

Responsible Investment Update: Q1 2024

Introduction

This update has been prepared by Hymans Robertson LLP for the WPP. This quarterly WPP Responsible Investment (RI) Update sets out recent RI activity and information on the following Sub-Funds: Global Growth; Global Opportunities; UK Opportunities; Emerging Markets; Sustainable Active Equity; Global Credit; Multi-Asset Credit; Absolute-Return Bond; UK Credit. Please note, due to data and metric limitations, the Global Government Bond Sub-Fund is currently not included in this report.

It should not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety. We accept no liability to any other party unless we have accepted such liability in writing.

Summary of quarterly RI activity

JGC RI activity

- **Climate reporting:** following the publication of the all-Wales Climate Report (AWCR), which was well received, WPP will now prepare such a report triennially. For interim years, a climate report that covers assets held at the pool level only will be published.
- **Climate framework and climate focus list:** a recommendation of the AWCR, WPP is working on its draft Climate Framework and Climate-Focus List, both of which will help foster climate understanding and stewardship across the pool.
- **Escalation Policy:** following consultation with Russell IM, the Escalation Principles have been revised and will be included in the Stewardship Policy subject to JGC approval. A worked example of how this process will operate will be presented as part of a training workshop in September.
- **Sustainable fixed income:** as part of the evolution of its product offering, WPP is considering how to develop its fixed-income Sub-Funds in line with its responsible-investment objectives.
- **Voting & Engagement (V&E) Provider procurement:** work for this is already underway, given the current contract ends 31 March 2025. The tender process will begin in September.
- **Climate & ESG risk reports:** UK Credit, Global Credit and Global Government Bond Sub-Funds.

Shareholder proposals (SHPs)

Following dialogue with Robeco and Northern Trust, further investigation into the process for co-filing SHPs is being established. Initial thinking is that WPP will be able to co-file on behalf of the underlying Welsh Funds, but confirmation will be provided in coming weeks following dialogue with other LGPS.

Sustainable Active Equity (voting issue)

Voting on the Sustainable Active Equity Sub-Fund is now live. While the lack of voting data had been queried in Q4 23, this was thought to have been resolved by year-end. Further investigation at the start of 2024 revealed that, while the voting contract was in place, no voting requests had been submitted as vote authority had been requested through an incorrect custodial account. Robeco confirmed that, for the Q2 'proxy season', Nokia and DBS shares were not voted within this Sub-Fund.

LAPFF alerts

The first quarter of 2024 saw one LAPFF alert issued:

- ✓ Apple: a voting alert was issued on five ballot items. WPP voted in line with all five, including four SHPs.

Simon Jones, Partner

Rachel Barrack, Senior RI Analyst

For and on behalf of Hymans Robertson LLP

June 2024

Stewardship Summary

Quarter ending 31 March 2024

WPP employs Robeco as its Voting and Engagement Provider, with Robeco voting on resolutions across five of the WPP's Active Equity Sub-Funds while also providing the engagement function with issuers across all active Sub-Funds, as well as the passive mandates. As noted in the quarterly summary, we highlight no voting activity on the Sustainable Active Equity Sub-Fund. Given underlying data issues, no granular engagement data is currently available for any Sub-Funds. This issue is being investigated by WPP's Voting & Engagement Provider.

One voting theme highlighted by Robeco this quarter is around shareholder rights. Robeco point out the push back on active stewardship seen in the US, for example, with Exxon Mobil's lawsuit against activist investors to prevent their SHP calling for stronger climate targets. Similarly, in the UK and EU, there have been regulatory changes enacted, to help encourage listed companies to list in these markets, that may have a detrimental effect on shareholder rights, for example, allowing for the creation of dual share classes.

A summary of activity is provided below, with voting broken down between Sub-Funds in subsequent pages. It should be noted that some stocks are common across multiple Sub-Funds and hence votes will be reported against each.

