



Wiltshire
Pension Fund

STEWARDSHIP
REPORT
MARCH 2022

STEWARDSHIP REPORT 2022

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INTRODUCTION

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”.

We are proud to present Wiltshire Pension Fund’s first report in line with the Stewardship Code 2020.

Wiltshire 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. As a long-term investor, the Fund recognises the value which can be generated through stewardship activities, both in terms of reducing risk and improving returns.

This mindset is demonstrated by the following investment belief:

“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.”

The Fund was a signatory of the Stewardship Code 2012 and has long-established activities in this area. This report sets out the principles of the Stewardship Code 2020, and shows how the Fund complies with these principles, what activities the Fund undertakes in each area, and examples of the outcomes which the Fund has achieved.

We hope that our stakeholders will find this report educational and interesting. A short magazine version of this report will be published alongside this full version, to help make the information as engaging and understandable as possible for a non-technical audience.

This report has been reviewed and approved by the Wiltshire Pension Fund Committee, at the Committee meeting on 31 March 2022.

RESPONSIBLE INVESTMENT OUTCOMES FOR THE YEAR TO 31 MARCH 2022

During the year to 31 March 2022, Wiltshire Pension Fund has continued to improve and advance the approach to responsible investment. Many of our outcomes in terms of stewardship are shared later in this report. This section shares our achievements and actions in the area of responsible investment more widely. At the start of the year, the Committee approved a **Responsible Investment Plan 2021/2022**. This established a framework for our approach and set out various ambitions which we planned to achieve during the coming year.

We are pleased to confirm that we have completed all actions set out in our plan, and more:

RESPONSIBLE INVESTMENT ROADMAP

Q2
2021

INVESTMENTS AND STRATEGY

- Decision on allocating to sustainable equities

REPORTING AND DISCLOSURE

- Task Force on Climate-related Financial Disclosures (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

OUR ACHIEVEMENTS AND OUTCOMES FOR THE YEAR TO 31 MARCH 2022

MANAGING OUR INVESTMENT STRATEGY

- In September 2021, we published our first ever dedicated **Responsible Investment Policy**, containing new investment beliefs around RI, covering engagement, working with other investors, impact investing, and more.
- We made a strategic allocation of half our active global equities to be invested in **sustainable equities**, following climate scenario modelling which indicated this was an investment opportunity. We have implemented this via the Brunel Pension Partnership ("Brunel").
- We collaborated with other Funds and Brunel to develop a **Paris-aligned passive benchmark**, and all our passive equity exposure is now invested to match this forward-looking benchmark.
- Following an in-depth review of our protection assets, we have made strategic allocations of 5% each to **renewable infrastructure** and **impact UK affordable housing**.

ADVANCING OUR APPROACH TO CLIMATE RISK

- Following the Committee decision in March 2021, we formally signed up to a **Net Zero by 2050** Commitment through the Paris Aligned Investment Initiative, via the IIGCC.
- Our Responsible Investment Policy contained a **climate action plan** and **interim decarbonisation targets**.
- We are undertaking ongoing work with our advisors to refine and monitor our approach, with the next piece of work focussing on more detailed targets including **setting engagement priorities**.

REPORTING OUR PROGRESS AND TRAINING

- We published our first report in line with the recommendations of the **Task Force on Climate Related Financial Disclosures** (TCFD).
- We worked with a consultant to review a **gap analysis** of our existing reporting, compared to the 2020 Stewardship Code requirements, which enabled us to develop this stewardship report.
- We have developed plans to include more **stakeholder information** in our Annual Report and Accounts for 2021/22.
- During the year to 31 March 2022, members of our Local Pension Board and Pension Fund Committee attended **training on a variety of topics**, including impact investing workshops, affordable housing, Paris-aligned benchmarks and sustainable equities.

ENGAGEMENT WITH OUR SCHEME EMPLOYERS AND MEMBERS

- We published the results of our responsible investment membership survey in the 2020/21 annual report, which received **2,251** responses.
- We put out a press release regarding our Net Zero by 2050 commitment.
- In August 2021, we surveyed our employers on strategic issues, including climate targets and policies, and received responses from **62** employers, representing just under **80%** in terms of contributions. As a result, we have set up a **Strategic Employer Focus Group**.
- In the run up to COP26, the UN's climate conference in November 2021, we designed a **one-page factsheet about our approach to climate risk** and launched a publicity campaign to inform our members about what we are doing in this important area. This was read by over **7,000** of our members. We also developed a dedicated climate webpage.
- We have signed up to **Institutional Investors Group on Climate Change (IIGCC)**, **Climate Action 100+**, and also to support a **Just Transition**. You can read more about our work with these (and other) initiatives later in this report.
- In February 2022, we launched our full **investment webpages**, covering what we invest in (and why), how we go about it, and lots more.



RESPONSIBLE INVESTMENT OUTCOMES CASE STUDIES

SUSTAINABLE EQUITIES

One of the key findings from our climate scenario modelling work was that the Fund could potentially see a **material financial benefit** from setting an allocation to sustainable equities. The modelling work looked at the risks to our investments from climate change, but also identified opportunities for the Fund, and this was one of them. The Pension Fund Committee received a detailed training session on sustainable equities, and subsequently made the decision to **allocate half of the Fund's active equity exposure** to a sustainable equities portfolio managed by Brunel. This portfolio contains a mix of managers, and has a bias towards long term growth companies, which is to be expected as this portfolio is looking to **generate sustainable returns** into the future.

Although sustainability analysis is integrated deeply into the investment process, the managers are not actively operating exclusions on ethical grounds, but instead focus on **positive inclusion**. Some of the managers have a broad sustainability strategy. Another manager is thematic, operating a global climate and environment strategy, which focuses on things like resource efficiency, environmental protection and alternative energy, targeting companies who still have a lot to gain from transitioning to a more sustainable model. The managers also generate value through the way they work with the companies they invest in, with a **strong focus on engagement activities**. This portfolio's goal is to earn **superior risk-adjusted returns** for the Pension Fund.

SCHEME EMPLOYER SURVEY

In August 2021, following on from our successful survey of the scheme membership in February 2021, we decided to survey our scheme employers on strategic issues. We asked what topics employers were interested in, how they wanted to receive information from us, their position on climate risk, and we also asked them "Do you feel that the Fund's investment strategy, which is set in the best financial interests of the Fund, should also try to reflect where possible the wider goals and philosophy of the employer organisations (for example, reflecting a climate-related goal), or do you feel that this is not a concern for employers?"

We received 62 responses to the survey, representing almost 80% of employers (measured by value of contributions received). Just over half felt it was "important" that the Fund's investment strategy should reflect the wider goals of the employer organisations.

The full results of the survey, and our responses, are published online:

<https://www.wiltshirepensionfund.org.uk/Engagement>

In response to the survey, we have tailored our communications approach, established an **Employer Strategic Focus Group**, and set a new investment belief:

"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"



PROTECTION ASSETS REVIEW

During 2021, we undertook a review of our protection assets allocation, to ensure that the Fund was delivering this part of the strategy in the most effective way. This allocation is aiming to deliver **lower-risk, mainly sterling, income-based returns, with a link to inflation**. This helps provide some protection as the Fund's liabilities are strongly affected by inflation, as that is how future pension payments will be increased. Traditionally this allocation has been implemented via index-linked gilts, although in recent years the Fund has diversified into long-lease property and operational infrastructure.

Following a review with the Fund's investment consultants and advisers, we identified that **impact affordable housing** and **renewable infrastructure** would be areas where we should seek to make specific allocations. This also fitted in with the climate scenario modelling work which we commissioned during 2020 – the results of this indicated that there was an **opportunity for the Fund to benefit financially** by allocating to renewable infrastructure (compared to general infrastructure).

The Committee attended training on affordable housing, and subsequently made strategic allocations of 5% of the Fund each to impact affordable housing and renewable infrastructure. For the affordable housing portfolio, positive social impact is an integral part of the investment case, so we will be **monitoring impact metrics** alongside the financial performance of this portfolio. We will also investigate what additional metrics can be monitored for renewable infrastructure.

PURPOSE AND GOVERNANCE

PRINCIPLE 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

CONTEXT

Purpose

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement, and/or benefits on death before or after retirement for their dependants.

The regulatory framework in which Wiltshire Pension Fund operates is covered in more detail under principle 2 on governance. In summary, Wiltshire Pension Fund is part of the Local Government Pension Scheme (LGPS), a defined benefit pension scheme for local government and associated employees.

It is funded by employee and employer contributions and maintains investment assets. Employee contributions are fixed, and the level of employer contribution is assessed every three years through an actuarial valuation of the Fund. This valuation establishes the solvency position of the Fund; the extent to which the assets of the Fund are sufficient to meet pension liabilities accrued to date.

The objective is that the Fund should be at least 100% funded on an ongoing basis, taking account of any additional contributions paid by employers to cover past service deficits. The projection is that full funding is achieved over a time frame agreed appropriate by the Actuary for each employer, as set out in the **Funding Strategy Statement**.

