



2024  
**ANNUAL  
STEWARDSHIP  
REPORT**

DRAFT

# Contents

03	Creating Sustainable Futures
04	Introduction
05	Our Commitment
06	2023 Highlights
07	Our Pride Values
08	Our Engagement Themes
09	Our Fund And How We Operate
18	Our Investment Approach
37	Our Engagement And Voting Strategies
56	Appendices

**Rachel Brothwood**  
Executive Director of Pensions

# Creating Sustainable Futures

We remain committed and focused on delivering value to our customers.



RAFT

**TO BE UPDATED**

## Shiventa Sivanesan Assistant Director – Investment Management and Stewardship

Paul Nevin Assistant Director – Investment Strategy

# Introduction

This marks the fourth edition of our Annual Stewardship Report, highlighting our ongoing commitment to stewardship activities as both a responsible asset owner and employer.

In March 2023 we formally completed an in-depth review of our investment strategy which was conducted in line with our triennial actuarial valuation. Focus has subsequently shifted to implementation of our new strategic asset allocation.

The execution of our investment strategy will continue to incorporate our overarching climate and net-zero objectives, affirming our ambition to be industry leaders in the active stewardship of our assets. We maintain that integrating environmental, social, and governance (ESG) factors and being responsible investors is beneficial for investment outcomes and ultimately delivers value to our members by creating sustainable investment returns.

Collaboration across industry players will be crucial in driving improving standards and we continue to work with our investment partners to enhance the level of data and analysis across our portfolio. Over the year we undertook our annual reporting on climate-related financial risks and have been working with our pooling partner, LGPS Central Limited, on developing new metrics to report on going forward as we review our broader climate strategy.

Engaging with our members around responsible investment has been a key area of focus over the year. In June we launched our first responsible investment member survey to initiate dialogue with members and gauge members' awareness and understanding around responsible investment. The output has helped inform and shape our communication and reporting strategy which we have started to implement and will seek further feedback from members as this develops.

A significant focus in the coming years will be the further development of our internal reporting, oversight, and data framework across our investment portfolio. This will enable us to conduct more meaningful analysis and reporting across all our assets, enhance decision-making and align with the anticipated rise in climate-related disclosure requirements. We recognise the importance of being flexible in the current environment and anticipate that our approach will continue to evolve alongside industry developments and the ever-changing landscape.



# Our Commitment



## STRONG GOVERNANCE

Providing assurance on the services we deliver with effective decision-making.



## CUSTOMER FOCUSED

Enabling, educating and supporting our customers on complex issues flexing our services to our customers' evolving needs.



## GLOBAL INFLUENCE

Shaping the industry in which we operate, leading by example on key issues, including regulatory change, investment cost management, and responsible investment.



## DELIVERING FOR LOCAL PEOPLE

Enhancing our reach through developing our engagement model and supporting our communities through opportunity.

This report draws upon many of our approved investment and responsible investment policies:



Investment Strategy Statement



Responsible Investment Framework



Climate Change Framework and Strategy



Voting Principles

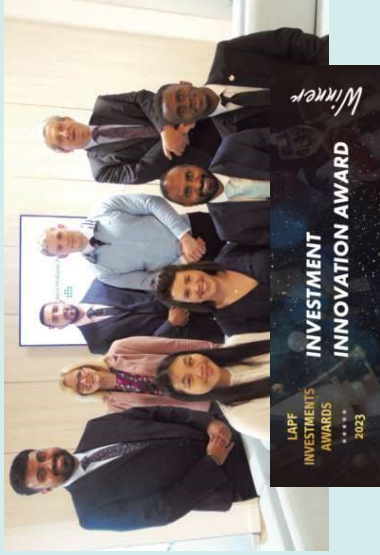


Climate-Related Financial Disclosure

# 2023 Highlights

## RECOGNITION

- LAFI Investment Innovation Award 2023
- Creation of the West Midlands Co-Investment Fund



## NET ZERO

- 30% reduction in carbon intensity achieved in equities portfolio since 2019.
- Disclosed progress against climate targets via Paris Aligned Asset Owners progress survey.