Overall voting summary

Breakdown of voting activity			
Number of meetings		165	
Proposals voted		1,510	
Meetings with at least one vote against management		82 (50%)	
For	1,294	With management	1,286
Against	210	Against Management	211
Abstain	3		
Do not vote	1		
Other	2		

Overall engagement summary

Number of engagement cases by topic		Number of engagement activities by contact type	
Environment	41	Meeting	12
Social	26	Conference call	70
Governance	22	Written correspondence	97
Voting Related	7	Shareholder resolution	0
UN SDGs	39	Analysis	55
Enhanced	18	Other	1
Total	153	Total	235

Global Growth Sub-Fund:

Key Metrics as at 31 March 2024

Key characteristics

Fund value	£3.6bn
Underlying managers	Baillie Gifford, Pzena, Veritas

Source: Waystone/Russell

Top-10 holdings (by AUM)	
1. Alphabet	6. TSMC
2. Microsoft	7. Novo Nordisk
3. Nvidia	8. Tesla
4. Amazon	9. UnitedHealth
5. Meta	10. LVMH

Source: Waystone

Climate metrics

Figures as at 31 March 2024	Fund	Coverage	Benchmark	Coverage
WACI (tCO ₂ e/\$m sales)	51.3	>99%	118.1	>99%
WACI EVIC (tCO ₂ e/\$EVIC)	24.5	>99%	50.1	>99%
Carbon emissions (tCO ₂ e/£m invested)	42.0	>99%	99.3	>99%
Holdings with exposure to FF reserves	1.8%	Not applicable	6.7%	Not applicable
Approved Science-Based Targets (%)	38.6%	Not applicable	41.6%	Not applicable

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

ESG metrics

Figures as at 31 March 2024	Fund	Coverage	Benchmark	Coverage
Overall ESG score	5.5	>98%	5.5	>99%
E pillar	7.3	>98%	6.7	>99%
S pillar	4.9	>98%	5.1	>99%
G pillar	6.0	>98%	5.6	>99%
UNGC violators	0.0%	>98%	0.2%	>99%

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

Global Growth Sub-Fund:

Stewardship Summary

Voting Summary (Q1 2024)

Number of meetings		18	
Proposals voted		255	
Meetings with at least one vote against management		11 (61%)	
For	227	With management	222
Withhold	0	Against Management	33
Against	27		
Abstain	1		
Other	0		

Key votes

Novo Nordisk (Denmark, 21 March 2024)

- ✓ Robeco voted against the election of the chair of the remuneration committee, not considering him to be sufficiently independent, given he is also a non-executive director of Novo Holdings, a major shareholder of Novo Nordisk. Robeco's Proxy Voting Policy advocates for the chairs of key committees to the board to be independent, given their oversight responsibilities.

The management proposal passed.

- ✓ Robeco also voted against the ratification of Deloitte as auditor. Robeco noted that of the compensation Deloitte had received in 2023, over 30% were non-audit fees, bringing into question why the auditor was engaged in non-audit-related services, and whether such could represent a conflict of interest and compromise the independence of the audit.

The management proposal passed.

This quarter saw a number of management proposals on executive compensation on which WPP voted against, given concerns around remuneration practices. Issuers included Analog Devices, Catalent and Cooper Companies. All proposals passed, though we note the support for the Analog Devices proposal was less than 73%.

WPP also supported a number of shareholder proposals at US meat company Tyson Foods, including proposals around corporate climate lobbying, deforestation-free supply chains, packaging in line with circular-economy principles and auditing policies to prevent child labour. The proposals received minority support and did not pass.

Engagement (Q1 2024)

Case Studies

Fast Fashion

Last year, Robeco launched the Fashion Transition engagement theme, which aims to help shift the industry from one of 'take, make, waste' to one that's based on more circular operational structures and better management in supply chains. Robeco believes that 'by pushing for more circular and less wasteful production and sales structures, companies can lead meaningful improvements in the real economy'. As part of the engagement, Robeco has developed a sustainability framework, ranking companies from nascent to maturing, pioneering, advanced, in terms of how well they integrate E and S factors into their business models. Robeco is collaborating with Platform Living Wage Financials to address some of the S risks within the industry, on issues such as child labour, gender discrimination and living wages.

