BRUNEL
Pension Partnership

2023
Responsible Investment and Stewardship Outcomes Summary

For the year ending 31 December 2022

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.

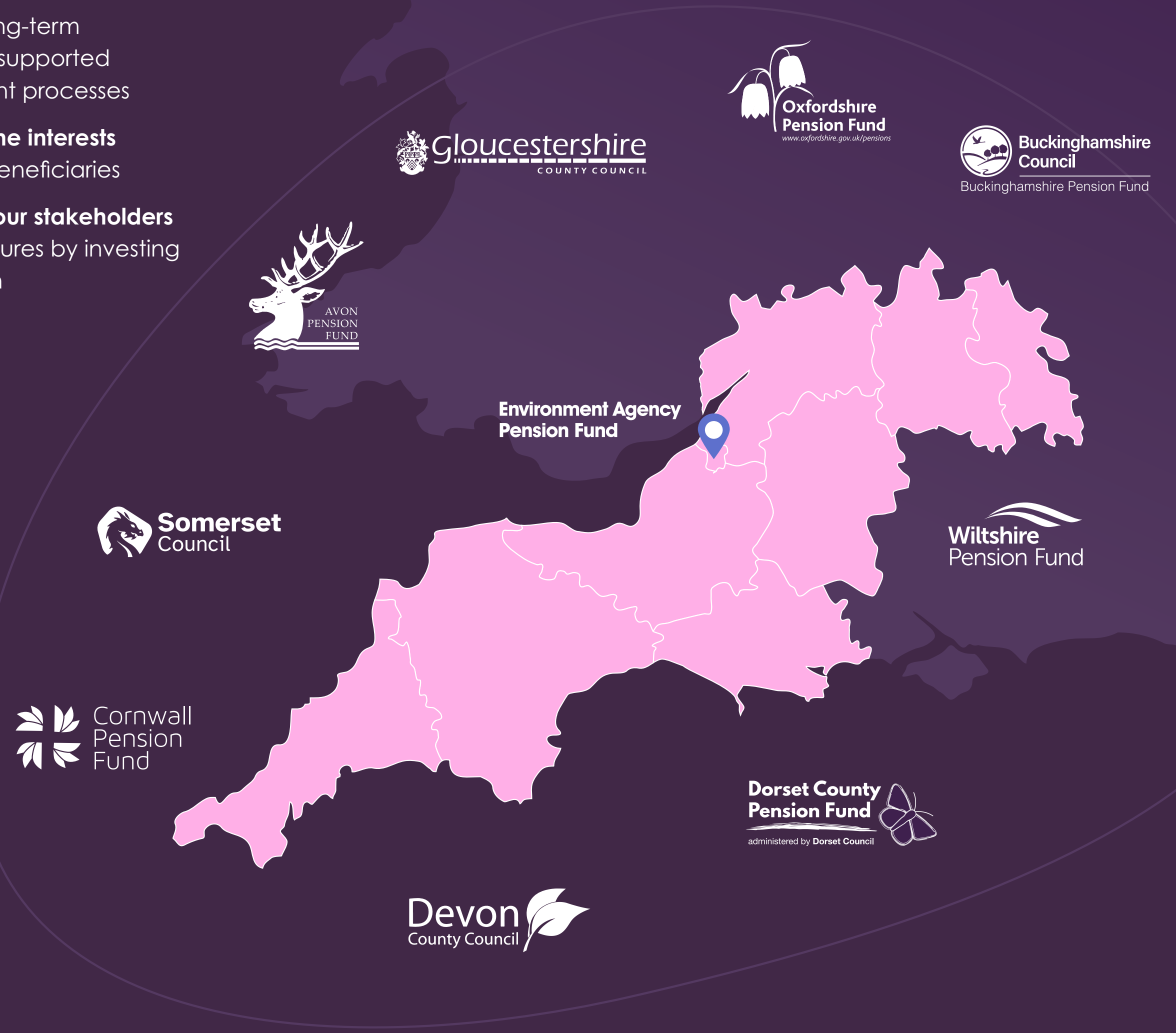
Brunel Pension Partnership Limited (Brunel) is one of eight national Local Government Pension Scheme (LGPS) Pools, bringing together circa £35 billion investments of 10 likeminded pension funds: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire.

We would like to acknowledge the significant support and contribution of our clients to our work on Climate Change, 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



Investing for a world worth living in

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.

Our partnership commitments on climate change and Responsible Investment (RI), with our shared values, aim to help our clients provide not only for their members' retirement, but for the world they will retire into.

A global pandemic, the war in Ukraine and the consequential impacts on the supplies of energy, food, and other raw materials, as well as to the cost-of living more broadly, has illustrated the interdependencies of the world we live and invest in. These systemic risks have associated financially material impacts.

