



WEST MIDLANDS PENSION FUND VOTING PRINCIPLES

MARCH 2024



West Midlands Pension Fund

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1 INTRODUCTION TO WMPF'S VOTING PRINCIPLES

1.1 About this Document

This document describes West Midlands Pension Fund's ("we/our") approach to exercising our voting rights at the shareholder meetings of companies we are invested in who are based in the UK.

For voting rights associated with non-UK companies, we currently apply the international voting principles of the stewardship provider appointed by our investment pool company, LGPS Central Limited (herein referred to as "LGPS Central").

The Voting Principles apply to those assets where we hold voting rights. Where voting rights are executed by external managers on our behalf (for instance, in pooled mandates, including those operated by LGPS Central, or where we have delegated authority) we have reviewed and are satisfied with the voting policies of those managers.

This document is owned by the Fund's Internal Investment Committee, with oversight from our Pensions Committee. It is reviewed on an annual basis.

1.2 Responsible Investment and Voting at WMPF

Our Responsible Investment Framework details our approach to integrating environmental, social and governance (ESG) considerations into our investment strategy. It informs and is supplementary to our Investment Strategy Statement, aligning with our investment beliefs and fiduciary duty.

A three-pillar framework supports these aims. The pillars are Selection, Stewardship, and Transparency & Disclosure. In line with the UK Stewardship Code, voting is a core component of our approach to investment stewardship.

2 CORPORATE GOVERNANCE, STEWARDSHIP AND VOTING IN THE UK

We use our voting rights to support the long-term economic interests of our stakeholders, by ensuring that investee companies are accountable and provide robust disclosure on how business risks and opportunities are successfully managed and capitalised.

2.1 UK Corporate Governance Code

We support the UK Corporate Governance Code¹ ("the Code") and believe 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 their Annual Report and Accounts. In the case of diversions from the Code, we expect transparent and thorough disclosure.

The Code stipulates that companies should comply with the Code or explain reasons why they do not comply. Rather than reiterate the principles and provisions of the Code, this document focuses on matters most important to us.

For smaller companies and investments trusts that are at different stages with respect to corporate governance arrangements, our expectations for these companies reflect the maturity of the company. Nonetheless, we expect that the Code, the Wates Principles², and the Association of Investment Companies Code of Corporate Governance³ are considered as standards of good practice when engaging with shareholders and seeking their approval at company meetings.

¹[UK Corporate Governance Code \(frc.org.uk\)](https://www.frc.org.uk)

²[The Wates Corporate Governance Principles for Large Private Companies \(frc.org.uk\)](https://www.frc.org.uk)

³[AIC Code of Corporate Governance | The AIC](https://www.aic.org.uk)

2.2 Stewardship and Voting

Voting is linked to engagement, and the votes we cast at company meetings may reflect the outcomes of engagement activities during the year in review. Equally, a voting decision can set the tone for subsequent engagement.

Our intention is that our voting decisions do not come as a surprise to our investee companies, but they are a by-product of dialogue. Where we take 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 dissatisfaction in how companies are managing a material issue for their business and indicate an investment concern for us.

In limited circumstances, we may make use of “abstain votes.” This is likely to occur when we note companies’ progress in managing risks deemed material for our investment, but the approach is not yet deemed adequate to meet good practices. To send a strong signal, we make a limited, tactical use of abstain.

2.3 Market Transformation

We recognise our role as a large, long-term asset owner with investments diversified across a range of geography, sector, and market instruments. We have an interest in improving the standards of corporate governance within financial markets and promoting good practices among companies and throughout the market.

Where certain standards or targets set minimum expectations (for example in matters relating to the diversity of company boards) we will consider voting beyond the minimum (for example by requiring a faster rate of progress on diversity within company boards).

We partner with organisations that share our commitment to the adoption of best stewardship practices (e.g., the Local Authority Pension Fund Forum and the Institutional Investors Group on Climate Change) and believe that involvement in partnerships can support and foster a stable and healthy market needed to undertake our fiduciary duty to our members.

2.4 Voting Procedures

We use the appointed stewardship provider of LGPS Central to analyse and provide advice relating to the Fund’s voting opportunities, consistent with our policies. The guidelines below may be overridden where this is deemed to be in the long-term economic interests of our stakeholders. Where issues are insufficiently addressed by the Code or the principles in this document, a decision will be made using research and the advice of our appointed advisers and research provider.

