** Additional allowance to rebalancing figures whilst allocations to infrastructure, private debt and inflation linked property take place.

4.3 To assist the Committee Isio have undertaken a review of the Fund's investment strategy and implementation plan and provided a report on their findings (appendix 3) and will present this to the Committee. This has taken place due to the change in market conditions since the last review which have been extremely volatile, largely due to Russia's invasion of Ukraine, increasing global interest rates in response to surging inflation, slowing global economic growth and the ongoing impact of Covid-19. As such, the Fund's liquid assets – notably equities, absolute return, corporate bonds and gilts – have all fallen in value since strategy was agreed.

4.4 The agreed implementation plan for the Fund involved the following key steps;

- Global Equity –Onboard Baillie Gifford and Osmosis and fund this from the UBS passive mandate (complete)
- Infrastructure–Implement higher allocation through commitment to IFM investors Global Infrastructure Fund. This was expected to be largely funded from the absolute return mandates – commitment made, awaiting drawdown.
- Diversified credit –Aim is to select a manager from the ACCESS platform and fund this from the sale of corporate bonds, given the low yield at the point of the strategy review, and to improve overall diversification of the credit allocation.
- Private credit and Inflation-linked Property –The implementation approach was to be confirmed depending on ACCESS timescales to make propositions available.

ACCESS is not yet able to provide firm timescales and the Fund do not anticipate allocation via the ACCESS platform to be available over the short term. The intention was to fund private credit from index linked gilts and inflation linked property from the existing Balanced Property allocation.

4.5 The revised strategy is expected to increase the portfolio's expected return to around 5.5% per annum, whilst broadly maintaining the previous level of downside risk. Isio continue to believe that the agreed direction of travel remains appropriate but believe that the implementation approach should be adapted to reflect evolving market conditions. After considering these events. Isio propose the below recommendations:

- maintaining the absolute return mandates until the infrastructure equity mandate is drawn (anticipated in 9-18 months).
- to continue using the corporate bonds to fund the new diversified credit mandate.
- retaining the index-linked gilt allocation over the short term given its recent material fall in value and the inflation protection offered.
- trim the core property exposure (which is currently earmarked for inflation-linked property) and hold this in index linked gilts in the interim.
- re-visit the case for inflation-linked property in the current environment ahead of implementing the strategic allocation.

4.6 The objectives of the Investment Strategy are;

- to deliver a return that improves the funding level over time (to achieve future lower employer contribution rates),
- with as little volatility in the funding level as possible (to maintain stability of contributions as far as possible), and
- maintain sufficient assets to meet liabilities i.e. an overall funding level of 100% or more.

The assumptions underlying the Actuary's funding basis are important factors in determining the return requirement. As the Fund grows, it will also be important to ensure that stability, relative to sponsor budgets, is maintained.

4.7 The current Investment Strategy is positioned so that it can achieve an expected return of 5.5% per annum. This level of return has been factored into the valuation calculations in the 2019 valuation. To move the expected return of the strategy down i.e. to remove some of the investment risk in the portfolio would also require the Actuary to adjust the valuation calculations which could result in increased contributions from employers. The next triennial valuation is currently taking place based on the data as at 31 March 2022, with new contribution rates for employers coming into effect from April 2023. A full review of the investment strategy will take place in 2023 once the results of the valuation are known, so officers and advisers do not suggest any major changes to the investment strategy are considered at this time.

5. Performance of Growth, Value and exclusionary equity holdings

5.1 The Fund made some fundamental changes to its Equity strategy between 2020 and 2022, moving to more sustainable equity mandates, looking to invest in climate solutions. This led to the appointment of its impact managers Wellington and WHEB. The Fund also moved back to a more active equity position by moving passive holdings to Longview, Baillie Gifford, Wellington and WHEB. The last change to the equity strategy was to remove its unintended holdings of fossil fuel companies from its passive mandates by moving from market capitalisation indexes to climate risk/resource efficiency indices run by Storebrand and Osmosis.

5.2 The result of these changes have been to impact upon the overall style and volatility of the equity investments of the Fund. The shift from passive to active management increases the volatility within the equity portfolio as the investments no longer track the market but look to have more conviction in the reasons for investing in a specific company, due to the risk profile, deemed impact or opportunities and the return profile expected. The belief is that this will over a cycle be a greater benefit to the Fund than holding it passively, however this will also be more costly from a fee perspective. However, this also means there will periods of greater underperformance than has been experienced in recent years, within the Fund’s equity position.

