BATH AND NORTH EAST SOMERSET

AVON PENSION FUND COMMITTEE

Friday, 23rd September, 2022

Present:- Councillors Paul Crossley (Chair), Shaun Stephenson-McGall (Vice-Chair) and Bruce Shearn

Co-opted Voting Members: Councillor John Cato (North Somerset Council), Charles Gerrish (Academies), William Liew (HFE Employers), Richard Orton (Trade Unions), Pauline Gordon (Independent Member), John Finch (Independent Member) and Jackie Peel (Independent Member)

Also in attendance: Liz Woodyard (Group Manager for Funding, Investment & Risk), Nathan Rollinson (Investments Manager), Julia Grace (Pensions Valuation Advisor) and Jeff Wring (Service Director - Commercial and Governance), Claire Newbery (Digital Services Project Manager), Faith Ward (Chief Responsible Investing Officer, Brunel), Chris Van Der Merwe (Brunel), Steve Turner (Mercer) and Paul Middleman (Mercer)

18 EMERGENCY EVACUATION PROCEDURE

The Chairman drew attention to the emergency evacuation procedure.

He also welcomed Jackie Peel as the new Independent Co-opted Member for the Avon Pension Fund Committee and Avon Pension Fund Committee Investment Panel.

19 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Councillors Chris Dando, Toby Savage and John Goddard had all sent their apologies to the Committee.

Wendy Weston had also sent her apologies to the Committee.

20 DECLARATIONS OF INTEREST

There were none.

21 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

22 ITEMS FROM THE PUBLIC - TO RECEIVE STATEMENTS, PETITIONS OR QUESTIONS

Elaine Ashley addressed the Committee and asked the following two questions.

Are you prepared to ask Brunel for investments based on full Fossil Fuel divestments rather than engagement?

If you support the engagement policy they appear to have, at what point does the time run out to proceed with this?

Two further statements had been submitted and circulated to the Committee in writing from Jim Mayger and Charlie Bessant.

The Chair confirmed that written responses would be sent to all parties and these, along with the statements, would be attached as online appendices to these minutes.

23 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

24 MINUTES: 24TH JUNE 2022

The Committee **RESOLVED** that the minutes of the meeting on 24th June 2022 be confirmed as a correct record and signed by the Chair.

25 FUNDING STRATEGY STATEMENT 2022

The Group Manager for Funding, Investment & Risk introduced the report to the Committee. She explained that approval of the Funding Strategy Statement was being sought subject to confirmation by the Pension Board which will be provided to Committee at the December meeting.

Paul Middleman, the Fund’s Actuary addressed the Committee. He said that the statement had now been updated with regard to membership numbers and figures relating to demographic analysis.

He added that they were currently monitoring the markets for any reaction to the Government’s mini budget that was announced on 23rd September and said that some adjustments could be expected due to stagflation.

He stated that he believed that the Fund had the right framework in place for the Funding Strategy Statement 2022.

Richard Orton asked for his initial thoughts on how the mini budget would affect pensions.

Paul Middleman replied he would question whether the announcements would be able to control inflation and that a lot would depend on not only the impact it may have on economic growth in the UK, but how much impact the mini budget has globally. He added that he felt that inflation would increase for a longer period than expected.

Jackie Peel asked what the timeline was regarding the 3.9% financial assumption relating to Inflation (Retail Prices Index). She also asked what the previous assumption was.

Paul Middleman replied that this related to the duration of liabilities / cash flow. He said that the average period was around 18 years. He added that the previous assumption was 2.4%.

Jackie Peel asked what the difference was between the past and future Investment Return / Discount Rates shown.

Paul Middleman replied that this was due to the different duration and mix of the liabilities.

Jackie Peel asked if the Average Employer future service contribution rate of 18.5% p.a. was the primary rate.

Paul Middleman replied that it was and that this was an average of all employers and that some would have a lower funding level. He added that the rate was 17.1% at the last valuation.

William Liew commented that the long term salary increase assumption of 4.6% could be difficult for higher education establishments.

Paul Middleman said that he felt that this was a fair assumption, but that there is a facility to enable adjustments to be made. He added that the final salary element is becoming less and less of a factor.

The Committee **RESOLVED** to:

(i) Note the feedback responses received, and the proposed amendments to the FSS.

(ii) Approve the FSS as set out in Appendix 1, subject to
   (i) the insertion of information which can only be included when the actuarial valuation is complete and

   (ii) confirmation from the Pension Board that the FSS complies with LGPS regulations and CIPFA guidance

(iii) Delegates the refinement and finalisation of the FSS to Fund Officers, with assistance of Fund Actuary.

26 ANNUAL EMPLOYER AND COVENANT UPDATE

The Funding and Valuation Manager introduced the report to the Committee. She said that the primary focus of the Fund's covenant work is to ensure employers can maintain their legal obligation and financial ability to support the LGPS now and in the future.

She added that at least once a quarter officers meet to discuss developments of employers in the Fund, any flags identified by the Covenant work and what steps are needed to address concerns and this ensures that Covenant risk is regularly reviewed and Officers are aware of affordability constraints and concerns raised by employers.

