Annual Stewardship Report

2022/23

Foreword

For the year ending 31 March 2023

I am delighted to present the third Annual Stewardship Report for the Wales Pension Partnership, covering the year to 31 March 2023. This report summarises our stewardship activity over the year, sets out the actions that we have taken in conjunction with our partners and the outcomes that we have achieved, demonstrating our compliance with the FRC UK Stewardship Code.

We were pleased to have retained our signatory status earlier this year, with progress being made to enhance our responsible investment (RI) approach. However, we recognised that there were several areas where WPP wished to progress further, notably in how we report to our stakeholders and how we address climate risk. We are pleased to have made progress on both these areas while also developing further Sub-Funds through which our eight partner funds can implement their respective investment strategies.

The year was one filled with challenge at the macroeconomic level, with continued inflation and economic uncertainty, the lasting effects of the Covid-19 pandemic, the gilts crisis in the UK, rising tensions in the South China Sea and the ongoing conflict in Ukraine. We also continued to see climate change as central to the considerations of asset owners. This remained a focus for the WPP, driving a number of actions over the year.

Building on our previous work, we introduced the low-carbon overlay to the UK Opportunities Sub-Fund at the start of the year, excluding companies that rely on coal to generate revenues and reducing the carbon footprint of the Sub-Fund by 25%. Recognising the need to build consensus in our approach to addressing climate risk, we commissioned work on an All-Wales Climate Report (AWCR), which will both address the progress that has already been made and facilitate further discussions on climate policy across all our stakeholders.

We were also delighted to work with Russell Investments to progress the development of the Sustainable Active Equity Sub-Fund, which, while formally launched following the year-end, has gained support from all eight of our partner funds, demonstrating their desire to allocate to sustainably oriented strategies. Progress was also made on broadening our fund range through the appointment of private-markets allocators across private debt, infrastructure and private equity, where RI considerations played a central role in the selection of our chosen partners. This progress should continue to allow assets to flow into the WPP over time, emphasising the need for us to continue to raise our stewardship standards and expectations.

Our approach to stewardship was strengthened through the development of a Stewardship Framework that allows us to engage with our stakeholders and capture the themes that are important to them more effectively. It also allows us to input to the work undertaken by Robeco as our Voting & Engagement (V&E) Provider. On our behalf, Robeco voted on over 15,000 resolutions and held over 200 engagements with companies across a range of environmental, social & governance (ESG) issues. We have also worked to improve our reporting so we can convey the breadth and depth of this work to our stakeholders, while also working to enhance the collaboration between our service providers.

Overall, we are delighted with the continued and valued collaboration on RI that has taken place across the eight underlying Local Government Pension Scheme (LGPS) funds in Wales, and how this has been facilitated by our service providers and other stakeholders. WPP recognises the importance of responsible active ownership, and we look forward to progressing our stewardship goals collectively over the coming year and beyond.

Ted Palmer

Chair, WPP Joint Governance Committee

October 2023

A snapshot of 2022/23

TOTAL POOLED ASSETS

£15.7bn

representing **70% of total assets** of the Welsh LGPS funds

£10.6bn

actively invested through 9 Sub-Funds

72% is invested in equities

Appointed SIX allocators/managers to manage private market assets across private equity, infrastructure and private debt

Developed a new Stewardship Framework.

Three current themes:

- Focusing on Net Zero
- Supporting People
- Governance for Sustainable Outcomes

Introduced low carbon overlay on our UK Opportunities Sub-Fund, which has seen WACI **reduce by 17%**

WACI (Weighted Average Carbon Intensity)

Average WACI of our active equity investments fell by **11% over the year**

Across our active equity portfolio, we voted at over **1,200 meetings** casting over **15,000 votes**

15% of our votes were against management

On our behalf, Robeco had **223 corporate** engagements across **20 separate themes**

88 engagements were directly related to environmental issues

Who we are

Our pool

Established in 2017, the WPP is a collaboration between the eight constituent authorities (CAs) that cover the whole of Wales. The WPP itself is one of eight asset Pools across England and Wales that are collectively responsible for the management and stewardship of assets for LGPS funds. The eight CAs that make up the WPP are as follows:

The CAs have a long, successful history of collaboration, dating back before the government's pooling initiative and the formation of the WPP. WPP is proud of our unique identity as a Pool – the CAs represent and span the entirety of Wales, providing a geographical alignment of interests. Being democratically accountable means the WPP provides the best of strong public sector governance and transparency.

Our members

Membership of the eight LGPS funds that make up the collective Pool is voluntary. Organisations that participate within the LGPS funds include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members.
- Admitted bodies, which participate under the terms of an admission agreement between the Pension Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

In total, the WPP serves 404,275 members (152,067 active, 118,002 pensioner, 134,206 deferred) across the eight LGPS funds.

Our model

WPP's operating model is based on our shared investment beliefs, and is designed to be flexible, deliver value for money and to bring best-of-breed expertise to support the ongoing management of the Pool.

WPP has appointed an external Operator, Link Fund Solutions (Link), partnering with our appointed Investment Management Solutions Provider, Russell Investments (Russell). The WPP's operating model recognises the need for external expertise in order to achieve objectives. To strengthen our collective stewardship efforts, the WPP has engaged Robeco as its V&E Provider, bringing a leading voice to implement the WPP's stewardship ambitions. The WPP also continues to rely on Hymans Robertson as Oversight Advisor.

As the breadth of assets under management (AUM) has grown and our focus has shifted to introducing private market solutions, we have also engaged bfinance to support us in identifying appropriate long-term partners.

Our purpose, values and culture

We are fortunate to enjoy a high level of collaboration between all our stakeholders, and we feel the continued contributions of the CAs towards achieving our common goals is one of our key strengths. Against this backdrop, the WPP, through consultation with all eight CAs, has formulated the following primary objectives:

- To provide pooling arrangements that allow individual funds to implement their own investment strategies, where practical.
- To achieve material cost savings for participating Pension Funds while improving or maintaining investment performance after fees.
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other Pools to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments.
- To deliver an investment framework that achieves the best outcomes for our key stakeholders: the CAs. The CAs will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers.

To note, these objectives were reviewed over the reporting year, with a new objective added from 2023/24, one that speaks to incorporating sustainable investment outcomes. This will be reported on in next year's submission.

Investment beliefs

- ✓ The WPP's role is to facilitate and provide an investment pooling platform through which the interests of the CAs can be implemented.
- ✓ Good governance should lead to superior outcomes for WPP's stakeholders.
- ✓ Internal collaboration between the Host Authority and the CAs is critical to achieving the WPP's objectives. External collaboration may also be beneficial in delivering cost savings and better outcomes for stakeholders.
- ✓ RI and effective climate-risk mitigation strategies, alongside consideration and evidential management of broader environmental, social & governance (ESG) issues, should result in better outcomes for the WPP's stakeholders.
- ✓ Effective internal and external communication is vital to achieving the WPP's objectives.
- ✓ External suppliers can be a cost-effective means of enhancing the WPP's resources, capabilities and expertise.
- ✓ Fee and cost transparency will aid decision-making and improve stakeholder outcomes.
- ✓ Continuous learning, innovation and development will help the WPP and the CAs evolve.
- ✓ A flexible approach to the WPP's pooling structure and implementation methods will enable the Pool to adapt in the future and continue to meet the needs of stakeholders.

RI beliefs

- ✓ The RI behaviours we want to see demonstrated by all our stakeholders must be led by WPP.
- ✓ The integration of ESG factors, including climate change, into investment processes is a prerequisite for any strategy, given the potential for financial loss.
- ✓ WPP is most effective as an investor engaging for change from within, particularly in collaboration with other like-minded investors, as opposed to a campaigner lobbying for change from outside.
- ✓ Our impact on corporate behaviours will be greatest when we speak with one voice.
- ✓ The effective oversight of RI practices requires clear disclosure and measurement of comprehensive data.

Our investment beliefs

We continue to believe our strength lies in our shared investment beliefs and our ability to collaborate towards delivering collective objectives for the benefit of all WPP stakeholders. These are reflected not only in the WPP's chosen operating model, including the need for external expertise, but also in the importance we attach to the work of the WPP's RI Sub-Group (RISG), which meets at least once a quarter to engage specifically on the collective RI objectives and outcomes of the Pool. The full set of shared beliefs can be found in the Pool's Governance Manual.

The WPP defines RI as 'investment practices that integrate the consideration of ESG factors into investment management processes and ownership practices, recognising that these factors can have a material impact on financial performance'. WPP's long-term ambition is to demonstrate leadership on RI in managing assets for and on behalf of the CAs, with a set of RI beliefs that underpin decision-making and governance processes.

These beliefs are reviewed annually, with the last review taking place in Q4 2022. One key feature of our investment beliefs is the use of external expertise to deliver investment outcomes. This is particularly the case when it comes to our stewardship commitment, through the appointment of Robeco as WPP's V&E Provider. Robeco's appointment has resulted in a particular focus on stewardship, which also facilitated the development of a single voting policy for WPP. Implementation of this policy from 1 January 2021 has given the WPP an ability to speak with one voice and, as this policy evolves with ongoing input from the CAs, the WPP expects to see a growing focus on issues that are important to our stakeholders.

WPP regards the progress in addressing stewardship over the last 12 months as positive. With all eight CAs represented on the RISG, we have ensured that all of our direct stakeholders can provide input on decisions. This approach, coupled with our other forums, means that each CA is able to raise issues of local importance, with issues then being prioritised for action. For example, the RISG has addressed the need for effective oversight and, in working with our Service Providers, has developed a more detailed monitoring process, which ultimately allows for greater transparency and challenge. This will allow the WPP to meet another core belief, the need for effective internal and external communication.

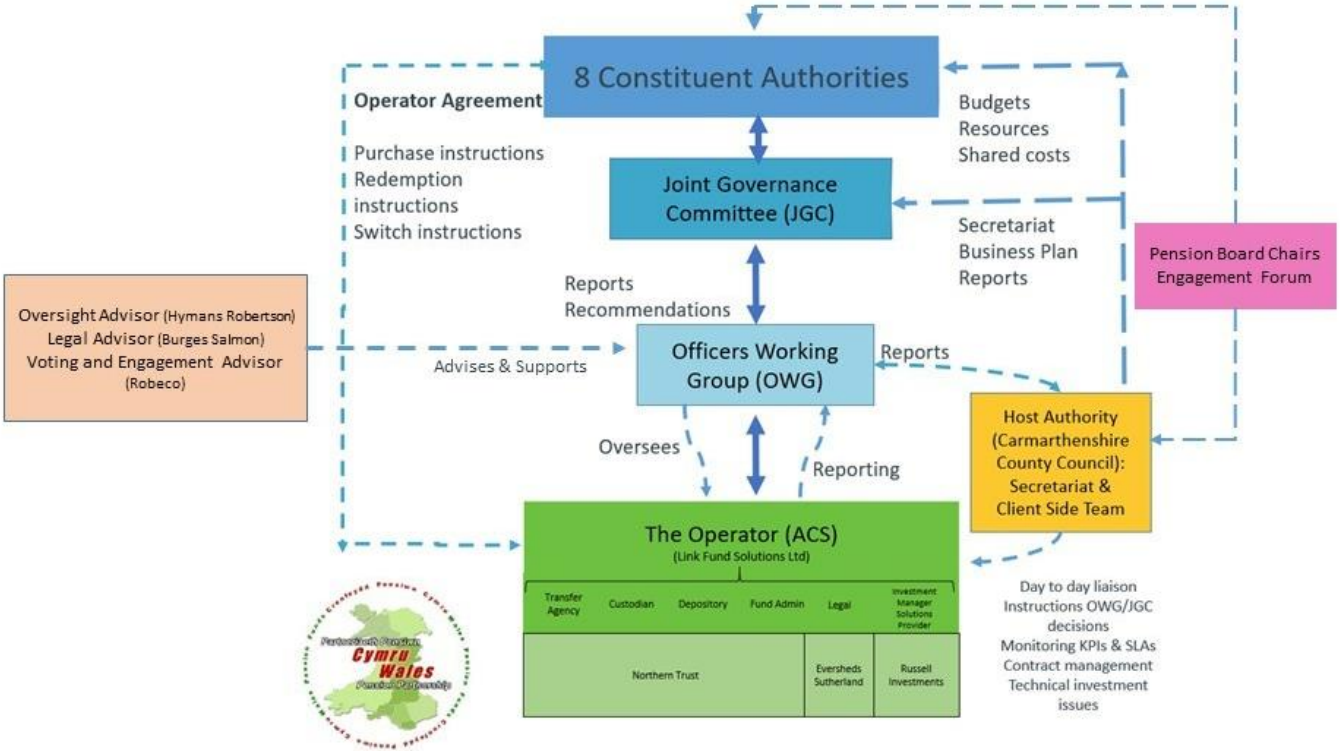
Our beliefs in practice

The WPP has an ongoing dialogue with various parties on the topic of climate change and fossil fuels, including Friends of the Earth and the Welsh Senedd. The WPP's position remains one of progressing engagement in respect of the companies that it invests in, with climate change a key focus of our engagement activity. We do, however, respect the views of others and the need for transition, and believe that, by engaging all stakeholders, we can build our understanding and actions. This has manifested in the approach taken to the development of our Sustainable Equity Sub-Fund, which incorporates a net-zero alignment framework, including an engagement target on financed emissions. Work around climate solutions was also progressed over the year, in the development of a suite of private-markets mandates. Finally, in wishing to enhance its stewardship across its equity Sub-Funds, WPP facilitated in-depth discussions around responsible securities lending, with a decision on recalling stocks for proxy voting purposes finalised following year-end.

Governance

Our RI beliefs form the core of the WPP's governance framework, and they are used to guide all of the WPP's activities and decision-making, including the framing of objectives and policies. The WPP's governance framework also aims to ensure that key decisions are given priority and resources are focused on those areas most likely to contribute to the future success of the WPP. Through this structure, the WPP acknowledges our role in providing leadership for all CAs – particularly the need for collaboration. However, given the model employed, the WPP also acknowledges that we must work alongside – and rely heavily upon – our appointed providers. This is particularly the case for meeting our stewardship objectives, where the use and expertise of external partners are key. No changes were made to the governance arrangements over the year.

The CAs are the most important stakeholders of the WPP. They not only represent the founding members of the WPP, but they are also the Pool's primary beneficiaries. The CAs formed the WPP's Joint Governance Committee (JGC) to oversee and report on the WPP. A number of decision-making matters are reserved to the CAs, while the remainder are considered matters for the JGC.



Dedicated sub-committees have been formed to ensure that effective decision-making can take place. The WPP is responsible for ensuring that our business is conducted in accordance with regulation and guidance. It must also ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively to ensure value for money. WPP also strives for continuous improvement and to conform with industry best practice.

The WPP's Inter Authority Agreement (IAA) details how WPP deals with all aspects of governance, defining the standards, roles and responsibilities of the CAs, our Members, Committees and Officers. The IAA includes a Scheme of Delegation, which outlines the decision-making process and takes into account relevant legislation. The WPP's IAA can be found in our Governance Manual.

Internal resources

Carmarthenshire County Council acts as the Host Authority for the WPP, providing administrative and secretarial support to the JGC, and liaising day to day with the Operator on behalf of all of the LGPS funds in Wales. Within the Host Authority, two staff members, the Treasury & Pension Investments Manager and the Senior Financial Services Officer, fulfil this role. Between them, they have more than 25 years of experience in investment and financial services, and they have been directly involved with the WPP for six years.

Ultimately, the role of the Host Authority is to facilitate the stewardship goals of the WPP. This includes organising internal training sessions, representing the WPP at external events and conferences, liaising with the Local Authority Pension Fund Forum (LAPFF), and being the first point of contact with WPP's external providers (Russell, Robeco, Hymans Robertson), who carry out the stewardship functions on behalf of the WPP.

Joint Governance Committee

The JGC meets at least four times a year. The JGC is comprised of one elected member from each of the eight CAs. The elected member must be a member of that CA and that CA's Pensions Committee. The Chair and Vice-chair are rotated on an annual basis. A co-opted (non-voting) pension board scheme member is also represented on the JGC. The JGC is responsible for overseeing the pooling of the investments of the eight LGPS funds in Wales.

Officers Working Group

The Officers Working Group (OWG) was established with the purpose of providing support and advice to the JGC. The OWG meets at least four times a year. In a similar fashion to the JGC, the OWG has a strong track record in terms of engagement and attendance. There is at least one representative from each CA in attendance at OWG meetings, and it is common to see both the Section 151 Officer and Practitioner for all eight CAs in attendance.

The WPP's providers and external advisors also attend OWG meetings and provide support or advice when required. At present, the WPP's Operator, Investment Management Solutions Provider and Oversight Advisor attend all OWG meetings. Other parties, such as cost transparency advisors, LAPFF and Audit Wales representatives, are also invited to attend OWG meetings when required.

Members of the OWG additionally meet on a fortnightly basis. These virtual meetings are used to deal with any matters that arise between formal OWG meetings and to progress activities as necessary. This arrangement continues to foster collaboration between the CAs and WPP's suppliers, and it has allowed for stewardship issues to be discussed on an ad-hoc basis.

Our dedicated Sub-Groups

The WPP has also established dedicated Sub-Groups to progress or develop certain elements of the WPP's workplan. All the Sub-Groups are made up from a sub-section of the OWG and are responsible for formally reporting back to the entire OWG. These Sub-Groups are:

- The RISG, which is responsible for formulating and delivering the WPP's RI Workplan as well as liaising with the WPP's V&E Provider.
- The Risk Sub-Group, which is responsible for monitoring, maintaining and implementing the WPP's Risk Register and Policy.
- The Private Market Sub-Group, which is responsible for formulating and developing the WPP's Private Market Sub-Fund(s).
- The Procurement Sub-Group, which is responsible for procurement exercises.

WPP continues to believe that both the level of time devoted to all WPP business by Officers and Advisors, coupled with the increasingly granular focus on different activities, allows WPP to devote adequate time and resource to each of our activities.

Responsible Investment Sub-Group

The work of the RISG is a critical means of ensuring that WPP devotes sufficient time and attention to the oversight and accountability for stewardship activity. The RISG comprises Officer representation from each CA, supported by external advisors to provide expert input as required.

The RISG operates under its own Terms of Reference, undertaking the following:

- Formulating an Annual WPP RI Workplan that allows the WPP to progress RI objectives.
- Working with WPP's appointed investment managers, V&E Provider, advisors and other Service Providers to ensure that WPP's RI, Voting and Climate Risk Policies are effectively implemented.
- Developing practices for monitoring and reporting on RI issues.
- Monitoring RI activity, including ESG metrics and V&E reports, and challenging providers where necessary.
- Considering market and regulatory developments to ensure that evolving best practice can be taken into account by WPP.
- Acting as a conduit for engagement with external stakeholders, including other LGPS funds and pools.

Over the year, the RISG met on six occasions, where it considered the development of stock-lending policy, the development of an updated stewardship framework, stewardship themes and ongoing reporting requirements. In addition, the RISG completed a rolling review of each of the nine Sub-Funds, and the quarterly review of V&E activity undertaken by Robeco.

External resources

As outlined in our investment beliefs, the WPP believes that external suppliers can be an auspicious and cost-effective means of enhancing the WPP's resources, capabilities and expertise. The WPP has undertaken thorough market testing and associated procurement or appointment exercises to contract the following suppliers in the belief that, at present, these suppliers will be able to assist the WPP in delivering the best and most cost-effective outcomes for our stakeholders.

Of the various relationships in place to support the day-to-day governance activities, WPP continues to draw heavily on four external providers to support stewardship activity.

Robeco: Voting and Engagement Provider

WPP's stewardship activity is primarily undertaken by Robeco, WPP's appointed V&E Provider. Robeco assists the WPP in maintaining a Voting Policy. Further, Robeco has taken responsibility for implementing the Voting Policy across WPP's active equity portfolio, as well as reporting to WPP and the underlying Pension Funds. Robeco also provides the engagement function across the active Sub-Funds, as well as the passive holdings.

Robeco's Active Ownership team is responsible for all V&E activities undertaken by Robeco, on behalf of WPP. The team currently consists of 18 qualified V&E professionals based in Rotterdam, London, Singapore and Hong Kong, covering a range of ESG issues. The team is multinational and multilingual – a key benefit across diverse markets. This diversity provides an understanding of the financial, legal and cultural environment in which the companies Robeco engages with operate, which is particularly relevant, given the regional distribution of WPP's assets as illustrated on page 17.

Robeco's Sustainable Investment (SI) Academy was launched in 2021, providing online courses on sustainability to meet the training needs of staff. Robeco expanded the content available through the portal in 2022, launching a new essentials course on climate investing. Stewardship is incentivised within Robeco through employees having at least one sustainability-related key performance indicator (KPI) included in their annual performance review, in place since 2021. Robeco's employees can include SI Academy courses in their sustainability KPI as part of their annual appraisals.

Link Fund Solutions: Operator

Link has been appointed as the external Operator and, with the support of Russell, works to facilitate the delivery of effective investment management solutions and strong net-of-fee performance for all listed market Sub-Funds.