5.3 Secondly the change to active managers with a climate opportunities focus has seen a shift in style away from value towards growth. This has come through as climate solution investments are inherently more growth orientated, looking for a gap in the market and those companies trying to fix a problem. So, within the climate crisis there are many companies being established trying to do something different and looking to grow and be the market leader.

5.4 To help provide some context to the performance of our equity managers over the first quarter of 2022 the below table shows the comparison of the Fund’s Managers (excluding UBS/Osmosis as this transitioned in the Quarter) against the performance of the MSCI ACWI (all countries world index) excluding Fossil Fuels, MSCI Value and MSCI Growth indexes relative to the MSCI ACWI Index.

Manager	Strategic Allocation	Actual Allocation	Absolute Performance	Relative Performance*
Longview	10	11.2	0.8	3.5
Wellington	5	5.1	(5.3)	(2.8)
WHEB	5	4.9	(10.4)	(8.0)
Baillie Gifford	5	4.2	(12.4)	(10.1)
Storebrand	10	10.9	(5.1)	(2.6)
MSCI ACWI**	n/a	n/a	(2.6)	-
MSCI ACWI ex Fossil Fuel**	n/a	n/a	(3.8)	(1.2)
MSCI ACWI Value**	n/a	n/a	1.9	4.6
MSCI ACWI Growth**	n/a	n/a	(7.1)	(4.6)

*Relative performance is against the MSCI ACWI performance derived from the MSCI website and may not match the figures in the performance report.
**Figures derived from the MSCI website and are not used to calculate performance figures are being used to demonstrate possible attribution to performance.

5.5 The table shows that both the growth style and ex fossil fuel attributes have been a detractor to the performance of the Fund being 4.6% and 1.2% below the MSCI all countries world index. The table shows that 2 of our managers Baillie Gifford and WHEB performed particularly poorly compared to the benchmark in the quarter. (10.1% and 8.0% respectively).

5.6 Further insight from the managers, into the outlook for the equity mandates are included in the exempt section of this committee report pack.

6. Carbon footprinting

6.1 The Fund appointed Moodys (formally Vigeo Eiris) to conduct a carbon footprint measurement on its liquid investments as at 31 March 2022. This is the third year of collating this information against which the Fund can monitor the progress of its investment decisions in relation to climate change. This also provides the Committee with information to assist them in their duties in ensuring the Fund's managers are representing their beliefs in the investments they make.

6.2 Carbon footprinting and Transition scoring are still a relatively new science, there is limited consistency in the scoring between providers and can be quite subjective. The carbon footprint reports have been produced to help the Fund understand the direction that the Investment Managers are moving and to focus engagement during discussions with the Investments Managers for the coming year.

6.3 The report looks at the Carbon Footprint of the underlying companies within each investment managers' portfolio (based on scope 1 & 2 emissions). The score for the mandates range from Moderate, Significant, High and Intense based on the ranges in the table below. The emissions levels are based on the weighted average company carbon emissions within each Investment managers portfolio. In addition, the report looks at the energy transition of the investments, to determines how the companies are positioned to respond to a shift from a carbon based economic model to a green and sustainable one.

Carbon Footprinting

Scale	Emissions (t CO2 eq)	Categories
A	<100,000	Moderate
B	>=100,000 & <1,000,000	Significant
C	>=1,000,000 & <10,000,000	High
D	>=10,000,000	Intense

Carbon footprint is measured in equivalent tons of carbon dioxide (t CO2 eq.) emitted by issuers

Scale	Energy Transition Score	Categories
+ +	60-100	Advanced
+	50-59	Robust
-	30-49	Limited
- -	0-29	Weak

6.4 This gives an overall portfolio score from A++ to D--. For the Fund's 2022 Carbon footprint we have no D rated portfolios similar to 2021 and 3 in 2020. We have 2 B rated portfolios the same as in 2021, which are both active mandates run by Longview and Wellington. The remaining managers are rated C as in 2021.

6.5 This lack of movement at the high level carbon footprinting scale does not take into account underlying changes in the scoring at this level. 5 mandates reduced their carbon footprint over the year however the other 4 increased.

6.6 On the Energy transition rating we have 1 portfolio (M&G Corporate Bonds) mandate graded as Robust or "+", this is 1 lower than in 2021 due to the removal of the passive UBS Europe Ex UK Fund. This was part of the strategic change from market cap indexes to the passive UBS\Osmosis resource efficiency mandate and the Ballie Gifford Global Alpha mandate (prior to this transitioning to the Paris Aligned version within ACCESS shortly after the measurement date).

