

To: Dyfed Pension Fund Pension Board

From: Dyfed Pension Fund Pension Committee

Subject: Response to the Dyfed Pension Fund Board's Resolution in relation to the Bute Group of Companies.

Resolution received 14th May 2024:

- Explore, discuss and consider whether there is cause or opportunity for the Dyfed Pension Fund or the WPP, separately or in conjunction with its funding partners or associates, to obtain a release from any arrangement for funding of one or more of the companies within the Bute Group and to explore whether any such release could entail a recovery of any sum advanced to date or of any part, or could entail the withholding of funds.
- Explore whether in the context of any funding relationship which exists the Dyfed Pension Fund and any of its funding partners or associates are able to engage with GGENC/Bute towards ensuring appropriate and expedient direction, such as a full and proper evaluation of undergrounding cables by way of cable ploughing.
- Request law firm Burges Salmon LLP and the Bute Group to clarify whether Burges Salmon has at any time assisted one or more of the companies within the Bute Group.
- Initiate a discussion with each of the funding partners/associates and with the Bute Group and Ofgem relevant to issues to be explored pursuant to this resolution.

Pension Committee response:

- While Wales Pension Partnership (WPP)'s investment was agreed in early April 2023, Bute Energy had already signed binding transaction documents with Copenhagen Infrastructure Partners (CIP) in April 2022 which provided the funding required for the development of all of Bute Energy's wind portfolio and Green Gen Cymru (GGC) grid projects. The investment decision from WPP allowed the constituent authorities to contribute to the ongoing plans for Welsh decarbonisation and clean energy expansion by funding the development of the onshore wind project.

The Dyfed Pension Fund is one of seven investors across WPP who have a total commitment of £70m, the Fund is committed to investing £10m and has invested £3.4m to date. The Fund has no available mechanism to exit the investment [except where the consent of the General Partner under the limited partnership agreement is obtained, with the provision (or otherwise) of such consent being entirely at the discretion of the General Partner]. In signing the subscription agreement, the Fund irrevocably applied to become a Limited Partner in the investment and, the Fund agreed to *"pay its commitments at the times and in the manner set forth in the Partnership Agreement"*. The agreement

also states *“that, except as otherwise provided in the Partnership Agreement, the Subscriber may not make less than the full amount of any Commitment required under the Partnership Agreement.”* In relation to the Fund exiting or transferring the investment, the subscription agreement states *“[The Subscriber understands that any transfer of the Interest, or any part thereof, is subject to certain restrictions set forth in the Partnership Agreement, including without limitation, approval by the Manager and/or General Partner (as applicable).] The Subscriber is not currently making (and, at the time of the Subscriber’s admission as a Limited Partner to the Partnership, will not be making) a market in the limited partnership Interests in the Partnership (and will not, at any time after the Subscriber’s admission as a Limited Partner, make a market in any such Interests, and the Subscriber will not sell, transfer or otherwise dispose of all or any part of its Interest in the Partnership (or an interest therein) on an “established securities market”, or a “secondary market” or the “substantial equivalent thereof”, in each case within the meaning of Section 7704 of the Code, as amended, and the Treasury Regulations promulgated thereunder.”*

WPP was advised on this transaction by Capital Dynamics, an independent clean energy asset manager. Before making a final investment recommendation, Capital Dynamics conducted comprehensive due diligence, covering legal, technical, financial, and reputational aspects. With extensive experience in global renewable energy infrastructure investments and over £3 billion under management, Capital Dynamics’ Clean Energy team has successfully completed investments in 26 onshore wind projects in the UK through its managed funds and accounts.

- WPP’s investment is exclusively limited to a portfolio of 16 onshore wind projects being developed by Bute Energy Development Holdings Limited, a subsidiary of Bute Energy Limited. The funds from WPP, provided through a development loan alongside CIP, can only be used to fund the development of the onshore wind projects and cannot be transferred to other entities in the Windward Energy Group outside of the onshore wind portfolio managed by Bute Energy Limited. The GGC grid projects are owned and developed by The Windward Energy Group along-side Bute Energy but are operated as a separate entity and funded without any involvement from WPP. The decision was made at an early stage in the process to focus the investment on Bute Energy’s wind projects and not in the associated GGC grid infrastructure. As such, the GGC grid infrastructure projects were specifically carved out of WPP’s investment, and those grid infrastructure projects are being developed following the standard regulated process without any involvement whatsoever from WPP.
- Burges Salmon acted for WPP on its (indirect) investment in Bute’s development pipeline. A separate team at Burges Salmon advises GGC – which is a separate company to Bute Energy – on the development of its grid connection projects. Standard conflict procedures were followed, the workstreams were entirely separate and the solicitors working on the GGC projects had no involvement in the WPP advice.

- Further to the responses above, clarification has been provided to the points raised in the resolution as the Dyfed Pension Fund's investment is solely for the purposes of the development of the onshore wind project. The Fund is provided with regular progress updates from Capital Dynamics.