## ENGAGEMENT

748 companies engaged on 3,418 issues

- Engagement spotlight: HSBC Net Zero Commitment

## VOTING

37,180 votes cast at 2,882 company meetings

- Voting spotlight: Volkswagen's alignment with investors' Net Zero expectations

## INVESTMENT

### West Midlands Co-Investment Fund Launch: £25 million invested

- Launched in partnership with West Midlands Combined Authority to provide small to medium-sized businesses in the West Midlands area funding to accelerate business growth.
- Focused on sectors including green technology, advanced manufacturing, and life science
- Received the LAFI Investment Innovation Award 2023

### Net Zero Infrastructure Fund Investments: £65 million invested

- Increased our allocation to infrastructure investments across a range of opportunities, including mandates that focus on developing and leveraging renewable energy technologies and low carbon fuels that will accelerate the transition to a net zero economy

## ACCREDITATIONS



Trainee Development - Platinum

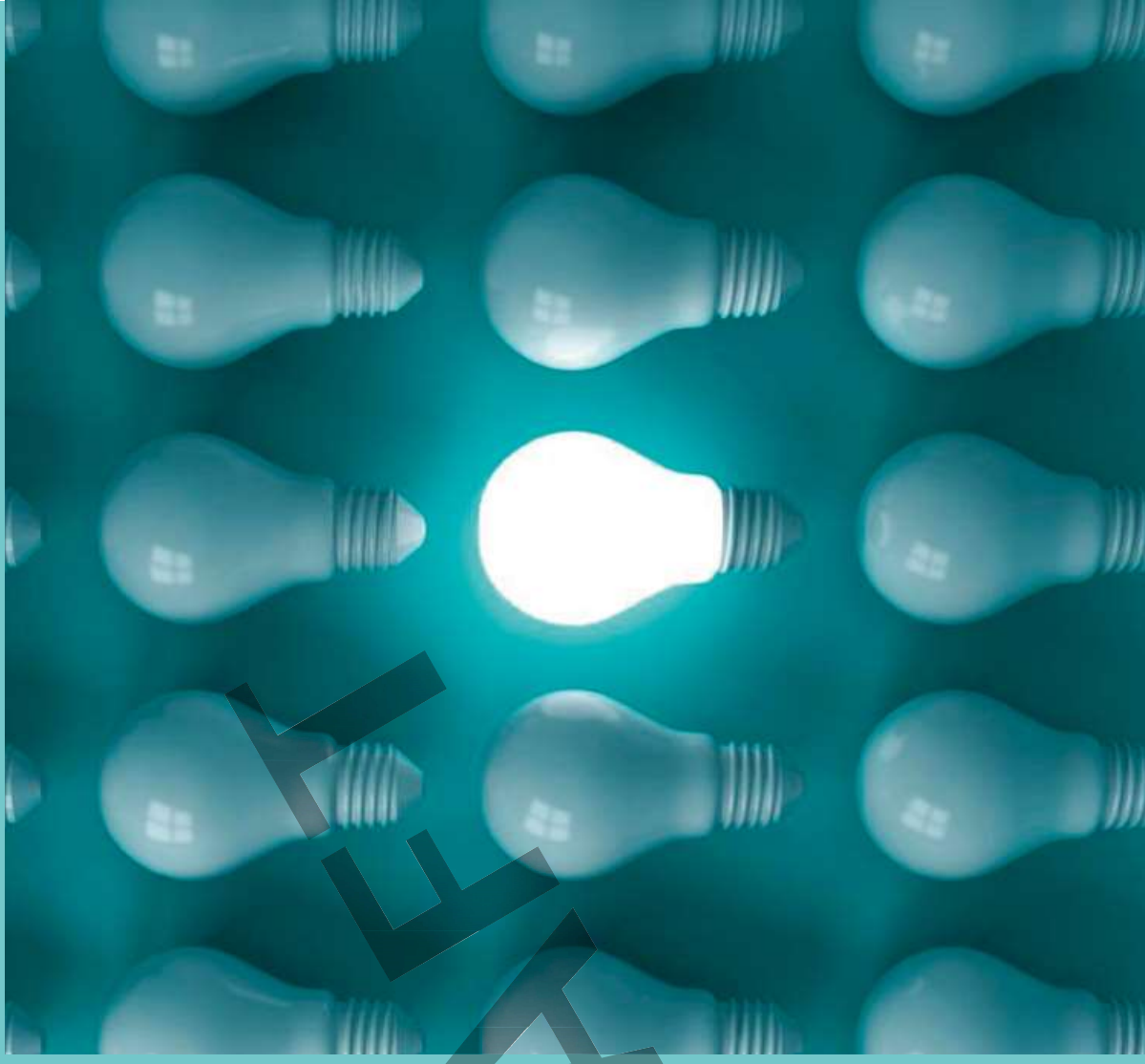
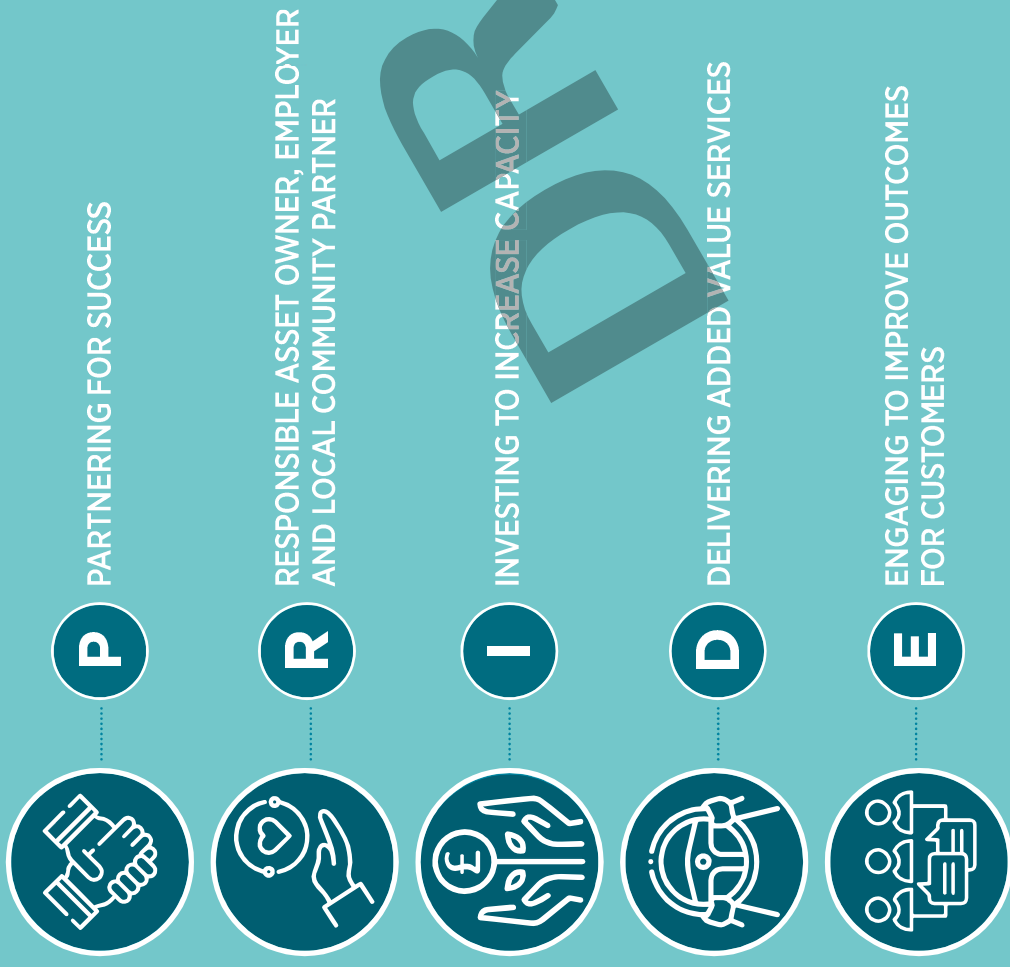


