

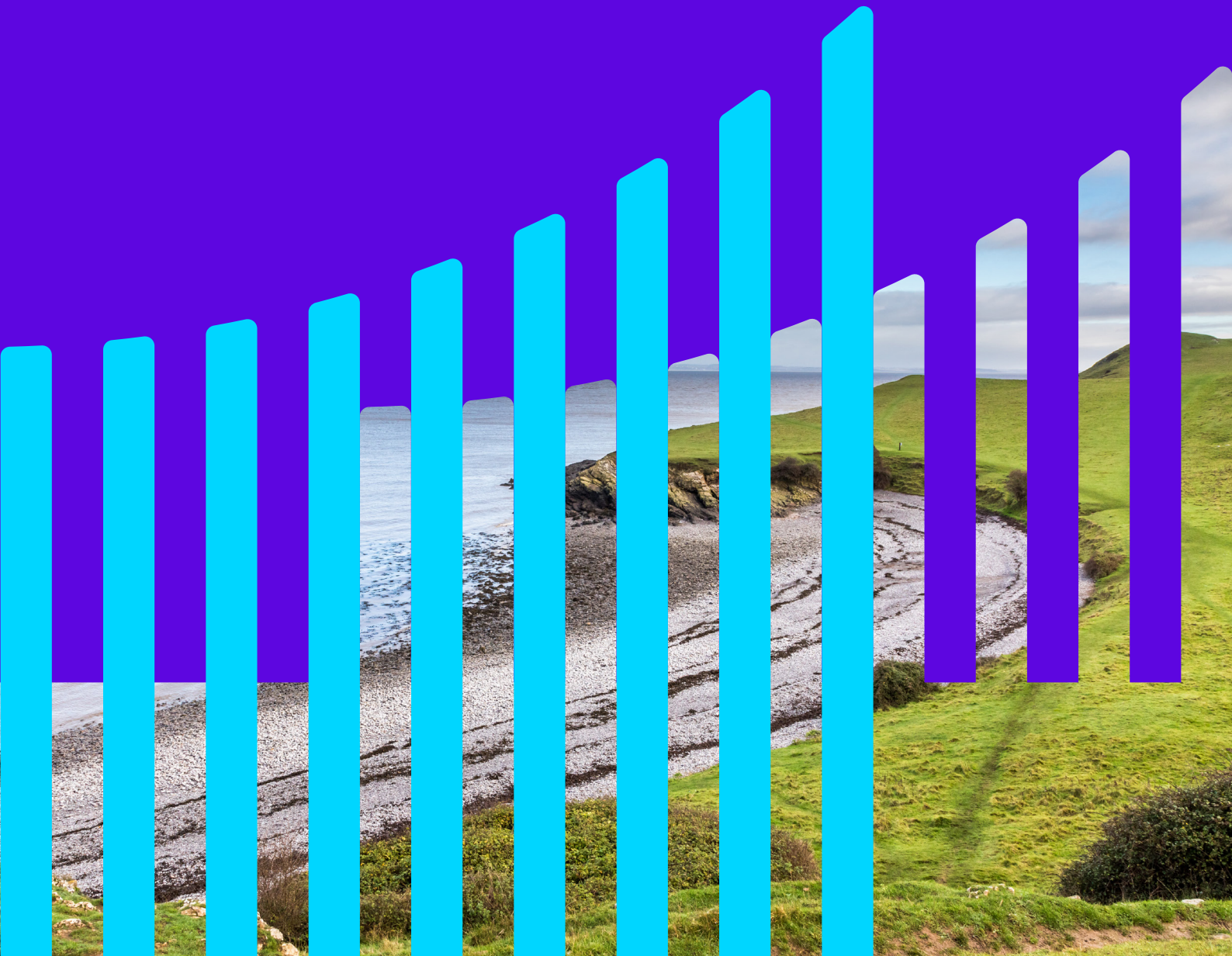


Brunel

Pension
Partnership

Climate Change Policy 2023 – 2030 Summary

**A five-point plan to build a financial
system which is fit for a low carbon future**



Our role in driving change

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

In March 2021, Brunel committed to be Net Zero by 2050, with the goal of limiting the global temperature rise to 1.5°C through the Paris Aligned Investment Initiative (PAII) Net-Zero Asset Owner Commitment, aka Paris Aligned Asset Owners. This requires signatories to set a direction and portfolio structure for alignment through governance structures, strategy, target and objective setting, and strategic asset allocation; it means shifting the alignment of assets to meet portfolio goals; and it means influencing the environment to facilitate alignment through policy advocacy and market engagement.

