Westminster City Council Pension Fund

Stewardship Report • 2024

Table of Contents

Introduction

The Stewardship Code is a set of principles released in 2010 and updated in 2020 by the Financial Reporting Council, directed at institutional investors who hold voting rights in United Kingdom companies. Its principal aim is to make shareholders, who manage other people's money, be active and engage in corporate governance in the interests of their beneficiaries.

The UK Stewardship Code 2020 sets high stewardship standards for asset owners and asset managers, and for service providers that support them. The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but, if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so.

To become a signatory of the Code, applicants must submit a Stewardship Report to the FRC demonstrating how the principles of the Code have been applied during the previous 12 months. The FRC reviews applications to assess whether they meet its expected reporting standards, and successful organisations are listed as a signatory to the Code. Once accepted onto the signatories list, organisations must reapply annually.

The Stewardship Code requires asset owners and managers to comply with 12 principles, supported by detailed reporting including activities and outcomes. The 12 principles are listed as follows:

Principles for Asset Owners and Asset Managers

Category	Principle
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.

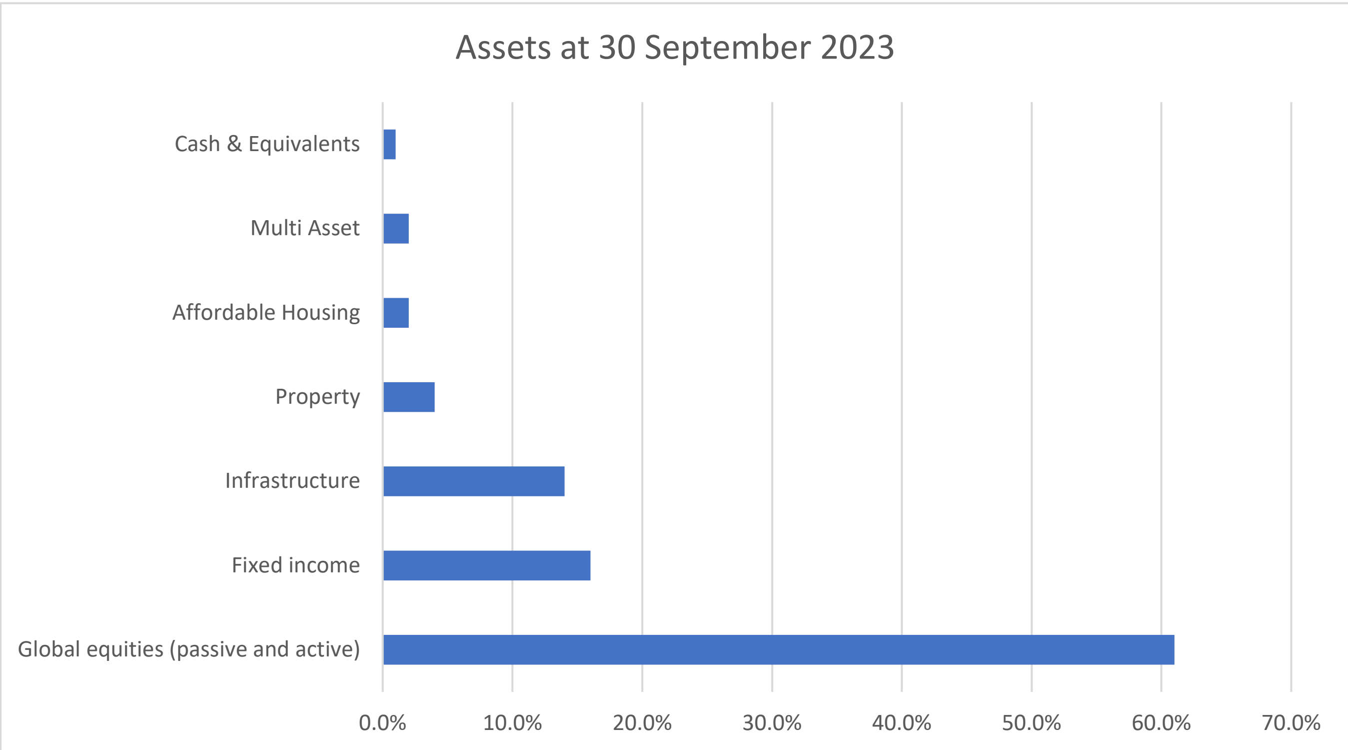
	Principle 10 – Signatories, where necessary, participate in collaborative engagement to influence issuers.
	Principle 11 – Signatories, where necessary, escalate stewardship activities to influence issuers.
Exercising rights and responsibilities	Principle 12 – Signatories actively exercise their rights and responsibilities.

About the City of Westminster Pension Fund

The Westminster Pension Fund is part of the national Local Government Pension Scheme (LGPS), administered by Westminster City Council. It is a contributory defined benefit pension scheme established under statute, which provides for the payment of benefits to employees and former employees of the Westminster City Council and the admitted and scheduled bodies in the Fund.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and returns from the Fund's investments. Contribution rates for employees and employers are set by the Fund's actuary at the actuarial valuation which is carried out every three years. The most recent revaluation, carried out as at 31 March 2022, was used to set contribution rates with effect from 1 April 2023 through to April 2026. In the period from 2019 to 2022, the Pension Fund has increased its overall funding level from 99% to 128%. The main drivers for this improvement are the strong investment returns and significant additional deficit recovery payments received from the Council.

As at 30 September 2023, the market value of the Pension Fund was £1.795bn. The Fund invests in a diverse range of assets including; equities, property, infrastructure, affordable housing, fixed income and absolute return. The Fund's assets are managed by 14 individual fund managers who specialise in that asset class.



Principle 1: Purpose, Strategy & Culture

- **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, environment, and society.**

The Westminster Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), and its mission is to provide an efficient and equitable pensions solution for all employees, deferred members and pensioners of all eligible employers in Westminster, in accordance with the requirements of the current legislation for the LGPS. It is a contributory defined benefit pension scheme, established under statute, which provides for the payment of benefits to former and existing members.

To ensure future pension liabilities are met for our existing and future members, the Fund's primary objective is to create a sustainable Fund that delivers long term returns. The Fund uses an integrated approach that encompasses environmental, social and governance (ESG) factors, as the Fund believes this will provide the best opportunity to deliver on ESG requirements and return objectives, which are integral for the long-term sustainability of the Fund.

Underpinning the Pension Fund's vision and culture is the Council's strategy: Fairer Westminster. The Fairer Westminster strategy outlines five pillars, which guide the work of the City Council and the Pension Fund:

- Fairer Environment: the Council has pledged to become net zero by 2030, with the city net zero by 2040.
- Fairer Housing: provision of greener and more affordable housing, as well as reducing homelessness.
- Fairer Economy: supporting small business, alongside the world renowned Oxford Street and West End shopping outlets.
- Fairer Council: a more transparent decision-making process and integration of an ethical procurement model.
- Fairer Communities: reducing poverty and inequality across Westminster, providing excellent public health and social care services, and physical activity opportunities.

The strategy has ambitions to put residents at the heart of key decisions and build an inclusive and diverse culture and community within the city. The pillars can be aligned with the Pension Fund's investment strategy, with the Fund's commitment towards affordable and socially supported housing, investment in renewable energy infrastructure and transitioning assets into funds, which take account of social and environmental impacts.

The Fund promotes a strong sense of accountability and transparency across the organisation, especially with its beneficiaries. Operating under public sector regulations dictates that the Pension Fund must regularly respond to Freedom of Information (FoI) requests, which requires the Fund to act fairly and be held accountable for key decision making.

Alongside this, the Fund publishes an annual Responsible Investment Policy, ESG policy and Responsible Investment Statement, with the aim of promoting visibility and clarity of the Fund's investments, and to highlight the progress the Fund has made in terms of ESG factors, e.g., decarbonisation and the driving of further responsible investing. Failure to appropriately manage ESG factors is considered to be a key risk for the Pension Fund, as this can have an adverse impact on the

Fund's overall investment performance and can pose reputational risk, which may adversely affect the scheme members, employers and local council taxpayers.

The Pension Fund has a commitment to being a responsible investor and a long-term steward of the assets in which it invests. Therefore, this requires a consistent approach and set of values to assist members in their decision making process. Members are bound by their overall fiduciary duty to act in the best interests of the beneficiaries, and this extends to making a positive contribution to the long-term sustainability of the global environment.

Within the Fund's Investment Strategy Statement (ISS), there is a commitment to investing to build a better future through the integration of ESG issues at all stages of the investment decision-making process. The Fund has key investment principles that embody the strategy and culture that the Fund desires to achieve. These include:

- Through active ownership, the Fund engages with the investment community to help ensure a sustainable future for all its stakeholders. This includes demanding best practice amongst its investment managers and challenging their investment outcomes where appropriate.
- The Fund recognises that significant value can be achieved through collaboration with other stakeholders. The Pension Fund works closely with its LGPS pooling company (the London CIV), other LGPS funds and member groups such as the Local Authority Pension Fund Forum (LAPFF) to ensure corporate interests are closely aligned with the Fund's values.
- The Pension Fund works to gain the confidence of its members in the governance process and the way in which in the Fund is invested on their behalf. It is important for the Pension Fund to be completely transparent and accountable to members and stakeholders.

Westminster City Council has delegated the management of the Pension Fund to the Pension Fund Committee (the Committee) who decide on the investment policy most suitable to meet the future liabilities of the scheme and ultimate responsibility for the investment strategy lies with the Committee. The Committee has appointed Isio as its independent advisor on investment strategy and to oversee and scrutinise the activities of the investment managers.

As outlined in the Investment Strategy Statement (ISS), Westminster has created its own core set of investment beliefs alongside the investment principles that govern all investment decisions for the Fund. It is intended that these beliefs will help create alignment and consistency in the investment decision-making process, as well as embodying the thought process behind the evolution of the Fund and helping to improve stewardship and governance. The Fund has defined the following investment beliefs:

Investment Governance

a. The Fund has access to the necessary skills, expertise, and resources to manage the whole Fund, as well as internally managing a small proportion of the Fund's assets, such as cash management.

b. Investment consultants, independent advisors and officers are a source of expertise and research to inform and assist the Committee's governance decisions.

c. The aim of the Fund's funding and investment strategies is to pay pension liabilities when they become due. The Committee will therefore take account of liquidity and the long-term ability of the Fund to meet these obligations.

d. The Fund is continuously improving its governance structure through bespoke training to implement tactical views more promptly but acknowledges that it is not possible to achieve optimum market timing.

Long Term Approach

a. The strength of the employers' covenant allows the Fund to take a longer-term view of investment strategy than most investors.

b. The most important aspect of risk is not the volatility of returns, but the risk of absolute loss over the medium and long term. This would, in turn, impact the ability of the employers to make adequate contributions to meet the Fund's liabilities.

c. Illiquidity and volatility are shorter term risks which offer potential sources of additional compensation to the long-term investor. Moreover, it is important to avoid being a forced seller in short term market setbacks.

d. Over the long term, equities are expected to outperform other liquid assets, particularly government bonds and cash.

e. Over the long term, the Fund believes that investments with negative externalities will perform worse than investments with positive externalities.

Environmental, Social and Governance (ESG) factors

a. Certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved.

b. Well governed companies that manage their business in a responsible manner are less vulnerable to downside risk and may therefore produce higher returns over the long term.

c. In order to improve corporate governance, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they invest in.

d. Environmental considerations form a part of the Committee's decision-making process when making investment allocations.

e. If an investment manager fails to consider ESG issues, the Committee is prepared to disinvest assets from that manager.

f. The Fund's Responsible Investment Statement governs the approach to ESG in more detail.

Asset allocation

a. Allocations to asset classes other than equities and government bonds (e.g., corporate bonds, private markets, and property) offer the Fund other forms of risk premia (e.g., additional solvency risk/illiquidity risk).

b. Diversification across asset classes and asset types that have low correlation with each other will tend to reduce the volatility of the overall Fund return.

c. In general, allocations to bonds and alternatives are made to achieve additional diversification. As the funding level improves, the Committee may look to certain lower risk strategies to mitigate liability risks and thus dampen the volatility of the Fund's actuarial funding level.

Management Strategies

a. A well balanced portfolio has an appropriate mix of passive and active investments.

b. Passive, index-tracker style management provides low cost exposure to equities and bonds and is especially attractive in efficient markets.

c. Active management will typically incur higher investment management fees but can provide additional return. Fees should be aligned to the interests of the Fund.

d. Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that continued appointment is appropriate.

e. Employing a range of management styles can reduce the volatility of overall Fund returns but can also reduce long term outperformance.

f. The Fund manages currency risk through a sterling hedge overlay on its passive equity portfolio.

Activity

The Pension Fund Committee is made up of four elected members of the Council (three from the majority party and one minority party representative) who meet at least four times a year. All members have full voting rights. The Fund ensures effective stewardship through regular monitoring and reporting on the Fund's performance, including ESG outcomes. Quarterly Pension Fund committee meetings allow the committee to actively steward and protect the Fund's assets by assessing policies, performance and strategy.

The Pension Fund Committee's oversight role includes:

- Reviewing policies and strategies on an annual basis, such as our Responsible Investment Policy and Statement, Business Plan and outcomes report, Investment Strategy Statement and Pension Administration Strategy;
- Quarterly review of the risk registers to ensure that the Fund prioritises the key issues that impact the Pension Fund and how these can be mitigated in the best interests of members;
- Approving and selecting suitable asset strategies and investment managers to meet the required outcomes;
- Review and respond to national/local government consultations and changes to legislation and regulations; and
- Review quarterly performance reports as provided by the investment consultant and take action on any advice in regard to the asset managers.

All decisions taken by the committee should be made with full consideration of the Fund's approved policies including the RI Policy, RI Statement, Investment Strategy Statement, alongside the Fund's Investment Beliefs. Officers and the committee are committed to following the investment beliefs and strategies approved to govern the Fund in an effective manner.