Investment Beliefs and Objectives

The investment objective is to maximise returns subject to an acceptable level of risk whilst increasing cost certainty for employers and minimising long term costs of the Fund. Having a thorough understanding of the risks facing the Fund is crucial.

The Fund's investment beliefs have helped to inform the investment strategy. A full list of beliefs are detailed in the **Investment Strategy Statement**.

The development of the **Responsible Investment Policy** was one of the outcomes of holding the belief that "ESG factors, including Climate Change, are important factors for the sustainability of investment returns over the long term".

The RI policy sets out RI implications against each investment belief and in summary they address:

- Strategic asset allocation
- Long term time horizons
- ESG factors
- Net zero carbon ambitions
- Alignment of stakeholder interests
- Investing with impact
- Stewardship and engagement

ACTIVITY

Training and development

The Public Service Pensions Act 2013 provides for the regulation of the LGPS by the Pensions Regulator. The Regulator places an increased emphasis on pension committee and local pension board member training, knowledge and understanding.

The Fund training policy records training **activity** undertaken by Committee members, is kept up to date and reported on. Whilst the overarching strategy is reviewed every three years, reviews of member training are conducted annually to ensure that the strategy remains relevant.

The training policy better places Committee members to make well informed decisions to achieve good **outcomes**, consequently complying with the increased requirements of the Regulator and overarching governance requirements of the Fund.

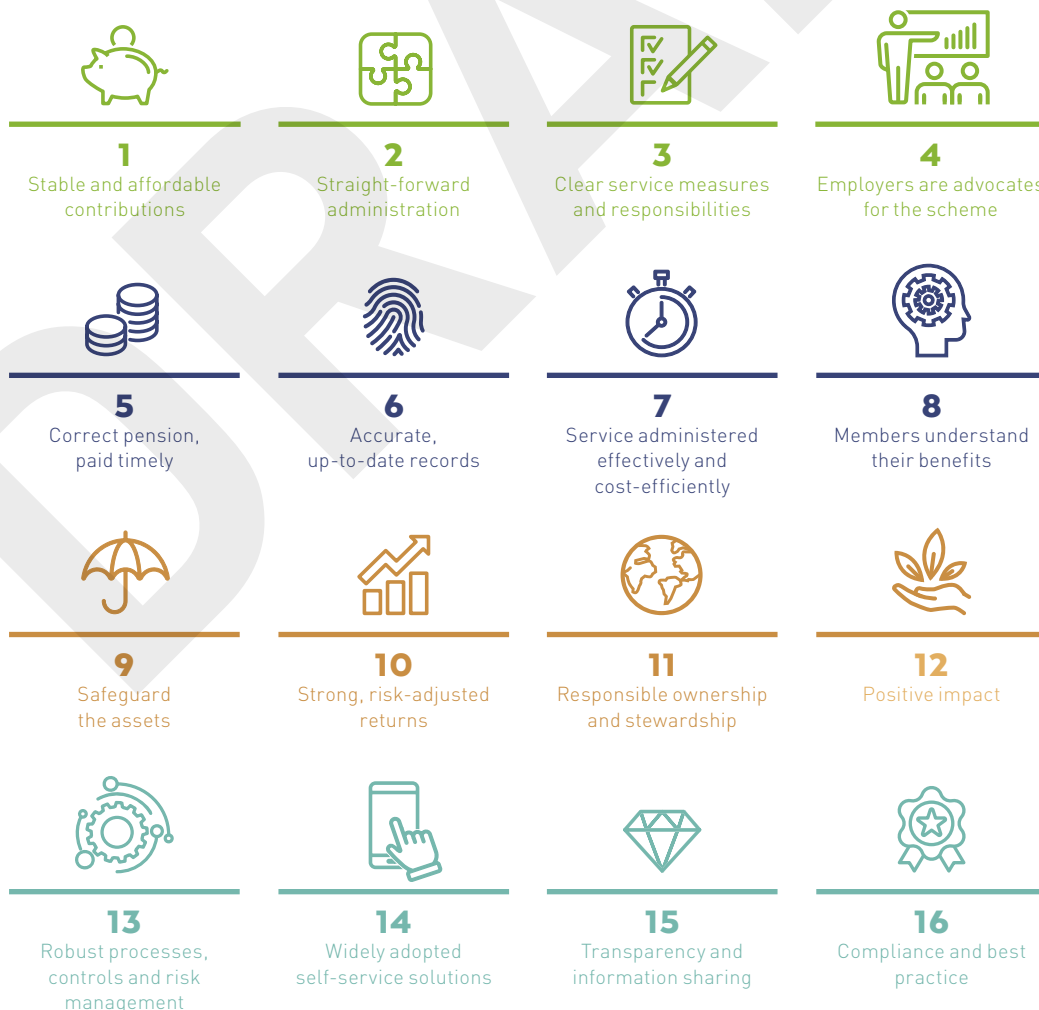
Vision

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 fund will measure success against the vision by monitoring our progress against various service related KPIs, targets, and actions.

Strategic Vision Goals

The vision is supported by 16 strategic vision goals, which are focussed on outcomes. The goals broadly map to outcomes for employers, members, investments, and governance. However, staff are encouraged to think about how their work maps to different goals.





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. We aim to demonstrate the following values, and embed them firmly in our culture:



WORKING TOGETHER AS ONE FUND

We work together as One Fund, demonstrating the values of transparency, accountability, ownership, critical thinking, respect and agility



HIGH PERFORMING TEAMS

We aspire to be role models and leaders, through our commitment to develop knowledge and training



DATA DRIVEN DECISIONS

We use data to inform and evidence our decision making, and to measure our progress and successes



EFFICIENCY THROUGH TECHNOLOGY

We collaborate, and challenge our systems and processes, to create innovative solutions and drive continuous improvement



LONG TERM THINKING

We always act with the long term in mind, whether we are setting our investment strategy, planning improvements, or working towards our net zero by 2050 goal



CLEAR COMMUNICATIONS

We communicate with all our stakeholders in a clear, concise, relevant and effective way



SMARTER WORKING

We maintain focus on our core objectives, and work in a proactive and disciplined way, to promote simplicity and efficiency in everything we do

As part of a review of the Business Plan, the Committee and Pension Fund team adopted the vision, goals, and values as set out above. The value “Long Term Thinking” runs through everything we do. Wiltshire Pension Fund is a long term investor, and so is able to participate in stewardship activities which can add value to the Fund’s investments over the long term.

The strategic goal 11, “**Responsible Ownership and Stewardship**”, is particularly relevant to stewardship 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 stewardship 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. Stewardship has a role to play here in the information that is shared with members – the Fund publishes its engagement and voting records online, and also a magazine version of this report will be published alongside this full version, to help make the information as engaging and understandable as possible for a non-technical audience.



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Responsible ownership and stewardship



16

Compliance and best practice



1

Stable and affordable contributions



15

Transparency and information sharing

Employer Equality and Diversity and inclusion

Wiltshire Council, the administering authority, (and Wiltshire Pension Fund employer) is a public authority covered by the Public Sector Equality Duty (Equality Act 2010).

The total headcount of staff in post as of 1 October 2020 was 4,605 and Wiltshire Council publishes a detailed **Employment monitoring report** of this information to demonstrate compliance with the general equality duty. This includes information about the workforce diversity and inclusion profile and work that has been undertaken to make improvements to workforce diversity and inclusion.

The total Wiltshire Pension Fund team headcount of staff is around 35.

New structure and innovative ways of working

As part of restructuring Wiltshire Pension Fund, a new Head of Wiltshire Pension Fund was appointed to oversee all aspects of service delivery.

A one-fund approach has been implemented, improving communication and collaboration across teams, functions and departments. Coupled with commitment to training, knowledge and development, this will lead to more opportunities for personal development, secondment and promotion from within.

In addition, the Fund has created a [LinkedIn page](#) which may be used, along with other communication channels, to broaden the demographic when recruiting new members of the team. Flexibility to work from home existed before the Covid-19 pandemic and options to compress hours etc are available where business needs allow.

Pension Fund Committee membership

The decision-making body of the Fund is made up of members selected from a range of employers and those representing pension fund member (employee) interests. The composition of members of the authority and co-opted members is as follows:

- five voting members from Wiltshire Council
- two voting members from Swindon Borough Council
- two voting employer representatives
- two scheme member observers, one representing Wiltshire, one representing Swindon

The technical detail of the Committee responsibility for functions can be found in Part 3 of the Council constitution **Part 03 Responsibility For Functions**.

The Terms of reference of the Committee and Local Pension Board (described in more detail under principle 2) can be found in **Protocol 2 Terms of Reference Pension Fund Local Pension Board**.



OUTCOME

The culture of the fund and its approach to stewardship has led to successful employee and employer engagement on general responsible investment and strategic issues via questionnaire and surveys.

Training and development is highly valued and considered an important aspect of the role of Committee and Local Pension Board members. Recently, Committee members proposed training sessions on impact investment in 2021 to support the strategy and move into assets with measurable impact.

Examples of the ways in which the Fund's investment beliefs have guided their stewardship, investment strategy and decision-making are shown in the above section of this report; "Achievements and Outcomes for the year".

