

Responsible Investment Update: Q3 2024

Introduction

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

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JGC RI activity

- **Climate & ESG risk reports:** MAC and ARB Sub-Funds were presented at the JGC September 2024.
- **Climate & ESG risk reports evolution:** updated reports for EM and UK Opps to be presented at the JGC December 2024.
- **JGC RI workshop:** the JGC had an RI workshop following the September 2024 meeting, where discussions revolved around the newly launched escalation principles.

LAPFF alerts

The third quarter of 2024 saw a LAPFF alerts issued for: Nike (in the Sustainable Active Equity Sub-Fund), outlined below.

Evolution of passive funds

Discussion has been ongoing with Officers in creating a sustainable passive-equity solution.

Stewardship Themes

WPP attended the Robeco LGPS panel in November (ahead of the active-ownership client panel) to discuss stewardship themes of relevance to the LGPS. Discussions on these themes will continue at the client panel at the end of November, with the following discussion points deemed of particular importance: human rights; climate change; biodiversity; sovereign engagement; corporate lobbying; AI.

Simon Jones, Partner

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For and on behalf of Hymans Robertson LLP

Stewardship Summary

Quarter ending 30 September 2024

WPP employs Robeco as its Voting and Engagement Provider, with Robeco voting on resolutions across WPP's five Active Equity Sub-Funds while also providing the engagement function with issuers across all active Sub-Funds, as well as the passive mandates.

Acknowledging the importance of corporate performance and transparency around sustainability, including the management of environmental, social and governance (ESG) risks, there has been a rise in regulatory requirements for companies to report sustainability information. However, shareholder approval for 'Say-on-Sustainability' proposals is still lacking, except in a limited number of exceptions, such as in Spain and Switzerland. Robeco believes that a Say-on-Sustainability vote would promote greater accountability and transparency around a company's ESG management and performance, in the same way that Say-on-Pay or Say-on-Climate proposals do. Without having such an agenda item to convey views, investors are instead forced to signal dissatisfaction with a company's sustainability strategy by voting against director elections or other related proposals.

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

Engagement

Hazardous Chemicals

Over the quarter, Robeco launched the Hazardous Chemicals theme, which focuses on addressing pollution caused by the production and use of PFAs (often referred to as 'forever chemicals'). While a necessary component in industrial processes, the chemicals industry has been linked with adverse impacts on human health and the environment. This is particularly the case with PFAs, which are defined as substances of very high concern, given their impact on human health and the environment, especially considering they don't break down in nature. Robeco has therefore focused its engagements with those companies that produce and use PFAs, given the increased risk of litigation and regulatory crackdown. Robeco will engage companies around their transparency on PFAs use in products and the alternatives that are available. The engagement seeks for companies to develop timelines and action plans to phase out PFAs and create safer alternatives.

UNGC

In 2022, Robeco enhanced its Global Controversy engagement programme, engaging strict escalation strategies into the engagement process and establishing the Controversial Behavior Committee. This has seen companies under engagement enacting robust risk management systems that are underlined by management oversight and ensuring that such practices are substantive, being truly embedded in a company's processes. A further development in Robeco's approach to controversy engagement has been in developing its controversies framework, which has analysed over 1,200 companies around three pillars: impact severity; remediation; prevention. The framework considers impact as well as financial materiality and gives Robeco an extra signal for analysing companies.

Sovereign engagement

As part of its sovereign engagements, Robeco has been engaging with Australia, one of the world's largest coal exporters, on climate. Over 2023 Robeco had a number of meetings with federal, state and regulatory agencies involved in climate-policy decision-making. With Australia's second NDC ('nationally determined contribution', the emissions reduction targets established under the Paris Agreement) due for publication in 2025, over the quarter, Robeco met with minister and climate-policy advisors to discuss the NDC target-setting process. Robeco outlined why an ambitious NDC target in 2035 will be an important step, not only in preventing transition and physical risk to the economy, but also in showcasing to European investors the green credentials of Australian debt issued by the federal and state governments. As part of the dialogue generally, which has included discussions on Australia's Green Bond Framework, in June 2024, the Australian Office of Financial Management issued its inaugural green bond, enabling investors to back public projects that help drive Australia's transition to net zero by 2050.

