

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
29 February 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 Committee

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

2. The road map from the Responsible Investment Plan 2023/24 is shown on the following page. Progress against the actions for the year is as follows:

Action	Work due	Progress status	Comments
Finalise the divestment statement	Q2 23	Complete	Complete – approved by Committee and included in the RI Policy 2023
Begin work to implement the renewable infra and climate solutions portfolio	Q2 23	In progress	In progress – more detail elsewhere on this agenda
Publish the stewardship report and mini-magazine	Q2 23	Complete	Complete - Summary - Wiltshire Pension Fund
Publish the affordable housing impact report	Q2 23	Complete	Complete - Affordable Housing Impact Report 2023 - Wiltshire Pension Fund
Research and publish the cement case study	Q2 23	Complete	Complete – included in the Climate Report
Set net zero targets relating to climate solutions, transition alignment and stewardship	Q3 23	Complete	Complete – pragmatic approach taken and included in the RI Policy 2023
Set net zero targets related to property and infrastructure	Q3 23	Complete	Complete – included in the RI Policy 2023
Review and update the RI policy	Q3 23	Complete	Complete - Exciting news - Our 2023 Responsible Investment Policy has been published! - Wiltshire Pension Fund
Publish an expanded Climate Report (including TCFD reporting)	Q3 23	Complete	Complete - Wiltshire Pension Fund presents our Climate Report 2023: Advancing Towards Net Zero - Wiltshire Pension Fund
Conduct an engagement activity with the scheme's younger members	Q3 23	Complete	Complete (and now working on follow-on actions)
Progress the approach to net zero with the Fund's listed infrastructure manager	Q4 23	Complete	Complete
Investigate carbon offsets (as both an investment opportunity and as something used by our holdings)	Q4 23	In progress	In progress
Progress the water engagement via Brunel	Q4 23	Complete	Our involvement in this has concluded
Report on progress and developments against the theme of biodiversity	Q1 24	In progress	First stage done by including a section in the RI Policy 2023
Launch a holdings transparency tool via the Fund's website	Q1 24	In progress	To be launched in March 2024
Use established industry tools to investigate the theme of health in our portfolios	Q1 24	In progress	In progress

Responsible Investment Road Map

Q2 2023 -

Investments and strategy: Finalise the statement around divestment, begin work to implement the renewable infra and climate solutions allocation.

Reporting and disclosure: Publish the Stewardship report and mini-magazine, and the affordable housing impact report.

Training and engagement: Research and write up case study on cement holdings.

Q3 2023 -

Investments and strategy: Set net zero targets related to climate solutions, transition alignment and stewardship, and property and infrastructure. Review and update the Responsible Investment Policy.

Reporting and disclosure: Publish an expanded Climate Report (including TCFD reporting), including information on our own operational emissions, and fossil fuel holdings.

Training and engagement: Conduct an engagement activity with the scheme membership, focussing on those in a younger age bracket, to promote pension saving and knowledge of how the Fund is invested.

Q4 2023 -

Investments and strategy: Progress the approach to net zero with the Fund's listed infrastructure manager.

Training and engagement: Investigate carbon offsets (as both an investment opportunity and as something used by our holdings), progress the water engagement via Brunel.

Q1 2024 -

Investments and strategy: Report on progress and developments against the theme of biodiversity.

Reporting and disclosure: Launch a holdings transparency tool via the Fund's website.

Training and engagement: Use established industry tools to investigate the theme of health in our portfolios.

3. More detail on selected actions is provided below:

- All actions are either complete or on track to be complete by the end of Q1 2024, with the exception of implementing the allocation to the Climate Opportunities (Clops) portfolio.
- Significant progress has been made towards implementing Clops, however due to staffing shortages within the investments team, funds have had to be selected for the different buckets one-by-one, rather than multiple workstreams going on at once, so the work will now be expected to conclude in Q2 2024.
- We have now removed ourselves from the water engagement with Brunel. We had been participating in this engagement as we had significant holdings with two of the in-scope companies via our listed infrastructure portfolio, but now that this portfolio has been redeemed, continued involvement in the engagement did not appear to be an appropriate use of our limited resources.

