



2023 Review

Back and forth: Partnership power

Laura Chappell, CEO

It is dizzying to look back on even a year in this job, and the Brunel meteor continued to blaze through 2023, from the publication of a new Climate Change Policy to new ventures in private markets and continued improvements right across our reporting.

But I wanted to peer back even further to the beginning of a very productive Brunel partnership: between our Board and Executive or, more personally, our CEO and our Chair, Denise Le Gal.

Last year, Denise announced her intention to step down from her role in 2024. Through eight years, she will have seen Brunel transform from fledgling company seeking FCA authorisation to established asset owner responsible for £35 billion in LGPS investments across multiple asset classes – and undisputed leader in Responsible Investment. I have valued her considerable passion, experience and expertise, but especially her commitment to partnerships, whether within the company, or across finance and government – all ensuring we really are forging better futures by investing for a world worth living in.

Our year was defined by this same vision. Take just two examples: spades hit soil for an affordable housing project in Cornwall ([pp.13](#)); and we launched our third private equity portfolio (£626m), with a 40% commitment to impact investments.

It was also a year of consolidation and professionalisation. Both quarterly and RI reporting expanded and deepened ([pp.14](#)) and we appointed Tutman as our new ACS provider.

In all areas, we continued to focus on the horizon, not least in RI. This is not only an ethical bonus. We believe we cannot fulfil our fiduciary duty without managing all RI risks, such as biodiversity ([pp.8](#)). This is true in our investments, as in our internal practices ([pp.5-7](#)). We know this wholesale integration of RI will enable our progress and growth in the years and decades ahead.

How did we fulfil our fiduciary duty in all its elements in 2023? The answer is multi-faceted, of course, but the people we have managed to recruit and retain in a challenging hiring environment have been crucial. Thematically, however, two approaches were key.

Firstly, we continued to interrogate ourselves, whether through our Client Survey or the Climate Stocktake that led to our new Climate Change Policy (pp.14). Secondly, we continued to pioneer RI through partnerships - with clients, shareholders, asset managers, and industry peers.

We had to remain both long-term and nimble. Not all new openings and challenges emerge slowly: in 2023 we successfully trialled AI internally. At other times, long-promised change comes fitfully. New LGPS pooling guidelines indicated the direction of travel; our current strategy review is exploring the case for scale and consolidation in the interests of clients and their members.

We have always sought to be a leader, but never a solitary outlier. Looking back, the principal lesson of Brunel's meteoric rise is that partnership has not slowed us down, but increased our impact. Long may that continue.

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On the horizon

Denise Le Gal, Chair

It is a point of pride to me that, since inception in 2017, Brunel has maintained our position of leadership in RI. By 2018, we were the first pool to sign up to TCFD reporting, the IIGCC, and UNPRI, and to launch our own RI Policy. One year later, we had transitioned 50% of client assets.

In 2020, we published our ambitious Climate Change Policy (updated in 2023). In 2021, we formally committed to Net Zero, co-launched new Paris-aligned benchmarks and completed our suite of 17 multi-client portfolios – adding a local impact portfolio in 2022. By 2023, we were planning our fourth cycle of private markets portfolios and developing our new RI priority: biodiversity (see pp.8).

These achievements over seven years are enormous and have been recognised in a range of awards, from portfolio construction to impact investing.

The year 2024 promises to be no less ambitious and challenging. Following the government's consultation on the future of the LGPS, the chancellor laid out ambitions for pools to transition all assets by March 2025. These also targeted further consolidation, to enable pools to reach £200bn by 2040. Our partnership has appointed a third party to enable us to consider options for consolidation.

The government also wants UK investment to promote UK growth and to encourage start-ups (in life sciences, artificial



intelligence and sustainable energy, in particular) to list, and to remain in the UK as they grow and mature (pp.4).

These plans reflect cross-party ambitions that are expected to transcend election outcomes. Brunel is well-placed for such changes, given our existing investment in these asset classes – and, as these pages show, our investments in the UK.

