



West Midlands Pension Fund

2025 RI FRAMEWORK & STRATEGY



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Introduction

Responsible Investment (RI) is at the heart of how we manage our members' assets. We recognise that ESG factors directly affect long-term financial outcomes and the health of the communities and economies we invest in.

The risks of not investing responsibly are clear: global challenges like climate change, inequality, and poor governance carry financial and societal costs. As an asset owner, we have a responsibility — and an opportunity — to influence positive change through our investments and stewardship.

We are committed to integrating RI across all investment decisions, working with our asset managers, stakeholders, and policymakers to promote sustainable practices and mitigate risks. Our goal is to secure strong, sustainable returns for our members while contributing to a more resilient and inclusive future.

Transparency and accountability are fundamental to our approach. We will report on our progress, hold ourselves and our partners to high standards, and continue to evolve our strategy as best practices and expectations change.

In our Responsible Investment Framework & Strategy, we set out how we will deliver on this commitment, knowing that the journey requires continuous improvement and collaboration. We are determined to play our part in building a sustainable future for our members, communities, and future generations.

Purpose

RI is the integration of financially material environmental, social, and corporate governance (“ESG”) factors into investment processes both before and after the investment decision.¹

Our approach to RI is guided by our fiduciary duty under law. This requires us to act prudently and in the best financial interests of our scheme members and employers. ESG factors can present both long-term financial risks and opportunities. Accordingly, we integrate ESG and other relevant considerations into our investment decisions where we expect they could be financially material to investment performance.

We may also consider impact investments — investments intended to generate positive, measurable social or environmental outcomes — where these are in line with our long-term risk-return objectives.

This approach is distinct from ethical or moral investing. Ethical and moral investing is typically guided by investors’ specific beliefs or values and may involve avoiding certain companies or sectors, or actively investing in others, based on those beliefs and without the same level of consideration to risk and return.

We have developed our RI Framework & Strategy in the context of relevant regulations, statutory guidance, the advice of the Law Commission, and industry best practices. Our Governing Bodies² approve and rely on this framework to guide the Fund’s investment decisions.

Our RI Framework & Strategy informs and complements the Fund’s Investment Strategy Statement³ and Funding Strategy Statement⁴. It also references other key statements, guidelines, and strategies of the Fund, such as the Climate Change Framework & Strategy⁵ and the Voting Principles⁶, that support the implementation of the RI strategy.

The framework supports the practical application of our RI reports and disclosures while also setting out our expectations for our LGPS investment pooling partner,⁷ external managers, and service providers, that for the integration of RI, principles into their decision-making, monitoring, and performance evaluation processes.

Finally, our RI Framework & Strategy facilitates thought leadership that can help drive collaboration and innovation amongst industry peers while enhancing transparency on our RI approach to our different stakeholders including our members and employers.



Context & Alignment:

Developed in line with relevant regulations, statutory guidance, the advice of the Law Commission, and industry best practices



Governance & Guidance:

Approved by our governing bodies – Pensions Committee and Local Pensions Board



Strategic Integration:

Informs & complements the ISS, FSS, Climate Strategy, and Voting Principles



Implementation Expectations:

Sets out RI expectations for our pool, managers and service providers



Leadership & Transparency:

Supports disclosures, drives industry collaboration, and enhances stakeholder engagement

¹ As defined by the Principles of Responsible Investment (PRI)

² Pensions Committee and Local Pensions Board

³ WMPF Investment Strategy Statement

⁴ WMPF Funding Strategy Statement

⁵ WMPF Climate Change Framework & Strategy 2025

⁶ WMPF Voting Principles 2025

⁷ LGPS Central



Scope

The RI Framework & Strategy applies to all the Fund's assets under management (AUM). The approach and extent of application varies depending on the quality of guidance and data available for each asset class. In this way, we integrate RI principles across the entire portfolio, while also considering the unique characteristics, risks, and opportunities associated with each asset class.

For example, there is higher potential to integrate climate risk mitigation within investments in asset classes like property and infrastructure via direct

investments in renewable energy projects. Similarly, due to the increasing availability and quality of ESG data for public equities and corporate bonds, integrating RI into these asset classes using tools like RI risk analysis, engagement, voting and escalation is becoming more transparent.

We believe growth and income assets provide the most immediate opportunities for integrating ESG principles and for creating meaningful positive impact through investment decisions.

Responsible Investment Aims and Beliefs

Our beliefs help us focus on key areas to drive change, leading to better investment outcomes and value for our members and employers. Our Corporate Plan⁸ for 2025–2028 sets out our collective ambition – **ASPIRE** – along with our three-year goals to achieve it. This plan shapes our RI approach by embedding its priorities into our core functions, including investment and stewardship.

Below, we demonstrate how our RI strategy aligns with our broader RI aims and beliefs.



Aim 1: We act in the best interests of our members



Belief 1: Investing responsibly and integrating ESG is in line with our fiduciary duty to members and produces better risk-adjusted returns.

Belief 2: Managing costs and using resources and expertise efficiently is important in delivering value.

RI Integration Strategy:

- **Materiality-based ESG Integration:** We focus on ESG factors that are likely to have a meaningful impact on an investment's financial performance. Material issues vary by sector and asset class. For example, in the energy sector, a company's exposure to carbon pricing or tightening emissions regulation may materially affect its long-term profitability. For a technology company, data privacy practices and supply chain labour standards could be more financially relevant.
- **Active Risk Management:** We believe that responsible investment can lead to better risk-adjusted returns because it incorporates factors that may otherwise represent unmanaged risks such as climate change, corporate governance failures, social inequality, and regulatory shifts that can materially affect companies' operations, profitability, valuation, and overall risk profile.



