



West Midlands Pension Fund

# FUND ACTION ON CLIMATE CHANGE

BIRMINGHAM CITY COUNCIL  
SUSTAINABILITY & TRANSPORT  
O&S COMMITTEE

**Rachel Brothwood**, Director of Pensions

**Simon Taylor**, Assistant Director - Pensions

**17 November 2021**

# WEST MIDLANDS PENSION FUND

- The Fund is one of the UK's largest LGPS pension funds, managing and administering the pension benefits of our members and scheme employers, on behalf of the seven metropolitan district council authorities.
- The Fund has a long standing history across the West Midlands, borne out of the historic West Midlands County Council, we now work with a wide range of employers, providing public services in the region.



**INVESTORS IN PEOPLE™**  
We invest in people Gold



# WEST MIDLANDS WITHIN THE LGPS

WMPF as at 31 March 2021

Total members

343,000

Total employers

764

- Local authorities
- Academies
- Universities
- Voluntary groups
- Contractors

Total assets

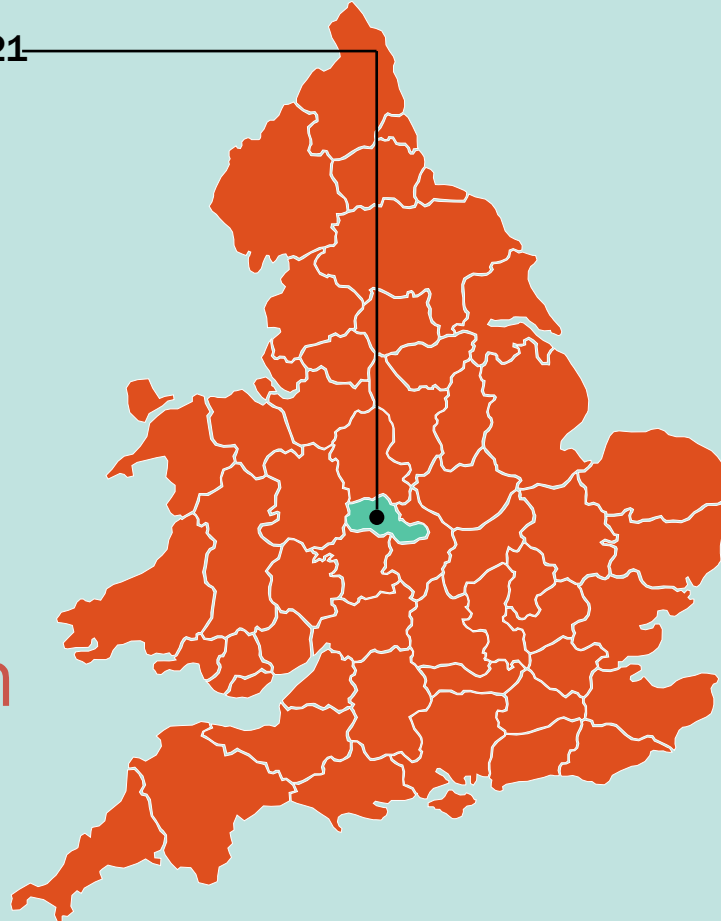
£18.7 billion

Funding level

94%



2019 Actuarial Valuation



National Scheme report 2019

Total members

5.9 million

Total employers

15,702

Total assets

£291 billion

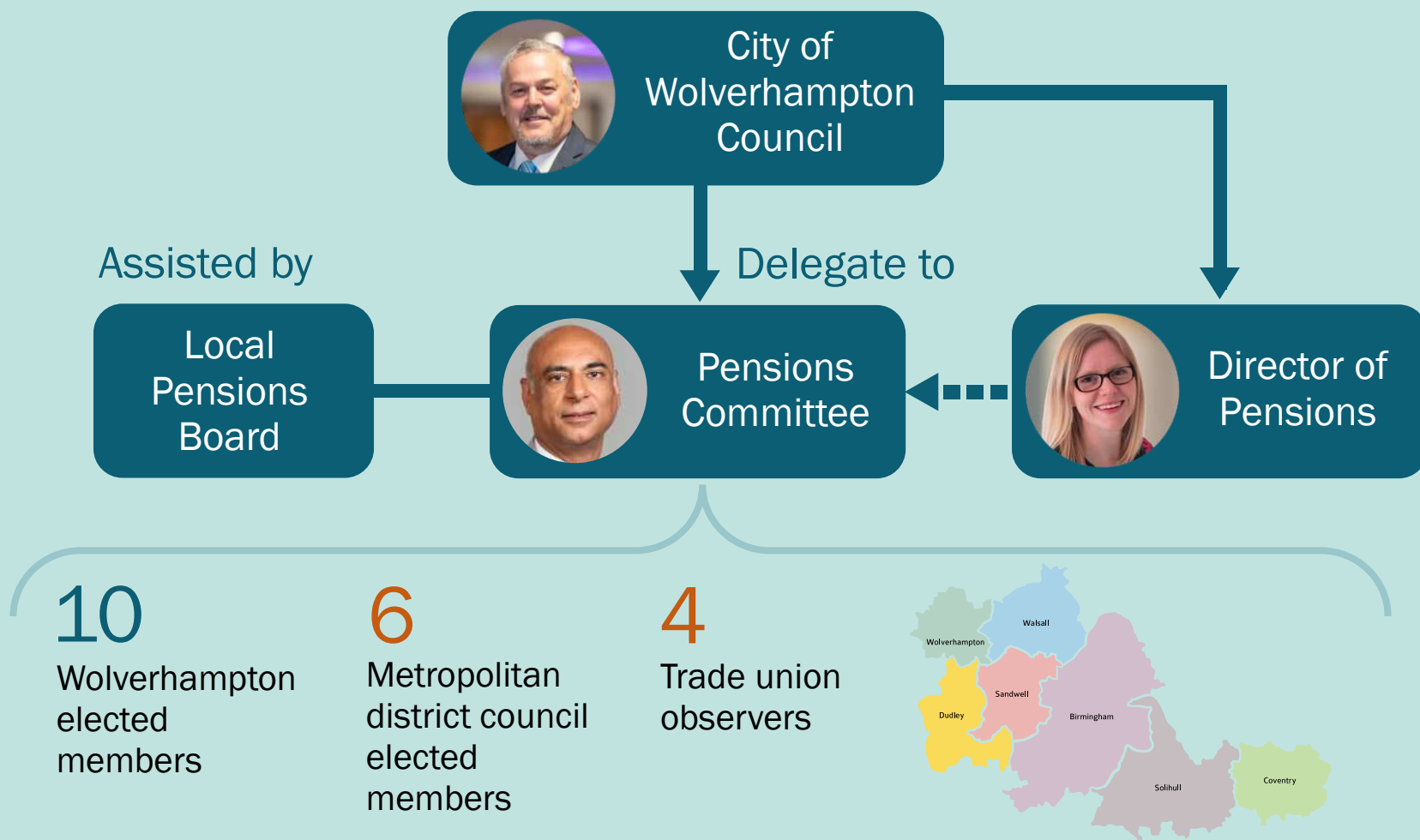
Comparative schemes  
by size



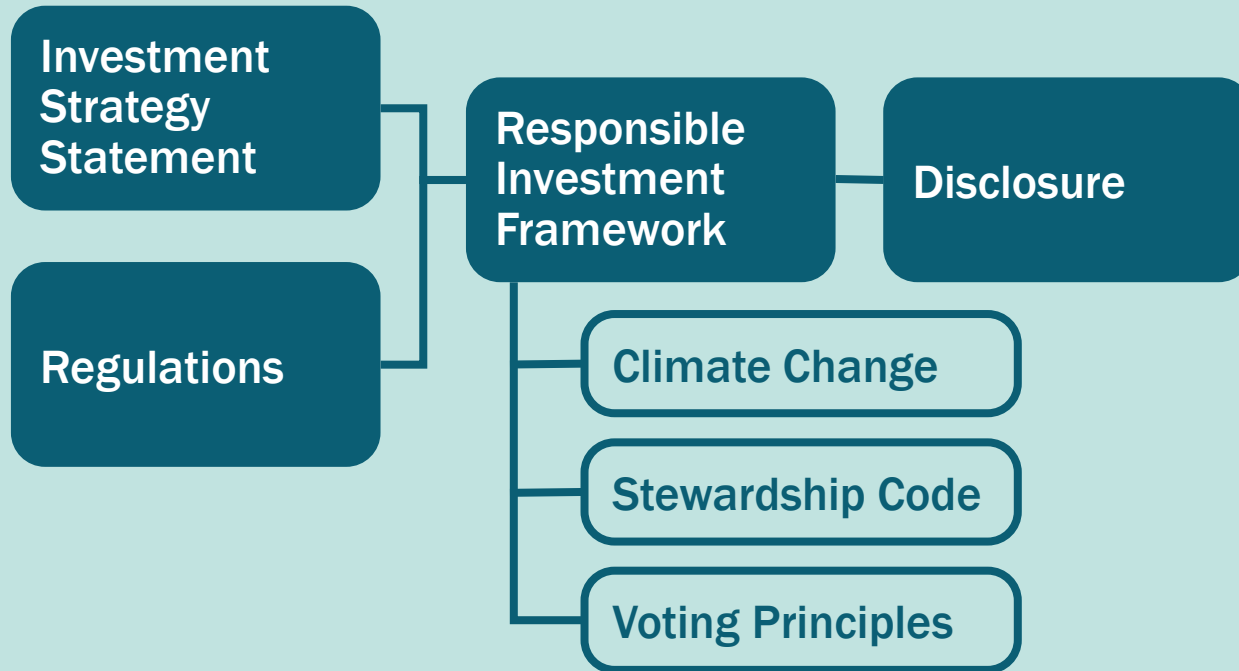
