

CASE STUDY

Wiltshire Pension Fund



The **IMPACT INVESTING**
PRINCIPLES *for* **PENSIONS**



What are The Impact Investing Principles for Pensions?

The Impact Investing Principles are a practical guide to impact investment and provide four concrete steps pension schemes can take to pursue an impact investing strategy – see figure.

Drawn up to meet the growing need for best practice guidelines on how to set, implement, review and measure an impact investment strategy, the Principles were designed by the *Impact Investing Institute* in partnership with *Pensions for Purpose* in consultation with leading practitioners and with input from stakeholders including pension funds, investment consultants and managers as well as member associations.

Increasingly pension schemes want to reduce negative impacts and risks that arise from carbon emissions,

biodiversity loss, poor governance and inequality, which affect their portfolios. Pension funds are interested in investment opportunities that have a positive impact on the environment and society, and also secure a competitive financial return. The Principles make it easier for pension schemes to reach that goal.

The Principles were designed to be dynamic and to reflect the fast-evolving nature of impact investment. Pension schemes already working with the Principles participate in *Pensions for Purpose's* Community, a peer-learning platform that shares relevant resources and hosts events. This group, along with other initiatives and partnerships, provides evidence-based feedback to ensure the Principles remain cutting-edge and responsive.

1

Set impactful objectives:

establish and incorporate 'impact objectives' as part of your pension scheme's statement of investment principles (SIPs) or policies, which can be explained to your members and are designed to serve the scheme's purpose.

2

Appoint investment consultants and managers with impact integrity:

identify and appoint investment consultants who are aligned with your investment beliefs and objectives, and fiduciary and/or investment managers who can achieve your scheme's impact goals through their investment and stewardship activities.

3

Use your voice to make change:

progress your impact objectives by formulating stewardship guidelines for your, or your investment manager's, voting and engagement activities.

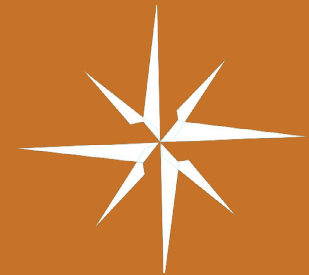
4

Manage and review your impact:

monitoring progress against your impact objectives by identifying relevant indicators and benchmarks, assisted by your investment managers.

Wiltshire Pension Fund

We spoke to Jennifer Devine, Head of *Wiltshire Pension Fund* to compile this case study



Fund facts 2022

Assets under management (AUM): **£3bn**

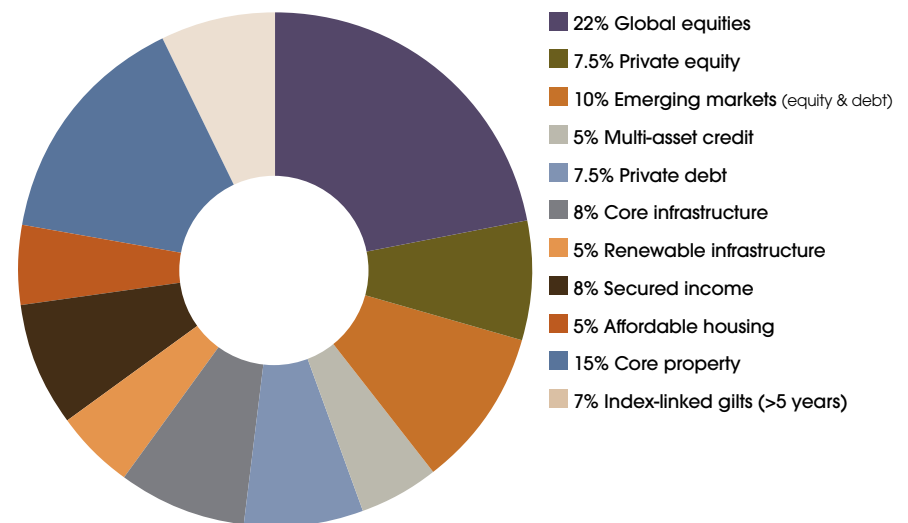
Employers represented: **>170**

Number of members: **80,000**

Impact journey facts:

- The fund aims for 30% of the portfolio to be sustainable and/or low-carbon by 2030.
- Currently, 5% of the portfolio is allocated to affordable housing and 7% to renewable infrastructure and climate solutions.

Fund's asset allocation



Case study

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How did you get buy-in for impact investment?

The trustee board had an introductory session and expressed interest in further learning. We then conducted an in-depth workshop on the sustainable development goals (SDGs), led by Karen Shackleton of *Pensions for Purpose*. The training clarified how impact investing differs from philanthropy and addressed the question, "Why should we prioritise this?" Framing the discussion, the board reviewed the investment belief encompassing it. We concurred investing for positive social and environmental impact, is increasingly key for investors, and can align with competitive market returns. Impact investing also integrates risk and return drivers often overlooked. The fund aims to minimise negative societal and environmental impacts while maximising positive contributions. We recognised this approach as a 'package deal' – still focused on achieving necessary returns but with a different methodology.

Obtaining buy-in involved training

the decision-makers, the committee members, to understand impact investment. Their acceptance was crucial in integrating it into our strategy. We also gathered insights through surveys and engagement initiatives with scheme members and employers. Although we avoided technical terms like 'impact' in member surveys, we asked about their interest in sustainable and low-carbon investments.

