



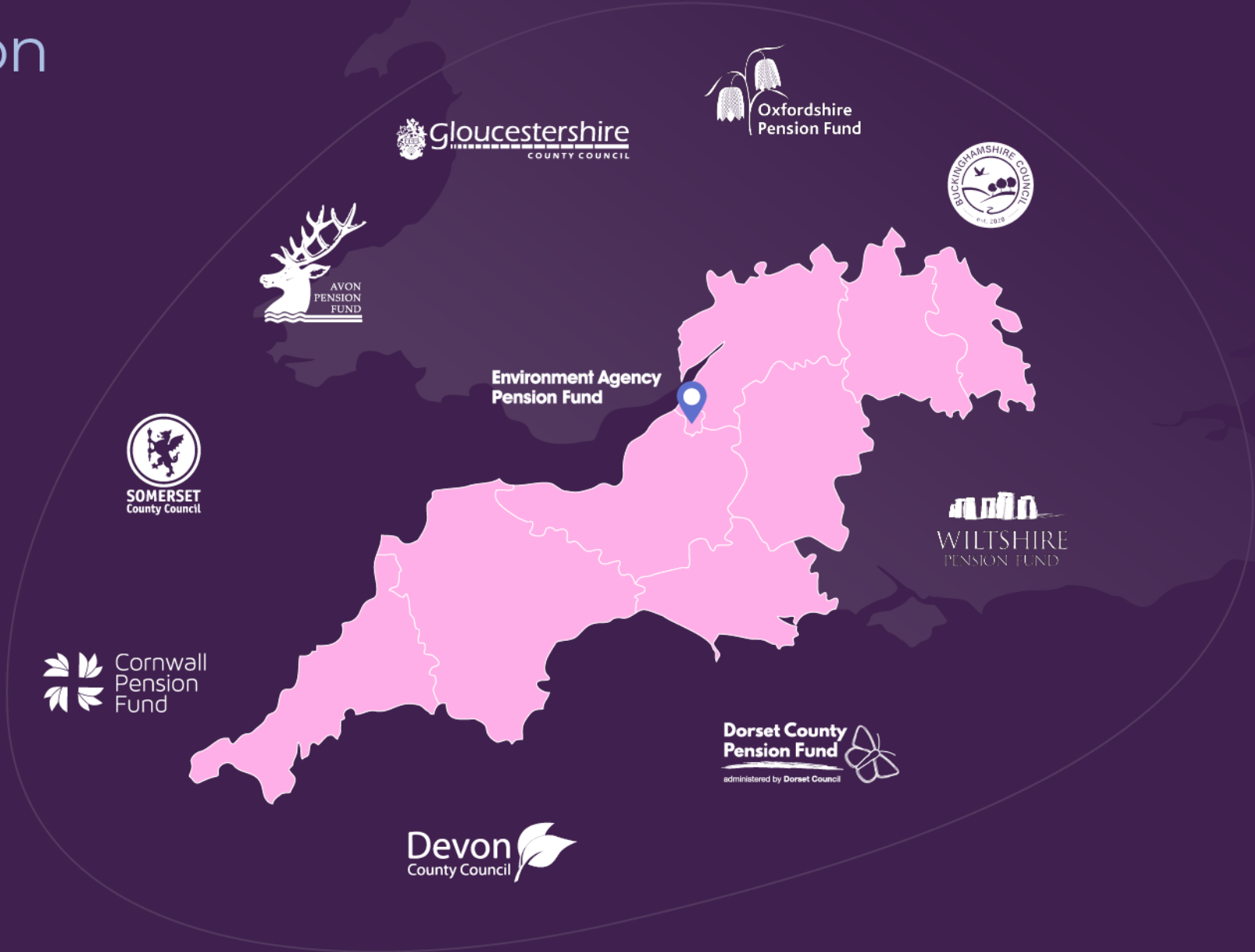
Responsible Investment Update

Avon Pension Fund

September 2021


BRUNEL
Pension Partnership

Brunel Pension Partnership



Gloucestershire
COUNTY COUNCIL

Oxfordshire
Pension Fund



Environment Agency
Pension Fund



Cornwall
Pension Fund

Devon
County Council

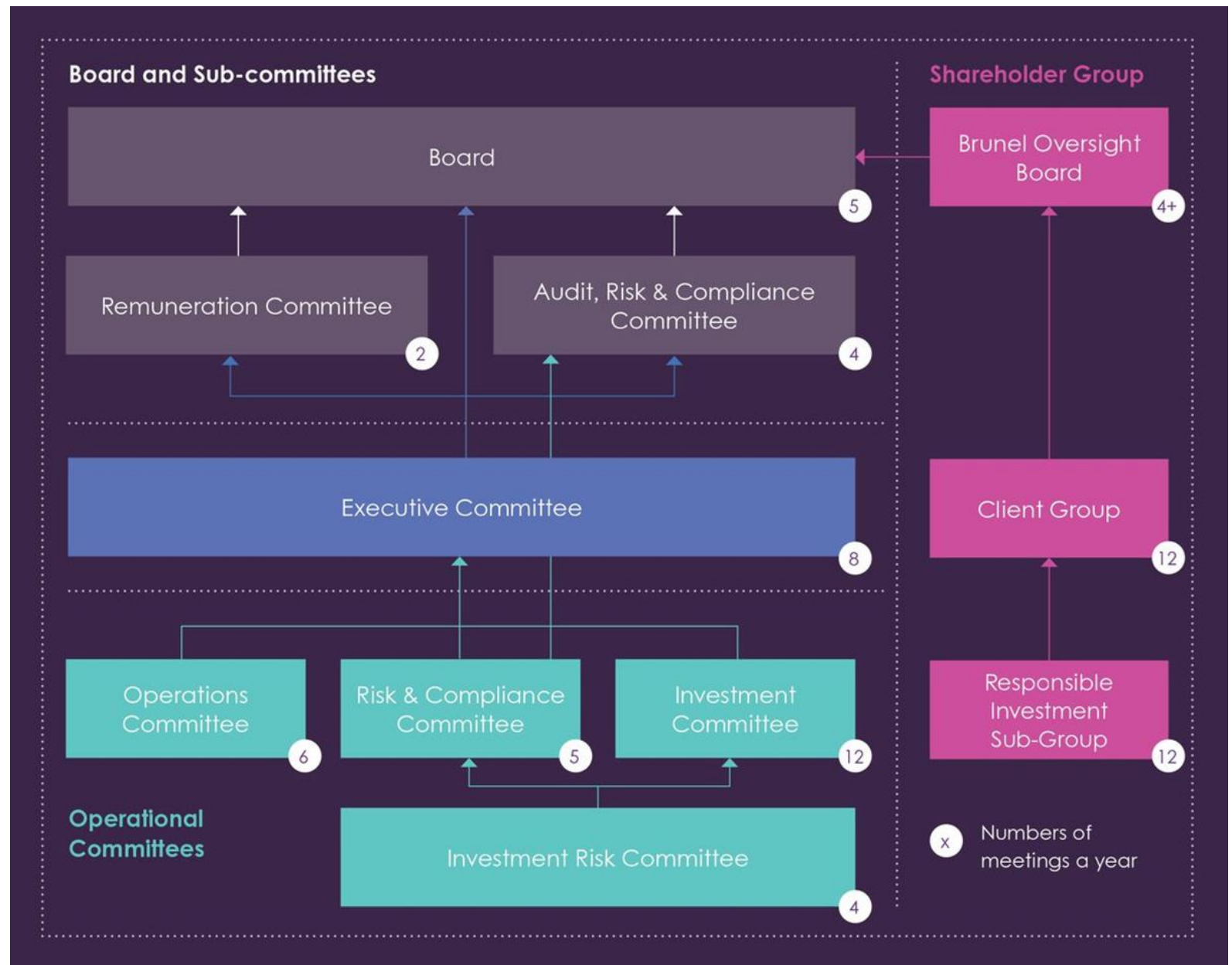
Dorset County
Pension Fund
administered by Dorset Council

