

Isle of Wight Council Pension Fund Responsible Investment Policy

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3. Introduction

3.1 Background

The Committee of the Isle of Wight Council Pension Fund (the “Fund”) is committed to being a responsible investor. This includes the management of environmental, social and governance (“ESG”) factors - including climate change and nature loss - and the requirement for asset owners and Investment Managers to consider stewardship in their investment approach.

3.2 Purpose

The purpose of the Responsible Investment (“RI”) policy is to set out:

- The underlying objectives of the RI policy and what the Committee expects to achieve from having this policy in place;
- The Committee’s RI beliefs;
- The actions that the Committee will take to achieve these objectives;
- The means by which the actions will be assessed in order to judge whether the expected outcomes have or have not been achieved; and
- The Committee’s views and practices concerning ESG-adjacent issues such as investment pooling, Local/Impact Investment and Climate Change.

This policy has been established to provide a clear and comprehensive definition of the Fund's position regarding responsible investment. By articulating these views, the Fund aims to facilitate effective engagement with its investment pooling partner, ensuring that its investments are managed in accordance with the Committee's established beliefs and objectives wherever possible.

The Committee recognises that its investment pooling partner will require time to review and integrate the individual policies and expectations of its partner funds. Accordingly, the Committee will undertake a focused review of this Responsible Investment Policy in six months’ time to assess progress, alignment and any further actions required.

A glossary of terms used throughout the present policy is provided in Appendix 1.

4. Governance

4.1 Stakeholders

The Pension Fund Committee, working together with the Fund's Officers, is responsible for setting the Fund's high level investment strategy and strategic asset allocation ("SAA").

The implementation of the Fund's investment strategy is to be delegated to the Fund's investment pooling partner, who will be responsible for integrating the views of its member funds into its overall RI policy and investing the Fund's assets in line with this.

Further information on the governance structure of the Fund and how it relates to ESG/climate-related issues is set out in Appendix 2.

4.2 Policy review

The RI objectives, beliefs, and policies, are reviewed on a periodic basis, and at least triennially.

4.3 Education

The Committee receives RI training on at least an annual basis and as deemed appropriate in order for them to have sufficient understanding of the topic and discharge their duty as the Committee. The training agenda is set by the Committee, with input from the Committee's consultants and officers. The Committee is tasked with developing deeper knowledge and understanding of RI issues.

In 2021, the Committee undertook dedicated training sessions on climate risks, including climate scenario modelling. This climate scenario modelling was refreshed in 2025 as part of the triennial valuation. Before updating these policies, the Committee held a dedicated workshop and conducted an RI survey of Pension Fund Committee members, Local Pension Board members and pension fund officers to help shape these policies. The Fund intends to further strengthen its ESG governance and oversight. This will include additional training, enhanced ESG reporting, and the development of measurable metrics and targets to support ongoing progress.

5. Responsible Investment Beliefs

5.1 Advantages of RI Beliefs

Investment beliefs reflect the way in which the Fund's overarching objectives are incorporated into its actual investment arrangements. Having a well-defined set of RI beliefs for the Fund offers several advantages, including:

1. **Clarity on why each mandate is held and the role it performs in the Fund's arrangements:** this clarity is of benefit to the Committee and the underlying members. It also offers a basis for framing communication on investment strategy which is particularly relevant where decisions are subject to public scrutiny.
2. **Prioritisation:** having identified which investment decisions are most important, advice can be sought and meetings scheduled around these key priorities. This allows for more effective decision making.
3. **Long-term thinking:** having a set of stated beliefs means that the Committee is better able to avoid being unduly influenced by short-term market noise and in-vogue investment ideas.
4. **Consistency, both of advice and decision-making:** this allows all decisions to be reached using a consistent underlying framework.
5. **Continuity of understanding in decision-making:** having a decision-making framework based on a set of beliefs allows decisions to be contextualised, which is particularly valuable if there is turnover of Committee members, i.e. the current committee may not "own" the decision on a certain element of the investment strategy, but as they own the framework, they can understand why the decision was taken.