Beliefs in Action

Climate Risk Management: We will prioritise addressing climate change in our investment strategy by adopting climate-related risk assessments and aligning portfolios with international climate goals such as the Paris Agreement. Our [Climate Change Framework and Strategy](#) details our net zero commitments, short- & medium-term decarbonisation targets, and how we plan to achieve them.

- **Cost-efficient ESG integration:** Integrating ESG factors can involve upfront investment — such as in data systems or due diligence processes. But it has the potential to deliver long-term cost savings through better risk management, improved governance, and enhanced resource efficiency across portfolios.

We aim to integrate ESG in a way that is both effective and cost-conscious in line with our commitment to good governance. This includes using ESG data platforms and implementing standardised manager monitoring and reporting frameworks to reduce duplication, streamline oversight, and avoid unnecessary expense.

As a member of the LGPS Central pool, we also leverage shared tools, collaborative stewardship initiatives, and pooled procurement to lower costs and increase efficiency. Pooling provides access to scale and expertise and strengthens our negotiating power with service providers.

Additionally, benchmarking initiatives such as CEM⁹ ensure our investment and stewardship costs remain competitive and proportionate, providing further assurance to members that ESG integration is delivering value without compromising financial performance.

We further detail our ESG integration approach in the [RI in Practice](#) section below.

⁸ [Corporate Plan](#)

⁹ [CEM Benchmarking](#)



Aim 2: We look to positively influence outcomes



Belief 3: Engaging with companies and investment managers can drive real-world positive change.

Belief 4: Engagements should be targeted, focusing on material areas where positive impact can be achieved.



Aim 3: We push to raise standards across the industry



Belief 5: There are wider systemic benefits to be gained from playing an active role in driving innovation and best practice across the industry.

Belief 6: Collaborating and knowledge sharing can promote innovation and improve engagement outcomes.

RI Integration Strategy:

- **Active Ownership:** Our approach to active ownership is rooted in the principles of **active engagement** and **voting**. These are key mechanisms through which we influence investment managers and companies we invest in. We understand the importance of both long-term value creation and positive ESG outcomes. We collaborate with our appointed managers and external partners to achieve these goals.

Targeted Engagement vs Exclusion: Engagement provides an opportunity to positively influence company behaviour, enhance shareholder value and drive real-world change - influence that would be lost through an exclusionary approach.

Our engagement efforts will focus on ESG factors that are expected to be financially material to the investment performance and sustainability of the companies or assets over the medium to long-term. To facilitate this, four key engagement themes have been selected that filter down from our thinking around systemic ESG risks described below.

We also assess and prioritise engagements with potential for the largest impact. For example, engagement with companies held in small proportions may not be as impactful.

Engagement is inherently nuanced and often requires a long-term perspective. Meaningful progress — particularly in complex or sensitive areas — takes time and outcomes are seldom immediate. Our approach is therefore grounded in persistence and a clear framework for monitoring change.

Where engagement outcomes remain inadequate and company practices remain fundamentally misaligned with our investment aims and beliefs, we will undertake a structured review and retain the option to -escalate or ultimately exclude.

We further detail our engagement approach in the [Stewardship](#) section below.

- **Industry Leadership:** We will play a leading role in promoting best ESG practices within the investment community. We are signatories to the UK Stewardship Code¹⁰ and participate in industry initiatives such as the Principles for Responsible Investment (PRI)¹¹ and the Institutional Investors Group on Climate Change (IIGCC)¹², advocating for greater transparency, innovation, and the adoption of high ESG standards.
- **Collaboration with Peers:** We collaborate with other investors, asset managers, and organisations to share best practices, data, and insights on ESG integration. Through collaboration, we can drive industry-wide change and improve our collective impact.

Our approach to memberships and initiatives as well as public advocacy is further elaborated in the [Stewardship](#) section below.



¹⁰ [UK Stewardship Code](#)

¹¹ [UN PRI](#)

¹² [IIGCC](#)



Aim 4: We strive to create a better world, society, and environment



Belief 7: Generating the necessary investment returns and simultaneously invest for positive impact over the long-term

Belief 8: There is scope to invest for positive social benefit locally and globally in line with our fiduciary duty.

- **Investing for Impact:** We will consider investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. We are developing a framework to identify exposure to and measure positive impact.
- **Global and Local Impact:** The Fund already allocates over a third of its assets to UK investments, including socially and environmentally beneficial enterprises. Locally, we invest in property, infrastructure, and finance for businesses. We will collaborate with relevant stakeholders to develop and implement a place-based impact investing strategy, in line with the Government's vision to facilitate greater investment in UK Growth. This will build on our current strategy to consider local investment opportunities as outlined in the Fund's Investment Strategy Statement, which will be reviewed over 2025/26 in light of the Government's Fit for the Future review.



Aim 5: We aim to partner with organisations that incorporate EDI¹³ and strive for greater diversity and inclusion



Belief 9: Incorporating EDI has positive benefits and leads to improved outcomes.

Belief 10: EDI should be incorporated at all levels across companies, asset managers, and service providers.

We recognise the benefits of regional investments particularly to our members and employers. At the same time, we will ensure any investments are expected to meet our risk, return, and RI objectives, fulfilling our fiduciary duty to members.

- **EDI Integration:** We assess managers, partners, advisers and potential investments based on their commitment to EDI both within their workforce and in their broader impact. We will prioritise organisations with strong EDI policies, recognising that diverse workforces are more innovative and resilient.
- **Inclusive Investment Practices:** We will ensure that the selection of asset managers, service providers, and other partners emphasises EDI practices. We partner with organisations like the Asset Owner Diversity Charter¹⁴ that demonstrate commitment to fostering diversity and inclusion at every level of their operations, from boardroom leadership to workforce representation.



