



AGENDA

PENSIONS INVESTMENT COMMITTEE

Date: TUESDAY, 5 SEPTEMBER 2017 at 7.00 pm

**Committee Room 3
Civic Suite
Catford Road
London SE6 4RU**

**Enquiries to: Sarah Assibey
Telephone: 020 8314 48975 (direct line)
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COUNCILLORS

Councillor Best
Councillor Liz Johnston-Franklin
Councillor Simon Hooks
Councillor Mark Ingleby
Councillor Paul Maslin
Councillor Jamie Milne
Councillor John Muldoon
Councillor Olurotimi Ogunbadewa

Observers

Independent

Officers

David Austin, Head of Corporate Resources
Janet Senior, Executive Director for
Resources & Regeneration
Helen Glass, Principal Lawyer
Carol Eldridge, Group Manager - Pensions
& Payroll

Members are summoned to attend this meeting

**Barry Quirk
Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: Thursday, 24 August 2017**



INVESTOR IN PEOPLE

The public are welcome to attend our committee meetings, however occasionally committees may have to consider some business in private. Copies of reports can be made available in additional formats on request.

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INVESTOR IN PEOPLE

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Agenda Item 1

PENSIONS INVESTMENT COMMITTEE		
Report Title	DECLARATIONS OF INTERESTS	
Key Decision	No	Item No. 1
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 5 September 2017

Declaration of interests

Members are asked to declare any personal interest they have in any item on the agenda.

Personal interests

There are two types of personal interest :-

- (a) an interest which you must enter in the Register of Members' Interests*
- (b) an interest where the wellbeing or financial position of you, (or a "relevant person") is likely to be affected by a matter more than it would affect the majority of inhabitants of the ward or electoral division affected by the decision.

*Full details of registerable interests appear on the Council's website.

("Relevant" person includes you, a member of your family, a close associate, and their employer, a firm in which they are a partner, a company where they are a director, any body in which they have securities with a nominal value of £25,000 and (i) any body of which they are a member, or in a position of general control or management to which they were appointed or nominated by the Council, and (ii) any body exercising functions of a public nature, or directed to charitable purposes or one of whose principal purpose includes the influence of public opinion or policy, including any trade union or political party) where they hold a position of general management or control,

If you have a personal interest you must declare the nature and extent of it before the matter is discussed or as soon as it becomes apparent, except in limited circumstances. Even if the interest is in the Register of Interests, you must declare it in meetings where matters relating to it are under discussion, unless an exemption applies.

Exemptions to the need to declare personal interest to the meeting

You do not need to declare a personal interest where it arises solely from membership of, or position of control or management on:

- (a) any other body to which you were appointed or nominated by the Council
- (b) any other body exercising functions of a public nature.

In these exceptional cases, unless your interest is also prejudicial, you only need to declare your interest if and when you speak on the matter .

Sensitive information

If the entry of a personal interest in the Register of Interests would lead to the disclosure of information whose availability for inspection creates or is likely to create a serious risk of violence to you or a person living with you, the interest need not be entered in the Register of Interests, provided the Monitoring Officer accepts that the information is sensitive. Where this is the case, if such an interest arises at a meeting, it must be declared but you need not disclose the sensitive information.

Prejudicial interests

Your personal interest will also be prejudicial if all of the following conditions are met:

- (a) it does not fall into an exempt category (see below)
- (b) the matter affects either your financial interests or relates to regulatory matters - the determining of any consent, approval, licence, permission or registration
- (c) a member of the public who knows the relevant facts would reasonably think your personal interest so significant that it is likely to prejudice your judgement of the public interest.

Categories exempt from being prejudicial interest

- (a) Housing – holding a tenancy or lease with the Council unless the matter relates to your particular tenancy or lease; (subject to arrears exception)
- (b) School meals, school transport and travelling expenses; if you are a parent or guardian of a child in full time education, or a school governor unless the matter relates particularly to the school your child attends or of which you are a governor;
- (c) Statutory sick pay; if you are in receipt
- (d) Allowances, payment or indemnity for members
- (e) Ceremonial honours for members
- (f) Setting Council Tax or precept (subject to arrears exception)

Effect of having a prejudicial interest

If your personal interest is also prejudicial, you must not speak on the matter. Subject to the exception below, you must leave the room when it is being discussed and not seek to influence the decision improperly in any way.

