



WEST MIDLANDS PENSION FUND VOTING PRINCIPLES JUNE 2019



West Midlands Pension Fund

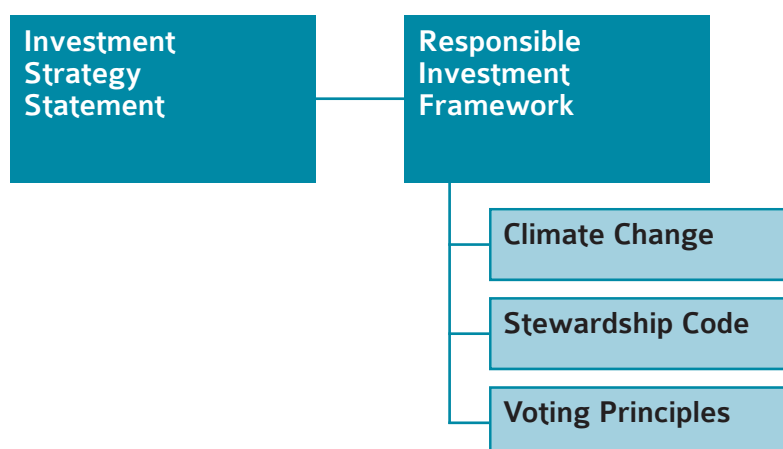
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1 CONTEXT

1.1 Purpose

This document describes West Midlands Pension Fund and the West Midland Integrated Transport Authority Pensions Fund (“the Fund”) approach to exercising its voting rights at the annual general meetings (AGM), general meetings (GM), courts and classes of the UK companies in which the Fund invests. This document supports the Fund’s ambition to be fully transparent to its stakeholders. The principles described in this document apply primarily to companies with a premium listing on the main market of the London Stock Exchange (LSE), but the principles may be extended to other investee companies as appropriate. For voting rights associated with non-UK companies, the Fund currently applies the international voting principles of the proxy research provider appointed by the investment pool company LGPS Central Limited. This document is supplementary to the Fund’s *Investment Strategy Statement*, its *Responsible Investment Framework*, *Climate Change Strategy and Framework* and its statement of compliance with the *UK Stewardship Code*.



The Fund’s *Voting Principles* have been developed in alignment with the relevant statutory guidance. The *Voting Principles* apply to those assets where the Fund holds the voting rights. Where voting rights are executed by external managers on behalf of the Fund (for instance, in pool mandates, including those operated by LGPS Central, or where the Fund has delegated authority) the Fund has reviewed and is satisfied with the voting policies of those managers. This document is owned by the Fund’s Director of Pensions, with oversight from the Pensions Committee. It is reviewed on an annual basis.

1.2 About the West Midlands Pension Funds

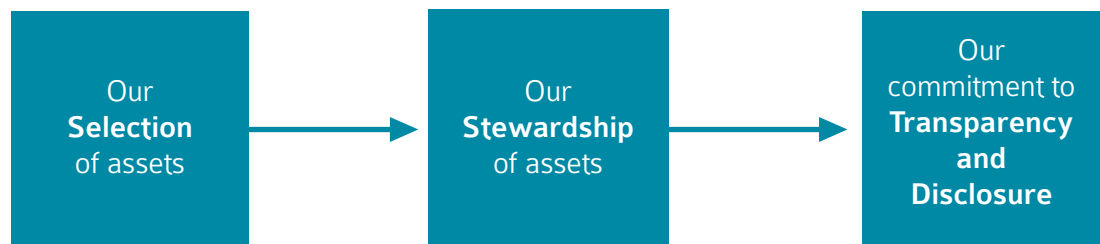
West Midlands Pension Fund (“the Fund”) is a defined benefit pension fund established under the Local Government Pension Scheme. It has over 320,000 members, total assets under management in the region of £16 billion and is administered by the City of Wolverhampton Council. The West Midlands Integrated Transport Authority Pension Fund has 5,000 members and total assets just under £500 million. The West Midlands Pension Fund administers this Fund under delegation from the West Midlands Combined Authority.