Beliefs in Action

We have recently made a cornerstone £40m commitment to the Mercia Evolution Fund that is designed to redirect investment to the Midlands and the North of England, providing vital growth capital to small and medium sized British businesses. This investment supports the local economy and aligns with the Fund's long term investment objectives.



Beliefs in Action

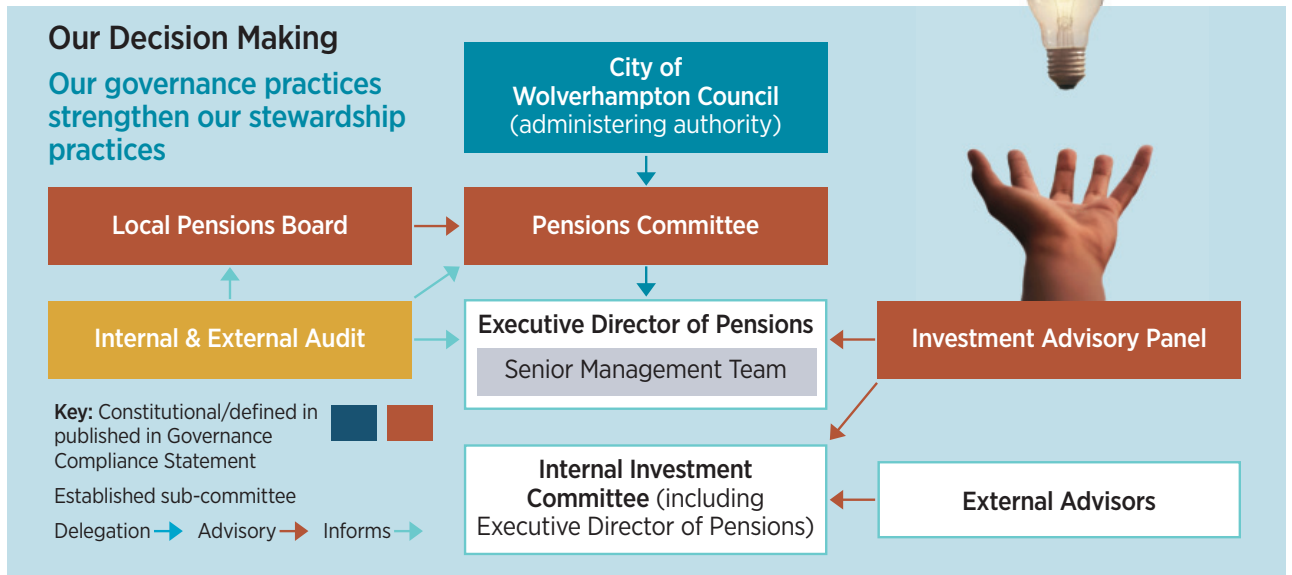
We were one of the founding investors of the Asset Owner Diversity Charter, convened to improve EDI in the asset management industry. The Charter supports asset owners by setting out a set of actions that they can commit to and aims to standardise asset manager EDI disclosure. This is increasingly being incorporated by the Fund and our pooling partner as part of the manager selection and monitoring process.

¹³ Equity, Diversity and Inclusion

¹⁴ AODC

Governance

Fund Governance



The City of Wolverhampton Council (CWC) is our Scheme Manager and administering authority. CWC has delegated responsibility for the management of our pension fund to our Pensions Committee and our Executive Director of Pensions. Our Pensions Board assists in the good governance of the scheme by ensuring compliance with legislation and statutory guidance. Together the Pensions Board and Committee make up our 'Governing Bodies'. Our governance arrangements are outlined in the diagram above.

Pensions Committee	Our Pensions Committee has oversight and monitors the implementation of our RI and stewardship practices and policies to ensure effectiveness and continuous improvement. The Pensions Committee receives and discusses our RI Reports and activities quarterly.
Local Pensions Board	We explore and debate emerging risks and issues with our Board. our Board is representative of the Fund's membership and employer base, providing a forum for engaging customer perspectives.

Fund Officers & Advisors

Internal Investment Committee (IIC):	The IIC is responsible for the day-to-day management and oversight of the investment portfolio, including the implementation of the ISS, asset allocation decisions, and the RI Framework. Every IIC meeting includes dedicated time to review and advance our RI approach and implementation, reflecting its importance in our overall investment strategy. This work is supported by the specialist expertise of the investment team including dedicated RI resource, which provides analysis, insight, and recommendations to ensure that RI considerations are integrated effectively and consistently.
Investment Advisory Panel (IAP)	Our IAP provides challenge, oversight, and support assurance to our Pensions Committee including the review of our RI policies by offering expert and market experience.
Investment Consultants	We liaise with and are guided by investment consultants and risk advisors on our RI Framework & Strategy and its implementation.
LGPS Central	Our pooling partner supports strategic oversight and provides advisory services to the Fund on the development and implementation of its RI strategy. This includes advising on best practices, monitoring delivery against RI objectives, and providing risk analysis to help ensure alignment with our long-term goals and regulatory obligations.
Internal RI Audit	We are developing a broader Fund-wide assurance framework which will ensure our investment approach works effectively in practice. . An important component of this is the periodic internal audit conducted by our Administering Authority, the City of Wolverhampton Council. This provides independent oversight of our RI practices, internal processes, and reporting to governing bodies.