Exception

The exception to this general rule applies to allow a member to act as a community advocate notwithstanding the existence of a prejudicial interest. It only applies where members of the public also have a right to attend to make representation, give evidence or answer questions about the matter. Where this is the case, the member with a prejudicial interest may also attend the meeting for that purpose. However the member must still declare the prejudicial interest, and must leave the room once they

have finished making representations, or when the meeting decides they have finished, if that is earlier. The member cannot vote on the matter, nor remain in the public gallery to observe the vote.

Prejudicial interests and overview and scrutiny

In addition, members also have a prejudicial interest in any matter before an Overview and Scrutiny body where the business relates to a decision by the Executive or by a committee or sub committee of the Council if at the time the decision was made the member was on the Executive/Council committee or sub-committee and was present when the decision was taken. In short, members are not allowed to scrutinise decisions to which they were party.

Agenda Item 2

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PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Schroders Presentation		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Head of Corporate Resources		
CLASS	Part 1	Date:	September 2017

1. PURPOSE

- 1.1. This report is a presentation from Schroders on their Lewisham Pension Fund mandate – see the attached report for members which will be presented by representatives from the Schroders team.

2. RECOMMENDATIONS

- 2.1. The Committee is recommended to note the contents of the report.

3. SUMMARY

- 3.1. The contents of this report include:
- Business and market overview
 - Portfolio and strategy updates
 - New opportunities

4. FINANCIAL IMPLICATIONS

- 4.1. There are no financial implications arising directly from this report.

5. LEGAL IMPLICATIONS

- 5.1. As the administering authority for the Fund, the Council must review the performance of the Fund's investments at regular intervals and review the investments made by Fund Managers quarterly.
- 5.2. The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisers in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs, including the administration of the Pension Fund.

6. CRIME AND DISORDER IMPLICATIONS

- 6.1. There are no crime and disorder implications directly arising from this report.

7. EQUALITIES IMPLICATIONS

7.1. There are no equalities implications directly arising from this report.

8. ENVIRONMENTAL IMPLICATIONS

8.1. There are no environmental implications directly arising from this report.

APPENDICES

The full report is attached for members only. Commentary will be provided at the meeting by representatives from the Council's appointed Fund Manager Schroders.

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact:

David Austin, Head of Corporate Resources on 020 8314 9114 or at david.austin@lewisham.gov.uk

Robert Browning, Principal Accountant – Treasury & Pensions on 020 8314 6274 or at robert.browning@lewisham.gov.uk

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PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Invesco Presentation		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Head of Corporate Resources		
CLASS	Part 1	Date:	September 2017

1. PURPOSE

- 1.1. This report is a presentation from Invesco on their Lewisham Pension Fund mandate – see the attached report for members which will be presented by representatives from the Invesco team.

2. RECOMMENDATIONS

- 2.1. The Committee is recommended to note the contents of the report.

3. SUMMARY

- 3.1. The contents of this report include:
- Market overview
 - Fund strategy

4. FINANCIAL IMPLICATIONS

- 4.1. There are no financial implications arising directly from this report.

5. LEGAL IMPLICATIONS

- 5.1. As the administering authority for the Fund, the Council must review the performance of the Fund's investments at regular intervals and review the investments made by Fund Managers quarterly.
- 5.2. The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisers in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs, including the administration of the Pension Fund.

6. CRIME AND DISORDER IMPLICATIONS

- 6.1. There are no crime and disorder implications directly arising from this report.

7. EQUALITIES IMPLICATIONS

- 7.1. There are no equalities implications directly arising from this report.

8. ENVIRONMENTAL IMPLICATIONS

- 8.1. There are no environmental implications directly arising from this report.

APPENDICES

The full report is attached for members only. Commentary will be provided at the meeting by representatives from the Council's appointed Fund Manager Invesco.

