AGENDA

Meeting:	Wiltshire Pension Fund Committee
Place:	Council Chamber, County Hall, Bythesea Road, Trowbridge, BA14 8JN
Date:	Monday 5 September 2022
Time:	**10.00 am**

Please direct any enquiries on this Agenda to Kieran Elliott, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718504 or email kieran.elliott@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

Membership:

Voting Membership
Wiltshire Council Members:
Cllr Richard Britton (Chairman)
Cllr George Jeans
Cllr Gordon King
Cllr Christopher Newbury
Cllr Jonathon Seed

Substitute Members
Cllr Pauline Church
Cllr Ernie Clark
Cllr Sarah Gibson
Cllr Gavin Grant
Cllr Carole King
Cllr Dr Nick Murry
Cllr Ian Thorn
Cllr Robert Yuill

Swindon Borough Council Members
Cllr Steve Heyes
Cllr Kevin Small

Substitute Members
Cllr Vijay Manro

Employer Body Representatives
Tracy Adams
Claire Anthony

Non-voting Membership
Observers
Stuart Dark
Mike Pankiewicz

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Public Participation

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.

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

Items to be considered

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 5 - 12)*

To approve and sign as a true and correct record the Part I (public) minutes of the previous meeting held on 28 July 2022.

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 **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 26 August 2022 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 31 August 2022. 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.

6 **Responsible Investment Update and Progress Report** *(Pages 13 - 20)*

To receive a report from the Head of Wiltshire Pension Fund.

7 **Climate Update and Progress Report** *(Pages 21 - 58)*

To receive a report from the Head of Wiltshire Pension Fund.

8 **Responsible Investment Policy** *(Pages 59 - 84)*

To receive a report from the Head of Wiltshire Pension Fund.

9 **Date of Next Meeting**

To confirm the date of the next ordinary meeting of the Committee will be held on 6 October 2022.

10 **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.

11 **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 Items 12-14 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 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

12 **Investment Quarterly Progress Report** *(Pages 85 - 150)*

To receive a report in relation to the Fund's investment performance.

13 **Presentation from Magellan**

To receive a presentation from Magellan Financial Group.

14 **Minutes** *(Pages 151 - 168)*

To approve and sign as a true and correct record the Part II (private) minutes of the previous meeting held on 28 July 2022

Wiltshire Council

Wiltshire Pension Fund Committee

MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 28 JULY 2022 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:
Cllr Richard Britton (Chairman), Cllr George Jeans, Cllr Gordon King, Cllr Christopher Newbury, Cllr Kevin Small, Mike Pankiewicz, Tracy Adams and Cllr Vijay Manro (Substitute)

Also Present:
Cllr Nick Botterill

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147 **Apologies**

Apologies were received from Councillors Jonathan Seed and Steve Heyes.

Councillor Heyes was substituted by Councllor Vijay Manro.

148 **Minutes of the Previous Meeting**

The public minutes of the meeting held on 26 May 2022 were presented for consideration, and it was,

Resolved:

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

149 **Declarations of Interest**

There were no declarations.

150 **Chairman's Announcements**

There were no announcements.

151 **Review of Actions**

The Committee reviewed the update on ongoing actions as detailed in the agenda.

It was,

Resolved:

To note the action log.

152 **Review of the Minutes of the Local Pension Board**

The Committee received the public minutes of the Local Pension Board meeting on 5 May 2022, and reviewed the recommendations of that meeting, which related to the Headlines and Monitoring and Key Financial Control items of the agenda.

Further detail was sought on the review of the level of council recharge to the fund. It was stated Fund officers had met with Finance to cost services received from the council and had provided comment. A report would be taken to the Committee with details of any new charge.

It was then,

Resolved:

To note the minutes of the Local Pension Board.

153 **Public Participation**

No questions or statements were received.

154 **Headlines and Monitoring (HAM) Report**

The Committee considered the report presented by Jennifer Devine, Head of Wiltshire Pension Fund, Richard Bullen, Fund Governance & Performance Manager and Andy Cunningham, Pension Administrative Lead, which provided information highlighting key issues and developments to enable the Committee to fulfil its monitoring role.

Details were provided regarding investment performance with a 2.6% reduction for the quarter to the end of March 2022, with a challenging second quarter predicted due to global events. Further updates would be provided at the meeting on 5 September 2022.

There was discussion of the auditing of accounts which was behind schedule due to national resourcing issues with Deloitte. It was requested the Treasurer of the Pension Fund be contacted on behalf of the Committee for clarification on the situation and any plans to improve the service.

Details were sought on expectations of reasonable and adequate investment returns during a short and medium period of higher inflation. The importance of cashflow management during that period was highlighted.

The Committee also discussed the Pensions dashboard and impact of the McCloud case, with it currently being stated there would be more of an administrative than cost impact for the Fund, with historical data being collected for any future need to make corrections.

There was discussion of key performance indicators, how the data was being generated, and ongoing monitoring of current as well as historical information. It was also noted that reporting arrangement to the Committee would be reviewed to ensure the required information was received in the most appropriate manner and timescale.

The Committee also reviewed the risk register, and sought clarification on the rating of risks relating to disruptions due to the Evolve programme to replace the SAP system used for payroll and other financial administration.

At the conclusion of discussion, it was,

Resolved:

To approve the changes to the Risk Register and accept the recommendations for changes submitted by the Board.

155 **Business Plan 2022-2023**

A report was received from the Head of Wiltshire Pension Fund on the progress toward actions set out in the Fund Business Plan for 2022/23.

It was then,

Resolved:

To note the progress against actions set out in the Business Plan.

156 **Key Financial Controls**

A report was received regarding significant issues in relation to the Fund's Key Financial Controls.

It was stated the draft accounts and working papers had been provided to auditors ahead of deadlines, although due to delays with the council accounts being audited there had not been signoff for the previous two years.

There was discussion of the ongoing payroll reconciliation to correct discrepancies between the SAP Payroll records and Altair pension administration system, with concern raised that the number identified had increased.

There was discussion of the growing backlog of unallocated transfers in, i.e. where the money had been received but had not been credited to the member's account on Altair, also an action identified by SWAP during the internal audit. In these cases the member would receive their benefits in due course but the Annual Benefit Statements being sent out would be incorrect at this time. Officers confirmed that this matter would be addressed as a priority.

There was also discussion of running costs.

It was then,

Resolved:

To note the Key Financial Controls update.

157 **Fund Annual Report and Accounts**

The Head of Wiltshire Pension Fund, Jennifer Devine, presented the draft Fund Annual Report and accounts. Details were provided on updated communications materials and strategies to engage members and stakeholders.

The Committee discussed the report, and requested an explanation be included setting out why the report would be published although the accounts were at present unaudited, due to ongoing issues with the auditing of the council accounts separate to the Fund and nationwide audit resourcing issues.

At the conclusion of discussion, it was,

Resolved:

1) **To approve the proposed publication of the unaudited annual report and accounts 2021/2022 and summary documents, and authorise officers to make any necessary minor amendments following the conclusion of the audit after consultation with the Chairman of the Wiltshire Pension Fund Committee;**

2) **To approve the going concern statement in Appendix 1**

158 **Pensions Administration Strategy**

The Pensions Administration Lead, Andy Cunningham, presented a report on proposed revisions to the Pensions Administration Strategy. This included a service level agreement to apply to all employers in the Fund, who had been consulted as part of the review of the strategy.

At the end of discussion, it was,

Resolved:

To approve the revised Pensions Administration Strategy.

159 **Employer Charging Policy**

The Pensions Administration Lead, Andy Cunningham, presented proposed changes to the Fund's Employer Charging Policy. Details of costs were provided in the appendix to the report.
In response to queries it was confirmed the policy would be provided to employers alongside the updated administration strategy.

It was then,

Resolved:

To approve the revised Employer Charging Policy.

160 **Pension Payroll Database Reconciliation**

The Pensions Administration Lead, Andy Cunningham, presented a report on the ongoing pensioner payroll database reconciliation project.

The number of cases had been updated, and the intention was to appoint an outside provider to work through the remaining material cases.

The Committee sought details that though there had been an increase in cases, officers were confident the level of cases was now correct. It was stated that identification of errors was now a more known process, and the tender for the outside provider included the possibility of some further cases being identified.

At the end of discussion, it was,

Resolved:

To note the update on the project.

161 **Committee Forward Work Plan**

The forward work plan was received, and it was,

Resolved:

To note the committee forward work plan.

162 **Date of Next Meeting**

The date of the next meeting was confirmed as 5 September 2022.

163 **Urgent Items**

There were no urgent items.

164 **<u>Exclusion of the Public</u>**

It was,

<u>Resolved:</u>

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 165-169 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 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.

165 **<u>Minutes of the Previous Meeting</u>**

The Part II private minutes of the meeting held on 26 May 2022 were presented for consideration, and it was,

<u>Resolved:</u>

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

166 **<u>Review of Local Pension Board Minutes</u>**

The Committee received the Part II private minutes of the Local Pension Board meeting on 5 May 2022.

It was then,

<u>Resolved:</u>

To note the minutes of the Local Pension Board.

167 **<u>Cyber Security Review</u>**

A report was received on the Cyber Security Review requested by the Committee. A workshop had been held on 21 July 2022 to identify how cyber security could affect Pension Funds, and assessing compliance with the Pension Regulator’s guidance.

The Committee discussed the report, how compliance could be achieved, and the need for ongoing discussions with the council’s IT services.

It was then,

<u>Resolved:</u>

To note the progress of the review and to receive an additional report at a future meeting.

168 **<u>Investment Management Fees and Costs for 2021/22</u>**

A report was received setting out the Fund investment management annual fees and costs for 2021/22.

The Committee sought additional details on the process by which fees were calculated and reviewed, and of any ongoing costs.

It was then,

<u>Resolved:</u>

To note the Fund investment management fees and costs for 2021/22.

169 **<u>Brunel Governance Update</u>**

A verbal update was received from Jennifer Devine, Head of Wiltshire Pension Fund and the Chairman.

Details were provided of recent discussions with the Brunel Oversight Board and future development of a five year strategy.

(Duration of meeting: 10.00 am - 12.20 pm)

The Officer who has produced these minutes is Kieran Elliott of Democratic Services, direct line 01225 718504, e-mail kieran.elliott@wiltshire.gov.uk

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
5 September 2022

RESPONSIBLE INVESTMENT UPDATE REPORT

Purpose of the Report

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

Key Considerations for Committee

Progress against recent decisions and the actions in the Responsible Investment Plan 2022/23

2. Actions from the recent Committee meetings are as follows. Actions which were reported as complete in the last regular update have been removed:

Recommendation	**Action**
Members agreed…	
That the Fund should aim to sign up to the 2020 Stewardship Code during 2022.	The full stewardship report was submitted to the FRC and published on the Wiltshire Pension Fund website in April 2022. An update on signatory status outcome will be provided verbally due to paper circulation/confirmation timing.
That officers will follow up with Mercer on advising on a road map for the Fund to achieve net zero by 2050.	Mercer have completed Analytics for Climate Transition (ACT) work and this will be presented at the 5 September meeting.
To authorise officers to work with Mercer to deliver the implementation of the affordable housing and renewable infrastructure portfolios.	The implementation work for the affordable housing portfolio has been completed. The implementation process for renewable infrastructure is ongoing. Brunel have begun work to scope a climate solutions fund through the (Brunel) Investment Sub Committee.

3. The road map from the Responsible Investment Plan 2022/23 is shown on the following page. Progress against actions for Q2 and Q3 2022 is as follows:

Responsible Investment Road Map

Q2 2022 -

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

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

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

Q3 2022 -

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

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

Q4 2022 -

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

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

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

Q1 2023 -

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

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

4. **Investments and strategy**:
   - Mercer's work on a "net zero by 2050" road map has continued utilising their Analytics for Climate Transition (ACT) tool. The baseline has been updated to 31 December 2019 (previously 2020) as this aligns with the approach of both the Institutional Investors Group on Climate Change (IIGCC) and Brunel. A further update on this is covered elsewhere on the agenda.
   - The Fund has made a specific allocation to renewable infrastructure of 5%. Implementation options are currently under consideration, with the development of a solution via Brunel at an early stage.
   - The strategic asset allocation (SAA) review is due in Q3, and initial meeting with the fund actuary have taken place regarding climate modelling for the valuation 2022.

5. **Reporting and disclosure:**
   - The second report following the Task Force for Climate Related Financial Disclosures TCFD recommendations has been published alongside the Fund Annual Report and Accounts. The 2022 TCFD report included metrics from Mercer's ACT, and expanded portfolio coverage.
   - Stewardship Code signatory status outcome is expected to be confirmed by the Financial Reporting Council (FRC) within the week of the meeting, an update will be made verbally.
   - Work has begun on monitoring and report progress against interim decarbonisation targets and measuring carbon of asset classes beyond equities and progress against the interim decarbonisation targets will be reported elsewhere on the agenda under the climate update and progress report; first stage metric scoping for the affordable housing portfolio is included in the report.

6. **Training and engagement:**
   - Training on strategic asset allocation was provided to Committee members on 16 May 2022.
   - The recent summary stewardship highlights report, and annual report one-page summary produced last year, received very positive feedback. Following this, the suite of documents published alongside the main, full length annual report, has been improved to include both a graphically designed TCFD and annual report highlights report. This is aimed at a wider (non-technical) stakeholder audience to be more engaging and accessible. The highlights report was uploaded to Issuu and annual report links were circulated via a Mailchimp email campaign in August 2022:
      i. the Issuu annual report highlights report received 2,505 impressions[1], which was significantly higher than the stewardship report (610) and downloads of the main, full length annual report (206).
      ii. The Mailchimp email campaign achieved open rates of 61% (14,538) for members and 62% (4,113) for pensioners. Overall, around 6,000 more members viewed the annual report 2022 compared with last year.
      iii. These statistics suggest several areas of progress since 2021; achieving a higher number of members signed up to "My Wiltshire Pension"; more engaging communication; and more insightful analysis of campaign effectiveness and website traffic.
   - At this committee meeting, 5 September 2022, members of the Magellan infrastructure investment team will be presenting on performance, climate risk

[1] Impressions are the number of times the publication was shown on the Issuu network. Or in other words, the number of times the annual report was viewed on the Wiltshire Pension Fund site, from search results, or as a result of the Mailchimp email campaign.

analysis and investment risk. Committee members are encouraged to take the opportunity to ask questions on Magellan's approach.

Education as an investment theme

7. Following an impact investing training session run by pensions for purpose in November 2021, the Wiltshire Pension Fund Committee, on 3rd March 2022, voted for the three key investment themes based on the United Nations Sustainable Development Goals (UN SDGs). One of the themes chosen was education, as defined by SDG 4 "Quality Education – to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all". Officers have engaged with our investment managers to understand how the current portfolios are contributing to providing quality education, and how the managers view education as a theme in general. A note on the work done has been prepared by the Fund's investment analyst, and is attached as Appendix 1.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

9. There are no known implications at this time.

Proposals

10. The Committee is asked to
    - use this report as a basis for monitoring the progress that is being made towards implementing responsible investment policy (2021);
    - note the progress made against the Responsible Investment Plan 2022/23 actions and discuss whether any additional actions are needed at the current time.

Report Author: Liam Robson (Accounting and Investment Officer)

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

Appendices

Appendix 1 – Note on Education as an investable theme

Education – UN SDG 4

"**Investing with a positive social and environmental impact is an increasingly important issue for investors, and can be achieved alongside competitive market returns. Investing with impact can also help incorporate risk and return drivers which would otherwise not be considered. The Fund wishes to invest in a way that minimises negative impacts on society and the environment and, where possible, makes a positive contribution**" – one of the Fund's investment beliefs.

Following an impact investing training session run by pensions for purpose in November 2021, the Wiltshire Pension Fund Committee, on 3rd March 2022, voted for the three key investment themes based on the United Nations Sustainable Development Goals (UN SDGs). One of the themes chosen was education, as defined by SDG 4 "**Quality Education – to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**". We have engaged with our investment managers to understand how the current portfolios are contributing to providing quality education; it was identified there are two different investable themes on education. The most obvious was to understand if we hold any companies directly providing educational services, however we were keen to consider the topic more broadly, and investigate how companies were sustainably adjusting to the transition to a low carbon economy, and what this means for ensuring that the workforce are adequately re-trained. This second theme links to one of the other UN SDGs chosen by the Committee relating to climate change and an initiative already supported by the fund of the Just Transition.

The analysts challenged our investment managers on these topics, and we have detailed our findings below.

Brunel

Lightspeed. Through the Cycle 2 private equity portfolio Wiltshire Pension Fund is invested in a company called Lightspeed, who provide essential educational software resources for schools across the UK, USA and globally. The software provided by Lightspeed provides schools with web filtering, student online safety, classroom management and teaching tools. The software is an essential component for ensuring students use online resources safely and effectively. The investment in this company benefits from a growing market for these services due to mounting concerns on student safety and well-being. WPF holding £0.3m (Jun-22).

Brunel use Hermes to engage with investment managers on their and the funds' behalf. Hermes have stated "Quality Education is not a very prominent focus of the engagement plan at the moment." Hermes push toward more focus on human capital and the hope is this will increase in the future. Whilst this is disappointing for us, we will continue to push Brunel and Hermes to include education as an engagement theme where possible. As we move forward with the decarbonisation strategy, we will seek to understand how this can be achieved without compromising jobs.

Besides from the Investment holdings, Brunel are providing educational workshops. A detailed programme designed by industry professionals to provide the insight, knowledge and direction needed to pursue a career in the investment industry. Their goal is to tackle underrepresentation across the industry and increase social mobility – by addressing the intersectionality between ethnicity and social mobility. Brunel's workshop is available here: https://www.youtube.com/watch?v=oUnHbJ8RjaU. Research shows that diversity in boards contributes towards better decision making, and considerations of different viewpoints can lead to improved risk management.

Partners Group

We are pleased that education is an area of focus for Partners Group in the Private Infrastructure sector – they have a specific Social Infrastructure investment subgroup which encompasses education as an investable theme. Partners Group specifically sees the trend towards continuous self-improvement and lifelong learning as drivers of demand for education software and personalized education solutions.

Partners Group will assess education under their ESG engagement strategy; however, they are disciplined when mapping ESG credentials to the UN SDGs. This is to ensure a measurable contribution can be made before declaring they are fully aligned to a specific goal. "While we have some investments in the education space, they do not contribute in a measurable way to UN SDG 4". Two examples of education assets follow:

International Schools Partnership. ISP provides private education operating 50 schools in 15 countries, however as they operate in countries that provide free state-run schools, this does not incrementally contribute to SDG 4. WPF holding €1.83m (Jun-22).

Parmaco. Parmaco is a leading provider of high-quality modular buildings for the public education sector. The company provides modern and sustainably constructed buildings for 343 schools and day care centres. With ageing educational building stock in many countries and constrains on new investment these modular building solutions are benefiting from market tailwinds. WPF holding $2.8m (Jun-22).

Ninety One

"The value of education is unquestionable."

Ninety One do not specifically consider all investment rationales with an SDG lens. In general, "where an SDG theme, including quality education, is a material issue for a given company or sector it is considered by the analyst as part of their integrated fundamental research". This forms part of their ESG scoring framework.

There is reassurance that education feeds into the work on assessing current and long-term operational performance of companies, but at this stage it is not covered by a distinct area of analysis unless an apparent issue with education arises, in which case Ninety One would engage with the relevant company in the same way they would any other issue.

Ping An – Offers intensive training for new insurance sales agents. But in addition runs a variety of health information resources for both its customers and potential customers. It is one of China's most important provider of health-care information. WPF holding value £3.4m (Jun-22).

Hon Hai Precision – A major employer of unskilled labour which it then trains in basic employment skills. Hon Hai invested NT$ 151m in Foxconn University and provided 73.08 million hours of training, resulting in 77.2 hours of training for each Hon Hai employee, facilitated graduations of 1,010 employees with undergraduate degrees and above. Hon Hai's education drive is to ensure that employees continue to improve and expand their skill base. Labour underpins nearly all business operations, so improvements in labour skillset at a firm that continues to expand its revenue streams from being a legacy Apple assembly manufacturer, to now a sustainability lead Electric Vehicle manufacturer, means that this education will also help guide transition to a low carbon economy. WPF holding value £3.7m (Jun-22).

