

## Wales Pension Partnership Stewardship Policy

### 1 Introduction and oversight

- 1.1 The Wales Pension Partnership (WPP) is the pooling arrangement for the assets of the eight Welsh Local Government Pension Scheme funds (Constituent Authorities).
- 1.2 The investment arrangements of WPP are overseen by the Joint Governance Committee (JGC) and supported by the Officer Working Group (OWG), and implemented through a range of WPP investments – this includes actively managed Sub-Funds, as well as passive mandates within listed markets; and actively managed investment programmes in private (illiquid) markets – that are managed by its Investment Managers. Responsibility for the scrutiny of stewardship practices is delegated to the WPP Responsible Investment Sub-Group (RI Sub-Group), which provides oversight and advice to the OWG and JGC on responsible-investment (RI) matters.
- 1.3 This document sets out WPP's policy on stewardship, including engagement activity and proxy voting in respect of all assets invested within the WPP Sub-Funds, as well as engagement activity on the pooled passive assets, as well as any relevant engagement activity within private-market investment programmes. WPP understands that stewardship activity may differ across listed versus unlisted assets. This policy has been developed by WPP in consultation with the Constituent Authorities and taking advice from its service providers, and appointed Voting and Engagement Provider (V&E Provider).
- 1.4 The role of the V&E Provider is to:
- Provide input to WPP on the development of a suitable Stewardship Policy;
  - Work with WPP to understand the WPP's and Constituent Authorities' priority themes for voting and engagement, and ensure that these are reflected in the work undertaken by Robeco on behalf of WPP;
  - Undertake proxy voting on all shares held within WPP Sub-Funds;
  - Undertake engagement with companies held within WPP Sub-Funds and pooled passive funds to achieve the engagement objectives on behalf of WPP;
  - Report quarterly on voting and engagement activity undertaken on behalf of WPP;
  - Discuss with the RI Sub-Group and other parties the voting and engagement activity undertaken on behalf of the WPP.
  - Support WPP in its stewardship ambitions.

### 2 Voting

- 2.1 WPP recognises that its current V&E Provider maintains a house voting policy (Proxy Voting Policy). WPP further recognises that the V&E Provider reviews and updates this Proxy Voting Policy on a periodic basis to ensure that it represents prevailing best practice.
- 2.2 WPP has reviewed the [Proxy Voting Policy](#) and believes that the principles embedded therein appropriately reflect the objectives of the WPP. The WPP has therefore instructed its V&E Provider to vote all shares held in WPP Sub-Funds in line with the Proxy Voting Policy.

- 2.3 WPP's V&E Provider maintains a system of voting notifications whereby the rationale for potentially significant or contentious votes is shared with WPP prior to voting. As far as able, WPP will review these votes individually and, accordingly, instruct its V&E Provider on how to vote.
- 2.4 The WPP is a member of the Local Authority Pension Fund Forum ("LAPFF"). Where the LAPFF issues voting alerts, the WPP has instructed Robeco to consider the substance of the voting alert before casting votes on behalf of the WPP although Robeco retains responsibility for the final decision on any vote. Where a vote cast is out of line with the LAPFF voting alert, the WPP requires Robeco to provide an explanation of the difference.

### **3 Engagement**

- 3.1 WPP recognises the importance of engagement in shaping corporate behaviour as one of the broader benefits of active ownership. WPP believes that successful engagement with investee companies to drive change can protect and enhance the long-term value of WPP's investments and deliver more favourable economic, social and environmental outcomes.
- 3.2 WPP relies heavily on its V&E Provider, which has primary responsibility for undertaking such engagement on its behalf with companies held within WPP's listed Sub-Funds and pooled passive mandates. WPP equally recognises the concurrent engagements carried out by WPP's Investment Managers, as well as LAPFF. WPP understands the unique position its Private-Markets Investment Managers are in to influence the behaviour of investee companies on relevant environmental, social & governance matters, and expects them to do so.
- 3.3 WPP recognises the potential benefit to be found in collaborative engagement, and encourages both its V&E Provider and Investment Managers to participate in such initiatives, particularly to the extent that such initiatives reflect the WPP's prevailing Stewardship Themes.

### **4 Escalation**

- 4.1 While WPP has not adopted a policy of exclusion within its investment arrangements generally, WPP believes the process of stewardship should not be without consequence, particularly where engagement is deemed to have been unsuccessful. Unsuccessful engagements may include a lack of responsiveness from the issuer, a failure to acknowledge the concerns raised within the engagement or a refusal to adequately address the concerns that have been raised.
- 4.2 WPP recognises that it has a number of tools at its disposal to take further action in situations where engagement is deemed to have been unsuccessful. While not an exhaustive list, in the first instance, WPP may seek to escalate concerns further by:
- Participating in collective engagement with other likeminded investors to address concerns;
  - Expressly voicing concerns in written correspondence with the Board;
  - Using proxy voting as a tool on related proposals or as they relate to relevant Board nominations;
  - Filing shareholder resolutions that directly address concerns.
- 4.3 While the WPP recognises that engagement takes place for different reasons, WPP is particularly focused on those engagements that aim to address breaches of global norms, reputational issues or where there is the potential to create material financial risk to investments. In conjunction with its V&E Provider, Investment Managers, Constituent Authorities and other delegates, WPP has developed a set of Escalation Principles that will govern how the WPP will address such engagements, as follows:

- There should be clear and regular communication of the engagement target and objectives between parties.
- The goals of the engagement should be set against the ongoing investment case for the holding.
- Progress should be reported to all stakeholders.
- Escalation actions being taken by the WPP's delegates during the engagement should be clearly identified.
- An (enhanced) engagement that is reported as having failed by WPP's V&E Provider should trigger greater ongoing reporting by WPP's Investment Managers.
- WPP's V&E Provider should continue to make voting recommendations on stocks that are retained after a failed engagement.
- While WPP's Investment Managers, as fiduciary, shall retain responsibility for all sell decisions, divestment will be considered if escalation fails.

## **5 Stewardship Themes and Framework**

- 5.1 WPP will maintain a set of 'Stewardship Themes' covering topics that are particularly relevant to the WPP's beliefs and objectives. The purpose of setting Stewardship Themes is threefold:
- to ensure WPP can more readily scrutinise voting and engagement activity carried out on its behalf;
  - to ensure that the issues of concern to WPP have been fully communicated to its V&E Provider and Investment Managers; and
  - to ensure that the exercise of stewardship achieves the desired outcome.
- 5.2 A WPP-specific Stewardship Framework will support the development of such themes. The Stewardship Framework provides an approach for simplifying the broad UN Sustainable Development Goals into a series of core themes, from which WPP's Stewardship Themes may be determined. The framework will also correlate the engagement themes from LAPFF and WPP's V&E Provider, supporting WPP's input into any relevant theme setting there. The framework will allow WPP to consider the evolution of WPP's current Stewardship Themes, as well as to identify any potential gaps. WPP's themes and activity associated with such themes are outlined in our annual Stewardship report.
- 5.3 WPP will consult with the Constituent Authorities on an annual basis to consider emerging issues that should be reflected in the WPP's Stewardship Themes.
- 5.4 WPP will make the V&E Provider and its Investment Managers aware of its Stewardship Themes. WPP will use the Stewardship Themes on an ongoing basis to scrutinise the activity of the V&E Provider and Investment Managers, to ensure that stewardship outcomes remain in line with expectations and to identify any potential areas of concern.
- 5.5 One particular thematic area of concern for WPP is climate change. To facilitate stewardship around climate, WPP will maintain a list of 'climate-focus' companies, where stewardship activity will be explicitly scrutinised, as outlined in WPP's Climate Policy.
- 5.6 WPP will report on activity undertaken against the Stewardship Themes and climate-focus companies on an ongoing basis, including annually within its Stewardship report.

## **6 Review of Stewardship Policy**

- 6.1 This policy will be formally reviewed by the OWG on an annual basis and, if necessary, changes to the policy will be taken to the JGC for approval.
- 6.2 WPP recognises that the V&E Provider's Proxy Voting Policy is reviewed and updated on a periodic basis. The RI Sub-Group will review any changes to the Proxy Voting Policy, and report any material areas of concern to the OWG and JGC.
- In the event that there are no material areas of concern, the RI Sub-Group will instruct its V&E Provider to apply the updated Proxy Voting Policy with immediate effect.
  - In the event that there are areas of material concern, the RI Sub-Group will instruct its V&E Provider to maintain the prevailing Proxy Voting Policy. WPP will then engage with its V&E Provider and determine what action may be taken.
- 6.3 Where WPP identifies any WPP-specific area of interest through its engagement with Constituent Authorities, the RI Sub-Group will consider and agree whether such issue should be raised with its V&E Provider. Where such issue is agreed, WPP will set out its position to its V&E Provider and request that such issue be reflected in the ongoing development of its Proxy Voting Policy.

## **7 Monitoring/reporting of stewardship activity**

- 7.1 The RI Sub-Group is responsible for the oversight and monitoring of stewardship carried out by WPP's V&E Provider and Investment Managers, and if required, to challenge the V&E Provider and Investment Managers to understand the stewardship activity undertaken on WPP's behalf.
- 7.2 WPP will receive a report on all stewardship activity (for listed assets) including details of any votes (active Sub-Funds) that have not been cast and explanations where votes have not been cast in accordance with the agreed principles on a quarterly basis. For private-market assets, WPP expects stewardship reporting on at least an annual basis. WPP will discuss any issues of concern with its V&E Provider, Investment Managers or other delegates as necessary.
- 7.3 WPP will report on stewardship activities each quarter to the Constituent Authorities.

## **8 Further information**

- 8.1 If you require any further details on the WPP Stewardship Policy, please contact [WalesPensionPartnership@carmarthenshire.gov.uk](mailto:WalesPensionPartnership@carmarthenshire.gov.uk) and refer to the WPP website.