

Climate Change Policy 2023-30

Factsheet

Climate change presents an immediate, systemic and material risk to the ecological, societal, and financial stability of every economy and country on the planet. It has direct implications for our clients and their beneficiaries. It is therefore a strategic investment priority for us and our clients.

Brunel's experience and expertise in managing climate change-related risks and opportunities; our scale; our influence; and the strength and support of our clients, provides us with a unique position in the investment industry.

In 2020 we designed a five-point plan as part of our Climate Change Policy to guide our work. Committing to regularly monitor its implementation and publicly report on its effectiveness. Last year we undertook our first Climate Stocktake – a deeper dive to assess what we had delivered; stakeholder views of our progress to date; our priorities going forward together; and what updates to the scientific advice and investment best practice were relevant to shape the policy.

Our new Policy is launched following this analysis. It extends that five-point plan to 2030, as we cleave to our aim to change the broader financial system. The Climate Change Policy has been developed in collaboration with our Clients and key stakeholders.

The state of play in the financial system

Global average temperatures are already 1.1°C above pre-industrial levels; the rate at which capital is being invested in low-carbon infrastructure is approximately half of that required; and the pace at which regulators and policymakers are acting is far too slow.

We support the UK government's commitment to make the UK the world's first Net Zero-aligned financial centre as the nature of the investment system, and financial markets more generally, contributes to the challenge of addressing climate change, rather than supporting change.

Challenges we have identified include a focus on the short-term; an unwillingness to invest in the transition (at a scale and pace); a lack of products across all asset classes and markets; and risk models and benchmarks that don't reflect climate risk, aggravated by the lack of a meaningful price on carbon.

Overall Strategy Target

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

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

Public Policy Target – Sovereign Debt

100% of UK sovereign issuance to be subject to direct or collective engagement.

Brunel's **sovereign debt exposure** is almost all UK-based* and designed for the primary purpose of liability matching and therefore falls outside of the scope of the NZIF requirements. However, Brunel's policy work continues to focus on the UK government's Net Zero commitments and we actively participate in supporting implementation.

* our multi-asset portfolio can hold EM sovereign debt. Our collaborative work on EM strategically seeks to address engagement on those assets.

Persuasion Target – Portfolio stewardship

Ensure **70% of financed emissions in material sectors are either aligned, aligning or subject to direct or collective engagement and stewardship actions** for all listed equity and corporate bonds by June 2024, increasing to **90% by June 2027**.

Engage with **100% of investment managers and general partners*** on measuring emissions, disclosure levels and setting targets for decarbonisation and alignment **by June 2024**.

Engage 100% of carbon-based energy and transport infrastructure assets as part of collective or direct engagement, or management interventions.

Brunel Infrastructure portfolios have limited exposure to such assets and, where they do, it is often part of a wider programme of energy transition and/or efficiency.

With regard to our private markets' portfolios more broadly, we will sequentially focus on our infrastructure, secured income, real estate, private equity and private debt portfolios, with the ambition of **setting targets for the first three of these by June 2024**.

* Real estate scope is limited to the model portfolios and engagements in private markets will be a combination of direct and via our strategic partners.

Product Governance Target – Portfolio alignment

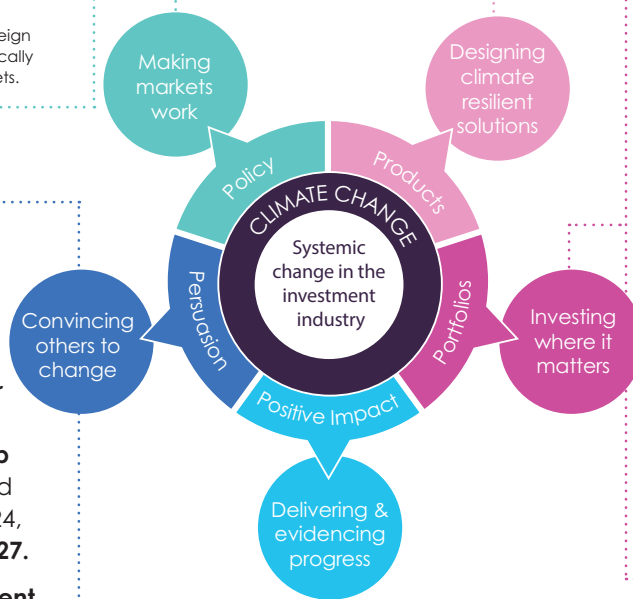
100% AUM in material (high impact) sectors* In developed listed equities that are i) achieving Net Zero or ii) meeting a criterion considered to be aligned or iii) aligning by 2030, extending to all markets by 2040.**

Brunel's ambition is that **by 2040 all listed assets are i) achieving Net Zero or ii) meeting a criterion considered to be aligned or iii) aligning****.

By June 2024, Brunel commits to setting alignment targets for corporate bonds, infrastructure, real estate and secured income consistent with the NZIF and a timeline for target setting in other assets classes.

* Currently in scope are listed companies on the Climate Action 100+ focus list; companies in high impact sectors consistent with Transition Pathway Initiative sectors including banks.

** Note that, for a product to be on track for meeting its target, at least 80% of assets must fall into in the first and second categories



Portfolios - Decarbonisation

Brunel Target: Reduce emission carbon intensity (scope 1&2) for all Brunel's listed equity and corporate bond portfolios **by 50% by 2030, using a trajectory of at least 7% per annum reduction**, from baseline of investable universe as at 31/12/2019 (or appropriate subsequent date).

Brunel also commits to set additional decarbonisation targets to cover separate **Scope 3** targets to incorporate material sectors and other activities that will assist in achieving our overall goal **no later than June 2024**.

Positive Impact - Climate solutions

We commit to providing investment opportunities across asset classes to contribute to Brunel's own alignment, which in-turn allows clients to meet their climate solutions targets.

- **Global Sustainable equity portfolio** (reporting green revenues)
- **Green, Climate and SDG bonds** (report % AUM and £m)
- **Infrastructure**

Brunel's Infrastructure portfolios have strong ESG credentials, limiting exposure to high climate impact areas and have strategy targets including;

- Cycle 1: **>35%** in renewable energy
- Cycle 2: **50%** in renewable and climate solutions
- Cycle 3: **70%** minimum target for Sustainable Infrastructure, of which at least **40%** (i.e. most of the SI allocation) will be in climate solutions

Brunel will provide annual updates as to the sustainable exposure, including climate solutions, of its infrastructure portfolios from 2023 onwards.

- **Real Estate and Secured Income** (impact and renewables exposure – reporting metrics to be developed)

We feature numerous case studies of investments that specifically target climate solutions through decarbonisation and energy efficiency as well as climate adaptation and resilience, in our annual reporting. **We plan to expand our reporting through developing metrics to assist with assessing the portfolios and to set targets in June 2024.**