

Annual progress update against policy commitments

The Wales Pension Partnership's (WPP) Joint Governance Committee (JGC) has formally approved both the WPP Responsible Investment (RI) Policy and Climate Risk Policy. These policies are representative of the broad range of investment beliefs within the Pool, are ambitious in nature and reflective of WPP's desire to be a leader in RI. During this year, the WPP and Constituent Authorities (CAs) have worked to implement and deliver the various policy commitments.

The WPP has undertaken its annual review of progress against the commitments in the RI and Climate Risk Policies for the year to 31 March 2024. This review forms an element of the WPP's governance processes and will be formally reflected in the WPP's Stewardship Code report for 2023/24. This review was undertaken by Hymans Robertson on behalf of the WPP and has been discussed by the WPP's RI Sub-Group and Officers Working Group, before being formally reported to and discussed by the JGC.

Appendix 1 provides an assessment of the progress the WPP has made towards delivering on the commitments in its RI Policy. Appendix 2 covers a similar assessment for commitments under the Climate Risk Policy. In most areas, progress has continued to be made against the policy commitments.

Highlights of the year

- The WPP published its first all-Wales Climate Report (AWCR), to assess climate exposures across all the Welsh funds. A number of recommendations came out of the report that are now being progressed, including the evolution of WPP's investment offerings (in particular within the passive allocations and within fixed income) and the implementation of a climate framework. This exercise will be conducted triennially with a Pool-level report being produced in the interim years, with the first interim report being produced to cover 2023/24.
- The WPP submitted its third annual Stewardship Report, continuing to be a signatory to the 2020 UK Stewardship Code.
- A number of new Sub-Funds were launched over 2023/24, including the Sustainable Active Equity Sub-Fund and a number of private-market investment programmes (private credit; open-ended infrastructure; closed-ended infrastructure; private equity). All of these solutions have incorporated RI in their allocation and appointment.
- The RI Sub-Group has been active in monitoring the environmental, social & governance (ESG) and climate characteristics of its Sub-Funds. To this end, there has been greater scrutiny of individual issuers, with a climate focus list now also in development. An Escalation Policy has also been developed, which should provide greater transparency to stakeholders, as well as between service providers.
- Stewardship continued to be a focus for WPP over the year. WPP played an active role in Robeco's client panel in November, with a number of themes (Ocean Biodiversity; Hazardous Chemicals; sovereign engagement) being launched following direct WPP input.

Areas for future focus

In completing this assessment, we note the following potential areas for activity/improvement over 2023/24:

1 Facilitating discussions around a common climate goal

WPP hopes to continue discussions around a common climate goal over 2024/25, with the climate framework that is currently in development the first step in facilitating this.

2 Evolution of the fixed-income Sub-Funds

Following the findings of the AWCR, one area of future focus for WPP will be on the sustainable evolution of its fixed-income offerings. Work has already begun with WPP's Investment Management Solutions Provider here.

3 Evolution of the passive mandates

Work has already begun on understanding how WPP could evolve its passive allocations. Initial input has been sought from CAs in whether the current offerings meet WPP's RI expectations and how the passive mandates may be evolved where expectations are not being met. Applying the WPP's Voting Policy across those funds in scope would be a reasonable step.

4 Building a framework for the private-market investment programmes

Given the new private-market investment programmes launched, with further programmes in development, WPP should progress the development of a common reporting framework to allow the consistent disclosure of information.

Appendix 1: Progress against RI Policy commitments

Ref	Commitment/ Policy Statement	Update/ Comment	RAG
Investment Strategy			
3.3	WPP will consult with Constituent Authorities on at least an annual basis to determine their individual investment requirements and longer- term aspirations. WPP will use this information to prioritise the development and launch of future investment solutions/funds within the WPP.	<p>Over 2023, there were a number of new launches and investments:</p> <ul style="list-style-type: none"> • Sustainable Active Equity (SAE) • Infrastructure • Private Debt • Private Equity <p>Discussions have started on several areas that will be progressed over 2024/25:</p> <ul style="list-style-type: none"> • Sustainable fixed income • Evolution of the passive mandates • Real estate • Impact investment (levelling up) 	●
3.4	The WPP will consider opportunities arising from a greater understanding of ESG factors.	<p>Over 2023, WPP invested in the development of onshore wind energy parks within Wales. The project is expected to provide benefit to the communities living close to the project, as well as generating clean electricity.</p> <p>A number of fund launches have taken place that directly address ESG factors, with a number of priority areas for focus over 2024/25 being identified as noted in 3.3 above.</p>	●
Climate change			
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.	<p>The WPP continues to monitor climate exposure through quarterly climate & ESG risk deep-dives into WPP's active Sub-Funds. Each fund is considered at least on an annual basis. Russell currently also reports on climate risks within Russell-managed Sub-Funds on a quarterly basis.</p> <p>This year, WPP began reporting on climate metrics within all Sub-Funds (minus Global Government Bonds, given data constraints) on a quarterly basis. The AWCR was also the first time a whole-of-Wales report had been produced around climate exposures. This will now be produced triennially (at an all-Wales level), with interim reports produced at a WPP-only level from end-March 2025.</p> <p>WPP should consider the monitoring and reporting of climate risk within the private-market investment programmes.</p>	●

