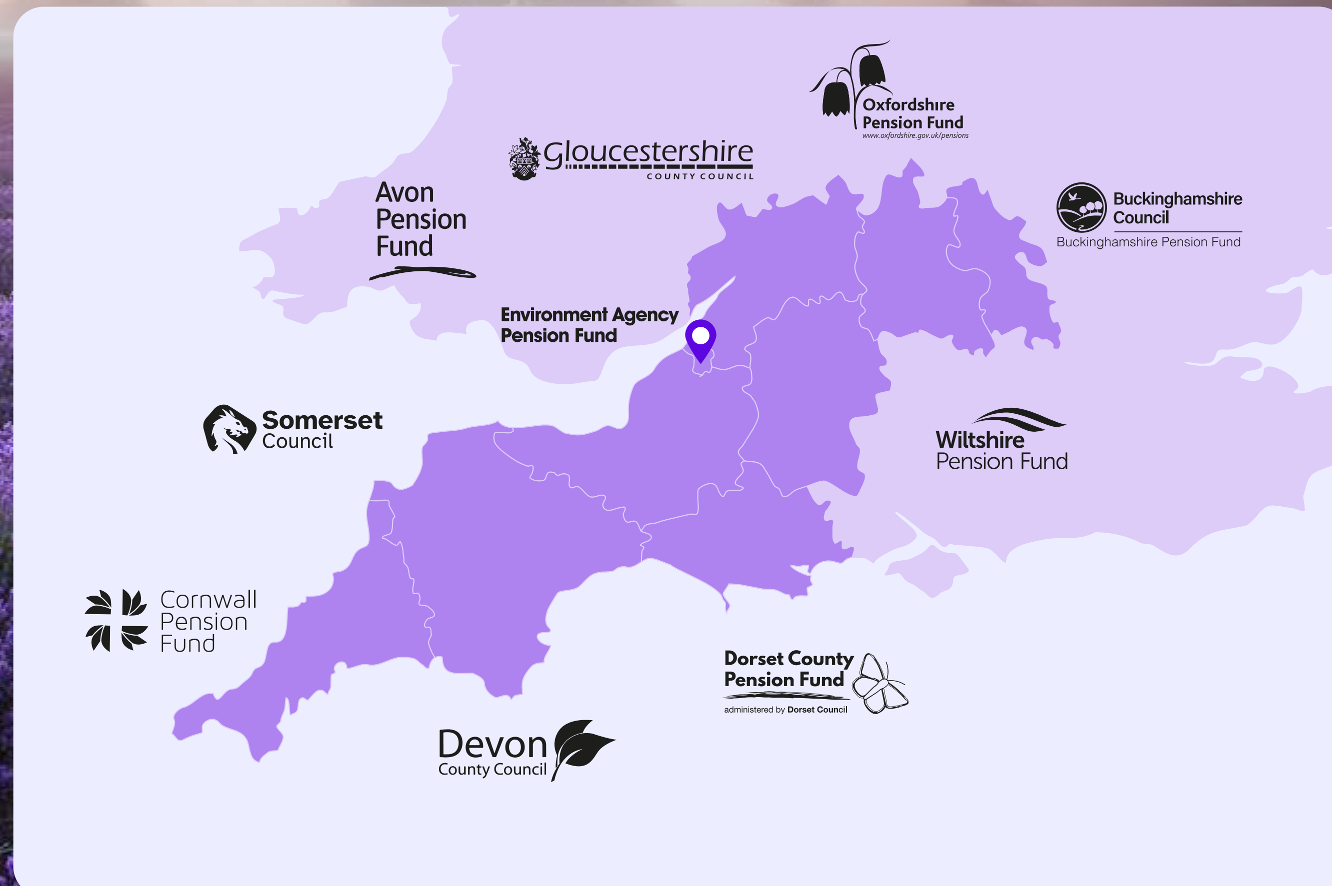
Brunel
Pension
Partnership

2024
Responsible Investment and Stewardship Outcomes

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.



Brunel is authorised and regulated by the Financial Conduct Authority as a full-service MiFID firm. We use the name 'Brunel' to refer to the FCA-authorised and regulated company. Company registration number 10429110 . Authorised and regulated by the Financial Conduct Authority No. 790168

Executive Summary

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

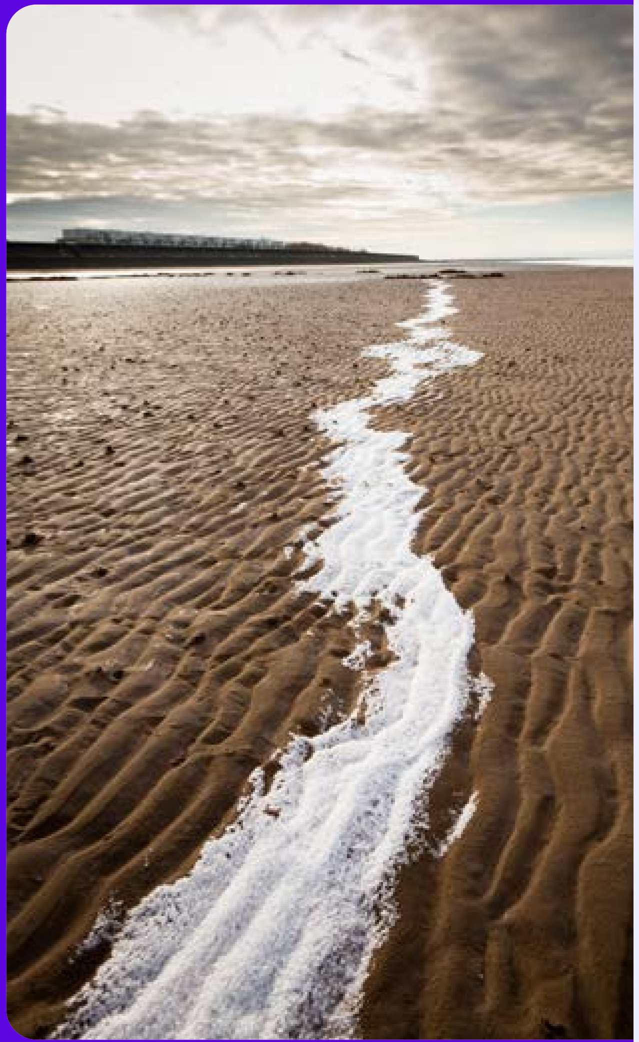
5 years
ongoing climate engagement with Barclays

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



Foreword from our CEO

Since our founding, reporting has always been core to Brunel's approach to Responsible Investment. It enables us to review our processes, to evaluate our performance against our priorities, and to encourage broader progress across the industry.

Laura Chappell
Chief Executive Officer

2024 Responsible Investment & Outcomes Report, explores the outcomes of our responsible investment activities across 2023. It also meets the requirements of the Financial Reporting Council's Stewardship Code 2020.

The report reflects the priorities of our broader partnership. As an LGPS pension pool, our primary responsibility is to manage our fiduciary duties to our ten clients. Like us, each of our clients views responsible investment (RI) as fundamental to that fiduciary duty. As a partnership, we have identified seven priority RI themes, and we report on progress across each of these themes in this report.

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. Indeed, one of those collaborations is to improve asset owner-asset manager alignment (see p.31).

Our three RI pillars remain foundational to all we do: to integrate; to collaborate; to be transparent. Integration of sustainability, for example, requires Brunel to embed our principles across everything we do, from our portfolios to our internal company policies to the management of our supply chains (look out for our 'Walking the talk' sections throughout the report). We are always looking to improve our impact and consistency in this area: thus our support for the Catalyst Education Programme.

On collaboration, there is a range of initiatives and associations to highlight, such as joining the Global Mining Commission, our support in the development and launch of the International Sustainability Standards Board (ISSB) Standards to enhance the comparability and reliability of climate-related reporting, our work with the AODC (p.41) and the Fair Reward framework, each of which is covered in this report.

On transparency, I would highlight the range and depth of data provided throughout this report, but also our 'early adopter' commitment to biodiversity (TNFD) reporting (see p.38). The reporting year saw a lot of the behind-the-scene work to enhance our already leading, TCFD reporting. With the introduction of regulatory requirements, we have looked to operationalise and deliver enhanced product reports for our clients in 2024 (see p.64).

Our broader commitment to industry progress runs through all of these priorities – and helps to direct our approach. Voting and engagement are therefore two areas that have received particular attention at Brunel. Engagement case studies are dotted through this report, such as with water utilities, or engagements on themes like deforestation and biodiversity.

Across our RI themes, in 2023 we enhanced our approach to Biodiversity & Nature, following an extensive pilot project with S&P Sustainable1 on nature-risk profiling. We also ran an internal workshop on human rights. In both these cases, the impact of these initiatives will be felt across policies, strategy, manager engagement, and reporting.

Responsible Investment remains a process and not a destination, but this 2023 snapshot provides a sense of both the impact of our approach, and the scale of our commitment, from our engagement with companies to rapid expansion of our reporting.

Amid all the work and change, our priority remains what it has always been: to forge better futures by investing for a world worth living in. Our partnership remains as committed as ever to delivering on that pledge.

CIO perspective - the environment we're operating in

David Vickers

2023 was a significantly better year for investors than the previous year which saw all major assets post negative returns and only commodities and energy in particular rise in value.

The significant short-term headwinds for responsible investors caused by this eased in 2023 but were replaced by the concentration risk which saw the "magnificent seven" tech stocks collectively rise by over 75% accounting for half the entire stock market gain in the US. These headwinds were faced by all investors however and the index beat most active managers. It is worthy of note that due to its construction, the FTSE Paris aligned benchmark posted returns above that of the parent index. We don't take credit for this, it is a crude outcome of being underweight the energy sector, but it is a useful counterbalance to the active equity franchise.

In typical counter cyclical fashion, given the underwhelming performance of sustainable funds in 2022 there was a new pressure on sustainable managers to prove their approach. This backlash was most prevalent from late adopters of responsible investing who hadn't enjoyed the previous decade of solid outperformance. . This sentiment was also seized upon by politicians in the US who have weaponised ESG, censuring managers following that path culminating in litigious action and loss of mandates in some incidences. There was also a rowing back of government commitments both in the UK and elsewhere.

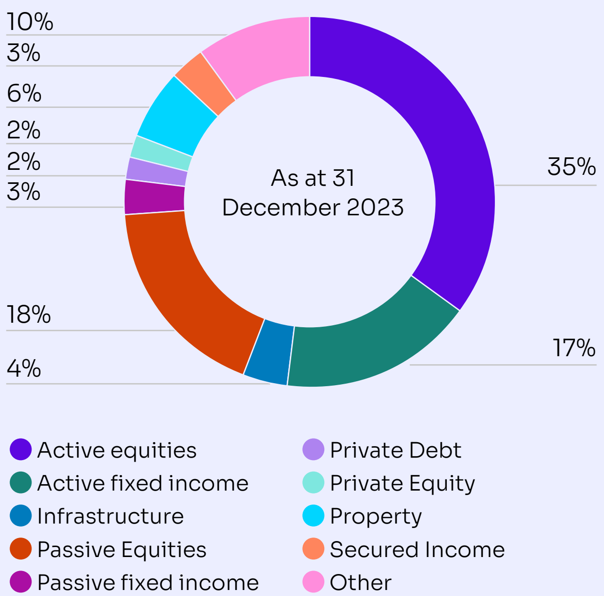
On a positive note, it was encouraging to see that the Financial Markets Law Committee urged pension funds to situate their scheme within the wider economy when constructing strategies, principles, and policies, essentially confirming that sustainability and climate change can be considered in the management of the scheme. This backdrop was supportive as we evolved our Climate Change policy. We designed the policy with our partners to incrementally raise expectations for our managers and the companies they invest in on our collective behalf.

Higher interest rates, continued to bottleneck in key materials and equipment, plus the fixed nature of renewable energy revenue agreements has put many projects in jeopardy. Fortunately for our cycle three infrastructure vintage we advised diversifying away from a pure renewable portfolio, but still the sector, in private and public markets has been put under pressure and many projects have stalled or have been cancelled given dramatic drop in profitability - denting both investor returns and ultimately, the achievability of global renewable energy targets.

In keeping with our aim not just to invest our partners capital in a sustainable fashion but to try and use our position and influence to change the framework in which we all operate, we have had many successes this year; the team joined other asset owners to lobby the asset management community to act and invest responsibly across all their mandates and not just where mandates such as ours request it. We also joined the Global Investor Commission on Mining 2030, a collaborative investor-led initiative seeking to define a vision for a socially and environmentally responsible mining sector overall by 2030, and to develop a consensus about the role of finance in realising this vision. Counter intuitively, perhaps, given the strong negative ESG sentiment we also collaborated and led a number of successful engagement initiatives, not least encouraging Barclays to curtail its lending to the oil and gas sector.