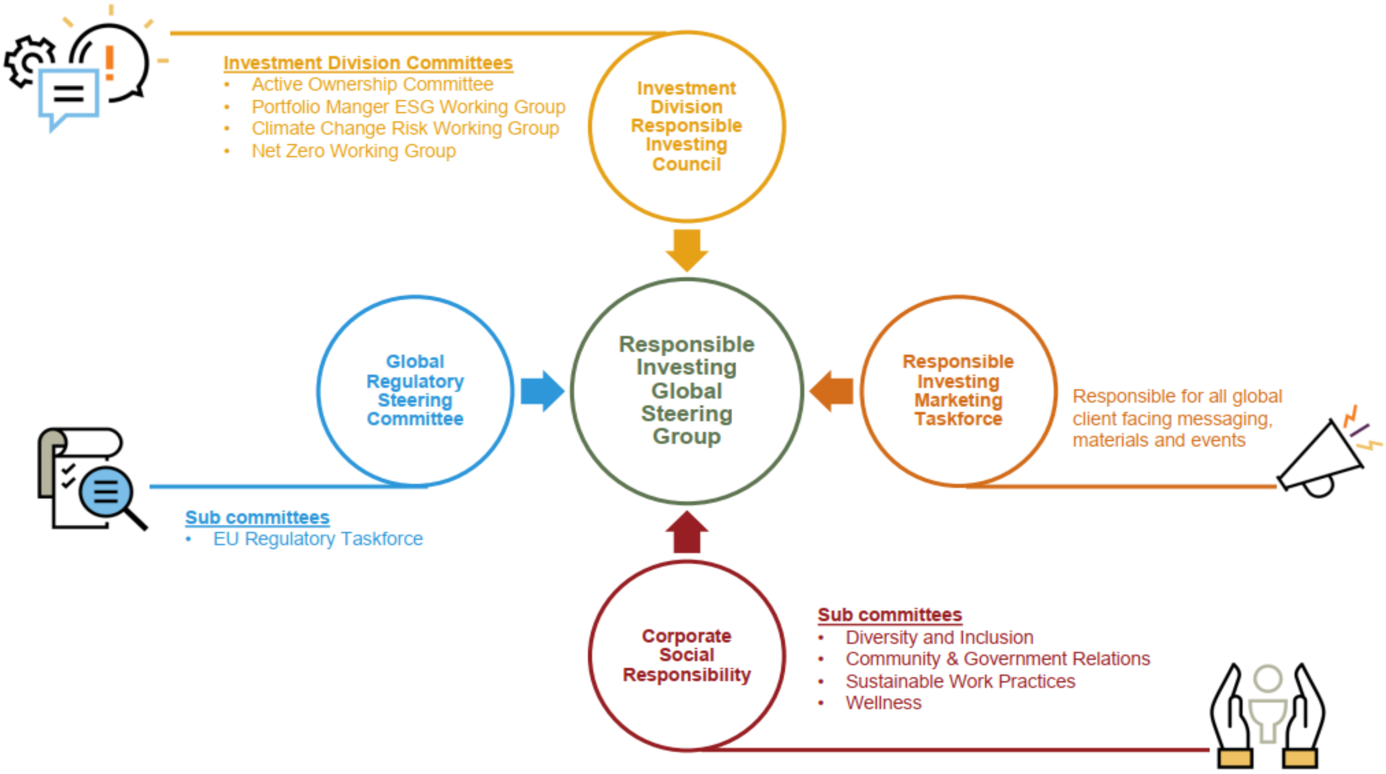
Link supports the WPP's stewardship activities by providing manager oversight reporting, including performance and manager ranking changes, as well as customisations of manager guidelines requirements, in particular with regard to RI and ESG criteria. Link also supports engagement with the underlying Custodian, Northern Trust.

**To note, Waystone Group has completed the acquisition of Link Fund Solutions (October 2023), though we will continue to refer to the entity as 'Link' throughout this report.*

Russell: Investment Management Solutions Provider

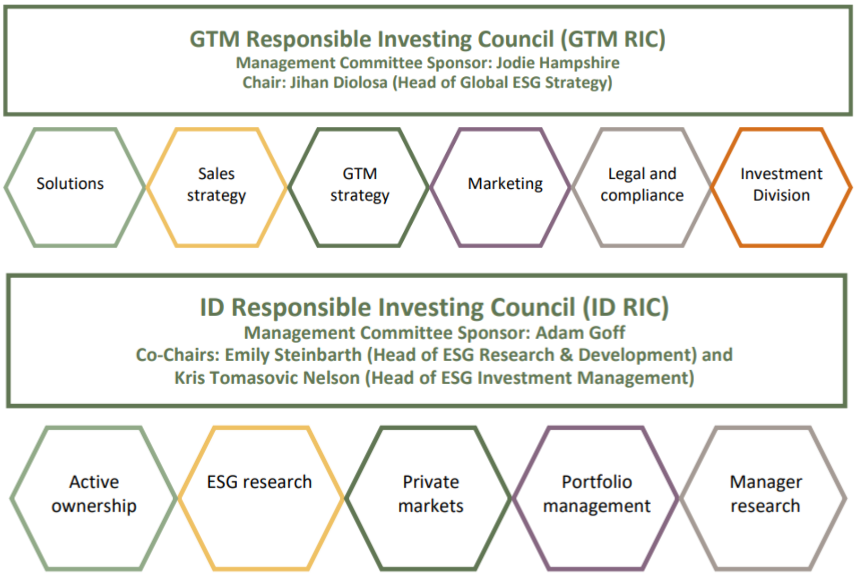
In collaboration with Link, Russell provides investment management solution services to the WPP. Alongside Link Fund Solutions, Russell works in consultation with WPP's eight CAs to establish investment vehicles. Russell's remit includes advising Link Asset Services (a subsidiary of Link Fund Solutions) and WPP on portfolio construction, which includes manager selection.

Link Fund Solutions continues to work with Russell, where applicable, to further reduce WPP's costs through multi-manager structures, currency managements solutions, portfolio overlays, transition management and other execution services. Although Russell is not explicitly appointed as engagement provider, it still exercises stewardship duties on behalf of the WPP.



Russell has an integrated approach, with ESG experts embedded throughout the organisation. Its Global RI Steering Group is responsible for guiding investment deliverables and charged with ensuring Russell delivers the best possible RI solutions and outcomes for its clients, including WPP. The Global RI Steering Group has two executive-level sponsors, notably the Global CIO and Head of Europe, the Middle East and Africa (EMEA). Russell also has a number of RI-related working groups tasked, with the specific delivery of research (including climate change) and strategy development.

Russell continues to favour an integrated approach to RI and has ESG experts embedded throughout the organisation. Russell's Go-to-Market Responsible Investing Council (GTMRIC) is responsible for overall RI strategy and in delivering its clients' RI solutions and outcomes globally; the Investment Division Responsible Investing Council is Russell's body of RI experts, which helps implement RI investment solutions for clients.



These resources are available to WPP as needed and are utilised by Russell in the ongoing management of the Sub-Funds on behalf of the WPP. For example:

- Facilitating the development of the Sustainable Active Equity Sub-Fund, which launched following year-end. In particular, Russell took on board key Paris-alignment requirements and defined exclusions put forward by the CAs and was able to tailor the solution accordingly. Russell specifically selected five managers that run sustainable strategies, including targeting for issuers offering sustainable solutions to environmental and social challenges, and those that are set to benefit from the 'Just Transition'.
- Russell has been active in providing feedback for any ad hoc stewardship concerns raised by WPP. For example: responding to concerns around failed engagements with companies operating in the Occupied Palestinian Territories (in response to correspondence with LAPFF); providing more granular input into engagements the underlying investment managers have had with issuers identified as posing greatest ESG risk.
- WPP has commenced dialogue with Russell on implementing a policy around the exclusion of UN Global Compact (UNGC) violators across the active Sub-Funds. The policy has, in the first instance, been applied specifically to the Sustainable Active Equity Sub-Fund, whereby any failed engagement with UNGC violators, i.e. where no evidence of positive change has been substantiated, would warrant disinvestment of those issuers.

To incentivise effective stewardship, all Russell associates with specific responsibilities for ESG, stewardship and climate change have annual performance goals aligned with the success of the integration of these issues. These goals include evolving Russell's RI and stewardship practices to be in line with global standards by collaborating with leading industry bodies to advance industry frameworks, driving engagement practices, and research and development. All of these items are aimed at delivering robust stewardship practices to deliver on WPP's objectives. Success in meeting these specific stewardship and ESG-related performance goals is linked to remuneration.

Hymans Robertson: Oversight Advisor

Hymans Robertson has been appointed the Oversight Advisor for the WPP. Hymans Robertson has a dedicated RI team of nine, supported by a number of other staff within the firm. Hymans' ambition is to make its clients 'better stewards', an approach that is in keeping with the WPP's own aim of building our approach to RI and stewardship, one of the reasons behind the Advisor's continued appointment. Hymans Robertson's role spans oversight and advice on governance arrangements, operator services, strategic investment aspects and project management support. Hymans Robertson attends all OWG and JGC meetings, in addition to providing specialist input to the RISG.

Hymans Robertson's team supporting the WPP on RI matters comprises four people, including the firm's Head of Responsible Investment, while a broader team provides support across a range of additional areas. This offers the WPP a broad level of expert support in the development and execution of the WPP's RI strategy, with the WPP able to draw on the depth of Hymans Robertson's resourcing as necessary.

Hymans Robertson's employees are set individual objectives as part of an ongoing career development scheme. This links directly to remuneration, including an element of performance-related pay for consultants. Those who work directly with WPP and those who have a more direct responsibility for RI issues, such as the RI support team, have objectives that are linked to the delivery of services to WPP and are thus more directly incentivised to ensure the exercise of stewardship.

At the beginning of the reporting year, Hymans Robertson directly recruited additional resource (a Senior RI Analyst) to their RI team to provide dedicated support to WPP. This aligns with the outsourced resourcing model employed by the WPP while offering specialist input to support the execution of stewardship. This resource attends all WPP meetings and has also represented the WPP at external events. In addition, the resource supports the WPP in:

- Liaising with and scrutiny of external service providers
- Data gathering and the detailed analysis of portfolios
- Identification of issues for discussion by the RISG
- Ongoing reporting to underlying CAs and other external reporting
- Policy development
- Ongoing training

The WPP believes that this additional resource has enhanced its stewardship programme and fostered the ongoing collaboration between CAs. More detailed analysis is now being undertaken on portfolios and the conveyance of information to stakeholders has increased.

bfinance: Allocator Advisor

WPP will seek additional expertise as necessary to achieve our goals. One such goal has been the development of private markets Sub-Funds, whereby the desired skillsets were not immediately available within existing Service Providers. To help identify appropriate providers for each of the Sub-Funds, WPP appointed bfinance, which has worked in conjunction with both Hymans Robertson and WPP to run procurement exercises within these markets. The consideration of sustainability issues has been integrated into both the selection of bfinance as Procurement Advisor and the subsequent procurement exercises, allowing WPP to draw on the expertise of both bfinance and Hymans Robertson.

The following appointments were made by the WPP during the year, with work subsequently undertaken to formalise the investment arrangements. While the respective Sub-Fund structures for each asset class were not completed during the year, investments into both Private Debt and Infrastructure were made following year-end.

Asset class	Allocator/manager appointments
Private Equity	Schroders
Infrastructure	**Closed-ended programme**: GCM Grosvenor **Open-ended programme**: CBRE Global Infrastructure Fund; IFM Global Infrastructure Fund; Octopus Renewables Infrastructure SCSp
Private Debt	Russell Investments

bfinance is also supporting WPP in the procurement of a real estate allocator/manager, with the appointment expected to be made during the 2023/24 year.

Assessing and evolving the governance structure

While WPP continues to believe that our current approach serves the needs of our stakeholders, consideration is regularly given to areas where the approach may be improved. Areas where changes have been made so as to improve the outcomes for stakeholders over the year included the addition of dedicated RI support to support the delivery of stewardship oversight, while some refinement was made to the frequency of RISG meetings for the 2023/24 year.

Building knowledge and skills

The largely outsourced nature of WPP's governance structure means that the development of knowledge and skills can be outsourced, with WPP able to draw on this evolving expertise as necessary. The use of a range of external providers also allows WPP to use this expert knowledge in providing training.

In consultation with the CAs, WPP prepares and delivers an annual training programme to our stakeholders, the details of which are published on WPP website here. This training is provided both by WPP's current Service Providers and other parties, who offer the necessary expertise.

During the year, training was provided on issues including:

- Sustainable Active Equities (delivered by Russell Investments)
- Private markets (Russell Investments, GCM Grosvenor)
- Pool knowledge: WPP governance and admin (Hymans Robertson)
- What RI means to WPP (Hymans Robertson, Russell Investments)
- Securities lending (Northern Trust)
- Progress of other LGPS Pools and Collaboration Opportunities (DLUHC, LCIV, LGA, Hymans Robertson)

This approach to training ensures that decision-makers and other stakeholders are informed of the issues facing WPP while also offering the opportunity to engage with and question providers. Each training session typically attracts more than 60 individual stakeholders from across the WPP, supplementing the training organised by CAs at a local level and supporting the exercise of stewardship across WPP's assets.

Conflicts of interest

WPP's CAs have always had to identify, manage and monitor conflicts of interest. The process of LGPS pooling has resulted in WPP also having to deal with the existence of conflicts of interests. This simply reflects the fact that WPP personnel and providers will have a variety of other roles and responsibilities – for example, as members of the underlying LGPS Funds or as an advisor to more than one of WPP's CAs.

WPP's approach to managing conflicts of interest is detailed in the Conflicts of Interest and Procedure Policy. This Policy was designed to demonstrate our commitment to identifying, managing and monitoring conflicts of interest. The key principles of WPP's approach to managing conflicts are:

- **Identification**: parties should be forward-looking in their approach to managing any conflicts of interest that arise
- **Recognition**: parties must acknowledge any conflict of interest they may have
- **Disclosure**: parties should be open with each other on any conflicts of interest they may have
- **Management**: parties should work to adopt practical solution to conflicts wherever possible

WPP has adopted a definition of conflicts of interest, which includes potential, perceived and actual conflicts. WPP understands that it may not be possible to identify, manage and monitor all potential and perceived conflicts of interest; however, it will endeavour to do so where possible. This Policy is designed to provide guidance to WPP personnel and providers, with its aim to ensure that WPP personnel and providers do not act improperly. This policy has been developed by WPP in consultation with the CAs.

WPP has a fiduciary and legal duty to act in the best interest of WPP's stakeholders and beneficiaries. This does not preclude WPP personnel and providers from having other roles or responsibilities that may result in a conflict of interest.

External providers

As part of its Conflicts of Interest and Procedure Policy, WPP recognises that the use of external providers may be a source of conflict and has thus ensured that Service Providers have their own conflicts policies in place.

Russell Investments

WPP engaged with Russell to discuss potential conflicts of interest that may have arisen over the year as stewards of capital. As an investment manager, Russell confirmed they may have structural conflicts of interest that are known and have to be managed, such as being paid based on AUM levels.

As it relates specifically to WPP, Russell has always ensured any potential conflicts of interest are managed effectively, in keeping with its Global Code of Conduct. As part of this, Russell has a cost-plus fee structure in place, which allows underlying cost savings through time to be passed back to WPP. Russell also notes that that they do not run any monies in-house for WPP, removing a potential source of conflict.

Russell manages conflicts of interest in accordance with regulatory requirements and subject to the Conflicts of Interest Policy.

The Board of each Russell Investments EMEA Group Company oversees the implementation of arrangements to ensure Russell is compliant with the regulatory and legal requirements in relation to conflicts of interest. EMEA Compliance maintains a conflicts of interest map for each of the operating firms in EMEA. If a new conflict is identified, it is the responsibility of the business to report it to EMEA Compliance, which will work with the business to register the conflict in the relevant map. On a quarterly basis (and ad hoc as required), a Conflicts of Interest Working Group considers and discusses all potential and actual conflicts of interest arising in relation to business activities. The Working Group also discusses ways to manage those conflicts of interest. If management of a conflict of interest is not possible, the working group will determine the type and extent of disclosure required as a result.

No conflicts of interest regarding WPP were identified over this reporting year.

Robeco

Robeco's Stewardship Policy outlines its approach to identifying and managing conflicts of interest. The approach is based on Robeco's 'Conflict of Interest Procedure' and the 'Regulations Regarding Private Investment Transactions'. Examples of conflicts of interest that could arise related to Robeco's stewardship activities are:

- A company that is selected for engagement or is related to its parent company or related subsidiaries
- Robeco has voting rights in a company that is related to its parent company or related subsidiaries
- Clients have differences in engagement preferences

In case a business relationship might threaten the objectivity or the nature of stewardship activities, Robeco's compliance department is consulted. If, after consultation with Robeco's compliance department, V&E activities are to be pursued, different stakeholders – including the Robeco Executive Committee and WPP – are informed.

During the reporting year, no conflicts of interest were identified.

Hymans Robertson

Hymans Robertson has a mandatory policy for the management of conflicts across all of its group companies, which its staff are required to follow. Conflicts may arise where Hymans Robertson are retained to provide investment advice to any of the CAs within Wales, while also providing advice to WPP.

A number of such advisory relationships already exist and have been disclosed to all parties. The conflict is managed on an ongoing basis by ensuring the teams advising WPP are not responsible for the ongoing advice to individual CAs. Where any new instruction may be given, Hymans Robertson has advised both WPP and the relevant party of the potential for conflict.

During the year, Hymans Robertson remained appointed as investment advisor to two of the eight CAs. The teams responsible for advising each of the CAs remained different from the team working with WPP. Hymans Robertson is currently carrying out a mapping exercise on work it carries out for both the WPP and any of the underlying LGPS funds (ad hoc, as advisor, as actuary), to better understand and identify any potential conflict of interest.

Policies, monitoring & review

Our policy framework

WPP has a number of policies in place that govern the manner in which we implement Sub-Funds and exercise stewardship over our assets. This is illustrated below.

Overarching Principles

WPP Objectives
WPP Beliefs

Investment

RI Policy
Climate Risk Policy
Voting Policy
Rebalancing & Alteration Policy

Training & Communication

Training Policy & Plan
Communication Policy

Governance

Governance Manual
Governance Decision Matrix
Risk Policy & Risk Register
Conflict of Interest and Procedure Policy
Business Continuity Plan
Complaints Policy
Whistleblowing Policy

Within this structure, two aspects are relevant to the WPP's assets:

- The overarching principles dictate the manner in which WPP expects the Sub-Funds to be operated, and otherwise guide the activity of WPP and our Service Providers.
- The investment policies inform the manner in which stewardship is exercised by WPP.

We note the addition of three governance policies over the reporting period: Business Continuity Plan; Complaints Policy; and Whistleblowing Policy. While not directly applicable to WPP's approach to stewardship, the Business Continuity Plan nonetheless acknowledges the responsibility of third parties in delivering key services to WPP (including stewardship services) and thus expects a suitable business continuity plan to be in place for all Service Providers.

WPP has three policies in place that directly govern our approach to stewardship: RI Policy; Climate Risk Policy; and Voting Policy.

Reviewing and updating our policies

WPP reviews our policies on an annual basis but recognises that different levels of review are appropriate. During the year, WPP undertook light-touch reviews of all three policies. Currently, the policies are reviewed at different times of the year. However, so as to better align these reviews, over the year, the decision was taken to review all three policies coincidentally in April of each year, with the next in-depth review due to take place in 2024.

Hymans Robertson carried out an annual review of the RI policy in October 2022, which was formally approved by the JGC in December 2022. The review was overall light touch, though there were some updates made to the policy, most notably the addition of a section on human rights. On this, WPP acknowledges the importance the Pool attaches to engaging issuers on human rights, expecting issuers to adhere to normative human rights standards, and to monitor human rights risk not only internally but also within their supply chains. There is now an expectation for WPP to report on human rights issues on an annual basis, with the first report due in 2024.

A similar light-touch review of the Climate Risk Policy was undertaken in April 2022 and formally approved by the JGC in July 2022. Part of the review included additional wording around WPP's expectation of its V&E Provider, strengthening stewardship aims around climate risk beyond mere reporting, to include engaging issuers on the formulation of transition plans aligned with the goals of the Paris Agreement. Completion of the AWCR during the 2023/24 year is expected to substantively inform the next review of the WPP's Climate Risk Policy.

WPP's own Voting Policy directly embeds Robeco's House Proxy Voting Policy (contained within Robeco's Stewardship Policy), as this has previously been deemed to align directly with the WPP's own expectations. Responsibility for reviewing changes to the Robeco House Proxy Voting Policy rests with the RISG, with any material concern communicated to the OWG and JGC for consideration where appropriate.

The RISG completed a review of the December 2022 update to Robeco's House Proxy Voting Policy and noted the following changes:

- ✓ **Board of Directors**: Robeco strengthened the wording on Board nominations, adding to the list of instances when they would not vote for Board Directors nominated to the nomination and/or remuneration committee; with the addition that they will not do so in cases when the Committee does not have an independent Chair.

  This change was considered to strengthen the WPP Stewardship Themes *Supporting People* and *Delivering Sustainable Outcomes (Governance)*.

- ✓ **Remuneration**: previously, Robeco would vote against the remuneration policy or its implementation if no clawback provisions are in place for the long-term incentive plan. However, this now has a caveat, in that Robeco will do so unless doing so is restricted by law.

  The change was considered minor with general provisions continuing to reflect the WPP Stewardship Theme *Supporting People*.

- ✓ **Environmental management and climate change**: Robeco significantly altered their policy expectations and voting practices around climate change, with the updated policy strengthened to focus more directly on the transition to a net-zero economy, the expectations for companies that are more exposed to climate-related risks to have more robust transition plans and specifically the expectations for companies to have in place emissions targets, a decarbonisation strategy, appropriate climate-related disclosures and a clear governance structure for managing climate-related risks and opportunities. The policy was also updated to broaden Robeco's stance on 'Say on Climate' provisions, with all climate-related shareholder proposals (SHPs) to be assessed on their merit.

  The changes directly reflect the WPP Stewardship Theme *Focusing on Net Zero*, which was viewed to be well aligned with the WPP's expectations.

- ✓ **Deforestation risk management**: Robeco has added a new section on companies with high exposure to deforestation risk commodities (namely palm oil, soy, beef, and timber, paper & pulp). The addition expects such companies to take steps to address those risks, with Robeco opposing relevant agenda items when adequate policies and processes are not in place to address such risks. Robeco also outlines that it will support reasonable SHPs that request increased disclosures on biodiversity risk management and proposals that ask companies to mitigate deforestation risks.

  This addition reflected the WPP Stewardship Theme *Focusing on Net Zero*, accepting that deforestation and associated land use change contribute to carbon emissions. The RISG accepted this to be a sensible addition to the voting policy.

- ✓ **Political donations and lobbying contributions**: Robeco added a policy expectation on political donations and lobbying contributions, underlining that corporate transparency is key in understanding potential legal, reputational and subsequent investment risks that can arise from a lack of transparency around lobbying practices and political donations. Sound SHPs requesting companies review their political spending and lobbying activities would generally be supported.

  This change was considered to align with the WPP Stewardship Theme *Delivering Sustainable Outcomes (Governance)*.

- ✓ **Generally supported SHPs**: Robeco has added to the list of SHPs that it would generally vote to support, noting that it would generally NOT support SHPs that aim to oppose further company progress on relevant ESG issues (so called 'anti-ESG' proposals).

