AGENDA

Meeting: **Wiltshire Pension Fund Committee**

Place: **Kennet Room - County Hall, Bythesea Road, Trowbridge, BA14 8JN**

Date: **Thursday 20 June 2024**

Time: **10.00 am**

Please direct any enquiries on this Agenda to Ben Fielding - Senior Democratic Services Officer of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line: 01225 718656 or email: Benjamin.fielding@wiltshire.gov.uk

Press enquiries to Communications on direct lines (01225) 713114/713115.

This Agenda and all the documents referred to within it are available on the Council's website at www.wiltshire.gov.uk

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Membership:

Voting Membership
Wiltshire Council Members:
Cllr Richard Britton (Chairman)
Cllr Gavin Grant
Cllr Gordon King
Cllr Stuart Wheeler
Cllr Robert Yuill

Substitute Members
Cllr Sarah Gibson
Cllr Carole King
Cllr Christopher Newbury
Cllr Ian Thorn

Swindon Borough Council Members
Cllr Kevin Small
Cllr Vijay Manro

Employer Body Representatives
Jodie Smart
Claire Anthony

Non-voting Membership
Observers
Stuart Dark
Mike Pankiewicz

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Please see the agenda list on following pages for details of deadlines for submission of questions and statements for this meeting.

For extended details on meeting procedure, submission and scope of questions and other matters, please consult Part 4 of the council's constitution.

The full constitution can be found at this link.

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For assistance on these and other matters please contact the officer named above for details

Items to be considered	Time

PART I

Items to be considered when the meeting is open to the public

1 **Apologies**

To receive any apologies for absence or substitutions for the meeting.

2 **Minutes** *(Pages 7 - 18)*

To approve and sign as a true and correct record the Part I (public) minutes of the previous meeting held on 28 March 2024.

3 **Declarations of Interest**

To receive any declarations of disclosable interests or dispensations granted by the Standards Committee.

4 **Chairman's Announcements**

To receive any announcements through the Chairman.

5 **Review of Actions arising from previous meeting(s)**

To review progress on any actions requested by the Committee in previous meetings.

6 **Public Participation**

The Council welcomes contributions from members of the public.

Statements
If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named on the front of the agenda for any further clarification.

Questions
To receive any questions from members of the public or members of the Council received in accordance with the constitution.

Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of this agenda no later than 5pm on **Thursday 13 June 2024,** in order to be guaranteed of a written response**.** In order to receive a verbal response, questions must be submitted no later than 5pm on **Monday 17 June 2024.** Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Committee members prior to the meeting and made available at the meeting and on the Council's website.

7 **Responsible Investment Update** *(Pages 19 - 60)*

The Investment and Accounting Team Lead to present a report on the Fund quarterly responsible investment performance.

8 **Date of Next Meeting**

To determine the date of the next Committee meeting dates:

- Administration focused meeting 11th July 2024
- Investment focused meeting 19th September 2024

9 **Urgent Items**

Any other items of business which, in the opinion of the Chairman, should be considered as a matter of urgency. Urgent items of a confidential nature may be considered under Part II of this agenda.

10 **Exclusion of the Public**

To consider passing the following resolution:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 11 – 16 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 1 & 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

PART II

Item(s) during consideration of which it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed

11 **Minutes** *(Pages 61 - 74)* **10.30am**

To approve and sign as a true and correct record the Part II (private) minutes of the previous meeting held on 28 March 2024.

12 **Quarterly Investment Update** *(Pages 75 - 104)*

The Investment and Accounting officer to present a report on the Fund quarterly investment performance.

13 **Draft Climate and Nature Report** *(Pages 105 - 146)*

The Head of Wiltshire Fund to present the draft Climate and Nature Report 2024.

14 **Brunel Governance Update**

A verbal update on the report from officers summarising the ongoing Brunel governance arrangements.

15 **Investment Advisors Update**

A verbal update on the tender process to appoint an independent investment advisor and Investment Consultant.

16 **Brunel Private Markets Presentation:** **12:00pm**

Brunel Private Markets team to provide an update on performance of the Private Markets Investments. (Private Equity, Private Debt, Property, Infrastructure).

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Wiltshire Council

Wiltshire Pension Fund Committee

MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 28 MARCH 2024 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:
Cllr Richard Britton (Chairman), Cllr Kevin Small (Vice-Chairman), Cllr George Jeans, Cllr Gordon King, Cllr Vijay Manro, Cllr Stuart Wheeler and Claire Anthony

Also Present:
Cllr Nick Botterill

20 Apologies

Apologies for absence were received from Karl Read, Co-Optee (Local Pension Board).

The Chairman noted that Jodie Smart was in attendance of the meeting with a view to being appointed a Non-educational Employer Representative at the next meeting of Full Council.

21 Minutes

The minutes of the meeting held on 29 February 2024 were presented for consideration, and it was,

Resolved:

To approve and sign the minutes as a true and correct record.

22 Declarations of Interest

There were no declarations of disclosable interests.

23 Chairman's Announcements

There were no Chairman’s Announcements.

24 Review of Actions Log

The Committee reviewed the Actions Log.

25 Review of the Minutes of the Local Pension Board

The Committee reviewed the minutes of the Local Pension Board meeting held on 13 February 2024, and it was,

Resolved:

To note the minutes of the Local Pension Board meeting on 13 February 2024.

26 **Public Participation**

No statements or questions were submitted.

27 **Headlines and Monitoring (HAM)**

Jennifer Devine, Head of Wiltshire Pension Fund, supported by other officers, presented the Headlines and Monitoring report.

The Committee received a presentation from Nat Harrison, Acting Employer Services Work Management Officer, which provided an update on iConnect for 2024. The presentation covered the following points, including but not limited to:

- An overview of iConnect related highlights for 2024.
- Work which had been conducted to improve provision for new employers, including an online video and updates to the existing online resource guide.
- New developments for the EST Officers were outlined, including a bitesize reference library folder and personal training and development plans.
- An outline of the new controls in place was provided, including a mandatory pre-onboarding checklist for new employers.
- Strategic documents including an Employer Data Quality Categorisation Policy and Employer Data Quality Checking Guide had been approved in January 2024.
- An overview of what was coming soon was provided, including further website updates, iConnect functionalities and a 2024 Employer Forum.

The Committee discussed the presentation, with reference made to whether the Fund was reliant on employers' controls, which the Fund had no control over. Clarification was provided that there were several controls in place at the time of submission that were embedded into iConnect, allowing the system to refer to existing records for a particular member. Additionally, there were checks in place at many levels and areas, which would prompt employers to check their submissions if incorrect. It was further clarified that data submissions were checked and confirmed before being added to the system.

Reference was made to the error rate of checks, to which it was outlined that there are tolerances set and thresholds to ensure that over checking does not take place at an administration cost. Over the last 6 months the error rates of checking have decreased with much less submissions being referred back and it was expected that data is 99% correct. It was also clarified that when employers outsource payroll, it would be up to them who they delegate their payroll to and that a lot of payment providers are those used by other funds using iConnect.

Further clarity was sought regarding how things were progressing with the onboarding process for Swindon, with it noted that there had been some teething problems, including some issues with the cancellation of payments in the accounting department and issues with previous submissions being a thousand out, which would need to be accurate to be aligned. It was assured that the team was working closely with Swindon to resolve issues with it hoped that the issues could be resolved as soon as possible.

The Committee received a presentation from Matt Thorpe, Service Improvement Lead Analyst, which provided an update on aggregations and backlog. The presentation covered the following points, including but not limited to:

- An overview of the Service Improvement team was provided, with it noted that the team often seconds other members of staff into the team on a temporary basis depending on skills.
- There was a big project to clear out old cases and clean data, which within 6 months led to the case backlog being reduced by 3,500 cases as well as being able to identify what had caused the backlog.
- Work was conducted on the letters used by the team, after it had been identified that they were complicated. Currently work is being conducted to sign off on having 32 letters rather than the 197 previously used.
- An overview of other work which had been achieved was provided, including work relating to bulk processing and automation.

The Committee discussed the presentation, with it clarified thar there were currently 20 processes guides in place and that a further 4 would be required to finish the work. Detail was provided that one of the seconded members of staff had been completing a pensions degree and had expertise in linguistics and language, which therefore allowed her to head up the letters project and look at it from a member's perspective. It was noted thar there was a desire for the letters to be simplified and that this would go through a comms manager to enable the letters to take a simplified form. It was clarified that though the backlogs and aggregations work had been completed, the team had not been on top of the business-as-usual work, however this would be able to be cleared in time.

The Committee received an update from Richard Bullen, Fund Governance Manager on the Risk Register, which noted that there had been three areas of change recommended by the Local Pension Board, including fund governance, investment and performance. The Fund Governance manager also provided detail on audit, with it noted that there would be a transition to a new external auditor, Grant Thornton. Regarding performance, it was noted that at the end of last year there had been increased risk through transition payments from SAP to Oracle, with a number of payments not paid or duplicated. Additionally, since February the risk regarding outsourced projects had been downgraded as this had been completed and brought back in house. A further change was that finance had been identified as an increased risk due to the migration to Oracle.

The Fund Governance Manager also provided details on the KPI audit, which had been commissioned last year and completed in December. There had been a lot of progress in this area, however as the recommendations were yet to be fully implemented, Officers requested an extension to the target date from 31 March to 30 June 2024.