2023 brought significant challenges to the goals of responsible investing but it feels like against a strong tide of anti ESG sentiment we were still able to make good progress both with our clients in their portfolios and in the wider societal context.

Breakdown of Brunel Assets Under Management



Investing for a world worth living in

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.

Balancing the objective of delivering long-term, sustainable financial returns with more immediate risks such as, inflation and energy security, is not without its challenges. We acknowledge, that whilst there are many win-win opportunities, as the investment case studies in this report clearly demonstrate, there are also trade-offs in pursuing an investment strategy that seeks to minimise its exposure to risks such as modern human slavery and environmental degradation.

We firmly believe it is in our clients' best interest, both financial and otherwise, to act as responsible stewards of capital. This requires us to be aware of a wide range of impacts, risks and interdependencies. Many of these outside the traditional purview of financial analysis, but are financially material when properly assessed and understood.

Our perspective and approach resonated strongly with those set out in the Financial Market Law Committee paper, for example, their observations about risk and return over time horizons.

Balancing the demands presented by different time horizons is a perennial challenges for long-term investors such as Brunel. Our client funds have liabilities to meet now but also stretching into the next century. What we mean by long-term varies depending on the context and indeed, the asset class, for practical purposes Brunel has defined its action-orientated time frames as being

- Short term – present day to 2030
- Medium term – 2031- 2040
- Long term – 2041 – 2050 and beyond

Our stewardship targets are short-term focused, recognising that the actions taken today aim to reduce risk in medium to longer term.

"Sustainability and the subject of climate change may in fact develop or deepen further our appreciation of what represents return and risk. They may help us understand further the importance of time horizons. Changes in return over time and systemic risk are among the matters that have to be understood well." **FMLC, 2024.**

The context in which we invest is constantly evolving and we regularly review our themes and priorities (see page p.17). This is essential to ensure we utilise our limited resources effectively.

Brunel, in partnership with its clients, sits at the top of the investment chain. We outsource 100% of our assets under management, and specialise in portfolio construction and risk management through the selection, appointment, and monitoring of asset managers. We have exposure to over 3,000 individual corporate names in the listed portfolios, so could not realistically engage meaningfully with such a large number but instead require appointed asset managers to conduct first-line engagement with those corporates.

Brunel, through this varied set of companies, directly, and through its supply chains, could be described as a highly diversified investor with exposure to more or less slice of every sector or every economy in the world.

We are large, with around £35 billion in assets under management, long-term, and widely diversified – all features used to describe universal owners. The universal owner concept acknowledges the interconnections and interdependencies of our investments not only with each other but with the wider economy and recognises that as such it is difficult to avoid (through individual stock selection or divestment) exposure to systemic issues. Instead, 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.

Whilst engaging with corporates collectively with other investors is a core part of Brunel's approach, we believe working collaboratively on market-wide issues is the most effective use of our resources. There are numerous examples throughout this report of our active participation in systemic stewardship initiatives led by the investment community, such as:

- Mining 2030
- Aligning Expectations – Aligning Asset Owners and Asset Managers approach to stewardship
- Asset Owner Diversity Charter

Policy and regulation are pivotal components of corporate and financial systems. They provide the framework rules, limitations and guidelines that participants need to operate within. Therefore, supporting policy makers and regulators through responding to consultations, providing advice, and participating in working groups are all ways in which Brunel adopts to bring about systemic change.

Investing for a world worth living in continued

In 2023, Brunel was involved with two of the most critical developments on progressing climate-related disclosure. The International Sustainability Standards Board published standards for sustainability (S1) reporting and climate (S2) was released in June 2023. (Subsequently, the IFRS Foundation, that houses the ISSB, announced that Taskforce for Climate-related Financial Disclosures monitoring responsibilities would transfer to ISSB from 2024).

The UK's Transition Plan Taskforce, building on the ISSB standards, published its sector-neutral guidance in October 2023. Brunel's involvements in both releases reinforced its commitment of direct support to both organisations.

Next steps

In 2024 we will continue to support industry groups such as

- International Sustainability Standards Board (Member of the Investor Advisory Group (ISSB IAG))
- Institutional Investors Group on Climate Change (Board Chair, Co-Chair of the UK Policy Working Group and member of the Paris Aligned Investment Initiative Steering Group)
- Transition Plan Taskforce Delivery Group (member and Co-Chair of the Adaptation Workgroup)

Case Study:
TPT – Getting Adaptation on the Agenda

Faith Ward, CRIO at Brunel was an intrinsic part of the team developing resources on behalf of Transition Plan Taskforce (TPT). In addition to being a member of the TPT Delivery Group, Faith co-led the working group on adaptation, creating a dedicated primer for preparers on adaptation. The guide tackles adaptation-specific issues to consider when planning corporate adaptation, such as handling deep uncertainty, risk assessment, synergies and trade-offs with mitigation, and prioritizing early action, and priorities for policymakers on what more needs to be done to strengthen adaptation within the transition plan ecosystem. This work ensures adaptation is included in corporate climate transition planning and compliments the wider suite of resources available for corporates, assets managers and asset owners.

TPT's outputs support the creation of consistent, comparable company reports, and reduce the level of disclosure complexity faced by firms. Brunel is already embedding transition plan disclosure requirements into its climate stewardship requirements and envisages transition plans becoming a core requirement in its climate strategy.

More information on the TPT website.

UK Regulation – One step forwards two steps back

As well as providing direct support, we see our role is also to challenge regulators and policy makers when we believe proposed actions are not aligned with our client or beneficiaries' best interests.

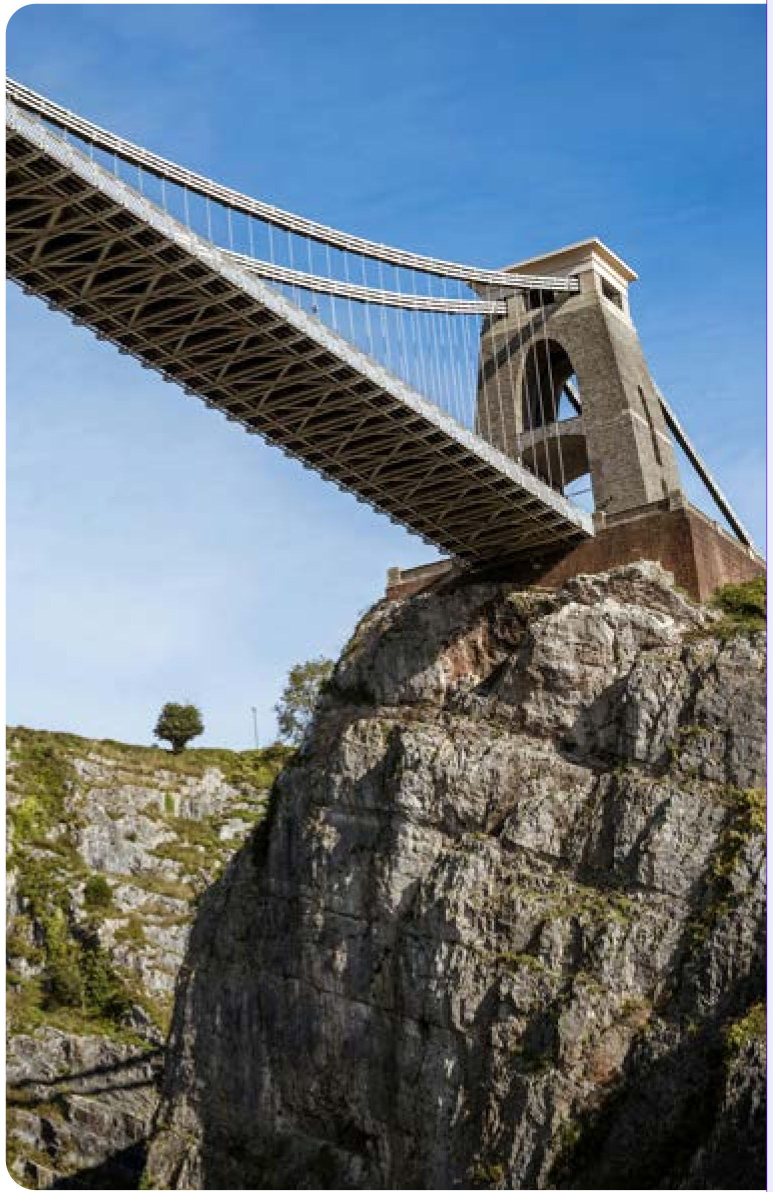
In 2023, governance developments took centre stage. We urged the FCA to reconsider their proposals in relation to listing rules, as they sought to considerably weaken governance standards in a bid to attract more listings and expand investment in the UK. We argued that the changes introduced around dual-class shares, significant and related party transactions would undermine the effectiveness of investor stewardship and lower investor confidence. Our concerns were rooted in the belief that the UK market thrives on the reputation of being a powerful financial hub with robust investor protections and a strong governance framework – dilutions of these provisions open up opportunities for corporate malfeasance.

We also provided positive feedback on a number of provisions put forward by the FRC to strengthen the corporate governance code. However, disappointingly, it was recently announced that more than half of the proposed revisions were not going to be taken forward – these related to internal controls, role of audit committees on environmental, social and the governance, and modifications to existing code provisions around diversity, over-boarding and committee chairs engaging with shareholders.

These developments, along with the decision to halt progress on the proposed audit reforms have raised important questions about the direction of travel on corporate governance in the UK. Brunel will continue to engage with relevant bodies directly and through the associations we are part of.

In another example of this approach, we supported letters to the UK prime minister following public announcements regarding UK's commitment to Net-Zero which included weakening of policies related to insulating homes, clean heat and electric vehicles. We urged the government not to rollback on these developments as they would create policy uncertainty, further delaying action on Net-Zero–related investments.

It wasn't all bad news, on climate and sustainability related developments. We welcomed FCA's discussion paper on Finance for Positive Sustainable Change. Whilst proposing softer guidance was likely to be more appropriate in some areas we indicated that for human capital management, including diversity and inclusion, alongside climate change, more prescriptive regulations would be suitable. We also communicated support for enhanced expectations concerning Senior Manager Function (SMF) responsibilities. We reiterated our support for ongoing conversations between FCA and the financial serviced industry on providing an and enabling the UK to achieve Net-Zero by 2050.



Marking Progess

2017

Founding of Brunel Pension Partnership

- Became member of IIGCC
- Signed up to Taskforce for Financial-Related Disclosures

2018

- Received FCA approval
- First LGPS pool to sign UNPRI
- Launched RI Policy and RI-focused Asset Management Accord
- Launched first 5 listed market portfolios
- Launched private markets (PM) cycle 1 across private equity, infrastructure, secured income

2019

- Published Climate Position Statement
- Launched risk management framework
- Reached 50% mark for transition of client assets
- Launched Low Volatility, Emerging Markets and High Alpha portfolios
- Joined Investor Advisory Group of the Sustainability Accounting Standards Board
- Launched UK and global property portfolios

2020

- Published Climate Change Policy
- Launched Diversifying Returns, Small Cap, Sustainable Equities portfolios and risk management framework
- Launched PM cycle 2 across private debt, private equity, infrastructure, secured income
- Backed Barclays AGM climate resolutions
- Won European ESG and Climate Risk Mgmt. awards (IPE) and Pension Fund of 2020 (Environmental Finance)

2021

- Committed to Net-Zero
- Completed launch of 17 listed portfolios
- Co-launched FTSE Paris-aligned benchmarks with £3bn transition
- Co-launched Asset Owner Diversity Charter
- Cop 26 Glasgow

2022

- Climate Stocktake
- Barclays and HSBC change to lending policy
- Won multiple awards across investment, innovation, portfolios, climate risk management, diversity (IPE, ICGN, Pensions for Purpose)

2023

- Climate policy 2023-2030
- Co-filed resolutions at Shell, Barclays and Charter Communications
- Climate footprint (operational emissions)
- Infrastructure Cycle 3 with a 70% minimum target for sustainable infrastructure
- Asset Owner/Asset Manager aligning expectations project