Companies under engagement include: Shopify; Shiseido; MercadoLibre; Richemont; LVMH.

Tax Transparency

Robeco launched the Tax Transparency theme last year, which looks to increase tax disclosures by companies to help investors understand both the sustainability of companies' tax rates as well as any likely future changes, given the impact to potential impact on cashflows and returns. The engagement centres around three broad themes: policy and principles; tax governance and systems; tax transparency. Robeco believes that in raising awareness of new tax legislation and reporting standards, that companies can develop more responsible practices, including around tax disclosures.

Companies under engagement include: Microsoft; Thermo Fisher Scientific.

Sustainable Active Equity Sub-Fund:

Key Metrics as at 31 March 2024

Key characteristics

Fund value	£1.6bn
Underlying managers	Artemis, Mirova, Neuberger Berman, Sparinvest, Wellington

Source: Waystone/Russell

Top-10 holdings (by AUM)	
1. Microsoft	6. Danaher
2. Visa	7. eBay
3. ASML Holdings	8. Novo Nordisk
4. Mastercard	9. ING Groep
5. Thermo Fisher	10. Recruit Holdings

Source: Waystone/Russell

Climate metrics

Figures as at 31 March 2024	Fund	Coverage	Benchmark	Coverage
WACI (tCO ₂ e/\$m sales)	69.6	>99%	118.1	>99%
WACI EVIC (tCO ₂ e/\$EVIC)	47.2	>99%	50.1	>99%
Carbon emissions (tCO ₂ e/£m invested)	89.1	>99%	99.3	>99%
Holdings with exposure to FF reserves	1.4%	Not applicable	6.7%	Not applicable
Approved Science-Based Targets (%)	59.6%	Not applicable	41.6%	Not applicable

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

ESG metrics

Figures as at 31 March 2024	Fund	Coverage	Benchmark	Coverage
Overall ESG score	5.9	>99%	5.5	>99%
E pillar	7.2	>99%	6.7	>99%
S pillar	5.5	>99%	5.1	>99%
G pillar	6.1	>99%	5.6	>99%
UNGC violators	0.0%	>99%	0.2%	>99%

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

Stewardship Summary

Voting Summary (Q1 2024)

Voting for this Sub-Fund did not take place in the first quarter of 2024, as per note above.

Engagement (Q1 2024)

Case Studies

Fast Fashion

Last year, Robeco launched the Fashion Transition engagement theme, which aims to help shift the industry from one of 'take, make, waste' to one that's based on more circular operational structures and better management in supply chains. Robeco believes that 'by pushing for more circular and less wasteful production and sales structures, companies can lead meaningful improvements in the real economy'. As part of the engagement, Robeco has developed a sustainability framework, ranking companies from nascent to maturing, pioneering, advanced, in terms of how well they integrate E and S factors into their business models. Robeco is collaborating with Platform Living Wage Financials to address some of the S risks within the industry, on issues such as child labour, gender discrimination and living wages.

Companies under engagement include: Shopify; EssilorLuxottica; L'Oréal; Estee Lauder; Nike; Inditex; On; Symrise.

Tax Transparency

Robeco launched the Tax Transparency theme last year, which looks to increase tax disclosures by companies to help investors understand both the sustainability of companies' tax rates as well as any likely future changes, given the impact to potential impact on cashflows and returns. The engagement centres around three broad themes: policy and principles; tax governance and systems; tax transparency. Robeco believes that in raising awareness of new tax legislation and reporting standards, that companies can develop more responsible practices, including around tax disclosures.

Companies under engagement include: Microsoft; Thermo Fisher Scientific.

