

A close-up photograph of a honeybee on a bright yellow flower, likely a rapeseed flower, against a clear blue sky. The bee is positioned in the upper right quadrant, facing right. The flower has several petals and buds. The background is a soft, out-of-focus yellow and blue.

ANNUAL STEWARDSHIP REPORT 2023



West Midlands Pension Fund

CONTENTS

CREATING SUSTAINABLE FUTURES	3
INTRODUCTION	4
OUR COMMITMENT	5
2022 HIGHLIGHTS	6
OUR PRIDE VALUES	7
OUR ENGAGEMENT THEMES	8
OUR FUND AND HOW WE OPERATE	9
OUR INVESTMENT APPROACH	19
OUR ENGAGEMENT AND VOTING STRATEGIES	36
APPENDICES	57



RACHEL BROTHWOOD
EXECUTIVE DIRECTOR OF PENSIONS

CREATING SUSTAINABLE FUTURES

“WE BELIEVE THAT NOW MORE THAN EVER IT IS CRITICAL TO TAKE AN ACTIVE ROLE IN BEING RESPONSIBLE ASSET OWNERS.”

OUR VISION

As a public service pension scheme, the West Midlands Pension Fund (“the Fund”) is focused on delivering value to our customers, by ensuring information and support is available to them throughout their journey with the Fund. Through our developing services we enable pension members to effectively plan for their retirement and to support our employers in delivering a valued and cost-effective benefit for their employees.

By investing responsibly on their behalf, we generate returns to efficiently provide long-term defined benefits in retirement, at the same time as utilising our scale to drive positive change through our investments around the world.

Now, more than ever, there is a shared motivation to address environmental, social and governance risks, to protect the value of Fund investments, access opportunities which contribute to positive change and raise standards to support the long-term sustainability of our people, our society and our planet.

As the industry comes together to enhance action on climate risk, diversity and social injustice and develop initiatives and tools to aid pension savings, we continue to partner for shared gain and remain committed to delivering a valued and sustainable Fund, ready and able to drive efficiencies through a proactive approach to change.

The Fund seeks to deliver better outcomes for members, employers, stakeholders and our people by producing solid, sustainable services and priorities which are resilient to challenges and flexible to the changing environment in which we operate.

We remain focused on our core mission and purpose – to provide sustainable futures for all and enable all our members to take control of their pension savings with our PRIDE values continuing to guide how we work and engage with each other, our customers and the industry as we continue to create capacity, deliver value added services, actively contribute to our local community and invest for real world positive change.



SHIVENTA SIVANESAN
ASSISTANT DIRECTOR,
INVESTMENT MANAGEMENT
AND STEWARDSHIP

PAUL NEVIN
ASSISTANT DIRECTOR,
INVESTMENT STRATEGY

INTRODUCTION

This is the third iteration of our Annual Stewardship Report and highlights our continued focus on stewardship activities both as a responsible asset owner and employer.

Having recently completed our review of the investment strategy, focus is on the implementation of the new strategic target allocation. 2022 has highlighted the need for resilience across our investment strategy and an increased need for an integrated approach to risk management which should be assessed through various lenses. A key focus area of the strategy review was increasing the diversification of underlying risk exposures and sources of expected return which we believe will reduce risk.

Implementation of our 2023 investment strategy will be centred around our broader climate and net zero goals and our ambition to be leaders in the active stewardship of our assets. We continue to believe it is critical to integrate responsible investment and environmental, social and governance (ESG) factors across all aspects of the portfolio to achieve better investment outcomes and ultimately deliver value for our members. Where appropriate we will look to rationalise our portfolio to have meaningful allocations creating opportunity for greater influence over outcomes to positively drive change.

Over the last year we have enhanced our reporting in relation to climate-related risks which included new climate scenario modelling. A key focus area over the next few years will be developing our internal reporting, oversight and data framework across our investment portfolio. This will enable us to do more meaningful analysis and reporting across all our assets and improve the quality of decision-making as well as meet the expected increase in climate related disclosure requirements.

We continue to work with our investment partners, including our pooling partner, LGPS Central Limited, to enhance the quality and coverage of data across our portfolio so that we can monitor progress of our climate strategy and net zero ambitions.

We believe that having a flexible approach is of great importance in the current environment and expect our approach to evolve as the landscape and industry develops.



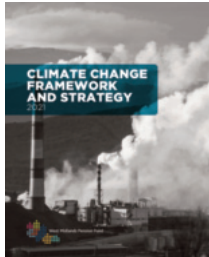
This report draws upon many of our approved investment and responsible investment policies:



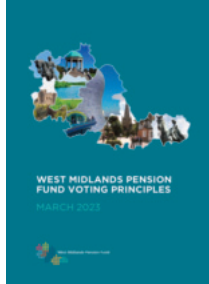
Investment Strategy Statement



Responsible Investment Framework



Climate Change Framework and Strategy



Voting Principles



Climate-Related Financial Disclosure

OUR COMMITMENT



STRONG GOVERNANCE

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



GLOBAL INFLUENCE

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



CUSTOMER FOCUSED

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



DELIVERING FOR LOCAL PEOPLE

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

2022 HIGHLIGHTS

RECOGNITION

PROFESSIONAL
PENSIONS
UK PENSIONS
AWARDS 2022

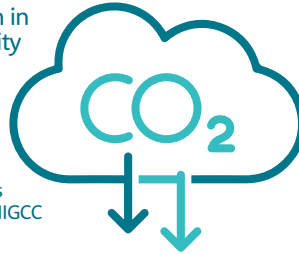
25
ANNIVERSARY

WINNER

Pensions Communication
Initiative of the Year
West Midlands Pension Fund

NET ZERO

- 25% reduction in carbon intensity achieved¹
- Continued our commitment to net zero by 2050 by publishing target disclosures aligned with the IIGCC



ENGAGEMENT

808 companies engaged
on 3,428 issues

VOTING

35,537
votes cast at
2,575 company meetings



INVESTMENT

- £400 million commitment to infrastructure opportunities
 - focusing on renewable energy and energy transition assets
- £100m commitment as a cornerstone investor to launch a private debt strategy
 - focusing on clean energy generation, storage and distribution, transport and social infrastructure
- A substantial Grade A local office building
 - improving the quality of our direct property portfolio while providing scope to further improve the building's ESG credentials in the future

ACCREDITATIONS



Trainee Development - Platinum



INVESTORS IN PEOPLE®
We invest in people Gold

¹from 2019 baseline

Our core values guide how we work and engage with each other, our customers and industry – it's what makes us different and stand out from the crowd.

OUR PRIDE VALUES

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



P

PARTNERING FOR SUCCESS



R

RESPONSIBLE ASSET OWNER,
EMPLOYER AND LOCAL
COMMUNITY PARTNER



I

INVESTING TO INCREASE
CAPACITY



D

DELIVERING ADDED VALUE
SERVICES



E

ENGAGE TO IMPROVE
OUTCOMES FOR
CUSTOMERS



OUR ENGAGEMENT THEMES

We have selected four engagement themes for the period to 2023: 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.



OUR FUND AND HOW WE OPERATE

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

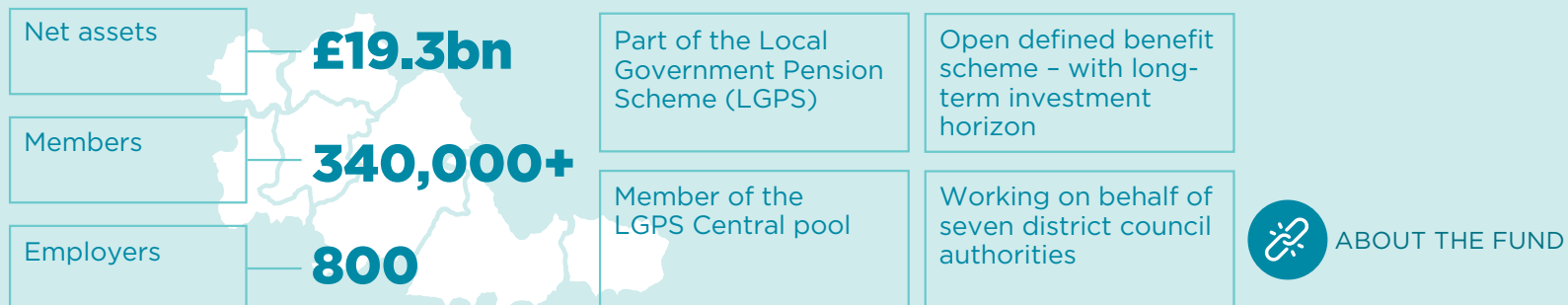
OUR MISSION

The West Midlands Pension Fund (“the Fund”) works in partnership with 800 participating employers to support pension saving and provide benefits to over 340,000 members and employees who provide public services, which support communities across the West Midlands.

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.



OUR FUND



OUR MEMBERSHIP

There are three categories of members within the Fund, with membership split roughly in thirds across each category.

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

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

Total scheme members

342,894

Active members

111,978

Deferred members

116,136

Pensioner members

114,780



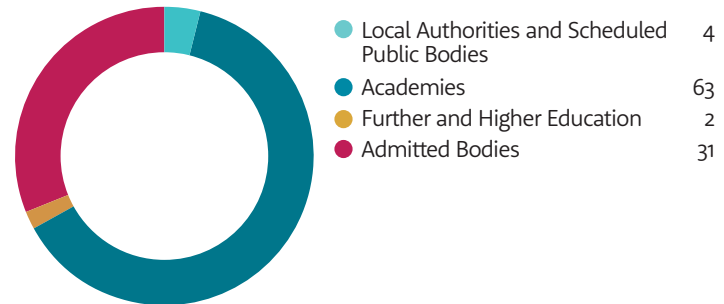
MEMBERS



OUR EMPLOYERS

Membership of the 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 (%)



EMPLOYERS

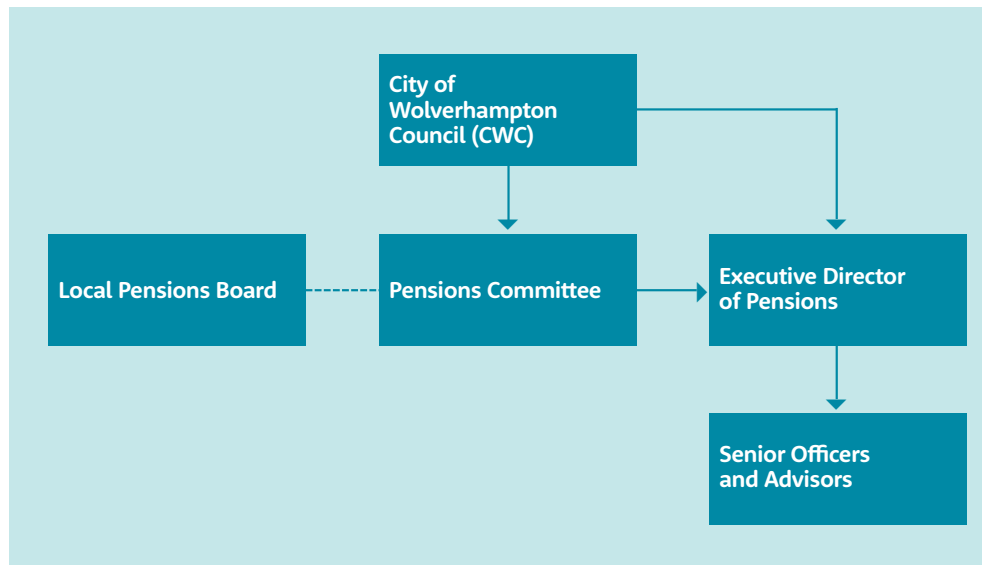
OUR DECISION MAKING

Active stewardship further strengthens our governance practice

Scheme Management and Governance

The Fund is committed to providing strong governance.

The City of Wolverhampton Council (CWC) is the Scheme Manager¹ of and administering authority² for the Fund. CWC have delegated responsibility for the management of the Fund to the Pensions Committee and the Executive Director of Pensions³. The Pensions Board³ assist in the good governance of the scheme by ensuring compliance with legislation and statutory guidance. Together the Pensions Board⁴ and Committee make up the Fund's 'governing bodies'. The Fund's governance arrangements are outlined in the diagram to the right.



Pensions Committee

Members of the Pensions Committee are responsible for the Fund's activities, ensuring that the Fund is managed in the best interest of all its members, employers, and beneficiaries⁵. Pension Committee members must therefore take a non-political approach to the decisions they take. The 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, all hold voting powers on the committee. The Committee invites representatives from the trade unions to sit as

observers. Pensions Committee has oversight and monitors the implementation of the Fund's responsible investment and stewardship practices and policies to ensure effectiveness and continuous improvement. During 2022, the Committee approved the following Responsible Investment publications or updates:

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

¹ defined by Section 4 of the Public Service Pension Act 2013

² under the Local Government Pension Scheme Regulations 2013

³ under its constitution and in accordance with Section 101 of the Local Government Act 1972

⁴ as required by the Public Service Pensions Act 2013

⁵ Key duties of the Pensions Committee are detailed in the Fund's Governance Compliance Statement 2022

Pensions Board

The Local Pensions Board (LPB) assists good governance of the LGPS by monitoring compliance in line with statutory regulation and guidance. The Fund also explores and debates emerging risks and issues with the LPB, who are representative of the Fund's membership base, providing a forum for engaging member perspectives.

