



West Yorkshire Pension Fund

Stewardship Code

May 2023

Introduction

Stewardship, the idea that investors actively engage with and provide oversight to companies in which they invest, is well established in the UK.

In 2019 the FRC substantially overhauled the UK Stewardship Code that now comprises of 12 principles, see Table 1, by which asset owners and managers must abide. This is done on an 'apply-and-explain' basis, that is an investor must align their approaches to the Code's principles and explain how these have been applied.

As a Local Government Pension Scheme (LGPS), West Yorkshire Pension Fund (WYPF) is required to be a signatory to the Code under the terms of the 2016 LGPS Regulations.

Signatories to the Code are required to report annually on their stewardship policies, processes, activities and outcomes for a 12-month reporting period. WYPF became a signatory to the Stewardship Code in September 2022 and is submitting this document to maintain its status. Large parts of the original document have been retained and the document only substantively varies in two respects; firstly, in a small number of instances where the FRC wanted greater detail or amplification of our policies; secondly, where appropriate, we have provided updated examples of our stewardship work for each principle in the twelve months ending in March 2023.

The FRC defines stewardship as 'The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.'



Table 1**The 12 principles of the Stewardship Code**

Purpose and governance	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.
	Principle 2	Signatories' governance, resources and incentives support stewardship.
	Principle 3	Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
	Principle 4	Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
	Principle 5	Signatories review their policies, assure their processes and assess the effectiveness of their activities.
Investment approach	Principle 6	Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
	Principle 7	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
	Principle 8	Signatories monitor and hold to account managers and/or service providers.
Engagement	Principle 9	Signatories engage with issuers to maintain or enhance the value of assets.
	Principle 10	Signatories, where necessary, participate in collaborative engagement to influence issuers.
	Principle 11	Signatories, where necessary, escalate stewardship activities to influence issuers.
Exercising rights and responsibilities	Principle 12	Signatories actively exercise their rights and responsibilities.

Purpose and Beliefs

The purpose of WYPF is to invest the contributions received from local government employers, employees and other designated entities to generate a financial return sufficient to pay the pensions of our members at a stable and affordable cost.

The principles, values and culture that we have adopted reflect WYPF's unique set of circumstances:

- We are a large local government pension fund based in the North of England.
- We are a defined benefit scheme funded by local authority employers and contributions from members.
- We believe in actively managing the fund and invest in a diverse range of UK and international listed equity, fixed income, private equity, infrastructure and real estate assets.
- Distinct from many LGPS funds, WYPF largely manages its funds using an in-house team of investment specialists rather than commercial third party providers. This approach has produced strong investment returns while keeping costs low and has also permitted the investment team to develop profound long-term working relationships with its investee companies.

- As an LGPS fund we are subject to a variety of legislation.

Under the terms of the 2016 LGPS Investment Regulations, WYPF is obliged to publish an Investment Strategy Statement (ISS) describing our investment approach including our attitude to Responsible Investment. A core element of our process is stewardship: that is, we commit to be appropriately informed about the investments we make, engaged with the managements of the companies we invest in and use our voting rights appropriately and consistently.

WYPF has adopted five principles that seek to define our approach to Environmental, Social and Governance (ESG) factors into its investment process, see Table 2. We assess how we implement these principles in a Responsible Investment Policy Document which we publish annually on our website www.wypf.org.uk/media/3274/responsible-investments-2021_final.pdf. The report seeks to both explain our approach to our members and establish expectations for investee companies and service providers.

We will review our ESG principles over time in light of our progress as an asset owner, industry developments and the evolution of best practice.

Table 2

WYPF's ESG Principles

Principle #1	WYPF recognises that Environmental, Social and Governance (ESG) factors can profoundly impact an individual company's long-term sustainability.
Principle #2	WYPF doesn't believe that there is a trade-off between the investment performance of a financial asset and investing in a company that is behaving in a responsible and sustainable manner.
Principle #3	WYPF chooses to be an informed and active manager.
Principle #4	WYPF recognises its stewardship responsibilities through engagement and voting.
Principle #5	Positive Engagement for Change: as owners of companies we have the power to change the behaviour of managements who we consider our agents.

Our unique characteristics, in conjunction with the influences of the City of Bradford Metropolitan District Council (CBMDC), its officers and governance structures, have led WYPF to develop a strong culture reflecting the shared values, beliefs and goals of the organisation:

- We are inherently long-term in our thinking and in our attitude to risk and return.
- We are conservative in our investments, but where we choose to accept risk we expect to be compensated.
- We recognise a fiduciary duty to our employers and indirectly to our members and local taxpayers.
- We recognise the importance of being a responsible asset owner.
- We believe assets' specific Environmental, Social and Governance characteristics will determine

their sustainability.

- We endeavour to communicate with our stakeholders and other interested parties in a clear and transparent manner.
- We act with integrity and professionalism with clients and colleagues.

The method by which WYPF integrates its investment beliefs, strategy and culture into specific action is through the business plan, which is published on WYPF's website. The business plan objectives are displayed in Table 3. The annual plan is submitted for approval at the first JAG meeting of the municipal year and the biannual JAG meetings are the principal forum to assess the progress toward the agreed business goals, the suitability of our resources and processes to ensure that they remain "fit-for-purpose." (See Principle 2).

Table 3

Business plan objectives

The 2022–27 business plan states that the administering authority's objectives are to ensure that:

- In relation to the governance of WYPF, all staff, JAG, IAP, Governance and Audit Committee and Pension Board members charged with financial administration, decision-making or oversight of WYPF are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
- WYPF is aware that good governance means an organisation is open in its dealings with, and readily provides information to, interested parties.
- All relevant legislation is understood and complied with.
- WYPF aims to be at the forefront of best practice for LGPS funds.
- WYPF manages Conflicts of Interest appropriately.
- WYPF acts in the best interests of WYPF's members and employers.
- WYPF has robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.
- WYPF is managed, and its services delivered, by people who have the appropriate knowledge and expertise.
- WYPF acts with integrity and is accountable to our stakeholders for our decisions, ensuring they are robust and well based.
- WYPF understands and monitors risk.
- WYPF strives to ensure compliance with the appropriate legislation and statutory guidance, and acts in the spirit of other relevant guidelines and best practice guidance.
- WYPF clearly articulates its objectives and how it intends to achieve those objectives through business planning, and continually measure and monitor success.
- WYPF ensures the confidentiality, integrity and accessibility of its data, and systems and services are protected and preserved.

While the ultimate judgment of the effectiveness of WYPF's purpose and beliefs is inherently long-term, achievements in 2022 include:

- We have continued to deliver on our primary goal of achieving an adequate financial return to fund our members' pensions at a stable and affordable cost to employers. In the twelve months to March 2023 the fund increased in value by 0.8% to

£17.865bn. As of March 31st 2022, WYPF's actuary estimated the funding level (i.e. the ratio of assets to liabilities) to be 108.4%.

- We have been active stewards of our assets both through our voting actions and our engagements, which are published on our website. We look to expand this solid foundation and continue to build-out our capabilities, engagements and collaborations and commit to report this activity.



Principle 2

Governance, resources and incentives

Signatories' governance, resources and incentives support stewardship

WYPF is one of 86 LGPS funds in England and Wales that together comprise the largest public pension fund in the UK and one of the largest funded defined benefit programs in the world with assets of c£350bn and more than six million members.

The scheme regulations were defined under: the Superannuation Act 1972, the Pensions Act 2004, the Public Service Pension Schemes Act 2013 and the 2016 LGPS Regulations. Changes to scheme rules can only be amended with the approval of Parliament. Each LGPS fund has its own governance arrangements, which are the responsibility of the administering authority (typically a local authority) to each fund. WYPF's governance structures are designed to comply with the relevant regulatory requirements. WYPF's Governance Compliance Statement is to be found on its [website](#). The governance structure is designed to deliver effective oversight through strong stakeholder representation and engagement, clear division of responsibilities, effective reporting and transparency. Its effectiveness is assessed through an examination of outcomes; to date the experience has been positive as WYPF has performed well against its business plan objectives (described in Principle 1).

The key motivation for integrating stewardship into the investment process is WYPF's governance structure. CBMDC, as administering authority for the WYPF,

delegates all its relevant functions to its Governance and Audit Committee that in turn utilises three vehicles, see Table 4, for overseeing WYPF:

- The **Joint Advisory Group (JAG)** has overall responsibility of establishing and implementing an appropriate funding plan as well as overseeing and monitoring its administration. The JAG meets at least biannually.
- The **Investment Advisory Panel (IAP)** has overall responsibility for establishing and implementing a suitable investment strategy as well as overseeing and monitoring the management of WYPF's investment portfolio and investment activity. The IAP includes elected members from each of the five metropolitan authorities that comprise the county of West Yorkshire, plus three independent advisors, trades union representatives, active and retired member representatives, and (on a rotating basis) the Director of Finance from one of the five authorities of West Yorkshire. The IAP meets at least quarterly.
- The **Local Pension Board (LPB)** seeks to ensure the effective and efficient governance and administration of WYPF including compliance with relevant legislation and regulation. The aim of the board is to provide scrutiny of WYPF's

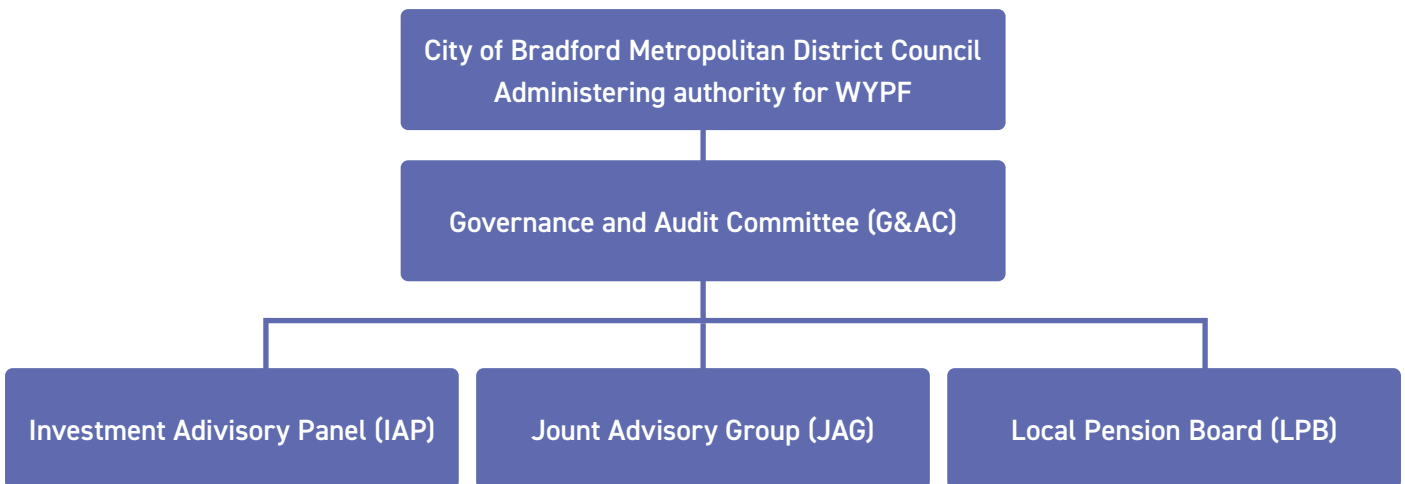


Table 4

WYPF corporate governance arrangements

decision-making process and provide input from the perspective of scheme members and employers. The LPB meets at least quarterly. It is not a decision-making body.

