BRUNEL

Pension Partnership

Brunel Pension Partnership Ltd

Stewardship policy

Approved by the Board of Brunel Pension Partnership Ltd.

Last updated 08 03 2023

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Who we are

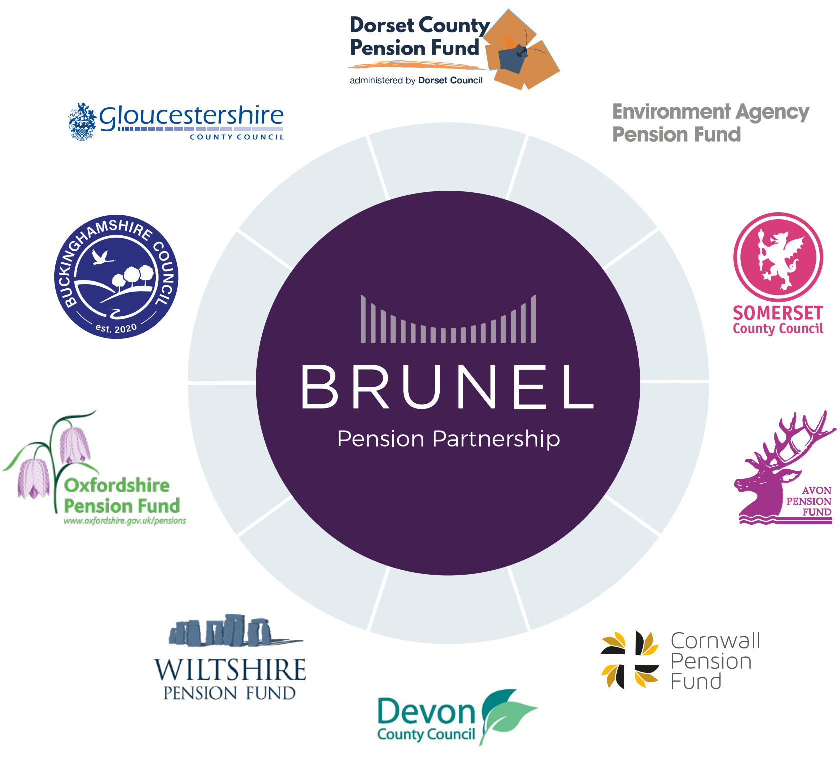
Brunel Pension Partnership Limited (Brunel) is one of eight national Local Government Pension Scheme (LGPS) Pools, bringing together circa £30 billion investments of ten likeminded pension funds: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset,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

We would like to acknowledge the significant support and contribution of our Clients to our work on Responsible Investment and stewardship underpinning our mutual commitment to investing for a world worth living in.

We believe in making long-term **sustainable investments** supported by robust and transparent processes

We are here to **protect the interests** of our clients and their beneficiaries

In **collaboration with all our stakeholders** we are forging better futures by investing for a world worth living in



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.

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

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We aim 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.

Stewardship is essential if Brunel is to deliver on these aims.

What is Stewardship?

We are committed to responsible stewardship and believe that through stewardship 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."

Top down Brunel undertakes stewardship of its capital in the design, construction and monitoring of its portfolios. We support clients in undertaking responsible allocation when reviewing strategic asset allocation in setting their investment strategy. Through amongst other things, we provide training, workshops, detailed briefing papers and analytics, including ESG (environmental, social and governance) and carbon metrics.

At Brunel we strive towards continuous development. We support the United Nations Principles for Responsible Investment (UNPRI) Active Ownership 2.0, which seeks to elevate Stewardship to the next level, from just voting and engagement. In this way we pursue activities which are outcomes focused, which prioritise the pursuit and achievement of positive real-world goals, and where there is enhanced collaboration which focuses on collective goals to address systemic issues.

From a bottom up perspective, we focus on:

- Engaging with companies and holding them to account on material issues
- Exercising rights and responsibilities, such as voting
- Integrating environmental, social and governance factors into investment decision-making
- Monitoring assets and service providers
- Collaborating with others
- Advancing Policy through advocacy

[1] https://www.unpri.org/download?ac=9721

Stewardship policy

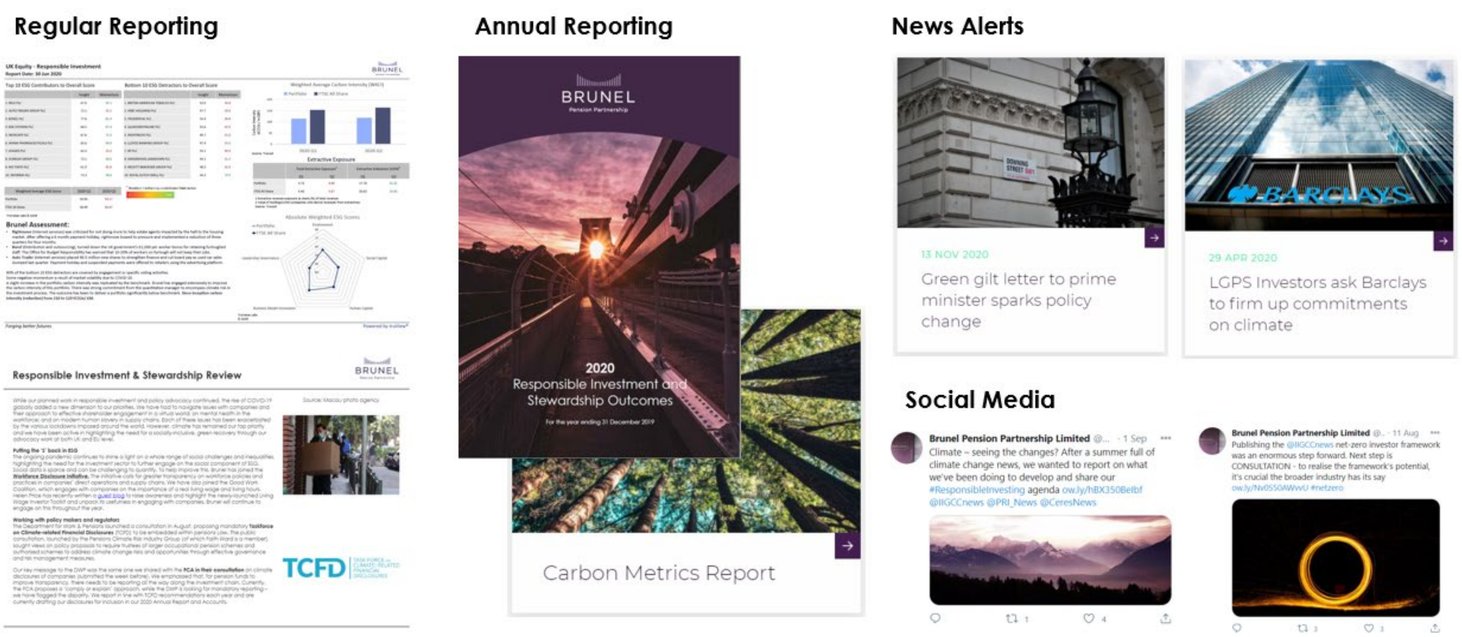
This policy should be read in conjunction with the Responsible Investment (RI) Policy, the Climate Change Policy and the Voting Guidelines. Brunel's' Responsible Investment Policy sets out the broader overarching principles that guide everything that Brunel does. The Climate Change Policy delves deeper into our most systemic risk. The Stewardship Policy and Voting Guidelines then sets out how we operationalise these policies.

The policy has been developed to meet a range of stakeholders, public policy, and regulatory requirements. We have attempted to put everything in one easy place to aid in transparency and to meet the needs of our different stakeholders. As a result, the content is quite extensive. The policy should be used more as a reference manual rather than a traditional policy.

Governance and Oversight

The Brunel Board approves and is collectively accountable for the broader suite of Brunel's Policies, which includes the Stewardship Policy. Operational accountability on a day-to-day basis is held by the Chief Responsible Investment Officer, who is supported by a dedicated role, Head of Stewardship to ensure high levels of coordination and implementation.

Brunel provides clients' with a suite of public reports on our stewardship activities, and environmental, social and governance metrics to empower client's own stewardship activities and to enable oversight.