2024

- Preparing for Mandatory TCFD Reporting

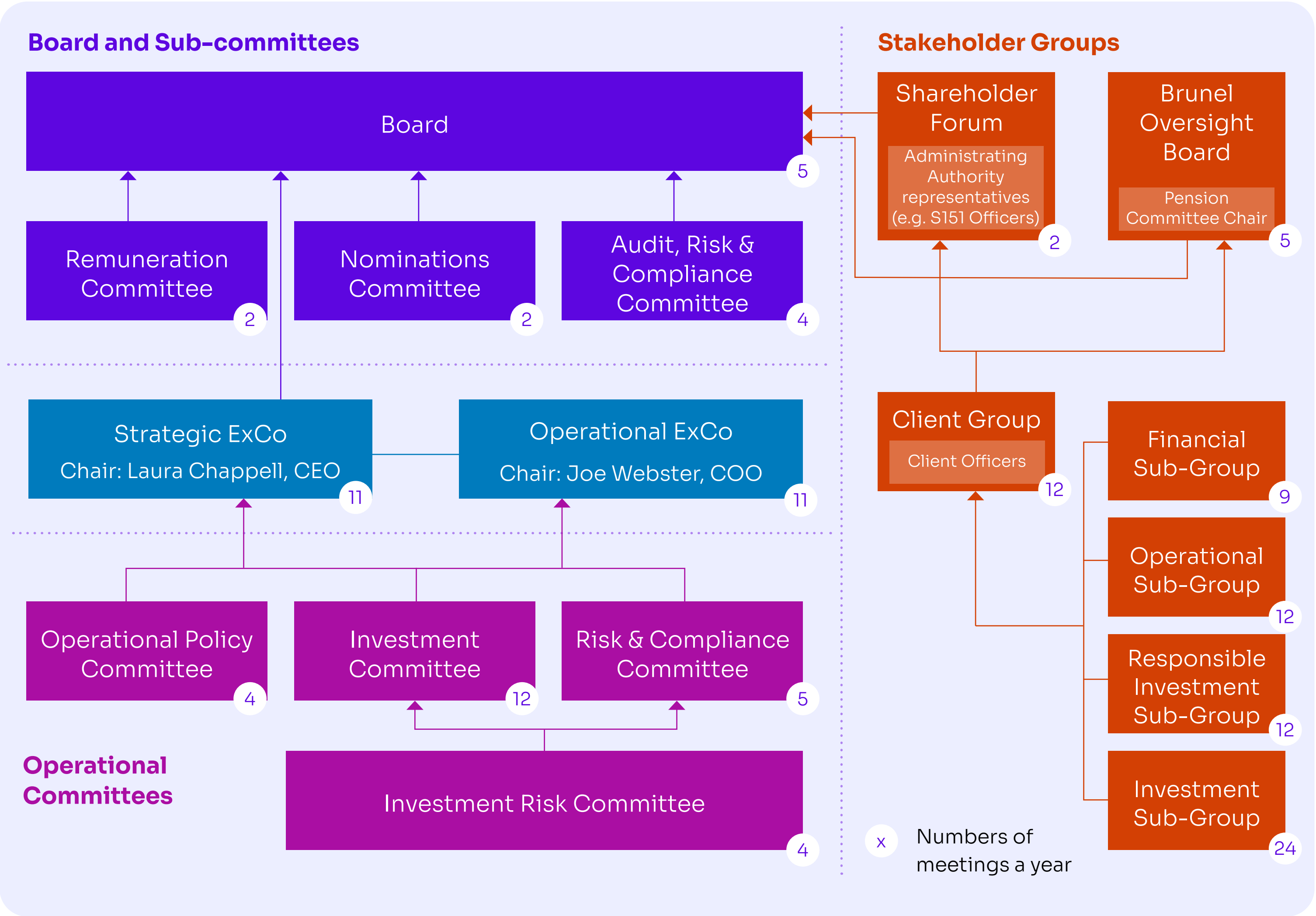
2030

2030 target
50% reduction in carbon intensity

2050

2050 target
Net-Zero investment Portfolios

Partnering with clients



Partnership is the thread that brings together Brunel's ten like-minded funds. Our clients collectively ensure Brunel has a clear mandate on Responsible Investment & stewardship. We focus on consistent engagement with client officers and stakeholders, to collectively address their RI and stewardship goals.

Client oversight of our RI and climate priorities, particularly the monitoring progress on objectives and targets, is undertaken through a number of formal touchpoints. We aim to meet with client officers no less than twice a month, for investment, RI and stewardship topics to be raised and discussed. This is done through the Brunel Oversight Board (BOB), Client Group (CG) and its subgroups, one of which is a dedicated Responsible Investment Sub-group (RISG), enabling clients to shape priorities, monitor and provide oversight on policy implementation.

We also support client fund officers with tailored training and presentations on pertinent topics. In 2023, we discussed

- the mechanics of proxy voting
- Mining 2030
- Economic Activity of Public Bodies (Overseas Matters) bill
- Insights and lessons from COP28
- biodiversity footprinting

Partnering with clients continued

We also had external speakers present on areas of particular interest for our clients, for example:

- Stepstone covered ESG trends and opportunities in Private Markets, specifically around the prospects of natural capital
- EOS at Federated Hermes (EOS) made several appearances, presenting on Biodiversity and proxy season trends
- The Good Economy also provided a presentation on Place-based investing

Our Investor day provides another opportunity for our clients to learn more about our work, interact and raise questions. The 2023 Brunel Investor Day was held virtually with presentations from Brunel's CIO, David Vickers on the macro-outlook and CRIO, Faith Ward on systemic stewardship. Brunel's investment managers also showcased the work they were doing on RI. Bailie Gifford covered Global High Alpha, Stepstone focused on Infrastructure & real assets, and Neuberger Berman covered their views on navigating a path to Net-Zero.

Individual client engagements supplement the formal schedule of the collective forums. Brunel and the RI team regularly attend Pension Committee (PC) meetings to engage directly with members on RI related topics and to address subjects of interest. Brunel also support at designated RI/Climate days held by the Pension Funds designed as training sessions for PC and council members. These aim to inform committees on how the RI principles are ingrained into the investment policy/strategy.

Assurance

Brunel does not undertake external verification of its RI, climate or stewardship reporting, but elements contained within are subject to a variety of assurance mechanisms.

- Internal Audit: Brunel conducts regular internal audits on all aspects of its operations, considering amongst other things whether RI and stewardship is effectively integrated. In 2023, we focussed on enhancing the adequacy and effectiveness of key controls surrounding climate change governance and reporting. We monitored areas for continued improvement and incorporated them into our governance approach.
- Client survey: Brunel clients also respond to a survey each year, created and issued by the clients to review the service they receive from Brunel. This includes an overall assessment of the Responsible Investment Service. In 2023, the sentiment expressed by clients remained positive towards the RI services, with 80% rating the service as good or very good. We are in the process of analysing the underlying granular comments in the survey and will take appropriate actions.
- Assurance days: These involve a quarterly deep dive into our performance, including on RI and climate. The first one was an in-person meeting held in November 2023.

Partnering with clients continued

- Enhanced risk reporting: In 2023, we strengthened our oversight and assurance processes, providing clients with more information on how we are tracking on a diverse set of metrics including ESG integration and climate alignment across our portfolios, highlighting progress on engagement with our asset managers on underlying high-risk holdings.

As a part of this process, we are also building the data infrastructure needed for risk reporting and integration, which will enable us to review the services of our ESG data providers and how they feed into our data strategy.

We specifically task the RISG to assess whether our reporting, including this report, is what they need and is fair, balanced and understandable. We believe that this adds a level of rigour to our reporting and ensures that it is outcome and investment relevant. This report has been shared with our client funds and our Board in advance of publication to facilitate feedback and discussion.

Case Study: Facilitating client engagement – physical climate risk and biodiversity

Climate physical risk and biodiversity are key topics for our clients. At their request we have developed and implemented a new engagement programme, with Chronos Sustainability. This is designed to support clients in upskilling their teams, to directly engage with their holdings, and participate in every stage of the engagement process, from company selection, prioritisation, to contact with the companies.

Climate impacts are a risk to our portfolio. While more companies have begun to articulate their strategy and progress on climate mitigation, further clarity is needed on the approach to climate adaptation and the use of biodiversity conservation to enhance climate resilience.

For this engagement, we have focused on consumer staples as a sector that is particularly at risk (directly and through the value chain) and considered factors such as: scale of direct exposure to climate of direct exposure to climate hazards, potential to exert influence on assets at risk from climate impacts and geography for company selection.

Companies being engaged are listed in the appendix.

Our objectives of the programme are to:

1. Identify the risks to consumer staples companies associated with physical climate risk and encourage them to assess and manage the risk and adapt effectively to climate impacts
2. Understand how companies are impacting biodiversity and managing biodiversity to mitigate climate impacts, including identifying and managing potential maladaptations, conflicts and trades offs
3. To build client capacity on stewardship and providing an opportunity for clients to be involved in engagement

This programme of activity, due to run until at least 2026, started in the summer of 2023 with the establishment of the client group and identification of target companies. Baseline research, supported by Chronos was undertaken throughout the rest of 2023.

2024 will see letters inviting companies for dialogue sent out, and ensuing engagement kick off. We will continue to report on this ongoing programme for the next couple of years.

The Brunel Way

Our philosophy is centred on empowerment on RI issues, as it is one of our key strategic objectives. This ensures that the broad spectrum of work we undertake is not only understood but also owned by our colleagues across various teams within Brunel, enabling independent action and advocacy.

This flows through to having Responsible Investment, and Climate risk related targets within the organisational balanced scorecard. As the balanced scorecard is how we measure performance against our objectives, it influences our business plan, budgets, activities, and the variable compensation of all employees. Brunel offers a very limited variable compensation (an equal amount to all Brunel staff, irrespective of seniority) and the balanced scorecard is a key document in assessing whether this is paid or not.

Building RI into our balanced scorecard ensures that work on RI is not limited to our specialist RI team – the whole of Brunel is integrally involved. Implementation of Responsible Investment on a day-to-day basis is led by our investment team. The Responsible Investment function, which is part of the investment team takes on coordination and facilitation of responsible investment activities throughout the organisation, giving support to internal portfolio managers on ESG integration, working with risk and compliance teams on regulatory compliance, enabling our client relations team to deliver value and support our clients on responsible investment and stewardship matters and work alongside our operations team to ensure we are 'walking the talk' on responsible investment.

There are some notable examples of our colleagues leading on responsible investment issues. For instance, our Senior Portfolio Manager, David Jenkins participated in a project of the Impact Institute, Katherine Farrell, our Head of Operational Risk and Compliance has been part of the climate risk working group established by the Investment Association, our CIO, David Vickers serves on the investor steering committee of Mining 2030.

The responsible investment function is led by our Chief Responsible Investment Officer, Faith Ward. An environmental scientist by training, Faith uses this knowledge, her (over) 25 years' experience and extensive roles influencing the financial system to drive the strategic approach to responsible investment in Brunel. This role encompasses supporting and developing the RI team members, engaging with clients and internal stakeholders from the board to analysts. As a spokesperson for Brunel, and climate in the industry, Faith shares her knowledge inside and outside of Brunel. A member of Investor Advisory Group for ISSB (formerly SASBIAG); Member of the UK Green Taxonomy Advisory Group, a founder, and now NED, of the Transition Pathway Initiative (TPI) and notably Chair of the Institutional Investors Group on Climate Change (IIGCC), are just a few of her roles.

Faith is supported by Vaishnavi Ravishankar, who joined Brunel in June 2023 and brings a breadth of experience to her role as Head of Stewardship. She has worked in responsible investment for nearly 14 years, initially conducting ESG research and developing position papers to specialising in governance issues (tax fairness, cyber security, executive remuneration and responsible political engagement) and leading large collaborative initiatives at the PRI. She has contributed to the development of industry standards such as GRI-207 tax standard and the responsible climate lobbying benchmark and at Brunel, supporting initiatives such as the Fair Reward Framework.

Chris Van Der Merwe, Responsible Investment Manager, leads on ESG data integration across the business, providing technical support and expertise where required. With an MSc in Climate Change, Management and Finance, and expertise built up from time at the TPI, Chris not only supports Brunel, but extends the impact of his experience through his role on the FTSE Russell Sustainable Investment Technical Advisory Committee and the Asset Owner Diversity Charter.

Oliver Wright brings international experience to the team in his role as Responsible Investment Officer. His postgraduate MA in Environmental studies at Tel Aviv University and subsequent work experience supports his role focused on engagement and voting activities.

Responsible Stewardship

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

We support and apply the UK Stewardship Code 2020 definition of stewardship.