  This change was considered to align with the WPP Stewardship Theme *Delivering Sustainable Outcomes (Governance)*.

The RISG considered all the changes to be in line with expectation and accepted the revision. The changes were applied to the WPP's Voting Policy from early 2023.

A more detailed review of WPP's Voting Policy was undertaken following the year-end, recognising the need for a broader Stewardship Policy that captures the engagement activity of WPP's External Providers, in line with WPP's Stewardship Themes, and also establishes our intention of developing a robust Escalation Policy. We will report further on this in our next submission.

Our Voting Policy does not yet extend to passively managed funds, where the passive provider is currently responsible for this activity. Discussions with BlackRock were restarted over the year, in applying the Voting Policy across the ACS fund range, which are in scope for BlackRock's Voting Choice. WPP has had initial discussions with BlackRock on extending the Voting Policy to passive funds. Although Voting Choice has yet to be implemented, this remains a priority area for the WPP, with further discussions taking place following year-end. We hope to report further on progress in our next submission.

Reviewing our policy on securities lending

WPP's policy has been that securities lending will be permitted within eight of WPP's actively managed pooled funds, across both equity and fixed income. However, WPP has applied a 5% buffer within its lending arrangement, thus ensuring that it always has at least one position available to vote. In addition, no more than 25% of total AUM at any one time is considered lendable. WPP also retains the right to recall stock, if required, as part of our stock-lending arrangements.

In wishing to strengthen its stewardship position, specifically the ability to wholly exercise voting on its equity positions, WPP carried out a more-detailed review of its stock-lending policy over the reporting year. This involved training with WPP's wider stakeholders on the options available, including implementing a full-recall or partial-recall on stock lending. While the decision was taken post-year-end, the JGC has agreed to implement a proxy-recall solution through Link and Northern Trust, which will allow WPP to vote the entirety of its equity position at all AGM/EGMs. The approach was deemed to provide the best trade-off between revenue generation and the exercise of stewardship.

The WPP also considered the exercise of securities lending ahead of the launch of its Sustainable Active Equity Sub-Fund and determined not to permit securities lending within this Sub-Fund at outset.

Monitoring compliance with our policies

WPP annually monitors compliance with its key policies. Working with the Oversight Advisor, WPP reviewed compliance with its commitments within both the RI and Climate Risk Policies during the year. WPP published the outcome of this review, with a summary of the assessments included as Appendix 2. WPP recognises that we can continue to improve our own processes and the way in which we serve all our stakeholders. WPP believes that this process of ongoing review and transparency will improve ongoing stewardship.

While highlighting areas where progress had been made and actions taken, the detail of which is contained within this report, the reviews also noted some areas where work had not progressed over the year. These areas were:

- **Collaboration**: consideration should be given as to whether the commitment to seek investor-led RI initiatives and collaborations remains a reasonable ongoing commitment or whether such support should be driven by WPP's delegates.

  However, the WPP has sought to evolve its Stewardship Framework over the course of the reporting year, as noted later in this report, which offers greater focus on areas for future collaboration. Further, the WPP is reliant on its Service Providers to identify suitable opportunities for collaboration, though none were formally identified over the year. That said, the WPP does benefit from those collaborations that its Service Providers undertake.

- **Climate change:** the WPP endeavours to continually facilitate climate scenario analysis across assets held within the WPP to ensure that the CAs are aware of the potential climate risks within the WPP Sub-Funds.

  While work progressed on the AWCR over the year, the WPP has not undertaken scenario analysis for its Sub-Funds, particularly given TCFD requirements have not yet been formally set for LGPS funds. The WPP will work with CAs to provide climate scenarios analysis when this is required.

Learning from the Stewardship Code reporting process

Following submission of the 2021/22 Stewardship Code report, WPP undertook a review of learnings from the reporting process and highlighted a series of actions that we could undertake to improve. Actions that have been progressed as a consequence of this review include:

- **The need to provide more granular engagement data, on a Sub-Fund by Sub-Fund basis.** The WPP has worked to create quarterly stewardship reporting for its Sub-Funds, which is now provided to CAs. This involved the WPP working with its Service Providers to create a tool to compile and analyse stewardship data.
- **The necessity to monitor and report on the information and guidance provided by LAPFF.** This is now captured in the Stewardship Framework and is formally captured within the WPP's quarterly reporting.
- **Understanding the climate risk of WPP's assets.** This is now incorporated into quarterly reporting. Further, during the year, the WPP commissioned an AWCR, as set out in the Case Study below.
- **Considering how stewardship is conducted in the passive mandates and how the Voting Policy can be applied**. WPP conducted a review of the voting practices of its passive manager over the year, with conversations ongoing on how to extend the Voting Policy.
- **Developing a stewardship framework for private markets allocators/managers.** Following their respective appointments, initial conversations have taken place with each of the private-markets managers to better understand their stewardship processes and establish reporting expectations. Further work on this is expected during the 2023/24 reporting year.

The process of review and identifying tangible actions to take forward further demonstrates WPP's commitment to learning and improving our stewardship processes. As WPP's AUM continues to increase and the range of Sub-Funds expands, so this consistency of approach across all providers will be essential.

Case study: commissioning the AWCR

The WPP has recognised the need to address climate-related risk, the subject being raised in various forums, including the Welsh Senedd. It was agreed by stakeholders that it would be helpful to both assess the progress made by the different CAs individually since the inception of pooling, but also to get a combined picture of how climate risk is being addressed across all the assets of the eight Welsh LGPS funds.

An exercise was commissioned to evaluate both exposure to climate-related risks as at 31 March 2019 and three years later in 2022. Detailed analysis has been undertaken across all assets and a draft report has been shared and discussed with the RISG and OWG. While the report remains to be finalised, it is anticipated that this work will feed into the development of WPP's Climate Risk Policy in 2024.

Assuring our processes

As Oversight Advisor, Hymans Robertson undertakes periodic reviews of the work being undertaken by Russell, Link and Robeco, thus providing ongoing assurance to the WPP. Given the in-depth nature and time constraints necessary, as well as the lack of available internal resource to conduct these reviews, external resource is required to provide this function, a function that allows WPP to ensure that its Service Providers are meeting objectives.

Reviewing stewardship activity

To help review the stewardship activity carried out on WPP's behalf, and to ensure areas of focus meet the stewardship aims of the Pool, Hymans Robertson provides quarterly reporting on its RI activity by Sub-Fund. This includes a review of the work carried out by Robeco over the quarter, as well as any additional engagement activity from Russell, with additional detail provided on LAPFF voting and engagement.

On the latter point, wishing to better understand WPP's overall alignment with LAPFF, a review was carried out of all LAPFF voting alerts issued over the year. It was noted that, in terms of the active Sub-Funds, WPP voted in line with LAPFF the vast majority of the time (c.80%), with the review also establishing that there was clear justification for those instances in which voting was not in line with LAPFF. We hope this work will also feed into any evolution of the Stewardship Policy to the passive mandates.

In addition, this year, we established a Stewardship Framework. While the aim of the framework is to help identify WPP-specific Stewardship Themes, the framework will also be used as a mechanism for monitoring and reviewing voting & engagement activity more generally, to help identify gaps and to help challenge any of the stewardship work carried out by WPP's service providers. The review carried out over the reporting year helped identify the potential evolution of existing Stewardship Themes, as well as potential new areas of focus. We consider this work later in the report.

Sub-Fund reviews

Over the course of the year, reviews of three of the Sub-Funds (UK Opportunities, Global Credit, Global Government Bonds) were undertaken. Given recommendations in the previous reporting year, the review also considered the effect of the Enhanced Portfolio Implementation (low-carbon overlay) service on one of the Sub-Funds. While WPP was assured that implementation of these Sub-Funds was overall appropriate and in line with expectations, a number of recommendations were made around diversification and for more closely monitoring any manager changes made by Russell.

Our investments

WPP's role is to facilitate and provide an investment pooling platform through which the interests of the CAs can be implemented. All the CAs are part of the LGPS, an open defined-benefit pension arrangement with a long-term investment horizon. While the underlying benefit provision within the LGPS is common to all, the development of strategy remains the responsibility of each CA, considering their own policies, financial position and underlying membership.

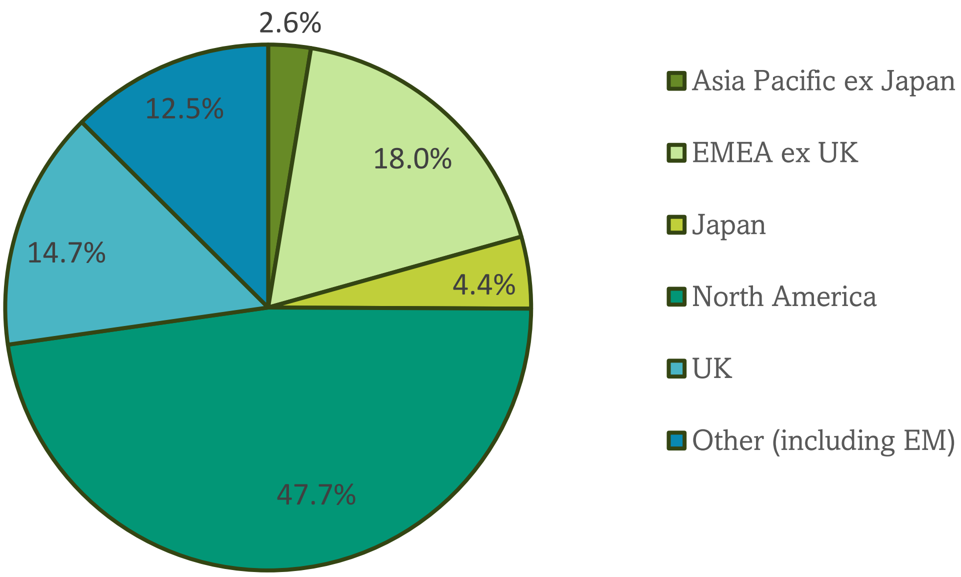
WPP is therefore tasked with the provision and management of investment vehicles through which the CAs can implement their chosen strategy.

WPP managed assets

As at end-March 2023, there were nine active pooled Sub-Funds, with the proportion of pooled assets remaining around 70% (including passive investments). The range of Sub-Funds offered by WPP provides the CAs with the opportunities to meet their individual investment requirements. Each Pension Fund invests in at least two active Sub-Funds, with one Pension Fund investing in as many as seven. Ongoing Sub-Fund development is a key part of WPP's workplan. It is crucial that ongoing discussions take place with the CAs to ensure that their investment needs are met.

Pooled active	**Participating CAs**	**Underlying managers**	**Total £m *(2023)***
Equity: Emerging Markets	5	6	£354.6
Equity: Global Growth	5	3	£3,274.2
Equity: Global Opportunities	6	8	£3,269.1
Equity: UK Opportunities	2	5	£760.1
Fixed Income: Absolute Return Bonds	3	4	£559.1
Fixed Income: Global Credit	4	4	£693.7
Fixed Income: Global Government	2	2	£481.4
Fixed Income: Multi-Asset Credit	5	5	£655.2
Fixed Income: UK Credit	1	1	£520.7
Pooled passive	7	1	£5,074.4
Total		**37**	**£15,642.5**

Regional distribution of actively managed assets



Expanding the range of Sub-Funds

The WPP is committed to ensuring it meets the evolving requirements of its stakeholders by making a range of Sub-Funds available to all underlying CAs within the Pool. The choice available has expanded from the two global equity Sub-Funds in 2019, to 10 Sub-Funds that span geographies and asset classes. The WPP has also chosen allocators/managers for a selection of private-markets mandates for CAs following the reporting year-end.

Sustainable Active Equity

WPP, following extensive consultation with each of the underlying CAs, continued to work with Russell, Link and Hymans Robertson on the development and launch of the Sustainable Active Equity Sub-Fund. While formally launched following the reporting year-end, all eight LGPS Funds have allocated to the Sub-Fund, which is the first sustainability-focused vehicle for the WPP.

The consultation with CAs was led by Russell to establish first the guiding parameters for the management of the Sub-Fund, which included the consideration of exclusions and climate goals, and subsequently the selection of underlying managers and the associated sustainably oriented strategies that form the Sub-Fund. The finalised parameters for the Sub-Fund are detailed below.

Parameter	Scope
Exclusion	Thermal Coal, Controversial Weapons, Gambling, Oil Sands, Arctic Oil & Gas, Shale Energy, Tobacco, Adult Entertainment, Palm Oil, UN Global Compact violators
Climate goals	Net Zero Alignment Engagement on Financed Emissions Carbon Emissions Climate Solutions Exposure

The development and launch of this Sub-Fund demonstrates both the collaborative nature of the WPP, but also the ability of the WPP to adapt to the evolving needs of its stakeholders, which had previously identified a desire to allocate to more sustainably oriented funds.

Private Markets

Work progressed on the launch of the Private-Markets Sub-Funds, with the WPP working with bfinance as Allocator Advisor. Allocators have now been appointed for the Private Equity, Private Debt and Infrastructure mandates. Launches of the Sub-Funds have been delayed, though WPP expects this to now take place over 2023/24. Work has also progressed on the appointment of an allocator for a real estate mandate. We intend to cover the launch of these mandates and our approach to stewardship there in our 2024 report.

Evolving our existing Sub-Funds

WPP continues to look for ways in which it can reduce its carbon footprint across its equity holdings. Following the success of the low carbon overlay within the Global Opportunities and Emerging Markets Sub-Funds, a decision was taken to implement the same objective within the UK Opportunities Sub-Fund. Russell is now mandated to manage the Sub-Fund with a carbon footprint 25% lower than that of the benchmark.

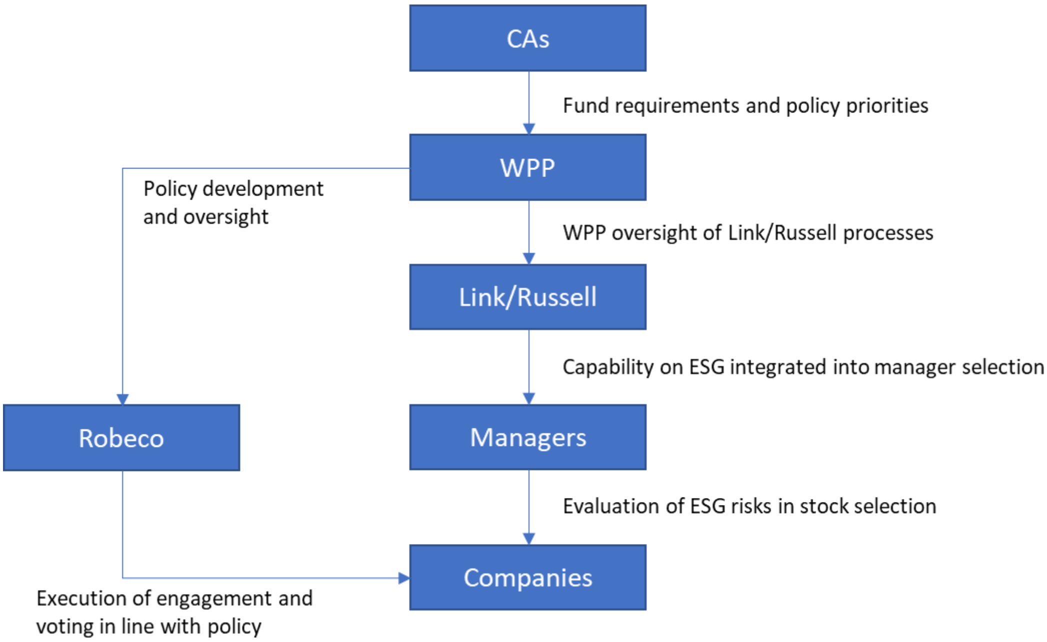
Within the ongoing management of the Sub-Funds, Russell has delegated authority to adjust the manager line-up and made several manager changes across three of the Sub-Funds (Global Growth, Global Opportunities, Global Credit) during the year. WPP has a formal monitoring programme to evaluate the performance of the Sub-Funds and the impact of manager selection activity against expectations, including sustainability metrics.

Case study: adding a manager to a Sub-Fund

Over the year, a new manager was added to the Global Opportunities Sub-Fund, to better align with WPP's strategic beliefs and preferred positioning. In Russell's view, the addition of the manager, given the manager's process and strategy, will result in a lower-carbon outcome for the Sub-Fund. The consideration of ESG issues also played a part in selection, with the manager ranking 4 (out of 5) in Russell's internal ESG rating framework. The Sub-Fund is also captured as part of the overall net-zero commitment, meaning emissions will be reduced over time, with alignment considerations, engagement on financed emissions and exposure to climate solutions also captured.

Our RI approach

WPP believes that the integration of ESG factors, including the consideration of risks and opportunities, into investment processes is a prerequisite for any strategy, given the potential for financial loss. As WPP's pooled assets are managed externally, WPP sets expectations on how assets should be managed with Russell to ensure RI views, ESG integration and approach to risk management align.



Russell Investments

Russell integrates ESG factors into its investment process via investment manager evaluations and providing proprietary investment solutions. Russell's ESG philosophy is based on four beliefs:

- ESG factors impact security prices
- A deep understanding of how ESG factors impact security prices is value-adding to a skilful investment process
- Embedding ESG considerations into a firm's culture and process improves the likelihood of prolonged and successful investing
- Active ownership is an effective tool for improving investment outcomes

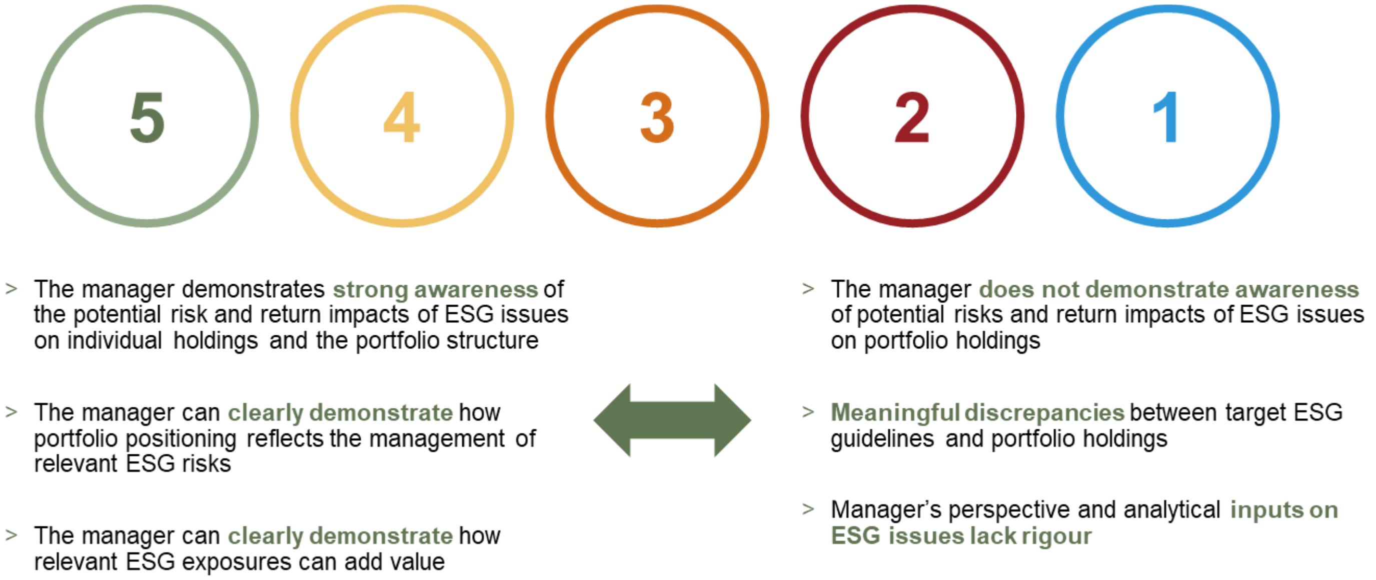
Russell uses quantitative and qualitative inputs to assess a manager's ESG awareness and integration. These inputs are then used to assign a rank, which contributes to the manager's overall rank. The scoring methodology includes four scores:

- **ESG Commitment**: ESG resources are robust and aligned with the investment process. Individuals responsible for ESG have relevant experience and are skilled. There is a variety of high-quality data sources and tools available to investment decision-makers.
- **ESG Consideration**: strong awareness of the risk and return impact of ESG is evident. Breadth and depth of perspective are superior to peers. Insights are derived from primary research and are differentiated.
- **ESG Implementation**: ESG insights are effectively and consistently translated into portfolio positioning. The manager clearly demonstrates how portfolio positioning reflects the management of relevant ESG risk and return drivers.
- **Active Ownership**: the transparency, quality and duration of engagement with investee companies on ESG issues is consistently superior to peers. Success measures are clearly stated and appropriate. Active Ownership outcomes or Impact Assessments are readily available and recorded. Where applicable, effort is made to make informed use of proxies.