As part of continuing good practice and due diligence, the Local Pension Board reviews all key decisions taken by the committee and assumes a governance oversight responsibility. The purpose of the Local Pension Board is to provide oversight and scrutiny of the committee. The Board comprises six members: three from the Council representing employers and three employee representatives. The Chair is elected by the Board. The Pension Board, where necessary, will recommend strategy amendments and action to improve governance of the Fund and ensure effective stewardship of the Fund. The Board has representatives from both the employers and scheme members to further beneficiaries' views and the governance process.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), a collection of 86 local authority pension funds and seven asset pooling companies, with assets under management of over £350bn, promoting the highest standard of governance with the aim of protecting the long-term value of LGPS pension funds. The LAPFF engages directly with companies, on behalf of all asset owners and pension fund trustee members, on issues such as executive pay, reliable accounting and a transition to a net carbon zero economy. The Fund actively contributes to the engagement efforts of pressure groups and requires investment managers to vote in accordance with the LAPPF's governance policies.

As a member of the London CIV (LCIV) pooling company, it is expected that the LCIV will uphold our commitment to long-term value for clients and beneficiaries through sustainable benefits for the economy, the environment and society. Within their Stewardship Policy, the London CIV outlines its key objectives, as follows:

1. London CIV will review ESG priorities on an annual basis and update its Stewardship Policy accordingly.

2. LCIV will engage with the top ten contributors of their global greenhouse gas emissions footprint as part of their climate change risk mitigation strategy.

3. London CIV will set a minimum criterion for diversity standards and engage with the top ten highest risk holdings on diversity and inclusion.

The integrated approach taken by the Fund, as outlined above, as well as the active membership undertaken in the London CIV and LAPFF have guided investment decisions with greater focus on ESG outcomes integral to the long-term sustainability of the Fund.

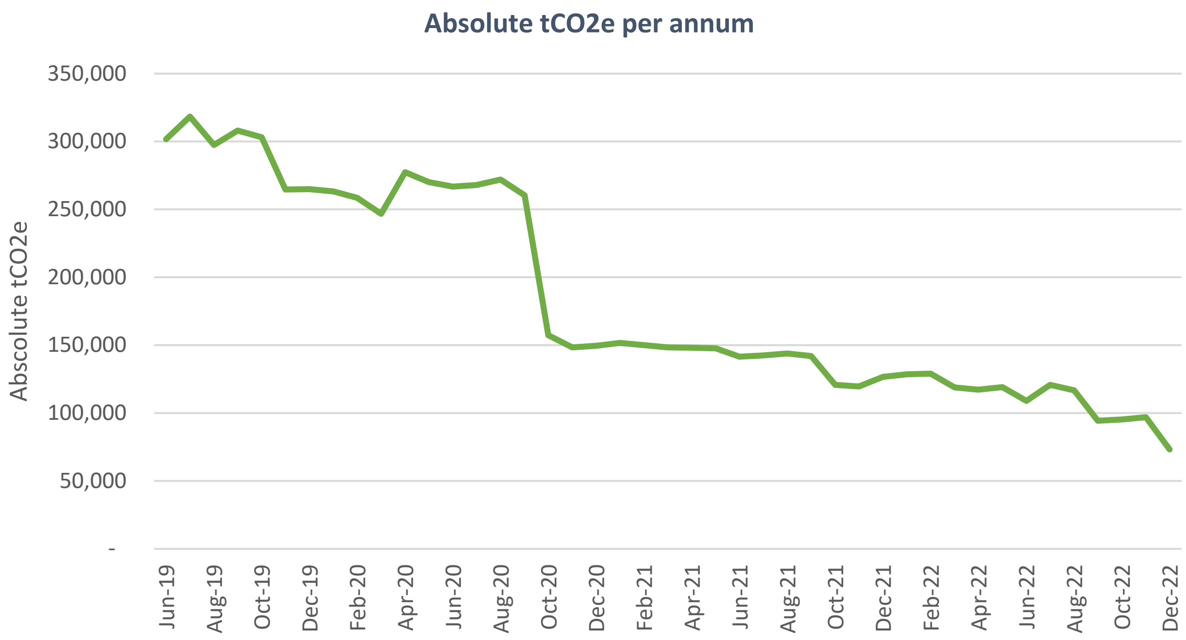
Outcome

The committee approves the Investment Strategy Statement, Responsible Investment Statement, and the Annual Accounts of the Pension Fund, on an annual basis. All key policies and strategies are reviewed on a regular basis to ensure that the Fund is in the best position to oversee the long-term interests of the beneficiaries and ensure best practice is being implemented. As shown in Westminster's most recent strategy statements published by the Fund, and ratified by the committee and board, there is a shared view across Westminster that ESG factors will be integral to the long-term sustainability of the Fund and future returns.

As a result, ESG factors are having an increasing impact on investment decisions and the Fund is committed to being a responsible investor and a long-term steward of the assets in which it invests. There is a consistent approach and set of values to assist members in the making of investment decisions on the Fund. Members are bound by their fiduciary duty to act in the best interests of the beneficiaries, and this extends to making a positive contribution to the long-term sustainability of the global environment.

As detailed within the 2023 Responsible Investment Statement, the Fund tracks the carbon impact of the Fund's investments, as well as the carbon reduction that the Fund has achieved over time. The weighted average carbon to value invested of the Fund has fallen by circa 80% since June 2019.

The following chart plots the absolute tonnes of CO2 emissions of the Fund from 30 June 2019 to 31 December 2022. It is estimated that the Fund has reduced its CO2 emissions by circa 76% over this period. The Greenhouse Gas (GHG) emissions of the Pension Fund are reported in tonnes of CO2 (tCO2e).



The Fund committed 6% (circa £110m) to renewable energy infrastructure during 2021, with Macquarie and Quinbrook each selected to manage a 3% allocation. During 2023, the Pension Fund committed an additional 5% to renewable infrastructure to take the total allocation to 11%. As at 30 September 2023, the Fund had approximately c.£149m of capital drawn down, with assets targeted to solar power, onshore and offshore wind, alongside supporting infrastructure such as battery storage and connection assets. It is estimated that, once fully drawn, these assets will offset 46,000 tonnes of CO2 per annum for Westminster's allocation, and power up to circa 21,000 homes annually.

During 2023, the Pension Fund allocated 2.5% to the London CIV UK Housing Fund, with a total allocation to affordable housing at 5%. The allocation has a long-term goal of providing 13,000 new homes that cost no more than 35% of an average household's gross income and across sectors, including children's services housing, specialised supported housing and older person supported housing within the supported living market.

In addition to this, during late 2022 the Pension Fund Committee elected to transition the Pension Fund's holdings in the Baillie Gifford Global Alpha Growth mandate into the BG Paris Aligned version. The Paris Aligned Fund has a quantitative assessment process to screen out companies with particular levels of exposure to the fossil fuels industry, plus a qualitative one to screen out companies that will not play a role in the future transition to a low carbon environment.

This approach therefore demonstrates that the Fund's investment decisions are not solely driven by investment returns, but by the Fund's existing and future members interests. In recent years, members have expressed a greater desire for responsible investment. Alongside this, the Fund's belief that investment in sustainable benefits for the economy and environment has shown significant progress with a significant reduction in carbon emissions.

The Pension Fund's objectives in the coming years will increase commitment to sustainability of the Fund, as further drawdowns are made within the renewable energy infrastructure mandates. Although, the Fund is committed to reducing its impact on climate change, the Fund believes that blanket disinvestment from fossil fuel companies is not the most appropriate action to allow a transition to a low carbon economy. The Pension Fund continues to be transparent with members by publishing annual carbon footprint data of our investments, which illustrates a steady reduction since July 2019.

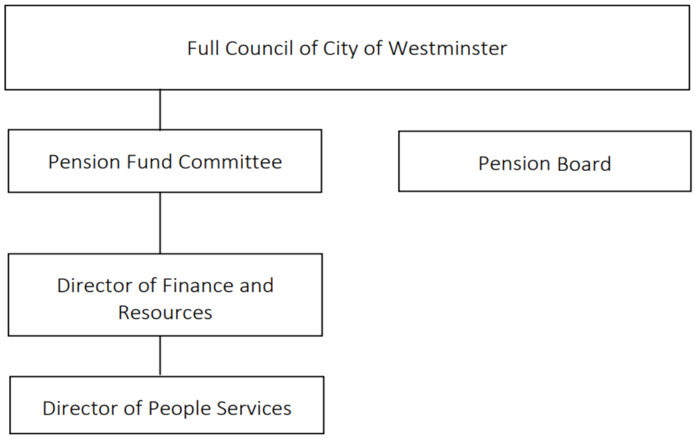
Principle 2: Governance, resources & incentives

- **Signatories' governance, resources, and incentives support stewardship**

Context

The Fund promotes strong governance to fulfil its duties of stewardship and to safeguard its assets for our members. Westminster City Council has delegated responsibility for pension matters to the committee.

The governance structure of the Pension Fund is shown below.



The committee is responsible for the governance and management of the Fund. The Committee oversees the appointment and ongoing scrutiny of external investment managers, to whom the day-to-day responsibility for implementing stewardship is delegated. The committee is made up of four elected members of the Council, all members have full voting rights. The Fund's performance is reported on a quarterly basis to ensure that the Committee is in a strong position to act quickly within the economic/investment climate at that time.

The purpose of the Pension Board is to provide oversight and scrutiny for the committee. The Board does not have a decision-making role in relation to the governance and management of the Fund but is able to make recommendations to the committee. The board is independent and separate from the committee to facilitate good governance for the Fund and to enable greater scrutiny and effective stewardship for its members.

The Executive Director of Finance and Resources and its officers provide advice and support to the committee and ensure the implementation of the asset strategy and the day-to day management of the Pension Fund. The Tri-Borough Treasury and Pensions team at Westminster employs 12 staff, led by the Tri-Borough Director of Treasury and Pensions. The team serves the Pension Fund Committee and works on all issues of governance, finance and investment. The Tri-Borough Director has over 26+ years' of LGPS experience, with the Strategic Investment Manager holding 18 years' experience to complement the rest of the team. The team consists of qualified public sector accountants with numerous years of experience working in local government. The majority of the team has been recruited from the Finance Sector and has longstanding pension expertise.

By having this experienced governance structure in place, the Fund can fulfil its duties of safeguarding the assets of the Fund. Within the Annual Report, the Fund outlines in detail all the policies that govern the Pension Fund. The policies are reviewed regularly including:

- Governance Compliance Statement
- Communication Policy
- Funding Strategy Statement
- Investment Strategy Statement
- Responsible Investment Statement
- Pensions Administration Strategy

The governance policies act as a singular point for members to understand how the decision making process takes place within the Fund. The Pension Fund believe that the Committee and Board, alongside the wealth of knowledge from elected members and advisors, allow consistent and correct decisions to be made for the long-term sustainability of the Fund.

Activity

The Fund views active engagement as an essential activity in ensuring long-term value and encourages investment managers to consider assessing a wide range of assets. Officers engage with the investment managers on an ongoing basis to monitor investment performance, including ESG factors and considerations. Officers implement the Fund's active approach through:

- regular meetings with investment managers to assess investment performance and the progress made towards achieving ESG targets;
- reviewing reports issued by investment managers and challenging performance where appropriate;
- working with investment managers to establish appropriate ESG reporting and disclosures in line with the Pension Fund's objectives;
- contributing to various working groups that seek to positively influence the reporting of industry standards on ESG metrics; and
- actively contributing to the efforts of engagement groups such as the LAPFF.

All monitoring activity is reported back to the committee on a quarterly basis for review and comment.

Through the committee and officers and advisors, there is sufficient resource and capacity to monitor and support stewardship activities. The Fund has appointed an external independent consultant, Isio, to provide expertise to assist the committee in investment decisions. The external advisor is reviewed on an annual basis, as per the requirements of the Competition and Markets Authority (CMA), to ensure the highest quality service and advice is being given to the committee. During 2023, the Fund will review the objectives set against the investment consultant, to ensure they remain appropriate and fit for purpose.

The committee and board provide a wide ranging variety of backgrounds and experience, with diversity present among our committee and board key to offering different perspectives and to ensure that decisions are in the best interests for all. For compliance, all key stakeholders are afforded the opportunity to be represented within the main or secondary Committee structure. These include:

- employing authorities (including non-scheme employers, e.g., admitted bodies);
- scheme members (including deferred members and pensioner scheme members);
- where appropriate, independent professional observers; and
- expert advisors (on an ad hoc basis).

Representatives of the employers and scheme members are board members, rather than members of the committee.

To ensure that the members of the committee and board have the required knowledge and skills to fulfil their role, they undertake an annual training programme based on requirements identified from CIPFA's Knowledge and Skills framework. This includes training on responsible investment, risk management, ESG factors, climate change and risk. Officers arrange at least three training sessions a year for committee and board members. Such training ensures that the committee and board are well informed in order to make careful and precise decisions for the continued success of the Fund. The committee and board have most recently received training from external investment managers, Hymans Robertson, economic experts and Isio.

Officers are also required to be sufficiently experienced and qualified to advise and to manage day-to-day management of the Fund. Therefore, staff are encouraged to be CIPFA qualified, alongside any further investment qualifications to improve the team's performance and support the committee. Moreover, officers regularly attend training events and conferences to maintain their continuing professional development (CPD) requirements.

Westminster has its own diversity and inclusion group. Officers and the Committee are urged to consider diversity and inclusion at all times. The Council's initiative is to maintain a force for equality and diversity and this requires due diligence be undertaken with our service providers and investment managers. Such encouragement results in firmer and far reaching policies to be put in place to protect the diversity and inclusion values that the Fund strives to protect. This is evident within the diversity within the Treasury and Pensions Team and across the Council. This achievement is reflected within in the publication of the Council's Workforce profile 2023. The 2023 gender profile across the Westminster officers demonstrates that female representation is higher than the Westminster and London populations, which account for 49% and 51% respectively. There has also been a positive trend in ethnic diversity since 2018, over half (51%) of the workforce identified as either White British, White Other, White Eastern European or White Irish and 41% of people identified as Global Majority.

The Council has committed to closing the pay gap by 2025 and launched a 'closing the gap' event during 2023, as a space for staff to find out what work has been going on, next steps, how they can get involved, and offer feedback through the open Q&A sessions. Alongside this, at Westminster City Council, we have adopted the London Councils' anti-racist statement. Westminster is committed to achieving racial equality because we recognise that persistent racial inequalities are unacceptable and adversely affect everyone.