nationalgrid



# ADMINISTERING AUTHORITY GOVERNANCE



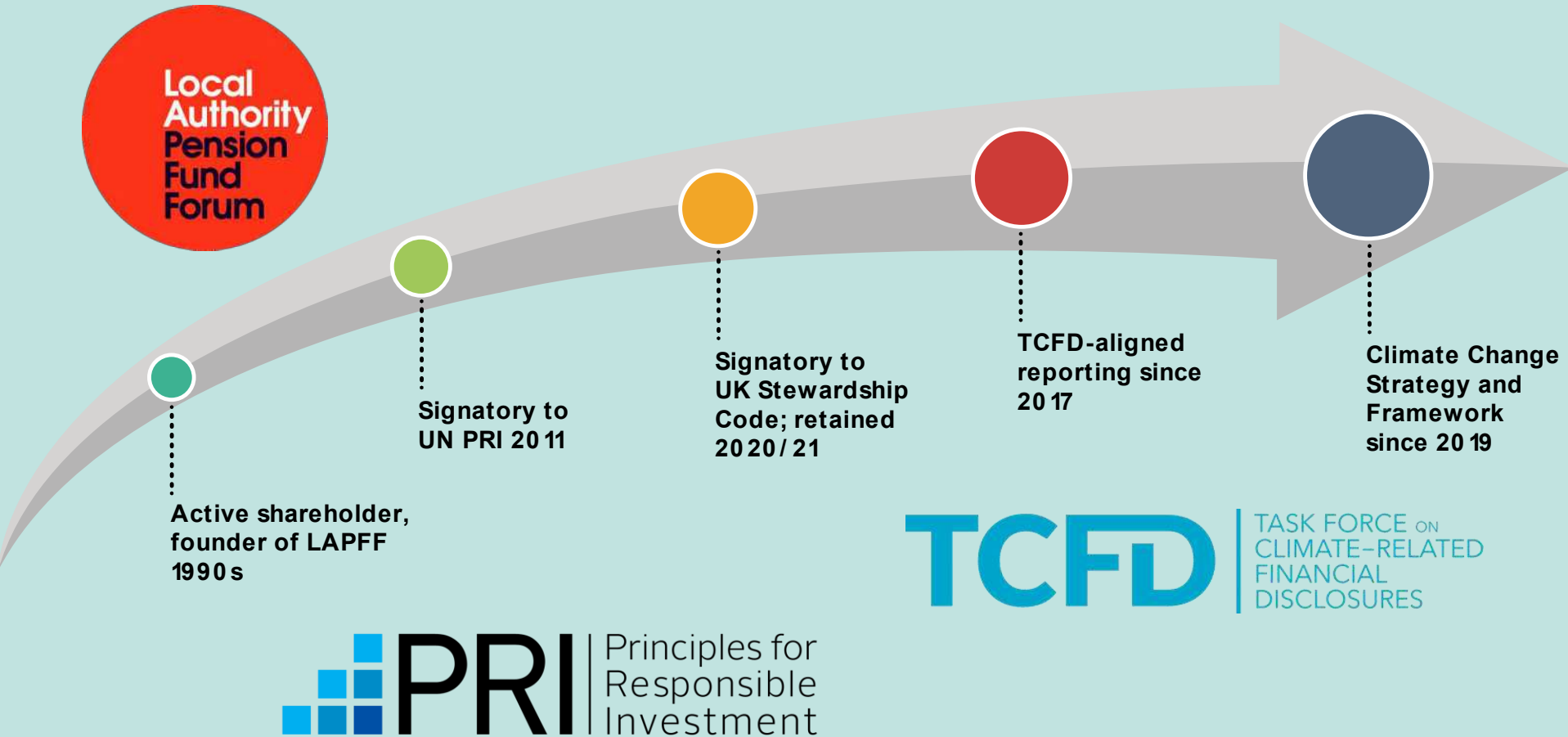
# POLICY FRAMEWORK



***“Climate change, and the risks and opportunities it presents to us as a long-term investors and a pensions provider form part of our critical thinking not just in the way we approach investment, but in the Fund's wider commitments which strive for global influence alongside delivering for local people.”***

Source : WMPF Climate Change Strategy and Framework 2021

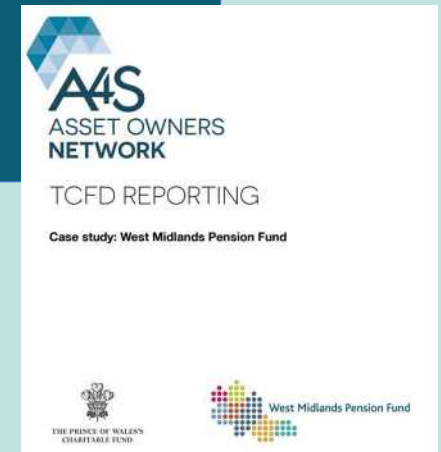
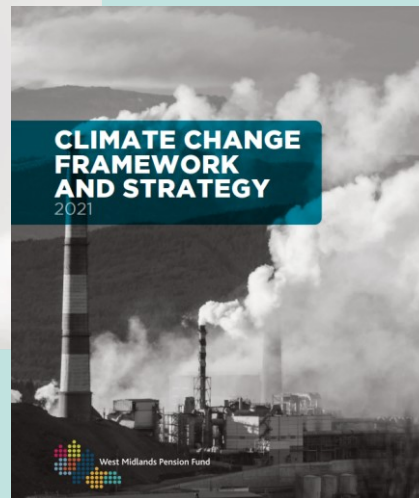
# POLICY AND LEADERSHIP OVER TIME



# OUTCOMES AND DISCLOSURE 2019-2021

Over the last two years we have:

- Allocated £2 billion of equity holdings to sustainable and low carbon investment strategies
- Reduced the weight of our carbon footprint by almost 30%
- Reduced our weight of exposure to fossil fuel reserves by almost 40%
- Increased our weight in clean technology by over 17%



# COLLABORATIVE ENGAGEMENT







- Long-term, thematic investment approach
- Collaboration for measurable outcomes
- Increasing toolkit to monitor and assess company progress
- Voting rights utilised for impact
- Targeted global engagement programme
- WMPF well-placed to progress risk management





