

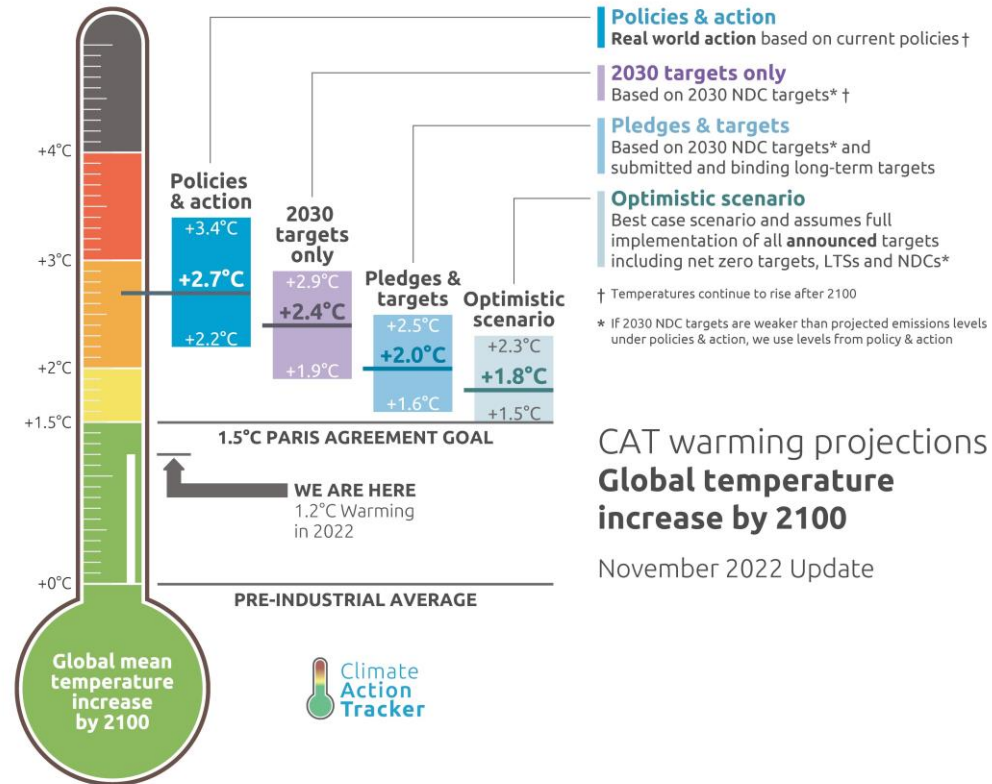


Climate action and progress

Faith Ward, Chief Responsible Investment Officer, Brunel
Vaishnavi Ravishankar, Head of Stewardship, Brunel

19 October 2023

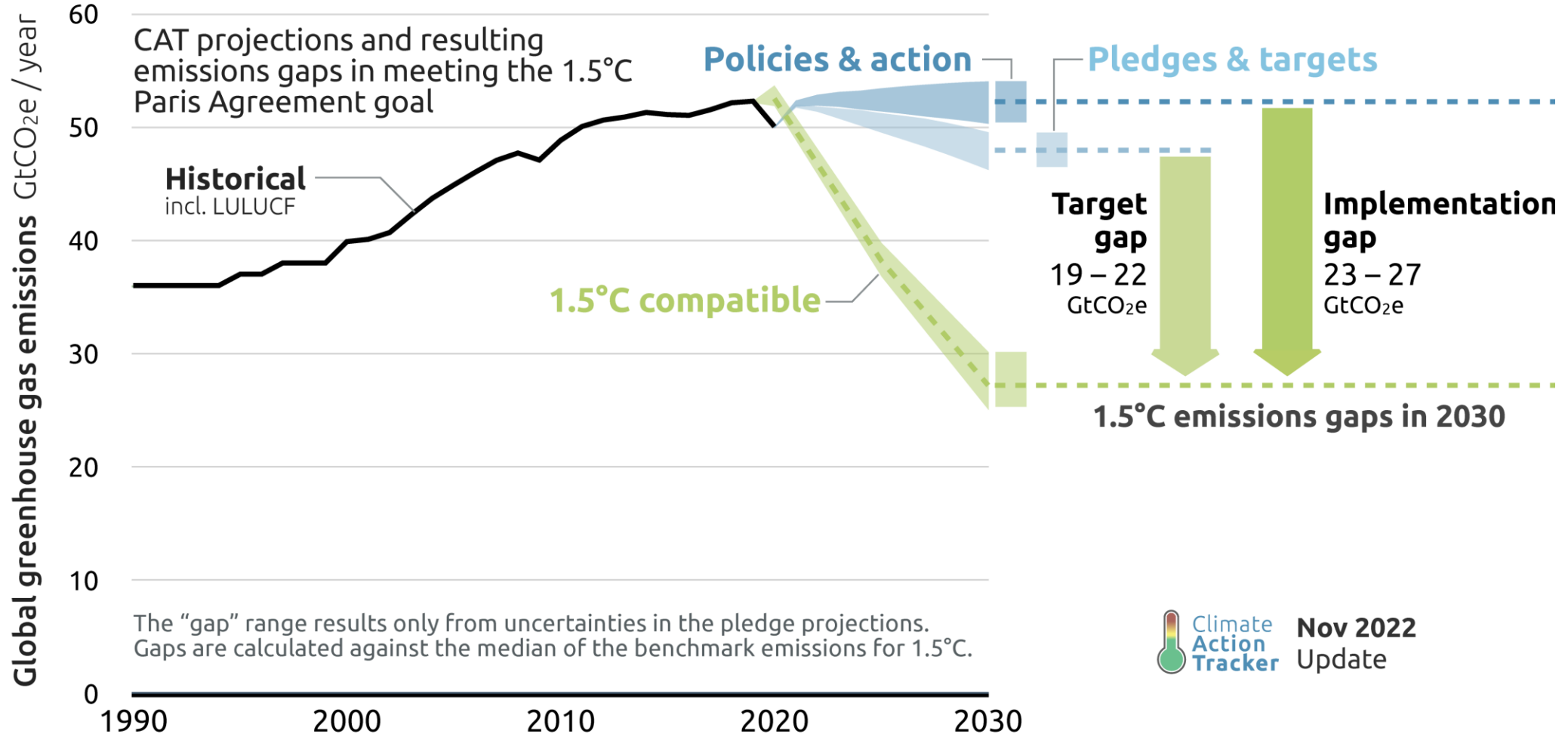
Setting the scene



CAT warming projections Global temperature increase by 2100

November 2022 Update

2030 EMISSIONS GAPS



Where does this leave the finance sector?

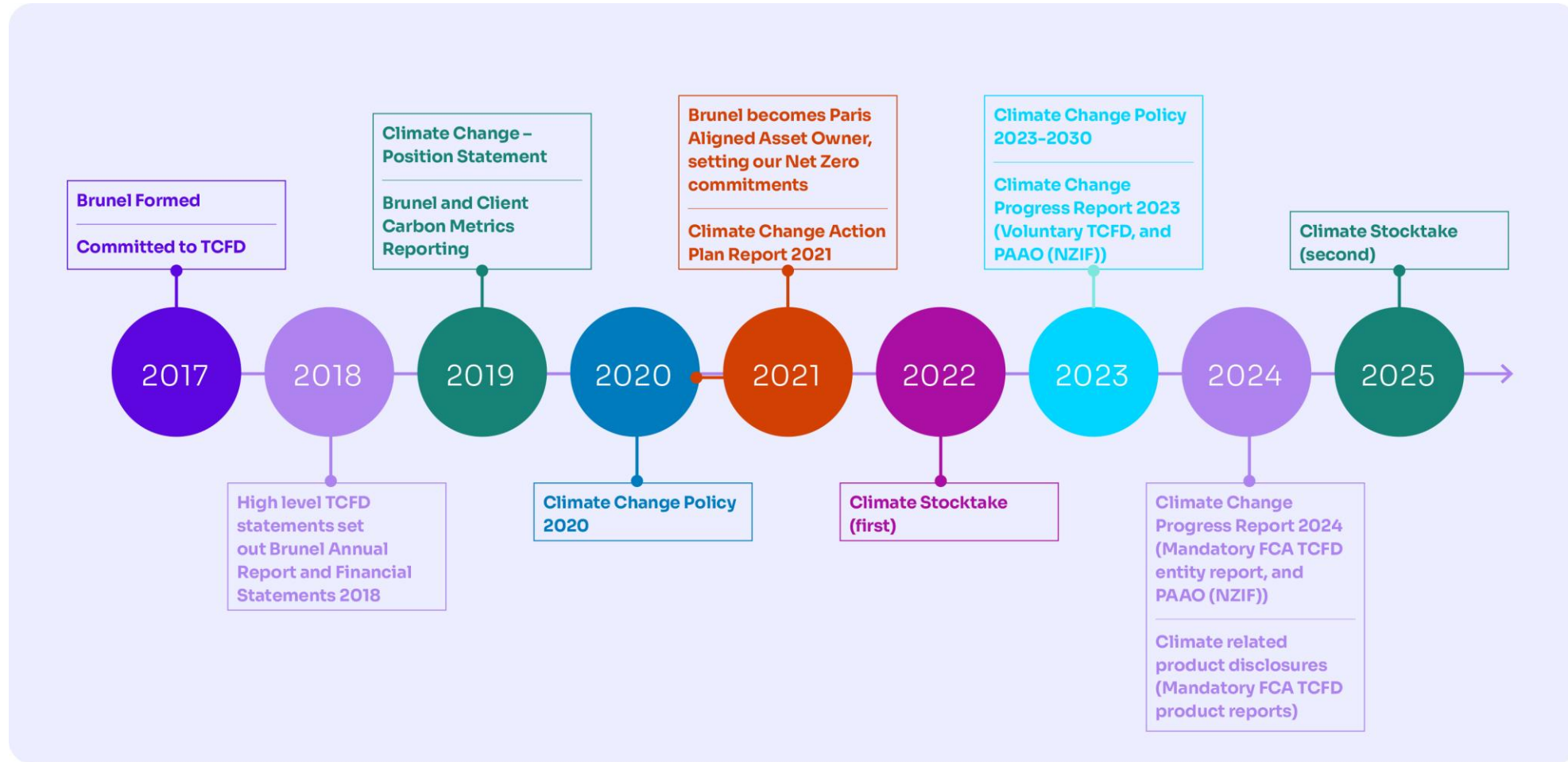
Good news

- Inflation Reduction Act
- Fit for 55
- Green Finance Strategy
- International Sustainability Standards Board
- Corporate and finance sector reporting requirements
- 60% of UK pension funds have net zero alignment in place

