

## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
30 September 2021

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### **RESPONSIBLE INVESTMENT POLICY**

#### **Purpose of the Report**

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

#### **Key Considerations for Committee**

##### ***Responsible Investment Plan 2021/22***

2. As part of the Responsible Investment Plan 2021/22, approved by the Committee in June 2021, an action for Q3 2021 was to "develop and publish a Responsible Investment Policy, including climate statement and action plan". The Responsible Investment Policy has now been drafted in line with this approved action, and is attached as Appendix 1.

##### ***Business plan and risk register***

3. Developing the Fund's approach to responsible investment is set out as a "High Priority" action in the Fund's Business Plan for 2021/22. This will have the expected service benefit of helping the Committee to understand and incorporate risks which could have a material financial impact on the Fund's future investment returns. This high priority action shows the strong commitment which the Committee has towards responsible investment, and the high importance of this area of work.
4. Climate change risk is included in the Pension Fund's risk register (risk PEN041) as a "High" priority risk ("Medium" residual risk after the controls in place to manage the risk are considered). Climate change is a key environmental risk which could have a material financial impact on the Fund's returns, and as such needs to be considered, managed and monitored as part of the Committee's fiduciary duty, to protect the investment returns of the Fund. Failure to embed climate change considerations in the investment strategy could cause a negative impact on investment returns over the long term.

#### ***Background***

5. 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 extract the relevant information into a separate document, which is to be considered as an integral part of the ISS, in order to improve transparency.
6. The Responsible Investment Policy has been drafted based on:
  - Existing information within the ISS
  - Existing information within the Responsible Investment Plan 2021/22
  - Information from Mercer's Analytics for Climate Transition report

- Other new information as appropriate.

***Highlights of new information which wasn't sourced from already approved material (i.e. the ISS and RI Plan 2021/22)***

7. Investment beliefs – this section has been updated to include some new beliefs, which reflect recent developments. The new beliefs cover:
  - Member and employer engagement
  - Impact investing
  - Working with other investors
8. Strategic Asset Allocation (SAA) section – this has been added to reflect the decisions which the Investment Sub-Committee is recommending to the full Committee today. This section includes a donut chart which shows which parts of the SAA are already sustainable/low carbon.
9. Climate change section – this includes information on climate scenario modelling, setting a baseline, implementing a transition plan, and interim targets (to 2025 and 2030). This information has come in part from the most recent Mercer report, which is elsewhere on this agenda, and from updating existing information to reflect the current situation.
10. Reporting and accountability – this section is new, and is based on a factual list of all the relevant Fund reports and publications, how often they are produced and where to find them.

**Environmental Impacts of the Proposals**

11. This report includes information on a new Responsible Investment Policy which includes specific plans and targets to address climate change risk in the investment portfolios.

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

12. There are no known implications at this time.

**Proposals**

13. The Committee is asked to approve the Responsible Investment Policy.

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

**Appendices:**

Appendix 1 – Draft Responsible Investment Policy