

# Brunel Pension Partnership

## Avon Pension Fund



# Brunel overview

- Brunel Pension Partnership (Brunel) is one of the eight national Local Government Pension Scheme (LGPS) pools, bringing together circa £30 billion investments of 10 likeminded funds.



- Brunel formally began its operations on 18 July 2017 upon the execution of the current shareholders agreement and its subsequent annexes, such as the services agreement
- Brunel is authorised by the Financial Conduct authority as a full-service MiFID firm since March 2018.

- **Responsible Investment update**
  - COVID-19 and Responsible Investment
  - Climate Change and PAII/Net Zero Framework
  - COVID and the spotlight on Social issues
  - Brunel's PRI assessment

# Responsible Investment Update

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## **Covid-19 Pandemic and RI**

The Covid-19 pandemic has fired up Responsible Investment activity

**Pandemic stirs Wall Street's social conscience**

**Institutional investors say COVID-19 pushed ESG to forefront**

Covid-19 shows why ESG matters;

**Letter: Covid-19 has put fresh focus on ESG investing**

**'Covid-19 and Black Lives Matter show why companies have to govern from the front'**

**ESG passes the Covid challenge**

Investment with a sustainable focus is only likely to grow, wealth managers believe

# Responsible Investment Update

## Brunel RI & Stewardship Priorities



## Covid-19 Pandemic and RI

- COVID has heightened almost every area of our work and uncovered important new topics
- Climate change remains a focus
- Increased spotlight on the 'S' of ESG





## Climate Change – Barclays update



- Brunel co-filed the first ever shareholder climate resolution at a major European bank in December 2019

- 23.95% of votes supported the resolution at the Barclays AGM in May 2020
- Demonstrating clear shareholder backing for the bank to become net zero by 2050



## Climate Change – Blackrock update and TCFD

- Following extensive engagement with Blackrock, we welcomed their public stance over **voting against 53 companies** and putting another **244 on 'watch'** for inadequate action over climate risk
- TCFD could be embedded in UK pensions law
- Net Zero Framework – IIGCC project to pilot new tools to assess our portfolios' alignment with climate goals

# Responsible Investment Update

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## Climate Change - Net Zero Investment Framework

- The framework has been developed with over **70 global investors**, representing more than **\$16 trillion**, through the Institutional Investors Group on Climate Change (IIGCC)
  - Aims to maximise investor contribution to decarbonisation, helping to keep global temperature rises below 1.5°C
  - Brunel are encouraging the industry to respond to the consultation phase
- Brunel is among a group of 5 investors that are testing the framework, by modelling the impact of real-world portfolios





# Responsible Investment Update

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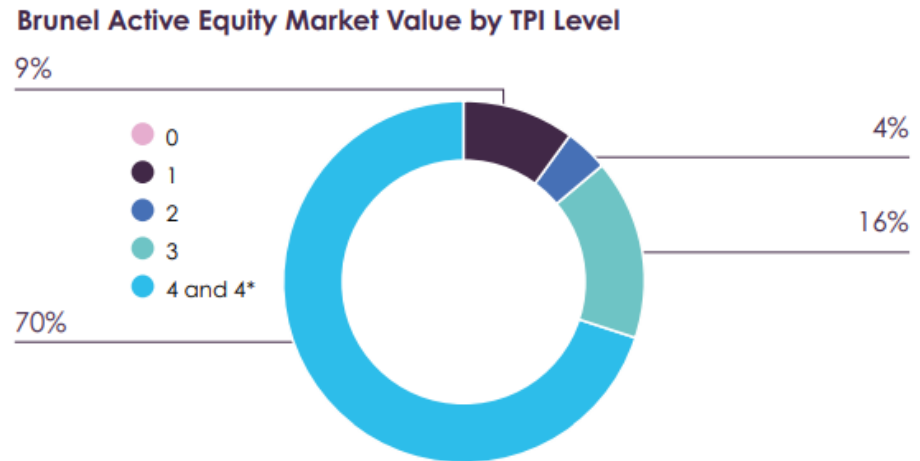
## Climate Change - Net Zero Investment Framework cont.

- Working with Avon, we submitted three portfolios for modelling:
  - ‘Benchmark Portfolio’ – passive portfolio with no climate considerations integrated
  - ‘Current Portfolio’ – the listed portion of Avon’s current investment portfolio
  - ‘Future Aligned Portfolio’ – hypothetical portfolio applying the Net Zero methodology to Avon’s portfolio
- We look forward to sharing the results of the modelling with analysis and the final framework before the end of 2020.

# Responsible Investment Update

## Climate Change – how do we measure our progress?

- We aim to have all of our material holdings on **TPI** level 4 or above by 2022
- We aim to reduce the **carbon intensity** of our Portfolios by 7% each year vs the benchmark
- Product governance – 2022 **stocktake**. Client agreed metrics to be developed
- PAII Project will help us to define what a Paris Aligned Portfolio looks like and inform how we progress towards **alignment**
- **Public Policy outcomes** - e.g DWP Climate amendment to Pension Bill
- **Persuasion and engagement - company commitments** : e.g Barclays, Blackrock, BP, Shell
- **Positive impact** reporting and metrics – developing first phase in line with Business Plan to be delivered in 2021



# Responsible Investment Update

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## **COVID has created a spotlight on the 'S' of ESG**

- Racial inequality – Talk About Black
  - Labour standards and modern human slavery
  - Workplace mental health
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- We have been engaging across all of these topics, both directly with companies and through our asset managers, working collaboratively with other investors in the industry

# Responsible Investment Update

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## Racial Inequality - Talk About Black