Our voting decisions are arrived at through a collegiate approach, incorporating the views of our Fund officers as appropriate, LGPS Central’s Responsible Investment and Engagement (“RI&E”) Team and stewardship provider, and asset managers as appropriate for the company in question.

2.4.1 Securities Lending

We have an active securities lending programme to ensure that we can vote on all of our shares at important meetings, we may restrict lending for certain stocks and recall shares in advance of shareholder votes. On our behalf, ahead of voting season LGPS Central will identify a selection of companies within its priority engagement universe, to fully restrict from lending to maximise its voting power on critical issues such as climate change. LGPS

Central also monitors meetings and will restrict and/or recall lent stock in determined circumstances, e.g., in the case of filing or supporting a shareholder proposal that is in support of our engagement objectives, with due consideration to the advantages of voting the shares versus the cost implications of recalling or restricting the loan of the stock. We support the guidance provided by the UK Stewardship Code on the disclosure of our approach to security lending.

2.5. Voting Disclosure

We publicly disclose the implementation and the effectiveness of our Voting Principles and our voting outcomes via:

- A quarterly report summarising our voting activities to our Pensions Committee
- Disclosure of our voting activity and outcomes within our Annual Reports and Accounts and Annual Stewardship Report

From time to time, we may choose to “pre-declare” our 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 we will consider before casting our votes. They are supplementary to the principles and provisions of the Code, which we fully support. It is not possible for one document to cover every eventuality and this document’s ambition is to serve as a guide.

3.1 A Great Board with a Long-Term View

Good governance starts with a great board. 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.

Diversity

We support the Davies Review⁴, the Hampton-Alexander Review⁵ and the Parker Review⁶, and the UK Financial Conduct Authority’s listing rules⁷. We expect companies to disclose whether they comply – or, if not, why – with the following targets:

- At least 40% of board seats and at least one senior board position (Chair, Chief Executive Officer, Chief Financial Officer or Senior Independent Director) held by a woman, and
- At least one board seat held by someone from an ethnic minority background.
- Where companies have not made these disclosures and we do not find there to be a reasonable explanation, we will consider opposing the Chair of the Nomination Committee.
- We expect FTSE 100 and 250 companies to have at least 33% women on their Executive Committee with a voluntary target of achieving 40% executive committee gender diversity by 2025.

⁴[Women on boards: 5 year summary \(Davies review\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/362222/Women_on_boards_5_year_summary_Davies_review.pdf)

⁵[FTSE women leaders: Hampton-Alexander review - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/362222/FTSE_women_leaders_Hampton-Alexander_review.pdf)

⁶[Ethnic diversity of UK boards: the Parker Review - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/362222/Ethnic_diversity_of_UK_boards_the_Parker_Review.pdf)

⁷[LR.pdf \(fca.org.uk\)](https://www.fca.org.uk/lr/pdf)

We will consider voting against the Chair of the Nomination Committee when there is no adequate explanation of divergence from the listing rules' expectations. Equally, we will consider opposing the Chair of the Nomination Committee when the Executive Committee (and its direct reports) has materially less than 30% (FTSE 100) or 25% (FTSE 250) female representation.

We will consider voting against the re-election of all members of the Nomination Committee where insufficient progress is made against board diversity and targets and where no credible plan exists to achieve this.

Time Commitment

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 and Accounts. The re-election of overboarded directors will not be supported, even if they are from demographics that are currently underrepresented in UK boardrooms.

Board Size and Independence

The Chair should ensure the board is of an appropriate size. Whilst we are not prescriptive on board size, we would question boards comprising five or fewer members, or large boards of sixteen or more members. In line with the Code, we expect the Chair to be independent on appointment and 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 "nine-year rule" of independence, whilst we include a tenure of nine years or fewer among our criteria for independence, we fully support directors that make valuable contributions to the boardroom, even if their tenure exceeds this guideline. We will typically not support the election directors associated with special interest representation.

Committees

Boards should include nomination, remuneration, and audit committees. The latter two board committees should solely be made up 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 in clear and easily understandable manner and made without recourse to boiler plate language.

