Annual Task Force on Climate-Related Financial Disclosures Report 2025

Introduction

Climate change is a critical issue for the Wales Pension Partnership (WPP). We are therefore delighted to share our first report prepared in line with the framework set out by the Task Force on Climate-Related Financial Disclosure (TCFD), which sets out the progress we are making in integrating climate considerations into decision making and stewardship processes, with data covering the period as at end-March 2024.

The WPP has been a signatory to the UK Stewardship Code since 2021, wanting to ensure that our duty as an asset owner on behalf of the eight Welsh local government pension scheme (LGPS) Funds are exercised effectively, and that we are prepared to hold ourselves open to challenge.

WPP first set out its approach to addressing climate-related risks and opportunities in our Climate (previously Climate Risk) Policy in 2020. Since then, we have progressively sought to evolve our policy and our understanding of climate-related issues. We have developed both our fund offerings, with our Sustainable Active Equity Fund being launched in July 2023, and our stewardship of assets.

Over 2023, we undertook a significant exercise to assess climate-risk exposure across assets within the whole of the Welsh LGPS Funds, not just those held by the WPP. This exercise and the policy recommendations arising from it have helped shape our agenda for 2024 and beyond. One outcome of this exercise was the production of the All-Wales Climate Report (AWCR), which set out a number of recommendations and 'next steps', including:

- Creating a common approach to climate across our partner funds, which will support consensus around climate ambition and targets, and help explore investment solutions to support such ambitions
- Increasing our scrutiny of individual holdings and the stewardship being undertaken on our behalf
- Holding ourselves and others to account for the progress that is being made.

Taskforce on Climate Related Financial Disclosures

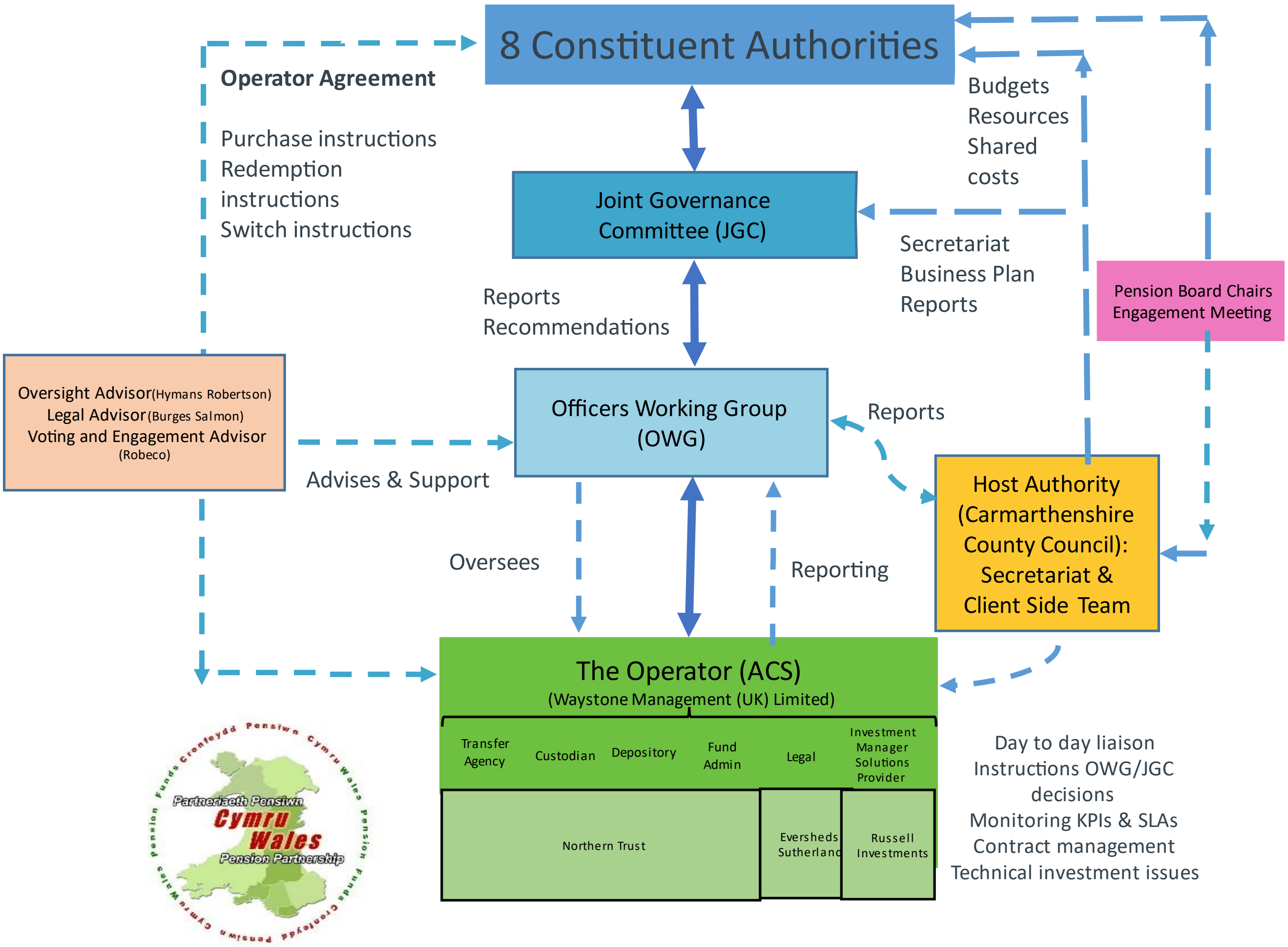
The (TCFD) was set up in 2015 by the Financial Stability Board. Its remit was to develop a common global framework for companies to report on how climate change will affect their business. Recommendations were published in 2017, setting out a clear and consistent structure for climate-related financial disclosures. Updated guidance was published in 2021, to reflect evolving disclosure practices, providing both general and sector-specific guidance on implementing TCFD recommendations.