An update was provided in respect of changes to the risk register for the period to 31 December. The Committee discussed the updates provided by the Fund Governance Manager, with further clarification provided that there was not a risk associated with pensions relating to the unaudited Wiltshire Council accounts and that many conversations had taken place with Deloitte and Grant Thornton regarding this area. It was hoped that there would be progress made by Deloitte to get the outstanding accounts published and signed off by 30 September 2024.

The Committee received an update from James Franklin, Pension Administration Lead on administration KPIs, with it noted that from the period of 1 December 2023 to 29 February 2024 the backlog had increased. There had been a focus for the administration team on training in office, which has occurred for every team member every Wednesday. Feedback for the training had been positive. It was outlined that the transfer to Altair payroll had improved processing times and the processing team had also welcomed two new starters with the member services team also set to welcome a new starter. As per the report in the agenda pack, the number of cases older than 2 years was now down to 101 with it hoped that these would be down to 0 by the end of the next quarter. It was noted that the team was slightly not staying on top of business-as-usual work due to the training focus however this would expect to change in the future.

The Committee discussed the update with it clarified that every member of the team has been receiving training and that this has helped existing staff to better follow processes and procedures as well as enabling better practices.

At the conclusion of debate, it was,

Resolved:

The Committee agreed to:

- **Approve the risk register recommendations made by the Board and the officer assessment of risk as presented in the December version of the risk register.**
- **Note progress in the SWAP KPI audit update and approve an extension to the target deadline to 30 June 2024.**

28 **Business Plan 2024/27 & Budget 2024/25**

Jennifer Devine, Head of Wiltshire Pension Fund, presented the Fund's Business Plan and Budget to Committee for approval. The presentation outlined the Business Plan for the next three years with it written to match the style of the Wiltshire Council Business Plan with aims and actions for each area and measures of success. The plan had been split with managers who had all written regarding their own areas and the plan would act as their action plan to deliver against.

The Committee discussed the Business Plan with it suggested that the word “tirelessly” be removed from page 61. Clarity was provided that the intention for the Plan was to bring the Fund together with individual managers having written their own sections. It was suggested that the Business Plan could have been more actions orientated, however it was noted that the purpose of the Business Plan was to set the strategic contextual environment for business to be conducted in. Lower-level documents such as Service Plans and Appraisals would then determine actions to be completed, with the main Business Plan acting as a strategic document.

Christopher Moore, Investment and Accounting Team Lead provided an overview of the operational budget of £4,623k, which was a decrease of 3.3% from the prior year, with the cost per member decreasing to £49 from £51. Attention was drawn to page 63 of the agenda pack, which provided a summary of the key features of the proposed 2023/24 budget as well as the estimated costs for the next 3 years. It was outlined that the key reason for the overall decrease was the ending of non-recurring projects such as the backlog and payroll reconciliation. It was stated that benchmarking had been undertaken to set the context of the budget against other LGPS funds with the proposed budget sitting within comparative funds. Additionally, the process to arrive at the proposed budget had been more inclusive of managers who would better understand the costs of the areas they were responsible for running.

The Committee discussed the proposed budget with clarity provided that each year a new proposed budget would be taken to the Committee and that continuous benchmarking would take place with the goal of providing value for money. Further attention was drawn to page 63 of the agenda, which attempted to identify reasonable assumptions.

At the conclusion of debate, it was,

Resolved:

The Committee agreed to:

- **Approve the Business Plan 24/27, including the Committee’s foreword.**
- **Approve the Pension Fund operating budget for 2024/25 of £4.623m (0.14% of total fund value).**

29 **Key Financial Controls**

Christopher Moore, Investment and Accounting Team Lead provided an update concerning the operational accounting arrangements, which included budget monitoring. Other points raised included that previously reference had been made to additional resource for the backlog, which had now had two members of staff allocated to it on a temporary basis, who had done a good job and had made progress. It was noted that there had still been issues with the Oracle system including difficulty in producing the report which would be key for the Annual Report and monitoring.

New external auditors, Grant Thornton had been on site during the week of the meeting and work had begun for them to understand the processes in place as well as building a good relationship with them. The Pensions team had demonstrated the new processes from payroll to employer contributions and had received positive feedback. It was planned that Grant Thornton would return in the summer when the final reports had been produced.

Reference was drawn to a graph within the report which demonstrated the variance between payroll and the Altair system. It was outlined that the graph showed a downwards trend from October to January and that the final stage of the reconciliation process would be the go live of the system. It was stated the team was now down to the final discrepancies and that the new payroll implementation would be a key step in resolving this.

Regarding cashflow, it was outlined that large cash movements had taken place because of the investments in the Climate Opportunities fund and that the Salami portfolio had been invaluable for holding cash.

The Committee discussed the report with it noted that the funds divested from Magellan had been received in December and had since been used to fund Wessex Gardens. Further detail was provided on the cashflow of overnight business with clarity also provided that the Pension Fund had been cashflow neutral for the past months.

At the conclusion of debate, it was,

Resolved:

The Committee agreed to use the report to monitor progress against resolving the issues which had been identified.

30 **Stewardship Report**

Jennifer Devine, Head of Wiltshire Pension Fund, presented the draft Stewardship Report for approval by members. The report included that as the Fund was a signatory to the Financial Reporting Council’s (FRC) UK Stewardship Code 2020, signatory status would have to be maintained by submitting an annual report once a year in May, with the FRC marking the report. It was noted that some of the information which would be included within the report could not be obtained until the end of the month, such as membership demographics but the report was nearing completion. It was outlined that there were 12 areas to report against within the report and that a highlights magazine would be produced alongside the report to summarise important points.

The Committee discussed the report with an amendment suggested that reference to the CLOPs portfolio had been made on page 5 of the report without explaining what it was. It was also noted that a breakdown of Equality, Diversity, and Inclusion (EDI) would be completed as well as analytics of how the data was split. Further detail was provided that membership information was held on record and that staff had been asked anonymously for their data, to which they responded.

At the conclusion of debate, it was,

Resolved:

The Committee agreed to approve that the draft report is subject to final edits and submitted to the FRC.

31 **Administering Authority Discretions Policy**

Richard Bullen, Fund Governance Manager, presented an updated version of the Administering Authority Discretions Policy for approval by members. The presentation noted that the policy had reached its three yearly review and that the Fund was afforded discretion over how the rules of Scheme operate, allowing a degree of localised decision making. The Fund summarised its approach to all these areas of discretion in an Administering Authority Discretions Policy, which was last reviewed and approved by the Committee on 31 March 2021. It was outlined that the changes to the policy were on page 155 of the agenda pack, with further clarity provided on how discretion was exercised.

At the conclusion of debate, it was,

Resolved:

The Committee agreed to approve the recent amendments to the Administering Authority Discretions Policy.

32 **Employer Update**

Matt Allen, Employer Funding & Risk Lead presented an update on employer related activities. The update included that there had been developments in the following five areas:

1. Employer Scorecards – the aim was to produce a way to track employer performance against their responsibilities and obligations. Work was progressing well, and a draft report had been produced and was now under review, with the aim for employers to receive their scorecard each quarter. It was outlined that unfortunately the officer leading on this area was on sick leave therefore there would be a slight delay to the work.
2. Employer Compliance (Data Sharing Agreements – DSAs) – These would allow the Fund to share membership data with third party payroll providers or an outsourced HR provision. As of 15th January 2024, 78% of the these had been completed and were held by the Fund. Of the remaining 22%, 3% were in progress and 19% were awaiting a response.
3. Employer Review (Internal Working Practices) – Since Matt Allen came into post, reviews had taken place to consider how the current processes and practices could be improved. A new employer database had been created which was a single point of contact resource which contains all contractor information, where previously this had been difficult to access. Work regarding admission agreements was outlined and how new admission agreements would now be tracked via Eversheds Sutherland to enable to quicker turn around compared to previously. The TUPE Tracker and Cessation Tracker had also been overhauled to enable the Fund to track an employer from start to finish.
4. Employer Forum – On 16 November 2023, the Fund held its first face to face Employer Forum, which 30 employers attended. There was an intention to hold more in 2024 in Trowbridge, Swindon, and Salisbury. This work had however been paused due to the lead officer being on sick leave.
5. Employer Changes – An overview of employer changes was provided with reference drawn to the report for a detailed outline of the changes involving Imperial Cleaning Services Ltd, Aster, The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Diocese of Bristol MAT (DBAT).

The Committee discussed the report with it suggested that some of the cases outlined must produce a disproportionate amount of work, to which it was clarified that there was not a policy for writing stuff off and that a pragmatic and fair approach was taken to each employer change. It was clarified that the cost to establish the final position of employer changes varied and that the costs were included within the charging policy.

A question was raised regarding the ability for companies to go into administration and then set up another company and how likely it would be for the new company to be admitted into the scheme if they had the same directors. The officer provided assurance that it was his role to protect the Fund and that if there was enough security in place such a company could be admitted and that it would be the employers position to accept the risk.

At the conclusion of debate, it was,

Resolved:

The Committee agreed to note the report and to seek from Officers such clarifications or further information as they require.