The Board is made up of six member and six employer representatives all of whom have equal voting rights. Pensions Board members are non-political and must consider the Fund's overriding objective, which is to pay members benefits when they fall due.

Governing Body Training

The Fund is committed to building the knowledge and skills appropriate for our governing bodies in an evolving regulatory landscape⁶. The Fund firmly believes that the benefits over the long-term are essential to the effective governance and management of the Fund.

Responsible investment continued to form a pivotal part of the 2022 governing body training and induction programme. In-house structured training on the Fund's approach to RI included the Department for Work and Pension's 'Taking action on climate risk' consultation and the development of the Fund's climate strategy. External training was delivered by the Fund's investment consultants, Redington, and via multiple guest speakers at the annual Local Authority Pension Fund Forum conference.

Training hours

— **979** hours

Pensions Committee

— **701** hours

Local Pensions Board

— **278** hours



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 RI Framework.

Investment Advisory Panel (IAP)

The IAP comprises of two external advisors providing challenge, exercising oversight and supporting assurance over the Fund's Investment Committee including assurance over the Fund's Responsible

Investment policy framework through the ability to add expert and market experience to review and comment on developing Fund policy.

⁶ 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 2022

Our Team

Our employees are the drivers and heart of the Fund. By investing in our people, we empower them to improve and deliver value-added services that contribute to the overall delivery of the Fund's objectives and programme of active stewardship. This includes professional development and qualifications in all service areas including investment (CFA, IMC, IOC), pension administration (PMI) and finance (ACCA).

The Fund's investment team is led by the Assistant Directors for Investment Strategy and Investment Management & Stewardship. They are supported by a wider investment team which bring an array of skills and abilities gained from experience working in a range of sectors and organisations. This includes specific resource focused on the development, implementation, and delivery of the Fund's responsible investment objectives.

We look for our people to be aligned with the Fund's values at the point of and throughout their employment. While we don't have specific reward programmes to incentivise employees to integrate stewardship into investment decision making, individuals' objectives are linked to the Fund's wider objectives with performance assessed by progress against those objectives. Specifically, Investment team members objectives where relevant are driven by the progress and success of integrating RI and stewardship into our Investment Strategy and overall Fund approach. Additionally, the Fund's STAR award programme recognises the work of our employees and stand out contributions, and monthly employee 'Special Recognitions' are highlighted in our internal Fund newsletter.



The Fund has actively targeted additional wellbeing support and training, offering mental health, first aid, safeguarding and peer-to-peer development initiatives. The Fund continues to

champion diversity, equality and inclusions within the workplace through ENEI – Employers Network for Equality and Inclusion.



CFA



CONFLICTS OF INTEREST

The Fund's Conflicts of Interest Policy⁷ sets out our approach to identifying, reporting, reviewing and mitigating potential and actual conflicts to ensure appropriate management. The Fund acknowledges that it is not always possible to eradicate conflicts, instead taking a balanced view on their mitigation and management and record keeping.

Failure by the Fund to recognise actual and potential conflicts may impede its ability to effectively deliver for its members and employers, cause reputational damage and may lead to regulatory enforcement.

Over the year we raised a potential internal conflict of interest due to a potential corporate transaction involving one of our participating employers in the Fund. Once we were made aware of the possible transaction our internal compliance team were notified with information controls established and only relevant and necessary people having access to potentially sensitive information.

Examples of potential conflicts of interest are included in Appendix 2a.

Body	Identification	Management
West Midlands Pension Fund	<p>We acknowledge the role our Fund plays in representing, collaborating, and determining aspects which have the potential to impact its customers.</p> <p>CWC is the administering authority for the Fund and one of the Fund's participating employers. The Fund is a standalone function with delegations and its own procedures which enable and support the setting and management of financial affairs (including our operating budget, and financial and investment activity).</p> <p>Conflicts may arise between the Fund and its employers, and between employers, in events such as restricting. The Fund has policies in place to review and manage conflicts, including through clarification of the role of the Fund, often facilitating the provision of information to both parties, for example in the instance of a merger between two employers.</p>	<p>The Fund:</p> <ul style="list-style-type: none"> • allocates and manages its own operating budget, finance and investment activity⁸ • operates from a separate office location⁹ • has a dedicated senior LGPS Officer¹⁰ responsible for the management of Fund resources (including its people).
Our People	<p>The Fund has established a policy and process for managing personal dealings of Fund officers.</p> <p>All Fund employees have no element of remuneration linked to performance, selection or their work with our investment providers and advisers.</p>	<p>Officers must report personal dealings to the Fund's Investment Compliance team to monitor the potential for insider dealing.</p> <p>In 2023, declaration of interests for all Fund staff, together with assessment and monitoring, will be routinely reviewed, according to role and event.</p>

⁷Approved by Pensions Committee in September 2022

⁸in line with LGPS regulatory standards

⁹under legally enforceable lease arrangements, separate to the Council building

¹⁰in line with the Scheme Advisory Board Good Governance Project

Body	Identification	Management
Governing Bodies	Pensions Committee CWC has adopted the national standard on Code of Conduct and the Nolan Principles on Public Life for its elected Councillors who sit on the Fund's Pensions Committee as the decision-making body.	Conflicts of Interest 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.
	Local Pensions Board The Pension Board ¹¹ has adopted (and readopts each year) a Code of Conduct for its membership (created on the same principles as that for elected councillors).	Declaration of Interests 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.
		Managing Actual Conflicts Members who have an actual conflict of interest will be prevented from participating in discussions and voting on the matter being considered ¹² , 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.

¹¹ in line with the requirements of the Public Service Pensions Act

¹² even if the conflict is already declared on the register of interests



Management of Conflicts of Interest for Third Parties

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.

The Fund monitors and oversees LGPSC's, the Fund's pool provider, 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 LGPSC.

No major conflicts of interest were experienced between the Fund and its external providers during 2022.

Examples of second order external conflicts of interest from our underlying investment managers are included in Appendix 2b.



ENGAGING OUR MEMBERS

For our members, we remain focused on the things which could impact on their retirement outcomes and believe engaging and building member confidence will enable our members to make better choices.

As well as engaging members through representation of governing bodies, the Fund provides a variety of opportunities for members to engage and continues to develop these through our Customer Engagement Strategy. Our Customer Engagement Plan outlines the blend of digital and in-person engagement channels available to members, employers and other relevant stakeholders. The Fund adapts its engagement programme to suit the emerging needs of our customers, travelling region wide to deliver support in a time and location suitable for them.

We seek to provide awareness, support and confidence in the due diligence and stewardship of our Fund's investments. We provide regular member updates through newsletter communications and have developed a 'Tea and Teach' series which will be rolled out in 2023 - to allow members to attend in person sessions to further understand their pension and how we operate as a Fund. The Fund also facilitates a number of direct engagement employer events along with targeted webinar-based learning for employers, on specific topics such as climate change.

We recognise that many of our employers face similar challenges – to do more with limited financial resource – and that the Fund provides a valued part of their employee benefits. The Fund, through its own practices and wider industry and scheme engagement, seeks to ensure change is timely and effected efficiently with a focus on member outcomes, to ensure value-added information and services.

The Fund places significant importance on retirement planning for members through the provision of timely support and guidance, delivering on our corporate priority of engaging to improve outcomes.



The Fund was named a winner of the prestigious Professional Pensions Award 2022 for "Pensions Communication Initiative of the Year" within both the private and public UK pension sector.

Our submission highlighted our retirement planning campaign which focusses support and information to members on their 55th birthday.

The campaign aims to offer individual support, access to webinars and a retirement planning toolkit to encourage members to interact with their benefits early, enabling them to plan for a sustainable future.

Communicating with our Members

To best understand our members' priorities, the Fund aims to engage with all its stakeholders through various means. This provides an opportunity to benchmark and work on improving our services to our customers including on how best to report and convey our stewardship activities.

Customer Satisfaction

We pride ourselves on delivering communications of a high standard, regularly collecting feedback from both our members and employers at events. Feedback below was collected from our employers at our 2022 Annual General Meeting and Mid-Year Review.



AGM 2022 Feedback:

- Excellent - 63%
- Very good - 37%



MYR 2022 Feedback:

- Excellent - 64%
- Very good - 36%

Stewardship Reporting

Reporting forms an integral part of the conversation between us and our stakeholders, conveying investment performance and responsible investment updates. This is achieved through quarterly Pensions Committee meeting papers – containing wider updates on governance, regulation, investment performance and responsible investment, Quarterly Voting and Engagement Data and policies including Annual Climate-related Disclosures, Climate Change Strategy and Framework, Responsible Investment Framework and Voting Principles.

Dedicated Responsible Investment Mailbox

Members, stakeholders, and the general public are able to direct RI queries to our dedicated mailbox. The mailbox is regularly monitored by our RI team and queries receive direct responses. A log is kept which enables us to capture key trends and areas of focus for our members and stakeholders, which we can then use to inform our processes and engagement.

Pension Roadshows

Hosting events at employer locations across the West Midlands region to provide members an opportunity to engage with Fund Officers regarding their pension benefits through our purpose-built exhibition vehicle. In 2023 we aim to expand this existing communication channel to include responsible investment-specific information.



FURTHER DEVELOPMENTS

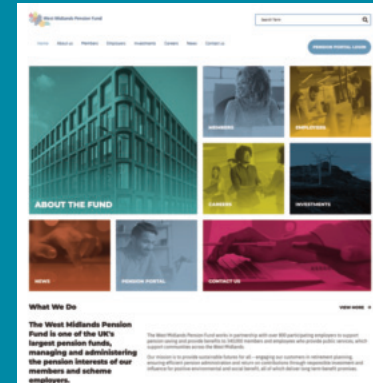


Responsible Investment Survey

To further extend our member engagement and awareness of responsible investment activities, we will be sending our first responsible investment survey to our members to understand their views on the Fund's approach to responsible investing, so as to help shape and inform responsible investment reporting and communications as part of wider initial engagement with members on responsible investment. We aim to collect a baseline of responses in our first survey drive and will invite members to join us for focus groups towards the end of the 2023 to further explore the responses received.

Responsible Investment Webpages

During 2022, the Fund migrated its website to a new platform aiming to improve accessibility, navigation and delivery of regular quality content focusing on real-world outcomes and updates to responsible investment policies



OUR INVESTMENT APPROACH

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

As a public service pension scheme, the Fund is 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.



The Fund, alongside its members and employers has a shared motivation to address environmental, social and governance risks, to protect the value of Fund 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

The Fund's Statement of Investment Beliefs underpin the Fund's approach to investment strategy, implementation, monitoring and stewardship framed around the following core beliefs:

OBJECTIVES

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

GOVERNANCE AND ORGANISATIONAL

The Fund believes having effective governance structures and policies will enable rigorous and tested decision making and will add value to the Fund over the longer-term. Transparency and cost effectiveness provide key tenets of a well-governed Fund.

ASSET ALLOCATION AND IMPLEMENTATION

The Fund adopts a long-term approach to investing as its 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 the Fund's investment outcome and is a key determinant of risk and return. The Fund's investment strategy will encompass its approach to risk management, risk tolerance, return and liquidity requirements in order to meet its strategic objectives.

RESPONSIBLE INVESTMENT

As long-term owners of capital (assets), the Fund believes 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 reduces risk over time and has been proven to positively impact investment returns. The Fund is

integrating responsible investment into the way it selects and stewards all assets.

CLIMATE CHANGE

The Fund adopts an evidence-based approach to climate change and believes there is overwhelming evidence to support that climate changes poses both risks and opportunities to the Fund's investments. The Fund will consider the impact of climate change in both its asset allocation and individual investments when making decisions.



OUR INVESTMENT STRATEGY

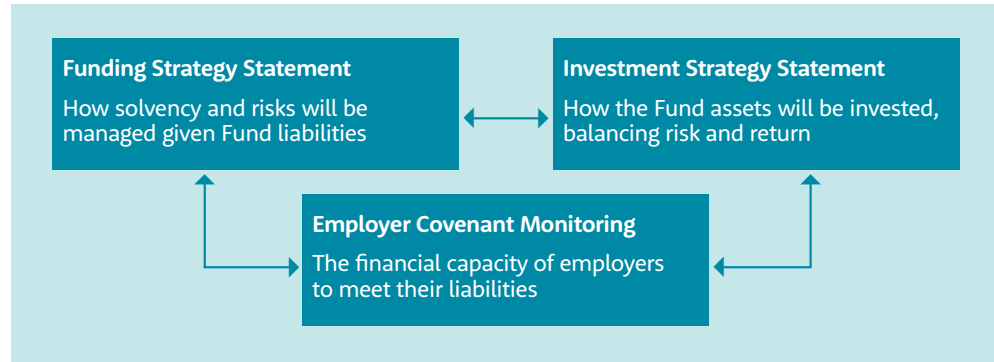
Our Investment Strategy Statement¹ (ISS) sets out the Fund's investment objectives and target asset allocation. The ISS is supported by the Funding Strategy Statement (FSS) and the Fund's employer covenant monitoring framework.