EFFECTIVENESS IN SERVING BEST INTERESTS OF CLIENTS AND BENEFICIARIES

The importance of secure pension provision was a common feedback theme from the Responsible Investment Survey. It is a matter of fact that many members (clients and beneficiaries) view strategic vision 5, "correct pension paid timely" as serving their best interests and most important to them. Effectiveness against this measure can be demonstrated by the achievement of the administration KPI targets.

However, this is changing, and the results and feedback from the survey suggested an increasing interest in investment and stewardship.

Currently, Brunel provide voting records and reports via its stewardship provider, EOS Hermes, which are published on the pension fund website. One area for development, and largely due to the nature of investment implementation, i.e. in pooled funds, the Fund is looking at, is ways in which it can develop its information, analysis and engagement on voting on equities before moving on to other asset classes.



5

Correct pension,
paid timely

PRINCIPLE 2

Signatories' governance, resources and incentives support stewardship.

ACTIVITY

Wiltshire Pension Fund's **Governance Policy & Compliance Statement** sets out the statutory framework under which the administering authority delegates statutory functions to committees, sub-committees or to officers. The existing governance arrangements of the Fund use the following structure:

Pension Fund Committee – the role and responsibilities of which are set out in its own terms of reference within the Council's Constitution; the Committee meets at regular intervals to review the investment, administration and governance affairs of the Fund, review performance, and plan the implementation of policy. The Committee meets at least eight times during the year, alternating agenda focus between 'investment' and 'administration and governance'.

Historically, the Fund maintained an Investment sub-Committee (ISC) – a secondary non-decision making body reporting to the Pension Fund Committee, with its own terms of reference; this sub committee met quarterly, and the role of the ISC was to implement and monitor asset manager performance while considering and to make recommendations to the main committee on changes in the investment strategy of the Fund. This function now sits within the main Pension Fund Committee.

The ISC would discuss and propose issues to be approved at Committee meetings several weeks later. One of the key reasons for changing this part of the governance structure was **efficiency**.

Local Pension Board – the role and responsibilities of which are set out in the Council's Constitution; is responsible for securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, requirements imposed by the Pensions Regulator and ensuring effectiveness and efficiency.

General structure and background – Officers/Pension team

The Fund Governance and Performance Manager is responsible for supporting the Committee and Local Pension Board, including overseeing governance, training and supporting governance recruitment. Responsibilities also include overseeing Fund administration and service performance and the performance of various service providers.

The Investment and Accounting Team is responsible for all matters associated with the Fund's investments and accounting for all aspects of the Fund's activities.

Investment responsibilities include development of the Fund's strategic asset allocation, **stewardship** and responsible investment issues, selection and monitoring of the Fund's asset managers, working with Brunel in setting up portfolios, transitioning assets, representing the Fund's interests and holding Brunel to account.

Accounting responsibilities include the setting and monitoring of three-year budget plans, production of the year end accounts and Annual Report and day-to-day accounting responsibilities. The team comprises of four members of staff.

Officers and Managers of the Fund come from a wide range of backgrounds, accountancy, communications, consulting, pensions, and information systems, bringing a wealth of experience and range of qualifications.

Stewardship 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.

Whilst it is important that the responsible investment and stewardship strategic agenda is defined at local Fund level, a huge amount of responsible investment work is carried out by Brunel, which has a dedicated team of staff widely regarded as 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 Brunel 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 recently launched a **Responsible Investment A-Z Guide** resource, which is being developed over time with the addition of applicable case studies.

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.

Additionally, the new structure, one-fund approach and advances in online technology that have made this possible, will see more non-investment staff invited to join and participate in training sessions on responsible investment issues.

Knowledge and training – Committee, Board and Officers

Training is available for Committee members on responsible investment topics, including but not limited to conferences, webinars, asset 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 each 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 feedback surveys to identify 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 asset managers, discussions with the Fund's investment advisers, or through more formal training, for example the CFA ESG Certificate.

How this enables good decisions

Maintenance of the training policy and delivery through the plan enables well informed decisions and secures compliance with Regulator requirements and the overarching governance requirements of the Fund

Support from advisors and consultants

The Fund has ongoing appointments with specialist advisors:

- Actuary
- Investment Consultant
- Independent Advisor

The Fund also appoints a range of other advisors/companies on an ad-hoc basis for additional independent assurance where needed. For example, in specialist training areas, or for one-off reports or reviews.

OUTCOME

MIFIDII

A good example of how the Fund supports stewardship, and invests in systems and processes, would be in its approach to MiFIDII. LGPS funds must be opted up to professional status in order to access institutional markets. The Fund's approach goes beyond routine completion of forms (previously at Investment sub-Committee only) to now include all Committee members in the ongoing/continued compliance process. The robustness and **effectiveness** of this has been commented on by independent advisors.

Governance review

Fund is currently scoping an investment governance review which will highlight appropriateness of arrangements and highlight any gaps or areas to **improve** in its analysis.

Brunel Reporting Project

Wiltshire Pension Fund were active in pursuing a review of Brunel's reporting to clients, using its shareholder representative, shareholder group and operations subgroup to initiate and monitor delivery of **improved** reporting of client investments.

PRINCIPLE 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

ACTIVITY

Governance and Identification

The **Public Service Pensions Act 2013** defines a conflict of interest in relation to a person, as “a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

Due to the nature of the LGPS (as a funded statutory scheme, without the same separation that would exist in a trust-based arrangement) there is a possibility that potential conflict between the Fund and the Council could occur if interests were not managed appropriately. This specific risk is detailed on the Fund risk register and is monitored on an ongoing basis.

Register Declaration of Interests

As Administering Authority, Wiltshire Council requires that all Councillors and co-opted members of Wiltshire Council must **register disclosable pecuniary interests** for public view.

All members of the Committee and Local Pension Board’s declared interests, including any that may affect the stewardship of the Fund’s investments, are maintained and monitored on a Register of Member Interests. These are kept up to date and published on the Council’s website under each member’s name and profile:

Committee details – Wiltshire Pension Fund Committee, Wiltshire Council

Committee details – Local Pension Board | Wiltshire Council

Local Pension Board Conflict of Interest Policy

The Local Pension Board has responsibility for assisting the scheme manager in relation to the following matters:

- a) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
- b) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;
- c) such other matters as the scheme regulations may specify.

As the Local Pension Board is not established under local government, is not a committee or sub committee or under the same constitution as the Committee, it has its own **Code of Conduct and Conflict of Interest Policy Guidelines**.

Training, knowledge and understanding

Conflicts of interest are included in induction sessions for new Committee and Local Pension Board members as well as in the training plan of the fund.

Monitoring

Each member of the Committee is required to declare their interests at each meeting. (No declarations were made during the year 2021/2022).

The Investment and Accounting team, as part of their role in effective stewardship receive reports and review asset manager and third-party potential conflict declarations to ensure that they can be managed.

Brunel maintain a ‘Disclosure of conflicts of interest log’ which is presented to Client Group. The log of disclosures lists any interest that could potentially present a conflict, this is also monitored by internal compliance in Brunel.

OUTCOME

Cyber security is an issue across all aspects of Wiltshire Pension Fund operations including administration, governance, investment and stewardship information.

A potential conflict could occur if cyber security arrangements were reviewed or arranged by employees of Wiltshire Council, Committee or Local Pension Board members with interests in information technology.

This potential conflict was managed by an external, third party completing a cyber security review and presenting its findings objectively and independently.

Investment in housing projects would be another area for potential conflict of interest where Councillors/ committee members sat on other boards, committees or were directors of housing associations or other parties set to be affected by positions taken by the Fund.

Any potential conflict of interest is managed by property asset management being conducted on a discretionary basis by external specialists.

PRINCIPLE 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

ACTIVITY

Risks are assessed both qualitatively and quantitatively as part of regular investment strategy reviews and are prioritised accordingly. This forms a key element in setting strategy and is reviewed at least annually.

A full commentary on risk identification and response is given in the Investment Strategy Statement, but provided in summary form below:

(a) Investment Risks

1. **Liability related interest rate and inflation risks**
2. **Equity associated risks**
3. **Active manager risk**

Mitigated by reduced concentration on single managers, due diligence on appointment combined with regular monitoring.

As an example; if in extremis, an active asset manager failed to:

- maintain confidentiality and manage cyber security risks,
- achieve returns/performance objectives over successive periods,
- communicate effectively, answering questions, giving credible reasoning and sufficient background on investment case/rationale,
- remain competitive in fees and cost; or
- take sufficient action to mitigate other risks, such as governance and reputational,

and after escalating concerns and seeking appropriate advice, the action taken by the Fund may include termination of the IMA.

4. **Liquidity risk**
5. **Exchange rate risk**

The Fund has a currency hedging policy in place to hedge c.50% of overseas equity exposure. For other asset classes, currency hedging is reviewed on a case-by-case basis, depending on objective and desired outcome

The Fund's portfolio is well diversified across asset classes, geography and asset managers. As different asset classes have varying correlations with other asset classes, the Fund can manage risk level to the extent desired.