5.2 Considerations for Investment Strategy

Investment strategy refers to the broader strategic framework within which the portfolio is managed (growth, income and protection assets). The Committee recognises that ESG considerations are integral to the Fund's investment decision-making process. Accordingly, ESG factors are evaluated both in the formulation of investment strategy and in the selection of new investment mandates.

The Committee expects its investment pooling partner and appointed Investment Managers to consider ESG-related risks in their investment decisions. These considerations, including climate and broader ESG issues, will be regularly monitored and discussed with both the investment pooling partner and investment managers.

The Committee will have a limited role in selecting new Investment Managers and mandates, as implementation responsibilities are delegated to the investment

pooling partner (“the Pool”). When passive investments are chosen, a key factor is how well ESG-related risks are incorporated into the benchmark. The Committee receives advice on investment mandate selection and ongoing monitoring from its pooling partner and Investment Consultants. Additional details can be found in Section 7.

5.3 Setting RI Beliefs

The Committee’s strategic goal is to have sufficient assets to pay benefits as they fall due, whilst reducing the risk of requiring unexpected contributions that could endanger the covenant and so endanger paying pensions in full. To achieve this, it will include material ESG factors in investment decisions, manage long-term environmental risks, and pursue relevant investment opportunities.

RI issues will be considered at both the strategic level and at the point of implementation.

The Committee recognises climate change as a key risk and opportunity to the Fund and as such focuses its investment portfolio monitoring and ongoing engagement with the investment managers on this particular theme with the expectation that the Committee’s investments contribute to or support progress on this issue.

Wider ESG factors are also recognised as having the potential to impact the Fund and these factors will still feature as part of the Committee’s ongoing monitoring and assessment.

These beliefs will be reviewed by the Committee on a triennial basis, with any relevant updates implemented if a significant shift in Committee preferences arises.

5.3.1 RI beliefs

1. The Fund is a long-term investor, and the investments should be able to generate sustainable returns to pay pensions for Fund members. Environmental, Social and Governance (“ESG”) issues can have a material impact on the long-term performance of its investments.
2. In setting its investment strategy, the Committee should focus primarily on meeting its financial obligations to pay benefits to members. Financial considerations carry the same weight as non-financial considerations.
3. Long-term sustainable investment returns are an important consideration, even to the extent that the sustainability of returns extends beyond the expected investment horizon of the Committee.
4. Responsible ownership of companies benefits long term asset owners. Companies with a clear responsible investment policy are expected to

- outperform companies without a responsible investment policy, over the longer term.
5. As an asset owner, the Fund can use its influence to improve financial outcomes for the Fund and the real-world economy through its capital allocation and stewardship processes. The Fund has a responsibility to be a proactive steward of capital to improve financial outcomes. The principles of the UK Stewardship Code set high standards for asset ownership.
 6. RI considerations and engagement are important and are likely to have a material impact on financial outcomes. The Committee will therefore embed ESG factors in investment decision making as long as it does not counteract other important financial factors.
 7. To take advantage of climate-related opportunities, the Fund should put bias into investments that facilitate environmentally beneficial schemes and be mindful of taking steps towards generating a positive, measurable environmental and social impact alongside a financial return. The Fund's Pool and investment managers should be embedding ESG considerations into their investment process and decision making, including stock specific ESG issues.
 8. The Fund's investment strategy should align with efforts to reduce man-made greenhouse gas emissions to 'net zero' by 2050.
 9. Change will be pursued through engagement rather than disinvestment, but the latter is an option to consider if meaningful improvements in responsible investment processes are not seen over time.
 10. Any exclusions applied by the managers on the Fund's investments should be clearly defined, evidence-backed and approved by the Committee.
 11. Monitoring and engaging with the Fund's investment managers and pooling partner, as well as holding managers and the Pool accountable for their decisions, will form an important part of the Fund's stewardship approach.
 12. The Committee has an ambition to work collaboratively with other like-minded investors and representative bodies in order to maximise the influence of the Fund's assets on investee companies.
 13. Improved disclosures better inform investment decision-making. Reporting on ESG factors will inform the Committee's approach to RI and ESG issues. The Committee will endeavour to produce and publish regular reporting on Responsible Investment, ESG and stewardship.
 14. The Committee aims to incorporate and account for member views when deciding and implementing its stewardship strategy. These perspectives are incorporated through employer representation at Committee meetings.
 15. Voting and engagement at company level can be effective in changing corporate behaviour. The Pool and investment managers' voting and engagement activities should be monitored. The Committee has a responsibility to proactively and regularly monitor the Pool and investment

managers' voting and engagement activities and hold them accountable for their decisions.