Ninety One were unable to provide examples of engagements directly related to SDG 4 over the past 12 months (within the Emerging Markets Equity Fund). This may suggest no issue has been surrounding education has been flagged, however moving forward we anticipate wider analysis in the education space.

Closing remarks

At Wiltshire Pension Fund, as asset owners, we understand and are committed to a responsible investment strategy that delivers positive social impacts where possible alongside competitive market returns, and that is aligned with our strategic vision goals. We acknowledge the potential pitfalls of reporting positive impact that is merely coincidental, therefore following this analysis we will continue to challenge our managers on this investment theme to ensure that intentional, incremental positive impacts can be identified, and that the managers are appropriately considering the risks and opportunities associated with this theme.

Report Author: Dan Smith, Pension Fund Investment Analyst, August 2022

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
5 September 2022

CLIMATE UPDATE AND PROGRESS REPORT

Purpose of the Report

1. Regarding climate change, the Fund's goal is "**To protect the investments from climate change risk, and safeguard the financial future of the Fund**". As stated in the Responsible Investment Policy, "Wiltshire Pension Fund acknowledges that climate change represents a major financial risk to the investments, and that as part of the Committee's fiduciary duty, action needs to be taken to properly manage this risk, in order to safeguard the investments but also to be positioned to take advantage of the investment opportunities presented by a transition to a low carbon economy."

2. The purpose of this report is to update members on progress towards the Fund's target of net zero carbon emissions by 2050, and also includes information on several other climate-related topics.

Key Considerations for Committee

Summary of recent work done

3. In Spring 2022, officers received the carbon metrics reporting from Brunel, as well as analysis from all the investment managers about fossil fuel and renewable energy holdings. In addition, some early reporting was received from Mercer looking at the transition alignment of the portfolios.

4. This information was used to prepare the Fund's annual reporting in line with the requirements of the Task Force on Climate-related Financial Disclosures. This was published as part of the Fund's annual report, as well as a standalone document: https://www.wiltshirepensionfund.org.uk/media/9619/TCFD-Report-2022/pdf/Wiltshire-Pension-Fund-2022-TCFD_Report_v3.pdf?m=637945320253570000

5. The full Mercer Analytics for Climate Transition (ACT) report has now been received, and the findings are summarised below. Mercer's report is attached as Appendix 1. Mercer will also attend this meeting to present their report, and answer the Committee's questions.

6. Officers have completed two further pieces of work around climate, with further detail later in this report:

    - Engaging with the investment managers on priority holdings from a climate perspective – full detail below.
    - Carrying out investigations into the potential to align asset classes other than listed equities to net zero – full detail below.

<u>ACT Reporting Highlights, and Decarbonisation Progress</u>

7. As mentioned above, the Mercer ACT report is attached as Appendix 1. Mercer will be attending this meeting to present their report and answer the Committee's questions.

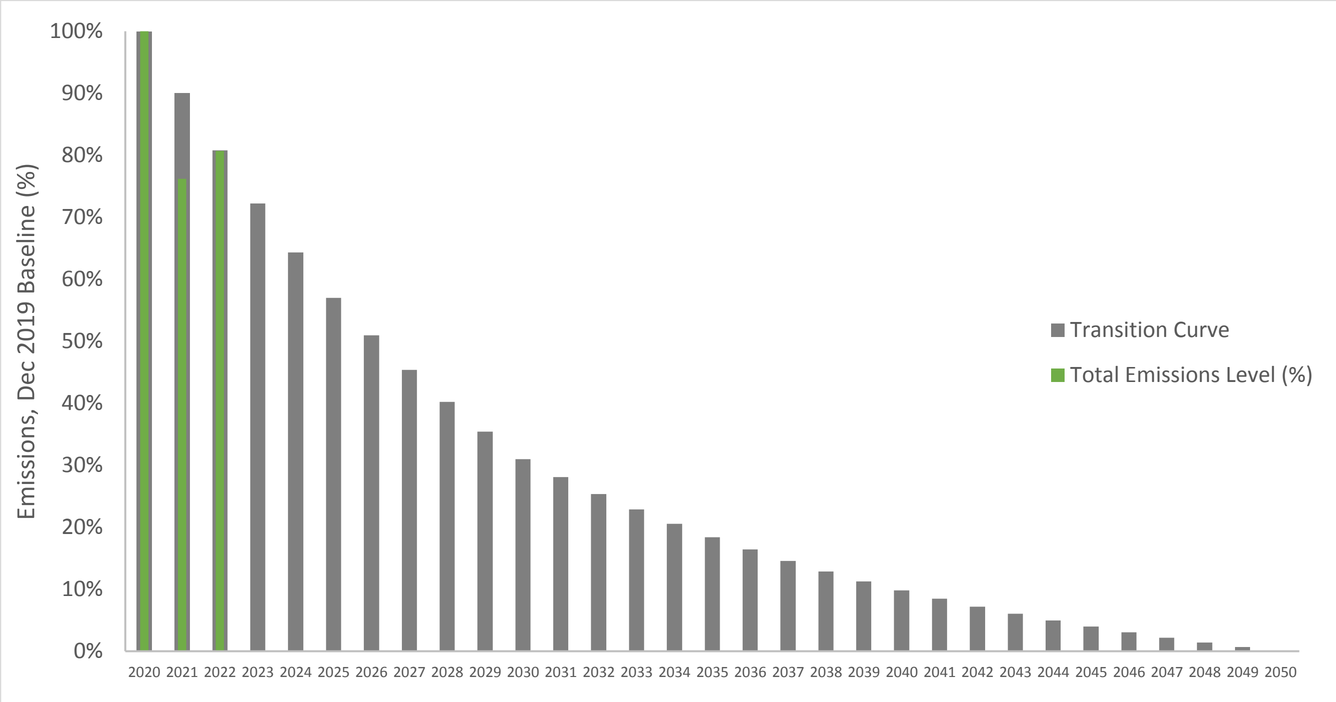
8. The report makes an important change to last year's report, in that the baseline has been updated to 31 December 2019 (was 31 December 2020 previously). This is a positive move, as it adds more data, and brings the Fund in line with the IIGCC (Institutional Investors Group on Climate Change), and will enable better comparability with other investors when assessing progress. The decision was also made (following recommendations from Mercer) to exclude Magellan from the baseline data. This is because this is strategically an interim portfolio, so it makes limited sense to include this in the baseline for measuring against a long-term target. However, from a practical standpoint, Magellan is still being treated like any other manager, with carbon metrics being monitored, and engagement work taking place on the individual holdings.

9. As well as monitoring against decarbonisation progress, the report also looks at the transition alignment of the portfolios (measured by green to in-between to grey), highlights some specific holdings to prioritise for engagement, and also looks at how target setting should evolve. The report highlights that, in line with the IIGCC framework (which the Fund publicly supports), the Fund should focus on setting more granular targets over the next 12-18 months. The Responsible Investment Policy (elsewhere on this agenda) has accordingly been updated to include a new climate commitment "We commit to expanding target setting to cover climate solutions, transition alignment and stewardship during 2023".

10. The report contains several metrics, namely absolute emissions, the carbon footprint (which is the emissions per $m the Fund has invested), and the WACI (weighted average carbon intensity – the emissions of each company in the Fund's portfolios per $m of revenue earned by each company).

11. The metric on which the Fund will measure decarbonisation progress is the carbon footprint. This is because this metric has a closer link to absolute emissions (whereas WACI demonstrates the carbon efficiency of the individual companies invested in), but in addition, it is thought very likely that this will be the metric which it is recommended that LGPS funds use when TCFD reporting becomes mandatory in the near future. Therefore, adopting this now makes strong sense to enable comparisons with other LGPS funds in the near future.

12. The decarbonisation progress to date is as follows (shown by the carbon footprint for the Fund's listed equity portfolios, with the exception of Magellan):



13. This shows that the Fund is overall on track, which is positive news, with the graph showing that the carbon footprint is down by 19.6% over the first two years of monitoring. However, it is important to be fully transparent and note that the progress for the WACI and absolute emissions does not look quite so positive, and this is shown in Appendix 1, along with explanations. Although the carbon footprint trajectory is on track overall, the 2022 datapoint (31-Dec-21) is higher than the 2021 datapoint (31-Dec-20). There are two matters to consider around this:

- The Fund has changed the strategic asset allocation over this period. The Fund has moved fully out of passive low carbon and partially out of Brunel's global high alpha active equities portfolio, into the passive Paris-aligned portfolio, and sustainable equities. These portfolios, although on track to decarbonise more over time, actually have a higher starting level of emissions.
- The sustainable equities portfolio has a new investment manager which invest heavily in companies which will be providing transition solutions for the future, but which are actually relatively high emitters today, for example chemical and industrial companies. This will be monitored, and it is anticipated that the emissions will reduce.

Engagement Activity

14. Officers have been carrying out work to analyse the holdings data and a range of metrics from Climate Action 100+ and the Transition Pathway Initiative, in order to prioritise holdings for further investigation. The investment managers who hold these companies were then engaged with in order to provide assurance around the investment case.

15. This work has been written up into a short report, which is attached as Appendix 2.

Net Zero across all Portfolios

16. One of the climate commitments made last year was "We will expand specific net zero target setting and monitoring of metrics for other asset classes over 2022, starting with property and infrastructure." In order to take this commitment forward, officers have been working with the Fund's investment managers and Brunel. The first stage of work has been to gather information on the current position for each portfolio. This varies across each portfolio, as each asset class presents different challenges, including availability of data, or what metrics are meaningful and available.

17. The findings of this work have been summarised in Appendix 3. Portfolios have been rated by officers across the following areas, to give an overall picture of progress for each portfolio:

    - Target setting (has the portfolio set a target of net zero by 2050 or sooner?)
    - Metrics and reporting (are metrics readily available?)
    - Data coverage (is data available on enough of the portfolio to make analysis meaningful?)
    - Transition alignment (what does the progress of the underlying holdings look like?)

18. Overall, this shows a lot of positive progress, and highlights the biggest challenges, and areas where more work needs to be done.

Climate Solutions

19. At the meeting on 26 May 2022, the Committee approved that officers work with Brunel to see if a climate solutions portfolio could be developed, as a potential way to implement the renewable infrastructure allocation, via pooling. This is currently being investigated through the investment sub-group, and a verbal update will be provided to the Committee at the meeting.

Brunel Climate Stocktake

20. The Brunel climate stocktake is ongoing, and a brief report will be provided to Committee when the work has concluded. As part of the stocktake, Brunel have requested that Funds provide feedback from their Committees. Brunel have provided a list of questions, which is attached as Appendix 4. Officers have prepared a short response, as follows. Members are asked to consider the response as a first draft for discussion, and agree on the final wording to be shared with Brunel.

21. "The Wiltshire Pension Fund Committee supports the existing objective of the Climate Policy, and agrees that this should remain as the objective. The Committee supports the work done by Brunel regarding public policy, and commends the efforts made to assess effectiveness in this area. However, at the current time, there are significant challenges around data coverage and metrics across non-listed equity portfolios, and the Committee would prefer that Brunel devote resource to developing these, in preference to adding further areas of public policy to focus on.

    The Committee would like Brunel to collaborate with the client group in the development of a multi-asset climate opportunities portfolio, and to embrace this opportunity to create something truly forward-thinking, accessing a broad range of asset classes to deliver strong risk-adjusted returns for clients by investing in renewable infrastructure and climate solutions.

The Committee would like Brunel to review how net zero can be achieved across all portfolios, whilst prioritising superior risk-adjusted returns. Central to this work will be enhanced (but still simple and easy to understand) reporting, tailored to different asset classes, for example introducing reporting on physical climate risks for all real assets (specifically property and infrastructure), as well as exposure to “green” revenues. Look-through information on the transition alignment of underlying holdings will also be essential to understanding each portfolio’s position.

The Committee will be working on expanding net zero target setting over the coming year, in line with the IIGCC framework. Consequently, it is extremely likely that explicit targets will be set for climate solutions, to sit as a subset of the following existing commitment “We commit to allocating 30% of the Fund to sustainable/low carbon green assets by 2025 and 35% by 2030 (as measured by the long-term strategic asset allocation)”.

The Committee’s goal with regard to climate change risk, as set out in the Fund’s Responsible Investment Policy is “**To protect the investments from climate change risk, and safeguard the financial future of the Fund**”. Although the Fund carries out a significant amount of work on its own behalf to support this goal, support from Brunel will be essential to achieving the Fund’s net zero aspirations.”

<u>Plans for Ongoing Work</u>

22. Officers are developing plans for communications with the Fund’s members around COP27, the UN’s climate change conference, which will take place in late 2022. Last year’s one-page factsheet was well received and a similar communication will be send out later this year.

23. Work is ongoing against Business Plan action 16 (collaborating with investment managers to ensure that climate risk is appropriately addressed). As well as the work described elsewhere in this report to obtain more information and engage with the managers, more detailed work is taking place with Ninety One around the evolution of the emerging markets multi-asset portfolio. The Fund is a large investor in this product, and so has been able to work alongside Ninety One on the direction of travel. The Committee will receive a report when this work is completed.

<u>Plans for Future Reporting</u>

24. As mentioned above, the TCFD report has already been published for 31 March 2022. Next year, it is proposed that officers obtain the Mercer ACT reporting earlier, and produce an enhanced Climate Report, which includes the reporting in line with the TCFD, but also much of the information included in (and appended to) this Committee report.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

26. There are no known implications at this time.

Proposals

27. The Committee is asked to
    - use this report as a basis for monitoring the progress that is being made towards the Fund's target of net zero emissions across all portfolios by 2050.
    - approve the statement to be provided to Brunel for the climate stocktake.
    - approve the plans for reporting on climate risk via a single report in early 2023.

Report Author: Jennifer Devine, Head of Wiltshire Pension Fund

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

Appendices:
Appendix 1 – Mercer's ACT Report
Appendix 2 – Officers report on engagement with managers on priority holdings
Appendix 3 – Analysis of net zero position across all investment portfolios
Appendix 4 – Brunel's questions for Committees for the climate stocktake

Mercer

Wiltshire Pension Fund

Analytics for Climate Transition (ACT) 2022 – Summary report

August 2022

welcome to brighter

Analytics for Climate Transition

The How and What?

Mercer's Analytics for Climate Transition (**ACT**), follows a step by step approach to align to a net zero* outcome by 2050 or earlier.

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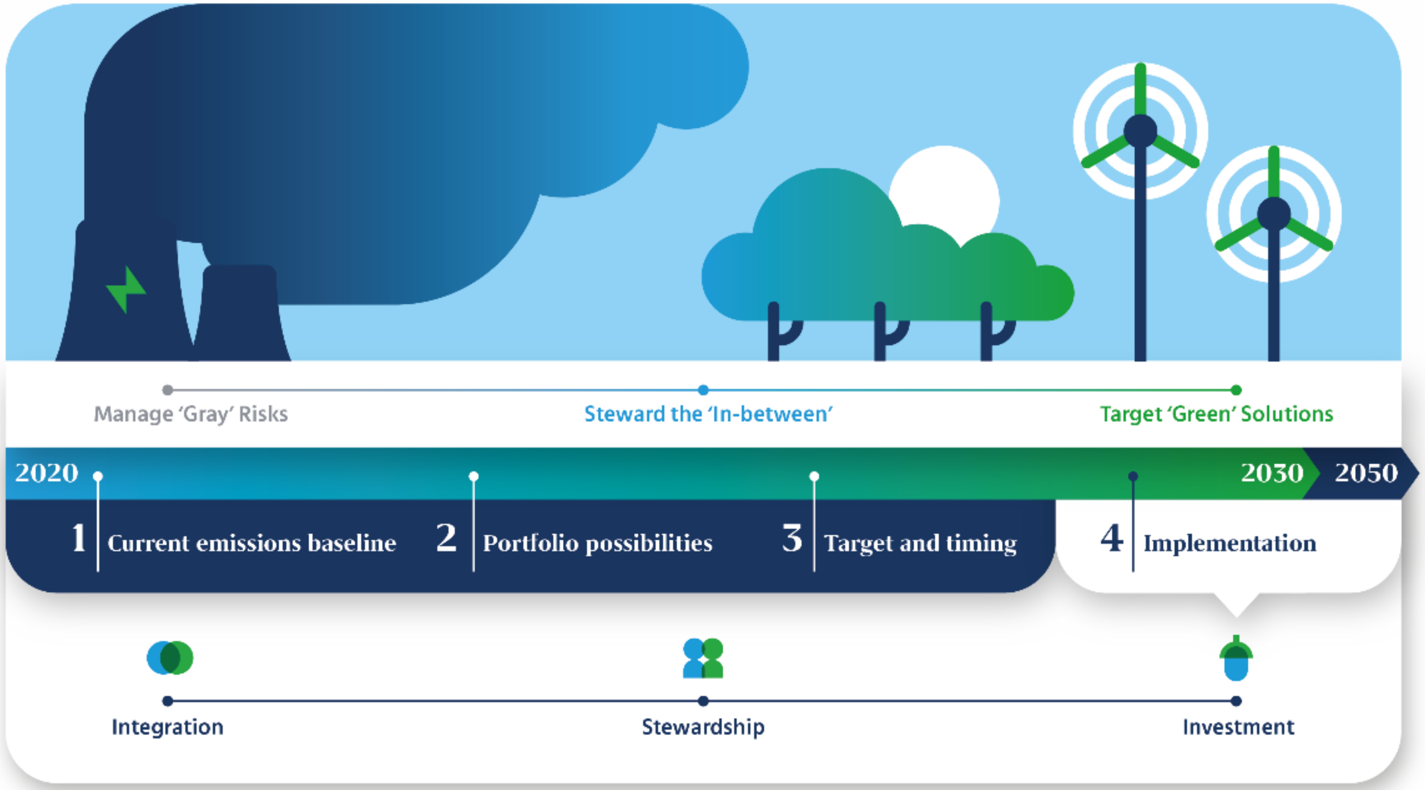


The recommendations are in the form of a **climate transition plan, including targets, and have confidence in answering key questions**:

Can we reduce emissions and set aligned targets while:

a) meeting investment objectives? &

b) not just divesting today's high carbon companies? And can this be practically implemented and monitored?

*'Net zero' means emissions are reduced as far as possible, where there are options to do so, with any remaining emissions offset by absorbing an equivalent amount from the atmosphere e.g. in nature (trees and soils) or via carbon capture and storage or use technologies

Purpose of this Analysis

- This report provides the Fund with an updated understanding of the portfolio's transition capacity as at 31 December 2021 using the Mercer Analytics for Climate Transition (ACT) tool. It is the second year of this analysis.
- Analysis is carried out on the Fund's listed equity portfolio. This results in c.40.8%* of the total Fund being analysed.
- The aim of this analysis is to:
  - Monitor progress against the Fund's listed equity decarbonisation targets.
  - Understand the transition capacity of the Fund's listed equity portfolio.
  - Present a high level implementation plan for the listed equities and for incorporating further asset classes over time.
- To date, the recommended targets have been set on scope 1 and 2 emissions and when the level of corporate reporting of scope 3 emissions improves we recommend including scope 3 emissions into the Fund's emissions baseline and target setting framework.
- The analysis includes the impact of updating the baseline to 31 December 2019 (previously 31 December 2020), following guidance from the IIGCC. The analysis dates within this report hereafter correspond to the previous day (e.g. 2020 refers to the position as at 31 December 2019).

The aim of this analysis is to understand the Fund's low carbon transition alignment and progress against the recommended decarbonisation targets set and communicated in 2021.

- *The Fund's mandates outside of listed equity and corporate bonds are excluded from this analysis on the grounds that sufficient bottom up data and methodologies are not yet available.