WILTSHIRE
PENSION FUND

All about partnership



Client Outcomes



Aim of Brunel's approach to Responsible Investment

To deliver stronger investment returns over the long term, protecting our clients' interests through contributing to a more sustainable and resilient financial system, which supports sustainable economic growth and a thriving society.



Integration



Collaboration

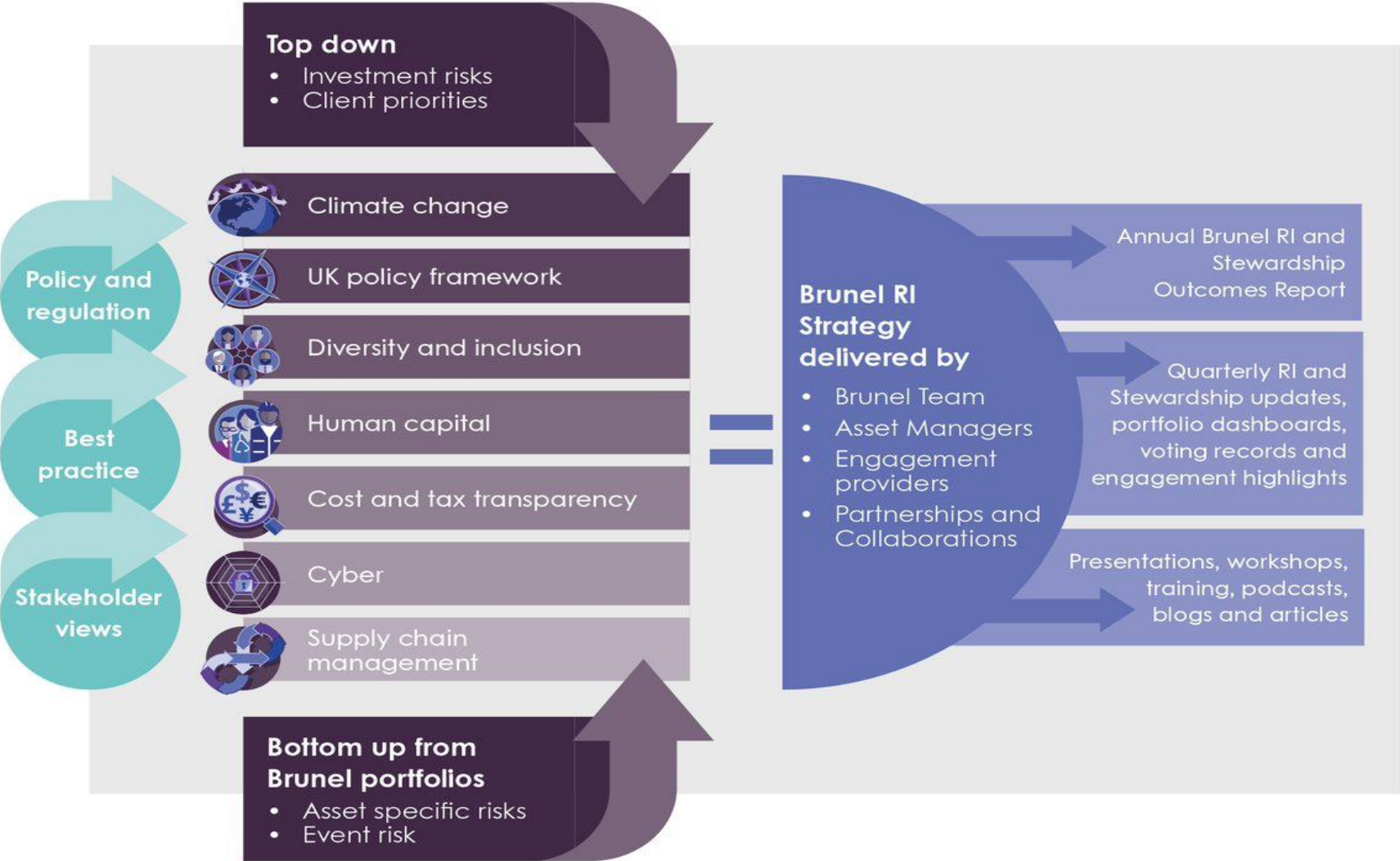


Transparency

Today

- Overview of Brunel RI priorities
- Climate change, specifically the new benchmarks
- Climate stocktake
- Examples Brunel's work
 - Cyber
 - Supply Chain Management
 - Diversity
- Questions and answers

Brunel RI and Stewardship Priorities



Climate beliefs

We believe that:

- Climate change presents a **systemic and material risk** to the ecological, societal and financial stability of every economy and country on the planet, and therefore will impact our Clients, their beneficiaries and **all portfolios holdings**.
- Investing to support the **Paris goals that deliver a below 2C°** temperature increase is entirely consistent with **securing long-term financial returns** and is aligned with the best long-term interests of our clients.
- For society to achieve a net-zero carbon future by 2050 (or before) requires **systemic change in the investment industry**, and **equipping and empowering our Clients** (and other investors) is central to this change.

