Wiltshire Pension Fund

RESPONSIBLE INVESTMENT POLICY 2021

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Wiltshire Pension Fund

Avebury Stones

INTRODUCTION

Responsible investment is the strategy to incorporate ESG (environmental, social and governance) factors into investment decisions. The Wiltshire Pension Fund's position regarding ESG issues is as follows:

The Pension Fund Committee believes that in order to carry out their fiduciary duty by acting in the interest of scheme members, that effective management of ESG issues, including climate change, which are financially material to the Fund is essential. In order to protect the Fund's investments into the future, the Fund supports a global warming scenario of well below 2°C, and states an ambition to achieve net-zero carbon emissions across all investment portfolios by 2050. ESG risks should be taken into account on an ongoing basis and are an integral part of the Fund's strategy and objective of being a long-term investor.

The 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.

Therefore, consideration of all factors (including ESG factors) which could affect the investment returns is a fundamental part of managing the investments and helping to mitigate the risk for employers that contribution rates need to be increased. Responsible investment practices can both help mitigate risks and also enhance returns.

The Fund has made significant progress in developing the 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, which included the development of a dedicated Responsible Investment Policy. The Responsible Investment Policy will be reviewed annually, and is intended to bring all the information on the Fund's responsible investment activities into one place, 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. A new Responsible Investment Plan will be produced each year for review and 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 the scheme membership and employers.
- And more.

WILTSHIRE PENSION FUND AS AN INVESTOR

As the Fund is open to new members, who will not be retiring for many years into the future, the Fund has a very **long-term investment horizon**. The Fund therefore needs to consider long-term sustainability issues, and the importance of engagement with companies in which it is invested, in order to safeguard the investments into the future.

The Fund is a **large, diversified investor**, with exposure to the global economy. The Fund therefore needs to invest in a way that contributes to the success of the global economy and society as a whole, as this will have a positive financial impact on the Fund's investments.

INVESTMENT BELIEFS

The following investment beliefs set by the Fund relate to responsible investment issues:

Investment belief	RI implication
The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments	The Fund has embedded ESG issues and sustainability within the strategic asset allocation, and has set specific strategic allocations to Paris-aligned passive equities, sustainable active global equities, renewable infrastructure and impact affordable housing, in order to manage risk and secure returns into the future.
Investing over the long term provides opportunities to improve returns	Investing over the long term means that the Fund can take advantage of opportunities in long-term sustainability trends and/or growth style portfolios, as well as benefit from engagement activities with companies in which the Fund is invested.
Environmental, Social and Governance factors, including Climate Change are important factors for the sustainability of investment returns over the long term	The Fund's status as a long-term investor means that the Fund needs to consider the risks and opportunities presented by wider issues such as climate change and the potential impact on the investments. This can help the Fund avoid the risk of being exposed to stranded assets, and help ensure that the Fund can benefit from exposure to companies which are well prepared for transition to a low carbon economy.
In order to protect the Fund's investments into the future, the Fund supports a global warming scenario of well below 2°C, and states an ambition to achieve net-zero carbon emissions across all investment portfolios by 2050	The Fund acknowledges that climate change is a material systemic risk which could have significant adverse impacts on the investment portfolio if not managed correctly. The Fund is actively working to mitigate this risk, and the Committee has reviewed scenario modelling and undertaken training, and the Fund is an early adopter of the TCFD reporting recommendations, which disclose how the Fund manages climate change risk.
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	The ISS contains an employer and member engagement plan, and is actively advancing the approach in this area. Member and employer views formed part of the decision-making process when setting the net zero target. A recent survey of employers showed that in the majority of responses, employers believe that it is important that the Fund's investment strategy should, where possible, try to reflect the wider goals and philosophy of the employer organisations. A recent survey of the Fund's membership showed that from the 2,251 responses, 86% of members answered "Yes" or "Maybe" to the questions "Is it important to you that the Fund invests in low carbon and/or sustainable assets?"
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	Impact investing is a rapidly growing area and the Fund has recently made a dedicated strategic allocation to Impact Affordable Housing, as part of the protection assets allocation. As part of the full review of the strategic asset allocation in 2022, the Fund will consider options for investing with impact in other areas of the strategy.
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.	As part of the Responsible Investment Plan 2021/22, the Fund committed to becoming a signatory of the 2020 Stewardship Code, and in early 2022 will publish a Stewardship Policy and Outcomes Report. Additionally, as part of the Responsible Investment Plan 2021/22, the Committee agreed to develop the Fund's relationships with other investors via wider initiatives, in order to achieve better outcomes.