4.4	WPP will encourage, through its delegates, all investee companies to disclose in line with the requirements of the TCFD.	<p>Engagement activity is carried out via Robeco and Russell. WPP has highlighted this requirement to Robeco through its stewardship themes.</p> <p>Robeco incorporate expectations around TCFD disclosures within several of their climate-related engagement themes, including the Net Zero Carbon Emissions theme. This theme is 'evergreen', with new companies being engaged on a rolling basis. Robeco also added the theme Just Transition, with specific focus on emerging markets, part of the objective being net-zero target-setting and disclosures.</p> <p>Expectations on reporting are also embedded into voting policy. The voting policy was also strengthened, to ensure that those companies most exposed to climate risk have more robust transition plans in place, and that there should be disclosures on decarbonisation strategy that align with the goals of the Paris Agreement.</p>	●
Human rights			
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.	<p>This engagement activity will be carried out via Robeco, LAPFF and WPP's Investment Managers. Such engagements over 2023 have centred on labour practices, the Occupied Palestinian Territories and a specific theme launched on Modern Slavery in Supply Chains.</p> <p>Robeco participates in various collaborative engagements on human rights including the Investor Alliance for Human Rights and the UN PRI Human Rights Stewardship Initiative.</p>	●
5.4	The WPP will report on how engagement activity undertaken by its delegates has addressed human rights issues on an annual basis.	<p>Reporting on human rights engagements is carried out on a quarterly basis, via Robeco reporting. Annually, human rights engagement is reported through the Stewardship Code Report.</p> <p>For 2022/23, filed in October, for example, WPP highlighted the joint letter filed by Robeco and others asking for EU legislation on mandatory human rights and environmental due diligence.</p> <p>Any relevant human rights engagements are reported on a quarterly basis via the quarterly RI reports.</p>	●
Implementation of strategy			

7.1, 7.3	<p>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.</p> <p>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.</p>	<p>Waystone/ Russell, as part of their manager selection process already evaluate how managers integrate climate related and other ESG risks into their decision-making.</p> <p>The RIWG is responsible for monitoring Russell and, where appropriate, the underlying Investment Managers on the extent to which they have integrated climate risk & ESG consideration into the portfolios.</p> <p>The RIWG receives climate risk and ESG reports from their advisors, which monitor the activity of WPPs Investment Managers.</p>	●
7.2	<p>WPP expects that, in all relevant circumstances, its Investment Managers will be signatories to the Principles for Responsible Investment (“PRI”) and the Financial Reporting Council (“FRC”) UK Stewardship Code.</p>	<p>WPP receives an annual update from Russell on compliance of its underlying managers with market standards alongside Russell’s own assessment of these managers. Details from this assessment are included in the Stewardship Code report.</p>	●
Stewardship, voting & shareholder engagement			
8.4	<p>WPP will engage with its passive Investment Manager and V&E Provider to consider how WPP’s Voting Policy can be extended to assets managed by its passive Investment Manager.</p>	<p>WPP has had a number of discussions with its passive Investment Manager on voting, particularly in relation to climate change. WPP’s Voting Policy has not yet been extended to cover passive mandates.</p> <p>The evolution of passive mandates has been under discussion with stakeholders and is expected to be progressed over 2024/25.</p>	●
8.5	<p>WPP will receive a report on all voting activity, including details of any votes which have not been cast and explanations where votes have not been cast in accordance with the agreed principles on a quarterly basis.</p> <p>WPP will discuss any issues of concern with its V&E Provider, Investment Managers or other delegates as necessary.</p>	<p>Quarterly voting reports are received from Robeco. A review of the voting reports is undertaken and matters of interest discussed by the RIWG.</p> <p>The WPP has regular dialogue with Robeco on voting matters and Robeco regularly present to WPP Committees.</p> <p>WPP also actively engages with Robeco prior to any significant votes and considers how these are taken in line with LAPFF recommendations.</p> <p>During the year, Robeco has increased the level of disclosure on significant votes, including the voting rationale.</p>	●
8.6	<p>WPP will review the voting policy in conjunction with its V&E Provider, advisers, and Investment Managers on an annual basis.</p>	<p>The WPP follows Robeco’s Proxy Voting Policy, which is applied across all WPP’s Active Equity Sub-Funds. WPP reviewed the Robeco House voting policy during the year and determined that this remains aligned with the WPP’s</p>	●