33 **Employer Covenant Risk Policy**

Matt Allen, Employer Funding & Risk Lead presented an update on the Employer Covenant Risk Policy. The update included that this was a new policy as it had been identified that the Fund had not previously had a formal policy on employer covenant risk management. Officers had worked with Fund actuaries Hymans Robertson on the drafting of the proposed Employer Covenant Risk Policy to ensure it met the needs of the Fund and its Scheme employers.

The new policy would aim to set out the Fund's approach to assessing employer covenant risks and the impact of the employer risks within the funding strategy; this would therefore enable the Fund to give a rating to each covenant and decide on the implications. It was outlined that initially employers would be rated as "high" or "low" risk, with examples of "high" risk cited as colleges, universities, town, and parish councils, with "low" risk examples including the Police, Fire Service and Academies. It was outlined that "low" risk employers would likely receive this categorisation due to their government backing and tax raising powers. Once an initial assessment was completed, further analysis would take place with key financial information requested, which could potentially mitigate risks and lower the initial rating, with these then being categorised as red, amber, and green. The policy would have the aim of setting out the intentions of the Fund and if approved would need to go to the Local Pension Board, with this aimed to be conducted by the end of the year ahead of valuation in 2025.

The Committee discussed the report with clarification provided that if a high-risk employer was to miss contributions over a long-term period this would affect their assessment. Further clarity was provided that the policy would focus future employers when joining the Fund and would contribute to the ongoing monitoring and scorecards.

It was suggested that a simplified document be sent out to Councillors, with it likely that they would experience questions regarding the implications of the policy for town and parish councils. Assurance was provided that it would be very surprising for town and parish councils to be rated as red and that a consultation had taken place with town and parishes quite happy with the draft policy. Additionally, as town and parishes would currently be pooled, the policy would have minimal impact. It was also clarified that the policy would not have an impact on employees unless the Fund decided it was a high risk and then placed the employer on a path to exit the fund.

At the conclusion of debate, it was,

Resolved:

The Committee agreed to approve the Employer Covenant Risk Policy and sought from Officers such clarifications or further information as they required.

34 Committee Forward Work Plan

The Committee reviewed the Forward Work Plan with it noted that now that the Business Plan had been approved, the respective items for this would be included in the next iteration of the Forward Work Plan. It was noted that the Training Plan for next year had not been brought forward yet as Member feedback was still being collected and analysed before being brought to the next meeting.

35 Date of Next Meeting

The date of the next meeting was confirmed as 13 June 2024.

36 Urgent Items

There were no urgent items.

The Chairman called the meeting to a break at 12.05pm and resumed at 12.10pm.

37 Exclusion of the Public

It was,

Resolved:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute Numbers 19 - 23 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 1 & 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

38 Minutes

The private minutes of the meeting held on 29 February 2024 were presented for consideration, and it was,

Resolved:

To approve and sign the minutes as a true and correct record.

39 **Review of the Part II Minutes of the Local Pension Board**

The private minutes of the Local Pension Board meeting held on 13 February 2024 were presented for consideration, and it was,

Resolved:

To note the minutes as a true and correct record.

40 **Integrated payroll system project update**

James Franklin, Pension Administration Lead, presented a “payroll migration” update from SAP to Oracle, which included the PI exercise.

At the conclusion of debate, it was,

Resolved:

The Committee noted the information provided to them and commented that they would see the outcome of the migration.

41 **Brunel Governance update**

Andy Brown, Brunel Shareholder Representative provided a verbal update summarising the ongoing Brunel governance arrangements.

42 **Procurement update**

Richard Bullen, Fund Governance Manager provided members with a verbal update on the procurement of strategic service providers.

(Duration of meeting: 10.00 am - 12.50 pm)

The Officer who has produced these minutes is Ben Fielding - Senior Democratic Services Officer of Democratic Services, direct line: 01225 718656 , e-mail: Benjamin.fielding@wiltshire.gov.uk

Press enquiries to Communications, direct line 01225 713114 or email communications@wiltshire.gov.uk

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
20TH June 2024

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 Committee

Progress against recent decisions and the actions in the Responsible Investment Plan 2023/24

2. Progress against the actions in the Responsible Investment Plan 2023/24 is as follows, along with links to the completed work:

Action	Work due	Progress status	Comments
Finalise the divestment statement	Q2 23		Complete – approved by Committee and included in the RI Policy 2023 (How we do it (our approach) - Wiltshire Pension Fund)
Begin work to implement the renewable infra and climate solutions portfolio	Q2 23		Significant progress made – see below
Publish the stewardship report and mini-magazine	Q2 23		Complete - Summary - Wiltshire Pension Fund
Publish the affordable housing impact report	Q2 23		Complete - Affordable Housing Impact Report 2023 - Wiltshire Pension Fund
Research and publish the cement case study	Q2 23		Complete – included in the Climate Report and online (Climate - Wiltshire Pension Fund)
Set net zero targets relating to climate solutions, transition alignment and stewardship	Q3 23		Complete – pragmatic approach taken and included in the RI Policy 2023
Set net zero targets related to property and infrastructure	Q3 23		Complete – included in the RI Policy 2023
Review and update the RI policy	Q3 23		Complete – How we do it (our approach) - Wiltshire Pension Fund
Publish an expanded Climate Report (including TCFD reporting)	Q3 23		Complete – Climate - Wiltshire Pension Fund
Conduct an engagement activity with the scheme's younger members	Q3 23		Complete - Engaging with our younger members - Wiltshire Pension Fund
Progress the approach to net zero with the Fund's listed infrastructure manager	Q4 23		Significant progress was made, and then the Fund divested from this portfolio, closing this action
Investigate carbon offsets (as both an investment opportunity and as something used by our holdings)	Q4 23		A case study has been carried out and will be published in the Fund's Climate and Nature Report 2024
Progress the water engagement via Brunel	Q4 23		Progress was made but the Fund has now withdrawn from this engagement due to resourcing issues, closing this action
Report on progress and developments against the theme of biodiversity	Q1 24		First stage done by including a section in the RI Policy 2023, two case studies

			published into regenerative agriculture and deforestation (Regenerative agriculture - Wiltshire Pension Fund and Tasty profits - investing in chocolate - Wiltshire Pension Fund) and more will be published in the Climate and Nature Report 2024
Launch a holdings transparency tool via the Fund's website	Q1 24		Complete - A Quarterly Insight into Our Equity Holdings - Wiltshire Pension Fund
Use established industry tools to investigate the theme of health in our portfolios	Q1 24		Complete - Healthy Profits Part 1 - A check up into our exposure to the theme of health - Wiltshire Pension Fund and Healthy Profits Part 2 - identifying opportunities - Wiltshire Pension Fund

3. This evidences that good progress was made throughout the year towards advancing our approach to responsible investment. Most of the actions have been published online, demonstrating transparency and information sharing, and providing information for stakeholders.

4. The one action which has not yet been fully completed is implementation of the Climate Opportunities (Clops) portfolio. This has been due to resourcing constraints in the investments team, meaning that work has had to be carried out in a more linear fashion rather than several workstreams at once. However, in spite of this, good progress has been made, as follows:

Asset class	**Allocation**	**Comments**
Local infrastructure	£100m allocated to Wessex Gardens	£70m already drawn down into a solar portfolio
Listed equities	Subscription pending	A manager has been selected who takes a thematic approach to investing in planetary transition
Listed/private debt	£50m allocated to 91's emerging market transition debt fund	The fund will invest in both listed and private debt, targeting impact across different time horizons
Climate tech VC	£10m allocated to World Fund	The manager invests in start-up companies who are set to deliver material carbon reduction
Nature-based	Pending	

5. Other responsible investment achievements throughout the year include the following:
   - Our COP28 campaign explained our approach to members with an informative factsheet, and was read by c.13k people.
   - The Fund won several awards, specifically the LAPF Investment Awards 2023 award for "Best Approach to Responsible Investment", and the 2023 Pensions for Purpose awards for "Best Climate Change Member Communication" and "Impact Investing Adopter Award".
   - Officers at the Fund have been invited to speak at several conferences/round tables/podcasts etc. about the Fund's approach, and there has been a lot of positive publicity for the investments in Clops.
   - A large survey of the Fund's membership was carried out on responsible investment matters, the results of which were deeply informative, and can be found here: Responsible Investment Survey 2024- The Results! - Wiltshire Pension Fund
   - The Fund maintained signatory status of the Stewardship Code 2020.

Responsible Investment Road Map for 2024/25

Q2 2024 -

Investments and strategy: Complete allocations to a nature-based fund and listed equities strategy in the Clops portfolio.

Reporting and disclosure: Publish the Stewardship Report and mini-magazine, the Affordable Housing Impact Report, and a report into our fossil fuel holdings.

Training and engagement: Research and write up case study on fashion holdings, conduct a site visit to an affordable housing development, and deliver a younger members focus group.

Q3 2024 -

Investments and strategy: Carry out climate scenario modelling. Review and update the Responsible Investment Policy.

Reporting and disclosure: Publish a Climate and Nature Report, and a Social Impact Report.

Training and engagement: Conduct an employer survey, and a case study into one of our private markets managers.

Q4 2024 -

Investments and strategy: Investigate best practice ESG integration for bank loans, and make the final affordable housing allocation.

Reporting and disclosure: Develop the transparency tool to cover fixed income holdings, and publish a case study into "levelling up" investments.

Training and engagement: Research and write up a case study into food systems. Investigate the topic of ESG as a risk management tool in private debt.