(b) Cashflow management risks and (c) Demographic risks (pension liabilities)

Delegated responsibilities assist in managing this risk. There is also additional governance risk from the Fund's participation in the Brunel Pension Partnership (BPP) and the ways this can be mitigated and managed were developed.

(d) Governance risks

Conflicts of interest are included in induction sessions for new Committee and Local Pension Board members as well as in the training plan of the fund.

The Fund was an active participant in a review undertaken by Brunel of its governance arrangements. Successful **outcomes** of this review were the introduction of a shareholder forum, which will help align shareholders requirements for the direction of travel for the pool, shareholder involvement in the non-executive director appraisals, and introduction of a shareholder vote to reappoint non-executive directors at the Annual General Meeting (AGM).

(e) Financial ESG risks

Fiduciary duty includes consideration of Environmental, Social and Governance (ESG) issues, including climate change. These risks are dealt with in detail in the Responsible Investment Policy, which is an integral part of the Investment Strategy Statement.

EXAMPLE/CASE STUDY: COVID 19

The coronavirus pandemic meant that the operations of the Wiltshire Pension Fund needed to adapt quickly to ensure key activities were not compromised:

- continuity of service for pension fund members and employers;
- meetings of the Committee and Local Pension Board continued effectively;
- and that management of Fund investments took account of associated risks.

Guidance was provided from the Pensions Regulator (for public service schemes) and [Covid-19 Q&A from the Local Government Pension Committee](#) (specifically for the LGPS).

Flexibility was built around working from home and dispensation for conducting Committee meetings virtually was granted temporarily. As at April 2022, pension fund processes have been operating on this new basis for two years and disruptions to service delivery have been very minimal.

In terms of overall funding, robust cashflow management over the short term meant that financial risks were mitigated. The Investment team are cognisant of new trends, disruptive technologies and macro-economic factors which are discussed at asset manager meetings. For example, in the Fund's property portfolio, the industrial sector has been a major contributor to performance.

Early indications are that mortality factors, where trends are long term, have not changed dramatically over the course of the pandemic. The investment and funding outlook of the LGPS is cautiously optimistic.

CASE STUDY: PROPERTY

Wiltshire Pension Fund holds pooled property funds. The portfolio is diversified, with assets held across property sectors including industrial, residential, office, retail and other exposures which are expected to benefit from structural and demographic trends.

For example, the Osborn Triangle is a three building, office/laboratory complex located directly adjacent to the Massachusetts Institute of Technology (MIT), Cambridge. Tenancies are held by multinational pharmaceutical companies. Research suggests that scientific research and development is well supported, **especially following Covid-19 and the Pfizer vaccine**, and receives significant funding from venture capital and governments. The asset is fitted to a high specification ensuring longevity and features highly efficient HVAC equipment, rainwater filtration systems and reflective rooves to assist with temperature regulation.



Harrison Street US Osborn Triangle Office Co Investment
Boston, MA 02109, United States

INITIATIVES

Wiltshire Pension Fund is a member of several initiatives which address corporate governance, stewardship and climate change risks. Officers will be reviewing effectiveness of membership over 2022, with a view to concentrating efforts in those that offer the most beneficial and efficient outcomes.

INITIATIVE	DESCRIPTION	OUTCOME
	<p>Climate Action 100 is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. This initiative will enable the Fund to support and/or take part in engagement activities with companies it is invested in and help to deliver the Fund's net zero by 2050 target.</p>	<p>Through our membership the Fund is able to access information on key engagement companies and their progress towards achieving net zero. This information is used when working with asset managers running our portfolios to understand the investment case for the company. Through our membership we can also request our asset managers join the engagement initiative to align their goals with that of the Fund.</p>
	<p>The IIGCC is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low carbon future. IIGCC has more than 330 members, mainly pension funds and asset managers, across 22 countries, with over €39 trillion in assets under management.</p>	<p>Through IIGCC, the Fund has made a PAII (Paris Aligned Investment Initiative) net zero commitment. The PAII goes beyond simply making commitments and supports investors to achieve their goals. The Fund has also been using the IIGCC net zero framework. This valuable tool helps us to define a path to net zero across various asset classes – you can read about our progress in setting decarbonisation targets in our Responsible Investment Policy. The IIGCC also offers webinars and working groups, so investors can learn about specific areas, for example what net zero means in different asset classes.</p>
	<p>LAPFF (Local Authorities Pension Fund Forum) enables collaboration 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.</p>	<p>LAPFF works on behalf of Wiltshire Pension Fund and other LGPS funds on a wide variety of issues including climate change, workers' rights, reporting and disclosure. Through attendance at regular business meetings and review of topical reports into stakeholder issues, the Fund is able to influence and stay up to date on engagement activity being undertaken.</p>
	<p>The Fund publicly supports the Transition Pathway Initiative (TPI), 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 of management quality and carbon performance, to aid in risk assessment.</p>	<p>The Investment team have used the tool to investigate and analyse holdings held within the Fund's listed market equity portfolio. For example, the tool provided an assessment of an oil sands company according to the management of its GHG emissions and of risks and opportunities related to the low-carbon transition within its own sector and against other sectors. This information allowed the team to question external asset manager rationale and gain reassurance and understanding of the investment case despite relatively high GHG emissions.</p>

OUTCOME

The Fund takes action by a combined approach – on its own initiative at a strategic level and through Brunel. 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.

The Fund commissioned scenario modelling of the investment strategy against temperature rise scenarios in response to climate risk. This led to the development of the Responsible Investment Plan and Policy which includes a **specific section directly addressing climate risk and the Fund's path to net zero.**

CASE STUDY: PALESTINE OCCUPIED TERRITORIES – A JOINED UP LGPS

Wiltshire Pension Fund 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 by officers attending the Brunel Responsible Investment Sub Group to check that the position previously stated by Brunel and Hermes had not changed. The Scheme Advisory Board (SAB) also gave consideration to publishing advice or guidance to assist administering authorities in responding to Freedom of Information (FOI) requests. The **outcome** of this was that a joint meeting with the Chairs of LAPFF and SAB with Michael Lynk would be held to discuss further.

CASE STUDY: MARKET WIDE RISKS – RISING INFLATION

The Investment and Accounting team meet with asset managers on a quarterly basis to review performance and discuss forecasts for the relevant portfolios and mandates, considering both micro and macro economic factors.

During the first quarter of 2022, Officers had kept well-informed of inflationary measures both in the UK and in other major economies, noting that they had risen significantly relative to recent years. At meetings with fixed income and gilt portfolio asset managers, questions on transitional pressures were raised in context, with the aim of confirming that risks were mitigated were possible and diversified across non-correlated assets so that the overall effect and outcome on funding position could be managed appropriately.

Stability in systems and processes

The Strategic Asset Allocation sets tolerances on each portfolio which are rebalanced when specific limits are met. Early awareness of market movements and efficient cashflow planning reduces the need to trade in bulk and the volatility that might create.

Brunel have systems in place to identify crossing opportunities when partner funds trade within the pooled funds, which creates efficiency and lowers transaction cost.

PRINCIPLE 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

ACTIVITY

The annual report and accounts links and brings together many statutory disclosures and documents pertinent to the governance, investment strategy and stewardship of the fund.

Each of these statutory disclosures and policy documents have their own review period and new policies or updated documents approved by the Committee during each scheme year are listed in the fund **Annual report and accounts**.

When reviewed, the pension team use both internal resources and collaboration with peers to ascertain best practice, in addition to using relevant advisors to guide the process, benchmarking current processes against industry standards.

Activities and objectives for each year are outlined in the **Business Plan**. Each objective is set against fund visions and categorised by theme, required actions with set target dates.

The Responsible Investment Policy of the Fund developed by the Committee was drafted by the Head of Investment, one of the earliest graduates of the CFA ESG certificate, a program recognised by the UN Principles for Responsible Investment (PRI). Further review by the Committee, Investment Consultant and Independent Advisor ensured that the beliefs reflected Fund

views accurately and that the principles described would be understood by stakeholders and the wider industry.

Just transition – balancing the cost

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. 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 asset managers to account.

Responsibility

In drafting and developing content, senior managers (the Communication manager and Investment and accounting officers) take responsibility for ensuring that webpages, documents and reports are appropriate for target audiences and involve other members of the pension team, within and outside their specialism, in checking and reviewing material for publication.

OUTCOME

CASE STUDY: CYBER SECURITY

Wiltshire Pension Fund participated in a benchmarking survey conducted by Aon. This survey looked at information governance and cyber security arrangements of a large sample of LGPS funds, highlighting trends, areas of strength and areas for development.

The output of this survey has been considered by the Committee and will inform decisions and priorities in the Business Plan.

CASE STUDY: STEWARDSHIP REVIEW AND GAP ANALYSIS

Following publication of the substantially revised and strengthened UK Stewardship Code 2020, the Fund commissioned a review of its stewardship reporting to include a gap analysis of where the Fund had provided appropriate disclosures in line with the Code.

This work was completed by Minerva and provided a clear view of areas where the Fund did not comply with the requirements of the Code as well as areas for potential improvements.