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact:

David Austin, Head of Corporate Resources on 020 8314 9114 or at david.austin@lewisham.gov.uk

Robert Browning, Principal Accountant – Treasury & Pensions on 020 8314 6274 or at robert.browning@lewisham.gov.uk

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Investment Beliefs Questionnaire – Report by Hymans Robertson		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Head of Corporate Resources		
CLASS	Part 1	Date:	September 2017

1. PURPOSE

- 1.1. This report from the Fund’s advisors Hymans Robertson includes the draft Investment Beliefs questionnaire following on from the introductory paper last quarter. The final questionnaire, when completed, will lead to the development of the Fund’s Statement of Investment Beliefs.

2. RECOMMENDATIONS

- 2.1. Members are asked to respond to the final beliefs questionnaire prepared by Hymans Robertson following this meeting and return completed papers to Hymans Robertson by 30 September 2017.

3. SUMMARY

- 3.1. The contents of this questionnaire include questions under four headings:
 - Governance
 - Investment Strategy
 - Investment Structure
 - Responsible Investment

4. FINANCIAL IMPLICATIONS

- 4.1. There are no financial implications arising directly from this report.

5. LEGAL IMPLICATIONS

- 5.1. There are no legal implications arising directly from this report.

6. CRIME AND DISORDER IMPLICATIONS

- 6.1. There are no crime and disorder implications directly arising from this report.

7. EQUALITIES IMPLICATIONS

- 7.1. There are no equalities implications directly arising from this report.

8. ENVIRONMENTAL IMPLICATIONS

- 8.1. There are no environmental implications directly arising from this report.

APPENDICES

The full report is attached for members only. Commentary will be provided at the meeting by the Council's appointed advisors from Hymans Robertson.

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact:

David Austin, Head of Corporate Resources on 020 8314 9114 or at david.austin@lewisham.gov.uk

Robert Browning, Principal Accountant – Treasury & Pensions on 020 8314 6274 or at robert.browning@lewisham.gov.uk

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PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Multi Asset Credit Procurement – Report by Hymans Robertson		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Head of Corporate Resources		
CLASS	Part 1	Date:	September 2017

1. PURPOSE

- 1.1. This report from the Fund’s advisors Hymans Robertson follows on from the Committee’s decision to de-risk and diversify the Fund by reducing equity holdings and investing in alternatives, specifically by focusing on the procurement of a new alternative credit mandate. The report sets out the timings and format of the interview day with the shortlisted managers as well as suggested questions and scoring sheets.

2. RECOMMENDATIONS

- 2.1. Members are asked to note the contents of the report and familiarise themselves with the agenda, manager summaries and question lists in advance of the interview day, to be held on an as yet unconfirmed date.

3. SUMMARY

- 3.1. The contents of this report include:
- Introduction, agenda and presentation details
 - Recap of strategic proposal
 - Private lending characteristics
 - Recommended investment managers
 - Suggested private debt manager questions
 - Manager scoring
 - Manager summaries

4. FINANCIAL IMPLICATIONS

- 4.1. There are no financial implications arising directly from this report.

5. LEGAL IMPLICATIONS

- 5.1. It is within the powers of this Committee to hold an extraordinary meeting for the purposes outlined in this report provided notice is given. It will be on the confidential agenda.
- 5.2. Proper independent advice must be taken.

6. CRIME AND DISORDER IMPLICATIONS

6.1. There are no crime and disorder implications directly arising from this report.

7. EQUALITIES IMPLICATIONS

7.1. There are no equalities implications directly arising from this report.

8. ENVIRONMENTAL IMPLICATIONS

8.1. There are no environmental implications directly arising from this report.

APPENDICES

The full report is attached for members only. Commentary will be provided at the meeting by the Council's appointed advisors from Hymans Robertson.

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact:

David Austin, Head of Corporate Resources on 020 8314 9114 or at david.austin@lewisham.gov.uk

Robert Browning, Principal Accountant – Treasury & Pensions on 020 8314 6274 or at robert.browning@lewisham.gov.uk

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Agenda Item 7

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Investment Performance for the quarter end June 2017		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Head of Corporate Resources		
CLASS	Part 1	Date:	September 2017

1. PURPOSE

- 1.1. This report sets out the quarterly performance of the Pension Fund investment portfolio – see attached report as presented by the Council’s advisors, Hymans Robertson, together with the summer 2017 Investment Perspectives update.