Bad news

- Politicisation on climate and ESG, USA and spreading
- Fracturing in response
- Policy instability – rollback on commitments
- Corporate green washing and or green hushing
- Unintended consequences

Key milestones



Brunel's climate change commitment

We commit to be **Net Zero on financed emissions by 2050**, with the goal of limiting global temperature rise to 1.5°C, and **Net Zero on our own operations (scope 1 and 2) by 2030**.

This commitment is made through the Paris Aligned Asset Owners, part of the Paris Aligned Investment Initiative (PAII).



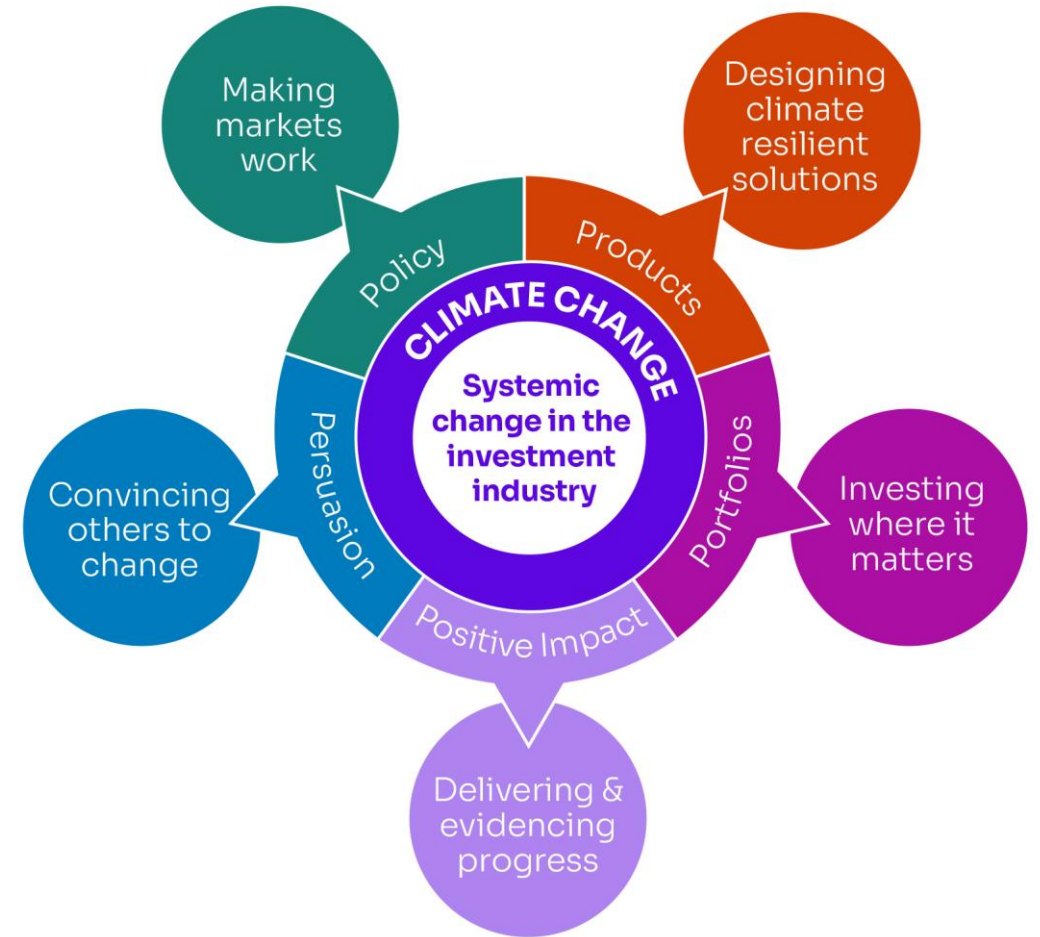
Climate beliefs

We believe that:

- Climate change presents a **systemic and material risk** to the ecological, societal and financial stability of every economy and country on the planet, and therefore will impact our clients, their beneficiaries and **all portfolio holdings**.
- Investing to support the **Paris goals that deliver a below 2C°** and pursuing efforts to limit the temperature increase to 1.5° is entirely consistent with **securing long-term financial returns** and is aligned with the best long-term interests of our clients.
- For society to achieve a net-zero carbon future by 2050 (or before) requires **systemic change in the investment industry** and **equipping and empowering our clients** (and other investors) is central to this change.

Theory of change

Our priority to **catalyse change** in the financial system at scale looks not only to our own efforts, but to **partnership with others**, and to enabling our clients to be agents of change too.



One size does not fit all

- UK's carbon emissions peaked in 1973 and the US in the 2000s; emissions in many EMs yet to peak
- Investments in different asset classes are at different stages of maturity in relation to assessment of ESG risk; data availability varies
- Differentiated strategy and targets to deliver a real-world real-economy transition