"Stewardship is the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."

UK Stewardship Code 2020

Policies & Processes

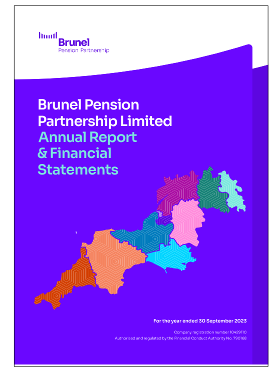
Responsible Investment and Stewardship are interwoven with Brunel's approach to investing, our policies and our own operations, so much so that we believe it is no longer necessary to have a standalone Responsible Investment Policy. Our intention is to formally archive our RI Policy during 2024. The RI priorities and objectives setting is captured in our policy on Investment Risk, the outcomes of which are detailed on our website and in this report. The way we exercise responsible stewardship is detailed in our Stewardship Policy and Voting Guidelines which are published on our website alongside thematic policies or position statements on Climate, Tax and Modern Human Slavery, Conflicts of Interest.

Commitment to transparency

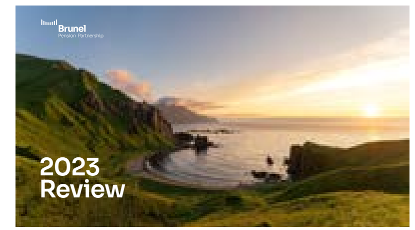
We publish our quarterly summary engagement reports and voting records in the library on our website. Further insights are also published on EOS at Federated Hermes (EOS), our Engagement Partner's website, covering some of our key thematic priorities.

Brunel provides clients with a suite of public reports on our stewardship activities, and environmental, social and governance metrics to empower clients' own stewardship activities and to enable oversight.

Annual Reporting



Additional Reporting



Our use of data providers

Like many investors, Brunel uses a wide range of ESG data, a large proportion of which have been integrated on to our risk platform. Thousands of data points relating to these risks are now available to all listed market portfolio managers to help them with the monitoring and reporting of these risks. To enhance our data coverage across asset classes, we are intensifying our engagement with data providers to address gaps, investing in analytical tools, and reviewing our data sources to continuously improve our data coverage quality.

A member of the RI team is designated as the contract manager for our ESG data providers and has a review meeting no less than annually, but usually more often. We instigate ad hoc meetings with data providers to clarify outcomes of scores or screens.

Responsible Stewardship continued

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.

Our multi-pronged approach enables us to extend our stewardship efforts across a large number of assets. However, to ensure that engagement dialogues and our approach to voting remains effective, we embed responsible investment firmly into manager monitoring and exercise ongoing oversight over the activities of our service provider. Typically this involves regular discussions with respect to controversial stocks or issuers that are material contributors of our financed GHG emissions. Managers are expected to have data and analytics that support their ESG risk assessment processes and alignment with our climate framework. Both RI and stewardship capabilities and effectiveness are evaluated as part of manager monitoring which also includes their approach to voting and escalation, particularly where they are dissimilar to Brunel's.

We have multiple touchpoints with EOS throughout the year and have established formal yearly reviews where we communicate areas for improvement. In line with feedback we have received from clients, we have raised questions around how connectivity between engagement, voting and delivery of outcomes can be better reflected in their reporting.

Manager Selection

These are some of the attributes we consider when selecting managers.

Philosophy	Policies	People
Board-level leadership	Commitment	Diversity and Inclusion
Corporate culture	Policy framework	Human Capital
Investment	Pricing and transparency	Numbers and retention
Processes	**Participation**	**Partnership**
Investment	Thought-leadership	In it together
Reporting	Innovation	Culture fit
Stewardship	Contribution to investment industry	

Responsible Stewardship continued

Brunel Pension Partnership Investment Principles

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

Responsible Stewardship continued

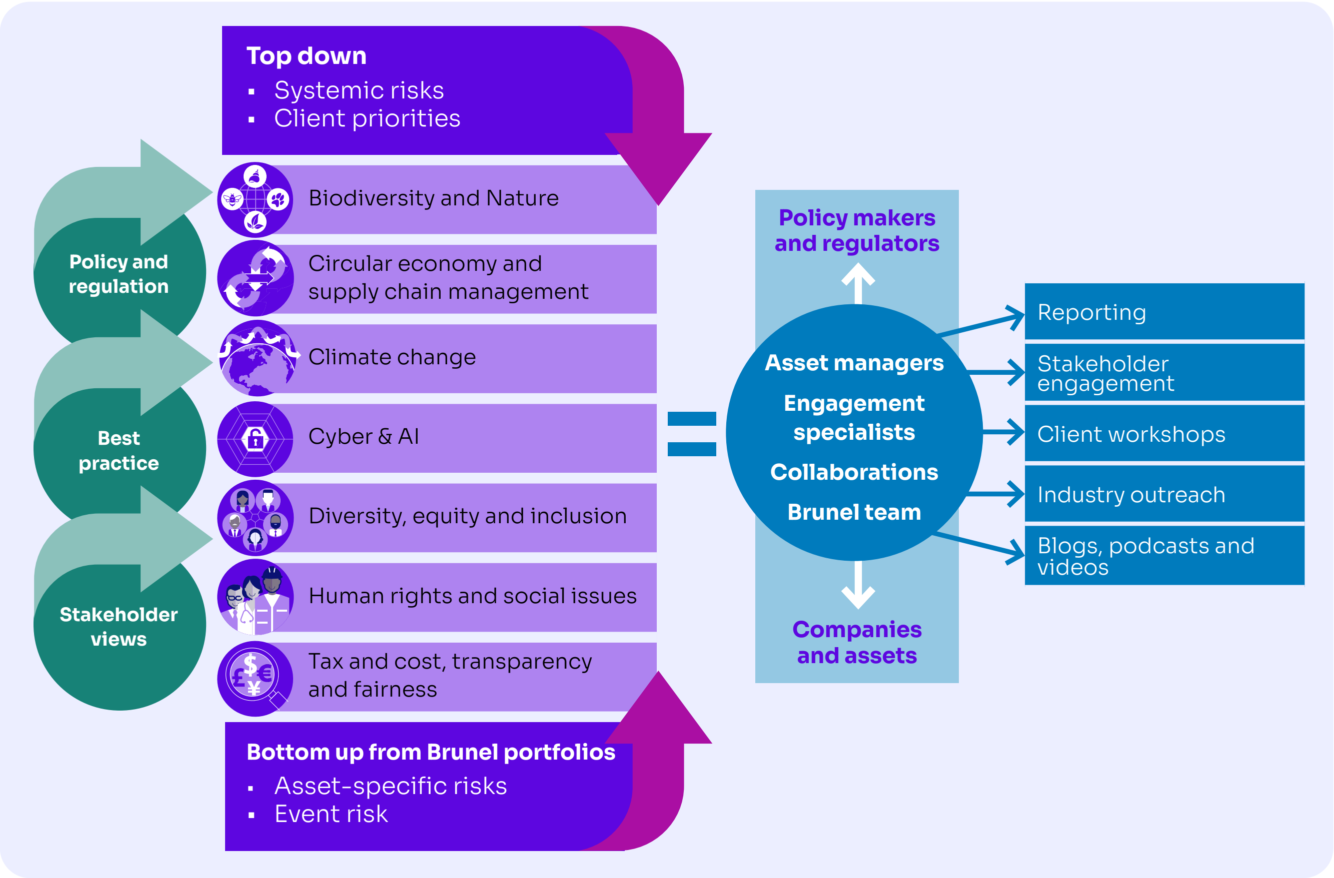
Setting priorities

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. Our investment principles guide decision making, along with consideration of a range of factors, including where we have expertise, vs where we can leverage ongoing work undertaken by our asset managers and service provider, as well as how specific topics align with our client's priorities. This top-down approach helps identify thematic areas of risk and opportunity.

From a bottom-up perspective, discussions on individual holdings with asset managers, our service provider and peers enable us to identify sector specific and asset specific risks. We view these risks from a double materiality perspective – not just in terms of how sustainability factors impact firm value but also how the firm impacts the environment and society in which it operates.

Conversations with policymakers, other investors and peers along with day-to-day news feeds, academic and industry research help us ensure that we don't miss pertinent factors to consider. They also enable us to be nimble and consider any significant events or changes in the market.

We have established our seven RI themes as priority areas based on this process and we continue to evaluate if this selection needs to be amended or expanded. We map out our key RI and stewardship priorities against the WEF global risks report and the sustainable development goals to determine ongoing relevance. It also allows us to identify any additional systemic risks or challenges that should be on our radar. The process we have undertaken is described in more detail on our website.

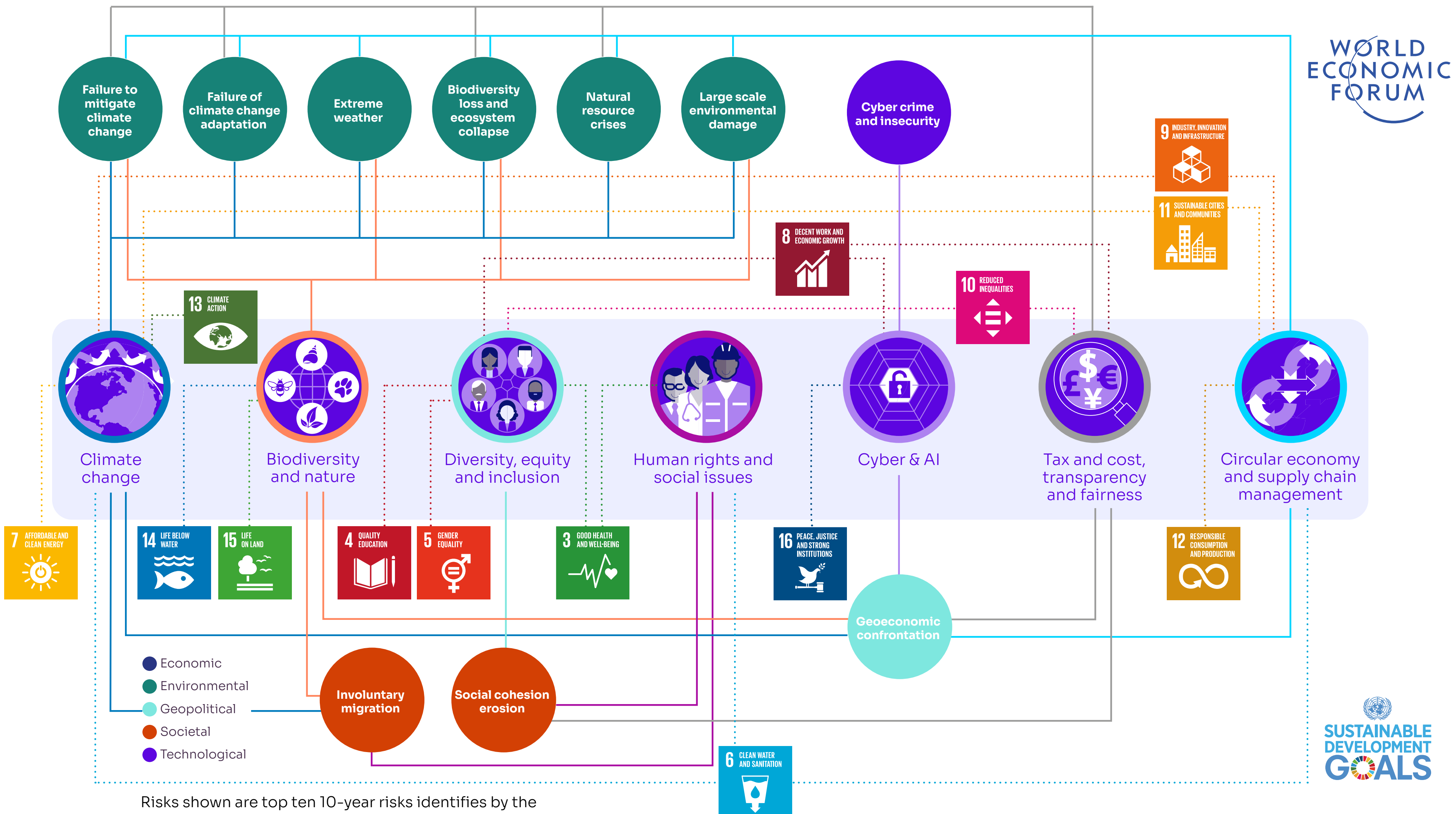


As part of our governance processes, we have established a formal touchpoint with the Brunel Investment committee to discuss this mapping and request approval for changes recommended. It is also shared with our clients, the Brunel Investment Board, Brunel Investment Risk Committee and Brunel Audit Risk and Compliance committee which convenes every quarter for feedback.

This year, two changes were agreed. We have refreshed the language to clarify our focus on Nature as well as 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.

Responsible Stewardship continued

Priority Setting



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

Responsible Stewardship continued

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.

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

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

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

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

Milestone Progress

Responsible Stewardship continued

Voting process

Brunel retains full voting rights in our segregated active equity accounts and voting decisions are informed by investment considerations and in consultation with portfolio managers, clients and our engagement with companies.

Implementation of Brunel's voting for these accounts is supported by EOS. Our Voting Guidelines inform EOS's voting recommendation alongside other country- and region-specific guidelines.

We monitor the execution of votes and will, in some circumstances override EOS' recommendations – there are examples, where we believe that the speed or intensity of escalation are not sufficient, or we may be aware of contextual information based on engagements undertaken by our managers.

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.

In the spirit of pooling, Brunel strives to operate with one voice but is also committed to meeting the needs of clients. We have made provisions to allow, by exception, differential voting of clients in segregated and pooled accounts.

Our approach to responsible stock lending is outlined in our stewardship policy. Where there is a perceived trade-off between the economic benefit of stock lending, and Brunel's ability to discharge its obligations as a responsible long-term investor, the latter will have precedence. Brunel has undertaken a review of the potential risks and implemented measures to mitigate and reduce the risk around stock lending. Controls include, but are not limited to:

- An approved borrowers list
- Retention of 5% of any one stock
- On average, stock will be lent no longer than 21 days
- Restrictions on acceptable collateral

There may be some instances where we decide not to stock lend, for example where we have co-filed a shareholder resolution, but particularly where there are concerns of borrowers deliberately entering transactions to sway the outcome of a shareholder vote.

Stewardship across asset classes

Our Stewardship Policy provides more detail on our stewardship activities as it applies to each asset class, and we have provided case studies and interviews throughout this report to bring the policy to life.

Brunel's private markets portfolios are offered in two year long cycles with a "top-up window" in between cycles (sometimes called a 'vintage'). The portfolio specification and scope are designed with clients in advance of each new cycle and their allocation decisions. Cycles are used as most private market investing is done via closed-ended funds, so prior invested capital will eventually be returned and require reinvesting should clients wish to maintain strategic asset allocations. The underlying private market fund cycle involves investment selection (sourcing); asset management (value creation); and exit (disposal). 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. For example, we have continued (see p.23 of the 2023 outcomes report) to further progress the inclusion of ESG considerations and climate disclosure requirements into contractual arrangements in our private debt investments. We plan to set a Paris-alignment target relating to these investments by June 2025.

Responsible Stewardship continued

A seat at the LPAC table

The LPAC (Limited Partner Advisory Committee) represents a voting body of select investors on the fund and offers a key tool by which we can shape the decisions of the managers in which we invest. Brunel seeks to acquire LPAC seats where possible across our private market portfolios. Often key investment decisions proposed by the managers require a vote of consent from the LPAC members to approve. Brunel's presence on LPACs is a key way in which we are able to advocate for our views on responsible investment and sustainability matters and really drive best-in-class approaches to ESG integration. Attending LPACs on behalf of Brunel has deepened our relationships and influence with the senior leadership teams at the funds on which we sit. In addition, we are able to collaborate with other LPAC members who are also typically regarded as industry leaders which allows the Brunel team to maintain strong relationships with other key Limited Partners (LP).

During 2023, topics included:

- Voting to approve;
  - an investment manager choosing to bring forwards the launch date for a follow up vintage;
  - an investment amending core terms on a fund with respect to sector limits;
- Working collaboratively with other LPAC members to positively engage the GP to reconsider an investment that the team believed to be materially off strategy from the fund's investment thesis.
- Providing feedback and guidance on a resolution to ensure that the best interests of LPs are represented resulting in a more favourable outcome.

Responsible Stewardship continued

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.

Conflicts of interest

As we invest in thousands of companies, there are likely to be overlaps with publicly listed asset management companies, those whom we source goods and services, and the activities of our clients. The activities of our clients are very broad and involve large scale contracting and regulation. Our Conflict of Interest policy, describes what could give rise to a conflict of interest and the principles to be followed in order to identify, avoid, manage or (in the event the other routes are not possible) to disclose a potential conflict of interest clearly to our clients or other relevant stakeholders. Our Conflict of interest policy summary, which includes our approach to stewardship conflict of interests, is published on our website.

In 2023, a member of our investment team removed themselves from due diligence processes associated with potential investments within private equity and private debt portfolios due to a connection with their previous employer. They recorded a potential conflict of interest as per our procedures and asked that their team took a lead on the process. The decision to vote on both strategies was then taken by the Private Markets Investment Review Group, which includes senior members of the Private Markets team, Responsible Investment and Legal teams, but the member of staff remained on hand to advise on the process.

The effective management of potential conflicts of interest is a key component of our due diligence on all asset managers and service providers, as well as our ongoing contract management. Investment managers are required to comply with our Conflict of Interest policy and conflict of interest clauses are included in investment management agreements and with key service providers. For example, where our voting provider perceives a potential conflict when executing votes on our behalf, they alert us to give an opportunity to further review the recommendations before they are instructed.

Alerts cover instances where the subject of their voting recommendation or one or more proponents of the shareholder resolution at an upcoming meeting may be a client or parent company or has an affiliation with the service provider. This year, we asked for these alerts to be provided in advance of the proxy season, to integrate into our watchlist.

Responsible Stewardship continued

Escalation Process

Escalation is a key component of stewardship and whilst it rarely follows a given pathway the infographic below provides some insights into our approach. Some steps might be skipped or happen simultaneously and there may be operational and legal constraints that prevent some actions being undertaken, however regular client engagement helps guide our approach and communication.

We escalate across asset classes, the below examples pertain to listed equities given the wide range of channels to escalate.

We view engagement and voting as mutually reinforcing, complementary mechanisms. There are a selection of escalation tools that we may chose to implement, as appropriate;

- voting against management resolutions or supporting shareholder resolutions where engagement objectives haven't been met via dialogues with our holdings or engagement asks need to be backed up through exercise of votes.
- voting against financial reports or auditors, chairs of relevant committees, company chair and CEO.
- voting against the entire board for egregious practices, in very limited situations.
- pre-declaring on controversial votes and/or publicly talk about our concerns in advance and post-AGM.

We also file or co-file resolutions at company AGMs when we hold a stock actively, in a segregated account. We tend to prioritise our activities in this regard and limit the number of shareholder resolutions we file given the resources needed to ensure a successful launch and outcome. When we file resolutions, there tends to be frequent and intensive engagement with the issuer in the lead up to the AGM. If engagement conversations provide us assurance of a company's approach through specific commitments, we may withdraw the resolution in question.

Our managers have visibility on the recommendations we receive from our voting service provider. To garner support, we also communicate with them directly where we are co-filing or have a specific interest in a particular vote. In some cases, our engagement with them in relation to specific issuers can result in them reducing exposure or exiting a stock.

We strongly believe in engaging with perseverance, but selective divestment does and will continue to be part of the tool kit. For example, Brunel may support divestment from specific fossil fuel and other carbon-intense companies, if they present a material investment risk. That said, our position is dynamic and under active review to ensure that it appropriately factors the investment risks we and our clients are exposed to. There are more examples available on our website.

This report includes examples of strengthening engagement objectives through votes against management resolutions and support of shareholder resolutions.

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.

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

Implementing Stewardship

There is a live debate on if and how stewardship can lead to tangible outcomes in the real world, with some arguing that engagement for positive sustainability outcomes is not living up to the expectations of its proponents.

However, if there is consensus on one thing, it is that there is no silver bullet to effective stewardship. While the aim is to achieve measurable impact, gauging this impact is complex, and it's often challenging to directly link changes within a company or the wider economy to our specific actions. What adds to the complexity is the diversity in approaches that investment managers and third parties use to record, collect and distribute information relating to stewardship. These differences are often attributable to different investment styles, differences in resources and systems and more importantly, their underlying stewardship purpose and objectives.

These shortcomings in measurement and understanding of impact don'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 cannot wait to have all the data we need to make decisions – we need to influence companies, policy makers and broader stakeholders now – to rally behind a common cause, limit negative environmental and social outcomes and enhance those that are positive.

That's why we think no one tool in the stewardship toolbox will drive paradigm shifts in our markets. 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. Accordingly, we have taken a multi-faceted approach to stewardship at Brunel and rely on our asset managers and our dedicated engagement and voting overlay provider in the first instance – to maximise coverage and impact but use other levers like policy advocacy and collaboration to supplement these efforts.

The need for multiplicity of approaches is for example, clear cut in the oil and gas industry. We are asking companies to examine their entire value chain and specifically how they interact with their clients to encourage demand-side sustainability as well as innovate to bring low-carbon solutions to the market. We think, it is important and pragmatic to not rely on company actions alone but consider what else we, as investors can do to enable greater certainty and stronger signals in the policy environment for credible climate action. We aim to influence policy advocacy responsibly, to promote a political environment that favours sustainable alternatives and aligns with the Paris Agreement, ensuring that lobbying efforts do not derail the progress already made.

That said, we recognise that success in engagement is not always guaranteed, and flexibility in our approach is essential. While engaging with companies, this could mean persisting with the engagement asks for multiple years, banking on incremental wins and ultimately pushing the company or industry further through other means. Sometimes, we may need to engage with different stakeholders within the same company based on how key individuals drive the ESG agenda. At other times, we may need to shift gears and pursue more assertive action via vote implementation.

Voting, while a fundamental tool in our stewardship toolkit, can sometimes be too blunt a mechanism to reflect the full subtleties of our stance. Therefore, we complement our voting with active engagement with companies to better convey the reasoning behind our decisions. This two-way interaction is crucial and provides a clear signal regarding the change we are seeking.

The below section provides a summary of the votes cast with and against management during the year. While the numbers indicate the scale of activity during the year, they shouldn't be considered in isolation to reflect how assertive we are on responsible investment. We leverage a variety of approaches to influence better disclosures and corporate actions that align with our stewardship goals, including policy advocacy.

It is also worth highlighting that a successful voting outcome is also tied to how the rest of the shareholder base respond to a particular resolution at a company. We will therefore, endeavour to pre-declare more of our votes in the coming year to enable others in the community to understand the rationale of our approach and vote accordingly.

Implementing Stewardship continued

Engagement in 2023

The data below summarises EOS' engagement activity, on our behalf, as of end of 2023.

805 companies engaged

115 companies featured engagements with the CEO or chair

401 companies featured engagements with senior management or board members

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

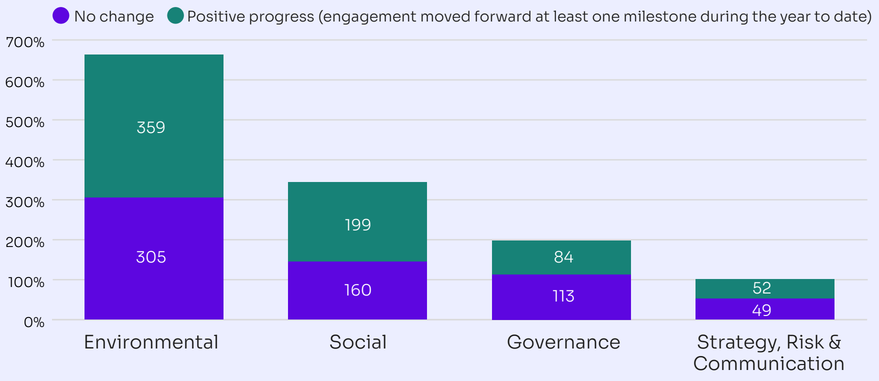
1,331 meetings instructed

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.