2. RECOMMENDATIONS

- 2.1. The committee is asked to note the contents of the report.

3. SUMMARY

- 3.1. The report covers:
 - The value of the fund's assets and movements over the quarter to 30 June 2017
 - The returns generated by the Fund (net of fees) over the quarter, and how these compare to the agreed benchmarks
 - An assessment of the fund managers and any recommendations for the next quarter

4. FINANCIAL IMPLICATIONS

- 4.1. There are no financial implications arising directly from this report.

5. LEGAL IMPLICATIONS

- 5.1. As the administering authority for the Fund, the Council must review the performance of the Fund’s investments at regular intervals and review the investments made by Fund Managers quarterly.
- 5.2. The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisors in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial Officer who has statutory responsibility to ensure the proper administration of the Council’s financial affairs, including the administration of the Pension Fund.

6. CRIME AND DISORDER IMPLICATIONS

- 6.1. There are no crime and disorder implications directly arising from this report.

7. EQUALITIES IMPLICATIONS

7.1. There are no equalities implications directly arising from this report.

8. ENVIRONMENTAL IMPLICATIONS

8.1. There are no environmental implications directly arising from this report.

APPENDICES

The full report and performance is attached for members only. Commentary will be provided at the meeting by the Council's appointed advisors from Hymans Robertson.

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact:

David Austin, Head of Corporate Resources on 020 8314 9114 or at david.austin@lewisham.gov.uk

Robert Browning, Principal Accountant – Treasury & Pensions on 020 8314 6274 or at robert.browning@lewisham.gov.uk

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Agenda Item 8

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Pensions Investment Committee – Pensions Update		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Head of Corporate Resources		
CLASS	Part 1	Date:	September 2017

1. PURPOSE

- 1.1. This paper provides members with an update on several pension related matters in the last period.

2. RECOMMENDATIONS

- 2.1. Members are asked to agree to the following recommendations:

- To note the potential impact on investment strategy of becoming a retail client, with effect from 3 January 2018, under MiFID II as per sections 4.1 to 4.8.
- To agree to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure that officers can continue to implement an effective investment strategy, as per section 4.7.
- In electing for professional client status, to acknowledge and agree to forgo the protections available to retail clients as per Appendix 1.
- To delegate responsibility to officers, specifically the Head of Corporate Resources and Principal Accountant for Pensions and Treasury, for the purposes of completing the applications and determining the basis of each application as either full or single service, as per section 4.8

- 2.2. Members are asked to note the remainder of the report.

3. BACKGROUND

- 3.1. This briefing will provide a summary of current topics relating to pensions and address standing items on the agenda, following on from actions requested in previous meetings.

4. CURRENT CONSIDERATIONS

Markets in Financial Instruments Directive (MiFID II)

- 4.1. From from 3 January 2018 local authorities will no longer be automatically classified as “professional clients” in respect of business carried out within the

scope of MiFID and must instead be classified as “retail clients”, unless they are “opted up” by firms to an “elective professional client” status. The impact of this is that all financial services firms like banks, brokers, advisers and fund managers will have to treat local authorities the same way they do non-professional individuals and small businesses.