Throughout the year, the Council promoted a number of events to promote diversity and inclusion within the Council. These included Pride Month, Black History Month, South Asian Heritage Month, National Windrush Day, Eid celebrations, Men's Health Week, Easter Weekend, Stress Awareness Month, Women's History Month and International Women's Day.

The Council also hosted a number of training sessions for staff covering the following topics: leading an anti-racist organisation, parental leave coaching and cost of living advice.

The Fund appoints investment managers to invest on its behalf. The Fund integrates the process of stewardship and investment decision making through setting the investment strategy, manager appointment process and setting of the asset allocation.

The implementation of investment principles, beliefs and strategies is key for the integration of stewardship internally to ensure that the committee, board, officers and its advisors are aligned. This enables the Fund's governance structure to be utilised to assess the best interests for the Fund and to act quickly if these expectations are not met.

Outcome

The governance structure has supported effective stewardship by having a separate independent body of oversight from the decision making functions of the committee. This is reflected in the recommendations and advice from board to the committee, which ensure improved Fund governance.

The board has been a driving force of improvement within the pensions administration service, regularly inviting the administrator to the board meetings, as well as regular engagement regarding various admin issues. This has seen the Fund switch to a new pensions administrator, where outcomes have drastically improved and KPIs are consistently achieved. Alongside this, the committee and board receive training together, which allows a forum for free following communication and differing views to be enabled.

The Fund acknowledges improvements are still needed on the measurement of ESG performance and reporting to improve the analysis and decisions made to improve responsible investment. Officers are working on improving metrics to help assist with the implementation of the expected TCFD financial disclosures implementation. With assistance from the Fund's investment advisor, the Fund has outlined initial climate risks for the Fund and explored how these can be measured and reduced. The Fund has made great strides in the current TCFD reporting process, with carbon reporting, renewable impact measurements, voting and engagement statistics and case studies found within the latest Responsible Investment Statement. However, this work is dependent on the release of the governance guidance, expected later this year.

The committee incentives stewardship in performance management, as stated above, in the appointment process of investment managers. In the Fund's Responsible Investment policy, the committee assesses the investment managers' abilities to integrate ESG factors into their investment selection processes. These include:

- evidence of a Responsible Investment policy;
- evidence of ESG integration in the investment process;
- evidence of sign-up to the relevant responsible investment frameworks such as the United Nations Principles for Responsible Investment (PRI);
- evidence of compliance with the Stewardship Code as published by the Financial Reporting Council (FRC);
- a track record of actively engaging with global companies and stakeholders to influence best practice; and

- an ability to appropriately disclose, measure and report on the overall impact of ESG decisions made.

Once appointed, the Fund incentivises managers to align the work they do for the Fund with the Fund's requirements and expectations in relation to stewardship through regular monitoring and evaluation of performance and engagement. If an investment manager fails to adequately consider ESG issues, the Committee is prepared to divest assets from that manager. This is evident in the investment decisions taken by the committee over the previous year, with active decisions taken to divest from a core property fund with the intention of investing within affordable and socially supported housing.

During 2023, the Committee took a number of decisions for the Pension Fund, including rebalancing the overweight and underweight allocations, de-risking by transitioning 5% from active equities into renewable infrastructure and appointing the London CIV as the new affordable housing manager.

Principle 3: Conflicts of interest

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

Context

The Fund's approach to conflicts of interest in relation to stewardship forms part of the Fund's Investment Strategy Statement (ISS).

Conflicts of interest in relation to responsible investment and stewardship could arise when the ability to represent the interests of the Fund as a shareholder is hindered by other interests. These conflicts can arise within the Fund or within external service providers. Third party advisors and investment managers may perform roles other than which they are employed for and to that extent conflicts may arise. The Fund expects the investment managers and advisors it employs to have effective policies addressing potential conflicts of interest, and for these to be publicly available. These are discussed prior to the appointment of a manager/advisor and reviewed as part of the standard monitoring process.

The Fund's policy for elected members is to follow the Code of Conduct should any conflicts of interest be addressed.

Our Policy is set out below:

1. All members and officers make annual declarations of interest. Advisers also register their interests.
2. The register of interests is kept up-to-date and, within 28 days of becoming aware of any new interest, or of any change to a registered interest, a member/officer must notify the Monitoring Officer. On every agenda, there is an 'declaration of interest' for elected members to register disclosable pecuniary interests and to make declarations of interest prior to meetings which are documented in the minutes of each meeting.
3. Should elected members have a conflict of interest in Council business, they should withdraw from the room or chamber when the matter is discussed and decided in committee, unless dispensation has been obtained from the Council's Monitoring Officer.

Activity

The Pension Fund is governed by elected members acting as quasi trustees and the Code of Conduct for elected members sets out how any conflicts of interests should be addressed. The Code also contains rules about "disclosable pecuniary interests" and sets out the action an elected member must take when they have such an interests reference Council business, for example, withdrawing from the Committee room or chamber when the matter is discussed and decided in Committee. The Code also requires elected members to register disclosable pecuniary interests and to make declarations of interest prior to meetings which are documented in the minutes of each meeting.

Within the Pension Fund Annual Report and Accounts, the Fund discloses any interests in relation to the committee and senior management as part of the related parties notes. Declaration forms are distributed and completed for both management and Councillors, and the Fund can report there were no such conflicting interests disclosed at 31 March 2023.

Outcome

The Fund's approach to managing conflicts of interest has always operated as intended. On every agenda there is an 'declaration of interest' for elected members to register disclosable pecuniary interests and to make declarations of interest prior to meetings which are documented in the minutes of each meeting. At the Committee meeting on the 29 June 2023, a member of the Pension Fund Committee declared an interest in a potential asset manager and recused themselves from those manager selection discussions. The Councillor was not present for this agenda item discussion, and the remaining Councillors agreed on a manager appointment in their absence. This instance is clearly documented within the Pension Fund Committee meeting minutes.

As stated in Principle 2, the Fund make efforts at all levels to ensure that there is an alignment in the principles and objectives through the Fund's governance structure and the appointment process of managers. This ensures that they follow the Pension Fund's values and beliefs, in particular, relating to ESG outcomes that are evaluated in this process. This is a key implementation to ensure that conflicts of interests are minimised or completely mitigated in order to ensure that the best interests of beneficiaries are maintained.

The Fund's committee and officers monitor and evaluate investment manager performance on a quarterly basis: this includes activities of stewardship. Engagement is key with our managers and for concerns to be raised and managed effectively. If an investment manager fails to adequately consider ESG issues, the Committee is prepared to divest assets from that manager as part of the Council's wider commitment to net zero by 2030.

As a result of the Fund's commitment to ESG factors and climate change, the Fund transitioned its London CIV (LCIV) UK Equity allocation and Legal & General (LGIM) Global Passive Equities into the LCIV Global Sustain Fund and LGIM Future World Fund. The Global Sustain Fund seeks to provide a concentrated, high-quality global portfolio of companies, excluding tobacco, alcohol, gambling, weapons, fossil fuels, and gas or electrical utilities. The LGIM Future World Fund tracks the LGIM ESG Global Markets Index, whereby an ESG screening of companies takes place to remove those companies which do not meet the required ESG criteria. This demonstrates that committee is able to act effectively if managers are not performing in the best interests of the Fund for its beneficiaries, through use of policies and governance processes.

During late 2022, the Committee elected to transition the Fund's holdings within the London CIV Baillie Gifford Global Alpha Equity strategy into the Baillie Gifford Paris Aligned version. This has a quantitative assessment process to screen out companies with particular levels of exposure to the fossil fuels industry, plus a qualitative one to screen out companies that will not play a role in the future transition to a low carbon environment.

The Fund's Pool Company, London CIV, maintains a Conflicts of Interests policy, which outlines the circumstances in which a conflict of interest may arise and the procedures to identify, avoid, manage and disclose any conflicts. Conflicts of interest do not occur frequently at the London CIV, however the LCIV Board does have Non-Executive Directors (NEDs) who also work for investment managers. Therefore, there is potential for conflict of interest. The London CIV manages this through an Outside Business Register and procedures for specific decisions, which includes declarations of interests at meetings.

Principle 4: Promoting well-functioning markets

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

Activity

The Fund's primary long-term risk is that its assets fall short of its liabilities, such that there are insufficient funds to pay the promised benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled.

Therefore, the Pension Fund needs to ensure that the risks to its investments are effectively managed given ESG factors are fundamental considerations in driving the long-term value of our investment portfolio.

The Fund acknowledges the risks involved in any investment and risk appetite the Pension Fund wishes to maintain. For this basis, the committee meets regularly to ensure the Fund can act efficiently when necessary to market movements to safeguards its assets with the advice of the investment consultant.

Responsibility for the Fund's risk management strategy rests with the committee and is scrutinised by the board. Under the Fund's Investment Strategy Statement, the Committee recognises the wide-ranging risks that are posed to the Fund, among which are:

- **Geopolitical and currency risks**

To mitigate market risk, the Committee and its investment advisors undertake regular monitoring of market conditions and benchmark analysis. The risks are measured by the value of assets (the concentration risk), in any one market leading to the risk of an adverse influence on investment values arising from political intervention.

Silicon Valley Bank (SVB), a US bank, collapsed on 10 March 2023, following losses arising from the rise in interest rates and the major downturn in growth of the US technology industry. The Pension Fund had direct exposure through its Legal & General passive equity mandate. This totalled 0.03% of the equity fund's value, with the asset manager subsequently writing the position down to zero value. Following this, Signature Bank, another US bank, was shut down on 12 March 2023, following large customer withdrawals off the back of the SVB collapse. Baillie Gifford had an exposure of 0.42% to Signature Bank, again valued to zero, and the position sold. Therefore, there is no expected impact on the market values as reported at 31 March 2023.

Overseas equities, fixed interest securities and futures, cash in foreign currencies, forward foreign exchange contracts and some elements of the pooled investment vehicles are exposed to currency risk. The Fund aims to mitigate currency risk through the use of hedging, which is applied to the LGIM equities mandate. The Committee recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

- **Manager risk**

The Fund measures manager risk by the expected deviation of the prospective risk and return as set out in the manager(s) investment objectives, relative to the investment policy; and is managed by monitoring the actual deviation of returns relative to the objective and factors inherent in the manager(s) investment process.

- **Solvency and mismatching risk**

This is measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies and is managed by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

- **Liquidity risk**

The Committee monitors cash flows on a quarterly basis and takes steps to ensure that there are adequate cash resources to meet its commitments. The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2023, liquid assets were £1,480m representing 83% of total fund assets (£1,648m at 31 March 2022 representing 89% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days.

- **Custodial risk**

This risk is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

- **Market-wide and Systemic risks**

The Pension Fund has a well-diversified portfolio of assets, broken down as follows:

- Equities: 55%
- Fixed Income: 19%
- Global and Renewable Infrastructure: 16%
- Affordable Housing: 5%
- Long Lease Property: 5%

This high level of diversification offers the Fund protection against market movements and the risk inherent within the financial markets, with negative correlations evident between many of the Fund's asset classes. Alongside this, portfolio rebalancing is considered on a regular basis by the Pension Fund Committee, and the asset allocation is reviewed following each triennial valuation. As part of the asset allocation review, the Committee considers the level of volatility, value at risk and expected returns when determining a new asset strategy. The investment advisor, Isio, provides market updates to the Pension Fund Committee on a quarterly basis and this will cover any significant market events.

- **Share and derivative price risk**

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

The Fund's foremost mitigation against market-wide and systemic risk is a well-diversified investment strategy. Therefore, it is important the Committee receives the appropriate training and commissions the best advice to be able to select from and monitor a wide variety of investments. The Pension Fund commissions investment consultancy advice for its strategic asset allocation and, as a point of escalation, if it has any concern over the performance of an asset class or any its investment managers.

The Fund's approach to diversification has resulted in the Fund classifying its assets into four broad categories: global equities, fixed Income, property, and alternative investments. It is important to note that each category is itself well diversified. The size of the allocation within each asset category will vary depending on the investment conditions. The committee is of the view that the diversification of the Fund's assets should be sufficiently broad to ensure that the investment risk is low and will continue to be low.

It is important the committee receives the most appropriate training and commissions the best advice to be able to monitor a wide variety of investments. The Fund commissions investment consultancy advice for its strategic asset allocation and, as a point of escalation, if it has any concern over the performance of an asset class or any its investment managers.

To help mitigate future risks, the Committee uses an external investment advisor to monitor asset volatility. When reviewing the investment strategy on a quarterly basis, the committee considers advice from its advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable.

Outcome

In order to identify and respond to market wide and systemic risk, the Fund uses a risk register that is reviewed quarterly. The Fund's approach to identify the type, the trend and to score the risk to allow the committee to make decisive decisions on current risks to the Pension Fund. As seen in the most recently published risk register, risks identified have been reduced through planned actions. The risk objective areas of risk have been updated to reflect the CIPFA risk classifications. The Risk Register is managed by the Tri-Borough Director of Treasury and Pensions.

Appendix 2 - Risk Register Governance.pdf (westminster.gov.uk)

For example, during 2023 the investment consultant undertook an asset allocation review, following the large increase in funding level to 128%. The committee has agreed to rebalance the allocation of the Fund to hedge against certain types of risk including systematic and market-wide risks. These include:

- De-risking: transitioning 5% from global equities into the Quinbrook Renewable Infrastructure Fund. This has potential to reduce the Value at Risk (VaR) by £11m and reduce volatility from 12.0% p.a. to 11.3% p.a.
- Rebalancing: rebalancing the overweight and underweight allocations within the equity mandates, Multi Asset Credit fund and Insight Buy and Maintain Bond fund. Any excess cash to be held for the purpose of illiquid fund draw down requests.
- Cash management: continuing to use cash held within temporary investments (Northern Trust Short Duration Bonds and London CIV Absolute Return) to fund

capital calls for illiquid mandates. Additionally, continuing to fund the CVC Credit private debt drawdowns from the Insight Buy and Maintain Bond fund.