Global Credit Sub-Fund:

Key Metrics as at 31 March 2024

Key characteristics

Fund value	£1.0bn
Underlying managers	Fidelity, MetLife, Robeco, Western

Source: Waystone/Russell

Climate metrics

Figures as at 31 March 2024	Fund	Coverage	Benchmark	Coverage
WACI (tCO ₂ e/\$m sales)	203.6	>79%	199.5	>85%
WACI EVIC (tCO ₂ e/\$EVIC)	78.1	>69%	63.1	>67%
Carbon emissions (tCO ₂ e/£m invested)	150.9	>79%	144.0	>85%
Holdings with exposure to FF reserves	7.2%	Not applicable	6.0%	Not applicable
Approved Science-Based Targets (%)	24.4%	Not applicable	24.5%	Not applicable

Source: MSCI; Hymans Robertson; Benchmark: Barclays Global Agg

ESG metrics

Figures as at 31 March 2024	Fund	Coverage	Benchmark	Coverage
Overall ESG score	5.5	>77%	5.6	>83%
E pillar	7.5	>77%	7.0	>83%
S pillar	5.0	>77%	5.1	>83%
G pillar	5.6	>77%	5.9	>83%
UNGC violators	0.1%	>79%	0.1%	>84%

Source: MSCI; Hymans Robertson; Benchmark: Barclays Global Agg

Global Credit Sub-Fund:

Stewardship Summary

Engagement (Q1 2024)

Case Study

Tax Transparency

Robeco launched the Tax Transparency theme last year, which looks to increase tax disclosures by companies to help investors understand both the sustainability of companies' tax rates as well as any likely future changes, given the impact to potential impact on cashflows and returns. The engagement centres around three broad themes: policy and principles; tax governance and systems; tax transparency. Robeco believes that in raising awareness of new tax legislation and reporting standards, that companies can develop more responsible practices, including around tax disclosures.

Companies under engagement include: Thermo Fisher Scientific; AbbVie; Apple; Amgen; McDonald's; Microsoft.

Appendix 1: WPP stewardship themes (2024/25)



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. Any consideration of carbon offsetting in companies' net-zero plans should be in line with the Oxford Principles and stakeholders should be made aware of any reliance on carbon-removal technologies, including the extent to which these technologies are used.



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. While acknowledging that engagement may be nuanced, given unique regional, sector and size circumstances, WPP is particularly supportive of engaging with UK companies on the alignment of their wage structures with the Living Wage Foundation's guidance.



Delivering sustainable outcomes (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 longer-term goals, including incorporating ESG criteria.

Appendix 2: issuers under engagement (Q1 2024)

ENVIRONMENT

Biodiversity

Arcadis
Axfood
Cie Generale des
Etablissements
Cranswick
Kimberley-Clark
Leroy Seafood
Procter & Gamble
Ryohin Keikaku
Sappi
Signify
Unilever
VF Corp

Climate Transition of Financial Institutions

Bank of America
Barclays
BNP Paribas
Citigroup
DBS Group Holdings
HSBC Holdings
ICICI Bank
ING Groep
JPMorgan Chase
Sumitomo Mitsui
Financial Group

Natural Resource Management

Ambev
CF Industries
Holdings
OCI
PepsiCo
Tronox Holdings

Nature Action 100

Ahold
Alibaba Group
Holding
Archer Daniels
Midland
Britannia Industries
Corteva
LG Chem
Sociedad Quimica y
Minera
Wens Foodstuffs

Net Zero Carbon Emissions

Anglo American
BHP Billiton
BP
CEZ
Chevron

China National
Building Material Co
Ecopetrol
Exxon Mobil
Hyundai Motor Co
JFE Holdings
Marathon Petroleum
Petroleo Brasileiro
Phillips 66
Repsol
Royal Dutch Shell
Saudi Arabian Oil Co
Valero Energy