- 4.2. Retail client status offers a raft of protections ensuring that investment products are suitable for the customer’s needs, and that all the risks and features have been fully explained, providing a higher standard of protection for the client. It also involves more work and potential cost for both the firm and the client, for the purpose of proving to the regulator that all such requirements have been met.
- 4.3. Such protections would come at the price of local authorities not being able to access the wide range of assets needed to implement an effective, diversified investment strategy. Retail status would significantly restrict the range of financial institutions and instruments available to authorities. Many institutions currently servicing the LGPS are not authorised to deal with retail clients and may not wish to undergo the required changes to resources and permissions in order to do so; even if they did, the range of instruments they could offer would be limited and exclude many of the asset classes currently included in LGPS fund portfolios.
- 4.4. MiFID II allows for retail clients to “opt up” to professional status by complying with a set of quantitative and qualitative tests, which have been updated after successful lobbying from the Scheme Advisory Board (SAB) and the Local Government Association (LGA) to make them better suited to Local Authorities. The new quantitative test recognises the status of LGPS administering authorities as a providing a “pass”, whilst the qualitative tests now assess the knowledge and abilities of the authority as a collective rather than for any one individual.
- 4.5. Appendix 1 summarises the protections in place for a retail client which would be lost if a request to be treated as a professional client is agreed (and, as the Fund is currently treated as a professional investor, these protections are not currently applicable). Applications to institutions can be made in respect of all services offered by that institution (even if not already accessed) or a particular service only, and do not need to be renewed on a regular basis (although institutions must be notified of any change in circumstances which may affect classification, such as a loss of experience through a change of committee membership).
- 4.6. LGPS pools will be professional investors in their own right so will not need to opt up with the external institutions they use. Local authorities will however need to opt up with their LGPS pool in order to access the full range of services and sub-funds on offer.
- 4.7. The election to professional status must be completed with all financial institutions prior to the change of status on 3 January 2018, and should commence as soon as possible to ensure completion in good time. Failure to do so would result in a financial institution having to take “appropriate action” which could include a termination of the relationship at a significant financial risk to the authority. A standard opt up process with letter and template questionnaire has been developed by the SAB and LGA to enable a consistent approach for all authorities across all institutions.

- 4.8. Officers recommend that members grant the necessary delegation to make applications on the authority's behalf and to determine the nature of the application on either a full or single service basis.

London Collective Investment Vehicle (CIV) – General Update

- 4.9. The Pensions Sectoral Joint Committee (PSJC) continue to meet, with the Chair of PIC representing Lewisham Pension Fund's interests; the next meeting is scheduled for the 13th September 2017. The Head of Corporate Resources and Principal Accountant are also in regular contact with the CIV.
- 4.10. To date, none of the funds launched by the CIV have been funds Lewisham are invested in or planning to invest in. The CIV currently offers three global equity, one UK equity and four multi-asset funds; by the end of September 2017 it will have launched a further four global equity funds.
- 4.11. The CIV has begun its preparations to launch a range of fixed income products by the end of the calendar year and has undertaken a tender process to appoint an adviser to assist in the search of suitable managers.
- 4.12. The Training schedule in Appendix 2 includes CIV seminars and events suitable for members currently planned to take place later this year. Further information on these events can be obtained by emailing chloe.crouch@londonciv.org.uk.

Pension Board

- 4.13. The Pension Board has not met in the last quarter. Efforts are being made to re-establish the board and schedule a meeting in the next quarter. Further developments will be reported on at the next meeting of the PIC.

Pension Fund Accounts

- 4.14. The external audit of the financial statements for 2016/17 has been largely completed, with the final findings report to be agreed and reported to Audit Panel later in September. Some non-material adjustments were identified during the audit which focus mainly on the content and format of certain disclosure notes, and officers have processed and updated the accounts accordingly. These will be brought to the November meeting of PIC together with the Annual Report.

Actions Arising From Previous Pension Investment Committee:

- 4.15. BlackRock have been notified of the Committee's decision to remain in our current life fund structure and take advantage of a backdated fee reduction; they are in the process of amending their agreement to reflect this.
- 4.16. The second phase of the disinvestment from equities has been pushed back due to delays in completing the first phase. Additional rebalancing of the funds will take place later in the year and form part of the agenda at the next PIC meeting in November.
- 4.17. Members are reminded of the rescheduled infrastructure training session due to take place in early October 2017, the date to be confirmed. This will help inform decisions taken at Committee with regards to phase two of the rebalancing of the Fund.