- Affordable and socially supported housing: allocating 2.5% to the London CIV UK Housing Fund, which focuses on affordable housing.

The Council has outsourced the following functions of the Pension Fund:

- Investment management;
- Custodianship of assets;
- Pensions administration.

As these functions are outsourced, the Fund is exposed to third party risk. A range of investment managers are used to diversify manager risk. To mitigate the risks regarding investment management and custodianship of assets, the Fund obtains independent internal controls assurance reports from the reporting accountants to the relevant service providers. These independent reports are prepared in accordance with international standards. Any weaknesses in internal control highlighted by the controls assurance reports are reviewed and reported as necessary to the committee. The Council's internal audit service undertakes planned programmes of audits of all the Councils' financial systems on a phased basis, all payments and income/contributions are covered by this process as and when the internal audits take place.

The results of these internal control reviews are summarised below and cover 100% of investment holdings at 31 March 2023.

Fund manager	Type of assurance	Control framework	Compliance with controls	Reporting accountant
Abrdn	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Baillie Gifford (LCIV	ISAE3402	Reasonable assurance	Reasonable assurance	PwC LLP
CQS (LCIV)	ISAE3402	Reasonable assurance	Reasonable assurance	Deloitte
Man Group	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Insight	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
LGIM	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
PIMCO (LCIV)	ISAE3402	Reasonable assurance	Reasonable assurance	PwC LLP
Macquarie	ISAE3402	Reasonable assurance	Reasonable assurance	PwC LLP
Morgan Stanley (LCIV)	ISAE3402	Reasonable assurance	Reasonable assurance	Deloitte
Pantheon Ventures	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Quinbrook	ISAE3402	Reasonable assurance	Reasonable assurance	BDO LLP
Ruffer (LCIV)	ISAE3402	Reasonable assurance	Reasonable assurance	EY LLP

CVC Credit	ISAE3402	Reasonable assurance	Reasonable assurance	Deloitte
Custodian				
Northern Trust	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP

Within the Annual Report, the Fund discloses the performance of the Fund and asset allocation against the LGPS average as part of the Pensions and Investments Research Consultants (PIRC) statistics. This analysis helps to derive how the Fund is performing in the overall LGPS environment and the risk/return level achieved by the Pension Fund.

At the forefront of the Fund's values is to promote a well-functioning market and to drive for greater stewardship with stakeholders. The Fund has taken this step by being involved in many initiatives which address corporate governance, stewardship and climate change risks. These include:

- **Local Authority Pension Fund Forum**

The Local Authority Pension Fund Forum is a collection of 84 local authority pension funds and seven asset pooling companies, with assets under management of over £350bn, promoting the highest standard of governance with the aim of protecting the long-term value of pension funds. The LAPFF engage directly with companies, on behalf of all asset owners and pension fund trustee members, on issues such as executive pay, reliable accounting and a transition to a net carbon zero economy.

The LAPFF produce quarterly engagement reports, covering all ESG related issues from climate change, governance, human rights and cyber security.

Over the quarter to 30 September 2022, the LAPFF engaged with 35 companies, including BHP, Apple and the Royal Mail. During early September 2022, LAPFF Chairman, Doug McMurdo, spent three weeks in Brazil following the tailing dam collapses in Mariana and Brumadinho. This trip formed part of the LAPFF's work on human rights and mining.

During the trip, the Chair met with communities affected by the collapse and met with company executives from Vale, which own the Mariana dam. Air quality, water quality and availability of housing in resettlements remain major concerns for communities and LAPFF will continue to engage on these areas.

- **Pensions and Lifetime Savings Association**

The Fund is a member of the PLSA, who aims to raise industry standards, share best practice and support members. The Tri-Borough Director is a member of the PLSA Local Authority Committee. The PLSA works across a range of stakeholders including governments, regulators and parliament to help the implementation of sustainable policies and regulation. They represent pension schemes providing retirement income to more than 30m savers, with assets under management totalling £1.3tn, including those in the public and private sectors. The PLSA provides an important source for training, support and guidance on regulations and pension support services.

During October 2022, the PLSA published its response to two consultations with a view to new standards being adopted globally, requiring companies to report on sustainability. The PLSA welcomed the introduction of these standards, with the need for long-term targets for maturing schemes. The PLSA however reflected their concerns that the framework forces a standardised approach, which does not reflect the wide range of defined benefit (DB) schemes and should allow for a more flexible approach. PLSA noted that the proposals lacked a clear and measurable objective, with further concerns around the cost of implementation for smaller/mature schemes.

- **ShareAction**

ShareAction is a registered charity who promotes responsible investment, working with investors to help influence how companies operate their business on a range of Environmental, Social and Governance (ESG) factors. This includes areas such as climate change, gender diversity, living wages, decarbonisation, biomass and healthy markets.

Since 2019, ShareAction has been working on a Healthy Markets coalition group. The Healthy Market Initiative aims to make food retailers and manufactures take accountability for their role and impact on people's diets. The City of Westminster is a member of the Healthy Markets coalition and along with other members, represents over $2 trillion in assets under management.

As per ShareAction research, 1/3 children and 2/3 adults are classified as overweight or obese, with over one million hospitalisations during 2019/20 linked to obesity. During 2022, ShareAction filed a resolution with Unilever, asking the company to commit to a long-term nutrition strategy and disclosure metrics on their proportion of sales related to healthy products. Following this, Unilever have set a new benchmark within the industry, disclosing the healthiness of sales against the government model and their own internal model. They have also set an ambitious target to double the sale of healthy products by 2030.

Principle 5: Review and assurance

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

Activity

The committee is required to regularly review policies and processes to enable the Fund to have the best practices and to safeguard the assets of the Fund.

Good governance dictates the annual review of the ISS and Investment Beliefs, involving the scrutiny of investment governance, ESG factors, asset allocation and investment management strategies. The Committee agreed a set of core investment beliefs that governs all investment decisions for the Fund and envisioned that these beliefs would help create alignment and consistency when making investment decisions. In addition, to explaining the thought process behind the evolution of the Fund and improving the stewardship of the Fund.

In the risk register, the Fund has ‘regulatory’ and ‘compliance’ risks included. This ensures that the committee has oversight of any governance issues and is able to manage these accordingly to provide effective stewardship.

As part of the investment strategy review during 2023, the Committee recommended changes to the investment strategy to adapt to the changing economic environment. During the latest review, one such recommendation was to reduce the Fund’s exposure to equities: this follows the 2022 triennial valuation where the funding level increased to 128%. Following training sessions and discussions with the investment consultant, the Committee agreed a further 5% reduction in the equity allocation, to be used to finance a 5% holding in renewable energy infrastructure, as reflected in the Fund’s ESG Investment approach. For more information, please see the outcome of Principle 4.

In addition, the committee has undertaken numerous reviews, one of which was the recent review of the performance of the Fund’s investment consultant. A set of consultant objectives was drawn up for the Pension Fund investment consultant, Isio, and approved by committee on 23 October 2019. After conducting an extensive review into the pension fund consultancy and fiduciary management industry, the CMA produced a report, detailing a number of recommendations to improve pension fund governance, with a number of concerns expressed around fees and conflicts of interest.

In line with best practice, the committee has overseen the performance of the investment consultant against the objectives set. This will be reviewed on an annual basis and the objectives updated at least every three years or when there has been a material change in investment approach. Each objective is assessed individually and assigned a rating as follows: Excellent, Good, Satisfactory and Unsatisfactory. During 2023, the Fund will review the objectives set against the investment consultant, to ensure they remain appropriate and fit for purpose.

The Fund acknowledges that effective stewardship is integral to delivering upon its promises to its members. The governance structure and policies set out in the Fund are developed internally by officers and in conjunction with members of the Committee to achieve effective stewardship of its assets.

There are several ways in which assurance is sought in relation to the Fund’s stewardship, for example:

- The Council’s Internal Audit function provides a level of assurance over the Fund’s activities, including investment records, financial and performance reporting, pensions administration, systems and controls and organisational and management requirements. The most recent internal audit of the Pension Fund investment process took place during November 2022 with the final report issued during February 2023. The Fund was awarded a substantial audit opinion, which is the highest level of assurance possible.
- The Fund’s Annual Report and Financial Statements are externally audited; the most recently audited accounts for 2022/23 received an unqualified audit opinion during October 2023, representing a “true and fair view” of the Fund’s financial transactions to have taken place during the year and the year-end balance of assets and liabilities. The external audit is still subject to an internal review to be carried out by the external auditor, on its own practices.
- The London CIV also maintains its own assurance controls for the benefit of its clients; all published policies, procedures and reports are required to pass through a formal review and internal assurance process. External independent oversight and assurance of the pool company is provided by the FCA, depositary, external auditors and the DLUHC. The London CIV hosts an AGM on a semi-annual basis, to which all 32 members are invited. This allows members the opportunity to exercise shareholder power, approve the annual budget and hold the Board to account. London CIV also requires its managers to provide it with annual assurances on internal controls and compliance through recognised framework such as the AAF01/06 or equivalent.

Outcome

The committee continually reviews policies and processes to ensure the Fund has the best practices for the long-term interests of the Fund. The committee is committed to the evolution of these practices and as shown below, there are good examples of the changes that have been made in recent reviews to improve the performance of the committee’s governance of the Fund. Investment beliefs were incorporated into the Investment Strategy Statement for the first time during 2020. These were established by the committee to improve the investment and governance processes of the Fund by having a single point of reference to govern the beliefs, investment governance, long-term approach, ESG factors, asset allocation and management strategies.

The Fund reports on stewardship throughout the year with reports to the committee. The responsible investment statement is reviewed annually, whereby the Fund provides an update on its approach to responsible investing and the progress made to date. This review provides the Fund with a level of assurance in ensuring its policies and approach are effective and the appropriateness of the strategy is satisfactory. Incremental improvements and continuous changes are an indicator that processes are effective and constantly evolving. This makes use of both internal and external resources to ensure that the policies and practices in place are robust and effective. For example, the Fund tracks its carbon emissions output and offset from investment within renewable infrastructure. This has demonstrated that the Fund has been able to reduce its emissions by 76% over the last three years and anticipates that the Fund will be able to offset over half these remaining emissions.

The Fund’s investment advisor, Isio, has highlighted its observations and recommendations to consider when devising/revising any new investment strategy. This particularly applies to asset allocation review. Recent reviews have resulted in an additional allocation of 5% to renewable infrastructure to be funded by a corresponding reduction in equities of 5%.

The results of the 2022 consultancy performance review highlighted that the consultant had performed well over the past year, meeting the vast majority of aims and objectives to an excellent standard. The Fund remains pleased with the work produced by the consultant and will to continue building on the good working relationship that has already been established.

The Fund is committed to reporting fairly and regularly, with policies being considered throughout the year. This ensures that they are kept up to date and continue to reflect the views of the committee on the direction of the Fund as part of stewardship activities. The committee is also kept abreast of any changes to legislation and consultations from central government departments. Most recently the DLUHC has issued a consultation on how LGPS schemes will assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD). An action plan has been taken to the Pension Fund Committee as follows:

- Await the LGPS consultation and resultant Scheme Advisory Board (SAB) guidance.
- Review the guidance and set out a roadmap for compliance.
- Build the new requirements into the Pension Fund Business Plan.
- Review the Investment Strategy and consider whether is likely to meet the future requirements on climate change and sustainability.

In the annual accounts, the Fund publishes the voting activity of investment manager's engagement and voting activity. This demonstrates assurance that the Fund is seeking for the stewardship activities undertaken on its behalf by the Fund's investment managers.

The Fund's equity manager proxy voting for 2022/23 is shown in the following table:

Asset Manager	Number of resolutions	For	Against	Other
Billie Gifford (LCIV)*	1,127	927	163	37
Baillie Gifford Paris Aligned (LCIV)**	98	80	16	2
Morgan Stanley (LCIV)	604	530	67	7
Legal & General	53,097	42,701	9,860	536
Ruffer (LCIV)	1,310	1,215	87	8
TOTAL	56,236	45,453	10,193	590

* to December 2022

** from December 2022

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.**

Activity

The Westminster Pension Fund is a part of the Local Government Pension Scheme (LGPS).

The LGPS is a statutory scheme and is regarded as very secure, given the pension benefits are defined in law. Members of the Fund include employees and ex-employees (deferred) of the Council. In addition, the Fund has a number of admitted bodies including academies, where certain employees can join the scheme.

Of the membership, the Fund currently has 4,744 active members; 7,197 deferred members; and 6,758 pensioners/beneficiaries (at 30 September 2023). The Fund aims to use the most appropriate communication method for the recipient audiences and to ensure that scheme members have access to all the Fund's policies, strategies, and performance. As seen in the communication policy, the Pension Fund has a website designed to communicate and promote the benefits of the LGPS and associated information and is regularly updated to ensure scheme members can find out more about the LGPS and individual member pension details.

Analysis of the Pension Fund membership as at 30 September 2023 is shown below.

Member Type	Total
Actives	4,744
Pensioners	5,855
Beneficiaries	903
Deferred	7,197
Frozen	1,497
TOTAL	**20,196**

This analysis demonstrates that the majority of the Pension Fund members are deferred, followed by those that are already in receipt of pension benefits. These statistics have been used to inform decisions regarding the member portal and encouraging members to sign up and keep their membership data up to date. For those members which have not provided email addresses, the Fund's administrator will send announcements and annual benefit statements as a paper copy. Further analysis has shown that the average age of our active and deferred members is 53.5 years, with female members accounting for over 65% of active membership. It is therefore estimated that the average time to retirement for active employees is circa 15 years.

The Fund is working with the administrator to increase the interaction the Fund has with members via the membership portal. All members have been invited to join the membership portal and receive regular updates from the administrator via email communications. As at 31 May 2023, the number of members signed up to the portal was 35.5%, with the breakdown shown below.

Portal	Opted in
Actives	**41.60%**
Pensioners	**40.67%**
Deferred	**26.46%**
TOTAL	**35.50%**

The strategic asset allocation is agreed by the committee as per advice taken from the officers and investment advisor. The committee is held accountable for its decisions on asset allocation within the Fund mandate. In order to follow the Myners Principles, fund managers are formally challenged on their tactical investment decisions.