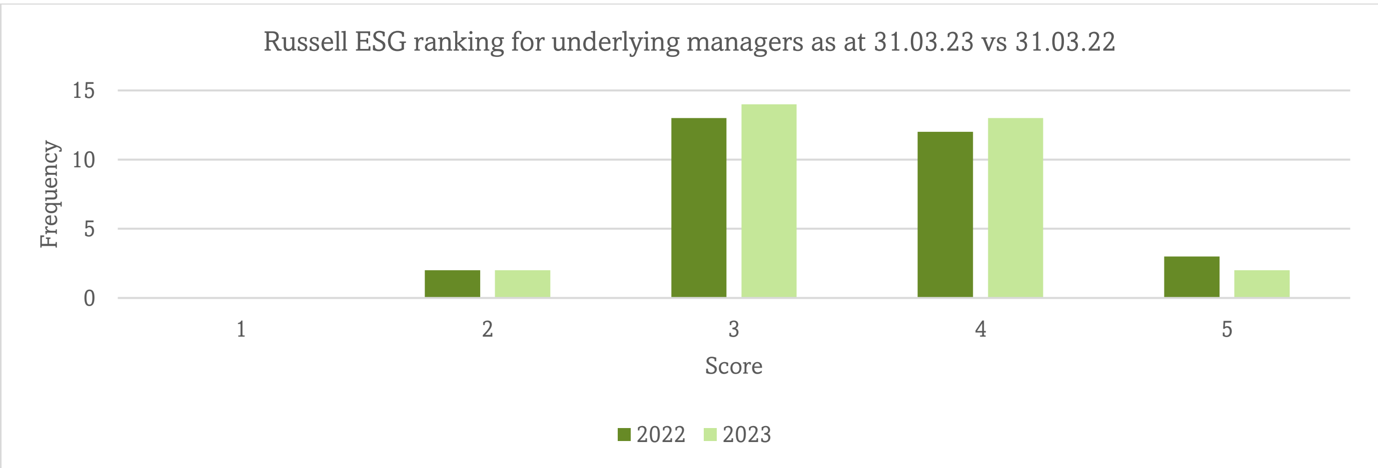
While this integration is generally consistent across asset classes and regions, there are examples of when this may differ:

- **Data availability and quality**: may vary across asset classes and regions. For example, illiquid asset classes are not able to use data as extensively as in public equities, listed corporate debt and sovereign debt. As a result, processes may rely less on data in these situations.
- **Opportunities for active ownership**: may depend on asset class and investment vehicle. For example, the fixed-term and contractual nature of bond investments afford bondholders a finite number of engagement opportunities to make an explicit impact with individual issuers. These opportunities are often very brief before an investment decision must be made, and they are not open to all parties but rather at the discretion of the issuer's willingness to engage in most instances. The management of any rights associated with bond or debt securities is delegated to the underlying fixed-income managers.

  WPP's fixed-income portfolio consists of publicly traded fixed-income instruments, where the terms setting out any rights of bondholders are typically generic. When assessing a fixed-income manager, Russell expects the manager to have a dedicated fixed-income engagement analyst and to seek to influence corporates at the time of bond issuance. While bondholder rights become important if ever an issuer defaults on its debt, in practice, WPP's managers are much more likely to sell securities well in advance of default rather than go through the legal process involved with holding bonds that have defaulted.



The ESG scores given to each of the underlying Sub-Fund managers are summarised below, compared with the distribution of scores in 2022.



Source: Russell Investments

WPP reviews how underlying managers are evaluated

WPP noted that there were changes to the ESG scores of two individual managers, both within the Emerging Market Sub-Fund, over the course of the reporting year. While neither represented cause for immediate concern, the WPP will continue to review Russell's approach to engaging with the underlying managers.

- **Manager A**: Russell moved the manager from a rating of 4 to 3. This re-ranking reflected the manager's lack of new investment in resources relative to peers (a function of lower AUM and ability to invest, particularly considering the increasing amount of data and associated disclosures now available). Russell will continue to monitor and engage with this manager on resourcing.
- **Manager B**: Russell moved the manager from a rating of 5 to 4. Russell finds that the manager continues to show commitment to ESG, with the fast adoption of new research signals (including ESG pillars) placing them ahead of other quantitative peers in ESG research and development. However, the re-rating reflects Russell's belief that managers across the board are becoming more adept at assessing and integrating ESG drivers, while this manager's signals remain a relatively minor part of their process compared to more focused stock-pickers.

WPP has noted that, again, there were no changes in the rating of the two managers rated as 2 over the course of the year. Discussions with Russell on this point as to their continued inclusion highlighted the following:

- **Manager in the UK Opportunities Sub-Fund**: Russell finds the manager to be below average relative to UK equity peers in the incorporation of ESG into the investment process, with the manager not including sustainability or ESG factors into screens or portfolio-construction practices explicitly. However, Russell has indicated that the systematic and inherently backward-looking nature of the manager's overall investment process makes ESG slightly less relevant for this strategy than for those of some UK equity peers – specifically those whose processes require more subjective judgment and longer investment horizons. The manager has advised that it is currently considering how it can better leverage the firm's ESG and engagement platform and has opportunistically joined engagements.
- **Manager in the Global Opportunities Sub-Fund**: the manager has not sought to meaningfully integrate ESG into the investment process. However, Russell has advised that the manager largely runs a quantitative process with a high number of holdings (paired with a sizeable turnover), with ESG risk-and-return drivers typically lacking materiality in such processes.

Russell monitors risk within portfolios for WPP

For all asset classes, ESG considerations are explicitly included in Russell's assessment of external managers. In addition, for equities, non-government bonds, property and infrastructure, Russell also calculates portfolio-level exposures designed to address risks associated with the energy transition, including carbon emissions, exposure to fossil fuel reserves and exposure to renewable energy, as well as exposure to a wider set of sustainability issues as captured by ESG scores. Two ESG scores are considered:

- Russell's internally developed Material ESG Score, which focuses on those issues for each company identified as being financially material to its business by the Sustainability Accounting Standards Board.
- Sustainalytics Risk Rating, which measure a company's exposure to industry-specific material ESG risks and how well a company is managing those risks.

Russell's portfolio managers seek to identify and assess financially material sustainability risks on an ongoing basis within portfolios. Potential risks are identified using these and other available risk metrics, and in communication with external investment managers. If a potential sustainability risk is identified, Russell will review the drivers or sub-components of any metrics behind the highlighted risk, which may lead to more in-depth discussion with the external investment manager supporting the holding. Russell may also work with the Russell Active Ownership Team to consider engagement options. This process ensures that WPP's assets continue to be managed in line with Russell's in-house policies.

Case study: evolving risk analysis and reporting

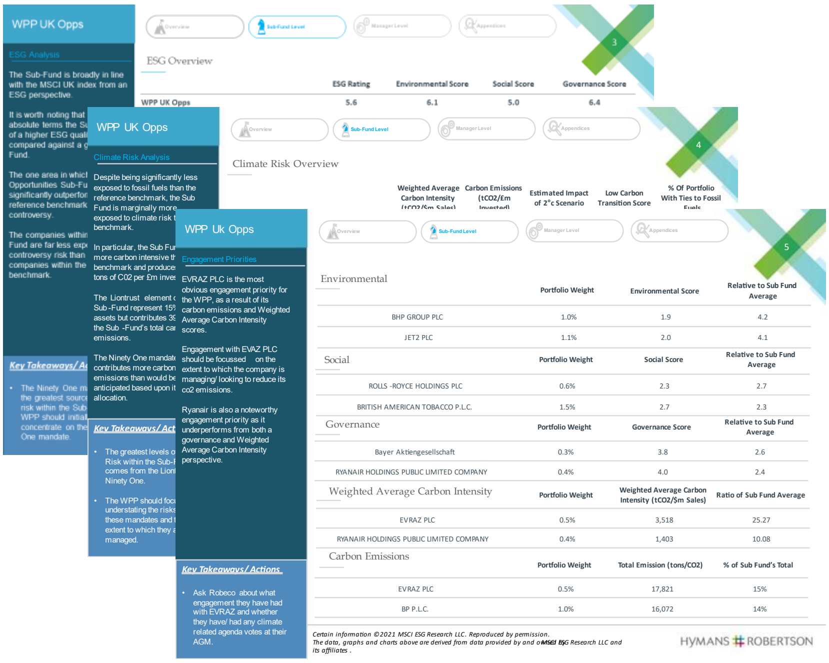
To address evolving portfolio management needs, regulatory changes, and client preferences, Russell Investments has continued to advance its ESG capabilities. This has included changes to its proprietary system, ExploreR, and the use of its in-house tool PARIS (Portfolio Analysis Risk Investment System), which provides a multi-asset view that allows for analysing allocations, exposures and risk. The tool performs 'what if' analysis when evaluating portfolio changes. In further developing the analytic capability, Russell recently introduced an ESG module within the PARIS tool to provide ESG-related metrics from leading vendors such as MSCI, Sustainalytics and Planetrics. The tool is now compatible across equity, fixed-income and multi-asset portfolios.

Over the reporting period, Russell also released an internal platform (ENACT), built to improve the sharing of ESG-related insights to clients. ENACT allows investment team members to record and access the ESG-related insights that are gathered during manager oversight and from engagement activity. Critically, ENACT maps an issuer's securities across Sub-Funds, enabling coordination across asset classes, and serves as a timeline and progress marker for any engagement objectives. WPP feels that the setting and tracking of explicit engagement objectives is a welcome development from Russell and represents manager best practice.

Oversight and scrutiny are undertaken by the RISG

In operating an outsourced model, the WPP is responsible for the direct scrutiny of key Service Providers, with Russell then responsible for the direct oversight of the underlying managers employed within the Sub-Funds. Financially material sustainability risks are monitored by Russell on an ongoing basis, as with any other risks. Russell also conducts quarterly check-ins with the portfolio managers with reference to ESG risks. WPP exercises oversight of Russell's processes on stewardship and ESG integration.

One of the ongoing roles of the Oversight Advisor is in assessing the management of the Sub-Funds and testing the processes that are being employed. In undertaking this exercise, Hymans Robertson undertakes an independent assessment of each portfolio, highlighting aggregate and individual areas of risk to the RISG. Each Sub-Fund is reviewed on an annual basis, with at least one report provided on at least one Sub-Fund each quarter to ensure WPP's investment expectations are met.



The monitoring covers: climate-related risks, including trends in carbon emissions; ESG-related risks, including exposure to controversies; and highlights individual companies within portfolios that may be appropriate for further discussion.

As part of the scrutiny of underlying Sub-Fund managers, any issues of concern are raised with Russell for further discussion and explanation. Where appropriate, Russell will also meet with the WPP to discuss issues of concern.

This year, WPP also started integrating better stewardship monitoring within these assessments, particularly for those issuers that represent the highest ESG or climate risk. Input from Russell and Robeco is integrated to better understand the engagement work that is being carried out on WPP's behalf. These issuers are being tracked over time, to monitor any changes in their practices and ESG scoring, and to better understand any changes in allocation. This has led to discussions on developing an appropriate Escalation Policy.

Case study: ESG and climate risk tracker

As part of WPP's monitoring, emerging-market cement producers were identified as high contributors to WPP's carbon emissions. As these names have not been targeted for inclusion within Robeco's Active Ownership programme, WPP engaged with Russell to better understand their inclusion in the portfolio, as well as any engagements the underlying managers have had with them.

The managers acknowledged that, while carbon-intensive, cement is a vital component of economic development, infrastructure and housing with limited to no viable substitute at scale. This means that the manager, rather than not including them within portfolios, will instead target those companies possessing the ability to be leaders in carbon-reduction solutions by means of their scale, balance sheet and cash flow generation. Two of these companies are currently under engagement by the manager in the Global Opportunities Sub-Fund. The manager finds that both are making considerable investments in not only near-term solutions (for energy efficiency, in residual heat and solar power generation; also increasing alternative fuel use; and the development of alternative raw materials), but in longer-term solutions (such as carbon capture and storage), leading the manager to believe that carbon-reduction targets will accelerate and that the name will be able to bring its emissions intensity in line with international peers.

WPP will continue to monitor any progress in these issuers.

Service Providers and stewardship

To ensure WPP's Service Providers' monitoring and engagement activities continue to be in line with that of WPP, WPP tracks engagements with Russell, Robeco and BlackRock in a Stewardship Log. This log considers any views or concerns that have been raised by members or other stakeholders and presented at any of the regular meetings (most notably the RISG). Conversations over the reporting period have included:

- **BlackRock, Robeco, Russell, LAPFF**: concerns over human right breaches in the Occupied Palestinian Territories (OPTs) were ongoing this year. To this end, following correspondence with LAPFF, WPP was keen to understand the extent of their allocations there, as well as any engagement or voting activity that took place on positions. While allocations to two of the holdings were minimal within the active Sub-Funds (with voting focused on auditor appointments), we noted allocation within the passive mandates. Discussions with the passive manager noted engagement with one of the issuers in question, around governance and oversight, but we noted a lack of engagement on the continued operation within the OPT. This remains an area of concern for WPP and one that we will continue to monitor, with input from our V&E Provider and consideration on collective engagement through LAPFF.
- **Robeco & Russell**: WPP engaged in dialogue with both Robeco and Russell on an upcoming extra general meeting (EGM) for a large asset manager held within WPP's Sub-Funds. The nature of the EGM was around the removal of three of the company's directors, a direct response to concerns around the investment policy (in keeping with WPP's Stewardship Theme on Governance (delivering sustainable outcomes)). Following discussions, an appropriate action was deemed to be voting to remove one of the directors (then chair of the board) in question, to be replaced with an independent director.

  The key outcome of this dialogue was the voting instruction, with WPP's decision material to the outcome of the vote.
- **Robeco**: in recognising that particular (contentious) votes of concern should be given greater priority (in particular those that relate to WPP's Stewardship Themes), over the reporting period, Robeco made WPP aware of its vote intentions on a number of proposals prior to voting. These included: votes around Say on Climate and sustainability for a European bank; a vote on (excessive) executive remuneration in a US media name; shareholder resolutions on carbon emissions and sustainability, and votes on governance and remuneration for a US technology company; and shareholder resolutions on climate scenario analysis and climate lobbying practices at a multinational mining company. WPP considered voting rationale, took further input from data providers and LAPFF, and considered Robeco's rationale to be in keeping with WPP's policies.

Integrating stewardship into Private Markets

During the reporting year, several private-market allocators have been appointed by the WPP within Private Equity, Infrastructure and Private Debt. As noted earlier, bfinance weas appointed by the WPP to run procurement exercises with the consideration of RI issues an integral consideration within the appointments.

RI was a factor in evaluating potential providers

Recognising the WPP's investment beliefs, a standalone pillar to assess each provider's approach to addressing RI issues was incorporated into the scoring of Investment Proposals. This considered issues such as firm-level ESG policies and resourcing, support for industry initiatives, the integration of ESG issues into the investment process, the measurement and mitigation of climate risks, and ESG engagement with underlying managers. Providers were assigned a score (out of 5), with this scoring contributing to the overall assessment score.

While the WPP did not frame explicit sustainability requirements during the procurement process, the WPP did seek to understand how providers would consider the sustainability within the allocation process.

WPP has begun to set expectations of providers

Since appointment, WPP, in conjunction with its Oversight Advisor, has conducted one-to-one meetings with each of the individual allocators to discuss both its stewardship and reporting requirements, and to gain a more detailed understanding of how each provider can work with the WPP to ensure that an appropriate level of scrutiny can be exercised. We expect such dialogue to continue as we approach launch and hope to have a more meaningful update in our next submission.

Addressing systemic risks

WPP's investment approach includes the effective management of risk, which we believe is also integral to good governance. WPP recognises that effective risk management – including RI and climate-risk mitigation strategies, alongside the consideration and management of broader ESG issues – are essential for delivering successful outcomes to our stakeholders. There are two processes in place for the consideration of risk.

Our Risk Sub-Group is a key forum for identifying risks

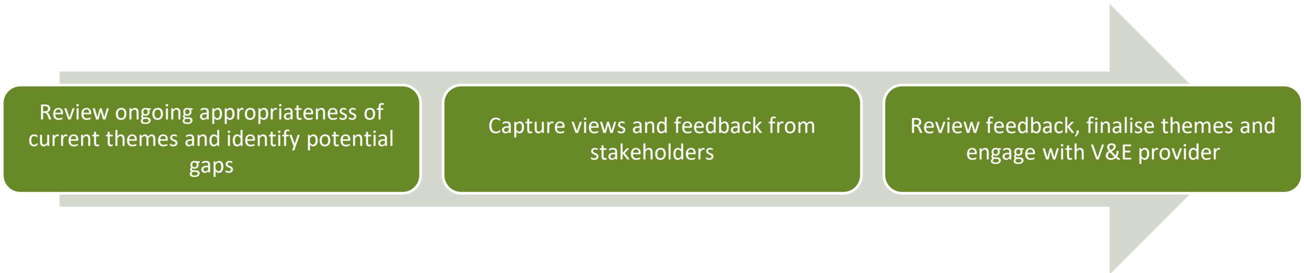
As such, as per the Risk Policy, WPP recognises that, if left unmanaged, risks can impact on the ability of WPP (and the CAs) to act in the best interest of our stakeholders (and beneficiaries), with WPP's success, to an extent, dependent on our ability to effectively balance risk and return. WPP thus recognises that a robust risk strategy must be in place in order to deliver on our primary objectives, with a dedicated Risk Sub-Group established to maintain and evaluate the WPP's Risk Register on a quarterly basis. The Risk Register is used to document, manage and monitor risk by:

- Outlining the WPP's key risks and factors that may limit our ability to meet objectives
- Quantifying the severity and probability of the risk facing the WPP
- Summarising the WPP's risk management strategies
- Monitoring the ongoing significance of these risks, the effectiveness of existing risk mitigation strategies and the requirement for further risk mitigation strategies

The Risk Sub-Group has a vital role in proactively identifying existing risks and those that may materialise in the future, and in assessing the effectiveness of existing – or the requirements for additional – risk mitigation measures. The Risk Sub-Group puts forward recommendations to the OWG on what actions should be taken to further mitigate or manage risks, but it is not responsible for enacting the recommended actions.

Our stewardship process has also evolved to identify emerging risks and themes

Over the reporting period, we have reconsidered the mechanism through which the WPP identifies the issues that matter to its stakeholders and over which it wants to have influence. We have developed a new Stewardship Framework to aid 'theme identification and prioritisation', something we cover later in this report, and put in place a three-stage process to support this, as illustrated below:



The first stage of this process is critical, drawing on a range of sources to assess emerging areas of risk. These sources include: themes arising from ongoing monitoring; input from the wider investment community; and other bespoke research. By sharing input with, and seeking feedback from, the broader WPP stakeholder base, the WPP will capture a broad range of inputs and potential sources of systemic risk. This process was put in place during early 2023 and has been implemented during the 2023/24 reporting year.

Climate change

The WPP, in conjunction with other stakeholders, considers climate change as a systemic risk to the WPP and the performance of the Pool's investments. The WPP recognises climate risk within the Risk Register and has put in place a Climate Risk Policy, setting out the WPP's approach to addressing climate-related risks. Climate is also one of the three stewardship themes prioritised by the WPP. The WPP's evaluation of our effectiveness against our policy commitments over the last 12 months is set out in Appendix 2.

It remains WPP's policy that our own climate goal should reflect the underlying ambitions of the CAs. In individual discussions with each of the CAs over the reporting period, we discussed climate goals and expectations (individually and at the Pool level). At present, not all CAs have formally set goals on net zero, so an overriding WPP objective has not yet been framed. However, discussions around this point continue to be addressed by the RISG. Consideration around climate risk is particularly evident in the framing of the Sustainable Active Equity Sub-Fund, in the development of the private-markets mandates and the beginning of work on the All-Wales Climate Report over the reporting period.

As part of the ongoing monitoring regime, the WPP monitors a range of different climate-related metrics, including emissions metrics. The table below indicates the change in Weighted Average Carbon Intensity (WACI) over the course of 2022/23, noting that there has been an overall reduction across all Sub-Funds, though only marginally within the Emerging Markets mandate. We would also highlight here the marked reduction in WACI for the UK Opportunities Sub-Fund, reflecting the implementation of the low-carbon overlay.

Sub-Fund	Weighted Average Carbon Intensity (tCO_2/$m sales)	
	31.03.2022	31.03.2023
Global Opportunities	117.4	109.4
Global Growth	80.6	69.6
UK Opportunities	104.3	86.8
Emerging Markets	238.3	227.9

Source: Hymans Robertson

The WPP recognises that this represents one measure of climate-related risk and has engaged with all CAs in order to develop a framework through which both the WPP and CAs can measure climate-related risks once LGPS funds become formally subject to TCFD requirements. The WPP intends to publish its own TCFD report in due course and views the AWCR as a precursor project.

Other actions that the WPP has taken to evolve the approach to climate risk over the year include:

- Progressing the development of the Sustainable Equity Sub-Fund. The parameters of this Sub-Fund will include expectations around a net-zero target, ambitions around carbon risk reduction and the exclusion of stocks in certain sectors. Finalisation of this Sub-Fund will allow CAs to invest in potential climate solutions.
- Continuing to support stewardship activity aimed at decarbonisation. As noted in this report, the WPP was supportive of the changes to our underlying Voting (Stewardship) Policy and also actively challenges Robeco on V&E activity around climate-related risks as detailed in this report.
- Progressing consideration of the current low-carbon overlay on other Sub-Funds, although steps to complete this were not completed during the year.

The WPP also progressed the appointment of Private Markets Allocators, with the expectation that providers will facilitate investment in climate solutions. Most notably, one of the providers appointed – Octopus – is expected to facilitate investment in renewable energy infrastructure.

Finally, the WPP expects Service Providers to take action to address climate risk. WPP's two primary Service Providers, Robeco and Russell, are both now signatories to the Net Zero Asset Managers Initiative and members of Climate Action 100+. These commitments are welcomed by the WPP as supporting our broader ambition. The WPP's Oversight Advisor, Hymans Robertson, is also a signatory to the Net Zero Investment Consultants Initiative.

Case study: engagement through Climate Action 100+

Robeco co-led the engagement with Enel under the Climate Action 100+ initiative. Since engagement began in 2018, there has been significant progress across most of the engagement objectives. More recently, Robeco has focused its engagement on Enel's climate lobbying and disclosures. Over the last year, they had intense engagement with the company on this topic and provided extensive feedback based on their expectations.

In Q2 2022, we saw positive results from Robeco's engagement effort, as the company has significantly improved its disclosures on climate lobbying. In Enel's 2021 Consolidated and Sustainability Reports, the company disclosed for the first time an assessment on the level of its alignment with the goals of the Paris Agreement. This is something that the industry associations of which Enel is a member had been advocating for.

Based on the enhanced transparency and adoption of good practice, InfluenceMap – an independent think-tank ranking corporate climate lobbying – upgraded Enel's score from 21/100 to 57. This means Enel now ranks third among those Climate Action 100+ focus companies that have published an industry association review.

Case study: Russell

Looking to enhance practices around climate stewardship, Russell has set higher expectations for those companies with material exposure to climate risk stemming from their own operations. To this end, since January 2023, in meetings with those issuers, Russell has expressed their expectations for those companies to provide a level of transparency required to better understand how they may be impacted by climate-related risks and opportunities, and how they have embedded climate change into their strategy. Part of this is also the expectation that the boards of these companies should have explicit and clearly defined oversight responsibilities for climate-related issues. An example of one of the issuers targeted for engagement is below:

Context: Engagement call with an international manufacturer and marketer of petroleum-based and low-carbon liquid transportation fuels and petrochemical products. The company is targeted by the CA100+.