ESG INTEGRATION

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)**
   This Responsible Investment Policy is appended to the ISS and is an integral part of it

ii. **Strategic Asset Allocation (SAA)**
   The Fund will incorporate ESG issues in the design of the SAA, for example via specific allocations to Paris-aligned passive equities, sustainable active equities, renewable infrastructure, and impact affordable housing, and in the selection of investment managers

iii. **Monitoring of managers and the pooling company**
   Managers will be held account for their responsible investment activities, and the Fund will work with the Brunel pool to develop the responsible investment approach

iv. **Stewardship and engagement**
   The Fund will develop a Stewardship Policy and Outcomes Report, which will be published annually and will include reporting in line with the 2020 Stewardship Code

v. **Internal reporting and accountability**
   the Committee receive quarterly reporting on responsible investment issues, and staff have performance goals set which cover responsible investment activities and developments

vi. **Reporting externally**
   The Fund's main external reporting is via the Annual Report, which includes information on major responsible investment updates, and TCFD reporting. The Fund also communicates responsible investment updates via the website, including publishing voting and engagement records

vii. **Stakeholder engagement**
   The Fund has a strategy for engagement with the scheme membership and employers

These points are all dealt with in more detail within the appropriate section of this policy.

Salisbury Cathedral

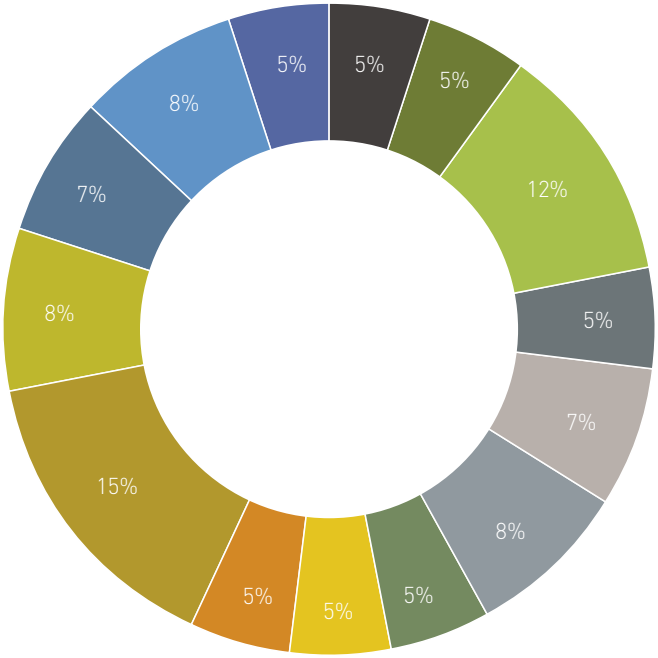
STRATEGIC ASSET ALLOCATION (SAA)

Following on from climate change scenario modelling which was carried out in late 2020, the Committee has made changes to the SAA, reflecting the results of the modelling, in order to ensure the best possible financial returns for the Fund's investments, and to mitigate risks. The Fund will continue to work to review all asset classes to ensure that climate risk and sustainability are being fully considered.

The SAA contains specific allocations to Paris-aligned passive equities, and sustainable active equities. A recent review of the protection assets has resulted in a decision to make specific allocations to renewable infrastructure, and impact affordable housing. The allocation to impact affordable housing was made as this asset class provided the desired risk/return drivers, with the additional benefit that it will generate a measurable positive social impact, and also provides the possibility for local investments (once all risk and return objectives have been satisfied).