Together these provide an integrated approach to ensure we drive the most value and adopt a holistic, risk-conscious approach, as we aim to meet the long-term liabilities of the Fund through the effective management of assets and by being responsive to the changing markets in which we invest, ensuring our stewardship of assets supports effective action and change in behaviour, 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 LGPSC pool

¹ LGPS regulations require administering authorities to prepare and maintain an Investment Strategy Statement ("ISS"). The ISS is supported by the Fund's Funding Strategy Statement ("FSS") and the Fund's 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.



INVESTMENT STRATEGY DEVELOPMENTS OVER 2022

We've reviewed our investment beliefs and approach in consultation with key stakeholders to better reflect our customers' needs and help secure members' benefits.

31 March 2022 marked the triennial actuarial valuation date for the Fund. This involved a large-scale project which saw us work closely with our scheme actuary, investment consultants, risk advisors and independent investment advisors over the year. Work was undertaken to reassess the economic, financial and risk outlook and Fund specific factors and review the funding and investment strategies to ensure they remain appropriate and fit for purpose. As part of this process, we undertook a review of our investment beliefs and investment strategy with the outcome reflected in the Fund's Investment Strategy Statement.

We have made significant changes to our long-term strategic asset allocation target in line with the Fund's improved funding position. This has provided the Fund with the opportunity to significantly reduce investment risk while providing a sufficient level of expected return, all with the aim of securing members' benefits. Our risk analysis incorporated climate risk factors and considered opportunities to optimise both financial return and investment in sustainability-focused mandates, with implementation to be finessed over 2023/24 in parallel with the pathway to meeting our net zero climate targets. Given the scale of changes we will take a phased approach to transitioning to the new strategy with further work to take place around the integration of RI

across the whole portfolio including opportunities to enhance underlying mandates to meet our ambition to support the development of sustainable futures.

Throughout the triennial review we have consulted with key stakeholders including employers who represent the membership, this included communication and forum discussions on the funding strategy, actuarial valuation and headline investment strategy.

PREVIOUS TARGET ASSET ALLOCATION



● Liquid growth	42%
● Illiquid growth	8%
● Liquid income	14%
● Illiquid income	24%
● Stabilising	12%

UPDATED TARGET ASSET ALLOCATION



● Liquid growth	31%
● Illiquid growth	6%
● Liquid income	20%
● Illiquid income	25%
● Stabilising	18%

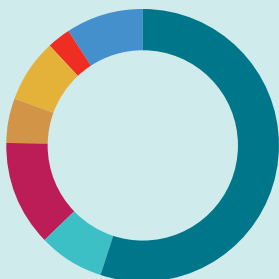


Integration of RI across all asset classes and how the strategic changes align with our broader climate and wider ESG ambitions were a key focus of the review.

OUR ASSETS UNDER MANAGEMENT

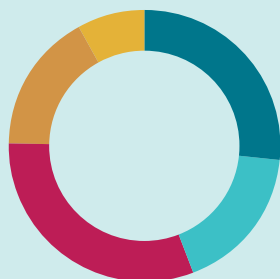
A breakdown of the Fund's assets by type, geography and pooling holdings as at 31st December 2022 are given below:

ASSET CLASS BREAKDOWN (%)



Equity	55
Private Equity	8
Fixed Income	12
Infrastructure	6
Property	7
Private Debt	3
Stabilising/Low Risk	9

GEOGRAPHICAL BREAKDOWN (%)



UK	27
Europe	17
North America	31
Asia	17
Other	8



Assets held in the LGPSC pool	48%
Assets held outside the LGPSC pool	52%



OUR INVESTMENT TIME HORIZON

The Fund takes a long-term approach to investing as its liabilities stretch far into the future.

We adopt a long-term approach to investing, recognising the open nature of the scheme, ongoing benefit accrual and pension liabilities developing over time. Hence, the Fund invests in:

GROWTH ASSETS

to generate a return in excess of the risk-free rate over the long-term.

INCOME ASSETS

to generate an income return over the long-term that meets future liabilities and reduces funding volatility.

STABILISING ASSETS

to reduce volatility of the funding level to changes in interest rates and inflation expectations as well as providing income to meet cashflow payments as they fall due.

We recognise the potential benefits of being a genuine long-term investor which is reflected in our allocation to illiquid or long-term assets that match the duration of the Fund's liabilities, many of which are positioned to benefit from an "illiquidity premium". During 2023, we expect this area of the portfolio to grow in line with our target allocation.

The investment strategy is reviewed and approved annually by the Fund's Investment Committee and Pensions Committee respectively, and triennially through the Fund's actuarial valuation in order to capture change within the Fund's membership profile.



TURNING OUR INVESTMENT BELIEFS INTO OUTCOMES

CASE STUDY: WEST MIDLANDS CO-INVESTMENT FUND

- 'Partnering for Success'
- 'Responsible Asset Owner, Employer and Local Community Partner'

In 2022, the Fund undertook work to set up the West Midlands Co-Investment Fund in partnership with the West Midlands Combined Authority (WMCA) – targeting investment of up to £50m to support the development and growth of our region's future industries. The investment fund was launched in early 2023 with a 10-year operating period providing innovative businesses with equity up to £1 million to support their expansion and growth.

Investments are focused on small and medium sized enterprises (SMEs) that offer high-growth potential and ability to accelerate the regional economy. In line with our investment beliefs, the co-investment fund aims to target sectors including green technology, advanced manufacturing, life science and the creativity and digital sector.

As one of the first co-investment funds of its kind, the local partnerships are collaborating to add value to local businesses and potentially securing up to 800 job opportunities whilst securing members' pensions and futures. The long-term strategy is built on sustainable investment practices delivering both investment and social benefits to the local community, whose pensions we commit to protect and enhance.



OUR RESPONSIBLE INVESTMENT APPROACH

Protecting and enhancing our member's pensions through active stewardship and responsible investment.

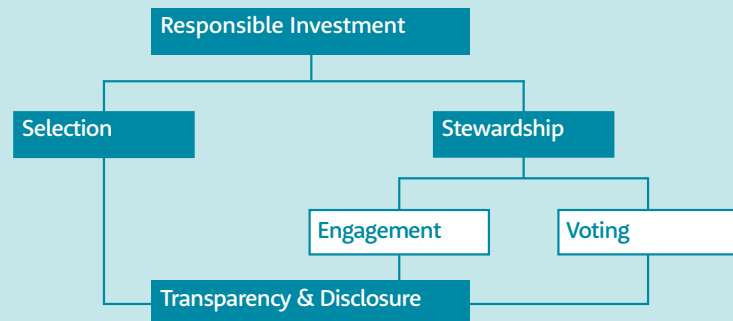
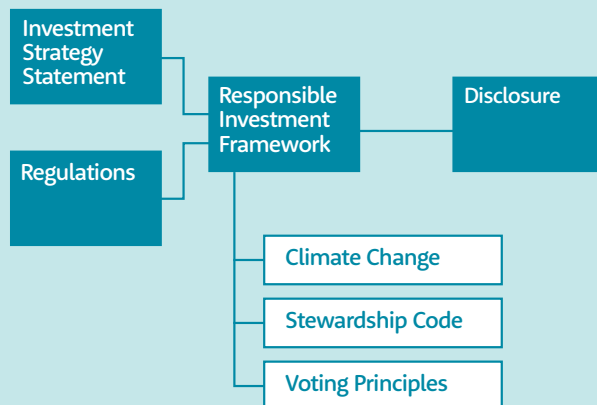
We champion active stewardship and engagement and seek to invest for real world change, engaging to drive change and improve outcomes, ensuring the strong governance we build within our own organisation is reflected within the assets in which we invest.

We believe that it is our fiduciary duty to monitor financially material environment, social and governance risks as part of the implementation and oversight of the Fund's investment strategy and which is critical in providing sustainable futures for all. Where appropriate we will look to rationalise our portfolio to have meaningful allocations – creating opportunity for greater influence over outcomes to positively drive change.

Our Responsible Investment Framework sets out our three-pillar approach for the integration of responsible investment both before (selection of investments) and after the investment decision (the stewardship of investments) and transparency and disclosure of the Fund's responsible investment activities through quarterly Pensions Committee meetings, our Annual Stewardship Report and Climate-related Financial Disclosures.



RESPONSIBLE INVESTMENT FRAMEWORK



RESPONSIBLE INVESTING IN ACTION

Listed below are some examples of the effectiveness of our responsible investment approach during 2022 and how this has helped serve the interests of our stakeholders:

- Enhanced climate scenario analysis and additional climate risk metrics, highlighted in our annual climate-related financial disclosure report in line with TCFD guidance
- Dedicated RI training for our governing bodies (provided by in-house team members and external specialists) focusing on areas such as climate risk, net zero and human rights
- Engagement with Local Authority Pension Fund Forum (LAPFF) and Asset Owner Diversity Charter (AODC) to promote and facilitate high standard of stewardship of pensions assets. Signed up to Occupational Pensions Stewardship Council, commencing June 2023 to further enhance stewardship practices.
- Strengthening of our Voting Principles and expectations of companies in relation to diversity, disclosure and sustainability as part of our targeted engagement strategy.

² Carbon footprint is calculated by working out the carbon intensity (Scope 1+2 Emissions / \$M sales) for each portfolio company and calculating the weighted average by portfolio weight.

³ The TPI framework evaluates companies based on their climate risk management quality and their carbon performance. The former includes an assessment of policies, strategy, risk management and targets.

OUR ACTION ON CLIMATE CHANGE

We are fully committed to aligning with the goals of the Paris Agreement and net zero ambition by 2050 or sooner.

As long-term investors, climate change presents risks and opportunities that form a part of our critical thinking in the way we approach investment and our Fund's wider objectives and delivery themes including global influence and delivering for local people.

We recognise the need to address climate change on a global scale. Climate-related risks are financially material; we acknowledge our role in ensuring the shift to a low carbon economy and ensuring a "just transition" for workers and communities, with the potential for substantial economic and social benefits.

Progress to Date

Our Climate Change Framework and Strategy captures our aspirations to address and mitigate climate change including a 50% reduction in the investment portfolio's carbon emissions by 2030 and aiming to align to net zero by 2050. In 2022:

- We renewed net zero commitments aligning with the Paris Aligned Asset Owner (PAAO) Initiative and set out formal targets in the PAAO target disclosures
- Invested £400m across a range of infrastructure opportunities including mandates specifically focused on providing renewable energy and energy transition assets
- We achieved 24.7% reduction in our total equities carbon footprint² between 31st December 2019 and 2021
- 57% of companies within our total equities portfolio had a carbon risk management quality score³ of 4/4*

STEWARDSHIP OF ASSETS

ASSET HELD OUTSIDE THE LGPSC POOL

Selection

The Fund's mandate design and manager selection (where undertaken directly) process has set criteria for managers to undertake and report a programme of active engagement with underlying companies, provide ESG metrics, with investment principles and process tested for alignment with our investment beliefs, including those in relation to responsible investment and climate change. Appointed managers are expected to be PRI signatories and adhere to the UK Stewardship Code.

The Fund aims to be aware of and monitor financially material Responsible Investment (RI) issues in the context of investment and manager selection, whether this is through directly appointed external managers, or funds managed by LGPSC. We extend this principle of 'engagement for positive change' to the due diligence, appointment and monitoring of fund managers across all asset classes.

Due Diligence

The Fund collects the following information from each manager before they are appointed where applicable to the asset class:

- Copy of their RI or stewardship policies (or equivalent) which articulates how RI factors, whether stemming from research, stewardship activities or other sources, are integrated into their investment process
- Case studies or examples of where RI issues have influenced an investment decision

- Information on the process for integrating any third-party RI data into their company financial models, investment strategies and portfolio construction
- Fee transparency and evidence of disclosure, noting commitment to sign up to the LGPS Code of Transparency as a condition of appointment
- RI reporting format
- Whether they are a signatory of the UN-backed Principles for Responsible Investment (PRI) and UK (or other) Stewardship Code

Fund Manager Appointments

We assess the RI capability of a fund manager as a factor within each of the people, process and performance categories. When appointing a fund manager, we take a balanced consideration of all relevant factors including RI. However, we pay particular attention to adherence to relevant soft regulatory codes depending on the market in which it invests. In practice, this means we are willing to hire a fund manager at an early stage of developing its RI approach so long as there is a demonstrable RI commitment and a willingness to improve in their approach over a short and defined time period. In alignment with the guiding principle on "Engagement and Collaboration", we believe that there is added value in working with managers to develop their approach.

Fund Manager Monitoring

Each fund manager is expected to report at agreed intervals to the Fund on how their RI activities are contributing to improved long-term risk-adjusted returns. Examples of information that can be provided in aid of this objective include but are not limited to the following:

- The evolution of how the manager integrates the consideration of RI issues into its investment and stewardship activities.
- How investment and stewardship functions are combined to protect and/or enhance value.
- Any outcomes arising from the manager's engagement with companies and their effectiveness.
- Financial metrics used to assess the risks within the portfolio and how these change over time and/or relative to comparable benchmarks.

The Fund continued to develop its 'Internal Monitoring Framework' with the intention to automate data collection for portfolio oversight and management. This includes quarterly data request to provide a suite of performance and ESG-related metrics. In 2023, the Fund expects to expand its coverage of external managers and asset classes.