Governance of External Managers/Service Providers

While we retain ultimate ownership and oversight of investment decisions and assets, we delegate day-to-day responsibility for asset selection and stewardship to our investment managers and pooling partner, LGPS Central.

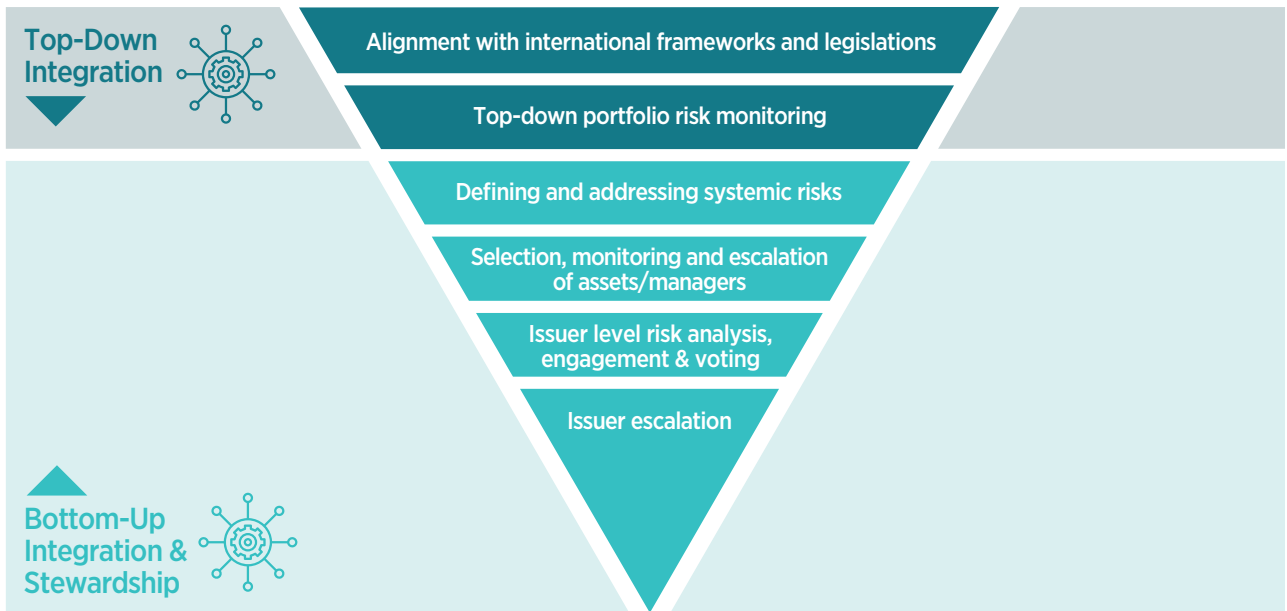
We set clear RI expectations for our managers and service providers through our RI Framework, ISS, and wider policies. These guide the implementation of our approach and form the basis for both active engagement and ongoing monitoring.

We exercise governance of external managers and service providers through a range of mechanisms, including formal investment management agreements, periodic review meetings, annual assessments of cost efficiency and alignment with purpose, and internal audit on process effectiveness.

These mechanisms enable us to maintain appropriate control, ensure accountability, and support long-term value for beneficiaries across our investments.

These approaches are highlighted in the selection, monitoring and review headers under the [Stewardship](#) section below.

RI in Practice



ESG Integration

ESG integration is a core component of how we assess the long-term sustainability and resilience of our investments. Our approach combines both top-down and bottom-up perspectives to ensure ESG is embedded throughout the investment process, rather than treated as a secondary consideration.

Top-Down Integration

Our RI Framework adopts a top-down approach to ESG integration, ensuring that high-level principles are consistently applied across all investment activities. This begins with alignment to international frameworks and legislations, including the UN PRI, the Paris Aligned Asset Owners (PAAO)¹⁵, and relevant UK and global regulatory standards. ESG risks and opportunities are assessed through a materiality lens, guided by globally recognised benchmarks and sector-specific guidance like the Sustainability Accounting Standards Board (SASB).¹⁶

Additionally, we plan to develop RI integration procedures which are bespoke to the asset classes we invest in.

Key parameters we consider for each asset class include:

- i) Key opportunities for ESG analysis and impact
- ii) Key tools for measurement and engagement
- iii) Key investment product types

We also consider how systemic ESG factors — such as climate change, biodiversity loss, geopolitical shifts, and social trends — may influence macroeconomic conditions, sector dynamics, and long-term capital market assumptions. These insights inform our strategic asset allocation, portfolio construction, and engagement priorities with managers. We expect managers to be attuned to these broader sustainability themes and to reflect them in their investment analysis and risk assessments.



¹⁵ [Paris Aligned Asset Owners](#)

¹⁶ [SASB](#)

Our Climate Change Strategy & Framework 2025 details our approach to aligning different asset classes to achieving our net zero commitments.

Screening

We do not consider blanket exclusions or sector-wide screening to be a feasible or effective approach to responsible investment. Broad-based exclusions can limit the investable universe in ways that may not meaningfully reduce real-world ESG risks or impacts. They may also remove opportunities to drive positive change by engaging with companies operating in high-risk or transition-prone sectors — precisely where investor influence may be most needed.

ESG challenges are rarely uniform across an entire sector. A more nuanced approach allows us to distinguish between companies based on the severity of issues, their trajectory of improvement, and their willingness to engage. Excluding entire sectors may overlook companies that are actively improving their practices or leading the transition within their industries.

That said, investment funds and the underlying managers may, for financial risk management reasons or regulatory requirements, apply targeted exclusions. These exclusions may reflect the Fund's stated RI objectives or risk profile. This often results in the screening out of companies that are most exposed to material ESG risks or whose practices are fundamentally misaligned with rRI principles.