It is critical that our approach supports real economy changes and is compatible with being a responsible investor as well as the objectives of the 2015 Paris Agreement. We specifically acknowledge other systemic risks and stresses that interconnect with climate action and are part of Brunel’s wider approach to Responsible Investment, including:

- Biodiversity and nature-based solutions
- Equity, Diversity and Inclusion
- Human rights and social issues (notably Just Transition)
- Circular economy and supply chain management

We use the UN Sustainable Development Goals as a framework for addressing these issues.

Our climate change beliefs in light of our strategic objectives and investment principles

Our Investment Principles are designed to capture the ambitions of how the partnership will operate on a day-to-day basis, to clearly demonstrate compliance with relevant regulations and policies, to support our investment strategy, and to be commensurate with the expectations of an organisation of our size.

1. Long-term investors
2. Responsible investors
3. Best practice governance
4. Decisions informed through experts and knowledgeable officers and committees
5. Evidence and research at heart of investments
6. Leadership and innovation
7. Right risk for right return
8. Full risk evaluation
9. Responsible stewardship
10. Cost-effective solutions
11. Transparent and accountable
12. Collaborate

Given our strengths and our position in the market, we therefore believe that the key objective of our Climate Change Policy is to systematically change the investment industry so that it is fit for purpose for a world where temperature rise needs to be kept to well below 2°C, while and pursuing efforts to limit the temperature increase to 1.5°C, compared to pre-industrial levels.

Executive summary

Brunel Pension Partnership aims to deliver stronger investment returns over the long term, protecting our clients' interests through contributing to a more sustainable and resilient financial system which supports sustainable economic growth and a thriving society.

Brunel Pension Partnership aims to deliver stronger investment returns over the long term, protecting our clients' interests through contributing to a more sustainable and resilient financial system which supports sustainable economic growth and a thriving society.

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.

How we navigate these risks is critical and therefore a strategic investment priority. In 2020 we designed a five-point plan as part of our Climate Change Policy – to guide our work over the next three years. Our new Policy carries forward that five-point plan to 2030, as we cleave to our aim to change the broader financial system.

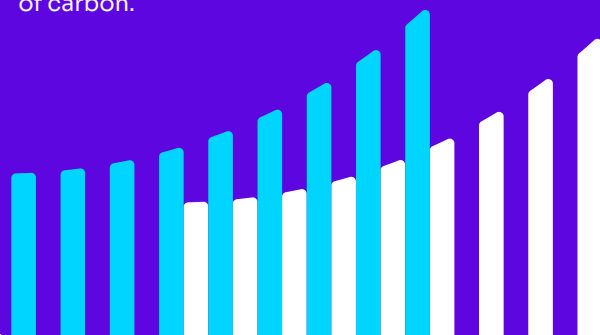
This policy has been updated in June 2024 to reflect the updated targets set.

The state of play in the financial system

The case for urgent action on climate change is clear. Global average temperatures are already 1.1°C above pre-industrial levels; the rate at which capital is being invested in low carbon infrastructure is approximately half of that required; and the pace at which regulators and policy makers are acting is far too slow.

We support the UK government's commitment to develop measures to help bring the financial system into line with Net-Zero, as the nature of the investment system, and financial markets more generally, contributes to the challenge of addressing climate change, rather than supporting change.