16. The Fund aims to work closely with its pooling partner on stewardship and engagement issues including ESG issues and voting rights.

6. Stewardship Policy

6.1 Stewardship Approach

Stewardship describes the activities of investors in exercising the rights and responsibilities that come with asset ownership, including voting and engagement with key stakeholders.

The Committee recognises that, as an asset owner, the Fund can use its influence to improve financial outcomes for the Fund and the real-world economy through its capital allocation and stewardship processes. The Fund has a responsibility to be a proactive steward of capital to improve financial outcomes. The principles of the UK Stewardship Code set high standards for asset ownership, the Committee is not currently a member of the UK stewardship code but will aim to follow its principles where feasible.

Voting and engagement at company level can be effective in changing corporate behaviour. The Committee has a responsibility to proactively and regularly monitor the Pool and investment managers' voting and engagement activities, and hold both accountable for their decisions

6.2 Principles and Process for Stewardship

6.2.1 Engagement

The Committee expects its pooling partner and Investment Consultants to promote active dialogue between investment managers and underlying investee entities, regardless of asset class. In particular, the Committee expects engagement on climate and other environmental issues to be emphasised. The Committee believes that monitoring investment managers and engaging with them is crucial to ensure that managers are accountable for their voting decisions. Therefore, manager and Pool monitoring forms a crucial part of the Committee's stewardship approach. The Committee aim to receive presentations from one of their managers or pooling partner at each committee meeting on a rotating basis.

The Fund believes in collective engagement through its pooling partner and its membership on the Local Authority Pension Fund Forum (LAPFF). Through LAPFF the Fund exercises a voice across a range of corporate governance issues.

The Committee supports engagement activity that seeks to:

- Achieve greater disclosure of information on the ESG-related risks that could affect the value of an investment.
- Achieve transparency of an investment's carbon exposure and how such companies are preparing for the transition to a low carbon economy.
- Encourage its asset managers and Pool to actively participate in collaborative engagements with other investors where this is deemed to be in the best interests of the Fund.

6.2.2 Voting

The execution of voting rights is to be delegated to the Pool, where rights exist. Delegation of voting rights exist on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, it is expected that the Pool has written guidelines of their process and practice in this regard, that the Committee expects them to act in adherence to.

The Committee expects as a minimum that:

- All votes should be exercised where feasible;
- The Pool votes in line with its guidelines in respect of all resolutions at annual and extraordinary general meetings of companies;
- In particular, votes on resolutions related to climate and other environmental actions should be considered carefully based on the specific request being made and the context of the company in question. The Committee expects a high level of support for votes requiring greater disclosure or setting a business transition strategy consistent with the Paris Agreement.

6.2.3 Advocacy

The Committee aims to have a broader influence beyond engagement with investee companies and hopes to achieve this through its asset managers.

7. Exclusions and Controversial Investments

The Committee aims, as a responsible investor, to achieve positive “real-world” change and believes that this is often best achieved through effective stewardship (see Section 6). It is the Committee's view that change will primarily be pursued through engagement rather than disinvestment.

If meaningful improvements in responsible investment processes are not seen over time through engagement activity, then the Committee believes that exclusions can

be justified to manage material financial risk, or if the investment is no longer aligned with the interests of the Fund. The Committee's view is that exclusions should primarily be placed on assets where there is limited ability for the investment manager to have meaningful influence through stewardship or engagement options have been exhausted (e.g. a company whose only business is in mining thermal coal).

The Committee understands that, as a constituent authority of an investment pool, when they invest in funds via the pooling partner, they are limited to the exclusion practices of the funds available in the Pool.