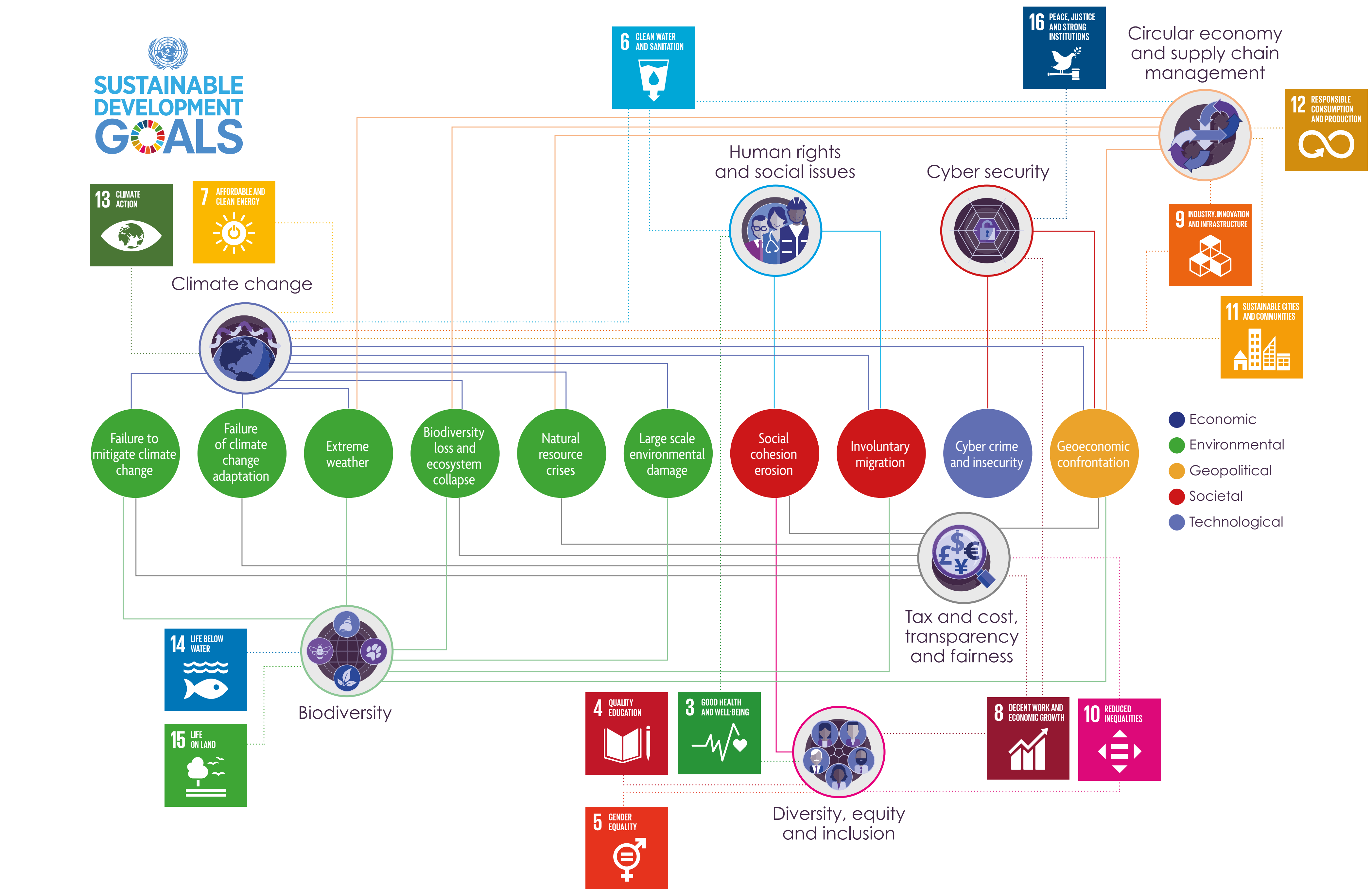
Brunel believes being aware of these impacts, risks and interdependencies, and where possible responding to them, is a core component of fulfilling our fiduciary duty to our clients and their beneficiaries.

This report is a summary of the full 2023 Responsible Investment and Stewardship Outcomes report. Additional detail on points covered can be found in the full report, on our website or in our Climate Change Policy 2023 (which delves into our most systemic risks).

Our illustration shows that Brunel's RI and stewardship priorities reflect major systemic risks (source WEF) and sustainability challenges (source SDGs).

Linking Long-Term Global Risks and Sustainability Goals to Brunel's RI Priorities

Over the next 10 years



1 NO POVERTY · 2 ZERO HUNGER — Brunel's RI priorities indirectly support SDG 1& 2 but it was felt inappropriate to imply a direct link.

17 PARTNERSHIPS FOR THE GOALS — Working in partnership is intrinsic to how Brunel operates across the industry. We also support national and international governments in addressing systemic risks.

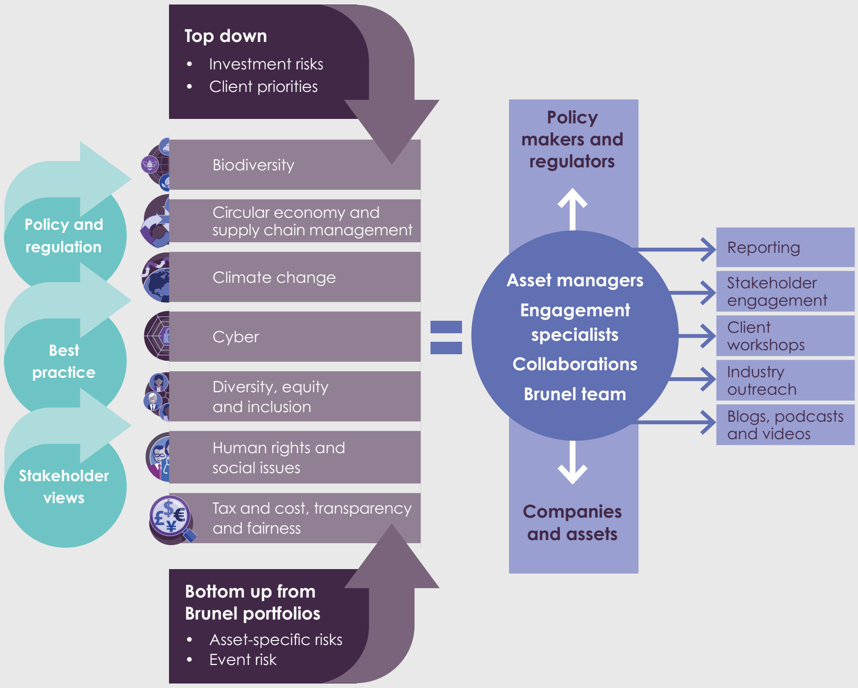
WORLD ECONOMIC FORUM

Our RI priorities

2022 has given us an additional opportunity to focus on our client priorities – our Climate Stocktake included depth interviews with our clients, to ratify that we are aligning our approach with their goals.

Our regular governance forum and partnership approach to working ensure that this is an ongoing dialogue, but getting the additional check is always welcome.

Brunel RI and Stewardship Priorities



Walking the Talk

Our responsible investment policy commits Brunel to integrate RI into everything we do, including our own operations.