SOCIAL

Diversity and Inclusion

Eli Lilly
Netflix
Oracle

Human Rights Due Diligence for Conflict-Affected and High-Risk Areas

Booking Holdings
Cemex
Fast Retailing Co
HeidelbergCement
Hon Hai Precision
Industry
Inditex
International Paper
Co
IPG Photonics
PTT Exploration &
Production
Sinotruk Hong Kong
SolarEdge
Technologies
Volkswagen
Wacker Chemie

Just Transition in Emerging Markets

Ganfeng Lithium
Group
Impala Platinum
Holdings
Reliance Industries
SK Innovation
Tenaga Nasional

Labour Practices in a Post Covid-19 World

Accor
Delivery Hero
InterContinental
Hotels Group

Marriott International
Meituan Dianping
Uber Technologies
Walmart

Modern Slavery in Supply Chains

Associated British
Foods
Canon
General Mills
Glencore
Kia Motors
Mondelez
International
Tesla Motors
The Kroger
Walmart
Wesfarmers

Sound Social Management

Baidu
Post Holdings
Tencent Holdings
Weibo Corp

GOVERNANCE

Corporate Governance in Emerging Markets

CCR
Cosan
CPFL Energia
ENN Energy
Holdings
Haier Smart Home
Hyundai Motor
Midea

Corporate Governance Standards in Asia

Hynix Semiconductor
Inpex
Panasonic
Resonac Holdings
Rohm
Shin-Etsu Chemical

Good Governance

Adyen
Ahold
Arcadis
DSM-Firmenich
Heineken Holding
Signify
Unilever

Tax Transparency

AbbVie
Amgen

Apple
McDonalds
Microsoft
Stellantis
Thermo Fisher
Scientific

VOTING RELATED ENGAGEMENTS

AGM Engagement 2024

Airbus
Ampol
Doly Labs
Nexans
Schneider Electric
WEC Energy
Woodside

SDGs

Fashion Transition

Beiersdorf
Brunello Cucinelli
Bureau Veritas
Cintas
Compagnie
Financiere
Richemont
Crocs
Deckers Outdoor
Eclat Textile
EssilorLuxottica
Estee Lauder
Etsy
Hermes International
Hugo Boss
Inditex
JD Sports Fashion
Kering
L'Oreal
Levi Strauss
L'Occitane
International
Lojas Renner
Lululemon Athletica
LVMH Moet
Hennessy Louis
Vuitton
Marimekko Oyj
MercadoLibre
Moncler
Nike
On Holding
Pandora
Prada
Puma
Ross Stores
Shiseido

Shopify
Silgan Holdings
Symrise
Watches of
Switzerland
Zebra Technologies

SDG Engagement

AbbVie
Adobe
Alphabet
Amazon.com
Amgen
Apple
AutoZone
Banco BTG Pactual
Bank of Montreal
Capital One
CBRE Group
Deutsche Boerse
eBay
Electronic Arts
Elevance Health
F5 Networks

Grupo Bimbo
Haleon
Hitachi
Infosys
Jeronimo Martins
L'Oreal
LyondellBasell
Meta Platforms
Mr Price Group
Nasdaq
Novartis
OTP Bank
Rio Tinto
Salesforce.com
SalMar
Samsung Electronics
Sandvik
Sony
STMicroelectronics
Sumitomo Mitsui
Financial Group
Total
Trane Technologies

United Parcel
Service
Volvo
**Acceleration to
Paris**
African Rainbow
Minerals
Anhui Conch Cement
Berkshire Hathaway
Caterpillar
CHALCO
China Longyuan
Power Group
China National
Building Material Co
China State
Construction
Engineering
Continental
Resources
Formosa Plastics
Hunan Valin Steel
ITOCHU
Marubeni