Objective: Russell Investments engaged with the company to clarify the board perspective on the climate-related resolution, and the decarbonation strategy going forward.

Outcome: The following outcome was noted:

The company failed to explain why they have chosen to use a bespoke Scope 3 methodology developed by themselves as opposed to a recognised framework. The company also failed to articulate why the company falls well behind against peers with regards to disclosure and practices in this matter. Although the company claimed to have engaged extensively with the shareholders, dialogue has not led to a positive outcome for any of the parts.

As an escalation strategy, Russell supported the SHP flagged by the Climate Action 100+ Initiative. Research has shown that the company lags against peers and the company has not been able to provide a compelling explanation or plan or action to close the gaps.

We believe our approach to addressing climate-related risk is progressive and that we will continue to benefit from input from other stakeholders. One area of focus for the WPP over the last reporting period was to ensure that WPP engages all internal stakeholders on their climate ambitions, which should in turn allow WPP to frame its own broader goals. The AWCR project, the objective of which is to provide an assessment of climate risk across the entirety of the eight underlying LGPS Funds, will help inform discussions around a common WPP climate goal and net-zero journey planning. The preliminary report was presented to the RISG following year-end and we will report on outcomes in our next submission.

WPP responded to the Ukraine crisis

The conflict between Russia and Ukraine continued through the reporting period. This had an impact on portfolios, given high uncertainty around the event. Other than asset-allocation decisions, reflecting caution on the impact of the crisis on supply chains and on inflation, Russell also took the decision to divest from Russian/Belarusian holdings (where trading wasn't already prohibited by sanctions).

China/Taiwan tensions

The Emerging Market Sub-Fund was overweight to China during the reporting period, a market considered attractive on valuation grounds with a possible favourable reopening story coming out of a prolonged period of Covid lockdowns. However, in the summer of 2022, rising tensions in the Taiwan strait induced increased volatility in the market and negative sentiment based on geopolitics. In responding to the situation, Russell maintained a balanced portfolio, with an underweight exposure to Taiwan during this time, which helped to diversify the risk.

Inflation/economic downturn

The reporting period was marked by a backdrop of heightened inflation and economic lows, with central banks continuing to raise rates in an effort to combat this. In direct response, an additional manager was added to one of WPP's equity mandates at the end of 2022, seeing the defensive qualities of the manager as having the potential to benefit from such an environment. The risk also had an impact on allocation decisions, avoiding those growth names that would be liable to struggle in an environment of higher interest rates. For the UK market, the cost-of-living crisis, higher interest rates and political tensions contributed to a difficult backdrop for those Sub-Funds invested in the region. This warranted closer communication between Russell and the underlying investment managers to manage risks, adjusting exposures accordingly.

Communication and reporting

The WPP believes in being open and transparent, as well as regularly engaging with key stakeholders. Therefore, the WPP will ensure the meetings of the JGC are accessible to the public via a live webcast stream. Meeting papers will also be made publicly available. Local Pension Board engagement days will also be held regularly as a means of fostering stakeholder engagement.

WPP has developed our communication strategy recognising all stakeholders, which is reflected in the Communication Policy. Through this policy, WPP has identified a range of external stakeholders, in addition to the CAs and underlying Pension Fund members on whose behalf it manages money, with whom it wishes to communicate. These external stakeholders include government, unions, the media and NGOs. To ensure continued engagement and collaboration among the CAs and Service Providers, and to ensure adequate reporting to and input from wider stakeholders, WPP carries out the following:

Engagement mechanisms	Frequency
Strategic Relationship Review meeting	Bi-Annual
JGC Engagement	Quarterly
Manager Performance Meetings/ Calls	Quarterly
Training Events	Quarterly
OWG Engagement	Quarterly
Bi-Weekly Meetings	Every 2 Weeks
Pension Fund Committees	Annual
Manager Engagement Days	Annual
Member Communications	Annual
Pension Board Engagement	Every 6 Months
Engagement via the website & LinkedIn	Continuous
CA Annual Requirements & Ambitions Questionnaire	Annual

This approach, which provides a frequent two-way communication with all key stakeholders, allows the WPP to ensure that all have the opportunity to provide input on issues, and develop the WPP's ongoing agenda and business plan.

WPP reporting to CAs

One area identified as a priority in last year's submission was in improving reporting to CAs. This was particularly in regard to the amount of external reporting available to the CAs, but which was not in a digestible form to be able to present at Pension Committees. To improve efficiency, over 2022/23, WPP has developed a form of summary reporting, capturing stewardship information for each Sub-Fund in a manner that be shared with, and digested by, Pension Committees. This has necessitated drawing information from multiple sources in order that stewardship information can be supplied at a Sub-Fund level.

This was towards the end of the reporting period, with improvements continuing to be made. Reporting to CAs now includes: an overview of RI developments from the RISG; an overall climate and ESG profile for each Sub-Fund; voting and engagement summaries for each Sub-Fund; key votes for each Sub-Fund; an integration of LAPFF data into stewardship reporting.

Reporting by Service Providers

To communicate effectively with our clients, beneficiaries and external stakeholders, WPP relies heavily on the reporting provided by Service Providers. The information from WPP's Service Providers is presented at the RISG and OWG, with each of the CAs then responsible for cascading this back to their own membership.

Robeco

Robeco provides quarterly and annual V&E reports, including full voting details by Sub-Fund and granular engagement examples. Additionally, Active Ownership Profiles are updated on a near-live basis, whenever there has been an engagement activity with a company. These reports are made available to WPP via Robeco's Client Portal. Working with the engagement data provided by Robeco, Hymans Robertson is now also providing more granular engagement data, broken down by Sub-Fund.

Russell Investments

Quantitative data is used to analyse portfolios through an ESG lens. Russell's proprietary system (ExploreR) provides holding-based ESG reports, which includes ESG risk from Sustainalytics and carbon footprint from MSCI (both of which are communicated to WPP via quarterly reporting and quarterly review decks). Development of the ENACT tool has also improved the sharing of ESG-related insights.

BlackRock

An area that we flagged for improvement was in the reporting received for the passive mandates around voting and engagement. BlackRock has now provided WPP with proxy voting and engagement reports for underlying passive mandates. We are currently looking at how this can then be better incorporated into not only reporting, but also how it can be leveraged for input into WPP's Stewardship Framework.

WPP reporting to other stakeholders

The WPP recognises that our activities are of interest to third parties and therefore endeavours to report on our activities externally, normally via our website. Communications over the course of 2022/23 have included:

- Stewardship Code reporting
- Annual report on WPP's activities
- News updates on fund launches and initiatives

Voting records are not published on WPP's website. While engagement with Service Providers took place over the reporting year to facilitate this, the necessity to provide reports in the Welsh language is a barrier to implementation here. We are currently exploring alternatives to make WPP's voting more transparent to all stakeholders.

Working together

We continue to work with other LGPS stakeholders

WPP recognises that collaboration with other like-minded investors and representative bodies can maximise the influence of WPP's assets on investee companies. One area of direct collaboration undertaken by WPP is through the Cross-Pool RI collaboration project at any suitable opportunity. The group includes LGPS pools from England, Scotland and Wales, and includes both funds and pool operators. The forum allows for discussion between the LGPS investors, who operate in the same regulatory environment and with similar expectations from CAs and beneficiaries on RI and ESG topics.

WPP, together with all CAs, are members of LAPFF, which undertakes engagement with companies on behalf of all its members. LAPFF is a forum for LGPS funds and is the UK's largest collaborative shareholder engagement forum, engaging across a broad range of ESG themes with investee companies. WPP is a pool member of LAPFF and feeds into the annual engagement work plan. WPP draws directly on LAPFF's voting alerts, which are fed into the Voting Policy. Further, information gained from LAPFF engagement provides a basis for ongoing dialogue and challenge of BlackRock, Russell and Robeco's own activities, thereby ensuring that discussions are constructive.

We responded to the government consultation on climate reporting

WPP recognises the importance of feeding into government consultations where appropriate. Over the reporting period, WPP provided a consultation response on the governance and reporting of climate change risks for the LGPS. We would note here that climate change is a key focus for WPP, so it very much welcomed the consultation. WPP recognises that high-quality analysis and disclosures in this area will facilitate better investment management, as well as helping deliver real world outcomes. While overall WPP was supportive of the proposals, we highlighted concerns around the resource burden, data availability and creation of league tables, noting the need to provide context for local decisions.

External partners

As WPP's view on maximising impact through mutual priorities and collaboration is in line with Robeco's, WPP relies heavily on the V&E Provider to undertake any relevant industry collaborations on our behalf and to report back on any progress. Robeco actively collaborates with the following:

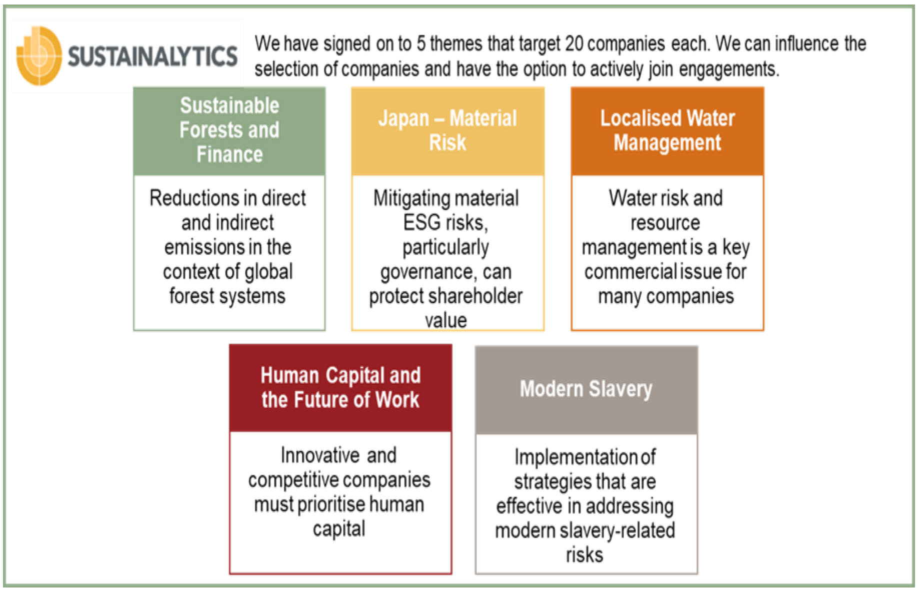
- UN PRI
- Net Zero Asset Managers Initiative
- Climate Action 100+
- Taskforce on Nature-related Financial Disclosures
- Platform Biodiversity Accounting Financials
- Finance for Biodiversity Pledge
- Cambridge Institute for Sustainable Leadership
- World Wide Fund for Nature Netherlands
- Investor Mining and Tailings Safety Initiative
- Investor statement on the UN Treaty on Plastics
- Investor Alliance for Human Rights
- Nature Action 100
- Investor Alliance for Human Rights
- PRI Human Rights Stewardship Initiative (Advance)
- Global Commission on Mining 2030
- Finance Sector Deforestation Action (FSDA)
- Eumedion: Ahold, Unilever
- ACGA Korea Working Group: Hyundai Motor, Samsung Electronics
- Asia Research and Engagement: Sumitomo Mitsui Financial

This represents seven more initiatives than the previous reporting period. Given its participation in LAPFF, WPP is particularly interested in the Mining 2030 initiative, especially given the end of the Lifecycle Management of Mining engagement from Robeco. The focuses on the sector as one that is necessary for the Just Transition, but which represents the potential for significant harm to people and the environment.

Case study: letter for EU legislation on mandatory human rights and environmental due diligence

Robeco and 100+ other signatories released a joint statement urging the EU to swiftly adopt a legislative proposal on mandatory human rights and environmental due diligence (mHREDD) within the Sustainable Corporate Governance initiative. The statement, signed by companies and investors from various industries and countries, including many small- and medium-sized enterprises, outlined five key principles to be included in the legislation to make it effective: Alignment of the legislation with the UNGPs to cover all businesses operating in the EU market, regardless of sector and size; Due Diligence obligation that extends across the full value chain; Mandatory Requirements that go beyond box-ticking, address irresponsible purchasing practices and are embedded in appropriate governance structures, including at board level; Effective and Safe Stakeholder Engagement as an integral part of due diligence; and Credible Accountability Mechanisms, including strong civil liability provisions.

WPP also benefits from collaborative partnerships Russell participates in. This includes the partnership with Sustainalytics, where Russell has signed on to support five themes targeting 20 companies:



In addition, Russell also participated in the following collaborative programmes over the reporting year:

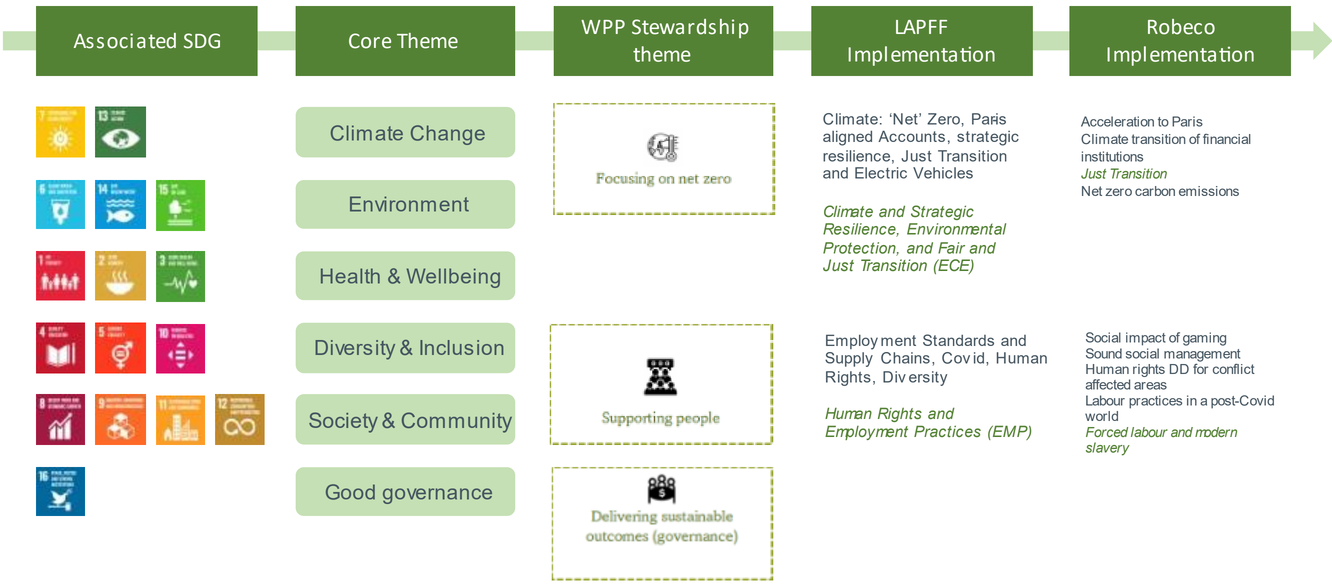
- PRI: PRI in a Changing World signatory consultation
- The Investor Agenda: Global Investor Statement
- Climate Action 100+: Consultation on Strategy Renewal
- Climate Action 100+: Consultation to Enhance Benchmark
- CDP: SBT Engagement Campaign
- IIGCC: Stewardship Alignment Questionnaire
- IIGCC: Net Zero Engagement Initiative
- IAST APAC: Campaign to Find, Fix, and Prevent Modern Slavery

Stewardship

WPP has developed a clear Stewardship Framework

Over the year, the WPP moved away from Voting Priorities, which were more granular and restrictive in terms of stewardship across asset classes, towards the use of Stewardship Themes. In order to facilitate the selection of such themes, we established our Stewardship Framework, which provides an approach for simplifying the broad UN Sustainable Development Goals into a series of core themes from which WPP-specific themes have been determined.

This approach provides a clear basis for correlating WPP's themes with the more detailed Robeco engagement themes, as well as themes targeted by LAPFF, thereby allowing individual engagements to be linked to areas of WPP focus. This then allows monitoring and dialogue to be effectively focused, with the themes then reflected in WPP's quarterly reporting.



The framework will allow WPP not only to consider whether any existing themes need to be evolved, but also to identify any potential gaps and evolving risks as noted earlier. The annual review process will draw on a broad range of inputs, which include:

- **Themes arising from ongoing monitoring**: the ongoing monitoring of Sub-Funds can help identify potential stewardship gaps. For example, the flagging of a particular holding can highlight issues that can be raised with individual companies or, occasionally, trends that need to be addressed.
- **Input from the wider investment community**: this will include research into upcoming legislation; emerging issues of concern; monitoring of responsible-investment news and views; and input from the wider stewardship team at Hymans.
- **Topics prioritised by LAPFF**: LAPFF undertakes its own engagement and frames priorities that should be considered by WPP.

The framework also allows for the views of CAs and wider stakeholders to be incorporated into the choosing of Stewardship Themes. This will include cascading the stewardship review and gap analysis at the local level, with a questionnaire provided. These views will then feed into WPP's internal selection of Stewardship Themes, as well as feeding into Robeco's annual client panel. The first iteration of this exercise was cascaded following year-end, which we will report on in the next reporting cycle.

Our Stewardship Themes

WPP has determined a set of Stewardship Themes. The role of the stewardship themes is to provide areas of focus for informing Robeco of WPP's voting and engagement expectations, and for scrutinising the stewardship activity that is carried out on WPP's behalf, to ensure that focus reflects those topics that are most relevant to WPP and that stewardship activity achieves the desired outcome.

Stewardship Theme	Rationale
Focusing on net zero	Organisations, particularly those in materially affected sectors, should be developing and implementing transition plans to ensure that the long-term migration to a low-carbon economy is orderly. Companies should ensure that plans are published, and climate management disclosures are comprehensive and available for investor scrutiny.
Supporting people	An organisation's workforce is one of its most valuable assets and it is incumbent on the organisation to ensure that its people are properly managed and rewarded. This includes the consideration of people within supply chains, which can often be areas of lower scrutiny.
Delivering sustainable outcome (governance)	Organisations should be managed with a longer-term horizon so as to ensure that practices become more sustainable. This can ensure that executive remuneration is better linked to long-term goals, including ESG criteria.

To ensure their continued relevance and application, the RISG (in conjunction with Hymans Robertson) continues to review and scrutinise all quarterly V&E data provided by Robeco to ensure WPP's expectations are being met. One change during the year has been to start reporting on engagement on a Sub-Fund by Sub-Fund basis (previously, this was provided by Robeco at an aggregate level). This has been facilitated by Hymans Robertson, who has developed a data tool that is able to match the engagement data provided by Robeco with the Sub-Fund holdings data provided by Link and Russell.

How we voted

Given our operating model, WPP relies heavily on Service Providers to ensure that our RI views and approach to stewardship are being carried out effectively on our behalf. As WPP's V&E Provider, Robeco's approach to RI with that of WPP, believing that active ownership contributes to both investment results and society.

Voting policy

In order to ensure that votes are cast in a consistent manner, WPP has implemented a single Voting Policy that applies to all Sub-Funds, which Robeco implements on WPP's behalf. The policy adopts Robeco's standard policy, with company-specific circumstances and best practice also considered when casting a vote, and is reviewed on at least an annual basis.

Robeco's voting policy is based on the principles of the International Corporate Governance Network (ICGN), with Robeco monitoring the consistency of its general voting policy with the ICGN principles. After annual review, changes will not be automatically applied to WPP's own voting policy. Instead, to ensure that any changes continue to meet WPP's expectations and requirements, the changes – and rationale behind them – are reviewed by the RISG, with a recommendation then put forward to the JGC on whether or not to adopt the updated policy.

While Robeco's standard policy continued to apply over the reporting period, discussions around a more bespoke arrangement were undertaken. These included the experience of other Pools – for example, in referring particular issues back to in-house teams. However, under WPP's current governance structure, it was noted that such an arrangement would provide a potential implementation barrier. These discussions are ongoing, with WPP preferring to allow the current arrangement a bedding-in period before making any significant changes.

While Robeco's standard policy is applied, WPP has also worked with Robeco to put in place a weekly notification of forthcoming votes, allowing WPP to override voting recommendations if desired, though no such vote has yet been overridden. WPP hopes to do more on this point, developing a tool internally that will help better collate pre-voting data from Robeco and cross-reference this with LAPFF voting alerts, so that WPP can take a more proactive approach. WPP also expects that this will enhance the quarterly scrutiny of votes carried out on our behalf by the Oversight Advisor.

LAPFF voting recommendations

All of the CAs are members of the LAPFF. LAPFF sends out voting alerts to each CA, with recommendations on how they vote at any upcoming meetings. These voting alerts are taken into account when Robeco casts votes. For the large majority, Robeco votes in line with LAPFF's recommendations. In any instances where Robeco's views are not in line with LAPFF's, the WPP will follow the recommendations of Robeco as our delegated Service Provider but ask for reasons why Robeco has not voted in line with LAPFF. An example of this is given below:

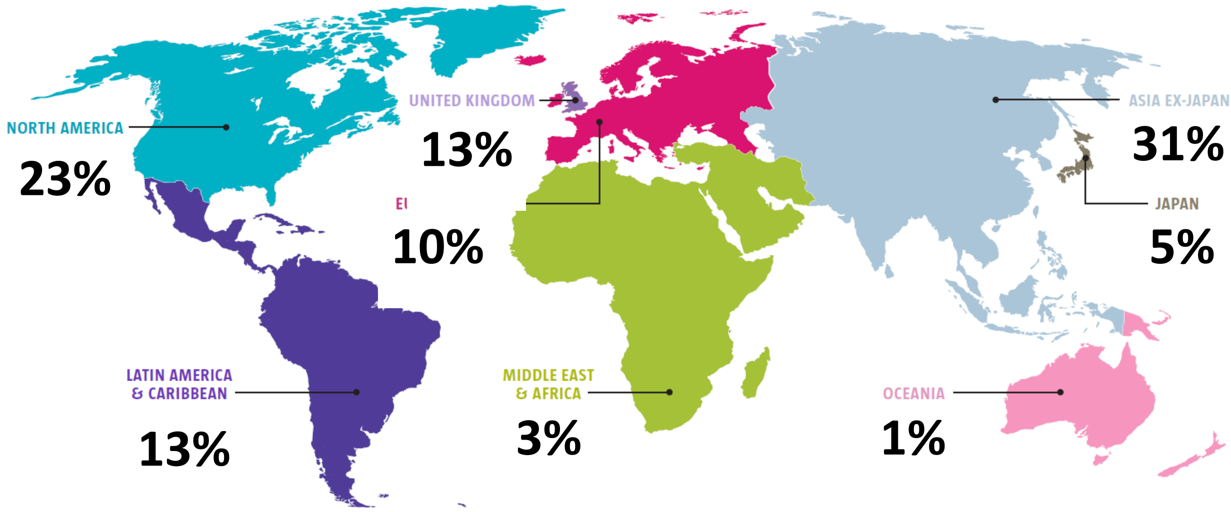
Case study: LAPFF

Over the reporting period, at BHP's AGM, Robeco cast a vote out of line with the LAPFF voting alert that recommended voting against BHP's Financial Statements and Reports. The LAPFF alert argued, particularly following the Samarco tailings dam collapse, that there were concerns around BHP's commitments included in the reports around worker and community impacts, and the lack of evidence to support the company having followed through on such commitments. There were also concerns on spending more effectively on BHP's decarbonisation and human rights work.

