

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
03 March 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 2021/22

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 2021.	Officers have completed a first draft of the report which will be finalised for review and approval at the 31 March 2022 Committee meeting.
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 the bulk of the work, and are to complete this work by analysing the Fund's holdings using Mercer's Analytics for Climate Transition (ACT) tool, which provides more bottom-up analysis.
To approve the Responsible Investment Plan 2022/23, and the actions and costs noted therein.	Progress against the actions in the Responsible Investment Plan is shown below.
To authorise officers to work with Mercer to deliver the implementation of the affordable housing and renewable infrastructure portfolios.	This work is well underway, with initial managers now selected for the affordable housing portfolio. Progress is reported elsewhere on this agenda.
That a training half-day should be organised, and that Pensions for Purpose should be invited to deliver a workshop on impact investing, and Brunel to provide training on the Paris-aligned benchmark.	This training was delivered on 29 November 2021. More details on the actions for officers following the training delivered by Pensions for Purpose are provided below.

3. The road map from the Responsible Investment Plan 2021/22 is shown on the following page. Progress against actions for Q4 2021 & Q1 2022 is as follows:

4. Investments and strategy:

- The Fund made specific allocations to renewable infrastructure and impact affordable housing, of 5% each. Implementation options have been considered and initial managers selected for affordable housing.
- The Responsible Investment Policy has been approved and published – more info further later in this report.
- Mercer's work on a "net zero by 2050" road map will continue with analysis using Mercer's Analytics for Climate Transition (ACT) tool.

5. Reporting and disclosure:

- The [investment pages of the Wiltshire Pension Fund website](#) have been updated to include comprehensive descriptions of 'what we invest in' and explanations of 'how we do it' etc. These pages will provide a useful resource for members, employers and other stakeholders seeking information on the investments of the Fund.
- Officers have developed plans for stewardship reporting in line with the 2020 Stewardship Code. This report will be brought to the Committee on 31 March for approval and published in April 2022. Confirmation of Stewardship Code signatory status will be confirmed later in Q2 or Q3 2022.
- The Fund signed up to wider initiatives as set out in the Responsible Investment Plan. The team has begun engaging with these resources and is evaluating effectiveness of participation.

6. Training and engagement:

- The annual pension fund member conference was held on 23 November 2021. Sessions on retirement and accessing benefits were popular. A specific webinar slot on accounting and investment had also been planned. However, low levels of interest led to this delivery format being reviewed and other methods of engagement considered instead.
- A Committee training session on the Paris-aligned benchmark and impact investment, UN sustainable development goals (SDGs), was held on 29 November 2021. Officers received feedback from attendees during the session, from Q&A and an online survey. It was agreed that more information on the option to map the investment portfolio against the SDGs should be gathered and brought to the next meeting.
- The investment team were made aware of a letter circulated by Michael Lynk, UN Special Rapporteur on the Palestine Occupied Territories, to Chairs of some LGPS pension committees regarding investments with companies on the UN database of companies with operations in the Palestine Occupied Territories. This was raised at the Brunel Responsible Investment Sub Group to check that the position previously stated by Brunel and Hermes had not changed. The Chair of the Scheme Advisory Board (SAB) and Chair of LAPFF held a meeting with Michael Lynk to discuss further. No further update has been received to date.
- The team were also made aware of a campaign to divest from [big-livestock](#) via other Brunel partnership funds. The campaign website hosts a list of councillor contacts, but we have not been made aware of any emails or FOI requests to date.

7. **Responsible Investment Plan 2021/22 progress summary:** All actions in the 2021/22 plan have now been completed. Work will begin on actions for Q2 2022 onwards following approval of the new plan, which will be brought to the Committee meeting on 31 March 2022 for approval, to tie in with the business plan and budget for 2022/23.

Responsible Investment Road Map

Q2 2021 -

Investments and strategy: decision on sustainable equities

Reporting and disclosure: TCFD reporting

Training and engagement: Training on impact investing and affordable housing

Q3 2021 -

Investments and strategy: proposals for protection assets, develop and publish Responsible Investment Policy, including climate statement and action plan

Reporting and disclosure: Develop plan for Stewardship Code reporting

Q4 2021 -

Investments and strategy: begin work to implement proposals for protection assets, begin reviewing potential work on other asset classes with respect to climate change and sustainability

Reporting and disclosure: sign up to wider initiatives

Training and engagement: hold membership webinars and develop the information shared on the Fund's website

Q1 2022 -

Investments and strategy: update Investment Strategy Statement

Reporting and disclosure: develop plans for reporting the year's progress in the Annual Report

Responsible Investment (RI) Policy (and Investment Strategy Statement)

8. As noted at the previous meeting, the RI Policy was approved and published. The Investment Strategy Statement has since been updated to remove duplicated information accordingly. Both documents have been published on the website.