ASSET HELD WITH THE LGPSC POOL

Integration of Responsible Investment

LGPSC employs a rigorous external manager selection and monitoring process that fully integrates Responsible Investment and Engagement (RI&E). LGPSC's Responsible Investment Integrated Status (RIIS) defines products that embed RI in their investment processes. This is overseen by the LGPSC Director of Responsible Investment & Engagement and the relevant LGPSC Investment Director for the product(s) and put to approval to the LGPSC Investment Committee. The criteria are as follows:

- RI beliefs relevant to the asset class or mandate in question
- Relevant RI related documentation that supports the decision to invest, e.g. policies and procedures at external managers or co-investors
- Fund managers factor RI and ESG into their selection of portfolio assets
- RI reviews are carried out by the fund managers at regular intervals (usually quarterly)
- Stewardship responsibilities are carried out thoroughly (engaging with companies, shareholder voting, manager monitoring, industry participation)
- Fund managers are transparent in their reporting to clients and the wider public

How RIIS differs on the asset class:

- **Active Equities** – LGPSC takes that view that ESG risks are not effectively priced (both in developed and emerging markets), the extent to which ESG factors apply to a stock or sector varies and engagement with companies are an active part of portfolio management. As part of

manager selection, these beliefs must be shared with the managers. During manager monitoring, the manager is assessed by analysing portfolios in Bloomberg, inspecting managers' responses to quarterly data requests, and questioning managers during quarterly calls. Managers are expected to justify new positions with analysis on the ESG risks and opportunities facing the company

- **Passive Equities** – Stewardship and voting are the main tool for ESG integration. LGPSC believes that index tracking funds diversify away from idiosyncratic ESG risk, but not systematic risk. Therefore, thematic stewardship is utilised, through the adoption of Engagement Themes which are agreed with Partner Funds, to mitigate long-term market risks and positively influence corporate practices.
- **Fixed Income** – ESG integration may vary by issuer type (corporate, sovereign, supranational, municipal, etc.) as reflected by the selection process for Fixed Income mandates. For LGPSC's Multi Asset Credit Fund, the manager was asked to provide three examples, per issuer type, explaining how Responsible Investment is incorporated in all aspects of the portfolio, which is monitored during quarterly review meetings.
- **Private Equity** – LGPSC adopts a five-pillar scoring framework that covers: policy, people, process, performance, and transparency & disclosure to assess managers during selection and monitoring. For high-risk funds, either due to sector or geographical location, a more rigorous due diligence assessment is conducted. After appointment managers must report material ESG incidents. For co-investments, a responsible investment risk report is issued bespoke to the fund.

Manager Selection

LGPSC's manager selection process comprises a standard questionnaire, request for proposal and manager meetings, with RI&E assessments embedded throughout. Managers are then monitored through LGPSC's internal portfolio analysis, inspection of the manager's responses to quarterly data requests, and via dialogue at quarterly meetings. Quarterly meetings are used to evaluate whether a manager is successfully applying the ESG processes that was pitched and assess its success. Since LGPSC invests across a range of asset classes, monitoring and ESG integration may differ per asset classes.

LGPSC score managers on four components of their RI&E approach. Reflecting its importance, the RI&E component carries 13% of the weight in the overall score.

1) Philosophy, people and process	2) Evidence of integration
3) Engagement with portfolio companies	4) Climate risk management



CASE STUDY: INFRASTRUCTURE DEBT

LGPSC established two infrastructure debt funds with two chosen managers to support and improve ESG integration in infrastructure debt. The two managers have strong ESG credentials and demonstrate a strong willingness to support ESG integration in this asset class, which is a challenging environment for engagement due to the hold-to-maturity mentality and long-tenured nature of the investments. LGPSC and the managers have agreed to explore potential solutions and actively participate in establishing standards for the broader industry.



Manager Monitoring

Active Equities and Fixed Income

Active equities and fixed income managers are expected to complete a quarterly ESG questionnaire including number of engagements and corresponding weight in the portfolio. The RI&E team conducts quarterly monitoring meetings with external managers to ensure appropriate levels of ESG integration.

LGPSC adopts a Red, Amber, Yellow, Green (RAYG) rating for manager monitoring; ratings are updated quarterly following manager meetings:

Green (manager shows clear strengths tailored to requirement)

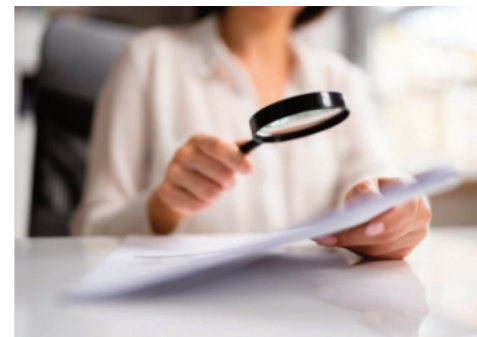
Yellow (manager is fulfilling role but with minor areas of concern)

Amber (manager warrants closer scrutiny with potential for going on “watch list”)

Red (manager fails to convince, warrants formal review with potential manager exit)

For primary private equity funds, LGPSC conducts a RI&E review, based on fund literature and RI&E questions, every 2-3 years using a five-pillar scoring framework. Managers are rescored on each pillar and assessed on progress since initial due diligence.

For co-investment funds, LGPSC sets and tracks ESG-related key performance indicators, which is measured and reviewed annually to ensure relevancy to company strategy and/or regulatory requirements.



CASE STUDY: LGPSC CHANGE IN RAYG RATING

In 2022, one of LGPSC’s managers was demoted to a ‘Yellow’ rating due to concerns regarding a lack of ESG analysis disclosures for new companies in the Fund. The issue persisted resulting in an escalation to an ‘Amber’ rating, which was flagged in a LGPSC quarterly manager review meeting. Expectations for ESG integration activities were reiterated by LGPSC. Subsequently, the managers provided increased levels of disclosures in the following quarters including summaries of their analysis of ESG risks and opportunities for new additions and raising ESG issues for current investee companies.

OUR STEWARDSHIP POLICIES

We have a range of internal and external review and assurance processes which support good stewardship across our Fund.

Our Stewardship Policies



Responsible Investment Framework



Climate Change Framework and Strategy



Voting Principles

Internal and External Review

These policies are reviewed and updated annually by our investment team before going through our Internal Investment Committee for challenge. These policies are then approved by our Pensions Committee, and external advisors in certain cases, with more in-depth reviews taking place on a triennial basis to coincide with the Fund's actuarial valuation, investment strategy review.

Reviews aim to capture developing initiatives and our response to emerging industry standards and best practice.

In 2022 we continued to develop our internal independent compliance and risk function to aid further development of our assurance programme alongside the developing regulatory framework and rising expectations and standards.

Assurance

The Fund's administering authority, City of Wolverhampton Council, provides an internal audit to evaluate the effectiveness of the Fund's governance, risk management and control processes. These processes are essential to ensuring good stewardship and governance over the Fund's assets. The internal audit forms part of the Fund's assurance framework which helps identify and manage risks that effect the achievement of the business objectives.

In addition to the setting of policy and investment parameters for the Fund, our Pensions Committee regularly review the performance of our service providers and investment managers including LGPSC in terms of service delivery, product development and the wider pool in progress towards meeting the investment pooling objectives to deliver increased capacity to invest with strong governance and enhanced returns.

In 2021 an internal audit of LGPSC's Responsible Investment function was conducted by KPMG.

The objective of this internal audit was to assess the design and embeddedness of the processes in place surrounding LGPSC's Responsible Investment and Engagement policies and underlying procedures. This included a review of the governance processes, and approach to external manager onboarding and ongoing monitoring. The audit found that controls were generally appropriate, working effectively to manage risks and provide reasonable assurance that objectives are being met.

Some enhancements to the existing control framework were identified to improve efficiency of certain processes, in particular the acquisition of an ESG data analysis tool which has now been completed. Resource constraints in the responsible investment team were also noted. During 2022 LGPSC recruited a dedicated Net Zero Manager. Two new junior analysts were also recruited to the team bringing team resource to six people for the first time.. This commitment to resourcing has enabled enhanced process and controls around RI activity.



PROMOTING WELL-FUNCTIONING MARKETS




We work with our partners, customers, peers and stakeholders to design, enhance and deliver services that meet their needs as well as supporting the wider LGPS and pension industry to shape the environment in which we work. Through partnerships we can deliver our investment beliefs and support the development of a sustainable future.

The Fund utilises the expertise of external providers to assist in the provision of our service delivery. External provider appointment follows a formal procurement and review process, with a range of bespoke frameworks to facilitate re-tender exercises and ensure services are up to date with access to developing market practice and tools. Each contract is logged in an internal contract management register with a designated senior officer responsible for the overall management of that contract. Service levels

are reviewed formally on an annual basis with feedback and regular review meetings conducted.

In some circumstances (typically for investment advisors and consultants) formal objectives are set in conjunction with the advisor, with performance monitored against these agreed objectives on an annual basis with the output shared with the service provider.

Service Provider	Expertise	Provision
Pool Company 	<ul style="list-style-type: none"> • In-house 'Responsible Investment Integration Status' into all investment products • Suite of Responsible Investment policies in place together with an appointed engagement provider to support regular engagement, monitoring and reporting • Specialised Responsible Investment & Engagement Team consists of an Investment Director, ESG Integration Manager, Net Zero Specialist and three analysts from a diverse range of academic backgrounds 	<ul style="list-style-type: none"> • Providing analysis and advice including climate risk monitoring to support implementation of the Fund's Investment Strategy Statement and Responsible Investment Framework • Reporting on voting and engagement activity on a quarterly basis including a detailed annual report on engagement and voting outcomes
Engagement and Voting (via LGPSC) 	<ul style="list-style-type: none"> • Global voting and engagement provider with dedicated in-house specialists in subject matter areas • Engaging with regulators, industry bodies and other standard setters to shape capital markets and the environment in which companies and investors can operate more sustainably 	<ul style="list-style-type: none"> • Reporting on voting and engagement activity across relevant pooled funds and specific segregated mandates for the Fund every quarter, as well as providing a more detailed overview of engagement progress and voting outcomes on an annual basis

Service Provider	Expertise	Provision
<p>Risk Advisor</p> 	<ul style="list-style-type: none"> • Integrated team of actuarial and investment consultants providing holistic risk advice • Advising on the integration of investment and funding strategy including risk modelling 	<ul style="list-style-type: none"> • Support and advice in relation to funding and investment strategy reviews including independent analysis and challenge • Undertaking climate risk scenario analysis via LGPSC to identify potential portfolio impacts across different climate scenarios
<p>Investment Consultant</p>  <p>Actuary</p>	<ul style="list-style-type: none"> • Advice on a variety of specialised topics leveraging the breadth of knowledge and expertise internally to support the Fund's objectives • Utilising a range of specialist tools and in-depth analysis to provide recommendations on the Fund's investment strategy and strategic asset allocation • Supporting with the extensive research of potential investment managers and providing insights to the Fund's manager selection 	<ul style="list-style-type: none"> • Reaffirming the Fund's long term strategic objectives incorporating the 2022 liability modelling • Conducting analysis and providing proposals on the Fund's Strategic Asset Allocation, reflective of the updated funding position • Undertaking Value-at-Risk assessments and stress tests to identify the risk exposure of the portfolio and setting the appropriate risk budget accordingly • Proposals for decarbonisation flights paths and targeting setting to meet the Fund's commitment to achieve net zero by 2050
<p>Actuary</p> 	<ul style="list-style-type: none"> • A team of specialists with extensive experience in providing actuarial support for local government defined benefit pension schemes • Experienced in providing ongoing monitoring of the solvency of the Fund, assessing the revision of employer contribution between valuations and on the forefront on changes within the regulatory space 	<ul style="list-style-type: none"> • Undertook the Fund's triannual actuarial valuation and liability modelling in 2022, as part of the Fund's risk management framework, quantifying the Fund's funding levels and confirming the contribution rates for employers • Identifying significant sources of funding risks that impact the Fund's ability to pay future funding benefit payments through sensitivity and risk analysis and integrate appropriate measures to the Fund's existing funding risk management

Using our Voice

As a leader within the LGPS, our role on national and industry bodies ensures the voices of our customers are heard by those responsible for the LGPS and its regulation, placing our members and employers at the centre of decisions which impact their futures. Our officers actively engage in the development of policy, guidance and tools which support the administration, funding, investment, risk management, stewardship and good governance within the LGPS. We also continued to support and founder the development of LGPS National Frameworks, including those for Actuarial and Benefit Consultancy services (available to all LGPS funds and employers) and Investment Stewardship.

As the industry comes together to enhance action on climate risk and develop initiatives and tools to aid pension savings, we continue to partner for shared gain and remain committed to delivering a valued and sustainable fund, ready and able to drive efficiencies through a proactive approach to change. We actively engaged in policy development through our memberships and participation with industry bodies, developing consultation responses on Department for Levelling Up, Housing and Communities (DLUHC) Governance and mandatory reporting of climate change risks.

Being active stewards of capital is central to achieving our ambitions. In addition to collaborating with like-minded investors we continue to look to improve outcomes through our voting and engagement practices. We will coordinate our views with our voting partner, EOS, and LGPSC for scale and efficiency, ensuring there is a clear alignment of policies and intentions. Our approach will be targeted and consistent with our engagement themes and issues we deem to be of the highest importance.