## INVESTORS IN PEOPLE®

We invest in people Gold

# Our PRIDE Values

To serve the best interests of our beneficiary members, we have identified five core themes for action through our PRIDE objectives.



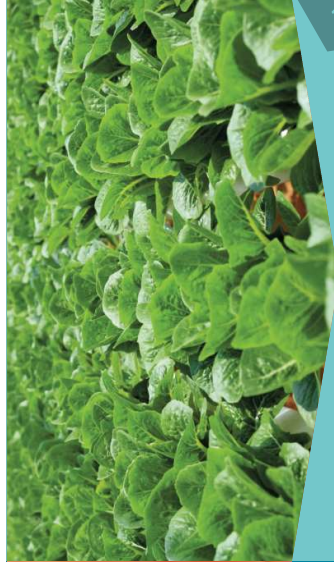
# Our Engagement Themes

We have selected four engagement themes for the period to 2023<sup>1</sup>: climate change, sustainable food systems, human rights and responsible financial management.



## CLIMATE CHANGE

We believe there is overwhelming evidence to support that climate change poses both risks and opportunities to our investments. It is our view that the scale of these impacts is such that a proactive, precautionary, and evidence-based approach is needed to address them. We adopt a programme of climate change stewardship, primarily by leveraging our strategic partnerships and through our support to the Transition Pathway Initiative, the Climate Action 100+ Initiative, and the Institutional Investor Group on Climate Change.



## SUSTAINABLE FOOD SYSTEMS

A sustainable food system is one that delivers food and nutrition security for all in such a way that the economic, social, and environmental bases for future generations are not compromised. There has been a shift among consumers who are increasingly aware of, and concerned by, the climate impacts of the food they eat and how sustainably it is produced. We also recognise and engage alongside partners to highlight and mitigate the risks and implications of water scarcity and use of single use plastics including the impacts on longer-term financial returns.



