

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
5 September 2022

RESPONSIBLE INVESTMENT UPDATE REPORT

Purpose of the Report

1. The purpose of this report is to update members on responsible investment issues.

Key Considerations for Committee

Progress against recent decisions and the actions in the Responsible Investment Plan 2022/23

2. Actions from the recent Committee meetings are as follows. Actions which were reported as complete in the last regular update have been removed:

Recommendation	Action
Members agreed...	
That the Fund should aim to sign up to the 2020 Stewardship Code during 2022.	The full stewardship report was submitted to the FRC and published on the Wiltshire Pension Fund website in April 2022. An update on signatory status outcome will be provided verbally due to paper circulation/confirmation timing.
That officers will follow up with Mercer on advising on a road map for the Fund to achieve net zero by 2050.	Mercer have completed Analytics for Climate Transition (ACT) work and this will be presented at the 5 September meeting.
To authorise officers to work with Mercer to deliver the implementation of the affordable housing and renewable infrastructure portfolios.	The implementation work for the affordable housing portfolio has been completed. The implementation process for renewable infrastructure is ongoing. Brunel have begun work to scope a climate solutions fund through the (Brunel) Investment Sub Committee.

3. The road map from the Responsible Investment Plan 2022/23 is shown on the following page. Progress against actions for Q2 and Q3 2022 is as follows:

Responsible Investment Road Map

Q2 2022 -

Investments and strategy: Progress the next stage of the Mercer work on climate, to look at bottom-up and engagement targets. Implement the first stage of the renewable infrastructure portfolio.

Reporting and disclosure: Expand our portfolio coverage in terms of carbon metrics, and develop our TCFD reporting.

Training and engagement: Publish the 2020 Stewardship Code submission and mini-magazine version. Training on strategic asset allocation for Committee members.

Q3 2022 -

Investments and strategy: Complete the strategic asset allocation (SAA) review, embedding sustainability and climate considerations. Review the climate modelling findings from the actuarial valuation 2022.

Reporting and disclosure: Monitor and report progress against the interim decarbonisation targets. Develop impact metrics reporting for the affordable housing portfolio.

Q4 2022 -

Investments and strategy: participate in the Brunel climate stocktake and input into shaping policy and direction of travel. Review the RI Policy.

Reporting and disclosure: establish decarbonisation targets for property and infrastructure, and develop plans for other asset classes.

Training and engagement: expand the stewardship and voting information on the website

Q1 2023 -

Investments and strategy: update Investment Strategy Statement . Complete implementation of the affordable housing and renewable infrastructure portfolios.

Training and engagement: investigate use of a tool to enhance holdings transparency for stakeholders. Investigate the topics of biodiversity, and reporting against the Taskforce on Nature-related Financial Disclosures (TNFD).

4. Investments and strategy:

- Mercer's work on a "net zero by 2050" road map has continued utilising their Analytics for Climate Transition (ACT) tool. The baseline has been updated to 31 December 2019 (previously 2020) as this aligns with the approach of both the Institutional Investors Group on Climate Change (IIGCC) and Brunel. A further update on this is covered elsewhere on the agenda.
- The Fund has made a specific allocation to renewable infrastructure of 5%. Implementation options are currently under consideration, with the development of a solution via Brunel at an early stage.
- The strategic asset allocation (SAA) review is due in Q3, and initial meeting with the fund actuary have taken place regarding climate modelling for the valuation 2022.

5. Reporting and disclosure:

- The second report following the Task Force for Climate Related Financial Disclosures TCFD recommendations has been published alongside the Fund Annual Report and Accounts. The 2022 TCFD report included metrics from Mercer's ACT, and expanded portfolio coverage.
- Stewardship Code signatory status outcome is expected to be confirmed by the Financial Reporting Council (FRC) within the week of the meeting, an update will be made verbally.
- Work has begun on monitoring and report progress against interim decarbonisation targets and measuring carbon of asset classes beyond equities and progress against the interim decarbonisation targets will be reported elsewhere on the agenda under the climate update and progress report; first stage metric scoping for the affordable housing portfolio is included in the report.

6. Training and engagement:

- Training on strategic asset allocation was provided to Committee members on 16 May 2022.
- The recent summary stewardship highlights report, and annual report one-page summary produced last year, received very positive feedback. Following this, the suite of documents published alongside the main, full length annual report, has been improved to include both a graphically designed TCFD and annual report highlights report. This is aimed at a wider (non-technical) stakeholder audience to be more engaging and accessible. The highlights report was uploaded to Issuu and annual report links were circulated via a Mailchimp email campaign in August 2022:
 - i. the Issuu annual report highlights report received 2,505 impressions¹, which was significantly higher than the stewardship report (610) and downloads of the main, full length annual report (206).
 - ii. The Mailchimp email campaign achieved open rates of 61% (14,538) for members and 62% (4,113) for pensioners. Overall, around 6,000 more members viewed the annual report 2022 compared with last year.
 - iii. These statistics suggest several areas of progress since 2021; achieving a higher number of members signed up to "My Wiltshire Pension"; more engaging communication; and more insightful analysis of campaign effectiveness and website traffic.
- At this committee meeting, 5 September 2022, members of the Magellan infrastructure investment team will be presenting on performance, climate risk

¹ Impressions are the number of times the publication was shown on the Issuu network. Or in other words, the number of times the annual report was viewed on the Wiltshire Pension Fund site, from search results, or as a result of the Mailchimp email campaign.

analysis and investment risk. Committee members are encouraged to take the opportunity to ask questions on Magellan's approach.

Education as an investment theme

7. 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". Officers have engaged with our investment managers to understand how the current portfolios are contributing to providing quality education, and how the managers view education as a theme in general. A note on the work done has been prepared by the Fund's investment analyst, and is attached as Appendix 1.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

9. There are no known implications at this time.

Proposals

10. The Committee is asked to
 - use this report as a basis for monitoring the progress that is being made towards implementing responsible investment policy (2021);
 - note the progress made against the Responsible Investment Plan 2022/23 actions and discuss whether any additional actions are needed at the current time.

Report Author: Liam Robson (Accounting and Investment Officer)

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

Appendices

Appendix 1 – Note on Education as an investable theme