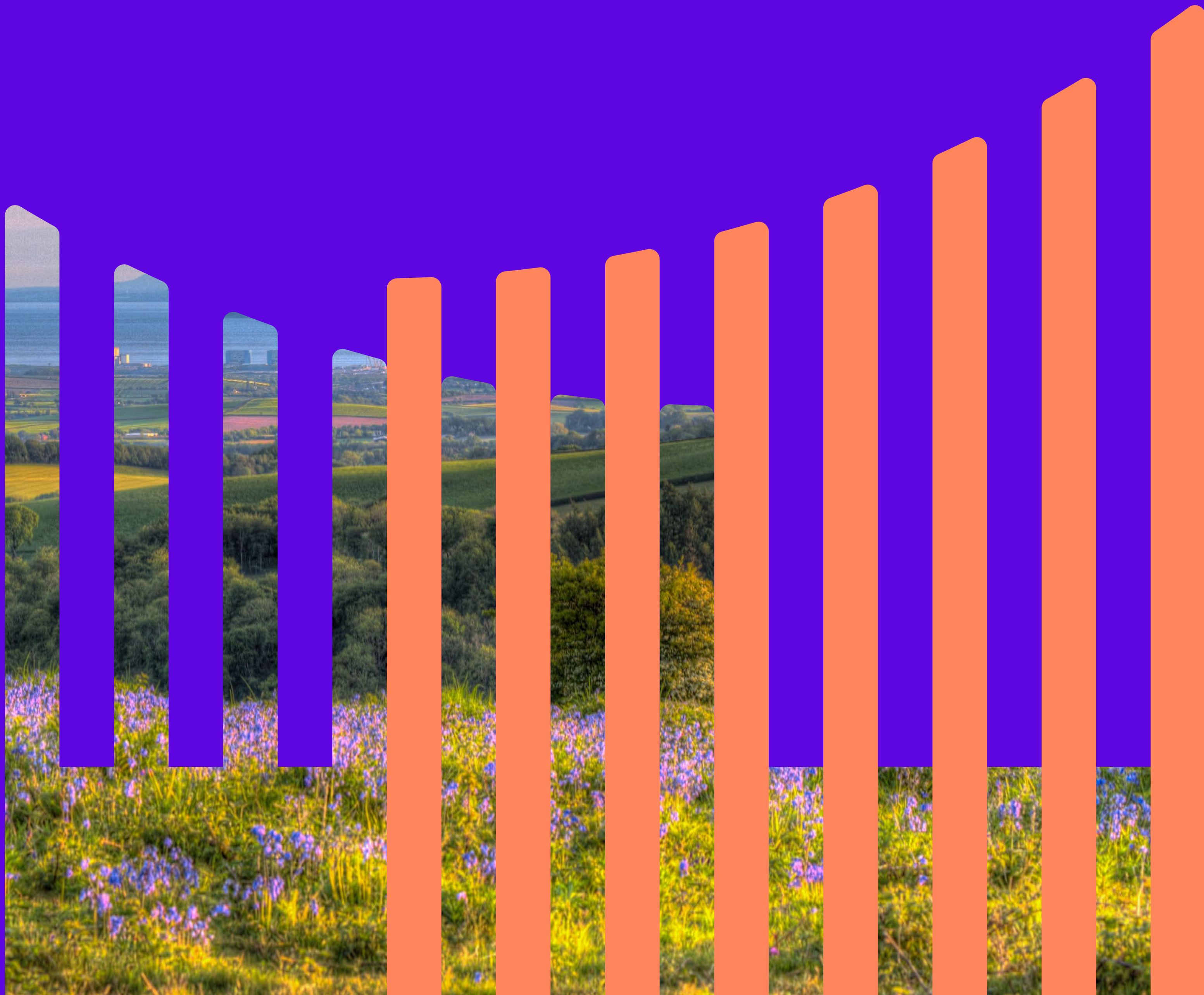
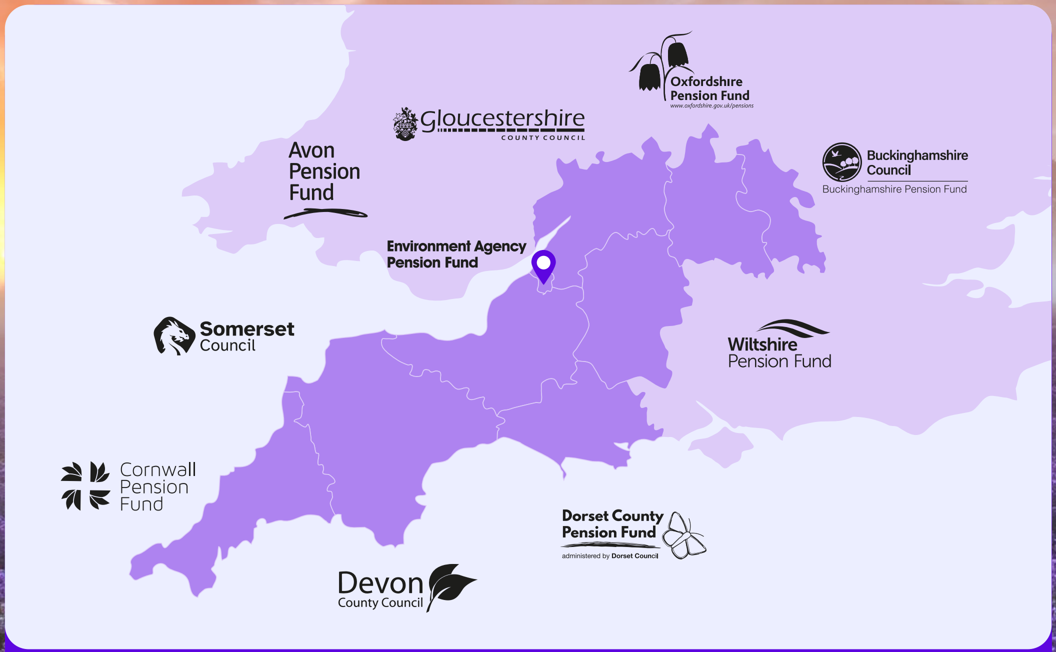
Brunel
Pension
Partnership

Summary Responsible Investment and Stewardship Outcomes Report **2024**

For the year ending 31 December 2023





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

We believe in making long-term responsible investments supported by robust and transparent processes. We are here to protect the interests of our clients and their beneficiaries. In collaboration with our stakeholders, we are forging better futures by investing for a world worth living in.

805
companies engaged, around half of which were held with senior management or board members

121
public policy interactions

Voted at
99.8%
of meetings - that is over 1300 meetings instructed

28%
lower level of ecosystem degradation than benchmark (all listed portfolios, as shown by our biodiversity footprinting) 90 of who are within the top contributors to financed emissions

5 years
ongoing climate engagement with Barclays

Focusing on nearly
90%
reduction in our fossil fuels exposure

57% reduction
in carbon intensity from our baseline in 2019

Introduced AI
into stewardship evaluation

Over 60
asset owner/managers brought together to discuss alignment

Investing for a world worth living in

As an asset owner, Brunel has a directive role in the investment chain, and we leverage our role in the financial system to manage systemic risks. This report shows some of the myriad ways in which we work with our asset managers, as well as peers in the industry.

Our partnership commitments on climate change and Responsible Investment aim to deliver stronger investment returns over the long term. Protecting our clients' interests through contributing to a more sustainable and resilient financial system, supports sustainable economic growth and a thriving society.

We are large, with around £35 billion in assets under management, long-term, and widely diversified – all features used to describe universal owners. Universal Owners need to think big picture - what are the large systemic risks to the portfolios, the pension funds, to our clients - and devise how best to bring about real-world change that will reduce risk or enhance investment opportunities.

Approach to stewardship

We pursue activities which are outcomes focused and prioritise the pursuit and achievement of positive real-world goals. We advance our stewardship objectives through 4 key channels:

Asset Managers

We view asset managers as our first line of defence in the management of all portfolio related risks, including ESG, as they are responsible for stock selection. Stewardship is explicitly incorporated as criteria in the selection and monitoring of our appointed asset managers. Our investment team works closely with the specialist RI team to periodically review our managers' stewardship activities, constructively challenge investments' RI credentials and provide guidance on expected improvements.

Our specialist overlay provider

We recognise that there is variance in stewardship capabilities across our managers. To ensure consistency of approach and long-term engagement, we have a dedicated specialist overlay provider, EOS, to engage on our behalf and execute our votes. EOS provide specialist thematic experts with a deeper understanding of local culture and language skills across multiple markets. As they represent USD1.4 trillion in investments, they leverage this to access and maintain relationships with company boards across the globe.

Direct engagement

We undertake direct engagement, where we think this will add value or strengthen ongoing work undertaken by our asset managers or other partners. We also undertake policy advocacy through consultation submissions, participation in investor and government working groups and via meetings with policymakers and regulators.

Collaborative initiatives

We work with peers and other stakeholders in the industry through collaborative initiatives. It is critical to work collaboratively when seeking to address systemic issues. We draw on the expertise of others and leverage the strength in numbers to drive change.