This is my final year as Chair of Brunel. The process of selecting my successor has begun and there will be a period of overlap to ensure an effective handover. It has been a great privilege and such fun to have been given the opportunity to lead Brunel from a somewhat uncertain start-up to the vibrant and well-respected company it is today. I wish everyone involved in the next chapter of Brunel's journey every success as they continue to reach for the stars.

Private debt: Funding UK Inc

Nicholas Gray, Portfolio Manager – Private Markets

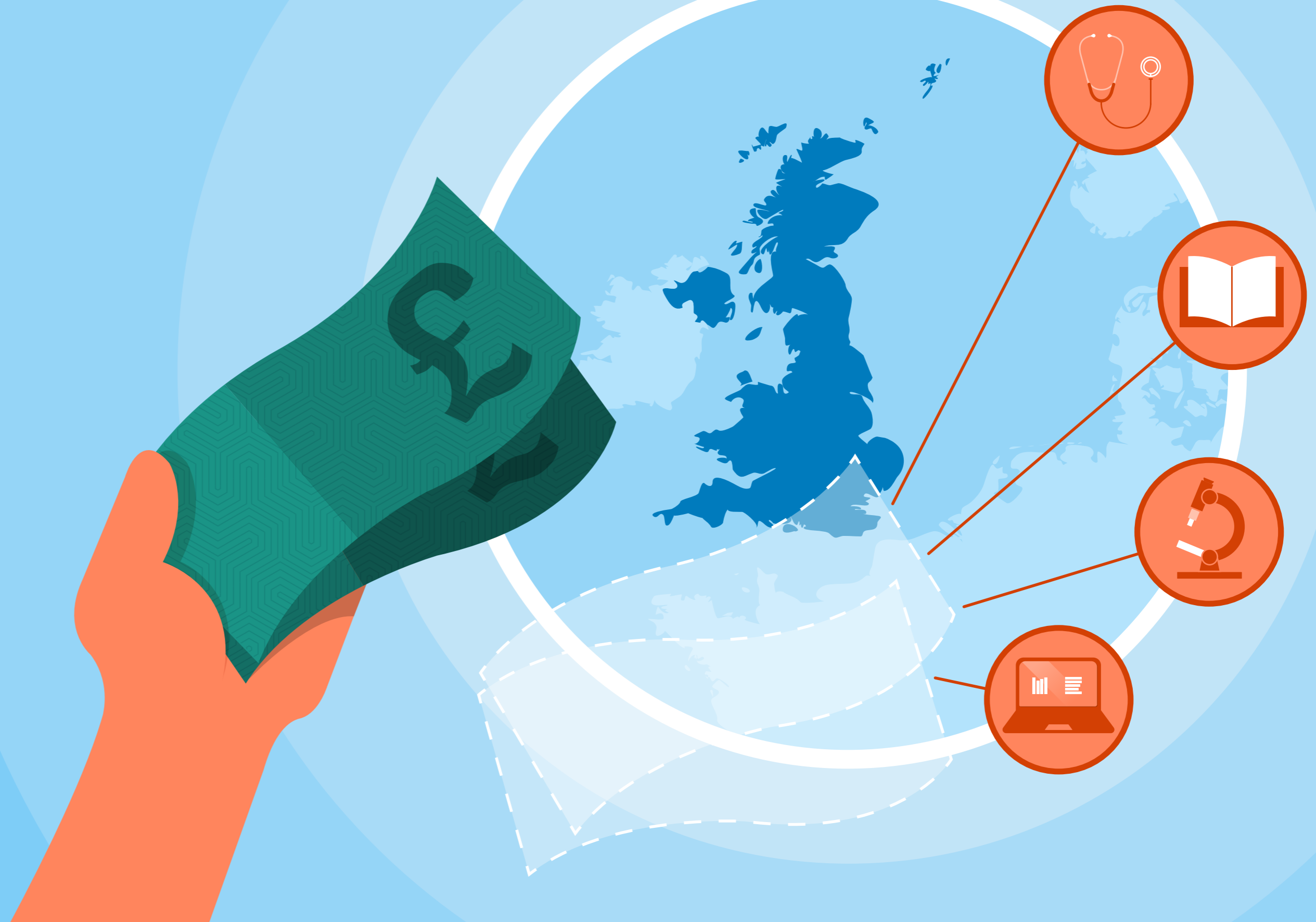
Brunel is committed to supporting the UK economy by providing capital to the country's middle-market businesses, and we are helped by the fact the UK is Europe's largest market for sponsor-backed lending in the middle market.