Q1 2025 -

Investments and strategy: Investigate climate targets for private markets portfolios.

Reporting and disclosure: Scope the Clops Impact Report.

Training and engagement: Research and write up a case study into a just transition.

6. The roadmap for 2024/25 as approved by the Committee is shown above and monitoring against progress is set out below:

Action	Work due	Progress status	Comments
Complete allocation to a nature-based fund in the Clops portfolio	Q2 2024		Initial investigation being undertaken into funds, work will be delayed into Q3 2024.
Complete allocation to a listed equities strategy in the Clops portfolio	Q2 2024		Manager selected for this strategy.
Publish the Stewardship Report and mini-magazine	Q2 2024		Report agreed by Committee and graphically designed ready for publication on 13th June. See appendix 2 for the mini magazine.
Publish the Affordable Housing Impact Report	Q2 2024		Report prepared and provided as appendix 1 to this paper, will be published on 20th June.
Publish a report into our fossil fuel holdings	Q2 2024		Elsewhere on this agenda in the Climate and Nature Report 2024.
Research and write up case study on fashion holdings	Q2 2024		Complete: Investing in fashion - how do our investments measure up? - Wiltshire Pension Fund
Conduct a site visit to an affordable housing development	Q2 2024		Complete, visit to two sites completed and included in the Affordable Housing impact report. Man Group site and two CBRE sites in London. Building affordable housing from the ground up - Revisiting Saltdean two years on! - Wiltshire Pension Fund
Deliver a younger members focus group	Q2 2024		Due to low levels of interest, this action has been closed. Options are being considered on how to progress engagement with younger members.
Carry out climate scenario modelling	Q3 2024		Not yet started
Review and update the Responsible Investment Policy	Q3 2024		Not yet started
Publish a Climate and Nature Report	Q3 2024		Elsewhere on this agenda
Publish a Social Impact Report	Q3 2024		The Spotlight on Social Report has been published: Spotlight on Social - Wiltshire Pension Fund
Conduct an employer survey	Q3 2024		Not yet started
Write up a case study into one of our private markets managers	Q3 2024		Not yet started
Investigate best practice ESG integration for bank loans	Q4 2024		Not yet started
Make the final affordable housing allocation	Q4 2024		In progress
Develop the transparency tool to cover fixed income holdings	Q4 2024		Not yet started
Publish a case study into "levelling up" investments	Q4 2024		Not yet started
Research and write up a case study into food systems	Q4 2024		Not yet started
Investigate the topic of ESG as a risk management tool in private debt	Q4 2024		Not yet started
Investigate climate targets for private markets portfolios	Q1 2025		Not yet started

Scope the Clops Impact Report	Q1 2025		Not yet started
Research and write up a case study into a just transition	Q1 2025		Not yet started

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

8. There are no known implications at this time.

Proposals

9. The Committee is asked to
    - use this report as a basis for monitoring the progress that is being made towards implementing responsible investment policy;

Report Author: Jennifer Devine (Head of Wiltshire Pension Fund)

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

Appendices:
Appendix 1 – Affordable Housing Report
Appendix 2 – Stewardship Report Mini Magazine

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AFFORDABLE HOUSING IMPACT REPORT

2024

Wiltshire Pension Fund

AFFORDABLE HOUSING IMPACT REPORT

31 MARCH 2024

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AFFORDABLE HOUSING IMPACT REPORT

31 MARCH 2024

PURPOSE

In this report, we aim to inform our stakeholders about our **Impact Affordable Housing portfolio**. The objective of our Impact Affordable Housing portfolio is to deliver stable, secured inflation-linked investment returns by investing in housing assets which benefit residents and local communities within the UK. This report shares some **key metrics** to evidence how the portfolio is doing against its objective, as well as some **case studies** which bring our approach to life. We hope that you enjoy the report!

WHAT IS IMPACT INVESTMENT?

“These are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.”

As defined by the Global Impact Investment Network (GIIN)

WHAT IS AFFORDABLE HOUSING?

“There is no one universal definition for affordable housing, but in broad terms it refers to housing where the rent or cost is at least **20% lower than market rate**.”

The investment case for affordable housing in the UK is clear, with demand far greater than supply, and thousands of families on local authority waiting lists. Affordable housing provides us with inflation-linked income with the potential for long-term capital appreciation – a perfect match for a long-term open pension scheme such as Wiltshire Pension Fund. Affordable housing also provides very positive benefits to those on lower or median incomes, priced out of home ownership in the less secure private rental sector. We believe that **the positive impacts delivered by investing in affordable housing are completely integral to the investment case.**

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HOW IS WILTSHIRE PENSION FUND INVESTING WITH IMPACT?

Our total allocation to affordable housing is 5% of the Fund, i.e. c.£160m. In April 2022 we committed £120m to three different managers, and we have plans to add one more to our portfolio. Each of our three managers specialises in different areas. Our money is pooled with other investors, and then the managers select investments. This approach ensures we are **well diversified** and not overly exposed to any particular investment or manager.

MANAGERS	AMOUNT WPF HAS COMMITTED	STRATEGY	TARGET RETURN
CBRE	**£40m**	**Diversified** (Affordable rent, shared ownership and some supported housing)	**6%**
Gresham House Specialist asset management	**£50m**	**Shared ownership**	**6%**
Man	**£30m**	**Diversified** (All types, including mixture tenure)	**8–10%**

SHARED OWNERSHIP

An arrangement which allows residents to buy a share of a property with a mortgage and pay a discounted rent on the remainder.

AFFORDABLE RENT

For those in receipt of housing benefit, and those on low to median incomes, priced out of market rents in areas where they work and live.

SUPPORTED HOUSING

For those with specialist housing needs, temporary accommodation for the vulnerable, for example.

MIXED TENURE

A development with multiple types of housing, including market rate. This promotes social cohesion.

Our portfolio is diversified across types of affordable housing and this continues across geographical locations and situation; there is no concentration in areas of highest relative unaffordability (i.e. South East England) nor to urban areas (projects include a mix of developments in rural villages, town and fringe as well as those in cities).

WHAT METRICS DO WE MEASURE AND WHY?

We need to make sure that the managers are investing in line with their strategies, and the best way to do this is to monitor both the financial returns and also the positive impacts they are generating. We collect the following impact metrics and combine them across the three managers for our entire portfolio[1]:

The social benefit from investing in these types of homes is completely integral to the investment case.

5,207 HOMES

At 31 March 2024, there were 5,207 homes in the portfolio, Wiltshire's share of this is 10.4%[2].

This has meant more affordable property has (or will) become available. The portfolio is predominantly made up of housing developments that are under construction, but some units are complete, or have been purchased already occupied by tenants.

9.34 AVERAGE AFFORDABILITY

The homes in our portfolio are located in areas with average affordability of 9.34, 13% higher than the national average of 8.3[3].

This means that homes in our portfolio are generally being created in areas where affordability is most challenging for local residents.

Want to learn more about local affordability?

[Click here to visit our interactive map]

98% AFFORDABLE

A total of 98% of homes in the portfolio are affordable.

The reason for some homes in the portfolio being open market rate is that these are a minority component of mixed tenure developments. The inclusion of open market rate homes delivers the positive impact of promoting social cohesion.

74% NEW BUILDS

The homes held in Wiltshire's portfolio are 74% new builds.

This shows that the money we have committed to this portfolio is directly contributing to new homes being built, and increasing the supply of housing in the UK.

83% ENERGY PERFORMANCE B-RATED OR ABOVE

83% of homes in our portfolio are B rated, or above.

Energy Performance Certificates (EPCs) tell you how energy efficient a building is and give it a rating from A (very efficient) to G (inefficient). They provide an indication of how much it is likely to cost to heat and light, and what its carbon dioxide emissions are likely to be.

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[1] The managers themselves collect a full range of data for the homes in their portfolios, and report on a range of metrics. These are bespoke to their individual strategies, so whilst we monitor these and hold the managers to account, we cannot combine all of these metrics for the whole portfolio.

[2] Based on our share of the overall valuation of the combined portfolios as at 31 Dec 2023

[3] Calculated as the ratio of median house price to median earnings in the local area. Housing affordability in England and Wales – Office for National Statistics (ons.gov.uk)

BUILDING COMMUNITIES: HOW OUR AFFORDABLE HOUSING DEVELOPMENTS ARE TRANSFORMING NEW NEIGHBOURHOODS

ABBEY PLACE

On a bright and blustery spring morning, we crossed London and travelled to the end of the Elizabeth Line at Abbey Wood station. Just a stone's throw from the station is Abbey Place, currently the largest standing asset in the CBRE Affordable Housing Fund, to which we have made a commitment of £40m as part of our UK impact affordable housing portfolio.

The area around Abbey Place currently feels somewhat windswept and remote, in spite of being within Zone 4. We learned that **the area is currently undergoing a transformation**, and Abbey Place is one of the first of many new buildings that will be instrumental in turning this neighbourhood into a new community. Significant investment and regeneration in the area is adding a huge number of additional residential properties, and being the first of these new properties as well as being **conveniently located**, Abbey Place is high demand.

