

Response to questions from Sigurd Reimers and Linda Oubridge:

The Wiltshire Pension Fund (WPF) is cognisant of the implications of climate change and carbon emission management, recognising fossil fuels as a significant risk factor. The Fund reviews its approach to all investment related issues annually by approving its Statement of Investment Principles. This can be viewed at the link below:

<http://www.wiltshirepensionfund.org.uk/fund-information/investment-principles.htm>

At a strategic level, WPF believes using its influence as a shareholder to encourage good corporate governance practice is more effective than a blanket disinvestment.

One way it does this is by contracting to Pensions & Investment Research Consultants Limited (PIRC) who provides a global shareholder voting service. PIRC's voting guidelines considers all aspects of good corporate governance which includes a company's approach to its environmental policy, goal setting and performance targets monitoring for carbon emission and will vote against AGM resolutions on behalf of all its clients should these issues not be sufficiently addressed. This approach provides opportunity for engagement with these companies and provides a direct communication channel with individual boards.

The WPF also believes that collective active engagement with companies in this sector is more powerful than acting individually. As a member of the Local Authorities Pension Fund Forum (LAPFF) the WPF is able to act with other local authorities on these issues. LAPFF currently has 69 member funds with assets of more than £175 billion.

LAPFF has long been concerned about climate and carbon-related risks to the underlying investment portfolios of member funds and has been engaging with companies and on public policy since 2002 to address the many risks related to climate change. One of LAPFF's engagement strategies is asking companies to identify and tackle carbon risks in their business models. In doing so, it supports an orderly transition of these carbon risks to protect long term value in these companies. Further information on LAPFF's position and work on investments in fossil fuels can be found on the following link:

<http://www.lapfforum.org/Archive/lapff2019s-position-on-investments-in-fossil-fuels>

It was also recently a co-signatory on the Financial Reporting Council on climate risk reporting setting out long-term investors' expectations that fossil-fuel dependent companies (in particular oil, gas and coal companies) should address climate-related risks in the newly introduced viability statements in their annual reports. This letter can be seen on the following link:

<http://www.lapfforum.org/Archive/lapff-co-signs-letter-to-financial-reporting-council-on-climate-risk-reporting>

The management of the WPF's investment is undertaken by external investment managers. The Fund expects its investment managers to take account of 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. This is insofar as these matters are regarded as impacting on the current and future valuations of individual investments. The Fund believes that taking account of such considerations forms part of the investment managers' normal fiduciary duty. Therefore, any commitment to a switch from coal power to renewables, the risk of fossil fuel investments becoming "frozen", and the opportunities for investments in renewable energy is part of the investment manager's analysis. It could be argued this has led to the continued reduction in fossil fuel investments.

The Fund's active investment managers currently hold no direct investments in fossil fuels. The scheme has approximately (4%) of the total £1.8bn of assets held indirectly as part of pooled investment vehicles.

The WPF Committee operates the Fund not only for Wiltshire Council but also on behalf of 157 different employer organisations with different views. Therefore, it is felt the policy adopted provides a practical approach to influencing such issues as carbon emission and fossil fuels while meeting this fiduciary duty to obtain the optimal returns for all its stakeholders to ensure the Local Government Pension Scheme (LGPS) remains as low cost and sustainable as possible.

Finally, WPF has recently responded to the Government's current consultation on pooling of Local Government Pension Scheme assets and the proposal to set up six collective investment pools nationally. The WPF is proposing collaboration with 9 other LGPS Funds in and around the South West, including the Environment Agency that could become operational from 2018 onwards if approved. Within this group there is considerable experience and recognised global leadership of responsible investment, broadly defined as generating better returns by investing in companies and assets that contribute to the long term sustainable success of the global economy and society, adopting best practice collective governance with appropriate oversight, prioritisation, delegation and decision making at the right level.