Responsible Investment Priorities



Climate change



Biodiversity



Diversity, equity
and inclusion



Human rights and
social issues



Cyber security

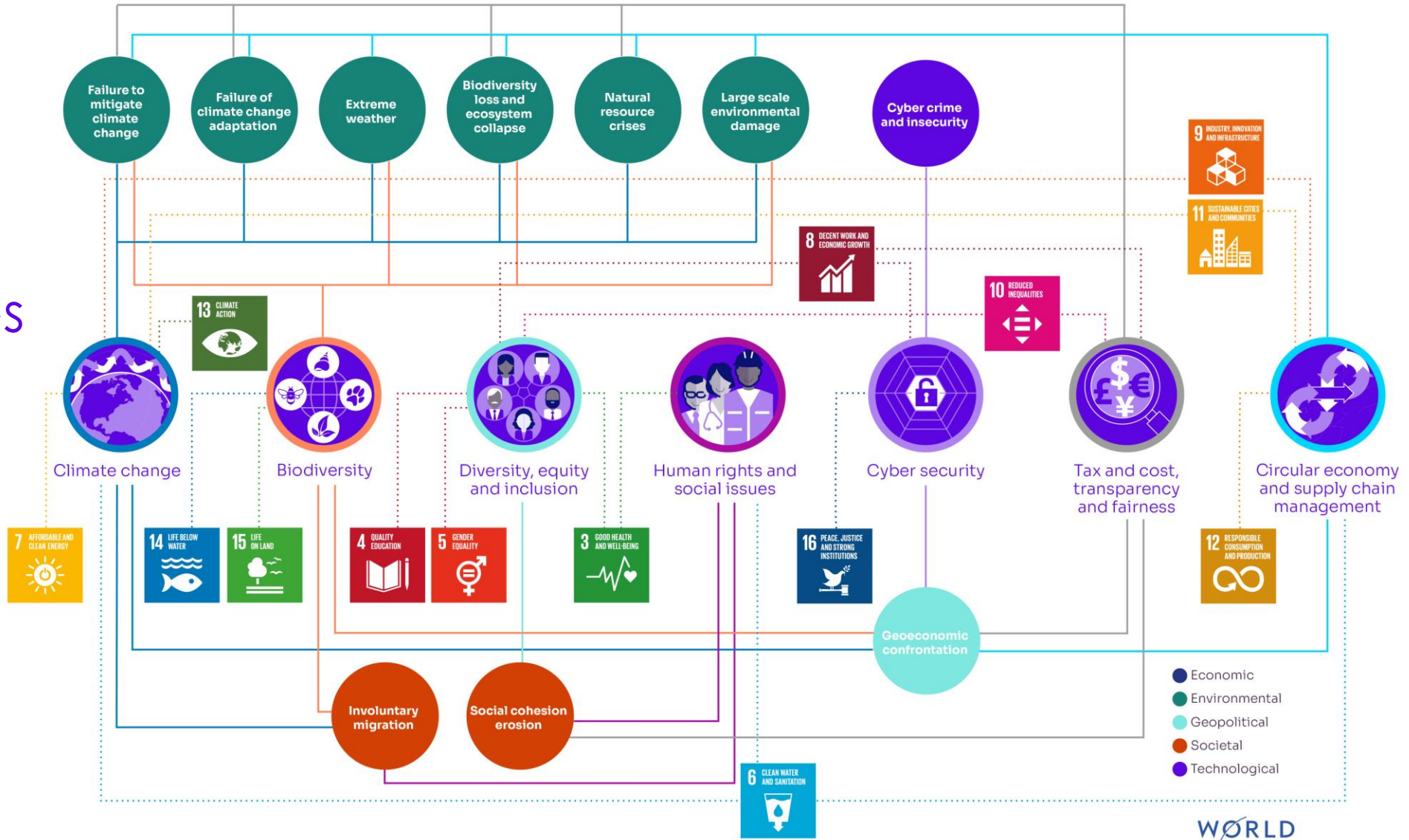


Tax and cost,
transparency
and fairness



Circular economy
and supply chain
management

Priorities linked to risk and opportunities



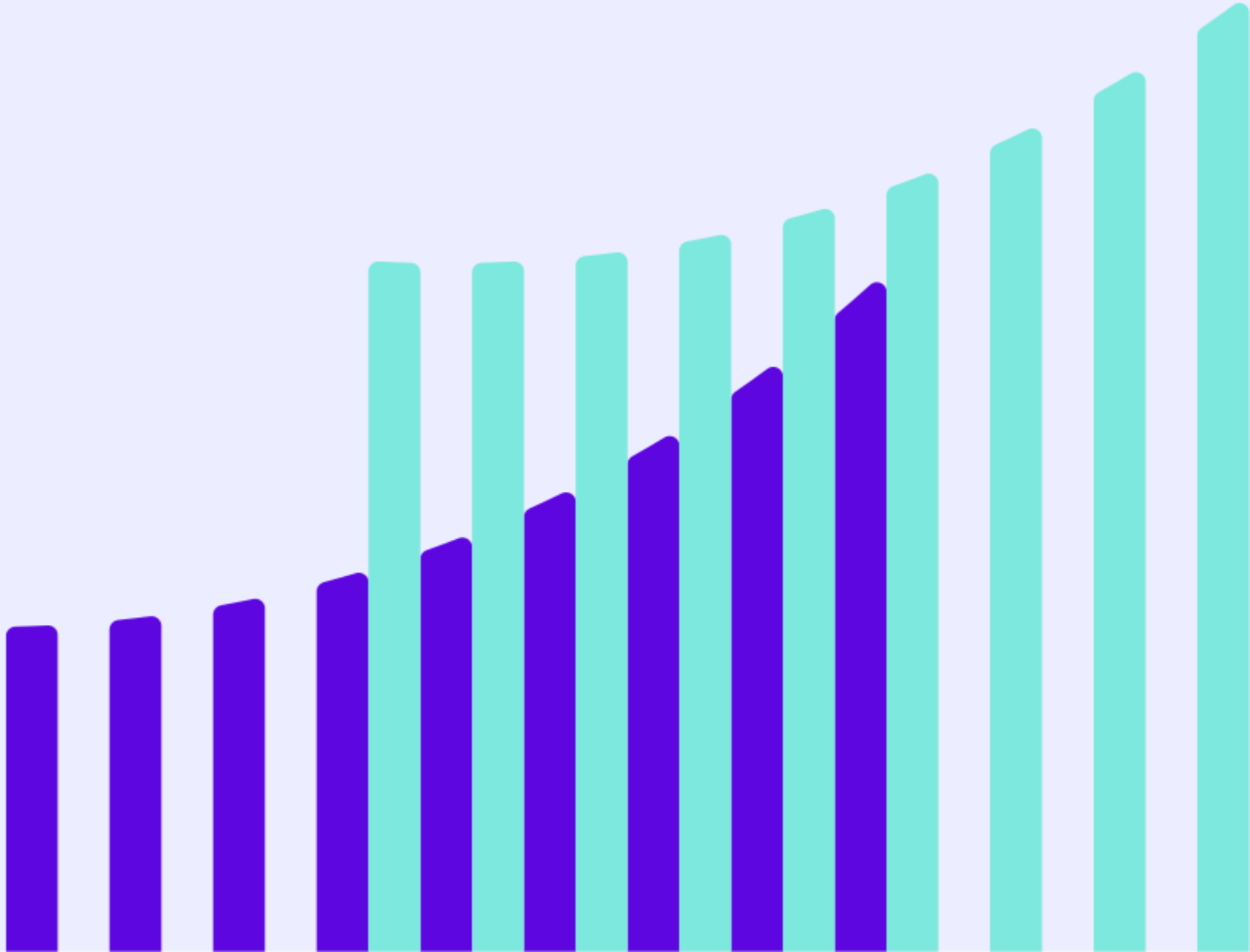
Limitations

Roles and responsibilities defined by regulations

Multifaceted problems and solutions

Hard to demonstrate individual impact







Brunel

Pension Partnership

Public policy

FINANCIAL TIMES

THURSDAY 21 SEPTEMBER 2023

NATIONAL NEWSPAPER OF THE YEAR

UK EIS20: Republic of Ireland EIS20

Why EU relies on China's rare earth minerals
BIG READ, PAGE 19

AI in schools could foster a love of learning
ANDY HALDANE, PAGE 21

Sunak sparks business backlash after U-turn on net zero pledges

PM hails 'pragmatic' approach • Labour vows to reverse key change • Carmakers oppose delays

GEORGE PARKER, LUCY FISHER AND JIM PICKARD

Rishi Sunak yesterday ignited a business backlash and a Conservative civil war on the environment as he announced a series of U-turns on key targets to tackle climate change.

The prime minister pushed back a ban on the sale of new petrol and diesel cars from 2030 to 2035 in a delay that is strongly opposed by some carmakers.

He said the move brought Britain into line with EU countries, but it immediately opened a major dividing line on green policies with Labour, which promised to reinstate the 2030 deadline if the party wins the next election.

Sunak also relaxed the 2035 phase-out target for the installation of new gas boilers by introducing an exemption for the most back-pinned households so they will "never have to switch at all".

The premier had decided not to attend a UN summit on climate change in New York this week, where secretary-general António Guterres yesterday warned "humanity has opened the gates of hell".

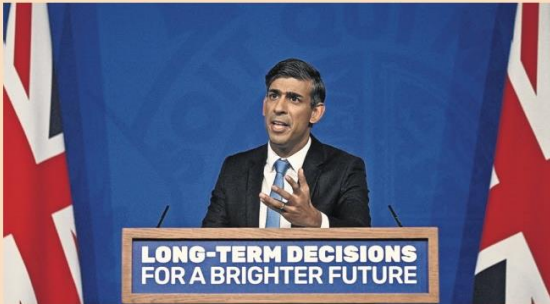
Sunak claimed his "pragmatic" approach would allow Britain to reach its 2050 target for net zero carbon emissions, without burdening households with unnecessary bills of £2,000, £30,000 or £15,000.

While he insisted his announcement was "not about politics", Conservative party HQ immediately produced a long list of "questions for Labour on net zero". Sunak aims to present Labour leader Sir Keir Starmer as an "eco-zenoid", prepared to inflict his green agenda on struggling families.

Labour said pushing back the date of the phase-out of petrol and diesel cars would "raise costs for British families by billions of pounds because electric vehicles have longer lifetimes".

In other policy reversals, Sunak abandoned tougher energy efficiency rules for landlords and delayed a ban on new boilers from 2026 to 2035.

The cabinet approved plans to increase household grants for boiler



planting systems to plug renewable power plants into the electricity grid.

Sunak also ruled out a number of other policies that he claimed had been floated, such as requiring people to share cars, eat less meat and dairy, fly less or use seven bins to aid recycling.

Former prime minister Boris Johnson led the attacks on Sunak's policy shift, saying that business needed "certainty", adding: "We cannot afford to take new

in any way lose our ambition for the country."

But in a swipe at Johnson, who had announced many of the ambitious net zero targets, Sunak claimed politicians "in governments of all stripes have not been honest about costs and trade-offs."

Many Tory MPs welcomed the plans. Suella Braverman, home secretary, said: "We're not going to save the planet by back-tracking the British people."

But Tory MPs representing southern England were worried. One said: "They think this will prop up our vote in 'red wall' seats, but it will lose the last votes of support we had among the young and liberal middle classes."

Sir Rishi Sharma, the former Conservative minister and co-president of the

Manufacturers' body Make UK, said: "Watering down the government's net zero targets is a huge setback for manufacturers who require stability and confidence to order their lives."