# INVESTING IN CLIMATE SOLUTIONS

Examples of the areas WMPF is investing:

PLANNING AND DESIGN	MANUFACT- URING	EQUIPMENT	BUILDINGS	LOGISTICS	RENEWABLE ENERGY
					

# CLIMATE CHANGE FRAMEWORK 2021

## OUR PLEDGE

- Draw on **science-based** targets
- **Invest** in climate solutions
- **Engage** with asset managers and companies to ensure WMPF expectations are met and delivered
- **Partner** with leading asset owners and champion consistency and **transparency**
- Collaborate and **advocate** for action, leadership and disclosure by all
- Communicate **ambition and action** with beneficiaries and stakeholders

[West Midlands Pension Fund - Climate Change \(wmpfonline.com\)](https://wmpfonline.com)

We recognise the need for action to address climate change on a global scale and that it has a role to play in ensuring the shift to a lower carbon economy, ensuring a “just transition” for workers and communities, with the potential for substantial economic and social benefits. In collaboration with others, WMPF is taking action and will continue to contribute to change by engaging governments, companies, investors and individuals to ensure the long-term sustainability of our planet.

WMPF Climate Change Framework and Strategy • Background and Context



# CLIMATE CHANGE – EMPLOYER COVENANT

'Never seen flooding like it' - Birmingham wakes up to battered homes and roads after thunderstorms

Tankers to be used by Severn Trent in areas with water shortage

Covid-19: West Midlands sets out plans for a green recovery

National Express West Midlands launches first electric buses

Clean Air Zone 'just the start' of drive for clean air in Birmingham

Wolverhampton and Cannock Chase councils declare climate emergency

Taskforce launched for zero carbon homes across the West Midlands

Emerging headlines across the region – increased implications for employer covenant



# WHERE OUR EMPLOYERS MIGHT BE AT RISK

## Climate risk heat map

	Sector	Care Services	Construction	Councils	Education	Housing	Transport	Waste Management
Physical risks	Extreme weather							
	Flooding							
	Heat Stress							
	Water stress							
	Other physical							
Transition risks	Behavioural							
	Market							
	Policy							
	Technology							
	Other transition							

### Risk Key

- 1. Key priority
- 2. Detailed planning
- 3. Commence planning
- 4. Active monitoring
- 5. Be aware

Through analysing our core sector employers we have identified some specific risk hotspots

# EMPLOYERS – STRENGTHENING CLIMATE GOVERNANCE



Does your organisation have a robust awareness and understanding of how climate change may affect the company?

Has your organisation integrated climate considerations into the governing structures?

Is climate considered in organisation-wide assessments of material risks and opportunities in the short, medium and long term?

Is the organisation's management incentivisation scheme designed to promote and reward sustainable value creation over time?

Does your organisation report on the material financial risks and opportunities associated with climate change?

Does the organisation develop and encourage climate dialogue with industry peers, investors, regulators and other stakeholders?

# CLIMATE CHANGE – EMPLOYER COVENANT

## OUTREACH AND ACTION THE FUND IS TAKING

### 1) AWARENESS AND ASSESSING IMPACT UPON COVENANT

- 2019 - Fund introduced the concept of climate-related risk to our covenant framework.
- Developing employer awareness and understanding:
  - Engagement and briefing notes
  - Questionnaires/surveys
  - Covenant/Climate risk webinars
  - Regional initiatives e.g. WMCA pledge
  - Development of impact pathways

### 2) IMPLICATIONS FOR FUNDING AND VALUATION

- 2022 – valuation approach to consider aspects of climate risk across our employer-base.
- Inform Fund’s developing ‘whole covenant’ holistic approach to integrated risk management.
- May influence contribution outcomes at the 2022 actuarial valuation.