Charles Gerrish asked what impact there would be in the reduction of unguaranteed admission bodies.

The Group Manager for Funding, Investment & Risk replied that this would have no impact on the Fund and that she expected the numbers to continue to decrease.

Pauline Gordon commented in relation to the benchmarking dials on page 97 that she felt that it would be useful to show how they had moved over the year.

The Funding and Valuation Manager replied that the dials in the report are shown as an example and assured the Committee that the financial analysis that is carried out is very thorough.

The Committee **RESOLVED** to note the report.

27 BRUNEL PRESENTATION - RESPONSIBLE INVESTING

Faith Ward, Chief Responsible Investing Officer, Brunel addressed the Committee and gave a presentation on the Brunel Stewardship and Climate Stocktake. A copy of the presentation will be available as an online appendix to these minutes and a summary is set out below.

Faith Ward commented that engagement and stewardship was undertaken by underlying investment managers and via Brunel’s appointed voting and engagement provider, Federated Hermes at EOS. Brunel also engage directly with industry / investee companies.

Jackie Peel asked how can that level of collaboration and consistency take place if Asset Managers and Hermes are having talks separately with the same companies.

Faith Ward replied that Asset Managers will have talks with companies re: engagement priorities and processes about particular topics with Hermes potentially having separate meetings. She added that these meetings are monitored and that generally a level of consistency is found.

She stated that Hermes lead talks on our behalf with regard to £60 / 70 trillion pounds worth of assets.

Faith Ward took members through the engagement hierarchy which begins with thematic engagement and follows a predetermined path which retains selective divestment as an option if material progress is not made on a particular engagement.

Pauline Gordon asked if index fund voting alignment could be explained in any further detail.

Faith Ward replied that where there are segregated funds they are able to direct the voting, but this is significantly more complex in pooled passive funds where there is less flexibility in investors ability to direct votes.

She added that an agreement is in place with Legal & General (Brunel's passive fund provider) so that for a limited number of times per year Brunel can direct voting thereby aligning voting with Brunel's policy.

She informed the Committee that Brunel are supporting Legal & General in piloting an exercise with Tumelo who have a role to help investors express their views on voting decisions.

Councillor Shaun Stephenson-McGall asked how often could Brunel update the Fund in relation to companies that are not as engaged in working towards the net zero by 2050 target and whether selective divestment is required. He stated that he felt that more action within this area was required.

Faith Ward replied that this was an ongoing process and that selective divestment has taken place extensively across many of Brunel's portfolios already. She added though that there is a difficulty in ascertaining from the Asset Managers if the divestment was purely in connection to climate change.

She acknowledged that this a challenge and that a judgement is needed as to when should a decision be made to say that enough is enough. She added that on one level the risk to the portfolio can be removed, but in doing so this would not change the company concerned.

She stated that in her view divestment would be seen as a failure as they have not been able to shift the company on its decision making.

She said that there is a struggle within the sector to decide what is the right course of action for an Oil and Gas company to take and that the work within the Stocktake is assessing how portfolios are working. She added that some portfolios are hitting their targets in terms of reducing emission levels, but that alignment overall was not as far forward as they would like as an industry. She said that they are using all of their possible levers.

Councillor Stephenson-McGall asked what happens in future years if companies continue to not be doing a good enough job with regard to their climate change actions.

Faith Ward replied that it needs to be made clear as to what is the methodology behind a transition plan for Oil and Gas companies and that this is being piloted currently by around six of them to establish what a fair and adequate transition plan looks like. She added that Brunel has a low exposure in the main to these types of companies in comparison to a normal pension fund.

Councillor Stephenson-McGall asked if the communications on this matter, in particular the Engagement Hierarchy were right, in terms of the message reaching as many people as possible on the work that is trying to be achieved.

Faith Ward replied that she felt that despite already doing quite a lot there was always scope to do more and that this would be one of the focus areas of the upcoming Brunel Investor Day due to take place next week on 28th September.

She added that they will also look to use different forms of media such as podcasts and videos to engage as widely as possible.

Councillor John Cato commented that it can still feel like a bit of a struggle as the job of the Fund is to maximise the returns of our customers despite the acknowledgement that we would like to reduce our investment in fossil fuels. He added that the sustainability of the Fund was key and asked how the right balance can be found.

Faith Ward replied that in her view there is a fiduciary duty to serve the best interest of your beneficiaries and that this should be both holistic and long term. She added that the financial damages as a result of unabated climate change will be catastrophic to the economy and the world and that action must be taken.

She explained that a large number of the companies concerned do have the cashflow to reinvest and do redeploy capital funds, but not necessarily to the levels that we would like them to.

She gave an example of how Shell could produce aviation fuel in a different way so that it was then less damaging to the environment if regulations were changed and that they were engaging with the aviation industry to seek such changes.

Councillor Cato said that he would also like to see the communication of decisions carried out in such a way that a higher number of stakeholders and companies are informed about why they have been made.

Richard Orton said that he did not feel that a detailed approach to the Climate Stocktake had been carried out. He asked if it could be outlined in more detail and whether it concentrated solely on fossil fuel giants.