Beliefs in Action

Our RI approach has led to investment in funds whose methodologies include a systematic tilt towards companies with green revenues or exclusion of companies in traditionally unsustainable sectors/ those that violate UN/ILO Conventions.

Bottom-Up Integration

At the bottom-up level, we expect our investment managers to integrate material ESG risks and opportunities into their company or asset-level research and analysis. This includes understanding how ESG factors may affect business models, cost structures, access to capital, and long-term value creation. We assess how managers incorporate these factors into decision-making, and how they identify issuers that are positioned to manage ESG risks or capitalise on sustainability-related trends.

The [Stewardship](#) section further details the process of monitoring ESG Integration by managers.



Approach to Systemic ESG Risks

Climate Change

Climate change is a systemic issue which presents significant risks and opportunities for the economy, affecting our investments and the communities we serve. It is a financially material consideration, and addressing it is part of our duty to act in our members' best interests. Managing climate change requires broad societal participation and robust government policies aligned with the Paris Agreement. We believe addressing the risks and opportunities climate change poses will deliver better outcomes for our stakeholders.

We are committed to transitioning our investments and operations to net zero by 2050. Our approach revolves around six key focus areas – reducing emissions, aligning our assets, engaging with companies, cutting our own emissions, harnessing data and enabling the transition through climate solutions.



As a responsible global asset owner, we have a duty to push for increasing industry standards. Best practices for managing and measuring climate risk are constantly evolving, and we aim to be seen as leaders in this space. We will work globally with our asset managers, service providers, governments and policy makers to drive change, ensuring efforts remain focused on action to address climate change. We will, with the help of our actuary and investment consultant, also evaluate how climate change may impact our liabilities and funding levels.

In our [Climate Change Framework and Strategy 2025](#), we detail our approach further and highlight our commitment to a sustainable future for our members and our communities.

We will report annually on our achievements against the targets and ambitions of this strategy. Our broader integrated risk management framework ensures that we look at climate risk through various lenses across our organisational operations, investment portfolio and member pension liabilities.

Human Rights

We recognise human rights as a systemic investment risk — one that can impact economies, markets, and the performance of individual companies across sectors and geographies. Violations of human rights can give rise to operational disruptions, legal liabilities, supply chain instability, loss of social licence to operate, and lasting reputational damage. These risks are often interconnected, widespread, and difficult to diversify away, making them relevant not just at the enterprise level, but at the systemic level for institutional investors.

Inadequate management of human rights risks can also exacerbate inequality, weaken governance, and undermine long-term social and economic development — all of which affect the stability and sustainability of financial systems. As long-term asset owners, we believe that respecting human rights is fundamental to sustainable value creation and risk-adjusted returns.



As a signatory to the UN Principles for Responsible Investment (UN PRI), we are committed to implementing robust human rights due diligence processes in line with investor responsibilities outlined by the PRI. This informs our expectations of companies and fund managers alike.

Our approach is guided by international human rights instruments, including the International Bill on Human Rights¹⁷, the International Labour Organisation Declaration on Fundamental Principles and Rights at Work¹⁸, the UN Guiding Principles on Business and Human Rights (UNGPs)¹⁹ and the OECD Guidelines for Multinational Enterprises.²⁰

We will, with the help of our pooling partner, continue to integrate human rights considerations across our investment lifecycle, with a focus on:

- Identifying human rights risks within sectors, geographies, and supply chains known to have heightened exposure
- Assessing severity and materiality, considering the potential for adverse impacts on people, as well as the likelihood of financial and reputational consequences.
- Prevention and mitigation strategies, implemented through ongoing monitoring of our managers and engagement with portfolio companies.

We maintain regular dialogue with our external managers to ensure they are aligned with our human rights expectations. We also assess their policies, due diligence practices, and escalation protocols as part of our manager monitoring process.

Nature and Biodiversity

Nature and biodiversity loss have far-reaching implications for the global economy, financial stability, and long-term investment performance. Ecosystem services — such as clean water, fertile soil, climate regulation, pollination, and flood protection — underpin the productivity and resilience of entire industries. The degradation of these natural systems presents material risks across value chains, portfolios, and markets.

Despite being the second most severe global risk²¹ over the next decade and vital to our economy, nature and biodiversity loss have received less attention in the pension industry than climate risks.

This is beginning to shift with initiatives such as the Taskforce on Nature-related Financial Disclosures (TNFD)²², which are helping to clarify expectations and improve data availability. We are working with our service providers and investment managers to identify financially material nature-related risks and opportunities across our portfolio.

Our aim is to better understand and include nature-related factors in our investment decisions. This will help us manage new risks and take advantage of long-term opportunities. It will strengthen our RI approach and ensure the we can adapt as guidance and market practices evolve.



¹⁷ [International Bill of Human Rights](#)

¹⁸ [ILO Declaration on Fundamental Principles and Rights at Work](#)

¹⁹ [UN Guiding Principles on Business and Human Rights](#)

²⁰ [OECD Guidelines for Multinational Enterprises](#)

²¹ [WEF Global Risks Report 2025](#)

²² [TNFD](#)

Stewardship

We define stewardship as the responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries, in line with the UK Stewardship Code 2026.²³ We are firmly committed to integrating ESG considerations into our stewardship approach.



We, alongside LGPS Central, use levers such as product integration, selection of assets/managers, monitoring of managers, engagement, voting, and escalation to exercise stewardship functions and better integrate RI into the investment process.