The Committee do not view this as a barrier to implementing a view on exclusions as set out in this section. Setting out a formal view on exclusions and wider RI beliefs can form the basis of continued engagement with the fund investment pooling partner and wider collaboration with other stakeholders. The Committee believes careful consideration needs to be applied in setting formal exclusions and there should be a clear rationale for their adoption.

Any exclusions applied by the managers or the Pool on the Fund's investments should be clearly defined, evidence backed and approved by the Committee. Where there is clear, credible and immediately verifiable evidence that an investee company or government has breached international law, committed serious violations of human rights, or contravened UK recognised legal standards, the Committee believes that exclusion should be considered by the Pool without undue delay.

The Committee should understand any direct and indirect impact on the Fund's investments and suitably consider the associated risks of any exclusion prior to implementing.

The Committee would expect the Pool to offer investment solutions that at least allow for the following exclusions:

1. Any government or company which is currently subject to legal sanctions by the UK;
2. Companies who manufacture and distribute controversial weapons, including weapons of mass destruction, cluster munitions, landmines or chemical and biological weapons;
3. Companies which derive significant revenue from fossil fuels, or fossil fuel related activities (such as reserve ownership, production and distribution, services or financing supporting activities);
4. Companies which are associated with significant deforestation or loss of biodiversity;
5. Companies which violate the UN Global Compact.
6. Companies directly involved with human rights abuses.

For the purposes of considering exclusions, “evidence” refers to clear, credible and independently verifiable findings issued by internationally recognised bodies with relevant authority. This may include determinations, rulings, sanctions, findings, or formal reports from institutions such as the International Court of Justice (ICJ), the International Criminal Court (ICC) or the United Nations and its bodies (e.g., OHCHR, UN Human Rights Council, UN Security Council sanctions panels).

The Committee will rely on its pooling partners stewardship providers to confirm the basis for any potential exclusion. Evidence must be robust, non political, and capable of independent verification.

In relation to exposure to fossil fuels, the Fund recognises the value and importance of engagement in reaching Net Zero (i.e. in supporting innovation and development in high emitting sectors or geographies and setting expectations for high emitters within sectors).

The Committee recognise that to implement such exclusions substantial engagement with the Fund’s pooling partner and investment managers may be necessary. In practice, this may require different fund structures or, in relation to passive mandates, identification of screened / tilted benchmarks.

If the Committee believes that the investment pooling partner is not adequately addressing human rights risks or considering exclusions where warranted, the Committee will formally request enhanced reporting, evidence review and escalation activity from the Pool and its stewardship providers. The Committee may raise concerns through the appropriate governance channels, collaborate with other partner funds, and/or provide clear policy expectations to ensure that human rights considerations are reflected in the Pool’s stewardship and exclusion processes.

8. Pooling

The Committee considers facilitating ongoing engagement with its investment pooling partner regarding the Committee’s RI beliefs, as a key objective of developing this Responsible Investment Policy. The Committee aims to take part in regular Officer meetings, sessions with pooling managers, and Pool oversight meetings. These interactions provide valuable insight into the Pool’s voting and engagement practices, as well as the evolution of any shared investment pooling RI beliefs. Through this collaborative approach, the Committee aims to contribute to and help shape the Pool’s Responsible Investment policies and activities.

The Committee considers it the responsibility of its investment pooling partner, to establish and implement an appropriate voting policy for shares held on behalf of its partner funds.

8.1 Pooling RI beliefs

1. The Pool, rather than the underlying managers, should be responsible for framing and implementing a suitable voting policy in relation to shares owned on behalf of the partner funds.
2. The Pool should make more use of specialist ESG managers and mandates, for example ones which are expected to deliver a positive social or environmental outcome.
3. The Fund should work with the Pool to leverage expertise where third party asset managers are appointed.
4. Proactive contribution to the Pool's committee forums best ensures that mandates and policies reflect the needs and views of the Fund.

9. Local Investment Policy

This section sets out the Fund's approach to local investment.

The Committee is dedicated to supporting local investments that deliver ESG benefits, while taking due care to assess if any additional risk undertaken is adequately balanced by the anticipated positive impact for the local area and the financial returns for Fund members.