Brunel's Climate Change Policy

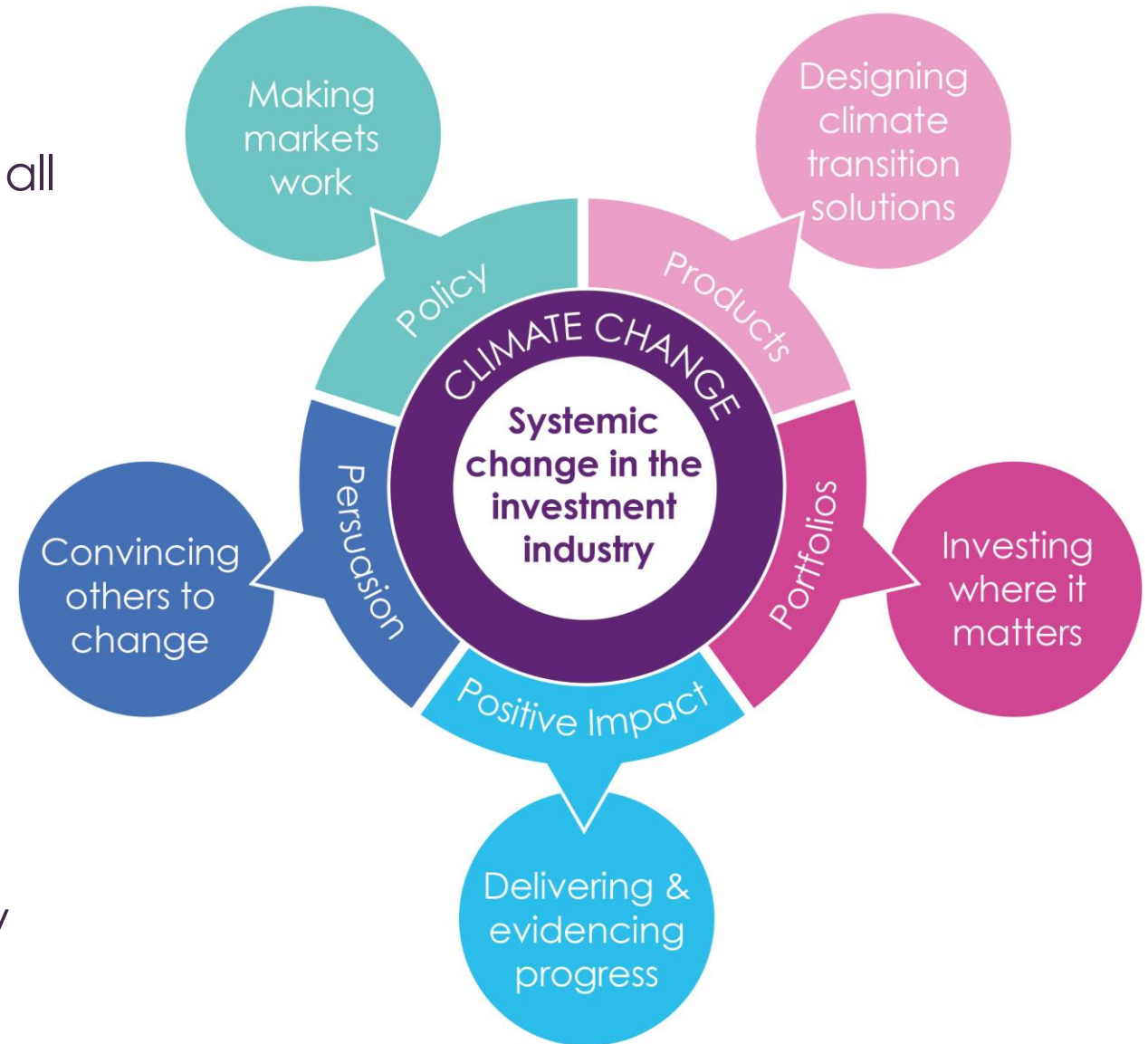
Integrating climate risk and opportunities in all we do

- Engaging on public policy
- Portfolio design
- Manager selection & monitoring
- Engaging with companies
- Positive investment

Net Zero

Net Zero for financed emissions (investments) by 2050, or before.