Selection and Appointment

We embed RI considerations throughout our processes for selecting managers across private and public markets. RI assessments form a defined portion of manager evaluations, with scoring frameworks applied at each stage of due diligence. The purpose of the assessment is to identify and assess potential financially material ESG risks and opportunities arising at fund and/or delegated manager level. Where appropriate, an approach to mitigate/exploit these risks/opportunities is proposed.

We assess several RI factors as part of this due diligence. These include, but are not limited to:

- i) Policy and Governance
- ii) People & Resources
- iii) Process

iv) Past ESG Performance

v) Transparency

vi) Industry Collaboration

vii) Compatibility of Net Zero Approach

This looks at both the integration of RI and ESG in the investment process as well as assessing the manager's corporate values, practices and beliefs.

Ultimately, we aim to ensure that our RI expectations are consistently reviewed, aligned, and embedded across all investment management and partnership agreements — whether managed directly or via our pooling partner, LGPS Central. This includes seeking appropriate reference to RI principles and requirements in documentation such as fund prospectuses, Investment Management Agreements (IMAs), Limited Partnership Agreements (LPAs), and side letters.

Monitoring

The objective of manager monitoring is to:

- i) Determine whether the level of ESG risks in the portfolio remain appropriate
- ii) Ensure the manager is applying its RI-integration processes
- iii) Assess the effectiveness of own/manager's RI integration framework

We retain ownership and oversight of the monitoring and stewardship process, while our pooling partner undertakes the underlying assessments in line with our expectations and guidelines. LGPS Central conducts manager monitoring by building on the initial due diligence process through routine assessment and scoring of ongoing RI performance relative to expectations.

For private markets, managers are prioritised for review based on risk and laggards. Lower-scoring managers will be subject to enhanced review. All public market managers are assessed annually.

We expect managers to disclose material ESG issues proactively. Monitoring includes reviews of policies, reporting, engagement activities, and evidence of progress in RI implementation.

²³ [UK Stewardship Code 2026](#)

Examples of information that can be provided during reviews include but are not limited to:

- 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.
- RI metrics used to assess the risks within the portfolio and how these change over time and/or relative to comparable benchmarks.

Based on the scores of manager assessments, a Red-Amber-Green (RAG) framework is used to flag issues and inform escalation. We conduct monitoring in collaboration with LGPS Central's internal teams including asset class investment specialists, and RI specialists, with insights feeding into ongoing evaluation and governance reporting.

Engagement & Voting

Our top-down RI risks and opportunities oversight process and bottom-up RI metrics monitoring process helps identify and prioritise issuer-level ESG risks and opportunities. Key levers for managing these risks and/or capturing the opportunities include active ownership via engagement and voting.

We have identified four key engagement themes between 2024-2027 which stem from the systemic risks described above. These are illustrated below.

These are conveyed to our pooling partner and other managers to ensure engagement and voting activity is aligned across our assets. LGPS Central has appointed EOS at Federated Hermes²⁴ as their stewardship service provider for voting and engagement on key holdings.

We develop an engagement priority list in collaboration with LGPS Central, focusing on issuers where there are significant holdings and elevated ESG risks based on issuer level analysis. LGPS Central prioritises engagement efforts based on this list, considering our expectations on engagement themes, our net zero strategy, expectations and coverage by collaborative initiatives and LGPS Central's own process of analysing RI metrics.



Climate change and the net zero transition

- Tackle climate change to enhance and safeguard our investment returns and preserve our world for future generations.



Resource efficiency and the circular economy

- Address nature-related risks and the transition to a circular economy to mitigate the effects of climate-related disasters and preserve the world's global food system.



Social equality

- Ensure human rights are protected across supply chains to help businesses continue to grow and operate smoothly.



Forward-thinking governance

- Encourage companies to adopt strong governance processes to improve their resilience and reduce the risk to our investments.

²⁴ [EOS at Federated Hermes](#)



We, with the help of our pooling partner, exercise our shareholder voting rights as a tool to influence companies on material ESG issues. When companies fail to adequately address these concerns, we vote against their proposals, board members, or directors. Our voting decisions also set the tone for ongoing dialogue and future engagement with portfolio companies.

Our Voting Principles²⁵ provide guidance on issues not covered by the UK Corporate Governance Code²⁶ and apply to companies based in the UK. We review these annually in conjunction with LGPS Central and through dialogue with our equity managers. For remaining markets, we align with LGPS Central's/EOS'/ proxy voting provider, Institutional Shareholder Services' (ISS)²⁷ voting recommendations, as long as they are in line with our RI beliefs.



Beliefs in Action

To address the growing risk of climate change to our investment portfolio, LGPS Central has developed a priority list specifically for our climate engagements. This list is designed to identify the Fund's top contributors of financed emissions, as well as aligning with LGPS Central's own climate stewardship priority companies.

Similar to the engagement priority list, a voting watchlist is also established to enable scrutiny ahead of a company's Annual General Meeting (AGM). LGPS Central undertakes analysis on the meeting materials produced by companies and utilises the research produced by ISS and EOS to verify their vote recommendations. EOS and ISS also provide detailed analysis to substantiate their voting recommendations and an opportunity for discussion before the vote where necessary. This priority list of companies provides a layer of assurance to ensure our Voting Principles are executed accurately.

Our voting rights are executed by LGPS Central both in-house, for priority companies, and via EOS. Voting recommendations are input by LGPS Central into the ISS platform and are cast if there is no further intervention, except in the case of share-blocking votes and other impediments imposed by jurisdictions where companies are incorporated. We take a pragmatic approach to ensure efficiency in the voting process, alignment to our beliefs and to maximise our voting rights.