# QUESTIONS



# APPENDIX

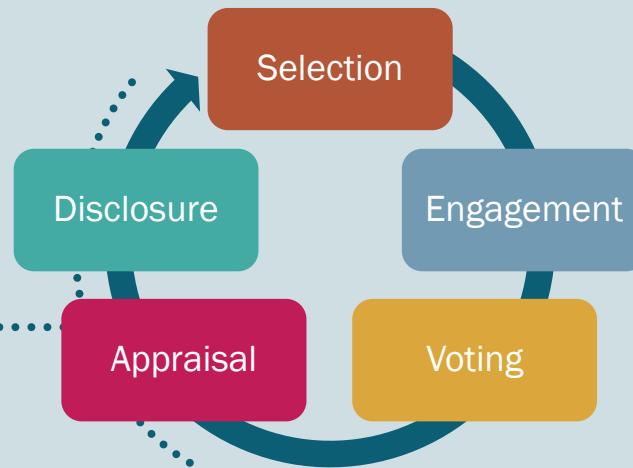
## FURTHER INFORMATION



# RESPONSIBLE INVESTMENT APPROACH

*“...ensuring the long term value of the assets in which [the Fund] invests is protected and where possible, enhanced”*  
WMPF, Responsible Investment Framework, March 2021

## FULLY INTEGRATED APPROACH



## ENGAGEMENT THEMES



Climate change



Sustainable food systems



Human rights



Responsible financial management

## Collaborative platforms:



# CLIMATE CHANGE FRAMEWORK 2021

- Ambition aligned to net zero across own operations and investment portfolio
- Building on realised emission reductions 2019-2021
- Further allocation to climate solutions
- Short-term action to increase coverage by 2026
- Medium-term target to reduce emissions by 50% by 2030
- Ongoing commitment to collaborative engagement and advocacy across value chain
- Signatory to Paris Aligned Investment Initiative and Net Zero Asset Owner Commitment

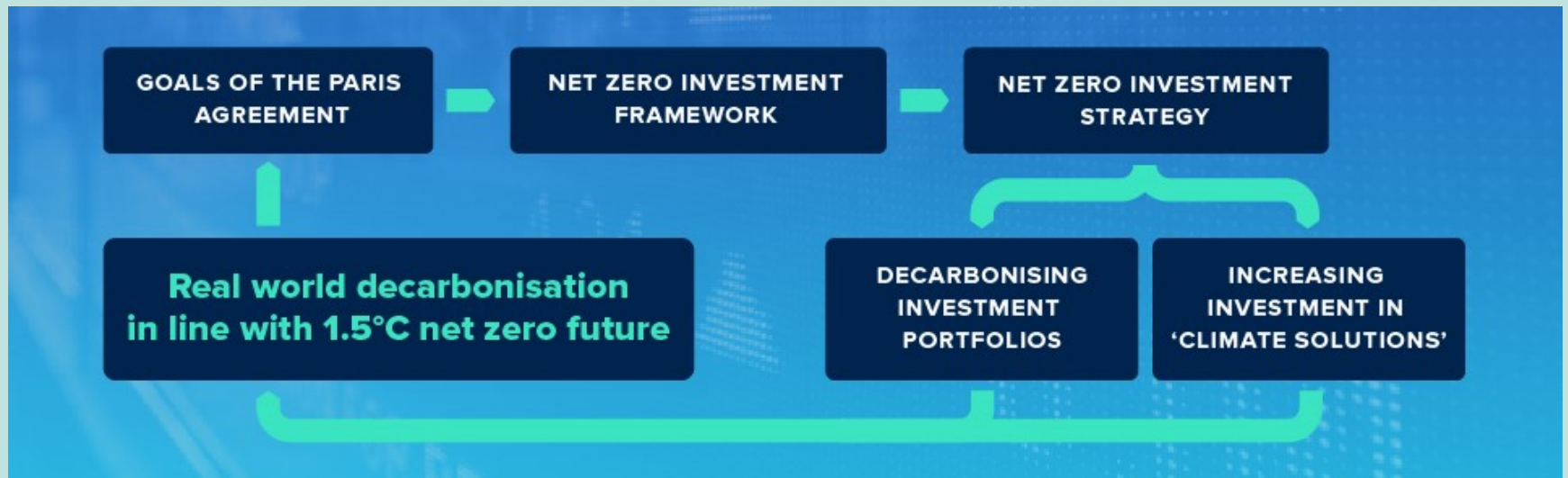
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# NET ZERO INVESTOR FRAMEWORK



The Institutional Investors  
Group on Climate Change



# COLLABORATIVE ENGAGEMENT



## THE THREE ASKS

Climate Action 100+ has established a common high-level agenda for company engagement to achieve clear commitments to cut emissions, improve governance and strengthen climate-related financial disclosures.