Net Zero on operational emission by 2030, or before



Carbon Intensity

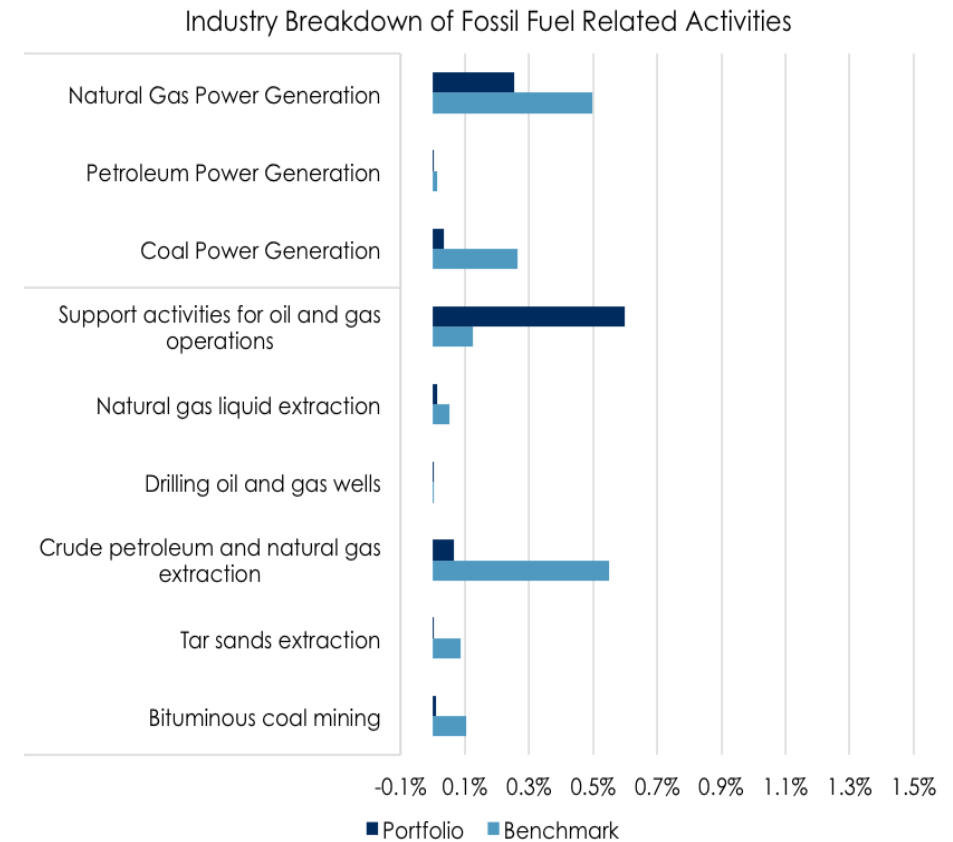
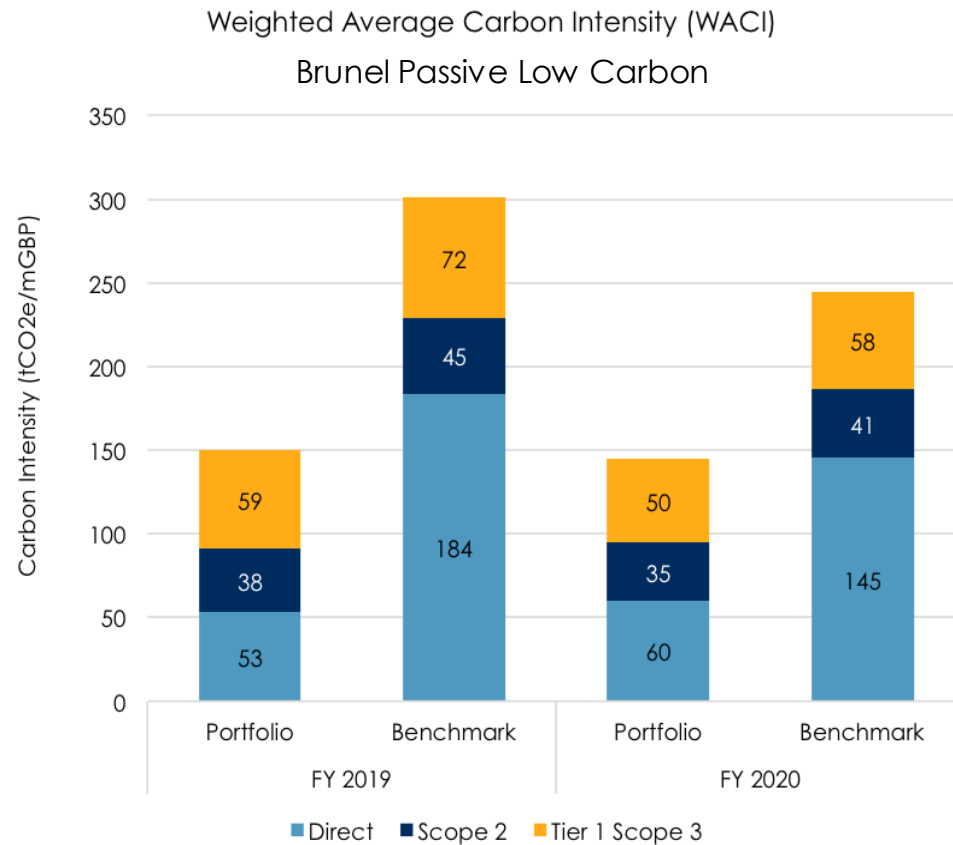
Portfolio	Carbon intensity 2020 vs December 2019 Benchmark Baseline
Brunel Aggregate Portfolio	-33.1%
Brunel UK Active Portfolio	-29.6%
Brunel Global High Alpha Portfolio	-52.4%
Brunel Emerging Market Equity Portfolio	-29.4%
Brunel Active Low Volatility Portfolio	-41.9%
Brunel Passive Low Carbon Portfolio	-51.9%
Brunel Passive Smart Beta Portfolio	-24.5%
Brunel Passive UK Portfolio	-1.2%
Brunel Passive World Developed Portfolio	-18.7%
Brunel Global Sustainable Equity Portfolio*	n/a
Brunel Global Smaller Companies Portfolio*	n/a