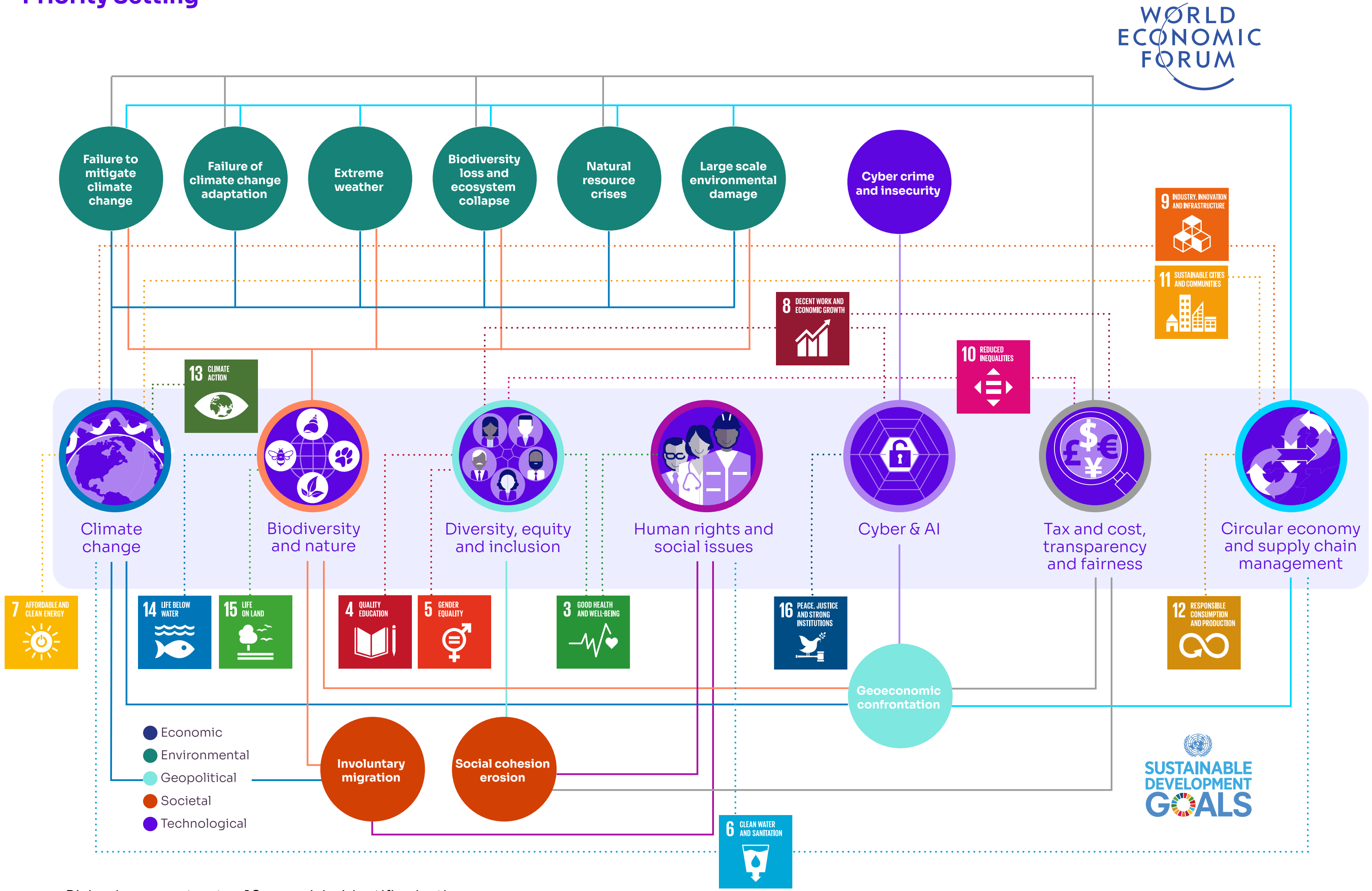
Investing in a world worth living in continued

Setting priorities

We need to be highly selective and targeted in our approach to stewardship to maximise impact – necessitating the evaluation of the key systemic risks that warrant action and their relevance as investment risks. Based on this process, we have established our seven RI themes – which are assessed against the WEF Global Risks Report and the UN SDGs every year to determine ongoing relevance. This year, we have refreshed the language to clarify our focus on Nature alongside Biodiversity following feedback and questions from stakeholders. In addition, to reflect leading thinking, we have more explicitly signposted our consideration of Artificial intelligence under cyber security.

Our website details how our priorities are developed.

Priority Setting



Risks shown are top ten 10-year risks identifies by the World Economic Forum Global Risks Perception Survey 2023-2024

Investing in a world worth living in continued

Case Study:
Asset owner – asset manager "aligning expectations"

In October 2023, Faith Ward, our CRIO, then Chair of the UK asset owner roundtable (now called the Asset Owner Council) convened a roundtable to discuss the perceived misalignment of interests between asset owners and managers in relation to climate stewardship.

The 2023 proxy season provided signs that some asset managers had failed to unequivocally challenge oil and gas companies that were backtracking on their climate commitments. This contrasted with the positions of large asset owners that shared the view that if climate related risks are not addressed through stewardship activities, this can translate into investment risks for their portfolios, affecting long-term beneficiary interests.

This discrepancy triggered the need for robust and constructive dialogue between asset owners and their managers.

The roundtable provided an avenue for discussion of practical steps needed to address the misalignment and identify how fund managers can be better supported in delivering asset owners' climate stewardship strategies. The discussions were framed by research findings presented by independent academic, Prof. Andreas Hoepner. Using the energy transition in the oil and gas industry as a test case, Prof Andreas and his team had evaluated the voting records of select managers on oil and gas majors. This research provided evidence of a misalignment. The full research which was released in November 2023 provided insights on:

- Misalignment trends – Analyses, particularly the voting record analysis, show varying degrees of misalignment, with stronger discrepancies noted for US oil and gas issuers.
- Voting Rationales – The review indicates that only a select few asset managers publicly align their reasoning with asset owners. Some asset managers perceive voting and ESG engagement as mutually exclusive, raising concerns about potential access loss to management if misaligned.
- Distinct engagement process types across issuers – Issuer approaches range from persistent, long-term engagement with considerable progress to "quick fix" and "jumping the bandwagon" styles, pointing to issues around consistency and long-term approach to engagement.

The research also put forward the following rationales for the gap, highlighting that further research is needed to explore these issues in greater detail:

- Cultural Misalignment: Differences between UK based asset owners and non-UK based asset managers may contribute to misalignment.
- Resource Allocation Misunderstanding: A potential misunderstanding of the importance of stewardship and voting, leading to insufficient resource allocation.
- Fiduciary Duty Conceptualisation: Misunderstanding fiduciary duty, particularly in terms of risk management related to climate change.
- Stewardship Process Disagreement: Differing views over the relationship between voting and engagement were explored, considering the impact on misalignment and ESG engagement success.
- Financial Conflicts of Interest: Potential misalignment due to commercial relationships between asset managers and banks.

The roundtable was a starting point for ongoing dialogue and mutual commitment towards better communication and transparency. In the next phase of this project, asset owner participants will initiate 1-1 bilateral conversations with their managers on the basis of the research findings. The next phase will also look into how asset owners can articulate their views on climate stewardship.

Implementing stewardship

There is a live debate on if and how stewardship can lead to tangible outcomes in the real world.

If there is consensus on one thing, it is that there is no silver bullet to effective stewardship.

This doesn't make 'system - focused' stewardship any less worth pursuing. The urgency with which we need to act to address the pressing challenges we face today requires scale and transformation of the economy.

We need to use multiple levers of change, strategically and continue to evolve our approach to respond to market risks and shifts in company behaviour and disclosure.

805
companies engaged

115
companies featured engagements with the CEO or chair

1,331
meetings instructed

401
companies featured engagements with senior management or board members

121
public policy interactions including consultation responses, letters, meetings and discussions

Engagement process

Engagements led by EOS are guided by a 3-year engagement plan that outlines key themes and priorities and reflects client priorities. Brunel provides input into this plan, together with our clients. The latest plan includes 12 key themes and covers a diverse range of issues. To ensure meaningful impact and to be able to measure and report effectively, EOS implement a four-stage milestone strategy.

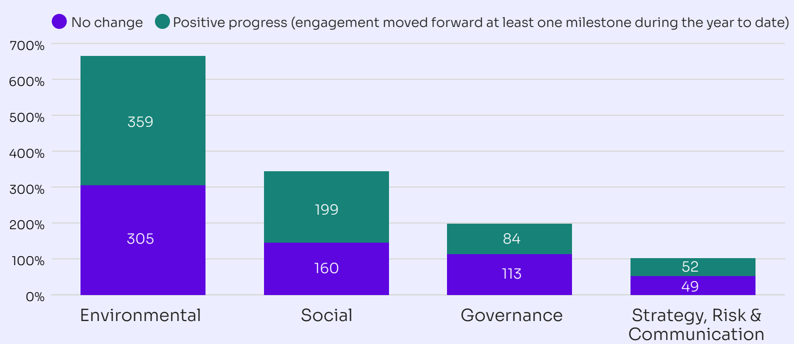
At the start of every engagement, milestones are set that need to be achieved to class the engagement as successful. Progress against these objectives is assessed regularly and evaluated against the original engagement proposal.

Engagement progress 2023

The following chart describes how much progress has been made in achieving the milestones set for each engagement.

During 2023, EOS engaged with **805** Brunel-held companies on **1,321** milestones. At least one milestone was moved forward for about **52%** of objectives during the year.