### CLIMATE ACTION 100+ AT A GLANCE

 **545**  
SIGNATORY INVESTORS

 **160**  
FOCUS COMPANIES IN 32 MARKETS<sup>2</sup>

SIGNATORY ASSETS UNDER  
MANAGEMENT TOTAL<sup>1</sup>  
 **\$52**  
TRILLION

COMPANIES ENGAGED BY THE INITIATIVE  
ARE RESPONSIBLE FOR AN ESTIMATED  
 **80%+**  
OF GLOBAL INDUSTRIAL  
EMISSIONS<sup>3</sup>

INVESTOR  
SIGNATORIES IN  
 **32** MARKETS

TOTAL MARKET CAP FOR  
ALL FOCUS COMPANIES IS  
 **\$8.4**  
TRILLION<sup>4</sup>

## FOCUS COMPANIES BY SECTOR<sup>1</sup>

 **39**  
OIL AND GAS COMPANIES

 **23**  
MINING AND METALS  
COMPANIES

 **31**  
UTILITIES COMPANIES

 **26**  
INDUSTRIALS COMPANIES

 **26**  
TRANSPORTATION  
COMPANIES

 **14**  
CONSUMER PRODUCTS  
COMPANIES



# ENGAGEMENT OUTCOMES



**BAYER**

Investors welcome first climate policy review from Bayer



**PHILLIPS 66**

Phillips 66 becomes first US refiner and second US oil company to set scope 3 targets



**SK INNOVATION**

Investors welcome net zero emissions commitments from SK Innovation



**GENERAL ELECTRIC**

Flagged vote wins record support from shareholders and speaks to the power of investor engagement through Climate Action 100+



**BASF**

Major chemicals company BASF has announced its target for net zero CO2 emissions globally by 2050 and 25 percent reduction by 2030



**HON HAI PRECISION INDUSTRY**

Global electronics manufacturer commits to achieve net zero emissions by 2050

# GLOBAL RESEARCH PLATFORM

## Carbon performance: alignment with Paris Agreement benchmarks

- TPI's carbon performance assessments look at whether companies' **emissions intensity pathways** are aligned with the Paris Agreement goals.
- The sectors most aligned with Below 2°C are:
- **Diversified mining** (38% of companies in 2030 and 31% of companies in 2050)
- **Electricity** (27% in 2030 and 35% in 2050).
- Lagging far behind is the **oil and gas** sector, where no company is aligned with 2°C or below, either in 2030 or 2050.



Transition  
Pathway  
Initiative



THE LONDON SCHOOL  
OF ECONOMICS AND  
POLITICAL SCIENCE ■



West Midlands Pension Fund

# JUST TRANSITION



We pledge to **pursue** continual improvements of climate disclosure across the investment chain, including measurement of action and progress to enable a **just transition**.

We **recognise** that we have a unique opportunity to **influence change**, not just through capital allocation but in taking a **collaborative and coordinated approach** to catalyst an increased rate of action across global policy, organisations near and far and in local communities. In doing so we work to ensure the **long-term sustainability** of our planet and a **just transition**.

# OUR COMMITMENTS



## Strong governance

Providing assurance on the services we deliver with effective decision making.



## Customer focused

Enabling, educating and supporting our customers on complex issues flexing our services to our customer's growing needs.



## Global influence

Shaping the industry in which we operate, leading by example on key issues, including regulatory change and responsible investment.



## Delivering for local people

Enhancing our reach through developing our engagement model and supporting our communities through opportunity.