The UK now comprises **17% of our Cycle 2 Private Debt portfolio** (launched 2020), equating to a fair market value of £80.6 million.

That exposure is diversified across **33 distinct loans**. Sectors we are exposed to include:

- Healthcare services including marketing, patient equipment and consultancy
- Education services
- Research & Consultancy
- Systems software

Cycle 3 Private Debt (launched 2022) is at a more formative stage and largely undeployed, but its design will ultimately deliver a similar UK allocation. One major holding in Cycle 3 is a UK provider of vertical customer relationship management, business management, and payments software. Its ambitious M&A strategy has already seen it complete more than two-dozen acquisitions since inception.



Walking the talk

Our RI ambitions only deliver if we start with ourselves.

Jodie Stewart, Investment Business Manager

When you spend so much time telling companies, managers and the industry how to prioritise RI, your message only lands if you practise what you preach.

That's where the third pillar of our RI Policy comes in. Walking the Talk ensures that we have the best operational practices, whether on diversity, cyber or climate, to name just three of our RI priorities.

Making finance accessible: Catalyst Education Programme

Brunel signed up as a Catalyst sponsor in 2023. It was founded in 2020 "to provide economically disadvantaged pupils with the aspiration, belief and tools to develop a career in the investment and savings industry" - a joint venture between #TalkAboutBlack, the City of London Corporation, and IntoUniversity.

The scheme launched in London but was rolled out in December in the Southwest with an event for pupils at Brunel's offices - workshops and mentoring have continued in 2024.

Buy right: Social value in procurement

Can you ensure that your purchases as a company benefit broader society? The Social Value Act 2012 states that all public bodies must consider how what they are proposing to buy might improve economic, social and environmental wellbeing.

Brunel is not a public body, but in 2023 we committed to include social value questions in our procurement process, such as on cyber security, supply chain resilience, climate change and DEI. We continue this thematic analysis during the lifespan of supplier contracts.

Shrinking our footprint: Carbon tracker

In 2023, we commissioned our first full carbon footprint report, setting an operational emissions baseline to enable targets & improvements in future.

We have begun work on follow-on actions to improve our organizational footprint in the current emissions reporting year (ending Sept-2024):

- Improve data: appoint exec-level sustainability champion & cross-company working group
- Build regular data collection process
- Collect timely, accurate 2022-3 data
- Review internal policies & procedures (e.g. travel, expenses) to reduce footprint
- Review benefits package and potential support for Net Zero targeting
- Explore short-term credible carbon offsetting to aid carbon reduction

The decision followed our commitment to achieve Net Zero in both operational emissions (Scopes 1 & 2) and other indirect emissions (Scope 3). We have already made considerable progress on the journey towards our Scope 3 emissions 2030 target. (See pp40 Climate Action Plan and Walking the Talk.)



We didn't stop there...

A few other developments are worth highlighting more briefly:



Agreed and launched a new People Strategy, including major recruitment strategies development (new staff member, new technologies).



Sarah Kerry, IT Systems Analyst, ensured we donated 28 laptops to DigiLocal, a local charity for children & young people lacking access to technology.