Governance

Describe the oversight of climate-related risks and opportunities.

The WPP's governance structure is illustrated below. It 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 Constituent Authorities (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.

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.



The role of the JGC with regard to climate issues is to approve the WPP's policy commitments, and to exercise oversight and challenge of third parties to ensure that the WPP's commitments are delivered in line with the expectations of the underlying CAs.

WPP facilitates training for both JGC members and its broader stakeholder base to ensure that practices can be understood and challenged where appropriate. Over 2023/24, WPP provided training on:

- Impact and levelling up (including climate-impact themes, such as supporting the just transition)
- TCFD reporting in the context of the LGPS
- Stewardship and responsible investment for WPP (within listed and private markets, including climate stewardship)
- Climate change (pension decarbonisation): session for elected members in conjunction with the Welsh Local Government Association

Our climate beliefs

The WPP has set out six climate beliefs, as set out in our Climate Policy. We set these out below, alongside what they mean to us.

Our belief statement	**What this means**
Climate-related risks are systemic in nature and have the potential to impact the investment return from all asset classes and sectors to varying degrees. Such impact may be positive or negative.	We recognise that we cannot diversify away climate-related risks; we must ensure they are being effectively managed within every Sub-Fund or strategy that we build for CAs. Ensuring that our partners have the necessary skills and processes in place to manage these risks is key.
WPP recognises the importance of a just transition, recognising that changing our current trajectory will require a holistic approach across all areas of the economy. The transition will mean an ongoing period of change, away from a global economy that is broadly reliant on fossil fuels. Mitigating and adapting to the effects of climate will also necessitate investment in climate solutions.	Climate change and the global response to the transition will create a series of changes. Many of these changes will directly or indirectly affect people; we need to ensure that our investments and our stewardship properly capture these impacts.
A greater public understanding of climate-related risks, alongside government commitments, are likely to trigger a low-carbon transition that will present numerous compelling investment opportunities for investors, such as WPP's CAs, who are well informed on climate-risk matters, and able to effectively manage and mitigate transition risk.	The pace of change is uncertain, but we need to be prepared for the process of change. This means that we will do three things: • We will work with our CAs to ensure all are broadly working to the same agenda and timetable, and we will encourage education across all parties. • We will work with our appointed investment managers to ensure they are equipped to take account of risks and opportunities as they arise. If changes to mandates are necessary, then we will make them. • We will explore potential opportunities to invest as they arise.
It is incumbent on WPP to identify potential sources of climate-related risks in the development of any WPP investment product/or the procurement of any service provider, and, where necessary, seek to ensure such risks are appropriately managed and communicated to stakeholders.	We will seek to identify and manage the different sources of climate-related risk in the development and implementation of our Sub-Funds, investment solutions and stewardship policies. We will take input from different sources to help inform our views and will ensure that we communicate our actions to our stakeholders through various channels.
WPP has appointed a specialist V&E Provider to directly engage with investee companies on a range of issues, including climate risk, climate disclosures, investments in climate solutions and	We regard stewardship as a key tool through which we can influence climate-related outcomes. We will continue to work with our providers to ensure our policy ambitions are sufficiently stretching, and that they are being effectively implemented to create change that offers value to our CAs.

development of transition plans, to enhance the long-term value of the CAs' investments within WPP.	
As part of its role, WPP's V&E Provider collaborates with other asset owners to maximise the effectiveness of WPP's engagement activities. WPP believes that collaboration with other asset owners and its Investment Managers can be an effective method for amplifying its voice with investee companies and raising awareness of climate-related issues.	We will continue to try and find ways to partner with other like-minded investors in order to create positive climate-related outcomes, either through the exercise of stewardship or through capital allocation.

Describe management's role in assessing and managing climate-related risks and opportunities.

Dedicated sub-committees have been formed to ensure that effective decision-making can take place. The WPP is responsible for ensuring that its 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.

Climate-related risks and opportunities are currently considered within three forums, as described below.

Officers Working Group	The role of the Officers Working Group (OWG) is to develop and implement the WPP's policy commitments, ensuring that progress is made to evolve the WPPs approach to climate-related issues. The OWG also provides internal challenge and review of the implementation of strategy.
Responsible Investment Sub-Group	The work of the Responsible Investment Sub-Group (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 WPP is responsible for the direct scrutiny of key Service Providers, with Russell and Waystone then responsible for the direct oversight of the underlying managers employed within the Sub-Funds. Financially material sustainability risks are monitored by Russell and Waystone on an ongoing basis, as with any other risks. Quarterly check-ins take place with the portfolio managers with reference to environmental, social & governance (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.

Risk Group	Our 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 is not responsible for enacting the recommended actions.

WPP also has multiple third-party advisors, responsible for: voting and engagement (Robeco); asset management (Russell Investments, Schroders, GCM Grosvenor); and third-party oversight (Hymans Robertson). All advisors contribute to the WPP's understanding of climate considerations. WPP is thus able to avail itself of the third parties' ability to advise on climate-related issues via annual reviews with specific questions on those subjects and abilities.

Policy framework

WPP has several inter-related policies in place that govern the way we address responsible investment and climate issues.

Responsible Investment Policy	Sets out our broad framework and approach to addressing all responsible-investment issues, including climate change and other related issues, such as nature.
Climate Policy	Covers our broad approach to addressing climate-related issues across our Sub-Funds, our investment beliefs as they relate to climate issues and our broader goals around climate (including transition planning).
Stewardship Policy	Sets out how we approach matters related to asset ownership, our voting policy, and our approach to engagement and escalation. Climate considerations are also referenced within our selected stewardship themes.

