



STEWARDSHIP REPORT

MARCH 2023

STEWARDSHIP REPORT 2023

CONTENTS

Introduction	3
Purpose and governance	4
Principle 1	4
Principle 2	11
Principle 3	13
Principle 4	15
Principle 5	22
Investment approach	24
Principle 6	24
Principle 7	29
Principle 8	32
Engagement	33
Principle 9	33
Principle 10	34
Principle 11	38
Exercising rights and responsibilities	39
Principle 12	39
Glossary	42

INTRODUCTION

The Financial Reporting Council defines Stewardship 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”

Wiltshire Pension Fund is proud to have become a signatory to the Stewardship Code 2020 (in September 2022) and present its second report in line with the principles.

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.

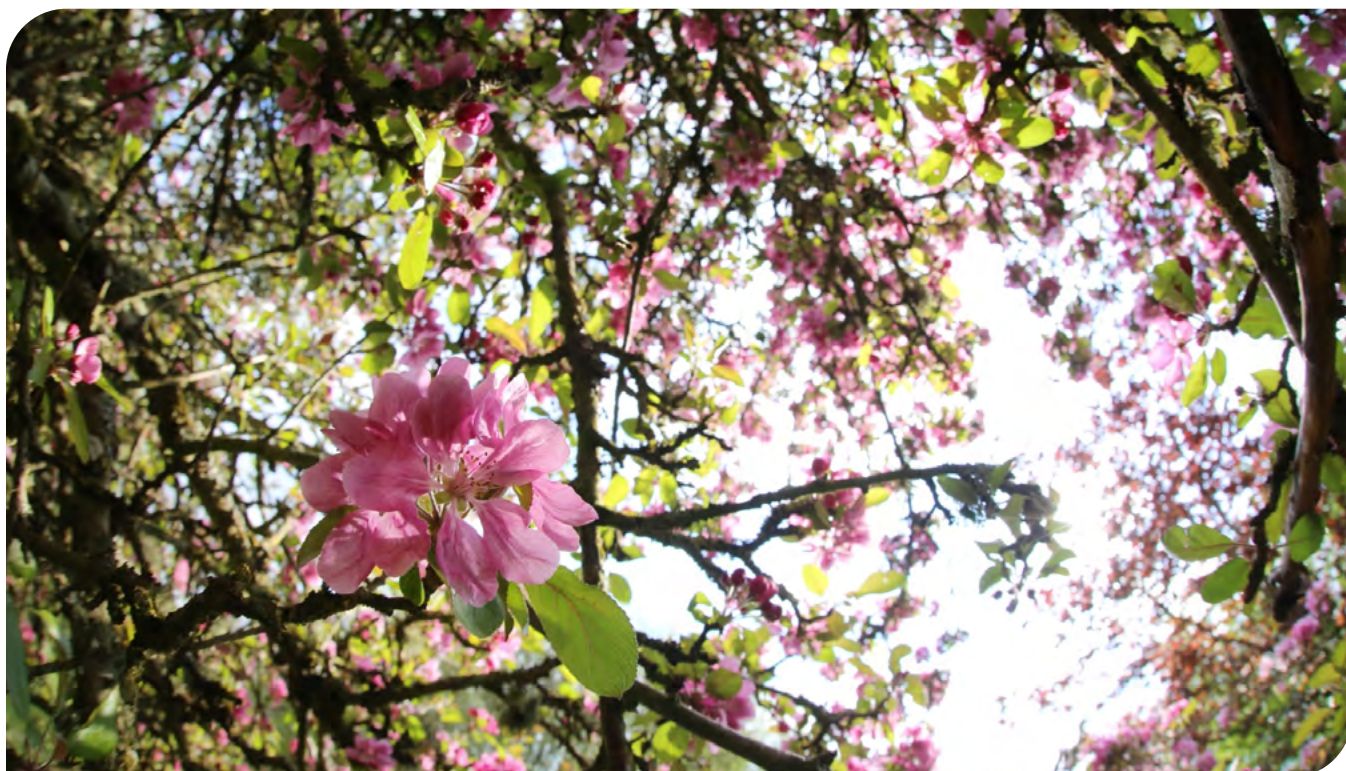
This mindset is demonstrated by the following investment belief:

“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 has long-established activities in this area. This report sets out the principles of the Code and how the Fund complies with these principles, what activities are undertaken in each area, examples of the outcomes that the Fund has achieved, and how things have changed and improved since last year.

A short mini magazine highlights report will be published alongside this full version to help make the information as engaging and understandable as possible for a non-technical audience.

The review process for this report was agreed by the Wiltshire Pension Fund Committee at its meeting on 23 March 2023, and finalised for publication on 9 May 2023.



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 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 certainty of cost for employers and minimising the long-term cost of the Fund. A thorough understanding of the risks facing the Fund is crucial to meeting this objective.

The Fund has formed investment beliefs which help to inform the investment strategy derived from the decision-making process. The full list of beliefs are detailed in the [Investment Strategy Statement](#).

One of the outcomes of holding the belief that *“Environmental, Social and Governance factors, including Climate Change, are important factors for the sustainability of investment returns over the long term”* was the development of the [Responsible Investment Policy](#). The RI policy sets out implications against each RI-related investment belief and are detailed follows:



Investment belief	RI implication
<p>The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments</p>	<p>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.</p>
<p>Investing over the long term provides opportunities to improve returns</p>	<p>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.</p>
<p>Environmental, Social and Governance factors, including Climate Change are important factors for the sustainability of investment returns over the long term</p>	<p>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.</p>
<p>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</p>	<p>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.</p>
<p>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</p>	<p>The Responsible Investment policy 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 question "Is it important to you that the Fund invests in low carbon and/or sustainable assets?"</p>
<p>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</p>	<p>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 (re-categorised real) 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.</p>
<p>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.</p>	<p>In April 2022, the Fund published its first report in line with the requirements of the 2020 Stewardship Code and became a signatory of the Code in late 2022. We published a mini-magazine on our Responsible Investment and Stewardship Highlights for 2021/22, designed to make this information accessible to our stakeholders. During 2021/22, we strengthened our approach to working with other investors, by joining some new initiatives and fully engaging with them.</p>

Source: Wiltshire Pension Fund Investment Strategy Statement

ACTIVITY

NEW Continuous improvement

The Fund's RI policy is reviewed and updated annually. The **most recent version, published in September 2022**, linked work on responsible investment to 'our vision, values and goals', included more information on impact investing, enhanced information on climate risk that looked across all asset classes, and added a new section explaining how we engage on our holdings (engagement policy).

One of the most significant areas of development over the year has been furthering application of stewardship principles across **other asset classes**.

Training and development

The Fund training policy is to record training **activity** undertaken by members, keep training logs up to date and report on them. Whilst the overarching strategy is reviewed every three years, reviews of Committee 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 and consequently comply with the increased requirements of the Regulator and the overarching governance requirements of the Fund.

A major factor in the governance arrangements of the Fund is to ensure that Committee and Local Pension Board members, as well as their officers, have the relevant skills and knowledge through the application of the CIPFA Knowledge and Skills Framework as well as other key information resources.

The current training plan for the Fund's Committee members is therefore viewed as a living document enabling the substitution of topical training items as well as recognising the need for flexibility by inviting members of the different groups to attend training organised for other groups.

Specific Stewardship Training

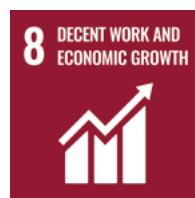
Training sessions directly related to stewardship included the United Nations Sustainable Development Goals UN SDGs and Paris Aligned Benchmark (PAB) sessions on 29 November 2021. The outcome of this training was that the Pension Fund Committee agreed priority SDGs for engagement with asset managers at its meeting on 3 March 2022. SDG prioritisation has given officers a steer towards action on issues and brought about several reports. The following areas are provided as examples:

7 – Affordable and Clean Energy – Affordable Housing



Good examples of environmental sustainability SDG 7 can be found in the affordable housing portfolio at **Dysart Road, Grantham** and **Standford-Le-Hope, Thurrock**. Here institutional investor funding, via limited partnerships, is helping a modular housing manufacturer deliver **energy efficient homes** with significantly reduced energy bills.

8 – Decent Work and Economic Growth – Fast Fashion



Particularly pertinent to the fashion industry is SDG 8, Decent Work and Economic Growth, [target 8.8 in relation to labour rights].

The UN SDGs are a call for action to promote prosperity while protecting the planet recognising that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, **social protection**, and job opportunities, while tackling climate change and environmental protection.

4 Quality Education – Direct and related case studies



The investment team identified two different investable themes on education [SDG 4]. Firstly, most obviously was to understand companies directly providing educational services.

Secondly, the team were keen to consider Education more broadly and investigating how companies were sustainably adjusting to the transition of a low carbon economy, and what this meant for ensuring that workforces were adequately re-trained. This second theme links to another UN SDG chosen by the Committee relating to climate change [13] and an initiative already supported by the Fund, "the Just Transition".

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.



1

Stable and affordable contributions



2

Straight-forward administration



3

Clear service measures and responsibilities



4

Employers are advocates for the scheme



5

Correct pension, paid timely



6

Accurate, up-to-date records



7

Service administered effectively and cost-efficiently



8

Members understand their benefits



9

Safeguard the assets



10

Strong, risk-adjusted returns



11

Responsible ownership and stewardship



12

Positive impact



13

Robust processes, controls and risk management



14

Widely adopted self-service solutions



15

Transparency and information sharing



16

Compliance and best practice

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



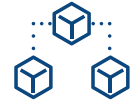
HIGH PERFORMING TEAMS

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 in March 2021, 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.



11
Responsible ownership and stewardship



1
Stable and affordable contributions



16
Compliance and best practice



15
Transparency and information sharing

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 2022 is 4,871 and Wiltshire Council publishes a detailed **Employment monitoring report** of this information to demonstrate compliance with the public sector equality duty (PSED). 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 currently 36.

As the team is relatively small, information that can be published is limited so as to preserve the anonymity of individuals.

Sex	Total	Wiltshire Pension Fund staff	Wiltshire Council
Female	22	61.11%	74.21%
Male	14	38.89%	25.79%
Total	36	100.00%	100.00%

The table above shows more balance between female/male staff than Wiltshire Council as a whole, but not significantly so. The Council's higher proportion of females in its workforce is reflected in pension fund membership.