Training

- 4.18. A selection of conferences, workshops and seminars for the last quarter of 2017 has been listed in Appendix 2. Should members find any of the sessions of interest, or have identified other training they would like to attend, please can they keep the Governance Team or Principal Accountant for Treasury and Pensions informed.
- 4.19. Officers continue to recommend the excellent training tools available via the Pensions Regulator at: <http://www.thepensionsregulator.gov.uk/public-service-schemes/learn-about-managing-public-service-schemes.aspx>. In addition, as members have previously reported that this was a helpful resource, Russell's Fiduciary Handbook – "A step-by-step guide to pension fund investment strategy" is available online at: <https://russellinvestments.com/-/media/files/emea/institutions/russell-investments-fiduciary-handbook-combined.pdf>.

5. FINANCIAL IMPLICATIONS

- 5.1. The financial implications arising directly from this report relate to the impact on the Fund's investment strategy should the Committee decide not to opt up to professional client status under MiFID II. Not only would investment opportunities be limited in the future, but the Fund would have to take significant action to address restrictions placed on the asset types available to retail investors. This is explained in section 4 of the report, as well as the process for opting up to professional status.

6. LEGAL IMPLICATIONS

- 6.1. Legal implications to follow.

7. CRIME AND DISORDER IMPLICATIONS

- 7.1. There are no crime and disorder implications directly arising from this report.

8. EQUALITIES IMPLICATIONS

- 8.1. There are no equalities implications directly arising from this report.

9. ENVIRONMENTAL IMPLICATIONS

- 9.1. There are no environmental implications directly arising from this report.

APPENDICES

Appendix 1 – Summary of Protections Lost as a Retail Client

Appendix 2 – Training Programme Quarter 4 2017

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact either:

David Austin, Head of Corporate Resources on 020 8314 9114 or at david.austin@lewisham.gov.uk

Robert Browning, Principal Accountant – Treasury & Pensions on 020 8314 6274 or at robert.browning@lewisham.gov.uk

APPENDIX 1 – Summary of Protections Lost as a Professional Client

The following summary has been taken from the LGPS Scheme Advisory Board website at the following link: <http://www.lgpsboard.org/images/PDF/MiFIDII/Protections.pdf>

Professional Clients are entitled to fewer protections under the UK and EU regulatory regimes than is otherwise the case for Retail Clients. This document contains, for information purposes only, a summary of the protections that you will lose if you request and agree to be treated as a Professional Client.

1. Communicating with clients, including financial promotions

As a Professional Client the simplicity and frequency in which the firm communicates with you may be different to the way in which they would communicate with a Retail Client. They will ensure however that our communication remains fair, clear and not misleading.

2. Information about the firm, its services and remuneration

The type of information that the firm provides to Retail Clients about itself, its services and its products and how it is remunerated differs to what the firm provides to Professional Clients. In particular,

- (A) The firm is obliged to provide information on these areas to all clients but the granularity, medium and timing of such provision may be less specific for clients that are not Retail Clients; and
- (B) there are particular restrictions on the remuneration structure for staff providing services to Retail Clients which may not be applicable in respect of staff providing services to Professional Clients;
- (C) the information which the firm provides in relation to costs and charges for its services and/or products may not be as comprehensive for Professional Clients as it would be for Retail Clients, for example, they are required when offering packaged products and services to provide additional information to Retail Clients on the risks and components making up that package; and
- (D) when handling orders on behalf of Retail Clients, the firm has an obligation to inform them about any material difficulties in carrying out the orders; this obligation may not apply in respect of Professional Clients.

3. Suitability

In the course of providing advice or in the course of providing discretionary management services, when assessing suitability for Professional Clients, the firm is entitled to assume that in relation to the products, transactions and services for which you have been so classified, that you have the necessary level of experience and knowledge to understand the risks involved in the management of your investments. The firm will assess this information separately for Retail Clients and would be required to provide Retail Clients with a suitability report.

4. Appropriateness

For transactions where the firm does not provide you with investment advice or discretionary management services (such as an execution-only trade), it may be required to assess whether the transaction is appropriate. In respect of a Retail Client, there is a specified test for ascertaining whether the client has the requisite investment knowledge and experience to understand the risks associated with the relevant transaction. However, in respect of a Professional Client, the firm is entitled to assume that they have the necessary level of experience, knowledge and expertise to understand the risks involved in a transaction in products and services for which they are classified as a Professional Client.

