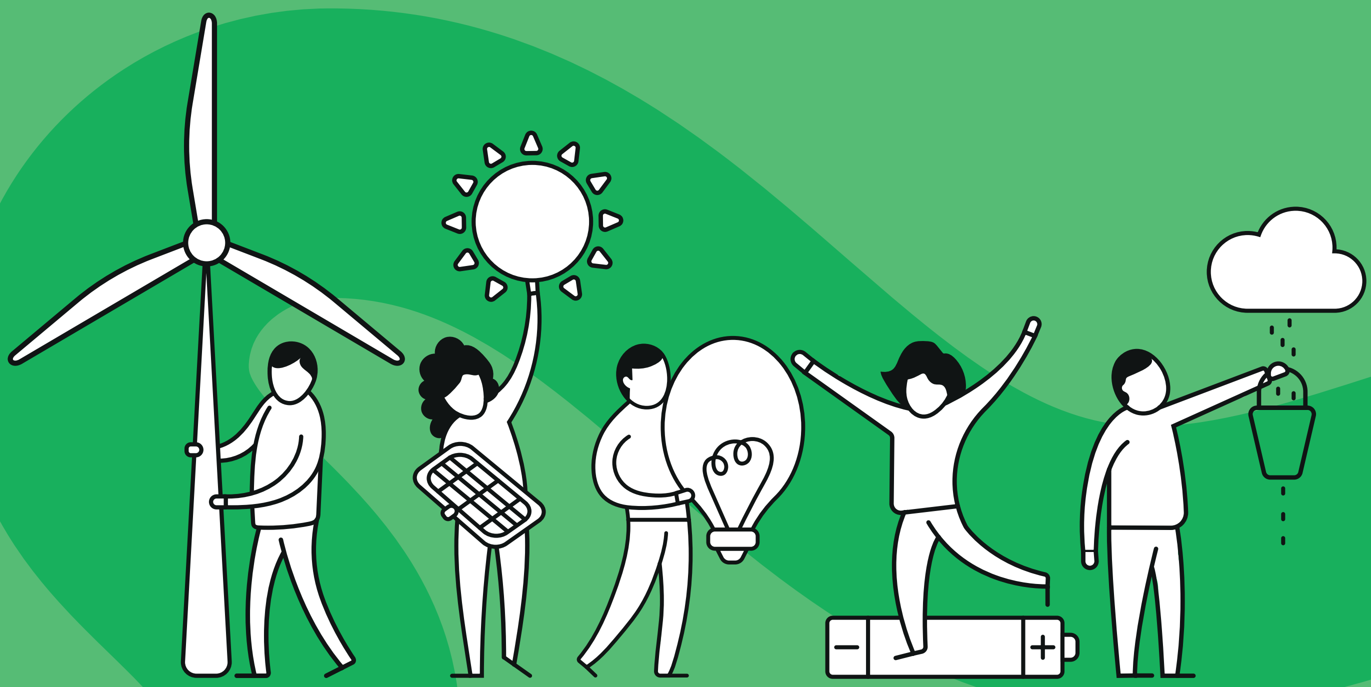
Appendix 1



Draft Responsible Investing Annual Report

Avon Pension Fund

2021/22

Bath & North East Somerset Council

lgps 2014 for you, for now, for the future

AVON PENSION FUND

Executive Summary

With the conclusion of COP26 and some of the most significant changes to the Fund's strategy on climate change taking place in the final months of 2021 the content included in this year's Responsible Investing Annual Report extends beyond the twelve months to March 2021 and serves to update stakeholders on what steps are being taken by the Fund to deliver on our financial and environmental, social and governance (ESG) obligations.

Over the past 18 months we were pleased to see the changes to our investment strategy yield tangible results including a **22% year-on-year reduction in the carbon intensity** of our listed equities. The review of our equity portfolios undertaken in September allowed us to build on the progress made to date by introducing two **new interim decarbonisation targets** and increasing our allocation to **sustainable equities**.

Brunel continued to demonstrate leadership in the field of responsible investment and climate strategy by working with a major index provider to launch a Paris-aligned passive equity product, which the Fund allocated over **£0.5 billion** to on launch.

We continue to invest capital in **renewable energy** projects and have noted major steps being taken by some of the world's largest greenhouse gas emitters to position themselves for the low carbon transition as a direct result of intensive investor engagement.

Details of the steps the Fund is taking to address the climate emergency were presented as part of our first standalone **Taskforce on Climate-related Financial Disclosures Report** and in October we submitted our first report under the 2020 **FRC Stewardship Code**.

We have seen a significant increase in contact with our members on environmental, social and governance (ESG) issues and have welcomed the opportunity to share the progress we have made as part of a wider digital communications programme, which included our first dedicated **ESG member survey**.

Elsewhere, the Fund collaborated with other investors on a plastics pollution initiative and pledged its support for a new charter developed by the **Diversity Project** which, seeks to formalise a set of actions designed to improve diversity, in all forms, across the asset management industry. As part of our UK property portfolio, we committed £10m to an **affordable housing fund.**

The Fund took steps to integrate ESG into is risk management framework by switching cash collateral into an **ESG-focussed cash fund** and in the credit space benefitted from the strong ESG credentials of the Brunel **Multi Asset Credit** portfolio, which launched in July 2021.

Over the coming year the Fund will focus on its seven priority ESG themes and take the necessary action to accelerate progress towards our **net zero** goal as well as advocate for a supportive policy environment that will facilitate change ultimately for the benefit of our members.

Contents

Section 1 – Responsible Investment Policy and Strategic Developments

Responsible Investment Policy

As a long-term investor, the Fund seeks to deliver financially sustainable returns to meet the pension benefits of the scheme members and managing financially material Environmental, Social and Governance (ESG) risks is consistent with our fiduciary duty. Our Responsible Investing (RI) Policy seeks to integrate ESG issues into the strategy in the belief this can positively impact financial performance.

Our approach to RI is based on the following RI Principles:

- We are a long-term investor, with liabilities stretching out for decades to come, and seek to deliver long-term sustainable returns.
- The identification and management of ESG risks that may be financially material is consistent with our fiduciary duty to members.
- We integrate ESG issues at all stages of the Fund's investment decision-making process, from setting investment strategy to monitoring our investment managers.
- We recognise that climate change is one of the ESG factors that poses a long-term financial risk.
- We seek to identify innovative and sustainable investment opportunities, in-line with our investment objectives.
- We apply evidence-based decision-making in the implementation of our approach to RI.
- We have a duty to exercise our stewardship and active ownership responsibilities (voting and engagement) effectively by using our influence as a long-term investor to encourage responsible investment behaviour.
- We recognise the importance of collaboration with other investors in order to achieve wider and more effective outcomes.
- We aim to be transparent and accountable by disclosing our RI policy and activity.

The RI Policy sets out our approach to RI and how the policy is implemented. The policy document is available to read in full here.

Climate Change

Climate Change has remained sharply in focus over the past year; both in terms of the risk presented to businesses by the transition away from fossil fuels and physical risks to operating models, for example, the operating viability of real assets such as infrastructure under extreme climate conditions.

We believe that investing to support the objectives underpinning the Paris Agreement that deliver a below 2°C temperature increase is entirely consistent with securing long-term financial returns and is in the best interests of our members.

Carbon Reduction Targets

To help our progress towards Net Zero and in recognition of the need to accelerate our trajectory towards this goal over the next 10 years, **the Fund has set new targets to reduce the absolute emissions in our equity portfolio by 43% by 2025 and 69% by 2030 compared to its 2020 levels.** As part of our commitment to the IIGCC framework, we will be setting further dedicated 'climate solutions' targets across different asset classes that build on the allocation decisions we have already made. These will sit alongside our existing climate targets set out below. **Our goal of becoming 30% less carbon intensive than our benchmark by 2022 has been met**, which means we have achieved one of our key interim climate goals two years ahead of plan.

• Implement a <2°C aligned portfolio by committing to net zero emissions by 2050 or earlier	***+ To reduce the absolute emissions within the equity portfolio by 43% by 2025 and 69% by 2030 compared to the 2020 baseline***
• Reduce the carbon intensity of the equity portfolio over time with the aim of being 30% less carbon intensive than the benchmark by 2022 ✓	• Invest sustainably to support a 'just transition'[1] to the low carbon economy with the aim of investing at least 30% of the total assets in sustainable and transitioned aligned investments by 2025

[1] A 'just transition' for workers and communities as the world's economy responds to climate change was included as part of the 2015 Paris Agreement. The concept builds on well-established global frameworks in terms of climate change, human rights, labour standards and inclusive growth. It focuses attention on the need to anticipate and manage the social and economic implications of the shift to a low-carbon economy and the increasing physical impacts of climate change.