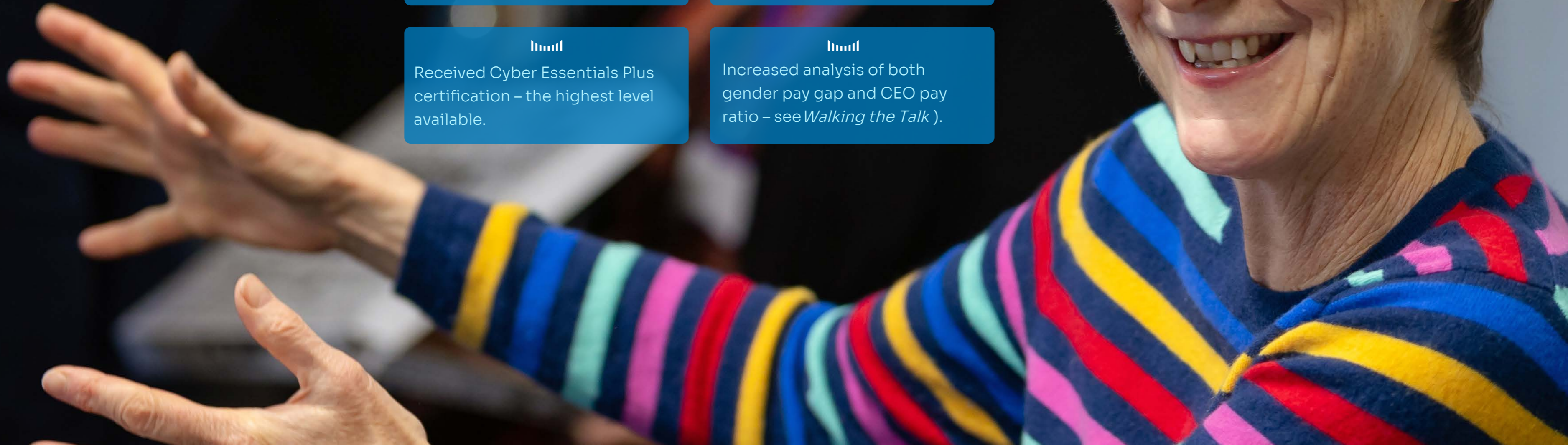
Established that Brunel and our direct suppliers continue to meet Real Living Wage standards; we are now seeking formal certification.



Received Cyber Essentials Plus certification – the highest level available.



Increased analysis of both gender pay gap and CEO pay ratio – see *Walking the Talk*).



Inside out

Alice Spikings, Stakeholder Officer

Focusing on culture inside Brunel benefits multiple stakeholders, including those outside our partnership.

A large part of that focus is employee participation and support, whether in the form of feedback forums, social gatherings, health and wellbeing initiatives, or flexible working policies.

The list to the right gives a snapshot of positive developments and entirely new initiatives launched at Brunel in 2023, but also includes a couple of examples of strong take-up of benefits, which we view as a key barometer of culture.

- 10 All-Staff Briefings (hybrid) covering topics from team news to Staff Survey results to new People Strategy and Climate Change policies
- Improved health cover, including menopause support
- Monthly 'Smoothie Mornings' in the office
- New training sessions for soft skills development
- 5 meetings of Employee Voice Forum – EVF relaunched:
 - Representative updates
 - Processes to improve internal communications
 - Feedback on HR Hub
- Learning & Development improved, including demonstrating steps for staff to reach next grade
- Four staff took up maternity leave and two staff took up paternity leave – out of around 70 staff
- Staff working days used for volunteering at Elm Tree Farm for Brandon Trust, a local charity supporting those with learning difficulties
- Launch of a new staff mentorship programme
- Flexi increase, including overseas allocation, flexible bank holidays, Buy Leave options



Investing for a world worth living in

Biodiversity boost

Chris van der Merwe,
Responsible Investment Officer

In 2023, Brunel conducted a pilot project with S&P Global to assess nature risk across our aggregate listed equity and fixed income portfolios.

As a result, we now have to think not just about carbon metrics data – but biodiversity data, too!