The Fund has collaborated with the Brunel pool and the other client Funds who are part of the Brunel pool in developing a Paris-aligned passive benchmark, which will help enable the Fund to deliver the net zero by 2050 objective.

Long-Term Strategic Asset Allocation



- Active global equities
- Sustainable active global equities
- Paris-aligned passive equities
- Emerging market equities
- Private equity
- Infrastructure
- Renewable infrastructure
- Multi-asset credit
- Emerging market debt
- Property
- Private debt
- Index linked gilts
- Secured income
- Affordable housing

The total amount currently allocated to sustainable/low carbon assets over the long term is 22% of the Fund (sustainable active global equities (5%), Paris-aligned passive equities (12%), and renewable infrastructure (5%)).

MONITORING MANAGERS

The majority of the Fund's assets are now held through the Brunel Pension Partnership ("Brunel"). Through Brunel, the Fund is able to work with the other 9 shareholder client funds to help develop responsible investment policy. Responsible investment is written into the portfolio specifications, and is a key topic of discussion at the client group. Reporting on responsible investment issues has been developed to support client requirements.

For all legacy managers, responsible investment is a standing item on the agenda for all quarterly monitoring meetings.

The Fund has a fiduciary duty to act in the best interest of its members and therefore expects its investment managers to take account of financially material social, environmental and ethical considerations in the selection, retention and realisation of investments as an integral part of the normal investment research and analysis process. The Fund believes that taking account of such considerations forms part of the investment managers' normal fiduciary duty.

As such, the Fund has a commitment to ensuring that the bodies in which it invests adopt a responsible attitude toward the environment, and adopt high ethical standards. Such companies are expected to behave in a socially responsible manner by taking account of the interests of all stakeholders.

Countryside near Fovant

NON-FINANCIAL ESG CONSIDERATIONS

The pursuit of a financial return is the predominant concern for the Fund to address the funding deficit and minimise the on-going cost of pension provision to its 170+ employer organisations. The Fund is aware it may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think stakeholders would support the decision.

The Pension Fund Committee has two employer representatives and two member observers, while the Local Pension Board has three employer body and three member representatives who both represent and can engage with beneficiaries and stakeholders to ensure the Fund is aware and can respond effectively to all stakeholders concerns.

When formulating and developing any policy on non-financial ESG factors, the Committee will take proper advice from either its investment consultant or other appropriate expertise in this area and ensure the Local Pension Board and other stakeholder views are considered through the use of specific Board reports and consultations. Any policies once developed would be available on the Fund's website.

Social Investment

The Government considers that social investments are appropriate for LGPS funds where the social impact is simply in addition to the financial return. For example, the Fund has made a strategic allocation to Impact Affordable Housing, where the return characteristics are a match for the requirements, and in addition the anticipated positive social impact is an integral part of the investment case. The Fund will therefore receive and monitor social impact metrics as well as financial performance.

The Government also considers that investments where some part of the financial return is forgone in order to generate the social impact are also appropriate, where the administering authority has good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the Fund.

The Fund is consistent in the application of risk and returns requirements when evaluating all investment opportunities, including those that address societal challenges. The Fund would invest in opportunities that address societal challenges but generate competitive financial returns. Seeking such opportunities is generally delegated to our external fund managers.

Sanctions

The Fund does not exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

CLIMATE CHANGE

Position and investment beliefs

Wiltshire Pension Fund acknowledges that climate change represents a major financial risk to the investments, and that as part of the Committee's fiduciary duty, action needs to be taken to properly manage this risk, in order to safeguard the investments but also to be positioned to take advantage of the investment opportunities presented by a transition to a low carbon economy.

The following investment beliefs directly address the risk of climate change:

"Environmental, Social and Governance factors, including Climate Change are important factors for the sustainability of investment returns over the long term"

"In order to protect the Fund's investments into the future, the Fund supports a global warming scenario of well below 2°C, and states an ambition to achieve net-zero carbon emissions across all investment portfolios by 2050"

Climate change risk is included in the Fund's risk register as a "High" priority risk ("Medium" residual risk after the controls in place to manage the risk are considered).