The Funds are two of nine partner funds within the LGPS Central pool, a collaboration facilitating pooled investments established under the UK government’s programme of pooling local authority pension funds. LGPS Central Limited is the investment management company established by the pool and authorised and regulated by the Financial Conduct Authority (FCA). Since April 2018, the Fund’s voting rights have been executed by LGPS Central Limited, following its adoption of a leading approach to responsible investment and stewardship, aligned to the principles established by the West Midlands and other partner funds.

1.3 Responsible Investment at West Midlands

The Fund's objectives and approach concerning matters of responsible investment (RI) are set out in the Responsible Investment Framework. The Fund considers RI to be supportive of protecting and enhancing long-term returns across all major asset classes. The risks and opportunities pertaining to RI are managed through actions taken both before the investment decision (which we refer to as the Selection of investments), after the investment decision (the Stewardship of investments) together with Transparency and Disclosure.

The Fund's approach to voting is a core component of its approach to RI, and fits within the Stewardship pillar of the RI Framework.



2 CORPORATE GOVERNANCE, STEWARDSHIP AND VOTING IN THE UK

Consistently, with its approach to RI, the Fund's principles regarding corporate governance, stewardship and voting in UK markets are informed by the Fund's fiduciary responsibilities. The Fund uses its voting rights to support the long-term economic interests of its stakeholders and to ensure boards of directors are accountable to shareholders.

2.1 UK Corporate Governance Code

The UK Corporate Governance Code ("the Code") is set by the Financial Reporting Council (FRC) and outlines the standards of good practice for listed companies on board composition and development, remuneration, shareholder relations, accountability and audit.

The Fund supports the Code and believes that strong standards of corporate governance translate ultimately into healthy and stable financial markets. UK companies are expected to adhere to the Code and to provide high quality disclosure on the extent of compliance with the Code in the annual report. The Fund does not view the Code as a corporate governance "straightjacket", and companies are encouraged to use the "explain" feature of the Code where particular circumstances make deviation from the Code appropriate. Such explanations should be sufficiently detailed and transparent. Beyond the Code's provisions, it is important that companies adhere to the spirit of the Code and that boards feel empowered to make appropriate arrangements and disclosures that are suitable to the business in question. Rather than recapitulate the principles and provisions of the Code, this document focuses on areas of corporate governance and voting that require particular clarification.

2.2 Cyclical Stewardship

Voting is inherently linked to engagement, and the votes cast by the Fund at company meetings will typically reflect the outcomes of engagement activities during the year in review. Equally, a voting decision can set the tone for subsequent engagement. A vote is a process, not an event, and the Fund's approach may be described as "cyclical stewardship". The Fund's intention is that its voting decisions do not come as a surprise

to our investee companies, and dialogue with companies facilitates this, and develops a two-way relationship of trust. Where the Fund takes the decision to not support a resolution, either by abstaining or voting against, this should be interpreted by the boards of companies as an expression of strong and conscious dissatisfaction, not as a mechanical or thoughtless matter of routine. In order to send a strong signal, the Fund makes a limited, tactical use of abstain.

2.3 Market Transformation

The Fund recognises its role as a large, long-term asset owner with investment diversified across a range of geography, sector and market instruments. It has an interest in improving the standards of corporate governance within financial markets and aspires to act, therefore, in a leadership role. Where certain standards or targets set the “minimum” (for example in matters relating to the diversity of company boards) the Fund will consider voting beyond the minimum (for example by requiring a faster rate of progress on diversity within company boards).

The Fund’s voting and stewardship activities are supported by its membership of various partnership organisations.

2.4 Voting Procedures

The Fund engages a proxy research provider through LGPS Central Limited to analyse and provide advice relating to the Fund’s voting opportunities, consistently with the Fund’s policies. The provider also executes the Fund’s votes through the relevant intermediaries.