Additional reporting by Peter Campbell

Briefing

Consultants and junior doctors launch joint strike
Junior doctors in England joined hospital consultants in a strike over pay yesterday in their first joint industrial action in the 75-year history of the NHS, leaving patients with only a "Christmas Day" service. — PAGE 2

Military drone cost soars
The bill for new armed drones for British forces has leapt by more than £377m, or 40 per cent, partly because of Ministry of Defence budget cuts that delayed the project for two years. — PAGE 2

Rents rise at record pace
Residential rents rose by 5.5 per cent year on year in August, the fastest annual rate on record, while house price increases slowed to their lowest rate for a decade. — PAGE 2

US interest rates held
The Federal Reserve has held US interest rates at 5.25-5.5 per cent, but signalled that more monetary tightening may be needed as it weighs in inflation fight against the risks to growth. — PAGE 6

Italy to probe Ryanair
Italy's competition regulator is to investigate Ryanair over alleged abuse of market power following the airline's efforts to roll services such as hotel rooms and rental cars on its platform. — PAGE 7

Chelsea raises \$500m
Chelsea Football Club has raised a roughly \$500m investment from the US alternative asset manager Arco Management as its owners pursue stakes in more clubs. — PAGE 7

Uber warns on gig law
Brussels' proposal to designate gig workers as employees would force Uber's ride-hailing app to slow down in hundreds of cities across the EU, an executive at the company claims. — PAGE 8

Repression is good for you
Trying to suppress negative thoughts can improve rather than harm mental health, a study at Cambridge university has concluded, contrary to



Brunel joins others to urge the UK Prime Minister not to delay key net zero targets - Brunel Pension Partnership

Policy makers and regulators



Global baseline in
corporate reporting



EU and UK Policy commitments,
with robust implementation plans



Defining the gold standard of
private sector climate transition
plans

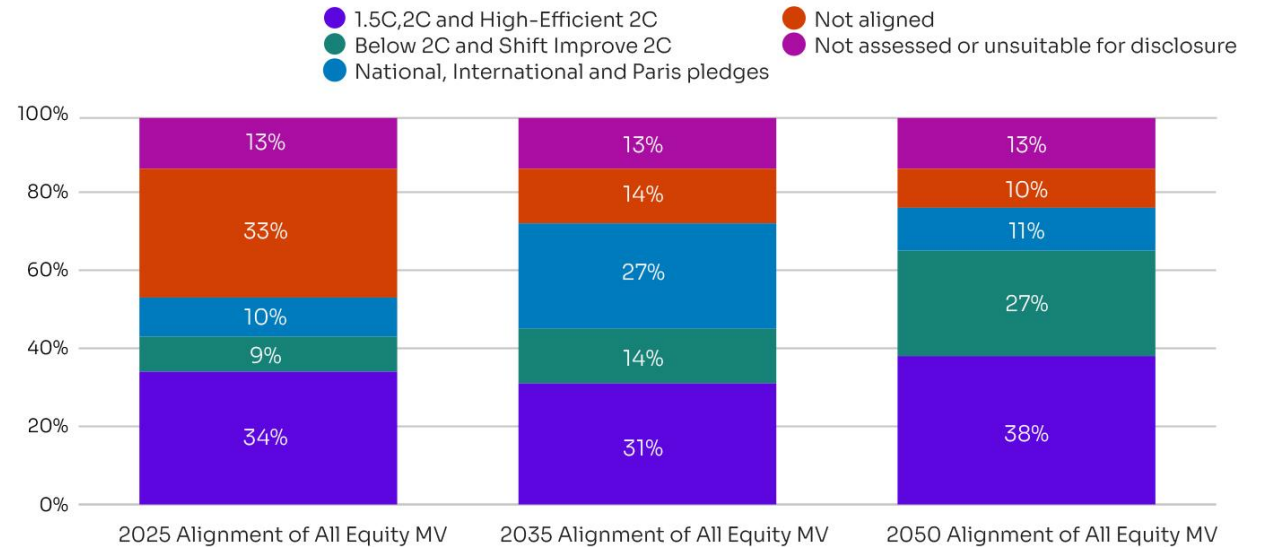


Defining economic activities as
"environmentally sustainable"

Products

- Reduction in holdings that are ‘not aligned’
- Increase in ‘Below 2C and Shift Improve 2C’ aligned holdings
- Increase in ‘1.5C,2C and High-Efficient 2C alignment’ from 2025 compared to 2050.

Alignment of Listed Equity Holdings using TPI Carbon Performance



Products

Achieving net zero	Aligned to a net zero pathway	Aligning towards a net zero pathway	Committed to aligning	Not aligned
Current emissions at/ close to 2050 net zero level + investment plan/business model in line with net zero	Higher impact companies: criteria 1-6 Lower impact companies: criteria 2, 3, 4	Criteria 2, 4, + partial fulfilment of criteria 5	Criteria 1	All other companies

Assessing the alignment of an asset

	NZIF Alignment Criteria	Description
Core	1. Ambition	A long term 2050 goal consistent with achieving global net zero
	2. Targets	Short- and medium-term emissions reduction targets (scope 1, 2 and material scope 3)
	3. Emissions performance	Current emissions intensity performance (scope 1, 2 and material scope 3) relative to targets
	4. Disclosure	Disclosure of scope 1, 2 and material scope 3 emissions
	5. Decarbonisation Strategy	A quantified plan setting out the measures that will be deployed to deliver GHG targets, proportions of revenues that are green and, where relevant, increases in green revenues
	6. Capital Allocation	A clear demonstration that the capital expenditure of the company is consistent with achieving Net Zero emissions by 2050
Additional Criteria	7. Climate policy engagement	The company has a Paris-Agreement-aligned climate lobbying position and demonstrates alignment of its direct and indirect lobbying activities
	8. Climate governance	Clear oversight of net zero transition planning and executive remuneration linked to delivering targets and transition
	9. Just transition	The company considers the impacts from transitioning to a lower carbon business model on its workers and communities
	10. Climate risk and accounts	The company provides disclosures on risks associated with the transition through TCFD Reporting and incorporates such risks into its financial accounts

Brunel portfolio decarbonisation

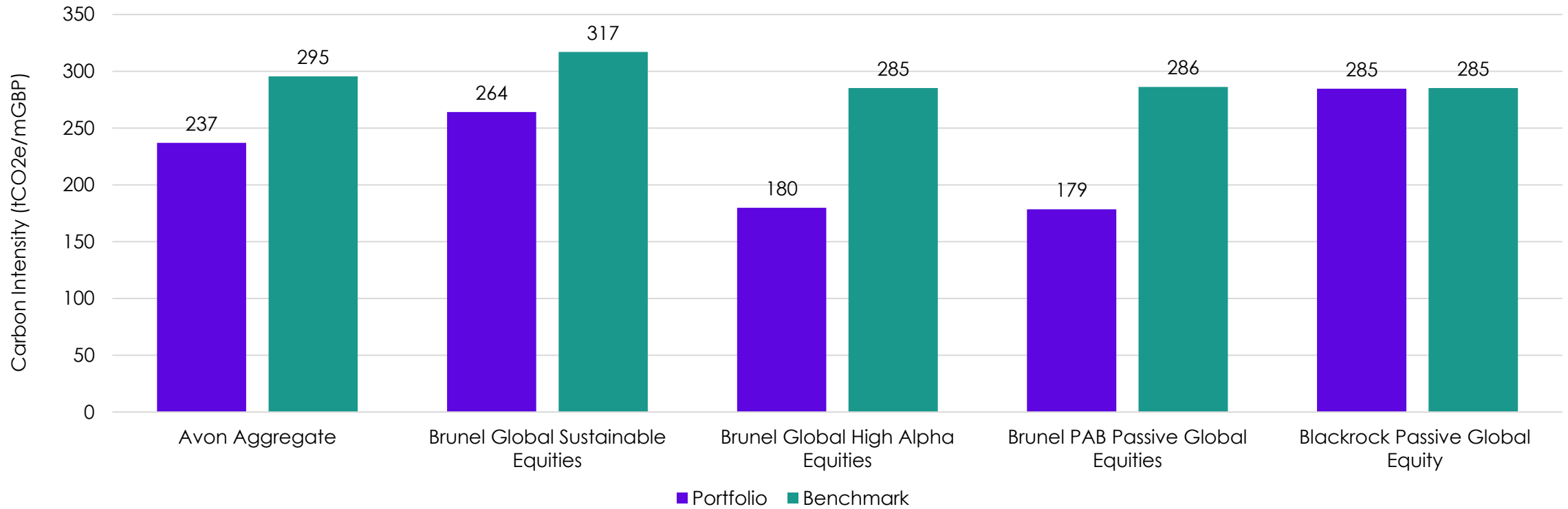
Portfolio	Reduction %	2022 Portfolio	2019 Baseline
Brunel Aggregate	34.68%	224	343
Active Portfolios			
Brunel UK Active Equities	21.91%	220	282
Brunel Global High Alpha Equities	40.22%	180	301
Brunel Emerging Markets Equities	44.70%	315	570
Brunel Low Volatility Global Equities	40.16%	200	334
Brunel Global Sustainable Equities	20.89%	264	334
Brunel Global Small Cap Equities *	32.25%	209	309
Brunel Sterling Corporate Bonds**	17.52%	152	184
Passive Portfolios			
Brunel Passive Smart Beta	12.81%	483	554
Brunel Passive UK Equities	-5.80%	298	281
Brunel CTB Passive UK Equities	10.96%	250	281
Brunel Passive Developed Equities	5.65%	286	303
Brunel PAB Passive Global Equities	41.08%	179	303
Brunel CTB Passive Global Equities	26.13%	224	303

* Trucost updated methodology in 2020 means we have taken December 2020 as a baseline for the Brunel Global Small Cap Equities

