

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD
27 October 2022

RESPONSIBLE INVESTMENT UPDATE REPORT

Purpose of the Report

1. The purpose of this report is to update members on responsible investment issues.

Key Considerations for the Board

2. A Responsible Investment Plan is drafted and approved by the Pension Fund Committee annually. The plan for 2022/2023 can be found here:
3. [Responsible-Investment-Plan-2022/23 \(PDF\) \[574KB\]](#)

Progress against actions in the Responsible Investment Plan 2022/23

4. The road map from the Responsible Investment Plan 2022/23 is shown on the following page. Progress against actions for Q1 & Q2 2022 is as follows:

5. Investments and strategy:

- Mercer's work on a "net zero by 2050" road map has been completed and has been incorporated in a climate statement and action plan as part of the Responsible Investment Policy. This work included setting interim decarbonisation targets.
- The Fund has made a specific allocation to renewable infrastructure (5%). Implementation options for this portfolio are currently under consideration.
- The Responsible Investment Policy 2022 has been approved and published on the pension fund website: [Responsible Investment Policy 2022](#).

6. Reporting and disclosure:

- The second report following the Task Force for Climate Related Financial Disclosures (TCFD) recommendations was published alongside the Fund Annual Report and Accounts: [TCFD Report 2022](#).
- The Fund's Stewardship Report (2020 Code) was published in April 2022 and submitted to the Financial Reporting Council FRC, for consideration for signatory status.
- Code Signatory status success was confirmed by the Financial Reporting Council (FRC) in September 2022.
- Officers have received initial impact reports from affordable housing managers and are beginning to develop reporting on the portfolio.

7. Training and engagement:

- A summary stewardship highlights report mini-magazine was published in April. This was aimed at a wider (non-technical) stakeholder audience to be more engaging and accessible than the full length report.
- A Strategic Asset Allocation training session for Pension Fund Committee members was held on 16 May 2022.

- Brunel held an Investor training day on 28 September 2022. Among the topics and discussion sessions were “Emerging Markets and responsible investing update”, “Long-termism and Sustainability in a world of acute short-termism” and “Investing with Profit and Purpose” (impact). These were presented by Ninety One, Ownership Capital and Neuberger Berman respectively. An update on Brunel Stewardship was also provided.

8. **Responsible Investment Plan 2022/23 progress summary:** The Plan is on track to be achieved – all actions scheduled for Q2 & Q3 2022 have been (or are due to be) completed. Some preparatory work has begun on actions for Q4 2022 (described below).

Q2 2022 -

Investments and strategy: Progress the next stage of the Mercer work on climate, to look at bottom-up and engagement targets. Implement the first stage of the renewable infrastructure portfolio.

Reporting and disclosure: Expand our portfolio coverage in terms of carbon metrics, and develop our TCFD reporting.

Training and engagement: Publish the 2020 Stewardship Code submission and mini-magazine version. Training on strategic asset allocation for Committee members.

Q3 2022 -

Investments and strategy: Complete the strategic asset allocation (SAA) review, embedding sustainability and climate considerations. Review the climate modelling findings from the actuarial valuation 2022.

Reporting and disclosure: Monitor and report progress against the interim decarbonisation targets. Develop impact metrics reporting for the affordable housing portfolio.

Q4 2022 -

Investments and strategy: participate in the Brunel climate stocktake and input into shaping policy and direction of travel. Review the RI Policy.

Reporting and disclosure: establish decarbonisation targets for property and infrastructure, and develop plans for other asset classes.

Training and engagement: expand the stewardship and voting information on the website

Q1 2023 -

Investments and strategy: update Investment Strategy Statement . Complete implementation of the affordable housing and renewable infrastructure portfolios.

Training and engagement: investigate use of a tool to enhance holdings transparency for stakeholders. Investigate the topics of biodiversity, and reporting against the Taskforce on Nature-related Financial Disclosures (TNFD).

9. Current and ongoing work (Q4 2022 and Q1 2023)

- Some of the work scheduled for Q3, e.g. the strategic asset allocation review, are ongoing and carry forward into Q4. The section below describes work that is in progress and upcoming.

Investments and Strategy

10. As mentioned above, the triennial valuation and investment strategy review are in progress, with a full report from the actuary and investment consultant due at the 17 November 2022 Pension Fund Committee meeting. The Government Actuary's Department (GAD), in its [latest Section 13 review of the Scheme](#) (published 16 December 2021) recommended that climate risk was considered in the valuation.
11. The Department of Levelling Up, Housing and Communities (DLUHC), consultation, [LGPS \(England and Wales\): Governance and reporting of climate change risks](#) proposes that climate scenario analysis is incorporated into the valuation cycle and carried out at least every three years.
12. Officers of the Fund attended the Brunel Climate Stocktake workshop on 11 October 2022. The purpose of this workshop was for Brunel clients to discuss priorities and for Brunel to update clients on its progress and development of Brunel's own climate policy.

Responsible Investment (RI) Policy

13. As mentioned above, the RI Policy 2022 has been approved and published. The updates to the new policy may be summarised as follows:
 - Linking work on responsible investment to our vision, values and goals
 - More information on impact investing
 - Enhanced information on climate risk, looking across all asset classes
 - A new section setting out engagement and escalation (including Sustainable Development Goals (SDGs))
 - A new and improved glossary
14. The RI policy was circulated to all legacy asset managers and Brunel for acknowledgement, review and acceptance. Officers held discussion and clarification calls with some managers and Brunel, and can confirm that the policy has been accepted by all.

Training

15. An induction training session for new Pension Fund Committee and Local Board members will be held on 3 November 2022.
16. In addition, the Local Government Association (LGA) Fundamentals training programme (a three-day introductory course) is running between October and December. Details of this have been circulated separately to new members by the Fund Governance & Performance Manager.

Reporting and disclosure

17. The LGPS consultation [LGPS \(England and Wales\): Governance and reporting of climate change risks](#) opened on 1 September 2022. The Fund is planning a response and the Pension Fund Committee will consider a draft at its meeting on 17 November to be submitted by 24 November 2022.

Member and Employer Engagement Activity

Pension Awareness Week (PAW)

18. Following the success of Pension Awareness Week September 2021, a similar campaign is planned for 21-25 November 2022. Pension Awareness Week is used to inform members of key facts on their benefits in the Pension Fund, how investments are managed, and to encourage sign-up to member self-service (MSS).

COP27 Engagement

19. In the run-up to COP26, the 2021 UN Climate Change Conference, officers developed a campaign to engage with the scheme membership. A similar series of communications on how the Fund is managing climate change risk are planned for COP27 (6 November – 18 November 2022). These will include a one-page factsheet, refreshed webpage and social media updates.

20. Members will be able to view the factsheet and climate webpage here:

<https://www.wiltshirepensionfund.org.uk/climate>

Employer Engagement

21. The Employer Strategic Focus group is due to meet on 1 November 2022. The agenda will include broader funding and investment items, but also the opportunity for employers to engage on responsible investment.

Environmental Impacts of the Proposals

22. This report includes information on actions and policies which directly deal with addressing climate change risk.

Safeguarding Considerations/Public Health Implications/Equalities Impact

23. There are no known implications at this time.

Proposals

24. The Board is asked to

- use the report as a basis for monitoring the progress that is being made towards implementing responsible investment policy;
- note the progress made against the Responsible Investment Plan 2022/23 actions and discuss whether any additional actions are needed at the current time;

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Unpublished documents relied upon in the production of this report: NONE