The Fund published membership statistics to celebrate **International Women's Day**. Wider socio economic and demographic studies can help to understand the reasons for higher levels of female staff than male at Wiltshire Council. Women are [still] more likely than men to be working part time¹; and in industries and sectors that are more accommodating in terms of 'shift work'; working patterns, hours and job-sharing options. Key areas such as social care, health, education, children's services and leisure can be correlated with the occupation types² 'Administrative & secretarial, Caring, leisure & other services, and Elementary occupations', used in the UK labour market, that have higher rates of part time working.

Pensions Policy Institute modelling³ shows that the defined benefit (DB) Scheme type (a larger proportion of females working in the public sector, and in Wiltshire Council's case, access to LGPS) is positive in bridging the gender pensions gap. The smaller differences in participation and tendency of early retirement are being addressed in part by auto enrolment⁴ (AE) and age equalisation⁵. The Institute cites women taking time away from work, generally to look after family, as the biggest factor in the women's pension gap.

¹ [House of Commons Research Briefings - Women and the UK economy](#)

² [ONS Part time workers occupation Standard Occupational Classification \(SOC\) 2010](#)

³ [PPI Understanding the gender pensions gap](#)

⁴ [IFS The gender gap in pension saving "AE has led to the gap narrowing slightly in recent years"](#)

⁵ [From 2014, LGPS Normal Pension Age was linked to State Pension Age](#)

More detail on the inclusive workforce strategy and continued good practice is provided in the Employment monitoring report. Wiltshire Council have provided analysis of how WPF staff compare to the wider organisation in terms of ethnicity, disability and age. This valuable information allows us to be mindful of maintaining an inclusive workforce, and the clear benefits this delivers by welcoming differing perspectives and ideas.

Recruitment and promoting opportunity

The one-fund approach implemented last year has improved communication and teamwork across functions and specialisms. This also led to more opportunities for personal development, secondments and promotion from within.

NEW Examples of reporting back on investment activity to the wider team include recent site visits to [local affordable housing](#) and [Christchurch Solar Farm](#).

The Fund's [in LinkedIn page](#) is used to broaden the demographic for recruitment. Flexibility to work from home existed before the COVID-19 pandemic, but monthly in person meetings of the whole department have proven to be constructive and productive for collaboration.

Purposeful Pensions campaign

Wiltshire Pension Fund was featured in a Pensions Management Institute PMI project to breakdown barriers around pensions and bring greater awareness of the excellent career opportunities available. Other aims of the campaign are to support PMI members and wider network to communicate the positive impact pensions can have on society, the environment and the economy as a whole, with a particular focus on ESG in pensions.

[Purposeful Pensions – Box Set 1 – The Pensions Management Institute \(pensions-pmi.org.uk\)](#)



'The series consists of a number of short-form documentary films, shot around the country, featuring human-interest stories from those at the front line of this powerful sector aiming to engage and celebrate on a national scale.'



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 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](#).

OUTCOMES

Comments

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.

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](#). Most members (clients and beneficiaries) are likely to view [strategic vision 5, "correct pension paid timely"](#) as serving their best interests and most important to them.

5

Correct pension, paid timely

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

Voting records and reports from Federated Hermes EOS (Brunel public equities), were included in the stewardship report 2022 and published on the pension fund website. One area for development, largely due to the nature of investment implementation, i.e. in pooled funds, is ways in which information, analysis and engagement on voting on equities can be presented, before moving on to other asset classes.

NEW As detailed under Principle 12, all equity voting records are now shown, including emerging markets and listed infrastructure (held outside of Brunel, the LGPS pool).

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 administering authority'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.

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 Head of Wiltshire Pension Fund in all matters relating to governance.

The Communications & Customer Service Engagement Manager is responsible for the delivery of the Communications Strategy, Customer service and Engagement for the Fund, along with management of events, webinars, and conferences both internally and externally.

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 the Brunel Pension Partnership pool in setting up portfolios, transitioning assets, representing the Fund's interests, and holding Brunel to account.

Officers and Managers of the Fund come from a wide range of backgrounds, accountancy, communications, consulting, pension

and information systems, bringing a wealth of experience and range of qualifications. Training needs for officers are assessed as part of setting the workplan for the team and in setting goals and performance targets for individual team members. The Investment and Accounting Team and Head of Wiltshire Pension Fund have an average of 11 years in the industry and relevant qualifications, the CFA ESG Certificate, for example.

During the year, the Investment and Accounting Team Lead completed the CFA Investment Management Certificate, and the team recruited an investment analyst. In Q4 2022, a restructure of the Pension Fund department created new roles in the investment team. This will increase stewardship capacity.

Meetings of whole pension fund staff are held monthly in person. This ensures those working more directly with fund members have an awareness of investment and stewardship activities and can help answer questions.

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.

A huge amount of responsible investment work is carried out by the Brunel pool, 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 and is strongly supportive of stewardship.

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.

The **Water Companies Engagement** project, in collaboration with Brunel and Royal London Asset Management (RLAM) is a good example of efficient use of resources. The project is expected to span 24 months (from Q1 2023) and draws heavily on RLAM's engagement expertise. Brunel client fund officers will be involved in meetings and dialogue with the companies in scope.

Analysis – Wiltshire Pension Fund holds United Utilities and Severn Trent in both passive Paris Aligned equity and listed infrastructure funds, with a total AUM representing 0.39% of the Fund, as at September 2022.



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 established a **Responsible Investment Advisory Group**, a resource to support governance and regulatory frameworks. During the year, a new **Compliance and Reporting Committee**, was set up to provide guidance on reporting and related issues.

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.

Analytics for Climate Transition ACT (tool)

Developing carbon metrics, understanding of where emissions are most intense, and how to target reductions and alignment with transition pathways are key parts of the Fund's strategy. Mercer's ACT tool has been an invaluable resource for insight into how this looks in practice from bottom-up and top-down viewpoints.

The Fund has access to information through the various initiatives it has signed up to, including reading materials, relevant data, and training.

Additionally, the new structure, one-fund approach and advances in online technology that have made this possible, has seen more non-investment staff invited to join and participate in training sessions on responsible investment issues. This diversity in approach has led to improved engagement, set out and evidenced in more detail under Principle 5.

How this enables good decisions

The maintenance of the current training policy for the Committee and Board members will better place them to make well informed decisions and consequently enable them to comply with the increased requirements of the Regulator and the overarching governance requirements of the Fund.

A major factor in the governance arrangements of the Fund is to ensure that Committee and Board members, as well as their officers, have the relevant skills and knowledge through the application of the CIPFA Knowledge and Skills Framework as well as other key information resources.

Support from advisors and consultants

The Fund has ongoing appointments with specialist advisors:

- Actuary
- Investment Consultant (and specialist responsible 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.

OUTCOMES

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 to access institutional markets. Wiltshire'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.

Since 2022, there is further evidence of **effectiveness** from Hymans 2022 National Knowledge Assessment, ranking Wiltshire fourth overall (from 16 LGPS fund participants) with a particularly strong score (69%) in 'Financial Markets and product knowledge' relative to other areas of understanding (administration, actuarial methods, procurement, and audit, for example).

Governance review

The Fund has made good progress on scoping the proposed Pensions Regulator Effective System of Governance (ESoG) review. This will highlight the appropriateness of arrangements against Codes of Practice applicable across all occupational schemes (private sector) and highlight gaps or areas to **improve** in its analysis, bringing multiple regulatory Codes into one.

Regulatory Perspective

Task Force for Climate-related Financial Disclosure (TCFD) reporting capability has been an area that Wiltshire Pension Fund has developed over the last two years, firmly embedding this in strategy rather than viewing these metrics as a voluntary disclosure or regulatory obligation.

The Fund's experience in this area meant that it was able to **support stewardship** and respond with some authority to the Department for Levelling Up, Housing and Communities (DLUHC) **Governance and reporting of climate change risks consultation**.

Wiltshire Pension Fund welcomed the consultation and proposed regulations, its consultation response highlighted some key points and observations on the detail:



Wiltshire Pension Fund – LGPS (E&W): Governance and reporting of climate change risks – consultation response (PDF) [241KB]

PRINCIPLE 3

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

ACTIVITY – IDENTIFICATION

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.

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 Pension Fund 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

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

Training, knowledge and understanding

Conflicts of interest is included in induction sessions for new Pension Fund Committee and Local Pension Board members and in the training strategy plan of the Fund.

Monitoring

Each member of the Pension Fund Committee is required to declare their interests at each meeting. No declarations were made during the year 2022/2023.

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 – MANAGEMENT EXAMPLES

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, Pension Fund 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 or committee members sat on other boards, committees or where 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.

CASE STUDY: EMMA PORTFOLIO

In the case of the Fund's emerging markets multi asset portfolio (EMMA), equities, debt and currencies are managed under the same mandate. The investment team at the asset manager, Ninety One, utilise a multi specialist approach and recognise issues raised in the [Investment Association Report – Improving Fixed Income Stewardship](#).

Equity engagement **activity** aimed at long term sustainability could potentially create conflict if this leads to downgrades in corporate debt over the medium and short term. Whilst equity and debt from the same issuer can be held simultaneously, in practice, there are few corporate debt holdings in the portfolio and relatively low overlap between the emerging market companies in the equity and corporate debt universe (because many companies which issue hard currency Eurobonds are private companies).

There are robust governance processes at the asset manager to further mitigate this risk:

- A coherent and consistent approach and philosophy to sustainability transcending all teams and asset classes
- Equity and debt components of the portfolio managed by separate teams
- Mechanisms to manage and address potential conflicts
- An independent proxy-voting team to advise on recommended voting. Transparency across teams results in an **outcome** where conflicts and concerns can be **escalated**.

CASE STUDY: ACTIVE GLOBAL EQUITIES MULTI-MANAGER PORTFOLIO

Officers combine independent analysis of stocks held within equity portfolios with quarterly performance meetings to recognise investment style and rationale of underlying managers. It can be the case that the same stock is held by different asset managers for different reasons, but this is not seen as a conflict where the case to do so and reasoning is known and understood.



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

The Fund mitigates these risks through its holdings in index linked gilts, bonds and secured income.

2. Equity associated risks

The Fund holds equities in order to provide returns over the long-term, this is managed through Strategic Asset Allocation.

3. Active manager risk

This risk is small relative to other investment risk and mitigated by reducing concentration on single managers, due diligence on appointment combined with regularly monitoring by the Investment team, Committee and the Fund's Investment Consultant.

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

achieve returns/performance objectives over successive periods, 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

Liquidity risk is maintained at an acceptable level as the proportion of fund assets held in illiquid assets is appropriate given the time horizon.

NEW Market Wide Risk Response – Following the Government's budget announcements on 23 September 2022, extreme volatility in financial markets resulted in the Bank of England taking temporary quantitative easing (QE) steps to stabilise the economy. At the same time, there were also headlines of UK pension funds being unable to sell gilts to make collateral payments on liability driven investment (LDI) strategies.