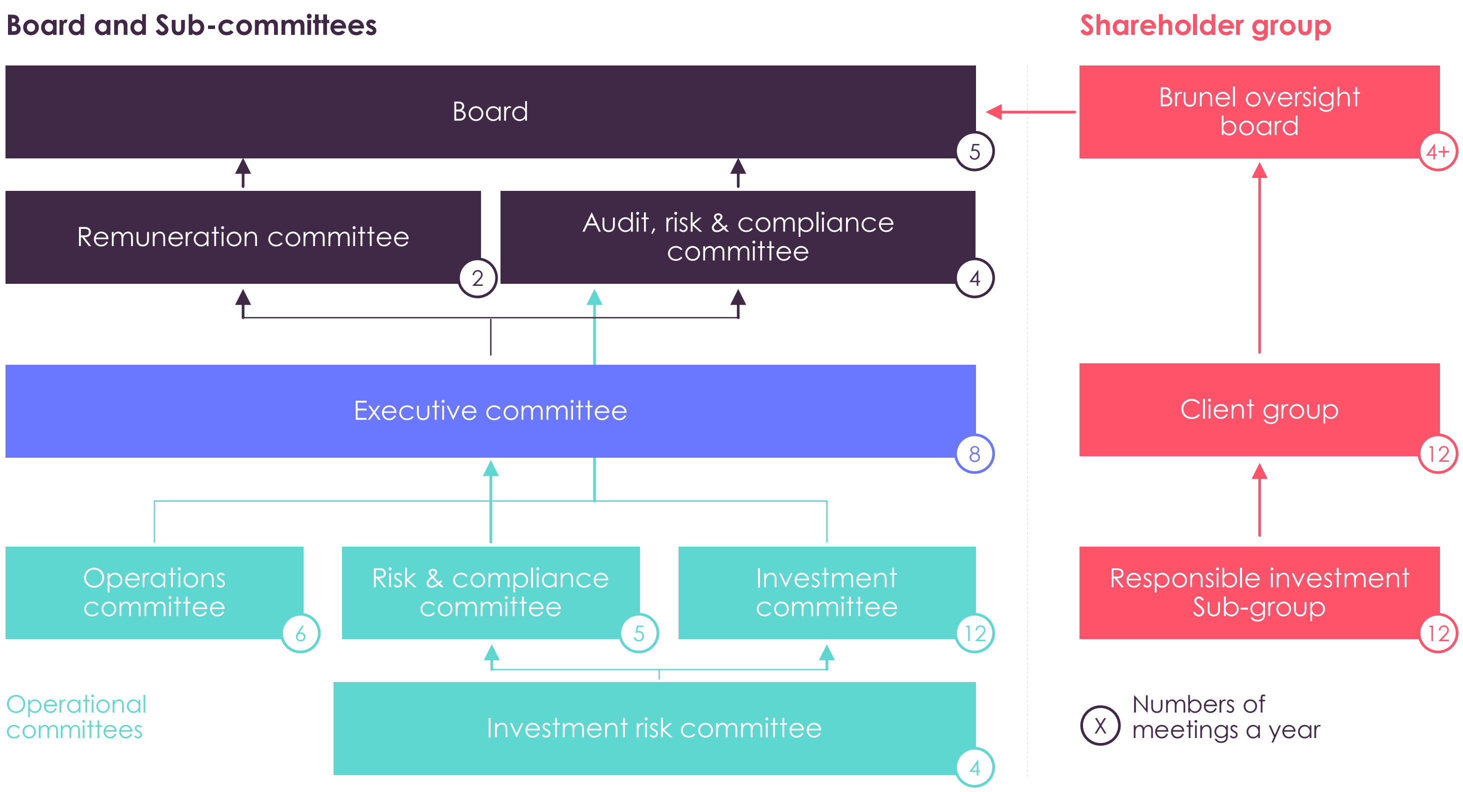
Brunel believes in the importance of regular and in-depth shareholder and stakeholder engagement. Our Stewardship Policy has been developed in conjunction with key stakeholders, including the Brunel Oversight Board, Brunel Client Group, and the Client Responsible Investment (RI) Sub-Group. The RI Sub-Group is made up of members of the client base and meets monthly, it provides an opportunity for clients to:

- Raise stewardship interests
- Share best practice with Brunel and amongst partner funds
- Provide insights on concerns, issues, and member perspectives
- Shape priorities of Brunel and EOS at Federated Hermes
- Review reporting outputs
- Knowledge share and receive a deeper dive into topics of interest
- Access expertise
- Consult on policy design and development

The Responsible Investment group provides updates to the client group and further updates are provided to the wider client group as required.

The stewardship policy is reviewed no less than annually.

Our governance structure



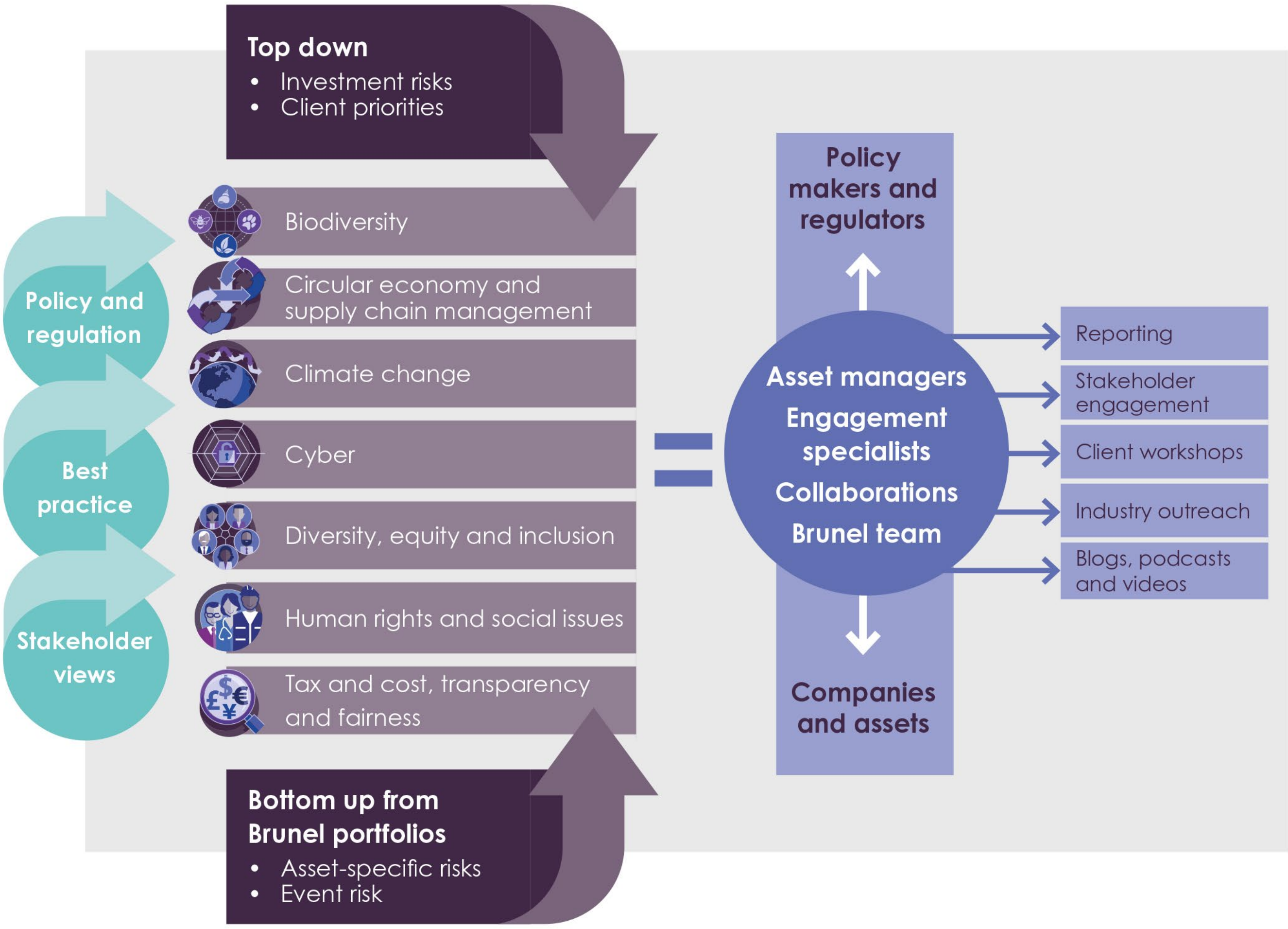
Identifying and Prioritising Engagements

Engagement objectives for Brunel are identified in three ways.

- Firstly, top down, we identify thematic areas of risk and opportunity.
- Secondly, bottom up, we review our exposure to individual companies and to specific ESG risks and opportunities. Companies will be identified through asset managers, collaborative engagement forums, external research, and Brunel's own internal ESG risk analysis.
- Thirdly, reactively to events, for example, after a specific, usually significant, incident. The companies that we actively engage with will be prioritised based on our level of exposure and the probability of successful outcome.

The thematic priorities as identified in our RI policy are:

Brunel RI & Stewardship Priorities



When undertaking collaborative engagement, Brunel will assess alignment to our priorities and check for any potential conflicts of interest.

Brunel evaluates market-wide systemic risks such as interest rates and geopolitical issues during monthly Investment Committee meetings. We identify thought pieces and projects to take a deeper dive on specific issues as required.

Public Policy, UK and Global Codes of Best Practice

We are global investors and apply our principles of good stewardship globally. We are strong advocates of the benefits of global stewardship codes to improve the quality of stewardship, and when updates are made aim to adopt best practice. 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 guidance published by the **Institutional Investor Group on Climate Change** and the **ESG Convergence Project**.

We are committed to supporting policy makers, regulators and industry bodies in the development and promotion of the codes and supporting guidance. We publicly disclose all our consultation responses on our website: **stewardship/policy-advocacy**.

Brunel publishes an annual **Responsible Investment and Stewardship Outcomes Report** which is intended to meet the best practice requirements of the UK Stewardship Code 2020 and support Brunel's compliance with the Shareholder Rights Directive II.

We are strong supporters of the UK Corporate Governance Code and the application of the Companies Act S172 (Duty to promote the success of the company). Indeed, S172 shapes our engagement with companies. 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 noncompliance. 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 is a signatory of the UN-backed Principles for Responsible Investment (PRI) and we align our practices and processes to their **six principles**. We support the belief that stewardship is the most powerful tool investors have at their disposal to align our economy and society with the interests of beneficiaries and wider stakeholders.

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Transparency

Good stewardship requires a good understanding of the assets we invest in. We do this directly, through EOS at Federated Hermes, our asset managers, and other initiatives. Working closely with company Boards is one of the most effective means to achieve this but requires the establishment of mutual trust and, at times, confidentiality. We also acknowledge that, when working collaboratively with other investors, we must respect other disclosure requirements and restrictions. Being pragmatic to ensure we focus on the outcomes of active ownership does not diminish Brunel's commitment to transparency.

We publish regular updates on our stewardship activities, including an annual summary of our engagement plan, quarterly engagement and voting activity analysis, voting records at least twice a year, and our annual PRI Transparency report.

We publish an Annual Responsible Investment and Stewardship Outcomes report which shows the progress we are making on our RI and Responsible Stewardship activities.

Collaboration

We believe working collaboratively is essential to delivering our objectives as the scope and scale of our investments means that we need to draw on the expertise of others, not least the asset managers we employ. In addition to managers and specialist advisors, we are supporters of a number of organisations and initiatives that enable our ability to work collaboratively – the key ones are outlined in our RI Policy. Our reporting will evidence our activities.

Conflicts of Interest

The management of conflicts is important in building long-term relationships with the companies we invest in and with our partnerships. Brunel has a robust approach to conflicts of interest, with comprehensive controls operating at all levels within the business to prevent conflicts of interest from adversely affecting the interests of clients, as well as the clients' members and their administering authorities. The effective management of potential Conflicts of Interest is a key component of our due diligence on all asset managers and service providers, as well as our ongoing contract management. Conflict of interest clauses are included in investment management agreements.

More details of Brunel's approach are available on our website.

Conflicts are also considered when undertaking voting and engagement. Details on how EOS at Federated Hermes, our appointed engagement voting provider, approaches conflicts of interest is available on their website

Informing Stewardship – Use of Data Providers

Brunel utilises a variety of data sources to inform our stewardship. 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. In addition to our own and our asset managers' analysis of ESG risks within our portfolios, and media and company reports, we also use a variety of third party proprietary and public data sources.

Data sources utilised by Brunel are detailed in Annex A. Our primary data sources are:

Provider	Description	Link
TruValue Labs	TruValue labs uses artificial intelligence to bring together news and media information and integrates the Sustainability Accounting Standards Board's (SASB) materiality framework. A variety of scores are produced to indicate ESG performance and trajectory	www.truvaluelabs.com
CA 100+ Net Zero benchmark	Assessment of the world's largest corporate greenhouse gas emitters on their net zero transition, emissions reduction, governance, and disclosure	www.climateaction100.org/net-zero-company-benchmark
RepRisk	RepRisks' suite of powerful risk management and compliance tools helps to reduce blind spots and shed light on potential business conduct risks that may lead to reputational, compliance, and financial loss. Their data provides coverage of private market investments.	**www.reprisk.com**
S&P Trucost	Trucost, part of S&P Global, provides data for carbon emissions, coal power production, and fossil fuel reserves, as well as other environmental data, such as water use and pollution.	**www.trucost.com**
Sustainalytics	Sustainalytics controversies research identifies companies involved in incidents that may negatively impact stakeholders, the environment, or the company's operations.	**www.sustainalytics.com**
Transition pathway initiative	The Transition Pathway Initiative (TPI) is a global, asset owner-led initiative which assesses companies' preparedness for the transition to a low carbon economy.	**www.transitionpathwayinitiative.org**

There is a lack of standardisation and transparency across ESG data. Differing methodologies can lead to different outputs and biases. We use a variety of best in class providers, which leverage the Sustainability Accounting Standards Board's (SASB) materiality framework, to reduce bias, provide greater coverage of our assets, improve awareness of differences in data providers or to aid specific targeted engagement priorities. SASB promotes better quality reporting on material ESG risks, the standards focus on financially material issues. Another framework Brunel endorses is the Task Force on Climate-related financial disclosures (TCFD) which has developed a set of consistent climate-related financial disclosures that can be used by companies. Further detail on the TCFD is located in our **Responsible Investment Policy** and **Climate Change Policy**.

These sources of data are embedded into quarterly reports reviewed at quarterly Brunel Investment Risk Committee meetings; the data is reported alongside qualitative stewardship insights. The data sources are also utilised in everyday monitoring and embedded into quarterly public reports, empowering stewardship, and oversight of our clients.

We recognise that data provision is a continuously evolving area. We review our use of providers annually and provide feedback where developments could be made. 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.

Stewardship Implementation across asset classes

Stewardship responsibilities extend to all asset classes held by Brunel. Our approach has to be appropriate for each asset class and style of investment we choose. Further detail on our approach for each of the areas we hold is detailed in this section of the policy, these areas include:

- ✓ Listed equites (passive and active)
- ✓ Private markets (property, infrastructure, secured income, private debt and private equity)
- ✓ Fixed income
- ✓ Liquid alternatives

Publicly listed equities account for nearly half of the assets that Brunel manages and is the most developed area of active ownership in the investment industry. We recognise the approach needs to be tailored to each type of investment (asset class), take account of the level and legal structure of ownership, regulatory expectations, and limitations, and be mindful of differences across geographies.

More information as to the definitions and objectives of these asset classes is outlined in Our Portfolios on **our website**.

Asset managers

Listed below are some of the key issues we address when appointing managers across all asset classes. These key issues form part of ongoing manager monitoring. Manager stewardship is risk assessed on a quarterly basis and given a rating. This is reviewed by the Brunel Investment Risk Committee. Further detail will be included in our Responsible Investment Policy.

Managers provide a range of reporting to Brunel on a monthly and quarterly basis.

The shift towards outcomes and milestones in stewardship reporting is relatively new and not everyone is at the same starting point. We will work with our managers to navigate the best way of communicating on our behalf. We want to avoid being overly prescriptive and develop an approach that works for managers and their investment approach whilst delivering consistency in reporting.

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	

Listed Equities

A listed equity is one where you own a part or 'share' of a company that is publicly listed. In other words, anyone can buy it. As part of owning publicly listed companies, Brunel, on behalf of its clients, will have the opportunity to vote at company meetings (AGM/EGMs).

We believe well-governed companies are critical to the creation of long-term value for shareholders, other stakeholders, society and the environment.

We expect companies to comply with regulation and other company law in the countries in which they operate, as well as with any relevant regional or international requirements.

To support and sustain the development of well-governed companies, our active ownership focuses on two interrelated activities: engagement and voting. We have included an extract from the **Principles of Responsible Investment** guide to active ownership, which explains some of the key concepts and terms used in the policy.

Defining engagement and voting practices

Active ownership is the use of the rights and position of ownership to influence the activities or behaviour of investee companies. Active ownership can be applied differently in each asset class. For listed equities, it includes engagement and voting activities.

Shareholder engagement captures any interactions between the investor and current or potential investee companies on ESG issues and relevant strategies, with the goal of improving (or identifying the need to influence) ESG practices and/or improving ESG disclosure. It involves a structured process that includes dialogue and continuously monitoring companies. These interactions might be conducted individually or jointly with other investors.

Collaborative engagements include groups of investors working together, with or without the involvement of a formal investor network or other membership organisation.

Voting refers to the exercise of voting rights on management and/or shareholder resolutions to formally express approval (or disapproval) on relevant matters. In practice, this includes taking responsibility for the way votes are cast on topics raised by management, as well as submitting resolutions as a shareholder for other shareholders to vote on (in jurisdictions where this is possible). Voting can be done in person, during an Annual General Meeting (AGM), or by proxy.

Ballot items are not always closely related to environmental and social issues and cover financial performance, risk management, strategy and corporate governance matters.

Voting and engagement practices are interrelated and feed into each other; one can be the initiator or the complementary tool of the other.

Source: PRI, Introduction to active ownership in listed equity, February 2018.

Engagement

Engagement is implemented through three avenues. Firstly, engagement is undertaken by our asset managers. Secondly, our specialist provider EOS at Federated Hermes (EOS) provides additional coverage of our active equity portfolios and corporate fixed income. Lastly, engagement is undertaken via collaborative forums. However, Brunel will seek to undertake direct engagement where we feel that this will add value.

We also undertake thematic engagement or engagement within the wider supply chain. In some instances this means engagement will take place with companies not in the portfolio.

Brunel has a dedicated Head of Stewardship who oversees the engagement undertaken by managers and provides input into the quarterly manager stewardship review.

Our Head of Stewardship also plays a pivotal role in overseeing our engagement and voting provider, identifying collaborative initiatives, and direct engagement opportunities. All engagement opportunities are reviewed against our Responsible Investment Priorities and the engagement already being undertaken to avoid duplicated efforts and to maximise impact.

Engagement by Brunel's managers, Brunel and via collaborative forums

On an annual basis Brunel publishes its Responsible Investment and Stewardship Outcomes report. This includes examples of engagements undertaken by our managers, via collective forums, or by Brunel. The report will also detail progress made against key performance indicators (KPI's), milestones and the next steps we aim to take. Objectives are outlined in our Climate Change Policy and Responsible Investment Policy.

Engagement and Voting Provider

Brunel also utilises the services of an engagement and voting provider. This supplements quantitative investment strategies, where engagement is less prominent, and enables us to maximise coverage. The utilisation of this service enables wider coverage of assets and provides access to further expertise across different engagement themes.

Brunel:

- **Rigorously, assertively and continuously challenge** our investment managers on their analysis and assessment of change-related risks in their investment practices and processes
- **Encourage** managers to commit to achieving Paris Alignment across their products and operations and work collaboratively to develop methodologies and metrics to demonstrate progress
- **Require managers to escalate engagement** and **justify holdings** in controversial holdings, including those failing to disclose how they are meeting alignment expectations over time (see below).
- **Expect managers** to avoid or explain investments in companies that are in breach UN **Global Compact** or **OECD guidelines**

Additionally, the team's languages, connections, and cultural understanding greater enhances the ability to create and maintain constructive relationships with company boards. As a long-term institutional investor, the service provides a continuity to engagement with a long-term focus.

Selection, Monitoring and Feedback

Brunel selected EOS as our appointed engagement and voting services provider following competitive tender and a comprehensive due diligence process. Coverage includes segregated active equity portfolios and corporate fixed income. In line with any procurement of third-party services, there is a monitoring process in place to ensure delivery of service meets expectations, and in this instance that there is continued alignment of engagement and voting priorities and practices. Brunel is in regular contact with Hermes throughout the year. In the event that expectations are not met, Brunel would proceed to retender in line with its standard policies and practices.

Brunel's engagement priorities are communicated to EOS. There are multiple and distinct touchpoints throughout the year that we utilise to provide feedback on the engagement plan, as well as on an ongoing basis through our dedicated relationship manager.

Engagement Plan and Approach

EOS' engagement plan, which Brunel and its clients feed into, is available on our website. Engagement focuses on the greatest potential for long-term positive outcomes for investors and their beneficiaries. The plan covers a three-year period and is reviewed annually.

Brunel aims to tackle difficult and inter-connected priorities that could materially impact the value of clients' assets. It can therefore take a long time to see change, and 'success' can be difficult to measure as it is often reflected in the overall market value. To measure progress and the achievement of engagement objectives, a four-stage milestone system is used by EOS. When an objective is set at the start of an engagement, recognisable milestones that need to be achieved are also identified. Progress against these objectives is assessed regularly and evaluated against the original engagement proposal.

EOS' primary approach is to engage privately with companies, behind closed doors. Where engagement is not succeeding at the pace that EOS believe is required, they will also consider using escalated engagement techniques that may be more public, such as:

- Collaborative engagement with like-minded institutional investors
- Speaking at the company's AGM
- Filing or co-filing a shareholder resolution, and
- Raising concerns in the public domain

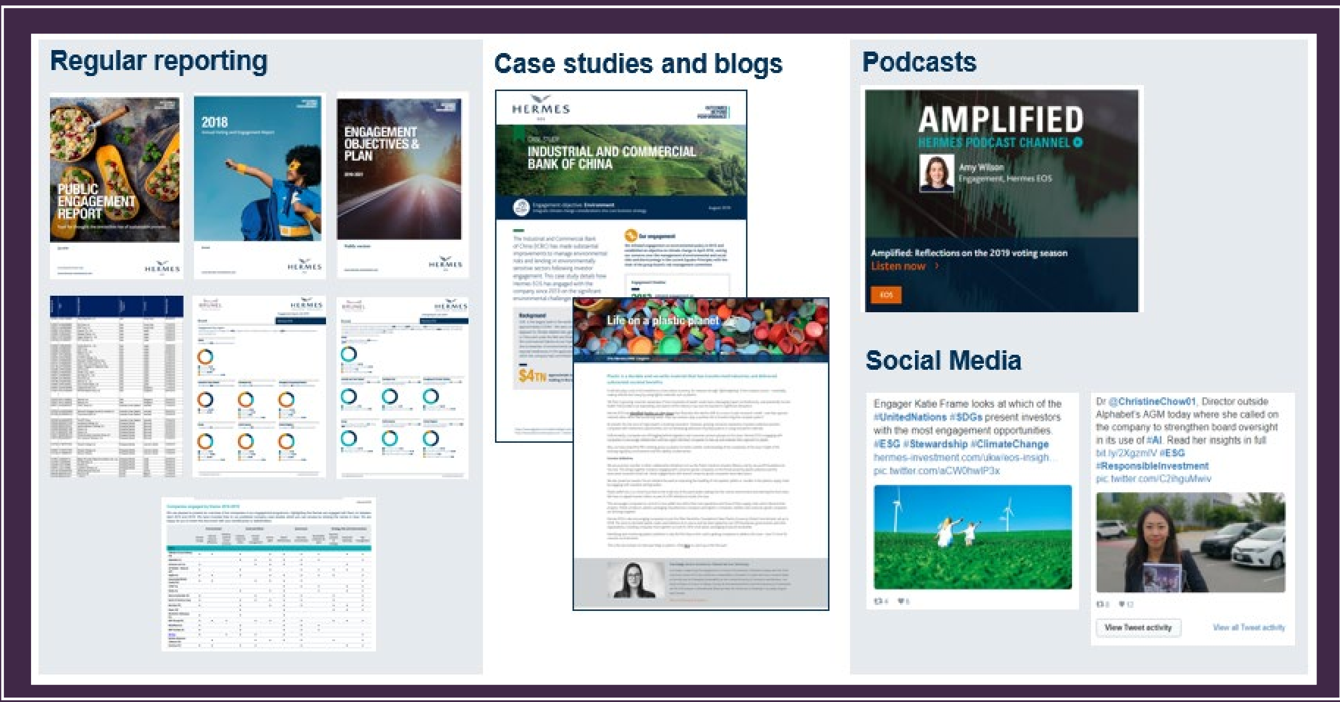
EOS supports Climate Action 100+, a collaborative investor initiative. EOS are the engagement lead for a considerable number of the top systemically important emitting companies. EOS also engages with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and investors can operate, to be more sustainable.

Reporting

Brunel and its clients receive comprehensive reporting on the engagement and voting being undertaken. Summary reports are publicly available on our website

Stewardship/engagement-records

Stewardship/voting-records



Brunel also has access to more detailed engagement info via the EOSi portal on a confidential basis.

Engagement Escalation

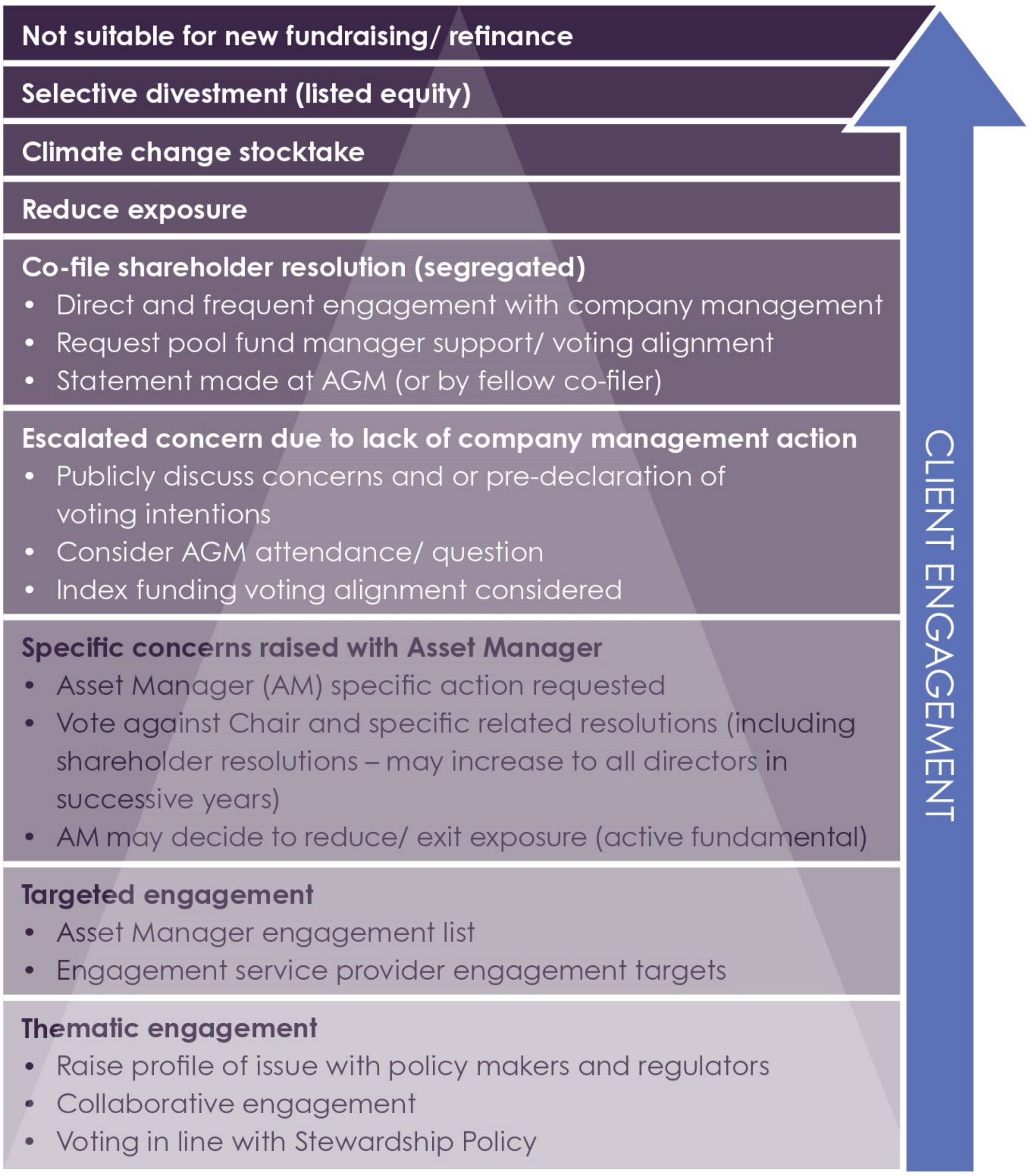
Brunel's investments cover thousands of companies; we need to take a pragmatic approach to escalation. Brunel operates a clear process of engagement escalation. Through the Brunel Investment Risk Committee (BIRC) and the Brunel Investment Committee we may identify escalation to our investment managers. We seek updates on the company's managers are engaging with, what they are engaging on, how they assess the risk, and what level of escalation they are undertaking. In parallel we may look at the engagement EOS are undertaking, their engagement targets and escalation. We may use collaborative engagement and reach out to other investors to elevate areas of concern to companies.

Voting is an intrinsic part of the escalation process. Brunel, supported by EOS, executes thousands of votes annually. It is conceivable that a large proportion of votes executed against management will not reach thresholds to pass a resolution, particularly where voting principles are more progressive. This does not indicate a failure; companies may be required to publicly respond to shareholder concerns and at times will adopt resolutions where abstention levels exceed 20%. It can take time for voting recommendations to be adopted across the investment industry and for resolutions to receive higher levels of abstention. Prior to considering escalation, Brunel reviews its voting record and voting principles annually to ensure that objectives remain appropriate and progressive.

On a case by case basis we may "pre-declare" or publicly announce our voting intentions for resolution, address AGMs or consider co-filing of shareholder resolutions. On such occasions there will have been prior extensive engagement, a clear risk to shareholder value, and the objective will be to raise awareness with other investors of the risks represented. This type of action will be used sparingly as it is generally used when other attempts at active ownership have not proved successful. Brunel also shares details of engagement opportunities with clients and facilitates client attendance to company AGMs, where clients have the opportunity to escalate any concerns and pose questions directly to the company.

The nature of the investment system, and financial markets more generally, contribute to the challenges of addressing certain risks. Systemic risks require elevation of engagement to an industry level, policy advocacy and consultation. If we believe the risk to long-term shareholder value is being undermined, and that all other avenues have been exhausted, we will then undertake product development and benchmark reviews with clients, outside of normal reviews.

Similar principles apply in identifying any concerns or issues and escalating with the manager in other asset classes. The range of tools available vary subject to different regulatory and contractual requirements. Business as usual manager monitoring and product governance provide the primary governance framework across other asset classes where voting frameworks are not available.



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Fixed income

Fixed Income securities are debt instruments that pay a fixed amount of interest or dividend payment until its maturity date, when the principle amount invested is returned.

Listed corporate debt

We believe well-governed companies are more likely to make their loan repayments and improve their creditworthiness, enabling better access to funds to support the creation of long-term value for shareholders, other stakeholders, society, and the environment. Brunel integrates Environmental Social and Governance (ESG) considerations into manager selection and ongoing manager monitoring to ensure that ESG is imbedded into the investment process at an issuer, sector, and geographic level.

Where voting rights are attached to fixed income, Brunel, on behalf of its clients, will have the opportunity to vote at company meetings (AGM/EGMs). We look to engage particularly prior to issuance, where the most impact can be made. However, we recognise that there is more work to be done in this asset class.

We also recognise improvements required to data availability, which is lacking for some markets but also inherently geared towards equities, where the integration differs. Through our data providers, we provide feedback where we identify improvements that can be made.

In terms of stewardship escalation (illustrated previous page) Brunel's approach includes capacity for the identification of companies and assets unsuitable (due to climate related financial risk) for new fundraising or refinance. The term 'denial of debt' is often used to capture the essence of this when applied to corporate bonds. We have not explicitly used debt denial at this point as the idea is in its early stages of development. We are committed to working with clients, our asset managers, and the wider industry to develop thinking on how to operationalise this part of the tool kit in a way that delivers real economy net-zero transition.

Other fixed income

Other fixed income might be included in our multi asset credit portfolio and could include sovereign bonds, and other debt instruments where voting rights are not attached and where opportunity to engage is limited. Stewardship focuses on the managers Investment decision-making.

Liquid alternatives

Stewardship is limited by the nature of these products. Diversified returns funds and hedge funds incorporate a wide range of investment strategies and multi asset funds providing diversification. Investors own units in these funds rather than owning the underlying holdings directly. Stewardship focuses on the managers Investment decision-making.

Private Markets

Private markets are those that are not available through public markets ,such as an exchange, and include asset classes such as infrastructure, real estate, private equity, and private debt. Private markets are an attractive means to diversify portfolios and enhance long-term returns.

Stewardship is an intrinsic part of private markets investing due to the degree of influence and control, lack of short-term results pressure on capital markets, and long-term nature of the investments that are made. There are however some natural barriers to stewardship due to the lack of disclosure and often opaque nature of the asset classes and arm's length relationships between general partners (GPs) and limited partners(LPs). As a result, in-depth due diligence is critical, alongside building close relationships and exerting influence where possible.

When assessing potential private market investments, we pay particular attention to ESG and sustainability throughout the selection process. We believe that well-governed investments and those with strong ESG and sustainability characteristics will offer better long-term risk-adjusted returns. Prior to launching a new Brunel Portfolio, the Brunel team produce a scoping document that states key requirements and portfolio specifications, with a significant focus on ESG risk and sustainability.

We expect managers to have firm ESG and climate change policies in place, and for these to be considered across the value chain, from investment due diligence to ongoing managing, monitoring, and ultimately disposal of the assets. As part of this due diligence we examine case studies to evidence these policies are in place and, crucially, are being actioned. Proof of implementation is critical and supersedes all else. We will support managers on their journey and encourage best practice, forgiving policies and processes not being formalised so long as the manager commits to action in a reasonable timeframe.

Application of robust stewardship in private markets is very dynamic. Brunel seeks to use the appropriate mechanisms relative to the asset class, size and complexity of our investment, our position in the capital structure and the influence that does or does not permit.

The primary focus of our engagement in private markets is to enhance disclosure and to evidence the alignment and impact of outcomes. This is captured under our product governance, portfolio monitoring and positive impact objectives detailed in our Climate Change Policy.

Brunel’s Stewardship actions across private markets include;

Ensuring appropriate governance structures are in place, with particular attention paid where managers have minority positions in assets

Assessing the manager’s approach to diversity and inclusion and where possible tracking metrics to substantiate claims

Assessing the manager’s knowledge and commitment to Responsible Investment and climate change mitigation and avoidance

Assessing how Responsible Investment is integrated into the investment and asset management processes and fully embedded in the culture of the organisation (both deal teams and operations teams), or whether this is siloed in a separate ESG team.

Supporting the manager’s on-going development of their Responsible Investment and Stewardship practices, including where appropriate participation in events, workshops as a representative on the Limited Partner Advisory Committee (LPAC)

Establishing what commitments to Responsible Investment through existing or planned memberships/affiliations with organisations such as Principles for Responsible Investment (PRI), TCFD, GRESB and/or have adopted the SASB framework

Assessing the awareness, training, capacity and track record on Responsible Investment issues

Working with managers to improve transparency and quality of the manager’s ESG approach and reporting

In addition to the criteria above, our due diligence involves asset class specific analysis that we detail below.

Once a private markets manager is appointed or an investment selected, they are subject to extensive ongoing monitoring. The private markets team reviews a fund risk dashboard on a weekly basis covering the capital raising, deployment, key person, limit breaches, concentration, reporting, accounting, key data providers and regulatory factors. Managers are rated across these factors as ‘good’, ‘minor concerns’, ‘on watch’ and ‘unacceptable’ with commentary supporting each factor rating. Significant changes are discussed within the team and with the manager and escalated as appropriate.

Infrastructure

Assessing ESG and broader Responsible Investment factors allows us to identify risks and opportunities associated with each asset class. For example, we do not assume that, just because assets are within the renewable infrastructure space, they automatically have strong ESG credentials.

Whilst wind, solar, hydro and bio-energy 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. As with all real assets, they are at risk during the transition phase.

Specific stewardship considerations in infrastructure include:

Assessing how managers have incorporated both transition and physical climate change risks into their due diligence, for example challenging managers to stress their base case assumptions and to factor in resilience to flood, drought and extreme weather events into capex and cash flows of financial models.

How managers have considered the full life cycle of assets, including which Original Equipment Manufacturer (OEMs) they use and their approach to decommissioning and what will happen to the equipment at the end of the life cycle. For example, we have 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

Evaluate and encourage further positive engagement with communities and the approach that managers take to protecting the environment and biodiversity, both during construction and operation and in the decommissioning stage.

The use of tools, such as the Global Real Estate Sustainability Benchmark, to provide a consistent evaluation framework of current performance and opportunities for engagement and further development

As part of our enhanced due diligence for infrastructure, we use a third party global private markets firm, Stepstone; to manage dedicated investment vehicles for Brunel's clients. This includes the search and selection of infrastructure manager primary funds, secondary market opportunities and direct co-investments.

Stepstone provides us with details of any managers it wishes to research in more detail, which allows Brunel to decline an investment proposal if we have concerns, including but not limited to concerns over climate change.

Real Estate

We treat ESG, climate change and sustainability as key considerations when we are assessing and monitoring our real estate managers.

Assessing and monitoring

- Assessing the managers' approach in considering and modelling physical climate change risks, and how these are fully integrated into their due diligence and ongoing property management
- Supporting the adoption of ESG or 'green leases' where appropriate, which can demonstrate a commitment to sustainability
- Using tools, such as the Global Real Estate Sustainability Benchmark to evaluate current performance and opportunities for engagement and further development
- Evaluating the approach and effectiveness of tenant engagement around issues such as energy and waste management and, where properties are tenant managed, to improve the reporting of these metrics
- Assessing the approach that managers take to improving the sustainability credentials of assets through refurbishments and green retrofits, as well as how ESG has been incorporated throughout supply chains
- Endeavouring to improve the reporting of ESG issues, including carbon reporting and climate specific metrics within our real estate portfolios and are actively working with managers to increase transparency and reporting of these areas

Private Equity

Private equity lends itself well to Responsible Investment due to its strong emphasis on stewardship and the value creation stemming from improving ESG standards and practices, within both primary and secondary private equity funds.

Our stewardship approach includes:

Assessing and monitoring private equity managers' policies and investment practices, and whether a systematic and repeatable process is in place for incorporating ESG risks and opportunities

Evaluating how the General Partners identify ESG issues as part of initial screening and, if appropriate, on-going monitoring

Our due diligence extends to how General Partners create portfolio company value by improving ESG standards, including the use of 100-day plans and how ESG is fully integrated into the ongoing investment process

Considering, re we are assessing private market secondary funds, the extent to which the manager is undertaking bottom-up due diligence on the underlying companies.

Considering the approach that managers have around human capital and diversity and inclusion as companies themselves but also for the workforce of portfolio companies and encourage on-going engagement, where appropriate and practical to do so

Private Debt

When assessing ESG within private debt we do not take a generalised approach due to the heterogenous nature of the asset class. As well as considering many of the aforementioned criteria, we undertake due diligence on private debt by assessing the type of private debt strategy and its underlying characteristics.

- ✓ Where a fund is classified as 'thematic' or 'impact', our due diligence extends to the manager's criteria for inclusion into the fund. We challenge the manager's approach to defining impact and any associated screening.
- ✓ Understand how managers undertake positive impact reporting
- ✓ The inclusion of any ESG terms in covenants

Exercising shareholder rights

Voting in listed equities

The vast majority of voting is undertaken within listed equities. However there are occasions in other classes where voting may be available. Our approach to private markets and listed alternatives is detailed at the end of this section.

Brunel aims to vote 100% of all available ballots.

However, as with any process, errors and issues can occur. If the level of voting drops below 95% this would raise a cause for concern, be investigated and corrective action identified. Brunel has in place appropriate mechanisms to monitor voting execution.

Voting is guided by a single voting policy for all assets managed by Brunel in segregated accounts.

A segregated account is one in which the 'shares' are held separately from other investors and we are able to instruct the voting directly.

Voting will also be undertaken in the pooled listed equity funds in which Brunel invests. A pooled fund is one which has multiple investors in the same account. Pooled funds are used by pension funds as they are a very cost-effective way to get exposure to a large, diverse universe of companies.

Passive pooled

The most significant pooled funds are our passive or index pooled funds. As with most pooled funds, our provider is not bound by our specific voting guidelines. However, stewardship capability and implementation are important to the selection of our pooled index provider.

The below link provides information on our appointed provider, Legal and General Investment Management's, approach to active ownership.

We have a mechanism with our passive pooled provider that on a limited number of occasions we will be able to direct voting for our pooled holdings so that it is aligned with our active segregated holdings. By working closely with our pooled index provider on engagement and voting, we will aim for greater alignment so that the mechanism may not be necessary in the future.

BRUNEL
Pension Partnership

Exercising shareholder rights

Other pooled instruments

For our other pooled funds managers are not bound by our specific voting guidelines, however stewardship capability and implementation were important elements of the selection process. Quarterly voting reports are provided to Brunel; voting implementation is an element of ongoing manager monitoring.

Split Voting

In the spirit of pooling Brunel strives to operate with a single voice but is also committed to ensuring it meets the needs of clients. We have made provisions to allow clients, by exception (where they have a specific investment policy commitment), to direct votes, including the passive pooled funds, as an elective service. Client funds need to submit the request in line with the issuance of the meeting notification, usually not less than 2-3 weeks prior to an AGM/EGM. Our voting procedure outlines the process in more detail.

Share Blocking

Share blocking is a mechanism used in some markets and results in shares being frozen, meaning that they may not be traded for a specified period prior to a shareholders' meeting. Where share blocking operates, a pending trade may fail if it settles during the blocked period. Brunel will default to the manager's approach to shareblocking to ensure that trading is not disrupted. Our voting procedure includes approval requests from managers if blocking is operating to enable voting to be executed where possible.

Voting process

Implementation of the Voting Policy for segregated active accounts is supported by [EOS at Federated Hermes (EOS),] our appointed engagement and voting services provider. Our [voting guidelines] will inform their recommendations alongside other country and region-specific guidelines.

Voting decisions will be informed by investment considerations, consultation with portfolio managers, clients, other institutional investors and our engagement with companies Another consideration is our work with collaborative forums and partners, for example, the Local Authority Pension Fund Forum (LAPFF), which acts as a collaborative forum for LGPS issues and voting. Brunel will be mindful of LAPFF voting alerts or other collaborative group recommendations but not bound by them. We will support shareholder resolutions and consider co-filing where we feel this is the appropriate course of action, and usually where there has been prior engagement. We will not support shareholder resolutions where they are overly prescriptive and subvert the role of the board.

Where a decision is made not to support the Board's recommendation on a resolution at a company, we aim to engage with the company prior to our vote. This will generally be at companies with whom we already have an engagement relationship, at other larger companies where we hold a material stake of the share capital or where there is a material concern. We will also seek to inform such companies of any recommended votes against management together with the reasons why. Where there is not prior engagement, we will inform companies on a best efforts' basis.

Further details on how we execute voting instructions for our segregated active equities and fixed income portfolios are provided in Annex B.

Mergers and Acquisitions

The process for voting on 'standard' corporate actions will follow the same process as above, but managers will be required to ensure their corporate actions team are notified of the recommendation. For mergers and acquisitions the same process will apply except for contentious activity. For a contentious merger or acquisition, Brunel will direct the voting.

Voting in other asset classes

Private markets

Most of our private market investments for private equity and infrastructure are through Limited Partnership arrangements which do not have automatic voting rights, except where we are part of the Limited Partnership Advisory Committee (LPAC). Where this is the case, we have approval rights for items such as changing contract terms (e.g. extensions or restrictions) and approving members of committees. Brunel seeks LPAC seats where possible in order to exert our influence, and we have this for the majority of our private equity and infrastructure investments. We work closely with our appointed managers to support their Responsible Investment and ESG efforts, improve standards and encourage best practice.

For property investments, we have voting rights for Collective Investment Schemes, either via forms or the Broadridge online platform. Voting decisions for all private market asset classes are sent to our Private Markets Team, who along with our legal team negotiate side letters that align with Brunel's ESG and wider governance requirements.

Liquid alternatives

Most of our liquid alternatives include instruments or are through investment vehicles with no attached voting rights. We do ,however, have voting rights for the investment funds. Where this is the case Brunel retains full voting rights. Notifications are sent directly to Brunel from Broadridge. Voting is informed by our voting policy and input is sought from the Brunel portfolio manager.

Stock lending and share recall

We believe that stock lending is an important factor in the investment decision, providing opportunities for additional return, but that lending should not undermine governance, our ability to vote or long-term investing.

The voting rights attached to a stock or security reside with the borrower for as long as it is out on loan. Stock will be recalled from stock lending where Brunel considers it in the client's best interest and consistent with our investment principles.

Where there is a perceived trade-off between the economic benefit of stock lending, and Brunel's ability to discharge its obligations as a responsible long-term investor, the latter will have precedence.

Securities lending entails operational process risks such as settlement failures or delays in the settlement of instructions. Brunel has undertaken a comprehensive review of the potential risks and implemented measures to mitigate and reduce the risk. Controls include, but are not limited to:

- an approved borrowers list
- Retention of 5% of any one stock
- On average, stock will be lent no longer than 21 days
- Restrictions on acceptable collateral

All measures and service level agreements are regularly monitored. Brunel examines the selection criteria for approved borrows to confirm consistency with Brunel's internal requirements regarding appropriate criteria. The selection criteria and content of the Approved List will be reviewed by Brunel at least annually.

There may be some instances where we decide not to stock lend, for example where we have co-filed a shareholder resolution, but particularly where there are concerns of borrowers deliberately entering transactions to sway the outcome of a shareholder vote.

The decision to stock lend resides with our clients and could be considered to be an investment decision in its own right. Stock lending is applied at portfolio level and reviewed annually as part of the product governance cycle. The policy and relevant SLAs are also reviewed annually. Our approach to responsible stock lending is outlined in further detail in a separate policy.

Recall process

Brunel selected Minerva Analytics Ltd (Minerva) to provide a stock lending ESG monitoring service. The appointment enables identification of relevant situations where recall may be required in order to discharge our responsible stewardship. Minerva will provide a timely monitoring and notification system highlighting meetings with shareholder resolutions, contentious resolutions and against-custom voting policy indicators.

In addition, Minerva's comprehensive governance, sustainability and remuneration due diligence reports offer relevant information on ESG issues to inform the recall decision. The reports serve a dual purpose in providing additional input into the vote decision process. Minerva will produce an annual stock lending report.

Annex A

Provider	Description	Link
Access to Medicine Foundation	Produces three indices, Access to Medicine, Access to Vaccines and Antimicrobial Resistance (AMR). The Indices report how pharmaceutical companies make medicines, vaccines, and diagnostics more accessible for people in low- and middle-income countries, how they are bringing AMR under control and ensuring children can be immunised including in the poorest and most remote communities.	www.accesstomedicinefoundation.org
Business Benchmark on Farm Animal welfare (BBFAW)	BBFAW is the leading global measure of company performance on farm animal welfare. Since its inception in 2012 BBFAW has established itself as a catalyst for change in corporate practices on animal welfare management and reporting.	www.bbfaw.com
Gender Pay Gap	UK Employers with 250 or more employees must publish and report specific figures about their gender pay gap. These are then published by the UK Government.	www.gender-pay-gap.service.gov.uk
Know the Chain	Know the Chain evaluates companies' efforts to address forced labour in their supply chains. Sector coverage includes, Food and Beverage, Information & Communications Technology, and Apparel & Footwear.	www.knowthechain.org
Ranking Digital Rights	The Ranking Digital Rights Corporate Accountability Index evaluates the world's most powerful internet, mobile, and telecommunications companies on their disclosed commitments and policies affecting freedom of expression and privacy.	www.rankingdigitalrights.org
Workforce Disclosure Initiative	The Workforce Disclosure Initiative (WDI) aims to improve corporate transparency and accountability on workforce issues, provide companies and investors with comprehensive and comparable data and help increase the provision of good jobs worldwide.	www.shareaction.org/wdi
World Benchmarking Alliance (WBA)	WBA has set out to develop transformative benchmarks that will compare companies' performance on the sustainable development goals (SDGs). The benchmarks will be backed by the best available science, while leveraging existing international norms and standards. The first benchmark launched under WBA is The Corporate Human Rights Benchmark (CHRB). CHRB assesses 230 of the largest global companies in the world on a set of human rights indicators.	www.worldbenchmarkingalliance.org