## HUMAN RIGHTS

Human rights, such as the right to life, right to freedom of association or right to health, protect people from discrimination, oppression and violence ensuring that fairness, dignity, and respect are upheld. A corporate's ability and commitment to remedy human rights issues, whether direct or indirect, is reflective of the strength of a company's culture, governance processes and risk management and associated with resilience to market shocks. A key focus, as a representative of an Asset Owner Diversity Charter working group and the 30% Club, is pursuing greater gender and ethnic diversity on company boards. Our stewardship work incorporates a drive for wider ranging action on equality and inclusion to drive change and increase representation.



## RESPONSIBLE FINANCIAL MANAGEMENT

Companies that exercise and demonstrate high standards of financial management are often linked to greater compliance, prone to less criticism and reduced reputation risks. Tax transparency ensures fairness in that small businesses are not shouldering a heavier tax burden, ensuring tax is being paid accurately based on the jurisdiction of where value is created. We push companies for increased transparency in their reporting.

<sup>1</sup> Our engagement themes will be refreshed for the period 2024-2027 noting this is a historic report for 2023.



# Our Fund and How We Operate

(Principles 1, 2, 3, 5, 6)

## OUR MISSION

We work in partnership with 838 participating employers to support pension saving and provide benefits to 345,241 members and employees who provide public services that support communities across the West Midlands.



Part of the Local Government Pension Scheme

Member of the LGPS Central Pool

Open defined benefit scheme – with a long-term investment horizon

Working on behalf of the seven local authorities

## OUR FUND

Our mission is to provide sustainable futures for all – engaging our customers in retirement planning, ensuring efficient pension administration and return on contributions through responsible investment and influence for positive environmental and social benefit, to deliver long-term benefit promises.



Net assets: £20.2bn<sup>2</sup>  
 Members: 345,241  
 Employers: 838

<sup>2</sup>All membership and employer figures are dated as of the 31st March 2023, except the net assets dated as of 31st December 2023.



## OUR MEMBERSHIP

We have three membership types, with roughly a third of our membership split thirds across each category.

- Active members – currently employed by one of our employers and paying pension contributions into our scheme
- Deferred members – worked for a scheme employer in the past and are entitled to receive a pension from us in the future
- Pensioner members – are currently receiving their pension benefits from us.

The average age of our entire membership base is 55 years.

Total scheme members	Active members	Deferred members	Pensioner members
<b>345,241</b>	<b>113,854</b>	<b>115,662</b>	<b>115,725</b>

## OUR EMPLOYERS

Membership of our Fund is available to all local government employees, including non-teaching staff of schools and further and higher education corporations in the West Midlands region, together with employees of scheduled and admitted bodies.

Employer base (%)

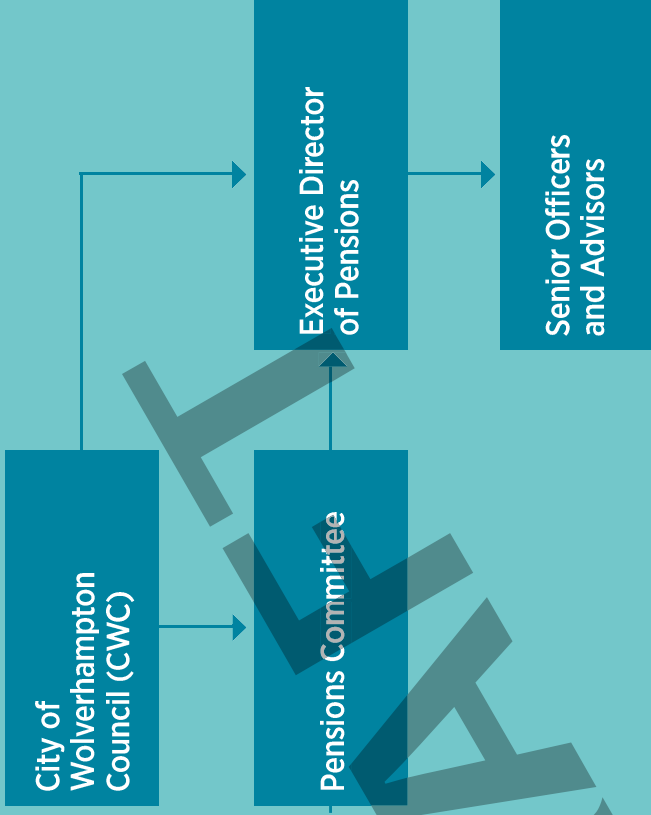


- Local authorities and scheduled public bodies **27**
- Academies **66**
- Further and higher education **2**
- Admitted bodies **5**

# Our Decision Making



Active stewardship further strengthens our governance practice.