** This Portfolio has a baseline of 31 December 2021

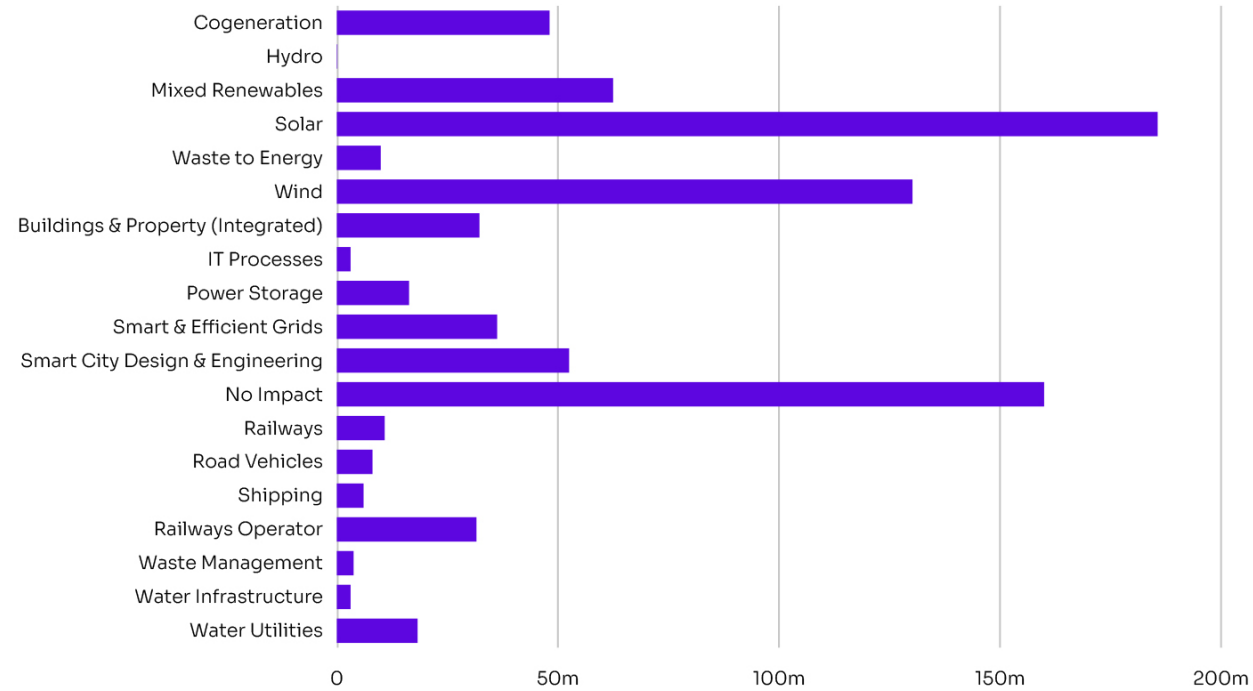
Avon portfolio decarbonisation

Carbon Intensity



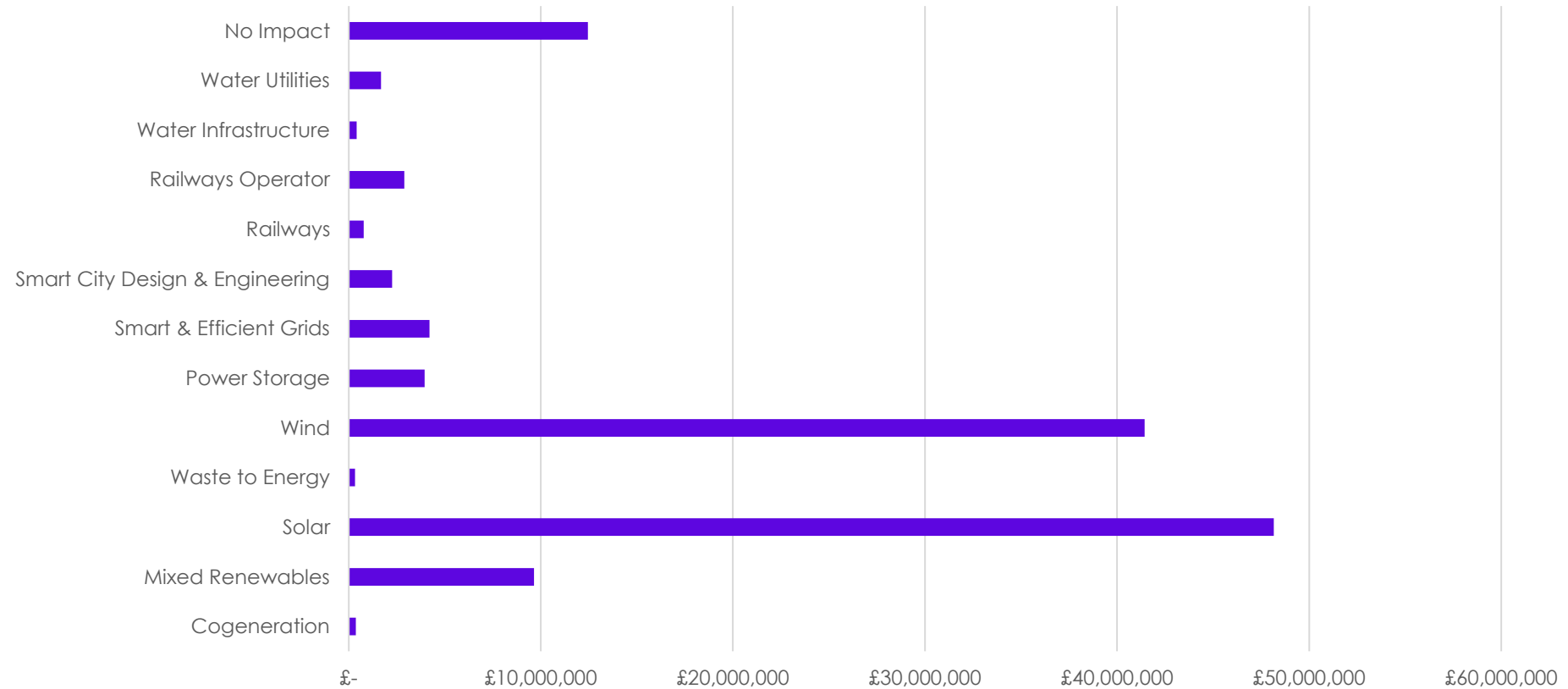
Positive impact

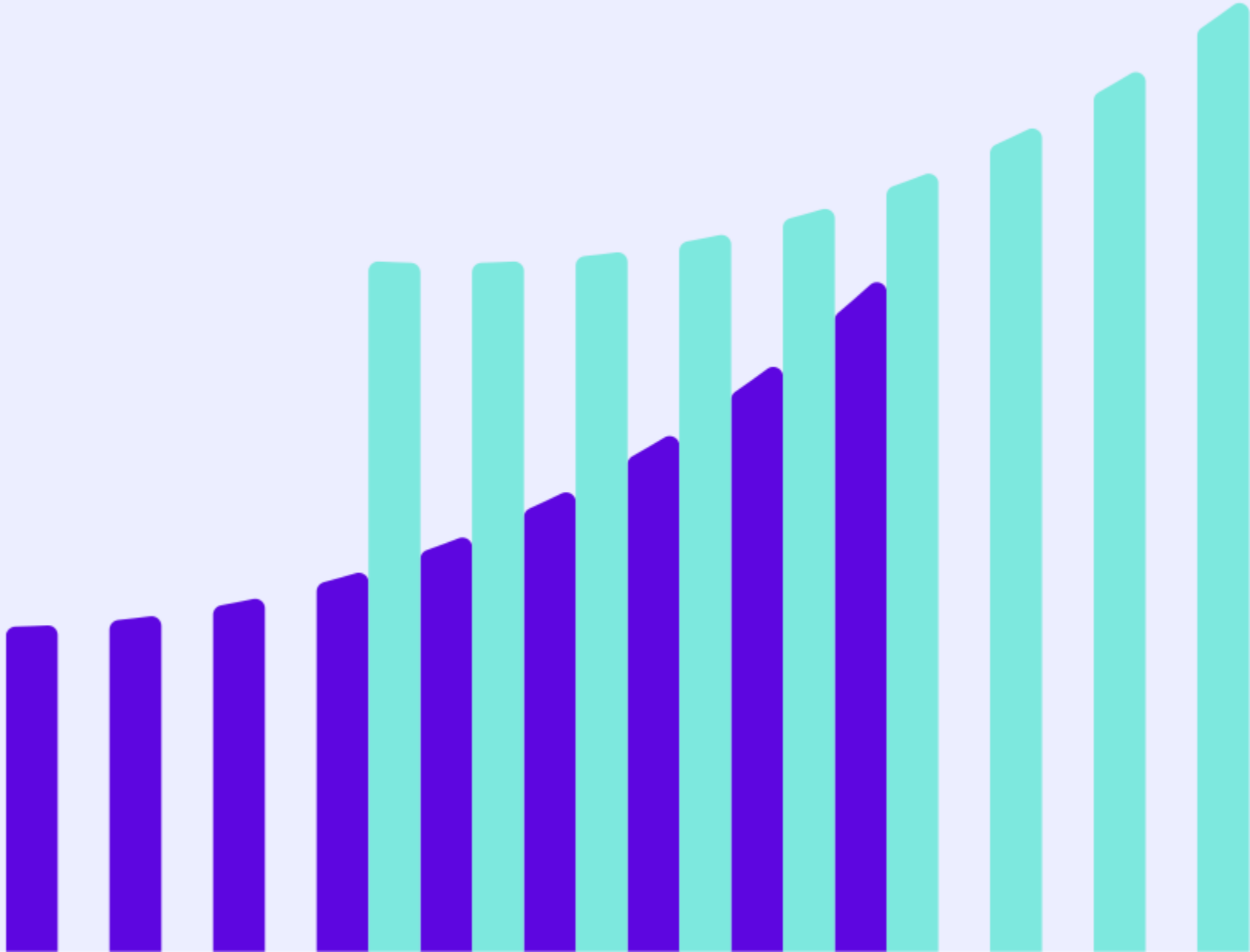
Sustainable Investment Exposure Breakdown by Sub-Sector