Faith Ward replied that respectfully she disagreed and said that the work that has been carried out with certain Banks and the focus on their primary capital flow for the fossil fuel industry is banks and bank loans. She added that in trying to change the way in which banks lend is systemically much more impactful than talking solely with energy companies.

She questioned what an appropriate climate transition framework for the banking sector was and how can a bank be judged whether it is doing a good enough job. She referred back to the presentation to give more information on the Climate Stocktake.

Two years into at least ten years of work. Delighted with our progress, but aware that there is so much more to do.

Alignment will be very key over the coming years.

Faith Ward then referred to some specific case studies of recent engagements including Berkshire Hathaway and the co-filing process Brunel went through with Hermes to target the company on climate disclosures.

Councillor Bruce Shearn stated that he was able to see the progress that Brunel have made and said that the Fund should be positive about its work.

Faith Ward then went on to provide detail of Brunel's approach to human rights, social impact and biodiversity.

Steve Turner asked if it would be possible for Brunel to achieve the net zero target by 2040.

Faith Ward replied that targets are relevant to the agreed investment strategies and the level of risk that Funds are willing to take.

She added that through pooling it is the Funds who approve the strategic asset allocation.

She stated that they do have the ability to be more ambitious, but that this does rely on the cooperation of other parties, therefore if all were in agreement to be net zero by 2040 this could be achieved.

She added they have stated they would achieve the net zero target no later than 2050 and that they would be able to supply a product range for the target the Fund wants.

William Liew asked how the success of the work Hermes does can be gauged and whether it was through KPIs.

Faith Ward replied that they have a proactive engagement plan in place that does contain a number of KPIs. She said that they are judged on the milestones they achieve and their responsiveness.

The Chair thanked Faith for her presentation on behalf of the Committee and said that they would most likely invite her back in the early part of 2023 to discuss the Climate Change Policy and Stocktake Report.

The Committee **RESOLVED** to note the presentation.

28 ANNUAL RESPONSIBLE INVESTING REPORT

The Investments Manager introduced this report to the Committee. He informed them that the Draft TCFD (Taskforce on Climate-related Financial Disclosures) report had been prepared to the fullest extent possible and in line with regulations that currently only apply to private sector schemes. He added that guidance mandating climate disclosures for LGPS will come into force in April 2023 and the Fund will be required to submit its first report in line with the updated guidance by December 2024. He said that a DLUHC consultation on this is currently underway and that the Fund will respond in due course.

He explained that the Responsible Investing (RI) report sets out the RI and Environmental, Social and Governance (ESG) issues that have been taken into account and how these were addressed through strategic decision making. He added that the RI report explains how Brunel and its third-party providers have delivered against policy, and among other things, the report includes engagement highlights, examples of policy advocacy work that Brunel has either led or participated in and voting data generated by EOS at Federated Hermes.

Charles Gerrish commented that a further recommendation for the report would be required so that officers could finalise the report with the relevant links that were yet to be inserted.

Jackie Peel stated that she felt that the numbering and layout of the TCFD report was slightly confusing as the roman numerals were repeated within separate sections.

The Investments Manager replied that prior to publication the report would go through a final design process with the Communications Team so that it is user friendly.

Charles Gerrish proposed the recommendations within the report at 2.1 and 2.2 with the addition of the following as 2.3.

- Delegate the refinement and finalisation of the Annual RI report to Fund officers.

The Committee **RESOLVED** to:

i) Approve the Draft Annual Responsible Investment Report for publication and agrees the 2022/23 RI priorities listed in Section 6 of the Draft Report.

ii) Approve the Draft Taskforce on Climate-related Financial Disclosures (TCFD) Report for publication.

iii) Delegate the refinement and finalisation of the Annual RI report to Fund officers.

29 INVESTMENT STRATEGY AND BRUNEL UPDATE (FOR PERIODS ENDING 30 JUNE 2022)

The Investments Manager introduced the report to the Committee. He said that the amber ratings seen within the report for this quarter relate to negative investment performance which Mercer could talk about further.

He explained that the Investment Panel were due to discuss the Risk Management Framework Review for Periods Ending 30 June 2022 at their meeting on 30th September and would feedback to the Committee on any issues.

Steve Turner, Mercer addressed the Committee and referred them to page 129 of the agenda pack. He explained that the chart shows the attribution performance of the Fund for 12 months to June 2022.

He said that it has been a challenging period for investment markets due to the high rise in inflation. He added that as a result in the rise of bond yields this has seen a negative performance in equity markets.

He explained that the Fund has 40% of its assets in listed equities and therefore these are down between 5% - 15% for the year. He explained that the Fund has 40% of its assets in listed equities and therefore these are down between 5% - 15% for the year. He drew the Committees attention to the fact the Fund's ESG approach had detracted from returns over a 1 year period. A tilt toward ESG and growth companies within the listed equity portfolios were the main drivers of underperformance given the market had rewarded cyclical companies (which the Fund has a lower exposure to) in light of the fact interest rates and energy costs had been rising.