WPP reviews its policies annually, with the latest review taking place in March 2024. The JGC approves the updated policies following the reporting year-end. Policy changes are generally evolutionary, reflecting the growing understanding of responsible investment and associated risks among stakeholders, broader market considerations, and the evolving demands and expectations of our stakeholders. For example, changes introduced during the 2024 review included the addition of a policy statement on nature, and the development and inclusion of a set of escalation principles to our stewardship policy.

Case study: integrating nature considerations

During 2024, we introduced the consideration of nature to our Responsible Investment Policy, recognising nature loss as a systemic risk, and highlighting the importance of ecosystem services and nature resilience as vital to climate mitigation and adaptation. This change followed work undertaken by the RISG to explore issues relating to marine biodiversity and deforestation, concluding that the broader consideration of nature-related risks was appropriate, including through a policy commitment.

Monitoring compliance with our policies

WPP annually monitors compliance with its key policies and publishes a self-evaluation of progress against all policy commitments within its Stewardship Report, demonstrating accountability to all stakeholders. While highlighting areas where progress had been made and actions taken, the purpose of the review is also to ensure that commitments can be assessed against prevailing market standards and evolved as necessary. Actions identified at the 2024 review included:

- **Facilitating discussions around a common climate goal**: while the development of WPP's Climate Framework was the first step in facilitating discussions on a common climate goal for the Pool, this will be progressed further over 2025.
- **Evolution of our fixed-income Sub-Funds**: drawing on the findings of the AWCR and the progress made in our equity Sub-funds, one area of focus is how we can work with our providers to better integrate climate considerations into the management of our fixed-income Sub-Funds. While progress was made on this over 2024, this will be a key focus area over 2025.
- **Evolution of the passive mandates**: while WPP had already opted to move part of its passive-equity allocations into a pooled low-carbon solution, further discussions with Officers, through the RISG and OWG, identified an opportunity to evolve this allocation further. Initial input has been sought from CAs on whether the current offering meets WPP's responsible-investment expectations and how the passive mandates may be evolved where expectations are not being met, particularly in how a solution could incorporate: both climate and ESG considerations; more forward-looking climate metrics; and target climate solutions; WPP's Voting Policy.
- **Building a framework for our private-market investment programmes**: given the launch of the new private-market investment programmes, WPP has developed a framework for manager monitoring and reporting within the private-market asset classes.

Strategy

The WPP invests assets on behalf of its eight CAs across a range of WPP developed Sub-Funds and strategies. As at 31 March 2024, there were 10 actively managed Sub-Funds, as well as private-market programmes in three asset classes. Further, the CAs invest in a number of pooled passive funds managed by BlackRock. These are set out in the table below. The CAs also invest in a range of unpooled assets (both listed and unlisted).

Pooled active	**31.03.2024**
Equity: Emerging Markets Equity	259.4
Equity: Global Growth	3,585.7
Equity: Global Opportunities	3,286.4
Equity: UK Opportunities	743.5
Equity: Sustainable Active Equity	1,570.4
Fixed Income: Absolute Return Bond	573.0
Fixed Income: Global Credit	1,033.7
Fixed Income: Global Government	488.8
Fixed Income: Multi-Asset Credit	732.4
Fixed Income: Sterling Credit	707.8
Pooled passive	5,200.0
Private markets	
Infrastructure	187
Private Credit	64
Private Equity	47
Total	**£18,479**

All figures are in £millions

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 our main asset manager, Russell, as well as other underlying managers to ensure responsible-investment views, ESG integration and approach to risk management align. Specific climate-related goals have been integrated into certain of our Sub-Funds, with climate objectives also applied on one of the passive funds, as detailed below.

Investment vehicle	**Approach adopted**
Global Growth Sub-Fund	**Inclusion of Paris-aligned strategy**: one of the component strategies of the Sub-Fund has an explicit climate-related approach.
Global Opportunities Sub-Fund UK Opportunities Sub-Fund Emerging Markets Equity Sub-Fund	**Targeted lower emissions**: the Sub-Funds are managed by Russell to achieve a target 25% reduction in weighted-average carbon intensity (WACI) and 25% reduction in fossil-fuel reserves versus benchmark. The Sub-fund does not invest in companies that generate more than 10% of revenue from mining thermal

	coal and/or power generation from coal. Exemptions exist for companies that derive less than 25% of their revenue from coal where they either: generate more than 10% of their energy from renewables; or have made public commitments and tangible progress towards divesting from their coal-related activities or reaching a 2050 zero-emissions target.
Sustainable Active Equity Sub-Fund	**Net-zero objective**: the Sub-Fund was designed to incorporate an explicit goal of net-zero by 2040, alongside other sustainability-related objectives, including the exclusion of certain fossil-fuel-related investments.
Infrastructure	**Climate solutions**: the structure of the open-ended allocation was such that an explicit allocation was made to renewable energy infrastructure assets.
BlackRock ACS World Low Carbon Fund	**Targeted lower emissions:** the Fund targets lower emissions intensity versus the parent index, as well as increasing allocations to issuers with carbon-emissions-reduction targets. The Fund also has explicit exclusions around fossil-fuel-related investments.

WPP's investment solutions have been developed and evolved to meet the needs of our eight CAs and there is close collaboration between stakeholders when considering management parameters to ensure that their collective needs are being met, but not imposed.

Case study: Sustainable Active Equity Sub-Fund

One notable impact of the consideration of climate-related risks and opportunities has been the development and launch of our Sustainable Active Equity Sub-Fund. Following extensive consultation with each of the underlying CAs, WPP worked with Russell, Waystone and Hymans Robertson on the development and launch of this strategy, which incorporates a series of sustainability and climate-related objectives and risk-management parameters.