Overall voting summary

Breakdown of voting activity			
Number of meetings		174	
Proposals voted		1,924	
Meetings with at least one vote against management		75 (43%)	
For	1,744	With management	1,731
Against	176	Against Management	175
Abstain	1	Not applicable	18
Withhold	3		
Do not vote	0		
1 year	0		

Overall engagement summary

Number of engagement cases by topic		Number of engagement activities by contact type	
Environment	41	Meeting	12
Social	14	Conference call	64
Governance	9	Written correspondence	92
UN SDGs	42	Other	17
Enhanced	10	Total	185
Total	115		

Key characteristics

Fund value	£3.5bn
Underlying managers	Baillie Gifford, Pzena, Veritas

Source: Waystone/Russell

Top-10 holdings (by AUM)

1. Amazon	6. Meta
2. Microsoft	7. United Health
3. Elevance	8. TSMC
4. Alphabet	9. Charter Communications
5. Mastercard	10. Nvidia

Source: Waystone

Climate metrics

Figures as at 30 September 2024	Fund	Coverage	Benchmark	Coverage
WACI (tCO ₂ e/\$m sales)	51.3	>98%	125.5	>99%
WACI EVIC (tCO ₂ e/\$EVIC)	24.0	>98%	47.3	>99%
Carbon emissions (tCO ₂ e/£m invested)	45.3	>98%	98.2	>99%
Holdings with exposure to FF reserves	1.4%	Not applicable	6.3%	Not applicable
Approved Science-Based Targets (%)	41.5%	Not applicable	43.7%	Not applicable

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

ESG metrics

Figures as at 30 September 2024	Fund	Coverage	Benchmark	Coverage
Overall ESG score	5.6	>97%	5.5	>99%
E pillar	7.3	>97%	6.7	>99%
S pillar	5.1	>97%	5.2	>99%
G pillar	5.9	>97%	5.6	>99%
UNGC violators	0.0%	>98%	0.2%	>99%

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

Sustainable Active Equity Sub-Fund:

Key Metrics as at 30 September 2024

Key characteristics

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

Source: Waystone/Russell

Top-10 holdings (by AUM)

1. Microsoft	6. ASML
2. Nvidia	7. Mastercard
3. eBay	8. Iberdrola
4. Visa	9. ING Groep
5. Danaher	10. Thermo Fisher

Source: Waystone/Russell

Climate metrics

Figures as at 30 September 2024	Fund	Coverage	Benchmark	Coverage
WACI (tCO ₂ e/\$m sales)	82.0	>99%	125.5	>99%
WACI EVIC (tCO ₂ e/\$EVIC)	43.5	>99%	47.3	>99%
Carbon emissions (tCO ₂ e/£m invested)	75.5	>99%	98.2	>99%
Holdings with exposure to FF reserves	1.6%	Not applicable	6.3%	Not applicable
Approved Science-Based Targets (%)	60.5%	Not applicable	43.7%	Not applicable

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

ESG metrics

Figures as at 30 September 2024	Fund	Coverage*	Benchmark	Coverage
Overall ESG score	5.9	>99%	5.5	>99%
E pillar	7.1	>99%	6.7	>99%
S pillar	5.5	>99%	5.2	>99%
G pillar	6.1	>99%	5.6	>99%
UNGC violators	0.0%	>99%	0.2%	>99%

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

Stewardship Summary

Voting Summary (Q3 2024)

Number of meetings		11	
Proposals voted		162	
Meetings with at least one vote against management		4 (36%)	
For	154	With management	151
Against	7	Against Management	11
Withhold	1	Not applicable	0

Key votes

Nike (10 September 2024, US)

At Nike's annual general meeting, Robeco voted against the company's Say-on-Pay proposal. Despite acknowledging the improvement made in terms of remuneration in recent years, Robeco still has concerns around the overreliance on one metric for long-term incentive payouts, as well as the lack of quantifiable, pre-set ESG criteria.