Local investing is defined as investments including, but not limited to, real estate such as affordable housing, private equity/debt (e.g. in small to medium sized enterprises), and infrastructure (e.g. clean energy infrastructure). Real assets (including infrastructure) should be located within the Fund's local area (as defined below). Corporate investment should have their operations within or have a significant proportion of their workforce located within the Fund's local area.

Local area definition

The Committee consider its 'local area' to first and foremost be defined as the geographic boundaries of the Isle of Wight.

The Committee recognises that it may be necessary to broaden the definition of local investment beyond the Isle of Wight authority to maintain optimal financial returns for members while mitigating risks associated with limited diversification. While local investment on the island should be prioritised, if suitable opportunities cannot be identified, all regions under the authority of partner funds within the investment pool will also be defined as local. Investments in the P+ool region benefit from greater diversification, cost efficiencies, and collaborative engagement through pooled assets.

As with other local investments, those geographically further from the Isle of Wight should only be considered if they meet the Fund's Responsible Investment beliefs and objectives, including climate, social, and governance standards. The Fund remains committed to working in close collaboration with its investment pooling partner and other partner funds to ensure investments in this tier uphold the needs and values of all stakeholders.

The Pool should also be able to demonstrate that some quantifiable external benefits are associated with any local investments, such as economic growth, environmental benefits, or positive social impacts, and should be able to provide suitable KPIs or impact metrics relating to these.

Objectives

The Fund's local investment strategy has the following aims:

- To deliver appropriate investment returns, which are either in line with, or moderately lower than those required in the broader investment strategy, taking into account the risks.
- Local investment returns should **at least** exceed the investment return assumed under the actuarial discount rate.
- While local investments may deliver environmental or social benefits within the Fund's local area, these are considered secondary to the primary objective of achieving suitable financial returns.

Target allocation

The Fund plans to achieve local investing up to 5% of the Fund by 31/12/2028.

The Committee expects that its financial commitment of up to 5% towards local investment is meaningfully reflected in the opportunities pursued through the Pool. While recognising that investment decisions must meet financial, fiduciary and regulatory requirements, the Committee wishes to see a level of local investment that is broadly commensurate with its contribution, with capital directed towards opportunities that provide tangible and measurable benefit to Isle of Wight residents.

Implementation

The Fund will use the services of the Pool to source, implement and manage local investments.

The Fund will also liaise with the Local Authority and Pool to help identify suitable local investment opportunities. In selecting local investments and themes, the Fund will have regard to local growth plans.

The implementation of the local investing strategy will have regard to regulation, which stipulate that no more than 5% of the total value of all investments of fund money can be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

The Committee is keen to ensure that its pooling partner is fully aware of the range of investment opportunities that exist on the Isle of Wight. As the process for identifying, evaluating and presenting local opportunities to the Pool is still being developed, the Committee would welcome clear guidance from the Pool on how best to feed opportunities into its pipeline. The Committee intends to work proactively with officers, local stakeholders, and its investment pooling partner to ensure that potential investments on the Island are visible, appropriately assessed, and considered within the Pool's local investment framework.

Governance

The Fund will delegate the implementation of local investing to the Pool, as required by regulations. Due diligence on local investments will be conducted by the Pool. The Pool's due diligence should incorporate all requirements set out in its RI policy and take account of individual authority views.

The Committee retains overall responsibility for the local investment strategy and will review the Pool's implementation and performance in this area on a regular basis.

The Committee recognises that the process for engaging with its investment pooling partner on local investment and identifying suitable opportunities is still evolving. While this approach is yet to be fully defined, the Committee is clear that local investment should deliver tangible, measurable benefits to the Isle of Wight, not solely financial return.

In assessing local opportunities, the Committee expects the Pool and its managers to consider impact alongside investment performance, including the extent to which investments directly benefit Isle of Wight residents.

Reporting

The Pool will be expected to report annually on the implementation of the Fund's local investment strategy, including progress against targets, pipeline development, and any material issues arising.

Escalation: Where the Pool is not delivering against the Fund's local investment objectives, the Committee will engage with the Pool.