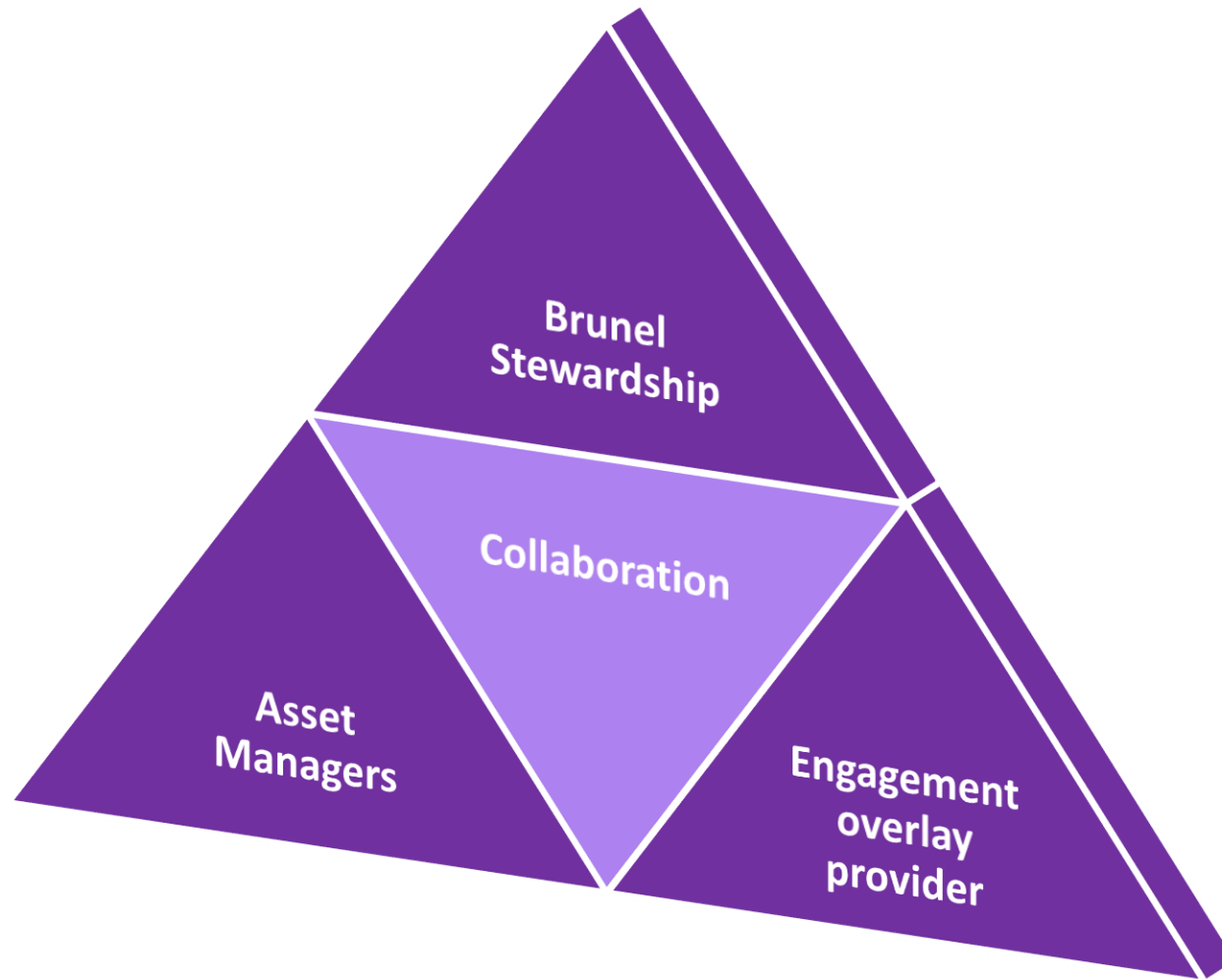
Positive impact - Avon

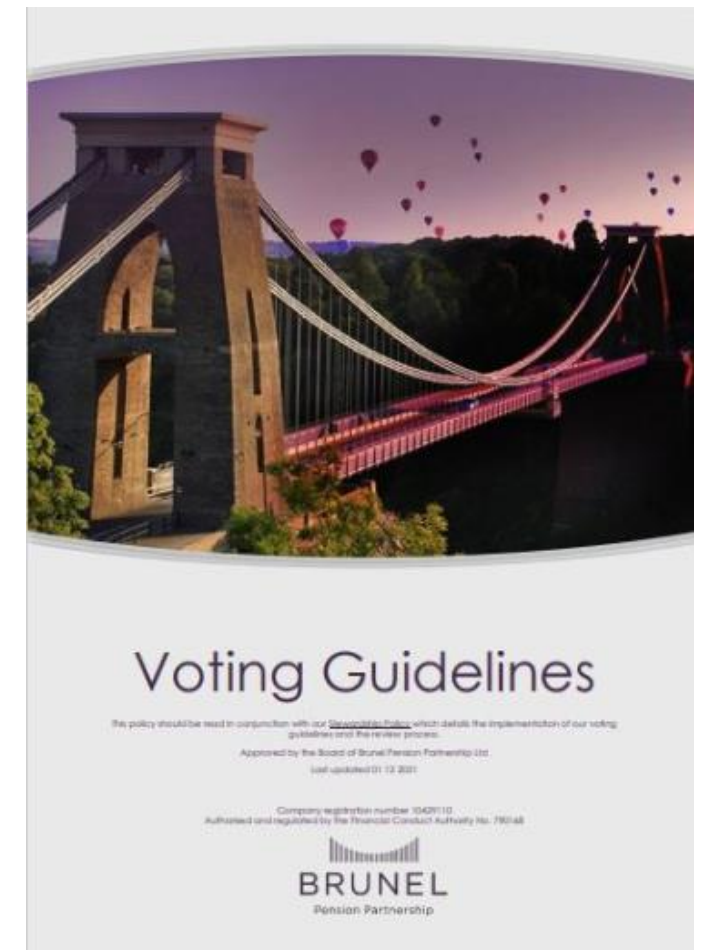
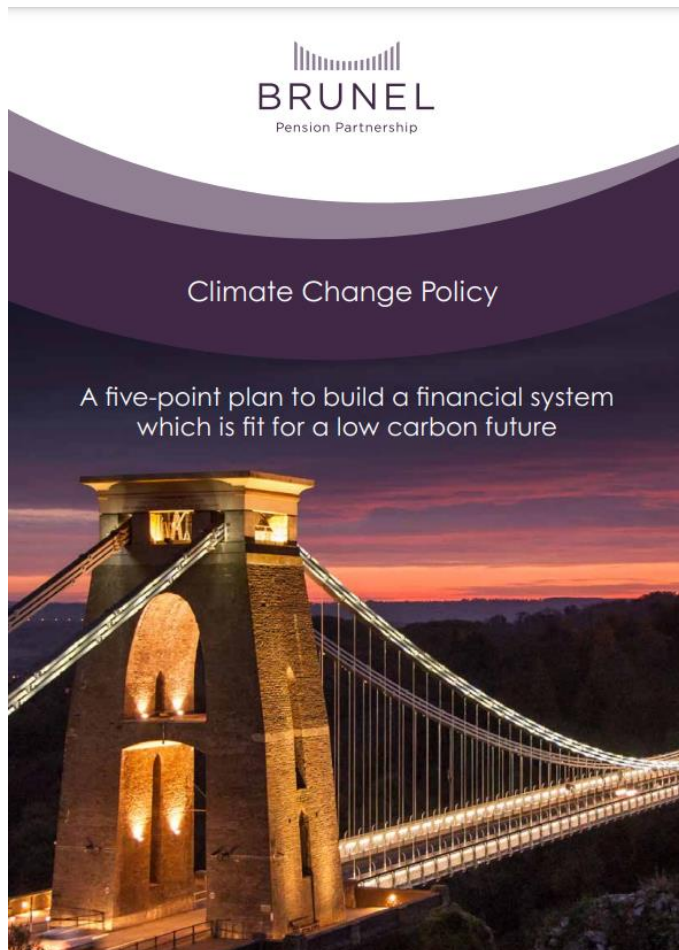
Sustainable Investment Exposure by Sub-Sector





Persuasion





Engagement



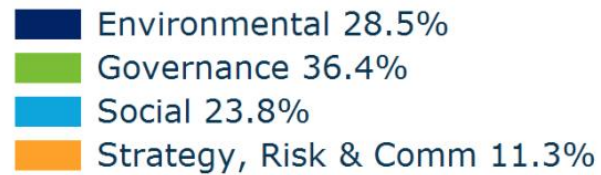
Public version



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Global

We engaged with 463 companies



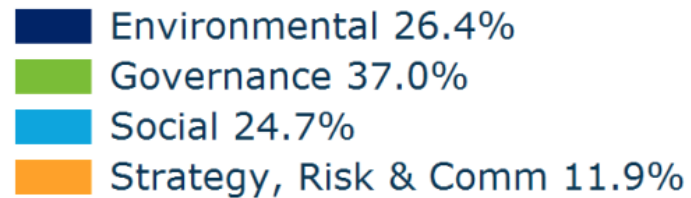
Environmental topics featured in 28.5% of our engagements



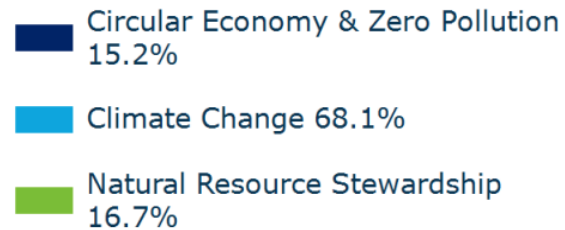
Source: Hermes EOS (Q2 2023 data)