The Fund and LGPS Central have an active securities lending programme. To ensure that the Fund is able to vote all its shares at important meetings, it has worked with service providers to establish procedures to restrict lending for certain stocks and recall shares in advance of shareholder votes. The Fund and LGPS Central (where relevant) monitors the meetings and proportion of the securities on loan, and will restrict and/or recall lent stock in select circumstances, with due consideration to the advantages of voting the shares versus the cost implications of recalling or restricting the loan of the stock.

The Fund’s voting decisions are arrived at through a collegiate approach, incorporating the views of Fund officers as appropriate, LGPS Central, fund managers, research teams and advisers, to form an evidenced-based view on the company in question. The Fund’s votes are executed in compliance with its Conflicts of Interest policy.

2.5 Voting Disclosure

The Fund’s disclosure of its Voting Principles, and its voting outcomes, supports the Fund’s ambition of full transparency. With regards to voting outcomes, disclosures are made in three formats. Firstly, a report summarising the Fund’s voting activities is provided on a quarterly basis to the Fund’s Pensions Committee. Secondly, the Fund’s annual report includes disclosures on voting, as well as other aspects of RI, consistently with the statutory guidance. Thirdly, the Fund discloses its voting decision for every resolution at every eligible company meeting via the Fund website. Each of these disclosures is available to the public.

From time to time, the Fund might choose to “pre-declare” its voting intentions for particular resolutions. This might include declarations made through third party platforms, such as the platform administered by the Principles for Responsible Investment.

3 VOTING PRINCIPLES

The principles below describe the broad parameters the Fund will consider before casting its votes. They are supplementary to the principles and provisions of the Code, which is fully supported by the Fund. It is not possible for one document to cover every eventuality and this document's ambition is to serve as a guide. The Fund will override the guidelines below where this is deemed to be in the long-term economic interests of the Fund's stakeholders. Where issues are insufficiently addressed by the Code or by this document, the Fund will come to a decision using internal research and the advice of the Fund's appointed adviser and research provider.

3.1 A Great Board With a Long-Term View

Principles

Composition and Committees

Good governance starts with a great board. Led by the Chair and/or the chair of the Nominations Committee, we expect our investee companies to appoint an effective board of directors whose combined expertise is a key strategic asset to the company. We believe the most effective boards include a diversity of skills, experiences and perspectives. Through our voting decisions (and otherwise) we support the Davies Review, the Hampton-Alexander Review and the Parker Review.

Board members should be able to devote sufficient time to their directorship, should refrain from becoming "overboarded" and should attend all relevant meetings including committee meetings (audit, nomination, remuneration or other).

Non-attendance should be explained in the annual report. Overboarded directors will not be supported, even if they are from demographics that are currently underrepresented in UK boardrooms. The board should demonstrate collective awareness of material short, medium and long-run risks including, where material, climate change. The Chair should ensure the board is of an appropriate size and, while the Fund is not prescriptive on board size, would consider boards of five or fewer members, or boards of sixteen or more members, as red flags warranting further analysis. In line with the Code we expect the majority of board members, excluding the Chair, to be independent according to the criteria defined in the Code. Independence is not, however, a sufficient condition for the support of a director's election or re-election: each director must offer a valuable contribution to the functioning of the board. With regards to the so-called "nine year rule" of independence: whilst we include "a tenure of fewer than nine years" among our criteria for independence, we fully support directors that make valuable contributions to the boardroom, even if their tenure exceeds this guideline.

Consistently with the Code, boards should include nomination, remuneration, and audit committees. The latter two board committees should be composed solely of independent non-executive directors who have served on the board for at least a year, and participation by executives in these committee meetings should be by exceptional invitation only and explained in the annual report. Both the audit and the remuneration committee should have at least three members. The annual report should include a clear report from each committee Chair explaining the issues the committee has prioritised during the year in review, outlining progress made without recourse to boiler-plate language. Particular attention is paid to the overboarding of audit committee members owing to the requirement to read financial papers in sufficient detail. External advisors on remuneration and audit should be accountable to the committees, and details should be disclosed in the annual report including the nature of services provided and whether the advisor provides additional services. The Fund supports the creation of additional committees that are appropriate to the business model in question, but we do not support

unwarranted layers of governance, or the outsourcing of important issues to less experienced directors. We typically support board oversight of sustainability issues, either through committee structures or through individual responsibility. We support the election of employee representatives where this improves the quality of the board and accountability to stakeholders.

