

Eich cyf / Your ref:

Gofynner am / Please ask for:

Fy nghyf / My ref:

Llinell Uniongyrchol / Direct Line:

Dyddiad / Date: 23 May 2019

E-bost / E-mail:

Ms R Evans
Minister for Finance and Trefnydd
Welsh Government
Cardiff Bay
Cardiff
CF99 1NA

Dear Ms Evans

Prosperity for All: A Low Carbon Wales

Thank you for your letter dated 26 April 2019 regarding the Welsh Government's recently published plan 'Prosperity for All: A Low Carbon Wales'. This response has been prepared by the Wales Pension Partnership (WPP).

As you are aware, WPP was established in accordance with HM Government consultation and guidance to improve investment outcomes, maximise efficiencies, reduce costs whilst increasing capacity to invest in infrastructure.

Over the course of the last two years, WPP has undertaken a procurement exercise with a view to establishing a platform which will allow the Funds to implement their respective investment strategies in accordance with pooling requirements. Following this exercise, Link Fund Solutions were appointed as the Operator for WPP in partnership with Russell Investments as the manager research and portfolio manager.

I comment on the specific questions 3 and 4 which relate to the WPP as follows.

3. How is the Wales Pension Partnership considering climate change related risks in developing its policies for investment

Whilst the platform will provide Funds with a means of collective implementation, investment policy and strategy remain the responsibility of the respective administering authorities. Climate risks have been addressed to differing degrees with individual funds and the actions taken vary as a consequence. I would note that both responsible investment (of which climate change is one consideration) and corporate governance factors were considered by WPP with potential providers during the procurement process.

Chris Moore FCCA

Cyfarwyddwr y Gwasanaethau Corfforaethol,
Neuadd y Sir, Caerfyrddin, Sir Gaerfyrddin SA31 1JP

Director of Corporate Services,
County Hall, Carmarthen Carmarthenshire SA31 1JP

 **BUDDSODDWYR** | **INVESTORS**
MEWN POBL | **IN PEOPLE**

*Mae Cyngor Sir Caerfyrddin yn croesawu gohebiaeth yn Gymraeg neu yn Saesneg
Carmarthenshire County Council welcomes correspondence in Welsh or English*

Currently, climate change risks have been captured by Russell Investments through considering ESG criteria in the investments. This includes embedding ESG in manager selection processes and also including ESG criteria in manager guidelines, and in proxy voting policies. The WPP is working on a Responsible Investment (RI) Policy ensuring consistency across all participating funds. Stock disinvestments (such as fossil fuels) have not yet been considered and if they are they will require sign off by all eight Constituent Authorities. This is another aspect of the RI policy we are developing. Having said that, we are future-proofing this strategy in the way we are creating the funds on the WPP platform. For example, by hiring managers through segregated mandates, we will be able to apply any exclusions in a tailored fashion.

4. What further steps are you taking in your own Pension Authority and in the Joint Governance Committee for the Welsh Pensions Partnership to apply the Well-being of Future Generations Act to the approach to investments?

The requirement to comply with Future Generations Act was made clear within the Invitation to Tender. As noted above, WPP is at the early stages of developing its policies and working with its partners to build investment solutions to meet the current needs of the Funds. As the platform grows, WPP will explore opportunities for collaboration amongst the Funds.

I trust the above goes some way in explaining the approaches the Wales Pension Partnership is taking in relation to their fiduciary and ESG responsibilities.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Norris', written in a cursive style.

Cllr Mark Norris
Chair of the WPP Joint Governance Committee