We have set clear expectations for how all our engagement and voting partners, including LGPS Central, should monitor and report their progress and results.

We have an active security lending programme. Therefore trading restrictions are placed on certain securities to maximise voting impact and emphasise shareholder concerns during engagement. We adopt a targeted approach to lending to balance the cost implications against the voting benefits to high-risk companies identified through our climate risk reporting and/or Climate Action 100+ engagements.

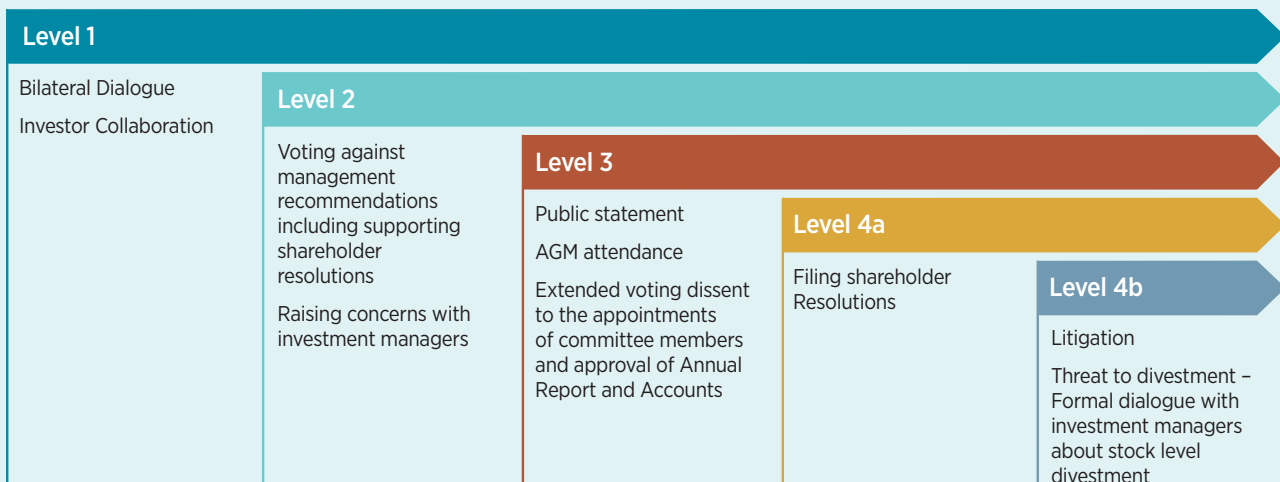
²⁵ [WMPF Voting Principles 2025](#)

²⁶ [UK Corporate Governance Code](#)

²⁷ [ISS](#)

Escalation

For public equities, escalation action is determined on a case-to-case basis. The issuer escalation process involves four levels:



For private market and fixed income managers, escalation is informed by the manager monitoring process as described [above](#).

Each quarter, we meet with LGPS Central to review engagement activities with priority issuers. We discuss progress on key engagement themes and material issues, how LGPS Central monitors engagement outcomes, and review case studies where engagement has been escalated.



Industry-wide Collaboration via Policy Advocacy and Partnerships

Through collaborating with companies, fund managers, regulators and other influential bodies is required to improve investor outcomes over the long-term. Accordingly, we may:

- **Undertake policy advocacy** - engage in dialogue with policymakers, investors and companies to accelerate the shift to a low carbon economy, participate in consultation processes for RI-related regulations, sign investor letters and statements advocating for industry wide change.



Beliefs in Action

The [Asset Owner Climate Stewardship Statement](#) was convened by asset owners to highlight and fortify the importance of effective climate stewardship to the asset management industry. We supported the messaging behind the statement and expect our managers to contribute to the global goal of net zero by 2050.

- **Undertake collaborative action** - inform engagement with companies by our pooling partner and stewardship provider, through industry-wide partnerships, as part of our stewardship approach.

Our approach to collaborative initiatives stems from our objective to assess whether:

- Our memberships align with our RI beliefs, engagement themes and ambition to achieve world-class RI asset owner status
- Our capacity and resources are aligned to our RI priorities
- There is an overlap in membership with our pooling partner or managers, and if we can better leverage their involvement, expertise and feedback mechanisms



Beliefs in Action

We have joined the Investor Alliance on Human Rights with an aim to strengthen our stewardship efforts on human rights issues, collaborate with peers to drive change, and further embed respect for human rights across our investment activities.

Securities Litigation/Derivative Action

The Fund may participate in securities litigation where corporate misconduct has led to financial losses. For U.S.-based claims, we may file as part of a class action, act as lead plaintiff, or pursue a private action. For non-U.S. claims, we may join or initiate a group action.

We make decisions on a case-by-case basis, considering factors such as:

- The potential financial recovery relative to other participants
- Likelihood of success
- Legal costs, resources and indemnity provisions
- Strategic value of active involvement

Securities litigation is primarily used to recover losses but may also serve as an escalation tool within our engagement strategy. In cases where the objective is to hold boards accountable for ESG-related failures, we may look to consider derivative actions — particularly where governance or climate-related risks have been poorly managed.



Reporting & Transparency

We expect each fund manager to report to us at agreed intervals²⁸ on how their RI activities are contributing to improved long-term risk-adjusted returns including the provision of climate-related metrics as stated in certain investment mandates. Additionally, we will routinely meet with our fund managers to monitor their performance and level of RI integration.