The development is a multi-family construction, made up of two towers and a shared podium garden. One tower houses 72 flats which are being let at a discount of c.20% to market rate in the area. This ensures **genuine affordability**, with rents capped at 40% of the local median income. When these units were made available to the public, every single flat was let within 2 weeks, demonstrating the **high level of demand**. Originally, planning permission was for 90% private rented properties, but CBRE re-negotiated this to 30%, allowing for more shared ownership properties, which support people who could not otherwise afford to get on the property ladder. The second tower contains 173 shared ownership properties. Again, demand here has been impressive. At the time of writing around 135 units had already been sold with even more reserved, leaving only 20 to go.

72
DISCOUNTED RENT HOMES

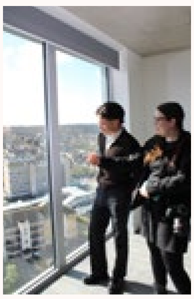
173
SHARED OWNERSHIP HOMES

RIGHT NEXT TO ABBEY WOOD STATION

6%
RETURN OVER 7–10 YEARS

We visited one of the still-vacant shared ownership homes to take a look. The property was full of natural light, with spectacular floor-to-ceiling windows providing views of the surrounding area. The **environmental credentials were of a high standard** (and are the same in the discounted rental properties) with an EPC rating of B and a centralised heating system. We also learned that solar panels on the roof help power the lifts and communal areas in the building, which reduces the service charge for residents.

After a quick trip across the **shared communal space** on the podium level, we ascended the rental unit tower to the roof terrace to admire the views across to Canary Wharf, and then hopped back onto the Elizabeth Line to visit our next destination.



WOOD WHARF

After travelling 4 stops back towards Canary Wharf, we took a short walk to Wood Wharf. This is also a neighbourhood in development, the entirety of which is in the process of being **built from the ground up**. Our investment is in two towers which will jointly contain 294 regulated rent homes. Currently these are just beginning construction, with the intention to deliver the finished properties in 2026.

This investment presents a compelling case for **strong returns alongside positive social impact**. Wood Wharf is situated in the shadow of prosperous Canary Wharf, but is actually part of the London Borough of Tower Hamlets, one of the most deprived areas in London. We learned that within Tower Hamlets, an incredible 17% of households are on a housing waiting list, and the two towers being built will be populated entirely with people from this list, **delivering against a clear local social need**.

Unsurprisingly, rents are very high in the affluent Canary Wharf area, but within these towers, planning has mandated a rental cap to ensure affordability. CBRE have also assessed this against local median incomes to confirm rents are genuinely affordable. There are **several local amenities** right next to the towers, including a park, doctors' surgery, vet clinic, school, leisure centre and supermarket, making this is a highly practical place to live.

From a sustainability perspective, the properties will be EPC B rated, and although planning was agreed in 2013, they will be **constructed to a higher standard** in line with the 2020 building regulations.

294
REGULATED RENT HOMES

NEW
COMMUNITY AREA

LOCAL AMENITIES

6%
RETURN OVER 7-10 YEARS

CONCLUSION

Our journey through Abbey Place and Wood Wharf offers a vivid snapshot of how **strategic investments in affordable housing can significantly impact and transform neighbourhoods**. Abbey Place exemplifies the pressing need for affordable housing solutions within reach of central London. Wood Wharf, poised to bring regulated rent homes to one of London's most deprived areas, represents a forward-looking approach to urban development, balancing economic viability with social responsibility. As we continue to expand our affordable housing portfolio, our focus remains on ensuring that **sustainable returns for WPF** are coupled with the benefits of growth and regeneration being accessible to all.

HOME SWEET (ECO-FRIENDLY) HOME:
INVESTING IN AFFORDABLE HOUSING'S ENERGY REVOLUTION

There is a clear link between environmental and social impacts when it comes to housing: simply put, **homes with better environmental credentials are better homes for people to live in.**

One of our affordable housing managers, CBRE (WPF commitment of £40m), have been working with housing manager Waypoint on a retrofit programme at their development in Mildenhall. The retrofit programme aims to bring all 100 homes from an EPC D to a B, with works including the conversion of oil boilers to air source heat pumps and the installation of solar PV panels.

This work is necessary – with a current EPC rating of D, these homes were set to fail against upcoming regulatory requirements, which state that all new tenancies need to have an EPC rating of at least C by 2025 (and all existing tenancies by 2028). The existing heating system in these properties was close to the end of its economic life, and therefore replacing with like-for-like was not a practical solution.

This work began by piloting the programme in four homes, costing £30,000 per home. With utility savings of c.20% and a carbon saving of c.72%, CBRE's ESG team has estimated that the works conducted have the potential to save residents 36% on their heating bills. This represents **a significant saving at a time when there are significant cost pressures on residents, particularly regarding energy bills.**

Following the success of the pilot, CBRE will now be rolling out the programme to the remaining 96 units in the development, at a total cost of £3.3m. Due to carrying out the work in bulk, CBRE estimate that the installation time can be reduced from one week to two days, meaning residents can remain in their homes during the works, thereby minimising disruption. At the time of writing, 80 homes have now been successfully retrofitted!

100
HOMES

IMPROVEMENTS FROM
EPC D TO B

£3.3M
PROJECT

36%
SAVINGS ON ENERGY BILLS

In addition to the positive impacts for the residents, there are economic benefits for us as investors from this retrofit project as well. The £30k investment in each house helps **preserve value and ensures the investment meets future regulations** and as such continues to be income generating into the future.

CONCLUSION

In conclusion, the journey toward energy-efficient, affordable housing is not just an investment in bricks and mortar; it's an investment in a **sustainable future.** The Mildenhall retrofit project exemplifies how combining environmental stewardship with economic foresight can create **living spaces that are not only more cost-effective and desirable for residents but also more profitable and resilient for investors.**

A home in the Mildenhall development, fitted with solar panels

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BUILDING AFFORDABLE HOUSING FROM THE GROUND UP:
REVISITING SALTDEAN TWO YEARS ON!

We first visited Saltdean site around 2 years ago, when it was just a muddy field on the edge of the South Downs, a few minutes outside Brighton. This site is held in the Man Group community housing fund. On our previous visit the sun had been shining brightly and we were able to enjoy the beautiful countryside. This time the site was shrouded in mist, but even this weather was not enough to disguise the **amazing transformation** that had been underway! Although the site is not scheduled to be fully finished until later in 2024, several homes are now close to completion, and with around 60 construction workers busy on site each day, the rest are not far behind.

There is a strong business case for this type of housing in this location. This development addresses a gap in the market and increases the provision of family-friendly housing. Also, Brighton is an expensive place for accommodation, and it's only getting more expensive.

The design and materials on the site are sympathetic to the origins of the development as a dairy farm, and the overall aesthetic of the national park outside. There will also be attractive communal areas, such as meadow planting, **to promote a feeling of community.**

STRONG ENVIRONMENTAL CREDENTIALS

Examples of the initiatives on site include:

- Net zero homes for key workers
- Air source heat pumps
- Solar panels for every rented home
- Monitored bird and bat boxes for biodiversity
- Sedum roofs for the car ports
- Communal EV charging

On our tour, we looked inside three partially completed properties, including one which had been specifically adapted to be accessible to wheelchair users. All the properties had been **constructed with a high-quality finish** and had high ceilings and large windows looking out on the surrounding landscape, creating an airy and spacious feel.

CONCLUSION

Despite the misty backdrop on our recent visit, it was clear on site that there is a **strong commitment to delivering a sustainable community that enhances the quality of life for its residents.** This development demonstrates that by investing in these types of assets, we can earn the returns we need alongside delivering a positive impact for both people and the planet. As construction pushes ahead, we look forward to returning in due course to see the completed development!

71
NEW HOMES

MIXED TENURE DEVELOPMENT

ENVIRONMENTAL INITIATIVES

>8%
TARGET RETURN

CLIMATE – WHY DOES THIS MATTER?

As a Fund, we have set a target of net zero by 2050 for all our investment portfolios, but why does this matter for affordable housing? Simply put, **the world is changing, and our investments need to be ready to keep up, or we will lose out financially.**

Modern methods of construction are more efficient, as well as being environmentally beneficial. And developments which are sensitive to the climate are also more desirable for residents – for example an energy efficient home is less costly to run, and homes which have access to amenities such as EV charging are likely to be more attractive to buyers. Building homes to a high environmental standard also future-proofs properties against potential changes in regulation, minimising the risk of costly and disruptive retrofits being required. Although this portfolio mainly focusses on positive social impacts, we are also seeing significant environmental progress by our managers, and we will continue to hold them to account on matters related to climate risk.

The examples highlighted in this report show that the managers share our view, and that **properties with improved environmental credentials are an all-round winner,** benefitting people, the planet, and profits.