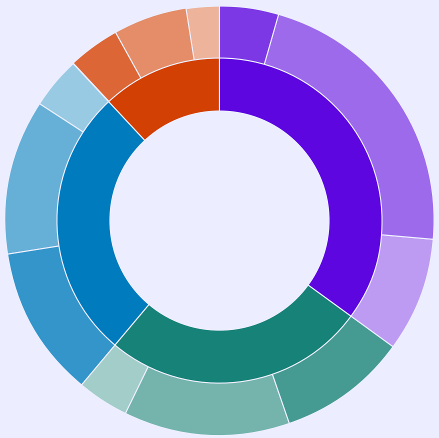
Engagement undertaken on behalf of Brunel by Federated Hermes



Implementing Stewardship continued

Engagement coverage

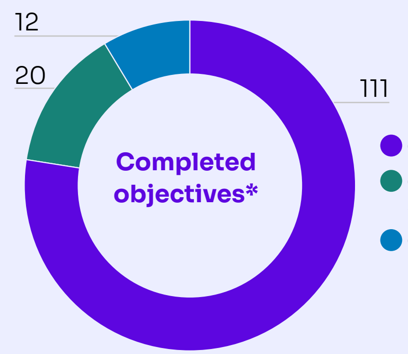
The below diagram illustrates a summary of the 3,605 issues and objectives on which EOS engaged with companies in 2023. Its holistic approach to engagement means that it typically engages with companies on more than one topic simultaneously.



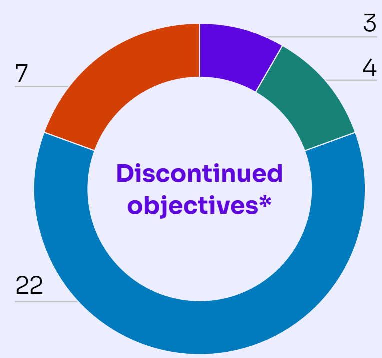
- **Environmental 35.3%**
- Circular Economy & Zero Pollution **13.3%**
- Climate Change **62.1%**
- Natural Resource Stewardship **24.6%**
- **Social 25.9%**
- Human & Labour Rights **37.2%**
- Human Capital **48.0%**
- Wider Societal Impacts **14.8%**
- **Governance 27.2%**
- Board Effectiveness **42.7%**
- Executive Remuneration **42.5%**
- Investor Protection & Rights **14.8%**
- **Strategy, Risk & Communication 11.7%**
- Corporate Reporting **31.4%**
- Purpose, Strategy & Policies **47.5%**
- Risk Management **21.1%**

Completed Objectives

The below graphs highlight the number of objectives that have been completed during the year and those that have been discontinued following an assessment by EOS.



- Completed
- Completed - Substantially
- Completed - Partially



- Discontinued - with some improvement
- Discontinued - disagreed
- Discontinued - no longer relevant/ material
- Discontinued - restarted as new objective/issue

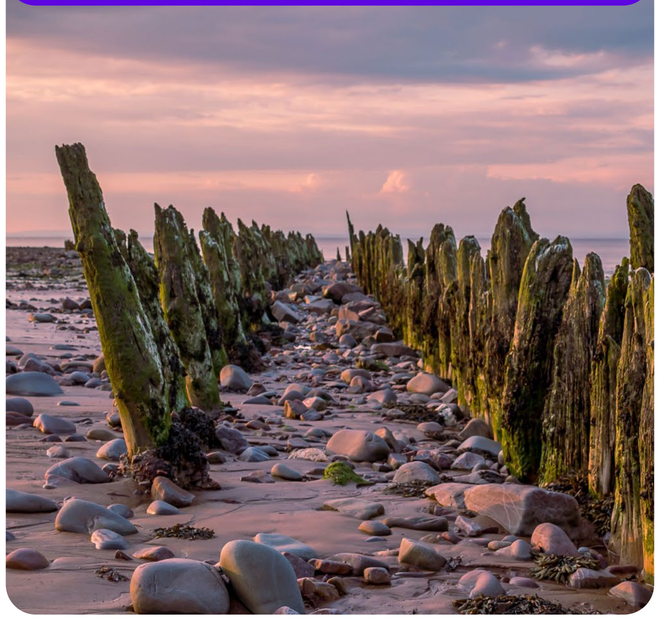
* The closure rationale is manually selected by each engager from a menu of options, taking a view of the extent to which they believe the objective has been implemented by the company. In most cases this is necessarily a subjective assessment.

We view engagement and voting as mutually reinforcing, complementary mechanisms.

This year, we co-filed three resolutions at company AGMs;

- Shell, on emission reduction targets, covering scope 3
- Charter Communications on diversity
- Barclays, on financing of new oil and gas infrastructure

These resolutions were carefully selected based on our key priorities, engagement/voting history, the likelihood of success and consideration of partner organisations we will be working with. This report covers the outcomes of these escalations in some depth under specific RI themes.



Implementing Stewardship continued

Escalation is a key component of stewardship and whilst it rarely follows a given pathway the infographic below provides some insights into our approach.

Not suitable for new fundraising/ refinance

Selective divestment (listed equity)

Climate change stocktake

Reduce exposure

Co-file shareholder resolution (segregated)
- Direct and frequent engagement with company management
- Request pool fund manager support/ voting alignment
- Statement made at AGM (or by fellow co-filer)

Escalated concern due to lack of company management action
- Publicly discuss concerns and or pre-declaration of voting intentions
- Consider AGM attendance/ question
- Index funding voting alignment considered

Specific concerns raised with Asset Manager
- Asset Manager (AM) specific action requested
- Vote against Chair and specific related resolutions (including shareholder resolutions – may increase to all directors in successive years)
- AM may decide to reduce/ exit exposure (active fundamental)

Targeted engagement
- Asset Manager engagement list
- Engagement service provider engagement targets

Thematic engagement
- Raise profile of issue with policy makers and regulators
- Collaborative engagement
- Voting in line with Stewardship Policy

CLIENT ENGAGEMENT

Stewardship across asset classes

Our Stewardship Policy provides more detail on our stewardship activities as it applies to each asset class.

We apply the same principles of selecting and monitoring managers no matter which type of asset, but the stewardship tools and techniques adapt to the circumstances, not least the level of control allowed through the legal structure.

Case Study:
Water utilities - engagement in fixed income

This year, we joined an engagement initiative spearheaded by Royal London Asset Management focused on water utilities. The sector has been under heavy scrutiny with questions raised about their operational and climate resilience, as well as their social license to operate, given ongoing pollution incidents and high levels of indebtedness. Due to our exposure through sterling bonds, we were keen to work with Royal London Asset Management and asset owner peers to understand how companies we invest in are demonstrating improvements and addressing the interrelated issues of climate adaptation, biodiversity, just transition and antimicrobial resistance (AMR).

The two-year engagement programme aims to influence water companies to improve against investor expectations:

- Adaptation to climate physical risks: encouraging the use of innovative technology, such as AI and nature-based solutions, to manage pollution and leakages in order to ensure sustainable water management
- Biodiversity: in collaboration with the UK Centre of Ecology and Hydrology they have been asked to reflect best practice standard such as creating a biodiversity action plan and management of sites of scientific interest (SSSIs) to favourable conditions
- A just transition: focus on affordability, community engagement and placed based solutions
- AMR: demonstrate how they are considering this risk

Research and initial engagement in 2022, enabled development of a scoring system to measure companies' current performance and progress in the above areas. This score and areas for improvement have also been shared and discussed with the target companies.

Brunel, with the support of Royal London Asset Management and our client funds had engagement conversations with Pennon Group and Wessex Water – both were constructive dialogues that provided additional clarity on the company's disclosures, future plans and opportunities for further improvement.

The investor group will continue to monitor the companies' performance and engage with them to drive changes. At the end of the engagement period, Royal London Asset Management will publish a report on the outcomes of this engagement.

Implementing Stewardship continued

Brunel retains full voting rights in our segregated active equity accounts. Our Voting Guidelines inform EOS's voting recommendation alongside other country- and region-specific guidelines. Our passive pooled investments are voted on by Legal and General Investment Management (LGIM). Although LGIM is not bound by our voting guidelines, on a limited number of occasions we can direct voting for our pooled holdings so that it is aligned with our active segregated holdings.

Brunel has voted at 99.8% of votable company meetings in 2023.

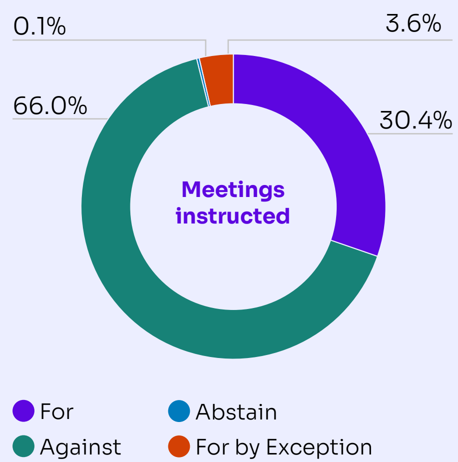
During 2023, EOS made voting recommendations on 16,380 resolutions at 1,331 meetings, on our behalf. At 878 meetings, votes were instructed to oppose one or more resolution, and at 1 meeting, votes were instructed to abstain.

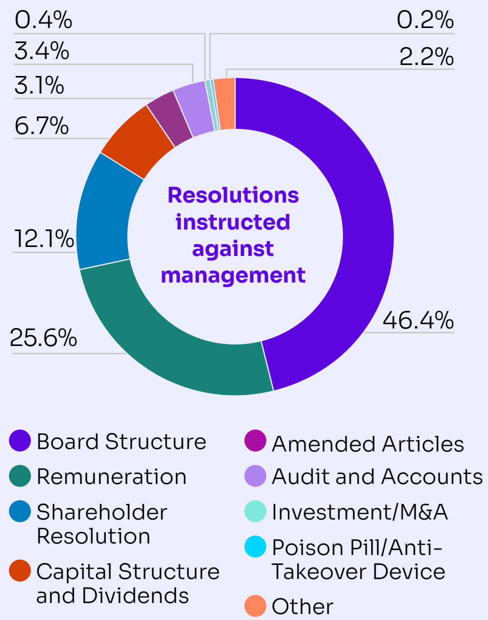
We supported management on all resolutions at 404 meetings. There were 48 meetings which were instructed to vote in favour by exception.