● Meeting target ● Action underway

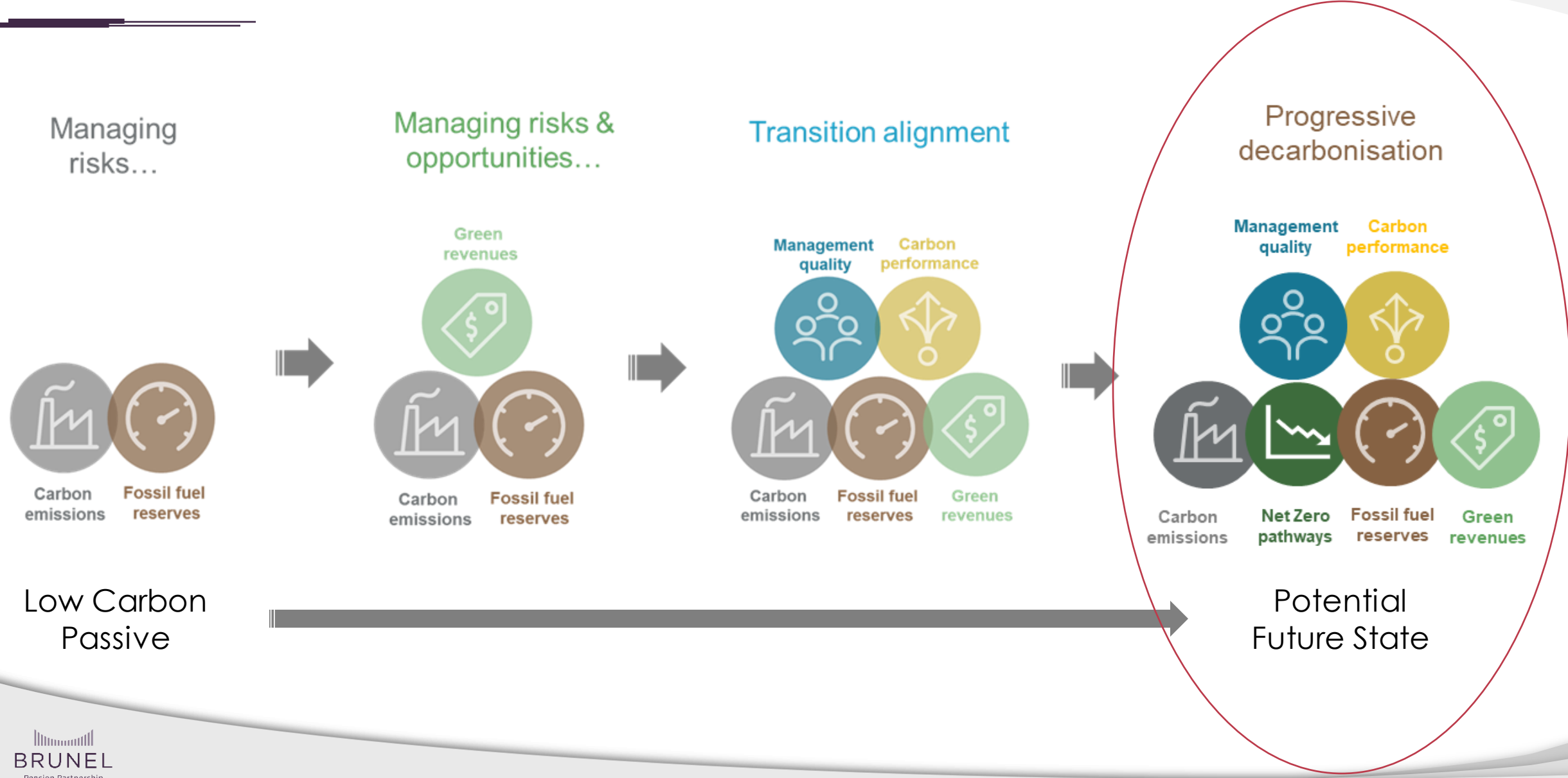
*Portfolios launched in 2020. We are in the process of establishing an appropriate benchmark date

Brunel Climate Policy Status Report

First generation low carbon passive has reached a limit



Climate Benchmark Evolution



FTSE Index Design

	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

*Plus excluding pure place thermal coal and Tar sands

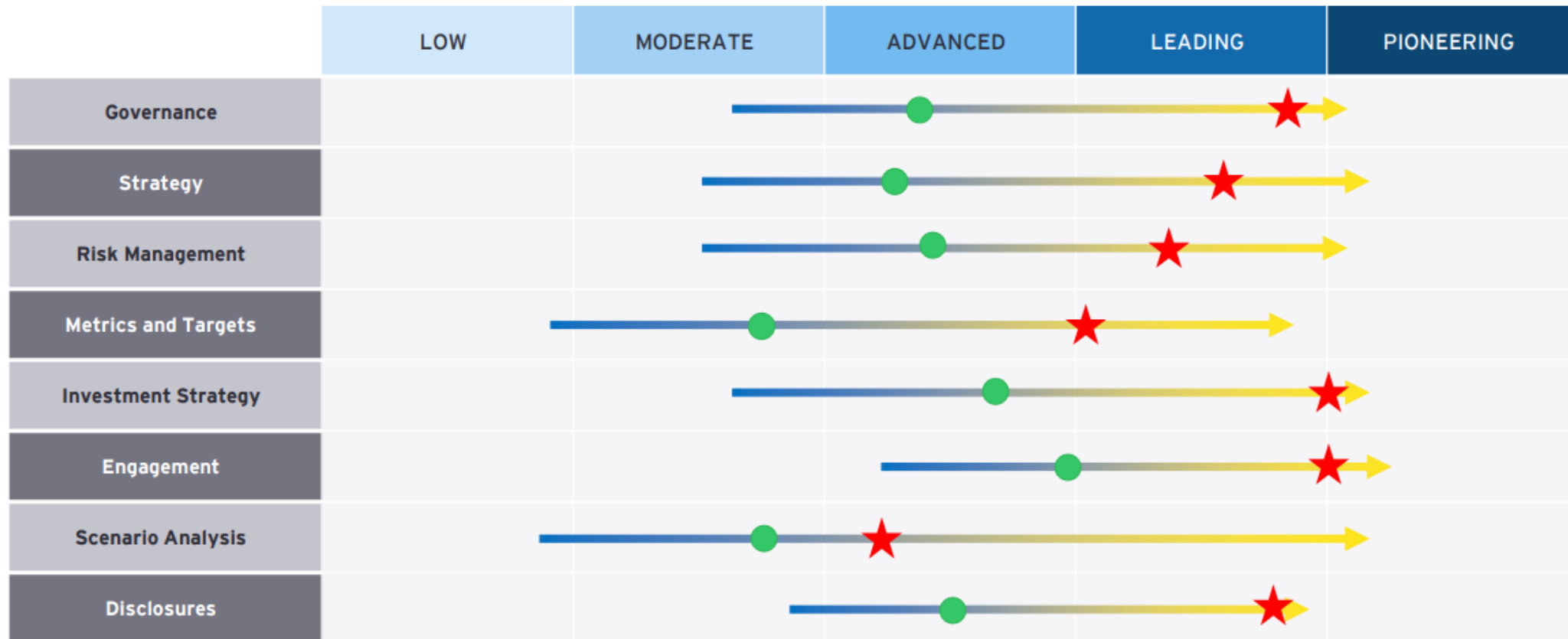
Engagement by Brunel - Banks

- Brunel co-filed a shareholder resolution at Barclays in December 2019. The first ever shareholder climate resolution at a major European bank
- In 2020 Brunel co-filed a climate resolution at HSBC, Europe's second largest financier of fossil fuels
- Joined IIGCC Banking Sector Workstream - Aligning the Banking Sector with the Goals of the Paris Agreement



Climate Change Strategy – Brunel vs peers

The EY graph below shows how Brunel scored against both the range of peer group scores (the horizontal lines) and the peer group average (the green dots). Brunel's scores are shown as red stars.



Climate Stocktake

Purpose of the climate stocktake is to review Brunel's approach to managing climate risk.