Strategic Changes within the Equity Portfolio

A key outcome of the last investment strategy review was a longer-term ambition to invest all equity assets in sustainable[1] and low carbon strategies.

The review concluded in September 2021 and included bottom-up climate scenario analysis of our equity portfolios which ranked individual companies based on their ability to transition to a low carbon economy. It was able to determine the Fund's current and projected weighted average carbon intensity (WACI) as well as its absolute emissions and implied temperature pathway.

The below points summarise the main outcomes of the equity review:

- Switching all the active equities into sustainable and low carbon portfolios would significantly reduce diversification within the portfolio (to managers, investment styles and underlying stocks) and increase unrewarded risk.
- Due to the high carbon and therefore financial risk in developing regions, **the Fund opted to remove its dedicated 5% allocation to emerging market equities and invest the proceeds in the global high alpha and sustainable equity portfolios.**
- **The Fund's 10% strategic allocation to passive low carbon equities was switched to a new passive equity index** that complies with the EU's official Paris Aligned Benchmark standards and better achieves the Fund's climate objectives. Further details of the systematic decarbonisation rules implemented by the new Paris-aligned index can be found under Section 2 of this report.

These strategic changes serve to increase Fund resilience to temperature changes while also helping push companies towards the Paris goals, thus steering the world away from more extreme climate outcomes. Periodic scenario analysis and other

[1] Sustainable equity portfolios seek to maximise exposure to companies that are responding positively to the challenges of climate change, environmental sustainability or social well-being, whilst maintaining financial returns

science-based metrics will continue to be utilised in future reporting periods and will shape ongoing investment policy decisions.

Taskforce on Climate-related Financial Disclosures

Transparent reporting and climate-specific disclosures are critical if we are to make real progress. **Over the year the Fund voluntarily committed to producing its first report in line with the guidance issued by the Taskforce on Climate-related Financial Disclosures (TCFD).** This critical framework not only helps us to deliver on our own climate change objectives but is also a way of signalling to investee companies, managers and partners how important climate risk transparency is if the Fund is to effectively decarbonise.

The Report, which can be found here [LINK] has been completed to the fullest extent possible. While data is not always available in the quantity or quality desired, through lack of consistent emission information or due to the difficulty of reporting against certain asset classes, this should become more readily available over time. It is hoped that the level of detail and number of areas covered can increase with each future reporting period as the industry makes positive steps forward and as more disclosures become mandatory.

2020 UK Stewardship Code

At the beginning of the year the Fund engaged the services of a third-party Stewardship provider to undertake gap analysis on our stewardship process and policies. The analysis mapped the Fund's stewardship activities reporting to the 12 principles of the 2020 UK Stewardship Code and indicated areas where enhancement was required in order to meet compliance. **Our Statement was submitted in October with a response from the FRC on signatory status expected in 2022**.

Risk Management Strategies

Elsewhere, the Fund has sought to integrate RI into areas of the portfolio that do not lend themselves to well established forms of ESG measurement such as emissions disclosures, carbon footprinting and proxy voting. The Risk Management Framework utilises derivatives and operates a pool of cash collateral which is used to support the strategies as they rise and fall in value. During the year we began investing this cash in a 'green' liquidity fund. This fund invests in short-term debt securities that meet specific environmental criteria while maintaining a AAA credit rating (meaning there is a very low risk of default by the companies issuing the debt).

Looking forward, the Fund will explore further ways of integrating climate change into its risk management framework by, for instance, including a more environmentally aware benchmark and weighing the potential to build its exposure to green gilts in a cost-effective way as issuance increases.

Details of industry-led initiatives that we have been a part of and information relating to how we have discharged our stewardship responsibilities across ESG themes is covered in the following sections of this report.

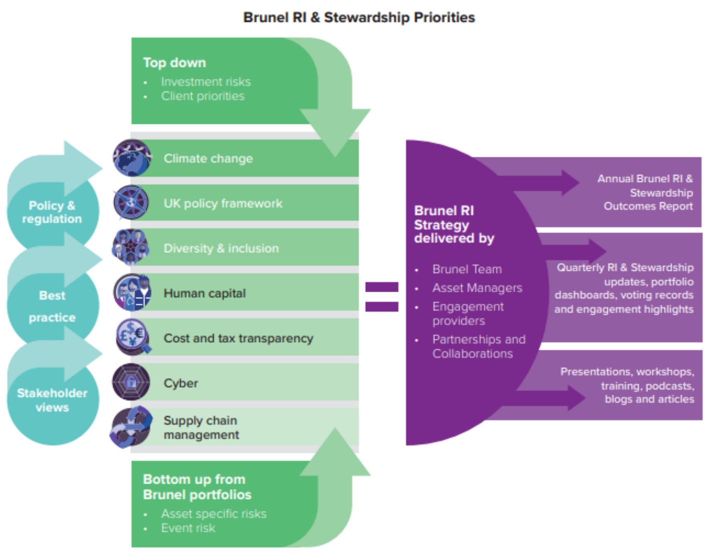
Section 2 – Pooling of Assets with Brunel

During the financial year the Fund's Global Sustainable Equity and Diversified Returns Fund assets transitioned to Brunel. Shortly after the conclusion of the financial year the Fund transitioned its Multi Asset Credit portfolio which marked the completion of the transition of listed assets to Brunel.

In terms of private markets, all new allocations to Secured Income, Renewable Infrastructure and Private Debt are managed by Brunel and legacy mandates are being wound down as required to fund these new investments. At the end of September Brunel managed over £4.5 billion of the Fund's £5.7 billion assets.

Brunel policies span climate change, stewardship and responsible investment more broadly and determine how the Fund's own approach to RI is implemented and monitored. Brunel's policies and priorities are informed by its investment beliefs which have been developed with all partner funds together with regulations and statutory guidance. Brunel's guiding principle is to deliver stronger investment returns over the long-term and to protect its clients' interests by contributing to a more sustainable and resilient financial system, which supports sustainable economic growth.

Brunel's seven priority themes as part of an integrated responsible investment process are illustrated in the diagram below:



While addressing climate change through our investment strategy has remained our focus this year, our exposure to best-in-class investment managers in addition to Brunel's internal dedicated team has allowed Avon to make a contribution in all of below areas. Further details can be found in Brunel's second annual Responsible Investment & Stewardship Outcomes Report.

(I) Climate Change

Central to Brunel's approach to climate change is maintaining a comprehensive and robust policy framework that supports a 2050 net zero ambition by delivering significant reductions in greenhouse gas emissions, accelerating progress towards the low carbon economy and enabling effective adaptation to the impacts of climate change.

Since launching a dedicated climate change policy last year, Brunel have made significant progress in a number of areas:

- Investment in innovative climate solutions in private markets portfolios (see Section 4)
- Significant milestones achieved in climate risk related corporate engagement, particularly in the finance sector where Brunel have worked collaboratively with initiatives such as ShareAction and ClimateAction100+ to address **fossil fuel financing**. Further details of engagements undertaken by EOS on our behalf across the listed equity portfolios can be found at Appendix A to this report and in our 2020 Annual Engagement Highlights Report.
- Breaking new ground in the integration of climate risk into manager selection and appointment. For instance, The Fund has a 6% strategic allocation to **Multi Asset Credit**, which invests in an array of different debt instruments. Here, a comprehensive responsible investment policy is key as the underlying managers are lending directly to organisations that can either be aligned or not to the transition and debt holders do not have the same ability to influence corporate boards as shareholders have. As part of the Brunel selection process, prospective managers were assessed on how integrated responsible investment practices were in their business model and if they could adopt Brunel's Climate Change Policy. Those managers that stood out understood the goal of becoming Net Zero, knew which assets were 2°C aligned and showed thought leadership in this area.

Brunel's Metrics & Targets for Listed Equities

- Portfolio decarbonisation by no less than 7% per year from a fixed 2019 baseline
- Fossil fuel revenues and exposure no greater than that of each respective benchmark
- Climate governance using TPI, targeting all material holdings to be at TPI level 4 or above by 2022
- Engagement with material holdings to persuade them to advance at least one level (up to level 4) per year against the TPI Management Quality Framework

- Active involvement with the IIGCC in the development of the **Paris Aligned Investment Initiative and the Net Zero Investment Framework**, which aims to set a global standard for investors to demonstrate they are Paris-aligned. As part of the project, the Fund provided data to help model the valuation impact on a 'test portfolio' of UK real estate assets under different climate change scenarios.
- Inaugural Climate Action Report published based on the recommendations of the TCFD.