Leadership

The role of the Chair is of special significance, as is the relationship between the Chair and CEO. Accordingly, we pay particular attention to our vote on the re-election of the Chair. We support the Code's principles and provisions in relation to the role of the Chair and the eligibility of candidates. In exceptional circumstances we will support an interim Executive Chair, but expect a cut-off date to be provided, along with the appointment of a Deputy Chair and/or a strong Senior Independent Director ("SID"). Such exceptions should be discussed with shareholders and a clear and convincing rationale must be disclosed. The SID is another role of significance and we would not usually support the re-election of a non-independent SID, where independence is defined as per the Code.

Effectiveness, Evaluation & Election Process

The effectiveness of boards should be reviewed internally (by an independent director, usually by the SID) on an annual basis, and should be reviewed by an external party every three years. Companies should seek shareholder input into the process for determining board effectiveness, and the identity of the triennial external reviewer should be disclosed in the annual report. Boards and their committees should establish a suitable number of meetings per year and the location of the meetings should be appropriate to the business and to the residency of the board members. In order to preserve the board's accountability to shareholders, directors should be re-elected on an annual basis by majority vote (excepting controlled companies, where director re-election ought to follow the Code). Director biographies should be sufficiently detailed in order for voting shareholders to make an informed judgement, and the Nominations Committee reports should describe the contribution the director will make, or has made, to the board during the year.

3.2 A Transparent Audit Function, Supporting True and Fair Reporting

Principles

The audit committee of the Board plays a critical role and votes pertaining to its composition and conduct carry particular importance for shareholders. The committee should be composed of at least three independent non-executive directors with recent financial experience, and each member should have been on the board for at least a year in order to become familiar with the business. Members of the audit committee should achieve 100% committee meeting attendance and the thresholds for overboarding are stricter for audit committee members than for other directors. Attendance by executives at audit committee meetings should be by invitation only and should be explained in the annual report. We expect the audit committee to take responsibility for reviewing internal audit controls.

A company should disclose its auditor tendering policy and details of the tendering process (when it occurs). The Fund supports the EU's audit reforms, primarily that the external auditor should be independent and conflict-free (from the company and from audit committee members), and there should be regular tendering and rotation (at a minimum: tendering at least every 10 years, rotating every 20, with no re-appointment until at least four years following the rotation).

The lead audit partner should be rotated and named in the annual report. Auditor fees must be clearly disclosed and non-audit fees should not exceed 50% of total fees. Where this limit is breached, the audit committee should plan for fee reduction. Companies should not provide auditors with limited liability or indemnification. The resignation of an auditor during the financial year should be clearly explained, as should any qualifications to the annual report. There should be no material omissions. The audit committee should ensure that adequate whistleblowing procedures are in place.

As with all elements of corporate disclosure, boilerplate should be avoided at all costs. Disclosures should be clear, relevant, as concise as possible and AGM materials should be available in English in sufficient time before the meeting. We will consider voting against the annual report where disclosure falls short of the mark. We support the FRC's guidance on risk management, internal control and related financial and business reporting.

The statements of viability should be clearly disclosed. Companies should provide sufficient disclosure on material and emerging risks across a suitably long-term horizon. "Long-term" should relate to the company's business cycle and should never be limited to the next twelve months. Aside from a description of risks, the strategic report should detail the contribution and composition of the company workforce.

3.3 Stewarding our Capital, Protecting Shareholder Rights

Principles

We aim to be responsible stewards of the capital bestowed on us by our beneficiaries. In turn, we expect companies to steward the capital we provide to them with care and concern for long-term outcomes. We would like our companies to be granted the flexibility to manage their capital structure effectively and raise additional capital where necessary in a timely and cost-efficient manner. We are against giving companies unlimited authorisation to raise capital unless there is a sufficiently compelling case. We encourage companies to use the 14-day GM facility to raise extraordinary, unanticipated volumes of capital and expect prior dialogue with shareholders.