On 29 September, the Fund posted a news item Update on current market conditions to inform members that the Fund does not operate Liability Driven Investment (LDI), is well diversified across investments, and to give assurance of the financial stability of the LGPS.

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 the level of risk run to the extent desired.

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

Investment income levels are managed as part of investment strategy and linked with the funding strategy. It is important to note that maintained active membership and contribution payments continuing to exceed benefit payments is consistent with the scheme remaining open to new entrants. Additional cashflow modelling has been completed in anticipation of the impending April 2023 pension increase.

(d) Governance risks

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

NEW During December 2022, following discussion and feedback during Brunel Client Group and the Strategy & Governance Subgroup meetings, a new set of objectives for Brunel were proposed and agreed. In addition to providing a core service and value for money, it was also proposed that Brunel provide cost-effective industry leading Responsible Investment solutions in order to deliver the returns required by clients. Wiltshire's involvement in these discussions helped to ensure client priorities were heard and ranked accordingly.

(e) Financial ESG risks

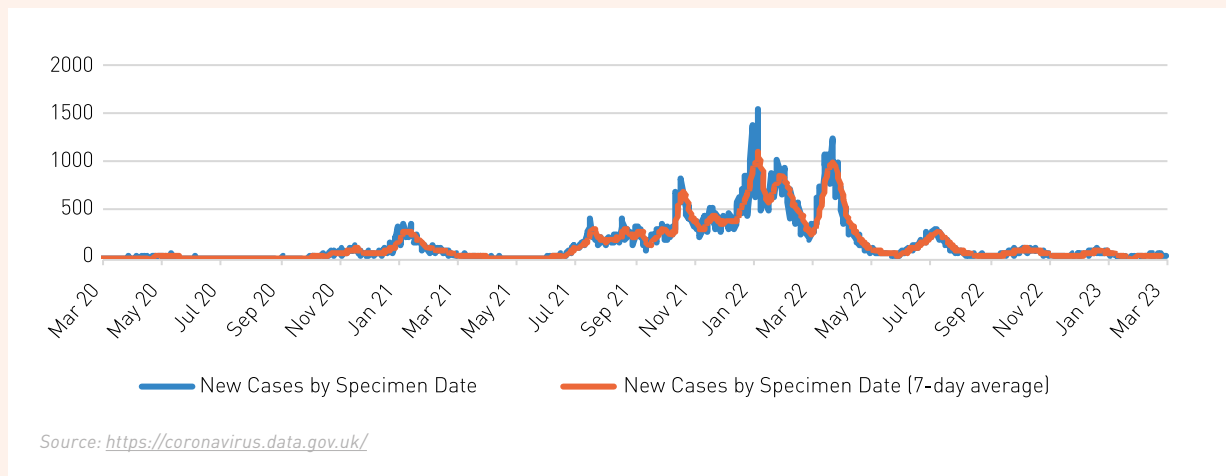
Fiduciary duty includes consideration of Environmental, Social and Governance (ESG) issues, including climate change. These risks are dealt with in detail in the [Responsible Investment Policy](#), which is an integral part of the [Investment Strategy Statement](#).

POST PANDEMIC PEAK

As reported last year, pension fund processes have continued to operate on a more flexible working/hybrid basis for three years now and disruptions to service delivery have been very minimal.

Recurring effects of the COVID-19 pandemic on Fund operations are now not explicitly recorded on the Fund's risk register, but are considered.

Local experience of coronavirus (COVID-19)



The latest **triennial actuarial valuation**, and first since the COVID-19 pandemic, shows that there has been negligible impact in mortality experience in terms of liabilities and investment.

The Investment team continue to be cognisant of new trends; disruptive technologies and macro-economic factors are discussed at asset manager meetings. For example, in the Fund's property portfolio, the industrial sector has been a major contributor to performance.

PROPERTY CASE STUDY: GOLDEN TRIANGLE, UK

During the year, commitments were made to the UBS UK Life Sciences Property Fund. The Fund's objective is to implement a development-led, 'manage to core' approach, establishing a portfolio of Life Sciences properties and campuses in the UK (centred around the 'Golden Triangle' of Cambridge, London and Oxford). This investment aims at facilitating growth for the skilled workforce which needs fit-for-purpose start-up and good manufacturing practice (GMP) facilities.

Beaver House, Oxford, is an example of a back-to-frame refurbishment and extension of an existing building held by the UBS Life Sciences Fund. The Fund is paying close attention to minimising embodied carbon, alongside creating a modern facility for the fast-growing life sciences sector. After modelling three options (retaining the existing reinforced concrete (RC) frame, a new concrete frame and a new steel frame) the existing reinforced concrete (RC) frame was chosen to avoid demolition of the sub-structure, saving 1,448-1,836 tCO₂e of embodied carbon compared with constructing new frames.




Beaver House, Oxford

ACTIVITY AND OUTCOMES

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

ACTIVITY	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 fund 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>An Outcome of the use of this initiative was reported in the IIGCC Paris-Aligned-Asset-Owners-Progress-Report "Incorporating Just Transition Factors into Corporate Engagement Alignment Assessments"</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, we have made a PAII (Paris Aligned Investment Initiative) net zero commitment. The PAII goes beyond simply making commitments and supports investors to achieve their goals. We have 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>An Outcome of the use of this initiative was reported in the IIGCC Paris-Aligned-Asset-Owners-Progress-Report "Improving TCFD Reporting For Net Zero"</p>



ACTIVITY	DESCRIPTION	OUTCOME
	<p>LAPFF 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 LGPS 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 can influence and stay up to date on engagement activity being undertaken.</p> <p>An Outcome of membership of the LAPFF was greater officer awareness of labour rights issues with major fashion brands and companies, This was via a seminar on social protection, held jointly with IndustriALL, a Global Union representing 50 million workers in 140 countries in the mining, energy and manufacturing sectors.</p> <p>The seminar followed the Triumph International case that made headlines in May/June 2022. Internal reports on fund holdings were re-drafted for accessibility and published as a Fast fashion and Responsible Investing web article.</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>An Outcome of the Investment team's use of this tool to investigate and analyse holdings held within the Fund's listed market equity portfolio has been a direction of focus to approach asset managers to see how they are engaging with these companies to encourage sustainable change. The was reported to the Pension Fund Committee, consistent with the prioritisation of SDG 13 [Climate Action], and to wider stakeholders in a Net Zero Engagement article on the website</p> 



Kennet and Avon canal

OUTCOME

Scenario modelling – Investment alignment

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

Implementing a transition plan

Following a baseline position of 31 December 2020, taken in 2021, the Fund adopted targets based on a decarbonisation curve which frontends carbon reductions (Transition Leaders curve). 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.

In 2022, this baseline position was adjusted to 31 December 2019 as result of Mercer's ACT, which also aligns consistently with the IIGCC and Brunel's position. Progress along the decarbonisation curve is and will be reported on [Our Pathway to Net Zero](#) page, as part of the collection of climate-focused web content.

The Fund's approach to Climate Change Risk is to acknowledge that investing in companies that have properly considered this risk and made plans for a transition to a low-carbon economy is an essential part of being able to generate returns over the long term.

The Fund has taken action by a combined approach – through the Brunel Pension Partnership pool (Brunel), and on its own initiative at a strategic level. 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.

CASE STUDY: RUSSIA – BRUNEL RESPONDING TO CRISES

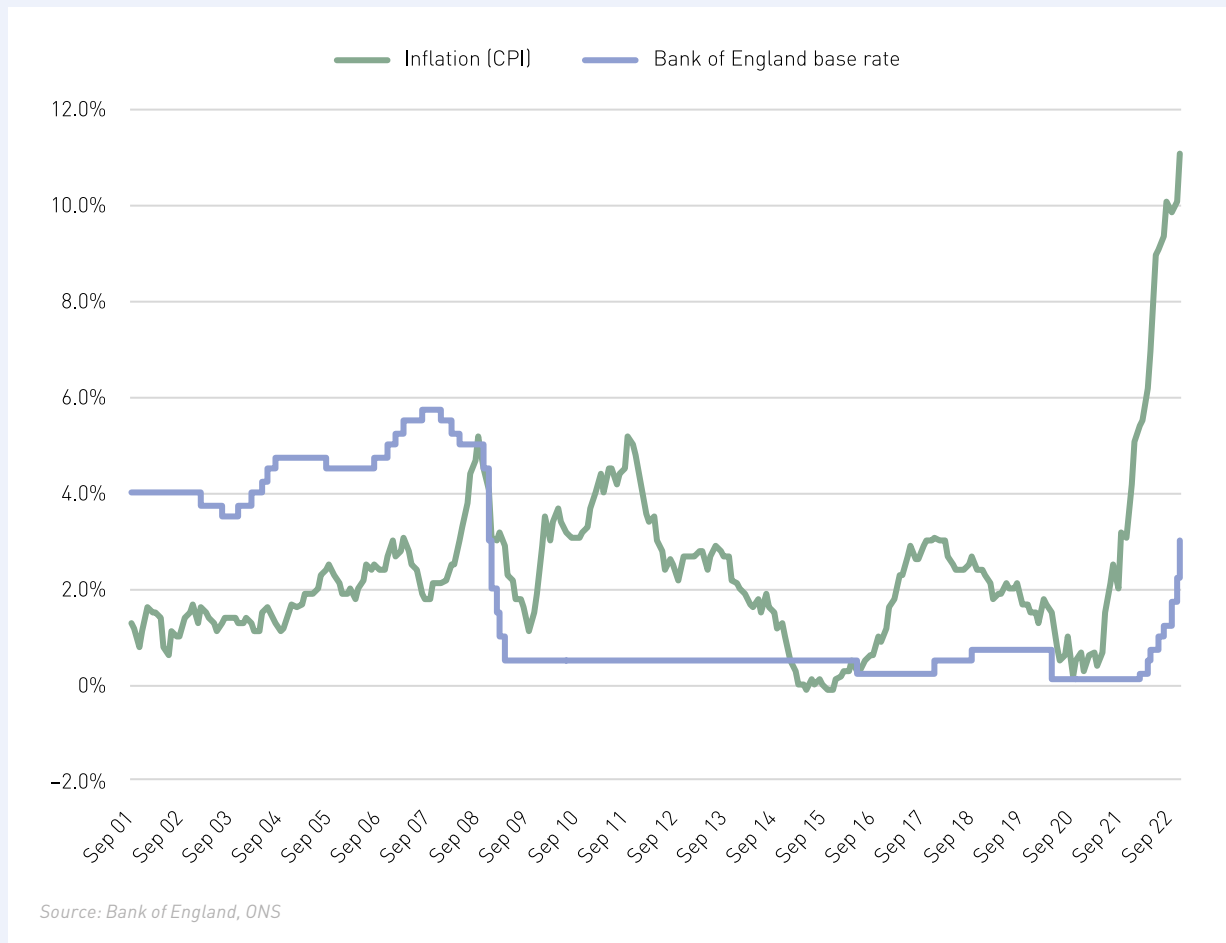
In response to Russia invading Ukraine, late February 2022, Brunel liaised extensively with asset managers, investment client partners and stakeholders to understand the shorter-term market effects, so as to measure and manage exposure.