		<p>objectives.</p> <p>Over 2024/25, WPP should continue to develop its escalation approach (one tool of which is proxy voting) and closer collaboration/ information sharing with Investment Managers.</p>	
8.12	<p>WPP will receive reporting on any engagement undertaken by its Investment Managers on an annual basis.</p>	<p>WPP receives reporting on engagement activity on a quarterly basis.</p> <p>WPP raises any issues of concern with other managers as necessary, including passive funds.</p> <p>WPP expects to receive stewardship reports on at least an annual basis from its private-markets Investment Managers, which launched over 2023/24.</p> <p>WPP should engage with its private markets providers to shape the form of reporting provided.</p>	●
Stock lending			
8.8, 8.9	<p>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 worthy through its right to vote.</p> <p>WPP will continue to monitor the impact of this policy stance over time and revise its policy if required.</p>	<p>WPP's policy on stock lending evolved over 2023/24. Stock lending is not in place on the Sustainable Active Equity Sub-Fund.</p> <p>A stock-recall service was put in place at the end of 2023, meaning that stock will be automatically recalled on all the equity Sub-Funds to allow WPP to vote all its positions at AGMs/EGMs.</p>	●
Collaboration			
9.1	<p>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.</p>	<p>Work on collaboration opportunities is generally undertaken through Robeco, Russell and LAPFF.</p> <p>WPP should consider how it can better feed into identifying and assessing potential collaboration opportunities.</p>	●
9.3	<p>In conjunction with its V&E Provider, WPP will seek to identify investor-led RI initiatives and collaborations that can be actively supported.</p>	<p>WPP has considered a LAPFF initiative to co-file a shareholder resolution with Rio Tinto. While WPP was not able to support this, this has led the WPP to explore processes by which future shareholder resolutions could be directly supported.</p> <p>WPP should finalise the development of this process. WPP may also wish to consider how future collaborations may be identified.</p>	●

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 CAs.	<p>Russell participates in a number of industry collaborations that meet the interests of WPP. These include the Net Zero Asset Managers Initiative, Institutional Investors Group on Climate Change and Climate Action 100+, as well as a collaborative-engagement partnership with Sustainalytics.</p> <p>WPP's focus should primarily be on its direct relationships, rather than underlying Investment Managers.</p>	●
9.5	WPP will continue to collaborate with the cross-pool RI collaboration project at any suitable opportunity.	WPP is represented on the cross-pool RI group and updates are regularly provided to the RIWG on ongoing activity.	●