Biodiversity is reckoned to be the fourth most severe global risk in the coming decade – the top two both relate to climate change,¹ which is itself closely linked to biodiversity.²

Investors are ill-prepared: less than a third of Europe’s biggest companies have set biodiversity targets.³ However, in 2023, the Taskforce on Nature-related Financial Disclosures published its finalised [TNFD framework](#), which some investors already use for engagement – mandatory reporting may yet follow.

[Biodiversity & Nature](#) was already one of our [RI priority themes](#) at Brunel, but our work with S&P

Dependency risk

85%

of the world’s largest companies

have a significant **dependency on nature** across their direct operations

The world’s largest companies

Global last year enabled us to delve deeply into a crucial but complex theme. Thanks to their report, we are far better equipped to identify companies whose assets overlap with existing [Protected Areas](#) and [Key Biodiversity Areas](#).

S&P defines Biodiversity risks in three principal categories: Reputational (and regulatory) risk; Impact risk; Dependency risk (see graphics.)

In January 2024, Brunel was named as a [TNFD Option 2 early adopter](#). To find out more about our broader approach, see [Brunel: Biodiversity & Nature](#).

Impact risk

22 million hectares
of land use

for the direct operations of the world’s largest companies to generate

USD 29 trillion revenue in 2021

This is equivalent to **fully degrading**

2.2 million hectares
of the most

pristine and significant ecosystems, such as the most intact and biodiverse parts of the Amazon (expressed as an ecosystem footprint)

Reputational risk

46%

of the world’s largest companies

have at least one asset located in a **Key Biodiversity Area** that could be exposed to future reputational and regulatory risk.

Fractured world

David Vickers, Chief Investment Officer

Investors may prefer to ignore politics, but in 2023 they had no choice. Russia's continued war against Ukraine made its presence felt on markets through sanctions, food prices, the oil price – and thus interest rates rises – while US-China rhetoric weighed on sentiment ahead of an attempted November patch-up. Investors cannot forget politics now, either: 2024 will be the biggest election year in history by voter numbers.

Stock markets could mislead. The S&P 500 hasn't been so concentrated since the "Nifty Fifty" in the '70s. In fact, 80% of gains over 2023 were provided by the seven largest names on the market, creating a distorted sense of growth, and undermining benchmarks' supposed diversification. Nor can investors forget politics now: 2024 will see record numbers globally head to the polls.

If investors felt at sea, spare a thought for central bankers, caught amid rising inflation and homeowners looking to remortgage. Inflation remained elevated through the first half of 2023; the resulting rate rises impacted private

markets, capping an era of cheap money, and hitting margins in renewables.

By the third quarter, investors concluded that rates would plateau, leading bonds and equities to dip, until November inflation figures in the US and eurozone raised expectations of 2024 rate cuts – pushing stocks back up. The Personal Consumption Expenditures deflator – among the Fed's most important data series – hit its 2% target, implying the inflation dragon had been slain.

Commentators had not foreseen such a strong market recovery for 2023, but its strength was overwhelmingly driven by those 'magnificent seven'. For 2024, the question is: has inflation been tamed and a recession avoided? We don't yet know, but consumer spending trends imply a soft landing – which is now priced in.

Expertise, pooled

High levels of economic uncertainty and market distortion highlight the importance of our ongoing conversations with our appointed asset managers, so that our

80% of gains on the S&P 500 across 2023 were provided by the seven largest names on the market.

partnership's priorities continue to be targeted across our portfolios.

Our climate priority was reflected in our extensive Climate Stocktake, via consultation with multiple stakeholders, especially clients and shareholders. It enabled us to publish a new, more comprehensive Climate Change Policy.

Fundamentally, the new Policy obliges us to further turn the screws on our managers and holdings via increased RI expectations. As ever, we aim to drive whole-economy change for the long term – not simply buff our portfolios.

We report annually on our success or failure on our carbon exposure ambitions, and on our broader RI priorities;



in 2023, we also published a full TCFD Climate Action Plan (pp.14). Our engagement also continued apace, usually via EOS Federated Hermes.