United Nations Sustainable Development Goals (UN SDGs) Mapping

9. The impact investing training session on 29 November 2021 covered the UN SDGs.
10. At the end of the session, the option of mapping the investment portfolio to SDGs was discussed and the exercise completed by Worcestershire Pension Fund cited as an example. Officers subsequently met with a stewardship consultant to scope a mapping exercise. Based on the cost of this analysis and considering that the investment strategy will be reviewed as part the 2022 actuarial valuation, it is recommended that an SDG mapping exercise may be revisited at a later date. More detail is set out in **Appendix 1**.
11. Officers were tasked with bringing a paper to the investment-focussed Committee meeting on 3 March 2022 setting out which SDGs the Committee could state as priorities. The SDGs identified are set out in **Appendix 1**, and below.
12. It is recommended that as an interim step, the Committee supports a statement regarding the SDGs as follows, which can be included in the Annual Report and the next revision of the Responsible Investment Policy:

“Wiltshire Pension Fund has considered the 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]”

Training

13. Officers presented a training session for Committee and Local Pension Board members on 9 February 2022 on private markets investments, in advance of members meeting with Brunel to discuss these portfolios at the Committee meeting on 3 March 2022. Feedback following this training session was very positive, with 8 out of 9 respondents to the survey feeling that their knowledge in this topic area was improved following the training. Requests were made for follow-on training on the topics of due diligence, and investment manager costs. Some further information on costs is included elsewhere on this agenda within the private markets update paper, and officers will circulate some additional information on the due diligence process in due course. Another respondent felt that more time on the case studies would have been beneficial, so officers will ensure this is taken on board for future training sessions, and can provide more information on

the case studies at any time. Members are thanked for providing their feedback, which is very helpful in shaping future training sessions.

14. There will be another internal training session on the morning of Monday 16 May 2022, which will cover information on the strategic asset allocation. This will help provide members with the information they need in advance of reviewing and approving a new strategic asset allocation later this year.

Member and Employer Engagement Activity

Wiltshire Pension Fund website and member demographics

15. Following on from the launch of a comprehensive Climate page in the run-up to COP26, the 2021 UN Climate Change Conference, the investment pages have been developed to include:
 - What we invest in and why (Strategic asset allocation); description and explanation of long term targets
 - How we do it (Policies and Strategies); how the policies come together, decisions are made, and the management arrangements internally and with Brunel
 - Who we work with: listing of memberships, initiatives and other service providers
 - Member/Employer Engagement: a page dedicated to member and employer engagement
16. The stewardship and voting page holds up to date voting records and will host the Stewardship report once finalised in April.
17. Members can view the new investment webpages here:
<https://www.wiltshirepensionfund.org.uk/investment-pages>
18. In addition, there has also been significant development in analysing member demographics and website visits. This workstream, led by our Communications Manager, is looking at how specific membership groups may be profiled based on membership status, age etc. This can then be used to improve communications, information content and delivery methods by taking account of the differing preferences of these groups.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

20. There are no known implications at this time.

Proposals

21. The Committee is asked to
 - use this report as a basis for monitoring the progress that is being made towards implementing responsible investment policy;
 - note the progress made against the Responsible Investment Plan 2021/22 actions and discuss whether any additional actions are needed at the current time.
 - note the conclusions of the SDG investigative research and agree that this can be placed on hold until a later date/after the strategy review.

- adopt the statement regarding priority SDGs.

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

Appendix 1

Sustainable Development Goals

During the training session on 29 November 2021, Committee members were asked to review the UN SDGs and consider investment theses of each in the context of the Fund's investments.

The 2030 Agenda for Sustainable Development, adopted by all United Nations forms a blueprint to achieving a better and more sustainable future for all. The Goals address global challenges and are set out below for ease of reference:



Polling exercise

Committee members were asked to vote for their top three suggestions for which SDGs they believed the pension fund should prioritise, both before and after group discussion.

The results of the later poll identified some of the themes that could be considered as priorities for the pension fund:

- Climate [SDGs 13 & 7] – mitigating the associated risks was viewed as a high priority
- Economic growth [SDGs 8 & 9]– both in terms of industry, infrastructure and work
- Education [SDG 4]– as a driver of growth, this would support many of the other goals

Support for climate action and economic growth are shared with all and most other pension funds. Quality education was believed to be an area where there was broad agreement of principles, but potential hurdles around funding to overcome.

The training exercise and polling exercise was not part of a decision process, but a means of enabling discussion and consideration of ESG issues.

Mapping Exercise

Officers met with a stewardship consultancy provider on 10 January 2022 to find out more about SDG mapping methodology and what such an exercise may involve.

Holdings information from all portfolios, pooled and segregated mandates, would be mapped against all SDGs. The resulting dataset/matrix could be filtered on SDG, the weight of that SDG for each holding, and its capital weight within the portfolio.

The output would also show net contributor/detractor ratings and highlight areas of the portfolio where “intentionality” i.e. ESG versus financial rationale may conflict. For example, oil and gas companies may score low for climate related SDGs, but highly for employment, infrastructure and economic factors.

The exercise would draw on the [World Benchmarking Alliance](#) (WBA) SDG 2000 approach, the providers’ own sustainability scores and input from external asset managers via questionnaires. The majority of the work would be across equity holdings, but Worcestershire Pension Fund also included infrastructure and real estate; South Yorkshire Pension Fund have mapped all asset classes.

The breadth and depth of the work involved is reflected in the cost, but access via the LGPS framework may be possible in the near future. As the investment strategy will be reviewed as part of the 2022 valuation, the recommendation to the Committee is that this should be revisited after the review, so that the baseline is more reflective of the Fund in terms of its long term direction of travel.

The Fund would also need to plot a clearer path from outcome to action (i.e. prioritising goals for engagement activity is currently via Brunel’s governance processes for the pool and could not be easily implemented for individual funds separately).

Statement of priority

As an intermediate step, the Committee should consider making an SDG statement or documenting the priority SDGs that emerged from the training session. This could provide focus for engagement activities. While engagement priorities at Brunel are set collectively for all partnership funds, legacy managers may be able to use the statement to at least report on engagement and voting activity that specifically addresses those topics.