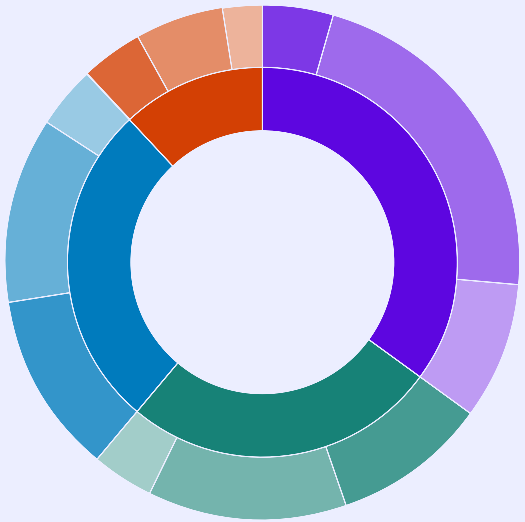
Engagement undertaken on behalf of Brunel by Federated Hermes



Implementing Stewardship continued

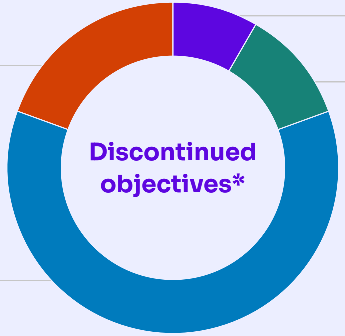
Engagement coverage

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.



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.



* 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.

Implementing Stewardship continued

Our top ten active equity holdings and how they were engaged on selected themes during 2023

Previously this chart contained only EOS's engagement data. We have enhanced the chart this year, due to the progress made in 2023 in collating our managers' engagement plans.

			Microsoft Corp	Amazon.com Inc	Apple Inc	Alphabet Inc	Mastercard Inc	Tesla Inc	Nvidia Corp	UnitedHealth Group Inc	Novo Nordisk A/S	Visa Inc
Environmental	Climate Change	GHG Emissions Reduction		●			●	●			●	
		Governance & Transparency	●				●				●	
		Climate Opportunities		●								
		Physical Risk		●								
	Circular Economy & Zero Pollution	Circular Economy & Waste		●				●	●			
		Pollution										
	Natural Resource Stewardship	Biodiversity & Sustainable Food Systems		●						●	●	
		Water Stress										
		Antimicrobial Resistance										
Governance	Board Effectiveness	Board Composition & Structure				●	●	●	●	●		●
		Succession & Stability								●		
		Board & Mgt Effectiveness			●							
	Investor Protection & Rights	Minority Protections			●							
		Basic Shareholder Rights	●									
	Executive Remuneration	Pay Design & Transparency	●	●	●	●	●		●			●
Social	Human Capital	Employment Terms & Conditions	●	●				●			●	●
		DEI & Innovation	●		●	●	●			●		
		Health, Safety & Wellbeing	●	●		●				●	●	●
	Wider Societal Impacts	Conduct & Ethics								●		●
		Safe Products & Services			●						●	
		Anti-bribery & Corruption										
		Responsible Tax Practices	●		●	●		●				
	Human & Labour Rights	Access & Affordability					●			●	●	
		Indigenous & Community Rights				●						
		Supply Chain Rights		●	●	●		●				
		Digital Rights	●	●	●	●	●					●
		High Geographic Risks		●			●					
Strategy, Risk & Communication	Purpose, Strategy & Policies	Business Purpose										
		Long-term Sustainable Strategy						●	●		●	
		Capital Allocation										
	Corporate Reporting	Audit & Accounting										
		Sustainability Transparency	●		●	●		●		●		
	Risk Management	Enterprise Risk Practices				●						
		Cyber Security	●							●		

Implementing Stewardship continued

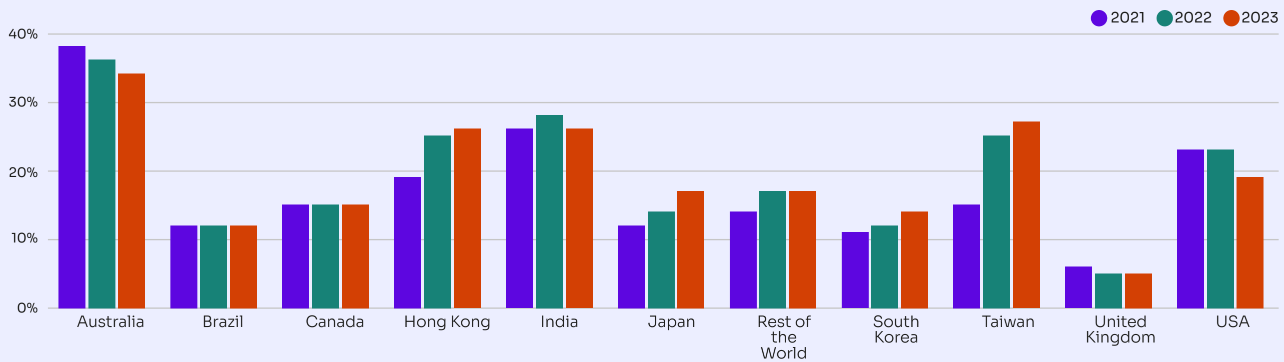
Voting

The 2023 proxy season was characterised by a continued focus on the need to accelerate the energy transition, particularly in Europe where growing physical climate risk was demonstrated by boiling summer temperatures and the wildfires ravaging tourist destinations. In North America social issues remained in focus, with collective bargaining rights, racial equity and better worker benefits in stakeholder sights. Some US companies attracted large numbers of shareholder proposals, with 18 at Amazon and 13 at Alphabet, covering issues from climate and tax transparency to gender/racial equity pay gaps and digital rights. Across developed Asia and global emerging markets, meanwhile, gender diversity, board independence and other fundamental governance matters were prominent issues.

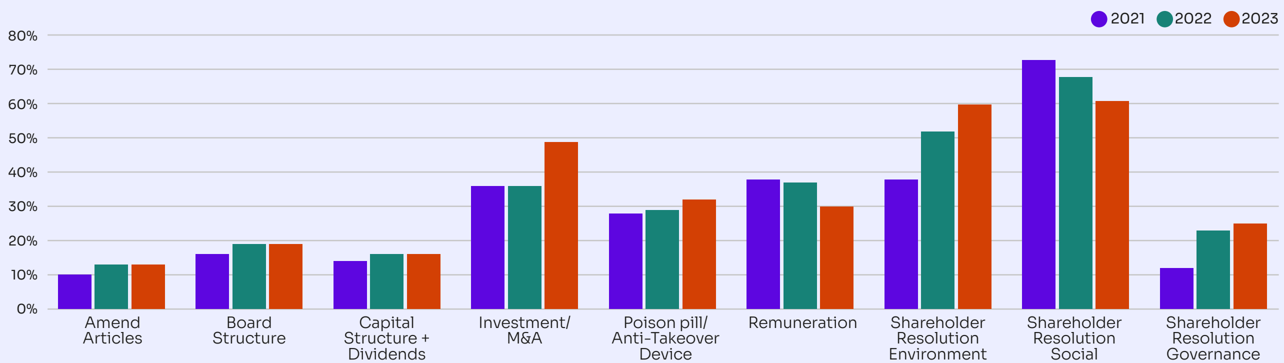
The chart reveals a discernible decrease in votes against management in developed markets from 2021 to 2023, indicating a shift in shareholder voting patterns. However, the decrease in votes against management on social themed shareholder proposals points to a more established grasp of social and DEI matters among investors and corporations alike, potentially signalling progress in these areas.

Voting trends

Proposals with recommended votes against management by key market, 2021-2023



Proposals with recommended votes against management by theme



Source: EOS data

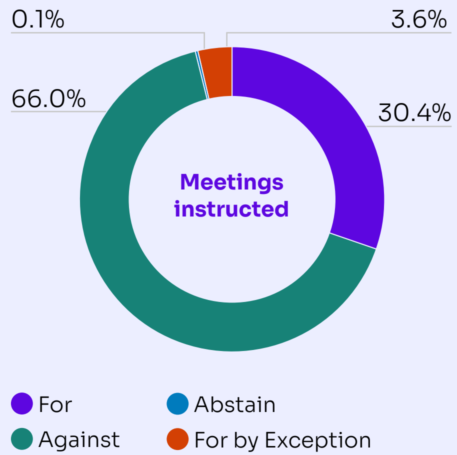
Implementing Stewardship continued

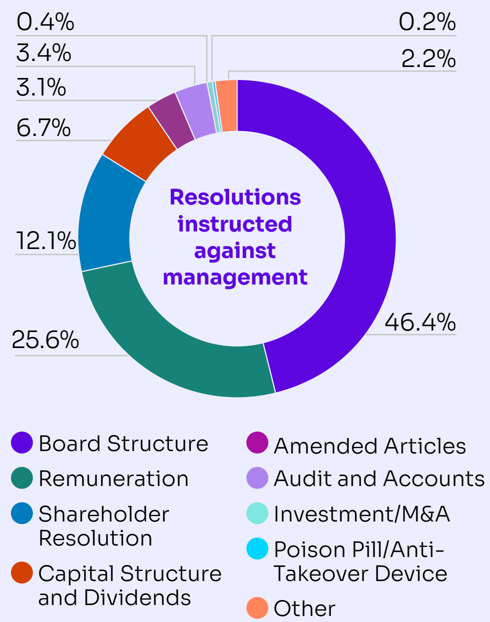
Brunel has voted at 99.8% of votable company meetings in 2023. Unvoted meetings were due to share blocking, Power of Attorney (POA)'s or operational barriers.

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.

Of the 1,331 meetings that EOS instructed Brunel overturned votes at 21 meetings, the cause for a vote overturned could be differences in voting policies between EOS and Brunel, our underlying asset manager recommendations where they have a different stance to that of EOS, or where a vote escalation is warranted on an ongoing engagement.

Recommended Voting

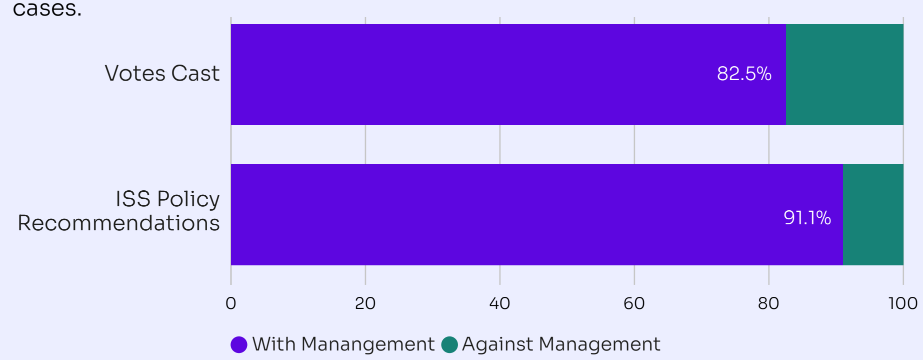


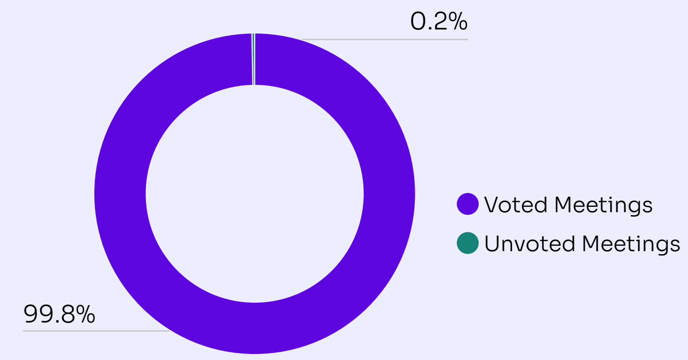


ISS vs EOS Votes

EOS at Federated Hermes Limited (EOS) leverage ISS research and infrastructure to provide us with EOS policy vote recommendations. EOS endeavour to engage with companies in their voting watchlist, comprising 900 companies, around their vote recommendations. Non-watchlist companies have their voting recommendations issued according to EOS voting policy by ISS, which references their research and is instructed without further manual intervention – unless they meet certain criteria to be referred to engagement specialists for consideration. Further details on the process are covered here.

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.





Implementing Stewardship continued

Updates to voting guidelines in advance of the 2024 proxy season:

Every year, we reflect on the previous proxy voting season, the broader RI landscape and engagement progress on relevant topics to assess how our voting guidelines need to be refreshed. The main changes in our updated guidelines this year include:

Climate change

- Explicitly outlined escalation where our baseline expectations of CA100+ companies are not met. In 2024, CA100+ companies within our active segregated funds will face a vote against the chair or relevant director where they continue to fail to set a decarbonisation strategy including ambition and meaningful targets or fail to provide adequate climate disclosure such as TCFD reporting. We will also consider voting against company annual accounts and reports, re-appointment of the auditor and chair of the audit committee where companies have not met our expectations on climate accounting and audit assessments based on CA100+ benchmark.
- We will selectively engage and vote against relevant company directors that are in the broader TPI universe if they are a material contributor to our financed emissions, have not at least reached level 3 of the TPI framework, their strategy is not aligned to Net-Zero ambitions, or they are not progressing against any of the alignment indicators. Companies in the oil and gas, coal mining, electric utilities, diversified mining or automotive sectors, and/or European, UK, Australian or New Zealand companies scoring below Level 4 will also be flagged.
- We will intensify dialogues and set tighter expectations on disclosures relating to climate accounting, lobbying and capex and cast votes against, from 2025 onwards.