<sup>3</sup> defined by Section 4 of the Public Service Pension Act 2013  
<sup>4</sup> under the Local Government Pension Scheme Regulations 2013  
<sup>5</sup> under its constitution and in accordance with Section 101 of the Local Government Act 1972  
<sup>6</sup> as required by the Public Service Pensions Act 2013  
<sup>7</sup> Key duties of the Pensions Committee are detailed in the Fund's Governance Compliance Statement 2022

## SCHEME MANAGEMENT AND GOVERNANCE

We are committed to providing strong governance.

The City of Wolverhampton Council (CWC) is our Scheme Manager<sup>3</sup> and administering authority<sup>4</sup>. CWC have delegated responsibility for the management of our pension fund to our Pensions Committee<sup>4</sup> and our Executive Director of Pensions<sup>5</sup>. Our Pensions Board<sup>6</sup> assist in the good governance of the scheme by ensuring compliance with legislation and statutory guidance. Together the Pensions Board and Committee make up our 'Governing Bodies'. Our governance arrangements are outlined in the diagram to the right.

## PENSIONS COMMITTEE

Members of our Pensions Committee are responsible for our activities, ensuring that they are managed in the best interest of all our members, employers, and beneficiaries<sup>7</sup>. Pensions Committee members must therefore take a non-political approach to the decisions they take. Our Pensions Committee membership is made up of eight City of Wolverhampton Councillors, together with one representative from each of the six metropolitan district councils across the West Midlands. They all hold voting powers on the committee. The Committee invites representatives from the trade unions to sit as observers.

Our Pensions Committee has oversight and monitors the implementation of our responsible investment and stewardship practices and policies to ensure effectiveness and continuous improvement. During 2023, the Committee approved the following Responsible Investment publications or updates, except for the Responsible Investment Framework which was provided as a draft with approval due in March 2024:

- Responsible Investment Framework
- Voting Principles
- Annual Stewardship Report
- Climate-Related Disclosure Report

## PENSIONS BOARD

Our Local Pensions Board (“Board”) assists with the good governance of the LGPS by monitoring compliance in line with statutory regulation and guidance. We explore and debate emerging risks and issues with our Board, who are representative of the Fund’s membership base, providing a forum for engaging member perspectives.

Our Board is made up of five member and five employer representatives all of whom have equal voting rights. Our Board members are non-political and must consider our overriding objective, which is to pay members benefits when they fall due.

## GOVERNING BODY TRAINING

Our governance structure is structured according to the stipulations of local government pension schemes. We are committed to building the knowledge and skills appropriate for our governing bodies, particularly those that rotate on an annual basis, in an evolving regulatory<sup>8</sup> and best practice landscape. We firmly believe that the benefits over the long-term are essential to the effective governance and management of our Fund.

Responsible investing continued to form a pivotal part of our 2023 governing body training and induction programme. In-house structured training was provided on our RI Framework, our RI approach and along with training on our new climate-metrics which have been developed to enhance our climate-related risk management and disclosure.

External training was delivered by our investment managers, such as our infrastructure managers, and via multiple guest speakers at the LGPS Central RI Summit and the annual Local Authority Pension Fund Forum (LAPFF) conference.



## SCHEME OFFICERS AND ADVISORS

### Investment Committee

Our Investment Committee is responsible for the day-to-day management of the investment portfolio and oversight of assets including the implementation of the Investment Strategy Statement (ISS), asset allocation and Responsible Investment Framework.

### Investment Advisory Panel (IAP)

Our IAP comprises two external advisors who provide challenge, oversight, and support assurance of our Investment Committee including the review of the Fund’s Responsible Investment policies by providing expert and market experience.

<sup>8</sup> The Fund’s Governing Body Training Policy is reviewed and approved annually and reflects the requirements of CIPFA’s LGPS Knowledge and skills framework. Pensions Committee are detailed in the Fund’s Governance Compliance Statement 2023

### Our Team

Our team is led by two members of the Fund's Senior Leadership Team: Our Assistant Director for Investment Management & Stewardship is CFA qualified with a background advising pension schemes on investment strategy and implementation. Their primary focus at the Fund is to monitor and work with investment managers to improve their approach to responsible investment (RI) and ESG integration in line with our Responsible Investment Framework.

Alongside is our Assistant Director for Investment Strategy, who is a qualified actuary with 20+ years' experience in the investment industry in a variety of different roles. Their primary focus is to undertake and implement the Fund's Investment Strategy as we pivot to a new strategic asset allocation aligning to our revised funding levels.