- Helen Price published a public blog on Talk About Black
- We are members of the Diversity Project and contributed to guidance around how asset owners can integrate diversity into the selection process
- We are seeking to improve the amount of data available around diversity and inclusion, working with data and engagement providers



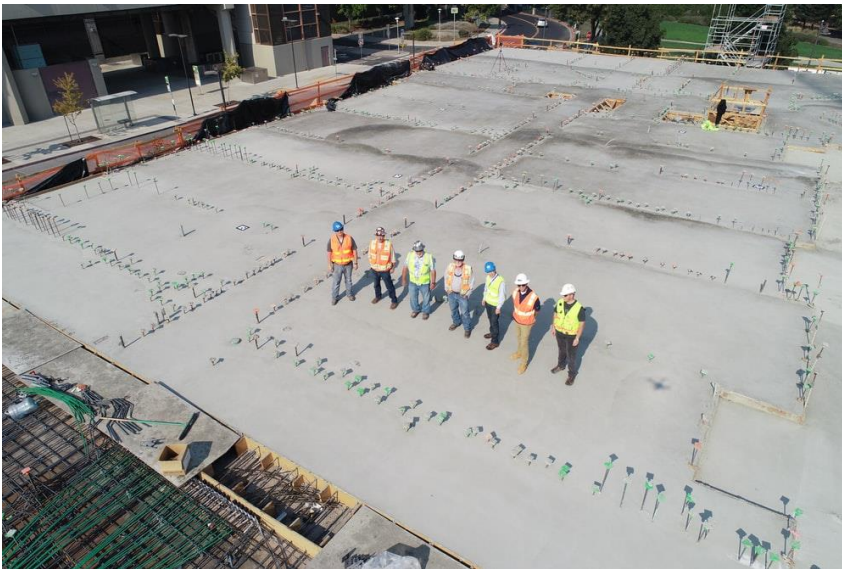
# Responsible Investment Update

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## Migrant Labour and Modern Human Slavery

The COVID pandemic has created a migrant labour crisis, particularly in the Middle East



Alongside **38 other investors**, comprising \$3 trillion we have written to **54 companies** who have operations in The Gulf, focusing on high risk sectors of hospitality, construction and oil and gas.

We are asking companies to:

- Engage independent specialists to perform exit interviews
- Commit to reimbursing recruitment fees and adopt the 'employer pays principle'
- Perform best practice due diligence on labour outsourcing companies

# Responsible Investment Update

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## Workplace Mental Health

- Before the pandemic, mental ill-health was costing UK employers £33-42 billion every year
- We wrote to all **FTSE 100 companies** alongside a coalition of investors with **£2.2 trillion**.
- Urging companies to develop a specific 'mental health during COVID-19 action plans', with items such as:
  - Training for all line managers on how to spot signs of poor mental health and assist vulnerable employees
  - Increased flexibility in job design and performance appraisals
  - Clear details for employees on how to access support





# Responsible Investment Update

## Brunel's PRI Assessment















BRUNEL PENSION PARTNERSHIP (BPP)

Submitted Year

2020

† Asset classes were aggregated to four ranges: 0%; <10%; 10-50% and >50%

### Summary Scorecard

AUM	Module Name	Your Score	 Your Score	 Median Score
	01. Strategy & Governance	A+		 A
Indirect - Manager Sel., App. & Mon				
>50%	02. Listed Equity	A+		 A
<10%	07. Private Equity	A+		 A
<10%	08. Property	A+		 A
<10%	09. Infrastructure	A+		 A
Direct & Active Ownership Modules				
0	11. Listed Equity - Active Ownership	A		 B

The full report is published on our website.

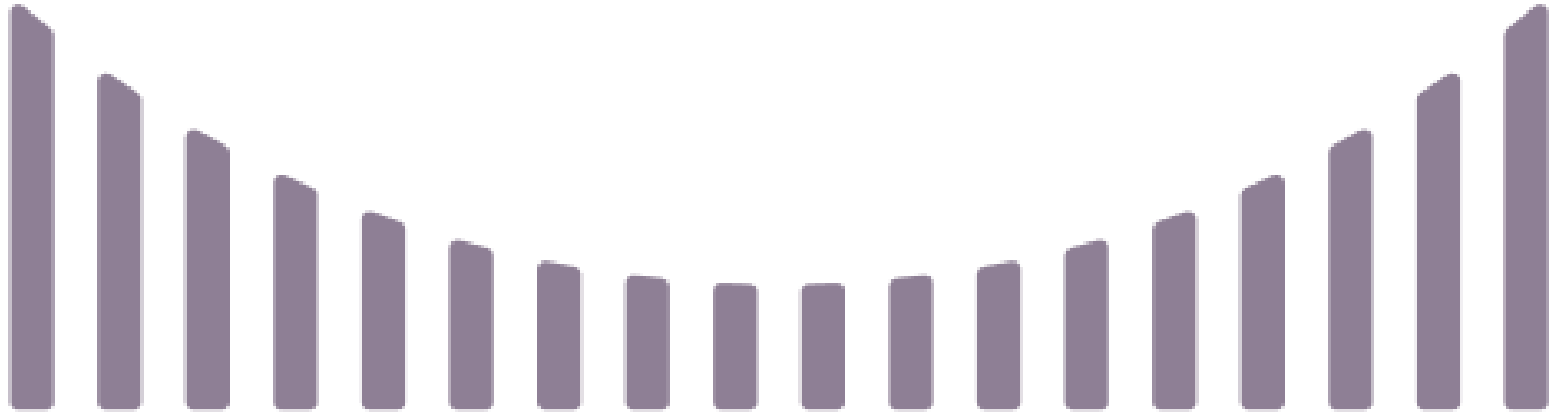
# Responsible Investment Update

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# Time for your questions

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Thank you for your time and attention.  
Any questions?

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