Biodiversity

- Set a minimum expectation that, companies acknowledge the relevance of biodiversity for business, set and disclose ambitions and ensure appropriate senior level oversight.
- We will engage with companies in high-risk sectors and selectively exercise votes against in 2024. Escalation will be extended to a broader set of companies in 2025.

Banks

- Introduced a new principle in relation to banks outlining need for alignment of their approach to facilitated and financed emissions with their Net-Zero commitments. We will consider supporting shareholder resolutions that for example, improve effectiveness of client engagement on climate transition and encourage introduction of explicit criteria for withdrawal of financing to misaligned activities.

Tax

- Made explicit our intention to support shareholder resolutions that aim to improve tax transparency in line with the GRI 207 Tax standard. We have also signalled our intention to escalate on this topic in 2025.

Artificial Intelligence

- Set out our minimum expectations and indicated support for shareholder resolutions that require companies to enhance disclosure or specific actions to address AI related risks.

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

Implementing Stewardship 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.

Integration of responsible investment into manager selection, appointment, and monitoring

David Jenkins
Portfolio Manager
- Listed Markets

Talking about Global Sustainable Equity portfolio

We are so focused on RI as an organisation, I thought it would be interesting to start with what do you consider to be a sustainable investment?

Sustainability can be very subjective. When I think about sustainability, I think about a spectrum of capital. Starting with traditional investment, purely focused on equity return, at one end. Moving into Responsible managers who think about ESG issues, but more as a risk management tool that sits in a standalone part of the investment process. These managers do a traditional financial analysis and then reference RI metrics, perhaps MSCI scores or Sustainalytics, but only as a bolt on to their process.

Where you see RI becoming more prominent, this can be heavily governed by exclusionary screening, for example excluding everything with a carbon intensity over X. But for me, sustainable investment considers positive inclusion, and ESG sits alongside the traditional analysis. As you move along that spectrum of capital, you also have an impact bucket and a thematic bucket, both of which play a role in sustainable investing – with philanthropy at the very end.

What do you look for when appointing managers in your portfolios?

With managers, it is crucial that they are aligned with Brunel's philosophy of investing a world worth living in. Our invitations to tender (ITT) includes questions based on the firm's approach to responsible investment, its strategy, how embedded it is and how much it is supported by the organisation, how are they developing and innovating in that space – all this makes up a significant percentage of the overall mandate score.

Greenwashing is something we are particularly cognisant of, we look at how important is this sustainable strategy within the entire organisation, because ultimately if the market changes, how quick are they going to move away from this sort of sustainable strategy? Are you still going to support it as a firm? What role does it play in the culture of the firm? Has the name of this fund changed over time, has sustainable been bolted on in more recent iterations?

We also look at how ingrained the company level engagement is in the process, this also plays a big factor. Is it done by a separate team that aren't embedded in the investment process? We want to see it as an essential part of their process. Ultimately our managers are buying companies because they want them to be around for a long time – so if they engage with them, they are better positioned to support the longevity of the firms and ultimately hold them to account if they act out of line with expectations.

Other good indicators are, whether the same analyst would cover both traditional and ESG factors in their investment case. The approach to proprietar data, is an interesting indicator – if a manager recognises that there are challenges with ESG data and are working to improve their understanding that is usually a good sign.

Recruitment process at asset managers can also be very telling. One of our managers is going through recruitment now. They are deliberately omitting questions about sustainability because they want to see if candidates will bring it up unprompted. Whether they prioritise sustainability or not is a good indication of fit in terms of their general philosophy.

Integration of responsible investment into manager selection, appointment, and monitoring continued

Do you believe that there is subjectivity around what is considered sustainable? And if so, how do you overcome bias (whether conscious or unconscious)?

We try and adopt different measures to install diversity of thought into our processes to overcome bias. For example, we do a simple perception test. I'll share a list with colleagues in the investment team to review, asking if you didn't have any financial knowledge and saw this name, do you think it's a good or bad organisation? This helps filter down to a list of names purely based on perceptions that we can then take back and challenge the managers on. We don't write off potential investments, but it allows us to enter into a dialogue with the managers around what are the arguments that make this a sustainable company. We initially did it at the start of the investment process, but it has become a continuous dialogue through the nature of our team and relationship we have with clients. That open conversation and challenge is something that I think Brunel do really well, it has become a filter embedded within our internal process and governance.

It is all in the detail, and our developed relationships with managers and approach to engagement really allow us to explore the issues.

As we have a multi-manager approach across all our funds, this also increases the diversity of thought – our team bring views and insights from our different relationships. Our Brunel Investment Committee allows us to bring many different views for consideration and evaluation. An environment is created where we can all challenge each other.

I'm guessing challenge from clients also feeds into this – how do you go about justifying holdings to clients?

Our clients can really add value to the process. We get great challenge from clients as well as internally. A recent example, the EA pensions committee (made up of scientists and engineers) have a good grasp of industrial processes and the controversies that may exist. We had to look at NVIDIA and their exposure to PFAS or forever chemicals within the chip production process. The expertise provided by the EA enabled us to direct more specific challenges at the manager. They, in turn, came back with some really good answers. Whilst NVIDIA do not produce the chips themselves, we were able to look further down the supply chain at the manufacturing company that sits behind these chips. By engaging with the managers that have exposure to TSMC we were able to explore insights around industry alternatives and how TSMC are trying to move into alternative solutions because they recognise that forever chemicals are a poor part of the process.

It's great to get those questions from clients because that feeds a lot of our thinking and gives opportunities to explore more of these issues. Of course, we also have the RI team and Faith who are also engaged with the broad industry, to add more depth. It all really helps.

What do you look for, and how do you identify companies (alongside our managers) that are going to have a positive impact?

We make sure we work with managers who assess the subtleties, looking at the net positive benefit that companies provide to society.

Active management is essential, it's very difficult to capture long-term impact in a passive rules-based process because you've got to consider the future trajectory of the companies. It is not an exact science! It requires skill to look at not just where they are now, but what pathway is this company on and what are they going to look like in 10-20 years' time? Are they going to be providing solutions or provide a net positive benefit to society?

It is very difficult to have a sustainable quant driven process because you need that subjectivity and real engagement with companies to assess that future outlook.

It is always a challenge to convey that engagement work because everybody likes to break everything down into a really simple number, but some things just aren't simple numbers and we rely on managers who understand the subtleties.

Industrial companies are a good example of companies that can be overlooked, as some operate in very highly carbon intensive sectors, however they are providing solutions in terms of process efficiency and ultimately carbon avoided. But much of the carbon avoided isn't captured in the data yet. So, if you were to base your selection, and ultimately portfolios purely on data and rules based approach you miss out on a lot of that wider impact of companies and ultimately the real world change that they are driving.

Integration of responsible investment into manager selection, appointment, and monitoring continued

One way we consider this is looking at problem, solution and impact - it works to demonstrate that future outlook of companies. This plays out particularly well in our Nordea climate thematic strategy – take some of the solutions found in the waste generation sector for example;

Problem - landfill degrades and produces massive amounts of methane.

Solution - turning that landfill into biofuels that then they use in their own fleets.

Impact - removing methane from the environment and not doubling up on carbon emissions through their fleets because they are reusing that biofuel.

That biofuel is also being sold to different parts of the waste management sector. Then they have an additional green revenue stream coming in as well from this process. From a data perspective, the Carbon avoided in that process doesn't play a role in Carbon Intensity data and therefore a waste management firm is our largest carbon intensity contributor, but also our largest green revenue contributor.

How do you check that the managers apply appropriate rigour in selection and their active ownership of stocks? How does that fit? How do you monitor and manage that aspect?

The relationships I've talked about do a lot of the heavy lifting – we are in constant discussions with our managers. But more formally we have quarterly calls, where we'll talk about new positions into the portfolio and exited positions. We discuss both the financial and sustainability profile of new additions and likewise whether positions were exited for financial or sustainability outcomes. We also receive engagement outcome reports from underlying managers, to understand the specific engagement with companies and how that has evolved over time.

Going back to what you said about no company being perfect, many companies have multiple segments, whilst one is meeting your requirements, others might not be. How do you balance those considerations when making the investment?

All managers approach investment analysis with a holistic view of the company, looking at the net benefits the company is providing. But, a really important aspect is recognition from the company of their negative exposures and how they are managing this risk. For instance, compare Apple and Microsoft - two fairly similar businesses. Apple put less of an emphasis on their supply chain management. However, Microsoft recognise that there may be negative exposures in their supply chain and try to address that balance with more positive parts of the supply chain. They recognise it is as an important risk to manage and they are trying to put targets and initiatives in place to address them.

How do you ensure that a new investment is well suited for the portfolio? And do managers ever suggest inappropriate companies?

We have embedded a number of RI metrics into our desk-based monitoring, this is a live feed and it will flag any company that doesn't quite align on a data based approach. But as discussed earlier it is about the subtleties and these flags initiate conversations with managers.

There have been occasions, not often, where a stock has entered the portfolio that we will challenge on. A good example was when a large US Investment bank entered the portfolio towards the beginning of the mandate, as it made sense from a risk, balanced portfolio management perspective. The investment bank had a number of policies and sustainability targets in place, but we felt they didn't go far enough in terms of what we're looking for in a sustainable portfolio. Although they had sustainability targets, they still had exposure to unsustainable business practices in other parts of the organisation. We didn't feel it was right for this portfolio and had a call with the manager. It set out the expectation for our portfolio early in the relationship.

This is how we think about sustainability, we challenge, the manager then gives their arguments as to why a company should remain in the portfolio - then it's much more of a collaborative partnership. It also feeds into conversations with the clients.

Do you have an example of where a gap in misalignment has been addressed by active ownership or stewardship? What stewardship levers have been employed?

Well, with the US Investment bank I mentioned, we actually joined a call with the RI team at the bank themselves rather than indirectly going through the manager – so we were actively part of that engagement. We recognised from talking to the company that they weren't as sustainable as we'd have liked them to be. The manager then got that perception as well, so the collaborative engagement really helped strengthen that argument and understanding of where the bar is for a sustainable company.

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.

As we navigate the pressing challenges of climate change, the intertwined relationship between biodiversity and the broader concept of nature is gaining attention, urging a holistic approach that safeguards natural habitats while conserving biological diversity.

In 2023, we expanded the RI theme on biodiversity to explicitly call out our focus on nature. However, we continue to be guided by our high-level biodiversity strategy focused on capacity building, established in 2022. In 2024 we will move this forward focusing on integration and transparency as we progress our commitment to report to Taskforce for Nature Related Financial Disclosure (TNFD) by 2026.

Dependency risk:

85%

of the world's largest companies have significant dependency on nature across their direct operations.

Impact risk:

22 million hectares

of land use for direct operations of the world's largest companies to generate USD 29 trillion revenue in 2021. This is equivalent to fully degrading 2.2million hectares of the most pristine and significant ecosystems.

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.

Sources: TNFD; S&P; S&PGS

Biodiversity and Nature continued

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 expectations

Click here to view on our website

	We will:	We expect our **asset managers** to:	We expect high risk **companies** to:
To integrate	Proactively identify nature- and climate-positive investment solutions	Assess exposure to risk and opportunities arising from biodiversity – starting with deforestation	Commit to having a net-positive impact on biodiversity throughout their operations and supply chains by 2030 at the latest
	Proactively ask managers to evidence their approach	Identify opportunities for direct engagement with higher risk holdings, including exposure in supply chains, operations and/or financing	Establish governance and processes in place to manage nature-related impacts and risk
	Develop mechanisms to evidence impact and report case studies and outcomes	Support industry in developing capabilities to measure, manage and report	Identify the potential effect of the organisation's impact and dependencies on nature and consequential risk and opportunities on the business strategy and financial planning
To collaborate	Support developing industry thought leadership and take part in collaborative engagement with policymakers, companies and businesses	Engage on policy to support an enabling environment for businesses to avoid biodiversity risks and impacts Collaborative engagement with companies and businesses	Support capacity building across supply chains to avoid negative biodiversity risks and impacts and support nature-positive outcomes
To be transparent	Support the development and report against the guidance of the Taskforce for Nature-related Financial Disclosures (TNFD)	Provide case studies but prepare for increased transparency, in line with latest best practice guidelines, such as those of the TNFD	Start reporting on impacts and build capacity to increase transparency, in line with latest best practice guidelines, such as those of the TNFD

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. Forest 500 identifies 350 companies and 150 financial institutions with the greatest exposure to tropical deforestation risk, and annually assesses them on the strength and implementation of their commitments on deforestation, conversion of natural ecosystems and associated human rights. 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.