Annex B

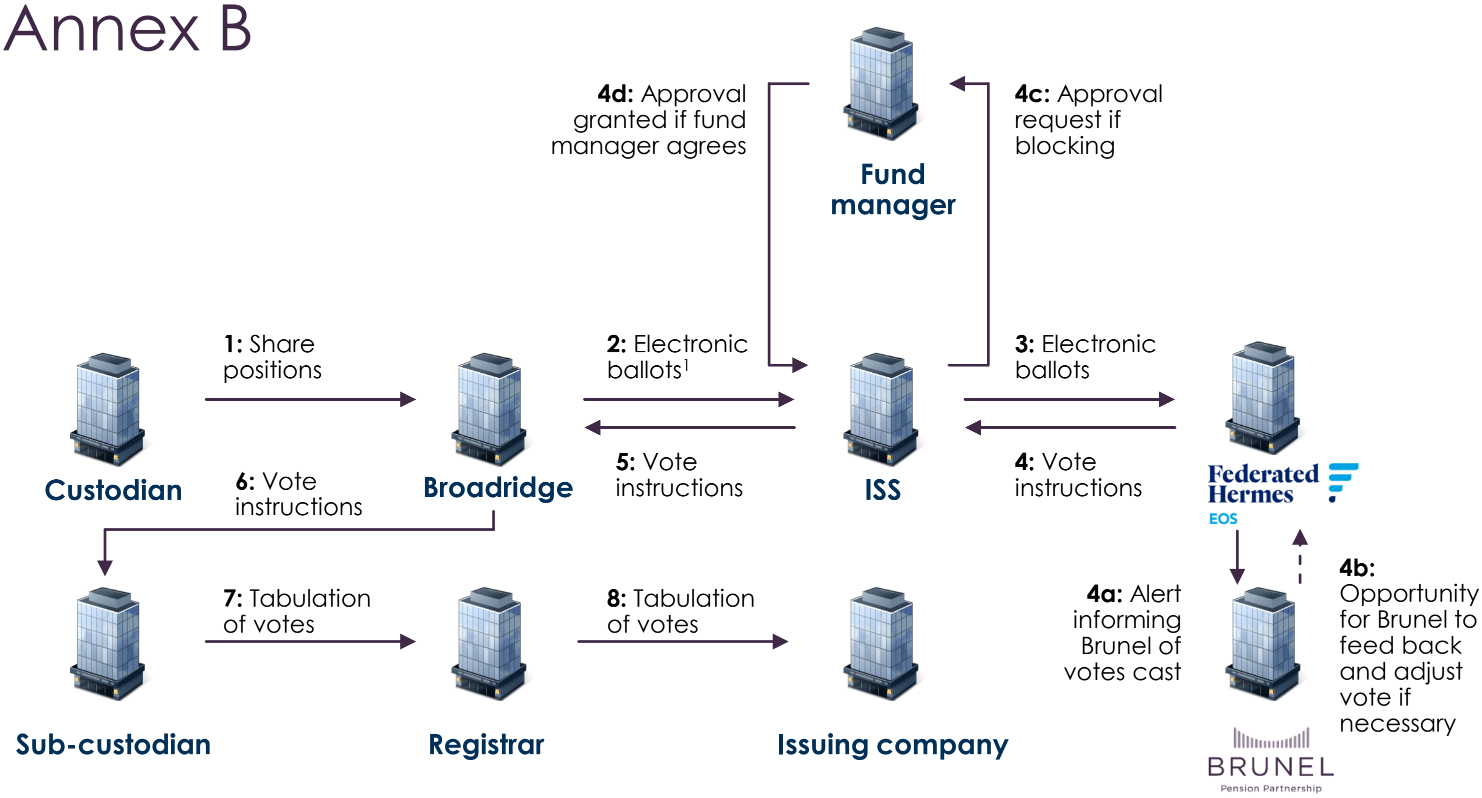
Executing voting instructions - segregated active equities and fixed income

The industry process for executing votes, the 'voting infrastructure', is unhelpfully complicated. While there will be exceptions for some markets, the process will follow this path:

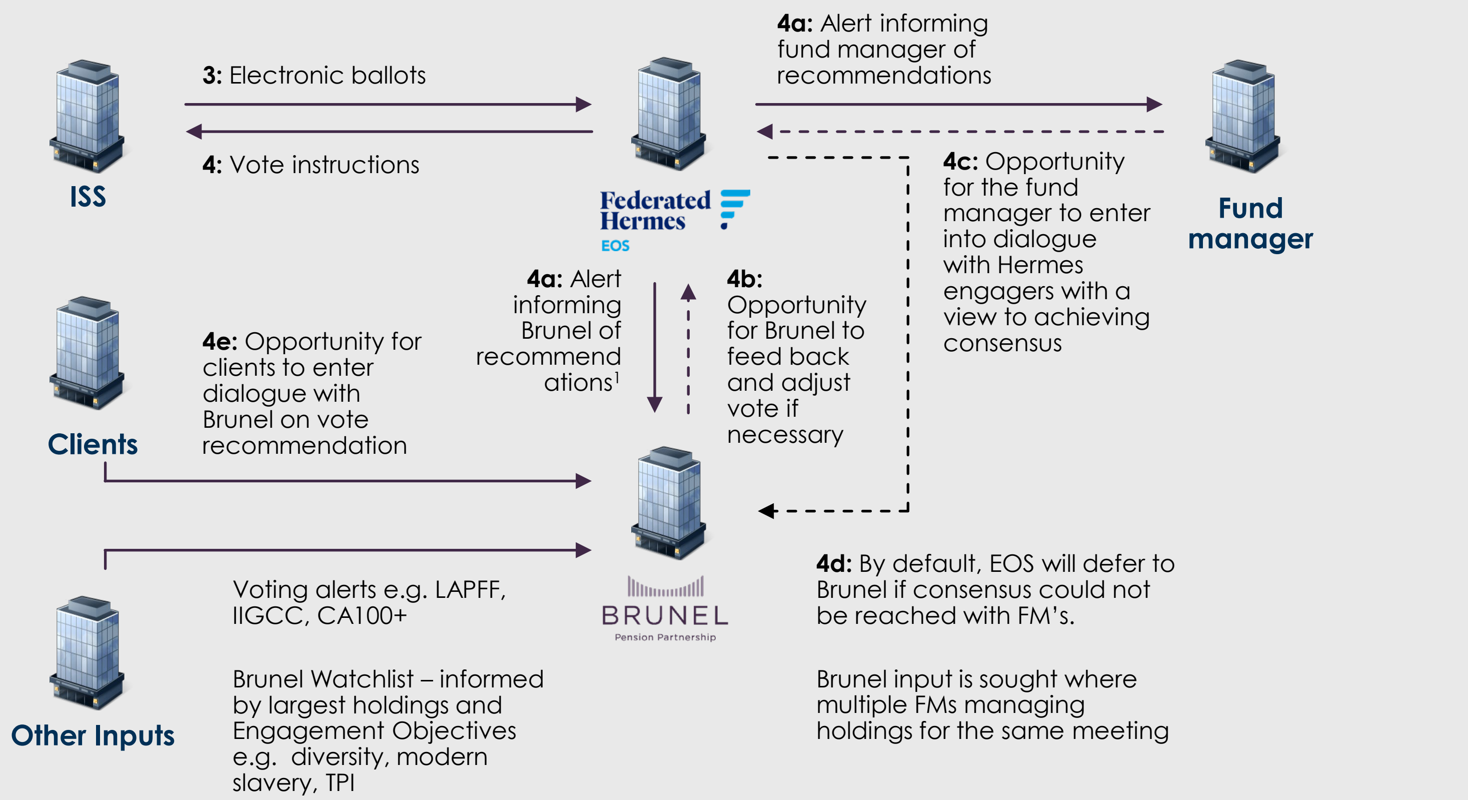
1. Notification of an AGM/EGM is sent to Brunel's Custodian, State Street
2. State Street will generate the share positions using its digital voting platform, Broadridge
3. Broadridge will issue electronic ballots* to the designated proxy voting provider, ISS
4. ISS will share the electronic ballots and research with our appointed advisor, EOS
5. EOS, with reference to our voting guidelines, will issue a recommendation 'alert' to Brunel and the asset manager/s who hold that company
   - Where Brunel does not agree with an EOS recommendation, Brunel will discuss with EOS and the recommendation will be updated accordingly
   - Where the asset manager identifies a different approach to the EOS recommendation they are asked to report quarterly to Brunel. In exceptional circumstances where asset managers do not agree with EOS recommendation, the manager will contact EOS to discuss with the analyst
   - If a consensus is reached, the voting instruction will reflect that view and Brunel will be informed if there has been a change
   - Where consensus is not reached, Brunel, after taking feedback from EOS and the asset managers, will direct the voting recommendation
6. Where there are multiple asset managers who hold a stock and one or more manager does not agree with the recommendation, Brunel, after taking feedback from EOS and the asset managers, will direct the voting recommendation
7. Recommendations become vote instructions and are issued via the ISS and Broadridge platforms to sub custodians, the registrar, and the issuing company where the vote is tabulated
8. Analytics of voting activity and voting records are generated every quarter for each Brunel client and loaded onto the Client Portal
9. Brunel voting records are published not less than twice a year on Brunel's website

*where Broadridge does not generate an electronic ballot, ISS will use its own systems or undertake manually, based on the information sourced directly

Annex B



[1] Electronic ballots are generated by Broadridge in the vast majority of cases. In other cases, ISS either generates ballots using their Global Proxy Distribution (GPD) service based on share positions sourced from the custodian, or manually based on share positions sourced directly from clients. The approach taken depends on the custodian and their chosen method of supporting proxy voting.



Getting in touch with the team

If you have any questions or comments about this policy, please email Helen Price, Head of Stewardship 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

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