Our assistant directors are supported by a wider investment team consisting of an Investment Manager, Investment Officer, Investment Assistant and two Investment graduates. There are also two dedicated Responsible Investment roles to support the stewardship of assets, ESG integration and RI monitoring alongside the investment process.

- Our Responsible Investment Officer who holds a PhD in Climate Change and is currently undertaking the Investment Management Certificate (IMC),
- Our Responsible Investment Analyst, who holds a Master's degree and is studying towards the CFA Certificate in ESG Investing qualification.

Collectively, we bring an array of skills, qualifications (CFA and IMC) and abilities gained from experience working in a range of sectors and organisations, including undertaking additional training to develop and grow within specified roles. This includes tailored resource focused on the development, implementation, and delivery of our responsible investment objectives.

Further details on the Fund's wider approach to people development can be found in Our People's Strategy and Appendix 1.



# Conflicts of Interest

Our [Conflicts of Interest Policy](#)<sup>9</sup> sets out our approach to identifying, reporting, reviewing and mitigating potential and actual conflicts to ensure appropriate management. We acknowledge that it is not always possible to eradicate conflicts, and take a balanced view on their mitigation, management and record keeping.

Our failure to recognise actual and potential conflicts may impede our ability to effectively deliver for our members and employers, cause reputational damage and may lead to regulatory enforcement.



## Body

### Identification

#### West Midlands Pension Fund

We acknowledge the role we play in representing, collaborating, and determining aspects which have the potential to impact our customers. Potential conflicts may arise with CWC, who is both our administering authority and one of our participating employers.

Conflicts may arise between us and our employers, between our employers, and in events such as restructuring.

### Management

To manage potential conflicts with our administering authority, we:

- allocate and manage our own operating budget, finance, and investment activity<sup>10</sup>
- operate from a separate office location to CWC<sup>11</sup>
- have a dedicated senior LGPS Officer<sup>12</sup> (our Executive Director of Pensions) responsible for the management of Fund resources (including our people).

To manage potential conflicts with our employers, we:

- have policies in place to review and manage conflicts, including through clarification of our role often facilitating the provision of information to both parties, for example in the instance of a merger between two of our employers

## Our People

We have established a policy and process for managing personal dealings of our officers.

All our employees have no element of remuneration linked to performance, selection or their work with our investment providers and advisers.

Our officers must report personal dealings to our Investment Compliance team to monitor the potential for insider dealing.

<sup>9</sup> Our Conflicts of Interest Policy was approved by Pensions Committee in September 2022

<sup>10</sup> in line with LGPS regulatory standards

<sup>11</sup> under legally enforceable lease arrangements, separate to the Council building

<sup>12</sup> in line with the Scheme Advisory Board Good Governance Project

Body	Identification	Management
<p><b>Governing bodies</b></p>	<p><b>Pensions Committee</b> CWC has adopted the national standard on Code of Conduct and the Nolan Principles on Public Life for its elected Councillors who sit on our Pensions Committee as the decision-making body.</p> <p><b>Local Pensions Board</b> The Pension Board<sup>13</sup> has a Code of Conduct for its membership (created on the same principles as that for elected councillors).</p>	<p><b>Conflicts of Interest</b> Covered in induction training for new governing body members to ensure that they understand the requirement to declare pecuniary interests in relation to their roles.</p> <p><b>Declaration of Interests</b> Required in matters being discussed and decided annually, and at the start of all meetings. Meeting minutes are recorded and published online, as is a register of interests.</p> <p><b>Managing Actual Conflicts</b> Members who have an actual conflict of interest will be prevented from participating in discussions and voting on the matter being considered<sup>14</sup>, and therefore be excluded from the decision-making process. Members must then withdraw from the meeting and not remain in the room while the matter is discussed.</p>
<p>No actual conflicts of interests were identified internally for our governing bodies or Fund officers in 2023. Examples of hypothetical examples of conflicts of interest are included in Appendix 2a.</p> <p><b>Management of Conflicts of Interest for Third Parties</b> The effective management of conflicts of interest is a key component of our due diligence process of all of our asset managers, service providers and stewardship services. We expect our managers to have robust controls and procedures in place around conflict management and to demonstrate commitment to managing conflicts fairly. In order to meet this requirement, we regularly request and review our managers' conflicts of interest policies.</p>	<p>We monitor and oversees LGPS Central's management of conflicts of interest and its compliance monitoring framework, during the review and appointment of service agreements. We expect an appropriate level of reporting on conflicts of interest in relation to advisory arrangements that are in place with LGPS Central.</p> <p>An example of a conflict of interest from our underlying investment managers are included in Appendix 2b.</p>	

<sup>13</sup> in line with the requirements of the Public Service Pensions Act

<sup>14</sup> even if the conflict is already declared on the register of interests

# Engaging our Stakeholders

**Our member engagement aims to cultivate a shared vision for a sustainable and secure future.**

Our commitment to Responsible Investment fosters trust and empowers members to participate in conversations that impact their retirement security. Our Engagement Strategy<sup>15</sup> ensures clear communication of our investment stewardship approach and alignment with our member values. Through knowledge sharing and open dialogue, we equip members with an understanding of how their concerns are addressed in our investment practices.