Monitoring, Reporting and Measurement

10.1	<p>In consultation with CAs, Advisers and Investment Managers, WPP has developed appropriate 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.</p>	<p>The RI Sub-Group has established a process for receiving Sub-Fund 'deep dive' ESG and climate risk reports, provided by its adviser. These allow the WPP to see how each Sub-Fund and underlying manager perform from climate and ESG perspectives. WPP should ensure that its reporting continues to meet best practice, as noted within the AWCR recommendations.</p> <p>Additional monitoring has been deemed appropriate for the launch of the Sustainable Active Equity Sub-Fund. WPP receives quarterly reporting from Russell on a quarterly basis, which includes climate and ESG risk metrics, for all Russell-managed Sub-Funds.</p> <p>A quarterly RI reporting regime (by Sub-Fund) was rolled out over 2023, accessible for pension committees, and includes a number of monitoring metrics.</p> <p>The SAE incorporates additional reporting, including on net-zero alignment, engagement on financed emissions and on UN SDG alignment.</p> <p>A private-markets framework is under development to ensure appropriate metrics and monitoring for those investment programmes. WPP should complete the development of this monitoring framework.</p> <p>WPP should consider future reporting around climate transition alignment and scenario analysis.</p>	●
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10.3	WPP requires that the RI 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.	<p>Waystone/ Russell, as part of their manager selection process, evaluate how managers integrate RI considerations into their decision making.</p> <p>WPP receives regular updates from its investment managers on performance and RI issues. This is reported on within the Stewardship Code Report.</p> <p>The private-markets framework that is being developed will help facilitate reporting on this and should be progressed over 2024/25.</p>	●
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 202 FRC UK Stewardship Code.	<p>WPP completed a stewardship report for the year to 31 March 2023, which was submitted to the FRC in October 2023 and published in February 2024.</p> <p>WPP has retained its UK Stewardship Code signatory status.</p>	●
Other			
11.1	WPP will ensure there is at least one formal training session directly focused on RI.	<p>During 2023/24, WPP received the following RI training:</p> <ul style="list-style-type: none"> • RI Stewardship • Sustainable Active Equity • What RI means for the WPP • Stock lending <p>WPP has produced a 24/25 training plan that includes the following RI subjects:</p> <ul style="list-style-type: none"> • Levelling up/development opportunities • TCFD reporting • Voting & Engagement • RI within the WPP Sub-Funds • Progress of other LGPS pools & collaboration opportunities 	●
11.2	WPP will also explore the possibility of incorporating the United Nations' SDGs into its RI beliefs and its monitoring and measurement mechanisms.	<p>As part of evaluating and developing its Stewardship Themes, WPP has developed a framework to explicitly map the consideration of new and existing themes to the UN SDGs.</p> <p>In the development of the Sustainable Active Equity Sub-Fund, a specific requirement has been put in place to deliver reporting outcomes aligned with the UN SDGs.</p>	●

		As this requirement has now been deemed to be incorporated, this has been removed following the Policy Reviews.	
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.	<p>The WPP's annual stewardship report acts as the WPP's RI stewardship and governance report.</p> <p>The AWCR also looked at this from a climate perspective specifically and this will now be a regular report at the Pool level moving forward.</p> <p>This review also meets the requirements of this commitment.</p>	●

Appendix 2: Progress against Climate Policy commitments

Ref	Commitment/ Policy Statement	Update/ Comment	RAG Status
Objectives			
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.	CAs are consulted regularly through the RIWG around their climate ambitions. The AWCR was useful in helping each of the CAs understand climate exposures, and has helped facilitate discussions on evolving WPP's fixed-income offerings and passive mandates. Other discussions have included around sustainable forestry and timberland, and how to best consider potential local (Wales wide or CA specific) investments.	●
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.	Over 2023, there were a number of new launches and investments: <ul style="list-style-type: none"> • Sustainable Active Equity (SAE) • Infrastructure • Private Debt • Private Equity 	●
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.	Discussions have started on a number of areas that will be progressed over 2024/25: <ul style="list-style-type: none"> • Sustainable fixed income • Evolution of the passive mandates • Real estate • Impact investment (levelling up) 	
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.	Climate considerations have been incorporated into the development of these mandates and will feature in the ongoing consideration of future mandates.	
18, 19	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.	WPP has not yet agreed a collective climate goal. Following the AWCR, it was agreed that a climate framework would be built that would support the development of a common climate goal and the consistency of definitions across CAs.	●