Key areas of progress in 2022

- A new People strategy further enhancing our approach to diversity and inclusion, for example providing the option annually to opt out of mandatory bank holidays for the coming leave year and adding up to 8 days annual leave
- LGBT Great accredited* with our CEO, Laura Chappell, as Champion
- Increased take up of our Electric Vehicle and Cycle to Work scheme
- School outreach promoting the finance industry as opportunity for all, promoting diversity in our industry
- Becoming Cyber Essentials Plus certified. This is the highest level of certification offered under the government-backed, industry-supported scheme. We recognise the scheme's rubric as a minimum standard which we aim to exceed across our operations in line with best practices
- Work on establishing our operational carbon footprint progressed, to identify a clear baseline and actions for improving our own climate impacts

Diversity and Inclusion at Brunel

Within our own business we aim to promote diversity and inclusion at the highest level. The top positions on our Board, Chair and CEO, are both held by women: Denise Le Gal and Laura Chappell. 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 (which can be found in our Annual Report and Financial Statement).

* LGBT Great provides members with business-to-business networking to improve LGBTQ+ DE&I through the Inclusion Index Benchmarking Tool (iiBT).

Cyber

When we appoint managers, we integrate cyber security issues into the selection process. It, therefore, forms a part of the rigorous due diligence undertaken to assess how the manager is handling cyber security, both initially and on an ongoing basis. Any concerns are discussed with the manager and, where needed, conditions may be set around cyber security prior to entering any agreement. In such cases, managers are monitored more frequently.

Responsible Stewardship

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

Resourcing corporate engagement

Our approach is to leverage an outsourced model to maximise impact. **Our first line of asset-level engagement and stewardship** is via our appointed asset managers. Our inclusion of asset manager case studies as well as those documenting our selection processes aim to provide evidence of this in practice.

Our second line is a specialist engagement provider, who provides additional engagement resource and executes our voting intentions across our non-pooled listed active fund assets. **Finally, our third line is the internal team**, working directly, but often collaboratively, Brunel will undertake direct engagement with businesses.

Integrating Responsible Investment into manager selection is a core part of our work. The examples below show some of the key issues 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 and 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**

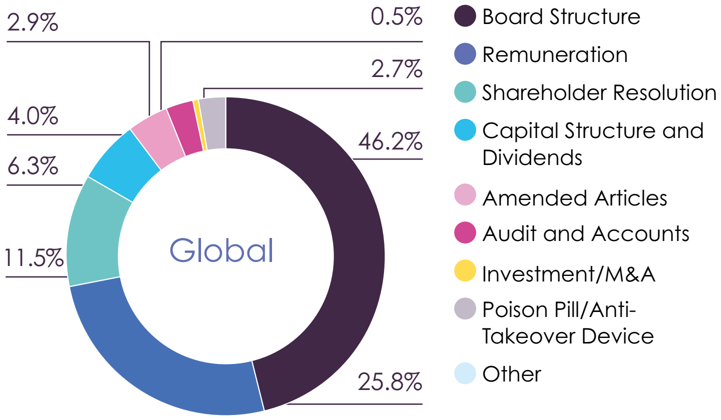
Voting during 2022

In 2022, **1,416** company meetings were voted at, representing **99%** of the voteable meetings. Across passive portfolios, **99%** of meetings were voted at, and across private markets and listed alternatives, **100%** were voted at. This represents an excellent level of voting execution. Unvoted meetings were due to share blocking, Power of Attorney (POA)'s or operational barriers.

'Against' recommendations were made for 813 meetings (60.7%) and with-management-by-exception recommendations for 4 meetings (4.3%); board governance and remuneration remained the areas of highest dissent. The highest level of support for Shareholder proposals were the areas of corporate governance, and social and human rights.

Our voting records are available on our website: Voting Records

We recommended voting against or abstaining on **2,729** resolutions over the last year



Measuring Progress

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

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.

1,256

Milestones EOS engaged with 899 companies on Brunel's behalf

1 Our concern is raised with the company at the appropriate level

2 The company acknowledges the issue as a serious investor concern, worthy of a response

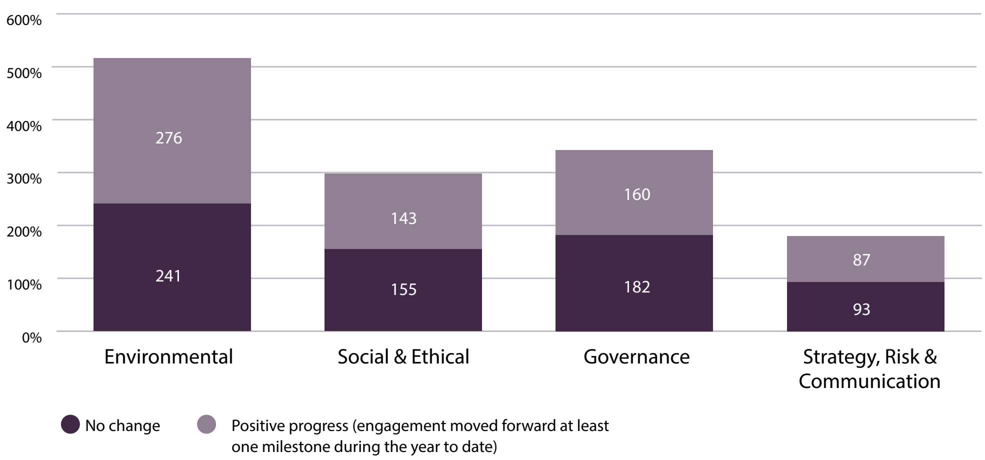
3 The company develops a credible strategy to achieve the objective, or stretching targets are set to address the concern

4 The company implements a strategy or measures to address the concern

Milestone Progress

Engagement Progress

Engagement during 2022 made significant progress. EOS undertake engagement over three-year cycles. During 2022, EOS engaged with **899** Brunel-held companies on 1,256 milestones. At least one milestone was moved forward for about **54%** of objectives during the year.



Engagement covers active equity portfolios, please note this does not include engagement undertaken directly by Brunel or its managers.

Private Debt – the final frontier of Stewardship

Private debt funds, alongside hedge and absolute return funds, are generally ranked quite low when it comes to ESG integration, climate, and stewardship*, but at Brunel we like a challenge. We have committed to be a responsible steward across all our asset classes, and whilst being pragmatic, we are also robust and have been clear that we are willing to walk away if we feel the commitment to improve is not evident.