Monitoring and reporting

In addition to the monitoring requirements which apply across the portfolio, local investments will be subject to the following monitoring requirements:

- Local investments will be monitored by the Committee at least annually.

- Local investment monitoring should indicate type/asset classes of local investments, amount invested, rationale for investment, location, KPIs/impact metrics. This monitoring information should be supplied by the Pool. At an overall level across all local investments, the monitoring will show the total amount invested in local investments, both in £ amounts and as a percentage of the Fund, for comparing against targets.
- Escalation: the Fund will escalate concerns to the Pool if the amount of local investments allocated is below expectations and/or suggests that the Fund is unlikely to meet its targets.
- The Fund will report on its local investments in its annual report, showing the total amount of local investments in £ amounts, how much this is as a percentage of the Fund, how this compares to targets. It will also report some impact metrics.

The Committee expect that local investments will focus on these thematic areas.

- Economic growth (the government's key focus)
- Homelessness and housing stock, including affordable housing
- Social infrastructure (healthcare, nurseries, etc)
- Regeneration, attracting further private investment and job creation
- Promoting innovation (e.g. commercialising IP from universities)
- Climate: e.g. upgrading (or "brown-to-green") property/infrastructure

9.1 Local investment beliefs

1. Local investments can support environmental and / or social outcomes to the ultimate benefit of the Fund's members. Opportunities to increase investment into Isle of Wight and the broader Pool area should be carefully considered, provided these do not compromise the priority of achieving optimal financial returns.
2. Investments in the UK will be assessed with an expectation that the risk and return objectives should be similar to the Global equivalent for the asset class considered. Investments in the Isle of Wight will be assessed with a view that the benefit to the local economy may counteract a slight increase in risk.
3. Suitable local investment opportunities will be considered primarily from the offering of the Fund's pooling partner.

10. Climate Policy

10.1 Climate Change

The Committee considers climate change to represent a material financial risk with the potential to disrupt economic, social and financial systems – and by extension

the Fund’s objectives. Climate is therefore considered within the Fund’s funding and investment framework.

The Committee understands that there are many financial risks arising from climate change that they aim to further assess as the Fund’s strategy develops, including but not limited to:

Physical risks	Transition risks	Liability risks
<ul style="list-style-type: none"> • Direct effects of climate change. • In the short-term, this might include damage to property and other physical assets as well as business disruption due to extreme weather. • In the long-term, this may include rising sea levels, ocean acidification, biodiversity loss and changing rainfall patterns affecting agriculture and water access. 	<ul style="list-style-type: none"> • Risks associated with transition to a low carbon economy. • Economic and societal shifts may materially reduce returns of the Fund’s investments. • Can lead to “stranded assets” where a company/sector is unable to extract value from an asset due to restrictions on its activities leading to a collapse in its value. 	<ul style="list-style-type: none"> • Where third parties have suffered damage or losses and seek compensation. • This could include lawsuits filed against companies for historical failure to acknowledge the impact of climate risks to their business. • This may be further exacerbated by the introduction of stronger climate regulation and legislation.

10.2 Net Zero

As a long-term asset owner, the Fund is well positioned to contribute to the transition to Net Zero as an action to mitigate the risks associated with climate change.

The Committee has set an ambition to align the Fund’s investment strategy with efforts to reduce man-made greenhouse gas emissions to ‘net zero’ by 2050 or sooner.

Suitable investment solutions to facilitate the gradual decarbonisation of the Fund’s investment portfolio are considered by the Committee across asset classes. To provide a listed equity example, an ESG solution with forward looking alignment is already held by the Fund, the UBS Life Climate Aware World Equity Fund, which was implemented in 2021.