We view all these areas as part of our fiduciary duty, alongside appropriate performance. Absolute performance was strong across all listed market categories, a reversal of 2022. Within private markets, whilst performance data is lagged, the last audited NAVs show that portfolios performed well.

Active management struggled, specifically in global equity mandates, given the concentration of returns. Indeed, the global equity index looks likely to have beaten the vast majority of active managers. Happily, our least constrained fund, Global High Alpha, kept pace. Elsewhere, relative performance was mixed.

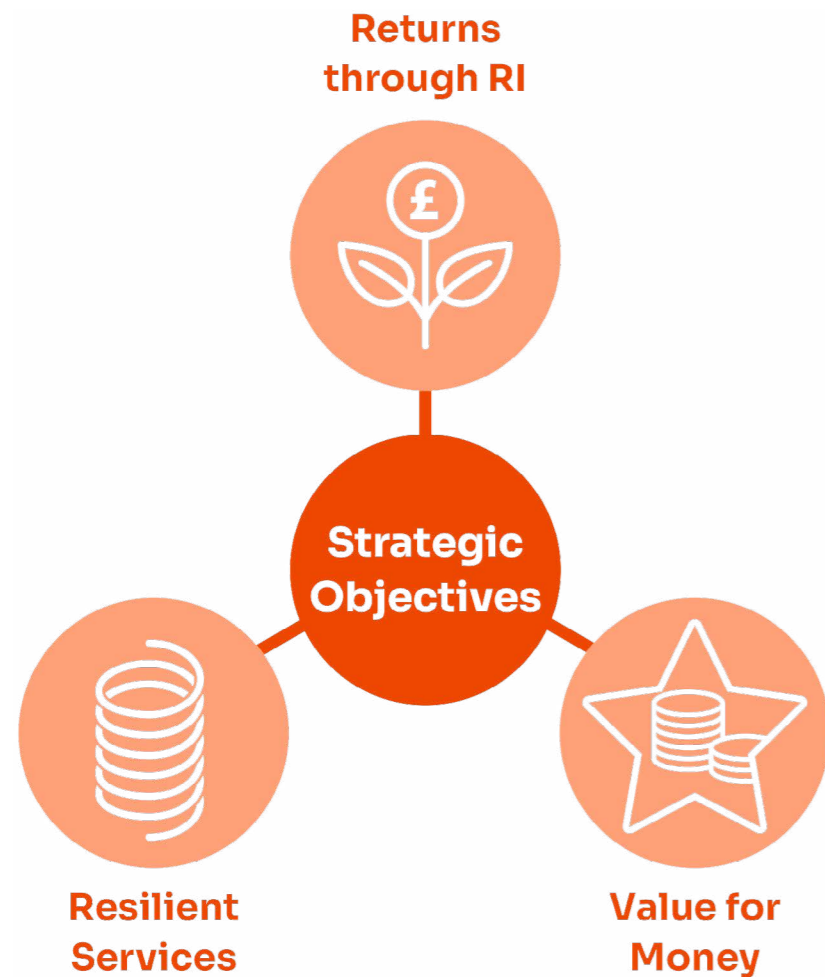
Success across our ambitions and 40+ portfolios relies on conversations with managers, clients & shareholders (pp.11). In 2023, we also made announcements across private equity and affordable housing; set specifications for cycle 4 private markets portfolios; and selectively sought publicity to foster industry change. On this last front, Institutional Investor's CIO of the Year award reflected the skill and passion of the whole investment team.

I believe we have the right team and processes to remain cohesive, dynamic and responsive in the years ahead.

Dynamic Strategy

Joe Webster, Chief Operating Officer

The pace of change in our industry is remarkable. It was only in February 2023 that the partnership approved our Strategic Objectives, which confirm our purpose in supporting our clients to meet their fiduciary duty by acting as a cost-effective leader in Responsible Investment, providing value for money in the broad sense, and demonstrating resilience.



That feels a while ago because, since then, the backdrop to pooling has changed. The UK government now places a greater emphasis on scale in pensions and savings, in order to harness its linkage with UK growth. We are pleased that pooling has already delivered on some of its key goals, reducing member costs and opening up new asset classes.