The strategy explicitly excludes investment in thermal coal, controversial weapons, oil sands, arctic oil & gas and shale energy. The strategy also incorporates a 2040 net-zero-alignment goal, and objectives around carbon emissions and climate solutions exposure. All eight CAs have invested in the Sub-Fund.

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

CAs are individually responsible for framing their own investment strategy and associated climate policy. WPP's role is to understand these individual goals and any associated climate objectives, and to fully understand what implementation solutions they require to meet their objectives and commitments. Our stakeholders recognise that climate-related risks and opportunities arise from a number of different sources, including but not limited to:

Physical risks	Includes damage to property from flooding or lower precipitation giving rise to crop failure. Such impact could be felt directly by CAs or through the impact on returns delivered to CAs via WPP's investments.

Transition risks	The financial risks arising from the uncertain pathway to realise a lower-carbon economy and the extent to which these flow through to the returns delivered to CAs via WPP's investments.
Liability risks	The potential costs arising from parties that have suffered loss or damage due to climate change seeking compensation from those they hold responsible, including issuers in which WPP invests.

The WPP delegates the consideration of climate-related risks that impact the selection of individual assets to its service providers and regularly reviews the processes and practices employed by its delegates.

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

The role of the WPP is to provide investment solutions to stakeholders that allow them to meet their own investment objectives and ambitions, including their locally developed climate goals. While it is not the role of the WPP to impose a single view on any individual pension fund, ensuring that stakeholders are being consistent in their approach is vital.

A key recommendation of the AWCR was the development of a Climate Framework, the primary purpose of which is to ensure consistency in overall communication, policy setting, strategy development and reporting – across the WPP and by its stakeholders. The commonality of language and approach will help both the WPP and its underlying CAs to consistently set and reframe goals and develop strategies, with this framework being underpinned by four main pillars:

Principles and beliefs High-level statements that capture the collective views of WPP's stakeholders and guide activity.	**Strategic goals** Climate goals that collectively reflect the position of all eight CAs, incorporated in the Climate Policy. This may include net-zero commitments.
Portfolio characteristics The attributes of the portfolio that need to be monitored and managed to ensure alignment (eg climate and nature metrics). This will be reflected in monitoring and reporting.	**Stewardship** This will inform dialogue with WPP's Voting & Engagement Provider and Investment Managers, and will help focus climate-stewardship activity.

While not finalised, the draft framework has already been deployed in various activities that have taken place since year-end, including in the evolution of the passive investments, in changes to the climate & ESG risk reports and in our manager oversight.

As noted above, the WPP's Climate Policy is subject to annual review. The progress made against policy objectives also contributes to the WPP's ongoing business planning.

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

WPP has not directly undertaken scenario analysis on its Sub-Funds over the reporting year. Scenario analysis can aid stakeholders in decision-making, and is undertaken where appropriate by underlying investment managers in their management of the portfolio and underlying Sub-Funds. That said, WPP is committed to expanding the information provided to its stakeholders and will be exploring the use of quantitative scenario analysis for its listed Sub-Funds over the 2025 using industry-standard scenarios, such as those provided by the

Network for Greening the Financial System. However, WPP will ensure that stakeholders are able to gain appropriate insight from the information provided and will ensure that training is provided to its stakeholders.

In addition, WPP also recognises the limitations of quantitative climate-scenario analysis and, to the extent appropriate, will work with stakeholders to consider other mechanisms for understanding forward-looking climate-related risks through different forms of scenario analysis.

Risk management

WPP recognises that effective risk management – including responsible investment and climate-risk-mitigation strategies, alongside the consideration and management of broader ESG issues – is essential for delivering successful outcomes to our stakeholders. There are two processes in place for the consideration of risk.

Describe the organisation's processes for identifying and assessing climate-related risks.

WPP recognises that, if left unmanaged, risks from all sources 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. A dedicated Risk Sub-Group has been 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

Climate change is specifically identified as a risk within the Risk Register, which identifies a number of controls currently in place to identify and monitor existing climate risks and those that may materialise in the future, and to assess the effectiveness of existing – or the requirements for additional – risk-mitigation measures. The Risk Sub-Group draws input from stakeholders across the WPP and puts forward recommendations to the OWG on what actions should be taken to further mitigate or manage risks, though is not responsible for enacting the recommended actions.

Describe the organisation's processes for managing climate-related risks. Describe how processes identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

The outsourced nature of the WPP's investment management and ownership arrangements means that different risk-management processes are employed by the underlying asset managers we appoint.