Risk Management

By horizon scanning and monitoring emerging drivers for change we are able to be more agile and effective in identifying both risks and opportunities

2022 was a difficult year following the easing of the coronavirus pandemic, tightening of labour and global supply chain and Russia's invasion of Ukraine. This highlighted the need for the Fund to have resilience within its investments, building a long-term diverse portfolio able to withstand volatility and markets whilst responding to the long-term changing profile of the Fund's membership. The Fund closely monitors market-wide and systematic risks, as detailed fully in our Investment Strategy Statement. Examples of potential risks are given below:

	Risks Identified	Management/Control
Investment Risks	<p>Assets do not deliver the return required to meet the cost of benefits payable by the Fund. Potential drivers:</p> <ul style="list-style-type: none"> • Inappropriate asset allocation and risk management • Investment market performance/volatility • Manager underperformance • Concentration risk that a significant allocation to any single asset category and/or region/sector and its underperformance relative to expectation would result in difficulties in achieving funding objectives • Responsible investment (RI) risks that are not given due consideration by the Fund or its investment managers 	<ul style="list-style-type: none"> • Investment strategy is considered in context of the Fund's liabilities and return requirements set within the Funding Strategy Statement • Asset liability modelling and stress testing to set strategic benchmarks within Investment Strategy Statement, with annual review • Regular monitoring of strategic asset allocation and returns relative to benchmark • Regular monitoring of manager performance • Diversified portfolio with exposure to a wide range of asset classes, portfolio holdings and different management styles • Inflation risk mitigated through holding a diversified portfolio of growth and inflation-linked assets. Inflation risk is considered annually in the review of the Strategic Investment Allocation Benchmark (SIAB) and triennially as part of the actuarial valuation
Asset Risk	<p>Of the portfolio verses the SIAB:</p> <ul style="list-style-type: none"> • Concentration risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives • Illiquidity risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets • Currency risk that the currency of the Fund's assets underperforms relative to the SIAB • Manager underperformance when the Fund's managers fail to achieve the rate of investment return assumed in setting their mandates 	<p>Asset risks at the fund level are mitigated by the setting and review of the SIAB. At the asset class level asset risks are mitigated by risk controls within individual asset mandates:</p> <ul style="list-style-type: none"> • Constraining how far Fund investments deviate from the SIAB by setting diversification guidelines and the SIAB strategic ranges • Investing in a range of investment asset mandates, each of which has a defined objective, performance benchmark, eligibility criteria and permitted ranges for individual securities which, taken in aggregate, constrain risk within • Investing across a range of liquid assets, including quoted equities and bonds. This recognises the Fund's need for some access to liquidity in the short term

	Risks Identified	Management/Control
Asset Risk (continued)		<ul style="list-style-type: none"> • Robust financial planning and clear operating procedures for all significant activities including regular review and monitoring manager performance against their mandate and investment process • Appointing several investment managers. In doing so the Fund has considered the risk of underperformance by any single investment manager
Systematic Risk	<p>We view climate change as a systematic risk that affects all assets. Considerations:</p> <ul style="list-style-type: none"> • Integration of climate risk monitoring and management into external manager mandates • Identification of physical and transitional risks within the portfolio • Annual carbon-related metrics at portfolio level including absolute carbon emission, weight in fossil fuels and weight in clean technology etc disclosure in Climate Disclosure Report • Sensitivity analysis of portfolio investment returns against 1.5°C, 1.6°C, and 4°C climate scenarios stretching to 5- and 40-years' timeframes 	<p>The Climate Change Framework and Strategy outlines the approach to address climate change not limited to:</p> <ul style="list-style-type: none"> • Defining the Fund's Climate Pledge – a set of beliefs that guide our approach to addressing climate change • Target setting for absolute carbon reduction, increase asset data coverage and reduction to the Fund's operational emissions • Setting climate change as one of four engagement priorities for 2020-2023 aiming to decarbonise through engagement • Regular disclosure and reporting on progress to achieving carbon reduction for accountability and transparency • Collaborating with initiative groups and peers to influence change on a global scale and enable the transition to a lower carbon economy

CASE STUDY

Following the Russian invasion of Ukraine we undertook a review of our holdings and exposures in the light of the significant changes to the investment and economic landscape. We concluded that within this backdrop and the Fund's overarching goals, including our sustainability objectives, that the proposed increased allocation to emerging market equities was put on hold pending further review. This was approved by the Pensions Committee at the March 2022 meeting.

OUR ENGAGEMENT AND VOTING STRATEGIES

(PRINCIPLES 9, 10, 11)

OUR APPROACH TO ENGAGEMENT

We recognise both the risk and opportunity in holding companies that have or financially material exposure to environmental, social and governance risk factors. We adopt a policy of risk monitoring and engagement to positively influence company behaviour and enhance shareholder value, influence that would be lost through a divestment approach.

ENGAGEMENT OUTCOMES 2022

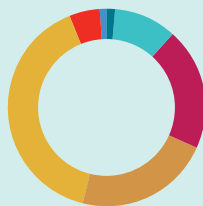
EOS engaged with **808** companies on behalf of the Fund during 2022 on **3,428** ESG issues and objectives

GLOBAL



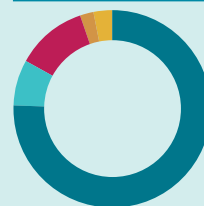
Environmental	29.8%
Social and Ethical	23.3%
Governance	34.6%
Strategy, Risk & Communication	12.2%

SOCIAL AND ETHICAL



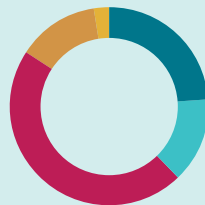
Bribery and Corruption	1.4%
Conduct and Culture	10.3%
Diversity	20.1%
Human Capital Management	22.4%
Human Rights	39.9%
Labour Rights	5.0%
Tax	1.0%

ENVIRONMENTAL



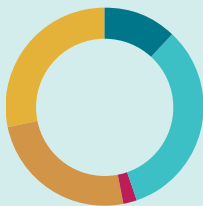
Climate Change	75.6%
Forestry and Land Use	7.5%
Pollution and Waste Management	11.6%
Supply Chain Management	2.3%
Water	2.9%

GOVERNANCE



Board Diversity, Skills and Experience	23.9%
Board Independence	13.9%
Executive Remuneration	46.5%
Shareholder Protection and Rights	13.3%
Succession Planning	2.4%

STRATEGY, RISK AND COMMUNICATION



Audit and Accounting	12.2%
Business Strategy	32.7%
Cyber Security	2.1%
Integrated Reporting and Other Disclosure	24.8%
Risk Management	28.2%

Totals may not sum to 100% due to rounding

ENGAGING OUR PORTFOLIO COMPANIES



We are aware of the challenges of engaging effectively in certain asset classes and take a pragmatic approach based on materiality and the likelihood of improving outcomes to ensure effective stewardship across the portfolio. We therefore focus on larger, growing and prospective investments where managers are more inclined to engage and we have the greatest opportunity to add value.



Our approach includes bottom-up engagement – which targets specific issues within individual companies – and top-down engagement – which identifies themes of long-term economic significance and relevance for stakeholders. We will, either directly, collaboratively or through specialist service providers (e.g. EOS) or fund management arrangements will undertake engagement opportunities aiming to:

- Hold constructive dialogue with investee companies
- Encourage disclosure on responsible investment (“RI”) issues
- Participate in the development of public policy on RI issues



ENGAGEMENT CASE STUDIES

CLIMATE CHANGE

Stewardship Strategy: Engagement is conducted through LGPSC and via key collaborative initiatives including Climate Action 100+ (CA100+), the Institutional Investor Group on Climate Change (IIGCC) and the Transition Pathway Initiative (TPI).

Measures of Success: We assess progress against the underlying objectives of the CA100+ engagement project, and against improvements on TPI scores for management quality and carbon performance.

Our aims are:

- For LGPSC on behalf of the Fund, to lead or be in the focus group of at least five CA100+ company engagements over the next year, prioritising engagements that overlap with companies that are identified as high risk in our climate risk analysis.
- To see progress in the CA100+ Benchmark Framework (launched March 2021).
- To see improvements on TPI scores for management quality in key engagements.
- To see improvements on TPI scores for management quality and carbon performance in key engagements.

Company	AB InBev (ABI)
Asset Type	Equities (External Manager)
Geography	Belgium, U.S. and UK
Objectives	In the Fund's 2021 Stewardship Report, ABI had set net zero by 2040 targets. To progress this ambition, engagement in 2022 involved understanding how the company is progressing against all its sustainability targets, progress on the 100+ Accelerator programme and material issues in management meetings.
Engagement Strategy	Our external manager conducts annual engagement meetings (in person and video calls).
Outcome	<p>AB InBev is one of four sponsors on the 100+ Accelerator programme, which works with corporate partners to identify sustainability challenges within supply chains. The unique partnership aims to accelerate the development of sustainable solutions that would support the company's long-term net zero ambitions.</p> <p>Our external manager met twice with the CEO and CFO of the Belgium-based brewing company to discuss the 100+ Accelerator programme, which is progressing as hoped. 34 companies have pitched innovations primarily targeting decarbonisation to the programme's four sponsors (AB InBev, CocaCola, Unilever and Colgate-Palmolive). Through this partnership, ABI had the opportunity to provide the necessary capital to accelerate development of new technology that will help fast-moving consumer goods companies to reduce their carbon footprints and meet net zero targets.</p>
Next Steps	The company will continue to be monitored, particularly against their 2025 goals. Future engagements will focus on how the company is enabling a just transition through supporting its supply chain, from their farmers to their retail network of which the majority are family-owned stores.



SUSTAINABLE FOOD SYSTEMS

Stewardship Strategy: Through LGPS Central we leverage investor collaboration opportunities, for example, through the PRI Plastics Working Group. Voting is engagement led, and we consider co-filing or supporting shareholder resolutions that relate to better risk management (e.g. reduce plastic use, reduce plastic waste, increase recycling, invest in relevant research and development).

Measures of Success:

- We aim for positive interactions at senior levels of target companies and acknowledgement of plastic as a business risk, along with commitments to strategies or targets to manage those risks.
- For LGPSC on behalf of the Fund to lead or be part of at least five plastics related company engagements over the next financial year.
- We aim to support investor expectations – e.g. as expressed by the PRI Working Group – in dialogue with companies.

Company	HelloFresh
Asset Type	Equities (External Manager)
Geography	Europe
Objectives	People for the Ethical Treatment of Animals (PETA) report claims that the coconut milk supplied in HelloFresh's meal kits involves cases of monkey labour and animal abuse.
Engagement Strategy	Our external manager's policy is to initiate a conversation with the company to clarify their response and assess the extent to which accusations have been verified.
Outcome	<p>Coconut milk comprises < 5% of meals sold by HelloFresh. HelloFresh originally sourced coconut milk from Suree, one of the wholesalers named in the PETA report, but their analysis has not yet found any evidence of monkey labour. Suree was contacted to secure affidavits confirming monkey labour was not used and audits were regularly conducted.</p> <p>Prior to PETA's report, the company had begun shifting their procurement away from Thailand to Sri Lanka based on initial research suggesting that their dwarf palm trees result in an easier coconut harvest. All sourcing from Thailand stopped early 2023 and the company's focus is now on building robust supply chains to source from Sri Lanka entirely.</p>
Next Steps	HelloFresh requires that suppliers meet Global Good Agricultural Practices (G.A.P) or Global Food Safety Initiative (GFSI) certification. Audits are conducted by its Food Safety and Quality Assurance (FSQA) team, including unannounced site visits for high-risk items. HelloFresh is also exploring whether to establish an NGO working group, the purpose of which would be to help identify controversial issues earlier on and enhancing its Ethical Trading Policy to cover animal welfare issues more explicitly.



HUMAN RIGHTS

Stewardship Strategy: We will leverage investor collaboration opportunities, for example the Rathbone Modern Slavery Engagement. Voting will as far as possible be engagement led, and we will consider co-filing or supporting shareholder resolutions that relate to better risk management on human rights risks.

Measures of Success:

- We aim for positive interactions at senior levels of target companies and acknowledgement of the human rights risks.
- For LGPSC on behalf of the Fund to lead or be part of at least five engagements focused on human rights related engagements over the next financial year.

Company	MMC Homebuilding Limited
Asset Type	House Builder (External Manager)
Geography	UK
Objectives	<p>“Living Pods” are permanent but relocatable units that can be used to provide temporary housing for key workers, ex-prisoners, homeless and vulnerable people. The panels for the Living Pods are made by prisoners on day release, providing valuable work experience and an opportunity to learn a new skill set. The Living Pods are then assembled in the company’s factory by prisoners on day release.</p> <p>The purpose of this engagement was to request that prisoners were paid minimum wage for their work as opposed to statutory allowance.</p>
Engagement Strategy	Held a discussion with the CEO of the business.
Outcome	<p>Units are typically sold to churches, local authorities, and the NHS. Discussions to increase the minimum wage for prisoners was received positively by these counterparties who are engaged regarding the sale of the Living Pods.</p> <p>This is particularly relevant as the business model is centred on using low-cost labour from prisoners, rather than paying a fair wage and providing important life skills and work experience.</p>
Next Steps	The company and the Fund will continue engaging with the NHS, churches and local authorities in order to find sites to locate the Living Pods. This should lead to an increased number of orders being placed and therefore more work for prisoners.