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



Taking Stock

In 2022, we undertook the first of our climate stocktakes, whereby we sought to do a deeper dive to assess:

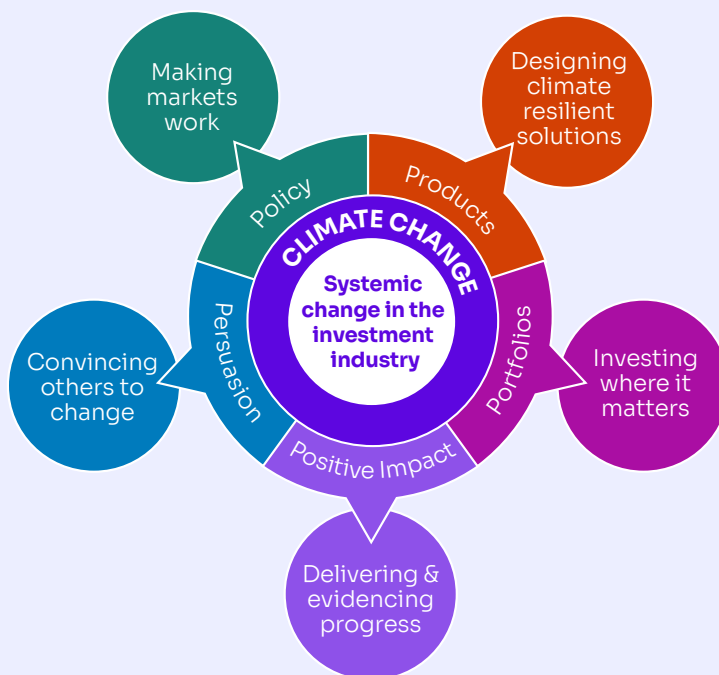
what we had delivered; stakeholder views of our progress to date; our priorities going forward together; and what updates to the scientific advice and investment best practice were relevant to shape the policy. We have reported publicly on the outcome of our Climate Stocktake and we commit to repeating the exercise in 2025 to ensure our approach is fit for purpose and, specifically, reflects client needs

Five-point plan

We published our first Climate Change policy in January 2020 and identified five priority areas: Policy Advocacy; Product Governance; Portfolio Management; Persuasion; and Positive Impact.

Since then, we have taken action to meet the commitments in that policy on the five priority areas. Our regular reporting provides insight in these areas through our annual [Responsible Investment & Stewardship Outcomes Report](#); which considers our performance on meeting our Responsible Investment goals, including on climate change. Further detail is provided in our [Climate Change Progress Report](#) (incorporating TCFD) and our [Climate-related Product Report](#) showcases key climate-related metrics by portfolio.

We have kept those original five priority areas, but have slightly updated the language.



Policy

Encourage policy makers to establish comprehensive and robust climate change policy frameworks. These need to deliver significant reductions in greenhouse gas emissions, accelerate progress towards the low carbon economy, and enable effective adaptation to the unavoidable impacts of climate change.

Products

Ensure a range of climate resilient products are available to our clients and the wider investment market that deliver substantial climate change benefits and are Paris-aligned. These investment solutions must help clients also meet their future investment goals.

Portfolios

Ensure our investment portfolios are resilient under a range of climate change scenarios (both mitigation and adaptation) by adopting best practices on climate risk management and working with our managers to further improve and develop our processes.

Positive Impact

Enable investments in activities that directly support the low carbon transition and that enable effective adaptation to the unavoidable impacts of climate change.

Persuasion

Challenge and encourage companies and other entities in which we invest and contract with to support the transition to the low carbon economy, and to ensure that they are resilient to the unavoidable impacts of climate change.

Our Targets

Overall Strategy Target

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

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

Products

Product Governance Target – Portfolio alignment

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

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

More than 50% AUM in Real Estate and Infrastructure assets are i) achieving Net-Zero or ii) meeting a criterion considered to be aligned by 2030 and 100% by 2040.

100% AUM in Secured Income and the Cornwall Local Impact Portfolio are i) achieving Net-Zero or ii) meeting a criterion considered to be aligned by 2030.