The output of this report was presented to the Investment team. Where disclosures that were missing or partially compliant, recommended actions were discussed to either; formalise the reporting of those processes where disclosure was absent; plan for activity to take place in order to comply; or to explain the reasons for non-compliance, where applicable.



Commitment to accessible communication

The Fund is committed to ensuring its communications are clear, concise and accurate. To monitor this and steer improvements, the Fund has introduced more effective tools to capture feedback from our digital users, also instructing an independent external accessibility audit.

Feedback

The Fund is proactively and continuously seeking feedback from readers on the website and ensuring processes are understandable. Feedback is reviewed on a regular basis with reports based on engagement levels, readability, simplicity, as well as areas for improvement. For example, if a user has difficulty understanding a page on our website, they are able to complete a survey linked to that specific web page, letting us know how we can improve.

Accessibility

Having recently commissioned an external accessibility report to be carried out on the website by the Shaw Trust, the Fund is working with the Trust to become Level AAA compliant. This will ensure our website and its content is accessible to all visitors.

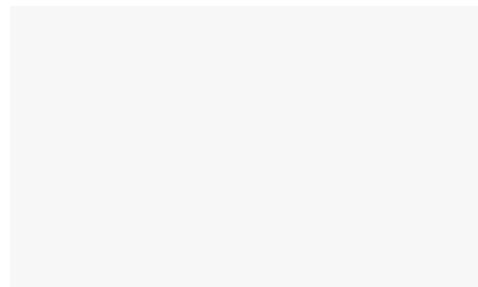
Stewardship webpage under development

The Fund maintains a [stewardship webpage](#) and publishes quarterly voting records. This is under development and along with other webpages, will utilise web analytics to gather user acquisition and behaviour data, visitor insights and other metrics to improve the user experience.

INDUSTRY RECOGNITION

Wiltshire Pension Fund's approach to responsible investment has been recognised by the Local Authority Pension Forum LAPF magazine, and shortlisted for its Best Approach to Responsible Investment award.

Our engagement with stakeholders is also featured as a Local Government Association - Climate Case Study, an example of an innovative programme and best practice for other authorities. The Fund is also very active in collaborating with peers and sharing ideas in this developing area.



LAPF Awards 29 March 2022
event photograph pending

INVESTMENT APPROACH

PRINCIPLE 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

CONTEXT

Regulations specify the type and amount of pension and other benefits payable in respect of Scheme members and member contribution rates.

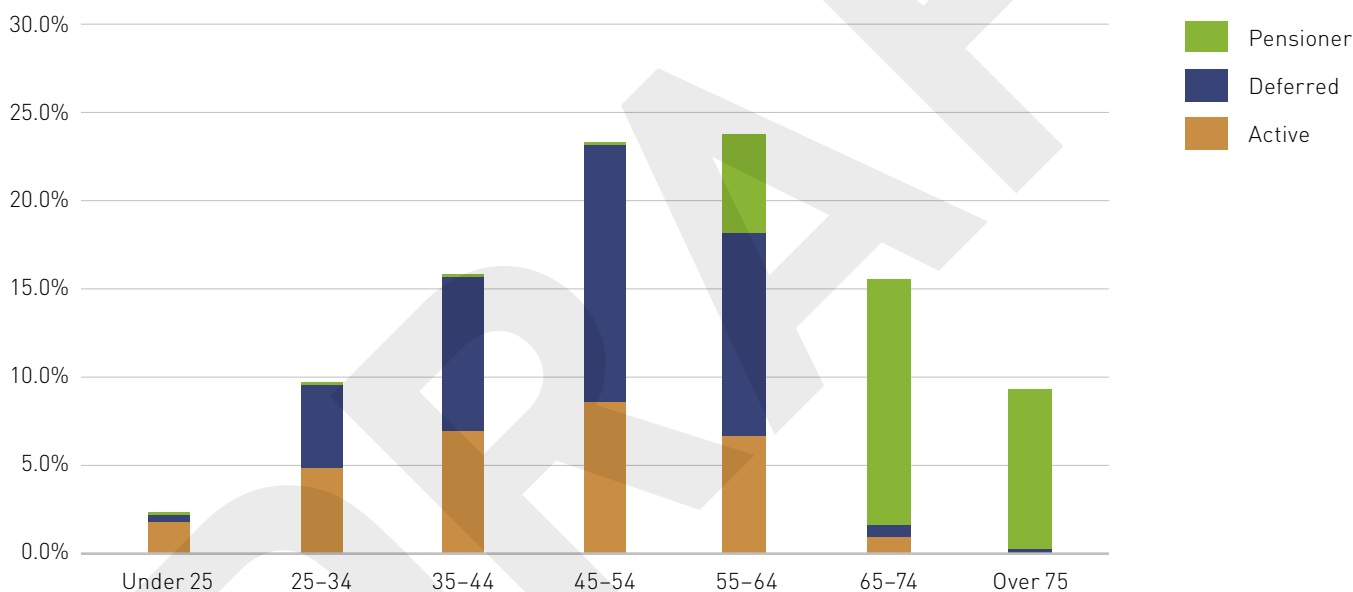
Unlike other Public Service Schemes, the LGPS is funded. The applicable rules on investment are set out in the LGPS (Management and Investment of Funds) Regulations 2016.

Investment Beliefs and Objectives

The Fund maintains a £3bn portfolio of assets, managed by a range of managers across diversified asset classes and geography. Full information can be found in the [Annual report and accounts](#).

Membership (Employee) profile

The membership details are as follows:



Age	Active	Deferred	Pensioner	Grand Total
Under 25	1.7%	0.4%	0.2%	2.3%
25-34	4.8%	4.9%	0.0%	9.6%
35-44	6.9%	8.9%	0.0%	15.8%
45-54	8.5%	14.7%	0.2%	23.5%
55-64	6.6%	11.6%	5.6%	23.9%
65-74	0.9%	0.8%	13.9%	15.6%
Over 75	0.0%	0.2%	9.2%	9.3%
Grand Total	29.4%	41.4%	29.2%	100.0%

Table footnote: The Deferred category includes 'undecided leavers', i.e. members with the option of a refund or transfer out. The Pensioner category includes members in receipt of a dependant pension benefits. Proportions of membership in each category will differ from annual report as membership is reported by employment record rather than individual member basis.

The average age (unweighted) across all membership categories was 53.8 years.

The average pension paid to pensioners in the year was £5,044 p.a.

Funded scheme

As required under 62 of the LGPS Regulations 2013 (“the Regulations”) the Wiltshire Pension Fund completes an actuarial valuation triennially.

This is a risk management exercise with the purpose of reviewing the current funding plans and setting contribution rates for the Fund’s participating employers. The most recent valuation was completed on 31 March 2019, which set contributions for the period from 1 April 2020 to 31 March 2023. The next valuation will take place with an effective date of 31 March 2022 and will be published by April 2023.

Technical information on the benefits accrued by membership category and weighted average ages can be found in Appendix 1 of the [Actuarial Valuation](#).

Employer profile

The LGPS is available to all employees in local government, and whilst the majority of members will be local authority (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: such as academy schools, contractors, housing associations and charities, etc. Some of the larger employers after Wiltshire Council as administering authority include Swindon Borough Council, Town and Parish Councils as an employer group, and further education colleges.

A list of participating scheme employers is provided in the [Annual report and accounts](#), and at last count, the total was 179.

ACTIVITY

Communication Strategy

The [Communication Strategy](#) provides a comprehensive policy setting out the approach to communication to clients and beneficiaries and the methods through which feedback is sought.

Wiltshire Pension Fund has embraced advances in available technology and encouraged innovative ways of working and communicating. The pandemic has accelerated development in these areas, for example the introduction of a member self service portal “[My Wiltshire Pension](#)”, and employer contribution submission interface “iConnect”.

However, the needs of members are paramount, and in line with the strategic vision goal 8 “**members understand their benefits**” and 7 “**Service administered effectively and cost-efficiently**”, members are able to obtain quotes and information in real time using online calculation tools but also write, email or speak to pension team staff to talk through any aspects of the fund in detail, ask questions and confirm understanding.

OUTCOME

Member and Employer engagement

Wiltshire Pension Fund are committed to **data driven decisions** to steer change and improvement, regularly reviewing the Communication Strategy ensuring it remains up to date and in line with the vision of the Fund. Part of the most recent review has been the introduction of regular wide-ranged feedback gathering via surveys, and in depth website activity monitoring including the member self-service portal. This data has helped the Fund identify and establish clear member demographics and tailor engagement style to ensure communications are effective, clear and appropriate.



8

Members understand their benefits



7

Service administered effectively and cost-efficiently



DATA DRIVEN DECISIONS

We use data to inform and evidence our decision making, and to measure our progress and successes

Funding

Employers have strong views about receiving information on the Fund: **85%** preferred short communication and newsletters.

Source: Wiltshire Pension Fund – Scheme Employer Strategic Engagement Survey Results August 2021

Member (or employee) benefits are set out in LGPS Regulations and guaranteed by statute. Employee contributions are fixed in Regulations at a level which covers part of the cost of their benefits. Employer contributions cover the remainder of the cost of delivering benefits.