RESPONSIBLE FINANCIAL MANAGEMENT

Stewardship Strategy: We will leverage investor collaboration opportunities, for example through the PRI Tax Investor Working Group and Tax Roundtable. Voting will be engagement led, and we will consider co-filing or supporting shareholder resolutions that relate to better risk management (through tax policy, board oversight, country-by-country reporting).

Measures of Success:

- We aim for positive interactions at senior levels of target companies and acknowledgement of lack of tax transparency as a business risk, along with commitments to strategies or targets to manage those risks.
- For LGPSC on behalf of the Fund to lead or be part of at least five tax related company engagements over the next financial year.
- We aim to support investor expectations – as expressed by the GRI tax standard and the UK Fair Tax Mark – in dialogue with companies.

Company	Amazon.com Inc
Asset Type	Equities (Held through LGPSC)
Objectives	<p>We recognise the importance of companies being accountable and transparent about their tax practices. Expectations are that portfolio companies have a tax policy that outlines the company's approach to taxation and how it aligns with the overall business strategy and 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.</p> <p>Through engagement with companies on tax, the aim is for companies to express tax information in alignment with the GRI tax standard and the UK Fair Tax Mark.</p>
Engagement Strategy	In March 2022, in support of a shareholder proposal at Amazon asking for tax transparency, LGPSC signed a letter to the US Securities and Exchange Commission (SEC), alongside over 100 investors. The company had earlier in January 2022 written to the SEC requesting approval for the shareholder resolution to be excluded from voting at the AGM.
Outcome	The SEC ruled in favour of the shareholders and hence the proposal was put to a vote. This represented one of the first times the regulator granted a shareholder request on tax matters. The proposed tax transparency report had to be in line with the Global Reporting Initiative's (GRI) Tax Standard. LGPSC voted in favour of this resolution, and it received 17.5% shareholder support which is reflective of shareholder concerns.



ESCALATION

Escalation is a key component of stewardship. We expect managers to be ready to escalate any engagement where there is lack of progress relative to engagement objectives, on any material ESG topic. If engagement with an asset manager is unsuccessful, we may adopt the following:

- Escalating engagement through a different person of authority in the company
- Consider filing or supporting a shareholder resolution
- Voting against unresponsive directors of company boards
- Underweighting or divesting the security
- Participate in certain individual and class action securities litigations

Each year the Local Authority Pension Fund Forum (LAPFF) and LGPSC engage with hundreds of companies, often directly with company chairs, on behalf of the Fund. When company dialogue is too slow, LAPFF escalates its engagements through issuing voting alerts for company AGM proposals or filing shareholder resolutions with companies to progress action on a given issue. To leverage engagement outcomes, LAPFF often works with other asset owners and managers.

During 2022 we asked managers to pay particular attention to companies' climate transitions, or lack thereof, in line with the Paris Accord. This is part of a broader discussion with external managers around the implementation of our net zero targets.

Company	Stellantis
Asset Type	Equities
Topic Engaged	Climate Change
Geography	Global
Issue/ Reason for Engagement	Lack of progress on the development and disclosure of its climate strategy, ambition, and management.
Escalation Method	Engagement with different people in the company including Head of Sustainability, Strategy Lead and Chief Financial Officer.
Outcome	Following these escalations, the company has unveiled a strategy plan to achieve net zero by 2038 across its entire value chain and cut emissions intensity by 50% by 2030. It also includes a sales target of 100% electric passenger cars in Europe by 2030. Going forward, engagement will shift from climate targets to strategy, climate lobbying and sustainable sourcing.

Company	Jeronimo Martins
Asset Type	Equities
Topic Engaged	Sustainable Food Systems
Geography	Portugal
Issue/ Reason for Engagement	Ensuring that business risks and opportunities presented by farm animal welfare are being managed effectively.
Escalation Method	As part of a collaborative engagement with the Global Investor Collaboration on Farm Animal Welfare, a letter was sent to the company requesting information on planned improvements in policy and implementation to strengthen performance.
Outcome	The annual Business Benchmark on Farm Animal Welfare aided the evaluation of the company's welfare performance. The company failed to make improvements in the benchmark compared to previous years and we will continue to engage on this issue.



Company	Euronet
Asset Type	Fixed Income
Topic Engaged	Human Rights
Geography	US and Europe
Issue/ Reason for Engagement	Lack of ESG policies, disclosures and targets, in particular in relation to diversity within the senior management team.
Escalation Method	After failing to engage on multiple engagements, engagement was escalated with another contact who confirmed that the concerns would be addressed.
Outcome	Euronet included ESG metrics and information on their ESG policies in their annual proxy statement. The company has also made commitments to nominate an 'ethnically diverse candidate' to the Board in the next election in 2023. Engagement will continue to push greater work on climate change including submitting a climate questionnaire to the CDP's Non-Disclosure campaign and setting net zero commitments.





WORKING IN PARTNERSHIP


We believe working collaboratively with other investors will deliver improvements to the way in which companies are managed and provides opportunity to influence wider policy which can positively impact on the long-term returns to the Fund.

Working collaboratively provides opportunity to influence corporations, regulation, and policy on a large scale. As one of the largest UK pension schemes, we aim to collaborate with industry working groups and like-minded investors to lead by example, instil best practice and address global issues. We need to tackle climate change at an increasing pace globally, which will require that all companies, industries, governments and policy makers, capital markets, asset owners and individuals act together and with a common goal.

The Fund annually reviews its memberships and participation in working groups to prioritise and focus on areas that are consistent with our engagement themes and areas/issues that are underrepresented by the market, reiterating our desire to lead by example and drive a positive impact.

Industry Initiatives	Contribution	Effectiveness
Asset Owner Diversity Charter (AODC) 	<p>Founding member of a group aiming to formalise a set of actions for asset owners to improve diversity both internally and across the investment industry.</p> <ul style="list-style-type: none"> Review and deployment of the Asset Owner Charter Questionnaire Providing input into the strategic direction of the working group Supporting in-person events and conversations 	<ul style="list-style-type: none"> AODC – A Year in Review’ event initiating discussions on best practises for incorporating diversity, equality and inclusion into company culture and sharing key insights from the data collected from the first roll-out of the Asset Owner Charter
Climate Action 100+ (CA100+) 	<p>Member of the engagement initiative comprising of 700+ investors with a combined \$68 trillion assets under management. CA100+ engages 166 companies on climate risk that are responsible for 80% of global industrial greenhouse gas emissions.</p> <ul style="list-style-type: none"> During 2022 LGPSC’s Head of Stewardship was a member of the Mining and Metals Sector Group 	<ul style="list-style-type: none"> Robust, targeted, and strong investor collaboration that forms part of the Fund’s engagement program for climate change risk management. CA100+ Benchmark Framework embeds structure and rigour to assessments of companies against a Paris Accord trajectory
Cross-Pool RI Group within LGPS	<p>Member of a collaboration group across the Local Government Pension Scheme (LGPS) pools, LGPS pension funds and pool operators. Forum to discuss with like-minded investors in the same regulatory environment and with similar expectations from clients and beneficiaries across a range of topics</p> <ul style="list-style-type: none"> LGPSC’s Head of Stewardship was the Vice Chair of the group during 2022. 	<ul style="list-style-type: none"> Engaging with regulatory bodies providing feedback and receiving updates of the latest changes in the regulatory landscape Forum to discuss best practice and challenges on a range of topics including reporting and net zero strategies

Industry Initiatives	Contribution	Effectiveness
Institutional Investor Group on Climate Change (IIGCC) 	<p>Member of an influential asset owner and asset manager membership body focusing specifically on defining investment practices, policies, and corporate behaviours to tackle climate change.</p> <ul style="list-style-type: none"> • Involvement in a range of working groups including expectation for data vendors, definition of climate solutions, net zero target setting and methodology for infrastructure etc • LGPSC Head of Stewardship was a member of the Corporate Programme Advisory Group 	<ul style="list-style-type: none"> • Member of the Paris Alignment Investment Initiative setting our formal commitments to achieve net zero by 2050 with support and guidance from the IIGCC Net Zero Investor Framework. In 2022, the Fund published its first Annual Target Disclosure setting out the targets needs to achieve net zero by 2050
Local Authority Pension Fund Forum (LAPFF) 	<p>Founding member of an engagement provider for 87 local authority pension funds and 7 investments pools, assisting with sustainable and ethical investment challenges.</p> <ul style="list-style-type: none"> • Our Executive Director of Pensions is a member of LAPFF's Executive Committee • Setting the direction and engagement approach by feeding into the annual workplan ensuring the Fund's engagement themes are being addressed 	<ul style="list-style-type: none"> • Engaged with 159 companies through emails, meetings, and AGMs on a range of material ESG issues targeting 17 Sustainable Development Goals • Issued voting alerts to escalate engagements, reflective of the Fund's engagement themes, with companies where engagement has been ineffective to date, or where companies have failed to engage at all • LAPFF engagement activities complement the Fund's engagement efforts, for instance human rights risks from companies operating in conflicts zones such as Occupied Palestine Territories
Principles for Responsible Investment (PRI) 	<p>Signatory, since 2010, to the largest, global responsible investment-related organisation supporting with research, policy influence and collaborative engagement.</p> <ul style="list-style-type: none"> • In 2021, we maintained our signatory status, achieving A+/A across all metrics • During 2022, LGPSC's Head of Stewardship was a member of the PRI Plastics Working Group and the PRI Tax Working Group. 	<ul style="list-style-type: none"> • Utilise the collaborative opportunities hosted by PRI to participate in engagement and policy advocacy such as Freedom of Association at Amazon • Partook in the 'PRI Changing the World' consultation evaluating the services provided by PRI and setting strategic direction of the organisation
Taskforce for Climate-related Financial Disclosures (TCFD) 	<p>Reporting against a voluntary framework for companies and investors to provide climate-related information in their annual reports around governance, strategy, risk management and metrics.</p> <ul style="list-style-type: none"> • Commitment to engage with policy makers and regulators to improve data availability, definition of climate solutions and make TCFD reporting mandatory. 	<ul style="list-style-type: none"> • Measuring and disclosing carbon metrics in our TCFD report demonstrating progress to net zero

Industry Initiatives	Contribution	Effectiveness
Transition Pathway Initiative (TPI)  Transition Pathway Initiative	Member of a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy with a global investor community of \$50trn AUM.	<ul style="list-style-type: none"> Tool adopted by LGPSC to directly inform and prioritise engagement and voting on behalf of our Fund. In 2022, the LGPSC raised its expectation on climate management and strategy for companies using the TPI management score strengthening our views and strategy on our net zero ambition.

Collaborative Engagement

We believe and have evidenced that we will improve our effectiveness by acting collectively with other like-minded investors because it increases the likelihood that we will be heard by the company or other relevant stakeholders compared with acting alone. We will continue to monitor the success of both our individual but also collective engagement with investee companies, policy makers and other relevant stakeholders.

Climate Change

• Say on Climate

LAPFF, together with CIFF and Sarasin and Partners, continues its work on the 'Say on Climate' initiative writing to all boards on the FTSE All Share to set out climate transition and net zero strategies whilst providing an appropriate resolution on the 2022 AGM agenda. There was a good response to the correspondence sent with many responses demonstrating progression on emission reduction and some companies placing transition plans for shareholder approval in AGMs. With the UK government looking to make the disclosure of corporate net zero transition plans mandatory, it will be important for both companies and stakeholder to understand how to formulate and disclose 'gold standard' climate action plans.

• ShareAction Investor Decarbonisation Initiative

One of our external managers worked with the ShareAction Investor Decarbonisation Initiative to address a chemical company on climate. The engagement provided increased insight into the chemical company's sustainability strategy, ambition targets (including nature and biodiversity focuses) and thought leadership, which has built on existing engagements our manager has had with the company on ESG disclosures and frameworks, materiality assessment and overall sustainability strategy. We expect engagement to continue to ensure that targets are progressing efficiently.

• Infrastructure Opportunity

One of our infrastructure managers is working with Leeds City Council and West Yorkshire Combined Authority on plans to utilise an alternative heat source for the development of new homes, following the success of the biomass district heating used for The Locks situated in Wolverhampton (one of our investments via the same fund manager). The development partner has engaged in talks with the local councils to utilise the Leeds district heating network for the new property. As a result, £1.85 million was received as a Brownfield Housing grant from the West Yorkshire Combined Authority to connect the scheme to the Leeds district heating systems. This will provide homes with exceeded building regulation energy efficiency targets and results in cheaper bills for the residents.

Sustainable Food Systems

• Access to Nutrition Initiative (ATNI)

One of our external managers worked with the ATNI to engage with a Chinese dairy company. ATNI's objective is to transform the food market through the provision of tools and indices that all companies, stakeholders and investors can utilise to assess food and beverage companies on nutritional issues such as obesity, diet-related chronic diseases, and undernutrition. The collaborative engagement involves discussing the company's 2021 ANTI score, ATNI's methodology and specific recommendations to improve its practises. This included disclosing a marketing policy on Breastmilk Substitutes (BMS) and adoption of the Nutrient-Profiling Model (NPM) to identify healthy products. The company was highly engaged with this feedback given and demonstrated a strong willingness to improve for the next index in 2024.