Mitsubishi
Mitsui & Co
POSCO
SAIC Motor
Sany Heavy Industry
Sumitomo
Toyota Industries
WH Group
**Global Controversy
Engagement**
During the quarter, 9
companies were
under engagement
based on potential
breaches of the UN
Global Compact
and/or the OECD
Guidelines for
Multinational
Enterprises.
Palm Oil
MP Evans Group
REA Holdings
Wilmar International

Appendix 3: metrics definitions

MSCI ESG Research LLC data coverage:

Climate change metrics have broad coverage, with data available on the ACWI Investable Market Index, and selected equity indices and non-listed fixed-income issuers. Coverage represents 19,000+ entities including subsidiaries, with ~12,150 entities directly covered (as at April 2023). For ESG ratings, more than 17,220 issuers are covered, including 10,800 that are directly rated.

To note, the metrics used in this report cover corporate issuers, but do not currently cover sovereign issuers. This means that coverage across the fixed-income funds will be lower than among listed-equity funds. In addition, certain products (for example, securitised products) will not return data from the parent issuer, resulting in reduced coverage. The above may result in much lower coverage for the MAC and ARB Sub-Funds in particular. This may also result in marked fluctuations in data output from quarter to quarter.

Metric	Description/Methodology
ESG Rating	A final ESG Rating. At a company level, this represents the weighted average of individual 'E', 'S' and 'G' pillars. The weight given to each pillar is dictated by MSCI's process, which determines the relevance of each pillar to a given company and sector. At a portfolio level, this is the weighted average of individual company scores by the weight in the portfolio.
Environmental Score	The Environmental Pillar Score, at a company level, represents the weighted average of all Key Issues that fall under the Environment Pillar.
Social Score	The Social Pillar Score, at a company level, represents the weighted average of all Key Issues that fall under the Social Pillar.
Governance Score	The Governance Pillar Score, at a company level, represents the weighted average of all Key Issues that fall under the Governance Pillar.
UNGC Violators	This factor indicates the percentage of the portfolio exposed to companies that violate the United Nations Global Compact principles.
Weighted Average Carbon Intensity (WACI)	A measure of a portfolio's exposure to carbon-intense companies. This is expressed in terms of tons of CO ₂ equivalent emitted per million dollars of revenue, weighted by the size of the allocation to each company. This is measured using Scope 1 + Scope 2 emissions.
Weighted Average Carbon Intensity (EVIC)	A measure of a portfolio's exposure to carbon-intense companies. This represents companies' most recently reported or estimated Scope 1 & Scope 2 greenhouse gas emissions, normalised by enterprise value including cash (USD). This ratio facilitates portfolio analysis by allocating emissions across equity and debt.
Total Carbon Emissions	This represents the portfolios estimated Scope 1 + Scope 2 greenhouse gas emissions. This is expressed in terms of thousand tons of CO ₂ equivalent emitted by the companies invested in by the portfolio, weighted by the size of the allocation to each company.

Metric	Description/Methodology
% of Portfolio with Ties to Fossil Fuels Reserves	The percentage of the portfolio invested in companies with evidence of owning fossil fuel reserves regardless of their industries, including companies that own less than 50% of a reserves field. Fossil reserves are defined as proved and probable reserves for coal or proved reserves for oil and natural gas. Evidence of owning reserves includes companies providing the exact volume of reserves and companies making a statement about their ownership of reserves.
% of Portfolio with SBT Approved Target	The percentage of the portfolio invested in companies with one or more active carbon-emissions-reduction target(s) approved by the Science-Based Targets initiative (SBTi).
Scope 1 emissions	Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle.
Scope 2 emissions	Scope 2 emissions are those caused by the generation of electricity purchased by the company.

Appendix 4: General Risk Warning and Disclaimer

Risk warning

Please note the value of investments, and income from them, may fall as well as rise. You should not make any assumptions about the future performance of your investments based on information contained in this document. This includes equities, government or corporate bonds, currency, derivatives, property, and other alternative investments, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the full amount originally invested. Past performance is not necessarily a guide to future performance.

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