Private debt has been an on-going area of stewardship engagement and one of which we have been pleasantly surprised at the pace of progress. We are currently embarking on our cycle 3 private debt programme which is very much regarded as a continuation of the ambitious work undertaken for cycle 2, but with a notable emphasis on measurement of carbon/ greenhouse emissions (within a broader long-term goal of reducing such in line with Net Zero) for investee companies. It has become increasingly possible to request that General Partners (GP) have (or have clear roadmaps for) the detailed mapping of emissions/carbon intensity data in line with industry best practices (specifically scopes 1-2 and upstream/ downstream measurement for scope 3).

Generally speaking European managers have been more advanced in their efforts to date, and Brunel has been able to make investments with GPs who have extensive mapping efforts underway (even if using a majority of proxy data at this stage). We have also been able to engage them to set ambitious targets around factors such as: (i) efforts to increase the share of portfolio level emissions sourced from actual companies; (ii) establishing a medium term target to move portfolios towards net zero; and (iii) the onboarding of external consultants and data providers to aid in (i) and (ii). A particular success story has been our collaboration with a prominent European GP to help steer the formation of their climate policy and their onboarding of what Brunel regards as leading data providers and initiatives.

Within the US, a region typically further behind on the climate journey, we have been engaging with GPs to help move best-practice RI-integrators towards onboarding the necessary infrastructure to utilise proxy data to measure portfolio level emissions.

* Mercer ESG ratings

"Long-term value is most reliably generated by companies led with a clear sense of purpose that guides their strategy and informs their values" **Brunel letter, 2022**

Policy Advocacy and Systemic Stewardship

In September 2022 Brunel, in collaboration with other investors, wrote to the Prime Minister and subsequently Chancellor/s and Ministers of State in relation to UK Net-zero commitment, addressing the pressures relating to energy security and pressing for renewed commitment to net-zero and a clear delivery plan.

We coordinated a letter cosigned by asset owners, collectively representing £675bn of assets, to Financial Times. The letter sought to voice the views of the significant shareholders of these companies and support the actions taken to think through their purpose and manage environmental, social and governance risks that might impede delivering it.

Case study: Significant Vote Real Living Wage

Engagement Background

Brunel is a member of The Good Work Coalition, a collaborative engagement initiative led by ShareAction, engaging collectively to drive up UK standards in the workplace. Since 2020 the coalition has been sending letters and meeting with companies to discuss the real living wage, the main focus has been supermarkets but has also included other sectors.

Nearly 10,000 employers are accredited with the living wage foundation, nearly half of whom have signed up since March 2020. Over half of the FTSE 100 are accredited.

Why do we support a real living wage?

During Covid we witnessed the great resignation, companies have experienced challenges in filling job posts since; better wages support retention, improve productivity of staff and reduce hiring and training costs. The number of accredited businesses continues to rise, creating increased hiring challenges for companies who pay below the living wage.

Workers in the supermarket sector are one of the largest groups of low paid workers, this contributes towards inequalities, women and ethnic minorities make up larger proportions of this group, 49% of female workers and 44% of ethnic minority workers earn less than the real living wage compared to 35 per cent of men and 41 per cent of white workers.[16] An improvement in the real living wage would contribute towards reducing the pensions pay gap, ethnicity and gender pay gaps. Reducing inequality equips people to focus on the long term increasing public support for initiatives essential to tackling climate change.

Payment below the real living wage is an unaccounted for cost to business and externalised cost to society. Financial stress can impact an individual's physical and mental health, adults living in households in the lowest 20% income bracket in Great Britain are two to three times more likely to develop mental health problems than those in the highest[17] and those individuals typically have access to higher costs of borrowing which perpetuates the situation and further drives inequality.

Escalation Process

Despite improvements in other sectors, no companies within the supermarket sector are accredited, and ongoing engagement was not resulting in progress. The coalition discussed escalation options and decided to proceed with filing a shareholder resolution seeking for Sainsbury's to accredit as a living wage employer by July 2023.

This resolution was ground breaking, the first of its kind in the UK. We brought the resolution to the client responsible investment subgroup for discussion, providing a background on engagement to date and escalation options explored. One question raised was why we were only filing at one supermarket, this was something the coalition had discussed: the shareholder resolution was going to be filed by meeting the 100+ shareholders requirement, as such it takes a lot of time and resource to file, it would not have been possible to cover multiple supermarkets at the same time. Sainsbury's is the second largest U.K. grocery chain with 16.5 per cent of the market share. It operates over 600 supermarkets; 800 convenience stores and at the time directly employed 189,000 workers. Across the coalition the highest holdings were in Sainsburys, and it was felt that given Sainsbury's policies and approach there was a higher chance of success. The resolution was also discussed with the Chief Investment Officer, ultimately clients were supportive, and Brunel proceeded with co-filing the resolution.

Response to the resolution by investors

There was a mixture of investor views on this resolution, a few investors predeclared they would not be supporting the resolution, sighting the filing at only Sainsburys as one of the reasons for this decision. This was to be expected, the resolution tackles a social issue where quantifying the financial materiality can be more challenging. Views differ on the best approach and the changing environment, rising inflation and cost of living, which led some to consider the more near-term impact of the resolution. The resolution itself was filed by investors representing £2.2 trillion in assets, including LGIM. We saw a number of new investors who predeclared that they would support the resolution, Aviva, Coutts and Co, GSI and the Coal Pensions Board.

Impact of the resolution

Following the filing of the living wage shareholder resolution at Sainsburys, Brunel has been involved in ongoing engagement meetings with the supermarket. This led to Sainsbury's announcing an additional pay rise for their London staff in April, resulting in all directly employed staff earning the real living wage, an estimated 19,000 workers benefited as a result. Engagement continued to seek accreditation and coverage of third party contractors, however Sainsburys were not supportive and so the resolution went to the AGM.