The Funding Strategy Statement focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. The statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions
- transparency of processes
- stability of employers' contributions, and
- prudence in the funding basis

Interdependencies

The basis and reasoning for the Fund adopting a long term investment horizon in terms of the needs of clients and beneficiaries runs consistently through the Investment Strategy Statement and Responsible Investment Policy.

CASE STUDY: INDIVIDUAL EMPLOYER NEEDS AND CONCERNS

Whilst there are many similarities in employer views, particularly on stability of employer contribution rates, individual employers will have unique circumstances and differing preferences in terms of:

- affordability of employer contribution rates and sensitivity to changes
- maturity of membership profile and level of risk appetite
- solvency level and time horizons
- the relevance of net zero carbon within the scope of employers' own pathways

Good communication is especially important in balancing these conflicting aims, especially as contribution rates for individual employers depend on a range of factors, including those above.

Outcomes following the employer survey included establishing an Employers Strategic Focus Group. This proved a very beneficial means for employers to engage with the Fund informally.

Employer Communications were further improved with the introduction of quarterly newsletters outlining recent activity and upcoming events.

Investment

Members had not seen much information already: **13%** had seen the annual report.

Members were keen to know more: **56%** wanted more information

Source: Wiltshire Pension Fund - Responsible Investment Survey Results March 2021

CASE STUDY: SHORT FORM ANNUAL REPORT

The full Annual report and accounts is published annually and made available on the Fund website. It provides comprehensive statutory information for a range of audiences. But it can extend to over 90 pages and not all information shown is relevant to members.

In July 2021, a short, 'one pager', was created that featured high level facts and statistics, presented in an appealing graphically designed form.

This short form summary annual report document was emailed to all members via a marketing campaign platform which allowed statistics to be collected on the number of emails opened (12k, representing over 70% of those emailed) and interaction with content. The document had hyperlinks to the full annual report for those seeking more detail. This was highly effective and will be repeated in 2022.

PRINCIPLE 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

CONTEXT

The Fund has made significant progress in developing its approach to responsible investment and has set a goal to be an example of best practice in this area.

In June 2021, the Committee approved a Responsible Investment Plan for 2021/22 setting out commitments and actions for the year ahead, including the development of a dedicated **Responsible Investment Policy**.

The intention of the Responsible Investment Policy is to bring all information on the Fund's responsible investment activities into one place and 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.

The Responsible Investment Policy will be reviewed annually and the Responsible Investment Plan will be updated each year for approval by the Committee.

Examples of recent actions and developments are as follows:

- Setting a target of net zero by 2050 for the Fund's investment portfolios.
- Making a specific strategic allocation to sustainable equities.
- Reporting against the **Task Force for Climate-related Financial Disclosures** (TCFD) recommendations in the Annual Report for 2020/21.
- Developing a programme of engagement with pension fund members and employers.

ACTIVITY

ESG integration is set out in detail in the **Responsible Investment Policy** 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)
- ii. Strategic Asset Allocation (SAA)
- iii. Monitoring of managers and the pooling company
- iv. Stewardship and engagement
- v. Internal reporting and accountability
- vi. Reporting externally
- vii. Stakeholder engagement

CASE STUDY: PASSIVE EQUITIES - PARIS ALIGNED BENCHMARK

The Fund collaborated with other LGPS funds as part of Brunel, to create a new FTSE Russell Paris-aligned benchmark series, which looks at, and invests in, companies' abilities to transition to a low carbon economy. Some companies are excluded if they invest significantly in coal, oil and gas, while the rest are weighted based on a number of criteria that relate to how environmentally progressive their operations and policies are. This forward-looking portfolio will help the Fund achieve the Net Zero by 2050 goal.



Wiltshire Pension Fund Investment team attend market open launch event of Paris-aligned benchmarks at the London Stock exchange, 2 November 2021.

Integration across geographies and asset classes

Equities

UK and developed markets

Traditionally, diversification of assets across geographical regions was relatively easy; mandates could be defined by market as UK, Europe, US, Asia etc. The rate of globalisation over recent years has been dramatic. It is increasingly difficult to categorise companies by geography with operations, revenues and exchange/currency listing not isolated to one country, but many across the world. Big tech companies are good examples that dominate both capital and consumer markets.

Apart from emerging markets, the Fund does not implement its equity mandates by region, instead it takes thematic positions in pooled funds and has long term target allocations as follows:

- Active global equities 5%
- Sustainable active global equities 5%
- Paris-aligned passive equities 12%
- Emerging market equities 5%

Emerging markets

As demonstrated in the disclosure charts shown in the **TCFD report**, larger, more established markets with greater reporting obligations and regulations appear to have moderate ratings. Setting targets and making quantifiable assessments against climate factors is more difficult in smaller cap, emerging, developing markets. For example, disclosures in the Emerging Markets Multi Asset Fund, where practices may need time to evolve.

Regular, active dialogue with asset managers has been met positively, and plans to begin reporting carbon metrics have commenced. Sovereign carbon intensity with exposure split across portfolio and benchmark allocations can be obtained as a starting point. These early reports will form part of Wiltshire Pension Fund's future TCFD reporting, where possible, and proposed sustainability reporting will further support the Fund's responsible investing agenda.

Other asset classes

At the asset class level, there are varying degrees of data availability, consistent methodologies and transparency around climate factors.

Gilts, Property, Infrastructure and Private Markets

The Fund's other portfolios are predominantly invested in developed markets in the UK, US and Europe. Management of a large proportion of Fund assets is delegated to Brunel.

Brunel's Stewardship Policy outlines the integration across all asset classes in more detail. It also sets out how the process of manager selection includes requirements to integrate stewardship and investment, aligning with the investment time horizons of client funds.

OUTCOME

Climate progress performance monitoring

Wiltshire Pension Fund's specific monitoring actions are below:

Brunel 2020–22 Climate Change Policy Objectives

Brunel's Climate Change Policy sets out a plan to build a financial system which is fit for a low carbon future by:

- having significant direct influence over asset managers appointed,
- exerting broader influence in the investment industry and with policy makers; and
- ability to influence company practice and performance,

The Committee support these objectives on climate change and are supportive of Brunel's approach to not issue exclusion lists as this will not compel asset managers to develop capacity on climate change or drive change.

Monitoring of Climate Change Policy and Reporting Progress

The Fund has undertaken climate change scenario analysis and carbon footprinting to understand opportunities and risks. To monitor progress, the Fund will be asking whether Brunel's decision to engage with asset managers has been effective in driving climate change strategy improvements so that corporates are on a trajectory to be aligned with the transition to a 2°C economy.

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.

PRINCIPLE 8

Signatories monitor and hold to account managers and/or service providers.

ACTIVITY

Asset manager monitoring

The Investment and accounting team hold quarterly meetings with asset managers, and the Committee meet with each manager at least annually on a rota basis.

During these meetings, in addition to receiving an appraisal of performance over the quarter, asset managers are questioned on responsible investment matters.

Where awareness is raised by pressure groups (or asset managers) on contentious issues, a balanced view of the Committee is taken following presentation of topics by research reports, analysis and/or discussion papers. The subjects of fiduciary duty in the context of future energy policy, power sources, transition risks and opportunities have recurred frequently during Committee meetings, leading to informed and considered investment decision making in that regard.

Investment Consultant monitoring

The Competition and Markets Authority, CMA, published an "Investment Consultants Market Investigation" report that concluded, among other matters, that certain features of the investment consultancy market may have an adverse effect on competition and the CMA would implement some of the remedies by an Order.

The order came into force as the "[Investment Consultancy and Fiduciary Management Market Investigation Order 2019](#)" and ensures that Investment Consultants must be set objectives.

OUTCOME

Wiltshire Pension Fund complied with the CMA Order and went further by adopting an undertaking to review performance against these objectives at least every 12 months. One of the outcomes of this activity was that an objective previously out of scope was highlighted. This meant that plans were put in place to strengthen asset manager monitoring by drawing on external resources that the Investment Consultant could provide as an additional service.

Voting records

As investors in pooled funds, and clients of Brunel, all voting is guided by a single set of [voting guidelines](#) for all assets managed by Brunel and undertaken in the active listed equity in which Brunel invests (held in segregated accounts).

The largest proportion of these votes are in passive or index funds and as with most pooled funds, the provider, Legal & General Investment Management (LGIM) is not bound by Brunel specific voting guidelines.

However, stewardship capability and implementation were important in Brunel's selection process, and more information on LGIMs approach to [active ownership](#) can be found on their website, and in the [LGIM Stewardship Report](#).

Further detail on stewardship can be found in Brunel's [Stewardship Policy](#).

CASE STUDY: TRAINING IN CORPORATE ENGAGEMENT AND VOTING

Brunel provide voting records for segregated active accounts and are supported by EOS at Federated Hermes (EOS), the appointed engagement and voting services provider.

These take the form of summaries of engagement and voting activity presented in pdf form, published on both Brunel and Wiltshire Pension Fund websites. Additionally, every vote behind the summary in its entirety is provided in spreadsheet format.