Operational considerations

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

Scenario modelling

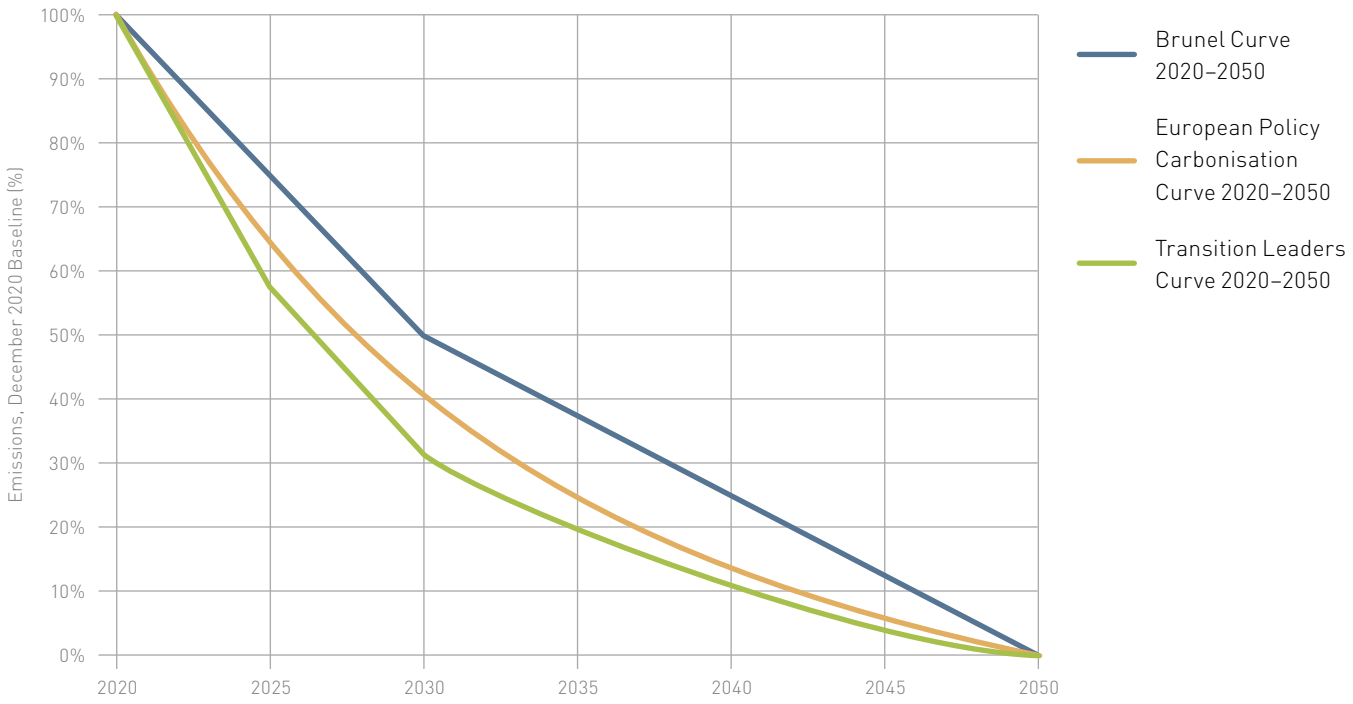
In order to properly assess the potential financial implications of the risk, and to help identify ways to mitigate the risks and take advantage of opportunities, the Committee commissioned scenario modelling from both Mercer, the Fund's investment consultants, and Hymans, the Fund's actuary. The modelling results supported setting a net zero target, and also indicated that there were opportunities to provide a material financial benefit to the Fund by making dedicated allocations to sustainable equities and renewable infrastructure, both of which have now been approved. The modelling will be repeated at regular intervals, and at least once every 3 years, to monitor the dynamic situation.