He said that the Dynamic Equity Protection Strategy remains a positive initiative for the Fund as although since implementation equity markets have gone down around 10%, this is only 8% in real terms.

Pauline Gordon asked if a comparison had been made between the Dynamic Strategy and the previous Static Equity Protection Strategy as to which was better for the Fund over this period.

Steve Turner said that without specifically analysing it he would expect the Dynamic Strategy to have done better because it evolves more as markets move up and down.

He stated that non-traditional asset classes such as Property, Private Debt, Infrastructure and Secured Income really have done well. He added that property really had been a strong performer over the last 12 – 18 months and that this was something they would look to follow up with officers and the Investment Panel.

He said that over this period Liability Hedging had been able to be increased in some capacity resulting in a benefit to the Fund and that Currency Hedging had detracted due to the sterling weakness.

The Committee **RESOLVED** to note the information set out in the report and appendices.

30 UPDATE ON LEGISLATION

The Digital Services Project Manager introduced the report to the Committee and highlighted the following areas.

The report provides a summary of the main regulatory updates since the last meeting covering McCloud, Cost Management, Pension Dashboards and Responsible Investment.

McCloud Judgment

The Fund continues to work on collating/analysing data from employers in relation to implementing the remedy. A scoping group has been established to take forward discussions on how LGPS Funds can implement the remedy when data from employers isn’t available with a view to centralised guidance being issued in due course. An officer from the Fund will be part of this group.

Pension Dashboard

The latest consultations and guidance issued will aim to provide clarity on the requirements for administering authorities (and software providers) and also how the Dashboard itself may look to members and be used in practice.

The Fund will continue its preparations towards meeting the necessary Pensions Dashboard requirements and welcomes the decision to delay the staging date 5 months given the current burden on administration teams (e.g. implementing the McCloud remedy etc.).

Responsible Investment

Whilst no immediate impact on the administration team, this consultation has been long-awaited and its release may signal movement on other outstanding matters, which may impact on the team. The Fund expects to issue its own response to this consultation in due course.

The Committee **RESOLVED** to note the current position regarding the developments that could affect the administration of the fund.

31 WORK PLANS

The Group Manager for Funding, Investment & Risk introduced the report to the Committee. She reminded members that their Annual Report had been circulated for comments, with a deadline of the end of September for them to be received.

She added that the Annual Report was due to be presented to Council at their meeting on November 17th.

She stated that the Brunel Investor Day was due to take place on September 28th at the Marriott Hotel, Bristol.

The Committee **RESOLVED** to note the Committee & Investment Panel workplans and training programme plus the Service Plan Monitoring report for the relevant period.

The meeting ended at 3.49 pm

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services

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Questions and Statements to the Avon Pension Fund Committee

23rd September 2022

Elaine Ashley – Attending

Are you prepared to ask Brunel for investments based on full Fossil Fuel divestments rather than engagement?

If you support the engagement policy they appear to have, at what point does the time run out to proceed with this?

Jim Mayger – Not Attending

‘That I would like the Avon pension fund to divest from all investments in fossil fuel exploration or extraction or any associated industries. I would like global warming to be limited to a rise of 1.5 degrees. I do not think as things currently stand that this will happen as it seems to me there is insufficient action being taken. I would call on Avon Pension Fund to think more about the long term future and divest from fossil fuels. Investing more money in sustainable businesses and activities’

Charlie Bessant – Not Attending

‘It has come to my attention that many members are campaigning for the pension to divest from fossil fuels. As a member of the pension scheme, I feel that it would be a big mistake to divest from fossil fuels. It is clear that these ideas are being driven by extreme ideology that have damaged our economy and have contributed to an energy crisis.

From the evidence I have seen, the argument that fossil fuels are the main cause climate change is very weak and many scientists now believe climate change is a natural occurrence. I am concerned that divesting from fossil fuels will leave the pension in a much weaker position. I think the pension needs to invest in effective sources of energy for the financial benefit of its members and not get swayed by extreme environmentalist ideologies. I hope that any decision made on this matter will be made from a financially practical perspective rather than an ideological perspective.

Unfortunately I will be unable to attend the meeting on Friday but feel that I have to make my voice heard on this matter. I am happy for my statement to be read out.’

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Avon Pension Fund

Local Government Pension Scheme

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Lewis House, Manvers Street, Bath, BA1 1JG

Web: www.avonpensionfund.org.uk **Tel:** 01225 395100
Email: avonpensionfund@bathnes.gov.uk **Fax:** 01225 395258

Dear All,

May I thank you for the statements submitted, and delivered in person, at the last meeting of the Avon Pension Fund Committee on 23rd September 2022.

In response to the questions posed to the Committee on the day I can confirm that we do not exclude investments on a sectoral basis for the fact that many of the companies that we invest in that generate revenues from fossil fuel extraction and/or generate power from fossil fuel sources also operate renewables businesses with significant capital allocated to transition and clean energy technologies.

Outside of the extractives industry some of the most carbon intensive companies we invest in are those currently making the largest financial and environmental contribution to emissions reductions. This highlights the complexity of the issue and how wholesale divestment is sub-optimal both from a risk and return perspective and in its ability to deliver real world emissions reductions, which the Fund is committed to delivering under the Institutional Investors Group on Climate Change (IIGCC) framework.