## RESPONSIBLE INVESTMENT SURVEY

In 2023, we ran a pilot Responsible Investment survey. The survey was designed to initiate a conversation with beneficiary members on the topic, gauge member's awareness, understanding and appetite for RI, and to inform our actions moving forward. We conducted this project because we believe the Fund has a responsibility to communicate and inform our members about our practices and were keen to hear their thoughts and opinions on the matter.

The results indicated that members have a lack of understanding as to what Responsible Investment means, but generally associate Responsible Investment with positive attributes. Younger members (age <35) showed more interest in ESG issues and climate change but were less engaged with their pensions than individuals aged 55+, including those close to retirement or already retired.

This important exercise revealed a need for better communication from the Responsible Investment division to our members. Acting upon our findings, we began the following initiatives:



<sup>15</sup> In reference to the RI-specific engagements with members. The wider Fund has an extensive Customer Engagement Plan to support members at all stages of their pension journey as detailed on our [website](#).

## Increasing communication through engagement forums:

In 2023 we conducted three engagement forums engaging both our active and pensioner member base. These sessions were designed to facilitate discussions with members on responsible investment matters, gaining insights into their priorities, and addressing any queries they may have. Notably, members raised questions regarding our asset base, divestment policies, and sought clarity on forthcoming communications.

## Publishing our first Responsible Investment leaflet:

Through the engagement forums, we discovered a need for improved RI communication. It also became apparent that certain members prefer physical publications for accessibility reasons. As such, in September 2023 we created our first Responsible Investment leaflet in hard-copy and digital. The leaflet outlined our commitment to Responsible Investment, explaining the alignment with safeguarding investment returns, as well as the guiding principles and approaches to investment stewardship. The leaflet also included practical examples and evidence of implementation, showcasing our activities.

