Climate Change Statement and Report

The Committee believes that in order to carry out their fiduciary duty by acting in the interest of its members, that effective management of Environmental, Social & Corporate Governance management (ESG) issues, including climate change, which are financially material to the Fund is essential.

The Fund's approach to Climate Change Risk is to acknowledge that investing in companies who have properly considered this risk, and who have made plans for a transition to a low-carbon economy, is an essential part of being able to generate returns over the long term. The Fund takes action by a combined approach – through the Brunel Pension Partnership pool (Brunel), and on its own initiative, at a strategic level. Brunel is well resourced in this area, and the Fund views the work Brunel carry out on behalf of all clients as one of the key benefits of pooling. Further detail on Brunel's policy, and also Wiltshire's specific monitoring and actions is below.

Brunel 2020-22 Climate Change Policy Objectives

Brunel's Climate Change Policy set's 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.

Brunel's 2020-2022 climate change policy objectives

We will play an active and leading role in encouraging policy makers to establish comprehensive and robust climate change policy frameworks. Within this, we will focus particular attention on:

- The adoption of a meaningful price on carbon, which is material (i.e. sufficient to drive change at the scale and rate required), progressive over time and widespread (i.e. applies to all major sectors of the economy).
- The removal of fossil fuel subsidies.
- The introduction of policy measures – for example, product standards, limitations on high carbon technologies, support for low carbon technologies – that accelerate the move away from high impact activities and sectors.
- The removal or correction of regulatory barriers to progress and support financial policy makers and regulators in being ambitious and effective in implementation of plans to mitigate climate risk and under the Adaptation Reporting Power.
- The integration of climate change into the mandates and into the oversight and control processes of prudential regulators and other regulatory bodies.
- Ensuring that climate change policy is socially sustainable and takes due account of workers' rights and community interests (the 'Just Transition') when taking action to reduce greenhouse gas emissions and adapt to a changing climate.

We will play an active leading role in encouraging policy makers to integrate climate change into multilateral and bilateral trading frameworks, with a particular focus on the UK post Brexit.

We will encourage policy makers to introduce mandatory climate change disclosure requirements for companies, with a focus on providing clear, decision useful information and encouraging a clear articulation of the risks that companies and their investors face.

We will support the development of skills, knowledge and professional standards of those intermediaries who are critical influencers in the action of investors and companies. These include, but are not limited to, investment consultants, actuaries, lawyers and auditors.

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

Monitoring of Climate Change Policy and Reporting Progress

Reporting on climate change is an area that is rapidly developing, and the Fund is working with Brunel and other member funds to continue to improve this. The Fund is supportive of Brunel's involvement in initiatives, such as the Institutional Investors Group on Climate Change ("IIGCC") Paris Aligned Investment Initiative, that are working to allow asset owners and investment managers to explain, in a consistent and comparable manner, how their portfolios compare to the goals of a net zero carbon future and of keeping global temperature rise below 2 °C.

The Fund currently undertakes climate change scenario analysis and carbon footprinting (measuring carbon intensity and fossil fuel reserve exposure) to better understand opportunities and risks within the Fund's portfolios.

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.

In addition to the full review, the Committee will be reviewing its beliefs and commitments on an annual basis to ensure that they remain fit for purpose and that strategic objectives are set with these in mind. To support this, the Fund will ensure there is regular training on climate change for the Committee, Board, and Officers so that those in charge of the decision making for the Fund are sufficiently informed.

Relevant Strategic Decisions and Actions taken during the year to 31 March 2020
During the year, the Committee instructed officers to carry out research into options for low carbon investing. Following this, the Committee decided to transfer its entire passive equity exposure (around 20% of the Fund at the time of transfer) into a low carbon passive equities portfolio managed by Brunel, which was completed in December 2019. This portfolio gave the Fund the ability to lower its carbon footprint, whilst not sacrificing any investment returns compared to the broader global equity index. The Fund published a press release, an extract of which is shown below, to share with members of the Fund and the general public the action it had taken.

Pension Committee Chairman, Councillor Tony Deane said:

"Climate change is an increasingly material issue for investors and we believe that investing to support the Paris goals is entirely consistent with securing long-term financial returns and is aligned with the best long-term interests of Wiltshire's beneficiaries. We also want to invest in a world worth living in, and investing in low carbon passive equities through our pool operators at Brunel gives us an ideal, cost-effective solution. It also helps us benefit from the wider expertise of our Pool. As the world steps up to meet the global climate emergency its vital that investors like us play their part."