Resolution outcome

The resolution was taken to Sainsbury's AGM on the 7th of June where the living wage shareholder resolution received the support of 16.7% of investors, a further 2.6% abstained. This was the first ever resolution of its kind filed in the UK, the level of support for this first of its kind resolution is positive.

Were the goals met?

The resolution did not receive enough support to pass or require a public response from the company and Sainsbury's did not decide to accredit to the real living wage foundation. Whilst this is disappointing, ground breaking resolutions of this kind rarely pass first time, we did secure pay rises for thousands of workers and it did bring the issue to the forefront and drove discussion in the industry.

Next steps?

One challenge posed by the supermarket industry is the split of private and public ownership, expanding the filing of resolutions would mean a number of supermarkets would not be covered by this approach. The coalition will continue to engage with the industry and investors on the real living wage and explore the best next steps.

Biodiversity

We seek to promote action to limit the loss of biodiversity and increase rejuvenation to deliver a net-positive impact on biodiversity in the investment opportunities we make.

Kunming-Montreal Global Biodiversity Framework (GBF) GBF places clear commitments on financial institutions (as well as large companies) **"to monitor, assess, and transparently disclose their risks, dependencies and impacts on biodiversity through their operations, supply and value chains and portfolios."** We are delighted that the agreement strongly reinforces the biodiversity strategy set out by Brunel last year and is available on our website.

Brunel's work on biodiversity in 2022 was focused on outreach to our managers and engagement specialists. This enabled us to highlight the growing importance of the issue, set out our expectations going forward and identify emerging best practices.

Escalating Biodiversity Engagement

Brunel updated its priorities and separated Biodiversity out rather than including it within supply chain management and communicated this priority to our asset managers and appointed engagement and voting provider, EOS at Federated Hermes (EOS).

How is EOS addressing biodiversity through engagement?

EOA are targeting 15 companies from the food and beverage sector around the globe. EOS sent a letter to each company identified outlining the risks of not addressing biodiversity loss. they are integrating more biodiversity discussions for these sectors to progress cross industry action on biodiversity. Material issues for engagement include regenerative agriculture, deforestation, sustainable proteins, water use, animal welfare, antimicrobial resistance, chemicals and pollution, and ocean health. The key topic for EOS is deforestation, as it has the most related metrics and certification schemes across the industry.

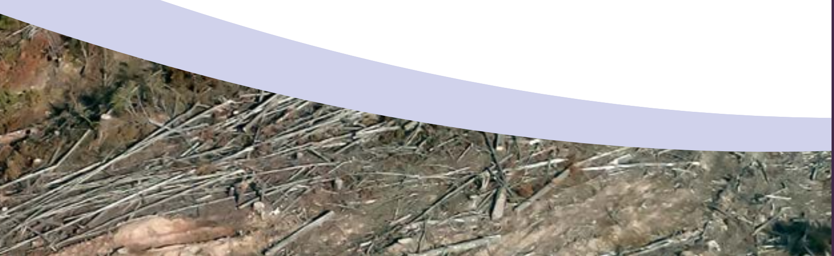
Deforestation

Deforestation was an increased area of focus for EOS in engagements and voting for 2022. EOS began engaging on palm oil financing with Singapore's largest bank DBS in January 2019.

The bank confirmed that its new borrowers were asked to demonstrate alignment with No Deforestation, No Peat and No Exploitation (NDPE) or an equivalent. Engagement continued with the bank being urged to ask its existing borrowers to obtain RSPO certification in September 2020. In March 2021, DBS had raised its ESG standards for the palm oil sector, encouraging its customers to apply an NDPE policy throughout the supply chain.

The bank pledges not to knowingly finance companies that are involved in the conversion of high carbon stock forests, planting on peat, or planting without securing both the legal right and community support to use all the land involved. DBS has adopted a zero-tolerance approach to forest burning.

Deforestation is a key priority of our appointed Passive Equities manager LGIM. In 2022 they continued their deforestation engagement campaign with portfolio companies. In September they published their Deforestation Policy, and communicated that they will be sanctioning companies for not meeting their minimum expectations of having a deforestation policy or programme from 2023 onwards.



Examples

Nature Risk Profile

S&P Global (S&P), Brunel's provider of climate analytics, was a logical partner to explore tackling portfolio analysis in relation to nature risk. We are now partnering with S&P Global Environment in a pilot exercise to profile nature related risks within our active portfolios.

Capacity building in our asset managers

Ballie Gifford is one of our asset managers who has also been tackling the isue and exploring how to analyse and integrate biodiversity related risks into their investment analysis. Building nature risk capability is one of the key asks of our asset managers from our strategy. Baillie Gifford are integrating their screening tool into their firmwide Climate Audit tool to ensure analysts are able to easily identify which holdings are potentially exposed to biodiversity impacts or dependencies (particularly deforestation) and which may therefore require further analysis and potentially engagement.

Next steps

EOS and Brunel will continue to prioritise this topic through:

- Supporting developing industry thought Leadership
- take part in collaborative engagement with policymakers, companies and businesses
- Continuing to raise awareness
- Continuing to engage companies and our fund managers around the importance of managing plastics pollution risks and opportunities
- Using nature risk profile to assess exposure to nature-related risk

Diversity, Equity 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.

Diversity formed 20% of EOS's engagement on social issues during 2022. They have continued to focus on diversity, equity, inclusion and representation, asking companies to develop a strategy and action plan to close the ethnic pay gap and achieve proportionate ethnic and gender representation at all levels.