5. Dealing

A range of factors may be considered for Professional Clients in order to achieve best execution (price is an important factor but the relative importance of other different factors, such as speed, costs and fees may vary). In contrast, when undertaking transactions for Retail Clients, the total consideration, representing the price of the financial instrument and the costs relating to execution, must be the overriding factor in any execution.

6. Reporting information to clients

For transactions where the firm does not provide discretionary management services (such as an execution-only transactions), the timeframe for our providing confirmation that an order has been carried out is more rigorous for Retail Clients' orders than Professional Clients' orders.

7. Client reporting

Investment firms that hold a retail client account that includes positions in leveraged financial instruments or contingent liability transactions shall inform the Retail Client, where the initial value of each instrument depreciates by 10% and thereafter at multiples of 10%. These reports do not have to be produced for Professional Clients.

8. Financial Ombudsman Service

The services of the Financial Ombudsman Service may not be available to you as a Professional Client.

9. Investor compensation

Eligibility for compensation from the Financial Services Compensation Scheme is not contingent on your categorisation but on how your organisation is constituted. Hence, depending on how you are constituted you may not have access to the Financial Services Compensation Scheme.

10. Exclusion of liability

The FCA rules restrict the firm's ability to exclude or restrict any duty of liability which the firm owes to Retail Clients more strictly than in respect of Professional Clients.

11. Trading obligation

In respect of shares admitted to trading on a regulated market or traded on a trading venue, the firm may, in relation to the investments of Retail Clients, only arrange for such trades to be carried out on a regulated market, a multilateral trading facility, a systematic internaliser or a

third-country trading venue. This is a restriction which may not apply in respect of trading carried out for Professional Clients.

12. Transfer of financial collateral arrangements

As a Professional Client, the firm may conclude title transfer financial collateral arrangements with you for the purpose of securing or covering your present or future, actual or contingent or prospective obligations, which would not be possible for Retail Clients.

13. Client money

The requirements under the client money rules in the FCA Handbook (CASS) are more prescriptive and provide more protection in respect of Retail Clients than in respect of Professional Clients.

It should be noted that at all times you will have the right to request a different client categorisation and that you will be responsible for keeping the firm informed of any change that could affect your categorisation as a Professional Client.

APPENDIX 2 – Training Programme Quarter 4 2017

Date	Conference/Event	Organiser	Venue	Cost & Additional Information
14/09/17	Emerging & Frontier Markets Investment Strategies for Pension Funds	SPS Conferences	Le Meridien Piccadilly, London, W1	2 Free Places Day Event
19/09/17	Low Carbon Workshop	London CIV	TBA	Free – contact CIV
20/09/17	Introduction to Trusteeship – Part 1: The Theory	PLSA	Cheapside House, London	Free to Members Day Event
26/09/17	Investment Insights in a Changing World	CIPFA	South Place Hotel, London, EC2M	£495
26/09/17	Introduction to Trusteeship – Part 2: The Practice	PLSA	Cheapside House, London	Free to Members Day Event
12/10/17	Property, Real Assets & Infrastructure Investment Strategies for Pension Funds	SPS Conferences	Le Meridien Piccadilly, London, W1	2 Free Places Day Event
16/10/17	Fixed Income/Cashflow Seminar	London CIV	TBA	Free – contact CIV
02/11/17	Introduction to Trusteeship – Part 1: The Theory	PLSA	Cheapside House, London	Free to Members Day Event
07/11/17	Global Equity Information Day Phase II	London CIV	TBA	Free – contact CIV
09/11/17	Annual Round-up & Current Investment Issues for Pension Funds	SPS Conferences	Le Meridien Piccadilly, London, W1	2 Free Places Day Event
14/11/17	Introduction to Trusteeship – Part 2: The Practice	PLSA	Cheapside House, London	Free to Members Day Event
06-08/12/17	The LAPFF Annual Conference: Responsible Investment, Impact on Boards, Impact on Asset Management	LAPFF	Bournemouth	Multi-day Event Cost TBC
12/12/17	Infrastructure Seminar	London CIV	TBA	Free – contact CIV