How ACT analysis has been used to date and key findings

Forward look to next 12-18 months

Over the last 12 months ACT has been used to:

- Set 2025 and 2030 decarbonisation targets and monitor progress
- Provide insight into transition capacity and monitor progress
- Support the RI strategy and policy approach

Key findings in this report include:

- Decarbonisation progress over the 2 year period: the listed equity portfolio has decarbonised by 19% on a carbon footprint basis and is on target. The Magellan listed infrastructure portfolio has decarbonised by 7% but is behind target
- Transition capacity has increased for the listed equity portfolio as a whole, although it has marginally decreased for the Ninety One emerging market equity portfolio*
- Identification of the most strategically important companies from an emissions perspective (slides 17 & 18)

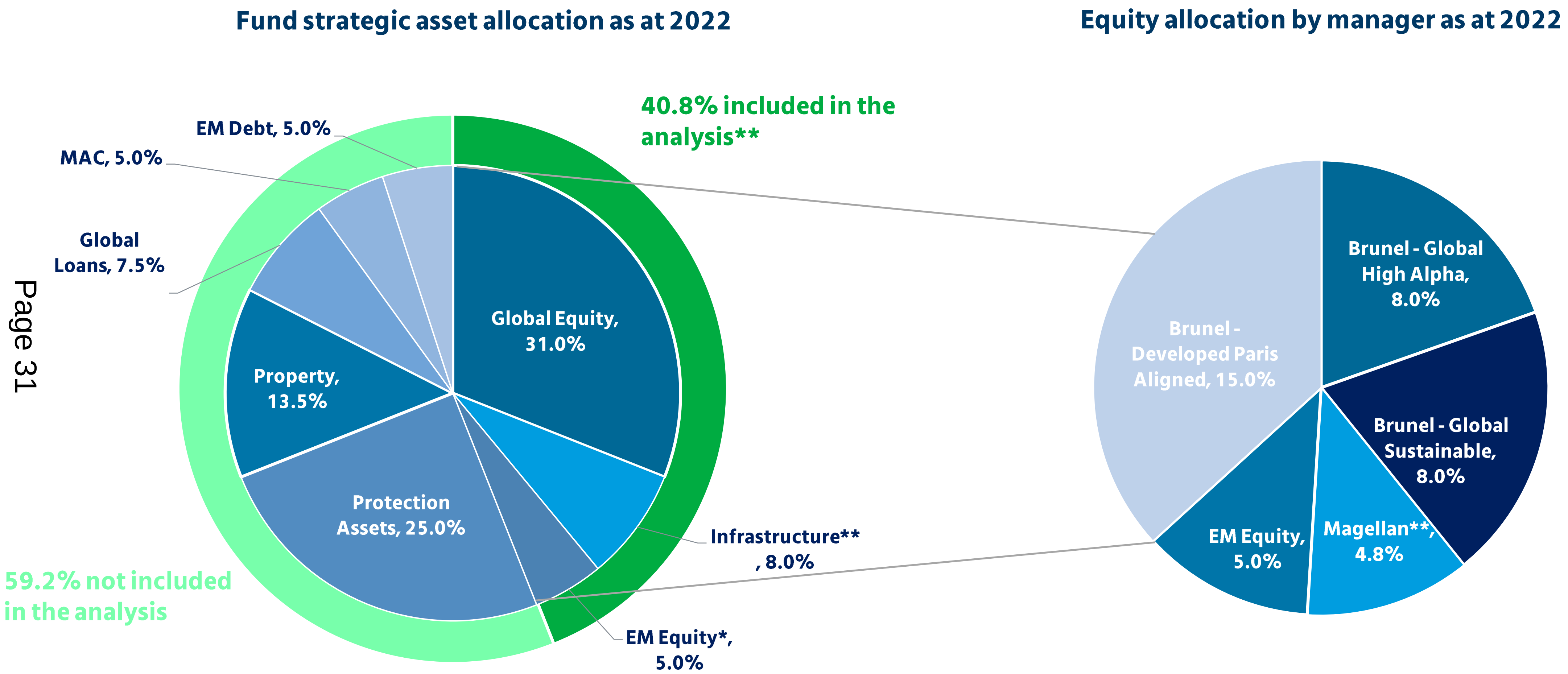
Key areas of focus for next 12-18 months:

- Setting more granular targets across:
  - Sustainable / climate solutions
  - Transition alignment
  - Stewardship
- Expand net zero approach beyond the listed equity portfolio to property, infrastructure, emerging market debt, loans and multi-asset credit (data permitting)
- Potential connections to biodiversity / natural capital

Use insights and recommendations to shape discussions with Brunel and support climate change reporting (TCFD)

* Please note that Mercer's transition capacity methodology has improved over the year so the figures are not directly comparable year on year.

Proportion of Holdings Analysed



* The total SAA for the Ninety One Emerging Markets Multi Asset fund is 10.0%. However, only the equity portion is being included in the analysis (c.5.0% of the total Fund's SAA).
**Magellan absolute emissions calculation based on actual allocation (4.8%) as at 2022. Magellan sits within the infrastructure allocation on the left hand side pie chart.
Notes: The data analysed excludes e.g. cash and derivative allocations within the funds analysed. Where there is partial coverage of a portfolio we scale up the absolute emissions to estimate coverage for 100% of the mandate.

Current Targets and Progress

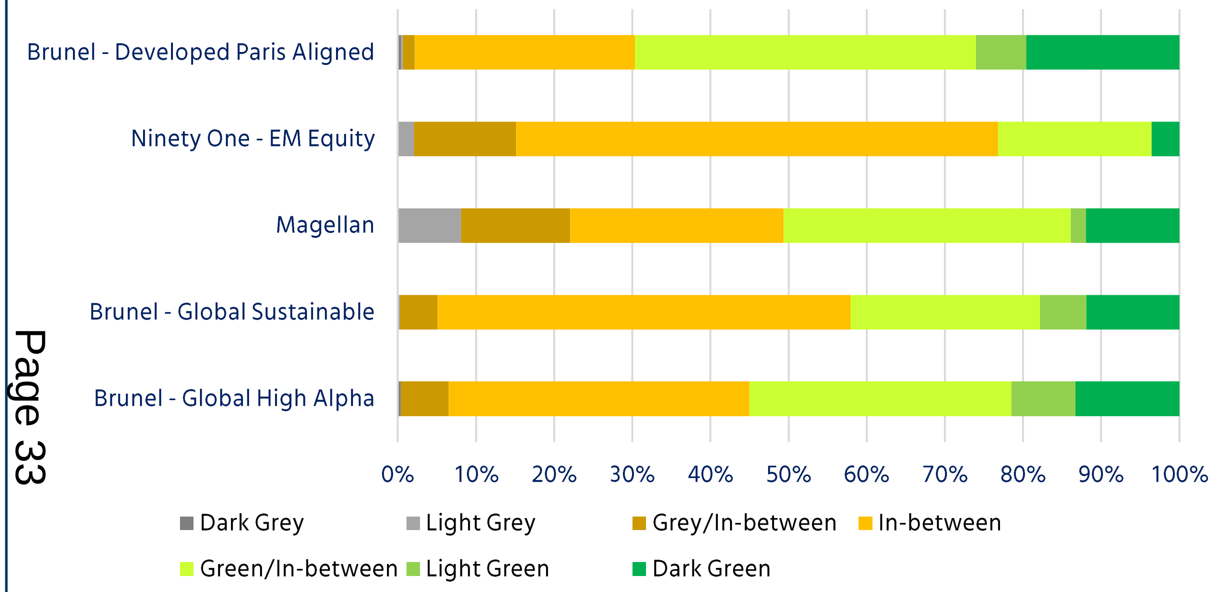
On Track Progress Required

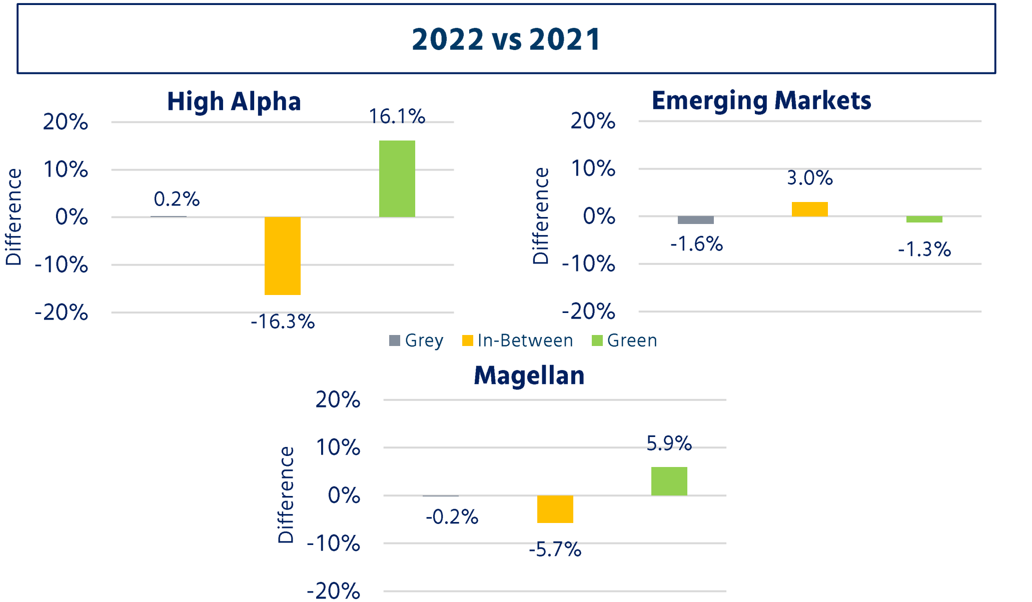
Scope	Current Target	Progress	Progress to Date
Total Fund	• **Total Fund carbon reduction target of 50% by 2030 and net zero by 2050.**	• Listed equities are the initial area of focus with further asset classes being incorporated over time.	
Total Fund	• **Allocating 30% of the Fund to sustainable / low carbon green assets by 2025, and 35% by 2030 as measured by the long term strategic asset allocation.**	• Supports overall objective of supporting the global climate transition and sustainability ambitions of the Fund. • The Fund has made allocations to sustainable and Paris Aligned equity mandates. The Fund has also agreed to make an allocation to renewable infrastructure.	
Total Fund	• **Expand specific net zero target setting and monitoring of metrics for other asset classes over 2022/23, starting with property and infrastructure.** • **Scope 3 emissions to be included when data quality and consistency of measurement are sufficient.**	• A project is currently underway whereby Officers and Mercer are working with the Fund's Property, MAC, Emerging Market Debt and Loans managers to explore the levels of data availability with a view to expanding target setting in the future. • Consistent with IIGCC Net Zero Framework and other investors targeting a 'whole of portfolio' approach across scope 1, 2 and 3.	
Listed Equities	• **A listed equities decarbonisation target of net zero by 2050, a 43% reduction by 2025 and a 69% reduction by 2030 versus the 2020 baseline.**	• Listed equity portfolio (excludes Magellan), from 2022: • Carbon Footprint to decrease by 29% by 2025 and 62% by 2030.*	
		• For Magellan, from 2022: • Carbon Footprint to decrease by 39% by 2025 and 67% by 2030.*	

*Please note we provide the equivalent figures for absolute emissions and WACI in the appendix. We recommend using carbon footprint as the primary metric for monitoring decarbonisation progress. This normalises emissions per $million invested.

Transition Alignment of the Portfolio

- **We present the transition alignment of the portfolio,** to understand exposure to assets that are well aligned ("green") or not well aligned ("grey") with the low carbon transition as well as the evolution since the first analysis.





Highlights & Questions

✓ Higher allocations to Green across Magellan and Brunel High Alpha portfolios but this largely driven by methodological change

✓ Retained very low allocations to Grey

How are Brunel engaging with the most carbon intensive and Grey companies?

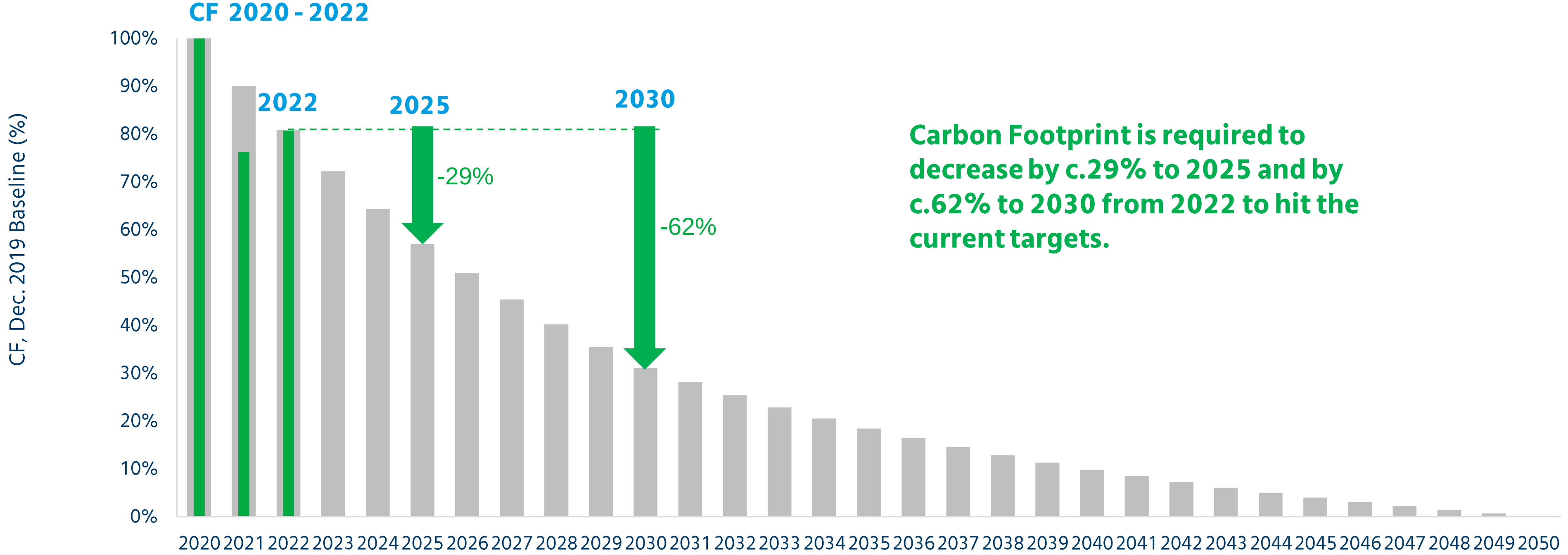
Mercer

Notes: Figures may not sum due to rounding. Analysis captures carbon dioxide equivalent emissions. Where there is partial coverage of a portfolio we scale up to estimate coverage for 100% of the mandate. (see Appendix on limitations).

Decarbonisation Path – 2020 baseline

Transition Leader Curve – Listed Equities (Ex. Magellan)

In line/below target pathway
Above target pathway



Carbon Footprint is required to decrease by c.29% to 2025 and by c.62% to 2030 from 2022 to hit the current targets.

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- Above is the proposed decarbonisation pathway for the Fund's listed equities portfolio, shown on a carbon footprint basis, starting with a 2020 baseline (aligned with the IIGCC). This portion of the portfolio is shown versus the Transition Leader pathway curve, which is the curve previously adopted by the Committee.
- The carbon footprint has decreased in line with the pathway over the period shown.
- In terms of carbon footprint, the Fund is in line with the pathway, despite an increase from 2021 to 2022. Since 2020, Ninety One EM Equity and Brunel Global High Alpha have driven the fall in carbon footprint, along with the introduction of the Paris Aligned and Sustainable Equity Funds.
- We recommend using carbon footprint as the primary metric for monitoring decarbonisation progress, but to also monitor progress against absolute emissions and weighted average carbon intensity (WACI) (see appendix for further details).

Mercer

Notes: Analysis captures carbon dioxide equivalent emissions. Where there is partial coverage of a portfolio we scale up the absolute emissions to estimate coverage for 100% of the mandate .
**The SAA calculation potentially understates the fall in absolute emissions compared to actual values over the period.*

Strengthening targets

Private equity, real estate and infrastructure	Climate solution targets
Explore setting net zero targets on property, infrastructure and wider assets over 2022/23.	Refine current sustainability targets and adopt a climate solutions target by 2025 and 2030.

Stewardship / Engagement	Alignment Targets	
70% of financed emissions in material sectors are either aligned to net zero or under active engagement, rising to 90% by 2030.	Explore the potential to set a target on increasing the % AUM in net zero or aligning assets by 2025.	Target 100% of investments in the sectors deemed most material by the IIGCC*, to be either already net zero, aligned to net zero, or aligning to net zero by 2040.

*Source:

Appendix

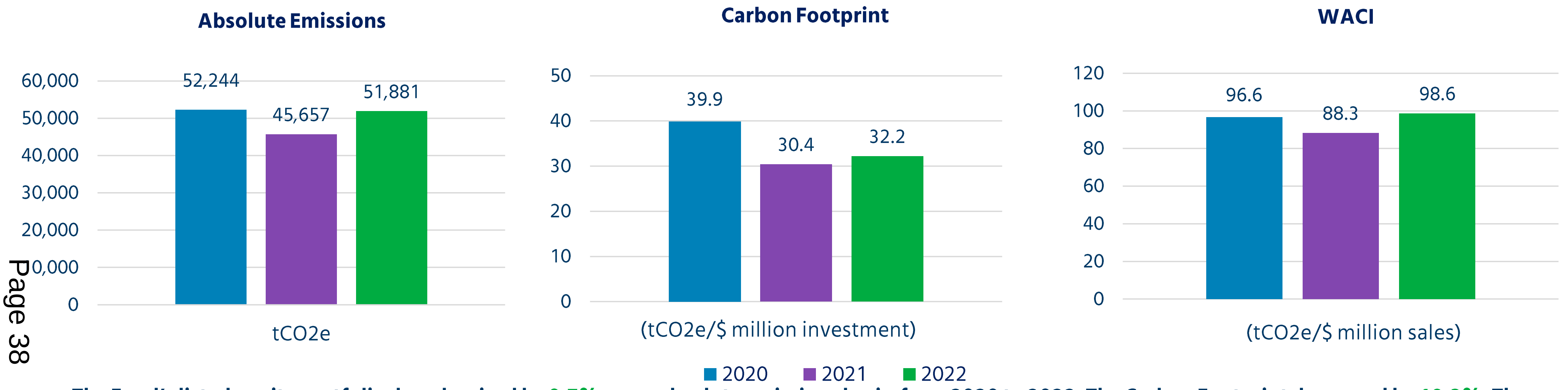
Climate Transition

High level implementation plan

	Integration (Risk Reduction)	Stewardship (Transition Support)	Investment (Solutions)
2022	• Communicate listed equity progress versus decarbonisation targets to key partners and members. Incorporate into TCFD reporting.	• Discuss the companies raised in Mercer's ACT analysis as engagement priorities with Brunel. • Work with Brunel and Mercer to establish the extent to which financed emissions in material sectors are currently aligned to net zero or under engagement today. The target is 70% of financed emissions in material sectors are either aligned to net zero or under active engagement.	
2022 - 2025	**Emissions Reduction Target:** Achieve a 43% reduction in emissions by 2025 versus the listed equities 2020 baseline. Monitor this on both an absolute and intensity basis. • Expand net zero target setting to wider asset classes – infrastructure, property etc. – when data quality and methodologies exist. • Include Scope 3 within emissions reduction efforts when corporate reporting quality increases sufficiently.	• **Engagement targeting :** Work with Mercer and Brunel to ensure that the engagement progress is made, focusing on the companies that are most material to the Fund's decarbonisation journey, supported by annual ACT monitoring. • **'Just Transition'** Use the Fund's influence as a shareholder to encourage companies and policy makers to adapt their activities to support the transition to a low carbon economy, especially across developing nations and societies	• Consider adopting a Climate Solutions Target that sits within the existing commitment to invest at least 35% of total assets in sustainable and low carbon investments by 2030. • Consider increasing allocations to low-carbon / sustainability-themed exposures, including transformative solutions. For example, opportunities in local impact opportunities or nature based solutions. Mercer's green transition alignment score provides an indication of current green exposures within the equity portfolio, however definitions of climate solutions vary widely.
2030	**Emissions Reduction Target**: Decarbonise, with 69% reduction in emissions in the listed equity portfolio by 2030 (vs 2020 baseline).	• 90% of financed emissions in material sectors are either aligned to net zero or under active engagement by 2030. • **Escalation Policies** : Evaluate the success of the stewardship activities with target companies. Companies that haven`t produced the desired change following stewardship could be considered for replacement.	