6.7 Comparing the mandates that have transitioned since the last measurement date, the energy transition score of the Fund has weakened by 3 points, however the total carbon footprint has reduced by 3.4m t CO2 eq. on the weighted average carbon footprint score. At the time of the data the Baillie Gifford fund had not transitioned to the Paris aligned structure, so we would expect that next year this would reduce its carbon footprint further.

6.8 On the energy transition rating there was improvement made by all managers on the underlying transition score basis. All managers achieved a score of above 30 with 9 scoring 40 or above (6 mandates achieved this in 2021). Not all companies will have an energy transition plan in place - lower emitting sectors and industries are less likely to have robust energy transition plans, while it is essential for intense carbon emitters to have plans in place and strong action plans. The scoring does not reflect the difference expected across industries.

6.9 Table below shows a summary of the headline scores and ratings for each mandate:

Manager	Mandate	Portfolio Rating (A to D, “++” to “--")	Weighted Average carbon footprint 2022	Weighted Average carbon footprint 2021	Movement	Energy Transition Rating (Weak; Ltd; Robust;Adv)	Energy Transition Score (/100) 2022	Energy Transition Score (/100) 2021	Movement
Equity									
Baillie Gifford	Global Alpha	C-	3,695,724.10	-	N/A	Limited	33	-	N/A
Longview	Global Equity	B-	632,580.40	570,686.47	↑	Limited	40	39	↑
Wellington	Impact	B-	296,722.99	356,991.62	↓	Limited	40	38	↑
WHEB	Impact	C-	1,746,128.45	2,133,934.28	↓	Limited	36	31	↑
Storebrand	Climate Passive	C-	1,603,975.34	1,477,739.59	↑	Limited	47	44	↑
UBS/Osmosis	Resource Efficiency Passive	C-	1,720,487.77	-	N/A	Limited	45	-	N/A
Absolute Return									
Newton	Absolute Return	C-	6,916,200.72	4,069,987.26	↑	Limited	49	44	↑
Ruffer	Absolute Return	C-	6,390,859.42	7,076,082.56	↓	Limited	47	44	↑
Fixed Income									
M&G	Absolute Return Bonds	C-	2,619,063.44	2,110,392.22	↑	Limited	46	45	↑
M&G	Corporate Bonds	C+	6,057,499.52	8,041,083.47	↓	Robust	56	53	↑
Infrastructure Equity									
Atlas	Infrastructure	C-	1,417,323.45	1,864,961.59	↓	Limited	43	41	↑
Total Liquid Assets*		**C-**	**3,254,186.75**	**3,471,957.32**	↓	**Limited**	**44.25**	**42.33**	↑

*Liquid asset totals are based on the weighted average of the scores for mandates included in the carbon footprinting in each year.

6.10 The individual reports for each of these managers has been included in the exempt section of the committee agenda under item 12. Along with commentary from the managers around how they consider these results.

7. Engagement Report

7.1 As part of its transparency reporting for ESG, climate change, voting and engagement, the Fund has updated the last quarterly published statement on ESG to show the funds current position based on existing strategies in place and actions taken by the Fund during the quarter 1 January 2022 to 31 March 2022. The statement includes the voting record by the Fund's managers. Only managers holding equities will have voting rights on behalf of the Fund. The updated statement is included in appendix 4.

8. Stewardship Code

8.1 The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, environment and society.

8.2 The Code applies to asset owners, asset managers and service providers, and comprises a set of 12 "apply or explain" principles for asset owners.

8.3 To become a signatory the Fund must submit a Stewardship Report to the FRC demonstrating how they have applied the Code's Principles in the previous 12 months. The report can cover any 12-month period after 1 January 2020.

8.4 Once submitted the FRC will assess the report and, if it meets the reporting expectations, the Fund will be listed as a signatory to the Code. Once listed as a signatory the Fund would need to report annually to remain as a signatory.

8.5 The next deadline to submit to the FRC is the 31 October 2022. The next deadline to submit to the FRC is the 31 October 2022.

8.6 Within the ISS the Fund have made a number of commitments for stewardship and Responsible Investment within the Statement of Investment Principles (SIRP). The SIRP was approved in September 2020. One of the commitments made within the SIRP was to become a signatory of the revised 2020 Stewardship Code. Officers have drafted a Stewardship Report and will continue finalising this including ensuring the document is accessible. Approval is requested for the Fund to submit its Stewardship report which covers the 2021 calendar year before the next submission deadline.

9. External Assurance Reports

9.1 As part of the ongoing investment governance that is performed by the Fund, officers monitor the external assurance reports that are provided by the Fund's investment managers. These reports detail the internal controls of the managers and provide an opinion as to the effectiveness of these controls. The Fund has strengthened its procedures in reporting these qualifications to Pension Committee; this is to be at the earliest opportunity available along with increased oversight of the process. The team have documented a process note for reviewing these statements in accordance with the recommendation within the internal audit report – pension fund investments.