Paris Aligned Benchmarks

In the final months of 2021, the Fund switched its 10% (£575m) allocation to low carbon passive equities into a new passive benchmark co-developed by Brunel and FTSE Russell. The new product is designed to:

- Halve the carbon emissions generated by standard, market cap weighted equity funds
- Systematically reduce carbon emissions by 7% each year in line with a 2050 net zero trajectory
- Exclude investment in the highest emitting companies and sectors, including coal and tar sands companies and companies whose primary business function relates to the exploration, extraction or distribution of oil.
- Increase investment in companies generating green revenues.
- Limit the number of banking stocks we invest in, a move designed to restrict the amount of capital channelled into the fossil fuel industry.
- Exclude tobacco producers, controversial weapons manufacturers and companies that have been identified as breaching the UN Global Compact.

(II) Tax & Cost Transparency

During the year to December 2020, Brunel:

- Championed tax transparency and reported on support of the Tax Engagement Programme coordinated by the Principles for Responsible Investment (PRI).
- As a signatory to the LGPS Code of Transparency (CTI), engaged with private markets managers to promote fair and transparent fee structures. The Fund discloses its fees including those relating to portfolio investment activity and transaction costs, ongoing charges, and performance fees in its Annual Report [update link]

(III) Diversity & Inclusion

Brunel seek to promote fair, diverse and inclusive business environments and practices across the companies in which they invest on our behalf. Over the year to December 2020 Brunel took the following actions:

- Updated voting principles to say: "We will consider voting against the chair of the board of FTSE 100 companies that do not have at least one director from an ethnic minority background and have no credible plan to rapidly achieve this"
- Established a baseline for monitoring and reporting the percentage of women on Boards. Year-on-year an increase in the percentage of women on boards was noted in the UK, emerging market and high alpha active equity portfolios.
- Co-led the **Asset Owner Diversity Working Group** with an objective to formalise a set of actions that asset owners can commit to in order to improve diversity, in all forms, across the investment industry.

- Contributed to 'Addressing Barriers to Diversity in Portfolio Management' thought leadership piece.
- Co-signed letters to two Japanese companies which fell behind the 10% board diversity 2020 target of the 30% Club in Japan.

(IV) Human Capital

Brunel seek to promote strong human resources and sustainable remuneration policy frameworks across the companies in which they invest. Over the year to December 2020 Brunel took the following actions:

- Joined a group of 39 investors, representing $3 trillion, that approached 54 companies in the Gulf, focussing on sectors predisposed to modern human slavery issues, asking that they (I) engage independent specialists to perform exit interviews (II) commit to reimbursing recruitment fees and adopt the 'employer pays principle' and (III) perform due diligence on labour outsourcing companies.
- Supported the 'Find it, Fix it, Prevent it' engagement programme designed to target UK businesses to encourage them to identify instances of modern human slavery in their supply chains and to remediate the issue.
- Joined an investor coalition targeting FTSE 350 companies identified as non-compliant with meeting the Modern Slavery Act 2015, calling on them to publish a modern-day slavery statement.
- Signed letters to the CEOs of all FTSE 100 companies asking that formal mental health workplans are established following the period of disruption brought about by the Covid crisis.

(V) Cyber

Brunel seek to promote corporate awareness and action on cyber security, the responsible use of personal data, and the use of artificial intelligence (AI) in order to protect commercial risks and reputational damage. Highlights during the year included:

- Continued support for, and application of, the Ranking Digital Rights Corporate Accountability Index to assess investee companies on freedom of expression and data privacy policies. The companies contained within Brunel active equity portfolios on average rank higher than the wider index on freedom of expression and privacy scores.
- As part of the Cybersecurity Coalition, Brunel wrote to 25 companies to better understand respective approaches to cyber security, which led to eight follow-up meetings and ongoing engagement.

(VI) Supply Chains

During the year Brunel extended their work on the broad-based issues that come from globalised supply chains. The focus remains on tailings dams, plastics pollution, palm oil, animal welfare, water scarcity and biodiversity including deforestation and indigenous rights. Further information on how Brunel address these themes can be found in their 2021 Responsible Investment and Stewardship Outcomes Report.

Section 3 – Carbon Metrics Reporting

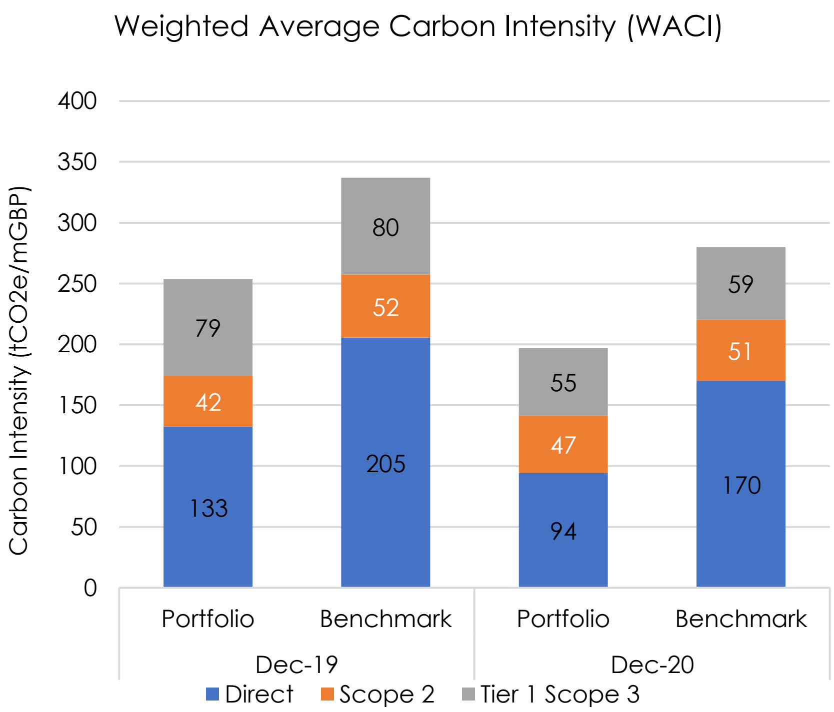
Our Carbon Metrics Report (for periods ending December 2020) details the weighted average carbon intensity (WACI)[1], fossil fuel related revenues, reserves exposure and the disclosure rates among companies within the Fund's listed equity portfolio. A summary of the key findings can be found below. The Report is available to read in full here.

(I) WACI

WACI is one of the measures recommended by the Taskforce on Climate-related Financial Disclosures (TCFD) and formed the basis of our target to reduce the carbon intensity across our equity portfolio by 30% relative to the benchmark by 2022.

The Report shows:

- All active listed equity portfolios that the Fund invests in exhibit a lower WACI than their respective benchmarks.
- The portfolio saw a 22% year-on-year reduction in carbon intensity, based on WACI.
- Relative to the industry benchmark the aggregate portfolio was 30% more efficient (less carbon intensive) than the benchmark, which means we hit the above referenced interim decarbonisation target significantly ahead of plan.



(II) Stranded Assets

To assess 'stranded asset' risk we look at metrics that highlight companies with business activities in extractive industries as well as companies that have disclosed both proven and probable fossil fuel reserves in the portfolio.

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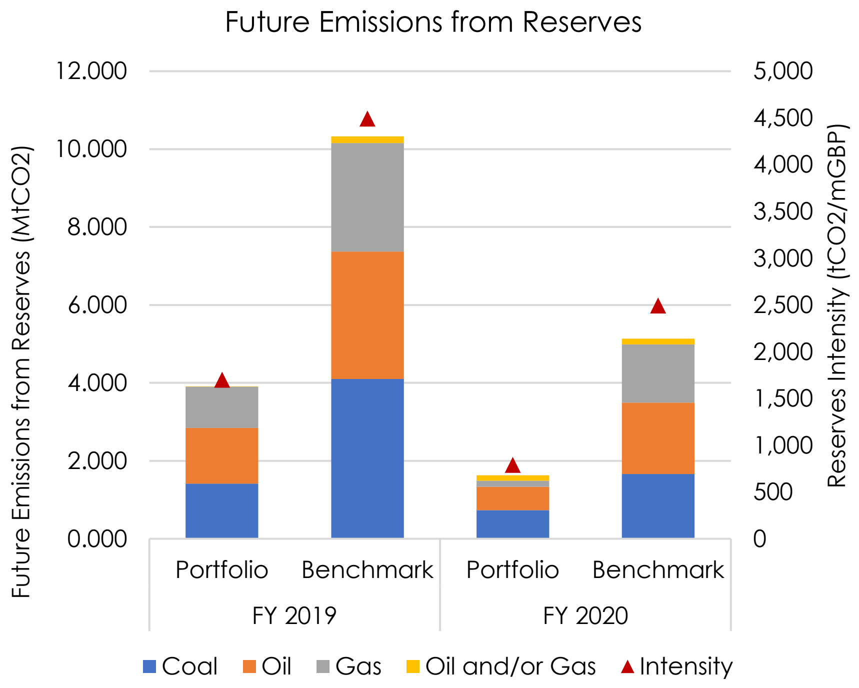
[1] Weighted Average carbon Intensity or 'WACI' quantifies a portfolio's exposure to carbon intensive companies. The metric takes the carbon intensity (total carbon emissions divided by total revenue) of a company and multiplies it by its weight in the portfolio.