Setting a baseline

The Fund has monitored the exposure to fossil fuel companies and renewable energy since 2010, and will continue to do so. This is a broad sectoral measure which does not consider the revenue split or the emissions of the individual companies. Since March 2019, the Fund also monitors the carbon footprint of the Fund's equity investments (as measured by the WACI – the weighted average carbon intensity), compared to the benchmark index. Work is being done to expand metrics across other asset classes.

Implementing a transition plan

The Fund has engaged Mercer to provide support in setting a pathway to net zero by 2050. The results of this work have led to the following specific carbon reduction targets, compared to a baseline position of 31 December 2020. The Fund has adopted targets based on a decarbonisation curve which front-ends carbon reductions (Transition Leaders curve), as this allows plenty of early work to be done to identify easy wins, and increases the chances of meeting a sub-2°C warming scenario. The decarbonisation curve is illustrated below:



Sheep near Salisbury

1

We commit to a whole Fund carbon reduction target of **50% by 2030**

2

We commit to a listed equities carbon reduction target of **43% by 2025** and **69% by 2030**

3

We commit to allocating **30% of the Fund to sustainable/ low carbon green assets by 2025** and **35% by 2030** (as measured by the long-term strategic asset allocation).

4

We will expand specific net zero target setting and monitoring of metrics for other asset classes over 2022, starting with property and infrastructure.

Climate risk monitoring and reporting

The Fund has adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and includes this information in a separate report and as part of the annual report. This reporting sets out how the Fund manages climate change risk, from the perspective of governance, strategy, risk management and carbon metrics. The Fund will continue to work to expand this reporting to cover more asset classes and metrics, and to monitor progress against the targets set out above.

Brunel Pension Partnership

Brunel's Climate Change Policy sets out a plan to build a financial system which is fit for a low carbon future. The Policy explains how Brunel see three areas where they have a particular contribution to make. Namely: they will have significant direct influence over the investment managers they appoint; they can exert broader influence in the investment industry and with policy makers; and lastly their ability to influence company practice and performance, in particular in conjunction with their Client Funds and others.

The Committee fully encourages and supports Brunel's 2020-2022 policy objectives on climate change which are set out in their Climate Change Policy. The Committee are currently supportive of Brunel's approach of not issuing exclusion lists as the Fund believes that simply stating exclusions or requiring divestment from specific stocks or sectors will not compel investment managers to develop their capacity on climate change or drive change in the companies in which they are invested.

Further details of Brunel's Climate Change policy are set out on its website.

Alongside Brunel and the partner funds, the Fund will look to undertake a full review of our climate change policy approach in late 2022 to early 2023 to provide us with the opportunity to reflect on progress, the effectiveness of our approach, and potentially to raise our ambitions.

One of the key questions the Fund will be answering as part of this review is whether Brunel's decision to engage with investment managers has been effective. Specifically, whether it has been effective in delivering change in the way investment managers work and in their ongoing engagement with companies to drive improvements in corporate strategies on climate change, so that these companies are on a trajectory to be aligned with the transition to a 2°C economy. If the answer is no, the Fund will be expecting Brunel to consider whether they need to change investment managers and/or introduce selective divestment requirements for companies.

The Fund will continue to monitor Brunel's progress on implementing its policy objectives and will work with them to achieve our collective climate change ambitions. 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.

WIDER INITIATIVES

As set out in the Fund's investment beliefs, the Fund values the benefits of working with other investors to achieve better outcomes. The following is a list of organisations and/or initiatives which the Fund supports.

i. The Brunel pool

The Fund is a shareholder and client of the Brunel Pension Partnership. The Fund is able to be 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. The Fund also engages through the client group, the responsible investment sub-group, and ad hoc communications from Brunel on responsible engagement initiatives, for example engagement and voting matters.

ii. LAPFF (Local Authorities Pension Fund Forum)

The Fund is a member of the LAPFF, to enable it to act 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.

Details of their activities can be found on the following link:
http://www.lapfforum.org/about-us

iii. TPI (Transition Pathway Initiative)

The Fund publicly supports TPI, which is 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.