EOS leverage ISS research and infrastructure to provide us with EOS policy vote recommendations.

The votes cast on ballots during 2023 were aligned with management recommendations in 82.5% of cases, while the ISS Benchmark Policy Recommendations were aligned with management recommendations in 91.1% of cases.

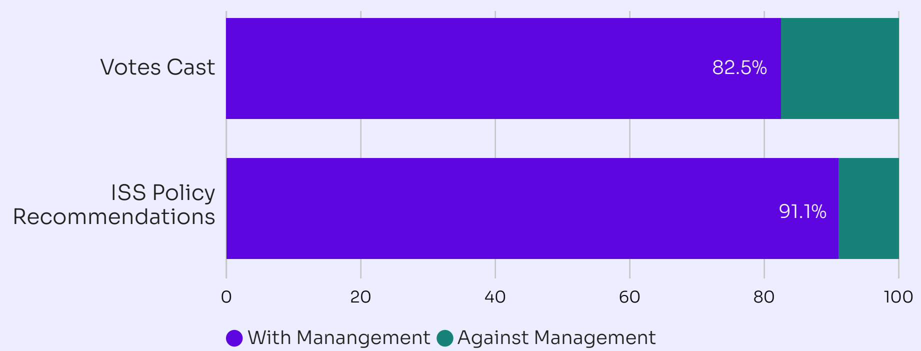
Recommended Voting

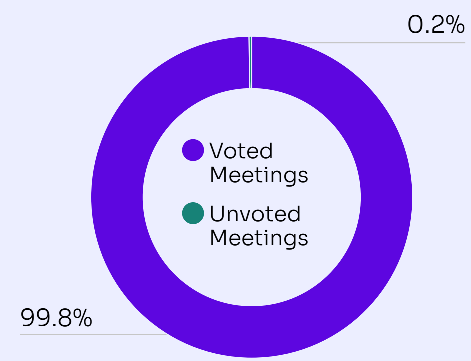




Next steps

- Work with EOS on measurement and reporting of real-world outcomes
- Reflect the enhancements on stewardship across asset classes and strengthened climate expectations in our stewardship policy across our listed and private markets
- Develop an ESG data strategy and procure data providers
- Report on the impact of our voting escalations and our voting guidelines





Biodiversity and Nature

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.

2023 Key activity / themes

A notable increase in focus on Biodiversity has been observed within our regular asset manager conversations, specifically across listed markets, where it had previous lagged the private markets.

This has allowed us to highlight the growing importance of the issue, set out our expectations going forward and identify emerging best practices and drive systemic change in Biodiversity and Nature reporting and practises.

TNFD - Brunel was proud to commit to being an early adopter of TNFD, work that will commence in 2024.

Members of **Nature Action 100** (NA 100), actively engaging with seven consumer staples companies.

Endorsers of the **PRI Spring Initiative** and committed to promote the initiative to our managers and wider stakeholders.

Case Study: Biodiversity footprinting

The risk associated with nature is evolving into an increasingly pressing global concern. In the World Economic Forum's Global Risks Perception Survey (WEF, 2023), 6 out of 10 issues were environmentally related over a 10-year period. Importantly, in September 2023, the final Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations were published. This marks a significant milestone in understanding the interdependencies between nature and business.

Brunel's pilot project with S&P Sustainable (S&P) on nature-risk profiling of our aggregated listed portfolios has now been completed. The methodology used by S&P has been designed to align with and support the TNFD, which Brunel has committed, in principle, to use to shape its reporting in the future.

The analysis focused on three main pillars.

1. Impact on nature – understanding the ways in which a company's activities and operations may have a positive or negative impact on nature
2. Dependencies on nature – identifying the ways in which a company depends on nature to operate
3. Double materiality - considering both the impact of a company on nature (inside-out) and the impact of nature on the company (outside-in).

The headline results from our nature-risk profiling are:

- A substantial portion of land-use within our listed portfolios is not located in a Key Biodiversity Area or Protected Area. However, those that are in these areas represent 77% of the value of our holdings.
- The direct operations of our listed portfolio holdings exhibit a low level of ecosystem degradation and occupy a lower level of globally significant biodiversity areas than our benchmark by 28%.
- We have an investment-weighted exposure of 85% to companies that have a significant dependency on ecosystem services.

Our next steps are to map the various nature impacts and dependencies to understand and manage risk. We aim to engage with companies in our selected portfolios who are either causing the most impact or have potentially high investment risk arising from deteriorating ecosystem services.

Biodiversity and Nature continued

Case Study: General Mills – deforestation-free target by 2025

General Mills, Inc. engages in the manufacture and marketing of branded consumer foods sold through retail stores. EOS have been engaging with General Mills on the topic of deforestation over 2022-2023. Specifically, the ask for the company has been to set a commitment for its supply chain to be deforestation-free by 2025. Although the company was slow to get on board, its chief sustainability officer recently agreed to consider setting a deforestation-free target by 2025.

Case Study: Aurora Sustainable Lands

Aurora Sustainable Lands, a Cycle 3 infrastructure investment, actively manages and conserves North American forestlands to remove and store carbon from the atmosphere. Founded in Q4 2021, Aurora began as a joint venture between Oak Hill Advisors and Anew Climate (previously Bluesource) with a goal to acquire industrial timberlands and transition the management focus on those lands from timber harvesting operations to carbon removal and storage. Aurora now owns 1.6 million acres of forestland that consist primarily of naturally regenerating hardwood forests, all in the eastern half of the United States. Aurora has already reduced harvest rates by 50% from prior ownership's practices across the portfolio, increasing carbon removal and storage, creating healthier forests and contributing to global climate goals.

Walking the talk

As a Christmas gift for our colleagues, Brunel gave everyone a bug hotel for their gardens, encouraging biodiversity at home.

Votes to note

AGM: WH Group
Date: 6 June 2023

We vote against relevant directors where companies have scored poorly in the Forest 500 ranking. In 2023, we voted against an executive director at WH group due to concerns around deforestation, reinforcing vote against a director, the previous year for the same reason. We will continue to engage with the company to clarify our asks around deforestation and nature, more broadly.

Next steps

- Progress engagement dialogues on biodiversity strategies and implementation. Urging companies to consider the nexus between biodiversity and physical climate risk and report on their response with greater clarity.
- Make headway on data integration and assessment needed for our own reporting to progress on TNFD in 2026
- Work with EOS, our asset managers and peers to ensure biodiversity and nature, more broadly remains a priority for policymakers

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.

We're proud to be supporters of the Diversity Project & 30% club and a founding member of the asset owners diversity charter

DIVERSITY PROJECT

30%+ Club PATH TO PARITY

We believe that to function and perform optimally, companies and their Boards should seek diversity of membership including across race, gender, sexuality, skills, nationality, and background. This will make companies more sustainable and profitable over the long term. More diverse organisations are shown to make better strategic decisions, demonstrate greater growth and innovation and contribute to lower risks.

In the UK, we support the targets of 33% female representation on the boards of FTSE 350 companies by 2020, as set out by the Davies and Hampton-Alexander reviews.

This year has seen steady progress when it comes to gender diversity in the UK.

However, it is concerning to note that 115 FTSE 350 companies are still below the 33% by 2020 Leadership target and 28 FTSE 350 companies are still below the 33% by 2020 Board target. We have and will continue to push companies to improve female board and executive representation and where companies fail to improve, exercise voting sanctions.

We also continued to engaged with companies on living wage and ethnicity pay gap through the Good Work Coalition.

Case Study: Escalating on diversity

Brunel co-filed a resolution at the Charter Communications 2024 AGM, with British Columbia Investment Management Corporation (BCI), NEST and UBS, to disclose a diversity policy and set out clear plans for succession to ensure that the company increases board representation of women. The supporting statement noted that the company had only one female director on the board at the time of filing, in contrast to peers where the average was 30% board representation. The average director tenure (10 years) also exceeded the peer average and provided ample opportunity for board refreshment.

The resolution was a natural escalation of our previous votes against the nomination chair due to diversity concerns, supported by the fact that the company did not have a strong history of engaging with shareholders on this topic.

Earlier dialogues with the company weren't promising, but a breakthrough was made when they announced a new female appointee to the board during the engagement. Further dialogue with Charter Communications reassured the co-filing cohort that the company was serious about their commitment to advance diversity in future appointments. They committed to continue to engage with shareholders on diversity, opening communication channels and access which had previously been very limited.

As a result of these improvements, and their public commitment to gender and other forms of diversity in director recruitment efforts in their proxy statement, we decided to withdraw the resolution.

This development marks an important milestone for the company on its journey on diversity and a sound example of how engagement on the back of co-filing a resolution can result in productive exchanges and amount to a 'win-win' for companies and for investors alike.

Diversity, Equity and Inclusion continued

Case Study:
Diversity focus at LGIM

LGIM, one of our asset managers, has been engaging with companies that don't have a at least one woman in the executive leadership team in the US and UK. As of the end of Q3 2023, they had received responses from seven of the 16 large-cap companies that were sent engagement letters. Engagement dialogue has also been initiated with mid-cap companies that don't have at least one board member from an ethnic minority background.

Walking the talk

Gender Pay Gap

Brunel won the **Sustainability Related Financial Disclosure Regulation for Asset Owners (SFDR4AO)** award for Gender in October 2023.