Progress versus the baseline across three emissions metrics

Listed Equities (Ex. Magellan)



- **The Fund's listed equity portfolio decarbonised by 0.7% on an absolute emissions basis, from 2020 to 2022. The Carbon Footprint decreased by 19.3%. The Weighted Average Carbon Intensity (WACI) increased over the same period by 2.1%.**
- Relative to the 2020 baseline, the latest results reflect the impact of two new funds which have been added to the portfolio – the Brunel Global Sustainable Equity fund and the Brunel Developed Paris Aligned fund. The Brunel Global High Alpha and EM Equity portion of the Ninety One EM mandate, which were the only two common funds between both analyses, have decarbonised across all three metrics during the period. Over the three year period, the Fund has disinvested from Brunel Low Carbon Equity.
- The increase in the Weighted Average Carbon Intensity (WACI) metric is explained by the transition of the Low Carbon Equity fund to the Brunel Developed Paris Aligned and the addition of the Brunel Sustainable Equity Fund over the period . See slide 8 for an explanation of what has driven the change in carbon footprint. It is difficult to fully attribute the change in absolute emissions due to the manager line up changes over the period and the variables which impact the metric but it was in part driven by the new allocation to the Paris Aligned fund.

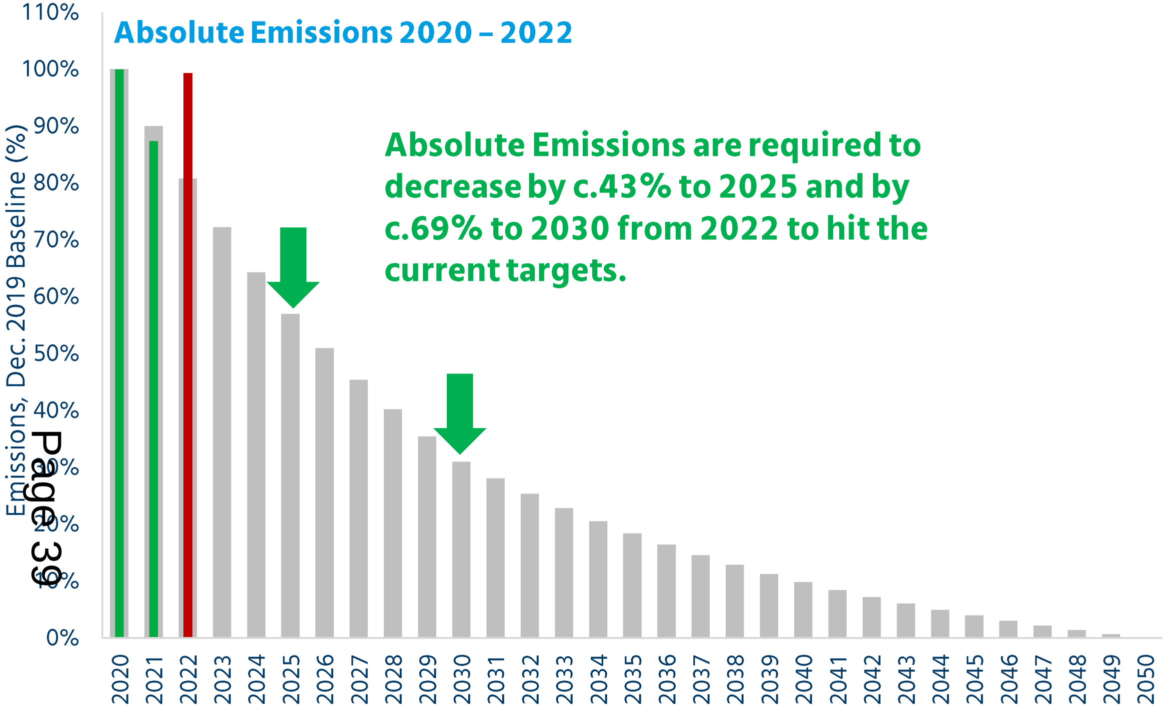
Mercer

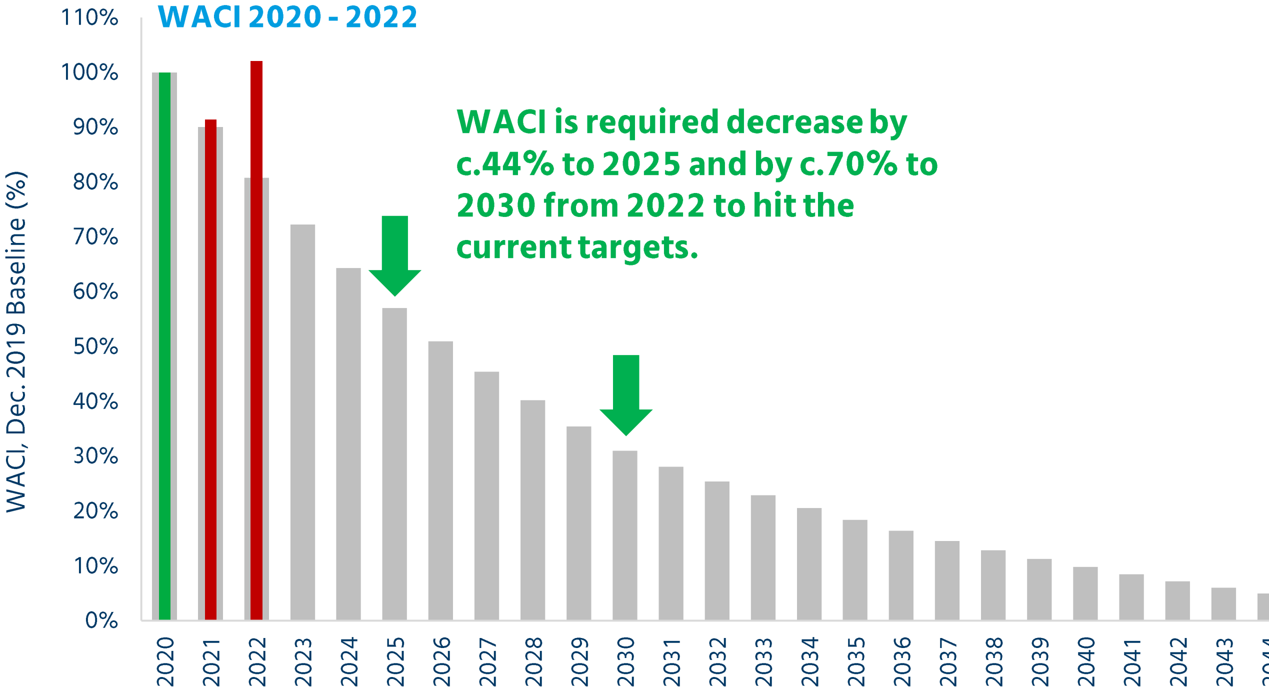
Notes: Analysis captures carbon dioxide equivalent emissions. Where there is partial coverage of a portfolio we scale up the absolute emissions to estimate coverage for 100% of the mandate.

Decarbonisation Path – 2020 baseline

Transition Leader Curve – Listed Equities (Ex. Magellan)

In line/below target pathway
Above target pathway





- Above are the proposed decarbonisation pathways for the Fund's listed equities portfolio, shown on both an absolute emissions and a WACI basis, with a 2020 baseline (aligned with the IIGCC). This portion of the portfolio is shown versus the Transition Leader pathway curve, which is the same curve already agreed by the Committee using the 2021 baseline.

- In addition to tracking decarbonisation progress on a carbon footprint basis we also monitor decarbonisation on an absolute emissions and WACI basis. The listed equity portfolio is behind target when assessed on these metrics as both have remained largely flat since 2020.

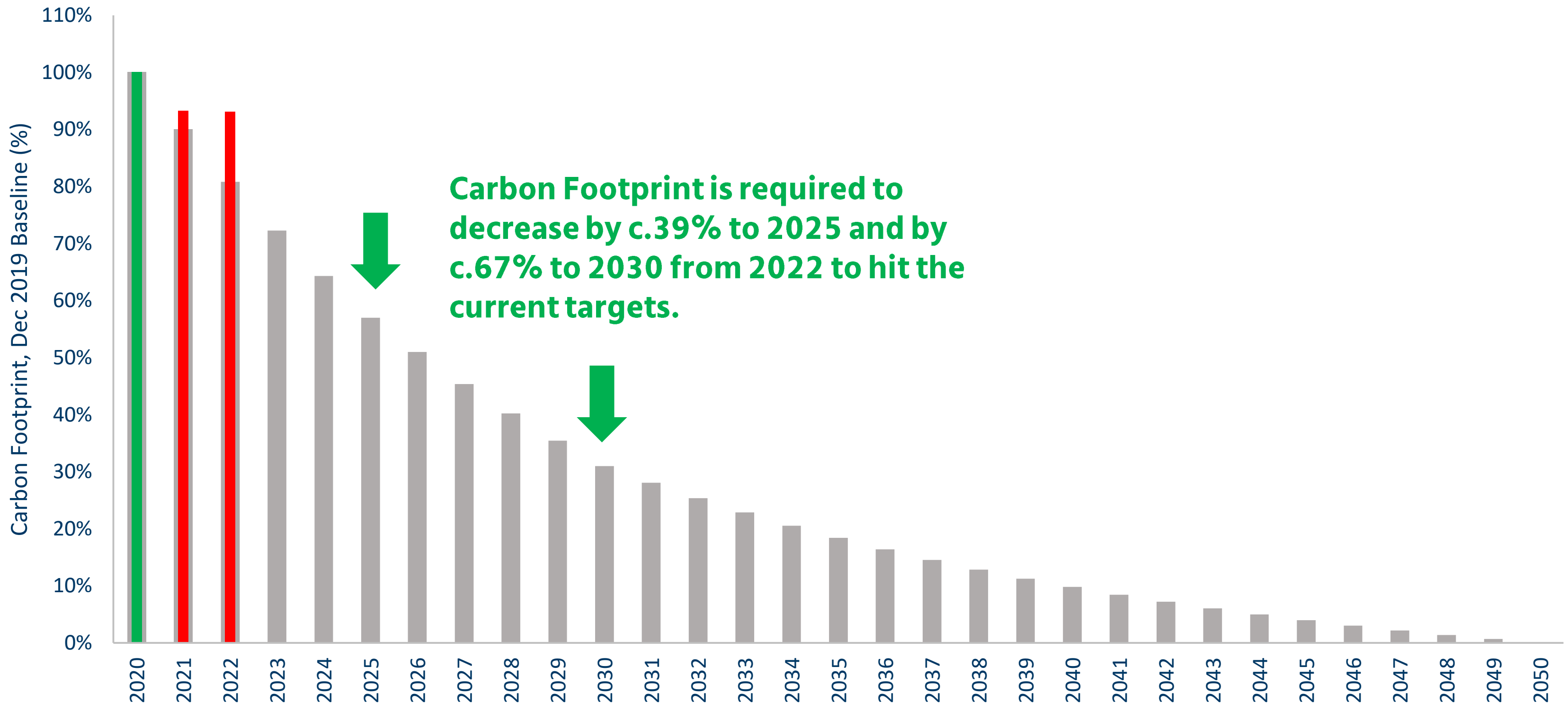
- The lack of progress on WACI is explained by the transition of the Low Carbon Equity fund (64.5 tCO2e/$million sales) to the Brunel Developed Paris Aligned (76.0 tCO2e/$million sales) and the addition of the Brunel Sustainable Equity Fund over the period. It is difficult to fully attribute the change in absolute emissions due to the manager line up changes over the period and the variables which impact the metric but it was in part driven by the new allocation to the Paris Aligned fund.

Notes: Analysis captures carbon dioxide equivalent emissions. Where there is partial coverage of a portfolio we scale up the absolute emissions to estimate coverage for 100% of the mandate .
**The SAA calculation potentially understates the fall in absolute emissions compared to actual values over the period.*

Decarbonisation Path – 2020 baseline

Transition Leader Curve – Magellan

In line/below target pathway
Above target pathway



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- Above is the proposed decarbonisation pathway for the Fund's listed infrastructure mandate with Magellan, shown on a carbon footprint basis, with a 2020 baseline (aligned with the IIGCC). This portion of the portfolio is also shown versus the Transition Leader pathway curve, which is the same curve already agreed by the Committee. Magellan is tracked on a separate basis owing to its role as a warehouse for the Fund's private debt commitments, which are expected to be largely drawn down over time.
- Whilst the carbon footprint has fallen over the period, the magnitude of the fall is less than that required by the Transition Leader pathway curve.

Notes: Analysis captures carbon dioxide equivalent emissions. Where there is partial coverage of a portfolio we scale up the carbon footprint to estimate coverage for 100% of the mandate .

Mercer

Transition Alignment and Emissions Baseline
for Annual Monitoring as at 2022

Indicator of improved carbon performance vs last year
Indicator of worsened carbon performance vs last year
2021 figures shown in brackets

		Portfolio	SAA Weight %	Absolute Emissions Coverage	Absolute emissions (tCO2e based on value of investment)	WACI Coverage	WACI (tCO2e/$million sales)	Carbon Footprint Coverage	Carbon Footprint (tCO2e/$million investment)	Implied Temperature Rise (°C)*	*SBTi Alignment***
					Scope 1 + 2		Scope 1 + 2		Scope1 + 2		
Included in the Baseline	**Global Equity**	Brunel – Global High Alpha	8.0 (16.0)	96.6%	**7,000 (16,211)**	96.8%	**57.6 (59.8)**	96.6%	**19.6 (24.1)**	**2.2**	27.1%
	EM Equity	Ninety One – EM Multi Asset	5.0 (5.0)	97.6%	**21,525 (19,100)**	98.1%	**206.1 (235.2)**	97.6%	**96.1 (91.8)**	**2.9**	6.1%
	Listed Infra	Magellan	4.8 (4.6)	95.0%	**30,384 (27,045)**	95.0%	**813.2 (771.2)**	95.0%	**141.6 (141.8)**	**3.2**	34.8%
	Listed Equity	Brunel – Global Sustainable	8.0	98.5%	**10,548**	98.5%	**114.8**	98.5%	**29.5**	**2.2**	28.4%
		Brunel – Developed Paris Aligned	15.0	99.6%	**12,808**	99.6%	**76.0**	99.6%	**19.1**	**2.1**	41.6%
		Total Listed Equities	40.8	98.0%	**82,265**	98.1%	**182.7**	98.0%	**45.1**	**2.4**	31.0%
		Total Listed Equities ex. Magellan	36.0	98.4%	**51,881**	98.5%	**98.6**	98.4%	**32.2**	**2.2**	30.5%
		Comparator - MSCI ACWI	-	-	**-**	99.4%	**149.9**	99.3%	**50.0**	**2.3**	31.2%

- The Fund's allocation to Magellan is expected to trend broadly downwards as capital is drawn down to fund Brunel renewable infrastructure commitments.
- While the Brunel Developed Paris Aligned Fund is more carbon intensive than the Passive Low Carbon Global Equity Fund it has replaced, it has a 7% year-on-year decarbonisation target which is expected to make it more carbon efficient over time.

Mercer

*MSCI have amended their methodology for implied temperature since the last ACT report was issued, therefore figures for 2020 are not shown owing to not being a like for like comparison. **SAA weights shown for Magellan are Actual allocations.
** This metric measures the proportion of companies in the portfolio with one or more active carbon emissions reduction target/s approved by the Science Based Targets Initiative (SBTi)

Transition Alignment and Emissions Baseline
2020 Baseline

Portfolio	SAA Weight %	Absolute Emissions Coverage	Absolute emissions (tCO2e based on value of investment)	WACI Coverage	WACI (tCO2e/$million sales)	Carbon Footprint Coverage	Carbon Footprint (tCO2e/$million investment)	Implied Temperature Rise (°C) [1]	*SBTi Alignment*[1]
			Scope 1 + 2		Scope 1 + 2		Scope1 + 2		
Brunel Low Carbon Equity	15.0%	95.6%	**11,380**	95.8%	**64.5**	95.6%	**20.9**	**2.2**	35.7%
Brunel Global High Alpha	16.0%	92.9%	**16,372**	93.1%	**66.9**	92.9%	**28.1**	**2.2**	27.8%
Ninety One – Emerging Markets Equity[2]	5.0%	93.1%	**24,492**	93.1%	**287.8**	93.1%	**134.7**	**3.2**	2.7%
Magellan	5.6%[3]	87.6%	**30,972**	87.6%	**783.7**	87.6%	**152.1**	**3.5**	22.5%
Total Listed Equities	**41.6%**	93.2%	**83,217**	93.3%	**189.1**	93.2%	**55.0**	**2.5**	26.9%
Total Listed Equities ex. Magellan	**36.0%**	94.1%	**52,244**	94.2%	**96.6**	94.1%	**39.9**	**2.3**	27.6%
Comparator - MSCI ACWI	**-**	-	**-**	96.4%	**180.2**	96.9%	**74.1**	**2.4**	30.0%

[1] *Please note these figures are the latest available from MSCI and reflect the ITR / % of SBTI aligned companies today that were in the portfolio as at 31/12/2019.*
[2] *The Ninety One EM Equity mandate has a total equity portion of c.55%. This is reflected in the numbers above.*
[3] *The Magellan allocation shown is the actual allocation as at 31/12/2019, consistent with the 31/12/2020 and 31/12/2021 analyses.*

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Engagement targets – Total Portfolio (ex. Magellan)

Top 10 contributors to absolute emissions (2022)

	Company Name	Sector	Equity Portfolio Weight *	Cont. to absolute emissions (scope 1.2) *	Transition category	Emissions intensity (carbon footprint)	SBTi	TPI Management Quality Score	TPI Carbon Performance	CA100+	Mandates held in
1	POSCO Holdings Inc.	Materials	0.07%	3.31%	**Grey/In-between**	1,808	No	-	-	-	Ninety One EM Multi-Asset Equities
2	Holcim AG	Materials	0.04%	2.47%	**Grey/In-between**	2,246	Yes	4	1.5 Degrees	Yes	Brunel Global High Alpha Equity
	REPUBLIC SERVICES, INC.	Industrials	0.212	1.97%	**In-between**	337	Yes	-	-	-	Brunel Global Sustainable Equity, Brunel Developed Equity Paris Aligned
3	China Petroleum & Chemical Corporation	Energy	0.06%	1.93%	**Light Grey**	1,202	No	-	-	-	Ninety One EM Multi-Asset Equities
5	NK LUKOIL PAO	Energy	0.09%	1.85%	**Grey/In-between**	799	No	-	-	-	Ninety One EM Multi-Asset Equities
6	ENGIE SA	Utilities	0.15%	1.76%	**Green/In-between**	434	Yes	4	Below 2 Degrees	Yes	Brunel Developed Equity Paris Aligned
7	DUKE ENERGY CORPORATION	Utilities	0.11%	1.63%	**Dark Grey**	544	No	3	Below 2 Degrees	Yes	Brunel Developed Equity Paris Aligned
8	HAWAIIAN ELECTRIC INDUSTRIES, INC.	Utilities	0.05%	1.50%	**Light Grey**	1,052	No	2	Not Aligned	No	Brunel Global Sustainable Equity
9	ANGLO AMERICAN PLC	Materials	0.23%	1.49%	**In-between**	245	No	4	National Pledges	Yes	Brunel Global High Alpha Equity, Ninety One EM Multi-Asset Equities
10	LINDE PUBLIC LIMITED COMPANY	Materials	0.24%	1.46%	**Grey/In-between**	231	No	4	-	No	Brunel Global High Alpha Equity, Brunel Developed Equity Paris Aligned
Total			**1.03%**	**18.78%**							