It will seek to address the following questions

- Did we deliver on our overall Climate Policy objectives – Was it effective? Was it efficient?
- Does it meet clients and beneficiaries' expectations and needs?
- Is it best practice? What do third party assessments e.g. EY and Principles for Responsible Investment tell us about any current or future gaps? Where are there opportunities for further leadership?
- How does our current approach stack up in light of new research and evidence? Are there outcomes of the Net Zero Investment Framework, International Panel on Climate Change or International Energy Agency (IEA) Net Zero Road map that need to be reflected in our approach going forward?
- What are other stakeholder views on Brunel's approach to climate risk?
- Is the way our various asset managers are addressing climate risk, in the context of their mandates, consistent with our policy? Do we have any concerns?
- Are there any specific holdings that are cause for concern? Companies that not responding to engagement?

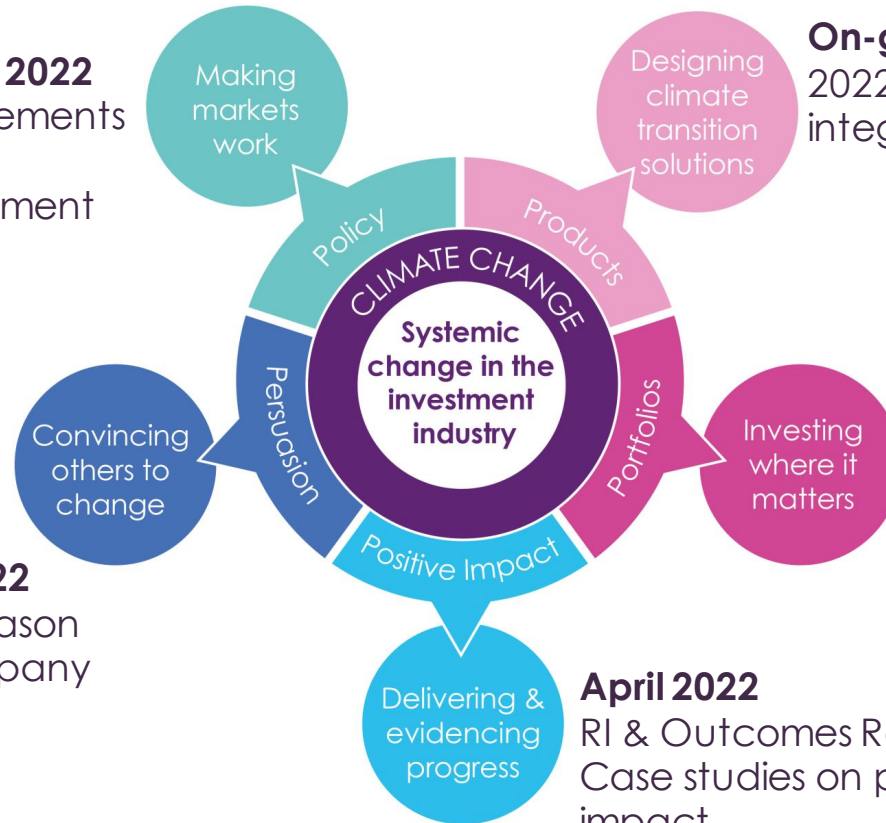
Climate Stocktake 2022

November 2021 stocktake process starts
May/ October 2022 Client workshops
November 2022 Stocktake complete
January 2023 Updated climate change policy

November 2021 COP26

December – September 2022

- Public policy achievements review
- Stakeholder engagement



On-going product governance
 2022 - Internal audit of climate integration

December 2021 Data snapshot
March 2022 Climate action Plan report/ TCFD/ Metrics Report/s

April - June 2022

Main voting season
 Review of company engagement

April 2022
 RI & Outcomes Report
 Case studies on positive climate impact

Cyber security

Goal 16 Peace, Justice and strong institutions
Goal 3 Good health and wellbeing

- **Alphabet** - has published a set of principles to promote the responsible use of AI
- **Netease** – published its ESG report in June 2020 and included data privacy and protection, and GDPR compliance
- **Baidu** – put in place robust corporate structure and measures to protect the privacy of users' data



Collaboration

Goal 12 Responsible consumption and production

Brunel joined the **Investor Mining and Tailings Safety Initiative**, led by the Church of England and the Council on Ethics of the Swedish National Pension Fund

This initiative led to

- The first global industry standards on tailings management
- the establishment of a global database of tailings dams ([Global Tailings Data Portal](#)), with company disclosures of over 1900 tailings storage facilities for investors, regulators and communities to freely access.



Diversity

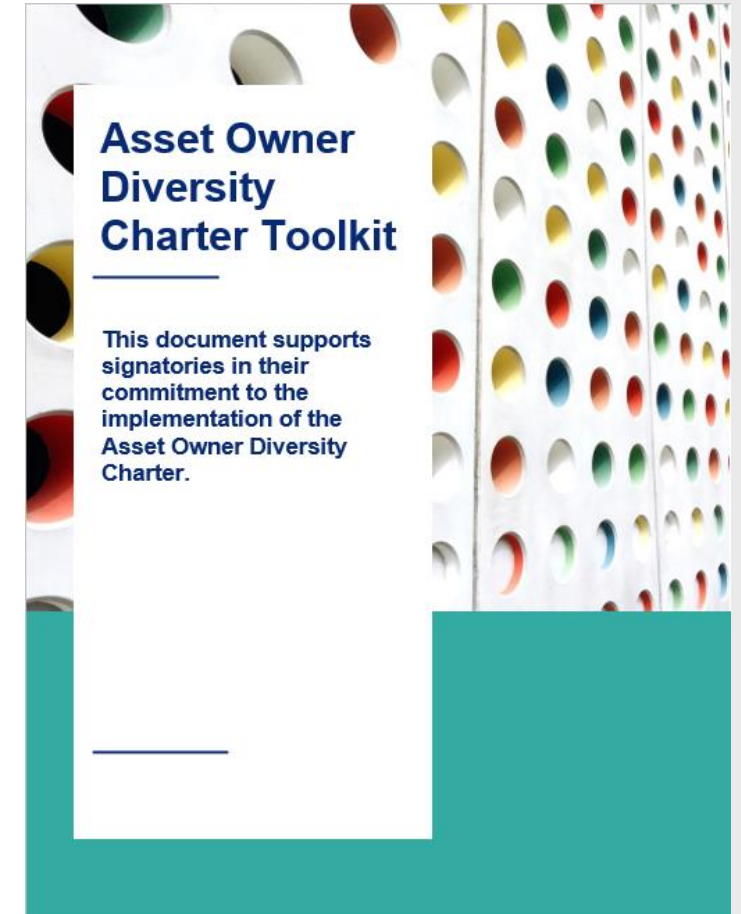


Goal 5 Gender equality
Goal 8 Decent Work and Economic Growth

Diversity Charter

This is a commitment by signatory firms to work together to build an investment industry which represents a more balanced and fair representation of diverse societies.

