SAMPLE ERROR CORRECTION POLICY FOR ASSET OWNERS

Introduction

Asset owners that claim compliance with the Global Investment Performance Standards (GIPS®) are required to establish policies and procedures used in establishing and maintaining compliance with the requirements of the GIPS standards. Provision 21.A.16 requires asset owners to correct material errors in GIPS Asset Owner Reports and provide corrected GIPS Asset Owner Reports to any oversight body, current verifier, and former verifiers that received the GIPS Asset Owner Report that had the material error. This error correction policy sample can be used to assist with creating policies and procedures for handling errors in GIPS Asset Owner Reports.

This sample is one example of an error correction policy. Asset owners are not required to establish an error correction policy that is consistent with this sample. For example, this policy determines materiality for additional composites by asset class, but this is not required. Another example is the use of both absolute and relative error thresholds to determine the level of error for certain items, as included in the table in item 4. An asset owner may create an error correction policy that includes both absolute and relative thresholds, only absolute thresholds, or only relative thresholds. This policy also assumes that only annual returns are included in the GIPS Asset Owner Report. If an asset owner chooses to include returns for other periods, the policy should also contemplate those periods.

Error Correction Policy Sample

To address errors that occur in GIPS Asset Owner Reports, ABC Asset Owner has adopted the following policies and procedures.

1. **Definition of error**

    An error is defined as any component of a GIPS Asset Owner Report that is missing or inaccurate. Errors can be quantitative or qualitative. All errors in GIPS Asset Owner Reports are subject to this Error Correction Policy.

2. **Definition of material error**

    A material error is defined as an error in a GIPS Asset Owner Report that must be corrected and disclosed in a corrected GIPS Asset Owner Report.

3. **Definition of materiality**

    An error (or item) is material if the magnitude of the omission or misstatement of performance information, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed by the omission or misstatement. When considering materiality, and more than one error has occurred, errors will be considered in the aggregate for each reporting period. Errors that may be considered immaterial individually may be material when considered in the aggregate.

4. Determining level of error

The table below establishes thresholds for determining the level of quantitative errors.

A Level 1 error is any error that is below the threshold for a Level 2 error.

Level 1, 2, and 3 errors are considered non-material errors. Level 4 errors are considered material errors.

The absolute change represents the change from the incorrect amount to the corrected amount. The relative change represents the percentage change from the incorrect amount to the corrected amount.

Error	Asset Class	Level 4 Error Absolute change	Level 4 Error Relative change	Level 3 Error Absolute change	Level 3 Error Relative change	Level 2 Error Absolute change	Level 2 Error Relative change
Annual total fund return	Multi-Asset	≥ +/- 15 bps and	≥ +/- 5%	≥ +/- 8 bps and < 15 bps and	≥ +/- 5%	≥ +/- 6bps and < 10 bps and	≥ +/- 5%
Annual composite return	Equity	≥ +/- 20 bps and	≥ +/- 5%	≥ +/- 15 bps and < 20 bps and	≥ +/- 5%	≥ +/- 10 bps and < 15 bps and	≥ +/- 5%
	Private market investments	≥ +/- 30 bps and	≥ +/- 5%	≥ +/- 25 bps and < 30 bps and	≥ +/- 5%	≥ +/- 20 bps and < 25 bps and	≥ +/- 5%
	Fixed Income	≥ +/- 10 bps and	≥ +/- 5%	≥ +/- 7 bps and < 10 bps and	≥ +/- 5%	≥ +/- 3 bps and < 7 bps and	≥ +/- 5%
Annual total fund benchmark return	Multi-Asset	≥ +/- 15 bps	n/a	≥ +/- 10 bps and < 20 bps	n/a	≥ +/- 6 bps and < 10 bps	n/a
Annual composite benchmark return	Equity	≥ +/- 20 bps	n/a	≥ +/- 15 bps and < 20 bps	n/a	≥ +/- 10 bps and < 15 bps	n/a
	Private market investments	≥ +/- 30 bps and	≥ +/- 5%	≥ +/- 25 bps and < 30 bps and	≥ +/- 5%	≥ +/- 20 bps and < 25 bps and	≥ +/- 5%
	Fixed Income	≥ +/- 10 bps	n/a	≥ +/- 7 bps and < 10 bps	n/a	≥ +/- 3 bps and < 7 bps	n/a