Employer surveys revealed mixed responses, with some strongly supporting alignment with their organisational goals, while others disagreed. Despite varying opinions, pressure from younger generations encouraged employers to consider such investments.

Why did you choose to use the Principles?

One of our members first flagged impact investing. He attended a conference hosted by *Pensions for Purpose* and thought impact investing was interesting and something the rest of the investment committee ought to be thinking about.



THE SUSTAINABLE DEVELOPMENT GOALS

How have you progressed with each Principle?

Set impactful objectives

1

Investing with impact can help incorporate risk and return drivers which would not otherwise be considered. We wish to invest in a way that minimises negative impacts on society and the environment, and where possible makes a positive contribution. We have done case studies on the SDGs we have set as priorities and have a strategic allocation to renewable infrastructure and climate solutions, which we use the Independent Governance Committee (IGC) framework for.

We do a stewardship report every year and we publish a short non-technical magazine as an attempt to get people to engage with the information, since the stewardship report is very long and detailed. In addition, our policy objectives undergo formal reviews and committee approval every year.

Regarding our approach to social and environmental impact opportunities, currently 5% of our portfolio is allocated to affordable housing and 7% to renewable infrastructure and climate solutions. While we haven't set a specific target for impact investment percentages, we aim for 30% of the fund to be sustainable and/or low-carbon by 2030.

Appoint investment consultants and managers with impact integrity

2

We benefit from a climate and responsible investment adviser among our regular consultants. Additionally, our independent adviser consistently supports our objectives in this domain. With their understanding of our goals and our approved allocations, they continue to back us in reaching our targets.

We engaged in extensive discussions upfront to ensure alignment with our impact objectives, particularly as we were early adopters of impact strategies. We have reviewed and embedded impact at the strategic asset allocation level. During our longlisting and shortlisting exercises for managers, we maintained a collaborative approach, ensuring clarity on pertinent issues. For instance, we identified investments that seemed aligned with our objectives but might veer towards a philanthropic approach or have unintended consequences. This process allowed us to make informed decisions and align our strategic asset allocation with our impact goals.

We use a process to review the impact investing performance of our investment consultant and of our managers. This process is facilitated through the *Competition and Markets Authority*. We establish objectives for them, which, while optional, are considered good governance for appraisal purposes. These aspirations centre around our climate and impact goals. We provide feedback on their performance and, if necessary, may engage a specialist consultant for particular areas or consider changing suppliers if overall service quality is unsatisfactory.

How have you progressed with each Principle? *continued...*

Use your voice to make change

3 The stewardship policy is closely aligned with our impact objectives, as evidenced by the case studies covering the sustainable development goals (SDGs) and the inclusion of investment beliefs throughout the report.

While our third-party advisers do not specifically focus on staying abreast of key issues related to impact objectives and stewardship guidelines, our internal focus remains strong in these areas, aligning with our proactive approach.

We engage extensively with our investment managers to ensure alignment with our priorities, leveraging collective efforts within the pool, although this sometimes limits customisation.

Membership feedback significantly influences our decisions, and as a signatory to the Stewardship Code, we remain committed to its principles.

While we have begun to emphasise split voting on pooled assets and engage with industry groups such as the *Brunel Pension Partnership* and the *Local Authority Pension Fund Forum (LAPFF)*, resource constraints hinder broader participation, including attendance at AGMs, despite opportunities facilitated by our affiliations.

Manage and review your impact

4 We're currently not using sophisticated tools to assess progress toward our goals. For climate solutions and renewable infrastructure, we're in the process of developing measurement criteria. Our focus is on affordable housing, where our team evaluates evidence against stated objectives.

We conduct scenario analysis across our portfolio, particularly regarding climate resilience. This analysis examines various climate outcomes and their implications for investment performance and funding strategies.

While we're aware of negative and positive impacts across our portfolio, there are inevitable gaps, primarily due to data limitations. We prioritise engagement on climate issues based on factors like emissions and *Transition Pathway Initiative* scores.

The measurement process feeds back into our objective review by providing insights into goal attainment and highlighting areas for improvement. This feedback loop informs whether objectives are progressive enough and guides our information acquisition efforts.

We communicate our impact initiatives with members through annual surveys and online engagement. While obtaining direct feedback is challenging, metrics like web page visits and email open rates indicate significant member interest in these topics. We're continually refining our communication strategies to improve member engagement and feedback collection.

“Having the members of the committee trained and understand what impact investment means is the most important – they are the decision-makers. If they were unhappy with it being part of the strategy, it just would not happen. I think their approach now does come from the training but also from surveys and other initiatives we have undertaken with the scheme members and employers.”

Jennifer Devine

HEAD OF WILTSHIRE PENSION FUND



PICTURE CREDIT: LUÍS EUSÉBIO, UNSPLASH

“Wiltshire Pension Fund has demonstrated a clear integration of impact in their objectives, alignment with advisers and managers, and engagement with companies and members. They consider impact in a progressive way at the strategic asset allocation level and communicate effectively with members on their impact. Engagement has been proven to encourage members to increase contributions, creating a mutually reinforcing case for impact in investment. It is brilliant to see this progress, which shows other pension funds the art of the possible.”

Charlotte O’Leary

CEO OF PENSIONS FOR PURPOSE



WEBLINK

Find out more about
the Principles