Both RI principles and investment due diligence led to the belief that the investment outlook for associated assets had materially changed. On 1 March 2022, the agreed approach set out that any new investments in Russian assets were prohibited with immediate effect and any existing investments were to be disinvested in an orderly manner, when practical.

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 **activity** 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 where possible and diversified across non-correlated assets so that the overall effect and **outcome** on funding position could be managed appropriately.

The rising levels of inflation in Q1 2022 were fortuitous for the funding position of the LGPS and the Wiltshire Pension Fund actuarial valuation result was 102% as at 31 March 2022.

Continued rise in inflation to peak of 11.1% (CPI) in November 2022 introduced new risks; September CPI (10.1% 2022) is significant for the LGPS as this is the basis for increases on pensions in payment (and deferred pensions) and revaluation of accrued (in service) pension.

The Bank of England response of raising base interest rates was a key metric through Q2, Q3 and beyond.

Proactive analysis of cashflow and liquidity issues resulted in a report on the **cost-of-living crisis impact** and Fund specific **outcomes**, published and made available to all stakeholders.

COST OF LIVING

Wiltshire Pension Fund responded to rising inflation with cost-of-living impact analysis across all areas of the Fund.

For affordable housing, officers engaged with fund managers to understand what impact the the cost-of-living implications could be for residents and for the Fund's returns.

Context

The Fund has a UK affordable housing portfolio, the purpose of which is to earn sterling, income-based, inflation-linked, secured returns, whilst delivering a measurable positive social impact. Rising inflation led to the concern that the investment managers for this portfolio might fail to balance the objective of earning inflation-linked returns alongside the negative social impacts (and associated reputational damage) from pricing tenants out of the market.

Activity

Officers worked with the managers in order to understand the situation. The managers all take a long-term view, using thorough sensitivity analysis which ensures affordability for tenants in a range of economic outcomes. Officers enquired about levels of default and were reassured that these continued to be low. Levels of demand for properties continued to be very high.

Outcome

Officers were able to conclude that long-term returns would be maintained without compromising on affordability for tenants. In addition, the houses held in this portfolio are more energy efficient than the average property in the private-rented sector, which meant that residents also benefitted from a reduced impact from rising energy bills.

Stability in systems and processes

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

ACTIVITY

Brunel have systems in place to net transactions off against each other when partner funds trade within the pooled funds, which creates efficiency and lowers cost.

CASE STUDY: SALAMI

(Strategic Allocation to Liquid Asset Matching Investments)

Wiltshire Pension Fund is implementing a **NEW** portfolio, 'SALAMI', that will provide liquidity to manage cashflow for private market investments (capital calls) and reduce cash drag (the need to hold uninvested cash). It will utilise Exchange Traded Funds (ETFs) to broadly match the overall Fund Strategic Asset Allocation and is Paris-aligned.

The ETFs in the portfolio are index tracking (passive) funds traded on an exchange and therefore liquid. The portfolio is constructed with ETF 'building blocks' which **effectively** match the risk and return profile of the assets within the overall strategy. It also means that operations can be managed more **efficiently**.

OUTCOME

Excessive or unnecessary trading is reduced which results in more stability for the pool and the Fund's asset managers, whilst closely following the risk/return and RI profile of the overall strategy.



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 Pension Fund Committee during each scheme year are listed in the Fund's **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 Pension Fund 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 Pension Fund Committee, The Fund's Investment Consultant (and specialist RI advisor) 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.

OUTCOMES

Building on the first Stewardship Report 2022

The Financial Reporting Council provide very useful individual feedback to first time applicants. Wiltshire Pension Fund was successful in achieving 2020 Code signatory status, however there were areas where the FRC recommended improvements.

This feedback report and the **Review of Stewardship Reporting 2022** have been used to revise and refine the content in this 2023 report. A summary of improvements made to stewardship activity and reporting are as follows:

- More of a summary of Investment Strategy Statement and Responsible Investment Policy documents directly reproduced in this report
- Development of Employment monitoring report with Wiltshire Council
- Charts and diagrams of AUM across asset classes and geographies
- Conflicts of interest more applicable to stewardship
- Investment time horizon explained by chart of beneficiary liability profile
- **NEW** Thorough analysis of situation and action plan for climate engagement across all asset classes
- Robust process of asset manager acknowledgement of Wiltshire's Responsible Investment policy (September 2022) and expectation setting
- Scope of voting records widened to include listed infrastructure and emerging markets.

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 readers, and also instructed 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 reader has difficulty understanding a page on our website, they can complete a survey linked to that specific web page, letting us know how we can improve.

Web development

The Fund maintains a [stewardship page](#) on its website and publishes quarterly voting records. This is under continuous review and along with other content, utilises web analytics to gather user acquisition and behaviour data, visitor insights and other metrics to improve the user experience.

Article/Topic	Users	Average Engagement Time
Education	242	2m 50s
Fast Fashion	333	1m 30s
Affordable Housing	176	10m 47s

Source: Google Analytics (last 12 months) – sample of stewardship articles

This can be used to gauge popularity (users) or depth of engagement (average time). Fast Fashion was a popular topic during the year compared with affordable housing. But the richer content (interactive map) and topic is likely to have experienced greater commercial interest, resulting in more views.

Web traffic

Analysis of web traffic origin can provide insight into the effectiveness of communication methods and assurance that stewardship reporting is fair, balanced and understandable.

It is possible to observe direct traffic that is likely to correlate with those signed up for self-service (My Wiltshire Pension) and visitors from associated social media accounts (LinkedIn followers). In addition, referrals (traffic that has followed a link from another website) provide further assurance of relevant reporting and content.

Over the last year, www.wiltshirepensionfund.org.uk has received (stewardship related) referrals from: iigcc.org, Transitionpathwayinitiative.org, lgpsboard.org, and parisalignedinvestment.org.

More recently, the Investment Team have been involved in collaborating with Wiltshire Council on activity in documenting the climate action plan. Scorecards for local authorities were assessed in early 2022 by Climate Emergency UK. The outcome of this was [Wiltshire Council being rated as fifth best unitary authority for climate change strategies](#).

INDUSTRY RECOGNITION

Wiltshire Pension Fund was delighted to be shortlisted for the Pensions for Purpose Paris Alignment “Best Climate Change Member Communication” and “Best Climate Change Policy Statement” Awards at the Event held on 1 February 2023. The Fund did not win either category on this occasion but was up against strong competition from Smart Pensions Master Trust and the Environment Agency.

The [content awards judging panel](#) was made up of individuals from a range of organisations with industry leading credentials.



Members of the Wiltshire Pension Fund Investments team, picking up the award for Best Approach to Responsible Investment at the LAFP Investment Awards 2021

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.

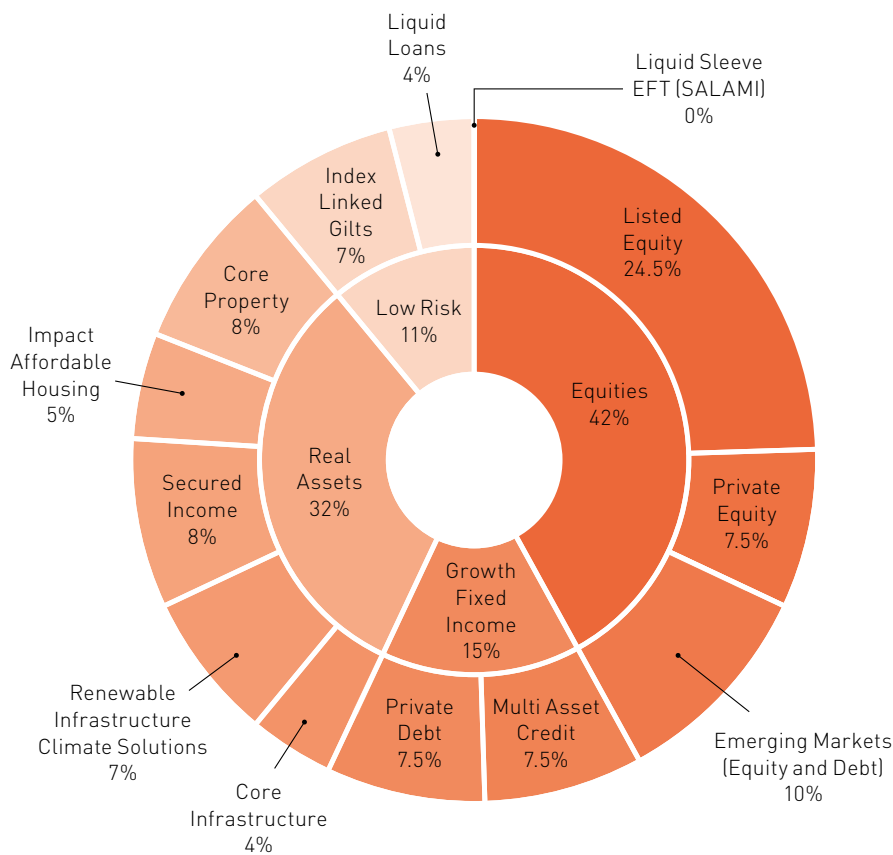
CONTEXT

Investment fund (portfolio analysis)

The Fund maintains a ~£3.0bn 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](#).