100% of the portfolios corporates and quasi-sovereign exposure be considered as 'achieving Net-Zero' or 'aligned to Net-Zero' by 2040, achieving 50% progress by 2030.

100% of directly held Sovereign debt (UK Gilts) is covered by engagement to achieve Net-Zero by 2050.

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

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

Persuasion

Persuasion Target – Portfolio stewardship

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

Continue to engage with **100% of investment managers and general partners*** on measuring emissions, disclosure levels and setting targets for decarbonisation and alignment.

Engage with 100% of carbon-based energy and transport infrastructure assets as part of collective or direct engagement, or management interventions. Brunel Infrastructure portfolios have limited exposure to such assets and, where they do, it is often part of a wider programme of energy transition and/or efficiency.

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

Portfolios

Portfolios – Decarbonisation

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

To achieve economy wide decarbonisation companies need to identify, manage and disclose material Scope 3 GHG's emissions.

Brunel commits to engage with directly held high impact sectors and banks to achieve 100% disclosure of their own material Scope 3 emissions by 2030, and with all of our largest directly held IT companies to disclose their own material upstream and downstream **Scope 3 emissions by 2030**.

Policy

Public Policy Target – Sovereign Debt

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

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

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

Positive Impact

Positive Impact – Climate solutions

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

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

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

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

Brunel will provide annual updates as to the sustainable exposure, including climate solutions, of its infrastructure portfolios from 2023 onwards. Real Estate and Secured Income (impact and renewables exposure – reporting metrics to be developed)

We feature numerous case studies of investments that specifically target climate solutions through decarbonisation and energy efficiency as well as climate adaptation and resilience, in our annual reporting.

Note on targets: Brunel has adopted a clear hierarchy of its targets to prioritise real economy changes that will support the net-zero transition. **Priority is given to alignment**, although current data availability limits scope of assessment. We also stress the need to look at performance across multiple metrics, as no one metric will be useful in isolation. The prioritisation below solely relates to the targets – not the ambition or actions more broadly.

1. Product Governance – portfolio alignment
2. Persuasion – stewardship
3. Policy
4. Positive Impact – climate solutions investment
5. Portfolio decarbonisation

Our governance of climate change

As a core aspect to us meeting our fiduciary duty to our clients, climate risk has been identified as a principal (level 1) strategic risk to Brunel. As such, the risk is owned by the Chief Executive Officer, with oversight from Brunel's Audit, Risk and Compliance Committee, forming part of Brunel's overall strategic risk framework.

Our Climate Change Policy, and strategy, are signed off and approved by both our clients and the Brunel Board. With the Brunel Board being collectively accountable for the policy and our clients approving it. Operational accountability sits with our Chief Responsible Investment Officer, with oversight from the Brunel Investment Committee and Brunel's Board.

We would like to acknowledge the significant support and contribution of our clients in the development of our Climate Change Policy 2023-30. Our mutual commitment to building a financial system which is fit for a low carbon future is pivotal to driving change together.

Our regular reporting provides insight in these areas through our annual Responsible Investment & Stewardship Outcomes Report, which considers our performance on meeting our Responsible Investment goals, including on climate change. Further detail is provided in our Climate Action Plan (incorporating TCFD) and our annual Carbon Metrics Report showcases key carbon metrics by portfolio.

Getting in touch with the team

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

Fund managers with general enquiries, meeting requests and other materials (updates, newsletters, brochures and so on), should contact us at info@brunelpp.org

Disclaimer

This content is produced by the Brunel Pension Partnership Limited. It is for the exclusive use of the recipient and is neither directed to, nor intended for distribution or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or jurisdiction where distribution, publication, availability or use of this document would be contrary to law or regulation.

This content is provided for information purposes only and is Brunel's current view, which may be subject to change. This document does not constitute an offer or a recommendation to buy or sell securities or financial instruments.

It is designed for the use of professional investors and their advisors. It is also not intended to be a substitute for professional financial advice – specific advice should be taken when dealing with specific situations.

Past performance is not a guide to future performance.

Authorised and regulated by the Financial Conduct Authority No. 790168