We support 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 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.

External Advisors

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. Full disclosure of advisors' compensation and length of tenure shall be fully reported in the companies' Annual Report. Conflicts of interest relating to external advisors should be disclosed and managed effectively.

Leadership

The role of the Chair is of special significance, as is the relationship between the Chair and CEO. The Chair should set a tone of transparency and openness towards stakeholders. 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. It should also 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. An effective evaluation of the triennial external reviewer should be disclosed in the Annual Report. An effective evaluation should evaluate how well the board is functioning as a group and how each director contributes to the board functions. Directors should be re-elected on an annual basis by majority vote except in the case of controlled companies. 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

Committee and Disclosure

The audit committee of the board plays a critical role and votes relating to the committee's composition and conduct carry particular importance for shareholders. The committee should be composed of at least three independent non-executive directors, with at least one having robust financial experience. 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.

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.

When auditors provide a qualified opinion to the Annual Report and Account, we will not support the approval of the Annual Report and Account.

In general, we support the FRC’s guidance on risk management, internal control, and related financial and business reporting. We will consider voting against the Annual Report where disclosure falls short of the mark.

Audit Tenure

A company should disclose its auditor tendering policy and details of the tendering process. We support the UK Audit Regulations, 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 seven years, rotating every 15, 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 over a three-year average. Where this limit is breached, the audit committee should disclose the rationale behind the divergence from good practice and should provide a clear plan for fee reduction. The resignation of an auditor during the financial year should be clearly explained, as should any qualifications to the Annual Report.

We believe such disclosure has even greater impact for Public Interest Entities (PIE) following the recommendations provided in the guidance document “*Restoring Trust in Audit and Corporate Governance*”⁸ (The Department for Business and Trade and Department for Business, Energy & Industrial Strategy).

3.3 Stewarding our Capital, Protecting Shareholder Rights

Shareholder Rights

We believe companies should be granted the flexibility to manage their capital structure effectively and raise additional capital where necessary in a timely and cost-efficient manner. We follow the Pension and Lifetime Savings Association’s guidance on related party transactions⁹ and the Investor Association Pre-Emption Rights Guidelines on capital-related resolutions¹⁰.

We are not supportive of granting companies unlimited authorisation to raise capital unless there is a sufficiently compelling case. We encourage companies to use the 14-day General Meeting 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. For this reason, we will rarely support resolutions seeking article changes that are materially detrimental to shareholder rights.

⁸https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1079594/restoring-trust-in-audit-and-corporate-governance-govt-response.pdf

⁹[07-THE-PLSA-VOTING-GUIDELINES.pdf](#)

¹⁰[Share Capital Management Guidelines 2023.pdf \(theia.org\)](#)

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. For newly listed companies, we expect time-based sunset share provisions¹¹ to be included in the articles of association disclosing when non-voting shares will be phased out. We shall 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. Stock splits are approved on a case-by-case basis with reference to the justification disclosed by the company.

We are strongly opposed to virtual-only Annual General Meetings (“AGMs”) and view AGMs as fundamental to the right to attend shareholder meetings in-person. We typically oppose resolutions seeking authority to limit the jurisdiction that applies to dispute resolution.

Dividends and Share Buy Backs

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. We pay 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. We will typically vote against waivers of Rule 9 of the Takeover Code¹² (in relation to ownership levels at which mandatory bids are required).

Corporate Actions

Merger and Acquisition (“M&A”) decisions are made on a case-by-case basis, with reference to the long-term economic interest of our members. We will consider supporting transactions with that have long-term benefits to shareholders, good quality disclosure, high quality management, supportive independent advice, and the approval of the independent directors. We will aim to determine whether the deal yields a good strategic fit, and we value prior engagement with shareholders. We do not support poison pills¹³ that entrench management or damage shareholder value. Introduction 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 AGM vote.

Political Donations

We do not support resolutions seeking authority to make political donations where the recipients are likely to be political parties or lobbying organisations of concern.

¹¹ In voting, the sunset clauses refer to provisions in the companies’ articles of association that determine when and how time-limited multiple-vote stock should sunset.