On the shareholder proposals, the first requested Nike to report on median gender and racial pay gaps across its workforce. Robeco felt that further transparency here would ensure progress can be tracked and would improve accountability, and therefore supported the proposal, which received 26% investor support.

Two further proposals centred around Nike's responsible supply-chain-management practices. One of the proposals requested the company issues a report assessing the effectiveness of Nike's supply-chain-management practices in aligning with the company's goals on equity and human rights commitments. The other proposal asked Nike to adopt Worker-Driven Social Responsibility principles, emphasising stronger, worker-centered mechanisms for addressing labour violations. Robeco supported both proposals, in line with LAPFF guidance. The proposals received 13% and 12% support, respectively.

The fourth shareholder proposal requested Nike to produce a sustainability report on its self-imposed sustainability targets and strategy. Robeco was supportive of the disclosure request, which received 27% support from investors.

Engagement Summary (Q3 2024)

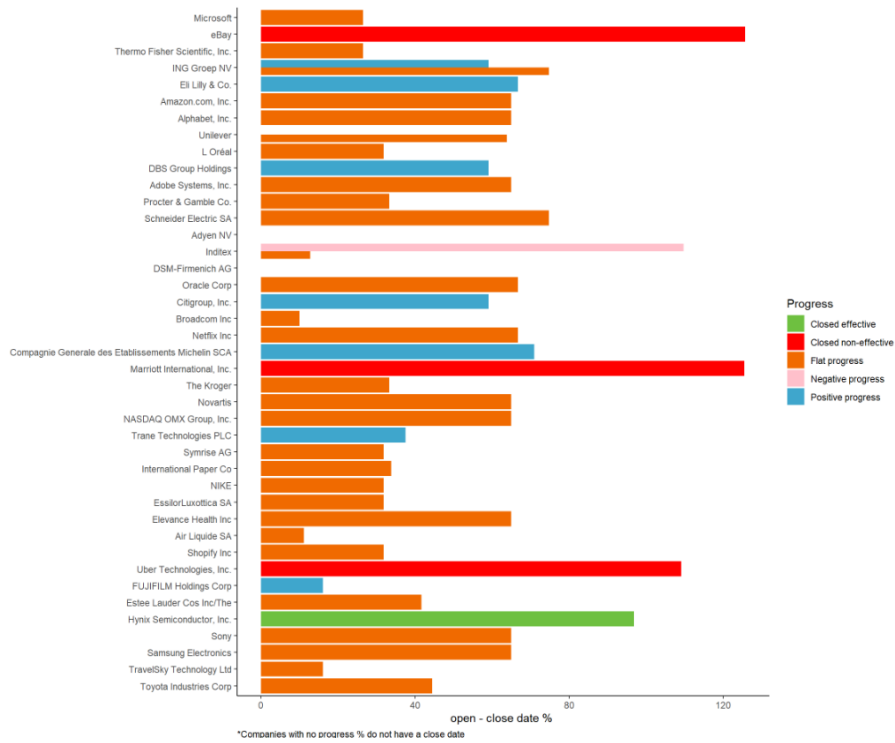
Of the issuers held in the Sub-Fund that are currently under engagement, the vast majority of AUM comes from companies domiciled in the US or the Netherlands. A list of companies by engagement theme is set out below.

Theme	Companies
Acceleration to Paris	Toyota
Biodiversity	Compagnie Generale des Etablissements Michelin, Unilever, Procter & Gamble
Climate Transition of Financial Institutions	Citigroup, DBS, ING Groep
Corporate Governance Standards in Asia	Hynix Semiconductors
Diversity and Inclusion	Eli Lilly, Netflix, Oracle
Fashion Transition	EssilorLuxottica, Estee Lauder, Inditex, L'Oreal, Nike, Shopify, Symrise
Good Governance	Adyen, DSM-Firmenich, Fujifilm, TravelSky, Unilever
Human Rights Due Diligence	Inditex, International Paper Company
Labour Practices in a Post Covid-19 World	Uber, Marriot
Modern Slavery in Supply Chains	The Kroger
Nature Action 100	Ahold
Net Zero Carbon Emissions	Air Liquide
SDG Engagement	Adobe, Alphabet, Amazon.com, Broadcom, eBay, Elevance, Motorola, Novartis, NASDAQ, Samsung, Sony, Trane Technologies
Tax Transparency	Thermo Fisher, Microsoft
AGM engagement 2024	ING Groep, Schneider Electric