The business plan is a high level document that describes the objectives and ambitions of the organisation. It forms the basis of all strategic decisions and also describes how WYPF intends to implement its plan and how it is governed. In recognition that the strategic challenges facing WYPF will not necessarily coincide with our usual 12-month accounting cycle in January 2022 WYPF adopted a five-year business plan covering the period up to 2027. The Managing Director of WYPF has day to day control of all aspects of implementing the business plan.

After 12 years as Director of WYPF Rodney Barton retired at the end of February 2023. Given the increased size and complexity of WYPF, CBMDC in consultation with the Chairs of the JAG and IAP, decided it would be appropriate to introduce a new Chief Investment Officer (CIO) role to assist the Director in managing the investment management functions of WYPF. The CIO's role will be to oversee asset allocation, portfolio performance, and the investment process including ESG matters. It was further announced that the Director position would be re-designated as Managing Director. In September 2022 it was announced that Euan Miller would take over as Managing Director, while in November it was announced Leandros Kalisperas would join in the newly created CIO position.

WYPF manages its listed equity, fixed income and some property assets directly, while its in-house private markets team invests in externally managed funds for private equity, infrastructure, hedge funds, private credit and other property.

The 2016 LGPS Investment Regulations obliged individual LGPS funds to pool investments in an effort to reduce costs and facilitate further investment into infrastructure assets. WYPF, in partnership with Merseyside LGPS and Greater Manchester LGPS, formed Northern LGPS (NLGPS) an LGPS Pool to provide investment services to its members. NLGPS has established two vehicles to make collective investments in alternative asset classes. These vehicles are:

- GLIL, to invest directly in infrastructure. GLIL is a partnership between NLGPS and another LGPS Pool, Local Pensions Partnership Investments. One of the key motivating factors in forming GLIL was to enhance governance over assets with the portfolio.

- NPEP, to invest in Private Equity funds and make co-investments alongside private equity funds.

As of March 2023, WYPF had £633mn invested in GLIL and £378mn at NPEP, 3.6% and 2.1% of total assets respectively.

In December 2022, WYPF won the 'Good Governance Award' at the annual LAPP Investments Awards. The award recognises the importance of Governance for members of the LGPS and how governance has been integrated into our processes to ensure all parties involved in the management of WYPF are aligned with our long-term objectives. This includes governance of shared and external services, transparency, and the management and mitigation of risks.

The Independent Advisors that sit on the IAP submit an annual report on the governance effectiveness of the IAP. Their report, which was submitted to the July 2022 IAP meeting, concluded "the Fund is in good shape as a result of the work undertaken by the members and officers of the Fund, but there remain a number of issues outside its direct control in need of urgent remedy." The report flagged three issues:

1. One of last year's recommendations to refocus the remit of the three governance committees toward their stated goals so that the IAP remains focused on investments issues, the JAG on administrative issues and the LPB on their Fund oversight role. The process to get external professional assistance has started through engagement with the national LGPS framework. There has been noticeable improvement in two other areas flagged in the prior report: investment reporting to the IAP and the creation of an investment risk register. (see p15 of Stewardship Code submission September 2022)
2. Recruitment and retention, particularly for investment professionals, has been identified as a major risk for WYPF. The organisational-wide job and pay structure of a Local Authority does not lend itself to the recruitment and retention of such specialist roles in the face of direct competition with private sector employers for comparable jobs.
3. Training at all levels for those involved in the management of WYPF remains high on the list of priorities, with clearly defined policies now in place for this to be provided and monitored.

Action plans to tackle the first and third issues were presented at the January JAG meeting. The second and third issues have been escalated to the Chief Executive of Bradford Council for resolution.

Where management is undertaken in-house, ESG factors will be considered as part of the usual assessment process both before and after investment decisions are made. It is the responsibility of the individual investment team members to consider ESG factors when assessing the suitability of any given investment for WYPF. ESG considerations apply to both equity and other asset classes.

As of May 2023 the Investment Team comprised of 15 analysts and fund managers with an average of 22 years' investment experience including 16 years at WYPF.

WYPF staff are employed by CBMDC and are subject to the CBMDC's HR policies, including an annual performance review. The appraisal of investment staff considers how effectively they execute their responsibilities. Since we consider stewardship to be a core part of our investment process employees that disregarded Stewardship would be failing to perform satisfactorily. Persistent failure to achieve satisfactory performance reviews may lead to sanction, including dismissal.

WYPF compensation scheme is structured to align staff with WYPF's long-term objectives and not to incentivise inappropriate short-term goals. WYPF does not pay employees incentives in the form of bonuses.

The investment team is encouraged to keep abreast of ESG matters. Ongoing development is undertaken in a variety of ways, including taking courses, attending seminars & conferences, meetings with research providers, interaction with professional bodies, engaging with regulators as well as the sharing of ideas and processes within the team.

For externally managed funds, due diligence is carried out during the selection process for investment managers including a thorough review of the manager's

approach to ESG. This is monitored throughout the term of the investment.

NLGPS exercises its Responsible Investment obligations independently to that of WYPF. The governance structure for NLGPS consists of an oversight board made up primarily of representatives of the participating funds' pension committees, including WYPF, which defines key strategic objectives including ESG matters, and provides scrutiny to the executive body of officers who make the investment management decisions. ESG considerations are one of twelve items on the Due Diligence checklist that needs to be completed prior to an investment being made. Providers are ranked A-E on specific criteria and an aggregate score determines if investments proceed.

A core element of WYPF's governance arrangements is ensuring both Panel Members and Investment staff are appropriately trained. New skills and knowledge helps maintain a strong culture of good governance. Accordingly, WYPF:

- Arranges for new IAP members to attend LGA training days.
- Provides a broader training program for IAP members on an ongoing basis, particularly particularly via the LGA and Hymans Robertson's LGPS on-line learning academy. During 2022 members undertook training on: CARE revaluation, Freedom & Choice, Scams and transfers & McCloud Overview.
- IAP members are also encouraged to attend relevant conferences, seminars, and investor meetings. During the year 2022 members attended a number of events including: the LAPFF, LGA & PLSA Annual Conferences.
- Investment Officer Training. Investment staff are encouraged to seek specialist financial training

including the CFA's Climate Investing & ESG programs. WYPF officers, as employees of the CBMDC, are additionally required to complete a variety of mandatory council training. During 2022 officers undertook a wide variety of online courses on subjects including diversity, fraud, fire-awareness and online security, as well as Fund specific training on scams, market valuations and climate change.

pay gap.

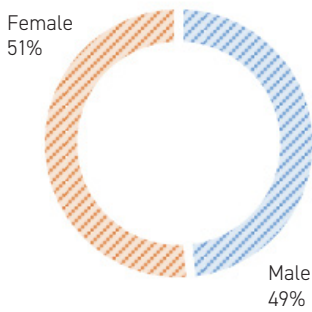
WYPF has risen to the challenge of better reporting standards stemming from regulatory demands and increased client interest including to our approach to ESG matters. We recognise that good Stewardship is an iterative process and we are keen to measure and refine our approach to improve our outcomes (Principle 5). We remain mindful of future regulatory developments, for example we keenly await the results of DLUHC's consultation exercises on climate reporting and pooling as well as potential changes to LGPS Pooling.

WYPF as an employer seeks to be appropriately diverse to represent the demographics of the region where we are based, see Table 5. WYPF does not publish a gender

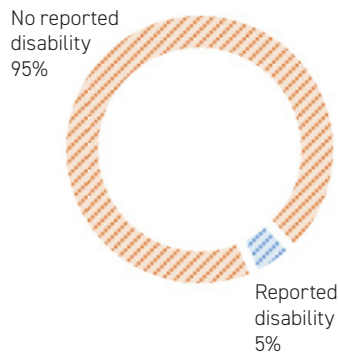
Table 5

WYPF DEI data as of March 1st, 2023

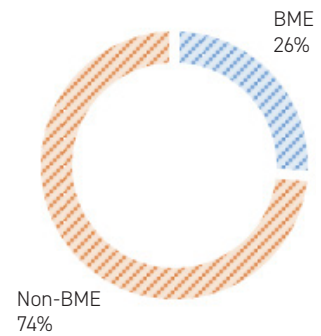
GENDER BALANCE



REPORTED DISABILITY



ETHNIC DIVERSITY



Conflicts of interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

A conflict of interest may arise when an individual has a responsibility or duty to WYPF, and, at the same time, has a separate personal interest (financial or otherwise) in relation to that matter. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

The Conflicts of Interest Policy of the West Yorkshire Pension Fund (WYPF) details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of WYPF whether directly or in an advisory capacity. The policy is available on WYPF's website www.wyfpf.org.uk/media/2744/wyfpf_conflict-of-interest.pdf

WYPF requires all employees and suppliers to comply with the content and spirit of its Conflicts of Interest Policy. Specifically, individuals employed by WYPF or those sitting on the IAP, LPB or JAG agree that they must:

- Acknowledge any potential conflict of interest they may have;
- Be open with the Administering Authority on any conflicts of interest they may have;
- Adopt practical solutions to managing those conflicts;
- Plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which may arise in future.

Potential conflicts of interest could include:

- Improper inducements from suppliers, including gifts and entertainment;
- Use of inside information to make personal trading gains;
- An incentive to favour the interest of one stakeholder(s) over the interests of another stakeholder(s);
- An outside business interest where benefits may accrue from being party to an investee company;
- Political interference in WYPF's investment approach.

The policy aims to ensure individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of WYPF.

In addition, individuals to whom this policy applies may also be required to adhere to other requirements in relation to conflicts of interest. This includes:

- JAG, IAP and LPB members who are required to adhere to the CBMDC Members' Code of Conduct www.bradford.gov.uk/media/3870/members-code-of-conduct.pdf
- Employees who are required to adhere to the CBMDC Employees' Code of Conduct <https://bradford.moderngov.co.uk/Data/235/20110929/>

[Agenda/Appendix%202_1.pdf](#)

- WYPF requires advisers, suppliers and other parties providing advice and services to WYPF to have appropriate conflict of interest policies in place. This includes, but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, brokers, lawyers, custodians and AVC providers.

At the commencement of any JAG/IAP/LPB meeting where pension fund matters are to be discussed, the Chair will ask all those present who are covered by this Policy to declare any new potential conflicts. These will be recorded in WYPF's Register of Conflicts of Interest, the latest version of which will be made available by the Managing Director to the Chair.