“We're getting people into more affordable and more evergy efficient homes”

Ben Fruhman, Affordable Housing Fund Transaction Manager at CBRE, speaking in the Fund's film about Purposeful Pensions

PEOPLE
Improved resident satisfaction, cheaper energy bills, better financial security

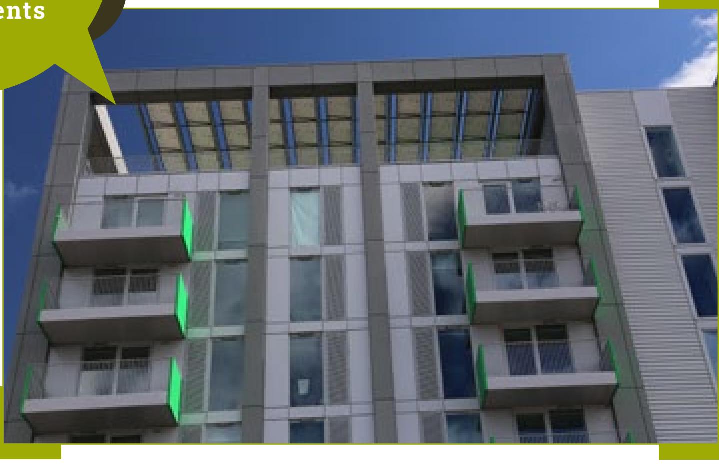
PROFIT
Residents less likely to leave or default on rent, properties future-proofed

PLANET
Reduced carbon emissions, biodiversity benefits

Modular housing uses zero-waste construction and innovative materials to minimise the environmental impact.

Communal heating and solar panels reduce service charges for residents

These are examples of environmental innovation from our own portfolio



Installation of heat pumps and solar panels future-proofs housing and saves residents on their energy bills.

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FINANCIAL PERFORMANCE

This portfolio has a dual mandate, to achieve returns and to deliver positive impact. This report focusses on the impacts delivered by our portfolio, and financial performance is separately assessed alongside our other investment portfolios and for the Fund's assets as a whole. The performance target for this portfolio is to deliver returns in excess of CPI by 2-4% p.a. over a rolling 3-5 year period. Our portfolio has currently only been set up for two years, and is still in the phase of being built up, as money is invested up to our committed amount. It is therefore too early at this stage to make a meaningful assessment of investment performance for the portfolio as a whole. However, we are not complacent, and regularly discuss the progress of the housing developments and any financial concerns with our managers whilst the portfolio is being built up.

WOULD YOU LIKE TO SEE MORE?

As well as the case studies highlighted in this report, you can learn more about our approach to investing with impact on **our website**. Watch our film, Purposeful Pensions, and join us on a site visit to a development right in our own backyard! You can also read about **our visit to a modular housebuilder factory**, which is making houses for a development in our affordable housing portfolio.

Learn more about our overall approach in our Purposeful Pensions Film

The WPF team on a visit to a modular housebuilder

WPF team members at the Pensions for Purpose annual awards

In late 2022, we were delighted to win the Pensions for Purpose Impact Investing Award for our impact investing approach!

CONCLUSIONS

This report demonstrates that our UK affordable housing portfolio is delivering against its objectives, and we can see that our managers are delivering positive impacts for both people and the planet. On our site visits to some of our affordable housing investments, **we have been privileged to see this positive impact in action**. We will continue to monitor and report on our progress in this area. As a final note, we would like to thank our investment managers for supporting our enquiries in writing this report.


Our team

Wiltshire
Pension Fund

Wiltshire Pension Fund

RESPONSIBLE INVESTMENT AND STEWARDSHIP IN ACTION

HIGHLIGHTS 2023/24

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Wiltshire Pension Fund

WELCOME

Welcome to Wiltshire Pension Fund's **Responsible Investment and Stewardship Highlights of 2023/24**. In this report, we share examples and stories of the **work we do in action**, in order to bring our investments to life!

We also publish a much more detailed and comprehensive **Stewardship report** on our activities in this area, which is available on the website. This shorter report is designed to share some highlights, to make the information more accessible to a wider audience.

We hope you enjoy the report!

We currently manage around £3.2bn of assets

WHAT IS RESPONSIBLE INVESTMENT?

Responsible investment is the strategy to incorporate ESG (environmental, social and governance) factors into investment decisions.

WHAT IS STEWARDSHIP?

It is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society (as defined by the Stewardship Code 2020).

ESG= Environmental, Social and Governance

WHAT IS WILTSHIRE PENSION FUND TRYING TO DO?

ESG factors, including Climate Change, are important factors for the sustainability of investment returns over the long term. We need to **protect the Fund's assets**, so that we have enough money to **pay pension benefits** as they fall due, and to help keep our employers' contribution rates as **stable and affordable** as possible. That's why we consider these factors – we are always trying to earn **strong risk-adjusted returns**, and ESG factors play an important role in helping us to do that.

RESPONSIBLE INVESTMENT ACTIVITIES 2023/24

Here are some examples of our achievements and areas of work during 2023/24:

We published our enhanced **CLIMATE REPORT** demonstrating the wide range of work we are doing to achieve net zero

We made progress implementing our innovative **CLIMATE OPPORTUNITIES** portfolio

We published a **PLAN** to divest from fossil fuels

We launched a **CAMPAIGN FOR COP28** (the UN's climate conference) explaining our approach to members, with a factsheet read by c.13k people

We published our **2023 RESPONSIBLE INVESTMENT POLICY**

We joined one of our managers, Ninety One, in **discussing** our joint commitment to net zero, and the pivotal role of emerging markets in the transition

We have continued to receive recognition for our approach – read more on **page 20**

We became an **ADOPTER OF THE IMPACT INVESTING PRINCIPLES** with Pensions for Purpose, supporting us in investing with positive impact

We focussed on the important topic of **EQUALITY, DIVERSITY AND INCLUSION**

We conducted a huge survey of our membership and employers on responsible investment issues – read more on **page 18**

OUR PROGRESS ON CLIMATE

One of the most important ESG factors to consider is **climate risk**. When it comes to climate risk, the Fund's goal is as follows:

> **"To protect the investments from climate change risk, and safeguard the financial future of the Fund"**

In March 2021, in the Fund's best financial interests, we made a decision to set a **net zero by 2050** goal for the investment portfolios.

All of our climate risk work is based on **scenario modelling**, which enables us to put numbers around the risk, and make decisions based on what is the **best financial outcome** for the Fund.

We measure our **decarbonisation progress** against a baseline of our carbon footprint as at 31 December 2019.

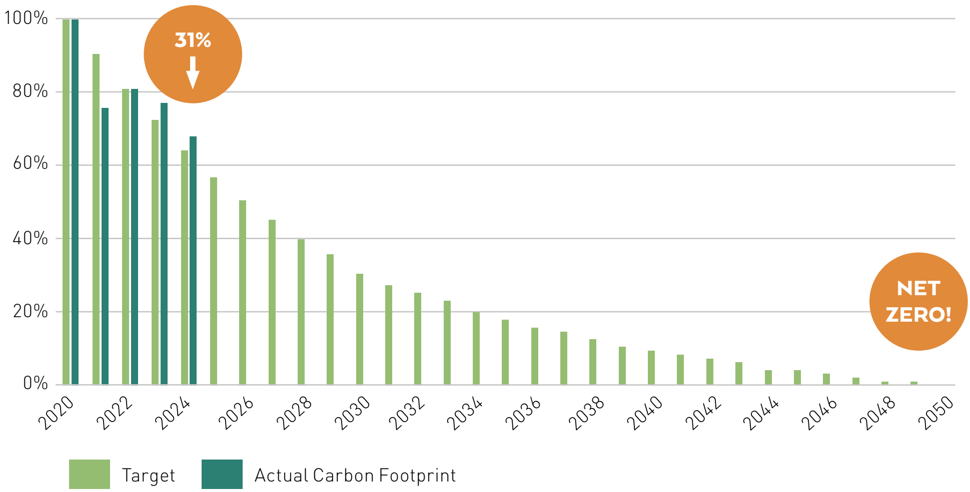
The fund's baseline position for decarbonisation is calculated as follows:

Calculation date:
31 DECEMBER 2019

What has been included?
SCOPE 1 AND 2 EMISSIONS OF ALL EQUITY INVESTMENTS

Carbon footprint (tCO_2e/\$m investment – measures the emissions impact of a portfolio per \$1m invested):
39.9 TCO2E/ \$M INVESTMENT

We have set a **target pathway to decarbonisation** however we acknowledge that progress will not be a smooth journey. The following graph shows our targets, and our actual progress to date:



Although slightly behind target, our carbon footprint has **reduced by 31% since we began our journey!** You will be able to read more about our approach to net zero in our Climate and Nature Report 2024.

INVESTING IN THE FUTURE OF FARMING

We have invested in a wide range of renewable assets, and have a target to increase this exposure. One such asset, which we hold in our secured income allocation (through a £100m portfolio of operational renewable assets, managed by Schroders Greencoat via the Brunel pool), is a collection of **carbon neutral greenhouses, located in the South East of the UK.**

> "Our visit to the greenhouse was an ideal way to discover more about our investment, hearing direct from the growers. This investment is an ingenious marriage of established technologies, enabling us to earn returns in a sustainable way, whilst promoting better outcomes for the environment and the British food economy."

Our exposure to carbon neutral greenhouses is £7m. These assets are **targeting a return of >8%**, which comes from Renewable Heat Incentive payments (a scheme which is now closed for new investments, but is secured for existing projects), and inflation-linked rental payments from the growers, who have signed 20-year leases. This leads to **secure, long-term, sterling, inflation-linked returns** for the Pension Fund.

As soon as we entered the greenhouse we were overwhelmed by the scale. The greenhouse we visited is the largest of its kind in the UK, at a staggering **12.5 hectares**. Inside the greenhouse, **334,000 pepper plants** grow up strings from tiny compost squares, where a calibrated amount of water, nutrients and CO_2 is delivered by a system of pipes. Larger pipes encircle the rows of plants, providing heat to the greenhouse. A busy fleet of self-driving carts head up and down the rows, entering the greenhouse empty and leaving full with a freshly picked harvest of peppers.

Rainwater is collected from the roof and last year this provided all the water needed for the plants. There are hives on site which provide the bees to pollinate the plant. And the **CO_2 for the plants is also produced on site**...

Inside the on-site energy centre, we learnt how the renewable heat is generated. At a nearby water treatment plant, once the water has been processed, clean water is released which is 6 degrees above ambient temperature. The energy centre uses heat pumps to boost this to 50 degrees C, and this water is then used to heat the greenhouse. The cooled water which is then released is better for local ecosystems. The **heat pumps are powered by electricity generated by combined heat and power**. The CO_2 produced in this process is stored in a giant cylinder and used to feed the plants.

100,000
PEPPERS PER DAY

12.5
HECTARES

>8%
INFLATION-LINKED RETURNS

CARBON NEUTRAL HEATING

UK FOOD PRODUCTION

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CLIMATE OPPORTUNITIES

This year, we were excited to begin implementing our Climate Opportunities (Clops) portfolio.

Once fully built up, this portfolio will represent 7% of the Fund's assets, i.e. approx. £220m!

Portfolio Objective

"To earn superior risk-adjusted returns by investing in a diversified mix of assets which have the intention to deliver real World change by actively supporting the transition to a low carbon economy"

WHAT ARE WE INVESTING IN AND WHY?

Clops portfolio components

LISTED DEBT

- Finance currently highly emitting companies on their transition journey
- Emerging markets exposure – make an increased impact
- Diversify the types of companies, projects and time horizon for delivering impact

VENTURE CAPITAL

- Invest in start-up companies
- Exposure to new technologies and innovation
- Very forward-looking

NATURE-BASED SOLUTIONS

- Exposure to nature-based assets, such as forestry or sustainable agriculture
- Opportunity to invest in assets that sequester carbon

LISTED EQUITY

- Exposure to larger companies
- Global exposure
- High conviction portfolio
- Drive change and encourage companies to decarbonise

LOCAL IMPACT PRIVATE INFRASTRUCTURE

- Invest in real assets
- Deliver renewable energy to the local economy
- Read more about this investment on our webpages: [£100m commitment to South West renewables – Wiltshire Pension Fund].

This portfolio provides us with the opportunity to invest in and benefit from the transition to a low carbon economy.

OUR PLAN TO DIVEST FROM FOSSIL FUELS

Divestment = the intentional act of moving money and investments out of a company.

This is most often spoken about with regard to fossil fuel investments, and there is significant pressure on LGPS funds to divest from all fossil fuel companies. This pressure comes both from scheme members and wider campaigns.

During 2023, we published a statement on divesting from fossil fuels:

> As a long-term investor, WPF's goal is to protect the investments from climate change risk, and safeguard the financial future of the Fund. We support a global warming scenario of well below 2°C, and have an ambition to achieve net-zero carbon emissions across all investment portfolios by 2050.
>
> **We do not see a long-term place for fossil fuel investments in our portfolios, and will work towards being fully divested from these companies by 2030. In the short term we will continue to monitor our holdings in these companies, to ensure that any such investments are helping to finance real-World change.**
>
> Alongside this, we will continue to invest in renewable infrastructure and climate solutions, to help create sustainable replacements for traditional fuel sources, and contribute positively towards ensuring energy security. This approach aims to ensure that the Fund's risk of exposure to stranded assets is well managed, and that the Fund can benefit from the investment opportunities presented by the transition to a low carbon economy.

You can read more about the topic of divestment, as well as the exact definition we use for "fossil fuel companies" in our **Climate Report 2023**

The value of our holding in shares of fossil fuels companies amounted to **1%** of the total Fund value as at 31 December 2023.

Did you know? Our commitment to renewable energy and climate solutions is c.12% of the Fund!

You will be able to read our full analysis of our exposure to fossil fuels in our Climate and Nature Report 2024, which will be published later this year.

AFFORDABLE HOUSING
HOW ARE WE MAKING A DIFFERENCE?

Our 2024 report into the social impacts generated by our affordable housing portfolio has recently been published.

Read our full affordable housing impact report **HERE**

WHAT IS IMPACT INVESTING?

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return (as defined by the Global Impact Investing Network).

WHAT IS AFFORDABLE HOUSING AND HOW DO WE INVEST?

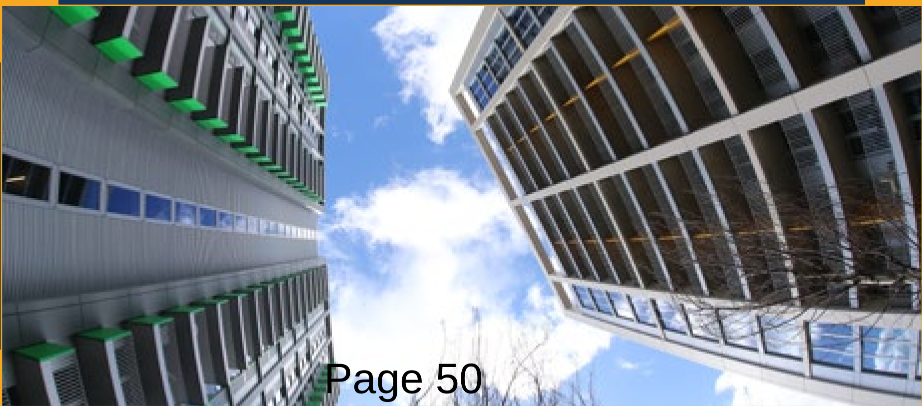
There is no one universal definition for affordable housing, and it can vary for different types of housing, but in broad terms it refers to housing where the rent or cost is at least 20% lower than market rate.

We access this asset class through a portfolio of three investment managers. We commit money to these managers (currently £120m), along with other investors, which the managers then invest in housing developments all across the UK.

CBRE

Gresham House
Specialist asset management

Man



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SOCIAL IMPACT MEASURES

We need to make sure that our managers are investing in line with their strategies, and the best way to do this is to monitor the positive impacts they are generating, in addition to the financial returns.

5,207 HOMES OF WHICH WPF'S SHARE IS 10%

INVESTED IN AREAS **13%** MORE EXPENSIVE THAN THE NATIONAL AVERAGE

74% NEW BUILDS

98% OF THE PORTFOLIO IS "AFFORDABLE"

83% OF HOMES ARE EPC C OR ABOVE

WHAT DOES IT ALL MEAN?

These metrics show that our investment is being directed towards the **creation of new affordable housing stock**, and is targeted towards areas where **affordability is most challenging** for local residents.

A small number of homes in the portfolio do not meet the definition of "affordable". This is because they are part of a mixed development, which also contains open market rate homes. This delivers the alternative positive impact of **promoting social cohesion**, an important part of the philosophy of one of our managers.

The homes in our portfolio are **more energy efficient** (as measured by the Energy Performance Certificate) than homes people might otherwise buy or rent. This reduces energy bills for residents and makes the homes more attractive to buyers, which in turn generates better returns for the Fund.

This portfolio demonstrates that we can earn **strong risk adjusted returns, whilst also delivering positive impacts for both people and the planet**. We will continue to monitor and report on our progress in this area.

HOME SWEET (ECO-FRIENDLY) HOME

INVESTING IN AFFORDABLE HOUSING'S ENERGY REVOLUTION

CASE STUDY

AN AMBITIOUS RETROFIT PROJECT AT MILDENHALL

One of our affordable housing managers, CBRE (WPF commitment of £40m), have been working on a retrofit programme at their development in Mildenhall. The retrofit programme aims to bring all 100 homes from an EPC D to a B, with works including the conversion of oil boilers to air source heat pumps and the installation of solar PV panels.

This work is necessary – with a current EPC rating of D, these homes were set to fail against upcoming regulatory requirements, which state that all new tenancies need to have an EPC rating of at least C by 2025 (and all existing tenancies by 2028).

This work began by piloting the programme in four homes, costing £30,000 per home. With utility savings of c.20% and a carbon saving of c.72%, CBRE's ESG team has estimated that **the works conducted have the potential to save residents 36% on their heating bills**. This represents a significant saving at a time when there are significant cost pressures on residents, particularly regarding energy bills.

Following the success of the pilot, CBRE will now be rolling out the programme to the remaining 96 units in the development, at a total cost of £3.3m. At the time of writing, 80 homes have now been successfully retrofitted!

> "Homes with better environmental credentials are better homes for people to live in"

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We were keen to understand more about the impact on the residents, and were pleased to learn that the consensus on the site is that the air source heat pumps are proving effective, and since CBRE have started helping the tenants review and, in most cases, change their utility suppliers, they are expecting to see some significant savings on their energy bills.

In addition to the positive impacts for the residents, there are economic benefits for us as investors from this retrofit project as well. The £30k investment in each house helps preserve value and ensures the investment meets future regulations and as such continues to be income generating into the future.

CONCLUSION

The journey toward energy-efficient, affordable housing is not just an investment in bricks and mortar; it's an investment in a sustainable future. The Mildenhall retrofit project exemplifies how combining environmental stewardship with economic foresight can create **living spaces that are not only more cost-effective and desirable for residents but also more profitable and resilient for investors**.

A house at the Mildenhall development, kitted out with solar panels

100
HOMES

IMPROVEMENTS FROM
EPC D TO B

£3.3M
PROJECT

36%
SAVINGS ON ENERGY BILLS

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SPOTLIGHT ON THE "S"

The "S" in ESG stands for Social. Social issues are extremely important in investing. We need our investment managers to consider these factors to make sure that the companies we invest in are managing the risks and running in a sustainable way.

WHAT SOCIAL FACTORS DO WE PRIORITISE?

AFFORDABLE HOUSING

There is a clear supply/demand imbalance of affordable homes in the UK. This presents an investment opportunity from the need to address this social issue. We currently allocate 5% of our Fund to UK affordable housing.

EDUCATION

Promoting education will lead to a more skilled workforce and benefit the economy. This links to professional training and development, including re-skilling as a part of the transition to a low carbon economy.

HEALTH

Health is a wide-ranging theme encompassing worker health, consumer health and community health. The importance of good health in a productive economy is clearly linked to our investment portfolios.

EQUALITY, DIVERSITY AND INCLUSION

Research has shown that more diverse boards lead to better financial outcomes. As well as being an important investment theme, EDI matters in terms of how we run our operations.

TECHNOLOGY AND AI

Adverse outcomes of artifical intelligence technologies has been identified as a top 10 risk over the next decade by the World Economic Forum. Cyber risk is also important to understand and manage

LABOUR PRACTICES

Poorly managed labour practices can introduce risks of indistrial action, human rights abuses, and reputational damage, all of which are clearly risks to our investments.

In 2023, we conducted a survey of our younger members 30 and under). This showed that **the younger age group are more interested in social issues.** They were also interested in environmental issues but not to quite the same extent.

This means that is it important for us is to ensure that the work we do on social issues is communicated effectively.

Our recently published report "Spotlight on Social", shows the work we are doing to assess social issues across our portfolios.

AI'S IMPACT ON INVESTMENT – INSIGHTS FROM WPF

Recently, we engaged in a conversation with one of our investment managers to delve into the significance of Artificial Intelligence (AI) as an investment theme. In this discussion, we aimed to understand how AI investments relate to our sustainable goals.

AI is experiencing a surge in prominence across various industries, and its impact on investments is becoming increasingly evident. Our conversation highlighted that **AI is not just another technological advancement; it is a game-changer**. AI has the potential to disrupt industries and reshape investment landscapes. Our investment portfolio already has capital exposure of £13m to Nvidia, a leading company in AI and semiconductors. From October 2022 to October 2023, Nvidia's stock performance was up by almost 300%. This exposure signifies our long-term investment horizon and our role in investing in tech, AI and other growth sectors.

Our discussion also touched upon the **broader societal impact of AI**. AI's pace of development raises questions about its potential to create or solve problems in society. While AI can enhance productivity and customer service, it can also introduce challenges such as adaptive malware and disinformation.

Our conversation provided reassurance that the investment manager is considering AI risks and opportunities in our portfolio through a broad lens. **We wrote and illustrated this article using AI tools to provide further real-life context to this fascinating theme!**

THE BIG MEMBERSHIP SURVEY!

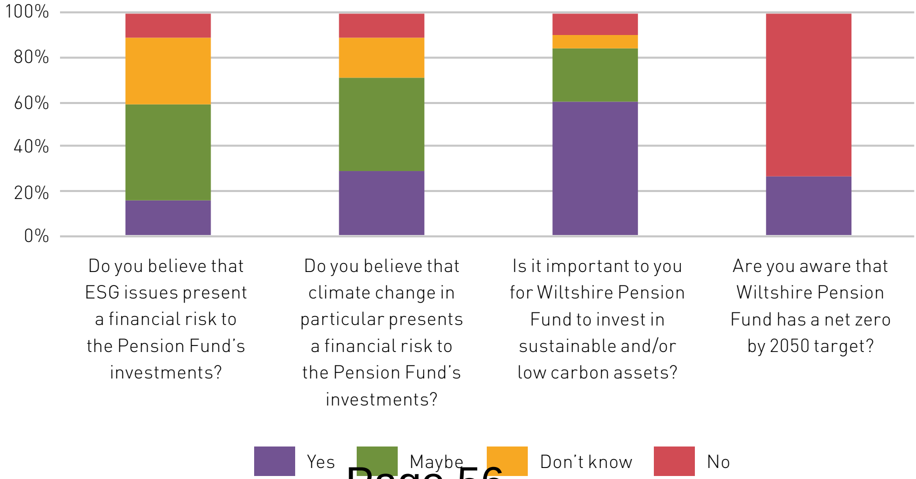
In early 2024, we conducted a big membership survey, to find out what our members think about responsible investment issues. We last conducted this type of survey in early 2021, so it was time to reach out again and find out what people think. This information is immensely helpful to us! Although we wouldn't make investment decisions purely off the back of member views, this does form an important part of the jigsaw. It also lets us know what our members want to know about, and how effective we are being at getting our messages across. This page shows a summary of the highlights, **click here** to see the full results!

We received a staggering **2,914 responses** 30% more than in 2021.

85% answered "yes" or "maybe" to the question "is it important to you for the Fund to invest in sustainable and/or low carbon assets?

We were blown away by how much our members care about responsible investment. We received a staggering **2,914 responses**, 30% more than in 2021. We saw the highest response rates from pensioner members, and a very low number of responses from members under 30, justifying our continued efforts to engage with this demographic.

We learned that although members are unsure about whether ESG issues present a financial risk to the Fund's investments, it is still important to them that we invest in sustainable and/or low carbon assets, with 85% answering yes or maybe to this question.



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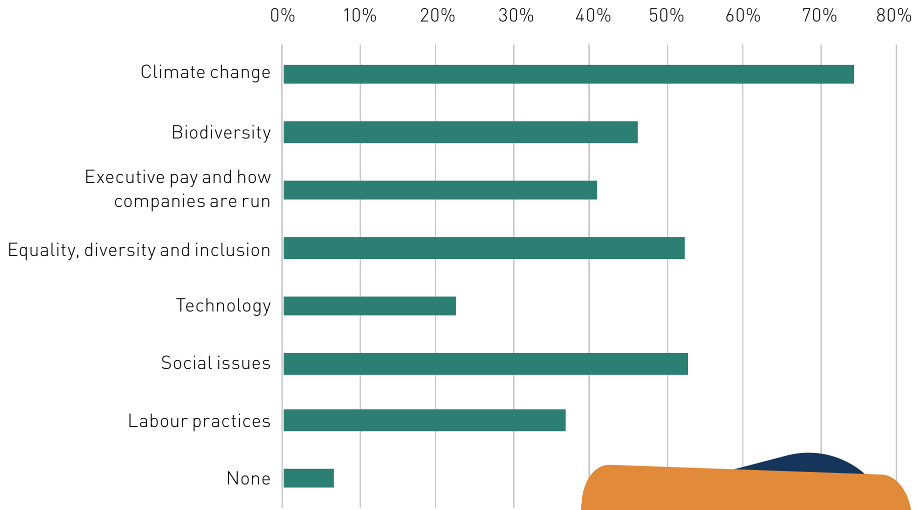
Our members overwhelmingly (63%) want us to prioritise investment returns and ESG issues equally. This indicates that members want us to earn strong investment returns, by investing responsibly and in a sustainable way. We are pleased that this is completely aligned with our existing approach. They also value stewardship activities – it was "important" to them that we work to influence the behaviour of the wider financial community and the companies in which we invest, to bring about better environmental and social outcomes.

We asked members to select which ESG issues were most important to them (they could select as many as they liked).

WHICH ESG (ENVIRONMENTAL, SOCIAL AND GOVERNANCE) ISSUES ARE MOST IMPORTANT TO YOU?



These findings will help inform our engagement and communication approach, so that we can keep members informed about issues that are important to them.

Thank you so much to our valued members for taking the time to share your views!

We asked about the effectiveness of our comms and found that **34% of respondents had seen our Annual Report,** a significant increase from 13% in 2021!

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CELEBRATING OUR SUCCESSES

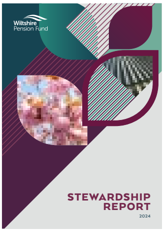
We were delighted to receive industry recognition for our approach this year. We won **"Best Approach to Responsible Investment"** at the LAPF Investment Awards 2023 (having previously also won in 2021), and we picked up two awards at the Pensions for Purpose annual stakeholder and awards event, winning **"Best Climate Change Member Communication"** for our Purposeful Pensions film, and **"Impact Investing Adopter Award"** for our overall approach to impact investing!

Members of the WPF investment team at the LAPF Investment Awards 2023

Members of the WPF investment team at the Pensions for Purpose annual stakeholder and awards event

WOULD YOU LIKE TO FIND OUT MORE?

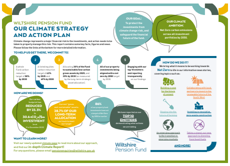
Please follow the links below to learn about what we do in more detail:



The full-length
Stewardship Report 2024

Our investment webpages

Our climate webpages



Climate factsheet - our climate strategy and action plan PDF 50KB

Responsible Investment Policy and Plan

Our Annual Report and Accounts

Our voting records

News pages – where we share investment and other news stories

Our Purposeful Pensions film

Wiltshire Pension Fund

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Agenda Item 13

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