²⁸ Refers to either formal written reporting and to informal verbal communications, which can be regular and/or ad-hoc in frequency

Reporting and Communication

We update our beneficiary members, governing bodies, and regulators on our RI activities through:

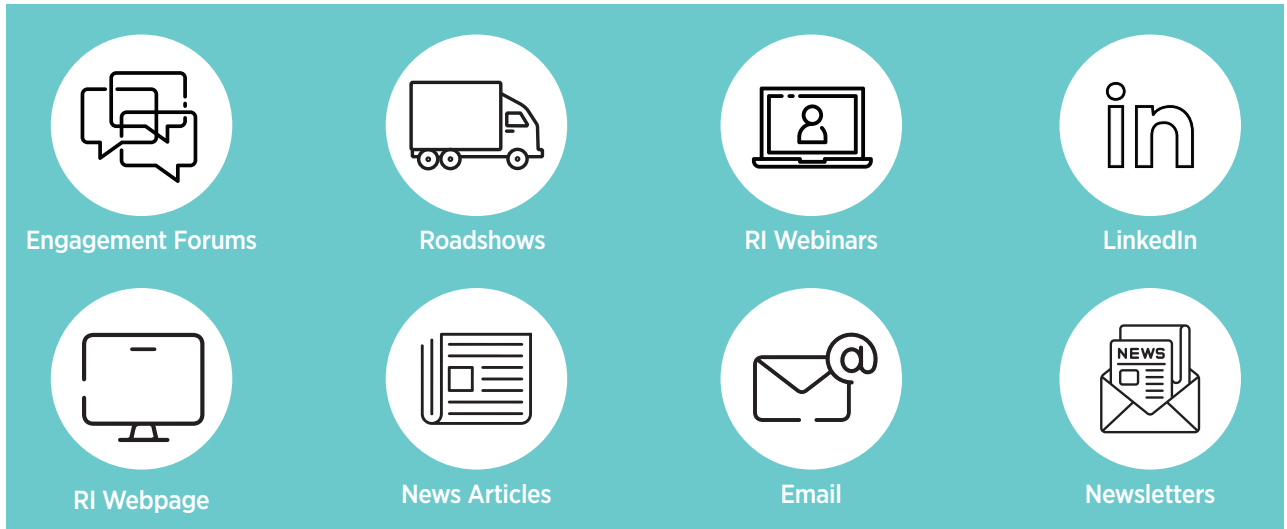
Reporting & Accountability

Reporting	Frequency	Link
Pension Fund Committee	Quarterly	Pensions Committee Meetings
Local Pensions Board	--	Pensions Board Meetings
Climate Related Financial Disclosures	Annual	Climate Related Financial Disclosures 2024
Stewardship Report + Member Highlights	Annual	Annual Stewardship Report 2024 + Member RI Guide
UN PRI Report	Annual	n/a
Paris Aligned Asset Owners Report	Annual	n/a
Voting & Engagement Reports	Quarterly	Voting & Engagement reports
Policies & Strategies	Frequency	Link
Corporate Plan 2025-2028	Updated once every three years, with annual review	Corporate Plan 2025-2028
Investment Strategy Statement	Updated once every three years, with annual review	Investment Strategy Statement 2023
Responsible Investment Framework & Strategy	Updated annually	This document
Climate Change Framework & Strategy	Updated every three-five years	Climate Change Framework & Strategy 2025
Voting Principles	Updated annually	Voting Principles 2025

Member Engagement & Communication

We consider transparency on RI strategy and progress as critical. We, therefore, engage with employers and members to understand their perspectives and shape our RI approach.

We have employed numerous channels to educate, engage with and communicate progress to members, including:



Key RI concerns raised by members through these channels have helped inform our RI strategy and stewardship priorities. Engagement activities have also given us insight into members' communication preferences and areas where they would find further education or clarification valuable.

Webinar feedback and survey results have also helped us identify RI knowledge gaps and shape our communications, including developing tailored training for our governing bodies.



Beliefs in Action

The member outreach and communication from 2024-2025 showed that many members weren't accessing key RI information. This helped us identify the need for more accessible, targeted communications, leading to the development of member-specific RI updates²⁹, simplified messaging, and clearer signposting across our channels.

Acknowledgements

We would like to thank LGPS Central, Mercer and Quiet Room for their valuable guidance and feedback during the development of our strategy.

²⁹ [Member specific RI content](#)

Glossary

Biodiversity

Is a measure of variation at the genetic, species and ecosystem level. High biodiversity supports a healthy ecosystem that both the human and economic systems are dependent on.

Circular Economy

The model of production and consumption whereby there is a continuous reuse and regeneration of material or products, including the production of goods in a sustainable and/or environmentally friendly way.

ESG Factors

Environmental, social, and corporate governance factors which could impact company performance and therefore investment returns. Examples include (but are not limited to) climate change, workforce issues, remuneration, independence of the board and auditors, board composition and diversity.

Governance

The process and principles by which a company or organisation undertakes their business. This includes how we undertake both our operational and investment responsibilities on behalf of our members.

Impact Investing

Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. We consider opportunities in impact investments alongside other opportunities and will assess their relative merits on fundamental grounds and with reference to suitability of fit.

Net Zero

Refers to equilibrium of greenhouse gas emissions being released and extracted out of the atmosphere to zero.

Paris Agreement or Paris Accord

The Paris Agreement is a legally binding treaty on climate change with a goal on holding “the increase of global average temperatures well below 2°C above pre-industrial levels” and “to limit the temperature increase to 1.5°C above pre-industrial levels.”

Responsible Investment

The integration of financially material environmental, social, and corporate governance (“ESG”) factors into investment processes both before and after the investment decision.

Stewardship

The responsible allocation, management, and oversight of capital to create long-term sustainable value for clients and beneficiaries