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Strategy			
21	<p>Recognising its current investment arrangements and offerings, the WPP's immediate focus will be on climate-related risk exposure within its equity and fixed-income holdings. The WPP will, however, consider climate-related risks in other asset classes when circumstances allow or require them to do so. The WPP will endeavour to provide climate risk solutions across all of its Sub-Funds, including private market assets.</p>	<p>Climate risk exposure is monitored and considered across all WPP's Sub-Funds, with Russell tracking climate risk across the Sub-Funds it manages for WPP. Net-zero alignment is specifically tracked within the SAE.</p> <p>In progressing the appointment of its Private Markets Allocators, sustainability considerations were also integrated, including an expectation for providers to facilitate investment in climate solutions, including renewable-energy infrastructure.</p> <p>Private-market managers report on climate exposures. The private-markets framework will further facilitate monitoring and reporting.</p>	●
22	<p>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 which enhance its ability to assess climate risk exposure within its Sub-Funds.</p>	<p>ESG and Climate Risk Monitoring Reports are now provided by WPP's adviser for all WPP Sub-Funds on at least an annual basis. WPP reports on climate exposures for each of the listed Sub-Funds (except the Global Government Bond Fund) on a quarterly basis.</p> <p>Russell tracks the carbon-risk exposure of each Sub-Fund within the quarterly reports it provides WPP. The underlying Investment Managers for the Global Growth Fund also report on climate risk.</p> <p>Climate reporting is also provided by the private-markets managers.</p> <p>Climate exposures at the Wales-wide level were reported on through the AWCR, This exercise will be carried out triennially, with a Pool-level report (in line with potential TCFD reporting requirements for the LGPS) being made available in the interim years. The first WPP report will cover 2023/24.</p>	●
23	<p>The WPP will endeavour to continually facilitate climate scenario analysis across assets held within the WPP to ensure that</p>	<p>The AWCR considered transition alignment across all assets held within Wales. Russell IM conducts climate scenario analysis across the Sub-Funds it manages for WPP.</p>	●

	the CAs are aware of the potential climate risks within the WPP Sub-Funds.	The SAE specifically reports on the portfolio's net-zero alignment. WPP should consider future reporting around climate transition alignment and scenario analysis.	
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 Constituent Authorities, this is the mechanism by which the WPP gauges the climate risk training requirements of its stakeholders.	There were multiple training sessions on RI held during the year. This included training on TCFD for the LGPS. A training needs assessment was undertaken for the 2024/25 year, with training on Climate Risk Policy to take place in Q3 24, as well as a session on net-zero journey planning and climate metrics, to take place in TCFD reporting due to take place in Q4 24.	●
Implementation			
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.	WPP has engaged with Russell during the year to understand its approach to the management of climate risk, including the metrics and tools it uses to do so. Russell has delegated responsibility for the oversight of the underlying investment managers employed and their approach to climate risk management.	●
29	WPP will emphasise the importance of engagement on climate-related risks through its V&E Provider. In particular, 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 and on the formulation of transition plans aligned with the goals of the Paris Agreement.	WPP's stewardship theme 'Focusing on Net Zero' is integrated across a number of Robeco's engagement themes implemented over the year (including on Net Zero Emissions; Acceleration to Paris; and Just Transition).	●
Monitoring/Reporting			
30	WPP monitors exposure to climate-related risks within its Sub-Funds on a quarterly basis. The metrics monitored include, but are not limited to, exposure to fossil fuel producers, carbon emissions and carbon intensity. WPP will monitor changes in	The ESG and Climate Risk Monitoring Reports include a wide range of climate metrics, across both the equity and fixed-income Sub-Funds. The quarterly RI reports also monitors climate exposures across Sub-Funds. The AWCR produced over the year	●

	market practice to ensure that WPP is fully aware of changing best practice.	also covered a number of climate related metrics.	
31	The WPP will require its Investment Managers to provide monitoring on climate-related risk exposure in their quarterly reports to WPP and the Constituent Authorities.	Russell provides reporting on climate risk within its quarterly reports to WPP. The ESG and Climate Risk reports provided by WPP's adviser also monitors climate risk across the Sub-Funds. The underlying Investment Managers in the Global Growth Sub-Fund also provide such monitoring reports on a quarterly basis for their mandates.	●
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.	Currently, WPP is not required to report in line with the TCFD, though this is expected to commence in 2025. The AWCR was the first TCFD-style report for all assets held within Wales. This will be repeated triennially, with a Pool-level TCFD report being produced for 2023/24 by the end of the year.	●
Transparency			
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.	<p>Engagement activity is carried out via Robeco and Russell. WPP has highlighted this requirement to Robeco through its stewardship themes.</p> <p>Robeco incorporate expectations around TCFD disclosures within a number of their climate-related engagement themes, including the Net Zero Carbon Emissions theme. This theme is 'evergreen', with new companies being engaged on a rolling basis.</p> <p>Robeco added the theme Just Transition, with specific focus on emerging markets, part of the objective being net-zero target-setting and disclosures.</p> <p>Expectations on reporting are embedded into voting policy. The voting policy was also strengthened, to ensure that those companies most exposed to climate risk have more robust transition plans in place, and that there should be disclosures on decarbonisation strategy that align with the goals of the Paris Agreement.</p>	●