Where engagement is not progressing fast enough and a company is clearly lagging in its adaptation plans for the low carbon economy then we will consider divesting. Brunel's review of its climate policy, which is currently underway, includes an analysis of engagement activity. The review is set to conclude in the first quarter of next year with any decisions around divestment from specific companies clearly communicated to all stakeholders.

There is a full statement on our website about our approach to exclusion and divestment and how we monitor engagement progress here as well as responses to past public statements made to the Committee on this critical topic. You will also find literature on the positive steps the Fund has taken to date to deliver on real world emissions reductions including its £1.4bn investment in Paris-aligned and sustainable equity strategies and over £400m allocated to renewable infrastructure projects.

Yours sincerely,

Paul Crossley

Councillor Paul Crossley, Chair of Committee, Avon Pension Fund

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Brunel Stewardship and Climate Stocktake

update

Avon Pension Fund

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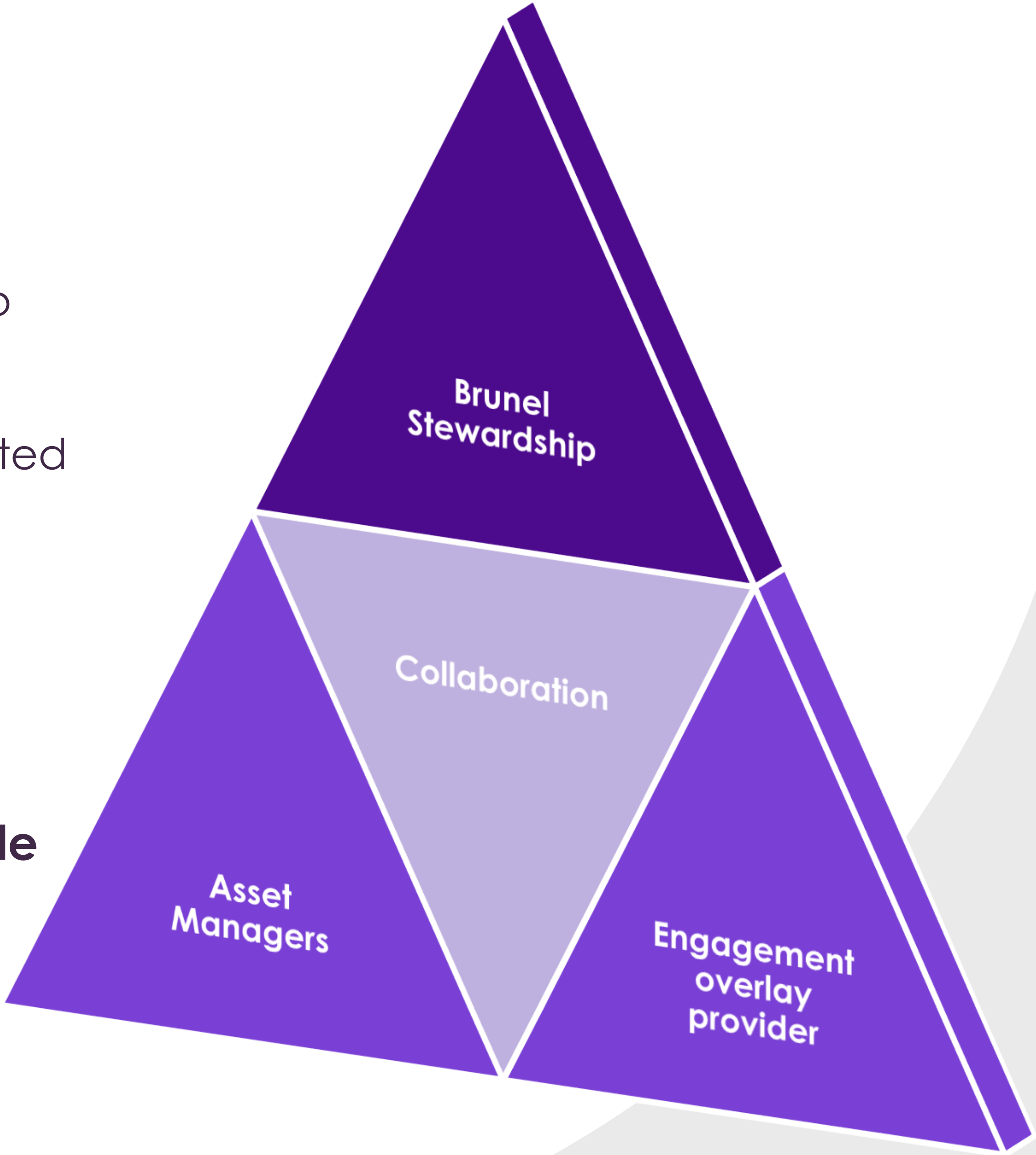
Stewardship Approach

- **Asset managers** – active managers who select assets
- **Engagement overlay provider** - Federated Hermes EOS
- **Brunel** – policy advocacy and selective corporate engagement

