

## Wiltshire Pension Fund Net-Zero Engagement

Wiltshire Pension Fund is proactively embedding the Net-Zero climate emission targets into the investment strategies and portfolio rationales. The investment team have been analysing the companies the fund holds shares in, in order to identify which of these holdings do not align with the fund's decarbonisation strategy.

The biggest challenge is data availability – it is important to recognise the data is sparse and getting companies to disclose such complex measurements is not easy. With this in mind, two tools have been used for this analysis - Climate Action 100+ (CA100+) and Transition Pathway Initiative (TPI). These tools are similar in terms of what they are evaluating, however the indicators used are slightly different. Also, they may capture different companies – for instance, if an organisation is not captured by CA100+ they may be evaluated by TPI.

**Climate Action 100+** is an initiative to assess the world's largest corporate greenhouse gas emitters, with the aim to influence and encourage the climate mitigation. They assess companies against 10 climate related questions such as “does the company have Net-zero GHG emission targets by 2050 (or sooner)”, “is there a decarbonisation strategy in place?”, and “does the company have a climate engagement policy?”

**Transition Pathway Initiative (TPI)** rates companies on a scale 1-4\* for their preparedness for the transition to a low carbon economy. TPI also assess against specific metrics such as “Does the company acknowledge climate change as a significant issue for the business?” and “Has the company set long-term quantitative targets for reducing its greenhouse gas emissions?”

The analysts at Wiltshire Pension Fund have used the two initiatives above to identify the poorest holdings in our portfolio. This has provided the team with a direction of focus to go to our investment managers and see how they are engaging with these companies to encourage sustainable change.

### **Berkshire Hathaway Energy**

Berkshire Hathaway is one of funds largest holdings (£27,026,526, 0.75%) however also the largest emitter in our portfolio without a net-zero goal, a climate engagement policy or a decarbonisation strategy, as per our findings from CA100+. Brunel has identified this as an opportunity for engagement and made a proposal to Berkshire Hathaway's board to publish an annual assessment addressing how the company manages physical and transitional climate related risks and opportunity. The Board voted 60% in favour of this proposal, and we will continue to monitor any improvements.

### **International Paper Company**

The International Paper Company is one of the largest Co2 emitters in the Brunel portfolio, with a TPI score of 3 and no net-zero commitment by 2050 (or sooner), we highlighted our concerns. Brunel have said;

“EOS has written to them regarding their TPI score. The company responded it had updated its targets for greenhouse gas reductions, now aiming to achieve a 35% reduction in emissions by 2030 for Scopes 1, 2 and 3. Furthermore, targets for Scopes 1 and 2 emissions have been set for 2030, at a 21% reduction. The company claims that these are aligned with 2-degrees”.

EOS expect the International Paper Company’s TPI score to increase to 4 next year.

### **Grupo Mexico and Anglo American**

We also interrogated our investment managers at Ninety One who were able to address Grupo Mexico (£833,032, 0.11%\*) and Anglo American (£1,170,102, 0.16%\*), as we found them to be performing poorly against the two initiative’s metrics. Ninety One are extensive in their engagement and assessment strategies to ensure the companies in the portfolio are best in class for improvement across the ESG framework. They engage with these companies to assist and develop a transition plan whilst also covering the Social and Governance aspect.

Ninety One have their own ESG criteria that is used in conjunction with CA100+ and TPI, to produce ‘score cards’. This is a holistic scoring method as it assesses what the company is *actually* doing to mitigate issues identified.

Anglo American is still heavily reliant on coal but Ninety One are working with the board to aid with decommissioning. However, when taking into account the social element of ESG, an abrupt end may result in workers losing their jobs. Engagement continues to ensure a progressive decarbonisation strategy is appropriate whilst considering the needs of the workers.

Due to disclosure issues in Mexico and rating agencies being slow to capture the data, obtaining accurate information has been a challenge to assess the carbon output for Grupo Mexico. Ninety One have provided reassurance that Grupo Mexico are consistently improving ESG credentials – GHG emissions peaked in 2017 and have since been in decline year on year. Furthermore, Grupo Mexico’s average wage is 11x higher than the national average, whilst also being the first company in Mexico and Peru to offer profit sharing to its employees. The company’s health and Safety has significantly improved.

Whilst we initially acknowledged Grupo Mexico to be an area of concern, we are confident with Ninety Ones initiative-taking engagement to see they are sustainably approaching the E, S and G factors.

Wiltshire Pension Fund endeavour to keep to the net-zero commitment whilst monitoring and adhering to the ESG framework and will continue to interrogate our managers to ensure the best in class social and environmental impact, whilst securing the financial health of the fund.

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\*Stock weighting within the overall listed equity portfolio