Asset Class	SAA %	Sub Asset Class	Manager/Mandate	SAA %
Equities	42.00%	Listed Equity	Brunel	24.50%
		Private Equity	Brunel	7.50%
		Emerging Markets (Equity and Debt)	Ninety One	10.00%
Growth Fixed Income	15.00%	Multi Asset Credit	Brunel Multi-Asset Credit	7.50%
		Private Debt	Brunel Private Debt	7.50%
Real Assets	32.00%	Core Infrastructure	Partners Group	4.00%
		Renewable Infrastructure / Climate Solutions	TBC	7.00%
		Secured Income	Brunel Secured Income	8.00%
		Impact Affordable Housing	CBRE, Gresham House, Man Group	5.00%
		Core Property	Brunel	8.00%
Low Risk	11.00%	Index Linked Gilts	Brunel >5 Year Passive Index Linked Gilts	7.00%
		Liquid Loans	Pinebridge Global Secured Credit Fund	4.00%
		Liquidity Sleeve (ETF) [SALAMI]	BlackRock Investment Management	0.00%

Source: Wiltshire Pension Fund long term Strategic Asset Allocation



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

Membership (Employee) profile

Total membership of the Fund as at 31 March 2022 was 84,438; details are as follows:

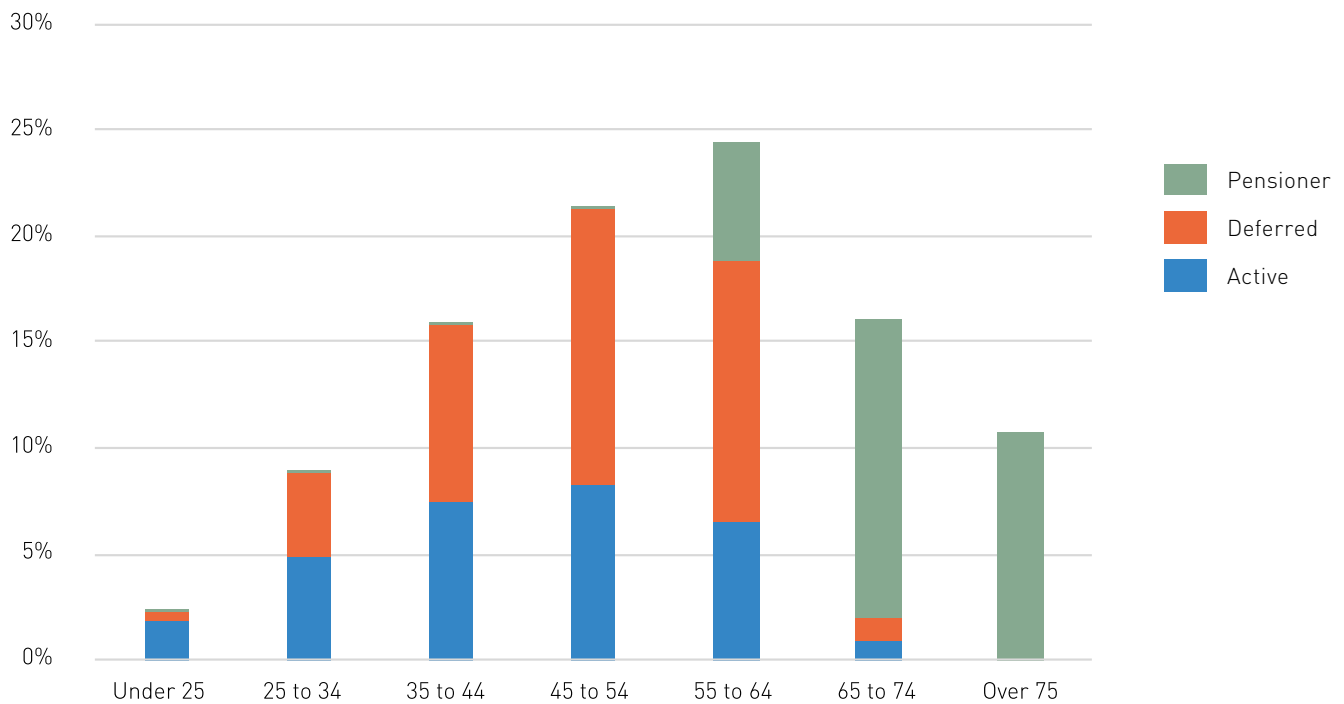


Table: Membership profile analysis. Proportions of membership in each category will differ from annual report as membership is reported by employment record rather than an individual member basis.

The average age (unweighted) across all membership categories was 53.6 years.

The average pension paid to pensioners in the year was £5,021 p.a.

Funded scheme

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

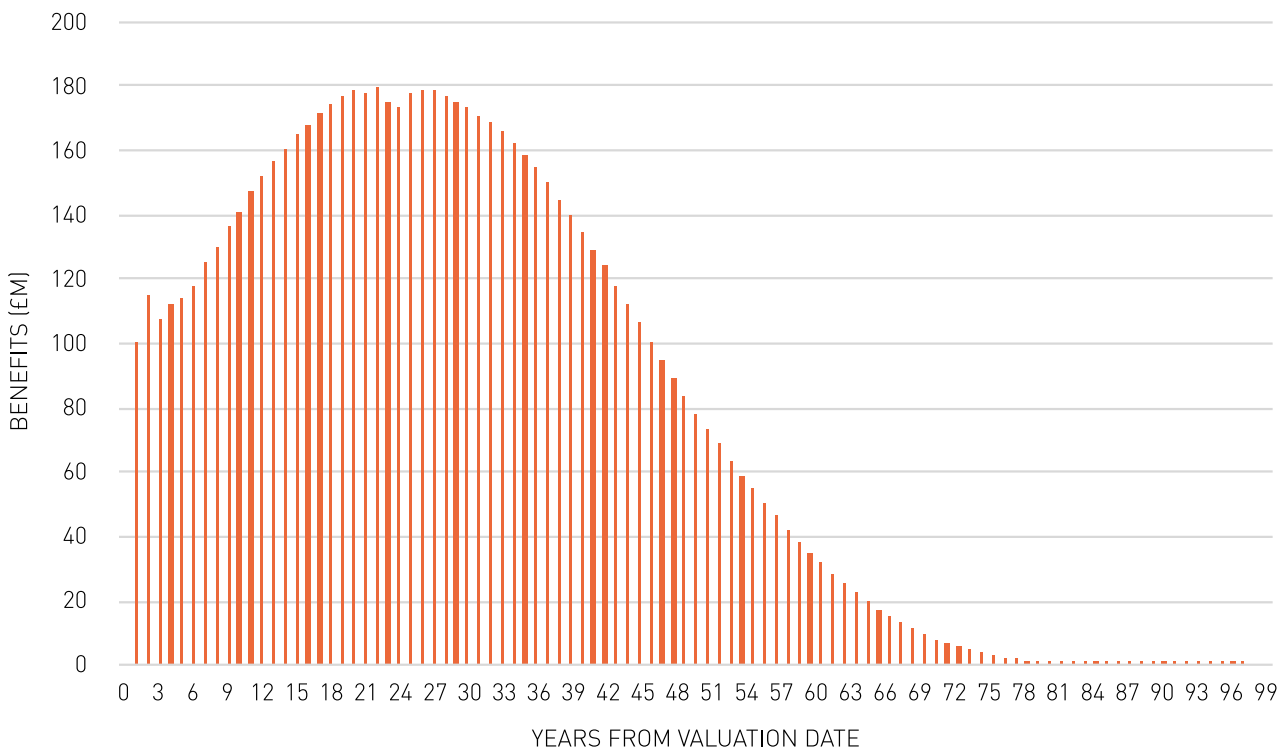
This is a risk management exercise with the purpose of reviewing the current funding plans and setting contribution rates for the Fund's participating employers. The most recent valuation was completed as at 31 March 2022, which set contributions for the period from 1 April 2023 to 31 March 2026.

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

Time horizon

The time horizon of a defined benefit pension scheme is modelled as part of the triennial actuarial valuation process. It should be noted that the chart below represents a 'snapshot' of liabilities accrued at a certain point in time (valuation date of 31 March 2022): this projected cashflow stretches **over 100 years**. In practice, with the scheme open to new entrants and future accrual, this time horizon will continue into perpetuity.

Projected future benefits payments



Source: Hymans Robertson

Footnotes: The cashflow peak in Year 2 is a feature of the cashflow model, which assumes all active members older than their retirement age retire 1 year after the valuation date. The dips in cashflow in years 23 and 24 correspond with changes in state pension age.



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

Employer profile

The LGPS is available to all employees in local government, and whilst most 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 have embraced advances in available technology and encouraged innovative ways of working and communicating. The COVID-19 pandemic 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 [SVG] 8 "members understand their benefits" and 7 "Service administered cost effectively and efficiently", members can 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.

Impact investment reporting and engagement

In April 2022, [Wiltshire Pension Fund committed £120m to 'impact' affordable housing](#) through collective investment vehicles; a further tranche of capital is expected to be allocated to the portfolio in 2023.

Intentionality refers to an intentional desire to contribute to social or environmental benefits. As this is embedded in the investment case and underlying funds, detailed information is more readily available on non financial factors (than would otherwise be the case).

In line with the overarching culture of clear communication with stakeholders and [SVG 15] [Transparency and Information Sharing](#), an innovative interactive map was created to show the locations of the affordable housing sites held within the portfolio. Statistics of interest are attached to each pin (the number of units (homes) urban/rural category and affordability ratio for the local area):



15
Transparency
and information
sharing

The outcome of this data mapping exercise is a valuable tool for officers to oversee the portfolio in its entirety (data from three asset managers), and stakeholders have a tangible information resource to connect technical financial and economic concepts with what is physically being built and maintained on the ground.

Annual impact reports on the commitment will be made in due course.

OUTCOME

Member and Employer engagement

Wiltshire Pension Fund are committed to data driven decisions to steer change and improvement, regularly reviewing the Communications Strategy ensuring it remains up to date and in line with the vision of the Fund. The most recent review introduced feedback gathering and monitoring of all customers via surveys. Data gathered helps the Fund identify and establish clear customer demographics to tailor engagement style ensuring communications are effective and clear.

During 2022, the Investment Team investigated options to enhance holdings transparency for stakeholders. Collating, combining, and organising data from multiple sources is a considerable challenge, but there are product offerings on the market for presenting the aggregate consistently and transparently. These may be explored at a later date when there is a clearer value for money case for Wiltshire Pension Fund members, given low probability of member engagement at this level.

OUTCOME

Funding

Member (or employees') 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 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.

OUTCOME

Improvements in employer engagement can be observed through email campaign statistics collected over the year. In April 2022, 15% of employer recipients opened the stewardship report email compared with 43% for the recent ISS consultation email.

Date	Campaign	Open rate %
12-Apr-22	Stewardship mini magazine	15.0
04-Aug-23	Annual Report 2021/2022	35.4
02-Feb-23	Investment Strategy Statement (consultation)	43.0

Source: Wiltshire email campaign analysis – Investment related employer communication

CASE STUDY SHORT FORM ANNUAL REPORT

The full **Annual report and accounts** is published and made available on the Fund website. Comprehensive in nature, it provides 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 full details. This was highly effective, was repeated in 2022 and will be again in 2023.