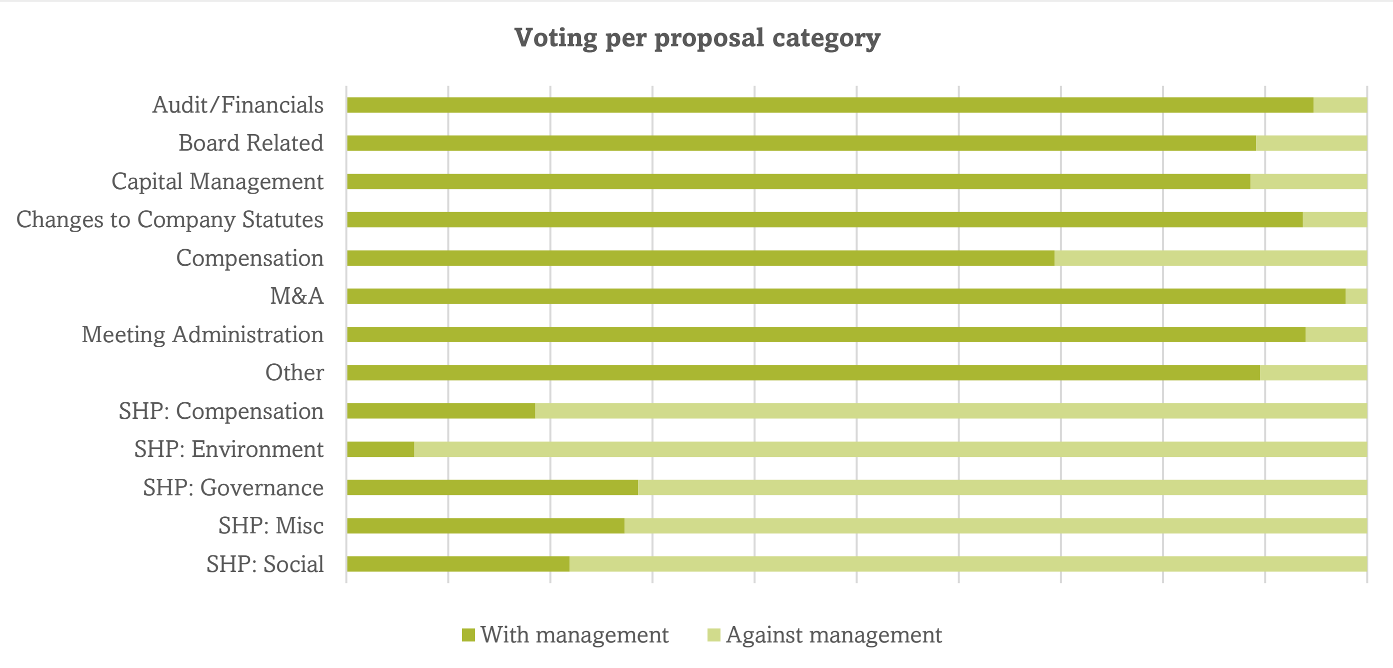
WPP engaged with Robeco on reasons behind this. Robeco advised that LAPFF's approach to voting is slightly stricter than Robeco's own Proxy Voting Policy, though Robeco's acknowledges that this is partially based upon experiences that stem from their dialogue with the company. Robeco acknowledged that while elements raised in the LAPFF alert were concerning, Robeco feels that BHP has improved disclosure related to the risks and governance of its tailing dams since the spill, despite ongoing criminal and civil proceedings, this includes in the company's engagement with shareholders.

Our voting outcomes

The map below illustrates the regions in which votes were cast over the year to 31 March 2023, determined by the underlying regional distribution of assets within the WPP's equity Sub-Funds.



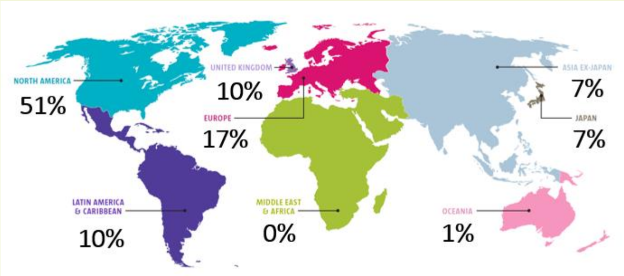
	2022/23
Number of meetings	1,218
Number of votes cast	15,523
For	13,472
Withhold	128
Abstain	98
Against	1,797
Other	28
With Management	13,200
Against management	2,323
Meetings with at least one vote against management	62%



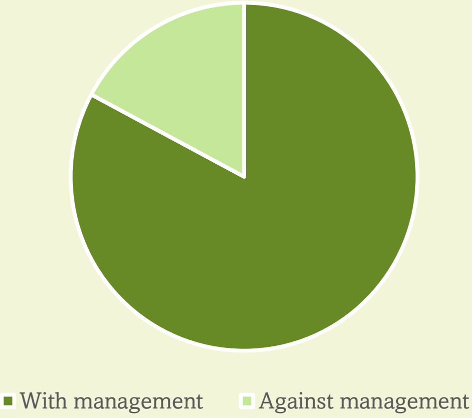
Source: Robeco

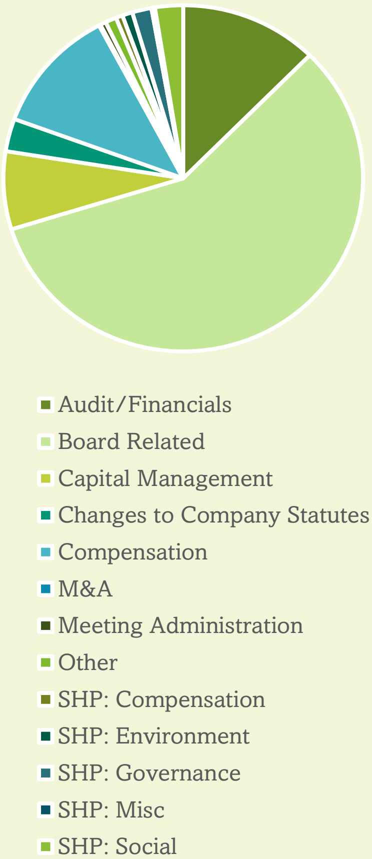
Voting outcomes by Sub-Fund

Global Growth

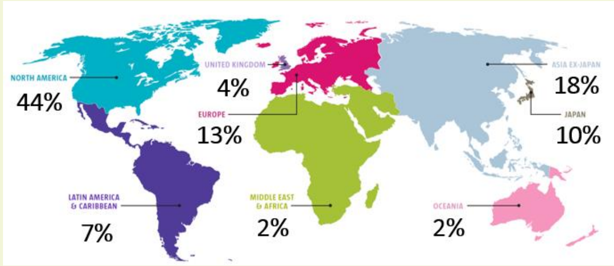


Meetings voted: 167
Agenda items: 2,303

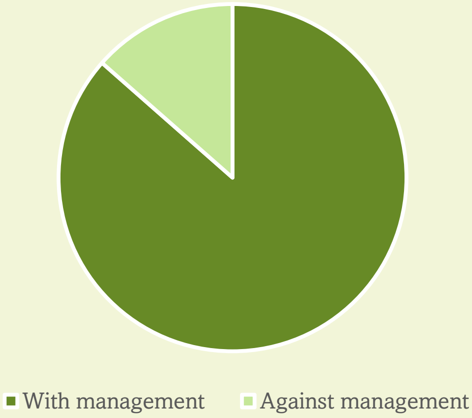


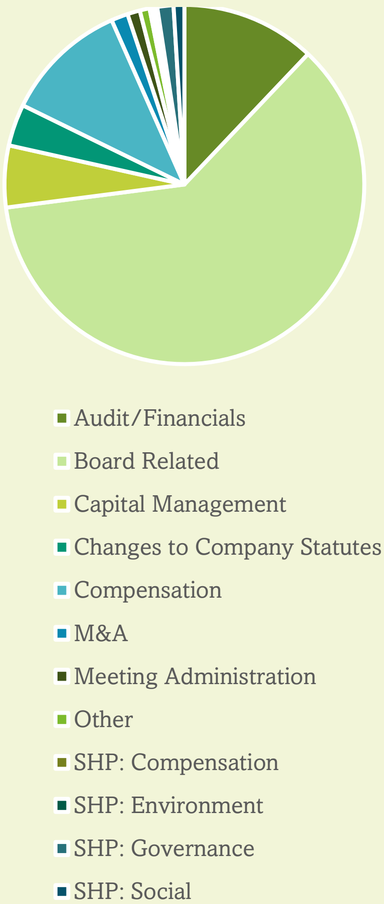


Global Opportunities

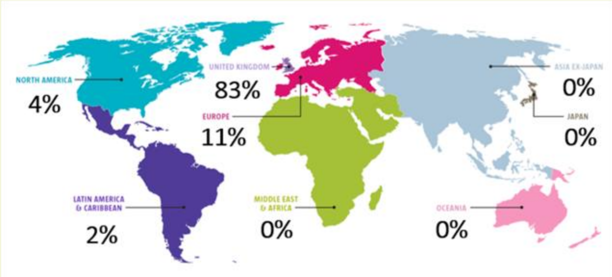


Meetings voted: 550
Agenda items: 6,898

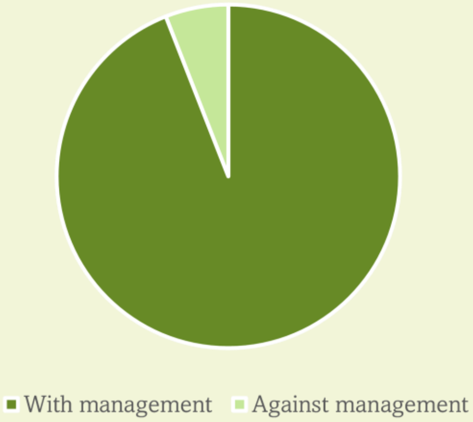


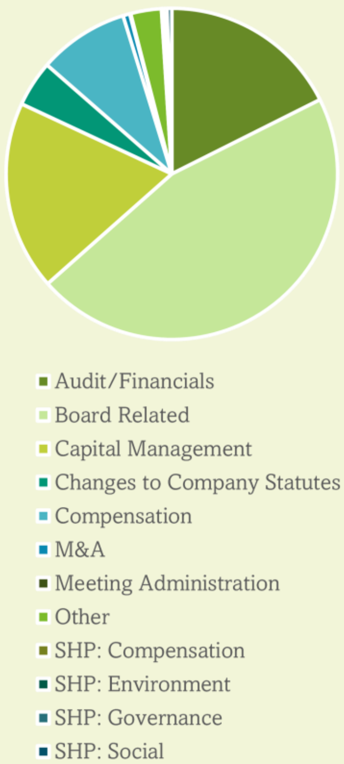


UK Opportunities

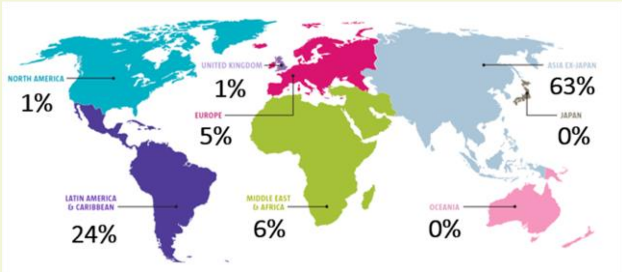


Meetings voted: 193
Agenda items: 3,302

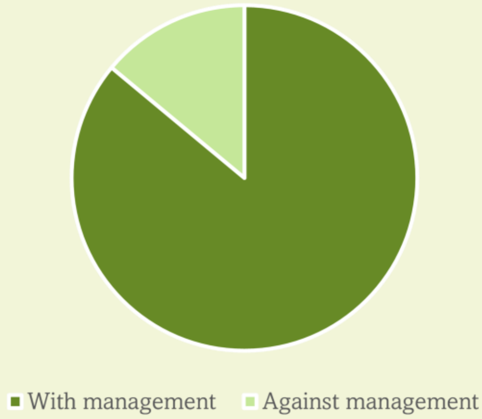


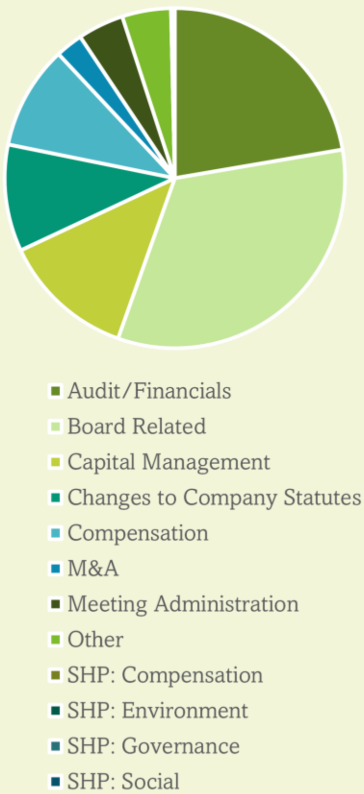


Emerging Markets



Meetings voted: 614
Agenda items: 6,174





Ensuring that voting is in line with policy

WPP reviews the voting activity undertaken by Robeco on a quarterly basis and notes that, across a range of resolutions, votes have been cast in line with the WPP's intentions. Examples of this are given below:

Company: Meta Platforms: US technology company

Date: 25 May 2022

Vote? For 11 of 12 SHPs; against one SHP (on a non-discrimination audit).

Rationale? Similar to other Big Tech companies, at Meta's AGM, there were numerous SHPs up for a vote (12 in total). The resolutions aimed to address various ESG topics, from corporate governance practices to human rights and climate lobbying. As was expected, due to the dual-class voting structure, shareholders requested the company to adopt a recapitalisation plan for all outstanding stock to have one vote per share. The plan will gradually eliminate the special class of super-voting shares that gives founder and CEO Mark Zuckerberg majority control despite owning approximately 13% of the outstanding shares. We supported this resolution since we believe that one vote per share operates as a safeguard and is in the best interest of minority shareholders. The resolution received 28% support.

Shareholders also requested the company to report on the actual and potential human rights impacts of its targeted advertising policies and practices. Over the last years, regulators and governments have increased their efforts to minimise social media misuse, exposing social platforms to more liability for targeted advertising practices. We consider additional disclosure to be in the best interests of shareholders, so decided to support the resolution, which received 23.76% support.

Lastly, shareholders requested the company to report on its lobbying activities. We supported the resolution for the reasons mentioned hereafter. We believe that the current disclosure level is insufficient considering the company's size and the increased scrutiny placed on corporate political spending. Meta could reasonably improve its disclosure to provide shareholders with an itemised list of recipients of its lobbying contributions, including payments made to trade associations for political purposes. Further, we are concerned with the lack of board-level oversight of its political contributions and lobbying activities, and we consider some degree of board oversight to be desirable. The proposal received 20.60% of support from investors.

Outcome? All the SHPs failed (maximum 28% approval). LAPFF issued voting alerts for 10 of the SHPs put forward at Meta's AGM, with Robeco voting in line with all 10.

Company: McDonald's: US fast food chain

Date: 26 May 2022

Vote? Against two board nominations from activist investor; for SHP on gestation crates.

Rationale? The company's 2022 AGM was marked by the proxy fight launched by activist investor Carl Icahn over animal welfare. Icahn attempted to overhaul McDonald's board to hold the fast-food chain accountable for its failure to deliver on a 2012 commitment to phase out the use of gestation crates in its US supply chain by 2022. The activist investor urged shareholders to support the election of two dissident candidates to replace longstanding directors Sheila Penrose and Richard Lenny, both independent members of McDonald`s sustainability and corporate responsibility committee.

Robeco's analysis showed that McDonald`s made significant progress towards its 2012 commitment, with the company reporting that the full phase-out of gestation crates from its US supply chain was delayed to 2024 due to the impact of the Covid-19 pandemic and the global outbreak of African Swine Fever. In addition, Robeco identified no evidence suggesting that the dissident candidates would be better suited for the fast-food chain's board than incumbent directors Sheila Penrose and Richard Lenny. Therefore, we did not support the nominees put forward by Carl Icahn.

Notably, the firm's 2022 AGM agenda also saw a shareholder proposal focusing on gestation crates. The resolution called for McDonald`s to report the ratio of pork produced in its US supply chain without using gestation crates, and the risks faced by the company due to "the disparity between its gestation stall pledges/reporting and the reality within its supply chain." We supported the resolution as we believe that investors would benefit from robust disclosure on McDonald`s use of gestation crates.

Outcome? All 12 management nominees were elected; the SHP on gestation stalls was withdrawn.

Company: Oracle: US multinational technology company

Date: 16 November 2022

Vote? Against the management resolution on executive compensation and not in support of the re-election of remuneration committee members.

Rationale? The company's Say-on-Pay proposal was voted down for several years in a row prior to 2017 and subsequently faced dissent levels of around 40%. Robeco again voted Against the Say-on-Pay proposal after concluding that there are significant concerns regarding the company's compensation programme around: the modification of the 2018 performance-based stock options (PSOs), pay and performance misalignment and the lack of a meaningful response to shareholder dissent.

In FY 2018, Oracle granted Chairman, CTO, founder, and near-controlling shareholder Lawrence Ellison, as well as the CEO PSOs to be earned upon the attainment of stock price, market capitalisation and operational performance goals. As none of the goals were achieved in FYs 2020, 2019 or 2018, the company disclosed in its 2021 Proxy Statement that it had decided to extend the PSO performance period by three years after "taking into consideration stockholders' feedback." The modified fair value of the awards was disclosed in the 2022 Proxy Statement and stood at over US$138m for both executives. Robeco considers that the company failed to provide a compelling rationale for modifying the PSO performance period, thereby casting a shadow on the predictability of the remuneration committee's decisions. In addition, Robeco views the modified fair value of the awards as excessive. Finally, Oracle failed to respond adequately to the sustained high levels of shareholder dissent against the Say-on-Pay proposal.

In light of the above, Robeco withheld its votes for the re-election of all remuneration committee members at the 2022 AGM. The meeting saw between 27% and 30% of the votes cast against their re-election, with the Say-on-Pay proposal again facing high dissent (c.33%).

Outcome? The management resolutions (include re-elections) all passed.

Company: Microsoft: US technology company

Date: 13 December 2022

Vote? Of the six SHPs, Robeco voted against three (cost-benefit of D&I efforts; hiring practices; management of climate risk in employee retirement options) and for three (government use of technology; developing military weapons; tax transparency).

Rationale? One of the SHPs up for a vote requested that the board provide a report on how its 401(k) retirement funds manage the growing systemic risk to the economy created by investing retirement plan funds in companies contributing significantly to climate change. While Robeco deems the spirit of the proposal supportive, it considers the company's retirement plan options fall outside the shareholders' remit. The resolution garnered low support (c.11%).

Two proposals addressed the risks associated with certain Microsoft products and technologies. One proposal requested a report assessing "whether governmental customer use of Microsoft's technology, including defence contract use, does or can contribute to violations of privacy, civil and human rights, and conflicts with the policies and principles set forth in Microsoft's CSR Report and other public disclosures." The other resolution requested a report assessing "the reputational and financial risks to the company for being identified as a company involved in the development of weapons used by the military for training and/or combat purposes." Robeco supported both resolutions as it felt these would benefit shareholders. The first resolution was approved by c.20% of the votes cast, while the second received lower support (11%).

Finally, Robeco supported the resolution on reporting on tax transparency in line with the Global Reporting Initiative's Tax Standard. Such a report is essential for investors to adequately assess the company's risk profile. In light of recent regulatory developments, it is in the company's best interest to prepare for the more stringent disclosure requirements and heightened expectations from regulators and investors. Around 23% of the votes were cast in favour of the proposal.

Outcome? All four SHPs failed (maximum 23% for).

Company: Visa: US payments technology company

Date: 24 January 2023

Vote? Robeco voted against the management proposal on executive compensation and against the SHP on the election of an independent chair.

Rationale? Robeco did not support this year's advisory vote on executive compensation, due to concerns relating to CEO compensation, which was deemed excessive and of significant cost to shareholders. Robeco has had repeated concerns regarding the company's remuneration practices, which has resulted in votes Against remuneration proposals for more than three years in a row. This has been escalated through Robeco's vote Against the re-election of the Chair of the Compensation Committee. Robeco voted against a SHP requesting that the Chair of the Board of Directors be an independent member of the Board. While Robeco agrees with the merit of the resolution, further analysis of the reasoning meant Robeco deemed the proposal as an attempt to frustrate the company's ESG ambitions and thus did not support it.

Outcome? The vote on executive compensation passed with high support (c.90%), with the SHP on an independent chair failing (c.81% against).

Company: SK Hynix: South Korean semiconductor company

Date: 29 March 2023

Vote? Against management proposal on financial statements; for the election of Audit Committee member

Rationale? SK Hynix provided evidence regarding its published audited financial statements during an engagement call Robeco had a few days before the AGM. However, Robeco voted Against the bundled resolution, advising the company to publish the audited financial accounts at least 21 days before the meeting, allowing for sufficient time for investors and proxy advisors to assess them.