Collaboration working across the whole industry and society



Engagement Hierarchy

Not suitable for new fundraising/ refinance

Selective divestment (listed equity)

Climate change stocktake

Reduce exposure

Co-file shareholder resolution (segregated)
- Direct and frequent engagement with company management
- Request pool fund manager support/ voting alignment
- Statement made at AGM (or by fellow co-filer)

Escalated concern due to lack of company management action
- Publicly discuss concerns and or pre-declaration of voting intentions
- Consider AGM attendance/ question
- Index funding voting alignment considered

Specific concerns raised with Asset Manager
- Asset Manager (AM) specific action requested
- Vote against Chair and specific related resolutions (including shareholder resolutions – may increase to all directors in successive years)
- AM may decide to reduce/ exit exposure (active fundamental)

Targeted engagement
- Asset Manager engagement list
- Engagement service provider engagement targets

Thematic engagement
- Raise profile of issue with policy makers and regulators
- Collaborative engagement
- Voting in line with Stewardship Policy

CLIENT ENGAGEMENT

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Engagement escalation

Banks play a vital role in aligning the real economy with the goal of net zero emissions by 2050

Engagement

- ShareAction
- IIGCC
- Hermes EOS
- Managers

Shareholder Resolutions

- Barclays 2021
- HSBC 2022

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Engagement escalation

Objective: Parent-company annual assessment of climate physical and transitional risks

- Hermes co lead CA100+
- Shareholder resolution co-filed with Brunel by Hermes in 2021 and 2022
- **47% of independent shareholders supported** (26.4% overall)

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BH Insiders, including chair and CEO Warren Buffet, control 35% of the company's voting power

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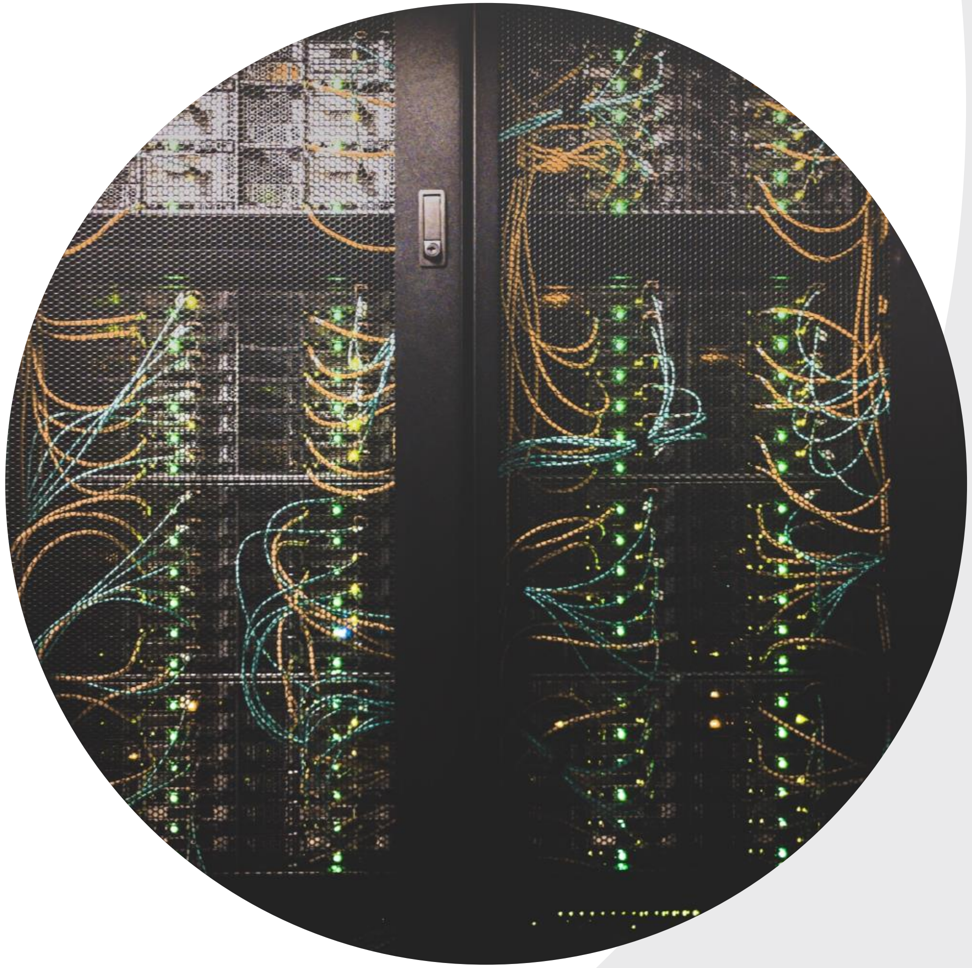
Cyber and Climate - Technology Sector

The combined power usage of Amazon, Goole, Microsoft, Facebook and Apple is more than 45 terawatt-hours a year, about as much as New Zealand

- Emissions Disclosure: EU Tech Sector
- Montanaro: Deep dive data centres
- Bath University Research project - 2022



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Human rights – Modern Human Slavery

- Investor coalition with £3.2 trillion AUM coordinated by Rathbones
- Wrote to **FTSE 100 companies identified as non-compliant** with meeting the Modern Day Slavery Act 2015 requirement **of having a modern day slavery statement**
- In 2020, twenty companies had become compliant as a result of the engagement, a **hit rate of 90%.**
- In 2021-22 expanded to FTSE 350 companies, results to date have been positive

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Social issues – Good Work Coalition

- Engaging on a real living wage an hours
- 50% FTSE 100 are accredited with the real living wage foundation
- Brunel co-filed UK's first living wage resolution at Sainsbury's in November 2021
- In April 2022, a pay uplift was announced for London staff, resulted in **19,000 direct employees receiving a real living wage**
- Secured 17% of shareholder support

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Biodiversity - Deforestation

Agriculture, forestry and land use account for 24% of the greenhouse gas emissions arising from human activity

Investor Policy Dialogue on Deforestation (IPDD) supported by a membership of 58 financial institutions, including Brunel, with approximately US$8.5 trillion in assets under management

Sector lens on all issues - Collaborative

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.

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The initiative has morphed into the **Mining 2030** Investor agenda, throughout 2022 the initiative will consider eight systemic issues faced by the mining sector and key interventions needed.

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Reporting on Progress

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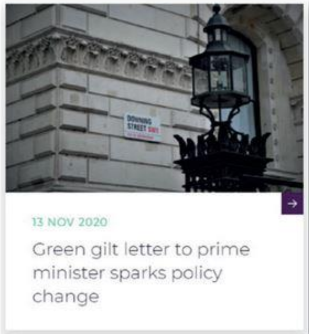
Regular Reporting

Annual Reporting

News Alerts



Social Media

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Climate Stocktake

It will seek to address the following questions:

- **Did we deliver?**
- **Does it still meet your expectations and needs?**
- **Is it best practice?**
- **What are other stakeholder views?**
- **Are asset managers aligned?**
- **Are there companies of concern?**

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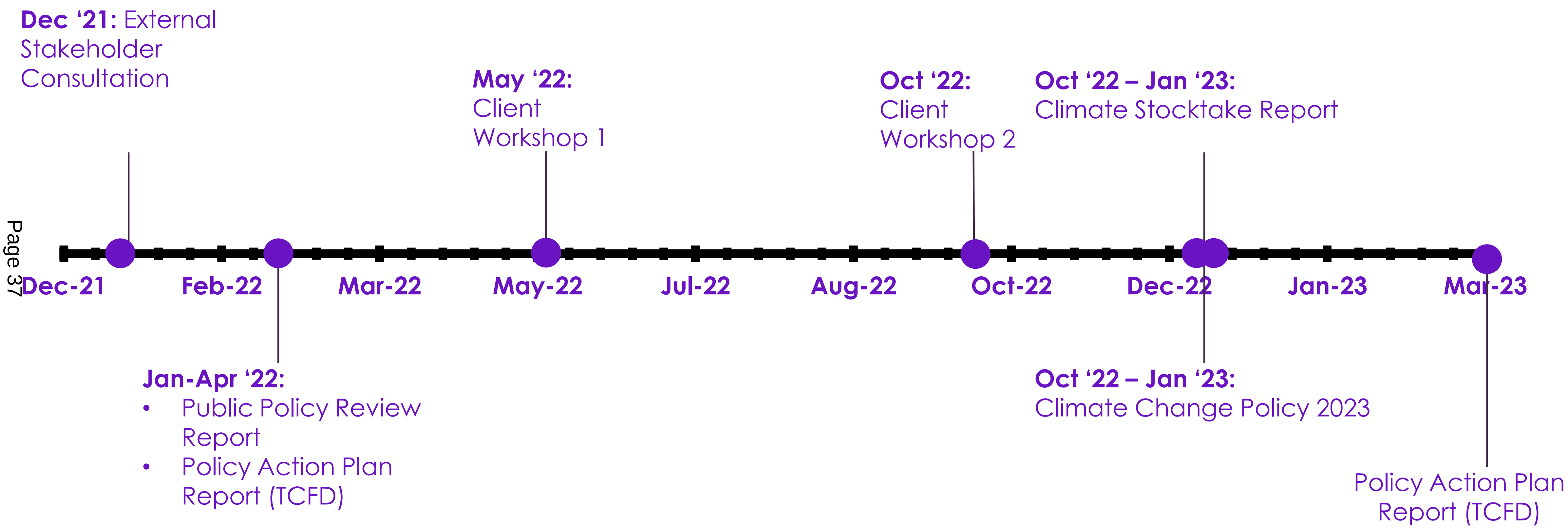
Climate Stocktake: 2022 high-level timeline



