

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

14 September 2023

CLIMATE UPDATE AND PROGRESS REPORT

Purpose of the Report

1. Regarding climate change, the Fund's goal is "**To protect the investments from climate change risk, and safeguard the financial future of the Fund**". As stated in the Responsible Investment Policy, "Wiltshire Pension Fund acknowledges that climate change represents a major financial risk to the investments, and that as part of the Committee's fiduciary duty, action needs to be taken to properly manage this risk, in order to safeguard the investments but also to be positioned to take advantage of the investment opportunities presented by a transition to a low carbon economy."
2. The purpose of this report is to update members on progress towards the Fund's target of net zero carbon emissions by 2050, and also includes information on several other climate-related topics.

Key Considerations for Committee

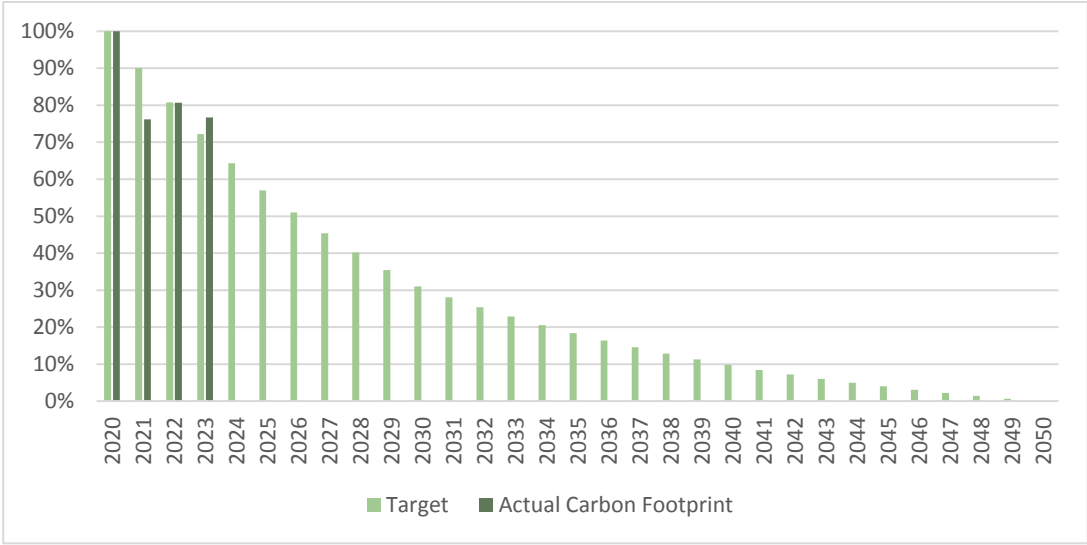
Reporting summary

3. Officers have now received the Mercer Analytics for Climate Transition (ACT) report for 2023. This was received behind schedule, which meant that it has only been possible to prepare the Fund's own Climate Report (including reporting in line with the Task Force on Climate-related Financial Disclosures) for this meeting. The draft Climate Report is appended to this paper as Appendix 1 for the Committee's review and approval prior to publication.
4. Mercer's report is attached as Appendix 2. Mercer will also attend this meeting to present their report, and answer the Committee's questions.
5. As agreed by the Committee last year, this year's Climate Report goes well beyond the basic requirements of the TCFD, and includes case studies and examples in order to bring the work done to life, as well as information on all portfolios and our decarbonisation progress to date. The report will be graphically designed before publication, and circulated to the Committee for their information.

Decarbonisation Progress

6. As mentioned above, the Mercer ACT report is attached as Appendix 2. Mercer will be attending this meeting to present their report and answer the Committee's questions.
7. The report contains several metrics, namely absolute emissions, the carbon footprint (which is the emissions per \$m the Fund has invested), and the WACI (weighted average carbon intensity – the emissions of each company in the Fund's portfolios per \$m of revenue earned by each company).

- 8. As a reminder, the metric on which the Fund measures decarbonisation progress is the carbon footprint. This is because this metric has a closer link to absolute emissions (whereas WACI demonstrates the carbon efficiency of the individual companies invested in).
- 9. The decarbonisation progress to date is as follows (shown by the carbon footprint for the Fund’s listed equity portfolios, with the exception of Magellan):



- 10. This shows that the Fund is overall slightly behind target. Although disappointing to see, decarbonisation progress was never going to be a smooth journey. The biggest factor affecting our carbon performance this year has been an increase in the carbon intensity of the Global High Alpha portfolio, managed by Brunel. This portfolio has a target of reducing its emissions by 50% (based on a 2019 baseline) by 2030, which is consistent with a 7% year-on-year reduction. However, this year the portfolio’s carbon intensity increased by a significant amount. This is due to two main factors:
 - The war in Ukraine has led to increased energy prices, which has meant that energy companies have gone up in value. This means that they have increased in weight in our portfolios, and with their high emissions, this has had an impact on our overall footprint.
 - There is a new fossil fuel company now held in this portfolio, MEG. This high emitter has led to an increased footprint. Officers have tackled this issue with Brunel directly, and there is more information about our engagements on priority companies in the Climate Report.

Other areas of work

- 11. In the equivalent update paper last year, officers provided updates on engagement work carried out on high-emitters within the portfolio, and an assessment of progress across all areas of the portfolio. This year, this information is included as part of the Climate Report (Appendix 1).

Plans for Ongoing Work

12. Officers are developing plans for communications with the Fund's members around COP28, the UN's climate change conference, which will take place in late 2023. For the last two years officers have prepared a one-page climate factsheet for circulation to scheme members, as well as ensuring that the climate webpages are up to date. This has been well received, with a high level of engagement from members, therefore this year a similar campaign will take place.
13. In addition, officers are forming a plan to publish various climate-related case studies in the run up to COP28. This will include reporting on the cement case study (which was an action in the 23/24 Responsible Investment Plan), sharing plans for the Fund's approach to biodiversity, engagement with the Brunel pool over the climate policy, and other topics.

Environmental Impacts of the Proposals

14. This report includes information on actions and policies which directly deal with addressing climate change risk in the investment portfolios.

Safeguarding Considerations/Public Health Implications/Equalities Impact

15. There are no known implications at this time.

Proposals

16. The Committee is asked to
 - use this report as a basis for monitoring the progress that is being made towards the Fund's target of net zero emissions across all portfolios by 2050.
 - approve the Climate Report for publication.

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

Appendices:

Appendix 1 – WPF Climate Report 2023

Appendix 2 – Mercer's ACT Report