

Education – UN SDG 4

“Investing with a positive social and environmental impact is an increasingly important issue for investors, and can be achieved alongside competitive market returns. Investing with impact can also help incorporate risk and return drivers which would otherwise not be considered. The Fund wishes to invest in a way that minimises negative impacts on society and the environment and, where possible, makes a positive contribution” – one of the Fund’s investment beliefs.



Following an impact investing training session run by pensions for purpose in November 2021, the Wiltshire Pension Fund Committee, on 3rd March 2022, voted for the three key investment themes based on the United Nations Sustainable Development Goals (UN SDGs). One of the themes chosen was education, as defined by SDG 4 **“Quality Education – to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all”**. We have engaged with our investment managers to understand how the current portfolios are contributing to providing quality education; it was identified there are two different investable themes on education. The most obvious was to understand if we hold any companies directly providing educational services, however we were keen to consider the topic more broadly, and investigate how companies were sustainably adjusting to the transition to a low carbon economy, and what this means for ensuring that the workforce are adequately re-trained. This second theme links to one of the other UN SDGs chosen by the Committee relating to climate change and an initiative already supported by the fund of the Just Transition.

The analysts challenged our investment managers on these topics, and we have detailed our findings below.

Brunel

Lightspeed. Through the Cycle 2 private equity portfolio Wiltshire Pension Fund is invested in a company called Lightspeed, who provide essential educational software resources for schools across the UK, USA and globally. The software provided by Lightspeed provides schools with web filtering, student online safety, classroom management and teaching tools. The software is an essential component for ensuring students use online resources safely and effectively. The investment in this company benefits from a growing market for these services due to mounting concerns on student safety and well-being. WPF holding £0.3m (Jun-22).

Brunel use Hermes to engage with investment managers on their and the funds’ behalf. Hermes have stated “Quality Education is not a very prominent focus of the engagement plan at the moment.” Hermes push toward more focus on human capital and the hope is this will increase in the future. Whilst this is disappointing for us, we will continue to push Brunel and Hermes to include education as an engagement theme where possible. As we move forward with the decarbonisation strategy, we will seek to understand how this can be achieved without compromising jobs.

Besides from the Investment holdings, Brunel are providing educational workshops. A detailed programme designed by industry professionals to provide the insight, knowledge and direction

needed to pursue a career in the investment industry. Their goal is to tackle underrepresentation across the industry and increase social mobility – by addressing the intersectionality between ethnicity and social mobility. Brunel’s workshop is available here: <https://www.youtube.com/watch?v=oUnHbJ8RjaU>. Research shows that diversity in boards contributes towards better decision making, and considerations of different viewpoints can lead to improved risk management.

Partners Group

We are pleased that education is an area of focus for Partners Group in the Private Infrastructure sector – they have a specific Social Infrastructure investment subgroup which encompasses education as an investable theme. Partners Group specifically sees the trend towards continuous self-improvement and lifelong learning as drivers of demand for education software and personalized education solutions.

Partners Group will assess education under their ESG engagement strategy; however, they are disciplined when mapping ESG credentials to the UN SDGs. This is to ensure a measurable contribution can be made before declaring they are fully aligned to a specific goal. “While we have some investments in the education space, they do not contribute in a measurable way to UN SDG 4”. Two examples of education assets follow:

International Schools Partnership. ISP provides private education operating 50 schools in 15 countries, however as they operate in countries that provide free state-run schools, this does not incrementally contribute to SDG 4. WPF holding €1.83m (Jun-22).

Parmaco. Parmaco is a leading provider of high-quality modular buildings for the public education sector. The company provides modern and sustainably constructed buildings for 343 schools and day care centres. With ageing educational building stock in many countries and constraints on new investment these modular building solutions are benefiting from market tailwinds. WPF holding \$2.8m (Jun-22).

Ninety One

“The value of education is unquestionable.”

Ninety One do not specifically consider all investment rationales with an SDG lens. In general, “where an SDG theme, including quality education, is a material issue for a given company or sector it is considered by the analyst as part of their integrated fundamental research”. This forms part of their ESG scoring framework.

There is reassurance that education feeds into the work on assessing current and long-term operational performance of companies, but at this stage it is not covered by a distinct area of analysis unless an apparent issue with education arises, in which case Ninety One would engage with the relevant company in the same way they would any other issue.

Ping An – Offers intensive training for new insurance sales agents. But in addition runs a variety of health information resources for both its customers and potential customers. It is one of China’s most important provider of health-care information. WPF holding value £3.4m (Jun-22).

Hon Hai Precision – A major employer of unskilled labour which it then trains in basic employment skills. Hon Hai invested NT\$ 151m in Foxconn University and provided 73.08 million hours of training, resulting in 77.2 hours of training for each Hon Hai employee, facilitated graduations of 1,010 employees with undergraduate degrees and above. Hon Hai’s education drive is to ensure that employees continue to improve and expand their skill base. Labour underpins nearly all business operations, so improvements in labour skillset at a firm that continues to expand its revenue streams from being a legacy Apple assembly manufacturer, to now a sustainability lead Electric Vehicle manufacturer, means that this education will also help guide transition to a low carbon economy. WPF holding value £3.7m (Jun-22).

Ninety One were unable to provide examples of engagements directly related to SDG 4 over the past 12 months (within the Emerging Markets Equity Fund). This may suggest no issue has been surrounding education has been flagged, however moving forward we anticipate wider analysis in the education space.

Closing remarks

At Wiltshire Pension Fund, as asset owners, we understand and are committed to a [responsible investment strategy](#) that delivers positive social impacts where possible alongside competitive market returns, and that is aligned with our [strategic vision goals](#). We acknowledge the potential pitfalls of reporting positive impact that is merely coincidental, therefore following this analysis we will continue to challenge our managers on this investment theme to ensure that intentional, incremental positive impacts can be identified, and that the managers are appropriately considering the risks and opportunities associated with this theme.



Report Author: Dan Smith, Pension Fund Investment Analyst, August 2022