¹² [The Takeover Code - Takeover Code \(thetakeoverpanel.org.uk\)](https://thetakeoverpanel.org.uk)

¹³ A poison pill is a defence strategy used by the directors of a public company to prevent activist investors, competitors, or other would-be acquirers from taking control of the company. Poison pills are executed by buying up large amounts of its stock. They effectively block the accumulation of a company’s outstanding shares.

3.4 Fair Remuneration for Strong Performance Through the Cycle Aligned with Long-Term Success

Remuneration should attract, retain, and motivate the individuals and groups of individuals most suited to managing the company whilst not being perceived as excessive or unfair. Remuneration structures should be simple and easy to understand for both shareholders and executives, who need clear lines of sight through to their objectives. 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 research and development.

Pay Structure

Base Salary

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 twelve months basis.

Annual Bonuses

Annual bonuses should have stretching and declared targets that link to company strategy. There should be consistency across targets and these should be detailed 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 ESG risk should consider using ESG metrics with appropriate weightings. We encourage companies to embed robust ESG metrics into their pay structure and to explain to shareholders the relevance of each metric to its strategy. Remuneration committees should structure executive plans which promote the long-term success of companies. Short-term realised quantum should not exceed long-term award opportunities. We also expect a significant portion of short-term award to be deferred. This improves alignment with shareholders, does not risk excessive dilution, and includes a suitable holding period.

Long-Term Incentive Plans

Long-Term Incentive Plans ("LTIP") should be transparent, understandable, long-term, and appropriate to the circumstances and strategy of the company. 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. 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 (e.g., 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.

We support departure from traditional remuneration models including LTIP. When such plans are put forward, we expect extensive disclosure on the alignment between companies' business models and the chosen variable pay structure, and there should be extensive disclosure on how shareholders rights are retained.

The remuneration plan should include a suitable holding period following an executive's departure. 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.

Executives' Pensions Contributions

Executives' pensions contributions should be aligned to the wider workforce. Changes in actuarial assumptions that affect transfer values should be clearly disclosed. No element of variable pay should be pensionable.

Retention Payments

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) should only be considered with a clear rationale and we would expect compensation to be awarded in shares and subject to performance conditions. New appointments should normally begin on a lower salary to avoid creeping costs.

Change of Control

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 many minority shareholders. In the event of a decline in the share price, remuneration committees should prevent accidental ("windfall") gains through top level grants using 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. 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.

Disclosure

We expect the Chair of the remuneration committee to provide a detailed but intelligible report outlining the work undertaken during the year and, where relevant, how the committee has responded to significant levels of dissent votes.

Upward discretion should also be fully accounted for. The target 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). A remuneration committee 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.

The committee should feel empowered to apply discretion appropriately. Where a related remuneration resolution (e.g., remuneration report, remuneration policy and the re-election of the Remuneration Committee Chair) attracts significant dissent, the company should address concerns raised by shareholders following a constructive dialogue with advisors and shareholders.

We encourage companies to disclose executive to employee ratios, gender pay gap, and other workforce diversity and inclusivity data which can provide insight into pay practices. We may consider voting against the financial statements and statutory reports of qualifying companies (those with 250 or more UK employees) that fail to disclose their gender pay gap, where required to report by government.

3.5. Sustainable Business Practices

We expect companies to assess and address the impact of their operations on society and the environment, including in supply chains and business relations, and through their product life cycle. We expect companies to consider material ESG risks and opportunities within their long-term strategic business planning. ESG risks and opportunities can have a significant effect on the value of a company's assets over time, and on its ability to generate long-term returns for shareholders.

When voting, we will consider disclosure of codes of conduct, policies, strategies, management plans and performance data with respect to ESG issues, as well as impact assessments of specific projects or operations. Reporting should indicate how the board and the company holistically manage those risks and opportunities and ideally be aligned to established reporting standards and frameworks.

Net Zero

We will consider voting against the Chair, and other relevant directors or resolutions (including remuneration), at companies where we consider a company's response to the risks and opportunities presented by climate change to be materially misaligned with the goals of the Paris Accord.

We expect disclosure of climate-related risks and actions to mitigate these in line with latest best practice guidelines, such as those of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures and the Climate Action 100+ Benchmark Framework. Furthermore, we expect companies to present a climate transition plan with an explicit net-zero by 2050 target to shareholders for advisory voting at three-year intervals, as a minimum.