More information can be found here:
https://www.transitionpathwayinitiative.org/

More information can be found here:
https://www.unpri.org/

There are numerous benefits including access to resources and guidance, and the ability to engage in collective action with other signatories.

iv. IIGCC (Institutional Investors Group on Climate Change)

The Fund is a member of the IIGCC. The Fund has made a public net zero commitment through the IIGCC's Paris Aligned Investment Initiative.

More information can be found here:
https://www.iigcc.org/

As part of its membership the Fund benefits from educational materials, webinars, and the net zero framework, which will help the Fund achieve the target of net zero by 2050.

v. Climate Action 100

The Fund is a signatory of Climate Action 100. This is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. This initiative enables the Fund to support engagement activities which promote the target of net zero by 2050.

More information is available here:
https://www.climateaction100.org/

vi. Just Transition

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 investment managers to account.

More information is available at the following link:
https://www.lse.ac.uk/granthaminstitute/investing-in-a-just-transition-global-project/

Stourhead

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.

A huge amount of responsible investment work is carried out by the Brunel pool, which has a dedicated team of staff who are widely regarding as being 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 the Brunel pool 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 website resource on responsible investment, which is being further developed over time to add relevant case studies. This is available via the following link:
https://ri.lgpsboard.org/items

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.

KNOWLEDGE AND TRAINING

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

REPORTING AND ACCOUNTABILITY

Reporting is important in order to measure and monitor progress against objectives, and for transparency and openness with stakeholders. The Fund's current reporting is as follows:

INTERNAL REPORTING	FREQUENCY	WHERE TO FIND IT
Pension Fund Committee and Investment Sub-Committee responsible investment progress reports	Quarterly	https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CommitteeId=142 https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=1281&Year=0
Local Pension Board responsible investment progress reports	Bi-annual	https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=1280&Year=0
EXTERNAL REPORTING	**FREQUENCY**	**WHERE TO FIND IT**
Annual Report and one-page summary "Our Year in Review"	Annual	https://www.wiltshirepensionfund.org.uk/Annual-report-and-accounts
Task Force on Climate-Related Financial Disclosures (TCFD) Report	Annual	https://www.wiltshirepensionfund.org.uk/Responsible-investment
Voting records and Engagement reports	Quarterly	https://www.wiltshirepensionfund.org.uk/article/3759/Voting-records
STRATEGIES, POLICIES AND PLANS	**FREQUENCY**	**WHERE TO FIND IT**
Investment Strategy Statement (ISS)	Reviewed at least once every 3 years, but in practice under regular review	https://www.wiltshirepensionfund.org.uk/article/3801/Investments
Responsible Investment Policy	Updated annually	https://www.wiltshirepensionfund.org.uk/article/3801/Investments
Responsible Investment Plan	Annual	https://www.wiltshirepensionfund.org.uk/Responsible-investment
Stewardship Policy and Outcomes Report	Annual	To be published for the first time in early 2022

Longleat Forest

STEWARDSHIP

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".

The Fund was a signatory to the original Stewardship Code, which was introduced in 2010 by the Financial Reporting Council (FRC). The FRC has now published a revised 2020 Code, to which the Fund plans to become a signatory. The 2020 Code is ambitious and has a focus on outcomes, not just policy statements. The Fund is working on developing reporting plans during 2021, so that the Fund can become a signatory in 2022. This will be done by producing an annual Stewardship Policy and Outcomes Report. This will be appended to the ISS, along with the Responsible Investment Policy, so that all investment-related policies and strategies can be read as one document. Highlights from the Stewardship Policy and Outcomes Report will be included in the Annual Report, to bring the policies to life for the readership.

Voting and engagement activities on the Fund's equities portfolios are carried out through the Brunel pool. As part of owning publicly listed companies, Brunel, on behalf of its clients, will have the opportunity to vote at company meetings (AGM/EGMs). To provide guidance, Brunel has a single voting policy for all assets managed by Brunel in segregated accounts.

Brunel has appointed Federated Hermes EOS as the engagement and voting services provider. The appointment enables a wider coverage of assets and access to further expertise across different engagement themes. For full transparency, the Fund publishes its voting and engagement activities on its website on a quarterly basis.

