

Brunel Update Report

1. Governance:

- 1.1 COVID impact is covered elsewhere on the agenda.
- 1.2 Brunel Oversight Board (BOB) has met once since the November 2019 update report. BOB meeting minutes will be circulated to members when received. The next BOB meeting is 25 June 2020.
- 1.3 Client Group (CG) is meeting twice a month with focus on data for final accounts and annual reports, BAU and investment markets environment.
- 1.4 CG and BOB are receiving quarterly performance and KPI reports. Any issues of concern will be referred to Committee.
- 1.5 James Russell-Stracey has been appointed Chief Stakeholder Officer and is now in post. He will work closely with CG and BOB and the Brunel Board to strengthen the partnership.
- 1.6 Mark Mansley the CIO resigned in May. The recruitment process has commenced.
- 1.7 The 2020/21 Business Plan and Budget was approved by Shareholders at the 2020 AGM.
- 1.8 Verbal updates will be given at the meeting.

2. Investments:

- 2.1. No assets transferred in 1Q20.
- 2.2. Assets that have transitioned now total £2.2bn:

Brunel portfolio	Value at 31/03/20	Transitioning Mandates/Managers	Date transitioned
Passive Equities	£497m	Low Carbon Global Equities - Blackrock	July 2018
UK Equities	£150m	UK Equities - TT Int'l	Nov 2018
Emerging Market Equities (EM)	£196m	EM Equities – Genesis, Unigestion	Oct 2019
Global High Alpha Equities (GHA)	£378m	Global Equities - Schroders	Nov 2019
Risk Management Strategies ¹	£978m	Blackrock LDI & EPS	Oct 2019

¹ Brunel only appoint manager for the RM strategies; Avon retain responsibility for all other aspects.

- 2.3. In addition, Brunel invests £69m in Secured Income assets and £24m in Renewable Infrastructure on behalf of the Fund.
- 2.4. The transition plan is slightly delayed due to COVID with transitions planned for 2Q20 delayed due to market volatility. These will proceed once market conditions stabilise so that transition costs can be contained.

- 2.5. Exempt Appendix 6 provides an updated summary of fee savings and transition costs following these two transitions.
- 2.6. In 1Q20 Brunel published its Climate Change Policy which sets out the ambition for the pool and clear objectives for investment managers and investee companies.
- 2.7. Avon's project plan for the transition of assets includes a Risk Register of risks specific to the transition for Avon. Due COVID the risk rating of a delay in the transition timeline has increased to high.

3. Operational/Financial:

- 3.1. BOB reviews the business update report from Brunel at each meeting which includes high level monitoring of the budget and the transition plan. CG monitors the budget variances in detail on a quarterly basis, raising any issues with BOB. The outturn for 2019/20 is an underspend of £1.6m with £685k being carry forward to 2020/21 (for delays in projects and timing adjustments), leaving an underspend of £937k.
- 3.2. The budget for 2020/21 is within the cost envelope agreed as part of the 2019/20 Business Plan. It includes the appointments of the new CEO and CSO and an increase in resources to support the Responsible Investment service provision for clients.
- 3.3. Brunel is reviewing its level of regulatory capital to ensure it continues to meet FCA rules and will take its conclusions to BOB for consideration in due course.
- 3.4. The Business Case for pooling is updated following each transition, once fees and costs are known, and is reviewed by CG. A high-level review of the Original Business Case (OBC) is done annually, the next due post 31/03/20. To date only 5 equity portfolios have transitioned: UK, passive, Low Volatility, Emerging Markets and Global High Alpha. The savings and transition costs realised to date are ahead of the budget (i.e. fee savings are greater than estimated; transition costs are lower than expected). Following Avon's transition to each portfolio, the Committee is provided with an update on fee savings and transition costs (see Exempt Appendix 6).
- 3.5. There are no changes to the Avon Brunel Risk dashboard.