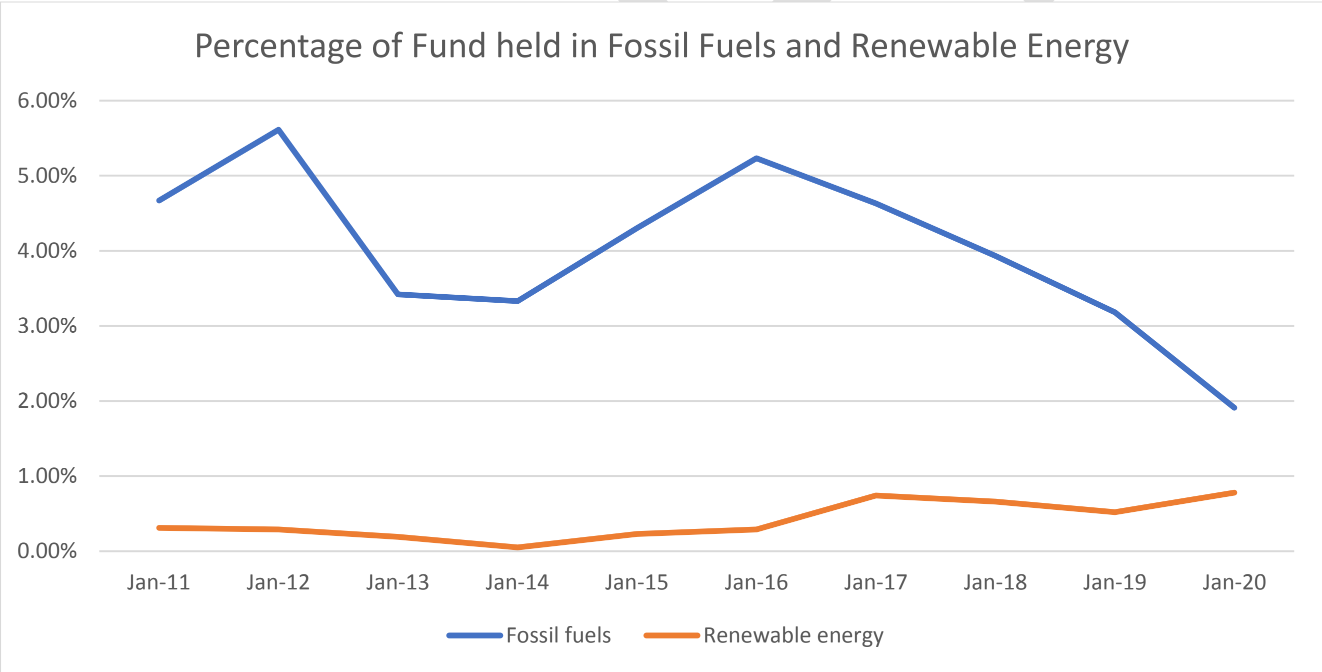
The Committee also agreed to sign up as a supporter of the Transition Pathway Initiative (TPI), which is a global initiative which assesses companies' preparedness for transition to a low-carbon economy, with the following statement:

We support TPI because as long term investors we consider all investment risks in developing our strategy, which includes climate change risk. The work TPI is doing in quantifying how companies are managing climate change risk is something that we will use to help hold our asset managers to account.

In order to begin setting a benchmark for progress, the Committee commissioned Brunel to carry out a carbon footprinting exercise on all equity portfolios (these are the portfolios on which this type of analysis is possible) as at 31 March 2019. The analysis was repeated at 31 December 2019 and the results are shown below. This exercise will be continued into the future in order to monitor trends and empower the Committee to hold Brunel to account in this area.

The Committee has also instructed an exercise which will model various climate change scenarios, and the effects of these on the Fund's portfolios. This will help inform policy and the direction of travel for the Fund going forward.

Monitoring of Relevant Metrics
The Committee monitors on an annual basis, as at 31 March, the Fund's overall exposure to companies which derive the bulk of their revenues from fossil fuels, as well as companies or assets (via the infrastructure portfolio) which are focussed on renewable energy. A graph showing the exposure as a percentage of the total Fund value over the last 10 years is shown below. Due to the transition to low carbon passive equities, the exposure of the Fund to fossil fuels is at an all-time low. Increased deployment of capital into infrastructure assets via the unlisted infrastructure portfolio managed by Partners Group has also increased the Fund's exposure to renewable energy sources.



The results of the carbon footprinting exercise are shown below:

Wiltshire Pension Fund – Carbon Footprint Analysis as at 31 December 2019				
Metric	**Unit**	**Portfolio**	**Benchmark**	**Relative Efficiency**
Weighted Average Carbon Intensity	tCO2e/mGBP	153	301	49%
Extractive Industries Revenue Exposure (VOH)	%	2.3	5.3	57%

Wiltshire Pension Fund – Carbon Footprint Analysis as at 31 March 2019				
Metric	**Unit**	**Portfolio**	**Benchmark**	**Relative Efficiency**
Weighted Average Carbon Intensity	tCO2e/mGBP	292	450	35%
Extractive Industries Revenue Exposure (VOH)	%	4.3	8.0	46%

Definitions:

1. **WACI:** The weighted average carbon intensity shows the portfolio's exposure to carbon intensive companies. This measure is determined by taking the carbon intensity of each company and weighting it based on its holding size within the Portfolio. Because carbon intensive companies are more likely to be exposed to potential carbon regulations and carbon pricing, this is a useful indicator of potential exposure to transition risks such as policy intervention and changing consumer behaviour.

2. **Extractives Industries Revenue Exposure (VOH):** This is calculated by summing the weights of any holdings in companies that have a revenue dependency on extractives-related activities. This measure is useful as an indicator to show potential exposure to stranded assets.

This analysis shows that between March and December 2019, there has been significant improvement in Wiltshire's carbon footprint. Of particular note is the change in the WACI, which has reduced by 48% over the period.