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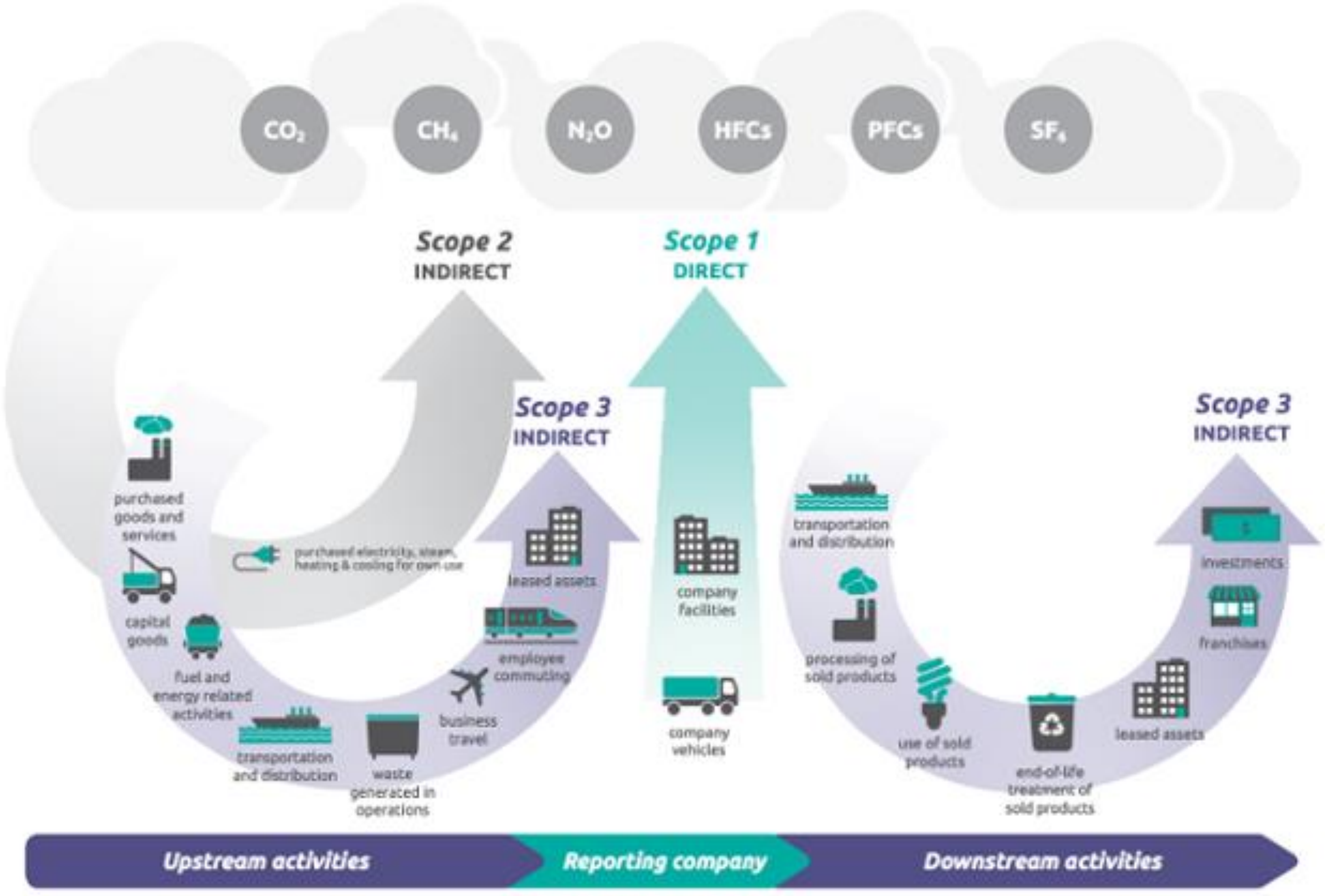
*Both Equity Portfolio Weight and Contribution to Absolute Emissions include Magellan within the total absolute emissions / total portfolio allocation , i.e. in the denominator of the calculations.

Engagement targets – Magellan
Top 10 contributors to absolute emissions (2022)

	Company Name	Sector	Weight within Magellan mandate	Cont. to Magellan's absolute emissions (scope 1.2)	Transition category	Emissions intensity (carbon footprint)	SBTi	TPI Management Quality Score	TPI Carbon Performance	CA100+
1	Evergy, Inc.	Utilities	3.70%	29.57%	**Grey/In-between**	1,074	No	3	Below 2 Degrees	No
2	Xcel Energy Inc.	Utilities	3.87%	18.51%	**Grey/In-between**	642	No	3	Below 2 Degrees	Yes
3	WEC ENERGY GROUP, INC.	Utilities	3.80%	14.21%	**Light Grey**	503	No	3	Below 2 Degrees	Yes
4	Dominion Energy, Inc.	Utilities	3.90%	9.56%	**Light Grey**	330	No	4	Below 2 Degrees	Yes
5	ALLIANT ENERGY CORPORATION	Utilities	1.94%	9.01%	**Grey/In-between**	623	No	3	Below 2 Degrees	No
6	SEMPRA ENERGY	Utilities	4.58%	3.55%	**In-between**	104	No	3	Below 2 Degrees	No
7	Enbridge Inc.	Energy	4.22%	3.15%	**Green/In-between**	100	No	4	-	Yes
8	NATIONAL GRID PLC	Utilities	3.59%	2.16%	**Green/In-between**	81	Yes	4	Below 2 Degrees	Yes
9	NORFOLK SOUTHERN CORPORATION	Industrials	3.90%	1.58%	**Green/In-between**	55	Yes	-	-	-
10	CSX Corporation	Industrials	3.45%	1.03%	**In-between**	40	Yes	-	-	-
	Total		**36.95%**	**92.32%**						

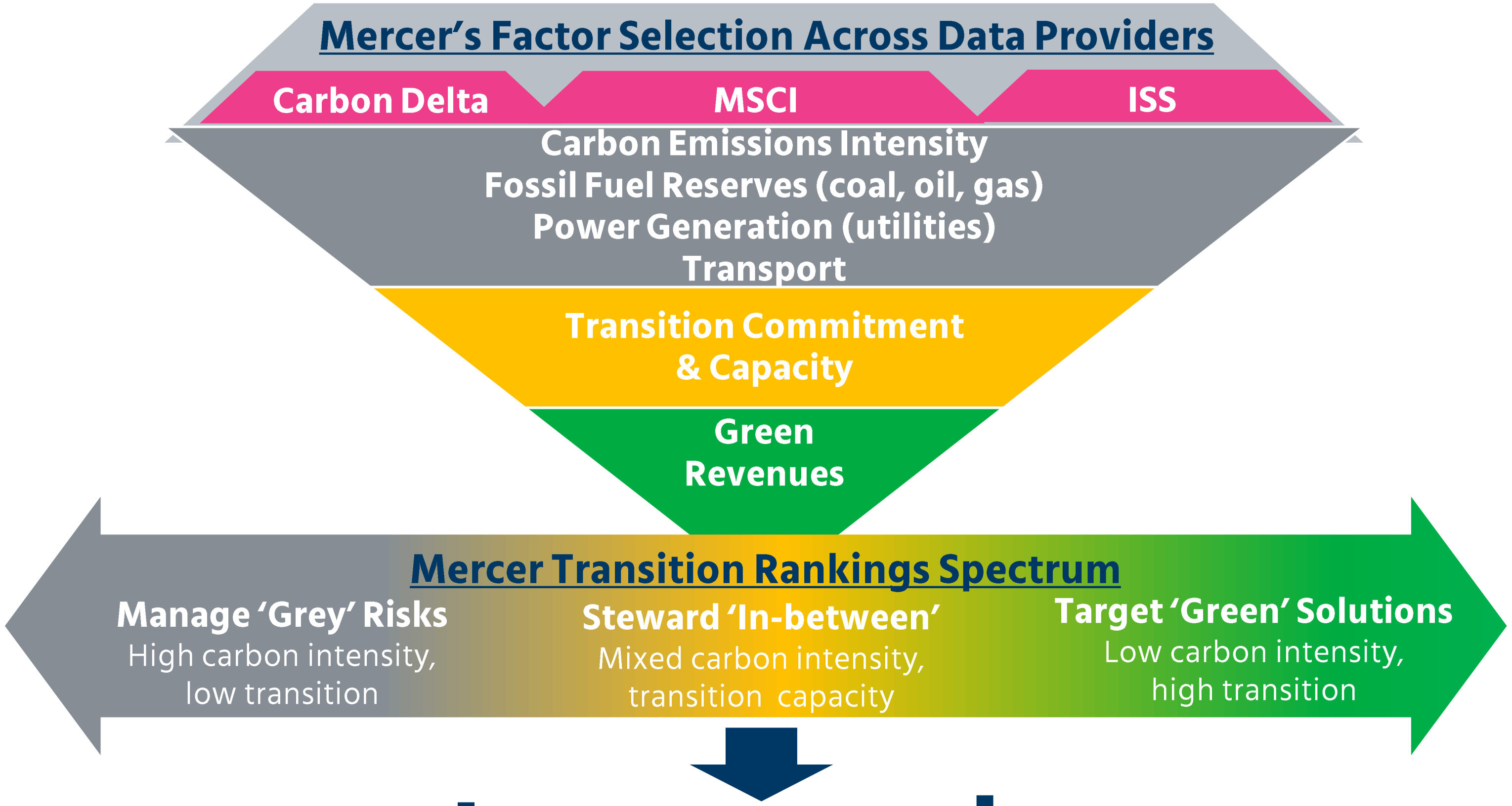
Emissions Data

Understanding the Scopes



Transition Risk Management
Mercer Methodology

The objective is to identify the 'grey', the 'green' and the 'in-between' i.e. from the likely 'losers' to the potential 'winners' in a low carbon transition, with the company names evolving each year.



Test Against TPI Rankings to double check stock names in grey end in particular

Test For Scenario Alignment emissions reductions required for 'science-based alignment'

Test For Scenario Downside Risk test potential portfolio changes in different climate scenarios

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Decarbonisation – Emissions Metrics
Notes on the Analysis

- The analysis focuses on the listed equity portfolio, showing contributions to Fund emission metrics. We assess carbon dioxide “equivalent” metrics.
- Caution should be exercised in interpreting individual data points, as in reality, emissions may differ, given the data coverage in the analysis is less than 100%. Where companies do not have data points, companies are assumed to have the same carbon metrics as the average of companies that we do have data points for, therefore we do not assume that companies have zero emissions because we do not have data for them.
- Emissions are likely underestimated as Scope 3 emissions are not included in the metrics presented within. Although we do present an overview of the attribution of Scope 3 emissions by fund and sector as part of our detailed analysis.

Decarbonisation – Emissions Metrics
Understanding the Limitations

- Many of the Intergovernmental Panel on Climate Change’s (IPCC) warming scenarios are reliant on net zero (or net negative) assumptions later this century. This can include the deployment of mitigation technologies, such as carbon capture and storage, as well as ecosystem approaches, such as land and forest conservation and restoration. There has been some scepticism as to whether such technologies and approaches are viable, at the required scale. Mercer will look to integrate further assumptions around net zero emissions in due course, as science and technology evolves.
- The focus of these decarbonisation curves is currently on Scope 1 and Scope 2 emissions. Mercer will however seek to integrate Scope 3 emissions as methodologies improve.
- The approach to weighted average carbon intensity (WACI) calculation can lead to relatively large swings in the data results over time. For example, the WACI metric is easily impacted by shifting sales trends over time, with sales acting as the denominator of the WACI calculation. The WACI statistic may therefore fluctuate regardless of underlying emissions. Given the limitations to all of the Metrics, Mercer advocates for monitoring decarbonisation progress on absolute emissions, WACI and carbon intensity bases.

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Wiltshire Pension Fund Net-Zero Engagement

Wiltshire Pension Fund is proactively embedding the Net-Zero climate emission targets into the investment strategies and portfolio rationales. The investment team have been analysing the companies the fund holds shares in, in order to identify which of these holdings do not align with the fund's decarbonisation strategy.

The biggest challenge is data availability – it is important to recognise the data is sparse and getting companies to disclose such complex measurements is not easy. With this in mind, two tools have been used for this analysis - Climate Action 100+ (CA100+) and Transition Pathway Initiative (TPI). These tools are similar in terms of what they are evaluating, however the indicators used are slightly different. Also, they may capture different companies – for instance, if an organisation is not captured by CA100+ they may be evaluated by TPI.

Climate Action 100+ is an initiative to assess the world's largest corporate greenhouse gas emitters, with the aim to influence and encourage the climate mitigation. They assess companies against 10 climate related questions such as "does the company have Net-zero GHG emission targets by 2050 (or sooner)", "is there a decarbonisation strategy in place?", and "does the company have a climate engagement policy?"

Transition Pathway Initiative (TPI) rates companies on a scale 1-4* for their preparedness for the transition to a low carbon economy. TPI also assess against specific metrics such as "Does the company acknowledge climate change as a significant issue for the business?" and "Has the company set long-term quantitative targets for reducing its greenhouse gas emissions?"

The analysts at Wiltshire Pension Fund have used the two initiatives above to identify the poorest holdings in our portfolio. This has provided the team with a direction of focus to go to our investment managers and see how they are engaging with these companies to encourage sustainable change.

Berkshire Hathaway Energy

Berkshire Hathaway is one of funds largest holdings (£27,026,526, 0.75%) however also the largest emitter in our portfolio without a net-zero goal, a climate engagement policy or a decarbonisation strategy, as per our findings from CA100+. Brunel has identified this as an opportunity for engagement and made a proposal to Berkshire Hathaway's board to publish an annual assessment addressing how the company manages physical and transitional climate related risks and opportunity. The Board voted 60% in favour of this proposal, and we will continue to monitor any improvements.

International Paper Company

The International Paper Company is one of the largest Co2 emitters in the Brunel portfolio, with a TPI score of 3 and no net-zero commitment by 2050 (or sooner), we highlighted our concerns. Brunel have said;

"EOS has written to them regarding their TPI score. The company responded it had updated its targets for greenhouse gas reductions, now aiming to achieve a 35% reduction in emissions by 2030 for Scopes 1, 2 and 3. Furthermore, targets for Scopes 1 and 2 emissions have been set for 2030, at a 21% reduction. The company claims that these are aligned with 2-degrees".

EOS expect the International Paper Company's TPI score to increase to 4 next year.

Grupo Mexico and Anglo American

We also interrogated our investment managers at Ninety One who were able to address Grupo Mexico (£833,032, 0.11%*) and Anglo American (£1,170,102, 0.16%*), as we found them to be performing poorly against the two initiative's metrics. Ninety One are extensive in their engagement and assessment strategies to ensure the companies in the portfolio are best in class for improvement across the ESG framework. They engage with these companies to assist and develop a transition plan whilst also covering the Social and Governance aspect.

Ninety One have their own ESG criteria that is used in conjunction with CA100+ and TPI, to produce 'score cards'. This is a holistic scoring method as it assesses what the company is *actually* doing to mitigate issues identified.

Anglo American is still heavily reliant on coal but Ninety One are working with the board to aid with decommissioning. However, when taking into account the social element of ESG, an abrupt end may result is workers losing their jobs. Engagement continues to ensure a progressive decarbonisation strategy is appropriate whilst considering the needs of the workers.

Due to disclosure issues in Mexico and rating agencies being slow to capture the data, obtaining accurate information has been a challenge to assess the carbon output for Grupo Mexico. Ninety One have provided reassurance that Grupo Mexico are consistently improving ESG credentials – GHG emissions peaked in 2017 and have since been in decline year on year. Furthermore, Grupo Mexico's average wage is 11x higher than the national average, whilst also being the first company in Mexico and Peru to offer profit sharing to its employees. The company's health and Safety has significantly improved.

Whilst we initially acknowledged Grupo Mexico to be an area of concern, we are confident with Ninety Ones initiative-taking engagement to see they are sustainably approaching the E, S and G factors.

Wiltshire Pension Fund endeavour to keep to the net-zero commitment whilst monitoring and adhering to the ESG framework and will continue to interrogate our managers to ensure the best in class social and environmental impact, whilst securing the financial health of the fund.

Report Author: Dan Smith, Pension Fund Investment Analyst, August 2022

*Stock weighting within the overall listed equity portfolio Stock weighting within the overall listed equity portfolio

Asset Group	Mandate	Manager	Long-term strategic allocation	Net Zero Target by 2050 or Sooner	Metrics and Reporting	Data Coverage	Transition Alignment (per Mercer, where available)	Combined Net Zero Score	Comments	Actions
Equity	Paris Aligned Passive Equity	Brunel	12.0%	Yes	Annual reporting on all metrics	99.6% (carbon footprint)	70% green/green-inbetween		Fully on track	None required
	Global High Alpha Equity (Active)	Brunel	5.0%	Overall Brunel decarbonisation targets for all equity portfolios will bring portfolios to net zero by 2050 or earlier, but no specific net zero target set	Annual reporting on all metrics	96.6% (carbon footprint)	55% green/green-inbetween		Per Brunel: Managers are in different stages of evaluation of net zero alignment, we are currently in the process of understanding their views. Initial assessments by managers themselves suggest over 50% of holdings in the portfolio aligned or aligning, with some holdings not yet fully assessed.	Work with Brunel to set a net zero target for the overall portfolio, and prioritise engagement activities on high emitting companies
	Global Sustainable Equity (Active)	Brunel	5.0%	Overall Brunel decarbonisation targets for all equity portfolios will bring portfolios to net zero by 2050 or earlier, but no specific net zero target set	Annual reporting on all metrics	98.5% (carbon footprint)	42% green/green-inbetween		This portfolio contains exposure to holdings which are providing solutions for the future, and therefore may be higher emitters now, but will help speed up the transition overall	Work with Brunel to set a net zero target for the overall portfolio, and prioritise engagement activities on high emitting companies
	Private Equity	Brunel	7.5%						No information, but no cause for concern identified	The focus here is on reporting, and the Fund will work with Brunel to obtain more information on the underlying holdings
	Emerging Markets Equity	Ninety One	5.0%	No current target, but the Fund is working with the manager to determine what targets can be set	Annual reporting on all metrics	49.1% (carbon footprint)	24% green/green-inbetween, 3% grey		The Fund is working with Ninety One on the evolution of this portfolio, which will include target setting and reporting	Continuing to collaborate with Ninety One
Alternative Growth Assets	Infrastructure (Unlisted)	Partners Group	8.0%						Partners Group provide good detail on the underlying holdings, but no reporting at this stage on carbon metrics or green revenues	The Fund will continue to work with Partners Group to obtain more look-through reporting on the underlying holdings
	Private Infrastructure	Brunel							No information, but no cause for concern identified. The portfolio contains a high proportion of renewable assets (>50%)	The focus here is on reporting, and the Fund will work with Brunel to obtain more information on the underlying holdings
	Infrastructure (Listed)	Magellan		No overall portfolio target, but by value 95.3% of the underlying holdings have set targets of net zero by 2050 or earlier (71% by number)	Annual reporting on all metrics	95% (carbon footprint)	51% green/green-inbetween, 8% grey		Magellan demonstrated a strong approach to climate risk, but due to the nature of the mandate, there is a large exposure to utilities, which are heavy emitters	The Fund will continue to work with Magellan to monitor the holdings, and make sure that adequate progress is being made
Income Generating Assets	Multi Asset Credit	Brunel	5.0%	No overall portfolio target. Two of the three underlying managers have set net zero goals, but with no target date	Each underlying manager provides different reporting to Brunel, making aggregation to portfolio level challenging at the current time	There is no available figure for overall data coverage, but this is acknowledged as a challenge, and Brunel are actively working with the underlying managers to improve this			Poor data coverage and lack of an overall climate plan for the portfolio appear to be the largest issues to overcome	The Fund will work with Brunel to encourage more data coverage and reporting of relevant metrics
	Emerging Markets Debt	Ninety One	5.0%	No current target, but the Fund is working with the manager to determine what targets can be set					Yellow ranking as Ninety One is making progress with this portfolio, with plans to improve the ESG screening and introduce additional exposure to transition finance	Continuing to collaborate with Ninety One
	Property	Brunel	15.0%	No target for the portfolio overall at the current time, but for the underlying Funds in the portfolio, all but one of the Funds which are not being wound down has set a target of net zero by 2050 or earlier	Data is available on GRESB scores - overall score for the porfolio is currently 78 (green star). What is not available - carbon metrics, physical risk assessment	99% of underlying funds have coverage for GRESB scores. There is not adequate coverage to enable use of the CRREM tool			Poor data coverage and lack of an overall climate plan for the portfolio appear to be the largest issues to overcome	The Fund will work with Brunel to encourage more data coverage and reporting of relevant metrics
	Private Lending/Debt	Brunel	7.5%						No information, but no cause for concern identified	The focus here is on reporting, and the Fund will work with Brunel to obtain more information on the underlying holdings
	Bank loans	Pinebridge		Pinebridge are developing a net zero strategy for this portfolio, which will initially focus on issuer engagement		33% data coverage for WACI			Data coverage is the biggest challenge for thie portfolio. However, based on the limited data available, the implied temperature rise of the portfolio is 2 degrees, and 13% of the issuers have set net zero targets	The Fund wil continue to work with Pinebridge to understand the net zero strategy and to push for improved data coverage
	Secured Income - Long Lease Property	Brunel	4.8%	No overall portfolio target, but both underlying funds have set targets of net zero by 2050 or earlier					With both underlying funds having set net zero targets, it seems likely that with improved transparency and reporting this portfolio could be brought in line with overall Fund targets	The focus here is on reporting, and the Fund will work with Brunel to obtain more information on the underlying holdings, as well as encouraging an overall portfolio net zero target
	Secured Income - Operational Renewables	Brunel	3.2%	The underlying manager exclusively invests in operational renewable infrastructure					This portfolio is aligned, but at the current time the Fund does not receive carbon metrics and reporting from Brunel	The focus here is on reporting, and the Fund will work with Brunel to obtain more information on the underlying holdings