Engagement and voting - Avon

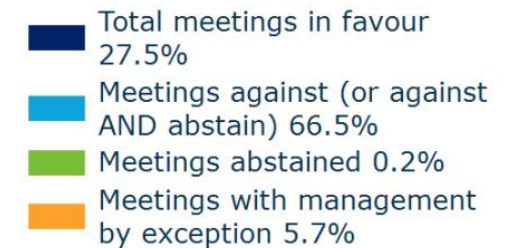
We engaged with 352 companies



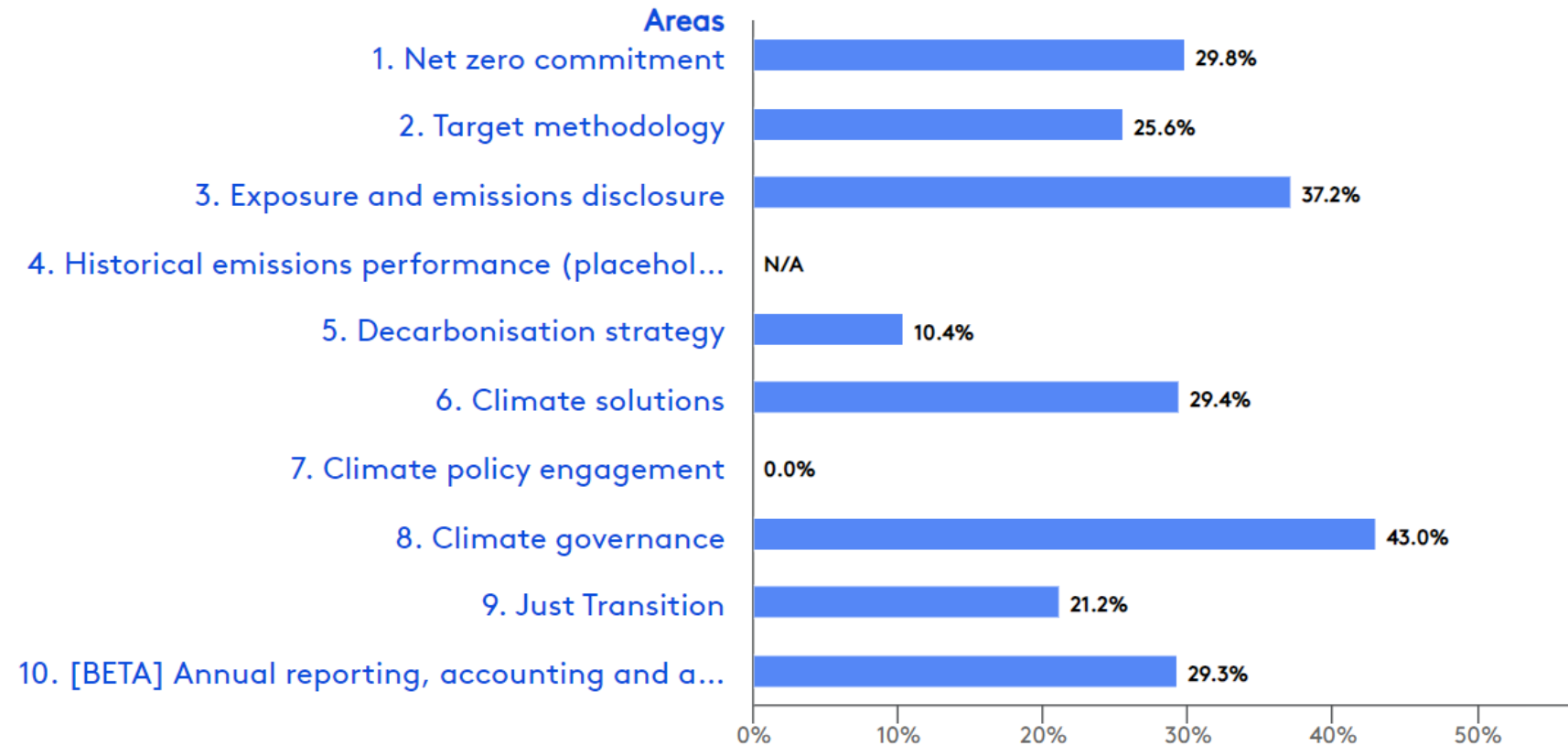
Environmental topics featured in 26.4% of our engagements



We made voting recommendations at 454 meetings (6,430 resolutions) over the last quarter.



Banks – preparedness for low-carbon transition



Average scores on alignment across ten key areas
Source: The Transition Pathway Initiative Global Climate Transition Centre

Engagement on banks

IIGCC **ShareAction»**
Institutional Investors Group on Climate Change



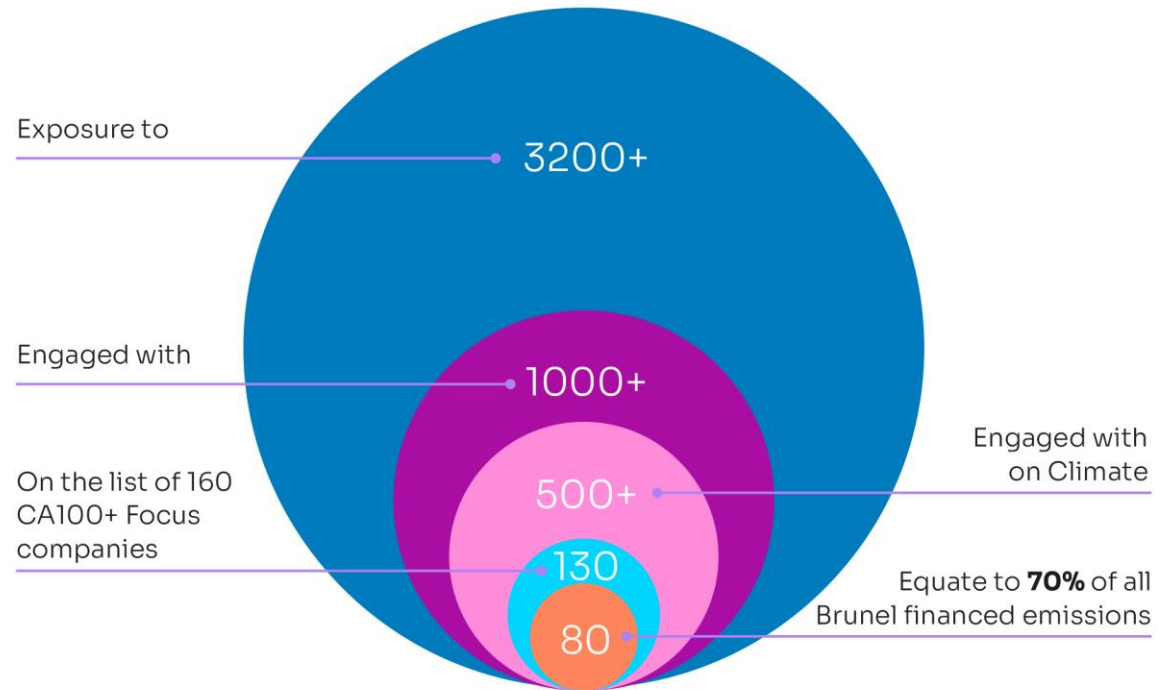
HSBC to stop new oil and gas project funding after backlash

Bank reacts to criticism of climate change policies with symbolic step to cut ties to fossil fuel development



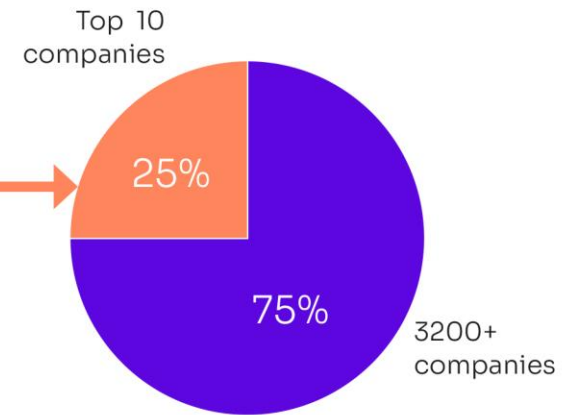
Companies and assets

Climate Change



Rank	Company Name	% of Brunel financed emissions
1	Shell plc	3.90%
2	Holcim Ltd	3.65%
3	Anglo American Plc	3.01%
4	Breedon Group plc	2.54%
5	BP p.l.c.	2.44%
6	Suncor Energy Inc.	2.07%
7	Anhui Conch Cement Company Limited	1.98%
8	CRH Plc	1.93%
9	Glencore Plc	1.92%
10	Steel Dynamics, Inc.	1.80%

The top 10 companies are responsible for 25% of all of the Brunel financed emissions



Brunel financed emissions

Figures correct at December 2022

Holcim Plc

- 8 percent of all the world's CO2 emissions from Cement manufacturing
- Holcim has made commitments which will align to 1.5C
- 20% Group Capex on carbon reduction projects in Europe