A Compliance Manual governs conflicts of interest for the Internal Investment Managers. Managers must report all personal share dealings to the Managing Director, WYPF on an ad hoc basis when dealing is carried out. Further disclosures are made in writing to the Managing Director, WYPF on a six-monthly basis, which confirm total personal share dealing carried out over the period. The Managing Director, WYPF retains these disclosures and makes his own disclosures to the Director of Finance of CBMDC.

In practice, conflicts of interest are rare and in the twelve-month period there were no actual or potential conflicts identified.

Principle 4

Identification and response to market-wide and systemic risks

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

A strong understanding of the potential risks, their likelihood and potential impact on the organisation is an essential element of WYPF's business plan (Principle 1.) Risks can broadly be classed as those facing us as an organisation or as an investor and should be eliminated, reduced, or controlled as far as possible. To achieve this WYPF ensures that risk management is integral to the governance and management of the investments at both strategic and operational levels. The aim is to integrate risk awareness and management into both the processes and the culture to help ensure that WYPF's investment objectives are met. Policies will be subject to regular review to reflect risk assessments (Principle 5).

WYPF has an Investment Risk Management Policy to effectively mitigate risks which may otherwise impact on achieving its objectives. Core to this policy is the development and maintenance of comprehensive risk registers, setting out responsibilities for the management and escalation of risks, and responsibility for regular review and updating of Policy and Strategy. The risk management process is a continuous cycle of identifying, analysing, controlling and monitoring to ensure the Risk Management Policy is up to-date and relevant. As an organisation we face numerous challenges including those indicated in Table 6.



Table 6

Risks facing WYPF

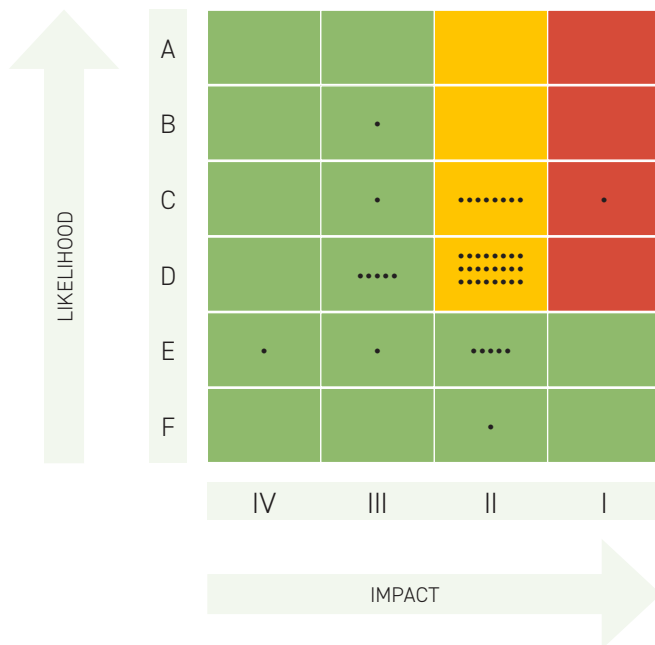
Principal sources for identification of risks are: WYPF officers, DLUHC guidance, The Pensions Regulator's Guidance, LGPS Scheme Advisory Board Guidance, CIPFA Guidance, External Investment and Actuarial advice and Performance Reviews. Risks fall into one, or more, categories of risk as indicated in Table 6. Senior management attempts to quantify these risks:

- The impact is measured as being negligible,

marginal, critical or catastrophic (VI – I).

- The likelihood is measured as being almost impossible, very low, low, significant, high or very high (F – A).

A matrix summarising where current identified investment risks lie is indicated in Table 7.



Risk assessment		Likelihood		Impact
Acceptable	A	Very High	I	Catastrophic
Unacceptable	B	High	II	Critical
Severe	C	Significant	III	Marginal
	D	Low	IV	Negligible
	E	Very Low		
	F	Almost Impossible		

Table 7
Risk Assessment

In its last iteration the risk register listed 48 material risks of which 18 were deemed to be within acceptable tolerance levels, 30 were considered above acceptable tolerance levels and therefore subject to further action. A single risk, “WYPF is unable to recruit and retain experienced staff”, was given the highest risk rating “Severe.” A further 46 risks had been identified but their low likelihood / impact meant no further action was needed.

For those risks judged to be unacceptably high, Management Action Plans (MAPs) are designed to frame the risk management actions that are required to reduce the likelihood of an event occurring, lessen its impact or both. MAPs also include targets and critical success factors to allow the risk management action to be monitored.

As investors seeking a return in excess of the prevailing yield on UK gilts, we understand the need to both embrace and control investment risk. We consider market-wide and systematic risks as those broad-based issues likely to impact the value of our portfolio across a range of investments. These risks include economic factors, such as inflation, interest rates or GDP growth, political concerns, including irresponsible

macro management, to broader challenges including climate change and pandemics (such as COVID-19.) While we accept market risk in the expectation of better returns we attempt to mitigate the financial impact by diversifying our investments across a broad array of non-correlated assets.

Specific asset allocation within the portfolio is considered at the quarterly meeting of the IAP when the merits and risks of individual asset classes and geographic exposures is decided.

Portfolio Managers conduct risk assessments on economies, markets and companies. Macro trends and risk assessment form an integral part of discussions with the investment team as well as the IAP (as described in Principle 2.) The hiring of a Chief Investment Officer is, in part, intended to facilitate the flow of information within the investment team and will permit an improved holistic approach to identifying risks across asset classes and geographic silos.

At a market-wide level we consider myriad factors concerning the state of the global and regional economies including economic growth, interest rates, inflation, risk appetite and political risk. Portfolio

managers will also make assessments on the importance of these factors when considering individual investments. These factors will be considered alongside company specific risks, business models, investment cases, relative valuation and ESG risks prior to investment. Factors are monitored through a variety of means including reading of the financial press, online data providers, internal discussions and meetings with industry specialists.

ESG factors can either be sector or company specific. Most Environmental and Social factors are generally considered at the industry level, since specific characteristics are shared. Conversely, Governance factors are usually considered at the company level but can be considered market factors if broad trends or themes emerge across a swathe of companies.

As a defined benefit scheme, WYPF has very long liability profile; it is not unreasonable to believe that apprentice workers who have recently become active members of WYPF could remain beneficiaries in 2100. For this reason, we must be long-term in our assessment of investment opportunities and risks over a multi-decade basis. WYPF will seek to understand the relevant investment risks and opportunities that it faces building on existing in-house knowledge and experience

as well as sourcing specialised 3rd party investment expertise.

In addition to in-house efforts, examples of which are indicated in table 8, WYPF has supported the Local Authority Pension Fund Forum's (LAPFF) participation in a variety of policy engagements. Recent examples of such participation has included:

- LAPFF provided input to several proposed amendments to the CA100+ benchmark including, for example, a proposed new indicator for providers of climate solutions.
- LAPFF has started to engage with UK water utilities seeking to announce credible plans to minimise the release of raw sewage.

The degree to which WYPF has been able to appropriately identify, monitor and mitigate risks will ultimately be reflected in its long-term performance, which continues to rank well vs appropriate benchmarks (Principle 6) as well as meeting those objectives defined in the business plan.

Table 8

Identification of and response to identification and mitigation of systemic and non-systemic risk, examples 2022

WYPF joined the CDP's 2022 Disclosure Campaign	
Reason	The CDP is a not-for-profit charity that runs a global disclosure system for investors focused on corporate disclosure of non-financial data. We believe it is important that investors support the CDP in its mission.
Objective	CDP asks for the assistance of institutions to encourage companies in which they invest to report their Carbon, Forest & Water data. WYPF wrote to ten corporates urging their participation.
Outcome	The number of companies reporting to the CDP continues to increase. The CDP reported that companies targeted in the campaign were 2.3x more likely to report than those not included. We will be participating in the 2023 campaign.
WYPF participated in a number of workshops to assist in the formulation of a common approach to the Place Based Investment Initiative	
Reason	The work builds on a white paper prepared by the Good Economy / Pensions for Purpose considering how LGPS can invest locally to both generate an attractive rate of return and achieve a local positive impact to assist in the levelling up process.
Objective	WYPF has participated in a number of similar events seeking to establish an acceptable framework that serves the needs of local communities whilst safe-guarding the pensions of our members.
Outcome	Discussions continue and interest in the project grows. A final report is due to be published in the first half of 2023
Via Northern LGPS WYPF we provided feedback to DLUHC TCFD Consultation	
Reason	In the second half of 2022 DLUHC launched a consultation process asking for LGPS & Pools to comment on the new TCFD implementation rules for LGPS & Pools.
Objective	Having individually submitted TCFD reports the three constituent LGPS of the Northern LGPS believed we were well positioned to share our reporting experience. We urge the DLUHC to improve transparency and reporting for funds as well as embrace climate ambitions that will lead to real world cuts to carbon emissions.
Outcome	DLUHC is expect to publish is TCFD rules for LGPS in the first half of 2023.

Signatories review their policies

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Policy Review

WYPF's policies and procedures are the mechanism by which it implements its business plan. Local authority pension funds have a statutory responsibility to prepare and publish a number of policy statements including: An Investment Strategy Statement, Pensions Administration Strategy, Funding Strategy Statement and a Governance Compliance Statement. These statements are published on WYPF's [website](#).

The policies and procedures work within the

established governance framework and are subject to scrutiny via the annual business plan, internal & external methods of assurance, including IAP/JAG meetings (Principle 1.) Policies will be subject to regular review to reflect risk assessments (Principle 4.)

Amendments can be proposed throughout the year. Proposed amendments will be considered by the Managing Director and at next appropriate meeting (either IAP for Investments, or JAG for administrative/funding policies).

Table 9

Signatories review their policies, 2022 examples

Over 2022 WYPF implemented a number of policy amendments to address identified risks / regulatory changes:

- We adopted amendments to our voting policies suggested by our proxy advisor PIRC for the 2023 voting season.
- Reflecting our improved understanding of climate-change we now explicitly encourage companies in which we invest to adopt Science Based net-zero commitments.
- We are in the process of amending our ISS to adopt new benchmarks that will likely mean our historically high exposure to UK equities will reduce in favour of an international exposure.

To ensure that our Policies remain "fit-for-purpose" we commit to improve our approach on an ongoing basis. We will use our membership of leading trade groups (listed in Principle 10) to enhance our understanding of Responsible Investing and Stewardship policy. We will also look to review the reporting undertaken by other LGPS funds, Pools, Investment Managers and other participants to benchmark our efforts. A review of any changes proposed to the LGPS Investment Regulations is part of WYPF's business plan (see Principle 1).

At an operational level WYPF uses a Quality Management System developed and implemented in

accordance with the requirements of ISO 9001: 2015. The system seeks to define the various components:

- Service Overview & Quality Manual - this summarises WYPF's quality system.
- Quality Assurance Procedures (QAP) - these detail the individual areas of work that are performed by WYPF.
- Working Instructions - these provide explicit details on how tasks are carried out.