- Weighted fossil fuel revenues exposure represents 0.79% of the aggregate portfolio relative to benchmark exposure of 1.76%.
- Future emissions from reserves are 1.6MtCO2 versus 5.1MtCO2 for the benchmark.

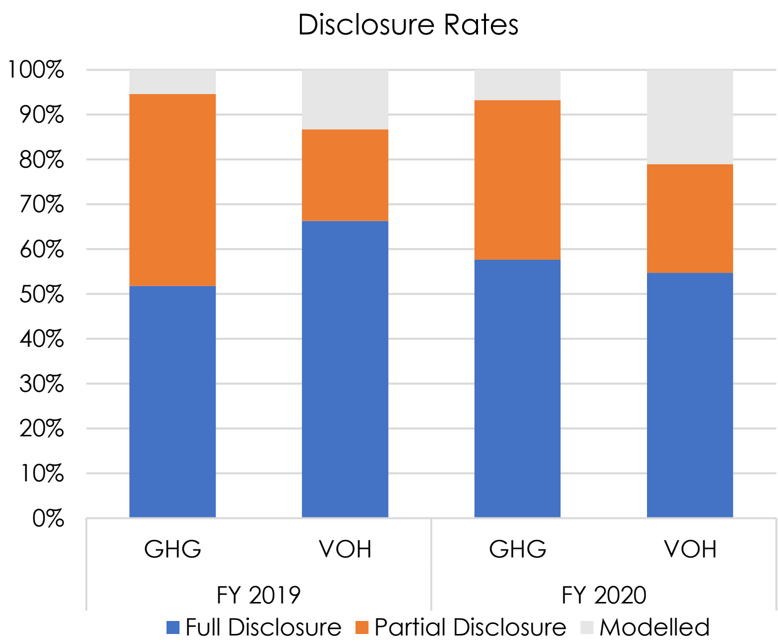


The year-on-year improvement in future emissions from reserves is due to a combination of factors including decarbonisation of the underlying portfolios (driven by investment managers allocating capital to less carbon intensive sectors and companies) and the Fund's own strategic asset allocation; principally the replacement of the oil & gas heavy UK equity allocation (and the reduction in global equities) with the allocation to the Brunel global sustainable equity portfolio – which as can be seen from the report – has a nil exposure to future emissions from reserves.

(III) Disclosure Rates

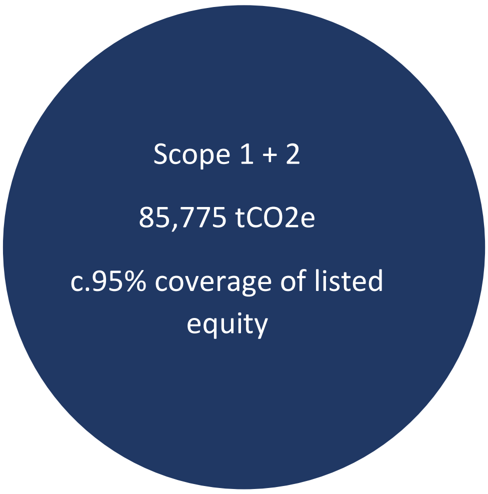
The level of carbon disclosure is based on each company's direct Scope 1 emissions and can be classified as fully disclosed, partially disclosed or, where data is lacking, modelled.

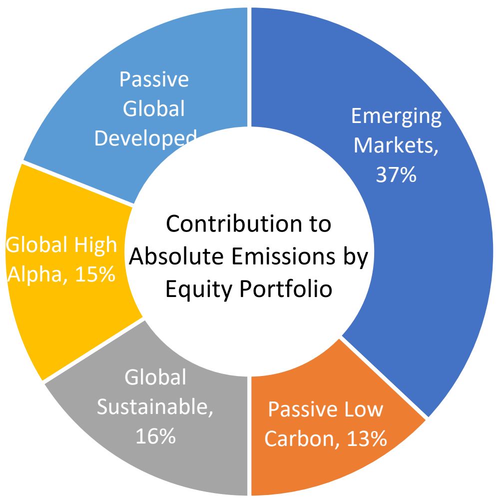
- On a carbon-weighted basis, the rates for full disclosure of carbon data were 58% compared to 52% in the prior year, which indicates disclosure rates among companies with high levels of emissions have increased over the past 12 months.
- On an investment-weighted basis, the rates for full disclosure of carbon data were 55% compared to 66% in the prior year. This outcome is attributed to the increased exposure the Fund has to small-cap companies within the sustainable equities portfolio. Smaller companies do not tend to have the same resource to provide full and comprehensive disclosure relative to large-cap companies. However, these rates do indicate scope for improved reporting among investee companies, which is a core aim of the engagement work adopted by the Fund, Brunel and its strategic partners.



(IV) Absolute Emissions

Whilst WACI based measures of emissions intensity gives very valuable carbon risk information, in order to create "real world" impact the Fund recognises the need to reduce absolute emissions. The September equity review analysed the absolute emissions of our listed equity holdings, in carbon dioxide equivalents to represent individual companies' greenhouse gas emissions (GHGs). Expressing emissions in carbon dioxide equivalents helps for consistent reporting across GHGs. The analysis to the year ending December 2020 calculated that the absolute Scope 1[2] and 2[3] emissions for the Fund's listed equity portfolios were 85,775 tCO2e. As this is the first year we have calculated our absolute emissions, the 2020 data will be used as a valuable baseline to measure further reductions in subsequent years. In future years we will look to include more asset classes and extend the analysis to capture Scope 3[4] emissions as the relevant data becomes available.





[2] Scope 1: "direct" emissions from owned or controlled sources
[3] Scope 2: "indirect" emissions from the generation of purchased energy
[4] Scope 3: indirect emissions arising from a company's value chain

Next year our carbon metrics reporting will include the impact of the removal of the dedicated emerging market allocation (and the subsequent 5% increase to global equities) as well as the switch to the new Paris-aligned benchmark from the Fund's legacy low-carbon strategy, which has been efficient at reducing portfolio emissions but maintains a high weighting to oil and gas support activities.

Section 4 – Positive Impact in Private Markets

The Fund has a large portfolio of private markets investments spanning property, secured income assets, infrastructure and private debt with commitments to these asset classes totalling nearly £1 billion. Real assets play a pivotal role in delivering a net zero emissions future as well as supporting a 'just transition'[1] and serve to ensure we are generating the return required as well as making both an environmental and social contribution. Highlights of some of the projects we are invested in through our private markets portfolios can be found below:

(I) Infrastructure

Over the year, as investors looked beyond the pandemic, market conditions improved with significant deal flow noted particularly in the renewables space. Increasing demand for renewables driven primarily by regulation and political interest has acted to increase investor demand, and in turn, compress yields making it more difficult to source attractively priced assets and restricting the opportunity set somewhat. Supply chain constraints following the pandemic compounded the issue by pushing up key raw material costs globally. However, pace of deployment of committed capital has remained steady through the year, which is reflective of the fact the Brunel portfolio focuses on high-quality, essential services assets which have been impacted by the pandemic to a lesser extent than discretionary infrastructure assets.

Infrastructure Case Study: Energy from Waste

A new multifuel facility located in Slough which uses waste as an energy source will have a generating capacity of 50MW and use up to 480,000 tonnes per year of pre-processed waste-derived fuel. The project is already supplying electricity to the grid. Once fully on-stream, the facility will power around 100,000 households. It will save around 5.2 million tonnes of CO_2 through the project lifetime, equivalent to permanently removing 70,000 cars from the road. The Fund gained exposure to this asset through its £120 million Cycle 2 commitment to Brunel's renewable infrastructure portfolio.