Robeco had concerns that a new independent director board nomination was not truly independent, working as an external consultant at a law firm that has a professional services relationship with SK Hynix. Satisfied that she worked as a part-time advisor to the law firm and given an independent director of the board nominated her, based on her qualifications and in looking to improve the board's diversity, Robeco supported her election as an Audit Committee member.

Outcome? Both proposals passed (at least 86% approval).

How we engaged

As a pool, WPP is an advocate of engagement, recognising the broader benefits of active ownership in shaping behaviour. This is one of the reasons that WPP chose Robeco as V&E Provider in 2020, given an alignment in views, namely that constructive dialogue is an effective tool of asset owners, rather than exclusion.

Robeco engages on behalf of WPP in three ways:

- **Value engagement**: a proactive approach focusing on long-term, financially material ESG opportunities and risks that can affect companies' valuation and ability to create value.
- **Enhanced engagement**: focuses on companies that severely and structurally breach minimum behavioural norms in areas such as human rights, labour, environment and anti-corruption. The primary objective is to address reported shortfalls against internationally accepted codes of conduct for corporate governance, social responsibility, the environment and transparency.
- **SDG engagement**: looks to drive a clear and measurable improvement in a company's SDG contribution over three to five years. By ensuring a company's persistent relevance is reflected by its ability to address key societal needs, this strategy creates value for both investors and society at large.

WPP's input to this process is primarily in contributing to the identification of themes for proactive value engagement.

Providing input to engagement themes

Every November, Robeco selects three to five new engagement themes, which consider financially material topics that address ESG issues. Each theme focuses on 10–15 companies, where Robeco feels an impact is needed and can be financially material. This includes ongoing engagement with company representatives during this period to discuss sustainability impact, risks and opportunities.

WPP actively participates in Robeco's Annual Client Panel, providing input and discussion to this process. Themes raised with Robeco for consideration were collated from CAs and shared with Robeco ahead of this discussion. The two particular themes we raised were:

- **Workforce: living wage**: given WPP's Stewardship Theme around 'supporting people', which encompasses worker's rights, workforce disclosures and human capital management generally. We are particularly interested in this theme as it relates to UK workforces, but also those in emerging economies, where work may be more precarious.

  Given the current economic backdrop, the WPP recognised the challenges of the cost of living crisis and the need to ensure that people are paid fairly for their work. We believe more can be done to engage with companies to ensure that a living wage is paid (for example, only half of FTSE 100 companies currently pay a 'real living wage').

- **Food production: improving sustainability**: this was highlighted as an area of concern in last year's report, specifically around animal welfare and sustainable agricultural practices. While WPP noted the issue was being addressed by Robeco to some degree within the Biodiversity and SDG Engagement themes (and to some extent in ShareAction's collaborative initiative on health, which LAPFF has joined), WPP proposed this as a standalone theme.

  WPP's goal was in supporting and encouraging more sustainable food-production practices; including animal welfare (factory farming), a decrease in pesticide use and mitigating against the effects of climate change. Food systems must improve to meet the demands of rising populations, ensure food security and avoid environmental harm. Large-scale food production contributes to biodiversity loss, unsustainable land use and land use change, and water stress. Food systems also impact on animal welfare, our oceans and public health.

  The WPP noted that the LGPS has come under scrutiny for its investments in large-scale food producers, particularly in respect of animal welfare standards, and it would be sensible to see this issue being acknowledged. In particular, as demand for cheap food continues to increase, the WPP was keen to see what steps large players are taking to ensure that cost and environmental standards are being properly balanced.

WPP recognises that it is one of many voices in the process of setting engagement themes. While those themes WPP's stakeholders identified as considerations were not chosen for 2023, we were pleased to see that WPP's own Stewardship Themes around Supporting People and Net Zero were reflected in two of three of this reporting year's theme selection, which WPP backed during the client panel:

- **Forced Labour and Modern Slavery**: over 50 million people globally are trapped in modern slavery. Around 28 million people are victims of forced labour, and half of those are in Asia-Pacific. Governments and regulators are paying growing attention to modern slavery risks, and investors have a responsibility to respect human rights. Robeco's engagement will focus on companies predominantly linked to the Asia-Pacific region operating in sectors highly exposed to forced labour risks, such as consumer discretionary, consumer staples, technology and healthcare.
- **Just Transition**: 'Just transition' is about greening the economy in a way that is as fair and inclusive as possible to everyone impacted. Robeco's engagement will focus on companies in emerging markets that are enabling and/or contributing to the just energy transition.
- **Tackling Tax Transparency**: Taxation is increasingly a topic for debate for regulators and progressively seen as a key ESG topic. This theme will focus on improving the transparency of companies over their tax status, and what they actually pay to the governments of the countries in which they operate.

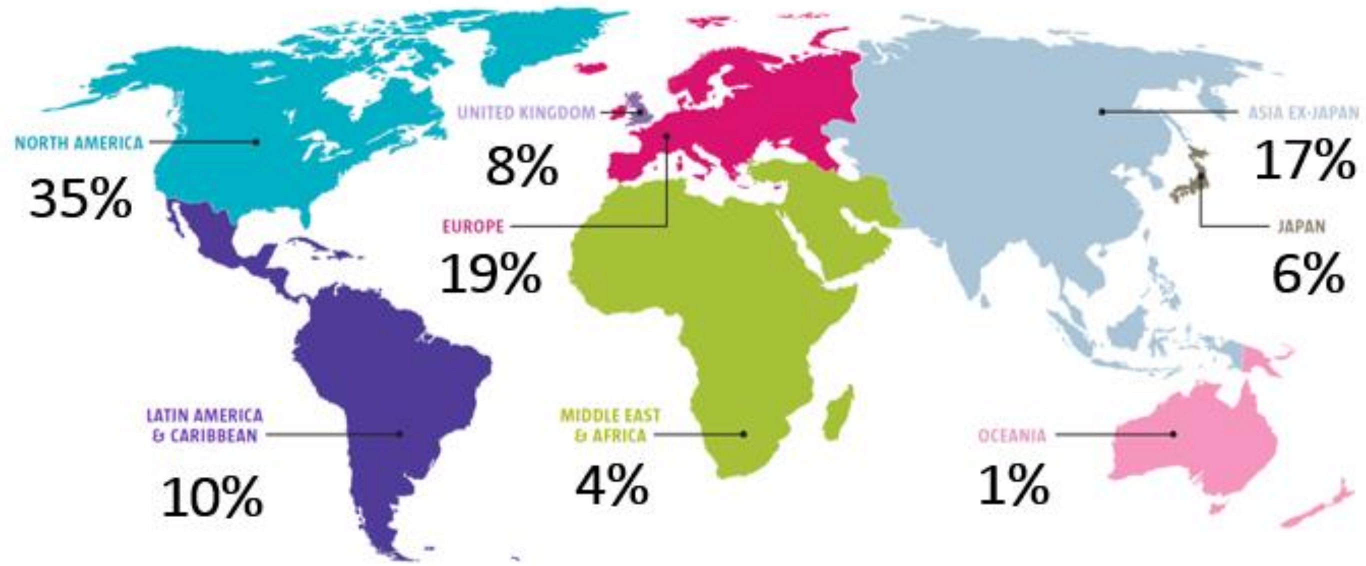
The engagement process

Regardless of the type of engagement, a five-stage SMART process is followed in establishing specific (and measurable) engagement objectives.

Robeco determines engagement objectives at the start of the engagement process. This forms a key part of the engagement theme research stage, and ensures that engagement begins with a thorough understanding of the materiality of the ESG issue in question, the company's current performance on and exposure to the issue, and its baseline performance on the engagement objectives set. Each time contact is made with a company, Robeco discusses the engagement objectives and assesses the progress a company is making towards them. This process assures WPP that a robust approach to stewardship – and, importantly, one that can be monitored and reviewed – is taken on the Pool's behalf.

Engagements usually start by explaining the objectives to a company's Investor Relations department via e-mail, letter or phone call, followed by conference calls or meetings with technical experts. Examples of such experts are the Head of Risk Management, Head of Sustainability, Head of Supply Chain Management and a wide variety of other operational specialists. Company roadshows are used when available. In most cases, Robeco reaches out to companies as opposed to the other way around. Senior executive and non-executive management (Board Secretary, Chairman, CFO, COO, or CEO) are also often involved in our discussions. Finally, if Investor Relations are non-responsive to an engagement invitation, Robeco approaches senior management directly.

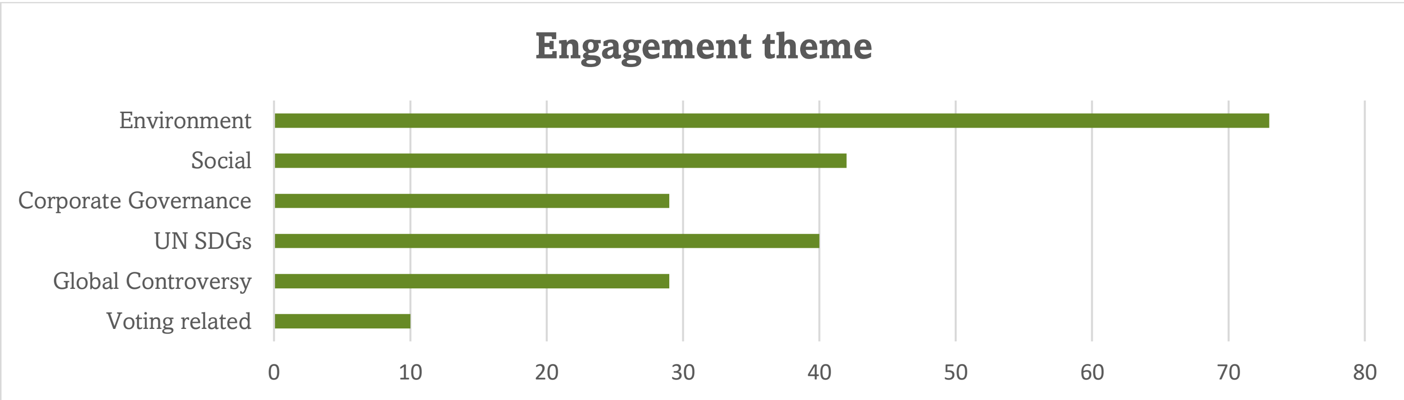
Engagement during 2022/23

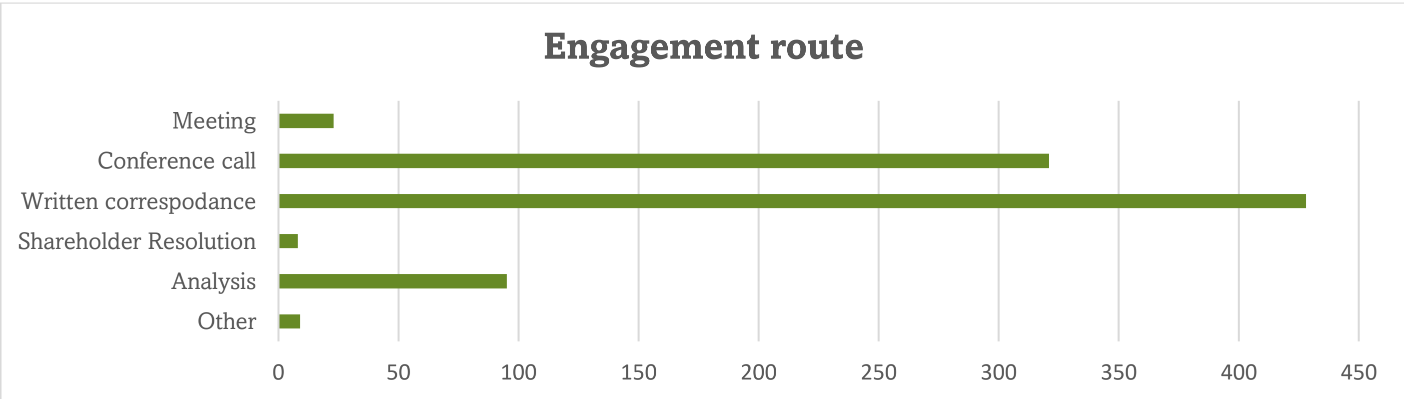


Engagement activity is reported for the year to end-March 2023. We note that Robeco does not differentiate between the nature of holdings in their engagement activity, given they represent multiple clients, issuers are chosen based on theme, so will cover both fixed-income and equity holdings.

Given the global nature of WPP's investments, engagement activity took place across multiple regions, with the split of activity as illustrated above.

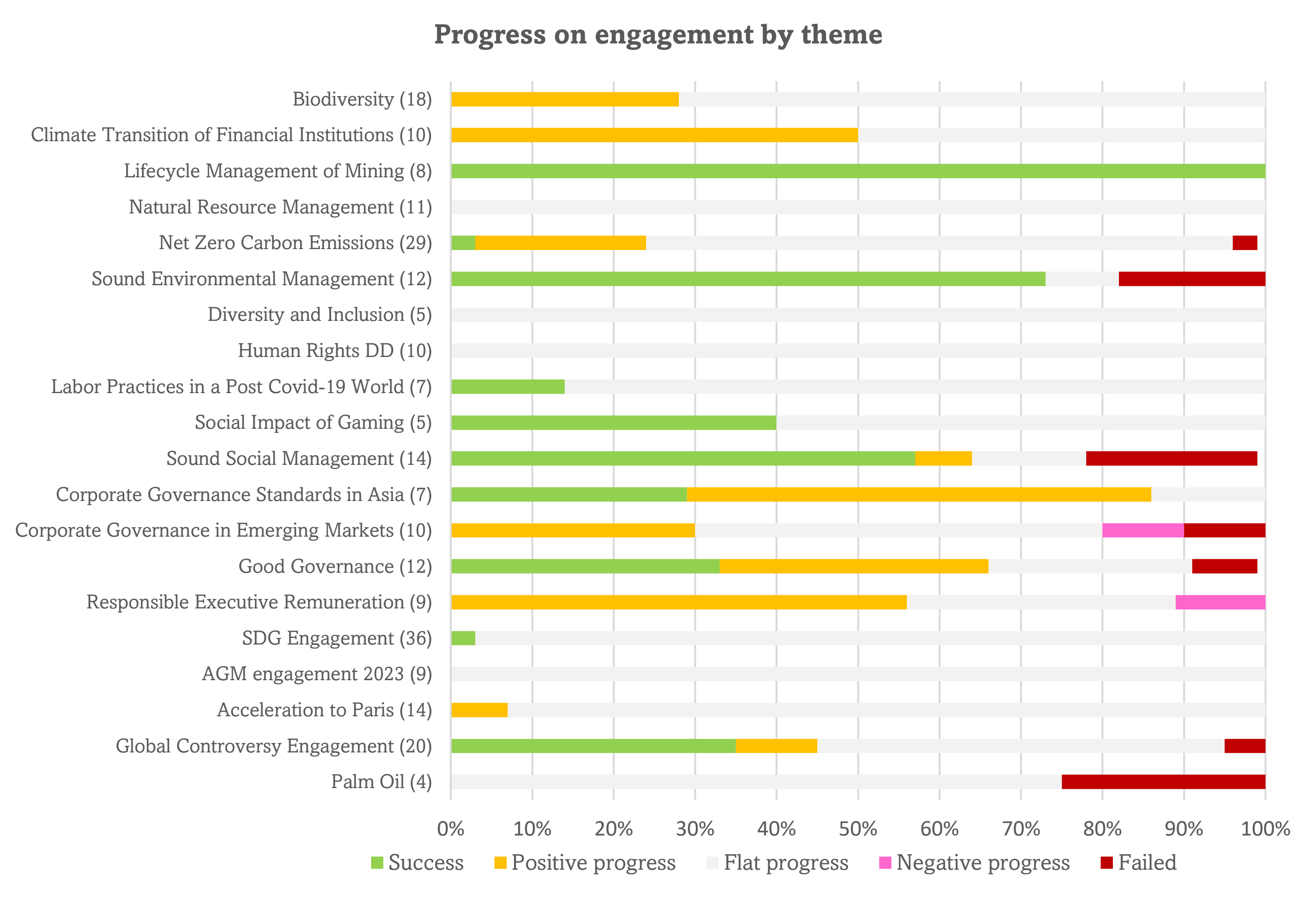
On behalf of the WPP, Robeco employed several different routes for engagement, including conference calls, letter writing, emails and active voting. In total, 2022/23 saw 223 total engagements across a broad range of themes as illustrated below.





Source: Robeco

As noted above, these broad themes comprise a range of additional sub-themes, against which various progress has been made. In the table below, we detail each theme, the number of companies within WPP's portfolios that have been actively engaged and provide some indication of progress against each theme (as at end-March 2023). The chart also indicates the number of companies engaged under each theme (figure shown in brackets), noting that some companies are being engaged on multiple themes.



Source: Robeco

The WPP is provided with significant information, both on each theme and the detail of the activity being undertaken over the course of each year. We summarise five themes below that are of particular interest to the WPP, given our Stewardship Themes and other discussions over the year.

Lifecycle management of mining

In aiming to meet the objectives of the Paris Agreement, the world must radically ramp up production of green technologies such as solar panels, wind turbines, batteries and electric vehicles. However, these clean technologies are also much more mineral intensive, meaning an increase in mining activities, which often have negative impacts on the environment and local communities. Indeed, high-profile cases around tailings dam failures highlight not only the severe environmental and human rights consequences of these governance failures, but also the reputational and economic cost for mining companies themselves. The objective of this engagement was thus to encourage WPP's investee mining companies to better assess, manage and minimise their environmental footprints. The engagement centred around three topics: improving water management practices; increasing the safety management of tailings dams; and improving asset retirement planning.

The engagement ended in 2023, with nine of the original 14 companies engaged effectively. One highlight of the engagement was that five of the companies set plans for mine closures, within which the need for stakeholder consultation and post-land-use insights were acknowledged.

Case study: Barrick Gold

Canadian gold mining company Barrick Gold were one of the issuers engaged under this theme, which started off with some concerns around the awareness and management of the issuer's water risks and end-of-life mines. Throughout the engagement, Robeco pushed Barrick Gold on the ambitiousness of its water management targets and water accounting, as well as sending a letter to encourage stronger Asset Retirement Planning. The engagement was closed successfully after Barrick set, among others, a group target on the percentage of recycled water to be used (at least 80%), and on providing data on water accounting at the facility level. Furthermore, the company has established closure plans for all its mines ahead of construction, including rehabilitation of the surrounding area and protection of water resources.

Of the 14 companies initially engaged, nine were closed effectively, with one engagement closed as non-effective. In addition, four companies were removed from the programme: two in relation to the Russia-Ukraine conflict; one was transferred to the Global Controversies Engagement theme; one was transferred to the UN SDGs Engagement theme.

Acceleration to Paris

This theme is part of Robeco's Enhanced Engagement programme, recognising the urgency of the climate crisis and the action that will be required over the immediate term to reduce global emissions by around 45% by 2030 (as urged by the IPCC). The engagement focuses on those companies at greatest risk from the energy transition and those lagging in robust transition plans. In addition to looking at key indicators around climate risk management, one area of focus has been on thermal coal, given it is the most-polluting fossil fuel and one where lower-carbon alternatives are available. Engagements thus focus on limiting the construction of new coal-fired power plants, as well as encouraging companies to put in place robust transition plans for phasing out their current exposure to these assets.

Case study: POSCO

The South Korean steel-making company has been expanding its steel production using coal-fired plants, which is one of the main topics of Robeco's engagement. A letter was sent to the Chair of POSCO's ESG Committee, who also sits on its board, as part of the engagement, being followed up with the company's investor relations team over a call, explaining the relevance to investors of stopping coal investments. In 2022, POSCO sold its coal business in Vietnam and has instead applied to construct a lower-emissions liquified natural gas plant. While it continues construction of its coal-fired plant in Korea because of contractual agreements, POSCO has indicated its intention to exit that business after completion.

Case study: Nippon Steel

As part of its ambition of reaching carbon neutral by 2050, the Japanese government has established a Green Innovation Fund, aimed at financing the climate transition and supporting Japanese companies in achieving ambitious carbon-reduction goals. However, Japan's steel industry has only been offered 10% of the subsidies. During our engagement with Nippon Steel, one of the world's largest steel producers, we encouraged the company to lobby for more policy support in its transition. The company is now part of the industry lobbying for more government support. Japan has announced a larger transition fund to include subsidies for increased energy costs and production, expanding on the scope of its Green Innovation Fund; however, the amount designated for the steel industry has not yet been confirmed.

Robeco reported on the engagements with each company within the theme, but positive progress had only been made by one company by the end of the reporting period. Engagements are due to run to 2025/26.

Net-zero carbon emissions

Reaching net-zero carbon emissions by 2050 is vital to halt climate change and avoid irreversible consequences. Following an increased societal focus on mitigating climate change, the impact of the transition is materialising. Consumer preferences are changing, regulation is tightening, technologies are advancing and stakeholders are calling on companies to act on climate change. While companies play a key role in mitigating the systemic risk posed by climate change, they also stand to benefit from the opportunities that arise from the transition and mitigation. As investors, it is important to understand how key emitters are integrating climate change-related risks and opportunities in their commercial planning, as well as to inform the companies of our expectations for them. This theme launched at the start of 2022 and is focused on the expectation for companies to set long-term net-zero targets, and to substantiate them with credible short- and medium-term emissions reduction strategies, as well as transition plans that ensure a reduction in real-world emissions over the next decade.

Case study: LyondellBasell

Robeco co-led the engagement with LyondellBasell under the Climate Action 100+ initiative and coordinated a meeting with the chairperson earlier in 2023. This was the first time that direct engagement with a non-executive board member had taken place under the initiative. Here, Robeco was able to convey its expectations for the company, which still performs relatively poorly on external benchmarks, despite recent progress. Following this meeting, LyondellBasell published its revised sustainability report. The revised report included a number of improvements, including the publication of short-term targets and enhanced detail around the decarbonisation strategy to 2030 that Robeco had recommended. Further feedback was given in a subsequent meeting with the company, specifically around our future objectives from the engagement around Scope 3 emissions targets and climate lobbying.

Of the 29 companies engaged under this theme, six showed positive progress; one engagement case was closed as effective; and one was closed as non-effective.