Asset management

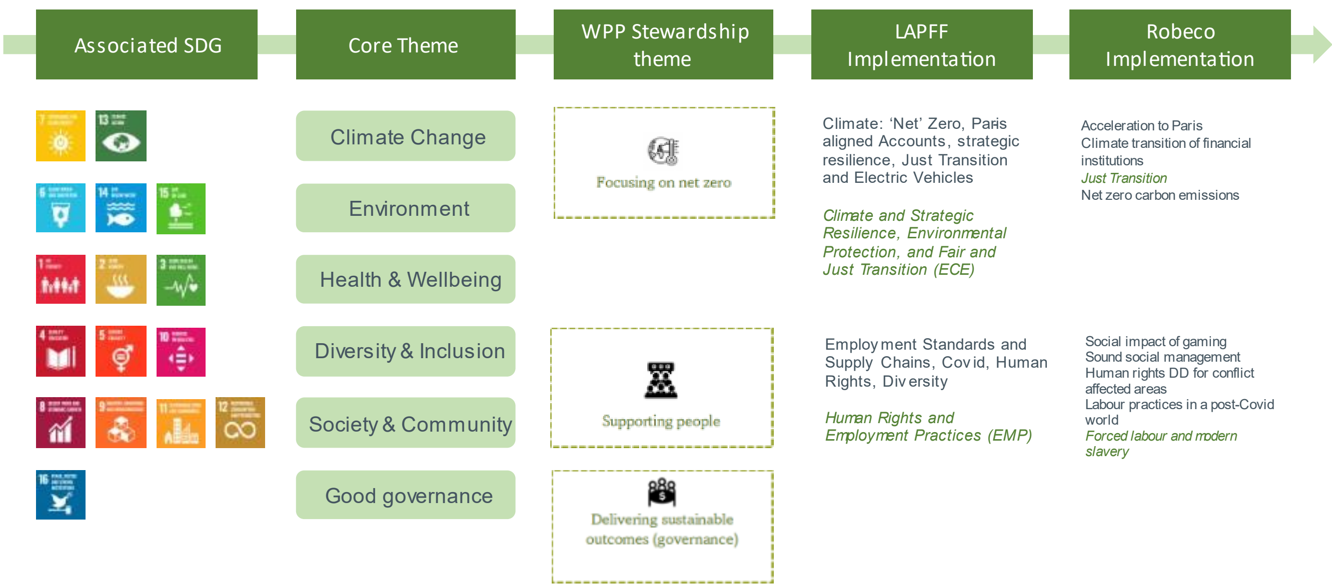
Russell Investments in conjunction with Waystone manage our listed equity and fixed-income assets, and are therefore responsible for ensuring that the identification and consideration of climate-related risks are integrated into the management of our assets. Russell achieves this in three ways:

- Through the evaluation and assessment of the underlying managers that are employed within the Sub-Funds. Russell research and rate each manager employed across a series of responsible-investment and climate-related issues; these ratings are one consideration in the appointment and ongoing retention of managers. Russell reports the outcome of the assessment to us on an annual basis.
- For several Sub-Funds (Emerging Markets Equity, Global Opportunities and UK Opportunities), Russell's decarbonisation enhanced portfolio implementation is applied, which allows Russell to consolidate underlying manager portfolios and apply the WPP's specific climate restrictions.
- Through the exercise of stewardship above and beyond that directly commissioned by the WPP. Russell, either via underlying managers or via Russell's own stewardship, engages with companies to address climate-related concerns.

WPP's approach to the management of climate-related risks lies in both the manner in which Russell is mandated and the ongoing scrutiny of the manager. Russell provides reporting on various climate-related issues to the WPP on a quarterly basis, which is scrutinised on regular update calls. Further, the WPP, with the support of its Oversight Advisor, undertakes a formal annual assessment of Russell's climate credentials to ensure that standards and processes are being maintained. Our other asset manager appointments will be scrutinised in a similar manner.

Stewardship

WPP uses its Stewardship Framework as a basis for setting its stewardship themes, and identifying any potential stewardship gaps and evolving risks, which can be used to enhance monitoring and reporting. The annual review of WPP's stewardship themes serves two main purposes: (1) to consider whether any of the WPP's existing themes need to be evolved; (2) to feed into Robeco's annual Active Ownership client panel, where new stewardship themes are chosen.



The annual review process draws on a broad range of inputs, including:

- **Themes arising from ongoing monitoring**: the ongoing monitoring of Sub-Funds can help identify potential stewardship gaps. For example, issues that should be raised with companies or trends that need to be addressed.
- **Input from the wider investment community**: including research, upcoming legislation, emerging issues of concern, monitoring of responsible-investment news and views, and input drawn from the wider stewardship expertise within WPP's Oversight Advisor.

Ongoing monitoring

WPP also undertakes independent monitoring of its exposure to climate-related risks within Sub-Funds on a rotational basis, with Sub-Funds subject to detailed scrutiny at least once annually. The purpose of this scrutiny is to understand the trends in portfolio characteristics and identify significant contributors to risk exposure. WPP also uses this analysis to support engagement with its Voting & Engagement Provider and determine potential engagement goals.

Case study: climate-focus list

To expand our ongoing scrutiny and support our ongoing assessment of issuers, we created a climate-focus list, which contains the most significant holdings within our portfolios from a climate-related perspective. This provides a point of focus for engagements with stakeholders to:

- Support oversight of voting practices.
- Focus on any engagement undertaken with these companies.
- Assess the progress being made to decarbonise activities.

The initial list contains 40 companies that WPP wishes to engage with on the topic of climate. In total, the companies listed represent c£1bn of equity assets across active and passive holdings. The list consists of a wide range of companies, from the oil & gas sector to the financial sector. We believe that this broad base of focus companies allows a more comprehensive consideration of the potential actions that can be taken to create change.

Internally, we monitor and report progress of the engagements in this list on a quarterly basis, with a rolling focus on 10 companies to allow a more detailed deep dive. Our service providers support us in this process, as well as our data providers, which aid us in ensuring our metrics are up to date and correct. Progress is reported against key climate-related metrics and criteria.

Metrics and Targets

Describe the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk-management process.

WPP assesses exposure to climate-related issues with the support of its service providers. Russell Investments provides ongoing reporting on climate-related factors, while Hymans Robertson provide quarterly oversight reporting across a range of ESG and climate-related metrics, allowing us to scrutinise different aspects of our portfolios. In addition, Waystone provides annual reporting on Sub-Funds to meet statutory TCFD reporting requirements. Reporting on private-market assets is not yet fully developed, given the various programmes were only launched during the reporting year. However, WPP is working with its providers to ensure that appropriate data is reported to stakeholders.