During the year our core infrastructure manager, IFM, announced a net-zero target and published ambitious interim targets along with details of a review of their asset management processes, which will see them working closely with the underlying portfolio companies to implement emission reduction initiatives. For example, IFM worked with a major US oil and gas pipeline company to complete a series of acquisitions including a leading North American clean energy development, allowing the company to accelerate its growth plans and position itself to participate in the energy transition. In addition, IFM committed to phasing out thermal coal exposure by 2030 and have agreed to make no new investments in assets that derive over 20% of revenues from thermal coal.

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[1] The 'just transition' highlights the social consequences of climate change and provides the framework for connecting climate action with inclusive growth and sustainable development for regions and communities most effected by the phase out of the fossil fuel industry. The Fund pledged its support for a 'just transition' alongside a $5 trillion coalition of investors in 2019.

(II)Secured Income

The Fund committed £48 million (in addition to the £94 million existing commitment) to the operating infrastructure component of the Cycle 2 Secured Income portfolio, which invests in wind, solar, bioenergy, and opportunistic investments in other renewable infrastructure assets, such as renewable heat. Further capital was deployed into a project that will see the construction and operation of two of the UK's largest commercial greenhouses, warmed by waste heat from nearby water treatment facilities. We reported on this project in our 2019/20 RI Report.

(III) Property

Our UK Property portfolio is given a sustainability score by GRESB, a leading global provider of ESG real estate assessments. This assessment helps identify how sustainable the portfolio may be compared to its peers and hence it's potential climate change resilience. Our 2020 portfolio results showed that we exceeded the benchmark average in overall ESG performance. Details of projects that have contributed to the GRESB rating can be found in the Fund's TCFD Report here [LINK].

Property Case Study: UK Affordable Housing

During the year the Fund committed £10 million and began deploying capital into a newly launched UK Affordable Housing Fund via Brunel. The Fund, managed by PGIM, is designed to invest in and develop affordable homes for working people and families across the UK. It targets a total return of 6-9% and aims to help alleviate the supply and demand imbalance in this underserved sector.

(IV) Private Debt

Fixed income markets have lagged equities in the application of ESG criteria. This likely reflects a range of factors, principally; bondholders do not have the control rights shareholders do. To account for this, Brunel have been working with their underlying managers within the Private Debt portfolio, which we have committed £245 million to, to develop new ways of engaging with and influencing the underlying borrowers on ESG issues. Lenders are increasingly financially incentivising borrowers to embrace ESG best practice and reduce their carbon footprint through the terms of loan agreements, for example a borrower may benefit from incremental reductions in loan repayments based on the appointment of a dedicated corporate and social responsibility manager or agreement to undertake and disclose annual carbon footprinting analysis.

Section 5 – Stewardship

(I) Engagement

Engagement and active ownership are central to the Fund's approach to ESG; we believe that meaningful engagement can make a positive impact and ultimately create long-term value for our members.

The Fund recognises that real world change comes about through coordinated action with the investment industry, corporate community, regulators and policymakers all working together. Playing our part means working with these groups to effect change and maximise the impact we can make within our sphere of influence. We work closely with our strategic partners to drive the development of ESG regulation and commitments made globally. An overview of the initiatives that the Fund is an active member of, along with a brief description of key workstreams and outcomes over the year, is included below:

Organisation/Initiative	Remit
BRUNEL Pension Partnership	To address climate risk, the partnership published its Climate Change Policy in January 2020. This policy is already delivering real-world impacts, using its influence to challenge the asset management industry with a five-point plan "to build a financial system which is fit for a carbon-zero future". To best identify and respond to market-wide and systemic risks, Brunel engages with wide range of stakeholders, including government authorities, trade bodies, unions, investors, and NGOs. Consultation responses are published on the Brunel website here: Policy advocacy. Brunel is involved in a number of industry initiatives including: IIGCC, Principles for Responsible Investment (PRI), CA100+, Transition Pathway Initiative (TPI), International Corporate Governance Network (ICGN), the UK Sustainable Investment and Finance Association (UKSIF).
	IIGCC's Policy Programme works with policymakers and other stakeholders to

	help inform and strengthen policy decisions made in support of a low carbon, climate resilient world. Recent examples of policy advocacy work the Fund has been involved in include pledging support for an Open letter to EU leaders from investors on a sustainable recovery from COVID-19, becoming a signatory of the 2021 Global Investor Statement to Governments on the Climate Crisis calling for a step up in Nationally Defined Contributions and backing an IIGCC letter calling on the UK Government to mandate large companies to disclose their net zero transition plans – and calling for further guidance in helping companies reach this goal.
	LAPFF is a collaborative body that exists to serve the investment interests of local authority pension funds. In particular, LAPFF seeks to maximise the influence the LGPS funds have as shareholders through co-ordinating shareholder activism amongst the pension funds. This year LAPFF have been instrumental in lobbying the mining sector for improved disclosures around tailings dams. Officers and Committee members attended four LAPFF business meetings during the year. Following the conclusion of the reporting period one of the Fund's Committee members was appointed to the LAPFF Executive Committee.
	Climate Action 100+ is an initiative led by investors to engage systemically important greenhouse gas emitters and other companies across the global economy that have significant opportunities to drive the clean energy transition and achieve the goals of the Paris Agreement.

	The 2020 Climate Action 100+ Net-Zero Company Benchmark assesses the performance of focus companies against the initiative's three high-level goals: emissions reduction, governance, and disclosure. The benchmark helps the Fund to evaluate company ambition and action in tackling climate change.

Listed equities provide the most immediate route into engaging with companies on a broad range of issues. Other asset classes are less advanced and are structured in a way that is not always conducive to active engagement with investors. However, progress is being made and, in this report, we discuss some of the mechanisms being implemented by investment managers in other asset classes such as bonds that we can utilise to help move the industry forward.

As the Fund's listed equites are now wholly invested in Brunel portfolios it is vital that underlying investment managers and EOS, as Brunel's appointed voting and engagement provider, meet our expectations, and that there is continued alignment of engagement and voting priorities and practices.

The Fund feeds into the development of Brunel's engagement priorities which are communicated to EOS. There are multiple and distinct touchpoints throughout the year that Brunel and the Fund utilise to provide feedback on the engagement plan. To measure progress and the achievement of engagement objectives, a four-stage milestone system is used by EOS. When an objective is set at the start of an engagement, recognisable milestones that need to be achieved are also identified. Progress against these objectives is assessed regularly and evaluated against the original engagement proposal. Across all Brunel listed equity portfolios, EOS were able to move at least one milestone forward for about 50% of the objectives set during the year to December 2020.

In the year to December 2020, EOS engaged with 657 companies on the Fund's behalf across 2,419 issues spanning Environmental, Social and Ethical, Governance and Strategy, Risk and Communication matters. A summary of the issues and objectives on which EOS engaged with companies on our behalf during 2020 is shown below:

Environmental topics featured in 20.9% of EOS engagements over the last year

- Climate Change 75.0%
- Forestry and Land Use 3.2%
- Pollution and Waste Management 12.7%
- Supply Chain Management 5.5%
- Water 3.6%

Social & Ethical topics featured in 19.1% of EOS engagements over the last year

- Bribery and Corruption 3.0%
- Conduct and Culture 18.4%
- Diversity 22.2%
- Human Capital Management 16.8%
- Human Rights 30.5%

Governance topics featured in 41.2% of EOS engagements over the last year

- Board Diversity 23.1%
- Board Independence 13.4%
- Executive Remuneration 45.6%
- Shareholder Rights 14.1%

Strategy, Risk & Communication topics featured in 18.8% of EOS engagements over the last year

- Audit and Accounting 5.5%
- Business Strategy 33.8%
- Cyber Security 6.6%
- Reporting and Disclosures 22.6%

Engagement examples include intensive engagement with Alphabet on the ethical considerations surrounding the use of Artificial Intelligence (AI) and data governance, which led to the company publishing a set of principles to promote the responsible use of AI within the technology sector as well as further research published by the company including a white paper on AI governance, covering the need to address safety and transparency issues related to the technology. The full EOS case study is available here. Significant work was also undertaken by EOS throughout the year as a member of the PRI plastics working group; engaging with companies across the plastics value chain on topics such as plastics reduction targets and recyclability.