The focus on our part of the industry – the pensions sector – may have increased. However, our strategic objectives provide the key principles in how we address the new challenges.

As a progressive and engaged partnership, this shift in the landscape has naturally led to sharing our views through the government’s consultation, and has spurred a broader reflection on how the business aligns with the emerging industry vision.

Through this process, we have deepened our relationships, and continued to refine our governance to ensure decisions are made by the right people at the right times, so that we can move forward with confidence.

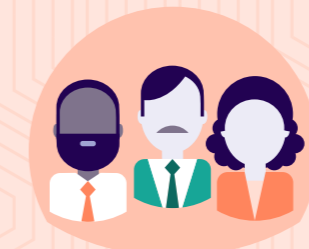
Our strategic conversations will carry on into 2024, with a supported engagement across the partnership.

Talking shop

During 2023, we held



24 meetings
with Client Group



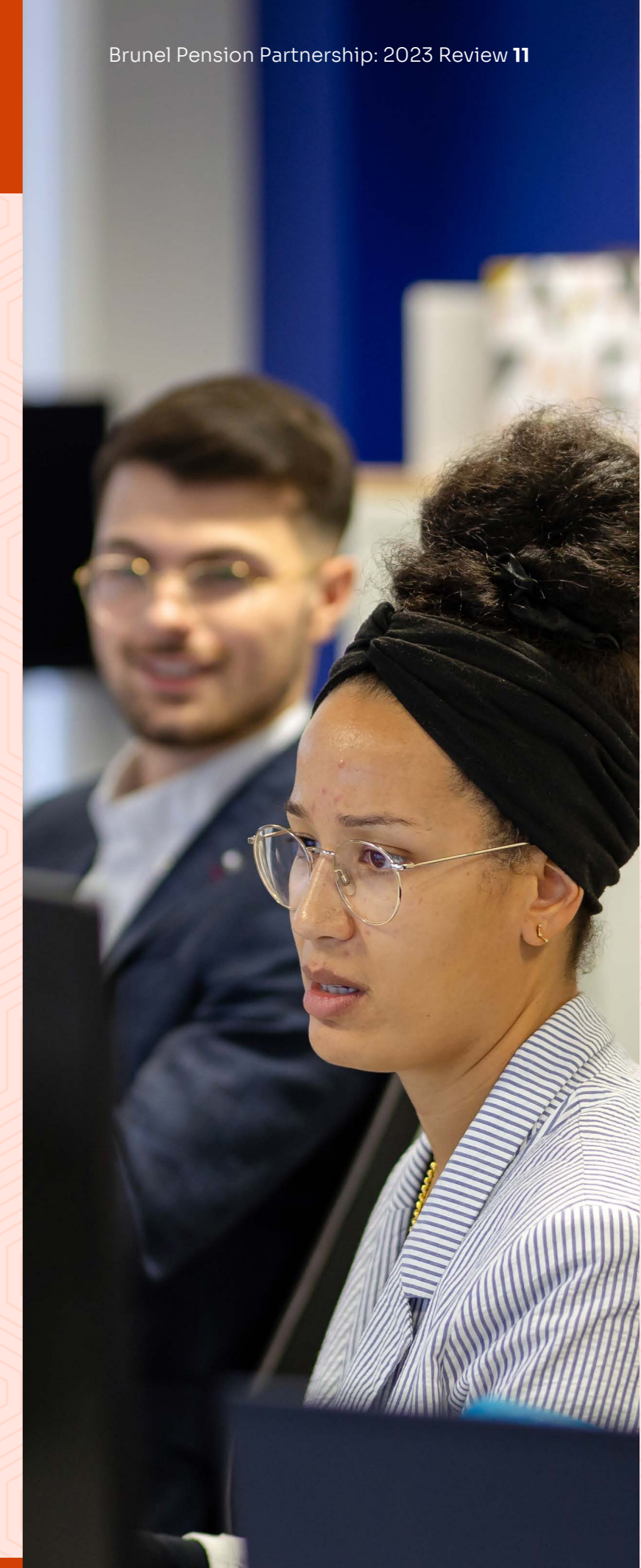
48 meetings
Investment, RI, Ops,
Finance sub-groups