Board/Leadership	Who has responsibility and oversight for the diversity strategy and targets? If there are no targets, explain why?
Promotion	How do you ensure you operate an equal opportunity development and promotion process?
Culture	How are you fostering inclusivity? Do you undertake staff surveys, ensure policies are accessible? Is take up measured?
Recruitment	Often sighted as a barrier. How are barriers being broken and how are firms ensuring the process is inclusive and bias is removed?
Industry	How are firms improving representation and perception of the industry? How are involved and supporting collaborative initiatives?



Transparency

Regular Reporting

UK Equity Responsible Investment Report (July 2019)

Responsible Investment & Stewardship Review

TCFD Climate Change Action Plan and Metrics Report

Annual Reporting

BRUNEL Pension Partnership

2021 Climate Change Action Plan and Metrics Report

2020 Responsible Investment and Stewardship Outcomes

For the year ending 31 December 2019

Based on the recommendations of the TCFD

Full Report and updated disclosures made to supplement Brunel's Annual Report and Financial Statements, for the year ended 30 September 2020.

News Alerts

13 NOV 2020
Green gilt letter to prime minister sparks policy change

29 APR 2020
LGPS Investors ask Barclays to firm up commitments on climate

Social Media

Brunel Pension Partnership Limited @ BrunelPensions · 1 Sep
Climate – seeing the changes? After a summer full of climate change news, we wanted to report on what we've been doing to develop and share our #ResponsibleInvesting agenda [owjyH8XJ50eBtbf](#) @RIGCCNews @PRI_News @CeresNews

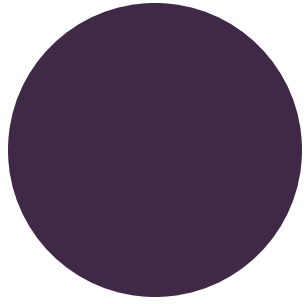
Brunel Pension Partnership Limited @ BrunelPensions · 11 Aug
Publishing the @RIGCCNews net-zero investor framework was an enormous step forward. Next step is CONCLUSION - to realise the framework's potential, it's crucial the broader industry has its say [owjyH8XJ50eBtbf](#) #netzero

