



Avon Pension Fund

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BRUNEL
Pension Partnership



Agenda

1. Allocations to funds
2. Paris-aligned benchmarks
3. ESG integration in manager selection
4. Investing in China
5. Q&A

Allocations to Brunel funds

Performance highlights:

- Global Emerging Markets
- Global High Alpha
- Global Sustainable Equities

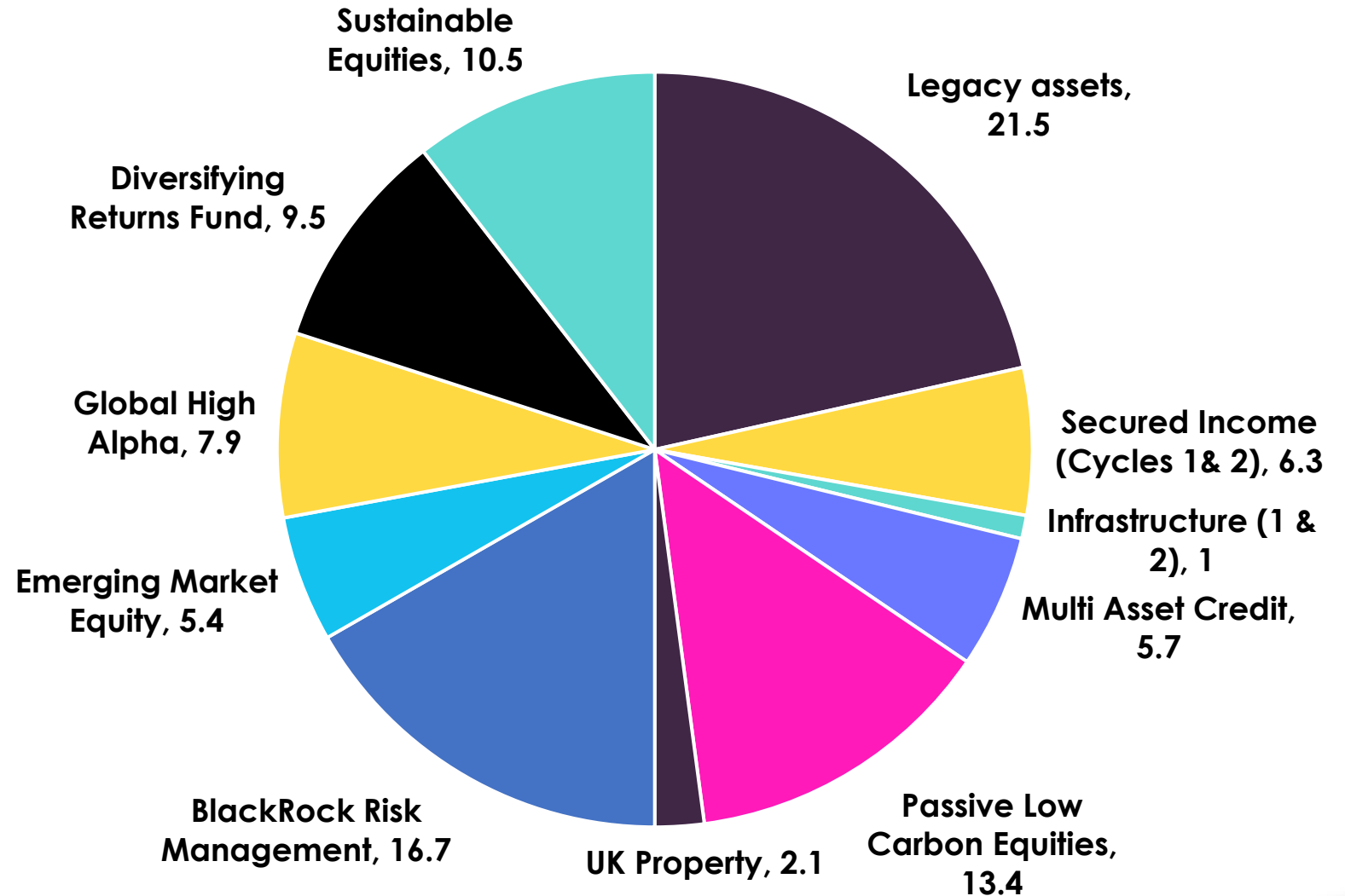
Carbon footprint:

- 7% y-o-y target improvement
- Aggregate Brunel Portfolio at end-2020 was 33.1% lower carbon intensity than 2019 benchmark baseline

Portfolio developments:

- Manager strategy change at Baillie Gifford

Asset Allocation split %



Index leadership: Paris-aligned benchmarks

FTSE Russell-Brunel Climate Transition Benchmark (CTB) and Paris-aligned Benchmark (PAB) indices are designed to reflect the performance of a global and diversified basket of securities where weights are varied in order to achieve climate targets, including:

	FTSE Russell PAB design	FTSE Russell CTB design
Emission Targets*	<ul style="list-style-type: none"> Target reductions in <u>both</u> Carbon Reserves and Operational Emissions: <ul style="list-style-type: none"> Minimum 50% reduction (reserves and emissions) 7% year on year reduction (emissions only) 	<ul style="list-style-type: none"> Target reductions in <u>both</u> Carbon Reserves and Operational Emissions: <ul style="list-style-type: none"> Minimum 30% reduction (reserves and emissions) 7% year on year reduction (emissions only)
High Impact Sector Exposure*	<ul style="list-style-type: none"> Zero aggregate active weight in high impact sectors 	<ul style="list-style-type: none"> Zero aggregate active weight in "high impact" sectors
Green Revenues	<ul style="list-style-type: none"> 100% uplift 	<ul style="list-style-type: none"> 100% uplift
Exclusions*	<ul style="list-style-type: none"> Activity based exclusions – Oil, Gas, Coal and Electricity generators as specified by EC Delegated Act Baseline exclusions: Tobacco, Controversial Weapons, Conduct (e.g. UNGC) 	<ul style="list-style-type: none"> Baseline exclusions: Tobacco, Controversial Weapons, Conduct (e.g. UNGC)
Corporate Target Setting	<ul style="list-style-type: none"> Increase TPI Management Quality Score Increase TPI Carbon Performance 	<ul style="list-style-type: none"> Increase TPI Management Quality Score Increase TPI Carbon Performance
Capacity and Concentration Constraints	<ul style="list-style-type: none"> Capacity Ratio 20x and Effective N >25% of underlying 	<ul style="list-style-type: none"> Capacity Ratio 20x and Effective N >25% of underlying
Additional criteria	<ul style="list-style-type: none"> "Do No Significant Harm" (DNSH) concept: Additional screens applied using "Environmental Watchlist" based on Conduct screening (e.g. UNGC) dataset 	<ul style="list-style-type: none"> "Do No Significant Harm" (DNSH) concept: Additional screens applied using "Environmental Watchlist" based on Conduct screening (e.g. UNGC) dataset

ESG integration in manager selection

Similar ESG Culture

- RI team issue vs whole-company issue
- Face-to-face meetings
- Data requests

Climate Change Policy alignment

- Do they know the Policy well?
- Are their decarbonisation targets aligned?
- Do they just use exclusions?
- Do they know the specifics of climate change alignment in their asset class?
 - e.g. carbon data weaknesses in structured credit

Thought leadership

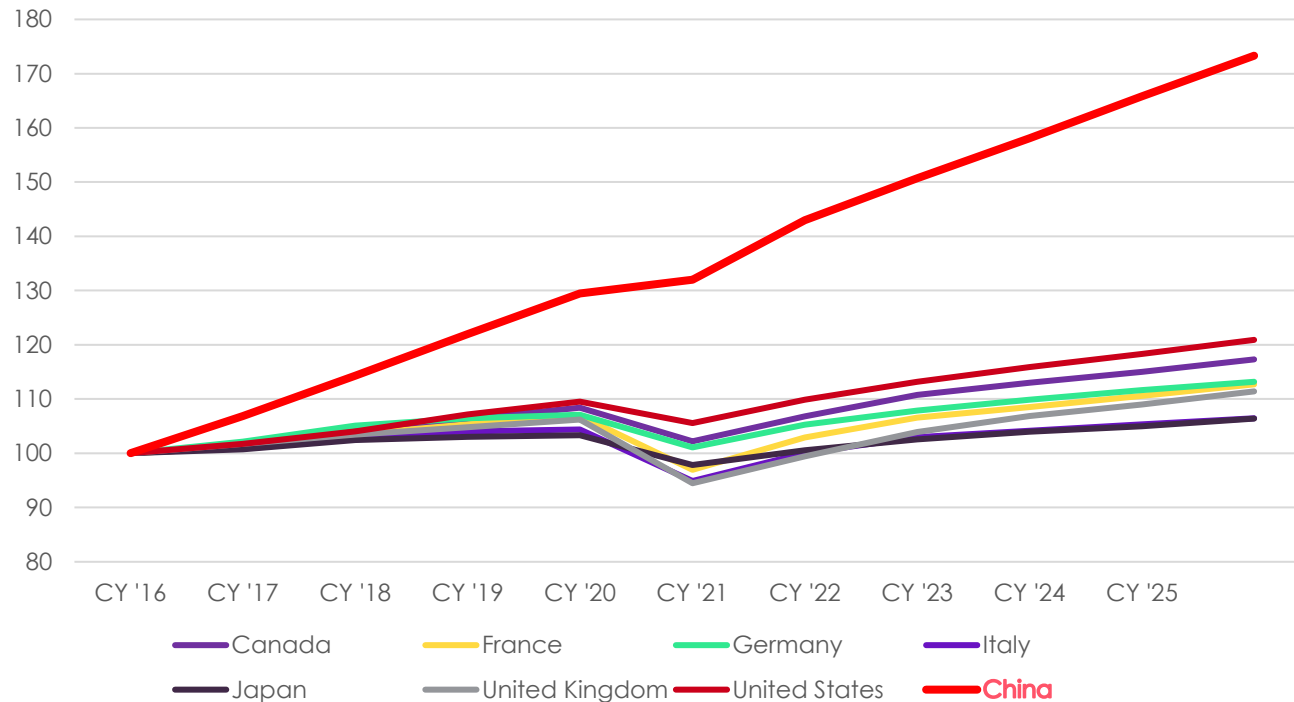
- Do they understand the constraints around getting to Net Zero in their universe?
- Are they knowledgeable on which companies and sectors are aligned on 2C?
- Have they developed an effective engagement approach or framework on 2c alignment?
- Do they know what would improve capabilities? E.g. scenario modelling on physical & transitional risk



Investing in China



Actual & Predicted GDP Growth Compounded YOY - G7 + China



Our research focuses:

- Human Rights in Supply Chains
- Data Privacy, censorship & surveillance
- Corporate Governance
- Hong Kong and Taiwan
- Climate Change
- ADR/H-Share/A-Share

Next Steps

- Continue engagement with companies
- Roll out analytical tools
- Deeper engagement with asset managers is under way
- Continue our research, including engaging with other industry participants (including RI)
- Support Chinese investors

Q&A



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