Brunel were able to give guidance and training to the Investment team on navigating and interpreting the information so that it could be examined and understood.

Other service provision monitoring

Compliance and monitoring of other service providers, including internal delivery (Administration KPIs), audit and governance responsibilities are set out in the [Annual report and accounts](#).



ENGAGEMENT

PRINCIPLE 9

Signatories engage with issuers to maintain or enhance the value of assets

ACTIVITY

Engagement expectations

When LGPS investment pooling was introduced, asset manager selection and implementation was delegated to the pool, but strong oversight and governance arrangements were put in place.

Investment strategy and asset allocation decision-making remains with LGPS funds at the local level.

The means in which investment strategy is implemented determines the opportunities to engage or influence corporations that operate a voting process. Strategic Asset Allocation comes before investment vehicle and stock selection. However, Wiltshire Pension Fund have taken relatively active positions in global equities, deliberately building a low carbon emissions criterion into passive equity holdings.

Objectives – net zero and transition pathway

How climate became a priority engagement issue

Wiltshire Pension Fund acknowledges that climate change represents a major financial risk and that action needs to be taken to manage this risk. This will not only safeguard the investments but also take advantage of the investment opportunities presented by the transition to a low carbon economy.

Investment beliefs that directly address the risk of climate change are detailed in the [Responsible Investment Policy](#). Climate change risk is included in the Fund's [risk register](#) as a "Medium" priority risk, having been downgraded from "High" during 2021/22, due to the large amount of work done to quantify, manage and mitigate the risk.

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

Governance and Accountability

Brunel believes in the importance of regular and in-depth shareholder and stakeholder engagement. Brunel's responsible investment strategy and policy were developed in conjunction with key stakeholders, including the Brunel Oversight Board, Brunel Client Group and Client Working Groups.

The Responsible Investment Sub-Group provides an ongoing forum for all clients of Brunel to discuss, influence and hold Brunel to account on RI implementation. This is regularly attended by Wiltshire Pension Fund Investment Officers.

OUTCOME

Engagement activity conducted on behalf of the fund is reported and published by EOS for assets pooled by Brunel, and also by LAPFF:

[Stewardship – Brunel Pension Partnership](#)

[Engagements | LAPFF \(lapfforum.org\)](#)

Sustainable Development Goals

During 2021, Committee members received training on Impact Investing and UN Sustainable Development Goals. These training sessions proved very useful for the Committee in setting a framework and technical terminology that will facilitate debate and decision making in future.

The option of fully mapping the Fund's investment portfolio against the UN SDGs has been considered.

On analysis of cost and consideration that the investment strategy will be reviewed as part of the 2022 actuarial valuation, it was concluded that SDG mapping may be revisited at a later date. 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).

PRINCIPLE 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

ACTIVITY

LAPFF (Local Authorities Pension Fund Forum)

The Fund is a member of the LAPFF. More detail on this relevant industry initiative can be found under principle 4, or on the [Local Authorities Pension Fund Forum](#).

The Fund is a shareholder and client of the Brunel Pension Partnership along with nine other LGPS funds. The Fund is 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.

Wiltshire Pension Fund also engage and collaborate with other funds through the Client Group, the Responsible Investment

Sub-Group, and ad hoc communications from Brunel on responsible investment initiatives, for example engagement and voting matters.

Hermes EOS

Engagement implementation at Brunel is undertaken by asset managers, Brunel's specialist provider Hermes EOS, see [Hermes EOS Engagement Plan 2021-2023](#), and via collaborative forums.

OUTCOME

All examples are from passive equity portfolios:

Company: Amazon
Engagement partner/provider: LAPFF
Engagement method: Investor Letter
Subject/issue: Company's Trade Union Practices
Date: Q1 2021/Ongoing



Amazon warehouse, Bessemer, Alabama, US

ACTIVITY: LAPFF signed onto a letter coordinated by Folksam and Ohman to ensure that Amazon was respecting workers' rights to free association and collective bargaining at the company's facility in Bessemer, Alabama in the US. The request included reassurance that a free and fair union election will take place at the facility.

OUTCOME: Investors with just over US\$7.1 trillion supported this initiative. Amazon responded by letter that it had appropriate human rights and labour standards in place. The company stated that it respects trade union rights and has good relationships with its employees.

However, the investors in this collaborative engagement had not been satisfied with the company's response. This was in part due to reports that Amazon has hired a consulting company to obstruct trade union activities.

Company: Fujifilm
Engagement partner/provider: EOS
Engagement method: Ongoing meetings
Subject/issue: Artificial Intelligence (AI) and data governance
Date: Q2 2021



Fujifilm; healthcare, materials and imaging business fields

ACTIVITY: EOS first discussed the importance of the responsible use of artificial intelligence (AI) and data governance in December 2019. EOS highlighted its particular relevance to the company's imaging and healthcare businesses including medical systems, highlighting regulatory frameworks and shared investor expectations on data governance.

OUTCOME: Fujifilm had completed extensive work on this and understanding risks; EOS encouraged documentation and to publish a policy which addressed risks such as bias, lack of fairness and discrimination and the importance of monitoring the use of AI. The policy also discusses how the company handles personal information and how it will ensure transparency and accountability, as well as committing to providing training to relevant staff. When EOS met Fujifilm again in Q2 2021 the company expressed thanks for EOS's suggestions.

Company: Zoetis
Engagement partner/provider: EOS
Engagement method: Ongoing meetings
Subject/issue: Employee engagement and retention
Date: Q2 2021



(Margie) Zoetis is a global animal health company that produces medicine and vaccinations for pets and livestock

ACTIVITY: EOS initiated engagement on Zoetis's employee engagement and retention strategy in Q3 2018. Following this, the company explained its human resources strategy focused on fostering a highly collaborative culture and highlighted its new development programme.

Subsequently, it established more robust ESG policies and programmes and was proud of its high levels of workforce retention following a recent acquisition. EOS encouraged it to communicate its human capital management policy more actively. Bi-annual surveys allowed employees to share thoughts on the company strategy for growth, workplace climate and experience. Employee participation in these surveys increased from 81% in 2016 to 90% in 2020.

OUTCOME: EOS congratulated the company on significantly reducing its employee turnover rate since 2016 from over 10% to less than 2%. EOS continue to engage the company on its human capital management, including the achievement of its diversity and inclusion goals which target increasing representation by gender and ethnicity across multiple levels of the organisation by 2025.



It is difficult to measure the success of engagement activity, particularly on thematic issues. Changes in public opinion, policies, practices and regulation take place over the long term. The incremental effect of many smaller scale discussion, debate and decisions, diplomatic and activist action places pressure on governments, asset owners, asset managers and issuers in turn.

The Fund takes its fiduciary, responsible investment and stewardship duties seriously and will be developing its approach to stewardship and stewardship reporting during 2022.

COP26 – Officers at Wiltshire Pension Fund were **ACTIVE independently and in collaboration with Brunel to promote the Fund’s commitment to a pathway towards the goal of net zero by 2050 and the Partnership’s Paris-aligned investment benchmark.**

Drafting a [COP26 Press release](#), contacting journalists and using Wiltshire Council’s social media channels was very effective in achieving the **OUTCOME** of the Fund’s decisive action on

climate change being featuring in leading [pension publications](#), and investment press. This highlighted an example of an approach that other interested asset owners could take.

PRINCIPLE 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

ACTIVITY

As described under Principle 9, as part of Brunel, processes to escalate stewardship activities lie primarily within the segregated active equity portfolios in which the Fund invests.

These stewardship responsibilities are managed by Brunel, in turn via underlying asset managers and dialogue between parties can be escalated where needed.

The number of engagements and voting activity within the pooled investments requires a specialist engagement provider (EOS at Federated Hermes (EOS)) to engage with companies on Brunel's behalf.

The engagement provider reports quarterly to summarise activity. The major advantage of using a specialist engagement provider is access to a network of professionals across the world conversant with local markets, governments and policies, fluent in native languages and familiar with culture and customs.

EOS present at regular client meetings, focussing on each of the themes in **Brunel's Stewardship Policy** in turn. This gives the Fund assurance that voting has been actioned in line with these priorities and opportunity to escalate any concerns.

Assets and geographies implementation as principle 7

Wiltshire Pension Fund do not have a separate escalation policy, but Brunel have set out a spectrum of escalation processes that provide a very useful frame to consider approach based on assets and geographies.

To date, and in line with the shared approach, no events of failed engagement have led to the decision to divest.

A simplified summary of Brunel's Client engagement pathway is below:



Through its stewardship work, Wiltshire Pension Fund has seen activity and outcomes at both ends of this spectrum, while specific asset manager engagement, as a more technical area, is better conducted with specialist resourcing.

OUTCOME

Reducing exposure to carbon intensive companies

Investment in the Paris Aligned Benchmark may not be considered as direct engagement (with corporations either underweighted by the index or aiming to increase shareholder value and market capitalisation). However, establishing the investable index, coupled with the value of assets flowing into it and Brunel's promotional activity, sent a clear message indirectly to the market and wider industry that alignment of climate objectives matters to asset owners.

