

WEST MIDLANDS



PENSION FUND



Compliance with the UK Stewardship Code for Institutional Investors

October 2010

Introduction

The Fund supports the UK Stewardship Code and as part of its commitment to best practice seeks to apply the principles in the code to its investment activity.

The Fund's position on implementing the Principles

1 Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

The Fund's approach is set out in its *Statement of Investment Principles* and policy document *Socially Responsible Investment Statement 2009* (www.wmpfonline.com/pdfs/sri.pdf).

The Fund seeks to apply the Stewardship Code through its membership of the Local Authority Pension Fund Forum (LAPFF) and other similar groups of investors as well as through its arrangements with external asset managers.

Reports are taken quarterly to Superannuation Committee on company engagement and proxy voting activity and the report subsequently posted on its website.

A section in the *Annual Report and Accounts* is devoted to reporting on the Fund's shareholder governance activity, including an annual summary of its proxy voting activity.

The Fund directly controls the majority of its equity shareholdings and uses the corporate governance and voting advisory services of PIRC Limited to exercise its rights as a shareholder for both UK and overseas holdings.

The Fund has a bespoke voting policy for its UK holdings and uses PIRC's policy for its overseas holdings. The Fund's voting policy is also available on its website.

2 Principle 2 – Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

The Fund as a beneficial direct owner of shareholdings does not have the potential conflicts of interest that commercial fund managers may have.

Where possible the Fund encourages its external managers of unitised vehicles to have effective policies for addressing potential conflicts of interest.

3 Principle 3 – Institutional investors should monitor their investor companies.

The Fund's arrangements are set out in its document *Socially Responsible Investment Statement*. The services of PIRC are used to monitor governance issues in all of the Fund's direct holdings and in-house managers link this to their general investment activities. The asset managers of the Fund's unitised holdings report on activity undertaken on a quarterly basis.

4 Principle 4 – Institutional investors should establish clear guidelines as to when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

The Fund's approach is set out in its document *Socially Responsible Investment Statement*.

The Fund recognises that 'escalating activity' is most effective when carried out as a group; hence LAPFF will, when necessary, engage with directly held investee companies to protect and enhance shareholder value.

External asset managers of the Fund's unitised vehicles are responsible for day-to-day interaction with their portfolio companies, including the escalation of engagement when necessary. All such activities should be reported as part of their individual statement of adherence to the Code.

5 Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate.

The Fund recognises the importance of giving a clear shareholder view to companies and this is best actioned if investors give a clear collective comment or view.

The Fund is a member of LAPFF, Institutional Investors Group on Climate Change (IIGCC) and the Council of Institutional Investors (CII).

The Fund, because of its size, responds positively to joining more ad-hoc specific initiatives generated by other large funds. It will also join other shareholders in maximising shareholder value through class actions where appropriate.

6 Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activity.

Details of the Fund's approach have been referred to in earlier comments and specifically the document *Socially Responsible Investment Statement*.

7 Principle 7 – Institutional investors should report periodically on their stewardship and voting policies.

See Principle 1.

West Midlands Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP