BRUNEL

Pension Partnership

2020

Responsible Investment and Stewardship Outcomes

For the year ending 31 December 2019

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

Brunel Pension Partnership Limited (Brunel) is one of eight national Local Government Pension Scheme (LGPS) Pools, bringing together circa £30 billion investments of 10 likeminded pension funds: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire.

We are here to protect the interests of our Clients and their beneficiaries. We therefore believe in making long-term, sustainable investments supported by robust and transparent processes.

Brunel is authorised and regulated by the Financial Conduct authority as a full-service MiFID firm. We use the name 'Brunel' to refer to the FCA-authorised and regulated company.

We would like to acknowledge the significant support and contribution of our Clients to our work on responsible investment, climate change and stewardship underpinning our mutual commitment to investing for a world worth living in.

Company registration number 10429110
Authorised and regulated by the Financial Conduct Authority No. 790168

Executive Summary

Currently over

70%

of holdings assessed by TPI within Brunel's Active Equity Portfolios are **TPI Level 4 or above.**

7%

All active portfolios have a lower carbon intensity than their respective benchmarks, many substantially lower – all achieve at least 7% below their benchmark.

All Active Brunel portfolios have

Lower

than benchmark

exposure fossil fuel revenues and emissions from reserves.

At least

35%

of our cycle 1 infrastructure investments are in renewable energy.

867

The number of companies we engaged with in 2019, across **2,537** issues...

...Achieving

1081

milestones.

98%

of votes were cast at AGMs and other meetings.

100%

of our appointed listed market fund managers are currently achieving or committed to cost transparency.

In aggregate, Brunel's active portfolios have

Higher

(better) scores against each of the Ranking Digital Rights indicators.

Message from our Chair

Denise Le Gal
Chair

Welcome to our 2020 Responsible Investment and Stewardship Outcomes Report for the year 2019.

This report, the first ever of its kind for the Brunel Pension Partnership, documents a big year for Responsible Investment for us and our Clients.

I am particularly proud of our progress and ambitions around tackling climate change in our portfolios. We have increased the level of transparency and reporting that is now available for our Clients by way of our quarterly ESG and Carbon Metric Reports. The year culminated with the launch of our Climate Change Policy, clearly setting out how we look to achieve the ambitions of our Clients.

Our influence and work spans geographies and issues; from tackling plastics pollutions and antimicrobial resistance (AMR) through to diversity and tax and cost transparency. We see this report as a first of many and look forward to reporting on the successes of 2020.

Denise Le Gal

Denise Le Gal
Chair, Brunel Pension Partnership

Introduction from our CEO

We are publishing our first Responsible Investment and Stewardship Outcomes Report at a time when portfolio resilience and responsible investment management have never been more relevant. COVID-19 has created changes, challenges, and innovations that we could not have anticipated when setting our priorities for 2020. The speed of its arrival, its universal nature and the severity of its impact on society are testing all the assumptions one can make about risk. It will undoubtedly influence our stewardship activities and shape our work on human capital, tax, and climate amongst other issues.

Laura Chappell
Chief Executive Officer

We are active in working with our Clients, managers and material holdings to understand, assess and develop evidence-based response to the crisis. At the same time maintain our focus on the long-term investment horizon, which is at the heart of our risk management process in order to protect the future interests of our Clients and their beneficiaries.

We have built our responsible investment (RI) approach on three pillars: **to integrate** sustainability criteria into our operations and investment activities, **to collaborate** with others across the industry and support effective policymaking; and **to be transparent** in our activities. We are confident this provides a firm footing for our team, our Clients and our managers through these uncertain times.

2019 was a critical year for Brunel and our Clients. We continued to search for and launch investment portfolios while our Clients were undertaking detailed reviews of their investment strategies. We supported these reviews through the provision of workshops and training sessions, by engaging both internal and external stakeholders and being able to bring deeper insights on climate change and how being a responsible investor and steward can support long term financial performance.

Building on these foundations, in early 2020 we published the most ambitious **climate policy** of any major UK asset owner, detailing a five-point plan to build a financial system fit for a carbon-zero future. The policy was the culmination of months of collaboration and engagement by the Brunel team, strongly supported and shaped by our Clients and we were overwhelmed at the support and positive feedback we received from all our stakeholders.

I am delighted by our progress in such a short time and our ambition to go further to give support to our clients in future reviews. The next significant review will take place in 2022 – following our **Climate Stocktake**. The stocktake provides a clear focus of our team, managers and underlying companies to deliver real change and support for our Clients in fulfilling our mutual commitment to building a financial system which is fit for a low carbon future.

Brunel's manager selection process is central to the effective implementation of our RI, Stewardship and Climate policies. Our managers must be able to clearly demonstrate how ESG is embedded into their investment process. We also examine a manager's organisational culture and approach to teams, challenge and risks. A key focus area here is **diversity and inclusion**. We are delighted to have actively supported the work of the **Diversity Project**, which aims to accelerate progress towards an inclusive culture within investment and savings industry and the **30% Club** which seeks to support gender diversity in industry.

Responsibility and sustainability are also critical factors in our own operations. 100% of our electricity is derived from renewable sources and we place a strong emphasis on diversity and inclusion, as a result of which our 2019 staff survey indicated that over 91% of employees are proud to work for Brunel.

With issues spanning the whole spectrum of responsibility as we see it, from cyber security to farm animal welfare, there are many more factors in our inaugural report. The key is that all these topics have been addressed with client needs and future outcomes in mind: **to reduce investment risk and support our objective to deliver strong investment returns over the long-term**.

We see real opportunities right now to influence and implement change in the financial system to ensure we have **a world worth living in.**

Laura Chappell
Chief Executive Officer, Brunel Pension Partnership

Contents

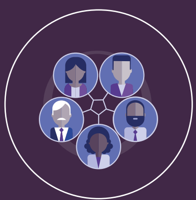
We aim to reduce the carbon intensity of our portfolios by 7% each year until 2022. This report sets a 2019 baseline.

All active portfolios have achieved more than 7% carbon intensity improvements against their benchmarks, and our low carbon index has a carbon intensity of less than half that of the standard index.

We promote fair and transparent tax and cost systems.

We engage on corporate tax transparency in collaboration with the PRI.

100% of our appointed listed market fund managers are currently achieving or committed to becoming LGPS/FCA CTI compliant.



We promote fair, diverse and inclusive business environments and practices.

35% of Board members are female within the Brunel UK Active Equity Portfolio.

We promote strong HR and sustainable renumeration policies.

463 engagements were related to inappropriate executive renumeration.

Through our engagement provider, Federated Hermes, we support the Workforce Disclosure Initiative, to encourage greater transparency on human capital risks.

We believe that through responsible, active ownership, we can contribute to the care, and ultimately long-term success of all assets in our remit.

During 2019, Federated Hermes engaged with 867 Brunel held companies across 1,081 milestones.

98% of votes were cast at AGMs and other meetings.

We promote corporate awareness and action across a range of cyber issues such as cyber security, the use of personal data and the use of AI.

We use the Ranking Digital Rights Corporate Accountability Index to assess Brunel Portfolios and to prioritise engagements.

Our investment managers are increasingly identifying cyber security as an engagement priority.

Supply Chains
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Tailings dams

Brunel joined the Investor Mining and Tailings Safety Initiative calling for greater transparency and minimum standards around tailings dam management.

Plastics pollution and ghost gear

We are a member of the Principles for Responsible Investment (PRI) Plastic Working Group focused on identifying the risks and opportunities associated with plastics.

Palm oil

We fed into the Roundtable on Sustainable Palm Oil (RSPO) Principle's and Criteria Review Task Force and encourage fund managers to support and adopt the RSPO standard as part of their engagement with companies.

Water

We engaged with companies in the fast food sector around water risks in their dairy and meat sourcing.

Antimicrobial Resistance (AMR)

We are part of a Global Investor Collaboration on Farm Animal Welfare led by the Business Benchmark for Farm Animal Welfare (BBFAW). We have supported academic evidence into the AMR from an investor perspective.

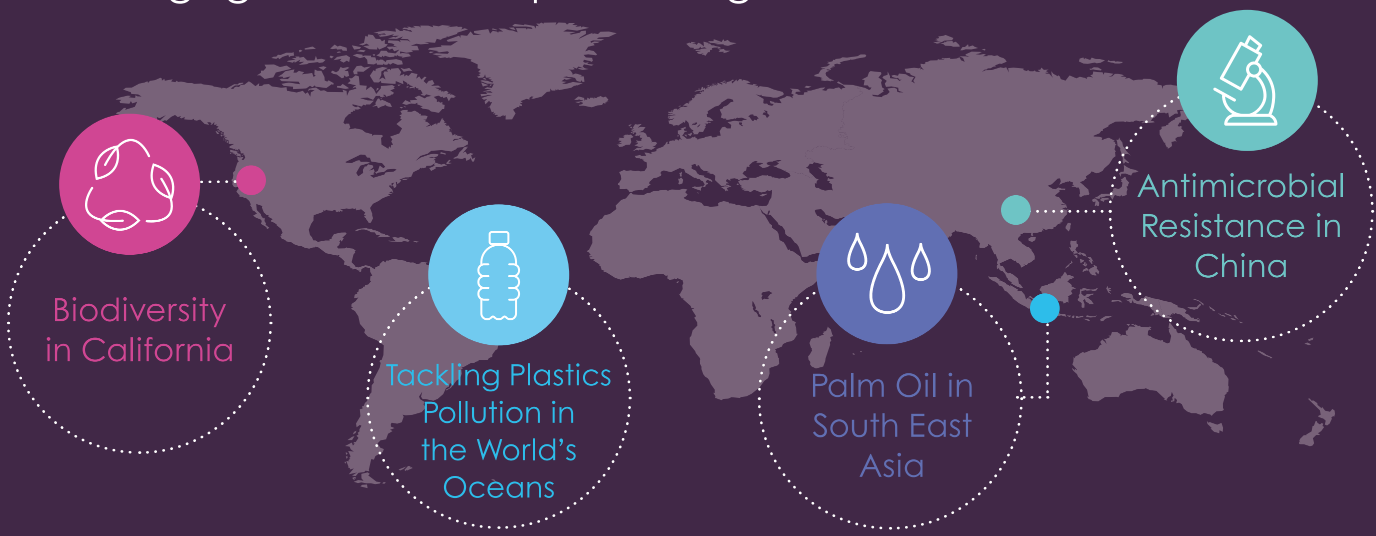
Biodiversity

We co-signed an investor statement urging companies to eliminate deforestation from their supply chains.

Modern Human Slavery

We encourage companies to adopt and to increase use of appropriate technology to improve transparency on end-to-end supply chains.

Our engagement work spans the globe



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

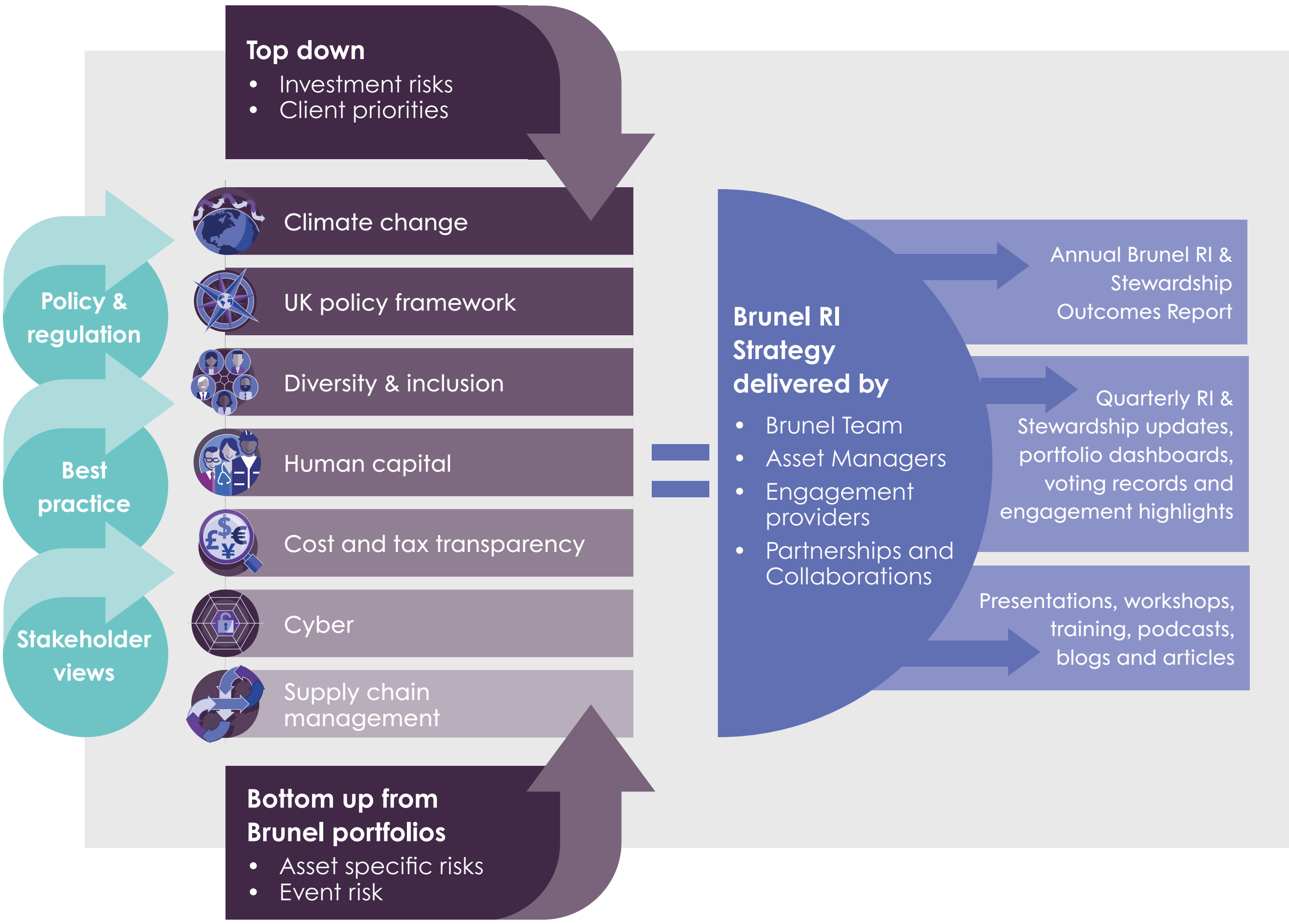
Establishing our priorities

Responsible investment (RI) is central to how Brunel fulfils its fiduciary duty. As responsible investors, we recognise that every company or asset we invest in operates interdependently with the economy, civil society and the physical environment.

We have identified seven priority themes which are informed by our investment beliefs, our Clients' policies and priorities together with stakeholder views, regulatory and statutory guidance and are aligned with best practice.

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

Brunel RI & Stewardship Priorities



Analysing ESG risks

We recognise that ESG data is a developing discipline and we are strong advocates for improved disclosure from companies and assets in which we invest. This theme cuts across every one of the priority areas. In addition to our own and our asset managers' analysis of ESG risks within our portfolios, we also use certain third party proprietary and public data sources. Where we have used third party data to set our objectives and targets, we have been clear on the source of the data. To make the reporting investment risk relevant, where possible we have used weighted average but for transparency simple averages are included in the appendix.

Our investment principles provide the framework of our evaluation of risks. We seek to stimulate market-wide improvements in ESG risk analysis and commit to continue to innovate, adapt and improve to ensure we have robust, independent and effective data to work collegiately with our external asset managers on the management of the whole spectrum of investment risks.

We are members of the **Sustainability Accounting Standards Board (SASB)** Alliance and Investor Advisory Group as part of our work to promote on better quality reporting on material ESG risks. We are also vocal supporters of the adoption of the **Taskforce for Climate-related Finance Disclosure (TCFD).**

Integrating Responsible Investment into our Manager Selection

Integrating Responsible Investment into manager selection is a core part of our work. Mandate design and a risk appraisal process prior to launching a search for a manager is therefore critical in ensuring that we focus on the right things.

The asset class, geography and risk objectives will have a bearing on which Responsible Investment and ESG risks will be most relevant to focus on when making an appointment, thus our manager selection criteria are determined for each search.

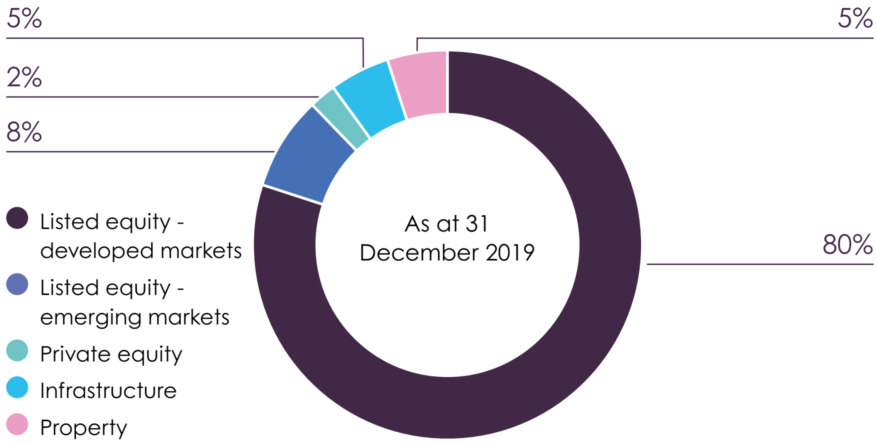
The examples below show some of the key issue we address when we appoint managers.

Philosophy	Policies	People
Board-level leadership	Commitment	Diversity and Inclusion
Corporate culture	Policy framework	Human Capital
Investment	Pricing and transparency	Numbers & retention

Processes	Participation	Partnership
Investment	Thought-leadership	In it together
Reporting	Innovation	Culture fit
Stewardship	Contribution to investment industry	

More information about the selection and monitoring of managers is on our **website**

Breakdown of Brunel Assets Under Management



Brunel has a transition plan. We have started on our Fixed Income work in 2020. Infrastructure and Private Equity are included as committed amounts.

Leading by example

The scope of our RI Strategy includes all our **own operations** (such as buildings, travel and people), as well as **portfolio implementation** and **responsible stewardship**. This ensures our own practices align with our expectation of the companies and assets in which we invest. This approach is embedded in everyday activities and enables everyone to contribute to **forging better futures by investing for a world worth living in.**

This report aims to cover all aspects of our strategy. We have aimed to provide examples and evidence to support it in order to provide assurance to our Clients, their beneficiaries and their wider stakeholders.

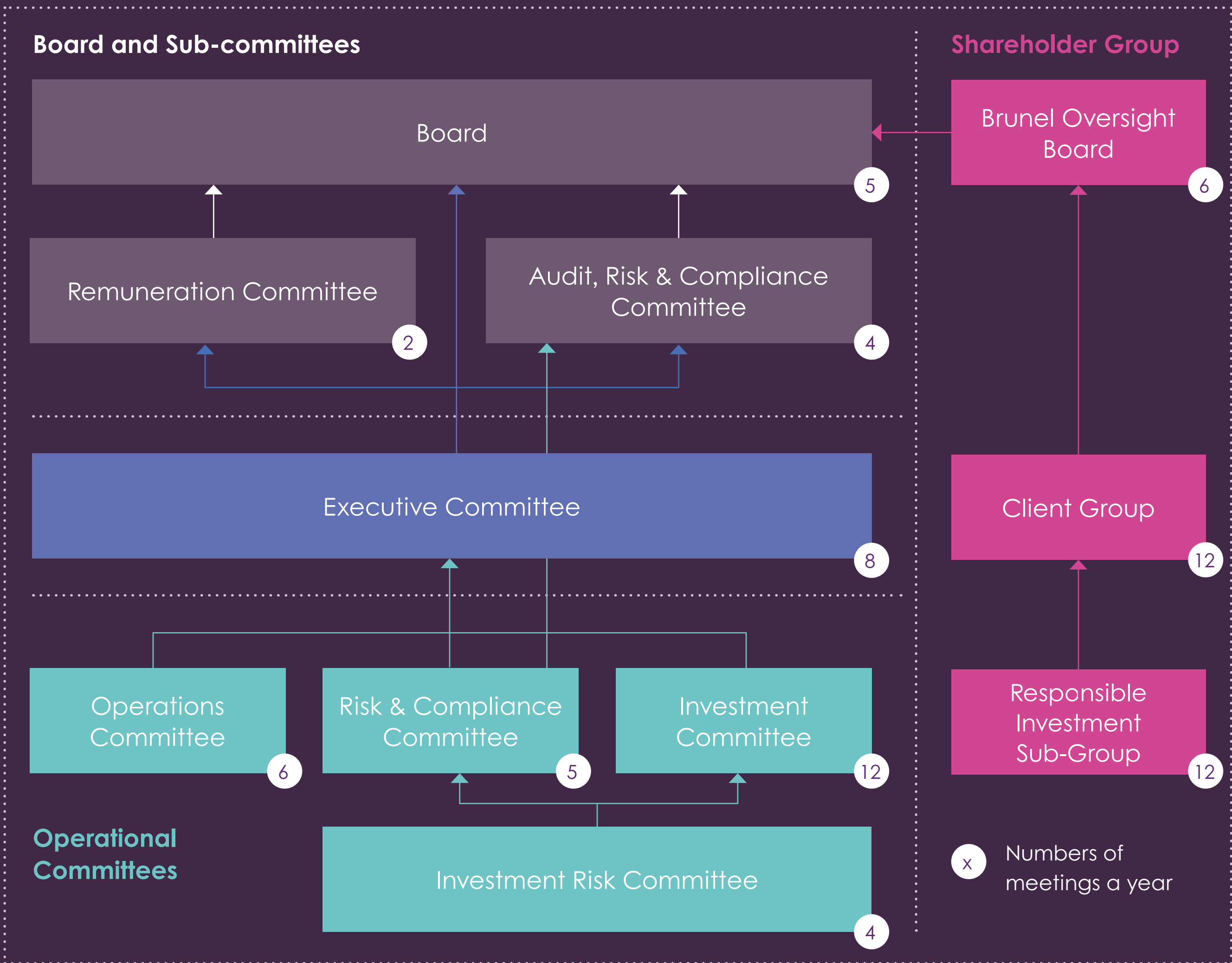
Throughout this report we have included insights into our business operations and aim to build on these during 2020.

Brunel believes in the importance of regular and in-depth shareholder and stakeholder engagement. The Board regularly scrutinise Brunel's Responsible Investment strategy which is overseen operationally by the Executive Committee.

Brunel's Client Group is made up of Client Fund Officers, this group provides oversight through monthly Responsible Investment updates, providing input on their committee and beneficiaries emerging needs and concerns.

In addition, the Responsible Investment Subgroup meets monthly and acts as a forum for further discussions on Responsible Investment topics. Workshops are conducted where a deeper awareness or education on a particular topic is useful. For example, from October to December 2019, we conducted a series of workshops around our Climate Change Policy prior to publicly launching in January 2020.

Further detail on our governance structure can be found in our **Annual Report and Financial Statements.**



Managing Conflicts of Interests

Brunel is required by the Financial Conduct Authority to maintain and operate effective organisational arrangements to ensure all reasonable steps are taken to prevent conflicts of interest from adversely affecting the interests of Clients, as well as the Clients' members and their Administering Authorities.

Our Conflict of Interest policy describes the circumstances that could give rise to a conflict of interest and the principles to be followed in order to identify, avoid, manage or in the event the other routes are not possible, to disclose clearly to our Clients.

Conflict of Interest management is embedded in a number of Brunel policies and processes. **In 2019 there were no conflicts of interest in relation to our engagement activity.**

Brunel places our Clients' interests ahead of our own.

Elsewhere, through our partnership with Future-Fit, a-not-for-profit organisation that aims to encourage business alignment with the Sustainable Development Goals (SDGs), we have benchmarked our business operations against its 23 'Break Even' goals, to ensure that as an organisation we are meeting the highest possible standards. Examples include achieving a 100% renewable energy tariff and developing positive and flexible employee policies.

As of January 2019, when our initial Future Fit assessment was conducted, of the 16 goals deemed applicable to Brunel, seven were 'already on course' to reaching 'future fitness' and nine required only 'minor action'. We continue to develop our Future Fit programme and will seek to set objectives and in some cases targets for our company operations.

Over the following pages, we examine our seven priority themes in detail, the action we have taken and where we are focussing our next steps.

High-level reflections on Brunel Pension Partnership's current performance

Alignment with the 23 Future-Fit Break-Even Goals

Our analysis suggests that…

- 7 goals: not applicable to company operations
- 7 goals: **already on course** to reaching future-fitness
- 9 goals: **minor action** is needed to get on a path to future-fitness
- 0 goals: **more significant action** *may* be required
- 0 goals: **major action** is needed, perhaps over many years

Source: Future-Fit Business Benchmark Brunel Pension Partnership Assessment, January 2019

Timeline

2017

July 2017
Brunel Pension Partnership formed

November 2017
Joined The Institutional Investors Group on Climate Change (IIGCC) and registered as Task Force for Climate related Disclosures (TCFD) signatory and supporter

December 2017
Board supports joining Diversity Project and 30% Club

2018

March 2018
First LGPS pool to become a signatory of UN backed Principles of Responsible Investment

May 2018
Five Year Responsible Investment Policy

October 2018
Launch of our Stewardship Policy

End of 2018
Brunel's First Annual Report and Financial Statements including TCFD & paygap report

2019

April 2019
Quarterly Portfolio dashboard reporting for ESG and carbon metrics

May 2019
Climate Position Statement

Brunel joins the Sustainability Accounting Standards Board (SASB's) Investor Advisory Group

September 2019
Published our Tax Position Statement

2020

January 2020
Public launch of Climate Change Policy

March 2020
UN PRI Transparency Report

May 2020
First Responsible Investment and Stewardship Outcomes Report published

2021

2021
Second Responsible Investment and Stewardship Outcomes Report

2022

October 2022
Climate Change Stocktake

Climate Change

Using our strengths and our position in the market to systematically change the investment industry so that it is fit for purpose for a world where temperature rise needs to be kept to well below 2°C compared to pre-industrial levels.

Climate change presents a systemic and material risk to the ecological, societal and financial stability of every economy and country on the planet, and therefore will impact our Clients, their beneficiaries and all portfolios.

For example, rising temperatures are linked to an increase in natural disasters, which currently cost c.$18 billion a year in 'low' and 'middle income' countries alone, as well as wider household and business costs of c.$390 billion a year[1].

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

For society to achieve a net zero carbon future by 2050 (or before) requires systemic change in the investment industry, and equipping and empowering our Clients (and other investors) is central to this change.

What action have we taken?

We issued a climate change position statement in May 2019 and adopted our full Climate Change Policy which was published publicly in January 2020. This policy sets out our climate change beliefs and explains that, in the medium and long-term we expect to deliver sustainable investment returns by investing in companies and assets that effectively manage the risks and opportunities presented by climate change.

We actively listened to our Clients and their stakeholders, undertaking workshops, training sessions and roadshows, engaging multi times and with over a hundred stakeholders.

We consulted together to arrive at a point of consensus – which was not a given across ten LGPS Funds – with different investment policies, strategies and previous knowledge and training on climate change.

We built our approach on insights gained in the course of procuring new asset managers for our ten LGPS Clients in order to achieve the most challenging of practical implications of our framework quickly: between now and 2022.

What followed was the creation of a ground-breaking climate change policy, a **"Five Point Plan to build a zero-carbon future"**.

Our framework for assessing the impacts of climate change encompasses adaptation and physical risks (the risks posed by the consequences of climatic change) as well as those risks and opportunities arising from the transition to a low carbon economy (risks from addressing the root causes of climate change).

Brunel is a member of the Institutional Investors Group on Climate Change (IIGCC), PRI and a supporter of the Transition Pathway Initiative (TPI) which will support our ability to apply best practice due diligence and engage with the companies in which we invest. Brunel advocates strongly for improved transparency and will disclose in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), including the publication of annual carbon footprints and fossil fuel exposure, alongside the development of other carbon metrics.

1 The World Bank Group, Climate Change, October 2019

Our analysis of the investment market and of the investment system, and of our role within that market and that system, has led us to identify five areas where we believe there is a critical need for action and where we believe we can make a significant difference. These are:

Policy Advocacy

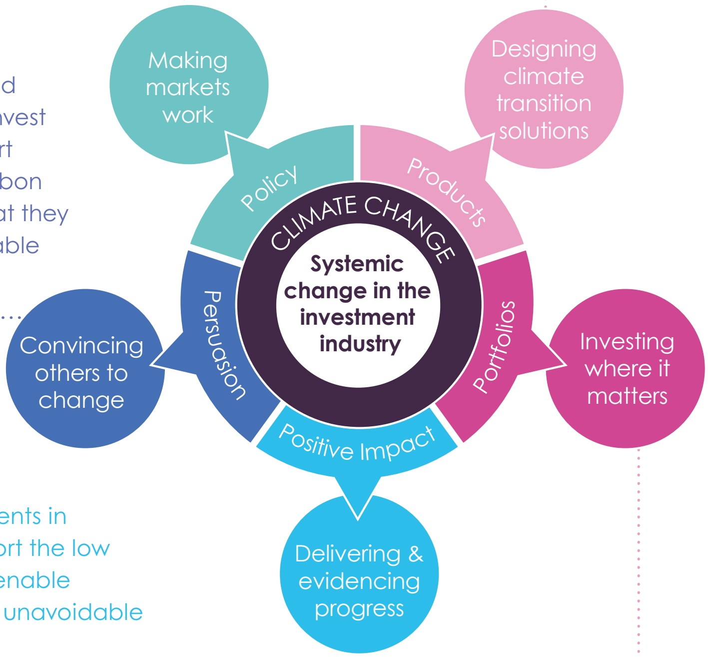
We want policy makers to establish comprehensive and robust climate change policy frameworks that deliver significant reductions in greenhouse gas emissions, accelerate progress towards the low carbon economy, and enable effective adaptation to the unavoidable impacts of climate change.

Product Governance

We want to increase the number and range of products available to our Clients and the wider investment market that deliver substantial climate change benefits.

Persuasion

We want the companies and other entities in which we invest and contract with to support the transition to the low carbon economy, and to ensure that they are resilient to the unavoidable impacts of climate change.



Portfolio Management

We want our investment portfolios to be resilient under a range of climate change scenarios (both mitigation and adaptation). We want to adopt best practices on climate risk management and to work with our managers to further improve and develop our processes.

Positive Impact

We want to enable investments in activities that directly support the low carbon transition and that enable effective adaptation to the unavoidable impacts of climate change.

We expect companies and fund managers to effectively identify and manage the financially material physical, adaptation and mitigation risks and opportunities arising from climate change as it relates to entire business models.

We have an expectation that companies:

- should put in place specific policies and actions, both in their own operations and across its supply chain, to mitigate the risks of transition to a low carbon economy and to contribute to limiting climate change to below 2°C.
- should disclose climate related risks and actions to mitigate these in line with latest best practice guidelines, such as those of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD).
- should include an assessment and scenario analysis of possible future climate change risks in addition to those that have already emerged.

As part of our manager selection and ongoing monitoring we use data from the Transition Pathway Initiative (TPI) and carbon foot printing. Both these tools greatly informed our portfolio construction and design as illustrated by the case studies throughout this section of the report.

Policy in action

The Brunel Climate Change policy was launched in early 2020 and its impact is already being felt. Engaging with our investment managers and on how they invest and what investment products they bring to market in future is central to our approach.

"We greatly value the active engagement and thought leadership from the Brunel investment team. Brunel's proactive and collaborative approach to partnership, combined with their expertise in sustainability, has greatly contributed to the industry's growing recognition of the importance of climate risk. Sustainability is the new standard for investing at BlackRock and we look forward to our ongoing partnership with Brunel and leading further change across the industry for the benefit of pension scheme members".

Sarah Melvin, Head of UK, Blackrock

Carbon Metrics Reporting

We have been actively working to report on a variety of carbon metrics, including the carbon intensity, energy mix and disclosure rates for each of the Brunel Portfolios. For the purpose of this report we report on a Brunel Aggregate Portfolio using a customised portfolio composed in the same proportions as the investments that we hold[2]. Full details of each of the Sub-Portfolios can be found in the Climate Change Baseline Report published on the Brunel website.

Our carbon foot printing includes scope 1, scope 2 and first tier scope 3 emissions, alongside how the Brunel aggregate benchmark is composed.

We use carbon foot printing, alongside other tools to provide essential analysis on the carbon performance of Brunel Portfolios and appointed managers. It is useful in order to determine the carbon performance of holdings within a sector and identify any large contributors and outliers as well as identify engagement opportunities.

Overview of the Brunel Aggregate Portfolio

- Looking at the Weighted Average Carbon Intensity (WACI), the Brunel Aggregate Portfolio is less carbon intensive than its custom benchmark, with a relative efficiency of 15.4%
- The Brunel Aggregate Portfolio has lower exposure to both fossil fuel revenues (9.4% vs 12.4%) and disclosed reserves (5.2% vs 7.4%)
- Looking at the energy mix of the Brunel Aggregate Portfolio:
  - It has a lower share from fossil fuels, in particularly coal (25% vs 30%)
  - It has a higher share from renewables, in particularly biomass (9% vs 2%)
- Disclosure is a key focus area for our engagement programme. Currently more than half of companies in the Brunel Aggregate Portfolio fully disclose their carbon data on a carbon weighted measure. On an investment weighted measure 64% of companies fully disclose.
- Looking at the Brunel Aggregate sub-portfolios, the highest intensity is the Passive Smart Beta (554 tCO_2e/mGBP), while the lowest was the Passive Low Carbon (150 tCO_2e/mGBP)

Case Study: Portfolio Management

Researching the portfolio implications of Paris Alignment

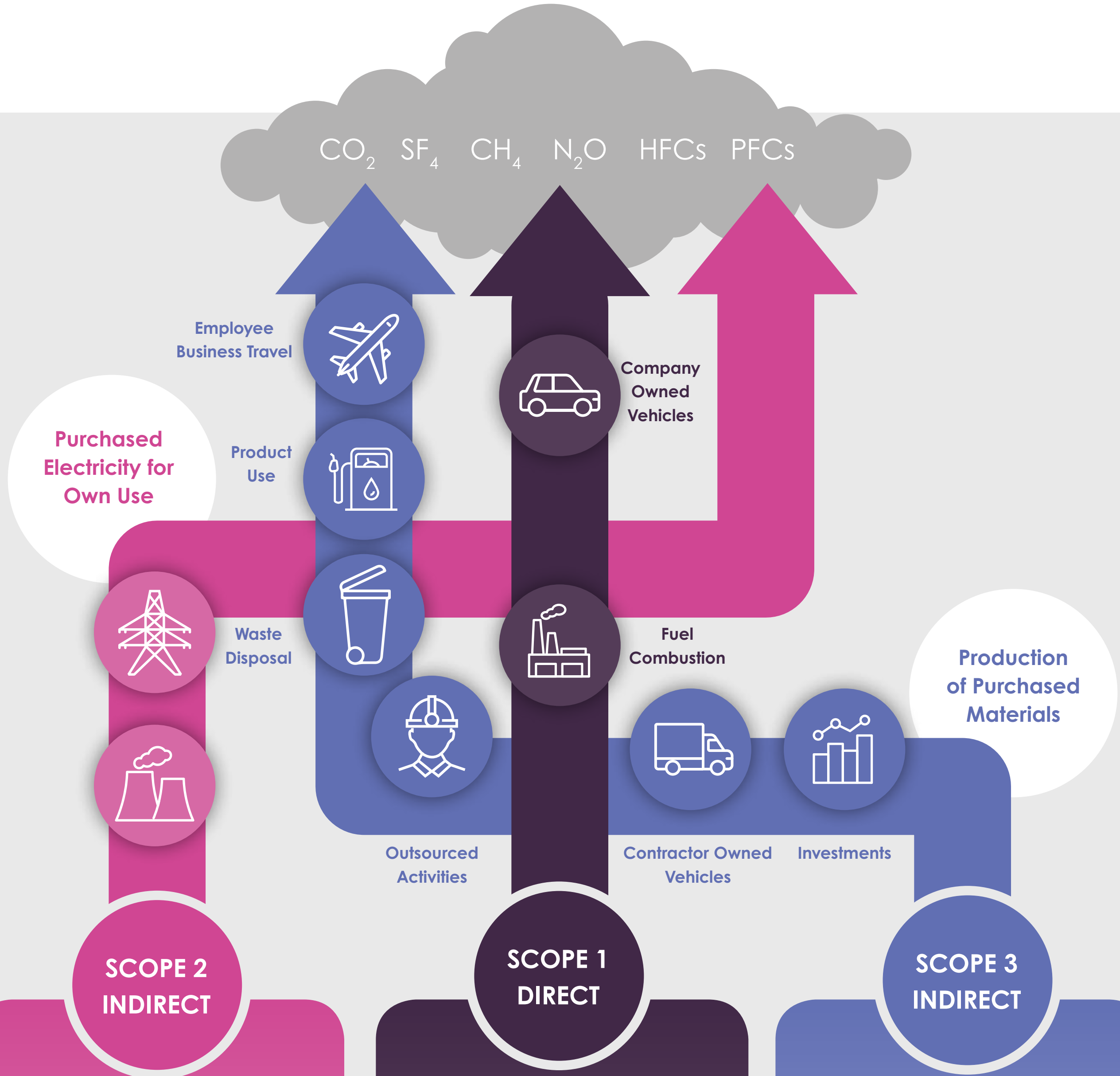
An increasing number of investors have ambitions to move their portfolios towards 2°C alignment as we look to transition to a low carbon future. However, it is unknown what a 2°C portfolio looks like in practice, whether it could meet its financial objectives (the needs of the underlying beneficiaries) and how such a portfolio may perform under different market scenarios.

To support the research and modelling that is needed for investors to progress towards Paris Alignment, we are part of the steering committee of a new initiative launched by the Institutional Investors Group on Climate Change (IIGCC). This initiative aims to help develop a common understanding of the concepts relating to alignment with the Paris Agreement, and explore options for approaches and methods that can be used by investors who wish to align their portfolios to the Paris Agreement.

We hope this project will enable asset owners and managers to better assess and manage both climate risks and opportunities and to report on their actions more effectively.

2 9.24% MSCI Emerging Markets, 33.08% MSCI World, 4.47% MSCI ACWI, 13.66% FTSE AllShare, 7.71% Passive Smart Beta, 10.03% Passive UK, 21.83% Passive World Developed

Scope 1, 2 and 3 definitions



Scope 2 emissions are indirect emissions from electricity purchased and used by the organisation. These emissions are created during the production of the energy.

Scope 1 emissions account for all direct greenhouse gas emissions from the activities of an organisation. This includes activities on site such as the use of gas boilers for heating buildings, emissions from company vehicles, leaks from air-conditioning units and emissions from any onsite processes such as cement manufacturing.

Scope 3 emissions are all other indirect emissions with the exclusion of scope 2 (see left). These emissions occur from activities or sources that the organisation do not directly own or control. These include activities such as business travel, employee commuting, waste and water services and investments.

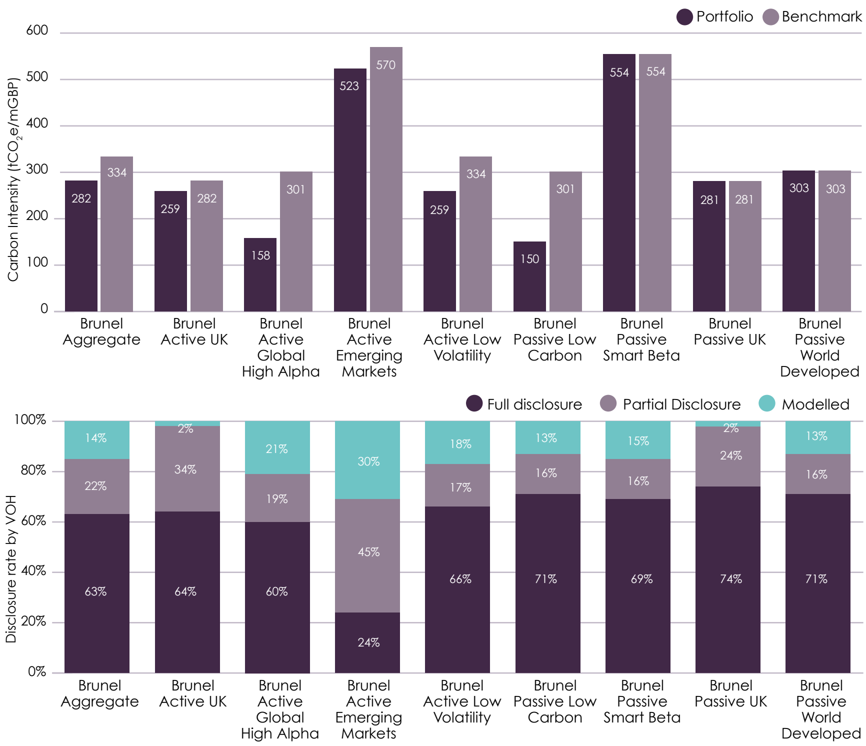
Weighted average carbon intensity

We illustrate the Weighted Average Carbon Intensity (WACI) of each of the Brunel Portfolios below, as well as the associated disclosure rates for the respective portfolios.

The WACI shows a portfolio's exposure to carbon intensive companies. Because carbon intensive companies are more likely to be exposed to potential carbon regulations and carbon pricing, this is a useful indicator of **potential exposure to transition risks** such as policy intervention and changing consumer behaviour.

Each of the Brunel Sub-Portfolios have a WACI below their respective benchmarks. Passive Smart Beta, Passive UK and Passive World Developed track their respective benchmarks.

WACI and Disclosure Rates for the Brunel Aggregate and Brunel Sub-Portfolios



Bar totals may not sum to 100% due to rounding.

Full Disclosure

Companies reporting their own carbon data (eg financial reports, CDP disclosures etc).

Partial Disclosure

The data disclosed by companies has been adjusted to match the reporting scope required by the research process. This may include using data from previous years' disclosures as well as changes in business activities and consolidated revenues.

Modelled

In the absence of usable or up to date disclosures, the data has been estimated by Trucost models.

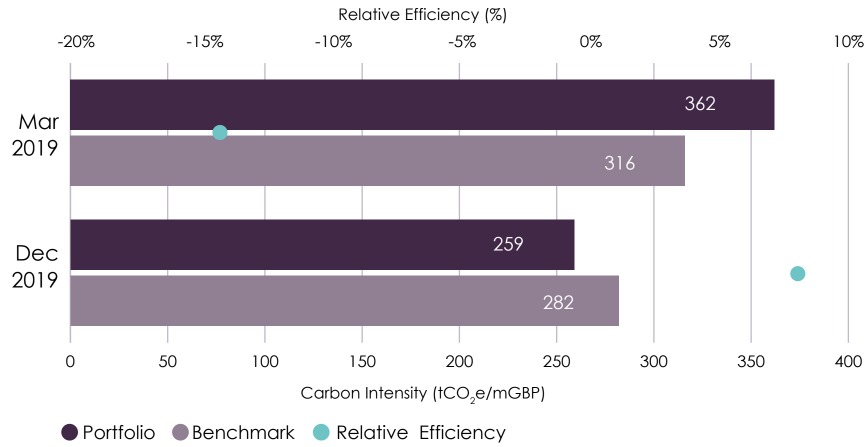
We aim to reduce the carbon intensity of our portfolios by 7% each year until 2022 (relative to the benchmark)

Weighted Average Carbon Intensity (tCO2 e/mGBP) Relative to Benchmark

Portfolio Name	Portfolio WACI	Benchmark WACI	Portfolio WACI Relative to Benchmark
Brunel Active UK Equity	259	282	-8.2%
Brunel Active Global High Alpha	158	301	-47.5%
Brunel Active Emerging Markets	523	570	-8.2%
Brunel Active Low Volatility	259	334	-22.5%
Brunel Passive Low Carbon	150	301	-50.1%
Brunel Passive Smart Beta	554	554	In line
Brunel Passive UK	281	281	In line
Brunel Passive World Developed	303	303	In line

Progress Already Made in reducing Carbon Risks

Brunel Active Equity UK Portfolio Weighted Average Carbon Intensity (WACI)



We continue to work extensively on reducing the carbon footprint of our Portfolios. In 2019 we worked with one of the appointed managers in the Brunel Active UK Equity Portfolio in order to reduce the carbon intensity of investments. The implementation happened after 31 December 2019, so there have been further carbon intensity reductions in this portfolio.

The Brunel Active UK Equity Portfolio reduced its Weighted Average Carbon Intensity from 362 tCO2e/mGBP in March 2018 to 259 tCO2e/mGBP in December 2019. This resulted in the Portfolio improving its efficiency both overall and relative to its benchmark, the FTSE All Share Index.

Similar work has been conducted with the Brunel Active Low Volatility Portfolio that has improved its Weighted Average Carbon Intensity from being 12.1% more efficient than its benchmark to over 22.4% more efficient.

Full analysis of each of the Brunel Sub Portfolios can be found on the Brunel Website.

Exposure to Extractives Industries

It is important to identify exposure to business activities in extractives industries in order to assess the **potential risk of 'stranded assets'**. 'Stranded assets' are assets that may suffer from premature write-downs and may even become obsolete due to changes in policy or consumer behaviour. This is a real potential risk for assets in extractives industries as we transition to a lower carbon future.

We can identify the exposure to extraction-related activities by analysing the Reserves Exposure and Emissions from Reserves for each Portfolio. These metrics highlight companies with business activities in extractives industries, as well as companies that have disclosed proven[3] and probable[4] fossil fuel reserves in the portfolio.

3 Proven reserves are defined as the reserves having 90% or more probability of being extracted
4 Probable reserves are defined as the reserves having a 50% probability of being extracted

Case Study: Persuasion

Empowering our Clients

It is vitally important for us to support and empower our Clients across issues that are important to them.

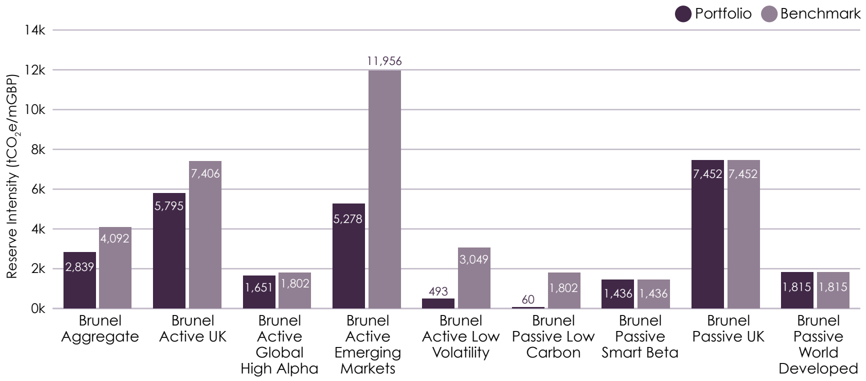
The Environment Agency has always been at the forefront of making sure that their investments factor in the risks of climate change. With the climate change situation getting more pressing and implications more severe, the Environment Agency Pension Fund (EAPF) has started to send representatives of their pensions committee to Annual General Meetings (AGMs) of some of the companies they invest in. The EAPF have started to ask Boards directly what they are doing to address climate change. To date they have focused on the financial sector, with a specific focus on how banks and insurance companies are assessing the climate risks of who they are lending to or insuring. Brunel are keen to work closely with its Clients and others in the investment community to ensure assets deliver both strong financial and environmental returns.

Craig Martin, Chief Pensions Officer, Environment Agency Pension Fund attended the Barclays 2019 AGM.

In 2019 we co-filed a shareholder resolution at the Barclays AGM requesting that the bank, who are the largest financier of fossil fuels in Europe, publish a plan to gradually stop the provision of finance to companies in the energy, gas and utility sectors that are not aligned with the goals of the Paris climate agreement. The proposal also encourages Barclays to consider the social dimension of the transition to a resilient and low-carbon economy, as per the Paris Agreement. This makes it the first climate change resolution to include a so-called 'just transition' ask in its supporting statement. We will continue our conversations with Barclays in collaboration with other investors and look forward to reporting on progress later in 2020.

Exposure to Extractives Industries - Brunel Aggregate and Brunel Sub-Portfolios

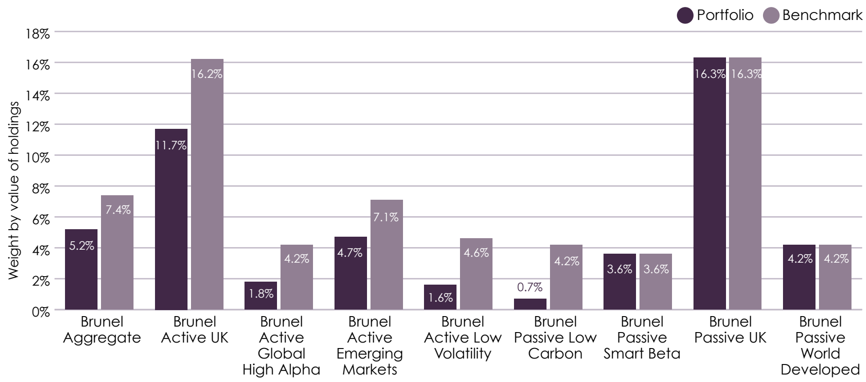
Emissions from Reserves per million Invested



The Brunel Aggregate and Brunel Sub-Portfolios have lower Emissions from Reserves and Reserves Exposure than their respective benchmarks.

The exceptions are the Passive Smart Beta, Passive UK and Passive World Developed that track their benchmarks.

Reserves Exposure



The definition of extractive-related industries and fossil fuel reserves for the purpose of this report:

Extraction-related activities:

- Crude petroleum and natural gas extraction
- Tar sands extraction
- Natural gas liquid extraction
- Bituminous coal underground mining
- Bituminous coal and lignite surface mining
- Drilling oil and gas wells
- Support activities for oil and gas operations

Fossil fuel reserves:

- Coal (metallurgical, thermal or other)
- Oil (conventional or unconventional)
- Gas (natural and shale)
- Oil and/or gas (where no further information)

Case Study: Portfolio Management

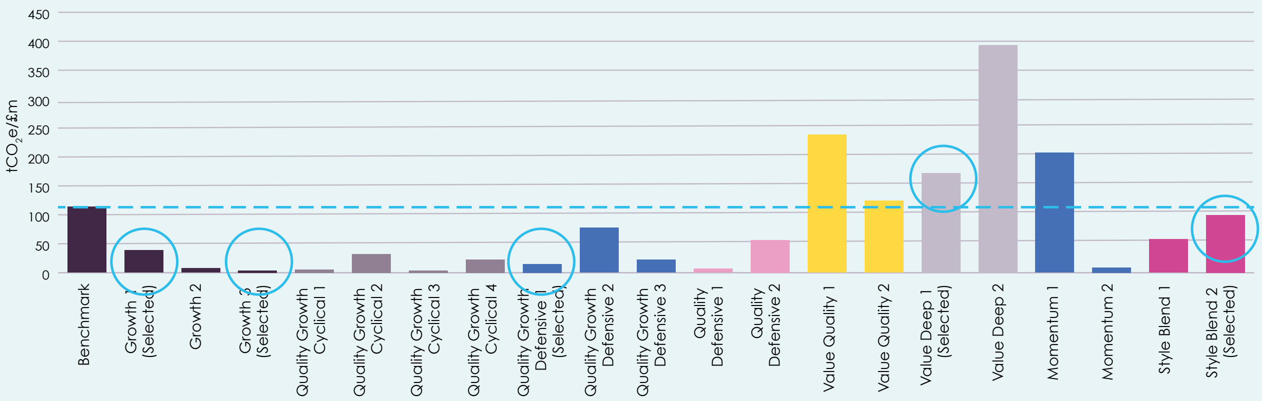
Engaging with fund managers on portfolio construction

In 2019, we were searching for investment managers for a Global High Alpha strategy. Essentially this involved finding a blend of asset managers allowing us to balance risk through using a mix of style biases. The selection of managers is shown in the figure below, and the managers chosen are circled.

As can be seen, the carbon footprint of most was significantly below the reference benchmark. The exception was in Value; this is a particularly challenging category from a climate change perspective. Most carbon intensive sectors often trigger the features sought by value managers and they currently tend to have a higher than standard market benchmark carbon intensity.

When we analysed the prospective manager's holdings, we found that 70% of the carbon intensity was attributable to a single holding – LafargeHolcim, one of the world's largest cement producers. We used TPI data as part of this analysis and found that LafargeHolcim was a Level 4 performer on management quality.

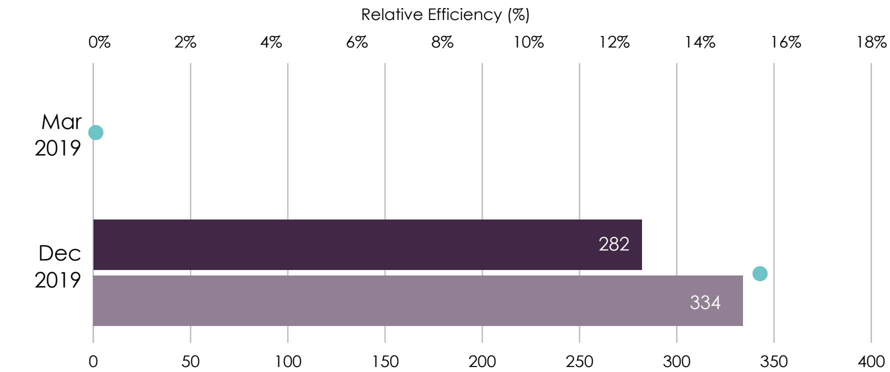
While the company was not 2°c aligned at present, it had a strategy that would see it aligned with 2°c. We discussed this holding with the manager and were reassured that it was both aware of the climate-related risks associated with LafargeHolcim and the cement sector and was also aware of Lafarge's strategy for managing these risks. It is also relevant to note that LafargeHolcim subsequently had some slippage in its performance and in its targets, and both we and our investment manager are engaging with them on this issue.



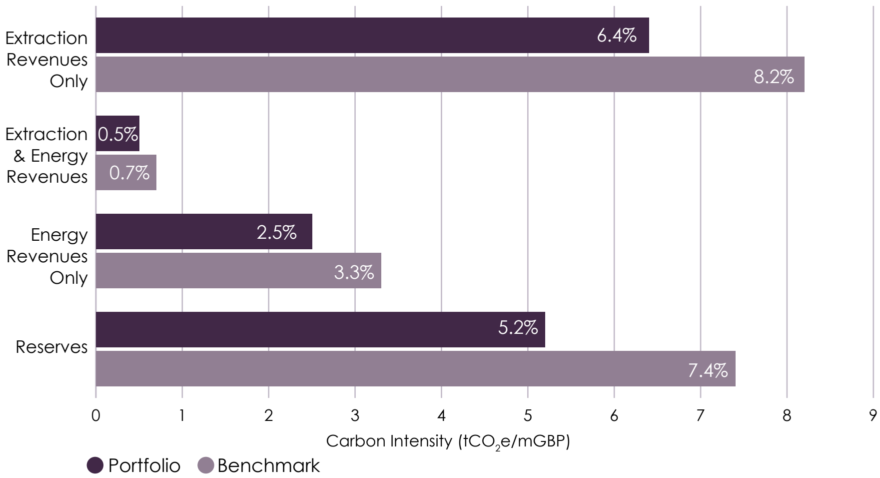
The Brunel Aggregate Portfolio in more detail

Exposure to Extractives

Weighted Average Carbon Intensity (WACI)



Fossil Fuel Revenue or Reserves Exposure



Name	Carbon-to-revenue intensity (tCO_2e/mGBP)	Weight %	Contr. %
PT Semen Indonesia (Persero) Tbk	15,818	0.06	-3.44
Royal Dutch Shell PLC	668	1.76	-2.44
Rio Tinto Group	1,141	0.71	-2.18
Anhui Conch Cement Company Limited	13,817	0.04	-1.84
LafargeHolcim Ltd	7,633	0.07	-1.73

Name	Apportioned reserve emissions ($MtCO_2$)	Weight %
Glencore	6.94	0.29
BP p.l.c	5.44	0.84
Roayl Dutch Shell PLC	3.94	1.76
Anglo American Plc	2.77	0.50
Public Joint Stock Company Gazprom	2.73	0.04

Last year Brunel had insufficient portfolios to create a meaningful aggregate. Going forwards we will continue to report on the Brunel Aggregate Portfolio in order to show progress over time.

The Brunel Aggregate Portfolio has more than 15% 'efficiency' compared to the custom benchmark.

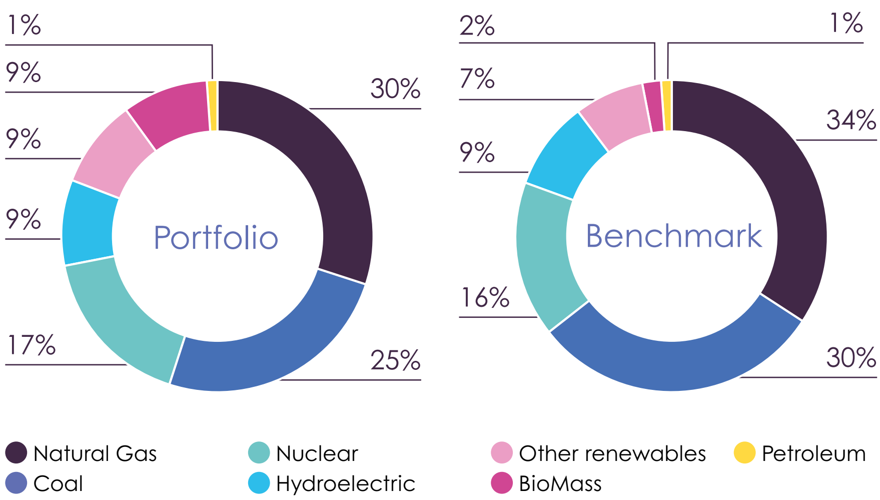
Extraction Revenues (6.4%) and Fossil Fuel Reserves (5.2%) account for the majority of the fossil fuel exposure. Both are below the custom benchmark.

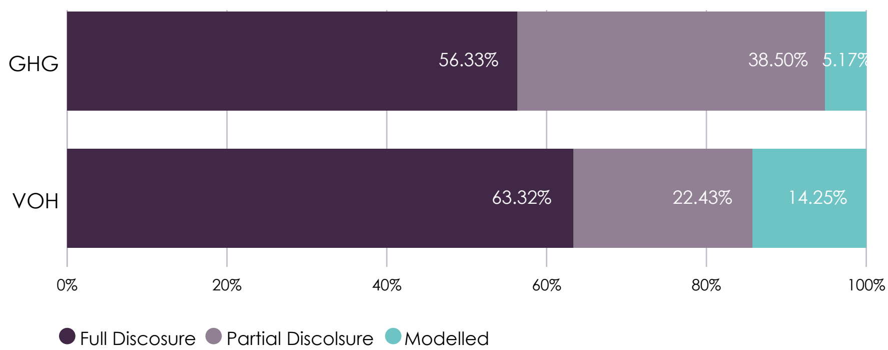
BP, Glencore and Royal Dutch Shell are the largest contributors to emissions from reserves.

Power Generation Mix and Disclosure Rates

We can also illustrate the power generation mix of the Brunel Aggregate Portfolio against its custom benchmark. The level of fossil fuels, namely Coal is lower (25% vs 30%), whereas the proportion of renewables, in particular biomass, is higher.

Power Generation Mix and Disclosure Rates



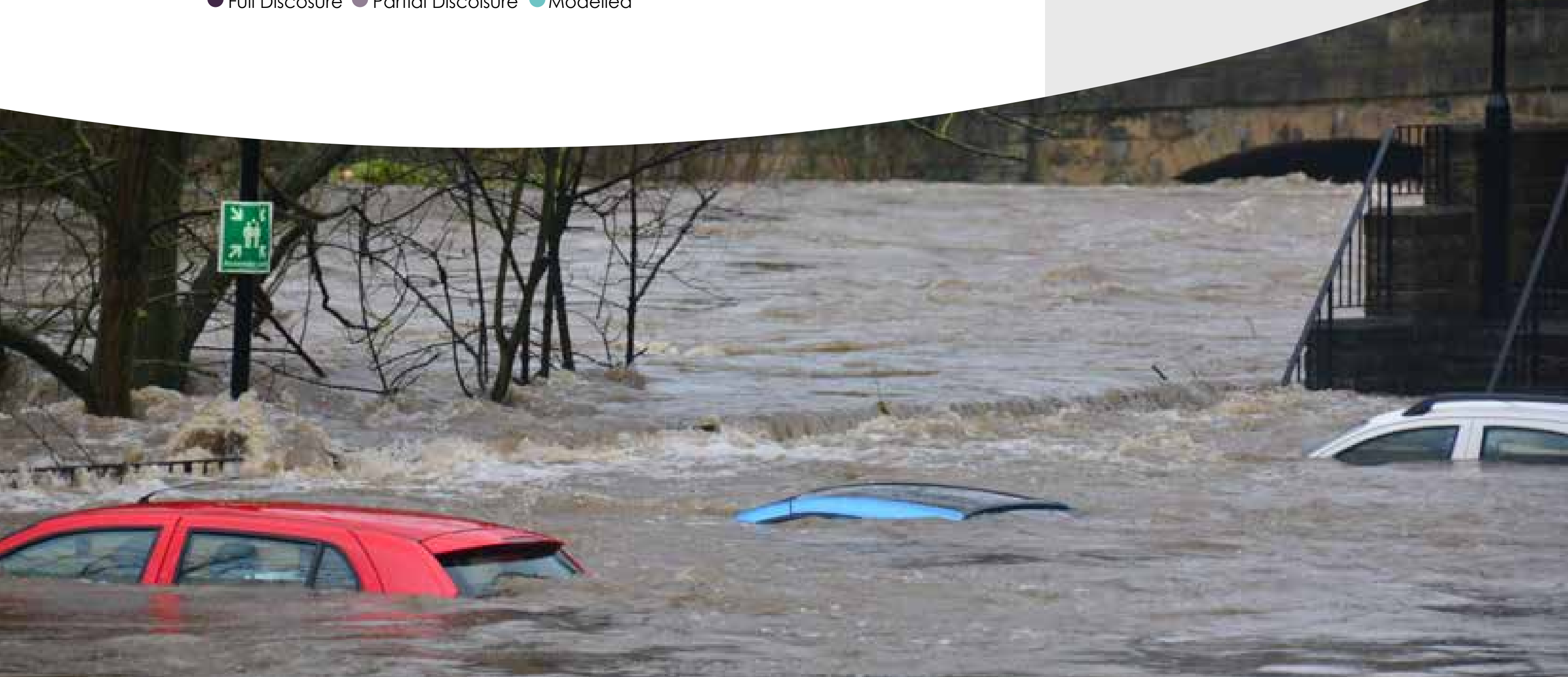


The Full Disclosure rates within the Brunel Aggregate Portfolio are 56.3% and 63.3% on a Green House Gas and Investment Weighted basis.

Company disclosures remain an area of engagement focus for Brunel. This is important so that the investment industry is better able to analyse and monitor its exposure to carbon risk.

GHG - Greenhouse Gas
Greenhouse Gases are gases that trap heat in the atmosphere. These include carbon dioxide, methane, nitrous oxide and fluorinated gases.

VOH - Value of Holdings
The Value of Holdings is the financial value of the holdings within the Portfolio

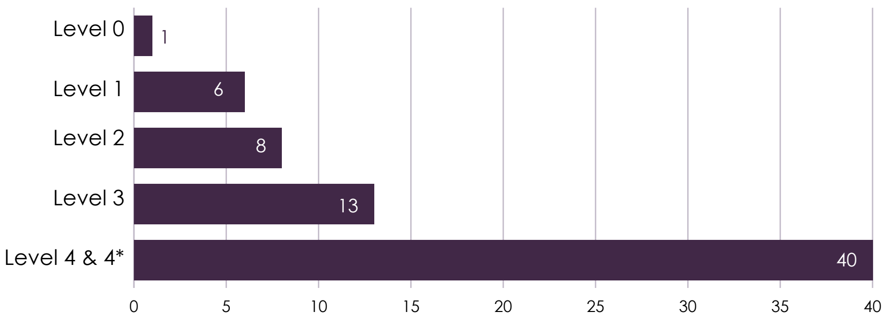


Transition Pathway Initiative (TPI) Assessment of Our Active Equity Portfolios

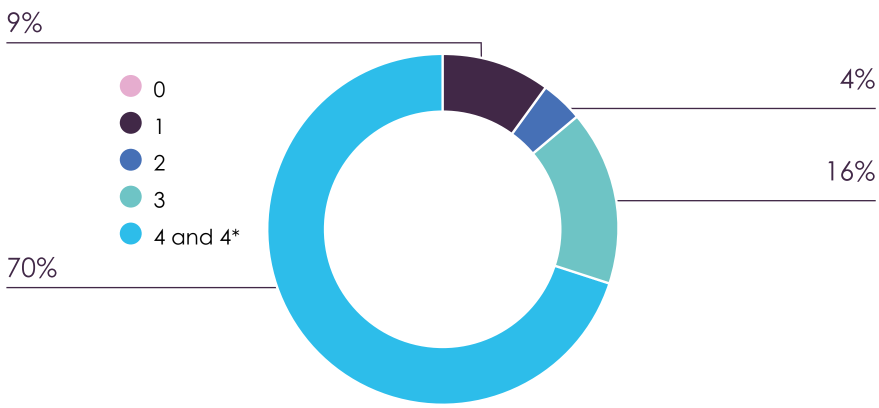
We aim to have all our material holdings on TPI level 4 or above by 2022.

As of December 2019, within Brunel's Active Equity Portfolios there were 68 companies covered by the TPI tool. Of these, 40 holdings (59%) are categorised as Level 4 or above.

Brunel Active Equity Holdings by TPI Level



Brunel Active Equity Market Value by TPI Level



Looking at the breakdown from a market value perspective, 70.2% of holdings within Brunel's Active Equity Portfolios are assessed as Level 4 or above.

Of those companies assessed as Level 3 or below, we are:

- engaging with all that have either fallen or have not improved their TPI Level year-on-year
- considering voting against company management that have not improved at least a TPI Level over the course of a year

The TPI Tool

The Transition Pathway Initiative (TPI) is a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. The TPI tool uses publicly available company information to assess:

Management quality

The quality of companies' management of their greenhouse gas emissions and of risks and opportunities related to the low-carbon transition

Carbon performance

How companies' carbon performance now and in the future might compare to the international targets and national pledges made as part of the Paris Agreement.

Companies management quality is assessed annually across 17 indicators.

Companies are placed on one of five levels:

Level 0 - Unaware of, or not acknowledging climate change as a business issue

Level 1 – Acknowledging climate change as a business issue

Level 2 – Building capacity

Level 3 – Integrated into operational decision-making

Level 4 – Strategic assessment

For more information see www.transitionpathwayinitiative.org

Persuasion

Turning to our appointed managers, we expect our managers to think deeply about all aspects of how they invest and how they engage with the companies and other entities in which they invest. We challenge them to provide investment products that deliver on our investment and our climate change objectives. Furthermore, we press them to think carefully and critically about the companies and other entities that they invest in, and to justify their investments in companies with higher greenhouse gas emissions.

Portfolio Management

While we do not instruct managers to exclude certain stocks, we expect managers to have portfolios with materially reduced climate exposures and to be able to justify any climate controversial holding. If investment managers are not able to robustly and credibly explain their investment strategies and how they have integrated climate risk, we will look to replace them with investment managers that do. If we find that our investment managers' engagement with companies is ineffective (i.e. these efforts do not deliver real change in corporate strategies on climate change so that these companies are on a trajectory to be aligned with the transition to a 2°C or below economy), we will consider whether we should remove certain investment managers and/or introduce specific exclusion criteria to be applied to companies.

Next steps

- Deliver our commitments in our Climate Policy
- Develop our climate and carbon metrics reporting to demonstrate progress and real-world outcomes
- Support our Clients in the development of their work on addressing the risks arising from climate change
- Reflect on the lessons learnt from the ongoing Covid-19 crisis in addressing our work on climate change.

Case Study: Portfolio Management

Engaging with fund managers on carbon intensive holdings

As part of our review of the holdings in one of our global equity portfolios, we noted that the portfolio had holdings in two companies exposed to extractive revenues.

Our analysis suggested that the companies were quite different in their strategic approaches to climate change. Over half of Company 1's revenues were from oil products and a quarter from renewable sources (its diesel product which could be made raw materials such as rapeseed oil, rape oil or soybean). Company 1's aspiration was to grow the renewables part of the business to 50% of the company's revenues in 2020. In contrast, Company 2's business was almost exclusively based on fossil fuels and its strategic response seemed primarily focused on improving operational energy efficiency and reducing methane leakage from its operations.

Our review of the companies' reporting confirmed these differences. Company 1 reported all of its Scope 1, 2 and 3 emissions and had set targets on reductions. It was assessed as Level 4 by TPI. While Company 2 acknowledged climate change as a risk to the business and had a climate change policy, it had yet to report on its Scope 2 greenhouse gas emissions. It was only assessed as Level 2 by TPI.

Using the insights from our analysis and from TPI, we engaged with the investment manager who concluded that Company 2 no longer fell within their investment thesis (where exposed to extractive revenues, companies should evidence of strong transition objectives) and therefore should no longer be held within the proposed portfolio.

Climate Action 100+
Global Investors Driving Business Transition

Case Study: Persuasion

Driving change in company behaviour through investor coalitions

We support Climate Action 100+, the world's largest investor coalition on climate change. The investor initiative, supported by 373 investor signatories, represents c. $35 trillion assets under management globally. Established in 2017 it engages with the largest 100 greenhouse gas emitters globally who account for two-thirds of annual global industrial emissions and 60 other companies with significant opportunity to drive the clean energy transition. The initiative has led to public commitments from a large number of companies around their greenhouse gas emission reductions.

Glencore

Following engagement with CA100+, Glencore published an investor statement in their annual report. In 2019 we co-signed a letter to Glencore calling for support of the statement to ensure investors can legally hold Glencore to the commitments it made as part of its recent announcement. The lead investors plan to set up a meeting with the company ahead of their 2020 disclosures. We see this letter as a key foundational document for the next phase of dialogue.

Royal Dutch Shell

Engagement with Royal Dutch Shell through CA100+ has led to the company releasing the first ever investor-company joint statement on climate change from an oil and gas company. Shell has committed to setting carbon reduction targets, including scope 3 emissions (emissions created by the end use of the products). Shell set net carbon reduction targets to reduce emissions by around half by 2050 and by around 20% by 2035. As part of their commitment the company also agreed to link executive remuneration to its achievement of its energy transition goals (details of which are due to be voted at in the 2020 AGM), align with TCFD recommendations, and review its approach to corporate lobbying.

We support all the positive steps that Glencore and Shell have taken but will continue working collaboratively with other institutional investors through CA100+ to hold companies accountable in delivering on their climate ambitions and move them further forward.

Positive Impact in Private Markets

When assessing potential private market managers, we pay particular attention to sustainability and climate change. We assess how managers incorporate both the risks and opportunities into their due diligence. Notably, we challenge managers to stress test their base case assumptions and to factor in resilience to flood, drought and storms into capital expenditure and cash flows of financial models.

Whilst wind, solar and biomass generation are very much part of the solution to tackle climate change and move to a low carbon future, these investments are not without issues. Like any other real assets, they are at risk during the transition phase. Our due diligence extends to the full life cycle of these assets, including which Original Equipment Manufacturers (OEM) they use, how they engage with communities where they intend to build solar/wind farms, and once decommissioned what will happen to the equipment. For example, we recently engaged with our managers on how they are recycling the components and blades from wind farm assets, batteries and solar panels, and how they are working to make this more sustainable going forwards.

Renewable energy investments are a core component in our private market investments within excess of 35% of cycle 1 commitments and at least 50% of cycle 2 commitments within our infrastructure portfolios.

The Just Transition is a vital component of the low carbon transition, ensuring a low carbon future does not leave communities behind. Through our due diligence we have seen some great examples of best practice by our managers and we are using this to develop our thinking and to amplify this across the industry.

As well as in the due diligence phase, we also engage regularly with our existing managers on ongoing ESG issues. We encourage our managers to sign up to TCFD, PRI and GRESB (where appropriate) and to increase the transparency around their reporting.

Our objective for 2020 is to capture more of the great work of the team and our managers and provide insights into the real-world positive impacts being delivered by the investments in our portfolios.

Working with leaders in responsible investment – private markets

Capital Dynamics are one of our private markets managers and we are invested in the Global Secondaries Fund. We have created this case study in collaboration with Capital Dynamics to promote best practice.

CapitalDynamics TRULY INVESTED.

Case Study: Capital Dynamics R-Eye Rating System

Capital Dynamics has a long-standing commitment to Responsible Investment ("RI"). In recognition of the importance of responsible investment, all of the firm's business lines integrate the United Nations-supported Principles for Responsible Investment ("PRI"), the United Nations Sustainable Development Goals ("SDGs") and other environmental, social, and governance ("ESG") factors throughout the investment appraisal, due diligence and monitoring process.

In 2019, the **Capital Dynamics proprietary R-Eye™ Rating System** was adopted across the entire investment platform to ensure a consistent and transparent approach to RI due diligence. This trademarked rating system scores each investment from 0 to 5 based on a set of criteria developed in conjunction with the UN Sustainable Development Goals.

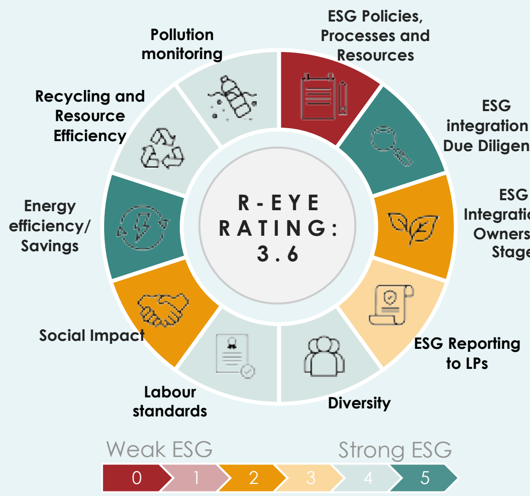
Each investment made at Capital Dynamics is rated from 0 to 5 at the time of investment and this score is updated on at least an annual basis thereafter.

The following is a sample of our Global Secondaries fund rating for quarter ending 31st December 2019.

Question	R-Eye Rating
ESG Policies, Processes and Resources	3.0
ESG integration in Due Diligence	3.4
ESG Integration in Ownership Stage	3.7
ESG Reporting to LPs	2.7
Diversity	4.5
Labour Standards	3.9
Social Impact	4.0
Energy efficiency/savings	2.8
Recycling and Resource Efficiency	3.4
Pollution Monitoring	4.2
Average rating	**3.6**

For illustrative purposes only

R-Eye™ Rating System[1]



(1) Capital Dynamics – in-house illustration. The R-Eye scorecard for each strategy will vary. Only investments beginning in 2019 are evaluated based on the R-Eye Framework. (2) Specific investment processes may vary depending on investment vehicle. The value of the investment can vary and there is no guarantee that target returns will be achieved.

Investments that are considered to have the weakest RI controls are rated 0, while investments which have the strongest RI controls are rated 5. These ratings are based on standardised due diligence assessments and questionnaires, which were constructed by the investment teams and ratified by the Capital Dynamics Responsible Investment Committee ("RI Committee"). Each investment memorandum that is considered by the relevant Investment Committee contains a summary of the scorecard for consideration as part of the investment decision-making process. Capital Dynamics is likely to reject an investment on "RI grounds" if certain essential RI criteria are not met at the point of investment.

R-Eye™ ratings are reported to investors for each strategy in a quarterly report. The average score for each investment is reported in the "Iris" of the R-Eye™.

Tax and Cost Transparency

We seek to promote fair and transparent tax and cost systems as a way for corporations to contribute to the economies in which they operate and asset managers to demonstrate value for money.

We believe openness on investment costs and tax is a key step to building understanding and trust.

We expect companies to:

- Comply with all tax laws and regulations in all countries of operation
- Recognise the importance of taxation to the funding of good public services on which they and their stakeholders rely, and to commit to paying their fair contribution
- Ensure that their tax policies and practices do not damage their social licence to operate in all jurisdictions in which they have a presence
- Disclose the taxes paid by or collected by them in each country
- Provide country-by-country reporting to demonstrate that taxes are paid where economic value is generated
- Have an approach to tax policy that is sustainable and transparent

We expect asset managers to:

- Be compliant with LGPS/FCA Cost Transparency Initiative (CTI) for listed market managers
- Support our cost transparency objectives in all asset classes

What actions have we taken?

Brunel is a signatory of the United Nations-backed Principles for Responsible Investment (PRI). The PRI published a report titled ‘Evaluating and engaging on corporate tax transparency: An investor guide’ in May 2018. This investor guide provides information on corporate disclosure expectations and engagement guidance. We apply this guidance in delivering our stewardship commitments outlined above.

We also support the Tax Engagement Programme coordinated by the PRI. We monitor research and initiatives undertaken by inter-governmental organisations such as United Nations’ Inter-Agency Task Force on Financing Development, OECD and work by the European Union and International Monetary Fund. This is used to inform our evaluation regulatory risk at both a country and corporate level.

Three of our managers, **Royal London Asset Management, Aberdeen Standard Investments** and **Legal & General Investment Management** are among a group of investors supporting the new standard focused on corporate tax from the Global Reporting Initiative. The new standard states that companies must state publicly how much tax they pay in each of the countries they operate in. The new standard, also supported by our engagement provider, Federated Hermes, will help improve disclosure and transparency and provide investors with better information.

Cost transparency – going beyond CTI

Brunel is a signatory of the LGPS Code of Transparency and requires all appropriate managers to be signatories. We expect all our managers to have appropriate fee structures that align with client interest. Our private markets team have been actively engaging with General Partners to promote fair and transparent fee structures, this has been enhanced with the work of our administrator for private markets, Colmore.

Case Study: Colmore

Our private market administrator, Colmore, had its fee allocation incentive report (FAIR) recognised by the Institutional Limited Partners Association (ILPA) and recommended to its members as an example of best practice. Colmore's Fee Allocation Incentive Reporting programme aims to help investors ensure they are not overpaying for alternatives. The ILPA and Colmore have teamed up to ensure institutional investors can validate fees, expenses and carried interest allocations by fund managers.

Our cost transparency reports have been provided to all our Clients and include disclosures such as:

- Portfolio investment activity and transaction costs
- A breakdown of ongoing charges
- Performance fees (if applicable)
- Incidental costs (if applicable)
- Lending and borrowing costs (if applicable)

We monitor portfolio turnover as part of the monitoring we undertake of our external asset managers.

Next steps

- Promote best practice around tax and cost transparency within our own operations
- Consider the impacts of Covid-19 on our engagement around tax practices and transparency with the companies in which we invest
- Engage our appointed managers on tax and cost transparency in regard to their own operations and stewardship activities
- Maintain 100% of our appointed listed market fund managers to be currently achieving or committed to becoming LGPS/FCA CTI compliant

Diversity and Inclusion

We seek to promote fair, diverse and inclusive business environments and practices across the companies in which we invest, as well as across our own operations.

We believe that to function and perform optimally, companies and their Boards should seek diversity of membership considering the company's long-term strategic direction, business model, employees, customers, suppliers and geographic footprint, as well as to reflect the diversity of society, including across race, gender, skills, nationality and background. This will make companies more sustainable and profitable over the long term.

Many studies have found that having more diverse Boards is central to the health of a business. Looking specifically at gender diversity, research by McKinsey and Company found that companies in the top quartile for gender diversity on their executive teams were 15% more likely to experience above-average profitability than companies in the fourth quartile[5]. When assessing gender diversity, the executive team showed the greatest correlation. The research showed this to be consistently positively correlated with higher profitability across geographies, underpinning the role that executive teams play in the financial performance of a company. Women's leadership has also been linked to reduced greenhouse gas emissions, stronger worker relations and reduced incidence of fraud, insider trading, and other unethical practices[6]. We also know that empowering women and girls can contribute significantly to GDP, with research indicating advancing women's equality can add as much as $12 trillion to global growth[7].

Turning to ethnic and cultural diversity, research shows an even greater correlation to profitability versus that of gender. Companies with the most ethnically diverse executive teams are shown to outperform by up to 35% (McKinsey and Co). However, in the UK, ethnic minorities on Boards are significantly underrepresented. UK citizens of colour account for 14 per cent of the UK population[8], yet only 1.5% of FTSE100 Board members. While we acknowledge the potential shortcomings of overly simplifying such geographic data, we encourage companies to think laterally about Board composition and diversity.

While there is evidence that society and businesses have made shifts in order to advance women and ethnic minorities, as well as diversity more broadly, we believe it is important to continue to push forward on this positive trajectory by working with the wider investment industry, the companies in which we invest and indeed through our own operations.

5 McKinsey and Company, Delivering Through Diversity, January 2018
6 International Finance Corporation, World Bank Group, Women in Business Leadership Boost ESG Performance, February 2019
7 McKinsey and Company, The power of parity: how advancing women's equality can add $12 trillion to global growth, September 2015
8 UK Government, Department for Business, Energy and Industrial Strategy, The Ethnic Diversity of Boards, The Parker Review, November 2016

What actions have we taken?

In the UK we advocate for continued development and endorse recommendations made in the Business, Energy and Industrial Strategy Committee report on gender pay gap reporting. We work closely with the 30% Club and Diversity Project to promote diversity on Boards and within the talent pipeline. We strongly believe that UK Boards should aim to achieve at least 33% female representation on FTSE 350 Boards by 2020, as set out in the report Women on Boards: 5-year summary, by Lord Davies, and the findings of the Hampton-Alexander review.

In the UK, as of November 2019, 32.4% of FTSE100 Board positions were held by women[9], almost reaching the UK Government target of 33% Boards as outlined by the Hampton-Alexander Review. Reaching these levels has required significant shifts over the past decade (up from 10.5% in 2010), thanks to the actions of policymakers, investors and companies. However, there is still much progress to be made when looking at broader senior leadership roles. For example, currently women make up only 23.1% of FTSE100 Executive Committees. There is a similar story when looking at the FTSE250, where women on average make up 33% of Boards, but only 18.4% of Executive Committees.

- **We expect UK companies to already have achieved a minimum of 30% female representation on Boards and 25% on their executive teams. If companies are not yet at these levels, we expect there to be a clear, credible plan to achieve them**
- **Where appropriate we sign letters to companies encouraging them to improve their approaches to diversity. For example, in 2019 we co-signed letters alongside the 30% Club writing to companies such as Centrica, Millennium & Copthorne Hotels and Daejan Holdings around their approaches to gender diversity**

Within our own investment portfolios, we have established a baseline for monitoring and reporting the percentage of women on Boards. Within the UK we are pleased that our UK Active Equity Portfolio has, at an aggregate level, exceeded the 33% of females on Boards as outlined in the Hampton-Alexander review. We outline specific targets relating to female representation on Boards for our portfolios further in this report. For completeness we have included our passive portfolios within the appendix.

Percentage of Females on Board for Brunel Active Portfolios by weighted average

	Percentage of females on Boards	
Portfolio Name	Portfolio	Benchmark
Brunel UK Active Equity	34.4%	35.3%
Brunel Emerging Market Equity	11.3%	11.1%
Brunel Global High Alpha	25.9%	28.7%
Brunel Low Volatility	25.4%	26.6%

Source data: Brunel Pension Partnership and Factset, December 2019

9 Hampton-Alexander Review, FTSE Women Leaders, November 2019

- **We encourage companies with below 250 employees to consider gender pay gap disclosure where practical. In the UK, we vote against the financial statements and statutory reports of qualifying companies (250 or more UK employees) that fail to disclose their gender pay gap**
- **We encourage our appointed managers to address and be transparent on gender pay gap and diversity statistics on an annual basis**

Turning to diversity, we support and welcomed the Parker Review – an independent government commissioned review into the ethnic diversity of UK Boards. We support the recommendations of Sir John Parker that from 2021 FTSE 100 Boards should have at least one director of colour and by 2024 FTSE 250 Boards should have at least one director of colour.

Overall, the quality of reporting on diversity of Boards has improved since it was first included in the Financial Reporting Council's UK Corporate Governance Code in 2012. At that stage, just 56 FTSE 100 companies stated that they had a Board diversity policy, all of which focused on gender. Today, 98% of FTSE 100 and 88% of FTSE 250 companies have one, and roughly a third of these refer to ethnicity as well as gender[10].

- **We vote against the financial statements and statutory reports of companies that provide inadequate disclosure on diversity and may escalate this to withdraw support for the chair's re-election**
- **We expect companies to disclose how they promote and encourage diversity and consider voting against the re-election of the chair of the nomination committee of businesses that are not on track to achieve the recommendations of the Parker review**

We are working with our engagement provider, Federated Hermes to look at how we can prioritise ethnic diversity as a theme for engagement going forwards.

In September 2019 we contributed to an initiative led by the Diversity Project titled 'Diversity in Portfolio Management'. As part of this project we contributed to guidance addressing diversity in portfolio management. This guidance is for asset owners, asset managers and consultants and includes case studies to demonstrate good practice examples of advancing diversity in portfolio management at the highest levels. We are proud to support the Diversity Project's five-year programme which aims to achieve diversity across all dimensions, including gender, ethnicity, socio-economic background, LGBTI+, age and disability across the finance industry. As part of this project we provided insight into a paper titled ***'Addressing Barriers to Diversity in Portfolio Management: Performance Continuity and Turnover'*** which can be found here.

Within our own business we aim to promote diversity and inclusion at the highest level. We demonstrate this through a Board where the top positions, Chair and CEO, are both held by women, Denise Le Gal and Laura Chappell. In addition, throughout the company we have a roughly 50/50 gender split in staffing. Brunel has fewer than 250 employees and is not required to disclose its gender pay gap. However, Brunel is committed to be an attractive and transparent employer and therefore voluntarily discloses its gender pay gap data. In addition, we seek to continue to improve our own approach to diversity and inclusion in line with best practice.

Women's mean hourly rate

Women's mean hourly rate is 1% (2018: 18%) lower than men's hourly rate. In other words, when comparing mean hourly rates, women earn 85p (2018: 82p) for every £1 that men earn.

Women's median hourly rate

Women's median hourly rate is 41% (2018) 43%) lower than men's. When comparing median hourly rates, women earn 59p (2018: 57p) for every £1 that men earn.

No staff receive bonus pay.

Brunel's 2019 paygap reporting

Women make up the following share of each quartile:

2018	2019
50% of Upper	40% of Upper
57% of Upper Middle	50% of Upper Middle
29% of Lower Middle	20% of Lower Middle
100% of Lower	82% of Lower

Employee Salaries Quartile	2017/2018	2018/2019	2019/2020
Upper	1.09	1.38	0.29
Middle Upper	1.79	2.01	0.23
Lower Middle	2.78	3.74	0.97
Lower	5.0	6.01	1.01

Source: Brunel Pension Partnership, 2019 Annual Financial Statements

Next steps

- Improve the percentage of female representation on Boards for each of our active investment portfolios
    - For the UK Active Equity Portfolio to stay above a minimum of 33% female representation on Boards
    - For Global High Alpha Portfolio to reach 28% female representation on Boards
- Establish a baseline for gender pay gap in 2020. We strongly encourage companies to report this data despite it no longer being a requirement due to Covid-19
- Improve the amount of data available around diversity and inclusion, working with our data and engagement providers
- Continue to publish and expand our own diversity statistics and gender pay

Human Capital

We seek to promote strong HR and sustainable renumeration policy frameworks across the companies in which we invest, as well as within our own operations.

The most profitable and sustainable companies are those that attract, develop and retain talent. The impact of staff turnover is significant; its effects are felt in productivity, revenues and employee satisfaction across the organisation. Happier workplaces are linked to greater productivity, lower turnover and fewer accidents. In addition, studies have linked employee satisfaction directly to greater sales revenues and profitability.

Research by Gallup finds that highly engaged teams show a 21% greater profitability and as much as 59% reduction in employee turnover[11]. Indeed, research shows just small increases in employee satisfaction can lead to meaningful improvements in company revenue. The Institute for Employment Studies found that a one-point increase in employee satisfaction lead to monthly increases of up to £200,000 in sales per store[12] for retail companies.

Turnover is a significant cost for businesses, with research from Oxford Economics estimating the cost to replace an employee earning an annual salary of £25,000 carries an average financial impact of £30,614[13]. For certain sectors, such as legal, this cost is as high as £39,887. The costs comprise of two main components: logistical costs of finding and absorbing a new worker, and more importantly, the lost output whilst the new member of staff gets up to the needed standard of productivity.

What actions have we taken?

Within our investments we engage with companies on their approach to human capital management.

We expect all companies to have Board-level oversight of strategies relating to employee development and contribute to a positively engaged, committed and talented workforce. In addition, we expect companies to provide contextual information and disclose key performance indicators on an annual basis.

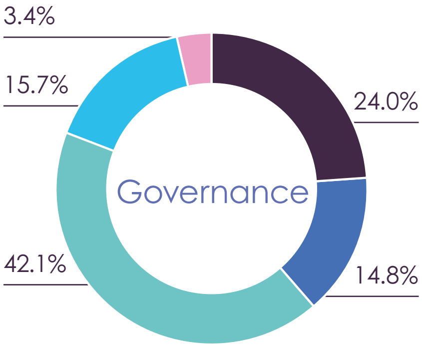
We also expect all companies to comply with internationally recognised human rights principles such as the United Nations Guiding Principles on Business Human Rights (UNGPs). Throughout 2019 we supported the Investor Alliance on Human Rights, co-signing letters to companies on improving human rights. We also expect companies to have robust controls and governance around modern human slavery, including meeting the Modern Slavery Act in the UK. We outline our approach specifically on modern human slavery under our Supply Chain section of this report.

11 Gallup, Annual State of the American Workplace Report, 2019

12 The Institute for Employment Studies, from People to Profits, Report number 355

13 Oxford Economics, The Cost of Brain Drain, Understanding the financial impact of staff turnover, February 2014

In 2019 we engaged with 867 companies globally across 2,537 issues. Out of the 1,104 company engagements relating to 'governance issues', 42.1% of these were discussions around inappropriate executive renumeration and almost a quarter of the 1,104 governance engagements were related to Board level diversity, skills and experience.

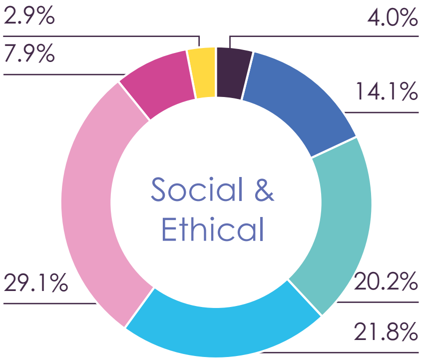


Governance topics featured in **43.5%** of our engagements over the last year.

- Board Diversity, Skills and Experience
- Board Independence
- Executive Remuneration
- Shareholder Protection and Rights
- Succession Planning

Source: Federated Hermes Brunel Pension Partnership Annual Engagement Report 2019

'Social and ethical' issues made up 18.6% (471) of our company engagements. Human rights and human capital development issues accounted for over 50% of these.



- Bribery and Corruption
- Conduct and Culture
- Diversity
- Human Capital Management
- Human Rights
- Labour Rights
- Tax

Source: Federated Hermes, Brunel Pension Partnership Annual Stewardship Report 2019

We use a number of different data sources in order to analyse the characteristics of our investment portfolios. One such source of data is TruValue Labs (TVL). TVL uses artificial intelligence to provide live ESG scoring and information on companies based on over 100,000 sources of information including industry publications, news reports, government commissioned studies, NGO's and thought-leadership groups. We use TruValue Labs (TVL) to analyse how the companies within our portfolios perform across a variety of issues.

We have undertaken analysis of our active equity portfolios using TVL data across a number of topics such as:

- Diversity and inclusion
- Employee health, safety and wellbeing
- Recruitment, development and retention
- Fair labour practices

We use this to identify risks to explore with the asset manager and opportunities for engagement.

Our engagement partner, Federated Hermes, is involved in global efforts to encourage greater transparency on human capital risks. For example, they support the Workforce Disclosure Initiative (WDI), which is backed by 120 investors with over $13 trillion under management. The aim of the WDI's survey is to collate and report on how companies manage their workers. Federated Hermes asks companies to fill this in and publicly discloses the report. Federated Hermes will also be asking companies to report in line with the new International Organization for Standardization's (ISO) standard for Human Capital Reporting. This will improve transparency and help investors benchmark companies. We support Federated Hermes' work in this area on our behalf.

Next steps

- We will initiate a project to identify key companies that are falling short of best practice measures and reflect on the evidence emerging from the Covid-19 crisis. We will establish engagement plans, in collaboration with our engagement provider and our appointed fund managers in order to address specific issues
- We will work with our data providers in order to increase the availability of data related to human capital that can be used to enhance our analysis and engagement activities
- We will work to identify our exposure to sectors that have a greater likelihood of being exposed to precarious employment practices, the GIG economy and 'zero hour' contracts

Responsible Stewardship

We are committed to responsible stewardship and believe that through responsible, active ownership we can contribute to the care, and ultimately long-term success, of all the assets within our remit.

We support and apply the UK Stewardship Code 2020 definition of stewardship:

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for Clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Brunel undertakes stewardship of its capital in the design, construction and monitoring of its portfolios and supports its Clients in undertaking responsible allocation when undertaking Strategic Asset Allocation in setting their investment strategy, through amongst other things, training, workshops, detailed briefing papers and analytics, including ESG and carbon metrics.

Key material long term risks can be found in our annual financial report and accounts. Full breakdown and list of holdings can be found on our website.

Extracts from Emerging Market tender processes

Expression of Interest

"ESG Integration: Fundamental managers must be able to clearly demonstrate how ESG is embedded into their investment process. Fundamental managers with no form of ESG integration will not be considered for this sub-fund. Quantitative managers must demonstrate flexibility to incorporate ESG KPI's into their investment process."

Invitation to Tender – evidence request

- Commitment to industry participation & thought leadership.
- Own culture & remuneration
- RI personnel
- Intention to report TCFD, Cost transparency & SDGs
- Tangible evidence of ESG Integration into the investment process
- PRI membership
- Stewardship and engagement – evidence backed

Quarterly Portfolio Reporting for Our Clients

We produce a Responsible Investment update and an ESG risk dashboard for each Portfolio on a quarterly basis. The dashboard includes ESG scores, carbon metrics and key stewardship activities.

We use TruValue Labs data to report on the ESG characteristics of the Portfolio including:

- The **top 10 and bottom 10 ESG contributors** to the Portfolio over the quarter
- The **weighted average ESG score** for the Portfolio and its respective benchmark
- Aggregate ESG scores for the Portfolio and benchmark for each of the **Sustainability Accounting Standards Board (SASB) Dimensions** (Environment, Social Capital, Human Capital, Business Model & Innovation and Leadership & Governance)

In addition to ESG scores, we also report on a number of Carbon Metrics including:

- The **Weighted Average Carbon Intensity (WACI)** of the Portfolio and its benchmark for both the current and previous quarter
- **Extractives revenues exposure** (as a % of the portfolio) for both the Portfolio and its benchmark
- The **value of holding**s for companies who derive revenues from extractives for both the Portfolio and its benchmark

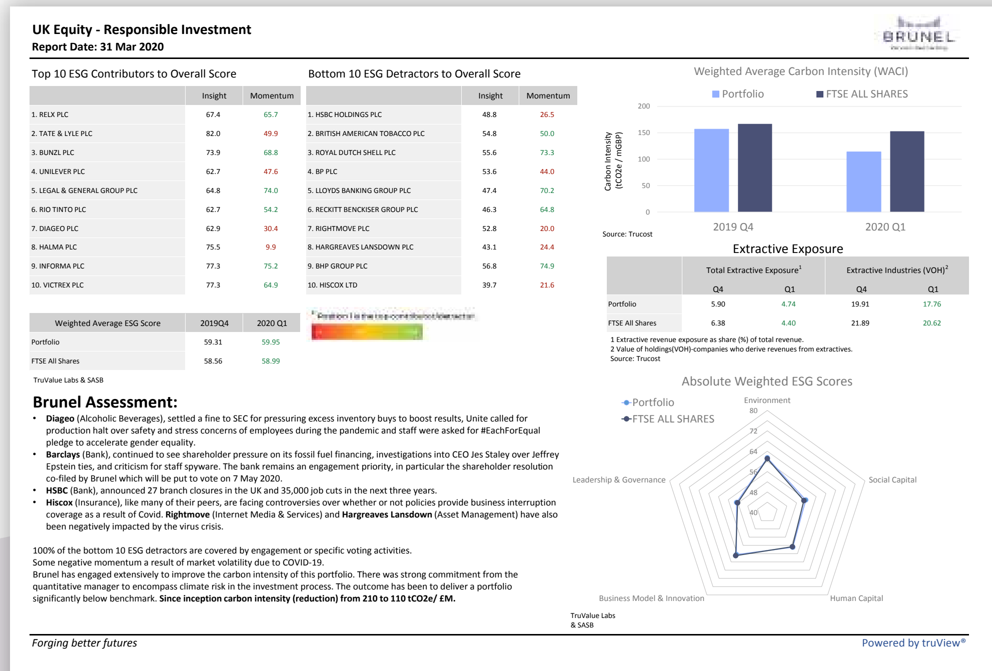
We also comment on any significant **ESG news**, as well as **Stewardship activities** actively underway for key Portfolio holdings.

As global investors we apply our principles of good stewardship globally, whilst recognising the need for local market considerations. As a UK-based investor our key reference points are the **UK Stewardship Code 2020** and **UK Corporate Governance Code** and guidance produced by UK industry bodies, for example, the **British Venture Capital Association** (BVCA – private equity) **RI toolkit**.

We are committed to supporting policy makers, regulators and industry bodies in the development and promotion of codes and guidance. For example, we are members of the Financial Reporting Council Investor Advisor Group.

We are also members of a joint industry working group set up by the government and The Pensions Regulator (TPR) to develop guidance for pension schemes on reporting in-line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

One of our key focus areas is the quality and effectiveness of audit and we have engaged with the FRC and large audit firms. In 2018 we provided input into the Kingman review of the FRC and in 2019 into the **Brydon Review**.



UK Equity - Responsible Investment
Report Date: 31 Mar 2020

Top 10 ESG Contributors to Overall Score

	Insight	Momentum
1. RELX PLC	67.4	65.7
2. TATE & LYLE PLC	82.0	49.9
3. BUNZL PLC	73.9	68.8
4. UNILEVER PLC	62.7	47.6
5. LEGAL & GENERAL GROUP PLC	64.8	74.0
6. RIO TINTO PLC	62.7	54.2
7. DIAGEO PLC	62.9	30.4
8. HALMA PLC	75.5	9.9
9. INFORMA PLC	77.3	75.2
10. VICTREX PLC	77.3	64.9

Bottom 10 ESG Detractors to Overall Score

	Insight	Momentum
1. HSBC HOLDINGS PLC	48.8	26.5
2. BRITISH AMERICAN TOBACCO PLC	54.8	50.0
3. ROYAL DUTCH SHELL PLC	55.6	73.3
4. BP PLC	53.6	44.0
5. LLOYDS BANKING GROUP PLC	47.4	70.2
6. RECKITT BENCKISER GROUP PLC	46.3	64.8
7. RIGHTMOVE PLC	52.8	20.0
8. HARGREAVES LANSDOWN PLC	43.1	24.4
9. BHP GROUP PLC	56.8	74.9
10. HISCOX LTD	39.7	21.6

Weighted Average ESG Score	2019Q4	2020 Q1
Portfolio	59.31	59.95
FTSE All Shares	58.56	58.99

TruValue Labs & SASB

Weighted Average Carbon Intensity (WACI)

Portfolio
FTSE ALL SHARES
Carbon Intensity (tCO2e / mGBP)
200
150
100
50
0
2019 Q4
2020 Q1

Source: Trucost

Extractive Exposure

	Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	Q4	Q1	Q4	Q1
Portfolio	5.90	4.74	19.91	17.76
FTSE All Shares	6.38	4.40	21.89	20.62

1 Extractive revenue exposure as share (%) of total revenue.
2 Value of holdings(VOH)-companies who derive revenues from extractives.
Source: Trucost

Absolute Weighted ESG Scores

Portfolio
FTSE ALL SHARES
Environment
80
72
64
56
48
40
Social Capital
Human Capital
Business Model & Innovation
Leadership & Governance

TruValue Labs & SASB

Brunel Assessment:

- **Diageo** (Alcoholic Beverages), settled a fine to SEC for pressuring excess inventory buys to boost results, Unite called for production halt over safety and stress concerns of employees during the pandemic and staff were asked for #EachForEqual pledge to accelerate gender equality.
- **Barclays** (Bank), continued to see shareholder pressure on its fossil fuel financing, investigations into CEO Jes Staley over Jeffrey Epstein ties, and criticism for staff spyware. The bank remains an engagement priority, in particular the shareholder resolution co-filed by Brunel which will be put to vote on 7 May 2020.
- **HSBC** (Bank), announced 27 branch closures in the UK and 35,000 job cuts in the next three years.
- **Hiscox** (Insurance), like many of their peers, are facing controversies over whether or not policies provide business interruption coverage as a result of Covid. **Rightmove** (Internet Media & Services) and **Hargreaves Lansdown** (Asset Management) have also been negatively impacted by the virus crisis.

100% of the bottom 10 ESG detractors are covered by engagement or specific voting activities.
Some negative momentum a result of market volatility due to COVID-19.
Brunel has engaged extensively to improve the carbon intensity of this portfolio. There was strong commitment from the quantitative manager to encompass climate risk in the investment process. The outcome has been to deliver a portfolio significantly below benchmark. **Since inception carbon intensity (reduction) from 210 to 110 tCO2e/ £M.**

Forging better futures

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We publicly disclose all our consultation responses on our website, other consultations in 2019 include:

- FCA FRC consultation: Building a Regulatory Framework for Effective Stewardship April 2019
- Stewardship Code Consultation Response March 2019
- Federated Hermes EOS response to GRI standard on tax and payments to governments March 2019
- FCA Climate Change and Green Finance Response January 2019
- PRA consultation: Enhancing banks' and insurers' approaches to managing the financial risk from Climate Change January 2019

We support policy makers in other countries where practicable, generally by contributing to a collaborative consultation submission. For example, we submitted to the Securities and Exchange Commission (SEC) consultation on Amendments to Improve Accuracy and Transparency of Proxy Voting Advice.

We are strong supporters of the **UK Corporate Governance Code** and application of the Companies Act S172 (Duty to promote the success of the company). Indeed, S172 shapes our engagement with companies and we believe corporate behaviour in line with the spirit of the Act more broadly is essential to our objective of **contributing to a more sustainable and resilient financial system, which supports sustainable economic growth and a thriving society.**

We encourage companies either to comply with such codes or to fully explain their reasons for non-compliance. However, we are also cognisant that good governance cannot be guaranteed solely by adherence to the provisions of best practice governance codes. Therefore, we urge companies to consider carefully how best to apply the principles and the spirit of such codes to their own circumstances and to clearly communicate to investors the rationale behind their chosen approach.

Brunel did not directly participate in securities (stock) lending in 2019. Our approach to securities (stock) lending can be found in our Stewardship Policy.

Exercising our rights

Engagement objectives are identified in three ways. Firstly, top down, looking at Brunel's holdings to identify thematic areas of risk and opportunity. Secondly, bottom up, reviewing exposure to individual companies and to specific ESG risks and opportunities. Thirdly, reactively to event risks, for example, after a specific, usually significant, incident.

We appointed Federated Hermes EOS as our engagement and voting services provider. The appointment enables a wider coverage of assets and access to further expertise across different engagement themes. The Federated Hermes team is diverse, made up of 11 nationalities with 10 language capabilities[14], which facilitates engagement in local language and an understanding of cultural customs.

Case Study: Policy Advocacy

We believe climate related reporting and disclosures are a key part of progressing the low carbon agenda. We support the Task Force for Climate Related Disclosures (TCFD) and encourage reporting in line with this framework.

We have been involved in the first ever TCFD pilot for China as part of our commitment to the Green Finance Initiative led by the City of London. The City of London Green Initiate alongside the China Green Finance Committee and Principles of Responsible Investment (PRI) established a group of UK and Chinese financial institutions to pilot TCFD reporting in 2018. The group of investors involves ten financial institutions, including Brunel Pension Partnership and the Environment Agency Pension Fund.

The pilot is a three year programme helping build institutional capacity in China to move towards carbon reporting which will form part of mandatory disclosures by Chinese listed companies in 2020. So far the pilot has involved a number of workshops and seminars, with presentations by Brunel and EAPF, as well as agreeing key work programmes.

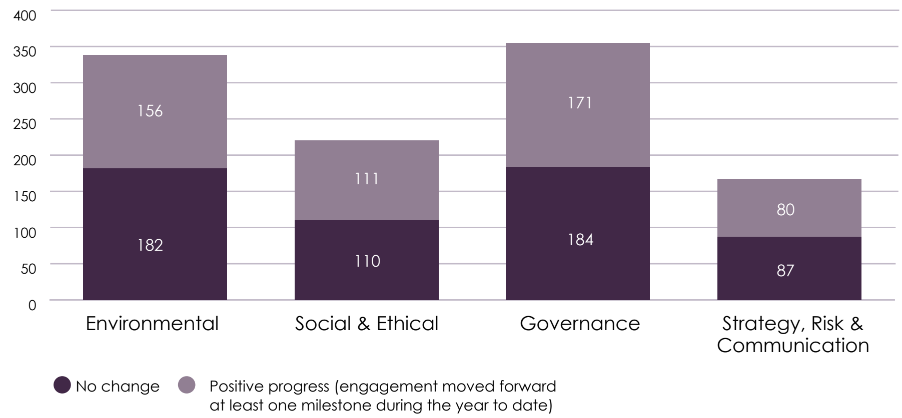
14 Federated Hermes EOS as at March 2019

Engagement Progress

To ensure meaningful impact and to be able to measure and report effectively, Federated Hermes engagement is guided by a client-driven engagement plan. Brunel is in regular contact with Federated Hermes and provides input into this plan, together with our Clients who join quarterly update and feedback calls.

Engagement during 2019 made significant progress. Federated Hermes undertake engagement over three year cycles. During the 12 months ending December 2019 Federated Hermes engaged with **867** Brunel held companies on 1,081 milestones. At least 1 milestone was moved forward for about **52%** of objectives during the year.

Engagement undertaken on behalf of Brunel by Federated Hermes



Please note this does not include engagement undertaken directly by Brunel.

Our first annual Responsible Investment and Stewardship Outcomes Report is intended to meet the best practice requirements of the UK Stewardship Code 2020. Our next steps will be to evolve milestone reporting across our engagement activities.

Quarterly summary engagement reports are made publicly available on our website: Engagement Records. Further insights are published on Federated Hermes website, these cover many of Brunel's thematic priorities:

Helping the just transition

Climate responsibility and going beyond net zero

Solving the plastic pollution problem

A common thread: promoting decent work in the supply chain

Eliminating gender bias

Improve corporate diversity

Investors' expectations on responsible artificial intelligence and data governance

Voting Progress

The implementation of Brunel's voting policy, published in our Stewardship Policy, is supported by Federated Hermes. Our policy guides their voting recommendation alongside other country and region-specific guidelines. Voting decisions are informed by investment considerations, consultation with portfolio managers, clients, other institutional investors, and our engagement with companies.

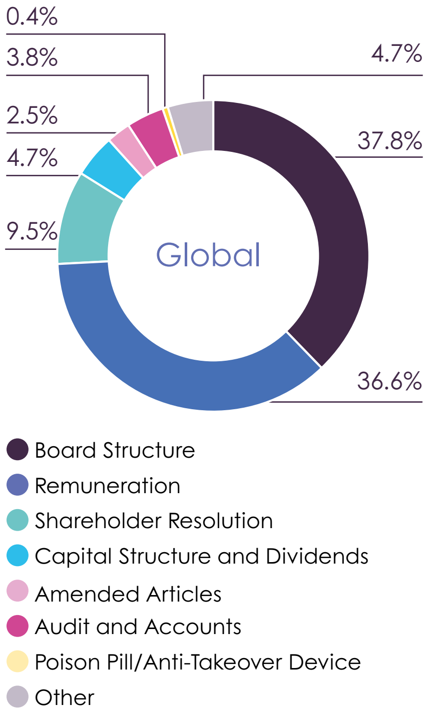
In 2019 458 company meetings were voted representing 98% of the voteable meetings. This represents an excellent level of voting execution. Unvoted meetings were due to share blocking, POA's or operational barriers.

Against recommendations were made for 237 meetings; board governance and remuneration were the areas of highest dissent.

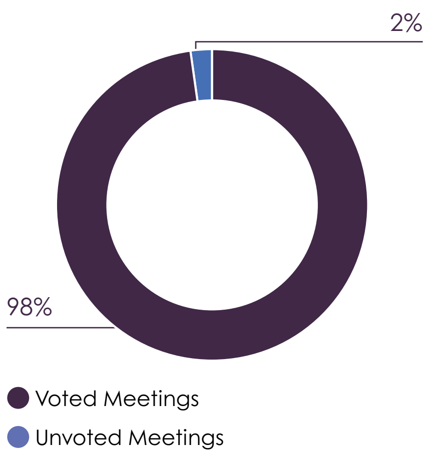
From time to time we may choose to "pre declare" or publicly announce our voting intentions for resolutions. In late 2019 we announced that we had co-filed a shareholder resolution at Barclays Bank Plc, the first climate change resolution to ever be filed at a European bank. It was also the first climate change resolution to include a 'just transition 'entreaty in its supporting statement.

The resolution asks Barclays to publicly disclose how it plans to stop the provision of financial services to energy sector companies that are not aligned with the goals of the Paris climate agreement, as well as how Barclays aims to understand whether a borrower is meeting Paris Agreement targets. We will continue to engage with Barclays in the run up and beyond to their 2020 annual general meeting[15].

We recommended voting against or abstaining on **527** resolutions over the last year



The votes cast on ballots during 2019 were aligned with management recommendations in **92%** of cases, while the ISS Benchmark Policy Recommendations were for **95%** alignment with management recommendations. This deviation demonstrates the oversight by Federated Hermes and Brunel.



In 2019 we only had two active mandates during the main proxy season.

15 Barclays AGM 2020 - 99.93% support Barclays own climate resolution and 23.95% for the shareholder climate resolution

Cyber

We seek to promote corporate awareness and action on cyber security, the responsible use of personal data and use of AI in order to both protect commercial risks and reputational damage.

For the purpose of this report the term 'cyber' refers to an array of issues that include data privacy, data security and 'big data', including artificial intelligence and the associated human rights issues.

The complex nature of cyber crime makes its precise economic cost difficult to estimate. It is thought the yearly cost to the UK economy is at least £34 billion[16]. On a global level, a report by Accenture estimates that the total value at risk from cyber crime is $5.2 trillion from 2019-2023[17].

Although cyber crime impacts citizens and governments, the main losers are businesses, with intellectual property theft and espionage the most common types of cyber crime in the UK[18]. Cyber security has climbed the corporate agenda in recent years as threats from data breaches continue to increase and companies become better informed about the full extent of damage caused by such events. Research by Oxford Economics has found that companies' share prices fall by an average of 1.7% on a permanent basis following a severe data breach[19]. To put this into context, a typical FTSE 100 firm would be worse off by £120 million, with companies in certain sectors such as financial services more affected. The risk from cybersecurity threats is growing, with research suggesting an increase of 70% over the next 5 years[20].

Given the significant financial consequences of poor cybersecurity, and the growing threat it presents as well as increase in regulation worldwide, we believe it is imperative that companies are fully aware and take appropriate action on cyber security issues. Moreover, the rise of Artificial Intelligence (AI) raises further risks from both a moral perspective and from criminals using AI as part of security threats. What actions have we taken?

Brunel uses several data sources to review cyber security within its portfolios.

We have previously supported the Investor Statement on Corporate Accountability for Digital Rights which was sent to 22 companies in the ICT sector. It defined investor expectations for ICT companies and recognised the importance of the Ranking Digital Rights Corporate Accountability Index as a tool that aids companies in meeting their human rights and fiduciary responsibilities, and helps investors identify and assess digital rights risks in their portfolios. This was also supported by some of Brunel's appointed managers.

The Ranking Digital Rights Corporate Accountability Index evaluates 24 of the most powerful internet, mobile and telecommunication companies, across 35 indicators, specifically on their disclosure commitments and policies affecting freedom of expression and privacy. The products and services of these companies are used by a majority of the world's 4.3 billion internet users[21].

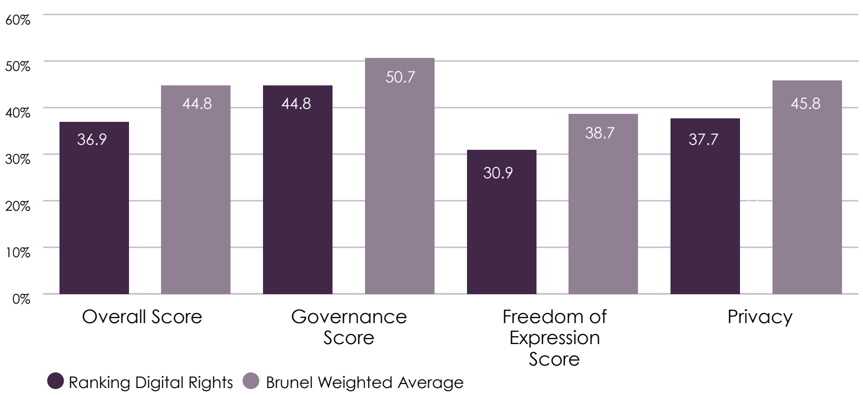
16 Centre for Economics and Business Research, The business and economic consequences of inadequate cybersecurity, 2015
17 Ninth Annual Cost of Cybercrime Study, Accenture, 2019
18 The cost of cyber crime, Detica and the Cabinet Office, 2011
19 The Cyber-Value Connection, Revealing the link between cyber vulnerability and company value, CGI and Oxford Economics, 2018
20 The Future of Cybercrime & Security: Threat Analysis, Impact Assessment & Mitigation Strategies 2019-2024, Juniper Research
21 Ranking Digital Rights 2019 Corporate Accountability Index

Within the Ranking Digital Rights Corporate Accountability Index, a score of 100 represents full disclosure, 50 is awarded for partial disclosure and 0 for no disclosure. We can examine how the weighted average scores for companies we hold in our Active Equity Portfolios fare against the average index scores. Within Brunel's Active Equity Portfolios there is a greater weighting to those internet and telecoms companies with better Ranking Digital Rights scores, thus the Overall, Governance, Freedom of Expression and Privacy Scores are higher than the averages.

Whilst at a Brunel Active Equity aggregate level the results from this survey are broadly positive, we can examine the data by individual company breakdown to identify those companies that are lagging. Of the 24 companies in the Ranking Digital Rights Index, the two largest holdings in our Active Equity Portfolios are Tencent (Chinese internet, entertainment and Artificial Intelligence (AI) conglomerate) and Samsung Electronics (South Korean technology hardware and equipment manufacturer). Both companies rank in the bottom half of the index, with Tencent scoring 25.9 and Samsung Electronics scoring 28.5 for the Overall (versus an average of 36.9). Tencent's ranking is particularly affected by its low Governance Score (4.2 versus an average of 44.8), and Samsung Electronics struggles on the Privacy Score front (26.6 versus 37.7). Both companies are prioritised for engagement.

Brunel Active Equity Portfolio Weighted Average versus Ranking

Digital Rights Average Index Scores



Source: Ranking Digital Rights Corporate Accountability Index and Brunel Pension Partnership

In the last 18 months Federated Hermes has discussed various governance matters relating to data with Tencent, this included encouraging the company to establish an appropriate set of ethics guidelines for the use of 'big data' and 'Artificial Intelligence' and engaging with the company around customer data privacy related to e-payments and wealth management products.

In the case of Samsung Electronics, Federated Hermes has been in conversation specifically on the Ranking Digital Rights Report, engaging with the company to seek increased disclosures related to how policies protect freedom of expression and privacy and how it protects and promotes digital rights on its mobile ecosystems. Engagement will continue with both companies on these matters.

Our engagement partner, Federated Hermes, recently published '***Expectations on Responsible Artificial Intelligence and Data Governance***' which looks at a breadth of risks from data governance, bias and cyber security.

Elsewhere, our managers are increasingly identifying cyber security as an engagement theme, with examples as follows.

Case Study: Robeco - integrating cyber security into the investment process

Robeco, one of Brunel's managers, recently published a thought piece 'The Impact of Cyber Risks has Changed and Companies have to Raise the Standards' which identifies the difficulty with data, engagement and details work they are undertaking to rank companies and improve disclosure. Robeco looks at how companies are managing their cyber risks using several international cyber security frameworks and gives companies a score, which can be used relative to peers. This is a factor in determining whether to invest in a company. Robeco aims to rate 2,000 to 5,000 companies in this way over the next three years.

Case Study: Royal London - engagement through our fund managers

Royal London Asset Management, one of our fund managers in our Global High Alpha Portfolio have prioritised cyber security as one of their key engagement areas.

Royal London are evaluating every stock's exposure to cyber security risks by using the Sustainability Accounting Standards Board (SASB) materiality lens.

They have identified companies that are in high risk sectors for potential issues with customer privacy and data security. Through the company interactions they are establishing a baseline of disclosure, best practice, and identifying data gaps with a view to identifying next steps and areas for improvement.

While it is vitally important to engage with companies on their management of cyber security and data privacy issues, identifying the best way to tackle a complex and rapidly growing problem can be challenging, particularly where disclosure is lacking. Going forward, we will be supporting leading academics from UCL and University of Reading who are working with industry experts on the Cyber Readiness for Boards Project, to combat threats for global companies. The project will initially work with six multinational companies who are at particular risk due to their high profile, before rolling out to include more businesses including SMEs and larger enterprises in early 2020[22].

As well as cyber security issues, we have also engaged with social media companies about the distribution of objectionable content. In 2019 we co-signed letters alongside New Zealand Super Fund, New Zealand Government Superannuation Fund and National Provident Fund, asking Facebook, Alphabet and Twitter to strengthen their controls in order to prevent the livestreaming and distribution of objectionable content. Going forward, will seek to engage with companies on this issue and the safeguarding of vulnerable users.

When we appoint managers, we integrate cyber security issues into the selection process, forming a part of the rigorous due diligence undertaken to assess how the manager is handling cyber security directly, both initially and on an ongoing basis. Any concerns are discussed with the manager and conditions may be set around cyber security, where required, prior to entering any agreement. In November 2019 our approach to raising cyber security pre-investment was published as a case study in a report titled 'Why UK pension funds should consider cyber and data security in their investment approach' (jointly published by Railways Pension Scheme and The National Employment Savings Trust).

Within our own operations we have achieved the Cyber Essentials badge. This is a government-backed, industry supported scheme to help ensure we have met the basic levels of controls needed to protect against online threats. While we acknowledge this is a positive step, we also recognise it as a minimum standard which we exceed across our operations in line with best practice.

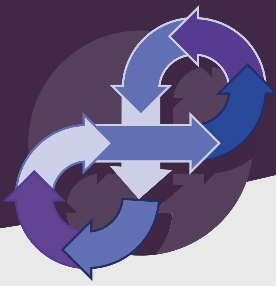
Next steps

- Prioritise engagement with telecoms and internet companies specifically on governance, privacy and objectionable content where overall score or progress is behind peers
- Demonstrate progress by reporting the weighted average of our Active Equity Portfolio to continue to outperform the average of the Ranking Digital Rights Index
- Continue to engage with our asset managers on cyber issues; both how they approach integration into investment selection and how they are managing the risks within their own operations
- Continue to build on our own cyber security expertise and ensure we continue to meet best practice across our own operations

22 For more information on this project see https://www.henley.ac.uk/news/2019/henley-academics-collaborate-with-cyber-security-experts

Supply Chain

We seek to focus on specific companies and sectors where the effective management of suppliers is a principal business risk. The complex and extensive nature of supply chains in a globalised world presents many sustainability and socioeconomic risks.



Our engagement work relating to supply chains spans a range of issues such as tailings dams, plastics pollution, palm oil, animal welfare, responsible sourcing and supply chain transparency.

We have analysed our active equity portfolios using TruValu Labs (TVL) data across a number of important supply chain activities such as:

- Supply chain management
- Life cycle of products and services
- Materials sourcing
- Product packaging

The definitions of each of these are in the appendix.

It is pleasing that our active equity portfolios perform better than their benchmarks across each of these supply chain categories. Going forwards we will increase the amount of monitoring and analysis using available data.

Tailings Dams

In January 2019 the Brumadinho dam in Brazil, owned by Vale, collapsed tragically killing over 270 people and causing one of Brazil's worst environmental disasters. This prompted global investors to take collective action on companies operating tailings dams. Brunel has been actively involved in this work, promoting safety and transparency in the mining industry.

What actions have we taken?

Brunel joined the Investor Mining and Tailings Safety Initiative, which has called for a global independent and transparent classification system of the world's tailings dams based on the consequences of failure. As part of the initiative led by the Church of England and the Council on Ethics of the Swedish National Pension Fund, companies have been asked to make disclosures on their tailing's facilities. The initiative feeds into a global review co-convened by International Council on Mining and Metals (ICMM), the PRI and the United Nations Environment Programme (UNEP).

As part of this work we participated in a tailings dam investor roundtable in June 2019 convened by the Church of England Pensions Board and Swedish Council of Ethics. This roundtable event provided a forum for input from locally affected communities and enabled better understanding of the scale of social and financial risks associated with tailings storage facilities failure. In addition they helped to identify the actions required to make best practices on tailings storage management a minimum standard including through input from experts and industry-leading companies and importantly define the roles of investors, companies and other stakeholders in reducing the safety risks associated with tailings dams.

The investor initiative has led to 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 access. The Data Portal gives greater transparency into the risks as well as the companies responsible for each facility.

Next steps

- Continue to raise awareness across the wider investment industry around the importance of managing tailings dams risks
- Assess the risks presented by tailings dams across our own investment portfolios using the newly established Global Tailings Dams Data Portal
- Engage with companies and other stakeholders in order to improve practices and reduce risks associated with tailings dams

Plastics Pollution and Ghost Gear

While delivering many benefits to society, the plastics economy has many drawbacks, which have become urgently apparent.

Each year, at least 8 million tonnes of plastics leak into the ocean. This is equivalent to emptying the contents of one garbage truck into the ocean every minute. If no action is taken, this is expected to increase to two per minute by 2030 and four per minute by 2050, by which point there is forecast to be more plastic in the ocean than fish by weight[23].

In addition to large scale marine pollution, plastics production is also incredibly carbon intensive. Approximately 90% of plastics production is from virgin fossil fuel stocks, representing 6% of global oil consumption. At current rates of consumption plastics will account for 15% of the global annual carbon budget by 2050. As well as environmental reasons for addressing plastics pollution, there are also strong economic incentives. Plastics pollution costs the global economy an estimated $40 Billion annually and is expected to increase strongly with a 'business as usual scenario'[24].

Ghost Gear is lost, abandoned or discarded fishing tackle that pollutes oceans and causes severe damage to marine life.

There is a multitude of reasons why fishing gear can be lost or abandoned, including severe weather, snags beneath the surface, conflict with other gear and vessels and intentional discard (often when no other options are available).

NEW PLASTICS ECONOMY Global Commitment

Case Study: Our fund managers living their values

Robeco is one of our Low Volatility Portfolio Fund Managers. As part of their commitment to sustainable investing and through their partnership with 'City to Sea', they are a key supporting partner of The Refill campaign which encourages people to fill up their reusable water bottle at free Refill stations rather than buying single use plastic water bottles. The initiative is on track to save 100 million plastic bottles from entering the waste stream. There are currently 30,000 Refill stations that are installed along high streets, in shops, cafes and restaurants and in airports and train stations across the UK.

23 The Ellen MacArthur Foundation, The New Plastics Economy: Rethinking the Future of Plastics and Catalysing Action

24 The Ellen MacArthur Foundation, The New Plastics Economy: Rethinking the Future of Plastics and Catalysing Action

What actions have we taken?

To play our role in managing the complex and widespread risks and opportunities associated with plastics pollution, Brunel is a member of the Principles of Responsible Investment (PRI) Plastic Working Group. This working group consisting of 29 global investors representing US$5.9 trillion in assets. The group has focused on building an understanding of plastics from a global and holistic perspective, including how plastics fit in with the broader circular economy concept, as well as looking at the risks and opportunities associated with plastics.

We supported a PRI in person roundtable, where four companies in the plastic value chain discussed the opportunities and challenges of plastic. The group has published three reports: (1) Plastics: The challenges and possible solutions, (2) Risks and opportunities along the plastics value chain and (3) The plastics landscape: regulations, policies and influencers. We have also supported letters on plastic pellet loss and ghost gear (discarded fishing tackle) and endorsed the Ellen MacArthur Foundation's New Plastics Economy Global Commitment.

The New Plastics Economy Global Commitment vision for a circular economy for plastic is defined by six points:

1. Elimination of problematic or unnecessary plastic packaging through redesign, innovation, and new delivery models is a priority
2. Reuse models are applied where relevant, reducing the need to single-use packaging
3. All plastic packaging is 100% reusable, recyclable, or compostable
4. All plastic packaging is reused, recycled, or composted in practice
5. The use of plastics is fully decoupled from the consumption of finite resources
6. All plastic packaging is free from hazardous chemicals, and the health, safety, and rights of all people involved are respected

Our work around plastics pollution also extended to 'ghost gear' (lost or discarded fishing nets and equipment that pollutes oceans and threatens marine life). We co-signed a letter to the Marine Stewardship Council asking them to strengthen their fisheries standards to include lost and abandoned fishing tackle. This resulted in an improved standard and fisheries adopting new ways to manage the risks of lost ghost gear.

CERTIFIED SUSTAINABLE SEAFOOD MSC www.msc.org ™

Next steps

- Continue to engage companies and our fund managers around the importance of managing plastics pollution risks and opportunities
- We will look to engage directly with companies around the commitments made as part of the New Plastics Economy Global Commitment through our involvement in the PRI Plastics working group. This creates an opportunity for businesses and governments to step forward as global leaders working on solutions and address the root causes of plastic waste and pollution

Palm Oil

It is estimated that over half of all packaged goods sold in developed countries contain palm oil[25].

Whilst the European Union is a significant palm oil consumer, ranked third in terms of global demand, Asia is the largest, accounting for two-thirds of the world's palm oil demand. In future, the bulk of palm oil consumption growth is likely to come from developing countries, with the International Union for Conservation of Nature forecasting a 1.7% growth in demand each year until 2050.

While palm oil production is credited with improving living standards for many, the social and environmental issues associated with irresponsible palm oil sourcing are well documented. There has been widespread biodiversity loss in large regions of Asia, Central and South America and Central and West Africa. This is a result of multiple factors including forest and peat swamp destruction, forest fires, drainage problems and soil erosion. The tropical areas suitable for palm oil plantations are particularly rich in biodiversity, with 193 critically endangered and vulnerable species with palm oil production as one of their main threats[26].

The practice of draining and converting peat forests are particularly damaging as they store more carbon per unit than any ecosystem in the world. Clearing forests releases significant greenhouse gases, contributing to climate change. In addition to the widespread environmental problems associated with irresponsible palm oil farming, it can also cause a large number of social issues including land grabs, the loss of livelihoods and social conflicts, poor labour practices and human rights abuses.

What action have we taken?

We support the Roundtable on Sustainable Palm Oil (RSPO), one of the most well-known and widely used certification initiatives through membership requirements. We fed into the RSPO Principle's and Criteria Review Task Force, supporting the adoption of a robust and effective standard for sustainable palm oil production as part of their five-yearly review. We encourage fund managers to support the RSPO and adopt the standard as part of their engagement with companies.

CERTIFIED SUSTAINABLE PALM OIL™ · RSPO ·

Next steps

- Continue to promote and encourage companies and managers to adopt the RSPO's standard on responsible palm oil sourcing
- Work with our data providers to integrate RSPO data into our systems for more enhanced analysis and better understanding of our exposure to this risk

25 European Palm Oil Alliance, Palm Oil Uses
26 IUCN, International Union for Conservation of Nature Oil Palm Task Force, Palm Oil and Biodiversity: A situation analysis, 2018

Water

More than 40% of the world's population lives in water-stressed regions.

The Organisation for Economic Cooperation and Development (OECD) projects that, under business as usual, water demand will increase by 55% globally by 2050[27]. With the increased effects of climate change and greater competition for water, many agriculture companies (who are the world's largest users of water) have significant water risks.

Companies who have operations or supply chains reliant on agriculture will in turn be exposed to water risks. We expect companies and fund managers to take account of this within their management and portfolio construction.

What action have we taken?

Within our own investments, we joined an initiative led by Ceres and FAIRR. This involve engaging with the fast food sector on their supply chain risks specifically related to water risks in their dairy and meat sourcing. We co-signed letters to McDonalds, YUM! Brands, Wendy's, Dominoes, Restaurant Brands, Burger King, Tim Hortons and Popeyes. The letters specifically asked these companies to set clear requirements for direct and indirect suppliers to support improved traceability and visibility by measuring, reporting and reducing freshwater impacts from the company's agricultural supply chains.

Next steps

- Continue to raise awareness of the supply chain risks associated with water across the out of home food and drink industry
- Continue to engage with companies in collaboration with Ceres and FAIRR, specifically asking companies to make water and supply chain risk a Board room level issue
- Investigate water risk exposure in our portfolio

27 OECD, Addressing water scarcity, Acting together so the world does not go thirsty

Anti Microbial Resistance (AMR)

Antimicrobial resistance (AMR) threatens the effective prevention and treatment of a range of infections caused by bacteria, parasites, viruses and fungi.

Declining private investment and lack of innovation into new antibiotics are undermining efforts to combat drug resistant infections. According to the World Health Organisation (WHO) the 60 drugs currently in development (50 antibiotics and 10 biologics) will bring little benefit over existing treatments and very few target the most critical resistant bacteria[28]. This has profound social and economic impacts, with 700,000 people dying each year of AMR infections. Estimates by the AMR Industry Alliance state this will account for 10 million deaths worldwide by 2050 and could cost the global economy up to $100 trillion which accounts for 3.5% of GDP[29].

The high volume of antibiotics in food-producing animals contributes to the development of AMR. The WHO have highlighted antibiotic use in animal feed and intensive farming as a key factor in the rise of AMR globally[30]. Between 75-90% of antibiotics are excreted from animals un-metabolised and enter water sources and sewage systems[31]. However, estimates of global antibiotic consumption varies considerably because there are poor controls around their use in farming in many countries with only 42 nations having systems in place to collect data on the use of antibiotics in livestock[32].

What actions have we taken?

Brunel has supported a Global Investor Collaboration on Farm Animal Welfare led by the Business Benchmark for Farm Animal Welfare (BBFAW). The initiative involves 21 institutional investors, representing £2.3 trillion in AUM. The initiative engages with 150 companies mainly in the food supply industries to encourages improvements in corporate practice on farm animal welfare. The initiative commends good performers in the annual Business Benchmark on Farm Animal Welfare and encourages poor performers to improve.

We have also supported initiatives led by Ceres and FAIRR targeting global restaurant outlets McDonalds, Domino's, Chipotle, Restaurant Brands International, Wendy's and Yum! Brands specifically on their approach to AMR in meat sourcing.

In addition to these engagement programmes, we have supported academic research into AMR from an investor perspective. The research looks at best practice measures and investor action needed to help combat AMR.

BBFAW
Business Benchmark on Farm Animal Welfare

28 WHO, Lack of New antibiotics threatens global efforts to contain drug-resistant infections, January 2020

29 AMR Industry Alliance, By 2050 superbugs may cost the economy $100 trillion, November 2018

30 WHO, Antimicrobial resistance in the food chain, November 2017

31 United Nations, Food and Agriculture Organization, Antimicrobial Resistance

32 United Nations, Food and Agriculture Organization, Antimicrobial Resistance

Case Study: Our fund managers engaging on AMR

Genesis Investment Management, one of the managers in our Emerging Market Portfolio have been engaging with companies on their approach to AMR. In 2019 Genesis have had ongoing engagement with China Mengniu, a dairy manufacturer and distributor, and WH Group, a meat and food processing company, both based in China. The engagements have focused on the companies' disclosures of environmental issues, including introducing an antibiotic policy that addresses antimicrobial resistance and prohibits the use. In both cases, they raised these issues in meetings with senior management and they continue to engage on better environmental disclosures and AMR.

Next steps

- Continue to raise awareness and engage with companies and fund managers around the supply chain risks associated with AMR

Biodiversity

Biodiversity is the amount of variety of life on Earth and is necessary for healthy and fully functioning ecosystems.

Ecosystem services delivered by biodiversity, such as crop pollination, water purification, flood protection and carbon sequestration are vital to human wellbeing and are worth an estimated $125-140 trillion per year (1.5 times total global GDP)[33]. Protecting biodiversity loss is critical for climate change mitigation, disaster risk reduction, water and food security and human health.

Much of our work around biodiversity takes place through the lens of climate change, as well as the engagement we have undertaken around water and palm oil. In the wake of the significant deforestation and fires in the Amazon rainforest, we co-signed an investor statement calling on companies to redouble their efforts and demonstrate a clear commitment to eliminating deforestation in their supply chains and operations.

Case Study: Our managers enhancing biodiversity

Capital Dynamics is one of our chosen energy infrastructure managers due to their strong focus on ESG throughout the life cycle of investing. An example of their strong sustainability focus is their approach to biodiversity. Partnering with First Solar for their renewable energy projects the company spend a great deal of time ensuring environmentally sensitive project designs. One such example is First Solar's California Flats project. The development team spent 3 years surveying the site and working hard to avoid critical habitat areas. Wildlife-friendly fencing was used to allow kit fox, badgers and other small mammals into the project site while excluding coyotes, one of their main predators. The site supports multiple breeding pairs of the endangered San Joaquin Kit Fox. In 2017, there were 10 pups from two pairs and in 2018 this grew to 13 pups from three pairs. The site installed dozens of artificial dens for the Kit Foxes and burrowing owls.

Next steps

- Continue to raise awareness and engage with companies and fund managers around biodiversity risks

33 OECD, Biodiversity: finance and the economic and business case for action, May 2019

Modern Human Slavery

There are an estimated 136,000 victims of modern slavery in the UK today and c.40 million victims worldwide.

Given these figures we know that a large proportion of goods imported to the UK will have been exposed to slavery at some point in their supply chain. In fact, according to an anonymous survey of UK retailers, 77% believe that modern day slavery exists in their supply chain (Ashridge Hult Business School, 2016). The Global Slavery Index estimates that each year the UK imports goods worth $18 billion that have very likely incorporated slave labour. The Home Office estimate that the economic cost of modern slavery in the UK is between £3.3–4.4bn each year. As well as the economic and human costs associated with this crime there are also reputational issues for the companies in which we invest. We believe that we have a moral duty to protect and improve human rights where we are able to exert influence.

What action have we taken?

Within our own operations our largest potential exposure to modern human slavery is through our investments. As part of our investment selection process we expect our fund managers to be aware of and supportive of combating violations of human rights. We expect companies to comply with all legal requirements and the duty to respect all internationally recognised human rights, including the obligations of the Modern Slavery Act in the UK.

We are supportive of companies who provide disclosure on their workforce and follow the Transparency in supply chains guide issued by the Home Office. We encourage companies to adopt and to increase use of appropriate technology to improve transparency on end-to-end supply chains.

What are our targets around modern human slavery?

- Continue to raise awareness and promote best practice with regards to modern human slavery and seek to elevate our work in this area
- Engage with fund managers and companies around the importance of identifying and eliminating modern human slavery across supply chains

Next steps

- Identify within our investment portfolios sectors and holdings which have higher exposure to modern human slavery risks
- Identify appropriate engagement opportunities surrounding modern human slavery
- Whilst Brunel Pension Partnership is exempt from publishing a Modern Slavery Statement, we are going to explore enhancing our own disclosures as one of our objectives for 2020

34 Home Office, The economic and social costs of modern slavery, July 2018

Appendix

Partnerships and affiliations	
30% Club	Aims to develop a diverse pool of talent for all businesses through the efforts of its Chair and CEO members who are committed to better gender balance at all levels of their organisations.
A4S – Accounting for Sustainability	The Prince's Accounting for Sustainability Project was established by HRH The Prince of Wales in 2004 to promote improvements in reporting and transparency.
British Private Equity & Venture Capital Association (BVCA)	Industry body and public policy advocate for the private equity and venture capital industry in the UK.
The Diversity Project	A group of leaders in the investment and savings profession who are working to accelerate progress towards an inclusive culture within our industry.
Future-Fit Business Benchmark	Not-for-profit organisation with the aim of encouraging and equipping business leaders and investors to take action in response to today's biggest societal challenges, from climate change to inequality.
The Green Finance Initiative	Launched in January 2016 by the City of London in partnership with the Government to promote the UK as a global centre for green finance.
Institutional Investor Group on Climate Change (IIGCC)	A forum for collaboration by institutional investors on the investor implications of climate change.
Local Authority Pension Fund Forum (LAPFF)	The UK's largest collaborative forum for collective engagement, covering £200bn in collective assets under management.
Pensions for Purpose	Collaborative initiative of impact managers, pension funds, social enterprises and others involved or interested in impact investment.
Sustainable Accounting Standards Board (SASB)	SASB standards focus on financially material issues with a mission to help businesses around the world report on the sustainability topics that matter most to their investors.
SASB Alliance Member	
ShareAction	Charity that promotes Responsible Investment and gives savers a voice in the investment system.
The Transition Pathway Initiative	Co-founded in 2016 by the Environment Agency Pension Fund and the Church of England National Investing Bodies. The initiative assesses how companies are preparing for the transition to a low-carbon economy and will form the basis for engagement with companies.
Principles for Responsible Investment	United Nations-supported and investor-led global coalition promoting the incorporation of environmental, social and governance factors. Brunel was the first LGPS Pool to join.
The TCFD (The Task Force on Climate-related Financial Disclosures)	Will develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.
UKSIF (The UK Sustainable Investment and Finance Association)	Membership organisation for those in the finance industry committed to growing sustainable and responsible finance in the UK.

Appendix

The Brunel Aggregate Portfolio Custom Benchmark

Benchmark	Benchmark Weight
MSCI EM	9.24%
MSCI World	33.08%
MSCI ACWI	4.47%
FTSE AS	13.66%
Passive Smart Beta	7.71%
Passive UK	10.03%
Passive World Developed	21.83%

The percentage of females on Boards for each of the Brunel Pension Partnership Portfolios (both weighted average and simple average)

Portfolio Name	Percentage of females on Boards Portfolio	Percentage of females on Boards Benchmark	Percentage of females on Boards simple average	Percentage of females on Boards simple average benchmark
Brunel UK Active Equity	34.4%	35.3%	31.0%	29.7%
Brunel Emerging Market Equity	11.3%	11.1%	13.3%	13.5%
Brunel Global High Alpha	25.9%	28.7%	27.1%	24.9%
Brunel Low Volatility	25.4%	26.6%	28.9%	19.6%

TruValue Labs Definitions

As noted in the main body of this report we have been using TruValue Labs to assess some of the characteristics of our portfolios. We give the full definitions for each of these below. Source: TruValue Labs.

Diversity and Inclusion

The TruValue Labs measure of Diversity and Inclusion covers diversity in hiring, training and engagement initiatives to support a diverse workforce, equal opportunity for promotions, and equal pay. In industries with relatively low representation of women and minority groups and high competition for limited, skilled talent, efforts at recruiting and developing a diverse workforce could address talent shortages and improve company products or services. A higher score represents better management and performance of these issues.

Recruitment, Development and Retention

The TruValue Labs indicator for Recruitment, Development and Retention focuses on the ability of a company to attract and develop new talent from global talent pools and retain existing talent. This covers efforts such as training, benefits, perks, and ensuring a work-life balance, to improve retention and productivity. A company's performance in this category affects its reputation and ability to attract employees. With the market competition for talent, this impacts the ability to improve product offerings and can affect market share and long-term company growth. Companies may face significant operating costs related to recruiting and engaging employees, and high employee turnover may create additional cost burdens.

Employee health, safety and wellbeing

The TruValue Labs category addresses a company's ability to create and maintain a safe and healthy workplace environment that is free of injuries, fatalities, and illness (both chronic and acute). It is traditionally accomplished through implementing safety management plans, developing training requirements for employees and contractors, and conducting regular audits of their own practices as well as those of their subcontractors. The category further captures how companies ensure physical and mental health of their workforce through technology, training, corporate culture, regulatory compliance, monitoring and testing, and personal protective equipment.

Fair labour practices

The category addresses the company's ability to uphold commonly accepted labour standards in the workplace, including compliance with labour laws and internationally accepted norms and standards. This includes, but is not limited to, ensuring basic human rights related to child labour, forced or bonded labour, exploitative labour, fair wages and overtime pay, and other basic workers' rights. It also includes minimum wage policies and provision of benefits, which may influence how a workforce is attracted, retained, and motivated. The category further addresses a company's relationship with organized labour and freedom of association.

Meet the Team

Faith Ward

Chief Responsible Investment Officer

Faith's career has been dedicated to integrating and reporting on environmental, social and governance risks in finance and investment. Faith leads engagement with the fund management industry and is involved in industry wide initiatives to improve standards in responsible investment, corporate engagement and fund governance and reporting. Faith's roles include Co-chair of the Transition Pathway Initiative (TPI), Chair of the Reporting and Assessment Advisory Committee for the United Nations Principles for Responsible Investment (UNPRI), Member of the Ethics Investment Advisory Group for the Church of England National Investing Bodies, Co-chair of the European and UK Working Group of SASB's Investor Advisory Group, and member of the Financial Reporting Council (FRC) Investment Advisory Group.

Laura Hobbs

Responsible Investment Manager

Laura joined Brunel Pension Partnership in February 2020 with ten years of investment experience. She previously worked across a number of roles including as an investment analyst, a portfolio manager and most recently as Deputy Head of Ethical and Responsible Investment at CCLA, the charity specialist asset manager. Laura is a member of the Chartered Financial Analyst (CFA) Institute and has been a CFA charterholder since 2015. She graduated from the University of Bristol in 2010 with an honours degree and masters in geographical sciences.

Helen Price

Stewardship Manager

Helen leads on stewardship, engagement and voting at Brunel Pension Partnership (Brunel). She joined Brunel from Avon Pension Fund where she led the implementation of the Fund's first climate change analysis. Helen draws on knowledge built from her BA (honours) in Business Studies and from working in different sectors. She is passionate about the role of pension funds in moving to a more sustainable business world and is involved in several initiatives to improve standards in responsible investment.

Abigail Smith

Executive Assistant

Abi is key to supporting the Chief Responsible Investment Officer and wider RI team. Her work includes enhancing Brunel's approach to many of our responsible investment themes within our internal operations.

Click here to meet the rest of the Brunel Team

Click here to meet the team at Federated Hermes

Getting in touch with the team

If you have any questions or comments about this report please email Faith Ward, Chief Responsible Investment Officer at RI.Brunel@brunelpp.org.

Please visit our website to read our latest reports, news and insights and other materials to keep you up to date.

For general fund manager enquiries, meeting requests and other materials (updates, newsletters, brochures and so on), please contact us on investments.brunel@brunelpp.org

List of Images

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