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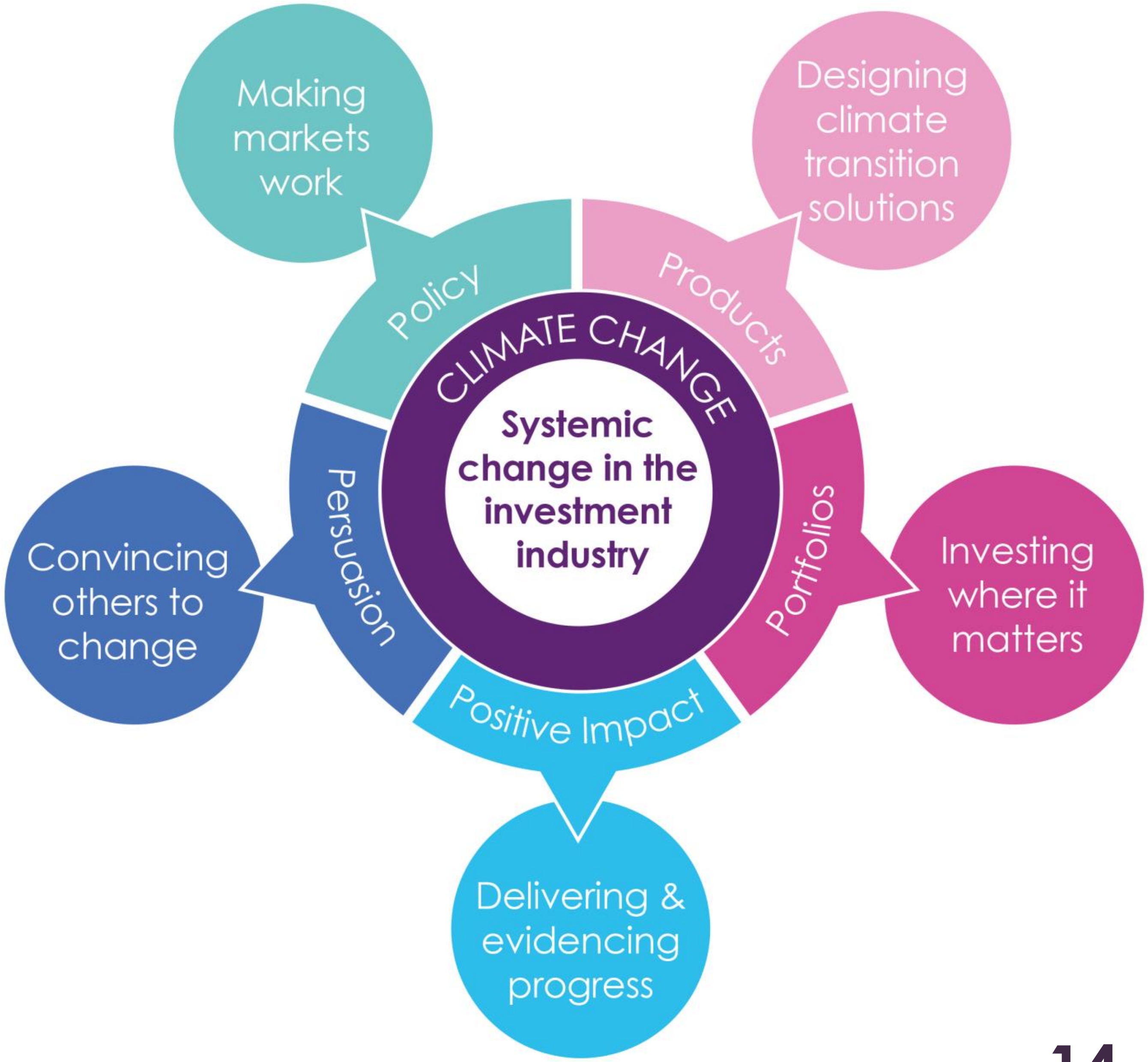
Brunel's Climate Change Policy

Challenges identified in 2020 policy

- Emphasis on short-term
- Need for more investment on low carbon economy
- Absence of suitable products
- Market failure and perverse incentives
- Backward looking risk models



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2021 WACI vs Baseline

Portfolio	Reduction %	2021 Portfolio	2019 Baseline
Brunel Aggregate	35.16%	222.2	343
Active Portfolios			
Brunel UK Active Portfolio	25.89%	209.0	282
Brunel Global High Alpha Portfolio	50.37%	149.3	301
Brunel Emerging Markets Portfolio	32.89%	382.7	570
Brunel Active Low Volatility	35.70%	214.7	334
Brunel Global Sustainable Portfolio	15.44%	282.3	334
Brunel Core Global Equities	65.13%	116.4	334
Brunel Smaller Companies*	27.11%	225.2	309
Brunel Sterling Corporate Bond Fund**	-0.67%	185.4	184
Passive Portfolios			
Brunel Passive Low Carbon	53.35%	140.3	301
Brunel Passive Smart Beta	31.46%	379.5	554
Brunel Passive UK	-4.67%	294.4	281
Brunel Climate Transition Benchmark UK Equity Index	18.47%	229.3	281
Brunel Passive World Developed	16.98%	251.6	303
Brunel Paris Aligned World Developed Equity Index	43.42%	171.5	303
Brunel Climate Transition Benchmark Developed Market Equity Index	22.50%	234.9	303

*Trucost updated methodology in 2020 means we have taken December 2020 as a baseline for the Smaller Companies Portfolio

** This Portfolio has a baseline of 31 December 2020

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