As part of its ongoing monitoring regime, the WPP formally monitors and reports on the climate-related metrics set out in the table below, beyond just the backward-looking reporting on carbon emissions.

Issue assessed	What we assess
Data quality	Data on carbon emissions is essential to allow us to effectively assess the progress being made on emissions reduction. We, and our service providers, are reliant on underlying portfolio companies to both measure and then report their emissions data. We encourage disclosure through our stewardship efforts.
Carbon emissions	Emissions are reported with reference to two metrics: WACI and emissions ownership (carbon footprint). The consideration of these metrics allows us to assess both the carbon intensity of each unit of economic activity and to assess our ownership of carbon emissions across our Sub-Funds.
Fossil-fuel-reserve ownership	The transition to a lower-carbon economy will necessitate a shift away from fossil fuels as a primary energy source, albeit this change is expected to take time. Companies that own and seek to exploit fossil-fuel reserves carry some risk of assets being stranded by changing policy. We monitor exposure to two types of fossil-fuel-reserve ownership: thermal coal; broader fossil-fuel reserves (encompassing oil & gas).
Climate-solutions exposure	Capital can be allocated to companies and solutions that are contributing in some way to change, particularly in supporting the transition to a lower-carbon economy or in addressing/mitigating other environmental considerations. We currently monitor exposure to companies that derive revenues to a range of environmental-impact themes.
Transition alignment	While change takes time for any organisation, it needs to be planned to ensure that it is effective. One means of demonstrating that an organisation is engaging with the process of change is to develop a clear strategy and have this strategy approved by a third-party organisation, such as the Science-Based Targets initiative (SBTi). We use companies that have set climate targets aligned with the SBTi as a forward-looking metric.

In addition to the above, as the WPP finalises its Climate Framework, two further issues will be captured for ongoing monitoring purposes: exposure to material sectors; exposure to nature-related issues. These attributes have been measured by the WPP across some of its Sub-Funds on an ad-hoc basis, although these measurements will be captured in our quarterly climate & ESG risk reporting going forward.

Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.

WPP is cognisant of the limitations associated with carbon-emissions data – especially the limited availability of data beyond listed markets. Internal reporting to stakeholders is therefore caveated where data is limited or unavailable to ensure that only informed assessments are made. This particularly affects reporting for some of our fixed-income strategies, including the Multi-Asset Credit, Absolute Return Bond and Global Government Bond Sub-Funds.

We show metrics as at 31 March 2024, the effective date of this report (as compared to the position as at 31 March 2022, the effective reporting date for our previous public reporting through the AWCR, to provide a basis for comparison).

Data quality

One key consideration is the general availability of data. For this purpose, we focus primarily on the availability of Scope 1 and 2 carbon emissions data, where this has either been reported by the underlying entity or otherwise estimated. To that end, we note that levels of emissions data reporting remain high across seven of the WPPs listed Sub-Funds covered within this report.

Sub-Fund	31.03.2022		31.03.2024	
	Reported	Estimated	Reported	Estimated
Global Opportunities	79.8%	14.6%	87.0%	11.7%
Global Growth	73.8%	24.2%	89.9%	8.9%
UK Opportunities	87.8%	3.0%	93.8%	4.3%
Emerging Markets Equity	69.7%	23.4%	83.9%	9.0%
Sustainable Active Equity	n/a	n/a	95.3%	3.8%
UK Credit	62.5%	14.6%	59.9%	11.5%
Global Credit	68.3%	15.3%	69.3%	10.1%

Note: Data availability on other Sub-Funds is currently considered too low for inclusion in this report.

Carbon emissions

Emissions from the burning of fossil fuels have been the primary contributor to the increase in atmospheric CO_2 levels and the growing risk from climate change. We recognise that there is a global need for the decarbonisation of economic activity; the assessment of carbon emissions (below, in terms of Scopes 1 & 2) on an ongoing basis helps us identify both the extent of change needed and the progress that has been made by portfolio companies over time.

Sub-Fund	WACI (tCO_2e/$m sales)		Carbon footprint (tCO_2e/$1m EVIC)	
	31.03.2022	31.03.2024	31.03.2022	31.03.2024
Global Opportunities	117.4	88.3	68.4	63.0
Global Growth	80.6	51.3	43.1	24.5
UK Opportunities	104.3	59.5	62.1	47.1
Emerging Markets Equity	238.3	165.3	123.5	101.9
Sustainable Active Equity	n/a	69.6	n/a	47.2
UK Credit	77.1	33.8	40.1	15.3
Global Credit	166.8	203.6	54.8	78.1

Source: Hymans Robertson.

Carbon-emissions intensity has reduced under both measures across all Sub-Funds, except for the Global Credit Sub-Fund. We have enacted a manager change here to improve the sustainability credentials of the Sub-

Fund, moving assets into a manager with enhanced climate investment credentials and plans to further evolve the Sub-Fund over 2025. We note that the US credit market was significantly more carbon intensive than its European counterpart at the end of 2024, with high-emitting industrial and utility names accounting for the change in reported emissions at the period end.

Within our Emerging Markets, Global Opportunities and UK Opportunities Sub-Funds, we have mandated Russell Investments to deliver a WACI at least 25% below that of the benchmark, with the impact of this reflected in the figures reported above. Going forward, we will be improving our analysis and reporting to allow for the better attribution of change.