Securities that are accompanied by shareholder rights are more valuable than securities lacking these rights. Clearly, we wish to preserve or enhance this value, not fritter it away. We avoid, therefore, the unnecessary dilution of our shares and seek to preserve our rights of pre-emption. We expect resolutions pertaining to capital decisions to be split out on the proxy statement, rather than "bundled" into one resolution. We will not typically approve the creation of non-voting shares and usually vote against attempts by controlling shareholders to increase the differential between his or her level of equity ownership and voting control. Stock splits are approved on a case-by-case basis with reference to the justification disclosed by the company.

Companies ought to disclose clear dividend policies. Dividends should be sufficiently covered and put to shareholder vote. Uncovered dividends should be accompanied by an explanation covering the sustainability of the dividend or distribution policy. Companies proposing scrip issues should offer a cash dividend option. Companies ought to explain why a share buyback programme is the most appropriate method of returning cash to shareholders, including the circumstances in which a buyback will be executed. The Fund pays particular attention to share buyback programmes that could affect remuneration structures through the influence on earning per share (EPS) measurements: such structures must be buyback-neutral and buyback authorities must

be within acceptable limits, expiring no later than the following AGM. The Fund will typically vote against waivers of Rule 9 of the Takeover Code (in relation to ownership levels at which mandatory bids are required).

The Fund is unlikely to support article changes that materially reduce shareholder rights. The Fund is strongly opposed to virtual-only AGMs and views as fundamental the right to attend shareholder meetings in-person. The Fund typically opposes resolutions seeking authority to limit the jurisdiction that applies to dispute resolution.

Merger and Acquisition (M&A) decisions are made on a case-by-case basis, with reference to the long-term economic interest of scheme members and compliance with the Fund's Conflicts of Interest Policy. The Fund will consider supporting transactions with the following characteristics: long-term benefits to shareholders, good quality disclosure, high quality management, supportive independent advice, approval of the independent directors. We seek to determine whether the deal yields a good strategic fit, and we value prior engagement with shareholders. We do not support poison pills that entrench management or damage shareholder value. Introductions of poison pills should be clearly explained and put to shareholder vote.

By contrast, poison pill redemption resolutions are generally supported. We will usually vote at courts and classes in a consistent manner with our GM vote.

The Fund does not support resolutions seeking authority to make political donations, where the recipients are likely to be political parties or lobbying organisations of concern. When it comes to capital, smaller companies might be afforded greater flexibility, depending on circumstance.

3.4 Fair Remuneration for Strong Performance Through the Cycle

Principles

General

For the majority of the Fund's UK listed investee companies, shareholders are entitled to vote annually on an advisory basis on the remuneration report and (typically) every three years on the remuneration policy (where the voting outcome is binding). Our voting decisions recognise that remuneration is contextual, rather than one-size-fits-all.

Companies need flexibility to design and apply remuneration structures appropriate to the business in question. There is no requirement for remuneration structures to follow traditional models if more appropriate models can be found. Whilst the structure of remuneration policies is of prime importance, we are also concerned about the quantum of pay. Remuneration should amount to no more than is necessary and sufficient to attract, retain and motivate the individuals and groups of individuals most suited to managing the company. Levels of executive remuneration that are, or are perceived to be, excessive and unfair can be demotivating to staff and reputationally damaging to the company. Executive pay should be considered in the context of overall workforce pay and in the context of the long-term financial needs of the company, its ability to meet its dividend policy and its ongoing requirement for capital investment and R&D.

Remuneration structures should be simple and easy to understand for both shareholders and executives, who need clear lines of sight as to their objectives.