CASE STUDY STEWARDSHIP HIGHLIGHTS REPORT

The full Stewardship Report against the Code principles is a very useful document for a wide audience. However, some sections are quite technical for those unfamiliar with investment or the concept of stewardship. For typical scheme members, and those looking for bitesize examples, a Highlights mini magazine report was created to cater for their needs.

With improved employer engagement over the last year, it is expected that the 2023 Highlights report will achieve higher open rates.

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.

Since 2021, the Fund has published a dedicated Responsible Investment Policy, updated annually, the intention of which 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.

Examples of recent actions and developments (NEW 2022) 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.
- **NEW** Developing a programme of engagement with members and employers.
- **NEW** More information on impact investing
- **NEW** Enhanced information on climate risk, looking across all asset classes
- **NEW** A new section explaining engagement on holdings (engagement policy).

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 NINETY ONE EMMA STRATEGY

The Fund's Business Plan 2022/23 (item 16) set out the context for collaborating with asset managers to ensure climate risk is appropriately addressed.

Officer **activity** began by holding preliminary meetings with asset manager, Ninety One, in February 2022 and further strategy evolution workshops in July and October. These workshops involved looking at investment processes, scorecards, target setting and reporting. As an emerging market 'multi-asset' (EMMA) strategy, this meant considering these issues across equities and debt as well as alignment of sovereignties.

The **outcome** of this project was to agree targets set across assets. At the portfolio level, the target of a "minimum 10% exposure to "Sustainable Investments"¹ by end 2023, rising to 15% beyond" was set, along with targets for the equities and sovereign bonds, with the aim of reducing emissions, but without using it as a basis for exclusions or divestment.





A more detailed case study will follow in due course.

¹ "Sustainable Investments" include equities conforming to the EU's SFDR nomenclature, as well as ESG bonds (Green Bonds, Social Bonds, Sustainable Bonds and Sustainable-Linked Bonds) and Supra-national bonds (bonds issued by the EIB, EBRD, etc for project finance)

INTEGRATION ACROSS GEOGRAPHIES AND ASSET CLASSES

The following summary table shows indicative status by asset group.

Asset Group/Mandates	Managers	Long-term Strategic Allocations	Net Zero Target by 2050 or sooner	Metrics and Reporting	Data Coverage	Transition Alignment (per Mercer, where available)	Combined Net Zero Score
Equities	Brunel, Ninety One	34.5%	Very good progress made towards target setting/reporting and mettics/high level of coverage	Very good progress made towards target setting/reporting and mettics/high level of coverage	Very good progress made towards target setting/reporting and mettics/high level of coverage	Strong foundations, working towards formal targets/metrics in development/ coverage improving	Strong foundations, working towards formal targets/metrics in development/ coverage improving
Alternative Growth Assets	Partners Group, Brunel, Magellan	8.0%	Significant progress needed by way of target setting, metrics and/or coverage, but no causes for concern	Significant progress needed by way of target setting, metrics and/or coverage, but no causes for concern	Significant progress needed by way of target setting, metrics and/or coverage, but no causes for concern	Not available	Significant progress needed by way of target setting, metrics and/or coverage, but no causes for concern
Income Generating	Brunel, Ninety One, Pinebridge	32.5%	Strong foundations, working towards formal targets/metrics in development/ coverage improving	Significant progress needed by way of target setting, metrics and/or coverage, but no causes for concern	Strong foundations, working towards formal targets/metrics in development/ coverage improving	Strong foundations, working towards formal targets/metrics in development/ coverage improving	Strong foundations, working towards formal targets/metrics in development/ coverage improving
Protection Assets	Brunel, CBRE, Gresham House, Man Group	2.0%	Fully delivering against the Fund's climate objectives	Strong foundations, working towards formal targets/metrics in development/ coverage improving	Strong foundations, working towards formal targets/metrics in development/ coverage improving	Not available	Very good progress made towards target setting/reporting and mettics/high level of coverage

	Fully delivering against the Fund's climate objectives		Very good progress made towards target setting/reporting and mettics/high level of coverage
	Strong foundations, working towards formal targets/metrics in development/ coverage improving		Significant progress needed by way of target setting, metrics and/or coverage, but no causes for concern
	Actively causing problems for the Fund's climate objectives		Not available

Our decarbonisation progress so far – Wiltshire Pension Fund

One of the climate commitments made in 2021 was to “expand specific net zero target setting and monitoring of metrics for other asset classes over 2022, starting with property and infrastructure”. The investment team gathered information on each mandate, recording current positions on:

- Net Zero Target setting, 2050 or earlier
- Metrics and Reporting
- Data Coverage
- Transition Alignment (from Mercer ACT, where available)

EQUITIES

UK and developed markets

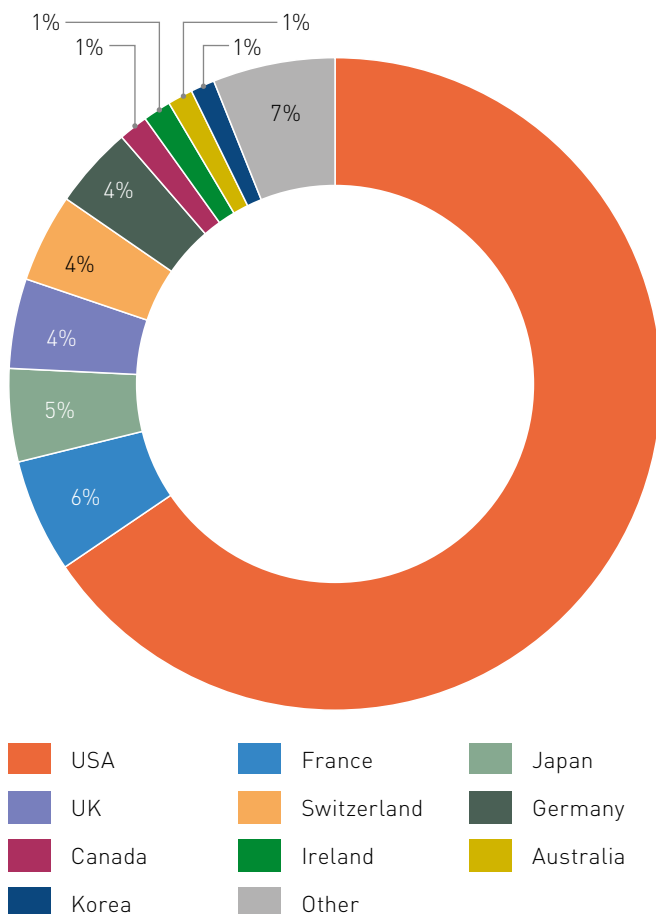
Traditionally, diversification of assets across geographical regions was relatively easy; mandates could be defined by market as UK, Europe, US, Asia etc. The rate of globalisation over recent years has been dramatic. It is increasingly difficult to categorise companies by geography with operations,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

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 15%
- Paris-aligned passive equities 12%
- Emerging market equities 5% (within multi-asset portfolio)

The chart shown below is market value by country of domicile for holdings in the FTSE Paris Aligned World Developed Equity Index Fund and is provided for information:

Market Value by Country of Domicile



Emerging markets

Data is less available for companies in emerging markets, which can make climate-related target setting more challenging.

Regular, active dialogue with asset managers has been met positively and significant progress has been made in plans for reporting carbon metrics and target setting, see Principles 3 and 7. These developments will further support the Fund's responsible investing agenda.

Gilts, Property, Infrastructure and Private Markets

As with equity mandates, the Fund does not implement its strategy by region, but Gilt holdings are all UK, Property is allocated 65% UK, 35% Global, Infrastructure is Global (but with North America and Europe specific underlying funds), Private Equity and Debt are Global, and Affordable Housing is UK.

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.

OUTCOMES

Climate Progress Performance Monitoring

Wiltshire Pension Fund's specific monitoring actions are below:

Brunel Climate Change Policy 2023-2030

In 2022, a Climate Stocktake was conducted with client funds to review Brunel's Climate Change Policy. Following consultation, the new policy was published in February 2023 that considered each of the five areas:

- designing climate resilient solutions
- investing where it matters
- delivering and evidencing progress
- convincing others to change
- making markets work

The Pension Fund Committee engaged in the stocktake process and approved a statement on their position. The Committee supports the final objectives on climate change and is supportive of Brunel's approach.

Monitoring of Climate Change Policy and Reporting Progress

The Fund has undertaken climate change scenario and carbon footprint analysis to understand opportunities and risks. To monitor this 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 Pension Fund Committee meet with each manager at least annually on a rota basis, during which responsible investment matters are discussed.

Brunel Pension Partnership operate a Responsible Investment Sub Group, made up of client funds, that considers RI issues on behalf of Client Group. Brunel have their own Responsible Investment Policy and monitor underlying asset managers on their compliance with these principles.

Where awareness is raised by pressure groups (or asset managers) on issues that could be considered controversial, a balanced view of the Pension Fund 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 Pension Fund Committee meetings, leading to informed and considered investment decision making in that regard. More recently, divestment and biodiversity have also been discussed in the fiduciary duty context.

Investment Consultant monitoring

The Competition and Markets Authority, CMA, published a report "Investment Consultants Market Investigation Final 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 ensured that Investment Consultants must be set objectives.

Wiltshire Pension Fund complied with this 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 to highlight an objective that was previously out of scope. 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. The objectives are currently under review following the setting of a new Strategic Asset Allocation and Investment Strategy Statement agreed in March 2023.

Voting records

As investors in pooled funds, and clients of Brunel Pension Partnership, 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 and 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 Code Report**.

CASE STUDY TRAINING IN CORPORATE ENGAGEMENT AND VOTING

Brunel provide detailed voting records for segregated active accounts and are supported by Federated Hermes (EOS), the appointed engagement and voting services provider. We publish the voting records on our website for full transparency.

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 by which investment strategy is implemented determines the opportunities to engage or influence corporations that operate a voting process. Strategy Asset Allocation comes before investment vehicle and stock selection. However, Wiltshire Pension Fund have taken relatively active positions in global equities, and deliberately allocating passive equity holdings to a Paris-Aligned Benchmark.

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.

The Pension Fund team is part of Wiltshire Council, which has set its own target of net zero by 2030. The team has also been working to achieve this target for its own operations alongside Wiltshire Council (see Principle 5). The Fund's administration software provider, **Heywood, has recently become carbon neutral.**

How Scenario modelling has guided stewardship

To properly assess and mitigate the potential financial implications of the risk, and help identify ways to take advantage of opportunities, the Pension Fund Committee commissioned scenario modelling from Mercer, the Fund Investment Consultants, and Hymans, the Fund Actuary.