Error	Asset Class	Level 4 Error		Level 3 Error		Level 2 Error	
		Absolute change	Relative change	Absolute change	Relative change	Absolute change	Relative change
Total Asset Owner Assets	All	n/a	≥ +/- 10%	n/a	≥ +/- 7% and < 10%	n/a	≥ +/- 3% and < 7%
Total Fund/Composite Assets	All	n/a	≥ +/- 10%	n/a	≥ +/- 7% and < 10%	n/a	≥ +/- 3% and < 7%
Number of portfolios	All	≥ +/-5 and	≥ +/- 10%	n/a	≥ +/- 7% and < 10%	n/a	≥ +/- 3% and < 7%
3-year external standard deviation	All	n/a	≥ +/-10%	n/a	≥ +/- 7% and < 10%	n/a	≥ +/- 3% and < 7%

Any error in total fund or composite returns that causes the corrected return to change from outperforming the benchmark to underperforming the benchmark is considered a Level 4 error.

5. **Quantitative errors not covered by the table above.**

Every possible type of quantitative error is not covered by the table above. Quantitative errors not covered by the table above, such as an error in the percentage of assets that were valued using subjective unobservable inputs, will be reviewed by the GIPS Compliance Committee, which will decide how the error should be handled and which level of corrective action will be taken.

6. **Qualitative errors**

Qualitative errors, which can be missing, incomplete, or incorrect disclosures, will be corrected immediately. Qualitative errors will be reviewed by the GIPS Compliance Committee, which will decide how the error should be handled and which level of corrective action will be taken.

7. **Time periods**

It is the Asset Owner's policy to not differentiate errors based on the period in which they occur. All errors are treated the same, regardless of the period in which they occurred.

8. **Corrective actions by level**

The Asset Owner has developed the following categories for actions to be taken once an error has been identified and the error correction level has been determined:

Level 1

- Take no action.

Level 2

- Correct the data error in the system, if appropriate;
- Correct the GIPS Asset Owner Report;
- Do not disclose the change.

Level 3

- Correct the data error in the system, if appropriate;
- Correct the GIPS Asset Owner Report;
- Disclose the change;
- Do not distribute the corrected GIPS Asset Owner Report.

Level 4

- Correct the data error in the system, if appropriate;
- Correct the GIPS Asset Owner Report;
- Disclose the change;
- For GIPS Asset Owner Reports:
  - Provide the corrected GIPS Asset Owner Report to the current verifier.
  - Provide the corrected GIPS Asset Owner Report to any former verifiers that received the GIPS Asset Owner Report that had the material error.
  - Provide the corrected GIPS Asset Owner Report to the oversight body that received the GIPS Asset Owner Report that had the material error.

9. **GIPS Compliance Committee**

The GIPS Compliance Committee will include one member from each of the following departments: Compliance, Legal, Communications, Performance, Operations, and Risk.

The GIPS Compliance Committee is responsible for reviewing all errors. The GIPS Compliance Committee will discuss the nature of the error and if any additional procedures need to be implemented to minimize the likelihood that the same type of error reoccurs.

10. **Error incident report**

The responsible Performance Department team member will complete an Error Incident Report and submit this Report to the GIPS Standards Committee, along with the incorrect GIPS Asset Owner Report and the corrected GIPS Asset Owner Report, if applicable. The Error Incident Report will include the following information, as applicable:
- The total fund or composite affected by the error
- For the fund or composite, the affected portfolios
- The affected periods
- How the error was identified
- Materiality calculation
- Action level taken
- Steps taken or to be taken to prevent the same type of error from happening again
- Changes needed to the error correction policy

11. **Distribution of corrected GIPS Asset Owner Reports**

When a material error occurs, the distribution of the corrected GIPS Asset Owner Report that includes disclosure of the change resulting from the correction of the material error will be overseen by a member of the Compliance Department. The Compliance Department will also provide the Error Incident Report to the Oversight Body.

It is the Asset Owner's policy to provide a corrected GIPS Asset Owner Report with disclosure of the change resulting from the material error to beneficiaries who may have obtained the GIPS Asset Owner Report that had the material error from the Asset Owner's website. .

12. **Changes to the Error Correction Policy**

Changes to the Error Correction Policy must be approved by the GIPS Compliance Committee.