The following table provides a breakdown of the Fund's target asset allocation. The current Fund target asset allocation is 55% of assets within equities, 19% in fixed income, 11% in renewable infrastructure, 5% within infrastructure, 5% within property and 5% to affordable and socially supported housing. While the property, affordable housing and renewable infrastructure mandates are UK focused, the Fund's other asset classes target a global portfolio.

Asset Class	Target Allocation %
Global Equities (active)	35.0
Global Equities (passive)	20.0
Fixed Income	19.0
Property	5.0
Affordable Housing	5.0
Infrastructure	16.0
TOTAL	**100.0**

As shown above, the Fund's global investments includes equities, fixed income with UK-based property portfolio as well as infrastructure. As at 31 August 2023, the investment portfolio is managed by 14 external managers with the geographical or sectorial breakdown of each fund:

- The UK property portfolio is managed by Abrdn Standard Life Long Lease Property, is solely investing in property within the UK with the aim to outperform the FT British Government All Stocks Index benchmark by 2% p.a. The UK sector allocation in the Long Lease Property Fund is as follows: offices (21.7%), Retail 15.7%, Industrial (23%), Other (39.6%).
- Private debt is managed by CVC Credit. The European Direct Lending III Fund has control over direct lending mandate with the aim of outperforming the 3-month Sterling SONIA benchmark by 5% p.a. The current geographical breakdown is 27% UK, 18% Italy, 15% Germany, 12% Netherlands, 8% France, 6% Sweden, 6% Finland and 8% other.
- Fixed income mandates are managed by CQS and PIMCO (Multi Asset Credit, via the London CIV), Insight (Bonds) and Northern Trust (short bonds);

- The Multi-Asset Credit Sub Fund is managed jointly by CQS and PIMCO. Its goal is to outperform the 3-month Sterling SONIA benchmark by 4% per annum. The geographical split of the fund includes 47.5% in the US, 14.3% in Europe, 11.1% in the UK, and 27.1% in other regions. Insight manages the 'buy and maintain' mandate for bonds. As of 31 March, the allocation of bonds is 51% in the UK, 21.6% in the Eurozone, 18.6% in the US, 4.8% in the rest of the world (ROW), and 4.4% in Europe other.
- The Multi-Asset portfolio is managed by Ruffer, known as the LCIV Absolute Return portfolio. Its allocation as of March 31st includes 29.7% in government bonds, 10% in cash, 9.1% in commodities, 4.7% in US equities, and 0.7% in South America equities.
- The Fund’s affordable housing allocation is with the Man Group with all projects being in the UK. The number of homes to be built are circa 1,295.
- Alternatives are managed by Pantheon (Infrastructure), Macquarie (Renewable Infrastructure) and Quinbrook (Renewable Infrastructure);
- Pantheon manages the Pantheon Global Infrastructure Fund III, with a geographical allocation of 36% in Europe, 35% in APAC and ROW, and 29% in North America. Macquarie’s “Renewable Energy Fund 2” is the Fund’s allocation to global renewable infrastructure with 20% in the UK, 12% Brazil, 11% France, 7% US, 19% Other and 31% uncommitted. UK renewable infrastructure was mandated to Quinbrook. As of date, the fund has investments of £289.2m in projects across the UK.
- All equity portfolios within the Fund have a global focus and are managed by three firms: Baillie Gifford (active global, managed by the London CIV), Morgan Stanley (active global, managed by the London CIV), and Legal and General Investment Management (passive global).
- Morgan Stanley's active equity portfolio places a strong emphasis on sustainability and seeks to outperform the MSCI AC World Index. The key characteristics of this portfolio include investments in 41 holdings across 8 countries and exposure to 6 sectors.
- Similarly, Legal and General Investment Management (LGIM) manages a global equity portfolio with a passive ESG approach, aiming to replicate the performance of the Solactive L&G ESG Global Markets Index benchmark. The LGIM Future World Fund has a key focus on financials (18.0%) and information technology (23.3%) and healthcare (14.0%) making up near half of the fund’s allocation.

The Pension Fund takes a long-term view with regards to its investment and funding strategies, given the long-term nature of the payments due to beneficiaries over a 50+ years’ time horizon. The Fund’s primary investment objective therefore is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due. The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund’s assets, which on 31 March 2022 were valued at £1,876 million, were sufficient to meet 128% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date.

In the period from 2019 to 2022, the Pension Fund has increased its overall funding level from 99% to 128%. The main drivers for this improvement are the strong investment returns and significant additional deficit recovery payments received from the Council. The funding level for Westminster City Council (as a single employer) stands at 111%, improving from 86% previously. Specifically, the effect of strong asset returns and the significant secondary contributions have helped to improve the funding position.

Each employer has contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon as per the Funding Strategy Statement (FSS). Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

During the actuarial valuation process, the administration team host meetings with employers to discuss their results and agree on a suitable contribution rate to reflect their funding level.

The Fund's strategy to deliver long term sustainable funds has led to greater responsible investing and allocation to those companies that reflect effective integration of ESG issues, in the belief that they will deliver stronger returns in the years to come.

Communication and feedback from scheme members and employers is undertaken in a variety of ways:

- The Pension Fund hosts an Annual General Meeting, in which employers and members are invited;
- Consultation with employers on key policy documents and the actuarial valuation outcome;
- All committee and board meetings are open to members of the public and papers are published and available for review. Of note, are the quarterly performance reports that are presented to the committee detailing the Fund's overall performance, the portfolios currently invested in, asset allocation and recent activities of the committee and officers;
- The Fund publishes an Annual Report containing up-to-date details of investments and stewardship;
- Key policy documents are published on the Pension Fund website;
- Contact details for the Fund are also published for any comments from scheme members or employers; and
- Direct contact with scheme members and employers with regard to annual reporting.

To communicate and promote the benefits of the Local Government Pension Scheme, the Fund has its own member website that contains key information to help potential members understand the pension scheme, and a link for current members to access and view their individual records online and calculate their own benefits estimates. The link can be found below:

Home | Westminster City Council Pension Fund (wccpensionfund.co.uk)

The actions mentioned above are taken to ensure beneficiaries of the Fund can be well informed of the activities of the Fund and can monitor the ongoing performance. These steps are taken to ensure that beneficiaries can hold the officers and Committee to account reference actions and performance record.

The Pension Fund publishes all reports on the Fund's website for beneficiaries to view.

The most recent Pension Fund annual report discloses the following statements:

- Governance Compliance Statement
- Communication Policy
- Funding Strategy Statement
- Investment Strategy Statement (Page 118)
- Responsible Investment Strategy

- Pensions Administration Strategy
- Stewardship Report
- Voting activity and performance

2021 to 2022 annual accounts

Outcome

The Pension Fund administration team has undertaken work to review the Fund's current online resources and how our members use these websites. The review is currently focusing on the user research element of the project and have gained an experienced user researcher who has conducted interviews with selected users which we will then use to streamline the design of the website. The Fund has three main sources of information for members, pensioners, employers and interested parties i.e., a single webpage on the Council website dedicated to the Fund and two external websites that are dedicated to the LGPS. The intention is to combine the Pension Fund websites to have one source of information for scheme members.

Both scheme members and employer representatives form part of the Local Pension Board. This allows scheme to have their views and recommendations expressed on key issues such as Westminster's investment strategy and RI policy and statement. These recommendations are considered and discussed at the next Pension Fund Committee meeting.

During the year, the Board's work programme covered the following areas:

• The monitoring of quarterly fund investment performance and London CIV

Over the course of the financial year the Board reviewed the performance of the Pension Fund and its underlying investment managers. The Board acknowledged that there was a high level of volatility and uncertainty in markets following events in Ukraine and the strict lockdown measures in China. The Board assessed the underperformance of global equities manager, Baillie Gifford, and was pleased to note that the Committee was inviting underperforming managers to committee meetings. There was concern surrounding the value of the Pension Fund investments directly managed by the London CIV and the pooling of resources and staff turnover at the London CIV. However, the Pension Board was pleased to note that during the year, the London CIV had launched its UK Community Housing Fund with investments targeting affordable housing, specialist housing and transitional supported housing. The Pension Board remained pleased that the funding level of the Pension Fund remained healthy at well over 100%.

• Reports detailing the Fund's financial management, including cash flow and scrutiny of the fund risk register

During the year, the Pension Board undertook detailed discussions with officers regarding the Pension Fund's risk registers and those highlighted as the top risks to the Fund. The Board discussed the significant price inflation in the UK and the possible consequences of this being significantly more than anticipated, the continuation of economic instability following the Russian invasion of Ukraine and the implications of the proposed new TCFD regulations for Local Government Pension Schemes (LGPS) to assess, manage and report on climate-related risks. The Board noted the increased scrutiny on environmental, social and governance issues and recognised the need to pay particular attention to future investments. For the Fund's cash flows, the Board was interested to note the anticipated future cash flow and the impact of inflation.

• UK Stewardship Code

The Board was pleased to note that the Westminster Pension Fund had been accepted as a signatory to the UK Stewardship Code. The Pension Board commented on how impressive the document was and appreciated the amount of work to produce it, as well as discussing the importance of Fund Managers voting in line with the Pension Fund's principles.

• Pensions administration key performance indicators (KPIs)

The Board was pleased to note that that the Hampshire pensions administration partnership reports showed a 100% KPI completion record and that Hampshire had maintained a healthy position with no data backlogs. Officers advised the Board of the significant progress on the processing of leavers and member tracing, with an expected improvement in the Fund's data quality and the data scores reported annually to the pension regulator. Members were advised of suspicious activity on the members pension portal, which had resulted in the system being taken offline. The Board however noted that access to system had not actually been gained and HPS had appointed a provider to complete cyber security testing every six months.

• Pension Projects

Over the year, the Board were updated on a number of projects being undertaken within the Pension Fund, including the Fund website review, McCloud and the Guaranteed Minimum Pension (GMP) project. The Pension Board discussed the benefits of decommissioning the Pension Fund website and moving to the Council's own website and were pleased to note that the new website would contain specific functionality targeted towards the neurodiverse. It was acknowledged that the data collation in relation to the McCloud project is complex, with many employers. Therefore the Board requested details of the external costs of the different payroll systems. On the GMP project, the Board were disappointed that Mercer would be unable to meet the projection completion deadlines. The Board advised that Mercer should compensate the Council for the failure to deliver the project and noted that WCC legal team was reviewing the Council's options with this contract.

• Actuarial Valuation

During the year, the Board received the 2022 actuarial results and noted the increase in funding level from 99% in 2019 to 128% in 2022. The Board discussed the importance of maintaining the level of contributions and how the City of Westminster Pension Fund was a premium product.

In order to improve corporate governance, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they invest in. Environmental considerations should reflect a growing recognition in the Committee of the urgency required in its decision-making processes when making investment allocations. The Pension Fund actively contributes to the engagement efforts of pressure groups, such as the LAPFF and requires investment managers to vote in accordance with the LAPPF's governance policies. In exceptional cases, investment managers will be required to explain their reason for not doing so, preferably in advance of the AGM.

The Fund remains satisfied that its investment managers are meeting their intended targets, through monitoring at quarterly intervals against their agreed benchmarks, and independent detailed monitoring of the Fund's performance is carried out by Isio, the Fund's advisor and by Northern Trust, the Fund's custodian who provide the performance figures. Moreover, portfolio risk is measured on quarterly basis and the risk/return implications of the strategic options are fully evaluated.

The Fund's investment advisor, Isio, produces an in-depth review of each manager on a quarterly basis with a summary of Isio's ratings of the managers employed by the Fund and triggers against which managers should be reviewed. From the review of voting reports, the Fund believes that this process has mitigated issues with investment managers and managers have voted in line with the Fund's policy and values.

Principle 7: Stewardship, investment and ESG integration

- **Principle 7 – Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.**

Context

The Fund has integrated ESG factors through an ESG Policy, and Investment Principles and Beliefs statement. There are a wide range of ESG issues, with none greater currently than climate change and the associated carbon reduction targets. The Fund recognises climate change as the biggest threat to global sustainability, alongside its administering authority employer, Westminster City Council, which has committed itself to achieving carbon neutrality by 2030.

As mentioned in the investment principles, the Pension Fund, as a long-term investor, is committed to investing to build a better future through the integration of ESG factors at all stages of the investment decision-making process. Through active ownership with its partners, the Pension Fund engages with the investment community to help ensure a sustainable future for all its stakeholders.

As part of Fund's ISS, the Committee has set out five beliefs to govern investment decisions. One of those is environmental, social and governance factors. As set out in the belief:

a) Certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved.
b) Well governed companies that manage their business in a responsible manner are less vulnerable to downside risk and may therefore produce higher returns over the long term.
c) In order to improve corporate governance, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they invest in.
d) Environmental considerations should reflect a growing recognition in the Committee of the urgency required in its decision-making processes when making investment allocations.
e) If an investment manager fails to consider ESG issues, the Committee is prepared to disinvest assets from that manager.

The Fund appoints investment managers that invest on our behalf. As part of its stewardship obligations, the committee considers the following key considerations as part of an investment manager appointment:

- a) evidence of the existence of a Responsible Investment policy;
- b) evidence of ESG integration in the investment process;
- c) evidence of sign-up to the relevant responsible investment frameworks such as the United Nations Principles for Responsible Investment (PRI);
- d) evidence of compliance with the Stewardship Code as published by the Financial Reporting Council (FRC);
- e) a track record of actively engaging with global companies and stakeholders to influence best practice; and

- f) an ability to appropriately disclose, measure and report on the overall impact of ESG decisions made.

By integrating stewardship at an early stage, the Fund believes it can best address any concerns before an appointment is made. Thus, the committee can be satisfied that an investment manager has been carefully selected for the best interests of the Fund, and most importantly, share the same core values as the Fund.

Once appointed, active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that the mandate is still appropriate. If an investment manager fails to adequately deliver stewardship at any time, the Committee is prepared to disinvest assets from that manager.

The Fund invests across a number of different asset classes to achieve diversification to lower the volatility of the overall return of the Fund. It is therefore important that stewardship is carried out across asset classes to ensure that each asset class or financial instrument has the attributes that the Fund desires to meet the Fund's investment strategy and to have a positive impact on the Fund's performance.