We imbed these into our engagement with companies:

- An increased voluntary target for FTSE 350 Boards, and for FTSE 350 Leadership teams to a minimum of 40% women, by the end of 2025
- FTSE 350 companies to have at least one woman in the Chair or Senior Independent Director role on the Board, and/or one woman in the Chief Executive or Finance Director role in the company, by the end of 2025
- Key stakeholders to set best practice guidance or have mechanisms in place to encourage FTSE 350 Boards that have not achieved the prior 33% target to do so
- Each FTSE 350 company will be asked to set a percentage target for senior management positions that will be occupied by ethnic minority executives in December 2027
- 50 of the UK's largest private companies have been set the target of having at least one ethnic minority director on the main board by December 2027. Each company will also be asked to set a target for the percentage of ethnic minority executives within its senior management team

FTSE 350 Women on Boards meets 40% target three years ahead of the deadline

AODC: A Year in Review

- The signatory base grew from 17 to 24, representing £1.7trn AUM and the first multi manager was onboarded as a signatory.
- Using our questionnaire we were able to understand a baseline and look at best practise guidelines – a full report will be published soon

Next steps

- We aim to stay above our current targets, but seek improvement on the percentage of female representation on Boards for each of our active investment portfolios
- Engaging with companies on ethnic diversity
- Encourage improvements in the amount of data available around diversity and inclusion
- Maintain and publish our own diversity statistics and gender pay
- The Asset Owner Diversity Working Group, with the aim of improving transparency and diversity in the investment industry, will review the charter questionnaire, continue to grow the signatory base and report on progress

Human rights and social issues

We seek to invest in companies that respect all human rights, international norms and promote strong labour standards.

Our Approach

Our work across human rights and social issues continues to build on the momentum over the past years that has elevated the 'S' of ESG.

- expect our fund managers to understand and support the struggle against violations of human rights.
- insist that companies 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 and the United Nations Guiding Principles on Business Human Rights (UNGPs).
- encourage companies to adopt and to increase use of appropriate technology to improve transparency on end-to-end supply chains. We engage with companies on their approach to human capital management.

Case Study: Infrastructure – Nobina Project "Rise"

In our Cycle 2- General Infrastructure portfolio, we are co-investors alongside Basalt in Nobina, a bus transport and special needs transportation provider in the Nordics. Nobina has a fleet of ~3,700 buses and transports ~317 million passengers per year.

Bus transportation produces less GHG than the equivalent car journeys, in tandem the vehicle fleet is 78% powered by renewable fuel. By 2030, Nobina is targeting 100% renewable fuel and 80% less CO2 emissions per km driven against its 2015 baseline, with further energy efficiency measures in depots and bus heating. Nobina played an important role during the COVID pandemic through providing special needs transportation for the elderly and sick.

Significant Vote – Concealment Clauses

At Apple's AGM across all listed market portfolios, passive and active, we voted in support of a shareholder resolution requesting a report on concealment clauses. More information on the impact that the company's standard arbitration provision has on Apple's employees may bring information to light that could result in improved recruitment, development and retention and could help the company prepare for pending federal legislation on the matter. The resolution received 50% support. In November 2022 Apple announced that it is ending the use of concealment clauses from employee contracts for all employees.

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 the temperature rise needs to be kept to well below 2°C, pursuing efforts to limit warming to no more than 1.5°C, above pre-industrial levels.

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.

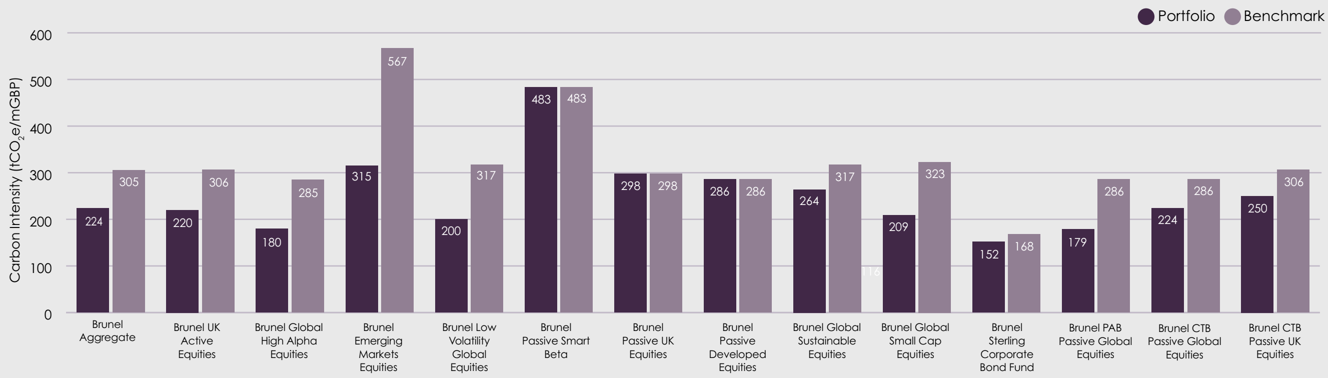
This commitment is made through the Paris Aligned Asset Owners, part of the Paris Aligned Investment Initiative (PAII).

Our new Climate Change Policy 2023-30 was launched. It extends that five-point plan to 2030, as we pursue our aim to change the broader financial system.

Developed in collaboration with our clients and key stakeholders. In each area we have set targets which are consistent with the Net-Zero Investment Framework. **They also reflect the Brunel and client priority to have real world impact and reduce real risk, not to just superficially make our portfolios look better.**

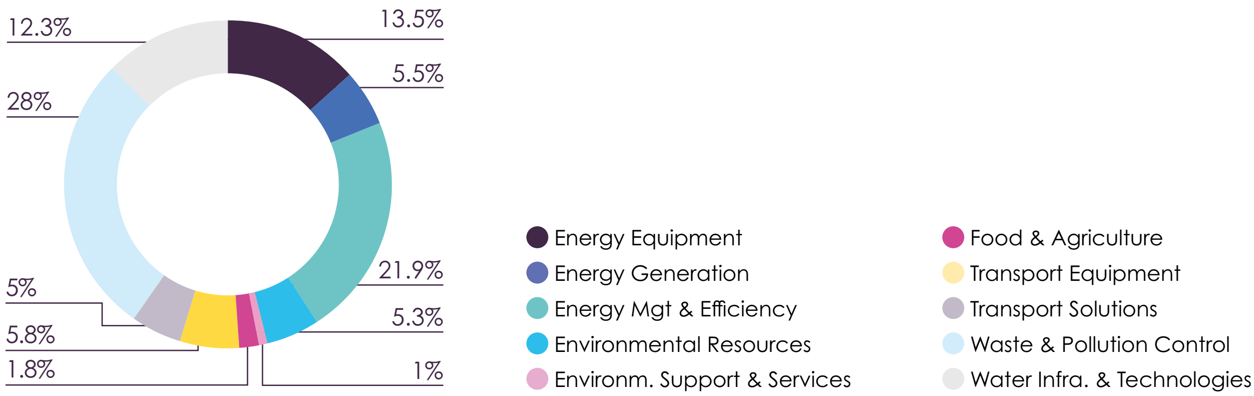
Compared to its benchmark, the aggregate portfolio is 27% less carbon intensive on a Weighted Average Carbon Intensity (WACI) basis and 35% less than the baseline set in 2019.