We will seek to continually improve the effectiveness of the quality management system and our service by reviewing the needs and expectations of our customers and our quality policy through regular Management Reviews. The Quality Systems Manager is responsible for identifying any quality problems and initiating the necessary action that will correct and prevent them from recurring. The Quality Systems Manager is also responsible for verifying that any change in method is satisfactorily implemented and effective. Team managers are the originators of these QAPs and are responsible for their up to date versions.

Reporting

WYPF produces a number of reports annually to satisfy regulatory requirements and to provide information to our members and other stakeholders. The reports can be found on WYPF's website. WYPF maintains a [communications policy](#) to help ensure that stewardship reporting is fair, balanced and understandable. Its key aims include:

- Communicate the scheme regulations and procedures in a clear and easy to understand style and help scheme members understand their pension, the benefits and options it provides.
- Use plain English for all our communications with stakeholders.
- Identify and use the most appropriate communication method to take account of stakeholders' different needs (Principle 6.)
- Use technologies to provide convenient, up to date and timely information to stakeholders.
- Provide timely and sufficient information to scheme members, allowing access through the channel of their choice, so members can make informed decisions about their benefits.

Assurance

Our approach to assurance is defined by both the governance framework, laws and business plan as described in Principal 1. The work of WYPF is subject to both internal and external scrutiny:

- **Business level.** Under the Council's Financial Regulations, the Director has day to day responsibility for the management of WYPF.

Section 70 of the Pensions Act 2004 requires that those tasked with managing or overseeing schemes

have duty to report to The Pensions Regulator instances where schemes have materially breached their legal duties to their members. WYPF has a Breach of Duty reporting procedure www.wyfp.org.uk/media/2738/reporting-breaches-of-procedure.pdf describing the appropriate steps that needed to be taken.

In 2021 owing to an operational problem with our external vendor, WYPF was unable to pay AVCs in a timely manner resulting in a breach of duty. Consistent with the requirements of our policy an officer of WYPF self-reported this issue to The Pensions Regulator along with the proposed remedial action.

- **Compliance and Risk.** CBMDC (see Principle 2) has established three bodies to assist and support the Governance and Audit Committee in overseeing WYPF: the LPB, JAG and IAP. The performance of these bodies is reviewed annually by the Corporate Governance and Audit Committee which publishes an annual governance compliance statement (GCS) that sets out how they comply with the governance requirements for LGPS funds.

A key element of this approach is the annual reporting of the external investment advisors. In their 2022 review, published in WYPF's annual report, the advisors made three specific suggestions: refocus the remit of the three governance committees, address recruitment and retention issues and improve training for IAP members (Principle 2.)

Internal Assurance. The internal audit function for the WYPF is carried out by CBMDC; each year an agreed number of planned audits are performed on financial systems and procedures across the organisation. The Internal Audit function provides independent assurance on the effectiveness of WYPF's processes. No material deficiencies were identified by the internal auditors.

The Chief Financial Officer at CBMDC, as the Council's Section 151 Officer, has responsibility for signing WYPF's year-end accounts.

External Audit. WYPF accounts are currently audited by Mazars.

Principle 6

Client and beneficiary needs

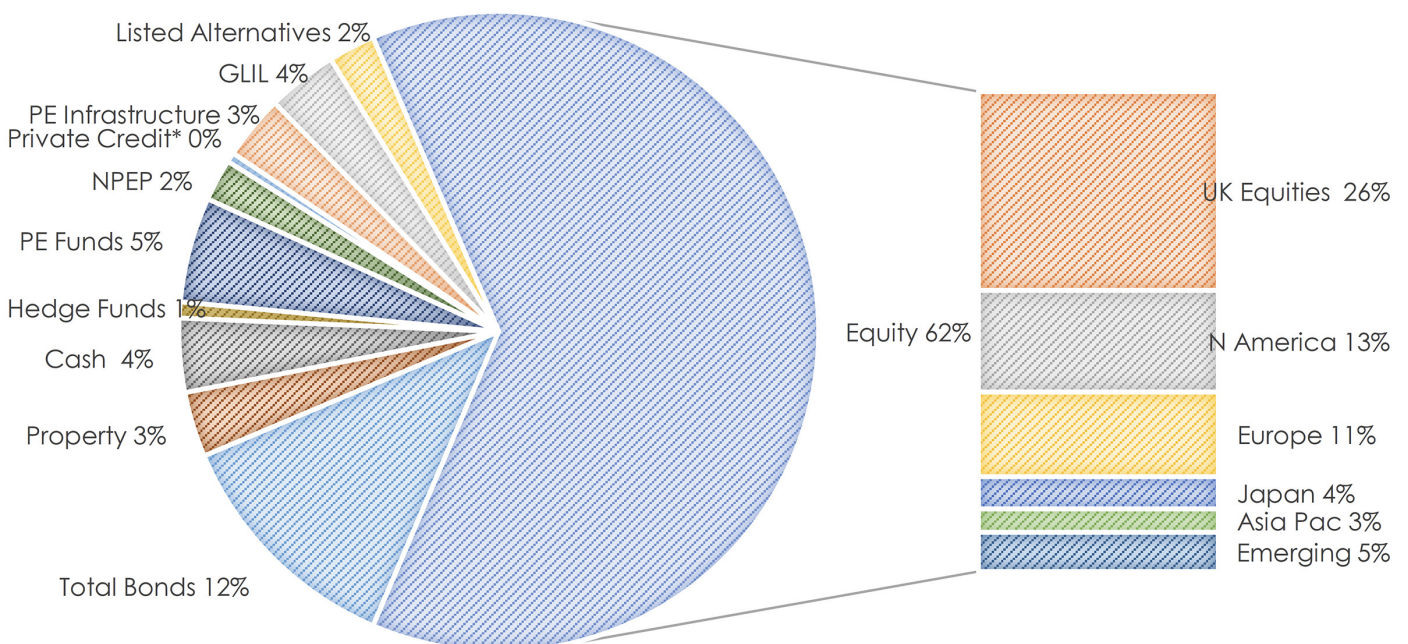
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

WYPF is one of the largest LGPS funds with assets under management of c£17.865bn as of March 31st, 2023.

Table 10

Asset allocation

£17.865BN AUM MAR 31, 2023



As of 31 March 2022, WYPF had 307,797 members and 463 active employers. Our largest employers are the five West Yorkshire Councils – Bradford, Calderdale, Kirklees, Leeds and Wakefield. In total within our Shared Service administration arrangements (providing benefits administration for three other LGPS funds and over 20 regional firefighter pension schemes) we serve 479,574 members and over 950 active employers.

As a defined benefit scheme our members receive pension benefits commensurate to their pensionable earnings, any additional personal contributions made, their length of service and age at retirement. Prior to April 2014 pensions were based on final career salaries and members who started their employment prior to this date will receive benefits based on their final

pensionable pay in respect of their service prior to April 2014. Benefits payable under the LGPS are guaranteed by statute and thereby the pension promise is secure.

The ability of WYPF to meet its liabilities is independently reviewed by an actuary every three years. In the event of an anticipated deficit, further employer contributions would be required as set out in the Funding Strategy Statement. Maintaining employer contributions at a broadly constant level is a primary aim of WYPF. Consequently, members do not own the underlying assets of WYPF and it is not they, but their employers and ultimately the taxpayer, that are exposed to investment performance risk. Nevertheless, we recognise a fiduciary duty to both employers and indirectly their employees.

Employer relationships are managed by the Employer Relations Team (ERT) which is made up of an Employer Relations Manager, six Employer Pension Fund Representatives (EPFRs), and two Employer Support Officers. Each employer is allocated an EPFR, who becomes their **direct point of contact** with WYPF. EPFRs are highly experienced officers who possess extensive knowledge to support employers with the roles and responsibilities associated with being an LGPS employer. To build and maintain productive working relationships with scheme employers, EPFRs deliver training and consultancy services, support employers where members have a limited life expectancy, provide one-to-one liaison support, assist employers with data cleansing, support employers at inductions, provide member presentations, and assist employers with year-end processes related to pensions. For the largest employers, WYPF run quarterly meetings to give employers a forum to provide feedback and receive important messages from us, which contributes to building effective working relationships.

The scope, frequency and manner of interaction with employers and members is established in the communications policy (Principle 5). WYPF publishes information that it believes relevant and useful to our stakeholders in variety of specifically tailored ways:

General/joint member and employer disclosures

- **Statutory reporting** – WYPF makes available its Annual Report, ISS, Funding Strategy Statement and Responsible Investment Documents via its website.
- **Supplementary disclosure** – WYPF produces a TCFD statement, assessing how WYPF is managing the threat of climate change, and a Stewardship Code filing, explaining our approach to responsible investing.
- **Committee meetings** – members are represented on the IAP/JAG meetings (Principle 2) both via trade union and two direct member representatives, one each for active and retired members.
- **Annual meetings for both members and employers** – we invite members via our quarterly newsletter to submit questions ahead of the AGM held in October, which are answered in person by the Panel Chair at the meeting.

As a public body WYPF is subject to the Freedom of Information Act; interested parties can request

recorded information that we hold as an organisation, subject to a number of restrictions.

Member communication

- **All members have access to My Pension** – an online self-service facility that allows active members to: securely view their pension record; view documents relating to their pension including their statutory annual pension statement; update contact and death grant nomination details; My Pension also provides the opportunity to run retirement estimates on a self-service basis.
- In March 2023 WYPF launched a programme of **online member events** to help members understand the scheme and also encourage them to engage and understand their annual pension statement.
- The WYPF **website** has a variety of online materials including factsheets, videos, newsletters and guides. WYPF works with financial planning companies to provide online and in person pre-retirement courses to assist members in planning for their retirement.
- **Direct member approaches** – over the course of the year we have received incoming correspondence pertaining to: climate change, fossil fuels, the Occupied Territories, nuclear energy and investments in Russia.
- We also use **newsletters and social media** to highlight stories that we believe may be of interest to our members.

Employer targeted communication:

- **Employer meetings** – WYPF's ERT liaise directly with employers in the scheme – see above.
- **Employer communications** – WYPF uses a blog, **Pension Matters**, as the primary way of communicating with employers; this creates a feed of useful articles for employers. WYPF issues a monthly roundup of all the articles published via the blog in a newsletter format to all of our employer contacts. WYPF will issue relevant and bespoke email communications when necessary.
- **Employer Self Service** – all employers have access to our **Employer Portal** which allows them to view some information on their scheme members' records as well as allowing employers to complete forms quickly, easily and securely online. All employers have access to a work tray that is used to facilitate queries about the production of the annual pension statements; this allows employers

to self-serve using the portal to clear queries.