116 meetings
with individual clients



c.500 meetings
with asset managers



Aiming higher

Brunel’s new Target Operating Model

Joe Webster, Chief Operating Officer

The government’s consultation on pooling and more broadly on the pension industry has been a useful foundation for us to engage with our stakeholders, reflect on achievements and consider how – in a changing environment – the business can be future-ready.

Unsurprisingly, this brings the focus to our operating model. Our operating model has allowed rapid product development, innovation and savings. However, technology has moved on. Right across the industry, people increasingly recognise that data is an asset. We are therefore looking to enhance our resilience by embedding this thinking into Brunel.

For example, we are drawing clearer lines between data managers and data owners. We are also engaging with the market to drive towards our target state for technology. Regulations and the sophistication required for Responsible Investment mean our clients

have complex needs. We are excited at the prospect of enhancing our technology & data to meet those needs.

More broadly, our operating model hinges on good governance. Our conversations with our stakeholders through 2023 have deepened relationships and demonstrated our maturity as an organisation. We look forward to continuing those conversations in the year ahead.

“The government’s consultation on pooling and more broadly on the pension industry has been a useful foundation for us to engage with our stakeholders, reflect on achievements and consider how – in a changing environment – the business can be future-ready.”

Target Operating Model: Capabilities targeted by the new platform



Digging for Impact

Affordable homes for post-industrial Camborne

Saskia Secker, Senior Portfolio Analyst - Private Markets

The closure of industrial sites can leave communities struggling and landscapes scarred – even dangerous.

The emerging housing development at Tuckingmill, a village outside Camborne, West Cornwall, addresses that legacy and contributes to a more socially and environmentally sustainable future.

The brownfield site was formerly compromised by mine shafts dating back to Cornwall's long history as a tin and

“These 67 new homes in Camborne are a great example of sustainable brownfield regeneration on a site that has been empty for years.”



copper mining hub, which reached its zenith in the 19th century. The last mine closure in Cornwall took place in 1998.

Last year, the Tuckingmill site was acquired through the Cornwall Local Impact Portfolio in order to develop a single-family rental housing scheme – 67 family homes with affordable rents. All the houses incorporate energy-efficient techniques to minimise their long-term carbon footprint. Moreover, the site is in an established residential community, in close proximity to local schools, a hospital, supermarkets and other key amenities.

The acquisition is on behalf of a co-investment between Cornwall Council Pension Fund and PGIM Real Estate UK's Affordable Housing strategy. Read about the portfolio [here](#)

Targets and transparency

Reporting through 2023

Brunel’s ambition is to improve continuously, and to use our Responsible Investment leadership to bring change across the industry. This page highlights key RI policy changes and reports in 2023.

Climate Change Policy 2023-30

Our year-long [Climate Stocktake](#) enabled our new [Climate Change Policy 2023-30](#). Re-committed to Paris alignment and [5 priority themes](#). Changes included full integration of [NZIF](#); raised manager reporting duties; increased focus on climate links to [other RI priorities](#).

Climate Change Progress Report

[Report](#) met TCFD requirements (voluntarily) and tracked progress on Policy, Governance, Risk, Implementation and climate objectives. Pioneered work on Green Revenues and Sustainable Investment Exposure for post-carbon economy.

RI & Stewardship Outcomes Report 2023

[Report](#) highlights included engagement with 899 companies on 1,256 milestones; tangible Real Living Wage/Biodiversity progress; DEI consultation; coordination (£675bn AUM) of [FT letter on ESG](#).

Carbon exposure tracker

[Carbon Metrics Report](#) showed annual progress to 2030 target. Last year, we reported on 2022 progress:

