

## WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD  
23<sup>rd</sup> September 2024

### RESPONSIBLE INVESTMENT UPDATE REPORT

#### Purpose of the Report

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

#### Progress against recent decisions and the actions in the Responsible Investment Plan 2024/25

2. Progress against the actions in the Responsible Investment Plan 2024/25 is as follows, along with links to the completed work:

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 13 <sup>th</sup> 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 20 <sup>th</sup> 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: <a href="#">Investing in fashion - how do our investments measure up? - Wiltshire Pension Fund</a>
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. <a href="#">Building affordable housing from the ground up - Revisiting Saltdean two years on! - Wiltshire Pension Fund</a>
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		Expect this to now happen in Q1 2025 with new investment consultant.
Review and update the Responsible Investment Policy	Q3 2024		Draft presented at this committee meeting
Publish a Climate and Nature Report	Q3 2024		Published: <a href="#">2024 Climate and Nature Report: Our Journey to Net Zero - Wiltshire Pension Fund</a>
Publish a Social Impact Report	Q3 2024		The Spotlight on Social Report has been published: <a href="#">Spotlight on Social - Wiltshire Pension Fund</a>

Action	Work due	Progress status	Comments
Conduct an employer survey	Q3 2024		Draft prepared and ready for release to employers.
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		Preliminary work has begun
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

3. The RI Plan includes an action to create a “levelling up” report in Q4 2024. As the phrase “levelling up” has now been dropped, the intention is to rebrand this as an “investing in the UK” report. Scoping has begun for this report, and the plan is to include some information on where our UK investments are, what they are, what themes they are tackling (UK economic growth and job creation, housing, health, education, renewable infrastructure or other), and a series of case studies to illustrate the positive impact that the Fund’s UK investments are delivering. A lot of this information can be prepared by officers, but officer are also exploring using a third-party provider to provide some data and analysis.

### **Responsible Investment Policy**

4. The annual review of the Responsible Investment Policy was taken to the Committee in September for approval. A Responsible Investment Policy is not a statutory document, and historically this information has been contained within the Fund’s Investment Strategy Statement (ISS). However, it is best practice for Funds to present the relevant information into a separate document, which is to be considered as an integral part of the ISS, in order to improve transparency. The Committee first approved a Responsible Investment Policy in September 2021. The Responsible Investment Policy states that it will be reviewed annually, and this is the third such review. An annual review is necessary as this area is continuously undergoing a lot of change and development.

### ***Highlights of changes from the Responsible Investment Policy 2023***

5. The 2024 version of the RI Policy (draft version attached as Appendix 1) has undergone some changes in order to streamline and clarify some of the content. As mentioned above, the origins of the content in the RI Policy were the relevant sections of the ISS, and over the last three years this has been added to and updated. However, this meant that the RI Policy had grown quite long, and contained information which is now included in specialist

publications such as the Climate and Nature Report, and the Stewardship Report. Over the last few years, the Fund's approach has also evolved, and there is now a stronger focus on using ESG factors to identify investment opportunities, such as the Fund's Impact UK Affordable Housing portfolio, and the Climate Opportunities (Clops) portfolio.

6. Therefore, some work has been done to re-format the Policy to a certain extent. The format is now as follows:
  - Brief introduction.
  - Who WPF is as an investor.
  - What we believe.
  - Our approach – listing all the ways we embed RI principles in our approach, followed by...
  - Sections going into our approach in more detail, in the same order as the list.
  - A glossary
7. The result of these changes is that even though new information has been added this year, overall, the policy is shorter, and could be said to have a more logical flow.
8. In addition to the above, the following updates have been made to the 2023 policy:
  - Page 1 – trimmed, in line with the comments above.
  - Page 4 – the investment belief on investing with impact has been shortened, and the text which has been removed to shorten it is now within the explanatory text in the second column in the table instead.
  - Page 5 – the list has been expanded to include Responsible Investment priorities and investing with positive impact.
  - Page 7 – some new text has been added on Responsible Investment priorities, largely lifted from the Stewardship Report.
  - Pages 7-11 – the climate section has had some new information added. The goal has been updated to reflect the Committee's previous comments about including opportunities, and a graphic has been added to illustrate the fact that the Fund's approach is not just to decarbonise, but to tackle the issue from multiple different angles. The information on transition planning and other asset classes has been streamlined to avoid too much duplication with the Climate and Nature Report, and the section on divestment has been streamlined.
  - Page 13 – the section on Equality, Diversity and Inclusion (EDI) has been removed, and replaced with a section on social factors more broadly (which includes information on EDI).
  - Pages 14-15 – previously there was information in the RI policy about the Government's views on pension funds sacrificing return for positive impact, but since this is not an approach taken by WPF, this section has been amended to reflect what we actually do, and some examples have been added to illustrate the approach.
  - Pages 16-17 – information which was previously in different places in the report has now been brought together into one section on stewardship and engagement. A more "real-life" definition of stewardship is included. The previous information on engagement has been trimmed to avoid redundancy and repetition with the Stewardship Report.
  - Page 18 – FAIRR has been added to the list of initiatives.
  - Page 20 – the reporting table has been updated to include the Spotlight on Social Report, and the quarterly equity holdings transparency tool on the Fund's website. Some links have been updated to ensure they are current.
  - Pages 21-24 – the glossary has been reviewed and updated.

9. As was done in 2023, the Responsible Investment Policy will be graphically designed prior to publication. The designed version will be circulated to Committee members once available and published via the Fund's website.

### **Environmental Impacts of the Proposals**

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

### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

11. There are no known implications at this time.

### **Proposals**

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

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