9.2 During the quarter the Fund received 2 external assurance reports that were qualified by the external auditors. The Managers were Longview and M&G the reasons these were qualified are:

Longview

9.3 The qualified audit opinion was given due to a limitation of testing that was able to be completed by the Auditor. This was due to Longview migrating IT desktop and helpdesk service provider in April 2021. This change resulted in a limitation of some of the testing the auditor was able to perform on data prior to the transfer of services. No further issues were found that were not directly related to the timing of the audit coinciding with the cessation of the old service.

M&G

9.4 The auditors of M&G qualified the external assurance report on the control objective 27 (logical access controls) for controls to be in place to restrict logical access to in-scope systems and data to authorised individuals in accordance with job roles and/or business requirements.

9.5 The findings from the testing of this control identified several instances of no evidence being provided for access creation, revocation, reconciliations, review and password management on the systems. On their own these would not have qualified however the auditor considered that the combined impact of these lead them to qualify this point.

9.6 Except for the matters described in the Basis for qualification in respect of control objective 27 (logical access controls) the Activities that were tested, were those necessary to provide reasonable assurance that the related Control Objectives were achieved.

9.7 The Fund is satisfied that there was no impact to the assets held by Longview and M&G due to management responses within the reports but will note these findings to ensure these items have been resolved in the next reports.

10. ACCESS Update

Member representation

10.1 At the Pension Committee in February 2022 the Committee discussed arrangements for member representation on the ACCESS Pool Joint Committee following the guidance issued by the Scheme Advisory Board (SAB). The ACCESS Pool's proposal was to have six rotating observers for each meeting drawn from three of the eleven constituent authorities. The six representatives would be comprised of one employer and one scheme member representative from the Pension Board of each, from the three rotating authorities.

10.2 At the Joint Committee meeting in March 2022 an amendment to the recommended structure was put forward for an election of two scheme representatives to attend Joint Committee meetings for a period of four years, to aid consistency and learning by those individuals to feed into all pension boards with a review of these arrangements after the first full year following election. This motion was lost, so the Joint Committee considered the original proposal.

10.3 The original proposal was agreed by a majority vote with the agreement to undertake a review of the arrangements after a full year following their implementation.

Inter-Authority Agreement (IAA)

10.4 Work has been undertaken in order to draft the amendments required to the IAA in order to enable the Joint Committee to formally recommend guidelines to Councils. The drafting is below:

> *"The Joint Committee shall have the ability to make recommendations to the Councils about the adoption and content of guidelines for the Pool, including to allow common guidelines or policies of the Councils to be applied to the Pool, Pool Assets and/or Pool Aligned Assets, and for any such guidelines that are adopted to be periodically reviewed and updated. When determining the content of such guidelines, the Joint Committee shall consult with and consider the advice of the Section 151 Officers Group (and, where requested, the Monitoring Officers and from appropriate professional advisers). Any guidelines for the Pool must not go beyond policies already in place and will not supersede or replace the Investment Strategy Statement or policies of each Administering Authority."*

10.5 At the March 2022 meeting of the Joint Committee, proposals on Local Pension Board observation was agreed which also requires amendments to the IAA to take place.

10.6 During April 2022 the Officer Working Group considered drafting covering the above points, along with two further changes brought to the attention of the ASU by ACCESS Authorities:

- in instances whereby the Vice Chairman of an s101 Committee is an Elected Member, but not of the Administering Authority; it is currently not possible for that individual to substitute for the regular Joint Committee Member (who is generally the s101 Chairman). An amendment to the IAA enabling an Elected Member from an associated Authority who is as101 Committee Member to be a JC substitute, has been drafted.
- it is currently possible for Members of a s101 Committee who are Elected Members of the Administering Authority to attend the Joint Committee as observers. However, such rights do not apply to Members of s101 Committees who are not Elected Members of the Administering Authority. An amendment to the IAA enabling Members of s101 Committees who are not Elected Members of the Administering Authority to observe JC meetings, at the discretion of the JC Chairman, has been drafted.

10.7 As a consequence of the Joint Committee decisions, a proposal from Suffolk County Council to amend the IAA was circulated to Monitoring Officers on 22 April 2022. Comments were invited by 20 June. The Suffolk proposal, if agreed, would:

- introduce an express provision for the Joint Committee to have the ability to make recommendations to the Councils about the adoption and content of guidelines for the Pool;
- allow for observers from nominated Local Pension Boards to attend the Joint Committee meetings; and
- make the rules around Councils nominating substitutes for Joint Committee members, and s101 Committee Member attendance more flexible.