Thematic and targeted engagement

Over the last few years, the LGPS has changed from being a relatively low profile operation of local government administration, to a vehicle that can be used to drive up standards of disclosure (cost transparency initiative) raise awareness of political campaigns, and most recently, to increase funding of infrastructure and 'level up' investment locally.

This has brought challenges, but also opportunity and expectation that funds are leaders in stewardship. The Fund receives a steady stream of FOI requests which can often be answered by pointing to holdings records published routinely online.

Where information is not held, needs gathering from third parties, or existing datasets need further analysis, this may be completed by the Investment team and/or asset managers.

Public campaigns, activist movements, lobbying and topical issues gaining traction in the public consciousness are discussed with asset managers during meetings. Often these may straddle thematic by raising awareness and targeted where specific stocks or stocklists are circulated.

Climate change stocktake

Brunel will be completing a major climate stocktake in 2022. During this project the responsiveness of companies to manage climate risk will be reviewed and exclusions will be considered where companies pose a long-term financial risk.

EXERCISING RIGHTS AND RESPONSIBILITIES

PRINCIPLE 12

Signatories actively exercise their rights and responsibilities.

CONTEXT

Wiltshire Pension Fund's **Investment Strategy Statement** sets out expectations on asset managers for exercise rights and responsibilities on its behalf:

Voting Policy

The Fund believes that voting is an integral part of the responsible investment and stewardship process.

For assets that have transitioned to Brunel, the Committee has delegated the exercise of voting rights to Brunel on the basis that voting power will be exercised with the objective of preserving and enhancing long-term shareholder value. As part of owning publicly listed companies, Brunel, on behalf of its clients, will have the opportunity to vote at company meetings (AGM/EGMs). Brunel aims to vote 100% of all available votes. To provide guidance to its managers, Brunel has a single voting policy for all assets managed by Brunel in segregated accounts. Hermes EOS has been appointed to support Brunel as its engagement and voting service provider. Brunel will publish its voting policy and provide online voting records at least annually.

The Fund also expects its asset managers to report on their engagement activities on a regular basis and summarises these in its quarterly updates. The Fund publishes the **voting carried out on its behalf** on its website.

Brunel as 'asset manager', Wiltshire Pension Fund 'asset owner' (shareholder)

Wiltshire Pension Fund or Brunel do not use default recommendations from proxy advisors.

Brunel's responsible investment policy and voting guidelines have been agreed by all clients and shareholders; there is no process or facility to override this on a client-by-client basis.

Wiltshire Pension Fund engages in securities lending through Brunel portfolios. Brunel has developed a stock lending policy which embeds a commitment to responsible investment. Specifically, where there is a perceived trade-off between the economic benefit of stock lending and Brunel's ability to discharge its obligations as a responsible long-term investor, the latter will have precedence.

As outlined above, Brunel may vote on behalf of partnership funds in segregated accounts. Responsible investment policies and approach of the pooled account asset manager were considered an important part of the procurement process.

ACTIVITY

Voting record scrutiny

The Fund is provided with voting records, which include short voting explanations of the rationale for decisions.

As set out in the Voting guidelines, Brunel always vote either in favour or against a resolution and only to abstain in exceptional circumstances or for technical reasons. For example, where a vote is conflicted, a resolution is to be withdrawn, or where there is insufficient information upon which to base a decision.

Abstention

During 2021, there was only one abstention; at the 30 April 2021 AGM of Credit Suisse Group AG votes on agenda item 2 were recorded as abstain. On investigation, the reason was technical, i.e. the Agenda item was withdrawn.

Climate related risk example

At the 29 April 2021 AGM of Glencore Plc (United Kingdom) a vote against agenda item 14 was recorded. On investigation, the item was to 'approve Company's Climate Action Transition Plan dated 4th December 2020' and 94.36% votes were for.

Brunel were able to assure Officers that the plan had undergone rigorous analysis and provide the reason for a vote against.

Resource considerations

Through investigating examples and case studies of corporate entities, the Investment team have built breadth and depth of knowledge, but do not underestimate the magnitude of research required to keep up to date on voting and engagement activity.

This is an area which the Fund is keen to develop and report back in future stewardship reports.

OUTCOME

Over the last quarter voting recommendations were made at 167 meetings (**2,364 resolutions**). Opposing one or more resolutions was recommended at 110 meetings. Voting with management by exception was recommended at 19 meetings. Supporting management on all resolutions was recommended at the remaining 38 meetings.

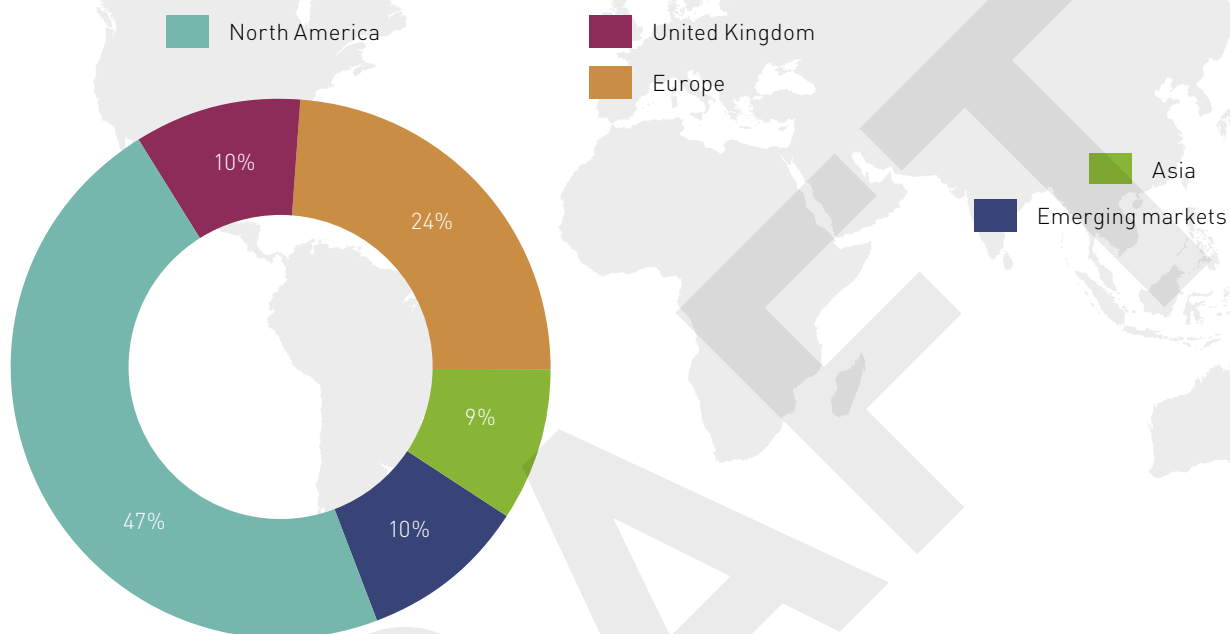
Voting reports

The Fund's voting records are published on the **Stewardship/Voting records** webpage

Of the 2,364 resolutions, votes were cast with support of management or by exception for 1,967 resolutions. The table and charts below show voting activity against management (or abstaining) by issue and geography.

MEETING VOTING ACTIVITY 2021

Meeting voting by geography



Resolution voting activity against management

	Asia	Emerging Markets	Europe	North America	United Kingdom	Total
Board structure	12	20	27	85	10	154
Remuneration	1	12	36	54	7	110
Shareholder resolution	0	0	0	83	0	83
Capital structure and dividends	0	9	21	0	0	30
Amend articles	0	0	2	1	2	5
Audit and accounts	0	1	5	0	0	6
Other	0	1	7	0	1	9
Total	13	43	98	223	20	397

In general, we would want to be supportive of management, as demonstrated by this pattern of voting. We also only abstained on a single vote (which was cancelled due to a technicality), so we have upheld our goal to exercise our voting rights whenever possible.

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.

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.

Asset manager – for the purpose of stewardship reporting and in the context of the LGPS, "asset manager" is inter-changeable with "investment manager" as defined in the LGPS (Management and Investment of Funds) Regulations 2016 (9)

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.

Discretionary – a form of investment management where the manager is given discretion to make decisions within the parameters of client risk profile and other defined objectives

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.

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.

Governance Policy & Compliance Statement – the Governance Policy & Compliance Statement sets out the statutory framework under which the administering authority delegates statutory functions to committees, sub-committees or to officers.

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 (N₂O)

Impact investing – investing to generate a positive measurable environmental or social impact in addition to earning competitive market returns.

Investment Management Agreement (IMA) – a legal document that gives an asset manager the authority to manage assets on the client's behalf

Investment Strategy Statement (ISS) – a key document of the Fund, which sets out the Fund's investment strategy.

Key performance indicator (KPI) – the Fund uses key performance indicators to measure performance of services.

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.

Low carbon transition – the process of moving from using both high carbon energy and low carbon energy to just using low carbon energy.

Member – unless preceded or followed by reference to the Committee or Local Pension Board, member refers to a member of the Wiltshire Pension Fund