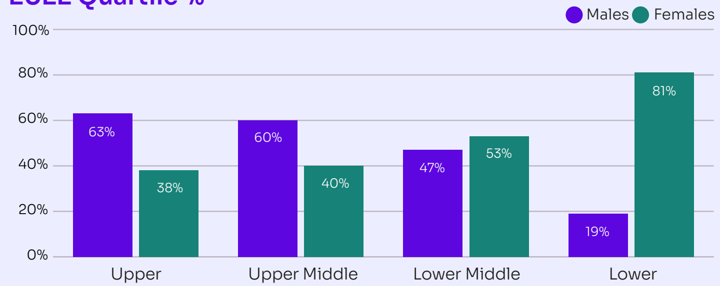
Brunel pay quartiles: Men versus Women

What percentage of each Brunel quartile do women and men each account for?

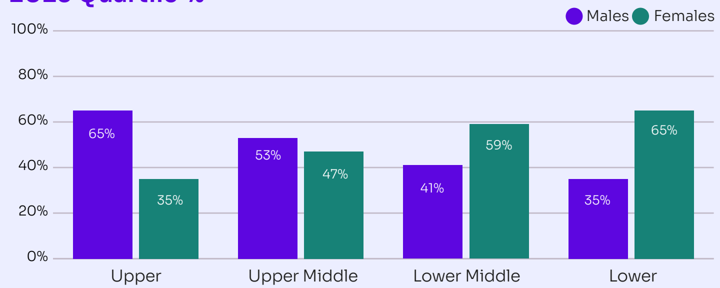
Women's **median** hourly rate is **37% lower** than men's compared to **44%** last year.

Womens' **mean** hourly rate is **17% lower** than mens' compared to **18%** in the previous year.

2022 Quartile %



2023 Quartile %



Votes to note

AGM: Amazon.com, Inc
Date: 24 April 2023

We expect companies to disclose meaningful information on their gender pay gap and the initiatives they have in place to close any stated gap. This is an important disclosure that enables investors to assess the progress of the company's diversity and inclusion initiatives. We, therefore, voted in favour of the report on cost/benefit analysis of diversity, equity and inclusion programs at the 2023 AGM at Amazon.

Next steps

- Continue to participate in the AODC and take steps to track and improve response rates to the questionnaires from our managers and the wider industry participants
- Ensure our legal framework and manager monitoring enable us to track the progress of enhancing diversity within our own industry
- Support the socialisation, dissemination and industry use of the Fair Reward dashboard

Human Rights and Social Issues

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

Conflicts like those in Ukraine and the Middle East are drawing more attention to human rights and supply chain risks and affecting global trade and energy policies. Amidst this backdrop, the economic landscape, marked by a cost-of-living crisis and inflationary pressures, make it imperative for investors like us to consider social implications including inequality in the investment decision making process.

We expect our asset managers to understand and respond to human rights issues and human capital management. We consider these matters, and their approach to them both as part of the selection process and in our ongoing engagements.

Case Study: Engagement on Labour rights

Does Jabil, a US electronic equipment and parts manufacturer, have insight into its suppliers and the working conditions in its production facilities. One of our Smaller Companies Equities managers, Kempen, engaged the company on this issue in 2023, with the aim to understand the extent to which Jabil has control of its supply chain and to communicate how important it is that it does. Sustainable operations and robust control of supply chains reduce the risks of controversies and reputational damage, and thus also of worsening company results. The engagement conversations revealed that Jabil had screened no less than 95% of its production locations by the summer of 2023 and had checked the rest by the end of 2023. They encouraged the company to further increase its ambitions with the Responsible Business Alliance, a collaboration between electronics companies specifically focusing on sustainability in supply chains. One way of doing this is to enhance its supervision of and working conditions at suppliers and plants Jabil works with further. The company has committed to decide on this issue in 2024 and it will be monitored closely.

We supported;

- the collaborative Workforce Directors Coalition
- the Global investor coalition on workplace mental health
- the Mining 2030 initiative
- 'Votes against slavery' initiative spearheaded by Rathbones
- the Fair Reward Framework, as a founding member

Approach to conflict risk

The general approach to engaging with companies doing business in high risk regions is to request that they carry out actions consistent with the UN Guiding Principles on Business and Human Rights, which include:

- to conduct enhanced human rights due diligence in high risk regions;
- to engage with those stakeholders impacted by business operations, including from vulnerable and marginalized populations;
- and to demonstrate that the business is appropriately using its influence to promote positive human rights outcomes, including for vulnerable and marginalized populations.

This may lead to asking companies to disclose a summary of findings and outcomes of enhanced human rights due diligence in high-risk regions; report the percentage of its revenue, suppliers, or other metrics sourced from conflict-afflicted regions; and seek exploration and development of industry-wide collaborative solutions or public-private partnerships which may help to respect human rights.

Brunel reviews, at least annually, its exposure to the OPT using information provided by the United Nations and other parties. This information informs both our stewardship and risk processes. We expect our managers to be aware of all material investment risks relating to the companies in which they invest, including those with significant exposure to areas of conflict. We closely monitor stocks that are assessed by service providers to be in breach of the UN Global Compact Principles.

EOS review our target companies and approach to engagement following any major change in risk factors at least annually. Accordingly, an additional review of those companies targeted for engagement was undertaken following the recent escalation of violence in the West Bank.

Human Rights and Social Issues continued

Banks – a core pillar of our climate stewardship

Banks are systemic actors that can change the flow of finance and contribute to acceleration or deceleration of the decarbonisation agenda. It is of paramount importance that we focus on banks' approach to financing of fossil fuels and ensure their alignment with the Paris Agreement.

Brunel has had a strong history of engaging with banks on climate with tangible outcomes – at HSBC on publication of a climate strategy and target to reduce fossil fuel exposure. On Barclays, we have been engaging for nearly five years – most notably, we co-filed the first ever climate resolution at any European bank in 2019 which resulted in them putting forward their ambition to become Net-Zero by 2050.

Advancing our stewardship efforts further, in December 2023, Brunel co-filed a climate related resolution for consideration at Barclay's 2024 AGM to urge the company to articulate how it is responding to the risk of financing new oil and gas infrastructure that could become stranded assets.

The engagement objectives, including red lines and areas of long-term focus, were collaboratively agreed with ShareAction and other participating investors based on best practice in the industry. Following engagement and negotiation that lasted a few months, the bank committed to changes to its financing activities in its updated policy. Three key announcements:

- End to all direct financing for new oil and gas projects and associated transportation infrastructure
- Restrictions for financing pureplay companies engaging in long-lead time expansion projects – i.e. approval only by exception. Other expansion projects will be subject to review by a newly set up Client Transition Review Forum that monitors transition progress of their corporate clients
- Expectation for energy clients to produce transition plans or decarbonisation strategies by January 2025 and financing of energy groups conditional on their ability to produce the following from January 2026:
  1. Set Net-Zero aligned scope 1 and 2 emissions reduction targets by 2030;
  2. Set targets to reduce methane emissions by 2030 in line with the Oil & Gas Climate Initiative or Oil & Gas Methane Partnership;
  3. End flaring by 2030.

In addition, no new clients with expansion capex greater than 10% will be provided funding from Jan 2026 onwards.

Further enhancements in terms of reporting on governance of the transition framework and progress of clients in their transition were made in the Barclays annual report.

As a result of these significant announcements, Brunel and the coalition of investors decided to withdraw from the shareholder resolution. They bring Barclays' approach on par with their peers in key areas such as asset level financing. The policy also sends a strong signal to clients in terms of current and future expectations on their path to decarbonisation and direct implications for renewal of financing.

In contrast, the banks in the US are behind the curve. This year, we joined RBC Asset management, one of our managers in engaging with Morgan Stanley. We found that the progress on financed emissions in the US is at a different pace, given the political headwinds they face. We were reassured, however, that the bank is thinking carefully about client transition and putting together a framework. We will continue to monitor the progress of the framework as well as its impact in future engagement conversations.

Banks will remain a key engagement focus area for Brunel with us increasing collaboration with other investors to extend our influence globally.

Votes to note

AGM:
Worker rights issues came to the fore in the 2023 voting season with a record number of strikes and worker disputes recorded in the year. We supported a proposal at Wells Fargo on collective bargaining and freedom of association.

AGM: Meta Platforms, Inc
Brunel voted FOR the shareholder resolution to report on child safety and harm prevention. The company has improved disclosure on children's rights, but still lacks metrics and targets that show the effectiveness of these efforts.

This vote is part of a wider engagement initiative by EOS on Digital Rights Principles, which provide a high-level engagement framework for the ICT sector and other data-reliant sectors.

Next steps

- Develop our new human rights strategy and integrate this into our risk management processes
- Empower our internal portfolio managers with tools and frameworks to enable strengthened asset manager monitoring on human rights issues

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.

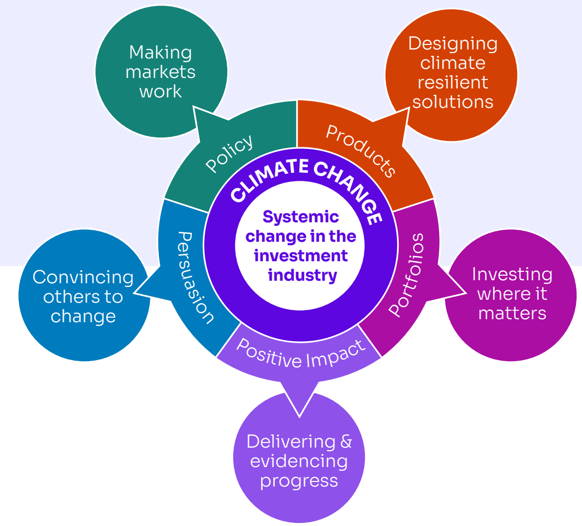
With the goal of limiting global temperature rise in line with the Paris Agreement and be Net-Zero in our own operations (scope 1&2) by 2030.

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

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.

We are making positive progress towards out Net-Zero goal, for example reducing our exposure to fossil fuels by nearly 90% and carbon intensity by 57% from our baseline in 2019, real world carbon dioxide and methane emissions have continued to increase 0.6% and 0.5% per annum respectively since 2010.

More information and detailed analytical information is provided in our Climate Progress Report and Climate-related Product Report, published in June 2024.



Policy Advocacy

Our Policy Advocacy work ranges from supporting policy makers and regulators through responding to consultations, to providing advice, participating on working groups coordinating, and signing letters. Within all our activity we promote the need for the Just Transition to encourage this to be material consideration in change. In 2023, we participated in the advisory and working groups of the International Sustainable Standards Board (ISSB) and Transition Plan Taskforce (TPT)

Persuasion:

Brunel seeks to make real world impact through persuading companies to make changes to the way they operate through engagement. As our asset managers select and engage companies on our behalf it is essential therefore that our expectations are aligned along the investment chain.

Through our asset managers, collaborative engagements and our dedicated engagement provider, we have engaged with 600 companies in relation to climate risk in 2023.

We have also achieved our target of engaging with 100% of our investment managers and general partners on measuring emissions, disclosure levels and setting targets for decarbonisation ahead of our deadline of June 2024.

Climate Change continued

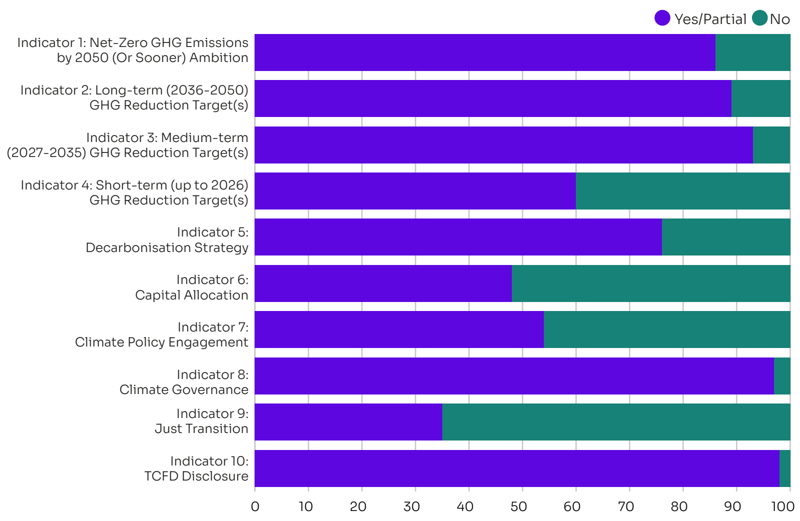
Products

The principal goal of our approach to climate change is to align all our products with the goals of the Paris Agreement. In 2023 the key development of our climate strategy was to increase our coverage of assets covered by an Alignment Target.

For those companies covered by the Climate Action 100+ Net-Zero Benchmark held by Brunel (122 of the 150), we can analyse how they are progressing against these alignment expectations.

We use the criteria to set expectations on companies and by extension on our asset managers.

Brunel Held CA100+ Companies



As at 31 December 2023, Brunel had exposure to 122 of the 150 companies covered by CA100+ in our active and passive equities portfolios.

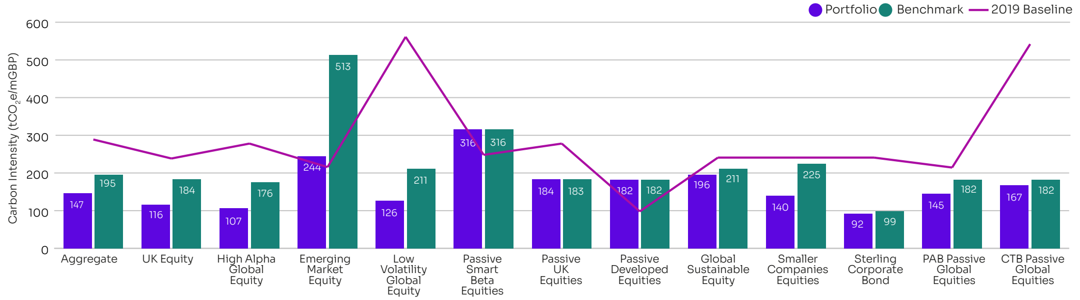
Portfolios

We want our portfolios to be resilient under a range of climate change scenarios (both decarbonisation and physical climate risk) and work with our managers to adopt best practice and continually improve our risk management.

In 2023, we made significant developments in our carbon and climate metrics embedding new metrics into our climate-related risks reports, our quarterly risk reporting as well as those metrics required to support our new alignment targets in private markets.

As of December 2023, our carbon intensity was 57% below that of our 2019 base line, with good progress in all portfolios.

Carbon Intensity of Brunel Portfolios and Benchmarks – December 2023



Climate Change continued

Positive Impact

Investing in activities that directly support the low carbon transition and that enable effective adaptation to the inevitable impacts of climate change is one of the most exciting and rewarding aspects of our climate strategy.

Brunel Infrastructure Portfolios Sustainable Investment Exposure Summary

Sustainable Exposure Summary	Percentage Sustainable Exposure	Value of Sustainable Exposure
Cycle 1	76%	£308,001,727.04
Cycle 2-G	75%	£222,742,637.00
Cycle 2-R	99%	£301,842,204.08
Cycle 3	88%	£82,145,129.21
Aggregate	83%	£914,731,697.32

As of 30 September 2023

Brunel Infrastructure Portfolios Sustainable Investment Exposure Breakdown by Sub-Sector

Sector	Sub-Sector	Value	%
Energy Generation	Cogeneration	£44,756,836.81	4.1%
	Hydro	£818,586.64	0.1%
	Mixed Renewables	£91,347,617.24	8.3%
	Solar	£221,482,602.07	20.1%
	Waste to Energy	£10,188,955.24	0.9%
	Wind	£173,016,481.62	15.7%
Energy Management and Efficiency	Buildings & Property (Integrated)	£65,070,069.48	5.9%
	IT Processes	£4,489,664.91	0.4%
	Power Storage	£21,055,053.28	1.9%
	Smart & Efficient Grids	£46,887,633.35	4.3%
Environmental Support Service	Smart City Design & Engineering	£95,877,964.07	8.7%
Transport Equipment	Railways	£12,713,508.06	1.2%
	Road Vehicles	£13,709,900.87	1.2%
	Shipping	£6,670,588.73	0.6%
Transport Solutions	Railways Operator	£31,470,616.08	2.9%
Waste and Pollution Control	Waste Management	£3,783,175.43	0.3%
Water Infrastructure and Technology	Water Infrastructure	£3,725,366.48	0.3%
	Water Utilities	£39,242,260.41	3.6%
Food & Agriculture	Sustainable Plantations (Tier 2)	£28,424,816.57	2.6%
No Impact	No Impact	£184,954,049.65	16.8%
	Grand Total	**£1,099,685,746.97**	**100.0%**

As of 30 September 2023

Climate Change continued

Case Study: Mining 2030

Brunel's CIO David Vickers serves on the investor steering committee of the Global Investor Commission on Mining 2030. The investor-led initiative provides a powerful platform for multi-stakeholder dialogue on how the mining sector, which is going to play a critical role in delivering metals and minerals for a low carbon future, can address the interrelated and systemic challenges it faces. The initiative seeks to advance a deeper understanding of how investors can drive operational resilience within the sector, promote best practice across a range of issues - from circularity to biodiversity to human rights and ensure that it adequately and responsibly manages the inevitable conflicts that can arise from extraction.

Established in September 2023, the Commission builds on the learnings and experience of the investor-led response to the 2019 Brumadinho disaster (which contributed to the creation of a Global Industry Standard on Tailings Management). The membership includes representatives from communities, intergovernmental organisations, civil society, academia, law, unions, the mining industry, banking, insurance and investors amongst others. It has the backing of 82 investors managing assets beyond $11 trillion.

In November 2023, the commission embarked on foundational research issuing an open call for evidence to support a landscape study. The landscape study seeks to understand supply and demand for energy transition minerals, both now and in the future, and will help inform an understanding of key challenges for the mining sector in meeting demand. The study will seek to identify key trends, opportunities and bottlenecks for growth on a macro, industry wide level, and on a mineral-by-mineral basis.

Case Study: Target setting at Shell – in the thick of it

Urging Shell to align with the Paris Agreement, by disclosing interim scope 3 emission reduction targets, has been the topic of a resolution co-filed by Brunel, Follow This and 26 other investors. As an evolution of previously filed resolutions by Follow This, we believe that the wording of this resolution encourages the company to reframe its current target to align with the Paris agreement in a way that best aligns with its strategy and long-term climate ambitions.

Co-filing this resolution is an escalation of our previous engagements with Shell. Last year, we voted against the CEO and Chair and the Energy Transition Progress report due to climate related concerns and voted FOR the resolution requesting interim scope 3 emissions reduction target for 2030. Not only was Shell one of the top contributors to Brunel's financed emissions in 2022, but we also have ongoing concerns regarding the credibility of its climate commitments and the alignment of its targets with Paris goals. These concerns were amplified by announcements at their Capital Markets Day in June 2023 which included a retraction of expected decline in oil production to 2030.