10.8 The Monitoring Officer has not reported any objections with the proposed changes, which will enable delivery of the Joint Committee decisions, however it is possible the wording may be amended resulting from comments of other Council monitoring officers. Once the final wording has been agreed subject to the comments from monitoring officers each Fund will be asked to agree and sign the revised IAA. The final IAA will be brought to the Pension Committee for approval prior to signing.

Governance Manual

10.9 Work has been undertaken on updating the Governance Manual. Following agreement from s151 Officers, Technical Lead officers from West Sussex reviewed the Manual, identified themes and launched a project to highlight the areas of highest risk to the delivery of the ACCESS Business Plan. This work formed the basis of the revised Governance Manual which has been comprehensively updated. The draft revision was taken to the Officer Working Group in early April. It was then presented at a special meeting of ACCESS s151 Officers on 6 May 2022. The ASU will continue to work to develop and embed the protocols around the processes set out in the revised Governance Manual.

Sub Fund updates

10.10 As part of the initial Operator Agreement, Link, as Operator to the ACCESS ACS, undertook to launch 35 sub-funds within the contracted price. It is understood that further sub-funds will be subject to additional charges.

10.11 All requests for new sub-funds are considered in line with both the protocol and guiding principles (which reflect the concepts of both self-regulation and peer review) and approved by the Joint Committee. At all times it is important to note that the Joint Committee is not a Financial Conduct Authority (FCA) Regulated entity and therefore cannot make recommendations on investment matters. This means that for Joint Committee approved sub-fund requests these are then subject to Link's extensive due diligence as ACS Operator, to allow any sub-fund to be established.

10.12 Currently there are 26 completed sub-funds and a further nine in development, totalling 35 sub-funds that Link have contractually agreed to launch. After carrying out some analysis of the unpooled assets, East Sussex were identified as having requirements that are not yet achievable through the pool or its pipeline. These are for the allocations to the smart beta climate fund and sustainable impact investments. The Fund is working with the ASU to put forward our needs and understand the costs associated with these potential sub-funds as it would be beneficial to pool these assets, however the Fund would need to consider value for money in moving these onto the pool platform as additional costs would be overlayed above those the Fund is currently paying to access these investments.

10.13 In addition to the new sub-funds there are changes required to the existing sub-funds an example of these is the change to the Baillie Gifford Global Alpha sub-fund to make this the Ballie Gifford Global Alpha Paris aligned which happened in Q2 of 2022. There are currently 4 existing sub-funds subject to changes which are being managed along with the new launches.

Internal Audit

10.14 Essex County Council completed their internal audit of ACCESS as the Host Authority. The Audit included an investigation to assess whether the ACCESS Support Unit (ASU) is effectively fulfilling its responsibilities to the ACCESS pool and, by extension, give assurance that the Essex County Council is fulfilling its responsibilities as Accountable Body for the ASU.

10.15 An initial audit was conducted during the summer of 2020, with a final report completed in November 2020 and presented to the Joint Committee at the virtual meeting on 13 January 2021. The opinion given by the auditor at that time was one of 'Good Assurance', the highest rating available, with no issues raised and a single recommendation to complete specific governance matters.

10.16 It was agreed that Internal Auditors from the ACCESS Authorities would be invited to contribute to the structure of the follow-up audit scheduled for the summer of 2021. The audit commenced on 6 August 2021 and the ASU provided the evidence and explanations sought in the discovery document. Following initial feedback, the ASU engaged in structured dialogue throughout the duration of the three-month inspection.

10.17 A draft report was issued to the ASU on 18 October 2021. This contained a single recommendation covering a number of points relating to best practice in respect of the new Risk Management assessment and reporting process that was introduced to Members at the Joint Committee meeting on 25 June 2021.

10.18 The ASU agreed to implement these by 28 February 2022 and had achieved this to the satisfaction of the Auditor by the time that the final report was published on 2 December 2021. The opinion given by the auditor was again one of ‘Good Assurance’.

11. Conclusion and reasons for recommendation

11.1. Investments are regularly monitored to ensure that the Fund’s strategic asset allocation set out in the Fund’s Investment Strategy Statement (ISS) is being complied with and to keep the Committee informed of any significant concerns with the investment managers, retained to implement the Fund’s strategic asset allocation. The Committee is recommended to note this report and agree the proposed amendments to the implementation plan for the investment strategy; and agree for officers to submit a Stewardship Report to the FRC before 31 October 2022.

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