Asset Group	Mandate	Manager	Long-term strategic allocation	Net Zero Target by 2050 or Sooner	Metrics and Reporting	Data Coverage	Transition Alignment (per Mercer, where available)	Combined Net Zero Score	Comments	Actions
Protection Assets	Impact Affordable Housing	CBRE	5.0%	Target of net zero by 2040 for scopes 1 & 2 and 2050 for scope 3	Multiple environmental metrics will be reported with the manager working to expand this further	The manager will report against all properties in the portfolio			The manager has plans in place to improve data collection but has set a target and will report on a range of metrics	The Fund will monitor the metrics provided
		Gresham House		Target of all new homes to be operationally net zero by 2050. The manager is working on a roadmap to set the same target for existing homes	The manager will measure estimated carbon emissions against operational and embodied (i.e. from property development) emissions, as well as additional environmental metrics	The manager will report against all properties in the portfolio			Where targets have not yet been set (i.e. for existing homes) the manager is actively working to develop a road map to achieve this	The Fund will monitor the metrics provided
		Man Group		No overall portfolio target, but significant, quantifiable work has been done on net zero and energy efficiency	Several environmental metrics are reported, but this could be expanded to include emissions data	The manager will report against all properties in the portfolio			The manager has made several measurable real world impacts (which also contribute to strong returns), more could be done on setting targets and metrics	The Fund will monitor the metrics provided, and work with the manager on additional information where required
	Renewable Infrastructure	WPF	5.0%						This allocation has not yet been implemented	When implemented, this portfolio will be invested in a broad range of climate opportunities, and will include mandatory reporting against environmental metrics
	Gilts	Brunel	7.0%	The gilts portfolio is entirely UK government bonds, with the UK being a signatory of the Paris Agreement					Although carbon footprinting is not currently possible for this porfolio, the UK is a Paris signatory, and has a net zero by 2050 strategy, "Build Back Greener"	None required. There could be opportunities to invest in dedicated green bonds, however this would be considered on a pure risk/return basis
			100%							

Key to scoring

- Fully delivering against the Fund's climate objectives
- Very good progress made towards target setting/reporting and metrics/high level of coverage
- Strong foundations, working towards formal targets/metrics in development/coverage improving
- Significant progress needed by way of target setting, metrics and/or coverage, but no causes for concern
- Actively causing problems for the Fund's climate objectives
- Not available

CLIMATE STOCKTAKE - PENSION COMMITTEE ENGAGEMENT QUESTIONS

INTRODUCTION

On 17th May 2022 Member Fund officers attended a workshop where Brunel updated them on the Brunel 2022 Climate Stocktake. As the Stocktake progresses, and in advance of implementing the revised climate strategy in January 2023, Brunel is seeking specific feedback from Pension Committees on five issues: one relating to the overall Policy and four relating to specific elements of the Policy.

Given the schedule for this work, we would welcome initial/informal responses by end of June 2022 and formal responses by the end of July 2022. We note that there will be further opportunities for comment and feedback as we go through the process.

1. PURPOSE OF THE POLICY

The key objective of Brunel's Climate Policy, approved in 2020, is *'to systematically change the investment industry to ensure that it is fit for purpose for a world where the temperature rise needs to be kept to well below 2°C compared to pre-industrial levels.'* In March 2021 Brunel committed to be Net Zero by 2050, as part of its overall goal of supporting efforts to limit global temperature rises to 1.5°C.

Questions:

A. Do you agree that the key objective of the Climate Policy should continue to be 'to systematically change the investment industry to ensure that it is fit for purpose for a world where the temperature rise needs to be kept to well below 2°C, preferably 1.5°C, compared to pre-industrial levels'?

B. If no, what do you think the objective should be?

2. PUBLIC POLICY

Since 2020 Brunel has focussed its policy advocacy activities in the following areas:

- Develop a financial system fit for a net-zero and resilient economy and society
- Mandatory climate reporting
- Functioning carbon markets and carbon pricing
- Fossil fuel subsidies
- Socially inclusive just transition
- Regulatory barriers

- Integration and mandates
- Skills and knowledge
- Climate in trade agreements

In April 2022, Brunel published a short report, prepared by Chronos Sustainability, *Reviewing the effectiveness of Brunel Pension Partnership's policy advocacy 2020-2022*. This report can be found at https://www.brunelpensionpartnership.org/stewardship/policy-advocacy/

The report highlights how climate-related policy in different areas has progressed over the past two years, describes the advocacy actions Brunel has taken, and identifies areas where further action is required.

Question: C. Are there other climate change-related public policy areas/themes that you believe Brunel should be focussing on?

3. PRODUCTS

Brunel integrates climate risk into product governance and has specifically developed net-zero aligned products for passive index tracking and multi-asset credit. Brunel has also embedded strong climate criteria in private market fund selection, as appropriate to the agreed investment objectives.

Questions: D. Are there any new Products you want to bring to Brunel through the CAD process? E. Are there existing Products (asset classes or funds) where you want Brunel to prioritise its net-zero efforts?

4. POSITIVE IMPACT

Brunel's Climate Policy states that it will enable investments in activities that directly support the low carbon transition and that enable effective adaptation to the unavoidable impacts of climate change.

Brunel has sought to map both the revenues from its listed markets portfolios and the capital committed in private markets to green activities (climate mitigation and adaption). This work is to be shared in a dedicated workshop for clients who wish to participate.

Question: F. Does your fund have any existing or planned climate solutions (or similar – e.g. green revenues) targets or commitments? G. If yes, can you provide details of these targets or commitments?

5. PERSUASION

Brunel engages extensively with its investment managers on their engagement and stewardship-related activities as well as through its dedicated engagement provider Federated Hermes EOS. Bespoke reporting is provided to each fund. Overall reports for Brunel are published on the website https://www.brunelpensionpartnership.org/stewardship/engagement-records/

Brunel also engages – on its own and through collaborations such as CA100+ - extensively with companies on their approach to climate change. Brunel uses the Transition Pathway Initiative and the Climate Action 100+ Benchmark to support its engagement with corporates in high-emitting sectors. Beyond these high emitting sectors, Brunel has identified and engaged with corporates in other sectors (notably Banks and Technology) that are critical to the net-zero climate transition.

The Responsible Investment and Stewardship Outcomes Report provide insights into these activities https://www.brunelpensionpartnership.org/responsible-investment/responsible-investment-and-stewardship-outcomes-report/

Questions: **H. Are there specific climate-related topics/issues/sectors that you think should receive greater attention in Brunel's engagement activities?** **I. If yes, what are these.**

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
05 September 2022

RESPONSIBLE INVESTMENT POLICY

Purpose of the Report

1. The purpose of this report is to present an updated Responsible Investment Policy for the Fund, for the Committee's review and approval.

Key Considerations for Committee

Background

2. 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 becoming increasingly standard 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 first 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 2021

3. The following updates and additions have been made to the 2022 policy:
    - Page 1 – updated actions and developments.
    - Page 2-3 – addition of a section to map what the policy is addressing to the Fund's vision, strategic vision goals, and values.
    - Page 6 – slight update to the donut chart to split out long lease property and operational renewables within secured income.
    - Page 7-8 – addition of some information to explain that the Fund does invest with impact, but not at the sacrifice of any financial return, and the addition of the statement agreed by Committee on the Sustainable Development Goals.
    - Page 9 – addition of a note on the baseline being updated from 2020 to 2019.
    - Page 10 – stats on the revised baseline.
    - Page 11 – addition of a new climate commitment "We commit to expanding target setting to cover climate solutions, transition alignment and stewardship during 2023", and updated information on monitoring progress.
    - Page 11-12 – new information on asset classes other than listed equities.
    - Page 13-15 – new section setting out an engagement policy.
    - Page 21-23 – an updated glossary

4. As was done in 2021, 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

5. The Responsible Investment Policy includes specific plans and targets to address climate change risk in the investment portfolios.

Safeguarding Considerations/Public Health Implications/Equalities Impact

6. There are no known implications at this time.

Proposals

7. The Committee is asked to approve the Responsible Investment Policy 2022.

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

Appendices:
Appendix 1 – Draft Responsible Investment Policy 2022

Wiltshire Pension Fund

RESPONSIBLE INVESTMENT POLICY
SEPTEMBER 2022

Introduction

Responsible investment is the strategy to incorporate ESG (environmental, social and governance) factors into investment decisions. The Wiltshire Pension Fund's position regarding ESG issues is as follows:

The Pension Fund Committee believes that in order to carry out their fiduciary duty by acting in the interest of scheme members, that effective management of Environmental, Social & Corporate Governance management (ESG) issues, including climate change, which are financially material to the Fund is essential. In order to protect the Fund's investments into the future, the Fund supports a global warming scenario of 2°C or lower, and states an ambition to achieve net-zero carbon emissions across all investment portfolios by 2050. ESG risks should be taken into account on an ongoing basis and are an integral part of the Fund's strategy and objective of being a long-term investor.

The Pension Fund's investment objectives are to achieve sufficient investment returns such that there are funds available to pay the pensions as they fall due, and to meet the liabilities over the long term whilst maintaining stable employer contribution rates.

Therefore, consideration of all factors (including ESG factors) which could affect the investment returns is a fundamental part of managing the investments and helping to mitigate the risk for employers that contribution rates need to be increased. Responsible investment practices can both help mitigate risks and also enhance returns.

The Fund has made significant progress in developing the approach to responsible investment, and has set a goal to be an example of best practice in this area. The Committee approves a Responsible Investment Plan each year, assessing progress made so far and setting out goals for the year ahead. There are also several actions addressing responsible investment in the Fund's Business Plan. Fund's first dedicated Responsible Investment Policy was approved by the Committee in September 2021. The Responsible Investment Policy is reviewed annually, and is intended to bring all the information on the Fund's responsible investment activities into one place, to promote transparency and engagement with stakeholders. The Responsible Investment Policy also specifically addresses the high-priority risk of climate change, how this is being managed, and the targets and metrics which the Fund reports against.

Examples of actions and developments over the last year are as follows:

- Collaborating with other shareholder funds and the Brunel pool to develop a Paris-aligned benchmark, and investing £600m in a passive portfolio tracking this benchmark at its launch in November 2021
- Making allocations (5% of the fund each) to UK impact affordable housing and renewable infrastructure
- Conducting a survey of employers on strategic issues, including responsible investment concerns
- Submitting a first report in line with the requirements of the Stewardship Code 2020
- Publishing a mini magazine for stakeholders on our responsible investment and stewardship highlights

- Winning the 2021 LAPF Investment award for “Best Approach to Responsible Investment”
- And more.

Wiltshire Pension Fund as an investor

As the Fund is open to new members, who will not be retiring for many years into the future, the Fund has a very ***long-term investment horizon***. The Fund therefore needs to consider long-term sustainability issues, and the importance of engagement with companies in which it is invested, in order to safeguard the investments into the future.

The Fund is a ***large, diversified investor***, with exposure to the global economy. The Fund therefore needs to invest in a way that contributes to the success of the global economy and society as a whole, as this will have a positive financial impact on the Fund’s investments.

Our vision is to deliver an outstanding service to our scheme employers and members

The vision is set to focus the team on delivering outcomes for the employers and members of the pension fund. The vision is supported by 16 outcomes-focussed strategic vision goals. The goals broadly map to outcomes for employers, members, investments, and governance, however, across the team staff are encouraged to think about how their work maps to different goals.

The strategic goal 11, “Responsible Ownership and Stewardship”, is particularly relevant to responsible investment activities. The goal focusses on ensuring that our responsible investment and stewardship activities are in line with best practice (which also contributes to strategic goal 16, “Compliance and Best Practice”), and that these activities are a central part of delivering an outstanding service to our scheme employers and members.

For these different groups this may mean different things:
- ***Employers*** will be best served by the delivery of long-term positive investment returns, which will help keep their contribution rates affordable (strategic goal 1, “Stable and Affordable Contributions”, is targeting this outcome), and responsible investment activities can help preserve capital and enhance value.
- ***Members*** may be concerned about how the funds held to pay their pensions are invested, and goal 15, “Transparency and Information Sharing” contributes to this outcome. Responsible investment has a role to play here in the information that is shared with members – for example, the Fund publishes its engagement and voting records online, as well as sharing investment case studies. The Fund also works to make information more accessible to a wider stakeholder group, through the use of one-page factsheets, mini-magazines, and engaging news stories.

Our Culture

In order to help us achieve our strategic goals, and deliver our vision, we need to adopt certain outlooks and ways of working. This is set out in our values, which form part of our culture. The value most relevant to responsible investment and stewardship is "Long Term Thinking", which runs through everything we do. As a long-term investor, we are able to participate in stewardship activities which can add value to the Fund's investments over the long term.

The complete set of our strategic goals and values are set out on our website: https://www.wiltshirepensionfund.org.uk/Our-vision-goals-and-values

Investment beliefs

The following investment beliefs set by the Fund relate to responsible investment issues:

Investment belief	**RI implication**
The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments	The Fund has embedded ESG issues and sustainability within the strategic asset allocation, and has set specific strategic allocations to Paris-aligned passive equities, sustainable active global equities, renewable infrastructure and impact affordable housing, in order to manage risk and secure returns into the future.
Investing over the long term provides opportunities to improve returns	Investing over the long term means that the Fund can take advantage of opportunities in long-term sustainability trends and/or growth style portfolios, as well as benefit from engagement activities with companies in which the Fund is invested.
Environmental, Social and Governance factors, including Climate Change are important factors for the sustainability of investment returns over the long term	The Fund's status as a long-term investor means that the Fund needs to consider the risks and opportunities presented by wider issues such as climate change and the potential impact on the investments. This can help the Fund avoid the risk of being exposed to stranded assets, and help ensure that the Fund can benefit from exposure to companies which are well prepared for transition to a low carbon economy.
In order to protect the Fund's investments into the future, the Fund supports a global warming scenario of 2°C or lower, and states an ambition to achieve net-zero carbon	The Fund acknowledges that climate change is a material systemic risk which could have significant adverse impacts on the investment portfolio if not managed correctly.

emissions across all investment portfolios by 2050	The Fund is actively working to mitigate this risk, and the Committee has reviewed scenario modelling and undertaken training, and the Fund is an early adopter of the TCFD reporting requirements, which discloses how the Fund manages climate change risk.
We seek to invest in a way that, where possible, aligns the interests of the Fund with those of the contributing employers and the Fund membership	The ISS contains an employer and member engagement plan, and is actively advancing the approach in this area. Member and employer views formed part of the decision-making process when setting the net zero target. A recent survey of employers showed that in the majority of responses, employers believe that it is important that the Fund's investment strategy should, where possible, try to reflect the wider goals and philosophy of the employer organisations. A recent survey of the Fund's membership showed that from the 2,251 responses, 86% of members answered "Yes" or "Maybe" to the questions "Is it important to you that the Fund invests in low carbon and/or sustainable assets?"
Investing with a positive social and environmental impact is an increasingly important issue for investors, and can be achieved alongside competitive market returns. Investing with impact can also help incorporate risk and return drivers which would otherwise not be considered. The Fund wishes to invest in a way that minimises negative impacts on society and the environment and, where possible, makes a positive contribution	Impact investing is a rapidly growing area and the Fund has recently made a dedicated strategic allocation to Impact Affordable Housing, as part of the protection assets allocation. As part of the full review of the strategic asset allocation in 2022, the Fund will consider options for investing with impact in other areas of the strategy.
Stewardship and engagement are generally more effective tools than divestment in encouraging changes that will help safeguard the Fund's investments. The Fund values the benefits of working with other investors to strengthen these activities and achieve better outcomes.	In April 2022, the Fund published its first report in line with the requirements of the 2020 Stewardship Code, and hopes to become a signatory of the Code in late 2022. We published a mini-magazine on our Responsible Investment and Stewardship Highlights for 2021/22, designed to make this information accessible to our stakeholders. During 2021/22, we strengthened our approach to working with other investors, by joining some new initiatives and fully engaging with them.

ESG Integration

In order to ensure that all relevant risks (including climate change risk) are considered and acted upon, the Fund needs to integrate responsible investment issues across the whole investment process:

i. **Investment Strategy Statement (ISS)** – this Responsible Investment Policy is appended to the ISS and is an integral part of it.
ii. **Strategic Asset Allocation (SAA)** – the Fund will incorporate ESG issues in the design of the SAA, for example via specific allocations to Paris-aligned passive equities, sustainable active equities, renewable infrastructure, and impact affordable housing, and in the selection of investment managers.
iii. **Monitoring of managers and the pooling company** – managers will be held account for their responsible investment activities, and the Fund will work with the Brunel pool to develop the responsible investment approach.
iv. **Stewardship and engagement** – the Fund has now delivered the first report in line with the 2020 Stewardship Code, which will be published annually. This year more detailed consideration has been given to a Fund engagement strategy, which is included in this policy.
v. **Internal reporting and accountability** – the Committee receive quarterly reporting on responsible investment issues, and staff have performance goals set which cover responsible investment activities and developments.
vi. **Reporting externally** – the Fund's main external reporting is via the Annual Report, which includes information on major responsible investment updates, and TCFD reporting. The Fund also communicates responsible investment updates via the website, including publishing voting and engagement records.
vii. **Stakeholder engagement** – The Fund has a strategy for engagement with the scheme membership and employers.

These points are all dealt with in more detail within the appropriate section of this policy.