Other Responsible Investment matters this quarter

4. During January 2024, we ran a survey of the membership on responsible investment issues. A similar survey was last conducted in March 2021. We received a very high volume of responses from the members, at 2,914. This was a 30% increase on the March 2021 survey.
5. The purpose of the survey was to engage with the membership, raise awareness, and understand their views and priorities. It was clearly communicated to the members (via an information page which was sent out with the survey link: [The Big Survey 2024! - Wiltshire Pension Fund](#)) that the findings would be used to help with decision-making and communications.
6. The results of the survey have been included in Appendix 1 and highlights will be presented at this meeting. Once Committee members have had sight of the results and an opportunity to comment on whether any further follow up actions, other than the ones already identified, are needed, we will publish the results online for the membership to see. A summary of the results and actions will also be included in the Annual Report 2024, and the Stewardship Report.
7. The Stewardship Report for 2024 is currently being drafted. Work is almost complete, and will be finalised in early April once we have access to data such as membership numbers as at 31 March 2024, and the report will be ready for submission to the FRC by the deadline of the end of May 2024.
8. In early February 2024, the FMLC (Financial Markets Law Committee) published a paper titled "Pension Fund Trustees and Fiduciary Duties: Decision-making in the context of Sustainability and the subject of Climate Change". The full paper is available here: [Paper-Pension-Fund-Trustees-and-Fiduciary-Duties-Decision-making-in-the-context-of-Sustainability-and-the-subject-of-Climate-Change-6-February-2024.pdf \(fmlc.org\)](#)
9. This is a topic which has been debated by the Committee on many occasions, and this is an extremely relevant report. There is a good article in Professional Pensions which addresses the high-level findings: [Analysis - FMLC review 'a breakthrough on fiduciary duty' \(professionalpensions.com\)](#)
10. Some key highlights are as follows:

- The paper finds that it is imperative for trustees to classify climate change and other sustainability factors as financial factors, and to take them into account in decision-making.
- The paper makes a significant point that sometimes it might be appropriate to forego a short-term gain if such a gain would result in identifiable longer-term risks to the sustainability of returns to the fund.
- The paper addresses the fact that although climate change or other systemic risks are hard to understand and to model, this does not mean that they can be ignored, and trustees must not disregard them just because they are too complex to accurately model.

11. The Committee are already well ahead of these findings and can take comfort that the established investment approach is in line with their fiduciary duty.

12. Brunel client group have been debating options for introducing activity-based exclusions, which may provide a pathway to partial alignment with WPF's stated position around fossil fuel investment. Brunel have prepared a paper on this topic, which examines the impact of excluding companies that meet the following criteria:

- Thermal Coal Extraction revenues equal or greater than 50%
- Oil Sands Extraction revenues equal or greater than 25%
- Controversial Weapons and Non-Compliant with Principle 2 of UNGC
- Tobacco Production revenues equal or greater than 25%

13. There would be a very limited impact on the current portfolios in making this decision, and it would future-proof the portfolios to ensure that such companies are not added in the future. Specifically for Wiltshire, looking at the holdings as at 30 June 2023 (this is the date used by Brunel in their paper), only 3 companies would need to be sold as a result of adopting this policy. It is the opinion of officers that Wiltshire should support Brunel in adopting the policy, and this is also consistent with the views of the Fund membership, as clearly illustrated in the recent survey.

14. As always with pooling, there is a chance that other client funds may not support these proposals, in which case regardless of the views expressed by Wiltshire, they may not be implemented. Officers will update the Committee in due course.

Looking ahead: The Responsible Investment Plan for 2024/25

15. The Responsible Investment Plan 2024/25 is attached as Appendix 2. The Plan is a lot shorter this year, as much of the information including in prior years was duplicated in the Fund's Responsible Investment Policy. Members are invited to comment on the proposed Plan and make suggestions for any additional actions if deemed appropriate.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

17. There are no known implications at this time.

Proposals

18. The Committee is asked to:

- use this report as a basis for monitoring the progress that is being made towards implementing responsible investment policy;
- approve that officers support Brunel in implementing the activity-based exclusions;
- note the progress made against the Responsible Investment Plan 2023/24 actions; and
- approve the Responsible Investment Plan 2024/25.

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

Appendices:

Appendix 1 – Membership Survey Results

Appendix 2 – Responsible Investment Plan 2024/25