Understanding GHG emissions

Many climate-related metrics are based on the level of GHG emissions that are related to a particular asset or investment. This isn't limited to carbon dioxide, but instead includes all main GHGs, such as methane and nitrous oxide (*measured as 'tCO2e': tonnes of carbon dioxide equivalent)*. GHG emissions are then categorised into three 'scopes':

- **Scope 1**: all direct GHG emissions from sources owned or controlled by a company, eg emissions from factory operations.
- **Scope 2**: indirect GHG emissions that occur from the generation of purchased energy consumed by a company.
- **Scope 3**: indirect emissions that arise as a consequence of the activities of a company, eg supply chains, and the use and disposal of their products. These are sometimes the greatest share of a carbon footprint, covering emissions associated with business travel, procurement, production of inputs, use of outputs, waste and water.

Scope 3 emissions data

We have not previously collected and reported on Scope 3 emissions, given concerns about data availability and given the need to ensure that we are able to take meaningful actions in response to this data. Below, we report the data to provide a baseline against which change can be assessed. The data shows Scope 3 emissions only, split between upstream and downstream emissions, ie those emissions within a company's value chain but not in its direct control.

Upstream emissions are those emitted in the production of a company's products and services; for example, the emissions arising from input materials or business travel. Downstream emissions are those associated with the use and disposal of a company's products and services; for example emissions associated with transporting a company's products and services to the end user or emissions associated with the use of a company's products and services.

While Scope 3 emissions are not within the direct control of a company, measuring them allows companies to have a more holistic view of their whole value chain, including understanding where improvements can be made to, for example, their raw material use and sourcing, or their end-of-life processes.

Sub-Fund	WACI (tCO_2e/$m sales)	
	Upstream	Downstream
Global Opportunities	247.5	389.4
Global Growth	225.7	335.5
UK Opportunities	234.6	531.0
Emerging Markets Equity	276.2	547.6
Sustainable Active Equity	248.8	221.2
UK Credit	181.5	335.5
Global Credit	215.1	589.0

Transition Alignment

The ‘transition to a low-carbon economy’ refers to the changes that our financial and social systems must undergo to reduce the emissions arising from economic activities, stabilising carbon emissions at a level where there is balance. While some organisations may need relatively little change, others face greater challenges to ensure that the provision of goods and services can be achieved with little to no carbon emissions. We encourage companies to put in place transition plans and appropriate targets for change.

Sub-Fund	Companies with SBTi-approved targets	
	31.03.2022	31.03.2024
Global Opportunities	24.0%	38.2%
Global Growth	21.6%	38.6%
UK Opportunities	23.2%	51.3%
Emerging Markets Equity	3.1%	13.0%
Sustainable Active Equity	n/a	59.6%
Global Credit	18.8%	24.4%
UK Credit	11.9%	12.4%

Over the last two years, exposure to companies that have appropriate science-based targets that have been approved by the SBTi has increased across all Sub-Funds. This is to be welcomed, reflecting a growing focus on the importance of addressing the climate transition.

Fossil-fuel exposures

While we acknowledge that the continued exploitation of fossil fuels will be needed over the short and medium term, such exploitation gives rise to ongoing carbon emissions. Efforts to decarbonise activities, particularly products and services that place great reliance on fossil fuels as an input, could give rise to the risk of stranded assets. This depends on issues such as the pace of policy change and the speed of technological development. Fossil-fuel companies include those involved in extraction and refining processes, but also those involved in the generation of energy from burning fossil fuels.

We assess and report on two metrics, exposure to companies with: thermal-coal reserves, recognising this may be the first area of change; exposure to broader fossil-fuel reserves.

Sub-Fund	Companies with thermal-coal reserves		Companies with fossil-fuel reserves	
	31.03.2022	31.03.2024	31.03.2022	31.03.2024
Global Opportunities	2.5%	1.0%	6.7%	4.7%
Global Growth	0.0%	0.0%	3.7%	1.8%
UK Opportunities	3.7%	0.9%	13.3%	11.2%
Emerging Markets Equity	4.1%	1.5%	10.9%	6.0%
Sustainable Active Equity	n/a	0.6%	n/a	1.4%
UK Credit	2.3%	0.1%	6.8%	2.6%
Global Credit	2.8%	1.8%	6.7%	7.2%

Exposure to both thermal coal and broader fossil-fuel reserves within portfolio companies has fallen over the last two years, other than within the Global Credit Sub-Fund, the latter largely due to the higher-emitting profile of the US credit market, an area WPP is addressing.

Climate solutions

Climate solutions capture a range of investment opportunities within areas such as renewable energy, resource management, forestry, agriculture and technology. While the WPP is seeking to standardise its own understanding of climate solutions, consideration can be given to the contribution made by individual companies within portfolios in financing certain activities. Our assessment considers six environmental-impact themes: alternative energy; energy efficiency; green buildings; pollution prevention; sustainable water; and sustainable agriculture.

Sub-Fund	Companies deriving revenues from climate solutions	
	31.03.2022	31.03.2024
Global Opportunities	28.6%	31.6%
Global Growth	33.2%	31.6%
UK Opportunities	28.0%	29.0%
Emerging Markets Equity	32.1%	35.6%
Sustainable Active Equity	n/a	35.4%
Global Credit	15.7%	20.5%
UK Credit	16.9%	14.8%

Exposure to companies generating revenues from climate solutions has remained broadly stable over the last two years. This is to be expected, given there has been no material changes to the underlying Sub-Fund mandates in this time. The recently launched Sustainable Active Equity Sub-Fund has a relatively high exposure to climate solutions, as was anticipated.

We highlight the Emerging Markets Sub-Fund as having a significantly large proportion of the portfolio exposed to climate solutions, though with higher emissions and lower SBTi exposure. Overall, emerging markets are expected to decarbonise more slowly than developed-market counterparts. While the largest emitters in the portfolio are concentrated within the materials sector, which is highly carbon intensive, these companies are also instrumental for growth in emerging markets. The Sub-Fund also holds a number of companies that derive revenue from fossil fuels, but where revenue is also derived from green goods and services, including renewables and energy efficiency. Given the carbon optimisation overlay applied to the Sub-Fund by Russell IM, the Sub-Fund's emissions profile and fossil-fuel reserve exposure is lower than its corresponding benchmark.