Governance

A remuneration committee, composed solely of independent non-executive directors, should design and apply appropriate remuneration structures and should enter into dialogue with shareholders and employee representatives. The outcome of consultations should be made known in advance of the AGM, such that policy changes do not come as a surprise to engaged shareholders or employee representatives. Any advisors to the remuneration committee should be disclosed with an explanation of the advice provided. Multiple relationships with the company should be transparent and the external auditor should not normally perform the role of remuneration advisor. The committee should feel empowered to apply discretion appropriately (including increases and decreases) and should be aware that it is possible to gain shareholder trust through the use of restraint. Where the remuneration report or policy receive large votes against (which we currently consider to be more than 20% oppose votes among minority interests), the company should consider changes to the remuneration committee, engaging shareholders and changing remuneration advisors. The output of the remuneration committee – including remuneration policies and reports – should exhibit intelligent design and proactivity. This can be achieved through appropriate departures from traditional remuneration models including Long Term Incentive Plans (LTIPs). The remuneration committee and the nomination committee should work together on succession planning and at an early stage of the recruitment process should start to design appropriate remuneration for incoming executives. We view exceptional payments as indicative of poor planning by the remuneration committee.

Disclosure

The Chair of the remuneration committee should author a detailed but intelligible report outlining the work undertaken during the year and, where relevant, how the committee has responded to significant levels of opposition votes.

Disclosures should clearly relate remuneration structures to business strategy and should relate the levels of award to company performance, strategy, financial liabilities and over all workforce conditions. Any use of discretion should be fully explained. The median and maximum awards under the bonus scheme and incentive plans should be clear, as should the effect on EPS-based targets of share buyback schemes. The targets for variable pay, for this year and next, should be disclosed (there should be retrospective disclosure if the targets are commercially sensitive).

Structure and Fairness

Remuneration should amount to no more than is necessary and sufficient to attract, retain and motivate the individuals and groups of individuals most suited to managing the company.

An executive's base salary should reflect his or her role and level of responsibility. Base salary should not increase significantly without a clear, compelling and exceptional justification. The rate of salary should not be solely or mainly based on quartile comparison, and we would expect salary benchmarking to occur once every three years at a maximum. Salary increases should be set in the context of wage increases to the median worker. The remuneration committee should understand how base pay increases affect the total level of pay now and in the future. Contracts should be agreed on a 12-months' basis.

Annual bonuses should have stretching, declared targets that link to company strategy. There should be consistency with the targets given prominence in the strategic report. Performance against targets should be disclosed in the remuneration report. In determining targets for variable pay, the remuneration committee should consider strategic, financial and non-financial measurements, and companies with high levels of Environmental, Social or Governance (ESG) risk should consider using ESG metrics with appropriate weightings. In general, bonuses should be reduced from their current levels, and maximum and median rewards under annual bonuses should usually be lower than rewards within LTIP schemes, reflecting the dominance of the long-term over the short-term. The payment of a significant proportion of the annual bonus in deferred shares is welcomed where this improves alignment with shareholders, does not risk excessive dilution and includes a suitable holding period. If a company experiences a significant negative event, bonus sanction should be considered even if the annual targets were met.

Incentive schemes should be transparent, understandable, long-term and appropriate to the circumstances and strategy of the company. For reasons of simplicity, companies should avoid having more than one active incentive plan. Performance conditions should ensure there is no reward for failure, nor for luck, and sufficient clawback and malus provisions should be designed and applied. The performance measurement period should have a minimum of three years, with a vesting period a minimum of three years from grant. Companies operating in sectors with long-term investment horizons should consider a performance period of more than three years. We are concerned that, despite the wide range of business models and investment horizons across UK listed companies, there are too many standard LTIP schemes with common vesting periods and performance targets, and we think this reflects a lack of intelligent design by remuneration committees. Committees should give thought to not having an LTIP and rewarding execs through a single bonus scheme which pays out in deferred shares with a holding period, based on stretching performance targets. Whether contained in an LTIP or otherwise, performance targets should not reward below-median performance and threshold vesting amounts should not be significant relevant to base salary. Where comparator groups are used, the remuneration committee should disclose why the comparators are believed to be genuinely representative (eg, with reference to their size, sector and performance). If awards depend on Total Shareholder Return (TSR) relative to overseas peers, companies should disclose fair currency conversion policies in advance of the grant. There should be several performance targets, which should relate to shareholder return, to the business strategy and include financial and non-financial elements, according to the company's current and expected operating environment. We would not expect performance conditions to be re-tested between remuneration policy reviews. Following a change of control, awards under an LTIP plan should be made pro-rata for time and performance to date; they should not automatically vest. Share-based awards should not lead to excessive dilution and exceptions to this principle should be put to shareholder vote, which ought to receive support from the majority of minority shareholders. In the event of a decline in the share price, remuneration committees should prevent accidental ("windfall") gains through top level grants through the use of downward discretion. Remuneration policies should explain the treatment of M&A and share buybacks where these are likely to impact performance targets either directly or indirectly.