We co-filed as, at the time the resolution was filed, the company had an intensity target for its combined scope 1, 2 and 3 emissions which made it difficult to independently assess targeted scope 3 emissions reductions. Furthermore, our engagement conversations with the company indicated that it is unlikely to provide substantive targets on scope 3 due to implications to sales volume.

Updating in real time..

Since the resolution was filed, Shell has come out with an update to its energy transition strategy. While the company did disclose partial scope 3 emissions reduction targets (covering oil sales) we don't consider it to be comprehensive given that it does not cover the LNG business which is projected to expand. The company has also retired its medium-term targets and scaled back its short-term emissions reduction target.

We don't expect to withdraw the resolution considering its relevance in our portfolio, the materiality of scope 3 emissions for the company and the broader context of oil and gas majors backtracking on climate commitments. However, we are keeping the doors open for further dialogue with the company.

Climate Change continued

Case Study: Engagement on methane – Nordea Asset Management

Nordea Asset Management continued to lead a collaboration with selected partners and clients in 2023, engaging 63 oil and gas, midstream and utilities companies on the disclosure and mitigation of their methane emissions. Methane is a powerful greenhouse gas, estimated to be contributing to 25% of global warming today. Nine companies in the engagement group joined the Oil and Gas Methane Partnership 2.0 (OGMP 2.0) in 2023: Aker BP, Coterra Energy, Chesapeake Energy, Diamondback Energy, EOG Resources, INPEX, KazMunayGas, Petrobras and PPT E&P. Equinor and Pioneer Natural Resources achieved the OGMP 2.0 Gold Standard in 2023 on the basis of credible implementation plans.

Following investor meetings in Houston and in significant reversals Exxon Mobil and Chevron joined the OGMP 2.0 in the first quarter of 2024. The success of the collaborative engagement was recognised by Environmental Finance Magazine with the award "*Global pollution reduction initiative of the year*". The priorities for 2024 are to expand OGMP 2.0 membership among midstream and utilities companies, national oil companies and operators in the Permian basin and Canada. The engagement will also collaborate with the Environmental Defense Fund's MethaneSAT initiative on strengthening methane data and analytics for investors.

Case Study: EQT – InstaVolt - Critical infrastructure to decarbonise the UK's transportation sector

InstaVolt is a leading independent rapid charge point network owner and operator for electric vehicles (EVs), critical infrastructure to support the necessary mass adoption of EVs to enable decarbonisation of the U.K.'s transportation sector. As of December 31, 2023, the company has installed a nationwide network of over 1,300 charge points that are powered by 100% renewable energy. The charge points are often situated at retail, food, beverage, and forecourt sites to offer convenient service for end-users to combine their charge with other day-to-day activities.

EQT Infrastructure is committed to invest significantly in InstaVolt's accelerated roll-out of charge points to reach a nationwide network of 10,000 rapid EV chargers by 2030 and build the network necessary to support the ban on internal combustion engine vehicles in the U.K. by 2035.

Walking the talk

Our operational climate-related risk

Physical risks exposure is mitigated through a highly agile workforce.

100% of energy supplied to Brunel is generated from solar, wind or hydro power.

We commissioned our first full carbon footprint report;

- Improve data
- Build regular data collection process
- Review internal policies & procedures
- Review benefits package
- Explore short-term credible carbon offsetting to aid carbon reduction

Votes to note

AGM: National Grid Plc
Date: 10 July 2023

Brunel voted FOR the re-election of the chair. This is because the company responded to investor requests for improved disclosure on climate-related lobbying by updating its responsible lobbying policy, committing to review its membership of all trade associations and their alignment with the company's climate change strategy. It also committed to take action to resolve misalignment where necessary.

Next steps

- Publish Climate Progress Report 2024 and Climate-related Product Reports – June 2024
- Update Climate Change Policy 2023-2030 with new climate targets
- Escalate climate alignment expectations, with asset managers and companies alike
- Prioritise physical climate risk, resilience and adaptation in industry outreach and direct company engagement
- Champion the disclosure of scope 3 GHG in regulation, guidance and company disclosure and establish baseline reporting

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 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

Brunel believes taxation is an essential component of a healthy, sustainable society. Paying tax should not be seen as an undesirable activity but as an essential contribution to the world in which we live and an integral part of a founding Brunel principle investing for a world worth living in.

Our core principles and expectations on tax (to companies and our investment managers) is in our revised tax policy on our website.

Brunel is a signatory of the LGPS Code of Transparency and requires all qualifying managers to be signatories.

Highlights for the year

01
Updated our own tax policy

02
Joined a collaborative engagement on tax transparency

03
Continue to engage with companies on tax via EOS

04
Updated our voting guidelines on tax with a focus on escalation in 2025

05
Active member of the PRI tax reference group

Tax and Cost, Transparency and Fairness continued

Walking the talk

Brunel's tax policy, which is ultimately owned by the board, ensures that we have a consistent approach to tax across all the areas of our activities that reflects our tax principles. It outlines our approach to tax matters internally (within the corporate, Brunel Limited). For example, it sets out why and when we select certain investment structures appropriate for our tax-exempt clients. In 2023, we refreshed this policy – changes included clarification of roles and responsibilities and our stewardship approach on the topic.

Case Study: Responsible Tax Practices at Marathon Oil

EOS has been engaging since 2021 with Marathon Oil to improve disclosure on taxes paid, in line with the Extractive Industries Transparency Initiative (EITI) and with a particular focus on its operations in Equatorial Guinea, a high human rights risk region. However, the company decided to end its stated support for the EITI initiative and exited the countries where the initiative is endorsed. While EOS questioned this decision, the company failed to reinstate its membership. In a meeting in 2023, EOS have asked the company to align its reporting with the GRI tax standard and disclose itemised payments to all governments at the national, state, and local levels. While the engagement so far hasn't been promising, EOS will continue to push the company on responsible taxation.

Votes to note

In 2023, we supported shareholder proposals asking for greater transparency in line with the GRI tax standard. Companies facing proposals on tax transparency included Amazon, Microsoft, Exxon Mobil, Chevron and ConocoPhillips and Brookfield Corporation.

Next steps

- Progress and participate in the collaborative engagement on tax and communicate learnings to asset managers
- Continue to enhance our disclosures and analysis in relation to cost transparency and fairness
- Continue to support peer learning and information exchange through the PRI tax reference group

Cyber and AI

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.

Cyber security continues to feature as a top risk under the World Economic Forum's Global risks report 2024 in the short and longer term. The annual costs are estimated to reach $10.5trn globally by 2025.

Over the last year, AI development has accelerated rapidly, outpacing regulatory bodies and potentially introducing vulnerabilities in the early stages of AI deployment and application. This gap in regulation not only risks hindering innovation but also amplifies concerns about AI misuse, particularly in sensitive areas like democratic elections.

Case Study: Highlights from Cyber Security Engagement Programme in 2023

We are continuing to collaborate with Royal London Asset Management on their The Cyber Security Engagement Programme. The programme engaged with an American pharmaceutical company in Phase 3 of the engagement and were reassured by its consistent application of cybersecurity principles across business units, including a recent acquisition, and the level of board oversight. Following discussions, we have seen improved disclosures in 2023, where director biographies had been updated to include cybersecurity experience. We have also noted an emphasis on Board's active role in reviewing company's cybersecurity risks and dedicated ESG reporting.

Another conversation with a British financial services company was positive – it welcomed our feedback on how its practices and disclosures could be improved. We were satisfied that appropriate improvements have been made following a 2021 fine for failure to report breaches and encouraged related public disclosures. The company has also demonstrated best practice on governance and risk management processes surrounding cyber security. While the security of the information perimeter is an area for improvement, through the dialogue, we gained comfort that the company was focused on this area.

The dialogue with a logistics company provided opportunity to understand its response to the cyber-attack in 2022, and management shared insights on how it has improved the company's cyber resilience since. This included the appointment of a Chief Information Security Officer (CISO) and the implementation of enhanced security measures based on recommendations from cyber experts at Google and Microsoft. While we appreciate the improvements made by the company, we recognise that further alignment with best practices is necessary. We will provide recommendations to the company and continue to monitor their progress against our investor expectations.

Cyber and AI continued

AI in stewardship – discussing how AI is enhancing stewardship functionality with Oliver Wright, Responsible Investment Officer

How is AI supporting you with your stewardship responsibilities?

Well, the first major application was our Voting Guidelines Scanner. We used an AI-driven tool, leveraging Generative Pre-trained Transformers (GPT), to analyse and compare the voting guidelines of approximately 20 asset managers and owners. This tool has been particularly useful for identifying trends and noting year-on-year changes in these guidelines. The insights gained from this analysis were instrumental in updating our own voting guidelines, and ensuring they are ahead of current practices and expectations. It's about more than just tracking changes; it's about understanding the broader shifts in stewardship standards and ensuring our guidelines reflect these.

How else have you been using AI in your stewardship efforts?

We've also developed a Quarterly Report Reconciliation Tool. It uses AI to assess implementation of our voting guidelines. We then used the reports generated as a tool to engage with our service provider where we saw discrepancies. Given the importance of voting implementation, the ability to automatically verify this information has been invaluable. It ensures the reliability of our reports and significantly reduces the time and effort previously required for manual checks. This means that we can devote more resources to engaging with investee companies and other core stewardship activities.

Looking ahead, how do you see AI evolving in the realm of stewardship?