Past work undertaken by the Committee to progress the Fund’s Net Zero ambition includes the production of a Responsible Investment and Climate Risk Report in 2021. The report assessed the Fund’s climate-related risks by comparing its climate profile against a representative market benchmark and establishing a baseline for key climate metrics, including:

- Weighted Average Carbon Intensity (tCO₂/\$m Sales)
- Carbon Emissions (tCO₂/£m Invested)
- Estimated Impact of a 2°C Scenario (%)
- Low Carbon Transition Score
- Proportion of the Portfolio with Exposure to Fossil Fuels

The Committee intends to establish a thorough monitoring framework and work with the Pool to assess their climate risk reporting on an ongoing basis to ensure that meaningful progress is being achieved in support of the Net Zero ambition, and to monitor the Fund's ESG performance against the market. The monitoring process will first require a review of the climate strategy to set interim targets for the Fund's key climate metrics, alongside a discussion of the Committee's future aspirations and priority areas for climate-related action.

The Committee expects its pooling partner to provide comprehensive climate related reporting across all asset classes, including disclosure of Scope 1, Scope 2 and Scope 3 greenhouse gas emissions, in line with industry best practice and emerging regulatory standards. This reporting should enable the Committee to assess the Fund's alignment with Net Zero objectives, track progress over time, and identify areas requiring engagement or escalation.

There is a growing recognition of the importance of nature-related factors (e.g. biodiversity and water availability) in assessing climate-related risks and opportunities. The Committee acknowledges the importance of placing greater emphasis on nature-related factors in future investment decision-making.

11. Related Documents

Isle of Wight Council Pension Fund – Investment Strategy Statement

Investment pool – RI Beliefs

Investment pool – Voting Guidelines

Appendix 1: Glossary

Climate risk is the potential impact on future financial returns that may arise from climate change. Climate risk is typically split between transition risk, i.e. the impacts that may arise from policy change and technological advancement, and physical risk, i.e. from changing weather patterns or the greater frequency/severity of extreme events.

Engagement is the purposeful dialogue by investors with their investee companies with a specific objective in mind, typically in relation to the improvement of companies' business practices, often in relation to the management of ESG factors.

Environmental, Social and Governance (ESG) factors. Companies and assets may be exposed to different risk factors arising from ESG issues which could materially impact the returns derived from such assets. The effective identification and management of ESG factors is expected to reduce risk and improve financial outcomes.

1. **Environmental factors** include resource scarcity, waste management, pollution, carbon emissions and energy efficiency;
2. **Social factors** include health & safety, workforce diversity, working conditions and data protection;
3. **Governance factors** include board structure, business ethics, shareholder rights and executive compensation.

Investment Managers refers to those investment managers appointed directly or indirectly by the Fund for the purposes of managing the Fund's assets.

Responsible Investment is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the environment and society.

Stewardship describes the activities of investors in exercising the rights and responsibilities that come with asset ownership. These practices can include voting on shares and engaging with company management, but also includes the oversight of those to whom such responsibilities are delegated.

UK Stewardship Code is a set of principles and provisions produced by the FRC that sets out best practice in stewardship activities by asset owners and investment managers.

United Nations Principles for Responsible Investment (UN PRI) is a network of investors who work to promote sustainable investment through the incorporation of ESG factors into investment decisions.

United Nations Sustainable Development Goals (UN SDGs) are a set of 17 global goals for 2030 set by the UN General Assembly in 2015.

Appendix 2: Governance Structure

Pension Fund Committee

The Committee delegates elements of the implementation of its overall investment strategy to its Investment Consultants, Investment Managers and investment pooling partner, including implementation of elements of the Fund's RI Policy.

Investment Consultants

The Fund's Investment Consultants are responsible for assisting the Committee to ensure ESG-related risks and opportunities are embedded into all investment decisions. They provide advice and training to the Committee regarding regulatory requirements and are expected to incorporate RI considerations into any advice regarding strategic changes or manager appointments.

The Committee has set objectives for its Investment Consultant, which include objectives relating to the adviser's support in all RI considerations. The Investment Consultant is assessed against these objectives annually and the objectives themselves are assessed regularly to ensure they remain appropriate.

Actuarial Advisers

The Fund's Actuarial Advisers can support the Fund by identifying any RI considerations which should be incorporated into the Fund's funding strategy (both short and long term) and risk management plan.

Regulation

Those involved in Fund governance follow evolving best practice, including consideration of external codes, regulations and guidance from:

- UK Stewardship Code
- UN Principles for Responsible Investment
- TCFD
- TNFD