- **Employer webinars.** Each quarter the ERT deliver a series of webinars around a 'theme' based on the priorities for the employer in the coming weeks/ months. Training is delivered by experienced EPFRs and generally the webinars last between 30 and 45 minutes with the opportunity for delegates to interact and ask questions on the specific topic. Mostly webinars are recorded and hosted on the website so employers can catch up on demand if they are unable to attend the live sessions.
- Employers also have access to our **Help Centre** which contains a host of written guidance that they refer to in order to build, maintain and develop their knowledge including new employer guides, various **factsheets** as well as a full **administration guide**. We communicate to employers details of external training courses/resources that may be useful to assist with their roles and responsibilities.

To ensure we are meeting the expectations of our stakeholders and to evaluate the effectiveness of our communications we issue an electronic feedback survey for all of the activity that is delivered to customers. The survey provides us with both a satisfaction score as well as qualitative feedback. We review all feedback to ensure the needs of our customers are being met and make developments where necessary to future activities. We also use internal feedback (service

centre) to direct our employer activity, this tends to be collected through discussion/internal meetings/ formal QIR process. As well as this the Communications team issue an employer survey annually which collects feedback for all areas of WYPF.

WYPF receives a small number of requests from campaigners requesting we divest from fossil fuel companies. WYPF has recognised climate change as an existential threat to the planet and has made a commitment to cut the carbon emissions of WYPF to net zero by 2050. The current agreed position of the IAP is that our transition to Net Zero will happen not through divestment but through helping those companies in which we are currently invested adjust to the new realities of climate change. We firmly believe that our power to influence companies is derived exclusively from our economic interest: as fractional owners of companies, managements are our agents and we have the ability to remove managers through voting if they fail to act. Conversely, there is no realistic roadmap of how divestment leads to better corporate behaviour. The nature of the stock market is that if we sell someone else has to buy and all we have done is pass the buck to the next investor who may prove less diligent than ourselves in scrutinising management behaviour. Divestment is therefore both a missed opportunity to enact real change and an abdication of responsibility.

Table 11

Taking account of members' views, 2022 examples

Considering member preferences

Reason	Raising a member's concern regarding our investments in fossil fuel companies, a member of the IAP asked us to reconsider our policy on divestment.
Objective	In an attempt to assuage the panel's concerns we held a "Carbon day" last December and invited a number of external speakers from asset management companies (JP Morgan & Blackrock) and NGOs (Pensions for Purpose & ShareAction) to share their views on the engagement vs divestment debate.
Outcome	The event, and subsequent follow-up, was considered a success and panel members appreciated the opportunity to learn of different approaches from other providers.

Principle 7

Integration

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities

Our approach to the integration of stewardship into our investment activities is outlined in our investment principle #1: WYPF recognises that Environmental, Social and Governance (ESG) factors can profoundly impact an individual company's long-term sustainability.

We use a range of public and private sources to identify pertinent ESG factors at the company level and assess the potential impact in terms of severity and likelihood, choosing to focus on those material risks to the portfolio. We base these assessments on a Materiality Map produced by the Sustainable Accounting Standards Board (SASB), a non-profit organisation dedicated to improving ESG accounting standards. The **Materiality Map** attempts to highlight potential ESG factors by sector.

We seek to integrate ESG scores into our investment and monitoring process and will use suitable measures, such as Bloomberg ESG data, where appropriate. We understand that the availability of useful ESG data is most developed for equity assets and less well advanced for other assets. Recognizing the shortcomings of the reliability and availability of data we also assess ESG factors in a qualitative manner. We recognise that Fixed Income investments are distinct since we act as creditor, rather than the owner, of a company. Nevertheless, screening Fixed Income assets for ESG factors is important since higher ESG scores are consistent with better creditworthiness.

Our portfolio has the greatest exposure to equities in the UK, US and Europe that in combination account for 50% of the fund. This asset allocation informs our choices on which subjects and companies that we choose to engage. Such prioritisation to reflect materiality is consistent with our fiduciary duties.

WYPF's internal fund managers have the responsibility to select specific investments within asset classes and geographies (see Principle 2). Investment staff are encouraged to consider a broad range of factors when making investment decisions including: a thorough understanding of a company's business model, growth opportunities, risk factors, financial forecasts and relative valuations. This assessment will include a review of pertinent material ESG factors and may be undertaken by the investment manager, or with the assistance of 3rd party research or alongside the

Responsible Investment Engagement Manager.

As a long-term investor typically we have a multi-year investment horizon consistent with the duration of our liabilities. As a responsible investor we are committed to actively monitoring our existing portfolio holdings to ensure our investment case remains intact.

Typically fund managers will meet with the companies with which we have significant holdings at least annually as well as acquaint themselves with company results and broker research. This oversight includes a review of ESG factors. Should ESG considerations become concerning fund managers may choose to launch an engagement (Principle 9.)

Those investments with the greatest material ESG exposure for the fund are added to a "watch-list" that will be the focus of further scrutiny. For 2022 the list included all outstanding equity positions of £75mn or more, or any company in the Climate Action 100+ list where we had an investment of £25mn or more.

In addition, WYPF has hired **Pensions Investment Research Company** (PIRC) to monitor and provide guidance on corporate governance issues relating to the companies in which WYPF has a shareholding.

We use external managers in assets where we do not consider ourselves to have the relevant expertise including: property, infrastructure, private equity and hedge funds. External managers were selected on the basis of the strength of expertise, track record, cost, material ESG concerns and general investment suitability. In our standard RFP we include a section on ESG requiring managers to describe their approach to ESG matters. In evaluating ESG integration, managers were assessed on several factors including:

- Commitments or affiliations to recognised bodies (e.g. UN PRI or Stewardship Code.)
- The resources available for ESG integration, and the extent of that integration in the portfolio.
- The ability to report a variety of metrics (e.g. Carbon Emissions.)
- Demonstrable evidence of ESG integration including an examination of the policies, processes and governance

in place as well as examples of such integration.

It is important to recognise that the asset classes in which we invest using external managers generally have less well developed standards of stewardship than listed equity and the scope for effective engagement is lower (Principle 9).

Our annual carbon footprinting exercise is has been limited to around two thirds of the value of the fund for the last two years given the unavailability of reliable, comprehensive and comparable data from external managers, particularly in private markets. We are working with individual managers to improve their reporting and are hopeful to be able to include at least some of this data in 2024.



Principle 8

Monitoring

Signatories monitor and hold to account managers and/or service providers

In the normal course of business WYPF uses the services of a number of key suppliers. Supplier relationships are regularly reviewed in the ordinary course of business and benchmarked for Key Performance Indicators (KPI) and value for money. KPIs will vary depending on the product type but frequently include the accuracy and availability of data or advice, the responsiveness of the vendor and overall quality of service received.

WYPF believes that effective scrutiny of its 3rd party managers is a vital element of its stewardship efforts.

We utilise the services of a number of specialist investment advisors for property, infrastructure, private equity and hedge fund investments. The specific approach taken to Stewardship is unique to the individual provider and is reviewed as a matter of course during the selection process and is monitored throughout the life of the asset (Principle 7). We monitor our 3rd party fund managers by scrutinising individual manager's quarterly reports containing updates of performance and portfolio construction, which is compared to the agreed underlying strategy, underlying fund activity as well as any areas of manager-specific, non-market-related concern. Such assessments will inform future decisions as to whether to commit to future funds raised by a particular manager, as well as our existing risk management approach. WYPF investment staff are in regular contact with 3rd party managers to review periodic reporting and updates received.

In the case of those investments undertaken via the NLGPS's private equity vehicle NPEP, officers use a monitoring template for each discrete fund to collate information on a variety of potential risks including:

- High staff turnover and impact on culture.
- A reliance on a key deal lead.
- Sector style drift and unaccompanied expertise.
- Narrow sourcing capability.
- Investing in a competitive marketplace.
- Size style drift into a more competitive marketplace.
- Reduced ability to buy at below market entry multiples.

- Less attractive investment structures.
- Slow capital deployment and enhanced J-curve effect.
- Narrow exit route reliance.
- Lack of realisations.

Based on the assessments of the above factors, individual funds will be assessed as having: Red (some risk present), Amber (some evidence of risk emerging) or Green (Little to no risk present.) In the most recent exercise period, all funds were ranked Green with little to no risk present.

In the case of our infrastructure investments, WYPF has representation on the executive and investment committees of GLIL providing for an extra level of scrutiny.

Where we identify a deficiency, we will endeavour to rectify through direct engagement with the service provider. Given our commitment to improve our climate reporting we will be working with our 3rd Party asset managers to improve their level of disclosure, particularly in regard to climate data.

We hired Trucost to provide WYPF a Carbon Footprint of its portfolio. This information will be incorporated into a new TCFD report that will report on the material risks posed by climate change, the preparation of which became a legal requirement for large trust-based pension funds in October 2021. Trucost was chosen after a thorough review of alternative providers. We have been satisfied with the quality of the work provided by Trucost. A shortcoming of Trucost analysis is that it only provides coverage for our listed investments not our investment in funds, we are hoping to find a solution to this issue in due course.