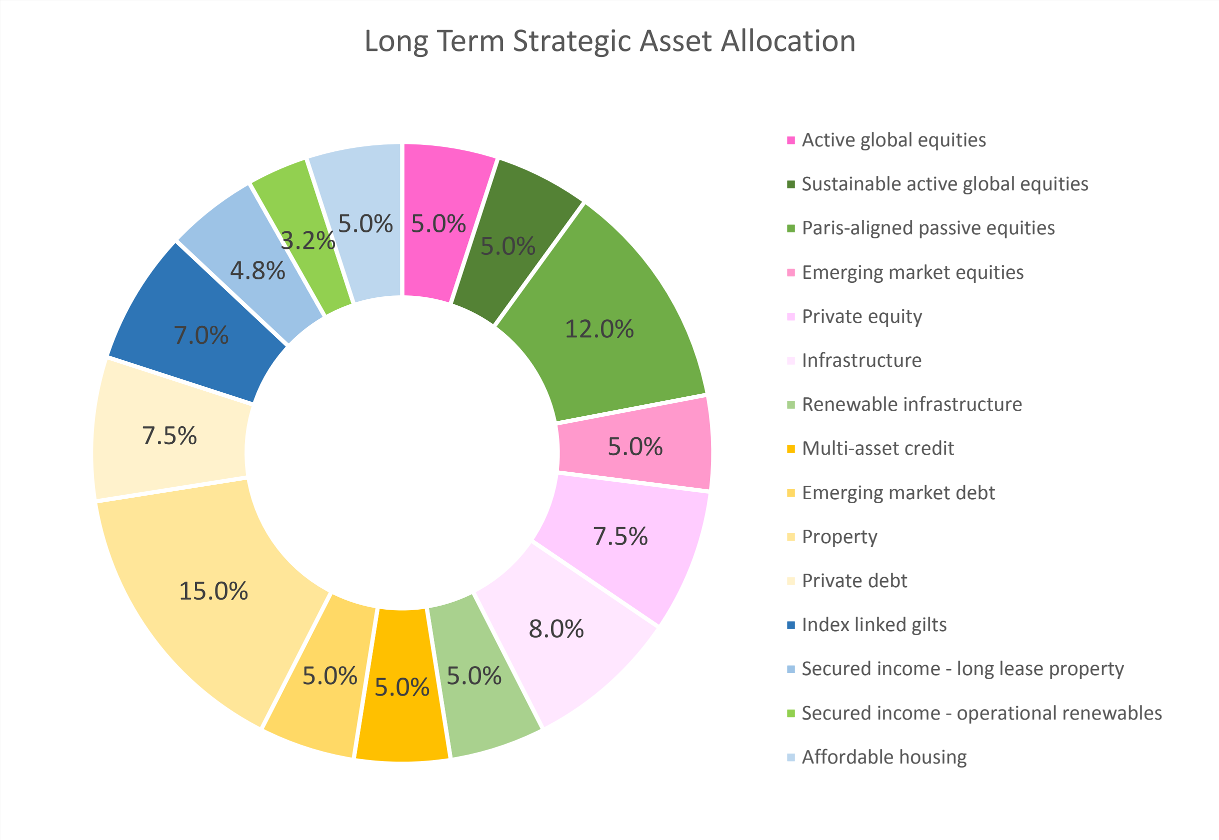
Strategic Asset Allocation (SAA)

Following on from climate change scenario modelling which was carried out in late 2020, the Committee has made changes to the SAA, reflecting the results of the modelling, in order to ensure the best possible financial returns for the Fund's investments, and to mitigate risks. The Fund will continue to work to review all asset classes to ensure that climate risk and sustainability are being fully considered.

The SAA contains specific allocations to Paris-aligned passive equities, and sustainable active equities. A review of the protection assets in late 2021 resulted in a decision to make specific allocations to renewable infrastructure, and impact affordable housing. The allocation to impact affordable housing was made as this asset class provided the desired risk/return drivers, with the additional benefit that it will generate a measurable positive social impact, and also provides the possibility for local investments (once all risk and return objectives have been satisfied).

The Fund has collaborated with the Brunel pool and the other client Funds who are part of the Brunel pool in developing a Paris-aligned passive benchmark, which will help enable the Fund to deliver the net zero by 2050 objective.

During late 2022, the Fund is carrying out a full review of the SAA, alongside the 2022 triennial actuarial valuation. This review will consider and embed sustainability and climate issues in delivering the revised SAA.



The total amount currently allocated to sustainable/low carbon assets over the long term is 25.2% of the Fund (sustainable active global equities (5%), Paris-aligned passive equities (12%), renewable infrastructure (5%), and secured income – operational renewables (3.2%)).

Monitoring managers

The majority of the Fund's assets are now held through the Brunel Pension Partnership ("Brunel"). Through Brunel, the Fund is able to work with the other 9 shareholder client funds to help develop responsible investment policy. Responsible investment is written into the portfolio specifications, and is a key topic of discussion at the client group. Reporting on responsible investment issues has been developed to support client requirements.

For all legacy managers, responsible investment is a standing item on the agenda for all quarterly monitoring meetings.

The Fund has a fiduciary duty to act in the best interest of its members and therefore expects its investment managers to take account of financially material social, environmental and ethical considerations in the selection, retention and realisation of investments as an integral part of the normal investment research and analysis process. The Fund believes that taking account of such considerations forms part of the investment managers' normal fiduciary duty.

As such, the Fund has a commitment to ensuring that the bodies in which it invests adopt a responsible attitude toward the environment, and adopt high ethical standards. Such companies are expected to behave in a socially responsible manner by taking account of the interests of all stakeholders.

Non-Financial ESG Considerations

The pursuit of a financial return is the predominant concern for the Fund to address the funding obligations and minimise the on-going cost of pension provision to its 180+ employer organisations. The Fund is aware it may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think stakeholders would support the decision.

The Pension Fund Committee has two employer representatives and two member observers, while the Local Pension Board has three employer body and three member representatives who both represent and can engage with beneficiaries and stakeholders to ensure the Fund is aware and can respond effectively to all stakeholders' concerns.

When formulating and developing any policy on non-financial social, environmental, and corporate governance factors, the Committee will take proper advice from either its investment consultant or other appropriate expertise in this area and ensure the Local Pension Board and other stakeholder views are considered through the use of specific Board reports and consultations.

Impact Investment

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).

The Government considers that social investments are appropriate for LGPS funds where the social impact is simply in addition to the financial return. For example, the Fund has made a strategic allocation to Impact Affordable Housing, where the return characteristics are a match for the requirements, and in addition the anticipated positive social impact is an integral part of the investment case. The Fund will therefore receive and monitor social impact metrics as well as financial performance.

The Government also considers that investments where some part of the financial return is forgone in order to generate the social impact are also appropriate, where the administering authority has good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the Fund.

The Fund is consistent in the application of risk and returns requirements when evaluating all investment opportunities, including those that address societal challenges. The Fund would invest in opportunities that address societal challenges but generate competitive financial returns. Seeking such opportunities is generally delegated to our external fund managers.

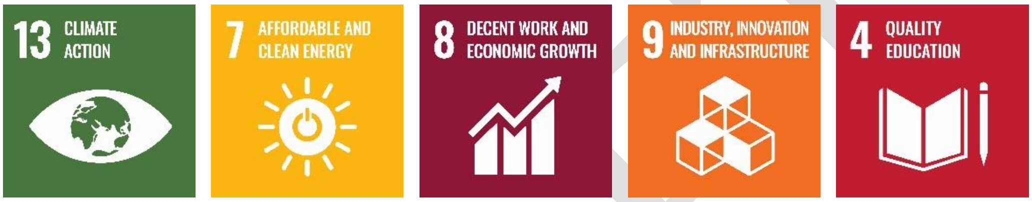
Looking at the impact of the Fund's investments can be very helpful in identifying new investment opportunities, and helps to identify ways that the Fund can reduce exposure to risks.

The following investment belief addresses the concept of impact investing:

"Investing with a positive social and environmental impact is an increasingly important issue for investors, and can be achieved alongside competitive market returns. Investing with impact can also help incorporate risk and return drivers which would otherwise not be considered. The Fund wishes to invest in a way that minimises negative impacts on society and the environment and, where possible, makes a positive contribution."

The Committee has considered the United Nations Sustainable Development Goals (UN SDGs) through an investment lens. Although the SDGs are targeting broad economic goals and have not been specifically developed as an investment framework, as a large and diversified investor the Fund has exposure to the global economy, and the intended outcomes of the SDGs would benefit the Fund's investments and the sustainability of investment returns into the future. The exercise of considering the SDGs also assisted the Fund in focussing on relevant investment risks and opportunities. As a result of this analysis, the Fund sees the strongest investment case for supporting the following SDGs, and will prioritise these areas when discussing engagement activity, investment opportunities and risk mitigation with investment managers:

- Climate [SDGs 13 Climate Action & 7 Affordable and Clean Energy]
- Economic growth [SDGs 8 Decent Work and Economic Growth & 9 Industry Innovation and Infrastructure]
- Education [SDG 4 Quality Education]



Sanctions

The Fund does not exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

Climate Change

Position and investment beliefs

Wiltshire Pension Fund acknowledges that climate change represents a major financial risk to the investments, and that as part of the Committee's fiduciary duty, action needs to be taken to properly manage this risk, in order to safeguard the investments but also to be positioned to take advantage of the investment opportunities presented by a transition to a low carbon economy.

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"

The following investment beliefs directly address the risk of climate change:

"Environmental, Social and Governance factors, including Climate Change are important factors for the sustainability of investment returns over the long term"

"In order to protect the Fund's investments into the future, the Fund supports a global warming scenario of 2°C or lower, and states an ambition to achieve net-zero carbon emissions across all investment portfolios by 2050"

Climate change risk is included in the Fund's risk register as a "High" priority risk ("Medium" residual risk after the controls in place to manage the risk are considered).

Operational considerations

The Pension Fund team is part of Wiltshire Council, which has set its own target of net zero by 2030, and as such the team will also be working to achieve this target for its own operations.

Scenario modelling

In order to properly assess the potential financial implications of the risk, and to help identify ways to mitigate the risks and take advantage of opportunities, the Committee commissioned scenario modelling from both Mercer, the Fund's investment consultants, and Hymans, the Fund's actuary. The modelling results supported setting a net zero target, and also indicated that there were opportunities to provide a material financial benefit to the Fund by making dedicated allocations to sustainable equities and renewable infrastructure, both of which have now been approved. The modelling will be repeated at regular intervals, and at least once every 3 years, to monitor the dynamic situation.

Setting a baseline

The Fund has monitored the exposure to fossil fuel companies and renewable energy since 2010, and will continue to do so. This is a broad sectoral measure which does not consider the revenue split or the emissions of the individual companies.

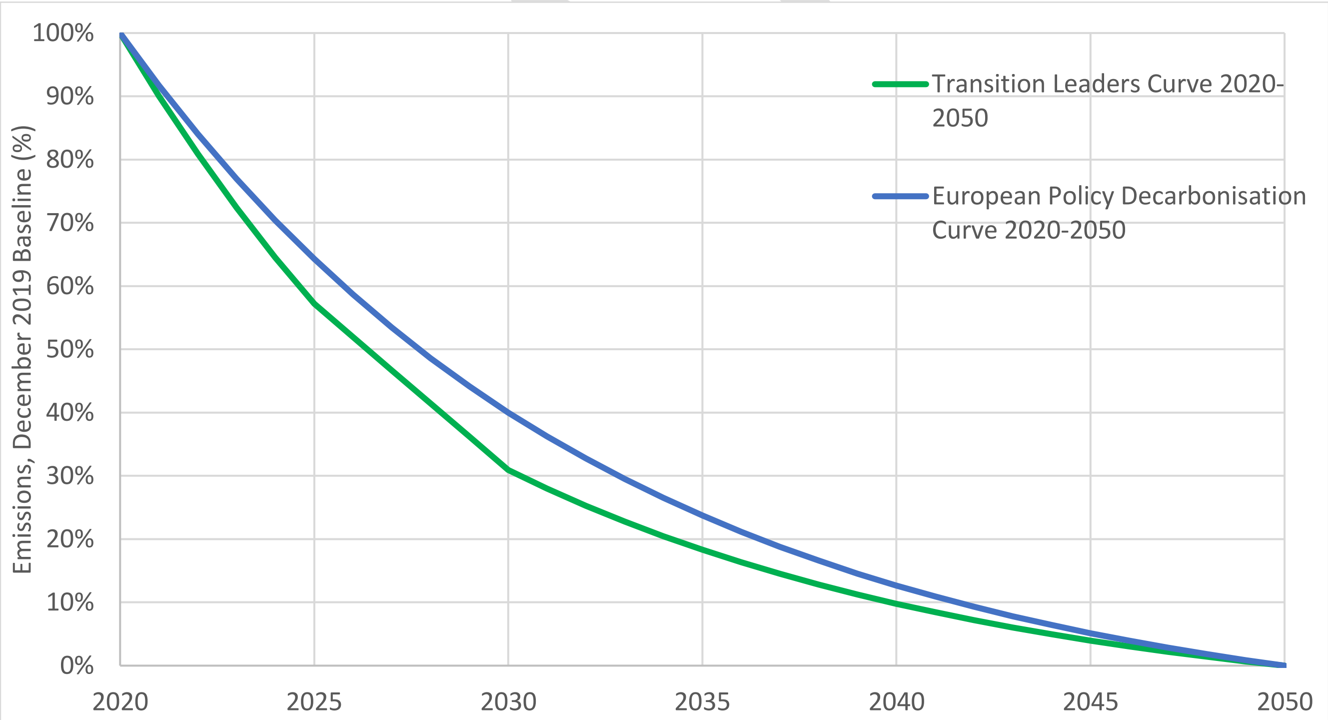
An initial baseline, against which decarbonisation progress will be measured, was calculated using data as at 31 December 2020 (as referenced in our Responsible Investment Policy 2021), and this has now been backdated to 31 December 2019, in line with the Institutional Investors Group on Climate Change (IIGCC). Setting the baseline at 31 December 2019 will mean improved comparability with other investors. Work is being done to expand metrics across other asset classes.

The Fund's baseline
Calculation date: **31 December 2019**
What has been included: **Scope 1 and 2 emissions of all equity investments**, excluding Magellan as this is an interim portfolio* (36% of the total Fund)
Weighted Average Carbon Intensity (tCO2e/$m sales – measures the carbon intensity of the companies held in the portfolio): **96.6 tCO2e/$m sales**
Carbon footprint (tCO2e/$m investment – measures the emissions impact of a portfolio per $1m invested): **39.9 tCO2e/$m investment**

*Note that emissions for Magellan are monitored, and the Fund actively engages with the manager to understand the position of the underlying companies, but the long-term nature of target setting supports the rationale for excluding this portfolio from the baseline.

Implementing a transition plan

The Fund has engaged Mercer to provide support in setting a pathway to net zero by 2050, using Mercer's proprietary Analytics for Climate Transition (ACT) analysis. The results of this work have led to the following specific carbon reduction targets, compared to a baseline position of 31 December 2019. The Fund has adopted targets based on a decarbonisation curve which front-ends carbon reductions, as this allows plenty of early work to be done to identify easy wins, and increases the chances of meeting a warming scenario of 2°C or lower. The decarbonisation curve is illustrated below:



The Fund's Climate Commitments

1. We commit to a whole Fund carbon reduction target of 50% by 2030.
2. We commit to a listed equities carbon reduction target of 43% by 2025 and 69% by 2030.
3. We commit to allocating 30% of the Fund to sustainable/low carbon green assets by 2025, and 35% by 2030 (as measured by the long-term strategic asset allocation).

4. We will expand specific net zero target setting and monitoring of metrics for other asset classes over 2022, starting with property and infrastructure.
5. We commit to expanding target setting to cover climate solutions, transition alignment and stewardship during 2023.

Climate risk monitoring and reporting

The Fund uses the carbon footprint metric to measure progress against the targets. This is the preferred metric due to the link to real world absolute emissions, also providing better comparability with other investors, as this is very likely to be the standard metric set out in upcoming legislation for LGPS funds.

The Fund has adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and includes this information in a separate report and as part of the annual report. This reporting sets out how the Fund manages climate change risk, from the perspective of governance, strategy, risk management and carbon metrics.

Progress against the targets is reported to the Committee on an annual basis from September 2022, and also included in an annual Climate Report (including TCFD reporting, but also information on decarbonisation progress, the status of all the Fund's portfolios with regard to climate risk, investment case studies, examples of engagement work, key facts and other information) for the wider stakeholder group, from Spring 2023 onwards. As part of the overall transition plan, the Fund has carried out significant work towards setting a more detailed, bottom-up implementation plan. This bottom-up plan includes analysis of the transition alignment of the portfolio, as well as identification of individual stocks for prioritisation of engagement activities. The Fund also performs its own analysis of holdings for engagement prioritisation, covered elsewhere in this policy.

Other Asset Classes

The Fund has made significant progress towards defining how to set specific net zero targets for other asset classes (i.e. not listed equities), and this is still an ongoing piece of work. Considerations across other asset classes are set out as follows:

Asset Class	Considerations
Private equity	Data coverage and reporting is limited. Brunel assess managers' ESG credentials at the time of commitment. Currently very little is available here to make setting and monitoring net zero targets a possibility. The Fund will work with Brunel to develop this area.
Infrastructure	It is hoped that over time, the Fund will be able to obtain more reporting around exposure to "green" revenues, emissions reduced and avoided, new renewables made operational etc, and can then set targets around these metrics.
Renewable infrastructure	When this portfolio is implemented, environmental impact reporting will be required in order to monitor metrics such as those defined above under infrastructure.
Multi-asset credit	Data coverage is challenging. Brunel are working with the investment managers for this portfolio to improve coverage, reporting, target setting etc.
Emerging market debt	Emerging market debt is part of the Fund's emerging market multi-asset portfolio, held with Ninety One, one of the Fund's legacy managers. The Fund is actively collaborating with Ninety

	One to advance the climate credentials of this portfolio, including climate targets, reporting, and investing in transition opportunities.
Property (including long lease property)	Data coverage and standardised reporting are challenges. The Fund monitors which underlying property funds have set net zero targets, and the portfolios GRESB score (Global ESG Benchmark for real assets). The Fund is investigating the possibility of using the CRREM tool (Carbon Risk Real Estate Monitor) and obtaining physical risk assessments.
Private debt	See comments under private equity.
Index linked gilts	The Fund does not currently invest in green bonds, however all gilts are UK government bonds, with the UK being a signatory of the Paris agreement. Green bonds may be considered as part of the strategic asset allocation in the future.
Secured income - operational renewables	The manager for this portfolio provides climate-related metrics to Brunel such as CO2 saved. The Fund will work with Brunel to enable more monitoring and reporting.
Impact affordable housing	The funds in this portfolio are all investigating operational carbon as well as embodied carbon (from the development process). The funds will report on various environmental metrics, including energy efficiency, water use etc. The Fund will work with the managers to develop a set of reporting metrics.

<ins>*Brunel Pension Partnership*</ins>

Brunel's Climate Change Policy sets out a plan to build a financial system which is fit for a low carbon future. The Policy explains how Brunel see three areas where they have a particular contribution to make. Namely: they will have significant direct influence over the investment managers they appoint; they can exert broader influence in the investment industry and with policy makers and lastly their ability to influence company practice and performance, in particular in conjunction with their Client Funds and others.

The Committee fully encourages and supports Brunel’s 2020-2022 policy objectives on climate change which are set out in their Climate Change Policy below. The Committee are currently supportive of Brunel’s approach of not issuing exclusion lists as the Fund believes that simply stating exclusions or requiring divestment from specific stocks or sectors will not compel investment managers to develop their capacity on climate change or drive change in the companies in which they are invested.

Further details of Brunel’s Climate Change policy are set out on its website.

Alongside Brunel and the partner funds, the Fund will look to undertake a full review of our climate change policy approach in late 2022 to early 2023 to provide us with the opportunity to reflect on progress, the effectiveness of our approach, and potentially to raise our ambitions.

One of the key questions the Fund will be answering as part of this review is whether Brunel’s decision to engage with investment managers has been effective. Specifically, whether it has been effective in delivering change in the way investment managers work and in their ongoing engagement with companies to drive improvements in corporate strategies on climate change, so that these companies are on a trajectory to be aligned with the transition to a 2°C economy. If the answer is no, the Fund will be expecting Brunel to consider whether they need to change investment managers and/or introduce selective divestment requirements for companies.

The Fund will continue to monitor Brunel's progress on implementing its policy objectives and will work with them to achieve our collective climate change ambitions. If the Fund does not feel action is progressing at an appropriate pace, the Fund will seek to address this with the other partner funds and Brunel.

Engagement Policy

Position and investment beliefs

The Fund sees significant value in engagement activities, as these activities can both mitigate risks and enhance the value of holdings. The Fund believes that the best approach is to focus engagement activities on priority ESG issues, since research has shown that this can generate the largest positive contribution to returns, and is also a practical approach considering resource limitations.