This approach to diversification has seen the Fund committed to assets in four broad categories global equities, fixed income, property and alternatives. As detailed in the table below.

Strategic Asset Allocation	Target (%)	Review Range
Listed Equities	**55.0%**	**+/-3.0%**
Passive Equities	20.0%	
Global – Active	35.0%	
Cash	**0.0%**	**+/-0.0%**
Cash	0.0%	
Fixed Income	**19.0%**	**+/-1.9%**
Global Bonds	7.0%	
Multi Asset Credit	6.0%	
Private Debt	6.0%	
Alternatives	**16.0%**	**+/-1.6%**
Infrastructure	5.0%	
Renewable Infrastructure	11.0%	
Property	**10.0%**	**+/-1.0%**
Affordable Housing	**5.0%**	
Property	5.0%	
Total	**100.0%**	

To ensure careful stewardship of the Fund, the asset allocation is reviewed annually, and rebalancing takes place when review ranges are triggered to ensure the Fund is best positioned in the current economic market.

There are several performance benchmarks and disclosure frameworks that exist to measure the different aspects of available ESG data which include carbon emissions and a variety of social impact scores. The Pension Fund carries out a carbon footprint exercise on its separate portfolios annually via a specialist firm. The outcome of this measurement exercise will be instrumental in ensuring that the Fund is able to meet its decarbonisation goals through effective asset allocation.

For example, the Fund commissioned a review of its property mandates with a view to investing a 5% allocation within social supported and affordable housing. The Fund has a long term goal of providing 13,000 new homes that cost no more than 35% of an average household’s gross income and across sectors, including children’s services housing, specialised supported housing and older person supported housing within the supported living market. Most recently the London CIV were appointed to manage 2.5% to affordable housing, alongside the Fund’s existing manager Man Group.

The Fund will continue to assess investment opportunities that have a positive impact on society as whole. These include but are not limited to, investments in fixed income (green bonds), property, low carbon assets, renewables and social impact opportunities. The Fund currently has a 11% allocation to renewable infrastructure, where the asset managers invest solely within renewable energy, including solar, wind, transmission, connection assets and battery storage.

As asset owners, the Fund, in line with its investment strategy, is responsible for deciding how its assets are invested through its strategic asset allocation. In addition to engaging with the investment community, the Fund will continue to work closely with other UK and London LGPS funds to find common solutions for ESG issues.

The Fund targets affordable and socially supported housing in the UK and renewable infrastructure specifically in all regions on the UK and globally . The overriding principle is to generate investment returns; however, the Fund will closely consider investments with geographical significance if it can help deliver net zero and provide more sustainable infrastructure or social benefit within the UK.

The Fund is committed to making full use of its shareholder rights. The approach used is outlined in paragraph 8 of the ISS and in the Fund’s Responsible Investment Policy. Authority has been delegated to the investment managers to exercise voting rights on behalf of the Fund. The investment managers are required to report how they have voted in their quarterly reports. The Fund believes in using its influence as a shareholder to promote corporate social responsibility and high standards of corporate governance in the companies in which it invests.

Activity

The Fund has stringent appointment and investment processes to ensure that investments have ESG benefits, as well as challenging and engaging with investment managers to improve ESG outcomes.

This includes adherence to a Responsible Investment policy, ESG integration in the investment process, relevant responsible investment frameworks such as the United Nations Principles for Responsible Investment (PRI), evidence of compliance with the Stewardship Code as published by the Financial Reporting Council (FRC), and a track record of actively engaging with global companies and stakeholders to influence best practice though the LAPFF, along with a commitment to appropriately disclose, measure and report on the overall impact of ESG decisions made.

As part of its investment selection process, the committee will obtain proper advice from the Fund's internal and external advisors with the requisite knowledge and skills. The investment advisor will assess ESG considerations as part of its due diligence process and assess investment managers against the following criteria:

a. for active managers, the advisor will assess how ESG issues are integrated into investment selection, divestment, and retention decisions;

b. for passive managers, the investment advisor is aware of the nature of the relevant index construction in the investment selection process places and the proximity of ESG issues in comparison with an active portfolio, but still hold ESG issues in its responsible investment policy, with active engagements with global companies and stakeholders where appropriate;

c. consideration of whether managers are making most effective use of voting rights and if votes are exercised in a manner consistent with ESG considerations specified by the manager;

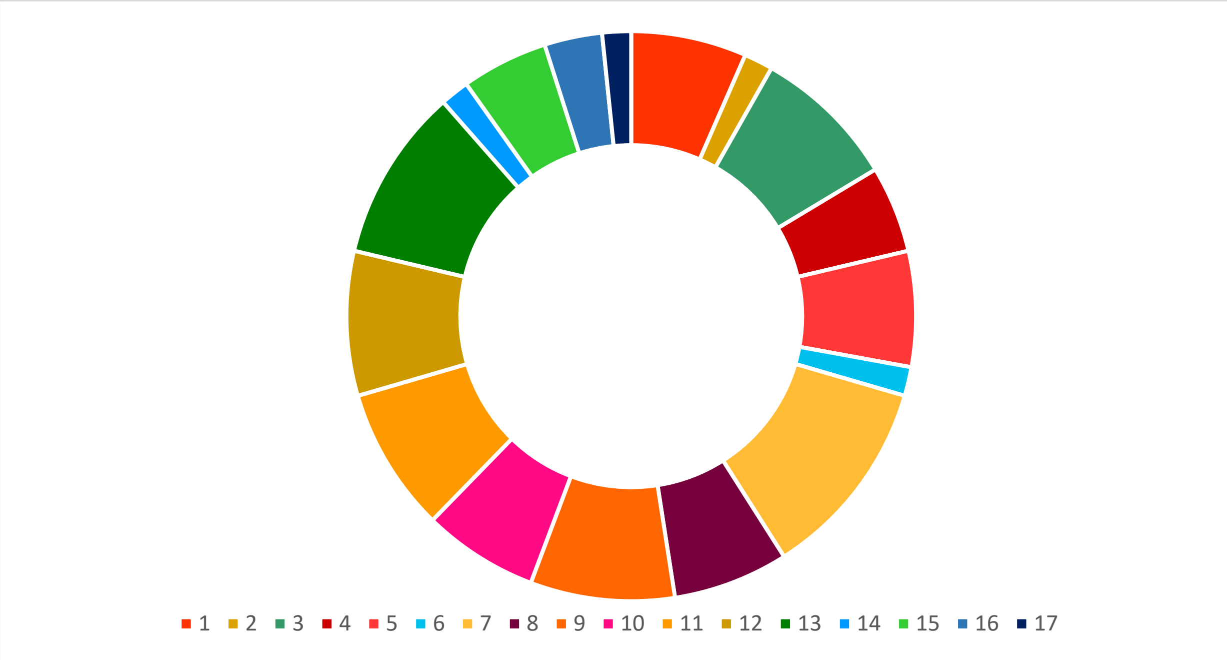
d. how significantly managers value ESG issues and whether any specialist teams and resources are dedicated to this area; and

e. how ESG risk assessment is integrated into the portfolio investment selection process and the value and effectiveness of these assessments.

UN Sustainable Development Goals

During 2015, all United Nations (UN) members adopted the 2030 Agenda for Sustainable Development, at the heart of this was the 17 Sustainable Development Goals (SDGs). These goals call for urgent action by all developed and developing countries, for ending poverty, global hunger, improving health and education, reducing inequality, tackling climate change and promoting global economic growth.

The Westminster Pension Fund's asset managers meet a number of the SDGs as set out by the United Nations. The chart below highlights the goals which the funds asset managers have been most successful in addressing. These include significant work towards addressing the gender pay gay, reducing deaths and illness from air pollution, developing reliable renewable infrastructure, efficient use of natural resources and improving impact on climate change mitigation.



Macquarie Case Study

The Fund's renewable infrastructure manager, Macquarie, holds a number of assets within its portfolio including onshore and offshore wind and solar. The manager meets a number of the UN SDGs, demonstrated as follows:

- **Goal 3: Good Health and Wellbeing**
  Reducing deaths and illnesses from air pollution, caused by pollutants such as nitrogen oxides, sulphur oxides and particulate matter. By using renewable energy and the avoidance of fossil fuel electricity generation it is forecast to reduce the annual emissions of harmful air pollutants.

- **Goal 7: Affordable and Clean Energy & Goal 9: Industry, Innovation and Infrastructure**
  Increase substantially the share of renewable energy in the global mix and develop quality, reliable, sustainable and resilient infrastructure. The renewables portfolio adds 950MW of aggregate renewable energy generation to local grids.

- **Goal 12: Responsible Consumption and Production**
  Achieve sustainable management and efficient use of natural resources. By avoiding fossil fuel electricity generation, it is forecast to avoid the equivalent consumption of 206kt of oil annually.

- **Goal 13: Climate Action**
  Improve human and institutional capacity on climate change mitigation by raising awareness on climate change and negative impact reduction. The portfolio is forecast to avoid 967 kt CO_2 greenhouse gas emissions annually.

Man Group Case Study

The Pension Fund's affordable housing manager, Man Group, has a long term goal of providing 13,000 new homes that cost no more than 35% of an average household's gross income. The asset manager has demonstrated achievement of a number of UN SDGs as follows:

- **Goal 1: No Poverty & Goal 10: Reduced Inequalities**
  Providing quality and environmentally sustainable homes to meet affordable housing needs including shared ownership and rented at a % of local median income.

- **Goal 3: Good Health and Well-being**
  Increasing the percentage of homes that meet the Decent Home standards, Building for Life 12 accreditation and Nationally Described Space Standard (NDSS).

- **Goal 7: Affordable and Clean Energy & Goal 11: Sustainable Cities and Communities**
  The portfolio provides environmentally sustainable homes, including the use of solar panels, electric charging points and a reduction in CO2 emissions against the Target Emission Rate.

Quinbrook Case Study

The Pension Fund's second renewables manager, Quinbrook, invests solely in UK assets at both the development and operational stage. Target assets include solar PV and onshore wind, alongside supporting infrastructure such as battery storage and connection assets. Quinbrook works to quantify and support a number of the UN goals, as discussed below:

- **Goal 4: Quality Education**
  Supporting school programs in the adoption of renewable energy and working with universities to support improved education and access to greater diversity in the industry.

- **Goal 5: Gender Equality**
  Supporting gender equality through fair and non-discriminatory hiring and engagement policies.

- **Goal 7: Affordable and Clean Energy**
  Providing renewable energy, in particular in community settings and disadvantaged areas.

- **Goal 8: Decent Work and Economic Growth**
  Providing jobs and economic growth opportunities in regional and rural areas where assets are located and supporting job creation and training in areas of job displacement, due to accelerating energy transition.

- **Goal 9: Industry, Innovation and Infrastructure**
  Investing and partnering with business that are driving new energy innovation and infrastructure.

- **Goal 11: Sustainable Cities and Communities**

Building and maintain assets to support sustainable cities and communities and enabling a fairer transition to sustainable energy sources.

- **Goal 13: Climate Action**
  Creating new assets through project development and construction that help to avoid emissions and tackle climate change.

- **Goal 16: Peace, Justice and Strong Institutions**
  Strong institutions through improved governance and alignment with the United Nations Compact.

Abrdn Case Study

Abrdn manage the Fund's allocation to long lease property, which aims to provide long-term and inflation-linked income through UK property investments. The mandate meets a number of UN SDGs as follows:

- **Goal 1: No Poverty**
  Supporting the fair pay landscape, Abrdn were shortlisted for the Living Wage trailblazer award and supported the new Edinburgh Living Wage city application.

- **Goal 5: Gender Equality**
  Abrdn have pledged 40% of Board members to be female, 40% male and 20% any gender, as well as this they have pledged at least 50% of the workforce to be female.

- **Goal 7: Affordable and Clean Energy**
  99.5% of the electricity Abrdn procures is on a green tariff, with an aim to operate 100% of offices globally using renewable energy.

- **Goal 8: Decent Work and Economic Growth**
  Abrdn is ranked in the top 75 UK Social Mobility Employer Index and supports paying staff the living wage.

- **Goal 10: Reduced Inequalities**
  Abrdn has pledged to have at least 18% of the Board identify as ethnic minority.

- **Goal 12: Responsible Consumption and Production**
  Avoiding the use of single-use plastics within offices and sending zero waste to landfill sites.

- **Goal 13: Climate Action**
  Pledge to become net zero in operations across scope 1, 2 and 3 emissions and reduce those emissions by 50% and emissions of invested assets by 50%.

- **Goal 15: Life on Land**
  Improve biodiversity within UK real estate, including the implementation of wildflowers, ponds, hedgerows and shrubbery, bird boxes and bee/bug hotels.

Outcome

All investment management activity is delegated to external investment managers. Focus on how the Fund's investment managers have incorporated ESG factors gathered through their stewardship activities, into investment decisions, is a significant part of the monitoring and discussion with the Fund's investment managers.

Through strategy and culture, the Fund has designated ESG a key focus within Pension Fund investments and this is where the Fund has seen much progress. As shown in the 2022 Responsible Investment statement, from 30 June 2019 to 31 December 2022 the weighted average carbon to value invested of the Fund has fallen by circa 80%. It is also estimated that the Fund has reduced its absolute tonnes of CO_2 emissions by circa 76% over the same period.

Further examples of the Pension Fund's progress can be seen with greener and more sociably responsible investments for the long-term interests of the beneficiaries.

Environmental:

The Inti solar farms are held within the Pantheon Global Infrastructure fund, with the assets located across different regions of Italy. There is also a further pipeline for future solar farms across the globe.

The fund focuses exclusively on generating electricity from 100% clean energy sources. It targets a reduction of CO_2 emissions of over 2 million tons per year, thus helping achieve global climate mitigation targets. The asset manager will be heavily involved in the operation of new solar plants, thereby contributing to additional jobs in the countries it targets. As part of the project the manager has launched a charitable

Foundation, pledging 5% of annual profits towards alleviating poverty. Alongside this, the manager works with a specialist company to improve efficiency, including coating and tests to identify cell breakage and cracks.

Social:

The Pension Fund holds, Experian, within its LGIM Future World Equity portfolio. The company is a multinational data and credit rating company, with headquarters in Dublin. LGIM believes the company has a key role as a business responsible for the delivery of greater social and financial inclusion.

During 2021, LGIM engaged with Experian on several occasions, and were pleased to note improvements to the company's ESG strategy, new reporting targets, greater disclosure on societal impacts and community investment, and increased capital allocated to transforming financial livelihoods.

This includes the roll out of Experian Boost, which uses data on how consumers spend their money to allow them to improve their credit score. Alongside this, the company also launched Experian Go, targeted at those with no credit history, to help them build their financial identity. Experian have also launched the United for Financial Health project to help educate and drive action for the most financially vulnerable.

Governance:

Within the London CIV (Baillie Gifford) Global Alpha Equities portfolio, the Pension Fund has exposure to Rio Tinto, a multinational metal and mining corporation.

During 2020, Rio Tinto demolished a site of cultural significance within Western Australia, promoting widespread criticism and the resignation of the CEO. LCIV had serious concerns on the corporate governance failures that led to the devastating impact on the local communities. Baillie Gifford advised they had undertaken several engagements with the company and recommended the Board to make necessary changes to its working practices to safeguard the long-term success of the company. Notable improvements within Rio Tinto include; the sale of all thermal coal assets leaving no fossil fuel exposure, strengthening carbon reduction commitments, supporting an initiative to improve global mining safety and increased disclosures; and clarity regarding the director remuneration targets. Additionally, the company has most recently published a workplace culture report to highlight areas of failing.

Principle 8: Monitoring managers and service providers

- **Signatories monitor and hold to account managers and/or service providers.**

Activity

The committee meets at least four times a year. At each of these meetings the committee reviews investment performance, alongside advice from the independent advisor.

Committee members monitor the investment returns and the volatility of the individual investments, together with the funding level, returns and investment risk, the latter being to ensure the risks caused by interactions between investments within the portfolio are properly understood. Where comparative statistics are available, the committee will also compare the Fund's asset performance with those of similar funds.

On investments, the committee assesses the suitability of the investments in which the Fund partakes. The following due diligence takes place: prospective investment return; investment risk; concentration; risk management qualities the asset has; geographic and currency exposures and ESG criteria. Moreover, each asset category will have an individual performance benchmark against which performance is reported.

Alongside the committee is the Pension Board, whose role is to provide oversight and scrutiny of the Pension Fund Committee. The Board meets four times a year, which allows for a second review of performance of service providers.

Outcome

The Fund closely monitors all its investment managers and publishes all voting activity in the Annual Report. This ensures that members and the public can be fully aware of voting actions and to ensure that the Fund monitors to deliver and impact on change where needed.

The committee will continually monitor and engage with investment managers to ensure that investment managers are acting in the best interests of the Fund. Across all investments, the Fund works closely with managers to ensure that it can deliver improved outcomes and where the Fund sees the need for the long-term sustainability of the Fund using the collaborative approach to gain greater influence for positive impact and return.

To effectively hold our service providers to account, the committee is committed to reviewing the performance given by any service provider. During the year, the committee reviewed the performance of the investment consultant against the objectives that were set by the Fund. This has and will be reviewed on an annual basis and the objectives updated at least every three years or when there has been a material change in investment approach to ensure that are consultant is providing the best service and advice to the Fund. Each objective is assessed individually and assigned a rating as follows: Excellent, Good, Satisfactory and Unsatisfactory.

The Committee will engage with our service provider if any objective is deemed unsatisfactory and will make efforts to resolve any issues. If objectives are still not being met after engagement the Fund will consider a different service provider.

Please see link below for the latest investment consultant review, the consultant has performed well over the past year, meeting the majority of the aims and objectives to an excellent standard. The Fund remains pleased with the work produced by the consultant and aims to continue building on the good working relationship that has already been established.
Investment Consultant Review 2022

The Funds closely monitors all its investment managers and publishes voting activity in the Fund's Annual Report. This ensures that members and the public can be fully aware of voting actions and to ensure that the Fund monitors and delivers on change where needed. The Fund can also gain confidence that managers appointed are meeting expectations on key voting issues and on behalf of the Fund are using its vote to promote positive impact within our invested companies. The constant dialogue and investment manager profile received from the consultant, Isio, also ensures the Fund is able to make key investment decisions in relation to our holdings.

Please see the following link below for the latest quarterly review of our investment managers, as prepared by Isio.

The Committee also encourages any directly appointed asset managers and the pooling company (London CIV) to comply with the Stewardship Code (2020) and this is monitored on an annual basis. The Fund will continue to collaborate with the London CIV on maintaining a share voting policy for the equity managers on the London CIV platform and actively seeks to align these policies with investment manager insights. Lobbying with other London CIV clients will give the Fund greater control and impact over voting choices and a centralised process will ensure that voting remains consistent and has the greatest impact. Please see a review of the Fund's asset managers and their compliance with the Stewardship Code 2020, the Fund is engaging with those managers who are not currently signatories.

Fund Manager	Signatory?
Abrdn	Yes
CVC Credit*	No
Insight	Yes
LGIM	Yes
London CIV	Yes
Macquarie	Yes
Man Group	Yes
Northern Trust	Yes
Pantheon**	No
Quinbrook	Yes

* CVC Credit is not currently planning to become a signatory to the UK Stewardship Code, but this is something they will look into internally.

** Although not currently a signatory to the UK Stewardship Code, Pantheon have done a significant amount of work in this area and are actively working towards becoming a signatory in the future.

The committee will continually monitor and engage with investment managers to ensure that investment managers are acting in the best interests of the Fund. Across all investments, the Fund works closely with managers to ensure that it can deliver improved outcomes and where the Fund sees the need for the long-term sustainability of the Fund using the collaborative approach to gain greater influence for positive impact and return.

It should be noted that the investment advisor, Isio, continues to rate the fund managers favourably. However, given the significant underperformance of the Baillie Gifford Global Alpha, Isio hosted a meeting with senior management at Baillie Gifford to discuss strategy during October 2022. Isio remain content that the manager continues to maintain its investment philosophy and will continue to monitor the performance of the fund.

At the Committee meeting on 27 October 2022, the Pension Fund Committee elected to transition the Fund's holdings within the London CIV (Baillie Gifford) Global Alpha Equity mandate into the BG Paris-Aligned version. The Paris Aligned version has a quantitative assessment process to screen out companies with particular levels of exposure to the fossil fuels industry, plus a qualitative one to screen out companies that will not play a role in the future transition to a low carbon environment. This transition took place as scheduled on 5 December 2022.

Man Group Community Housing Site Visit

During March 2022, the Pension Fund officers conducted a site visit of the Man Group Community Housing fund, the majority of which, will be made available for discounted rent or shared ownership. The visit was designed to provide an in-person experience of the types of assets within the portfolio, as well as, getting a better sense of the positive impact the portfolio is already having. The visit including two sites in East Sussex, one within Lewes and another in Saltdean.

The Lewes site consists of an apartment complex with 41 properties, with 39 units to be sold as shared ownership homes and 2 penthouses to be sold on the open market. The development is located on previously developed brownfield land, in a format to support delivery of both homes and jobs. In Lewes, home ownership is not affordable for the median household, as a result this development will have a material impact on the provision of good quality affordable housing in the area.

The Saltdean site is located on the footprint of a former dairy farm, in proximity to the South Downs National Park. The development comprises of 71 new homes; with 42% allocated to key worker rent, 23% to affordable rent, 18% in shared ownership and 17% for market sale. The provision of these properties will help towards the provision of affordable homes within the Brighton area, with median house prices 10 times average earnings. Alongside this, the scheme will promote substantial environmental gains, with the provision of solar panels for every home, air source heat pumps, electric car charging ports and carbon emissions 46% below the government benchmark.

Principle 9: Engagement

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

Activity

The committee is committed to being a responsible investor and a long-term steward of the assets in which it invests. The Fund has a fiduciary duty to act in the best interests of its beneficiaries and this extends to making a positive contribution to the long-term sustainability of the global environment.

The Fund has in place an Investment Strategy Statement that contains the Fund's investment beliefs, asset diversification strategy, assessment of investment suitability, investment types, approach to risk, approach to pooling investments, social, environmental, or corporate governance considerations, and retention and realisation of investments. These beliefs form the basis of investment decision making process and allow the committee to deliver a consistent approach to investment and therefore maintain and enhance the value of assets. The ISS is updated and reviewed yearly to ensure that the Fund has the most suitable strategy and practices in place.

The core expectations set for our assets managers, pooling company and pressure groups are to engage with companies on all matters to improve the Fund's overall sustainable long-term objectives without resorting to divestment, unless engagement has failed. The Fund expects managers to integrate ESG factors into investment analysis and decision making. Monitoring these effectively can assist with resolving issues at early stages through effective engagement with companies and board members. The Fund expects asset managers where possible to engage and collaborate with other institutional investors, as permitted by relevant legal codes to ensure the greatest impact.

The Pension Fund actively contributes to the engagement efforts of pressure groups, such as the LAPFF and requires investment managers to vote in accordance with the LAPPF's governance policies. In exceptional cases, investment managers will be required to explain their reason for not doing so, preferably in advance of the AGM. This is monitored on a regular basis.

In the foreseeable future, the global economy will transition from its reliance on fossil fuels to the widespread adoption of renewable energy as its main source. The impact of this transition on the sustainability of investment returns will be continually assessed. Subsequently, the Fund is strongly focused on ensuring that investee companies must become more sustainable by reducing carbon emissions and to help assist net zero targets. As stated, the Fund undergoes carbon reporting annually and can monitor the progress each manager has made during the year. These statistics are reviewed and analysed to see what progress can be made within our investments.

As mentioned previously, as part of the investment manager appointment process, the committee assesses the investment managers' abilities to integrate ESG factors into their investment selection processes. In addition, the investment advisor will assess ESG considerations as part of their due diligence process and assess investment managers as follows:

- Active managers, the advisor will assess how ESG issues are integrated into investment selection, divestment, and retention decisions; and
- Passive managers, the investment advisor places less focus on ESG issues in the investment selection process and considers ESG issues in its responsible investment policy and if the manager engages with global companies and stakeholders where appropriate.

The committee is furnished with quarterly performance reports on investments highlighting business activities, manager personnel updates and performances to track and enhance the governance of the Fund. This provides the committee and board with regular feedback on the Fund's assets to make well informed decisive decisions for the future governance of the Fund.

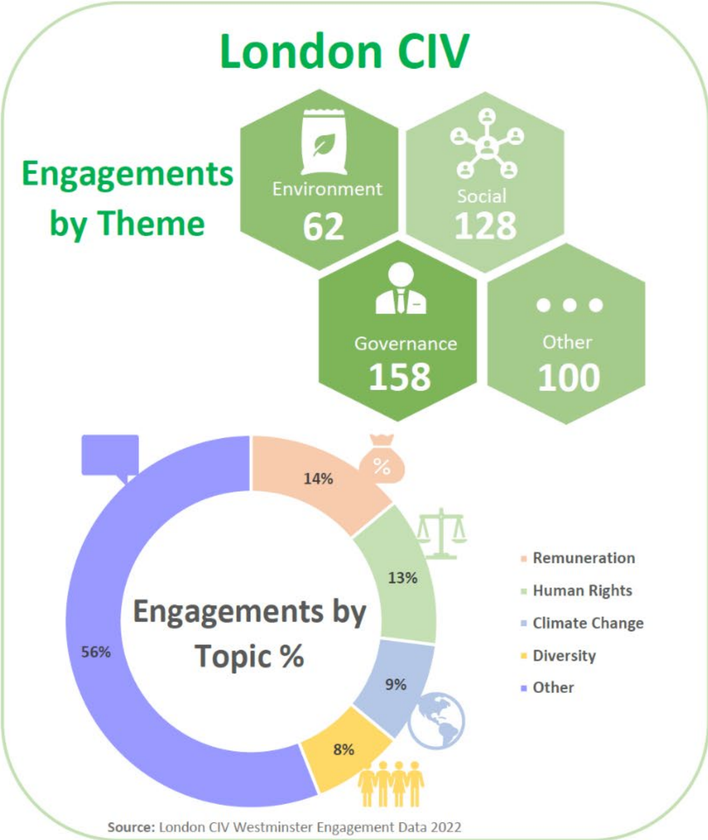
Outcome

All investment management activity is delegated to external investment managers. Engagement activities are a regular feature of the monitoring of the Fund's investment managers by the committee. By carefully targeting and selecting funds in renewable infrastructure, the Fund has been able to reduce its net carbon emissions and to continually work towards a more sustainable Fund with the aim of improving shareholder returns.

For example, as at 30 June 2023, a total of £150m was committed to Quinbrook, with the Fund committing an additional £90m to Quinbrook. During 2021, Quinbrook completed the acquisition of Project Fortress, a consented 350MW solar and battery storage project, which is estimated to require circa £270m of capital to construct. Project Fortress aims to build the UK's largest solar farm and battery storage facility. The site is located in Kent and commenced works during the first half of 2022. Once operational it is forecast that the site could power up to 100,000 UK homes and reduce emissions by 164,450 tonnes per year. The asset manager has also worked alongside Natural England, Kent Wildlife Trust, Royal Society for the Protection of Birds, and the Environment Agency to design an extensive landscape and biodiversity management plan for the site. This includes planting of more than 3.5km of native hedgerows across the site area and seeking to deliver a net gain of 65% in biodiversity.

Another example, the Pension Fund has exposure to EQT Corporation through its London CIV Multi Asset Credit portfolio with PIMCO. EQT are the largest natural gas producer in the United States, with the company working to tracking and reducing its methane emissions. The company has committed to the Oil & Gas Methane Partnership 2.0, with PIMCO believing they are well placed to meet new upcoming regulations issued by the US Environmental Protection Agency. PIMCO has engaged with EQT on methane reduction targets and disclosures, and on adopting an absolute emissions target alongside this. The engagement also included best practices on sustainably linked bonds and targets as a potential key performance indicator for coupon payments. During 2022, EQT became the largest producer of responsibly sourced natural gas, a distinction set by Equitable Origin, the world´s first independent environmental standards system. This effort indicates that EQT is committed to direct measurement and transparency of their methane emissions.

Please see following statistics which depict the engagement activities of the Fund's equity managers; London CIV and LGIM.



Alongside asset manager and pool company engagements, the City of Westminster Pension Fund officers engage with managers and relevant bodies on a number of issues. During 2023, these issues included:

- Exposure of assets within China
- Exposure to tobacco, alcohol and gambling companies
- Exposures to Silicon Valley Bank and Signature Bank
- Investments within water companies
- Carbon exposure levels within the London CIV MAC and Absolute Return Funds
- Engagement on the Fund's exposure to Royal Dutch Shell
- Levels of Nature Positivity & Restoration within the Fund
- Meetings with numerous food manufacturers including Tesco, Nestle, Unilever, Coca-Cola and Britvic to discuss healthy markets and setting targets.

Principle 10: Collaboration

- **Signatories, where necessary, participate in collaborative engagement to influence issuers.**

Activity

All investment management activity is delegated to external investment managers. Through active ownership, the pension fund engages with the investment community and encourages companies to take positive action towards reversing climate change. The Fund is a responsible owner of companies and cannot exert that positive influence if it has completely divested from carbon intensive producing companies. This approach includes being members of key pressure groups such as LAPFF, and an active participant in engagement with London CIV, and regular reporting from the investment managers.

The Pension Fund closely monitors voting behaviour to ensure that it in is in line with the Fund's policy and values. The independent advisor offers an update on business, personnel, and performance on a quarterly basis to ensure asset managers are reviewed on a regular basis and to work with investment managers to make improved ESG outcomes and investment returns.

The Fund delegates responsibility to asset managers, LAPFF and the pooling company to engage on our behalf. Please see LAPFF's engagement below as an example. The Fund actively engages across a wide range of companies that are invested in by our investment managers or pool companies. The Fund has a duty to its stakeholders to push for positive improvements within companies that are not performing as desired in key ESG areas, which may impact on long term suitability. If these key issues are not addressed, this could lead to the Fund not fulfilling its fiduciary duty to members, with investment returns forming only one part of that duty.

The Fund reviews the RI policies of LAPFF, LCIV and investment managers that engage on our behalf to ensure they promote the same values that are shared with the Fund. In this case, LAPFF and London CIV do hold similar values and polices to that of the City of Westminster Pension Fund. Therefore, we expect investment managers to vote in accordance with London CIV and LAPFF policies and for fund managers to comply with the stewardship code and this will also be reviewed on an annual basis. All of the London CIV's equity managers have to publicly disclose their policy via their statements on how they will discharge their stewardship responsibilities.

Furthermore, if there are concerns raised by Committee and Board members on particular engagement issues or concerns, officers will be well placed to express the views of members to the London CIV and LAPFF. Officers are also able to report back on any progress to both Committee and Board.

Outcome

Through active engagement, the Fund has been able to use multiple avenues to communicate with issuers, by being a member of LAPFF and communicating with investment managers and pool companies such as London CIV.

As shown in the Responsible Investment Statement, the Fund has seen encouraging commitments from companies across all the asset classes. The Fund's approach of collaboration and engagement has allowed the Fund to reduce its carbon impact significantly.

The Pension Fund monitors its investment managers engagement activities through regular reports and discussions and welcomes instances where it sees its investment managers working with other investors. Examples include:

- During early September 2022, LAPFF Chairman, Doug McMurdo, spent three weeks in Brazil following the tailing dam collapses in Mariana and Brumadinho. This trip formed part of the LAPFF’s work on human rights and mining. During the trip, the Chair met with communities affected by the collapse and met with company executives from Vale, which own the Mariana dam. Air quality, water quality and availability of housing in resettlements remain major concerns for communities and LAPFF will continue to engage on these areas.
- Share Action, a registered charity who promotes responsible investment, has been working on a Healthy Markets coalition group. The Healthy Market Initiative aims to make food retailers and manufactures assume accountability for their role and impact on people’s diets. The Westminster Pension Fund is a member of the Healthy Markets coalition and, along with other members, represents over $1 trillion in assets under management. During 2022, ShareAction filed a resolution with Unilever, asking the company to commit to a long-term nutrition strategy and disclosure metrics on their proportion of sales related to healthy products. Following this, Unilever have set a new benchmark within the industry, disclosing the healthiness of sales against the government model and their own internal model. They have also set an ambitious target to double the sale of healthy products by 2030.

Principle 11: Escalation

- **Signatories, where necessary, escalate stewardship activities to influence issuers.**

Activity

The Pension Fund expects its investment managers to take the appropriate action when operating on its behalf and engage in stewardship activities: this includes actions to escalate their approach when appropriate.

As part of the Responsible Investment policy, the Pension Fund Committee is committed to playing an active role in the transition to a sustainable economic and societal environment. To that extent, the Pension Fund will continue to seek investments that match its pensions liability profile, while having a positive impact on overall society. Greater impact can be achieved through active ownership and lobbying for global companies to change and utilise their resources sustainably.

Therefore, the Fund expects investment managers to be actively engaging with companies to promote better ESG and investment outcomes for the Fund. The Local Pension Board monitors responsible investment by obtaining advice from officers and the independent advisor on assessing how ESG issues are integrated into investment selection, divestment, and retention decisions from active managers. This allows the Committee to escalate any issues with the investment managers if they feel that ESG factors are not being properly implemented into their decision-making process.

If an investment manager fails to consider ESG issues, the Committee is prepared to disinvest assets from that manager.

Outcome

The Pension Fund Committee monitors its investment managers engagement activities through regular reports and discussions and expects its investment managers to take the appropriate action when operating on its behalf engaging in stewardship activities.

The Pension Fund does not divest unless all resolutions have been fully exhausted, as it results in loss of influence over troubled companies and the opportunity for future dialogue. Therefore, escalation remains a key tool in our engagement strategy, where we utilise, when necessary, escalation strategies to trigger corporate reaction. These include voting where we instruct managers to vote against management on key resolutions. As well as, attending AGMs, to trigger more dialogue with boards and executives. Filing shareholder resolutions: supporting requests to improve board accountability and ESG disclosures. And lastly, divestment. However, as it removes some options for future interaction such as the use of the vote.

London CIV engages on the Fund's behalf and is a key asset that the Fund uses to engage and influence to encourage positive outcomes.

The Pension Fund holds Royal Dutch Shell within its Ruffer absolute return portfolio, as managed by the London CIV. As discussed in our Stewardship Report for 2023, Shell is one of the highest emitters in the portfolio and has faced criticisms of its transition plan. Ruffer and the London CIV has engaged with the company on a number of issues. At the 2022 AGM, the London CIV voted against approving Shell's energy transition resolutions, due to lack of disclosures and misalignment with the 1.5c Paris target. The London CIV also publicly supported Client Earth's litigation against Shell's board of directors regarding their climate risk mismanagement. In addition to this, the LCIV published a letter highlighting key concerns including:

- Scope 3 emission targets and their compliance with the order of the Hague District Court;
- Unrealistic emission offset proposals;
- Underinvestment in renewables and overinvestment in fossil fuels;
- Adverse impact on Shell's financial performance; and
- Alignment with Paris targets.

The London CIV will continue to monitor the progress and outcomes of the litigation and continue to engagement with the company.

Principle 12: Exercising rights and responsibilities

- **Signatories actively exercise their rights and responsibilities.**

The Pension Fund's RI policy and Responsible Investment Statement include the approach for exercising the rights attached to investments. The Committee expects any directly appointed asset managers and the pool company (London CIV) to comply with the Stewardship Code (2020) and to publicly disclosed their policy on how they will discharge their stewardship responsibilities. Stewardship is part of the responsibilities of share ownership, and therefore an integral part of the investment strategy.

The committee has delegated the Fund's voting rights to the investment managers, who are required, where practical, to make considered use of voting in the interests of the Fund. Fund managers have the delegated authority to vote at shareholder meetings in accordance with their own guidelines, which have been discussed and agreed with the Pension Fund Committee. The officers keep under close review the various voting reports that it receives from fund managers. The Pension Fund's investment managers (both active and passive) are required to report to the Pension Fund on their engagement with company management and voting, highlighting any instances that they voted against company management or did not follow its policy.

Where investment managers were appointed directly by the Pension Fund to segregated mandates, the Pension Fund expected these managers to vote in line with its own voting policy or explain the rationale for doing otherwise. The Fund expects its managers to use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed, and to report to the Fund on their engagement with company management and their voting record.

The Fund's investments through the London CIV, include investments in equities and fixed income including multi asset credit and absolute return, and are covered by the voting guidelines of the CIV which have been agreed by the Shareholder Committee. The London CIV's investment managers are expected to vote on all proxies considering the impact of ESG factors to ensure shareholder value is maximised. The London CIV also monitors the voting alerts of the LAPFF and where these are issued, requires the investment managers to take account of these alerts as far as practical to do so. Where the investment manager does not vote in line with the LAPFF voting alerts, the London CIV will require detailed justification for non-compliance.

As seen in the Responsible Investment Strategy the Fund receives internal and external advice on assessing investment managers. A key assessment of manager impact is whether managers are making most effective use of voting rights and if votes are exercised in a manner consistent with ESG considerations specified by the manager and how significantly the manager value ESG issues. These processes are integrated to reduce conflict in voting decisions and ensure investment managers and the committee share an aligned view.

For fixed income assets, the committee, with the support of their advisors, review the asset managers and conduct due diligence before appointing an investment manager. The committee delegates the stewardship responsibility to the investment managers and expects prudent measures to be taken in relation to terms and conditions within contracts. Furthermore, the committee expect managers to engage with credit issuers to drive improvements in relation to ESG risks. The committee reviews information on engagements from the investment managers on a regular basis and uses this to engage with them on key ESG issues.

In addition, the Fund actively contributes to the engagement efforts of pressure groups, such as the LAPFF and requires investment managers to vote in accordance with the LAPPF's governance policies. In exceptional cases, investment managers will be required to explain their reason for not doing so. By having regular engagement reports and reviews, the Fund can ensure that the investment managers are voting in accordance with Westminster's values and are able to ensure that managers are using votes for a positive impact.

The Fund through its participation in the London CIV works closely with other LGPS Funds in London to enhance the level of engagement, both with external managers and the underlying companies in which they invest. In addition, the Fund is a member of the Pension and Lifetime Savings Association (PLSA) and the LAPFF and, in this way, joins with other investors to magnify its voice and maximise the influence of investors as asset owners, joining wider lobbying activities where appropriate opportunities arise.

Activity

All proxy voting for the financial year is published in the Pension Fund Annual report. During 2022/23 there were 56,236 resolutions with manager voting as follows: For 45,453; Against 10,193 and Others 590.

Our equity manager proxy voting for 2022/23 is shown in the following table.

Asset Manager	Number of resolutions	For	Against	Other
Billie Gifford (LCIV)*	1,127	927	163	37
Baillie Gifford Paris Aligned (LCIV)**	98	80	16	2
Morgan Stanley (LCIV)	604	530	67	7
Legal & General	53,097	42,701	9,860	536
Ruffer (LCIV)	1,310	1,215	87	8
TOTAL	56,236	45,453	10,193	590

* to December 2022
** from December 2022

The pooling company expects asset managers to vote on all proxies considering the impact of ESG factors to ensure shareholder value is maximised. In addition, managers must be able to provide a rationale for all voting activity on a "comply or explain" basis. The investment managers are expected to vote on all proxies considering the impact of ESG factors to ensure shareholder value is maximised. Where applicable LAPFF guidance is used to instruct and inform voting directions. London CIV managers voted on 23,411 proposals during 2022, this represents a 96% voting execution up from 95% during 2021.

Outcome

The Pension Fund has seen progress when working collaboratively with its investment managers into delivering improved ESG outcomes for the WCC Pension fund.

As part of the Future World Fund, LGIM has been engaging with Amazon to discuss the company's approach and policies on various human capital topics. One of the key risks identified is employees' rights to form and join trade unions, with the US National Labour Relations Board declaring Amazon's interference with workers efforts to unionise as inappropriate and not in line with International Labour Organisation (ILO) standards. LGIM signed a letter during January 2022 requesting that Amazon adopt a neutral policy, commit to negotiate with unions and initiate dialogue with trade unions at a national and global level. Amazon countered that it does adhere to ILO standards on freedom of association. LGIM pre-declared their voting intentions prior to the Amazon AGM and supported many of the shareholder proposals at the AGM, including a report on Protecting the Rights of Freedom of Association and Collective Bargaining, which gained support of 38.5%. LGIM will continue to engage with Amazon on these issues and push for further transparency.

During the year, the London CIV's stewardship provider, Hermes EOS, engaged with Thermo Fisher Scientific. The company is held within our Baillie Gifford equity fund and is a supplier of medical equipment, instruments, consumables and software using in clinical laboratories. Thermo Fisher has faced criticism over alleged human rights abuses by selling equipment used for genetic surveillance of a minority group in Xinjiang, China. EOS informed that the company had ceased sales of the medical instrument in that region, however urged the company to establish a policy on human rights and to conduct a human rights impact assessment on the use of genetic sequencing equipment. Though the company did not directly address the specific human rights issues, Thermo did disclose a human rights policy that covered employment, child labour and freedom of association. As well as this, the company produced a statement on modern slavery and human trafficking addressing supply chain due diligence, conflict minerals, and risk assessment and management. EOS have also suggested that the company increase public disclosures on ongoing use of equipment and map out supply chain links to the Xinjiang region. Hermes EOS will continue to engage with the company on enhancing its human rights policy, improving disclosures and appointment of external human rights expertise on the board.

The Fund recognises that more needs to be done to develop its approach to exercising its rights and responsibilities, particularly with regards the reporting of voting and engagement for scrutiny by the Pension Fund Committee and Pension Board and the public disclosure of such information for its members' benefit. It will continue to work with its advisers, fund managers, the London CIV and LAPFF in 2023/24 to refine and improve its approach.

Cllr Robert Eagleton
Chair of the Pension Fund Committee

Phil Triggs
Tri-Borough Director of Treasury and Pensions

19 October 2023