Source: Robeco, Hymans Robertson

Progress by company

Engagements are typically for a period of three years, although Robeco will close an engagement if the objectives are achieved early or if attempts to engage the company are unsuccessful. The following chart illustrates progress on various engagements as at 30 September 2024.



Source: Robeco, Hymans Robertson

Case Studies

Climate

Russell has engaged with its sub-advisor on one of the fund’s underlying holdings, a global steel manufacturer, on concerns around decarbonisation and worker health & safety practices. While the steel maker has set decarbonisation targets, but engagements have taken place on setting SBTi-approved targets. In terms of worker health & safety, around a mine collapse, the company has advised it no longer has involvement and has also commissioned a global third-party safety audit, which it will release in the near future.

Multi-Asset Credit Sub-Fund:

Key Metrics as at 30 September 2024

Key characteristics

Fund value	£740.6m
Underlying managers	Barings, BlueBay, ICG, ManGLG, Voya

Source: Waystone/Russell

Climate metrics

Figures as at 30 September 2024	Fund	Coverage
WACI (tCO ₂ e/\$m sales)	238.0	>23%
WACI EVIC (tCO ₂ e/\$EVIC)	134.8	>19%
Carbon emissions (tCO ₂ e/£m invested)	374.0	>23%
Holdings with exposure to FF reserves	2.7%	Not applicable
Approved Science-Based Targets (%)	4.7%	Not applicable

Source: MSCI; Hymans Robertson

ESG metrics

Figures as at 30 September 2024	Fund	Coverage
Overall ESG score	5.1	>22%
E pillar	6.2	>22%
S pillar	4.8	>22%
G pillar	5.2	>22%
UNGC violators	3.9%	>24%

Source: MSCI; Hymans Robertson

Please note a low level of coverage for the MAC Sub-Fund, given the nature of the holdings. This may result both in marked fluctuations in metrics from quarter to quarter with the reported metrics while the reported metrics may not be representative of the portfolio as a whole.

The nature of the MAC Sub-Fund means that adopting a single benchmark comparator may not be appropriate. At this time, we have therefore not shown a benchmark.

Appendix 1: WPP stewardship themes (2024/25)



Focusing on net zero

organisations, particularly those in materially affected sectors, should be developing and implementing transition plans to ensure that the long-term migration to a low-carbon economy is orderly. Companies should ensure that plans are published, and climate management disclosures are comprehensive and available for investor scrutiny. Any consideration of carbon offsetting in companies' net-zero plans should be in line with the Oxford Principles and stakeholders should be made aware of any reliance on carbon-removal technologies, including the extent to which these technologies are used.



Supporting people

an organisation's workforce is one of its most valuable assets, and it is incumbent on the organisation to ensure that its people are properly managed and rewarded. This includes the consideration of people within supply chains, which can often be areas of lower scrutiny. While acknowledging that engagement may be nuanced, given unique regional, sector and size circumstances, WPP is particularly supportive of engaging with UK companies on the alignment of their wage structures with the Living Wage Foundation's guidance.



Delivering sustainable outcomes (governance)

Organisations should be managed with a longer-term horizon so as to ensure that practices become more sustainable. This can ensure that executive remuneration is better linked to longer-term goals, including incorporating ESG criteria.