Full information on the Fund's stewardship, engagement and voting activities are currently included within the ISS, and will be included in the Stewardship Policy and Outcomes Report going forward.

SCHEME MEMBERSHIP AND EMPLOYER ENGAGEMENT

The Fund considers that transparency on its actions, particularly with regard to responsible investment issues, is important, and engagement with the scheme employers and membership is a key part of this. The topic of investments is quite technical, and responsible investment issues can be nuanced, so it is important to educate members as well as asking for opinions.

Why might the Fund engage with employers and members?

- **Employers**
  Funding is achieved by a balance of employer (and employee) contributions, and investment returns. Therefore employers, as budget holders, will be interested in how the investments are managed, as this could have an impact on the contribution rates they need to pay.
- **Members**
  Members benefits are set in law and are not impacted by the investment returns. However, members may have personal beliefs and views on how the investments are managed. Therefore, keeping members informed and finding ways to represent their opinions is important.

There are a range of ways that members can be engaged with:

i. **Informing**
The Fund seeks to keep members and the general public informed via a section of the Annual Report which reports on climate change risk and actions. From 2022 onwards the Fund will publish a Stewardship Policy and Outcomes Report, and highlights from this (focussed on outcomes and case studies) will be included in the Annual Report. The Fund will continue to publish press releases to communicate major strategic decisions.

ii. **Educating**
The Fund will continue to hold regular webinars covering responsible investment issues for both employers and members. The Fund will use its website as a way to communicate information and keep members and employers informed. The Fund will continue to develop methods of accessible communication.

iii. **Consulting**
In order to incorporate the views of the employers, the Fund will consult with employers on amendments to the ISS. There are two employer representatives on the Committee, who are actively involved in promoting employer engagement. The Fund will be establishing employer focus groups.

iv. **Actively seeking views**
The Fund has used surveys to collect the views of employers and members, and has used the results of these surveys to develop the approach to member and employer engagement. Although the views of members and employers alone would not be used to drive the strategy, they would be considered by the Committee alongside other information as part of a full picture. The Fund's investment strategy is set in the best financial interests of the Fund, but can also, where possible, reflect the wider goals and philosophy of the employer organisations and Fund membership.

GLOSSARY

Brunel Pension Partnership, ("Brunel") – Brunel Pension Partnership is one of eight national Local Government Pension Scheme pools that brings together more investments of ten partner funds, including Wiltshire.

ESG (Environmental, Social and Governance) – 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.

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

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

Local Pension Board – The Pension Board is responsible for assisting the administering authority in securing compliance with the LGPS regulations, overriding legislation and guidance from the Pensions Regulator.

Officers – Internal Wiltshire staff that manage the investment arrangements of the Fund and support and assist the Committee with their role.

Pension Fund Committee (the "Committee") – the body running the Wiltshire Pension Fund with delegated authority to exercise the functions of Wiltshire Council as administering authority under the Local Government Superannuation Acts and Regulations.

Stewardship – 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 (as defined by the 2020 Stewardship Code).

Strategic Asset Allocation (SAA) – the mix of different types of assets held in order to generate the required investment return for an appropriate amount of risk.

Sustainability – investing in a way that incorporates ESG criteria and active ownership, to generate superior risk-adjusted returns.

Task Force on Climate-related Financial Disclosures (TCFD) – reporting on climate change risk, set out under governance, strategy, risk management and carbon metrics

Weighted Average Carbon Intensity (WACI) – a measure of a portfolio's carbon intensity, also referred to as the carbon footprint. The WACI generally measures scope 1 and 2 emissions.

Wiltshire Pension Fund (the "Fund") – Wiltshire Pension Fund is part of the national Local Government Pension Scheme (LGPS). Wiltshire Council is the Administering Authority for the Wiltshire Pension Fund. Membership includes people who work for Wiltshire Council, and a range of other employers such as Town and Parish Councils, local Colleges and other organisations admitted to the Fund.