Net-zero strategies should be expressed in absolute emissions, not emissions intensity only, and should cover the full lifecycle of emissions. Strategies should also include 1.5°C-aligned short and medium-term targets, critically 2030 targets, that demonstrate how net-zero by 2050 can be achieved. Progress against the plan should be reported annually to the AGM.

Where climate risks result in material impacts for a company's financial outlook, this should be reflected in the financial statements. We also expect companies to include sensitivities to a 1.5°C pathway in the Notes to the accounts, e.g., impacts for impairments from higher carbon taxes, and to demonstrate that accounting assumptions are consistent with narrative reporting, including climate commitments. If there is inadequate evidence or lack of disclosure in these regards, we will consider voting against Annual Reports and Accounts and/or against the Audit Committee Chair.

If a company is assessed by the Transition Pathway Initiative's Management Quality framework below Level 4, or if a company is a key contributor to our portfolio emissions and is deemed not aligned to our Net Zero expectations, we will consider voting against the company Chair, and other relevant directors who have critical oversight over climate change.

Natural Capital

We encourage companies to be good stewards of natural capital to protect natural ecosystems and help mitigate against biodiversity loss. Through external managers and LGPS Central, we will engage with companies on the provision of more meaningful and consistent data and assess shareholder resolutions that can enhance corporate protection of natural capital, on a case-by-case basis. We will consider voting against the Chair, or other relevant directors or resolutions, if a company scores below 10 on the Forest 500 ranking, which assesses companies' disclosure and management of deforestation risk. From 2025, we will consider voting against the re-election of the Chair of companies that have not demonstrated a constructive dialogue with Nature Action 100.

Climate Lobbying

We expect companies to disclose information on their climate and energy policy lobbying and expenditure, allowing shareholders the opportunity to assess whether these lobbying activities are in line with the goals of the Paris Accord. The guideline applies to companies operating in climate material sectors.

Human Rights

Where we have significant concerns about a company's actions relating to the protection of human rights and human rights risk management, we will consider voting against relevant directors, and supporting relevant shareholder resolutions for promoting better disclosure. This is informed by a range of indicators, such as a failure to comply with legislation or internationally recognised guidance such as the UN Guiding Principles for Business and Human Rights. We will also consider any evidence that a company has caused or contributed to egregious, adverse human rights impacts or controversies and has failed to provide appropriate remedy.

We will consider voting against the Annual Report of FTSE 350 companies who have failed to publish an adequate annual modern slavery statement and provided insufficient explanation. We will consider withdrawing our support for the re-appointment of the Chair of companies that score below 3 in the 2023 Modern Slavery UK Benchmark. We support resolutions asking for companies to implement policies and management systems addressing human rights risks and to proactively undertake human rights due diligence across their operations, including in areas with fragile political stability.

Tax Governance and Tax Transparency

We recognise the importance of companies being accountable for and transparent about their tax practices. We expect portfolio companies to have a tax policy that outlines the company's approach to taxation and how it aligns with the overall business strategy. We also expect companies to have a robust tax governance and management framework in place, to pay taxes where economic value is created and to provide country-by-country reporting. We review reporting against the Global Reporting Initiative Tax Standard 207 as best practice for companies across sectors and will consider voting against board members of relevant committees (audit and risk) in case of material misalignment with this standard.

Board Responsiveness

As part of the Company's stewardship priorities, we may consider withdrawal of support to the re-election of the Chair, or other board members, when we have tried to engage with companies but there has been an unsatisfactory engagement outcome.

3.6 Shareholder Proposals

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. We take a case-by-case approach to shareholder resolutions and will support resolutions that are appropriately worded and, on balance, encourage sustainable business practices and support the long-term economic interests of our stakeholders and help to make boards of directors accountable to shareholders.

Support to shareholder resolutions may also not be provided if we, or LGPS Central on our behalf, are currently undertaking a constructive dialogue between a company and the company boards on the matter pertinent to the resolutions.

We are also cognisant of resolutions in the global market which are requisitioned by institutions not seeking the sustainable and equitable success of companies, and such resolutions will not be supported.

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