The modelling results supported setting a net zero target and indicated that there were opportunities to financially benefit the Fund by making dedicated allocations to sustainable equities and renewable infrastructure. This long-term view is consistent with time horizons set out in Principle 6.

Brunel Pension Partnership

LGPS funds have a long history of collaboration, and investment pooling has been beneficial in bringing together like-minded funds, especially those sharing similar goals in terms of responsible investment and addressing climate change.

The objectives set in **Brunel's Climate Change Policy** are fully supported. The shared approach is to expect that companies and asset managers have policies and actions in place that align with a transition to a low carbon economy, but selective divestment is an option as a later step of escalation, if engagement and collective influence fails to deliver progress.

ACTIVITY

The **NEW** updated RI policy 2022, which included strengthened targets on climate, was circulated to the Fund's asset managers in September 2022 for acknowledgement and acceptance (the previous RI policy 2021 was circulated to asset managers for information).

All asset managers, including the Brunel pool, acknowledged and accepted the RI policy 2022.

OUTCOME

This exercise has meant that Wiltshire Pension Fund's policy was read and the expectation of alignment with asset managers' own policies was communicated. It was explained to asset managers that by accepting the policy, the expectation was that they would be confirming agreement and alignment with these principles in making and managing investments on Wiltshire Pension Fund's behalf.

OUTCOMES

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

Stewardship – Brunel Pension Partnership

Engagements | LAPFF (lapfforum.org)

Sustainable Development Goals

In setting **priority SDGs**, the Fund has had a framework to bring particular investment issues to the attention of the Committee across themes, asset classes and at the portfolio level. The **outcome** of this has been to further engagement in asset classes other than equities; see Principle 9 for more detail on Partners Group.

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 [Local Authorities Pension Fund Forum](#).

LGPS investments are predominantly held in pooled vehicles. In order for LAPFF to judge LGPS weight/value and influence over shareholder voting, an annual survey is conducted to collate shares/units and use this information to appropriately direct attention towards particular companies or issuers.

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

Federated Hermes EOS

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

The means by which client fund investment priorities are communicated to EOS is via the RISG and directly to EOS at (RISG) meetings which are attended by the EOS engagement team.

OUTCOME

The following examples are from active and passive equity, listed infrastructure, emerging markets multi asset and private equity portfolios:

Company: Amazon

Engagement partner/provider: LAPFF

Engagement method: Investor Letters, shareholder resolution support and voting recommendations

Subject/issue: Company's Trade Union Practices

Date: Q1 2021/Ongoing

CONTEXT: Last year we reported LAPFF's engagement on a letter to address Amazon workers' rights to free association and collective bargaining at the company's facility in Bessemer, Alabama in the US. In January, [Amazon workers at a warehouse in Coventry held a strike in protest over pay and conditions](#) marking the first time UK employees of the ecommerce giant have taken industrial action.

ACTIVITY: During 2022, 11 resolutions were filed covering human rights due diligence, worker safety, working conditions, freedom of association and tax reporting. Earlier in the year, LAPFF had heard concerns from staff in the US and Spain about working conditions and an anti-union campaign at the company. Based in part on such stakeholder engagement, and to ensure enhanced reporting so that investors could understand the material risks they face, LAPFF supported the resolutions.

OUTCOME: LAPFF recently (Q4 2022) signed a letter to Amazon led by SHARE, the Canadian-based shareholder group that filed the freedom of association resolution with Amazon. SHARE's letter asked the company to follow up on the shareholder resolution request to issue a report on the company's approach to freedom of association.



Amazon warehouse, Coventry, West Midlands, UK

Company: Atmos Energy
Engagement partner/provider: Magellan
Engagement method: Reduced exposure
Subject/issue: Climate Risk Analysis
Date: 2022

CONTEXT: Magellan operate Situational Analysis, Forecasting, and Engagement 'SAFE' Transition Methodology. Companies designated as having 'Transforming' or 'Vulnerable' status triggers a staged engagement process seeking commitment to TCFD-compliant disclosures and external validation of climate targets.

ACTIVITY: Atmos Energy is one of the United States' largest natural-gas-only distributors with significant scope 3 emissions. Implementation of improved climate risk framework prompted Magellan to revise valuation implications: a net-zero 2050 base case materially reduced central estimate of value, policy and technology risks increase materially with duration, and significant near-term capital expenditure increases long-term stranding risk.



Atmos Energy; a natural gas company

OUTCOME: Magellan trimmed its position; we understand that future positioning will be opportunistic, increasing if the market ignores near-term policy support or overstates the likely speed of the transition.



VSB Group; renewable energy developer

Company: VSB Group
Engagement partner/provider: Partners Group
Engagement method: Direct
Subject/issue: Governance
Date: 2021/2022

CONTEXT: VSB Group is a leading European developer, owner, and operator in the renewable energy sector, operating wind and solar farms held within a private equity fund managed by Partners Group. In 2021, a health & safety review was conducted to assess the wellbeing of VSB's employees and its contractors which led to an increase in oversight and transparency.

ACTIVITY: Partners Group oversaw the GoesGreen initiative, with the overall objective of further improving VSB's ESG credentials, reducing its carbon footprint, and deepening the alignment between employees and the company's green mission.

OUTCOME: The initiative fostered greater employee identification with VSB's values and helped improve employee engagement on ESG topics and made the company an even more attractive 'employer of choice'. On the governance side, Partners Group conducted a detailed assessment of VSB's IT, cybersecurity, anti-bribery and anti-corruption and set up a more robust system.

Company: Meiji Holdings

Engagement partner/provider: EOS

Engagement method: Ongoing meetings

Subject/issue: Deforestation, Biodiversity and Sustainable Food Systems

Date: 2022

CONTEXT: Meiji Holdings is part of the FTSE Paris Aligned World Developed Equity Index Fund held with Brunel listed equities.

ACTIVITY: EOS developed a dedicated biodiversity engagement programme for companies in the food and beverage sector. The programme includes 15 companies from around the globe. Material issues for engagement include regenerative agriculture, deforestation, sustainable proteins, water use, animal welfare, antimicrobial resistance, chemicals and pollution, and ocean health.



Meiji Holdings, food, pharmaceuticals, and healthcare

OUTCOME: EOS encouraged companies, including Meiji Holdings, to commit to zero deforestation by 2025 for all commodities, regions, and suppliers, including indirect suppliers. In engagement with Meiji Holdings, we were pleased to hear the company express an upcoming focus on measuring its impact, especially in anticipation of future developments of the Taskforce on Nature-related Financial Disclosures (TNFD).

Company: Samsung Electronics

Engagement partner/provider: Ninety One

Engagement method: AGM attendance, letter and leadership meeting

Subject/issue: Sustainability priorities

Date: Q1 2022 – Q3 2022

CONTEXT: Ninety One identified Samsung Electronics as a heavy emitting company through Transition Plan Assessment analysis. Samsung are in a high growth sector given the production of semiconductors and without significant investment in abatement and mitigation technology, they are at risk of increasing absolute emissions.

ACTIVITY: Samsung published its Sustainability Report in 2021. The February 2022 AGM and Climate Strategy meeting were attended by the investment team and climate expert. Following this, a Letter of Engagement was sent to Samsung Board in March which detailed areas for improvement on Sustainability strategy and included ten recommendations.



Samsung Electronics, a major manufacturer of semiconductors, electronic components such as batteries, optoelectronics and smartphones

OUTCOME: Samsung Board responded positively to Ninety One's letter and arranged an in-person meeting with Samsung leadership and the Investment and Sustainability team in London in May. In September, a new environmental strategy was published; net zero Scope 1 and 2 targets for operations and joining RE100 to match power needs with **100% RE** outside of Korea operations and spend \$5bn on transition strategy by 2030.

In 2021, 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](#), conversations with 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 featured in leading [pension publications](#), and investment press. This highlighted an example of an approach that other interested asset owners could take.

In 2022, a similar, COP27 news post and member email campaign was conducted. Against the backdrop of the current energy and cost of living crises, climate change has been pushed down the domestic political agendas worldwide¹. Opinion polls in the UK suggest falling public support for climate action², (and while somewhat **LESS SUCCESSFUL** than last year) this campaign continued to attract interest nevertheless.

Date	Campaign	Open rate %	Click through* %
28-Oct-21	Climate Statement (COP26)	55.1	1.4
18-Nov-22	COP27	47.6	0.7

*Source: Wiltshire email campaign analysis – *the recipient clicked links within the email to read more information.*

It is difficult to measure the success of engagement activity, particularly on thematic issues. Changes in public opinion, policies, practice and regulation take place over the long term as the incremental effect of many smaller scale discussion, debate and decisions, diplomatic and activist actions place 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 further developing its approach to stewardship and reporting during 2023.

¹ [Cambridge Institute for Sustainability Leadership – COP27](#)

² [Public service think tank, the Serco Institute, Climate Action poll](#)

PRINCIPLE 11

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

ACTIVITY

As set out under Principle 9, the Responsible Investment policy 2022 was circulated to asset managers and Brunel to set expectations for engagement on Wiltshire's behalf. The engagement policy page (15) also set out the relationship hierarchy chart via which **escalation** takes place.

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

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

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 indices, coupled with the value of assets flowing into it and Brunel's promotional activity, a clear message has been sent indirectly to the market and wider industry that alignment of climate objectives matters to asset owners.



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 the exercising of 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. Federated 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 undertakes its engagement activities through its active membership of the Local Authority Pension Fund Forum which targets specific areas of concern across the holdings of its LGPS membership.

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 will publish the voting carried out on its behalf on its website.

Brunel as 'asset manager', Wiltshire '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

Example – Voting case studies

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

Magellan voting activity on CSX (a leading supplier of rail-based freight transportation in North America) led to an outcome of facilitating change on remuneration structure:

- Magellan view an appropriately structured long-term equity award program as an effective way to align the long-term interest of management with the those of shareholders.
- Magellan have been engaging with CSX over a number of years, regarding the proportion of stock options in total remuneration, and in 2021, 2020 and 2019, voted against the 'Advisory vote on Executive compensation' due to the significant proportion of total remuneration potentially in stock options.
- In 2022, CSX executive compensation structure improved to include a lower proportion of stock options, so Magellan supported the executive compensation resolution.