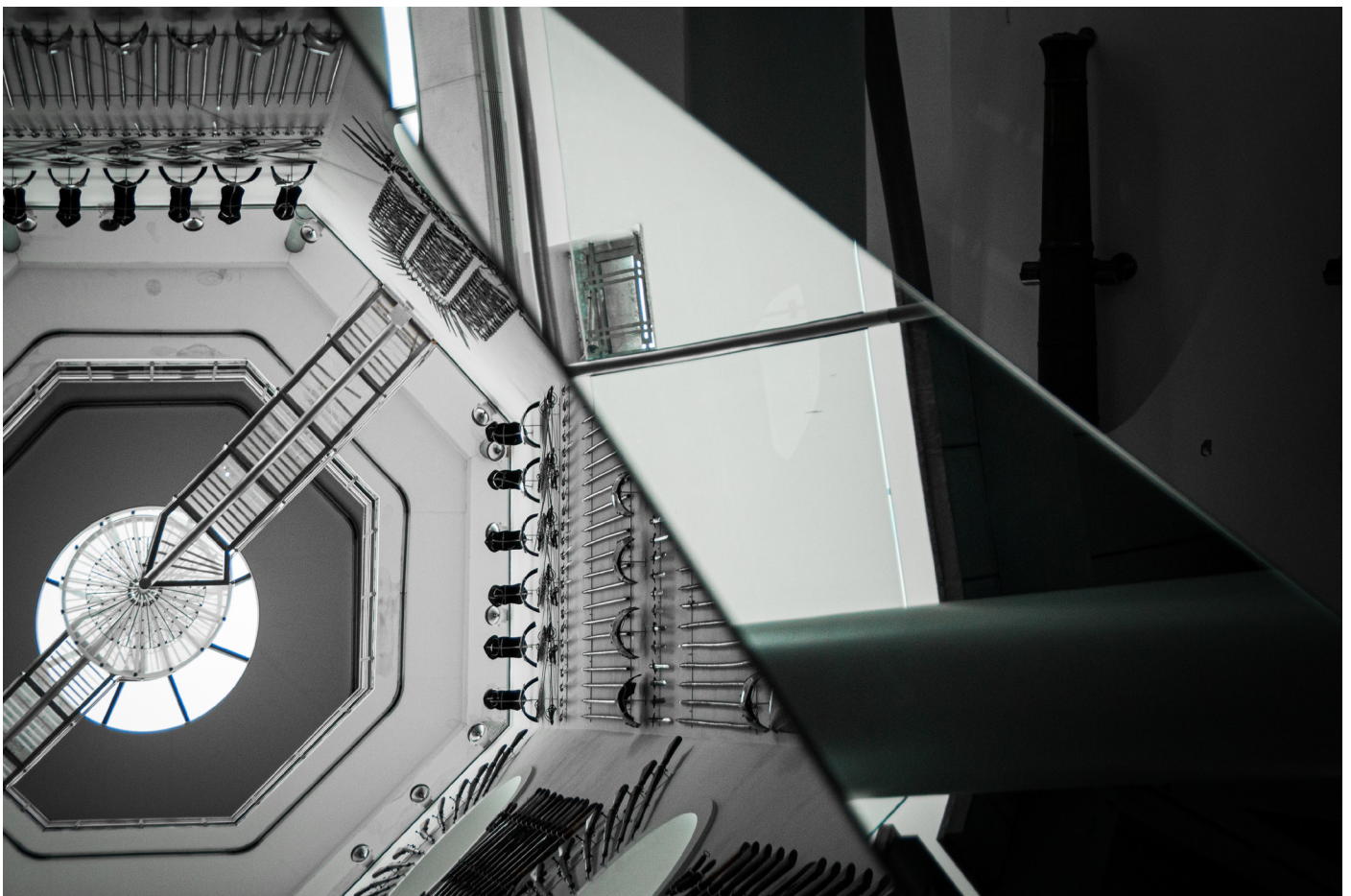
We have retained the services of Pensions Investment Research Company (PIRC) to provide us with Corporate Governance and Proxy Voting advice. Important KPIs for this service include: the soundness and consistency of its advice and the timeliness of its service. PIRC provides us with a quarterly report summarising our voting history enabling us to cross-check whether our voting wishes have been acted upon.

Table 12

Monitoring of service providers - 2022 examples

We continue to monitor service levels from suppliers

Reason	We experience a problem with our proxy advisor.
Objective	Believing that the company had significantly improved their Net Zero plan in 2022 we decided to support four climate related management resolutions at the AGM of a fossil fuel company against the recommendation of our proxy advisor. We gave instruction to our advisor to amend the four votes. After the meeting we realised that only three of the votes had been changed and the 4th erroneously voted against the resolution.
Outcome	We sought to understand how the problem arose and to gain assurance that this was an isolated incident. We apologised to the company in question. Given our historically good experience with the provider we chose to continue our relationship and the problem has not recurred.



Principle 9

Signatories engage with issuers to maintain or enhance the value of assets

Our approach to engagement is outlined in our investment principle #4: WYPF recognises its stewardship responsibilities through engagement and voting.

Our approach to responsible investing (see Principle 7) is defined by the combination of: our ESG choices, our engagement activities and our voting decisions.

As part of its regular process to identify, scrutinise and monitor investments, the investment team will have significant contact with investee companies; in the twelve months to March 2023, the team participated in more than 600 meetings with companies. We would not necessarily consider such dialogue as engagement. Rather, we define engagement more narrowly and to occur when the following conditions are met:

- We believe we have identified a material failure in a company's approach to strategy or ESG and have identified and quantified a preferred outcome. For matters of ESG we typically chose to engage for three general reasons:
 - An acute failure of ESG standards or egregious corporate wrong-doing.
 - Chronic concern regarding an individual company's ESG profile.
 - A thematic basis where we are keen to understand how an individual theme may influence a market segment more broadly.
 - We have decided the most appropriate point of engagement whether investor relations/ sustainability for ESG matters, C-level management for matters of strategy or the Chair in the case of governance concerns.
 - We have defined a realistic pathway to the achieving of goals and have defined suitable Key Performance Indicators to indicate progress toward achieving our goal. We use LAPFF's scoring criteria for assessing progress on engagements indicated in Table 19.
 - We will be realistic regarding the progress of engagements recognising when we need to escalate.
- We commit to remain open minded about an engagement and will attempt to understand the views of the management. Importantly, we will consider what is in the best interests of the company, rather than solely our self-interest as investors.
 - We therefore consider engagement to be a two-way endeavour in that we seek to both inform investee companies of our expectations and understand their thinking on specific topics.
 - We further recognise that engagement is a process rather than a one-off action and improved behaviours may take months or even years to achieve. We do, however, expect management to embark in dialogue and act in good faith. We set ourselves realistic time frames and short, medium and long term objectives targets for our engagements.

Typically, an engagement will entail a one-on-one meeting or conference call between a company's investor relations department or a dedicated member of their ESG team and WYPF ESG manager and relevant fund manager. After the meeting WYPF will write up the notes from the meeting and decide whether they consider the company's responses to be satisfactory. If this is not the case WYPF may decide to escalate the issue (Principle 11.)

To date our stewardship efforts have been focused on our equity positions and not on other asset classes. This reflects both the strong bias of WYPF toward equity (at c62% of total assets) and the belief that our ability to influence companies is strongest as a fractional owner of the business. We note our Stewardship approach to different asset classes in Table 14 but recognise the need to improve stewardship in alternative asset classes.

Historically, all of our engagements were undertaken via LAPFF reflecting a lack-of "band-width" to adequately resource these engagements internally. Following the appointment of a dedicated Responsible Investment Engagement Manager in 2021 we have broadened our approach to include direct engagement and a broader array of collaborations (Principle 10.)

Asset Class	(% of portfolio)	Approach to ESG and Stewardship
Equity	62%	<ul style="list-style-type: none"> • Management undertaken in house • Long standing relationships with company managements and boards. • Integration of ESG factors into assessment prior to investing and on an ongoing basis. • Stewardship undertaken via voting and engagement • Majority of engagement undertaken via LAPFF • Extensive opportunities for collaborative engagement
Bonds	12%	<ul style="list-style-type: none"> • Management undertaken in house. • Care taken to understand ESG issues prior to investment. • Engagement undertaken wherever possible recognising these opportunities may be limited • Taking opportunity to vote where possible
Private Equity	7%	<ul style="list-style-type: none"> • Management undertaken by 3rd party managers • Assessment of managers prior to investment and an ongoing basis, seeking to integrate ESG metrics into this process • Need to work with managers to design appropriate disclosure framework
Infrastructure	7%	<ul style="list-style-type: none"> • Management undertaken by 3rd party managers and GLIL • Assessment of managers prior to investment and an ongoing basis, seeking to integrate ESG metrics into this process • Need to work with managers to design an appropriate disclosure framework • In instance of GLIL investing we have strong oversight given our board presence
Property	3%	<ul style="list-style-type: none"> • Majority of management undertaken by 3rd party managers • Assessment of managers prior to investment and an ongoing basis, seeking to integrate ESG metrics into this process • We are working with managers to improve access to data particularly in respect to energy efficiency, carbon emissions and engagement with tenants.
Other	3%	<ul style="list-style-type: none"> • Cash 4%, Hedge Fund 1%, Listed alternatives 2%, Private Credit 1>%

Table 13 Approach to Stewardship by asset class

Our Stewardship activities comprise of two elements: voting and engagement. While the outcome of our voting is generally directly measurable – a resolution passes or doesn't (although even failing resolutions can flag issues to management) – quantifying stewardship results is more difficult for two reasons:

- Firstly, the Post Hoc fallacy: any action occurring

after an event is not necessarily caused by the event.

- Secondly, it's exceptionally difficult to isolate the impact of individual engagements, even for the largest investors, because the market is extremely fragmented: there are a lot of people doing similar work.

Nevertheless, we believe our participation is helping deliver positive outcomes.

Table 14

Signatories engage with issuers – 2022 examples

Our ESG manager held meetings with 30+ of our most important holdings, defined as investments greater than £75mn or CA100+ member companies with holdings greater than £25mn.

Reason	Our commitment to be responsible investors obliges us to take an active interest in the companies in which we invest.
Objective	We both seek to better understand the ESG challenges companies face and inform them of our expectations of behaviour.
Outcome	Meetings proved useful in strengthening our relationship with investee companies and help our understanding of the businesses in which we are invested.

We provided Ashtead's management with feedback in its consultation with shareholders following investor push-back of the remuneration report at the 2022 AGM.

Reason	Ashtead remuneration resolution had been approved by only 67% of the shareholder base.
Objective	Companies that have resolutions rejected by more than 20% of votes cast are required to consult with key shareholders to further understand the issues involved.
Outcome	We wrote to the Chair of Ashtead's Remuneration Committee to say we believed that the one-off nature of the Strategic Plan award was unsatisfactory and thought that the remuneration committee had not taken on board investor feedback after the '21 vote. We were of the opinion that rather than adding a supplemental component to compensation it would have been better to include an assessment of strategy within the existing bonus & LTIP plans.

We wrote to the head of Shell's Remuneration committee suggesting that management incentives be more closely aligned with climate ambitions.

Reason	Ahead of '22 AGM the Head of Shell Remuneration committee asked us for feedback on the proposed.
Objective	Participation in events pre & post AGM. Companies are often keen to meet with us around AGM season both to "check-the-pulse" of the investor community and to sound us out on specific resolutions to be voted.
Outcome	We suggested that the committee consider amending the weightings in the "transition journey" component of the annual bonus: currently "lower carbon sales", "carbon reduction" and "charging points", have the same 5% weight in the scorecard. We believe the "carbon reduction" should have a significantly higher weighting (recognising it is also an LTIP target) and believe that amount of renewable power capacity should be considered as an additional variable.

Table 15**3rd parties engage on our behalf – 2022 examples****GLIL our infrastructure fund manager pushed an investee company, Agility Trains East (ATE), to improve its ESG disclosure**

Reason	GLIL has made a commitment to monitoring, assessing and reporting climate commitments of investee companies in alignment with TCFD framework.
Objective	GLIL requested ATE to collect ESG data to report against with various ESG regulatory standards and initiatives including the EU taxonomy, UN Global Compact, PRI, TCFD, GRESB and NZAMI.
Outcome	ATE agreed to the request and were able to allocate sufficient resources to significantly improve the scope and quality ESG measures that will help GLIL to report back to its shareholders as well as achieve their internal ESG targets.

Blackrock engaged following reports of worker dissatisfaction

Reason	Working conditions within Team 17, a UK based video game developer, were brought into question after an article reporting negative working conditions, poor pay, management culture and increased staff turnover.
Objective	Blackrock engaged with management to discuss the article and concerns around employee satisfaction.
Outcome	Management felt that the article was motivated by the recent publication of the CEO's compensation and "growing pains" within the company, notably the formalisation of certain processes since listing. Management highlighted results of their recently launched employee opinion survey suggesting 80% of employees proud to work at Team 17 and two thirds of staff counted as "engaged" which contradicted the negative articles and was more representative of the culture within the company. Blackrock are comfortable with management's explanation of the report but will continue to engage with the company on these matters in future meetings.