Biodiversity

Biodiversity loss is increasing at an alarming rate, with impacts felt not only within the natural world and ecosystems, but also within the financial sector. Studies have shown that financial institutions have hundreds of billions of assets that are highly dependent on ecosystem services (such as clean water provision). The theme was initially focused on biodiversity loss linked to deforestation among companies exposed to high-risk commodities, but this has now expanded to include engagement on other drivers of biodiversity loss (such as pollution). The engagement expects companies to assess their biodiversity impacts and dependencies, and to set a biodiversity strategy. Robeco also expects reporting on key impact indicators in line with recognised reporting frameworks, such as the Taskforce for Nature-Related Financial Disclosures.

Case study: Finance Sector Deforestation Action

Robeco is actively partaking in the Finance Sector Deforestation Action initiative, a collaborative investor group consisting of over 30 investors that have signed the COP26 Financial Sector Commitment on Eliminating Agricultural Commodity-Driven Deforestation throughout investment and financing activities by 2025. As part of the investor group, Robeco joined a letter and engagement campaign (launched at the end of 2022), jointly aiming to engage more than 50 companies. Among the companies targeted are meat producer Marfrig and paper-and-pulp company Suzano, with engagement focused on creating clear no-deforestation and traceability targets, and due diligence processes and disclosures.

Of the 18 companies under engagement, five are reported as making positive progress.

Responsible Executive Remuneration

This theme was launched in part in response to the EU's shareholder rights directive SRD 2, which gives shareholders the right to a vote on remuneration on a structural basis. The engagement recognises that, while remuneration policies can be an effective means of aligning the interests of corporate management with those of shareholders, for example in equity-linked compensation, this can only be achieved by having a plan that is adequately structured. The engagement therefore focuses on four key areas: structure and oversight of executive remuneration; pay for performance; equity compensation; and quantum and pay-equity ratios.

Case study: Tesco

Robeco has been engaging with UK retailer Tesco on executive remuneration since 2020, when the company's remuneration report was rejected by a majority of the votes cast at the AGM that year. The company has rolled out meaningful improvements to its compensation plan since we initiated our dialogue. Most recently, Tesco revised its remuneration policy and included ESG metrics in the executive pay design, while also simplifying the structure of its short-term incentive plan.

Of the nine companies under engagement, five have shown positive progress, with only one company demonstrating negative progress. The engagement is due to come to an end in 2023.

Additional engagements are undertaken by Russell

While Robeco formally carries out WPP's stewardship function, WPP also benefits from the stewardship activity Russell undertakes with the portfolio holdings in WPP Sub-Funds. Russell has six engagement focus areas, which align with WPP's views, including as defined by WPP's voting priorities. These focus areas are:

Area	Focus
Environment	**Natural Capital**: encouraging responsible environmental management and the sustainable use of resources **Climate change resilience**: promoting increased transparency on climate-related disclosures and practices
Social	**Human capital**: action on how companies attract, develop and retain employees while providing appropriate working conditions **Diversity & Inclusion**: increasing awareness of the impact of diversity on firm's investment performance and culture
Governance	**Board composition & accountability**: action of board of directors, which is a focal point of corporate governance **Executive compensation**: alignment of executive compensation with corporate purpose

Russell follows a similar process to Robeco in the identification, initiation, implementation and evaluation of their engagement activity. Russell takes a multi-channel approach to engagement:

- ✓ Engaging with issuers directly
- ✓ Engaging through and with sub-managers as partners
- ✓ Joining collaborative engagement efforts with third-party market participants

The underlying sub-managers within WPP's Sub-Funds also execute their own programmes of engagement, in line with the particular objectives of the mandate in question. This benefits from a 'double-active' approach, whereby both Russell and the underlying sub-managers will engage issuers, with Russell monitoring Sub-Fund activity internally through its enhanced oversight capability.

Climate change

In March 2023, Russell Investments joined The Net Zero Engagement Initiative, which aims to support investors aligning their portfolios with the goals of the Paris Agreement. On 17 March 2023, 107 companies received personalised letters outlining their expectations of a credible net zero transition plan. This marked the launch of the initiative, which we hope will scale and accelerate climate-related corporate engagement. The letter recommends that a company transition plan should include a comprehensive net zero commitment; aligned greenhouse gas targets; tracked emissions performance; and a credible decarbonisation strategy.

Sub-Manager: issuer engagement

Over the year, WPP's Oversight Advisor, in carrying out the quarterly climate change and ESG risk reports, identified an automotive name, held in three of the fixed-income Sub-Funds, that was among the lowest ranked in terms of ESG scoring overall and lowest in terms of Governance scoring. WPP recognises that the primary risk for credit funds lies in the potential for default or downgrade of issuers, which can create losses for investors. ESG risks can be a contributor to this; while Environmental and Social factors can cause concern, we would place greater emphasis on G factors within the debt space, so sought feedback from Russell and the Sub-Manager on an engagement they had had with the name, specifically concerns on accounting practices and ownership structures, but also on human rights concerns within the company's supply chain.

On the latter point, the Sub-Manager advised that, in discussions with the company, the name denied any use of forced labour at one of its plants. While acknowledging such assurances from executives at the company, the Sub-Manager advised that an independent third-party audit would serve to dispel any accusations of forced labour.

On the Governance point, this remains problematic and has become more complex following the IPO of one of the parent group's subsidiaries, where a lack of board representation and a capital structure that gives one group voting control have long been staple governance issues. The IPO has also created additional concerns, including a CEO with a dual mandate, a web of cross-holdings, cross-boarded directors and potential conflicts of interest. The Sub-Manager has yet to receive an indication that any of these issues would be resolved in the near term. On a positive note, the Sub-Manager has seen an improvement in the compensation plan in the last few years, and Investor Relations have flagged that the (parent) automotive name continues to think about driving alignment. Furthermore, there have been improvements made to its internal and management culture, with the company taking steps to enhance its internal whistleblower system under its new CEO.

Engagement with other parties

The WPP also engages with other stakeholders, seeking constructive engagement wherever possible. Over the course of the year, the WPP engaged with Friends of the Earth Cymru to discuss WPP's stance on engagement versus divestment and WPP's actions on RI over the previous six months.

WPP also responded to a letter from Divest Cymru, where it outlined its position on divest versus engage, and outlined the actions it has taken to address carbon emissions within its portfolios.

Councillor Chris Weaver, as then-Chair of the WPP JGC, presented to the Partnership Council for Wales on WPP's 'Journey Towards Carbon Reduction', outlining the actions WPP has taken. We were pleased that the presentation was well received by attendees and represents an ongoing dialogue with Welsh Government and local authorities.

How we escalate concerns

WPP can escalate issues of concern directly with Service Providers to address, but also relies on Service Providers to escalate issues where progress is not being made during the engagement process. The ongoing scrutiny by the RISG offers a forum for discussion and escalation, although escalation may similarly arise because of discussion in other fora.

Escalation by Robeco

In both value and enhanced engagements, a lack of responsiveness by the company can be addressed by seeking collective engagement, attending a shareholder meeting in person or sharing written concerns with the board. This can also lead to adverse proxy voting instructions on related agenda items at a shareholder meeting. An additional escalation measure is added to the enhanced engagement programme, given that this type of engagement is geared towards upholding minimal norms for expected behaviour in relation to the UNGC and OECD Guidelines.

In enhanced engagements, Robeco believe that first step is to eliminate the breach and then implement proper management systems to prevent such a breach from happening again in the future. The following five objectives are therefore set:

1. Elimination of the breach
2. Development and implementation of policy in the relevant area
3. Establish a constructive dialogue with stakeholders
4. Implementation of effective risk management systems
5. Transparency on the breach and remediation efforts

When an engagement leads to a successful closure of the first and third objectives (i.e. elimination of the breach and establishing a constructive dialogue with stakeholders) and at least one additional objective, Robeco's Controversial Behavior committee is again asked to approve a proposal to close the engagement case successfully, based on an overview of the dialogue and an assessment of the five objectives. It is also important to note that an engagement case closed unsuccessfully is reviewed by the Committee at least annually, in order to ensure a timely reassessment of the breach. A maximum of three years is given of engagement with a company in the Global Controversy programme. Robeco now applies a stricter escalation process compared to before, whereby the case may be closed unsuccessfully before the full three years. This is expected to create more accountability for companies to remediate the impact caused and to improve the management of the issue, thus minimising the risk of a future occurrence of a similar breach.

The escalation timeline for enhanced engagements is outlined below:

If enhanced engagement does not lead to the desired change, Robeco will inform WPP, who can then decide to instruct Russell on whether or not to exclude a company from WPP's Sub-Funds. Robeco considers exclusions from the investment universe to be an action of the last resort, applicable only after engagement has been undertaken.

The WPP notes that there were several examples of escalation having been undertaken by Robeco in its engagement activity over the reporting period:

- Co-filing of SHPs at the AGMs of four issuers, on issues including human rights, modern slavery, climate change and governance practices;
- Co-signing of investor letters, in conjunction with the Investor Alliance for Human Rights, to two issuers;
- Unsuccessful closing of enhanced engagement cases with four issuers.

Case study: escalating human rights concerns via SHPs

Issue: addressing human rights concerns at two US technology names.

Action taken: Robeco co-filed SHPs in relation to human rights at the AGMs of two US technology companies over the reporting year. This method of escalation is seen as a practicable step when there has been a lack of responsiveness from a company. In both cases, previous engagement around transparency and disclosure had not led to any concrete results, with both companies reluctant to provide more detail on human-rights-related risks. Specifically, the SHPs requested reports from the two companies, to be conducted by independent third parties, respectively, on: (1) assessing the company's approach to misinformation by conducting a human rights impact assessment on current policies and practices; (2) assessing the companies due diligence practices and whether they are aligned with human rights principles, and whether the use of its products contributed to human rights violations.

Outcome: Both SHPs received significant support from shareholders, indicating that transparency around human rights due diligence is deemed a material concern for investors. We were pleased that one of the companies in question reached out to Robeco following their AGM, an indication that they are willing to address shareholder concerns.

Case study: enhanced engagement

Issue: Global Controversy (enhanced) engagement

Action taken: since 2020, Robeco had been engaging with a pharmaceutical company in relation to alleged anti-competitive practices. Part of the engagement focused on the strengthening of internal compliance programmes and on transparency in how the company measures the effectiveness of such programmes. Despite ongoing engagement, no new information or disclosures were provided by the business. The company has also been the subject of a number of legal investigations around alleged unethical business practices. Given the ongoing nature of these investigations, Robeco had concerns that there was a failure to adequately address the issues they raised, so as to prevent any recurrence, indicating that the breach had not been eliminated. On the positive side, the company published an updated compliance strategy with targets, and has worked on its policies and procedures around business ethics and compliance.

Outcome: Given four of five engagement objectives were closed as 'unsuccessful', with the overall engagement thus deemed non-effective, Robeco placed the issuer on the exclusion list of its investment universe, as it fails to comply with Robeco's minimum Good Governance standards.

Escalation by Russell

Russell works with its sub-advisor partners and maintains open lines of communication to discuss any concerns about a given issuer, believing engagement to be the most-effective tool for corporate behaviour change. Such communication includes in instances when companies Russell engages with (either themselves or in collaboration with underlying sub-advisor partners) refuse to change or do not move quickly enough. When a company repeatedly fails to respond and/or does not advance along a path toward implementation, Russell's Active Ownership Committee will determine whether to move that effort into escalation. Any potential for escalation is discussed on a case-by-case basis, with tools such as proxy voting, collaborative engagement and written concern all used as escalation strategies.

Case study: climate risk review: enhancing engagements around climate risk

As part of Russell's regular risk review, holdings are screened, high-risk ESG names are identified and Russell invites commentary from the underlying manager on these names. From January 2023, Russell began integrating more in-depth engagements with companies with material exposure to climate risk stemming from their own operations. Russell expects these companies to better provide a level of transparency required to better understand how they may be impacted by climate-related risks and opportunities, and how they have embedded climate change into their strategy. This belief also extends to company boards, where these companies are expected to have explicit and clearly defined oversight responsibilities for climate-related issues. Engagement with one of the names identified over the reporting period is highlighted here:

Context: Engagement call with an international manufacturer and marketer of petroleum-based and low-carbon liquid transportation fuels and petrochemical products. The company is targeted by the CA100+.

Objective: Russell Investments engaged with the company to clarify the board perspective on the climate-related resolution, and the decarbonation strategy going forward.

Outcome:

• The company failed to explain as to why they have chosen to use a bespoke Scope 3 methodology developed by themselves as opposed to a recognised framework;

• The company also failed to articulate why it falls well behind against peers with regards to disclosure and practices in this matter;

• Although the company claimed to have engaged extensively with the shareholders, dialogue has not led to a positive outcome for any of the parts.

As an escalation strategy, Russell supported the shareholder proposal flagged by the Climate Action 100+ Initiative. Research has shown that the company lags against peers and the company has not been able to provide a compelling explanation or plan or action to close the gaps.

Development of a WPP Escalation Policy

While WPP can escalate any issues directly with its Service Providers, there is a growing recognition among stakeholders that WPP does not have its own strategy for escalation. WPP believes the process of stewardship should not be without consequence, particularly where issuer engagement is unsuccessful.

While, generally, WPP has not adopted a policy of exclusion within its investment arrangements, the Pool has committed to developing an escalation strategy, in conjunction with its V&E Provider, Investment Managers, Constituent Authorities and other delegates, to consider what steps should be taken in instances of failed engagement. While this had been discussed by the RISG over the reporting year, more concrete action began following year-end, initially engaging with Russell on how such a policy could be developed and implemented.

WPP intends to finalise the development of this policy over the course of 2023/24, helping WPP 'close the loop' on its stewardship activity and facilitate increased transparency between Service Providers.

What next?

We recognise that one of WPP’s unique strengths is the level of collaboration that exists between all of the Pool’s underlying LGPS funds. We would like to thank each of the CAs for their continued contribution and support in progressing our work on RI, stewardship, and in steering discussions through the RISG. We believe we can continue to build on what is a solid foundation, in particular on:

- Finalising the AWCR and using this as a catalyst for the evolution of the WPPs Climate Risk Policy.
- Progressing the development and implementation of a WPP-specific escalation strategy in instances of continued failed engagement on material ESG concerns.
- Considering a mechanism for applying Russell Investment’s UNGC violators exclusion policy across all of WPP’s Russell-managed active-equity mandates.
- Continuing dialogue with private-markets allocators/managers on RI and stewardship, and embedding our stewardship processes across these mandates.
- Continued dialogue with the passive manager on how we can further our stewardship aims, including through reporting and through voting.
- Employing our new Stewardship Themes process to boost engagement with stakeholders.
- More regular reviews of WPP's stewardship practices as they relate to the stewardship work of LAPFF.
- Continuing to evolve our reporting to stakeholders.

While the intentions outlined above have all been progressed in some way following year-end, we hope we can continue to progress not only in these areas, but in all the work we do as a Pool. We look forward to further collaboration over the next 12 months!

Contact us

If you require further information about anything in this report, please contact the Wales Pension Partnership:

Postal Address:	Wales Pension Partnership Carmarthenshire County Council Treasury & Pension Investments Section County Hall Carmarthen SA31 1JP
E-mail:	WalesPensionPartnership@carmarthenshire.gov.uk
Telephone:	(01267) 224136

Further information on the WPP and ongoing updates on the WPP's progress can be found on the website and LinkedIn page.

Website:	https://www.walespensionpartnership.org/
Linked-In:	https://www.linkedin.com/company/wales-pension-partnership-wpp/

Appendix 1: Principles

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3: Conflicts of interest	14–15
4: Promoting well-functioning markets	30–33, 36–37
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Appendix 2: policy review summary

In the tables below: 🟢 indicates that the commitment was met; 🟡 indicates some progress made against the commitment; 🔴 indicates that no progress was made.

Responsible Investment Policy

Ref	Commitment/ Policy Statement	Status
3.3	WPP will consult with CAs on at least an annual basis to determine their individual investment requirements and longer-term aspirations.	🟢
3.4	The WPP will consider opportunities arising from a greater understanding of ESG factors.	🟢
4.3	WPP will engage with its providers to ensure that a common mechanism for monitoring climate-related risks can be developed in respect of all WPP assets.	🟢
4.4	WPP will encourage, through its delegates, all investee companies to disclose in line with the requirements of the TCFD.	🟢
5.3	WPP will endeavour to identify and engage organisations on human rights issues both through WPP's membership of LAPFF and via the engagement activity undertaken by WPP's V&E Provider.	🟢
5.4	The WPP will report on how engagement activity undertaken by its delegates has addressed human rights issues on an annual basis.	🟡
7.1, 7.3	The WPP expects that all the investment managers employed within WPP will properly consider climate-related and other ESG risks in decision making within their respective portfolios. WPP will engage with its investment managers on an ongoing basis to ensure that ESG factors are transparently reflected in decision-making processes and that the approach taken to the management of ESG factors can be properly evidenced.	🟢
7.2	WPP expects that, in all relevant circumstances, its investment managers will be signatories to the Principles for Responsible Investment and the FRC UK Stewardship Code.	🟡
8.4	WPP will engage with its passive investment manager to consider how WPP's voting principles can be extended to assets managed by its passive investment manager.	🟡
8.5	WPP will receive a report on all voting activity, including details of any votes that have not been cast and explanations where votes have not been cast in accordance with the agreed principles on a quarterly basis. WPP will discuss any issues of concern with its V&E Provider, Investment Managers or other delegates as necessary.	🟢
8.6	WPP will review the Voting Policy in conjunction with its V&E Provider, advisors and investment managers on an annual basis.	🟢
8.8, 8.9	WPP will not lend 100% of the holding in any single stock, so WPP can express its views and make a policy stance on any topic it deems worth through its right to vote. WPP will continue to monitor the impact of this policy stance over time and revise its policy if required.	🟢
8.12	WPP will receive reporting on any engagement undertaken by its Investment Managers on an annual basis.	🟢
9.1	In conjunction with its V&E Provider, WPP will continually assess potential collaboration opportunities, and will inform and seek input from the CAs on any such opportunity that it deems to be relevant.	🟡
9.3	In conjunction with its V&E Provider, WPP will seek to identify investor-led RI initiatives and collaborations that can be actively supported.	🔴
9.4	WPP will encourage underlying investment managers to participate in or support collaborative engagements where it is deemed to be in the best overall financial interests of the CAs.	🟢
9.5	WPP will continue to collaborate with the cross-pool RI collaboration project at any suitable opportunity.	🟡
10.1	In consultation with CAs, Advisors and Investment Managers, WPP has developed appropriate	🟡

Ref	Commitment/ Policy Statement	Status
	monitoring metrics for existing portfolios and will continue to agree appropriate metrics in respect of all new portfolios. WPP will require Investment Managers to include such metrics in their quarterly reporting to CAs.	
10.3	WPP requires that the responsible investment credentials of all appointed investment managers are subject to annual review. In conjunction with the relevant parties, the WPP will develop an appropriate reporting framework for its Investment Managers.	🟡
10.4	On an annual basis, the WPP will prepare and publish a stewardship report detailing the actions undertaken in fulfilment of this policy and the results achieved, following the principles of the 2020 FRC UK Stewardship Code.	🟢
11.1	WPP will ensure there is at least one formal training session directly focused on RI.	🟢
11.2	WPP will also explore the possibility of incorporating the UN SDGs into its RI beliefs and its monitoring and measurement mechanisms.	🟢
11.4	WPP will review the adherence of all parties to this policy on an annual basis. WPP will publish the results of their assessment in a public report.	🟢

Climate Risk Policy

Ref	Commitment/ Policy Statement	Status
13	The WPP's role is to consult with each CA in relation to their climate objectives, on at least an annual basis, and to fully understand what implementation solutions they require to meet their objectives and commitments.	🟡
14	Following its consultation with each CA, the WPP will endeavour to develop and facilitate investment solutions that enable each and every CA to achieve their climate objectives and commitments.	🟢
15	Where possible, the WPP, and its CAs, will seek to collaborate and work together to develop investment solutions that meet the climate objectives and commitments of all the CAs.	🟢
16	If unified and collaborative investment solutions that simultaneously meet the objectives and requirement of all CAs cannot be developed, the WPP will work with any CA to develop tailored investment solutions that will enable them to achieve their own local objectives and requirements.	🟢
18, 19	On an annual basis, the WPP will assess whether its consultation exercise with the CAs has identified a common climate-related objective that all CAs are willing to support. The WPP's Climate Goal will be regularly reviewed, following consultation with the CAs, and will always be driven by the collective requirements of the CAs. If the WPP's consultation exercise with the CAs fails to identify a common climate-related objective that all CAs are willing to unanimously support, then no WPP Climate Goal will be formulated until there is unanimous support for a given Climate Goal.	🟡
21	The WPP receives quarterly Climate Risk Monitoring Reports for its Equity and Fixed-Income Sub-Funds. The WPP will continue to explore and investigate market developments that enhance its ability to assess climate risk exposure within its Sub-Funds.	🟡
23	The WPP will endeavour to continually facilitate climate scenario analysis across assets held within the WPP to ensure that the CAs are aware of the potential climate risks within the WPP Sub-Funds.	🔴
24	The WPP has committed to hosting at least one annual climate risk-related training session for its stakeholders. The WPP carries out an annual training needs identification exercise, in conjunction with the CAs, this is the mechanism by which the WPP gauges the climate risk training requirements of its stakeholders.	🟢
27	The WPP will work with its Investment Managers to ensure that they account for an integrate climate-related risks within their investment processes. The WPP will, on at least an annual basis, will review each of its Investment Managers' approach to Climate Risk integration.	🟡

29	The WPP will encourage its V&E Provider to engage with investee companies on climate-related issues, including an increase in the disclosure on climate-related risks by companies to investors.	●
30	The WPP will monitor changes in market practice to ensure that the WPP is fully aware of changing best practice and the feasibility of monitoring climate-related risk within its non-equity sub-funds on at least an annual basis.	●
31	The WPP will require its Investment Managers to provide monitoring on climate-related risk exposure in their quarterly reports to WPP and the CAs.	●
33	The WPP will report in line with the TCFD requirements, including a report on the actions taken in fulfilment of this policy and will support the CAs in their own TCFD reporting.	●
34	The WPP will encourage, through its V&E Provider and Investment Managers, all investee companies to disclose in line with the requirements of the TCFD.	●