• Collaborating through the PRI Engagement Platform

Another one of our external managers collaborated a group of European asset managers and asset owners, through the PRI collaborative engagement platform, on a European beverage company and water disclosures. This engagement was led by Achmea Investment Management aiming to gain clarity on the company's water management within their operations and supply chain and water management expertise. It was encouraged that they pursue an external water assessment by the Carbon Disclosure Project

(CDP). A letter was sent to the Board, which our external manager co-signed. The company stated that it had reduced their water usage from 18 litres to 13.4 litres of water, to produce one drink, and has revised its target to 12.8 litres. The company will consider completing the CDP water assessment in 2023 and would like to continue the conversation on water management improvements in the interim.

Human Rights

• Rathbones Modern Slavery Engagement

We have continued to engage with and support the work of the Rathbone's modern slavery engagement project, which won the 'Stewardship Initiative of the Year' at the 2022 PRI awards. Alongside approximately 131 investors, this engagement targets FTSE 350 companies who fail to comply with Section 54 of the Modern Slavery Act (2015). The act requires companies with a turnover of more than £36 million annually to disclose a modern slavery statement; this statement must be approved by the board, signed by a director, and reviewed annually. During 2022, 41/44 companies were 100% compliant with the remaining three companies producing their modern slavery statements in 2023. Engagement will progress into 2023 including a complete review of the entire FTSE 350 to assess compliance.

• Mining Companies

Over the last couple of years, LAPFF has engaged intensively with mining companies on their human rights practices. The engagement has focused on the participation of affected stakeholders in mining company activities and decision-making and was published in LAPFF's 'Mining and Human Rights and Investor Perspective' report in 2022 with the contributions from a human rights expert. The report covers the human rights and environmental impacts of five mining companies Anglo American, BHP, Glencore, Rio Tinto, and Vale and evaluated them on their operational, reputational, legal and financial risks. LAPFF's Chair also had the opportunity to visit the Brazilian communities affected by the Fundão tailings dam collapse in Mariana and the Córrego do Feijão tailings dam collapse, highlighting the need for reparation measures and risk management processes to prevent these tragedies from occurring in the future.

Responsible Financial Management

• Collaborating with Like-Minded Investors

LGPSC has collaborated with four European investors to ensure responsible tax behaviour with Experian, a data analytics and consumer credit reporting company. The company published its first standalone tax report in 2022 following previous engagements, however the report failed to show jurisdiction-wise

activities of the company and disclose how these activities correspond to the relevant tax paid. LGPS Central also suggested the company considers utilising the Global Reporting Initiative (GRI) Tax Standard 207 to capture the key elements that should be included in tax reporting including governance, controls, risk management, stakeholder engagement and CBCR. The company was extremely responsive to the feedback provided and intends to consider these points in their next tax report.

VOTING

(PRINCIPLE 12)

Voting is used to reinforce and escalate engagements that are carried out by our external managers, our external stewardship provider, or or through collaborative initiatives. By regularly raising key issues through different mediums and channels, we increase the chances of being heard by the company and wider sector and initiating changes that reduce portfolio risks and contribute to sustainable futures.

Our Voting Principles outline our approach and voting expectations in asset classes where the Fund holds voting rights, which is reviewed on an annual basis. In 2022, the Fund strengthened its ambitions across various systemic issues, including gender and ethnicity diversity at senior management and board levels, biodiversity and for each of the Fund's engagement themes. This includes expectations for companies to include 1.5°C pathways as part of their financial statements and encourage companies to protect and restore biodiversity as part of their climate transition efforts. Votes against the Chair will be considered if the company scores below 10 on the Forest 500 ranking. Further changes can be seen in the Fund's Voting Principles. Where voting rights are executed by external managers on

behalf of the Fund (for instance, in pooled mandates operated by LGPSC, or where we have delegated authority) the Fund regularly reviews the voting approach and hosts meetings together with all external managers to ensure alignment in voting practices and issues.

We vote on a range of key issues concerning environmental sustainability, including climate change, and broader social issues such as human rights. We recognise that for a company to address these issues, good governance is required to ensure sufficient expertise and oversight. Following unsuccessful engagement, votes may be cast against those responsible for good governance.

2022 VOTING ACTIVITY

Voted at

2,757

meetings

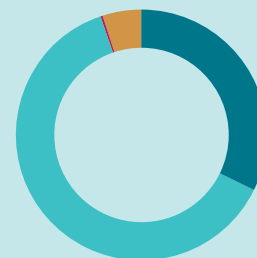
35,537
resolutions

Example voting activity from EOS:

EOS attended **66** AGMs on our behalf, including **13** shareholder meetings and asked questions at eight of these, including BP, Volkswagen, BMW, Royal Bank of Canada, Bank of Nova Scotia, Siemens Energy and Canadian Imperial Bank of Commerce.

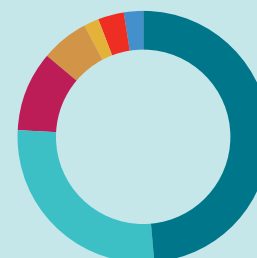


VOTES EXECUTED IN 2022



Total meeting in favour	32.5%
Meeting against	62.5%
Meetings abstained	0.2%
Meeting with management by exception	4.8%

VOTING ISSUES AGAINST MANAGEMENT IN 2022



Board Structure	48.7%
Remuneration	27.3%
Shareholder Resolution	10.2%
Capital Structure and Dividends	6.1%
Amend Articles	2.1%
Audit & Accounts	3.2%
Other	2.4%

VOTING PROCEDURES

The Fund's voting rights are executed by our appointed Pool operator LGPSC across assets invested across the Fund's segregated mandates and LGPSC pooled investments, both of which align to our Fund's voting principles.

This includes companies that are held within the LGPSC listed equity funds, three emerging market equity mandates and three sustainable equity mandates. LGPSC's proxy research provider, EOS, provides LGPSC with voting recommendations based on the Fund's Voting Principles, which are input on the Institutional Shareholder Services platform prior to the vote deadline. The voting recommendations are then cast as voting instructions if there is no further intervention, except in the case of share-blocking votes. LAPFF issues voting alerts for the companies directly to the Fund and LGPSC. In minority cases where a company LGPSC are engaging and/or that the Local Authority Pension Fund Forum has issued a voting alert for falls outside EOS' main engagement, LGPSC will often consult ISS research directly.

In situations where companies are faced with a market-wide crisis that causes unprecedented disruption, uncertainty and challenges to their business models, operations, workforce and finances LGPSC, on behalf of the Fund, will consider applying a more flexible voting approach. In such instances LGPSC would issue us with a document explaining how they may deviate from our Voting Principles, on what issues and relative to which sectors (if different sectors are affected differently).

Voting Watch List

With approximately 3,000 companies held within the Fund's equity portfolio, we take a pragmatic view to voting. The structure established by EOS and LGPSC allows for the Fund's voting rights to be executed across all available holdings in line with our Voting Principles efficiently.

In addition, LGPSC has established a "Voting Watch List" that covers 50 companies that have significant holdings and/or core engagements in and outside of our Engagement Themes and/or have ongoing controversies. Votes at these companies will be given particular scrutiny ahead of the AGM. While it is not feasible to attend all these companies' AGMs, LGPSC aim to attend AGMs virtually (if permissible) for core Climate Action 100+ engagements and for any company with which they have filed a shareholder resolution.

Since these 50 companies will undergo further analysis by LGPSC, the Voting Watch List provides an opportunity to access how accurately the Fund's Voting Principles are being implemented.

Interaction with EOS at Federated Hermes:

- LGPSC share the Voting Watch List with EOS ahead of each voting season, who will provide more detailed analysis to substantiate their voting recommendations for companies on the list ahead of the AGM
- LGPSC seek ad-hoc interactions/meetings with EOS in regard to core holdings or key engagements, where either they or we would like further input ahead of a vote.

Interaction with External Managers:

LGPSC liaise with external fund managers to understand their views and recommendations relative to key holdings and/or contentious voting issues:

- External Managers will be kept up to date on any changes to LGPSC's/the Fund's Voting Principles, and LGPSC/the Fund will be kept apprised of changes to the managers' voting approach and/or policy
- LGPSC will share with each external manager its Voting Watch List with an explicit incentive to communicate their views on companies on this list that are held in their respective portfolios.
- The RI&E team may reach out on an ad-hoc basis in cases where they would like to elicit views on contentious issues in core holdings or key engagements that can supplement views from EOS.

Securities Lending Programme

LGPSC reviewed and updated its active securities lending programme, built on the dialogue with the Fund and Partner Funds, which places full restrictions on certain securities trading during the voting season. Holding securities during the Annual General Meeting (“AGM”) period ensures that the Fund’s voting impact is maximised and shareholder concerns are emphasised during engagement.

12 companies from the Voting Watch List (of 50 companies) were selected as critical engagements with lending restrictions to ensure that the Fund had the ability to vote for these certain companies. These companies are viewed as high-risk companies in relation to climate identified in the Fund’s Climate Risk Reporting and/or fall within the scope of the Climate Action 100+ engagements. A more targeted approach was adopted to balance the cost implications of excluding all companies in the Voting Watch List, which is lifted at the end of the AGM season.

Reporting for Outcomes

For transparency and accountability, the Fund discloses publicly its voting outcomes in three main formats:

- A report summarising the Fund’s voting activities is provided on a quarterly basis to the Fund’s Pensions Committee.
- The Fund’s annual report includes disclosures on voting, as well as other aspects of RI, consistent with the statutory guidance.
- We disclose the latest quarterly voting statistics via the Fund’s website.



VOTING OUTCOMES

In 2022, examples of significant votes pertaining to the Fund's Stewardship Themes are highlighted below.

Company	Barclays
Theme	Climate Change
Objective	For the company to set clear, reasonable, and measurable climate action targets aligned with the Paris Agreement
Vote decision and rationale	<p>Barclays published its updated climate strategy, targets and progress report for an advisory vote at its AGM on 4 May 2022. LGPSC voted against the resolution on the basis that:</p> <ul style="list-style-type: none">• Analysis showed the bank does not fully align with a 1.5C trajectory• Concerns with the bank's target ranges for emissions intensity for several high emitting sectors and its potential misalignment with the International Energy Agency ("IEA") Net Zero Emissions by 2050 Scenario ("NZE") which may not lead to absolute emission reductions• The bank's planned exits from US coal power generation falls outside the time limit set by IEA NZE• Despite setting a reasonably robust net zero ambition, some of Barclays' restrictive sector policies (e.g., on financing for oil sands production) are insufficient making the bank an outlier among European peers
Outcome	LGPSC sent a letter to Barclays after the AGM explaining the vote against their Climate Strategy, Targets and Progress 2022 report and subsequently engaged on the matter alongside other investors. The company has brought forward its commitment to phasing out the financing of US thermal coal power generation from 2035 to 2030 effective at the 2022 year-end climate update.



Company	General Mills
Theme	Sustainable Food Systems
Objective	Reduction, re-use and replacement of fossil-fuel based plastics. Adopting better plastics risk management (reduce plastic use, reduce plastic waste, increase recycling, invest in relevant Research & Development)
Vote decision and rationale	<p>LGPSC supported a shareholder proposal at General Mills' 2022 AGM on Absolute Plastic Packaging Use Reduction requiring the company to report absolute reduction in its use of plastic packaging.</p> <p>The company's 2022 Global Responsibility Report set a 2030 goal for 100% of its packaging to be recyclable or reusable, of which 89% of its packaging by weight currently achieves this goal. The company has also invested in Myplas, a flexible film recycling facility opened in spring 2023.</p> <p>However, the company is lagging behind its peers, which have established absolute plastic-use reduction goals and joined the Ellen MacArthur New Plastics Economy Global Commitment. Multiple US states have enacted legislation requiring companies to be responsible for post-consumer package waste handling and describes adopting minimum recycled content standards.</p>
Outcome	<p>This resolution passed with 56.5% votes showcasing shareholders' concerns related to company's plastic packaging risks.</p> <p>EOS at Federated Hermes, LGPSC's stewardship provider, was involved in a collaborative engagement with General Mills in early 2023. The company is prioritising this issue but explained about technological challenges for its plastic commitments. General Mills is a signatory of the UK and French plastic pact.</p>



Company	Meta
Theme	Human Rights
Objective	Disclosure of human rights policies and ensure best practice is followed particularly in the context of diversity and inclusion, freedom of expression, data protection, content moderation and other industry-specific issues
Vote decision and rationale	<p>At Meta's 2022 AGM, LGPSC supported several shareholder resolutions that enhances the companies' ability to manage and mitigate material human rights risks that are directly linked to its business strategy and operations. This includes:</p> <ul style="list-style-type: none"> • report on the enforcement of policies to moderate problematic content • human rights impact assessment of targeted advertising • report on the trade-offs between privacy rights and child protection <p>EOS participated in a joint investor call with Meta's Chief Diversity Officer and Head of Human Rights regarding:</p> <ul style="list-style-type: none"> • eliminating emotional bias from artificial intelligence • how its algorithms determine the dissemination of paid and labelled political content throughout its user base and address any related "echo chamber" effects • progress with statistics of its five-year representation targets set in 2019 • acknowledge tensions between freedom of expression and issues like hate speech, bullying, misinformation • enhance child safety practices to also include protection from mental health, device addiction, and other emerging issues
Outcome	<ul style="list-style-type: none"> • Meta published its standalone Human Rights Report (July 2022); however, it was unclear whether its business model contributes to the spread of problematic content on its platforms. There were concerns the report falls short of the highest standard for user privacy rights. • Meta acknowledges significant interest from investors on the human rights impacts of the metaverse. • The company has improved disclosure on children's rights, as requested, but lack metrics and targets that show the effectiveness of its substantial efforts.