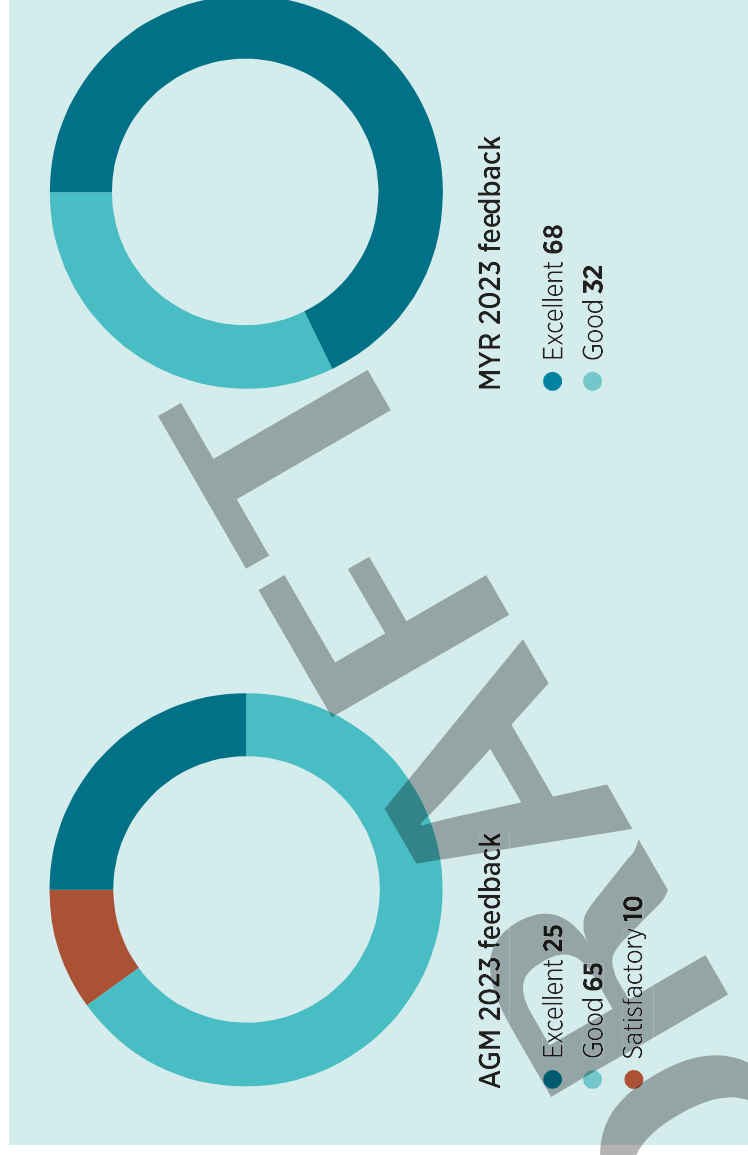


### Renewing Investment's webpages

Continuing the theme of communication, in 2023 we began updating our website. We are looking closely at the pages related to Investments and Responsible Investment because the existing content is not user-friendly, lacked readability, and failed to highlight our ongoing efforts effectively. Our plan involves creating new content and improving the page layout to ensure members can easily find the information they need. We anticipate completing this ongoing project in 2024, aiming to significantly improve our communication of Investment and Responsible Investment activities to our members.

### Engaging with our stakeholders

We recognise that members are not the only stakeholder we need to engage. We also engage with our employers regularly to set out the employer covenant, discuss and update the Fund's position in term of funding levels and detail support we can provide to employers in assisting pension planning for their employees. In 2023, we held the Fund's Annual General Meeting (AGM) and Mid-Year Review covering a range of topics including investments.



We pride ourselves on delivering communications of a high standard, regularly collecting feedback from both our members and employers at events to improve the delivery of our services. Feedback below was collected from our employers at our 2023 AGM and Mid-Year Review for the Investment Workshop and Investment Update respectively.

# Our Investment Approach

(Principles 1, 4, 6, 7, 8, 9)

As a public service pension scheme, we are focused on delivering value to our members. By investing responsibly on their behalf, we generate returns to reduce the cost of providing long-term defined benefits in retirement, at the same time as utilising our scale to drive positive change through our investments around the world.

Alongside our members and employers, we have a shared motivation to address environmental, social and governance risks, to protect the value of our investments, access opportunities which contribute to positive change and raise standards to support the long-term sustainability of our people and our planet.



# Our Investment Beliefs

Our Statement of Investment Beliefs underpin our approach to investment strategy, implementation, monitoring, and stewardship framed around our core beliefs:

## OBJECTIVES

Setting clear and well-defined objectives are essential to achieving success and being able to appropriately reflect our long-term ambition.

## GOVERNANCE AND ORGANISATIONAL

We believe having effective governance structures and policies will enable rigorous and tested decision making and will add value over the longer-term. Transparency and cost effectiveness provide key tenets of a well-governed Fund. No changes to make

## ASSET ALLOCATION AND IMPLEMENTATION

We adopt a long-term approach to investing as our liabilities stretch far into the future, but in so doing seeks to also take a proactive approach to the management of assets, taking into account the risk/return profile of different investment opportunities over a range of time periods. Strategic asset allocation is the most important driver of our investment outcomes and is a key determinant of risk and return. Our investment strategy encompasses our approach to risk management, risk tolerance, return and liquidity requirements in order to meet our strategic objectives.

## RESPONSIBLE INVESTMENT

As long-term owners of capital (assets), we believe that investing responsibly is key to ensuring the long-term value of the assets in which it invests is protected and where possible, enhanced. Investing responsibly and engaging as long-term owners reduce risk over time and has been proven to positively impact investment returns. We integrate responsible investment into the way we select and steward all assets.

## CLIMATE CHANGE

We adopt an evidence-based approach to climate change and believes there is overwhelming evidence to support that climate changes poses both risks and opportunities to our investments.

We consider the impact of climate change in both our asset allocation and individual investments when making decisions.



# Our Investment Strategy

Our Investment Strategy Statement<sup>16</sup> (ISS) sets out our investment objectives and target asset allocation. Our ISS is supported by our Funding Strategy Statement (FSS) and our employer covenant monitoring framework.



<sup>16</sup> LGPS regulations require administering authorities to prepare and maintain an Investment Strategy Statement ("ISS"). Our ISS is supported by our Funding Strategy Statement ("FSS") and our employer covenant monitoring framework. Together these ensure an integrated approach to funding and investment strategy and risk management supporting us in meeting the regulatory funding requirements...

Together these provide an integrated and risks-conscious approach. We aim to meet our long-term liabilities through the effective management of assets and by being responsive to the changing markets in which we invest, whilst meeting our fiduciary duty.

With an increasing focus on investment governance and continuing to strive for efficient portfolio management, we seek to:

- Allocate and transition assets in the context of a developing and moving market backdrop
- Build on our enhanced approach to stewardship, ensuring alignment and integration of responsible investment across the investment chain
- Further develop our monitoring and oversight framework
- Continue to develop opportunities for scale benefit through the LGPS Central pool