Appendix 2: issuers under engagement (Q3 2024)

ENVIRONMENT

Biodiversity

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

Climate and Nature Transition of Financial Institutions

Bank of America
Citigroup
DBS Group Holdings
ING Groep
JPMorgan Chase

Hazardous Chemicals

AkzoNobel
Albermarle
Honeywell

Natural Resource Management

Ambev
CF Industries Holdings
OCI
PepsiCo
Tronox Holdings

Nature Action 100

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

Net Zero Carbon Emissions

Air Liquide
Anglo American
BHP Billiton
BP
BYD
Celanese Corp
CEZ

Chevron
Costco Wholesale
Cummins
Dow
Duke Energy
Ecopetrol
ExxonMobil
Haier Smart Home
Holcim
Hyundai Motor Co
Marathon Petroleum
Petroleo Brasileiro
Phillips 66
Repsol
Royal Dutch Shell
Saudi Arabian Oil Co
Valero Energy

SOCIAL

Diversity and Inclusion

Eli Lilly
Netflix
Oracle

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

Booking Holdings
Cemex
Fast Retailing
HeidelbergCement
Hon Hai Precision
Industry
Inditex
International Paper Co
IPG Photonics
SolarEdge Technologies
Volkswagen
Wacker Chemie

Just Transition in Emerging Markets

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

Labour Practices in a Post Covid-19 World

Accor
Delivery Hero
InterContinental Hotels
Group
Meituan Dianping

Uber Technologies

Modern Slavery in Supply Chains

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

Sound Social Management

Baidu
Post Holdings
Tencent Holdings
Weibo Corp

GOVERNANCE

Corporate Governance in Emerging Markets

CCR
CPFL Energia
ENN Energy Holdings
Haier Smart Home
Hyundai Motor

Corporate Governance Standards in Asia

Inpex
Panasonic
Resonac Holdings
Rohm

Good Governance

Adyen
Ahold
Arcadis
DSM-Firmenich
Fujifilm
Grifols
Heineken Holding
Petroleo Brasileiro
Signify
TravelSky Technology
Unilever

Tax Transparency

AbbVie
Amgen
Apple
McDonalds
Microsoft
Stellantis
Thermo Fisher Scientific

VOTING RELATED ENGAGEMENTS

AGM Engagement 2024

Cummins
Goldman Sachs
ING Groep
Masco

SDGs

Fashion Transition

Adidas
Brunello Cucinelli
Bureau Veritas
Cintas
Compagnie Financiere
Richemont
Eclat Textile
EssilorLuxottica
Estee Lauder
Hermes International
Hugo Boss
Inditex
Kering
L'Oreal
L'Occitane International
Levi Strauss
Lojas Renner
Lululemon Athletica
LVMH
MercadoLibre
Moncler
Nike
Novozymes
On Holding
Pandora
Prada
Puma
Ross Stores
Shiseido
Shopify
Silgan Holdings
Symrise
Zebra Technologies

SDG Engagement

AbbVie
Adobe
Alphabet
Amazon.com
Amgen
Apple
AutoZone
Banco BTG Pactual
Broadcom
Capital One

CBRE Group
Deutsche Boerse
Electronic Arts
Elevance Health
F5 Networks
Grupo Bimbo
Haleon
Hitachi
Infosys
Jeronimo Martins
LyondellBasell
Meta Platforms
Motorola
Mr Price Group
Nasdaq
Novartis

OTP Bank
Rio Tinto
Salesforce.com
Samsung Electronics
Sandvik
Sony
Sumitomo Mitsui
Financial Group
Total
Trane Technologies
Volvo
Acceleration to Paris
African Rainbow
Minerals
Aluminum Corp of China
Anhui Conch Cement

Berkshire Hathaway
Caterpillar
China Longyuan Power
Group
China National Building
Material Co
China State Construction
Engineering
Continental Resources
Hunan Valin Steel
Mitsui & Co
Sany Heavy Industry
Toyota Industries
WH Group
**Global Controversy
Engagement**

Adani Enterprises
Adani Ports & Special
Economic Zone
Elsewedy
Lockheed Martin
Mattel
Raytheon Technologies
United Phosphorous
Vale
Zijin
Palm Oil
MP Evans Group
REA Holdings
Wilmar International

Appendix 3: metrics definitions

MSCI ESG Research LLC data coverage:

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

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

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

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

Appendix 4: General Risk Warning and Disclaimer

Risk warning

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

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