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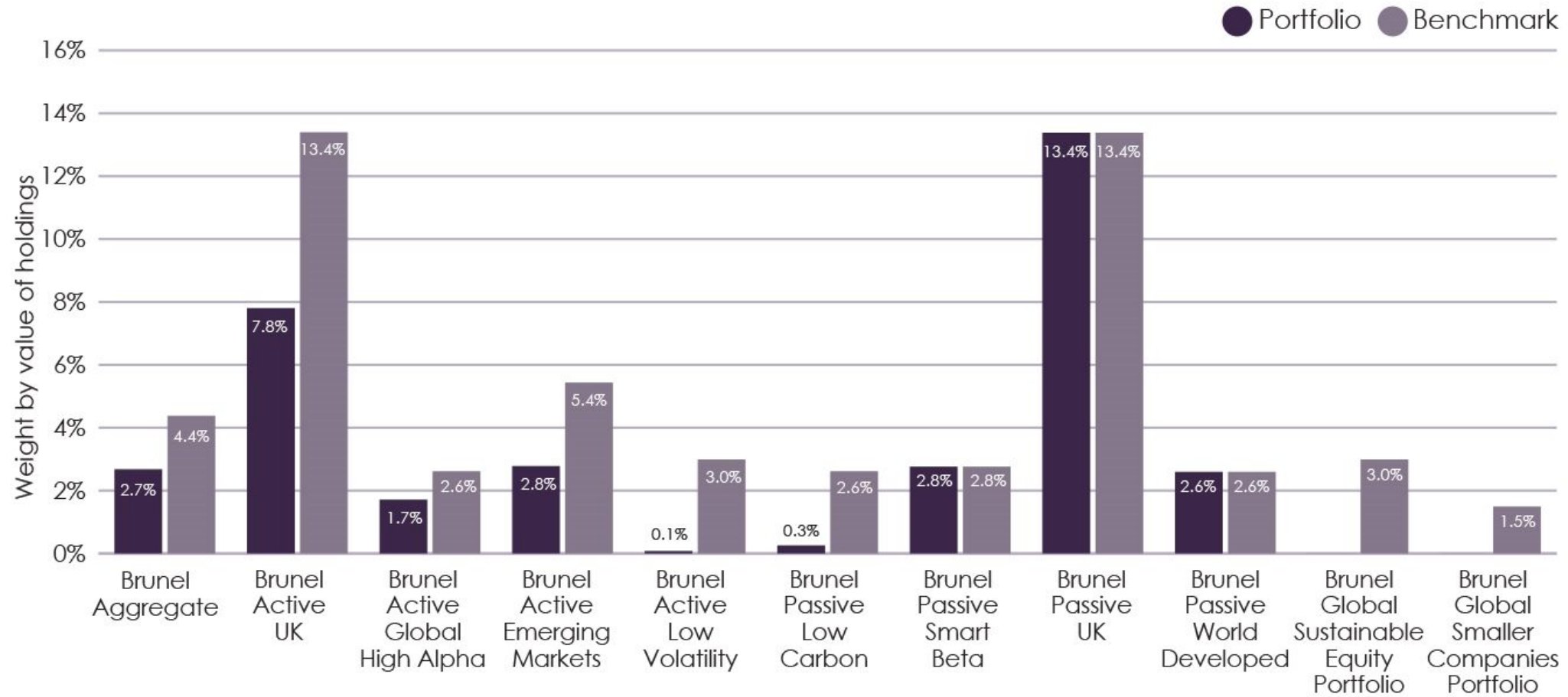
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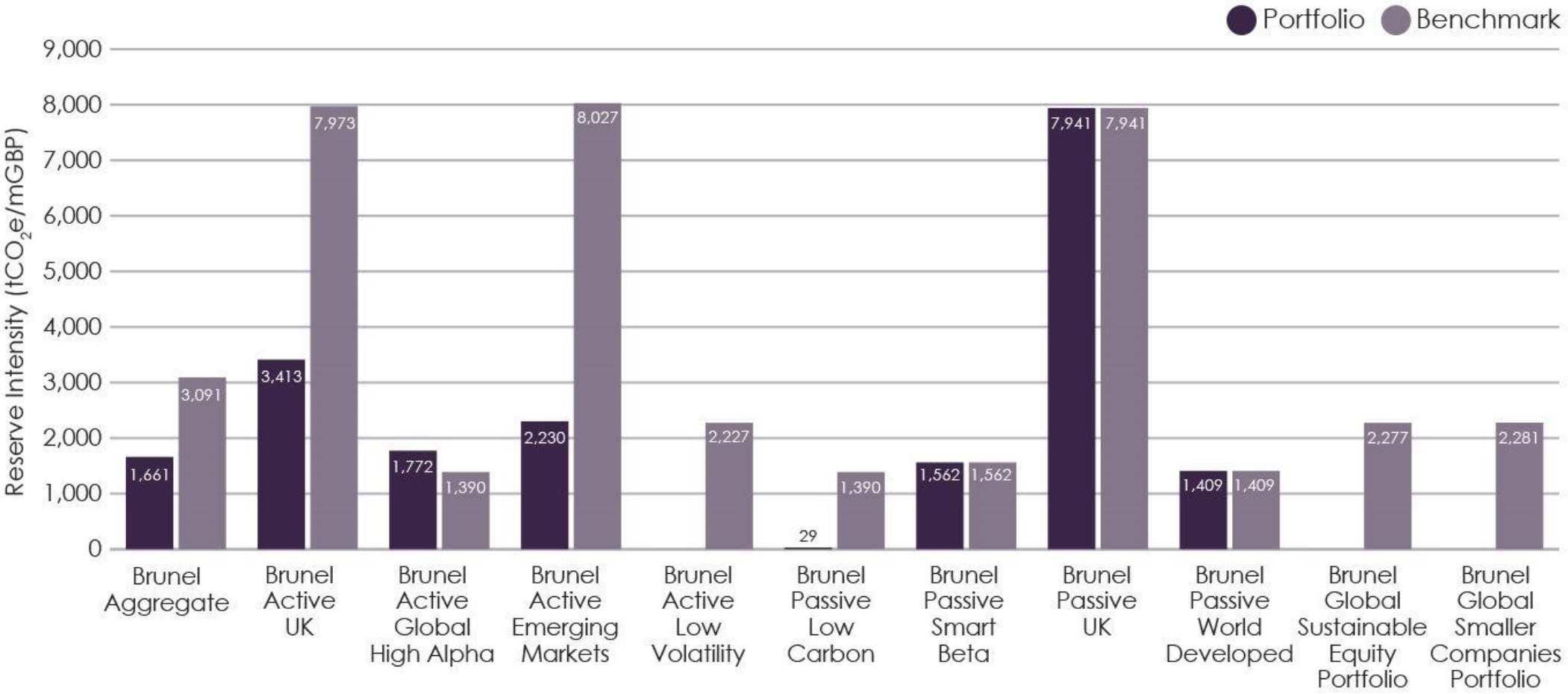


Appendix

Weight value of holdings



Reserve Intensity Graph



EU Climate Benchmarks – PAB criteria

Requirement	Details
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 • 7% year on year reduction • Emissions relative to Base Universe must always stay below initial reduction threshold • Phase in Scope 3 emissions
Exclusions	<p>Baseline exclusions</p> <ul style="list-style-type: none"> • Controversial Weapons • Tobacco Activities (producers) • UN Global Compact or OEDC violations • Coal: 1 % or more of revenues from exploration, mining, extraction, distribution or refining of hard coal & lignite • Oil & Gas: <ul style="list-style-type: none"> • 10 % or more of revenues from the exploration, extraction, distribution or refining oil fuels; • 50 % or more of revenues from the exploration, extraction, manufacturing or distribution of hydrocarbons, hydrogen and carbon monoxide mixtures present in gaseous state; • Electricity producers: carbon intensity of lifecycle GHG emissions > 100 gCO₂e/kWh (50%+ revenues) • Do No Significant Harm - Any companies found or estimated by them or by external data providers to significantly harm one or more of the environmental objectives referred to in Article 9 of Regulation (EU) 2020/852 of the European Parliament & of the Council (8)

EU Climate Benchmarks – CTB criteria

Requirement	Details
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 30% reduction • 7% year on year reduction • Emissions relative to Base Universe must always stay below initial reduction threshold • Phase in Scope 3 emissions
Exclusions	<ul style="list-style-type: none"> • Controversial Weapons • Tobacco Activities (Producers) – from December 2022 • UN Global Compact or OEDC violations • Do No Significant Harm - Any companies found or estimated by them or by external data providers to significantly harm one or more of the environmental objectives referred to in Article 9 of Regulation (EU) 2020/852 of the European Parliament & of the Council (8)

Modern Human Slavery



Goal 8 Decent Work and Economic Growth

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



Governance

	Environmental			Social and Ethical			Governance			Strategy, Risk and Communication		
	Climate Change	Natural Resource Stewardship	Pollution, Waste and Circular Economy	Conduct, Culture and Ethics	Human Capital Mgmt	Human Rights	Board Effectiveness	Executive Remuneration	Shareholder Protection and Rights	Business Purpose and Strategy	Corporate Reporting	Risk Mgmt
Microsoft Corp		●		●	●			●				
Apple Inc	●			●		●		●	●	●		
Amazon.com Inc	●		●		●	●		●			●	
Alphabet Inc	●			●	●	●	●	●	●	●		●
Mastercard Inc							●	●				●
Taiwan Semiconductor Manufacturing Co Ltd	●	●						●				●
AstraZeneca PLC							●	●		●		
Royal Dutch Shell PLC	●		●	●		●	●	●				●
Diageo PLC		●						●				
Facebook Inc	●					●	●			●		●