Carbon Intensity of Brunel's portfolios compared to the Benchmark of December 2022



Measuring positive Impact – FTSE Green Revenues data set

Example portfolio - Brunel Global Sustainable Equities December 2022



Carbon intensity

Weighted Carbon Intensity of Brunel's portfolios compared to 2019 baseline

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

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

** This Portfolio has a baseline of 31 December 2021

Key highlights of work for 2022

- Extensive outreach promoting our climate public policy positions and promoting the Paris Aligned initiative's Net Zero Investment Framework at UN Climate Conference - COP27
- Supporting well-functioning markets by working collaboratively through Glasgow Financial Alliance for Net Zero (GFANZ) and with the UK Government development of a Green Taxonomy and Transition Plans
- Supporting the development of the International Sustainability Standards Board (ISSB) and specifically the exposure drafts for sustainability report and climate reporting. Brunel's CRIO is a member of the Investor Advisory Group for the ISSB

Climate Action 100+

Brunel Pension Partnership is a signatory to Climate Action 100+, a global initiative led by 700+ investors, whose aim is to ensure that the world's largest listed corporate emitters take action on climate change.

Brunel CA100+ key statistics 2023

The current CA100+ Universe is 159 companies, as at the 31 December Brunel had exposure to 130. Numbers represent the percentage number of companies fulfilling the indicators below;

	Brunel cohort	CA100+
Net Zero commitment	82%	75%
Board level oversight	95%	92%
Committed to the basic aspects of TCFD framework	97%	91%

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

Engaging with companies on climate action

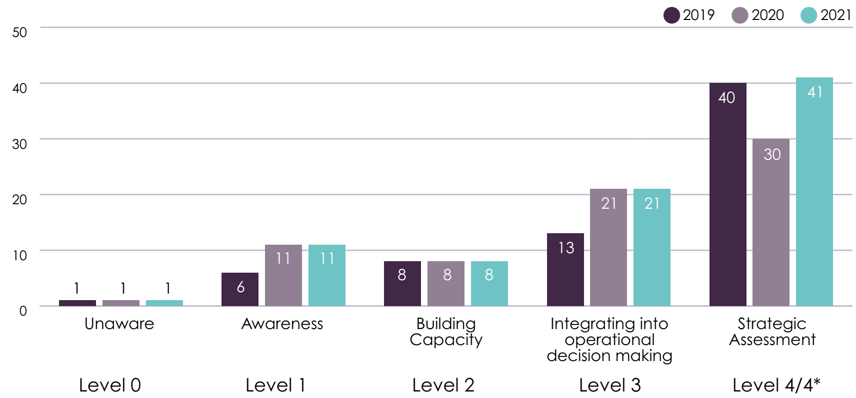
Transition Pathway initiative

We aimed to have all our material holdings on TPI level 4 or above by 2022. We used the TPI management quality scores to assess the transparency of companies' management of their greenhouse gas emissions and of risks and opportunities related to the low carbon transition.

As of December 2022, within Brunel's active equity portfolios there were 101 companies covered by the TPI tool. Of these, 55 holdings (63% by investment value) are categorised as Level 4 or above.

We also aim to move companies forward, evidence by moving up a level. In 2022, 9 names within our active equity portfolios moved up a TPI level.

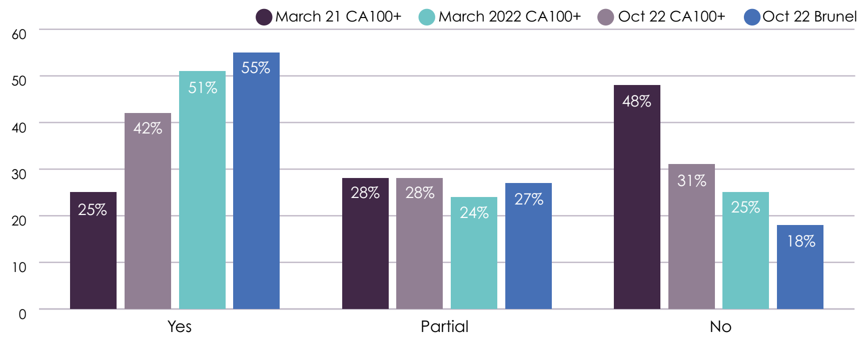
TPI Management Quality Brunel Active Equity Count



Progress across CA100+ focus companies on net zero target setting.

By October 2022, 75% of focus companies have set a net zero emissions for 2050 (or sooner) by ambition that covers, at least, their Scope 1 and 2 GHG emissions, an increase of 42%, significant improvement from March 2021.

Indicator 1 - Net Zero GHG by 2050 (or sooner) ambition



Climate Stocktake

Our climate stocktake

Designed to assess of the effectiveness of actions within our 2020 policy, the review undertaken by Chronos Sustainability, stated that;

- Significant progress had been made both relative to its starting point in 2020 and to the ambitious targets set at that time
- Brunel are ahead of target to reach the Net Zero halfway point by 2030, thanks to outdoing its 7% annual carbon exposure reduction target
- Brunel has undertaken considerable engagement with all of its investment managers on climate change and has developed market-leading investment products (the Paris Aligned Benchmark harnesses indices for climate investing and the Multi-Asset Credit portfolio drives forward RI in more esoteric bond asset classes)
- Brunel facilitated significant investments in green assets via its infrastructure and secured income portfolios
- Brunel has also established firm foundations – in terms of, internal accountability and governance processes, building manager competence, strengthening data and performance measurement – that will underpin its work in the coming years.