One of our property investment managers, Patrizia, created an educational video on energy saving measures that could help tenants reduce costs and help in the drive toward Net Zero

Reason	Reacting to the spike of energy prices following the Russian invasion of Ukraine.
Objective	Patrizia's aim was to improve tenant awareness of a variety of energy saving initiatives to facilitate a 15% reduction in energy usage.
Outcome	While it is too early to gauge the specific impact of the initiative, the campaign raised awareness of the options available to tenants.

Principle 10

Collaborative engagement

Signatories, where necessary, participate in collaborative engagement to influence issuers

We believe that engagement is more efficiently and effectively conducted on a joint basis with like-minded investors who share similar concerns.

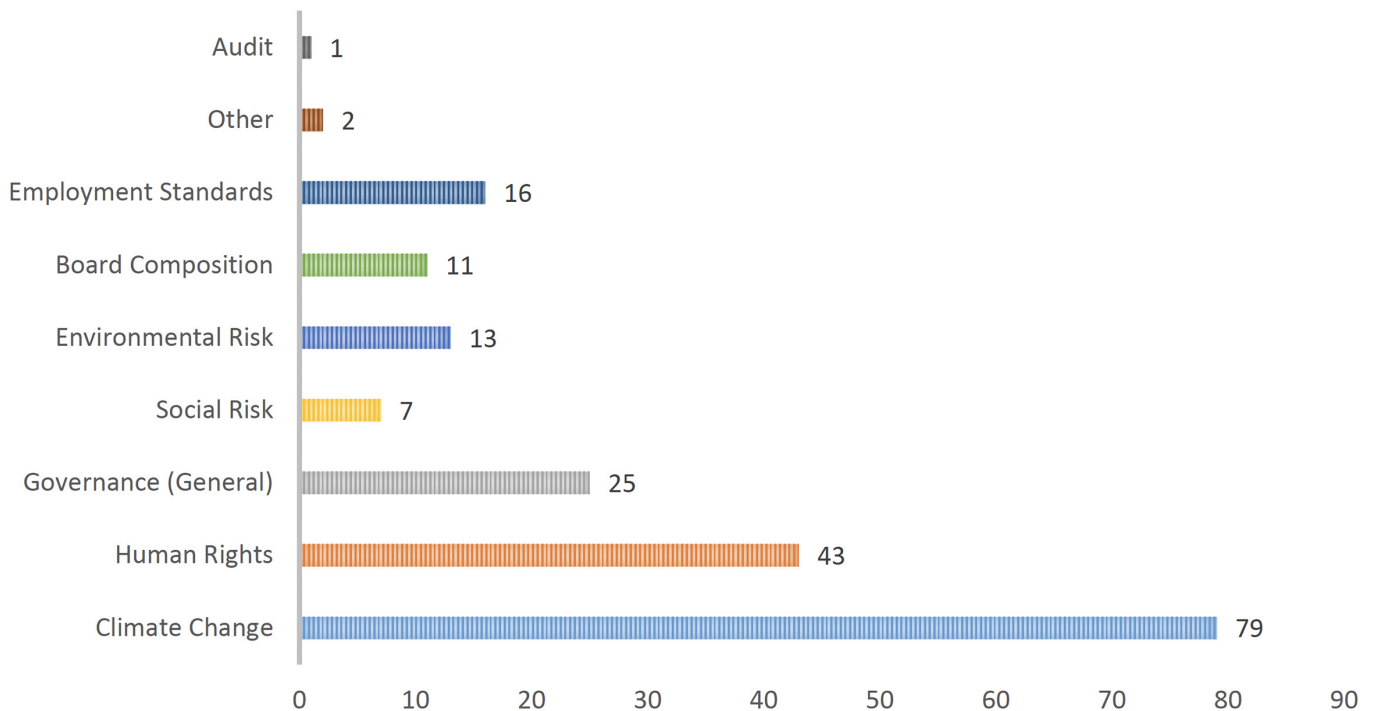
WYPF is a member of the Local Authority Pension Fund Forum (LAPFF). This is an association of 87 LGPS funds plus six LGPS pools, which carries out the majority of engagement work on WYPF's behalf. This approach was chosen as a more efficient method of engagement given the lack of dedicated resources and the onerous time constraints placed on our investment team. Our experience with LAPFF has been a positive one: we share a similar investment outlook and challenges to other LGPS funds that LAPFF represents, believe their scale (at £300bn, 14x our own) is a considerable benefit

and have a successful and close experience in working together.

LAPFF chooses companies for engagement based on aggregate holdings of its members as well as holdings that pose issues of concern for members. LAPFF engages with companies on a broad range of topics via letters, meetings with boards, attendance at AGMs, and arranging the filing of shareholder resolutions or legal action if appropriate. LAPFF also monitors how effective their engagement has been and reports this to members on a quarterly basis. In the year to March 2023 WYPF engaged via LAPFF with 289 companies on 361 individual engagements.

Table 16

LAPFF Engagement by Topic



We have chosen to align our stewardship initiatives with a small number of like-minded investors when we consider it will be beneficial to our members. We review such partnerships frequently to ensure efficacy, efficiency and focus is maintained.

While the vast majority of our 3rd party investments are made in alternative investments with less well established standards of governance, we expect fund managers to seek collaborative engagement when it would be the most effective and efficient approach consistent with their stewardship responsibilities.

In 2022 several of our Private Equity managers made a commitment to the **ESG Data Convergence Project** with an objective of streamlining the private equity industry's historically fragmented approach to collecting and reporting ESG data and create a critical mass of meaningful, performance-based and comparable ESG data from private companies.

Over the last twelve months we gave our support to a number of specific bodies including:

- Institutional Investors Group on Climate Change (IIGCC). (<https://www.iigcc.org/>) a body enabling the investment community to drive towards a net zero carbon future.
- The 30% Club a shareholder initiative aimed at promoting broader representative of women and minorities in board and executive positions.
- Climate Action 100+ (<https://www.climateaction100.org/>) is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.
- The Transition Pathway Initiative (TPI) (<https://www.transitionpathwayinitiative.org/>) is a powerful tool that assesses how seriously companies are taking the threat of climate change and how realistic individual companies' carbon reduction commitments are.
- The CDP (<https://www.cdp.net/en>) is a shareholder group that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Table 17**Collaborative engagement – 2022 Examples****WYPF committed to collaborate in a Church of England initiative “Investing in Support of the Transition in Emerging Economies”**

Reason	To support a just transition in emerging markets both to assist those specific economies to transition but also to mitigate the financial risk posed to our own investments given the need for the vast majority of the world economy to transition.
Objective	To develop an overarching framework that will recognise transition issues are different for emerging economies, provide a suitable architecture for transition pathways and, crucially, advocate for an aligned investment vehicle to finance the transition.
Outcome	A draft framework was presented to political leaders at the COP27 summit and continues to be refined ahead of the publication of principles in the first half of 2023.

Via LAPFF, WYPF, has supported Rathbones’ multi-year engagement “Votes Against Slavery”

Reason	Section 54 of the Modern Slavery Act requires all companies above a certain size operating in the UK to report in detail on how they find and eliminate modern slavery within their supply chains.
Objective	The engagement targeted 43 FTSE 350 companies not complying with the Act.
Outcome	As a result of previous engagements through Rathbones, the 61 FTSE 350 companies targeted in 2021 became compliant by January 2022, and 20 out of 22 FTSE 100 companies contacted in 2020 became compliant by the end of that year. Further increases are anticipated in this year.

WYPF joined a FAIRR Engagement: “Creating a Stink: Mismanagement of Manure Drives Pollution and Biodiversity risk.”

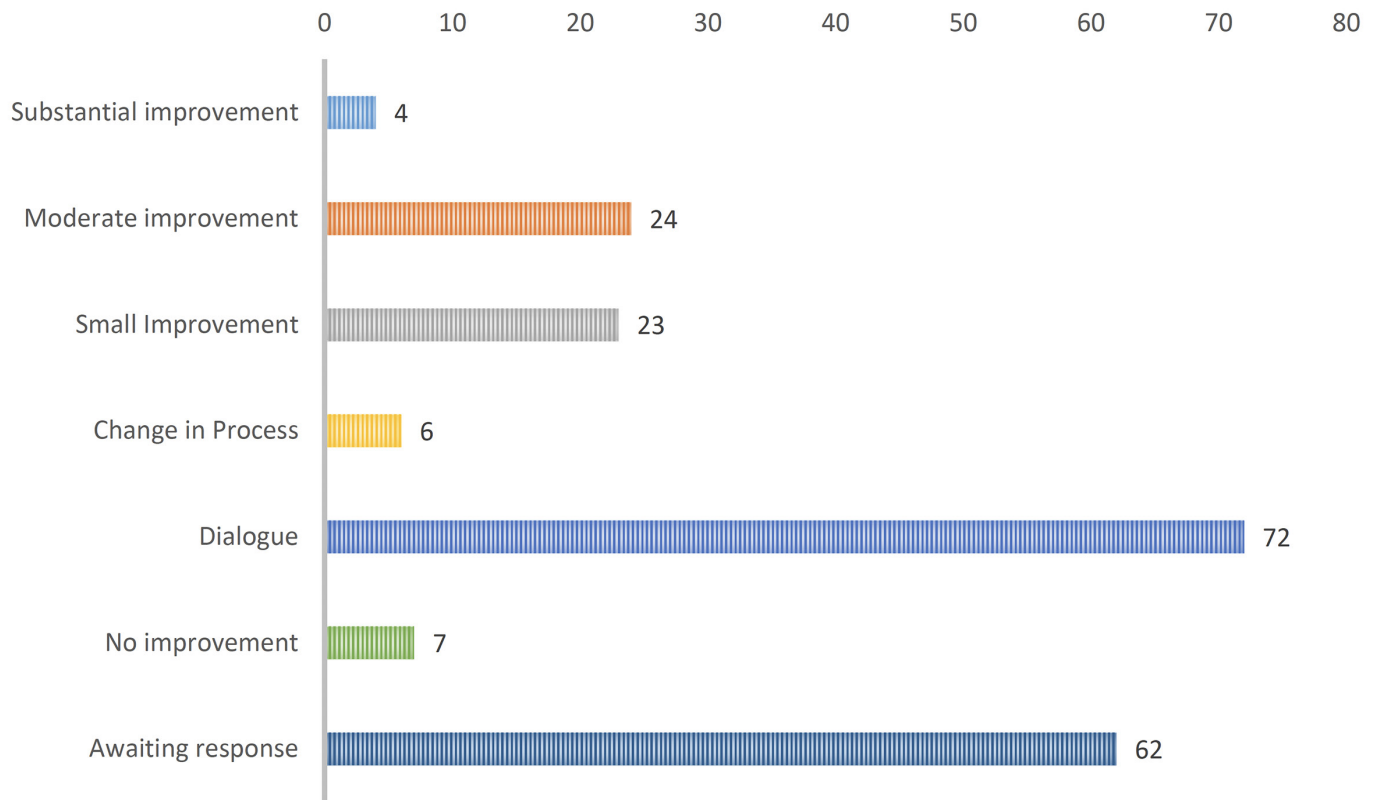
Reason	By weight the amount of livestock manure produced annually exceeds all other types of waste, including landfill and plastic. The mismanagement of manure is a considerable problem and contributes to nutrient pollution hotspots damaging biodiversity as well as significant CO2 emissions.
Objective	FAIRR targeted twelve of the largest agribusiness to push companies to improve disclosure and planning to ensure adequate planning and control of manure. WYPF was the lead on UK meat producer Cranswick.
Outcome	Conclusions of the engagement are to be published in June 2023.