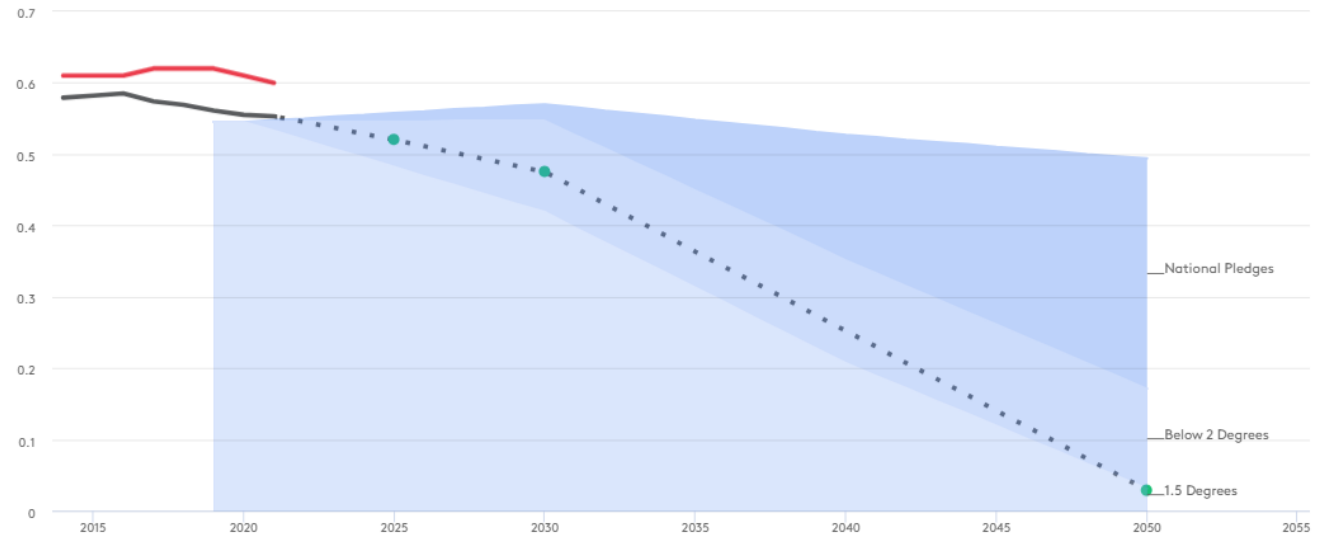
Carbon Performance Holcim

Assessment Date: 01 April 2022

● Holcim ● Cement sector mean

— Reported Targeted

Carbon intensity (tonnes of CO2 per tonne of cementitious product)



Shell Plc

- Concerns relating to climate change strategy
- Vote against CEO and Chair
- Voted against Shell's Energy Transition Progress
- Voted for shareholder resolution on climate change targets



Glencore

Voted against the approval of their 2022 climate report due to inadequate management of climate-related risks from exposure to coal

Voted for shareholder resolution: disclosure on the alignment of its thermal coal production and related capital expenditure to the Paris Agreement's 1.5°C goal



Berkshire Hathaway


- Hermes co lead CA100+
- Shareholder resolution co-filed with Brunel by Hermes in 2021 and 2022
- In 2023, votes against the entire audit committee due to an ongoing failure to recognise climate-related financial risks in the financial statements and auditor's report.
- Supported 3 shareholder proposals on climate disclosure including 2 from CA100+ leads



Engagement with Asset managers

Net Zero Investor
2,257 followers
3d •

Breaking : The UK Asset Owner Roundtable has outlined details of its investigation into stewardship alignment on climate between asset owners and managers. [...see more](#)



UK asset owners reveal details of stewardship alignment study - Net Zero Investor - Net Zero Investor
netzeroinvestor.net • 3 min read


PROFESSIONAL PENSIONS SUSTAINABLE INVESTMENT HUB In partnership with ROBECO The Investment Engineers

UK Asset Owner Roundtable convenes asset managers over proxy voting concerns

Asset owners concerned that short-termism is not serving the long-term interests of schemes

by [Stapleton](#)
May 17, 2023 • 1 min read

[in](#) [e](#) [f](#) [s](#)



Asset owners are concerned about how investment managers are exercising proxy voting at annual meetings of oil and gas companies.

The UK Asset Owner Roundtable is convening a meeting of major fund managers following concerns about a perceived misalignment between investors' long-term interests and how asset managers are exercising proxy voting at the annual meetings of oil and gas companies.

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Consistency drives strong long-term returns. [Find Out More](#)

United Kingdom

UK pension funds 'concerned' over asset manager climate vote record

Reuters
May 17, 2023 1:14 PM GMT+1 • Updated 9 days ago



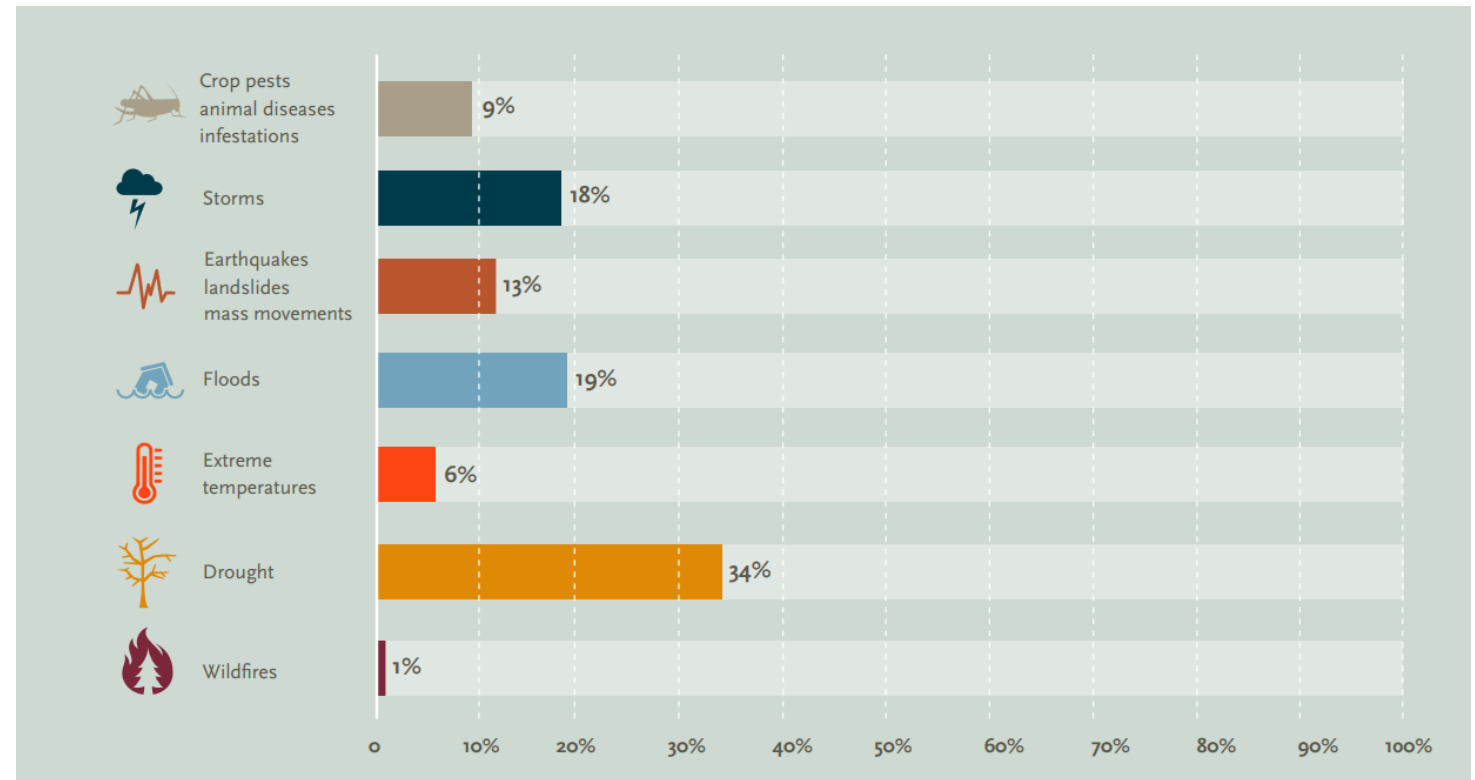
A view shows buildings in the City of London financial district in London, Britain, October 27, 2022. REUTERS/Maja Smiejkowska/File Photo

LONDON, May 17 (Reuters) - A group of UK-based pension schemes and other asset owners is concerned about how the asset managers they employ to run their money are voting on climate-related issues at European oil and gas companies.

Faith Ward, chair of the UK Asset Owner Roundtable, said in a LinkedIn post it planned to meet with major fund managers after the current proxy voting season to go over the votes amid concern their long-term interests were not being served.

Climate physical risk engagement

- Brunel-led (facilitated by Chronos) over 2 years
- Focus on 20 consumer staples (food and agriculture)
- Selected based on portfolio exposure, vulnerability, high impacts and dependencies on biodiversity



Total crop and livestock production loss per disaster type, Least Developed Countries (LDCs) and Lower-middle Income Countries (LMICs), 2008–2018

Source: [The impact of disasters and crises on agriculture and food security: 2021 \(fao.org\)](https://www.fao.org/publications/default.asp?info_no=10693)

Water utilities engagement

- Phase 2 of the engagement led by Royal London Asset Management
- Targeting 11 UK water companies
- Engagement covering 4 key areas in the investor expectations

Adaptation to climate physical risk (pollution, climate adaptation and resilience)

Biodiversity (Natural Capital Preservation restoration and reporting)

Affordability (Just transition and vulnerable customers)

AMR

Other areas of focus

Nature Action 100



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Q&A