AI's role in stewardship is only set to grow. As the technology advances, I expect we'll see new tools for more effective engagement with companies, improved monitoring of sustainability factors, and even predictive analytics for identifying potential governance risks. The future of stewardship will likely involve a greater integration of AI to not only streamline operational tasks but also to enhance the strategic aspects of our work like focusing engagements to ensure meaningful outcomes. GPT has already proven to be an asset, and its ongoing development will undoubtedly open up further possibilities for enhancing our stewardship practices.

Whilst AI brings substantial benefits, we must be cautious of its risks. One significant concern is the potential for social bias in AI algorithms. Given that AI systems are trained on large datasets that may contain societally biased historical data, there's a real concern that these systems could replicate and even amplify existing societal biases. Alongside this, there's the challenge of ensuring that our reliance on AI doesn't diminish the value of human judgment, and that data privacy and security are rigorously maintained. To mitigate these risks, it's vital to regularly audit AI tools for bias, ensure transparency in operations, and maintain a balanced approach that combines the efficiency of AI with the nuanced understanding of experienced professionals.

Votes to note

AGM: CGI, Inc
Date: 22 September 2023

In 2023 we supported a shareholder proposal at CGI Inc, a Canadian company which specialises in IT service consulting to "Review Mandate to Include Ethical Component Concerning Artificial Intelligence". This resolution requested an update to the corporate governance committee charter to include ethical artificial intelligence.

Next steps

- Continue to participate in the cybersecurity coalition led by Royal London Asset Management
- Continue to engage with asset managers on cyber issues, on how they monitor and integrate risks within investment selection and monitoring and within their own operations
- Continue to use AI to enhance the stewardship function within Brunel

Circular Economy and Supply Chain Management

We seek to focus on specific companies and sectors where the effective management of their supply chains and or natural resources is a principal business risk.

The recent disruptions in global trade, including the Suez Canal crisis and Red Sea attacks, have put a spotlight on the fragility of Supply Chain Management.

The concept of a Circular Economy offers a promising path forward. It champions a move away from traditional, linear models towards systems that are regenerative by design. This shift towards sustainability is seen in practices like waste-to-energy conversion and advanced recycling, including the use of AI to improve processes.

AMR

Anti-microbial resistance (AMR) occurs when bacteria and other microorganisms evolve and fail to respond to antibiotic use. WHO identifies it is as one of the top health threats to humanity.

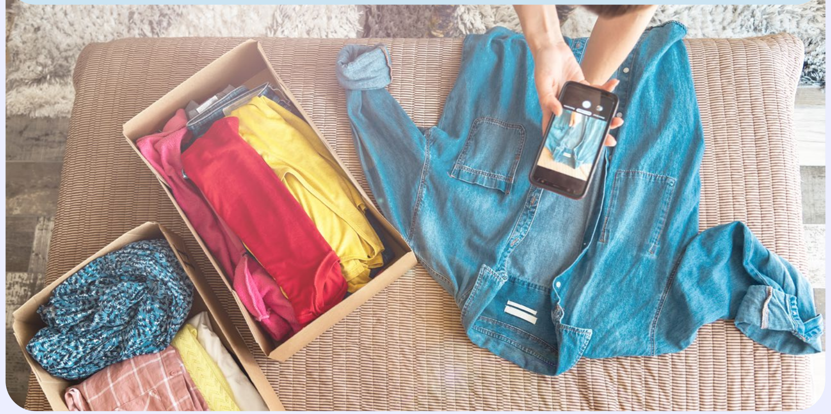
From an investment perspective, AMR is a systemic and financial risk that is expected to cause a decline in global GDP by 3.8% by 2050 if left unaddressed.

We signed up to FAIRR's Animal Pharmaceuticals engagement. This initiative led by FAIRR engages with seven of the largest publicly listed animal pharmaceutical companies, which account for almost 50% of the global animal health market.

Case Study:
Vinted - second hand fashion

Vinted, part of our private equity portfolio, is Europe's largest online customer-to-customer (C2C) platform dedicated to second-hand fashion, with a community of more than 75m members. The Company helps extend the lifespan of garments by resale on its platform, under the assumption that such second-hand items are displacing virgin clothing and accessory products, thus helping mitigate the significant environmental costs associated with the production, distribution, and disposal of textiles/clothing, especially in fast fashion.

Vinted's market is supported by several secular tailwinds including growing concerns around sustainability and climate change, as well as an increased focus on the circular economy, with consumers eager to make more responsible and less wasteful fashion choices.



Circular economy and infrastructure

A circular economy is essential for sustainable development, with infrastructure being a key factor in this transformation.

Examples include the development of electric vehicle (EV) charging networks and enhancing supply chain recycling processes to ensure materials are recycled more efficiently.

Forever chemicals

We encounter a host of synthetic chemicals in our daily lives, although many of us are unaware how dangerous they can be to our long-term health. There is particular concern about the persistence of certain synthetic long-lasting chemicals called PFAS, which break down very slowly over time, if at all, called Forever Chemicals.

PFAS production is a key regulatory, reputational, and financial risk for manufacturers and consumer goods companies, and EOS has been engaging on hazardous chemicals for over a decade. Recently EOS engaged with the company 3M which is an American multinational conglomerate operating in the fields of industry, worker safety, healthcare, and consumer goods.

Case Study:
Engagement with 3M

EOS's engagement journey with 3M, initiated in 2020, centred on the critical issue of hazardous substance management, with a particular focus on the company's utilisation of fluoropolymers—a subset of the environmentally persistent chemicals known as per- and polyfluoroalkyl substances (PFAS). Recognising the significant environmental and health risks posed by PFAS, which are notorious for their inability to degrade naturally, accumulating in water, soil, and living organisms, EOS urged the company to devise and implement a time-bound strategy aimed at reducing and ultimately ceasing the production of fluoropolymers. This strategy was to include the exploration and adoption of more sustainable alternatives.

In a significant move in September 2022, EOS, alongside 46 other signatories representing a collective $8 trillion in assets under management and advise, reached out to the company's CEO through a letter that echoed a previous communication sent in December 2021. The correspondence highlighted the urgent need for enhanced transparency regarding the company's chemical production and disclosure practices, especially in regions with less stringent regulatory frameworks than those of the US and EU. The letter emphasised the necessity for the company to discontinue its production of PFAS, citing the looming financial risks associated with potential litigation and the costs associated with product reformulation and process modification.

The company's announcement in December 2022 to discontinue PFAS manufacturing by the end of 2025 marked a pivotal moment in the engagement efforts. This commitment to phase out the use of PFAS across its entire product range, including fluoropolymers and other PFAS-based products, was a significant stride towards environmental stewardship. The company estimated the financial impact of this decision at approximately $1.3 billion, correlating to the annual net sales from PFAS production. Further engagements in 2023 revealed the company's dedication to ensuring a smooth transition for its customers, adhering to existing contractual obligations whilst actively developing and transitioning to non-PFAS alternatives.

3M's decision to exit the PFAS market is seen as market leadership in addressing the challenges associated with hazardous substances. This move, influenced by EOS's sustained engagement, reflects a comprehensive assessment of the evolving regulatory landscape and shifting stakeholder expectations. As we move forward, we will continue to monitor the company's progress in this transition, supporting and acknowledging its efforts to innovate and lead in sustainable supply chain management practices.

Circular Economy and Supply Chain Management continued

Case Study: Suez Project "Sonate" – Environmental Services

We have a co-investment in our Cycle 1 Infrastructure portfolio with Meridiam and other leading infrastructure investors in Suez, a leading player in environmental solutions, with a global footprint in the water and waste services segment.

Suez's sustainability roadmap aims to reduce the wider business carbon footprint by raising the proportion of sustainable electricity as a share of the wider group's total electricity consumption to 70% worldwide and 100% in Europe. This would contribute to reducing the emissions from water activities by almost 40% by 2030 and from its waste collection and recycling activities by more than 25% by 2030. Suez further promote the recycling, recovery and reuse of materials and establish economic models that are beneficial for the climate. They are also adapting priority and vulnerable sites to the effects of climate change.

Suez is also committed to helping its industrial and local authority customers to avoid GHG emissions by providing dedicated circular economy solutions (material and energy recovery) while at the same time ensuring its activities contribute to nature preservation and deliver social impact.

Votes to note

AGM: Amazon.com,Inc
Date: 24 May 2023

LGIM, who vote on our index tracking equities called for urgent action to reduce plastics along with other investors representing over $10 trillion in assets and reiterated the need to reduce single-use plastic packaging.

They acknowledge and welcomed Amazon's progress in reducing the use of plastics in its packaging to date and its engagement with other manufacturers to reduce their use of plastics in packaging. However, Amazon has not set medium or long-term targets to reduce the use of plastics in absolute terms and still lagging peers in this regard. Therefore, a vote FOR the resolution on a report on efforts to reduce plastic use was warranted.

Walking the talk

Through our comprehensive Technology and Data Disposal Policy, we ensure that our hardware is handled appropriately at the end of its lifecycle. In 2023 we donated 28 laptops to a charity for educational reuse. In cases where the hardware is no longer operational, we ensure it is recycled through official channels, adhering to environmental best practices.

Next steps

- Continue to contribute to the Mining 2030 commission
- Continue to raise awareness across the wider investment industry around the importance of the circular economy
- Enhance our current approach to natural resource stewardship through updating our analysis of the investment risk and opportunities, and also linking it with our work on biodiversity and nature.

Getting in touch with the team

Please visit our website to read our latest reports, news and insights and other materials to keep you up to date. It has been updated to provide easier navigation, access to documents and include more case studies for your information.

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

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