According to the CA100+ 2020 Progress Report, published in December, 43% of the focus companies engaged by the initiative have now set a net-zero target. However, only 10% of focus companies setting a 2050 net-zero target include downstream emissions (emissions generated by the end consumer using a company's product), highlighting significant gaps in approaches to target setting. Within the oil and gas sector, BP announced it would set a net-zero target for 2050 for all the oil and gas it produces, as well as for its entire operations. Later in the year, the company published its methodology for determining whether new capital expenditure was consistent with the goals of the Paris Agreement. This came in direct response to a shareholder resolution where EOS led the filing. It also built on engagement over the previous 12 months to seek alignment of BP's accounting assumptions with the goals of the Paris Agreement.

Elsewhere in sector, EOS worked closely with Total to produce a joint statement in collaboration with CA100+. This set out the ambition to achieve net-zero emissions and commitment to align its investments with the Paris goals. Repsol, the first oil and gas company to commit to net-zero emissions, increased the ambition of its downstream emission targets and its targets around renewable energy deployment.

Although these developments are encouraging the lack of consistency in emissions reduction methodologies makes the relative assessment of company progress challenging. It is critical, therefore, that we continue to leverage our membership to groups such as the IIGCC to ensure the companies in which we invest demonstrate best practice and are able to clearly communicate to investors how impactful their respective decarbonisation strategies are.

Appendix A to this report contains further examples of engagements which the Fund has participated in through the year.

As a Fund, we have also been involved in a number of collaborative engagement efforts with the wider investment community, such as:

- **2021 Global Investor Statement to Governments on the Climate Crisis** - We were one of the first signatories to this statement, co-ordinated by The Investor Agenda (including the IIGCC), which called on governments to step up their activities towards meeting the Paris Agreement ahead of COP26 by making stronger national commitments and ensuring the COVID-19 recovery enhances resilience and supports a net zero goal. This statement was signed by 587 organisations representing over $46 trillion USD in assets.
- **Asset Owner Diversity Charter** - diversity is an integral part of our RI strategy and as such is a key priority. To help address the issue and build an investment industry that embodies a more balanced representation of diverse societies, we have recently signed-up to this charter. The charter seeks to formalise a set of actions designed to improve diversity, in all forms, across the asset management industry. In collaboration with Brunel, we follow its three main commitments to; incorporate diversity questions into manager selection, incorporate diversity into ongoing manager monitoring and lead and collaborate with others in the investments industry to identify diversity and inclusion best practice. This has now been signed by over 16 other signatories representing over £1.08 trillion in assets.
- **Plastics pollution programme** - on an industry-wide scale, our collaborative engagement activity has included joining a plastic pollution group coordinated by First State Investment alongside the UK-charity the Marine Conservation Society, advocating with other investors for the inclusion of filters in washing machines to prevent micro plastics entering the planet's marine ecosystems.

Brunel undertake a number of collaborate engagement efforts on behalf of partner funds, as set out in their [Responsible Investment and Stewardship Outcomes] report.

(II) Engagement Escalation

Escalation is a key component of stewardship and we expect anyone acting on the Fund's behalf to take account of our RI priorities, alongside policies and frameworks that we have helped to inform and develop, principally through Brunel, and to take appropriate action should efforts to advance the Fund's priorities fail to progress satisfactorily. Where Brunel manages the Fund's assets, it is appropriate that day to day stewardship activity is delegated to Brunel and the underlying investment managers they choose to appoint. It is essential, therefore, that appropriate monitoring and reporting of stewardship activity takes place to ensure that our RI priorities are being met and that appropriate steps are taken to escalate the issue if not.

As engagement is a tool to change attitudes and behaviours, companies need to be able to respond to the challenge set by us and our partners with credible, measurable, and implementable policies and strategies and the process is by necessity, iterative. Equally we recognise that efforts to engage should take place within a well-defined framework and should not continue indefinitely where no progress is made. Indeed, our climate change objectives state that in the event companies persistently fail to engage, and where the Fund and Brunel have exhausted all other channels, we retain our right to selectively divest from companies, although this is by no means the preferred route for the reasons set out in our [position statement] on the exclusion of investments on ESG grounds.

The Fund's next checkpoint relating to progress made by companies to align their business models with credible net zero pathways will be in 2022. At this point the Fund will be taking stock of how our strategy has delivered against its goals with a clear message that divestment remains an option where companies fall short of our expectations.

The Fund's main route of escalation, outside of Brunel, is through LAPFF. A range of factors inform how LAPFF undertakes an engagement, including the company, the sector, and the nature of the issue to be addressed. The primary means by which LAPFF chooses its engagements is driven by aggregate member holdings. If LAPFF's approach to engagement is met with resistance or deemed not to be progressing quickly enough, escalation routes may include voting recommendations to members such as voting against the re-election of board member(s), filing shareholder resolutions at company Annual General Meetings (AGMs), or taking a more public stance such as targeted media campaigns including press releases. To further leverage engagement outcomes, LAPFF often works with other investor-led initiatives.

Case Study – LAPFF & Human Rights: When news surfaced that Rio Tinto had destroyed two sites of significant cultural importance at Juukan Gorge in Western Australia in May 2020, LAPFF were keen to engage with the company given prior corporate governance failings and the mining industry's poor record of engagement with local communities. Given the sensitivity of the issue and the potential reputational damage to the company, it became evident early on that conventional methods of establishing a dialogue with the company would have little impact. Consequently, along with other UK-based and international investors, LAPFF launched a media campaign to express its concerns about Rio Tinto's conduct at Juukan Gorge, which ultimately led to the resignation of three executives (including the CEO) that had been implicated in the incident.

Brunel also use collaborative engagement and reach out to other investors to elevate areas of concern across a broad set of issues and to magnify the impact we can have as a Fund.

Case Study – Brunel & Fossil Fuel Financing: Further to last year's Barclays engagement, a second ShareAction led shareholder resolution, which Brunel co-filed in December 2020, called on HSBC to "publish a climate strategy and targets to reduce exposure to fossil fuel assets, on a timeline consistent with the Paris climate goals". Following intensive engagement with the bank in the run up to its AGM, the coalition of investors agreed to withdraw the shareholder resolution in exchange for a board-backed resolution committing the bank to setting a strategy with short- and medium-term targets to align its lending activity with the goals of the Paris Agreement, to publish a dedicated action plan on the phase out of coal-based lending and to report progress to shareholders annually.

(III) Voting Activity

The Fund believes that voting is an integral part of the RI and stewardship process and serves to enhance long-term value creation for our members. Voting is delegated to Brunel and its underlying managers for the shares we hold in publicly listed companies, and we expect all underlying managers to exercise our right to vote at company meetings. During the year we participated in 3,880 company meetings, casting over 50,000 votes, demonstrating the scale and range of topics covered at company AGMs.

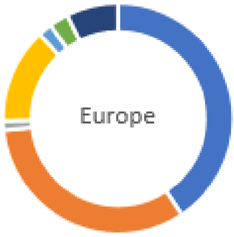
The Fund provides input into the development of Brunel's voting guidelines, which guide EOS's voting recommendations alongside country and region-specific guidelines. Brunel's voting decisions are also informed by investment considerations, consultation with portfolio managers, other institutional investors, engagement with companies and escalation by the Fund. More details on this and the voting process, including the approach across asset classes, is explained in Brunel's Stewardship Policy which underwent a comprehensive review during the year, where input was sought from all partner funds, to improve transparency and factor in regulatory changes, including the enhanced requirements of the 2020 FRC Stewardship Code.

Over 40% of the Funds listed equities are held in passive pooled funds, where the underlying providers operate and implement their own voting policies. A portion of our passive equities are managed by BlackRock who provide us with full voting records each quarter and the rationale for any votes cast in opposition to company management. Over the year the Fund has noted significant positive developments in BlackRock's corporate position on ESG factors, particularly in respect of climate change, as well as improvements to its internal voting process. We were particularly pleased to see BlackRock use our vote at ExxonMobil's 2021 AGM in favour of recommendations to replace members of the Board with new directors with experience relevant to help the company position itself competitively to address the risks and opportunities presented by the energy transition.

Legal & General Investment Management (LGIM) manage Brunel's passive equity portfolios. LGIM are considered market leaders both in their approach to stewardship and their ability to implement it in a passive context. LGIM is fully transparent in the exercise of voting rights and discloses details of vote instructions on a per-meeting basis, with the rationale provided for all votes cast against management. Vote disclosures and LGIM's voting policies can be found here. Although not utilised during the year, LGIM have a mechanism in place to allow Brunel, on a limited number of occasions, to direct voting for passive pooled holdings so that it is aligned with the voting recommendations undertaken by EOS in the active segregated holdings or where a partner fund has a specific investment policy commitment.

