



Press Statement in response to news story:
4 November 2015

West Midlands Pension Fund responds to questions on investment practices

Following the story on pension fund investments in the Birmingham Mail (October 30, 2015) and Coventry Telegraph (October 29, 2015) West Midlands Pension Fund would like to clarify our position on the matter.

The Fund's Pensions Committee has decided not to exclude investments on ethical grounds. The Fund recognises that members hold varying and sometimes conflicting views of what is acceptable for a wide range of environmental, social and governance (ESG) issues. From a pure financial perspective, if companies indirectly or directly involved in subjectively deemed unethical activities were excluded for investment purposes, there would be very few companies left in which to invest. This means that the Fund holds investments that some would find objectionable including companies linked to the aerospace and defence sector. The Committee ultimately recognises the importance of a well-diversified portfolio.

The Committee prefers to follow an approach of active shareholder engagement to help influence the corporate behaviour of the companies in which it invests in order to protect shareholder value. There is risk but also opportunity in companies that have weak governance of financially material ESG issues. Instead of excluding such companies from our portfolio as a matter of principle, the Fund prefers to adopt a policy of risk monitoring and engagement in order to protect and enhance shareholder value. This allows the Fund to use its influence as an active owner with other like-minded investors to improve ESG practices in its investee companies, influence that would be lost through a divestment approach. If there is a serious issue and the company fails to act, then Fund would make representations to the company expressing our concerns and may vote against the company management at a shareholder meeting.

The Fund has had a long history investing locally within the West Midlands. The Fund has a significant allocation to the region in its direct property portfolio as well as a £40 million commitment to the Finance Birmingham fund which provides finance for small businesses in the area. All of these investments seek to secure and protect jobs as well as deliver commercial return for the Fund.

The Fund's responsible investment (RI) strategy is entirely consistent with its fiduciary obligations as it aims to integrate financially material ESG issues into its investment approach. Further details regarding the Fund's RI approach including its RI Framework can be found on its website here: <http://www.wmpfonline.com/ri>

Ends

Notes for Editors:

The West Midlands Pension Fund is one of the largest funds of the LGPS in England and Wales. As at 31 March 2015, it provided pension services to 277,558 current and former employees of the seven West Midlands district councils and 473 participating employers. The Fund was valued at £11.5 billion on that date and employed 116 FTE members of staff.

The West Midlands Pension Fund strives to be a best practice organisation, delivering a customer-focused service, while providing value for money to its stakeholders.

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