What next?

One of WPP's strengths is the collaboration between 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 climate more specifically. While we are encouraged by the work that has taken place since pooling, we acknowledge that we can continue to evolve. Working closely with Officers and the RISG, there are a number of areas WPP wishes to progress over 2025 and 2026:

- Passive funds: WPP hopes to launch a more bespoke and sustainable global passive-equity solution in 2025, on which our own Voting Policy can be applied
- Sustainable fixed income: while the Global Credit Sub-Fund is the area of focus over 2025, WPP is also looking at how the other fixed-income Sub-Funds can be evolved more sustainably, while acknowledging the relative nascence of that market and offerings available (for example in green bonds)
- Climate stewardship: one of the recommendations of the AWCR was the desire to facilitate greater consensus around climate, including in setting a common taxonomy and understanding around climate, and as a basis for setting climate targets. The thinking here is that it will provide consistency across all eight Welsh partner funds, as well as at the Pool level, in terms of policy evolution, future product development, product evolution, and in monitoring and reporting. The climate framework is also the basis for the climate-focus list, companies (across active and passive equity holdings, in the first instance) where stewardship will be explicitly scrutinised. The list comprises stocks within those materially impacted sectors (or those financing such) where there is the greatest climate risk or potential for change. This will help WPP: support oversight of voting practices on those issuers; further scrutinise engagement activity undertaken with those issuers; and assess (on an ongoing basis) the outcomes achieved.
- Climate ambition and transition planning: while various dialogues have been had around a collective climate ambition for the Pool – part of which has fed into the work on the Sustainable Active Equity Sub-Fund, the sustainable evolution of the fixed-income Sub-Funds and the evolution of the passive-equity allocations –WPP will do further work over 2025 and 2026 to establish whether a common climate ambition can be reached. We recognise that one area of development is in climate-scenario reporting, which will provide a greater overview of climate risk and our trajectory.
- Impact and levelling up: while impact allocations are already present within WPP's infrastructure investment programme, as well as a dedicated impact sleeve in the soon-to-be launched real-estate programme, we recognise growing appetite and availability for impact and local investments to achieve climate ambitions.

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!

Glossary

Carbon-dioxide equivalent (CO_2e): a metric used to show the impact of various greenhouse gases in a standardised way, by presenting emissions in terms of the aggregate amount of CO_2 that would create the same level of global warming.

Carbon intensity: a measure of the level of emissions that are owned by or financed through an investment, typically expressed in tonnes of CO_2e/£1m invested.

Climate solutions: assets, products or services that directly or indirectly contribute to the mitigation of climate change. Examples include, but are not limited to: renewable energy; sustainable materials; resource management; pollution prevention; forestry; agriculture; clean technology; mitigation technologies.

Decarbonisation: the reduction of emissions of CO_2 or other greenhouse gases from a product, organisation or country with the overarching aim to eliminate them (as far as possible). In practice, this means shifting from using fossil fuels to alternative low-carbon energy sources, as well as reducing the emissions produced more widely across the value chain (including energy usage).

Greenhouse gas (GHG) emissions: harmful gases emitted, particularly because of human activities, which exacerbate the effects of climate change. For example, burning fossil fuels (coal, oil and natural gas) releases carbon dioxide (CO_2).

Net-zero ambition: the goal of reducing global emissions produced by economic activity to a level where they are balanced by natural or man-made process that sequester such emissions, ie emissions and emissions removal are in balance.

Paris Agreement: an international treaty on climate change agreed by 175 countries in Paris in 2015, which came into force in November 2016. There are now 195 parties to the Agreement. Its key aim is to limit global temperature increase to 2 degrees above industrial levels by the end of this century and ideally keep temperature rises below 1.5 degrees.

Science Based Targets initiative (SBTi): a partnership run by the Carbon Disclosure Project (CDP), the UN Global Compact, the World Resources Institute and the Worldwide Fund for Nature. The initiative helps companies set emissions reduction targets backed by climate science.

Scopes 1, 2 and 3 emissions: GHG emissions are categorised into three ‘scopes’, which allow companies to accurately measure and report their emissions, both in their own operations and in their wider supply chains. Scope 1 emissions are those from sources owned or controlled by the company, typically the direct combustion of fuel, as in a furnace or vehicle. Scope 2 emissions are those caused by the generation of electricity purchased by the company. Scope 3 emissions include an array of indirect emissions resulting from activities such as business travel, distribution of products by third parties and downstream use of a company's products (ie by customers). Most reports of Scope 3 emissions include only some portion of these.

Stranded assets: assets that may become less valuable in the transition to a low-carbon economy. Coal mines, for example, are likely to become less valuable as society becomes less reliant on burning fossil fuels to generate electricity.

Ties to fossil fuels: a measure of a portfolio’s exposure to companies with an industry tie to fossil fuels (thermal coal, oil & gas); in particular reserve ownership, related revenues and power generation.

Transition alignment: a measure of how aligned a portfolio (or company) is with the transition to a low-carbon economy. The SBTi allows companies to measure how well aligned their business models are with reducing emissions in line with the goals set out under the Paris Agreement, including sector-specific guidance.

Task Force on Climate-related Financial Disclosures (TCFD): a framework through which organisations can report on how they manage their exposure to climate-related risks and opportunities.

Weighted-average carbon intensity (WACI): an emissions-intensity metric that shows a portfolio's exposure to carbon-intensive companies, typically expressed in tonnes of CO_2e/ US$1m revenue.