Magellan voted in favour of the Sempra Energy (one of the largest utility holding companies in the United States) proposal to separate the Chairman and CEO roles;

- At the 2022 AGM, Sempra Energy had a shareholder proposal requesting that the Chair of the board be an independent director. Magellan view the separation of Chairman and CEO as best practice.
- The Investment and ESG teams had engaged with Sempra Energy's Company Secretary regarding the company's combined Chairman/CEO role, advocating for separation. In alignment of the firm's Corporate Governance Principles, Magellan voted in favour of the proposal to separate the combined roles.
- As a long-term investor in Sempra Energy, Magellan has remained supportive of current Chair/CEO performance. Hence, support of the resolution was by no means a reflection of skills and capabilities.

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

Abstentions

There were no abstentions during 2022.

Executive pay example

At the 26 May 2023 Annual General Meeting on theTradeDesk, Inc. ((United States) a digital marketing company), a vote against agenda items 3, 1.1 and 1.2 were recorded. On investigation, it was found that the item related to remuneration and executive pay.

On questioning this vote, officers learned that the rationale for voting against was a failure to link pay to performance: 'Significant concern was raised with a special stock option award granted to the CEO, which, while tied to achieving stock price hurdles, was deemed excessive'.

Resource considerations

Through investigating examples and case studies of single corporate entities and groups, the Investment team have built breadth and depth of knowledge, acknowledge the magnitude of research and engagement required to keep up to date on every vote and engagement.

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

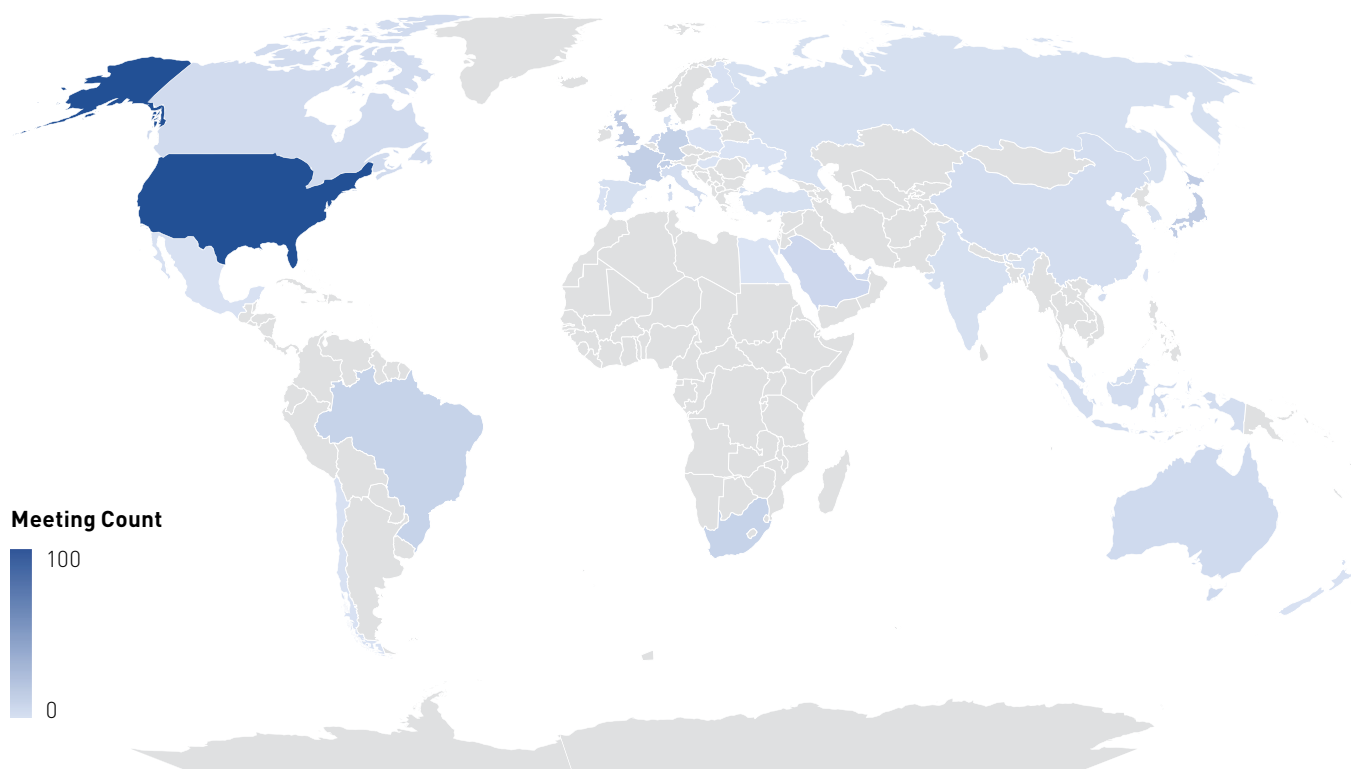
OUTCOME

Voting reports

The Fund's voting records are published on the [Stewardship/Voting records](#) webpage.

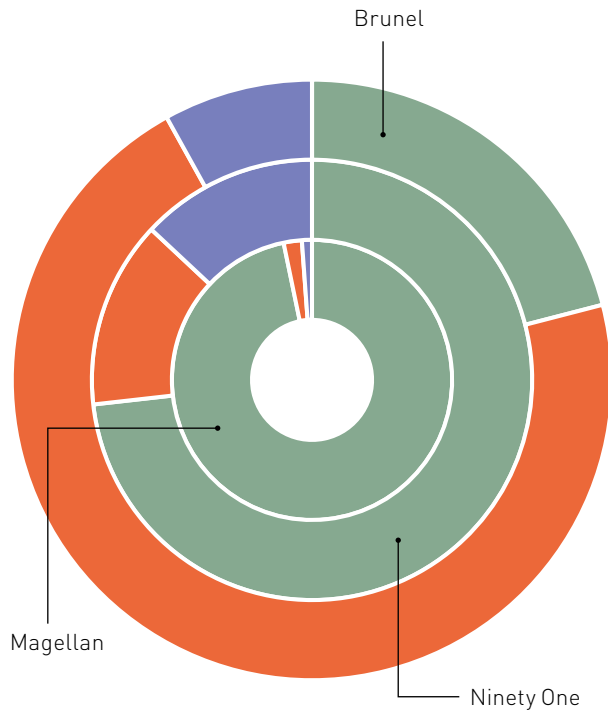
MEETING VOTING OVERVIEW 2022

Meetings by geography



	Asia	Australia and New Zealand	Emerging Markets	Europe	North America	Standalone	United Kingdom	Grand Total
Brunel	16	–	13	39	79	–	15	162
Magellan	–	6	–	8	16	–	3	33
Ninety One	5	1	123	6	2	2	5	144
	21	7	136	53	97	2	23	339

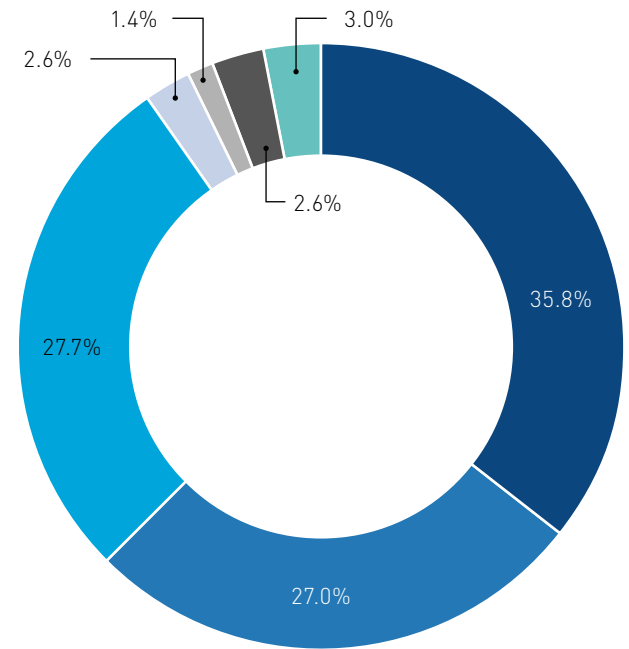
Total Meetings



- Total meetings in favour
- Meetings against (or against AND abstain)
- Meetings with management by exception

Total Resolutions

(voting against management or abstaining)



- Amend articles
- Audit and accounts
- Board structure
- Capital structure and dividends
- Other
- Remuneration
- Shareholder resolution

	Meetings	Resolutions	Total meetings in Favour	Meetings against (or against AND abstain)	Meetings with management by exception
Brunel	162	2,422	21.0%	71.0%	8.1%
Magellan	33	429	96.7%	2.1%	1.2%
Ninety One	144	1,512	73.2%	13.8%	13.0%
	339	4,363			

The high count of voting recommendations against management are predominately in North America. EOS have continued to oppose the majority (78%) of say-on-pay proposals on the basis that practices across the region remained materially misaligned with stewardship principles. For example, EOS recommended voting against executive pay and the compensation committee chair at Netflix. Some 73% of shareholders rejected the pay proposal, so EOS are expecting a robust response from the compensation committee in the coming year.

EOS also recommended opposing pay at Caterpillar, Walmart, Visa, Morgan Stanley, Meta, ExxonMobil, Chevron, Mondelez International, JPMorgan Chase and many more. This was mainly for excessive quantum*, without adequate disclosure of the additional value created for long-term shareholders when paying the CEO significantly above the labour-market median.

* This may be quantified using pay for performance evaluation, degree of alignment, median multiples and other factors.



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

Net Zero – net zero refers to the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere. Net zero is reached when the amount added is no more than the amount taken away.

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

Paris Aligned Benchmark – developed with Brunel, FTSE Russell's Paris-aligned benchmark series aims to achieve a 50% reduction in carbon emissions over a 10-year period and integrate forward-looking metrics and governance protections from the transition pathway initiative (TPI).

Passive – a passive investment is one which tracks a market-weighted index. Passive management is most common in equity markets and often used by pension funds to build a diversified portfolio with a long-term investment horizon.

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.

Pooled – an investment term which refers to the grouping together of investment holdings. This method of investing offers significant economies of scale and is well suited to investors sharing the investment objectives.

Scheme Advisory Board – the function of the LGPS Advisory Board (SAB) (E&W) is to provide advice to the Secretary of State on the desirability of making changes to the Scheme and provide advice to administering authorities and local pension boards in relation to the effective and efficient administration and management of the Scheme

Scheme Manager – the scheme manager is a term from the PSP Act 2013 responsible for managing or administering the scheme. For the LGPS, the Administering Authority is scheme manager; the difference is nomenclatures under different legislation.

Segregated – an investment term which refers to the segregation of investment holdings in an individual account (as opposed to pooled with a larger group). This is quite uncommon as individual requirements related to risk and investment objectives would need to be significant enough to justify additional costs.

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 the headings of 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.