In order to achieve alignment with shareholders, executives should make a material, long-term investment in company shares and these shares should be subject to a suitable holding period following an executive's departure. Companies should disclose the time by which new executives should reach the target level share ownership. Whilst these shares may be hedged or used as collateral, the company should make it clear that this is not true for share awards earned through LTIPs. Executive share ownership for alignment purposes should be distinct from shares granted under LTIPs, though exceptions may be made where shares are vested and not subject to ongoing performance conditions. Significant share sales should be rationalised in the annual report. As with all aspects of remuneration, the remuneration committee should be wary of unintended consequences, eg, effects on risk taking or risk aversion, dividend policy design and M&A. Remuneration committees should be cognisant of the significant costs and liabilities of executives' pensions contributions, the overall remuneration structure, and the tax and regulatory environment. Whilst we use a 30% contribution rate as a guideline for the upper limit, we think executive pensions contributions must set in the context of contributions for the overall workforce. Changes in actuarial assumptions that affect transfer values should be clearly disclosed. No element of variable pay should be pensionable.

Certain payments to incoming and outgoing executives cannot be avoided, but remuneration committees should be mindful of opportunities to minimise such costs in alignment with long-term shareholders. Outgoing executives should not be rewarded for failure. Severance pay consequences should be considered before appointment, such that early termination does not lead to unanticipated liabilities. We will not usually support retention payments ("golden handcuffs"), but could support deferred payments to key staff during critical periods. A clear rationale should be presented during shareholder dialogue. Similarly, compensatory payments for new appointments (including where the appointee has had to forgo expected variable pay at a previous employer) could only be considered with a clear rationale and we would expect compensation to be awarded in shares and subject to perf conditions. New appointments should normally begin on a lower salary to avoid creeping costs.

We will typically oppose tax equalisation payments where this introduces a new (net) cost to the company. We expect a cap on such payments to be disclosed.

Non-executive directors' fees should reflect the role and the level of responsibility and should not increase excessively from one year to the next. We do not expect non-executives to participate in LTIP schemes but understand that, exceptionally, directors may be granted shares at listing or pre-listing stage on a one-off basis. Share awards need a clear rationale and the policy should be applied consistently over time with conditions and parameters that ensure independence of the director's contribution. At a minimum this should include a requirement that share-based awards do not have performance conditions and are made at the market price. Additional benefits for non-executives should reflect necessary business duties only.

3.5 Miscellaneous

Principles

We are regularly called on to vote on shareholder proposals. These proposals address a range of topics including proxy access, articles of association, climate change, human rights and more. The Fund takes a case-by-case approach to shareholder resolutions and will support resolutions that are appropriately worded and, on balance, support the long-term economic interests of our stakeholders and help to make boards of directors accountable to shareholders. We consider pre-declaring our voting intentions on shareholder proposals on a case-by-case basis.

We follow the PLSA's guidance on related party transactions.

We usually support all employee share schemes, except where we have concerns over dilution.

Smaller companies and investment trusts are at different stages with respect to corporate governance arrangements, and our expectations of these companies reflect these differences in some circumstances. We are mindful of the QCA corporate governance code for smaller and medium listed companies and the Association of Investment Companies Code of Corporate Governance.

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