WYPF co-signed letters written by ShareAction

Reason	In December 2022 HSBC made a commitment to cease funding new oil fields. ShareAction subsequently launched an engagement with five large European banks (Deutsche, Barclays, BNP Paribas, Societe Generale & Crédit Agricole) requesting they make the same commitment.
Objective	In our meetings with oil companies we have indicated we prefer to see incremental investment to be directed towards renewable energy, rather than new oil fields. The ShareAction motion is an additional lever in ensuring the energy transition.
Outcome	We have had encouraging responses from a number of banks which continue to refine their climate plans; we are hopeful of new funding commitments soon.

Table 18

LAPFF engagement outcomes



Escalation

Signatories, where necessary, escalate stewardship activities to influence issuers

Our approach to escalation is defined by our Principle #5: Positive Engagement for Change

The nature of our escalation depends on the specific set of circumstances but could include a variety of options:

- If management proves unresponsive we may decide to approach the board chair or NEDs.
- We may choose to vote against or abstain from supporting management proposals or vote against the re-election of specific directors. We believe in holding individual directors to account on areas for which they have lead responsibility.
- Ordinarily the majority of engagements are conducted privately but on occasion it may make sense to release a press statement to publicly air an issue we believe to be in the public interest.
- We can join collaborative actions with other shareholders.
- We can submit or support shareholder resolutions at company meetings.
- We may want to undertake legal action including participation in Class Actions.
- We can consider divesting our shares. We view this very much as a last resort as we consider our power to influence companies is derived from our economic interest: if we sell our shares we abdicate our responsibility.

We recognise that Stewardship and Engagement are most advanced in European and UK equity markets and less well developed in other geographies and asset classes. A recognition of this situation influences where and under what circumstances we choose to escalate and with which partners. To date the majority of the escalations undertaken by WYPF have been in the UK equity space to which WYPF is heavily weighted. We believe that considerations of materiality are important when considering our engagements and escalations (Principle 7 & 9). Nevertheless, we would look to engage in different geographies and asset classes if we believed the risk to be material.

Most commonly we have escalated through voting against specific resolutions or directors at AGMs, see Principle 12.

It is important to recognise the time-scales involved in escalation. It is not unusual for engagements / escalation to span multiple years. In last year's stewardship report we gave an example of a climate engagement made by LAPFF with the UK bank Standard Chartered. While LAPFF was initially encouraged by the bank's decision to adopt net zero plan and offer investors a "say on climate" vote it believed that the Climate Plan was not sufficiently ambitious given its focus on intensity measures rather than absolute levels of carbon and didn't make a commitment to stop the financing of new coal and gas developments. As a consequence, LAPFF advised us to vote against the climate proposal.

Table 19**Escalation – 2022 Examples****We voted against CRH (CRH.L) management resolutions at the 2022 AGM**

Reason	We agreed with the IIGCC engagement lead, Sarasin, that management were not engaging in good faith regarding their climate plan.
Objective	While we acknowledge the steps CRH has taken, we hoped that our vote serves as a reminder to companies of the need act faster and more decisively to curb emissions. Specifically, we wanted to know how CRH's assets, liabilities and profitability would be impacted by potential policy changes such as rising carbon taxes or a requirement to capture hard-to-abate emissions. To increase pressure on management we voted against the audit committee chair, auditor and the company's accounts at the 2022 AGM.
Outcome	While the company's resolutions were accepted by more than 95% of investors, we believe our vote served as a useful reminder to management of the need for decisive climate action. We continue to engage with the management of the company.

We voted against Glencore (GLEN.L London) management resolutions at the 2022 AGM

Reason	Glencore has undertaken a unique approach to its thermal coal business opting for a managed depletion of its mines by 2050. It was not apparent how this approach was consistent with its net zero commitments.
Objective	We wanted management to present a coherent climate plan and opted to vote against the Company's Climate Plan
Outcome	Our scepticism was shared by other investors with 24% voting against the company's Climate Plan at the 2022 AGM. The subsequent company roadshow proved disappointing as management remain intransigent. We continue to urge the company to present a plausible plan covering its scope 3 emissions and will consider further escalation, including the possibility of divesting, if a legitimate plan is not forthcoming.

Rights and responsibilities

Signatories actively exercise their rights and responsibilities.

Our Rights & Responsibilities as investors are recognised in Principle #4: WYPF recognises its stewardship responsibilities through engagement and voting.

As owners of capital we take our voting responsibilities seriously and exercise them in a way consistent with our publicly disclosed objectives and policy positions. Wherever practical WYPF votes on resolutions put to the annual and extraordinary general meetings of all companies in which it has a shareholding. We have retained the services of PIRC as our proxy advisor to assist us formulating and implementing our **voting policy**. Our voting policy is posted on WYPF's website as are details of WYPF's **voting activities**. We seek to revise our voting policy whenever appropriate in line with industry developments and the evolution of best practice (Principle 5.)

In the UK an AGM must be held within five months of the end of a company's financial year end meaning companies with December year ends will generally publish annual reports in March and hold AGMs in April or May. Managements, or their representatives, usually will endeavour to contact us ahead of votes to provide assurance or test investor sentiment on resolutions. As votes near our proxy advisor will assess proposed resolutions and advise us accordingly. In recent years a number of shareholder advocacy groups have emerged. Some have done excellent work typically filing single issue resolutions. We would highlight: As You Sow, Follow This, and ShareAction as exemplars whose resolutions we have supported.

As a rule, we try to be supportive of managements but will appropriately scrutinise proposals to ensure

decisions are taken in the long-term interests of the companies we invest in.

In line with our commitment to transparency and democratic accountability, we ensure that our voting aligns with our engagement. Should we decide to abstain, in the instance of minor infractions, or vote against board proposals will we seek to communicate this information with management prior to the vote. We publish our voting policies on our website.

PIRC is our proxy advisor and was selected largely because its voting policies were closely aligned to that of LAPFF (who PIRC acts as secretariat/advisor to), of which WYPF is a member. Under the terms of our contract we permit PIRC to directly access our portfolio holding through our custodian Northern Trust who then vote through the ProxyExchange platform. We can monitor proposed resolutions and voting recommendations through PIRC's client platform.

Given the majority of assets are internally managed and our commitment to be a responsible investor it is incumbent on investment staff to be familiar with upcoming resolutions for companies within the portfolio and ultimately the voting decision rests with the individual managers. Historically, we have closely followed PIRC's guidance but are not obliged to do so and our Investment Management team has the ultimate decision of we decided to vote. If we choose to vote contrary to PIRC's recommendations, Investment Managers will record the rationale for the variance along with the voting instruction. In the year to March 2023 we voted against PIRC guidance on ten separate occasions.

Table 20**Rights & Responsibilities – 2022 Examples**

Company	Vote	Resolution	Reason for not abiding by the PIRCs recommendation
JPM UK Smaller Companies Trust	November 2022 AGM	1. Receive the Annual Report; 9. Reappoint E&Y	We voted for both management resolutions contrary to PIRC given: We disagreed with the notion there was a conflict of interest between the trust & its PM; We disagreed with their assessment of fraudulent practise in the audit industry.
Chevron	May 2022, AGM	Item 1: Vote against four named directors.	We voted against the recommendations of both management and PIRC believing that management had failed to adequately respond to the Climate Action 100+ engagement initiative.
BP	May 2022, AGM	3. Advisory vote on net zero plan; 24. Follow This climate resolution	We voted with management and against PIRC believing there while imperfect there was substantial merit in the company's climate plan.

In 2022 WYPF voted on 19,429 resolutions at 1,445 separate Annual or Extraordinary general meetings world-wide. While we commit to voting all our shares we failed to do so on 60 occasions most commonly because we didn't receive the ballot in a timely manner for emerging market stocks.

WYPF carries out securities lending to increase the investment return of the portfolio. Given that the underlying voting rights of stock are held by the borrower, rather than the lender, we may choose to recall any shares out on loan prior to a company vote.

As bondholders we don't have the same rights as shareholders, for example we are not permitted vote at company AGMs, and only have leverage over companies to press for ESG topics during the underwriting process

or when credit terms are reassessed. During 2022 we did not have the opportunity to engage the issuers of any of our fixed income holdings. However, should the situation arise, we will assess proposed amendments on their merits to decide whether they are fair and reasonable and in the best interests of an issuer and its stakeholders.

In the case of 3rd party mandates in alternative assets we, as a rule, do not exercise voting rights directly. We do however expect managers to be responsible investors; to have appropriate ESG policies in place (Principle 7) and vote accordingly.

As per our Business Plan (Principle 1) our voting activity is reviewed at our quarterly IAP meetings.

Table 21**Voting outcomes**

Type	Total	Support	Oppose	Common reasons for opposing
All Employee Schemes	62	63%	37%	
Annual Reports	2,279	44%	56%	Poor disclosure (esp of sustainability policies), failure to abide to guidelines, lack of detail regarding accountability
Articles of Association	600	92%	8%	
Auditors	1,322	49%	51%	We support the rotation of auditors every 5 years; high non-audit earnings
Corporate Actions	171	85%	15%	Insufficient justification
Corporate Donation	149	82%	18%	Excessive amounts
Debt & Loans	78	37%	63%	
Directors	8,785	73%	27%	Combined CEO/ Chair roles, tenure of non-exes more than 9 years, Chairs to be considered independent at time of hire, votes against heads of committees where failings identified
Dividend	828	97%	3%	Dividends in excess of earnings
Executive Pay Schemes	223	16%	84%	Excessive pay, insufficient disclosure of basis of pay, variable compensation in excess of 200% of base, LTIP may be excessively high
Miscellaneous	832	85%	15%	n/a
NED Fees	437	65%	35%	Excessive compensation
Non-Voting	710	0%	100%	n/a
Say on Pay	133	1%	99%	Excessive compensation
Share Capital Restructure	128	83%	17%	Insufficient justification
Share Issue Cancellation	2,281	43%	57%	Insufficient justification
Shareholder Resolutions	411	84%	16%	
	19,429	63%	37%	