Engagement was essential to the process and consisted of 20 interviews across 15 organisations, and were complemented by two deep dive workshops with clients. The engagement highlighted strong support amend Member Funds for our approach to climate change. Overall, stakeholders felt that Brunel met or exceeded their expectations on climate change across each of the five elements of the Climate Policy, but expectations had also increased over the last three years and clear areas for improvement were identified.

As part of the stocktake Brunel specifically undertook to review the effectiveness of its policy advocacy and identify areas for further escalation. The review is publicly available along with other examples and evidence of action against the Policy Advocacy Pillar of our policy.

Case Study: Orchard Street partners

We committed just under £90m with Orchard Street in their inaugural impact fund at first close. Brunel acts as the Fund's cornerstone investor on behalf of eight of our ten underlying local authority partner funds. The fund sits within our UK Property portfolio.

The fund will target value-add real estate investment opportunities with the potential to generate a measurable social and environmental impact. Specifically, it will focus on the three impact areas from decarbonising existing buildings via an accelerated programme of refurbishment, investing in local communities, using a proprietary place-based needs model to identify and respond to local social issues. It will also focus on making buildings healthier for those that live and work in them, for example through improving air quality, access to green space and wellness amenities.

Orchard Street has also taken a market leading approach by linking 30% of its performance fees to the achievement of the Fund's specific impact objectives, thereby aligning itself directly. Not only to financial outcomes, but also to important environmental and social goals.

Next steps

- Publish more details on our activities in our Climate Action Plan Progress Report (later in 2023)
- Development of metrics and targets for private market portfolios, including sustainable exposure
- Enhance the reporting of physical climate risk, climate engagement and real-world outcomes

Tax and Cost, Transparency and Fairness

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 key 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 commit to paying their fair contribution
- Ensure that their tax policies and practices do not damage their social licence to operate in all jurisdictions where they operate
- Disclose the taxes they pay (or collect) in each country
- Provide country-by-country reporting to demonstrate that taxes are paid where economic value is generated
- Adopt an approach to tax policy that is sustainable and transparent

We expect asset managers to:

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

Key highlights of work for 2022

- Brunel participated in the PRI Tax Reference Group in 2022/23
- EOS will engage on four critical areas: tax policy, governance, stakeholder engagement and transparency.
- Brunel is a signatory of the LGPS Code of Transparency and requires all qualifying managers to be signatories.
- Brunel is supportive of aligning asset manager or fund incentives with broader sustainability outcomes where appropriate. For funds which are explicitly targeting impact, particularly in private markets we support the idea of linking 'carry' which forms part of the fee/ incentive structure for the fund with the outcomes being delivered.

Next steps , continue to

- Continue to support PRI establishment of new asset owner leadership group on Tax and outreach and continue to promote transparency and fairness with investors and companies
- Continue to enhance our disclosures and analysis in relation to cost transparency and fairness

Cyber

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

We consider 'cyber' to refer to an array of issues covering data privacy, data security and 'big data', including artificial intelligence (AI) and the associated human rights issues.

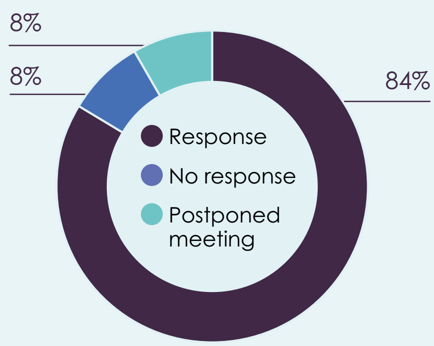
Given the significant financial consequences of poor cybersecurity, the growing threat it presents, and the increase in related regulations worldwide, we believe it is imperative that companies are fully aware and take appropriate action, in particular prioritising partnerships with other organisations.

Cybersecurity Coalition

In 2020, Royal London Asset Management (RLAM) convened the Cybersecurity Coalition, with representatives from Brunel, Border to Coast, NEST, RMPI Railpen and USS. We have found phase 1 and 2 engagements useful to monitor risk given the confidentiality of policies and lack of public disclosure in this area.

In 2022, phase 3 of the engagement programme was launched and twelve companies that may be at higher risk to cyber attacks were identified for engagement. Of the 12 companies we contacted, only one was unresponsive and one requested we delayed our meeting as they were conducting an internal review on ESG disclosures.

Phase 3 Engagement Progress



Example – Privacy rights

EOS wrote letters to some of the largest tech companies around the globe including Alibaba, Alphabet, Amazon, Apple, Baidu, Kakao, Meta, Microsoft, Tencent, and Twitter, introducing the Digital Rights Principles. EOS made several requests including that companies obtain consent from users for the collection, inference, sharing, and retention of their data, and enhance their disclosure on enforcement of policies and protections

Next steps , continue to

- Participate in the Cybersecurity Coalition to phase 4
- Engage with our asset managers on cyber issues; both how they approach integration into investment selection and manage the risks within their operations
- Engage with companies on privacy rights to ensure that user data is being used appropriately and with consent

Circular Economy and Supply Chain Management

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.

Voting

We used all of our listed equities to support a shareholder resolution asking for a report on the public health costs of antimicrobial resistance at Abbott Laboratories. The proposed study will contribute to inform shareholders and other stakeholders on how the actions that Abbott Laboratories take, or do not take, may contribute to slowing the growth of anti-microbial resistance (AMR).

Other investors shared the same sentiment and | the proposal received 89% shareholder support. We will be looking to see how the company responded to this proposal. voting in the run up to the next AGM.

Next steps

- Participate in the Mining 2030 steering committee, contributing to the development of a mining 2030 investor agenda
- Continue to raise awareness across the wider investment industry around the importance of the circular economy

Case Study: Washing Machine – Reducing Plastic Waste

Brunel and 26 international investors, joined a collaborative engagement led by First Sentier Investment, with support from the Marine Conservation Society. Engaging with 18 of the largest manufacturers of washing machines to understand what they're doing about microplastics through washing machine use and to champion technological advances to tackle this issue. Samsung, one of our target companies, announced a collaboration with Patagonia to develop a new machine with a microfibre filter.

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.