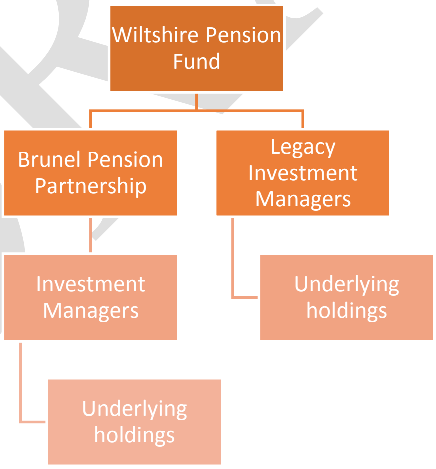
The following investment belief directly addresses engagement activities:

"Stewardship and engagement are generally more effective tools than divestment in encouraging changes that will help safeguard the Fund's investments. The Fund values the benefits of working with other investors to strengthen these activities and achieve better outcomes."

Context and scope of this policy

This engagement policy applies to all portfolios and all asset classes.

The Fund's relationships with the underlying holdings in the investment portfolios are set out as follows:



Where portfolios are held through the Brunel pool (currently >70% of the Fund), Brunel appoint investment managers to manage the portfolios. Where assets are still managed locally, the Fund has appointed its own investment managers, referred to as "legacy investment managers" in the diagram above and in this engagement policy.

As shown in the diagram above, the Fund has no direct relationship with the underlying holdings in either scenario. Engagement with the underlying holdings is delegated to the legacy investment managers and Brunel, who are all provided with the Fund's Investment

Strategy Statement (including this Responsible Investment Policy), so that they can ensure alignment in their approach.

This engagement policy covers the following activities:

- Communicating the Fund's engagement priorities to Brunel and the legacy investment managers
- Encouraging legacy investment managers to improve disclosure rates on their holdings, develop new ESG reporting, set climate-related targets etc.
- Collaborating with the Brunel pool and partner funds in the development of responsible investment policy, including engagement activities, and climate reporting and targets.
- Challenging Brunel and the legacy managers on holdings which do not appear to be aligned with the Fund's overall objectives, for example this could include challenging the investment case for holding a fossil fuel company, a company with high carbon emissions, or a company which appears to present other ESG issues, such as a fast fashion company. Please note these examples are by no means exhaustive.
- Requesting and scrutinising case studies of engagement activities, to determine their effectiveness.
- Challenging Brunel and the legacy managers on their own approach to ESG integration, including but not limited to climate risk.
- Requesting ad-hoc information, which may include things like responses to events in the press, customised reporting, voting information, detailed investment case studies, exposure to various sectors/themes etc.
- Holding Brunel and the legacy investments managers to account on other topics relating to engagement activities.

The Fund's own engagements do not currently extend to direct contact with the underlying holdings.

Voting and engagement activities on the Fund's equities portfolios are carried out through the Brunel pool. As part of owning publicly listed companies, Brunel, on behalf of its clients, will have the opportunity to vote at company meetings (AGM/EGMs). To provide guidance, Brunel has a single voting policy for all assets managed by Brunel in segregated accounts.

Brunel has appointed Federated Hermes EOS as the engagement and voting services provider. The appointment enables a wider coverage of assets and access to further expertise across different engagement themes. For full transparency, the Fund publishes its voting and engagement activities on its website on a quarterly basis.

Prioritisation of Engagement Activity

As described above under the section on Impact Investment, the Committee has used the United Nations Sustainable Development Goals (UN SDGs) as a framework to prioritise issues for engagement activity. This prioritisation was assessed through a series of workshops supported by Pensions for Purpose, and subsequent debate at a Committee meeting.

Issues for priority engagement are as follows:

- Climate [SDGs 13 Climate Action & 7 Affordable and Clean Energy]
- Economic growth [SDGs 8 Decent Work and Economic Growth & 9 Industry Innovation and Infrastructure]
- Education [SDG 4 Quality Education]

Specific Climate-Related Prioritisation

Regarding climate, the Fund uses a variety of tools to assess which holdings to prioritise for engagement:

- Reviewing assessments by Climate Action 100+ and the Transition Pathway Initiative to identify which companies have the poorest scores across the full range of metrics – these include scores on target setting, strategy, climate policies etc as well as the company's actual transition alignment.
- Emissions data, to identify which companies are the heaviest emitters.
- Value of our holdings, to prioritise the highest value holdings and achieve the highest impact.
- Mercer's Analytics for Climate Transition (ACT) reporting, which highlights the companies which are contributing the most to our overall emissions.

From this information, the Fund asks the legacy investment managers and Brunel to provide detail on the investment case, to challenge why these companies are held in the portfolios, and what engagement work is being done to reduce emissions. The position is monitored on an ongoing basis.

Engagement Reporting

At the current time, engagement activities carried out by Hermes EOS on the Fund's behalf are reported via the Fund's website on a quarterly basis. Case studies of engagement work carried out by the Fund directly are reported in the annual Stewardship Report and via the Fund's website.

Wider Initiatives

As set out in the Fund's investment beliefs, the Fund values the benefits of working with other investors to achieve better outcomes. The following is a list of organisations and/or initiatives which the Fund supports.

i. **The Brunel pool** – the Fund is a shareholder and client of the Brunel Pension Partnership. The Fund is able to be involved in setting portfolio specifications, approving manager selection, and monitoring ongoing performance of portfolios. Responsible investment is completely embedded and considered at each of these stages of the process. The Fund also engages through the client group, the responsible investment sub-group, and ad hoc communications from Brunel on responsible engagement initiatives, for example engagement and voting matters.
ii. **LAPFF (Local Authorities Pension Fund Forum)** - The Fund is a member of the LAPFF, to enable it to act with other local authorities on corporate governance issues. LAPFF's mission is to protect the long-term investment interests of beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies. Details of their activities can be found on the following link: http://www.lapfforum.org/about-us
iii. **TPI (Transition Pathway Initiative)** – The Fund publicly supports TPI, which is a is a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. The TPI tool assesses progress against companies and sectors to measure the level management quality and carbon performance, to aid in risk assessment. More information can be found here: https://www.transitionpathwayinitiative.org/
iv. **IIGCC (Institutional Investors Group on Climate Change)** – the Fund is a member of the IIGCC. The Fund has made a public net zero commitment through the IIGCC's Paris Aligned Investment Initiative. More information can be found here: https://www.iigcc.org/ As part of its membership the Fund benefits from educational materials, webinars, and the net zero framework, which will help the Fund achieve the target of net zero by 2050.
v. **Climate Action 100** – The Fund is a signatory of Climate Action 100. This is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. This initiative enables the Fund to support engagement activities which promote the target of net zero by 2050. More information is available here:
https://www.climateaction100.org/
vi. **Just Transition** – a just transition means not transitioning to a low carbon economy at any cost, but doing so whilst also ensuring that this is done in a socially responsible way, i.e. in a way which is fair to all. The Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science have put together a comprehensive guide as to what this means for investors, and what action can be taken. The Fund has signed a statement of support, and uses the guide to help embed this goal within the Fund's policies, and help hold our investment managers to account. More information is available at the following link:
https://www.lse.ac.uk/granthaminstitute/investing-in-a-just-transition-global-project/

Resourcing

Work done on responsible investment issues is largely resourced by officer time. Officers have been set responsible investment and stewardship objectives as part of the annual goal setting process, and an assessment of progress against these objectives will form part of the annual appraisal performance review.

A huge amount of responsible investment work is carried out by the Brunel pool, which has a dedicated team of staff who are widely regarding as being market leading. This resource is a real benefit of pooling, as the Fund would be unable to carry out this level of work independently.

Clients engage with Brunel on responsible investment issues regularly – one of the ways this takes place is through the responsible investment sub-group, which Wiltshire officers regularly attend. This group learns about engagement case studies, helps to develop reporting, and sets the responsible investment agenda at the pool in line with client requirements.

Through the Brunel pool and a wider network of contacts, officers regularly share responsible investment knowledge, ideas, progress, updates etc. with other LGPS funds.

The Scheme Advisory Board has launched a website resource on responsible investment, which is being further developed over time to add relevant case studies. This is available via the following link: https://ri.lgpsboard.org/items.

The Fund's investment adviser, Mercer, have allocated a specialist responsible investment adviser to work with the Fund. This continuity of specialism will benefit the Fund as the approach is further developed.

The Fund has access to information through the various initiatives it has signed up to, including reading materials, relevant data, and access to training.

Knowledge and Training

Training is available for Committee members on responsible investment topics, including but not limited to conferences, webinars, investment manager presentations, Brunel investor days, circulation of reading materials, and internal training days. Responsible investment topics are given high priority when setting the training plan for Committee members for the coming year. Local Pension Board members are also always invited to these training sessions. Officers ensure that Committee members receive adequate training before being asked to make any strategic decisions. Training is followed up via a feedback survey, to identify if there are any follow-on training requirements.

Training needs for officers are assessed as part of the work done to set the workplan for the team, and set goals and performance targets for individual team members. Officers have access to all the training opportunities open to Committee members, and additionally can build their responsible investment knowledge through regular meetings with investment managers, discussions with the Fund's investment advisers, or through more formal training, for example the CFA ESG Certificate.

Reporting and Accountability

Reporting is important in order to measure and monitor progress against objectives, and for transparency and openness with stakeholders. The Fund's current reporting is as follows:

Internal Reporting	**Frequency**	**Where to find it**
Pension Fund Committee responsible investment progress reports	Quarterly	https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CommitteeId=142
Local Pension Board responsible investment progress reports	Bi-annual	https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=1280&Year=0
External Reporting	**Frequency**	**Where to find it**
Annual Report, mini-magazine and one-page summary "Our Year in Review"	Annual	https://www.wiltshirepensionfund.org.uk/Annual-report-and-accounts
Task Force on Climate-Related Financial Disclosures (TCFD) Report	Annual	https://www.wiltshirepensionfund.org.uk/Climate
Voting records and Engagement reports	Quarterly	https://www.wiltshirepensionfund.org.uk/Voting-records
Strategies, Policies and Plans	**Frequency**	**Where to find it**
Investment Strategy Statement (ISS)	Reviewed at least once every 3 years, but in practice under regular review	https://www.wiltshirepensionfund.org.uk/investment-policies-and-strategies
Responsible Investment Policy	Updated annually	https://www.wiltshirepensionfund.org.uk/investment-policies-and-strategies
Responsible Investment Plan	Annual	https://www.wiltshirepensionfund.org.uk/investment-policies-and-strategies
Stewardship Report and Responsible Investment and Stewardship Highlights mini-magazine	Annual	https://www.wiltshirepensionfund.org.uk/article/6176/Summary

Stewardship

Stewardship is defined by the PRI (UN supported Principles for Responsible Investment) as "The use of influence by institutional investors to maximise overall long-term value including the value of common economic, social and environmental assets, on which returns and clients' and beneficiaries' interests depend". The Stewardship Code 2020 defines it as "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".

The Fund was a signatory to the original Stewardship Code, which was introduced in 2010 by the Financial Reporting Council (FRC). The FRC has now published a revised 2020 Code, to which the Fund plans to become a signatory. The 2020 Code is ambitious and has a focus on outcomes, not just policy statements. The first reporting in line with the 2020 Code was published in April 2022, via the Stewardship Report 2022. A mini-magazine, Responsible Investment and Stewardship Highlights 2021/2022 was published alongside the full report, to bring the Fund's approach to life for stakeholders, with examples and case studies to put the policy into context.

Scheme membership and employer engagement

The Fund considers that transparency on its actions, particularly with regard to responsible investment issues, is important, and engagement with the scheme employers and membership is a key part of this. The topic of investments is quite technical, and responsible investment issues can be nuanced, so it is important to educate members as well as asking for opinions.

Why might the Fund engage with employers and members?

- **Employers** – funding is achieved by a balance of employer (and employee) contributions, and investment returns. Therefore employers, as budget holders, will be interested in how the investments are managed, as this could have an impact on the contribution rates they need to pay.
- **Members** – members benefits are set in law and are not impacted by the investment returns. However, members may have personal beliefs and views on how the investments are managed. Therefore, keeping members informed and finding ways to represent their opinions is important.

There are a range of ways that members can be engaged with:

i. **Informing –** the Fund seeks to keep members and the general public informed via highlights on responsible investment and a climate risk section within the Annual Report. The Fund publishes an annual Stewardship Report, and highlights from this (focussed on outcomes and case studies) are published via a mini-magazine to make the information more accessible to stakeholders. The Fund makes use of the news section of the website to share short posts, including responsible investment content. The Fund will continue to publish press releases to communicate major strategic decisions.

ii. **Educating –** the Fund will continue to hold regular webinars covering responsible investment issues for both employers and members. The Fund will use its website as a way to communicate information and keep members and employers informed. The Fund will continue to develop methods of accessible communication.

iii. **Consulting –** in order to incorporate the views of the employers, the Fund will consult with employers on amendments to the ISS. There are two employer representatives on the Committee, who are actively involved in promoting employer engagement. The Fund has established an employer focus groups, to discuss relevant strategic issues, including investment policies and strategies.

iv. **Actively seeking views –** the Fund has used surveys to collect the views of employers and members, and has used the results of these surveys to develop the approach to member and employer engagement. Although the views of members and employers alone would not be used to drive the strategy, they would be considered by the Committee alongside other information as part of a full picture. The Fund's investment strategy is set in the best financial interests of the Fund, but can also, where possible, reflect the wider goals and philosophy of the employer organisations and Fund membership.

Glossary

Active	an active investment is one which aims to beat an index or deliver returns based on asset manager skill. Annual charges are higher and manager selection and monitoring more important than for passive, but potential returns may be higher.
Administering Authority	means a body required to maintain a pension fund under the LGPS Regulations, usually this is a local authority. For the Wiltshire Pension Fund, this is Wiltshire Council.
Affordable housing	in an investment context, the definition of affordable housing can vary. However, generally this would include housing that is affordable to those with a household income at or below the (local) median. In practice, investment may include residential property in supported, social, shared ownership, affordable private market rent, and mixed tenures. For the wider policy context, there is no agreed definition of affordable housing. Annex 2 to the National Planning Policy Framework (NPPF) is the most commonly referred to definition. This is used by local planning authorities when making provision within their areas to meet local demand/need for affordable housing.
Analytics for Climate Transition (ACT)	is Mercer's proprietary solution to help investors construct climate resilient portfolios. Mercer's framework and analytics draw on multiple data providers and metrics to assess portfolios across a spectrum of carbon risk, with portfolios ranked from low transition capacity (gray investments) to investments that are low carbon risk/zero carbon already, or are providing climate solutions (green investments). The majority of companies in investor portfolios fall somewhere in between the two sides.
Annual General Meeting	at an AGM, the directors of a company present an annual report to shareholders on performance and strategy. Shareholders with voting rights can vote on current issues, for example appointments to the company's board of directors, executive compensation, dividend payments, and the selection of auditors.
Baseline	this provides a starting point from which to project indicative pathways and plan to achieve net zero.
Benchmark	a benchmark is used to measure the performance of a fund, or asset manager against the investment objective. The FTSE 100 is a common benchmark for UK equities, for example.
Brunel Pension Partnership ("Brunel")	one of eight national LGPS asset pools that bring together investments of ten partner funds, including Wiltshire.
Business Plan (Fund)	sets out the aims and objectives of the Fund over the upcoming years and the outcomes to achieve for its stakeholders.
Climate change	is the long-term change in average weather patterns that have come to define Earth's local, regional and global climates. These changes have a broad range of observed effects that are synonymous with the term.
Diversified	a strategy that blends a variety of investments, asset types and investment vehicles, within a portfolio. This limits exposure to single assets and mitigates risk.
Employee	in general, an employee is also a member of the Wiltshire Pension Fund. The LGPS has a very low opt out rate, nearly all employees are members of the scheme
Employer	in general, an employer is either scheduled or admitted to the Wiltshire Pension Fund so its employees are members of the scheme.

Environmental, Social and Governance (ESG)	a broad range of factors which investors can assess to identify risks and opportunities.
Extraordinary General Meeting	an EGM refers to any shareholder meeting called by a company other than its scheduled AGM.
Fast fashion	inexpensive clothing produced rapidly by mass-market retailers in response to the latest trends.
Fiduciary duty	the Committee's responsibility to act in the best interest of the Fund's beneficiaries.
Freedom of Information (FOI)	the Freedom of Information Act 2000 provides public access to information held by public authorities. It does this in two ways: public authorities are obliged to publish certain information about their activities; and members of the public are entitled to request information from public authorities.
Global warming	is the long-term heating of Earth's surface observed since the pre-industrial period (between 1850 and 1900) due to human activities, primarily fossil fuel burning, which increases heat-trapping greenhouse gas levels in Earth's atmosphere. This term is not interchangeable with the term "climate change."
Greenhouse Gas (GHG)	The atmospheric gases responsible for causing global warming and climate change. The major GHGs are carbon dioxide (CO2), methane (CH4) and nitrous oxide (N20).
Impact investing	investing to generate a positive measurable environmental or social impact in addition to earning competitive market returns.
Investment manager	for the purpose of responsible investment and stewardship reporting in the context of the LGPS, "asset manager" is interchangeable with "investment manager" as defined in the LGPS (Management and Investment of Funds) Regulations 2016 (9) https://www.legislation.gov.uk/uksi/2016/946/regulation/9/made
Investment Strategy Statement (ISS)	a key document of the Fund, which sets out the Fund's investment strategy.
Local Authority	an administrative body in local government. A local authority may act as an administering authority for its own pension fund and those of other local authorities.
Local Pension Board	is responsible for assisting the administering authority in securing compliance with the LGPS regulations, overriding legislation and guidance from the Pensions Regulator.
Low carbon economy	is defined as the activities which generate products or services which themselves deliver low carbon outputs.
Member	unless proceeded or followed by reference to the Committee or Local Pension Board, member refers to a member of the Wiltshire Pension Fund.
Net Zero	net zero refers to the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere. Net zero is reached when the amount added is no more than the amount taken away.
Officers	internal Wiltshire staff that manage the investment arrangements of the Fund and support and assist the Committee with their role.
Paris Aligned Benchmark	developed with Brunel, FTSE Russell's Paris-aligned benchmark series aims to achieve a 50% reduction in carbon emissions over a 10-year period and integrate forward-looking metrics and governance protections from the transition pathway initiative (TPI).

Passive	a passive investment is one which tracks a market-weighted index. Passive management is most common in equity markets and often used by pension funds to build a diversified portfolio with a long-term investment horizon.
Pension Fund Committee (the "Committee")	the body running the Wiltshire Pension Fund with delegated authority to exercise the functions of Wiltshire Council as administering authority under the Local Government Superannuation Acts and Regulations.
Pool	an investment term which refers to the grouping together of investment holdings. This method of investing offers significant economies of scale and is well suited to investors sharing the same investment objectives.
Renewable Infrastructure	is a broad asset classification, which could include investment in energy, power, communications, water/waste/utilities, transport and social infrastructure, via either public or private vehicles.
Responsible Investment	a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership (as defined by the Principles for Responsible Investment, an investor initiative in partnership with UNEP Finance Initiative and UN Global Compact).
Scheme Advisory Board	the function of the LGPS Advisory Board (SAB) (E&W) is to provide advice to the Secretary of State on the desirability of making changes to the Scheme and provide advice to administering authorities and local pension boards in relation to the effective and efficient administration and management of the Scheme.
Scope 1 and 2	are emissions that are owned or controlled by a company, whereas scope 3 emissions are a consequence of the activities of the company but occur from sources not owned or controlled by it.
Segregated	an investment term which refers to the segregation of investment holdings in an individual account (as opposed to pooled with a larger group). This is quite uncommon as individual requirements related to risk and investment objectives would need to be significant enough to justify additional costs.
Stewardship	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 2020 Stewardship Code).
Strategic Asset Allocation (SAA)	the mix of different types of assets held in order to generate the required investment return for an appropriate amount of risk.
Sustainability	investing in a way that incorporates ESG criteria and active ownership, to generate superior risk-adjusted returns.
Task Force on Climate-related Financial Disclosures (TCFD)	reporting on climate change risk, set out under governance, strategy, risk management and carbon metrics.
Transition (to low carbon economy)	the process of moving from using both high carbon energy and low carbon energy to just using low carbon energy.
Weighted Average Carbon Intensity (WACI)	a measure of a portfolio's carbon intensity, also referred to as the carbon footprint. The WACI generally measures scope 1 and 2 emissions.

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