During the year EOS made voting recommendations on 8,693 resolutions at over 700 meetings on our behalf. The regional split of the voting recommendations is included below. At 374 of those meetings, EOS recommended opposing one or more resolutions, while at 15 meetings, EOS recommended abstaining. They supported management on all resolutions at 271 meetings and recommended voting with management by exception at 57 meetings. A vote "for by exception" is applied where there is a reasonable prospect of ongoing positive engagement. During the year, as companies were faced with the challenges posed by Covid-19, Brunel utilised this voting method to minimise disruption for those companies worst affected by the pandemic, recognising the importance of stable leadership in times of crisis.

The **issues** on which EOS recommended to Brunel voting against management or abstaining on resolutions are shown below:



EOS recommended voting against or abstaining on 150 resolutions over the last year

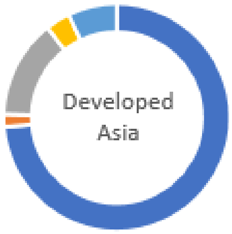
- Board structure 40.7%
- Remuneration 32.7%
- Shareholder resolution 1.3%
- Capital structure and dividends 13.3%
- Amend articles 2.0%
- Audit and accounts 2.7%

EOS recommended voting against or abstaining on 193 resolutions over the last year

- Board structure 22.3%
- Remuneration 62.7%
- Shareholder resolution 2.6%
- Capital structure and dividends 1.6%
- Amend articles 1.0%
- Audit and accounts 9.8%

EOS recommended voting against or abstaining on 584 resolutions over the last year

- Board structure 47.3%
- Remuneration 13.7%
- Shareholder resolution 2.7%
- Capital structure and dividends 19.5%
- Amend articles 6.0%
- Audit and accounts 3.9%
- Investment/M&A 0.5%



EOS recommended voting against or abstaining on 57 resolutions over the last year

- Board structure 73.7%
- Remuneration 1.8%
- Capital structure and dividends 14.0%
- Amend articles 3.5%
- Audit and accounts 7.0%

EOS recommended voting against or abstaining on 191 resolutions over the last year

- Board structure 27.2%
- Remuneration 30.9%
- Shareholder resolution 41.9%

Case Study: Voting on Modern Human Slavery. As an escalation of the engagement on modern human slavery statements, Brunel voted against the statutory reports for Frasers group (previously Sports Direct). Frasers failed to disclose a modern human slavery statement in line with mandatory government requirements. A revised statement has since been published. The collaborative engagement with target companies continues.

Case Study: Voting on Executive Remuneration. Due to concerns about the excessive severance package awarded to the former CEO at McDonald's, and the lack of a robust 'clawback' policy, Brunel voted against the named executive officers' compensation. The resolution received 20.3% dissent.

LAPFF also issue voting recommendations to its members on a broad range of themes including remuneration, board composition, climate change and human rights. Over the year LAPFF issued 21 voting alerts relating to companies held by the Fund in its equity portfolios, including a recommendation to vote 'against' Royal Dutch Shell management on its energy transition strategy, or the so-called 'say on climate', and 'for' a shareholder resolution that called on the company to set and publish interim greenhouse gas emissions reductions targets. When LAPFF recommendations differ from the position adopted by Brunel and its underlying managers further information will be sought to understand respective voting rationales. In this case Brunel, elected to 'abstain' from both votes, citing that a vote against company management would likely undermine engagement and dissuade others in the industry from adopting a 'say on climate' vote for shareholders. On the same issue, LGIM voted in line with the LAPFF recommendations, raising concerns around the strength of the company's decarbonisation plan. Conversely, BlackRock, elected to vote in favour of the management resolution citing the clear policies and action plans set out by the company to manage climate risk. This highlights the complexity of this particular issue as well as the importance of having a robust monitoring framework in place which enables the Fund to understand and account for differences in voting intentions when they arise.

(IV) Stewardship in Private Markets

Most of our legacy private market property investments are through Limited Partnership arrangements which do not have automatic voting rights, except where we are part of the Limited Partnership Advisory Committee (LPAC). Where this is the case, we have approval rights for items such as changing contract terms (e.g. extensions or restrictions) and approving members of committees.

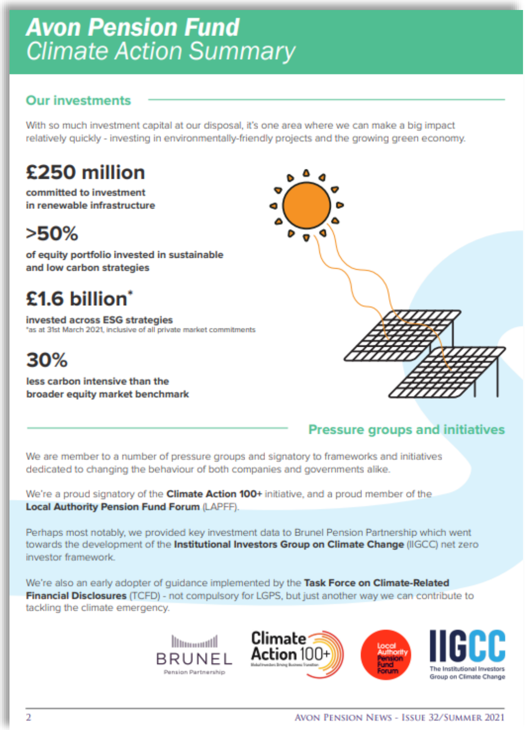
Brunel seeks LPAC seats where possible in order to exert influence and works closely with underlying managers to support their Responsible Investment and ESG efforts, improve standards and encourage best practice. Voting decisions for all private market asset classes are sent to Brunel's internal Private Markets Team, who along with their legal team negotiate side letters that align with the partner funds' ESG and wider governance requirements. Further information on Brunel's stewardship approach in private markets can be found in their Stewardship Policy.

Section 6 – Communications Strategy

As part of its wider communications strategy, and in response to the significant work undertaken over the past 18 months, particularly in relation to climate change, the Fund has increased its interaction with both its members and wider stakeholders.

(I) Member Newsletters

ESG and our approach to the climate emergency has become a regular feature of our semi-annual Member Newsletters. Since the Spring 2020 edition, members have received updates on policy developments, engagement examples in case study format as well as details on specific investments.



Avon Pension Fund
Climate Action Summary

Our investments

With so much investment capital at our disposal, it's one area where we can make a big impact relatively quickly - investing in environmentally-friendly projects and the growing green economy.

£250 million
committed to investment in renewable infrastructure

>50%
of equity portfolio invested in sustainable and low carbon strategies

£1.6 billion*
invested across ESG strategies
*as at 31st March 2021, inclusive of all private market commitments

30%
less carbon intensive than the broader equity market benchmark

Pressure groups and initiatives

We are member to a number of pressure groups and signatory to frameworks and initiatives dedicated to changing the behaviour of both companies and governments alike.

We're a proud signatory of the **Climate Action 100+** initiative, and a proud member of the **Local Authority Pension Fund Forum** (LAPFF).

Perhaps most notably, we provided key investment data to Brunel Pension Partnership which went towards the development of the **Institutional Investors Group on Climate Change** (IIGCC) net zero investor framework.

We're also an early adopter of guidance implemented by the **Task Force on Climate-Related Financial Disclosures** (TCFD) - not compulsory for LGPS, but just another way we can contribute to tackling the climate emergency.

BRUNEL Pension Partnership
Climate Action 100+
Local Authority Pension Fund Forum
IIGCC The Institutional Investors Group on Climate Change

2 Avon Pension News - Issue 32/Summer 2021

COP26: 31 October 2021

COP26 is fast approaching, so we wanted to give a summary of our progress so far in responding to the Climate Emergency.

Fund operations

At the Fund, we know it will take more than adjusting our investment strategies to reduce our climate impact. That's why we've set ourselves the ambitious goal of becoming completely carbon neutral by 2050 or earlier, and to have at least 30% of the fund invested in low carbon and sustainable strategies by 2025 to help us on our way.

We're at the beginning of a digital transformation that will see the Fund dramatically reduce its reliance on paper communications over a phased period. We understand for some of our members that paper communications are more convenient and accessible, so we will continue to offer them based on individual preferences. However, if the Fund has the means to communicate with a member via a digital method, i.e. email, it will do so in the first instance. We trialled sending digital annual pension statements to our deferred members in May 2021 - which has proved to be a success. This gives us great confidence going forward as we roll out digital communications to the rest of our members.