Company	Microsoft Corporation
Theme	Responsible Financial Management
Objective	For companies to be accountable and transparent about their tax practices; disclose a tax policy outlining the company's approach to taxation and alignment to business strategy and implement a robust tax governance and management framework
Vote decision and rationale	<p>LGPSC supported a shareholder proposal at the company's 2022 AGM requesting:</p> <ul style="list-style-type: none"> • The Board of Directors to issue a tax transparency report, at reasonable expense, and excluding confidential information, in accordance with the Global Reporting Initiative (GRI), including country-by-country reporting <p>Country-by-country reporting ensures multinational enterprises are taxed where economic activities occur, and value is created, rather than shifting away and reporting in a low tax jurisdiction.</p> <p>Microsoft does provide extensive tax information in the company's US reporting through Form 10-K in the Annual Report and many of the company's subsidiaries file statutory reports that are publicly available. Hence, to comply with the GRI Tax Standard, there should be negligible increase in reporting burden.</p> <p>KPMG published results of a 2022 survey of the disclosure practices of the world's biggest 250 companies by revenue and stated that 78% of the G250 companies adopt the GRI Standards for reporting.</p>
Outcome	<p>The proposal failed to pass but received 23% support from shareholders.</p> <p>Microsoft expects to comply with the EU public country-by-country reporting requirements as required effective for fiscal year 2025. The company said that it is awaiting relevant EU and OECD regulation.</p> <p>Microsoft remains on LGPSC's Voting Watch List and undergoing continued dialogue with EOS on the matter.</p>



FIXED INCOME

We expect all our fixed income managers to fully exercise their rights and responsibilities. We provide below an example of how our external managers approach this.

Company	J Power
Objective	Co-lead an Asia Investor Group on Climate Change (AIGCC) collaborative engagement with J Power to improve its climate strategy
Sector	Electric Utilities
ESG Topics Addressed	Climate change; coal policy; transparency and disclosure
Issue/Reason for Engagement	Ensure the responsible and timely phase out of coal
Scope and Process/Action Taken	As co-leader of an AIGCC collaborative engagement, Amundi co-filed three resolutions aiming to improve the J Power's climate strategy
Outcome and Next Steps	The three proposals garnered 25.8%, 18.1%, and 18.9% respectively



PRIVATE MARKETS

We expect all our private market managers to fully exercise their rights and responsibilities. We provide below an example of how this has been incorporated into one of the investments held within our private debt portfolio.

Investment	Project Goethe (held as part of a private debt fund investment)
Objective	Improve sustainability performance of the company through the setting of Sustainability Performance Target (SPT) Key Performance Indicators' (KPI)
Sector	Telecom
ESG Topics Addressed	Our external manager places heavy emphasis on ESG and sustainability in their portfolio and utilises ESG-focused ratchets to incentivise portfolio companies
Issue/ Reason for Engagement	<p>Project Goethe provided financing for a fibre optic roll out in underserved areas in Germany. Fibre optic helps bridge the digital divide through providing improved connectivity and contributes to socio-economic development in these areas.</p> <p>This financing identifies 3 themes each with a KPI, setting a SPT. Achieving or falling short of the SPT results in a negative or positive adjustment of the interest rate margin respectively. The three KPIs cover:</p> <ul style="list-style-type: none"> • reduction in scope 1, 2 and 3 GHG emission • fibre network coverage • employee satisfaction / quality of employment in these rural areas
Outcome and Next Steps	This method of utilising ESG focused ratchets allows for external managers to continue incentivising companies to pursue ESG targets after the initial deal has been signed. The initial test date took place on the 31st of December 2022, from here the company has 135 days to deliver the KPI compliance certificate, from there the new interest rate will take affect within 3 business days.

APPENDIX 1

Mapping to the FRC Stewardship Code Principle

Principle	Page	Additional Comments
Principle 1: Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	7, 9, 19, 23	The Fund's purpose is to provide a sustainable future for all as elaborated from our mission and our vision. Our investment beliefs have been set out in this document, which guides our investment approach and actions, as demonstrated by the launch of the West Midlands Co-Investment Fund focused on delivering value for our local community. Our culture, values and strategy is further demonstrated in our People Strategy, which outlines our PRIDE values that govern the way the Fund operates, and our Corporate Plan, which outlines how we adapt and mould our business strategy in line with changing operating environment and intentions.
Principle 2: Signatories' governance, resources and incentives support stewardship	11-13	We have defined our governance structures and processes that provide oversight to stewardship policies, processes, and outcomes. Our workforce is defined in the Corporate Plan. The Fund does not implement a monetary incentivisation program. Integration of stewardship into investment forms part of performance monitoring and requirement for hiring ensuring the alignment of values.
Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first	14-15, 58-60	We have disclosed the Fund's conflicts of interest policy including the process of identifying potential and actual instances of conflicts for external managers, service providers and stewardship services. Examples of potential and actual conflicts of interest is provided in Appendix 2.
Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system	30, 33, 43-45	We identify market-wide and systematic risks aligning with the Investment Strategy Statement and outline the methodology to mitigate and address these risks. We work with other industry participants to shape the landscape in which we operate to best position the Fund to address these risks and implement a program of engagement to address companies with climate change risks within their business models and operations.
Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities	29	We have stated how policies pertaining to stewardship have been reviewed through our governing bodies and triennial review to ensure that our reporting is balanced, fair and understandable. We have listed both internal and external assurance applicable to the Fund.
Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them	10, 16, 22-23	The Fund is a defined benefit pension scheme with an overview of the investment portfolio and membership base provided. We have outlined our current communications with our members and plans to expand our communication strategy with members.
Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities	8, 24-28	We have defined four engagement themes that we prioritise during the investment and stewardship process. We have defined our expectations for asset managers and LGPSC for the integration of responsible investment and stewardship into the investment process, during manager selection, the design and award of mandates and reiterated through regular performance monitoring meetings. LGPSC is also informed through our involvement in steering LGPSC's strategic direction in the provision of the climate risk monitoring service, defining the pool's engagement themes and implementation of net zero strategies aligned with the Fund's ambitions and commitments.

APPENDIX 1

Mapping to the FRC Stewardship Code Principle

Principle	Page	Additional Comments
Principle 8: Signatories monitor and hold to account managers and/or service providers	30-31	We have described the service providers that the Fund utilises to support the work of stewardship, such as external managers, LGPS pool provider, consultants, and advisors, including how their services are reviewed annually, overseen by our governing bodies and the value/effectiveness of the services they provide.
Principle 9: Signatories engage with issuers to maintain or enhance the value of assets	8, 35-40	We have defined four engagement themes based on key issues for the portfolio that inform our engagement approach such as climate change as it aligned with the Fund's Investment Beliefs. Our Stewardship Provider sets out milestones and defined objectives with companies and informs the Fund, on a quarterly basis, which milestones have been achieved. Engagement occurs in different forms, such as correspondence, meetings, participation for Annual General Meetings, signing investor letters or working as part of a bigger investor engagement initiative.
Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers	45-46	We have provided examples of collaborative engagements that the Fund has participated in, either directly or through service providers, including the outcomes or next steps of those engagements.
Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers	41-42	We expect managers to escalate engagement when there is lack of progress relative to the engagement objectives, which is reiterated during quarterly performance reviews. Examples of escalation, undertaken by the Fund or external managers in 2022, have been provided.
Principle 12: Signatories actively exercise their rights and responsibilities	47-55	We have outlined our expectations for external managers to exercise their rights and responsibilities, as stated in our Voting Principles, including our approach to voting. Examples of voting outcomes and examples of resolutions in 2022, have been provided.

APPENDIX 2a

Hypothetical Examples of Internal Conflicts of Interest

Investing to improve scheme administration versus saving money	An employer representative, who may be a Permanent Secretary, finance officer or local councillor, is aware that system X would help to improve standards of record-keeping in the scheme, but it would be costly to implement. The scheme manager, for instance a central government department or local administering authority, would need to meet the costs of the new system at a time when there is internal and external pressure to keep costs down. In order to meet the costs of the new system, the scheme manager would need to find money, perhaps by using a budget that was intended for another purpose. This decision could prove unpopular with taxpayers. A conflict of interest could arise where the employer representative was likely to be prejudiced in the exercise of their functions by virtue of their dual interests.
Outsourcing an activity versus keeping an activity in-house	In an extension of the previous example, a member representative, who is also an employee of a participating employer, is aware that system X would help to improve standards of record-keeping in the scheme, but it would mean outsourcing an activity that is currently being undertaken in-house by their employer. The member representative could be conflicted if they were likely to be prejudiced in the exercise of their functions by virtue of their employment.
Representing the breadth of employers or membership versus representing narrow interests	An employer representative who happens to be employed by the administering authority and is appointed to the pension board to represent employers generally could be conflicted if they only serve to act in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the pension board to represent the entire scheme membership could be conflicted if they only act in the interests of their union and union membership, rather than all scheme members.
Assisting the scheme manager versus furthering personal interests	<ul style="list-style-type: none"> i) A Pensions Board member, who is also a scheme adviser, may recommend the services or products of a related party, for which they might derive some form of benefit, resulting in them not providing, or not being seen to provide, independent advice or services ii) A Pensions Board member who is involved in procuring or tendering for services for a scheme administrator, and who can influence the award of a contract, may be conflicted where they have an interest in a particular supplier, for example, a family member works there.
Sharing information with the pension board versus a duty of confidentiality to an employer	An employer representative has access to information by virtue of their employment, which could influence or inform the considerations or decisions of the Pensions Board. They have to consider whether to share this information with the Pensions Board in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pensions Board.
Acceptance of gifts	An individual accepts the offer of a dinner invitation from a bidder or potential bidder to one of the Fund's outsourced contracts.

APPENDIX 2b

2022 Examples of External Conflicts of Interest with Third Parties

Examples of second order external conflicts of interest from our underlying investment managers in 2022

External Infrastructure Investment Fund Manager

Conflict

One of our external infrastructure managers owned two funds, one of which has invested in a multi-tenure development. As part of this development, there was shared appetite to sell nine shared ownership units to the other fund. Since both funds are owned by our infrastructure manager, there was a potential perceived conflict.

Identification

The potential perceived conflict was identified by reviewing both funds's Limited Partnership Agreement, which noted that approval would be required by the respective advisory committees. The matter was also discussed with the Infrastructure Fund manager's Compliance Team.

Management

In line with the manager's policy, the potential conflict was raised with the conflict committee, outlining the potential conflict and the actions to be taken to mitigate the potential perceived conflict.

These included:

- Obtaining an independent third-party valuation in order to demonstrate that the transaction was taking place at a fair market price;
 - Reaching out to other parties to offer to sell the units, to allow for comparison of offers; and
 - Ensuring that the transaction was dealt with by separate individuals both Funds side as far as possible (although noting that both teams ultimately report to the Head of Housing).
-

External Equities Manager

Conflict

An ESG Specialist joined the Clients Department at one of our external managers.
The specialist holds an Independent Non-Executive Director (INED) position with the Johannesburg Stock Exchange (JSE).

Identification

All business-related external positions must be approved by the manager's Director of Group Compliance and Legal.
In line with the manager's policy, the potential conflict was raised with the conflict committee, outlining the potential conflict and the actions to be taken to mitigate the potential perceived conflict.

Management

The external manager's Compliance team approved the external position subject to the following protective measures:

- 1) The individual does not retain remuneration in relation to the JSE INED position
 - 2) The individual will work closely with the Compliance team on an ongoing basis to manage any Material Non-Public Information (MNPI) risk.
 - 3) A stop restriction has been added to the Front Office System to ensure that all proposed JSE trading is reviewed and approved by the Compliance team.
 - 4) The external position will periodically be reviewed to ensure that the protective measures implemented can reasonably mitigate any MNPI and Conflicts of Interest risk going forward.
-



Councillor Milkinder Jaspal
Chair – Pensions Committee



Rachel Brothwood
Executive Director of Pensions



Simon Taylor
Assistant Director – Pensions



Shiventa Sivanesan
Assistant Director – Investment
Management & Stewardship



Paul Nevin
Assistant Director –
Investment Strategy



Chris Manning
Head of Finance
(Deputy S151 for the Fund)



Rachel Howe
Head of Governance, Risk
and Assurance



Amy Regler
Head of Operations



West Midlands Pension Fund

Tel: 0300 111 1665

Website: www.wmpfonline.com

Email Us: www.wmpfonline.com/emailus

West Midlands Pension Fund

PO Box 3948

Wolverhampton

WV1 1XP