There's a lot of work to do to meet our climate goals, but we know we're up to the challenge, and are committed to securing our members pensions, as well as the planet's future.

What Brunel are doing

We're proud to be partnered with Brunel Pension Partnership, who have set out a **5-point-plan** to ensure their goal of net-zero by 2050 is met. It rests on strong, long-term investment returns that protect Clients' interests by contributing to a more sustainable and resilient financial system - supporting sustainable economic growth.

The plan entails:
- Policy - Making markets work
- Products - Designing climate transition solutions
- Portfolios - Investing where it matters
- Positive Impact - Delivering & evidencing progress
- Persuasion - Convincing others to change

Pictured are some examples of 'Investing where it matters' - two large-scale projects at the forefront of the growing 'green economy'.

Springbok, a 448 Megawatt-dc solar development in Kern County, California, one of the largest solar developments in the world.

Giant greenhouses in Norfolk and Suffolk, heated by waste-water from a nearby plant, increased domestic production of tomatoes by 10%.

Avon Pension News - Issue 32/Summer 2021 3

(II) Microsite & Social Media

A purpose-built climate microsite hosts content such as the Fund's recently released short animation, an 'e-zine' digital magazine that focuses on the Fund's ESG activity and emerging RI topics, an RI newsfeed and climate change FAQs. In November the Fund launched a LinkedIn account, which will primarily be used as a communication channel for the Fund to reach scheme employers.

(III) Press Releases


PENSIONSAge
The leading pensions magazine
The Avon Pension Fund and the Transport for London (TfL) commitment to reach net-zero targets, outlining "ambitious" of the Paris Agreement.
PROFESSIONAL PENSIONS
Commenting on the decision, Bath & North East So Pension Fund Committee chair Paul Crossley said: members, as well as managing the risks and opp
Pensions&Investments
The £5 billion local government pension fund said in a news release that it plans to be net-zero by 2050.

A press release announcing the Fund's decision to transition its legacy low carbon holdings to the Paris-aligned benchmark co-developed by Brunel and FTSE Russell was issued in October and was covered principally by industry press and some local news outlets.

(IV) Member Survey

In November the Fund issued its first dedicated ESG member survey to over 40,000 members seeking their views on topics including the relative importance of ESG factors in financial decision making and the Fund's use of engagement as a tool for advancing the ESG agenda. Ensuring Members views are properly considered is a key requirement of the 2020 FRC Stewardship Code and it is envisaged the results of the survey will help to inform future investment strategy. The results will be reported to Committee in the first quarter of 2022.

Section 7 – 2021/22 RI Priorities

The Fund's RI priorities for 2021/22 have been updated to ensure consistency with Brunel's seven priority themes as all these topics remain relevant from a strategic perspective to the Fund. In addition to these themes the Fund works with Brunel and the other partner funds to identify emerging themes such as sustainable land use and biodiversity that are fed into Brunel's annual engagement plan.

The main priorities for the Fund are:

a) Climate change including pollution, waste and plastics
b) Human capital
c) Diversity and inclusion
d) Cyber security
e) Cost and tax transparency
f) UK policy frameworks
g) Supply chain management

2022 will see the Fund work with Brunel as part of its climate change stocktake to evaluate its approach to managing climate risk. Critically the stocktake will seek to address whether actions taken so far have been effective, how emerging research and broader stakeholder views can be integrated into future climate strategy and whether there are any companies that we should not invest in.

The Fund's own forthcoming investment strategy review will provide the first opportunity to review how we are progressing against our own climate change targets that are in place, ultimately, to serve the best interests of our members.

Appendix A: Engagement Case Studies for the Year to 31 March 2021

Company	Theme	RI Priority	Engagement lead	Held in	Engagement and Outcome
HSBC (UK)	Fossil fuel financing	Climate Change	Brunel	Brunel Low Carbon Passive & Blackrock Passive Portfolio	Intensive engagement by Brunel and the coalition of investors that previously filed a climate change resolution at HSBC, calling on them to publish a strategy to reduce exposure to fossil fuel assets on a timeline consistent with the Paris climate goals, has led to the withdrawal of the shareholder resolution. This is in exchange for HSBC's own board-backed resolution. The board-backed resolution, which now has shareholder approval, commits HSBC to goals such as phasing-out the financing of coal-fired power and thermal coal mining by 2030 within the OECD and by 2040 elsewhere. As well as implementing a strategy to align its provision of financing, starting with Oil & Gas and Power & Utilities, to the climate goals of the Paris Agreement.

Anheuser-Busch InBev (Belgium)	Executive gender diversity	Diversity & Inclusion	Federated Hermes EOS	Brunel Global Sustainable equity	Engaged due to lack of diversity on executive management team. This led to a woman being added to this executive team, while a global diversity and inclusion policy was also launched, covering unconscious bias training, algorithms to check for bias in interviews and increased parental leave benefits.
National Grid (UK)	Climate policy and target setting	Climate Change	LAPFF	Multiple	LAPFF has had long-term ongoing engagement with National grid, most recently as a lead engager for CA100+. These actions led to the board putting a ‘say on climate’ resolution to their AGM, asking shareholders to approve reporting on their Net Zero action plan. National Grid have also now set a target to reduce its Scope 3 emissions, the largest portion of its total emissions, by 37.5% below the 1990 baseline by 2034.

Alphabet (US)	AI Governance and ethics	Human capital, Cyber Security	Federated Hermes EOS	Multiple	Engagement focussed on making companies more aware of risks such as privacy/security, bias and discrimination when using AI. This was then escalated into supporting the establishment of societal risk and human rights oversight committees. Although this measure did not pass, following engagement Alphabet did make improvements in AI governance, changing its audit committee to an audit and compliance committee (ACC). The ACC's remit now includes reviewing sustainability, data privacy and civil and human rights risks.

Baidu (China)	Data protection compliance	Cyber Security	Federated Hermes EOS	Brunel Emerging Markets	EOS engaged nine times since 2018, voicing concerns around data privacy and protection, including around the risk of fines from regulators or lawsuits from customers if not compliant with EU regulation. This led to Baidu introducing new lines of governance defence to help ensure information security and data privacy, including employee training in this area. A privacy protection system was also established and overseen by top executives. Further committees around data assets, safety and ethics were also introduced.
Multiple	Budget decisions during COVID-19	Cost and tax transparency	Federated Hermes EOS	Multiple	In April 2020, EOS published an open letter to a number of CEOs enquiring how they were making difficult decisions around supply chains, employees and customers during the COVID pandemic. They noted that companies making workers redundant after having accepted taxpayer funded bailout money were drawing heavy criticism, especially if they had previously used surplus profits to fund share buy-backs. EOS instead encouraged companies to be responsible with their furlough schemes and to be fair with executive and staff pay.

Amazon (US)	Anti-union practices	Human capital	LAPFF	Multiple	Concerned about worker rights to free association and collective bargaining, LAPFF signed a letter calling on Amazon to provide a free and fair union vote at a facility in Alabama. While Amazon responded that all appropriate human and labour rights standards were being adhered to, the investor collaboration was not satisfied and continues to push on worker rights.
Pfizer (US)	Board gender and skills diversity	Diversity & Inclusion	Federated Hermes EOS	Brunel Low Carbon Passive	Pfizer were engaged with as the company typically only looked at current/former CEO's and those with scientific and technology expertise for its board seats, leading to low levels of gender diversity. However, recognising this, in 2020 they appointed two additional women directors with backgrounds across education and civil society.

Delta Airlines (US)	Climate change lobbying	Climate Change	CA100+	Blackrock Passive Portfolio	Engagement supported by CA100+ led to a vote on a resolution filed by BNP Paribas asking for transparency around lobbying and to file a report explaining how its lobbying activities align with the Paris Agreement goals. This vote recently passed with a majority vote.
Bayer (Germany)	Climate change targets	Climate Change	CA100+	Multiple	Engagement by CA100+ members, coordinated by IIGCC, started with sending a letter to Bayer in September 2020 asking for commitments around environmental disclosures and increased transparency around lobbying disclosures. Repeated engagements over the next year then led to the publication of Bayer's first Industry Association Climate Review in October 2021. This set out Bayer's position on climate policy, set climate targets, and assessed the alignment of industry associations and trade groups it is involved with. This review showed that 32% of Bayer's associates were fully aligned to Net Zero, but, as over half had no public climate positions in some areas, engagement will continue.