Biodiversity and Nature continued

Unprecedented loss

The unprecedented decline of biodiversity loss calls for swift action. The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) finds that 75% of terrestrial and 66% of marine realms have been significantly altered and that more than one million species are currently threatened with extinction. (IPBES (2019), Global Assessment Report on Biodiversity and Ecosystem Services).

Agriculture, Forestry and Other Land Use ('AFOLU') accounts for 22% of total anthropogenic (human-caused) greenhouse gas (GHG) emissions, around half of which come from deforestation and land conversion driven by commodities providing food, fibre, feed and fuel. Delivering the goals of the Paris Agreement cannot be achieved without action on AFOLU emissions – with the largest potential for reduction coming from reduced deforestation and forest degradation. By stopping deforestation and maintaining forests, we could prevent emissions of approximately 3.6 gigatonnes of carbon dioxide (CO2) between 2020 and 2050. Committing to reforesting degraded lands could remove up to 1.5 gigatonnes of CO2 from the atmosphere per year through to 2050.

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. We have, as we do with other priorities, focussed on collaborative actions, and are working to progress key initiatives:

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

The formation of the Taskforce on Nature-related Financial Disclosures (TNFD) marks a transformative development in this area, paralleling the influential trajectory of climate-focused financial disclosures. By establishing guidelines for evaluating and communicating the impact of business activities on the natural world, the TNFD paves the way for investments that are not only financially sound but also beneficial to the planet's ecological balance. This shift is increasingly reflected in the investment preferences of our clients, who are actively seeking opportunities that prioritize the conservation and restoration of Nature and Biodiversity.

Nature Action 100 (NA 100)

We are members of Nature Action 100 (NA100), a global investor initiative co-led by Ceres and the IIGCC (with support from Finance for Biodiversity and Planet Tracker). NA100 aims to encourage greater corporate ambition and action on nature and biodiversity loss, by setting a common agenda and clear set of expectations for companies. As members of the initiative, we are actively engaging with seven consumer staples companies.

PRI Spring endorsers

We are an endorser of the PRI Spring Initiative and have committed to promote the initiative to our managers and wider stakeholders. This stewardship initiative for nature, convenes investors to use their influence to halt and reverse global biodiversity loss by 2030, with an initial focus on forest loss and land degradation.

The climate physical risk and biodiversity engagement project facilitated by Chronos also supports our Biodiversity and Nature goals, this is detailed in the 'Partnering with clients' section.

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 believe that to function and perform optimally, companies and their Boards should seek diversity of membership considering the company's long-term strategic direction, business model, employees, customers, suppliers, and geographic footprint, as well as to reflect the diversity of society, 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.

We also continue to incorporate the recommendations and targets for 2025 set out in the FTSE Women Leaders report in our engagement with companies:

- Increased voluntary target for FTSE 350 Boards of Leadership teams to a minimum of 40% women, by the end of 2025
- FTSE 350 companies to have at least one woman in the Chair or Senior Independent Director role on the Board, and/or one woman in the Chief Executive or Finance Director role in the company, by the end of 2025
- Key stakeholders to set best practice guidance or have mechanisms in place to encourage FTSE 350 Boards that have not achieved the prior 33% target, to do so

We're proud to be supporters of the Diversity Project & 30% club

DIVERSITY PROJECT

30%+ Club PATH TO PARITY

It has been a year of steady gains when it comes to gender diversity in the UK, as per the FTSE Women Leaders Review 2024. It is promising to note that the representation of women on FTSE 350 Boards has increased beyond the 40% target, with almost two years to go until the end of 2025. In addition, within FTSE 100, the number of women in the Combined Executive Committee & Direct Reports has increased to 35.2%, up from 34.3% last year. Within FTSE 250, the numbers are now 33.9%, up from 32.8% last year. Over half of all FTSE 350 companies have met, or are well on their way to meeting the 40% target for Women in Leadership.

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.

Diversity, Equity and Inclusion continued

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.

We have noted an increase in pushback on diversity measures and initiatives, for example, on racial audits, from some quarters in the US. Several anti-ESG proposals have been put forward from related groups during the year including at Charles Schwab and Mastercard.

The one at Mastercard asked for a report on cost-benefit analysis of diversity and inclusion efforts but asserted that corporate diversity policies restrict free speech rights and threaten American freedoms. We were delighted that 99.5% of the shareholders opposed this proposal.

Despite the undercurrents of this pushback we continued to champion diveristy. For exampled we engaged with companies on ethnicity pay gap reporting and living wage through the Good Work Coalition. The Ethnicity pay gap programme requires companies to begin making disclosures on ethnicity pay gap and, for those that already report, improve the standard of their disclosures to identify the causes and solutions to address the gap.

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.

Diversity, Equity and Inclusion continued

The AODC – The Next Chapter

The Asset Owner Diversity Charter (AODC) of which Brunel is a signatory, creates a commitment from signatories to build an investment industry which embodies a more balanced representation of diverse societies.

The first component of the AODC asks signatories to incorporate diversity and inclusion into 1) manager selection 2) manager monitoring and 3) collaboration.

The second component is the Asset Manager Diversity and Inclusion Questionnaire which aims to standardise complex diversity metrics beyond just gender to improve on disclosures.

The quantitative aspect of the questionnaire focuses on:

- Board & Leadership: Who is responsible for monitoring, oversight, and the driving force for D&I?
- Promotion: How do firms ensure that promotion opportunities are equal opportunities?
- Culture: How do firms develop, monitor and evolve their cultures?
- Recruitment: How can firms overcome barriers and eliminate biases?
- Industry: How can firms support change and drive it in the wider industry?

The qualitative part of the questionnaire focuses on:

- Company Breakdown: Gender and ethnicity data across various organisational roles
- Recruitment & retention: Promotion, employee turnover and hires across gender and ethnicity
- Culture: Take-up rate of firms' policies, such as parental leave, return rate and retention post leave

Brunel has been part of the Working Group since its formation in 2020 aimed at formalising the actions that asset owners can commit to in order to improve diversity, in all forms.

The AODC has made significant progress over the last few years, undertaking a review of its Questionnaire, making significant updates to better include socioeconomic diversity. The AODC also engaged with various global Diversity, Equity, and Inclusion (DEI) initiatives, holding conversations to understand their priorities, seek out collaborative opportunities, and push for standardisation.

Additionally, the AODC coordinated a joint response from an asset owner group to the Financial Conduct Authority's (FCA) consultation paper on diversity and inclusion within the financial sector, advocating for stronger expectations informed by the Charter's experience. The AODC has continued to grow its signatory base, further highlighting the importance of DEI in the investment industry.

Votes to note

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

Board diversity is an engagement and voting issue, as we believe cognitive diversity, the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.

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.

Diversity, Equity and Inclusion continued

Walking the talk

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

Gender Pay Gap

Brunel is committed to transparency, so despite not being required to disclose our gender pay gap information, it forms part of our annual report. Brunel aims to create an inclusive and diverse workplace and the gender pay review helps us to monitor fair remuneration within our workforce. We have, where possible, adopted hiring practices that address the gender pay gap through looking for a gender-balanced cohort of candidates and seeking balance across a much broader range of diversity and inclusion metrics.

First of all, we want to acknowledge our gender pay gap. This was a broad-based phenomenon in terms of pay quartiles. At an absolute level, it reflected the fact that, over the reporting year, the lower quartile still largely comprised female members of staff (65%), but that was a significant improvement on the 2022 figure (81%). Slippage instead came in the form of more marginal changes across the top quartile (35%, down from 38%) and the lower-middle quartile (59%, up from 53%). These various changes reflected the entry of more men into the upper quartile; some off-cycle salary increases; and promotions of females.

There was a slight improvement in aggregate versus the previous year, and the general trajectory remains strong, in line with Brunel's awareness of the issue and long-standing commitment to address the gap through training and flexible working.

Our efforts in the past year were particularly focused on recruitment; development of our people; and workplace culture. Our new People Strategy only added to the momentum.

Making our brand more inclusive

Throughout 2023 work has been undertaken on refreshing the Brunel brand, including its colour palette, fonts and website. This work has included a large amount of focus on ensuring that colour combinations are as accessible as possible and setting strict brand guidelines for the use of colours to meet accessibility requirements.

The new website, launched in November 2023, has been redesigned with a screen reader in mind, and alt text used to ensure that screen readers pick up images appropriately. As an organisation that relies on published reports, work has begun to ensure that all pdfs meet the highest possible accessibility standards and work effectively with screen readers.

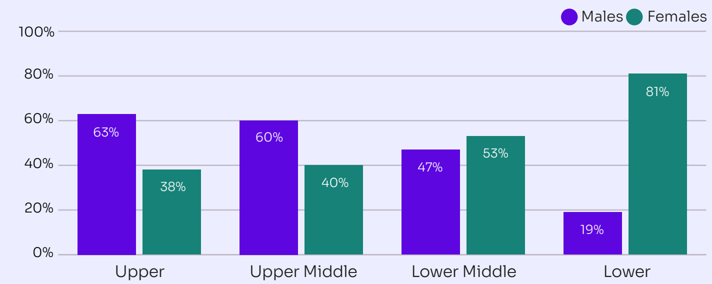
Brunel pay quartiles: Men versus Women

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

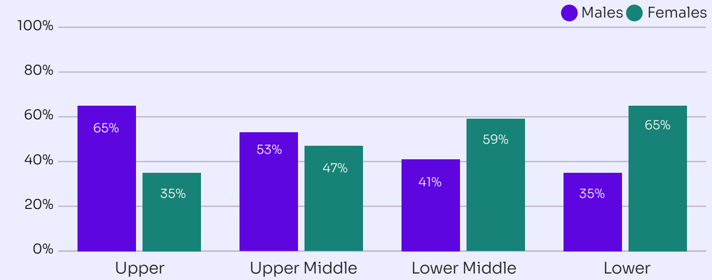
Women's **median** hourly rate is **37% lower** than men's compared to **44%** last year.

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

2022 Quartile %



2023 Quartile %



Diversity, Equity and Inclusion continued

Case Study: Fair reward framework

Executive pay is a highly contended topic that attracts a range of opinions from corporate stakeholders. Pay design, structure and implementation continue to be areas of great investor interest and concern. We believe that the appropriateness of executive pay should not be determined in isolation but in the context of how a company is creating and distributing value to shareholders, workers, and society, more broadly.

Working alongside a steering group of asset owner members, Brunel is involved in developing the Fair Reward Framework. In its pilot year in 2024 the project will launch a dashboard of indicators for FTSE 100 companies that will provide investors with greater insight on how those contributing to a company's value creation are rewarded.

Following public consultation in September and October 2023, the indicators covering company characteristics, pay setting processes and engagement with stakeholders, and reward outcomes were finalised. The tool is intended to enable the assessment of individual companies in these areas, drive better practice and contribute to investors' stewardship efforts.

Although executive pay is not a standalone RI priority for Brunel, there is a strong connection with themes such as social and human rights and diversity and inclusion. We also think it is of systemic relevance as it can be one of the critical ways, we can address inequality. More informed and holistic conversations bringing together multiple stakeholders can instigate better practices across industries – and ultimately bring benefits to the company, economy, and society as a whole.

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. These conflicts, coupled with regional political events like the Taiwan elections and tensions in Iran, underscore the need for a nuanced understanding of the impacts of geopolitical risks. 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, both as part of the selection process and in our ongoing engagements, whether companies they invest in;

- comply with all legal requirements and the duty to respect all internationally recognised human rights, including the obligations of the Modern Slavery Act in the UK and the United Nations Guiding Principles on Business Human Rights (UNGPs)
- provide contextual information and disclose key performance indicators on an annual basis
- provide disclosure on their workforce and follow the Transparency in Supply Chains guide issued by the Home Office
- have Board level oversight of strategies relating to employee development, and to contribute to a positively engaged, committed and talented workforce
- adopt and to increase use of appropriate technology to improve transparency on end-to-end supply chains. (We monitor compliance with the Ten Principles of the United Nations Global Compact as well as other factors using several data sources)

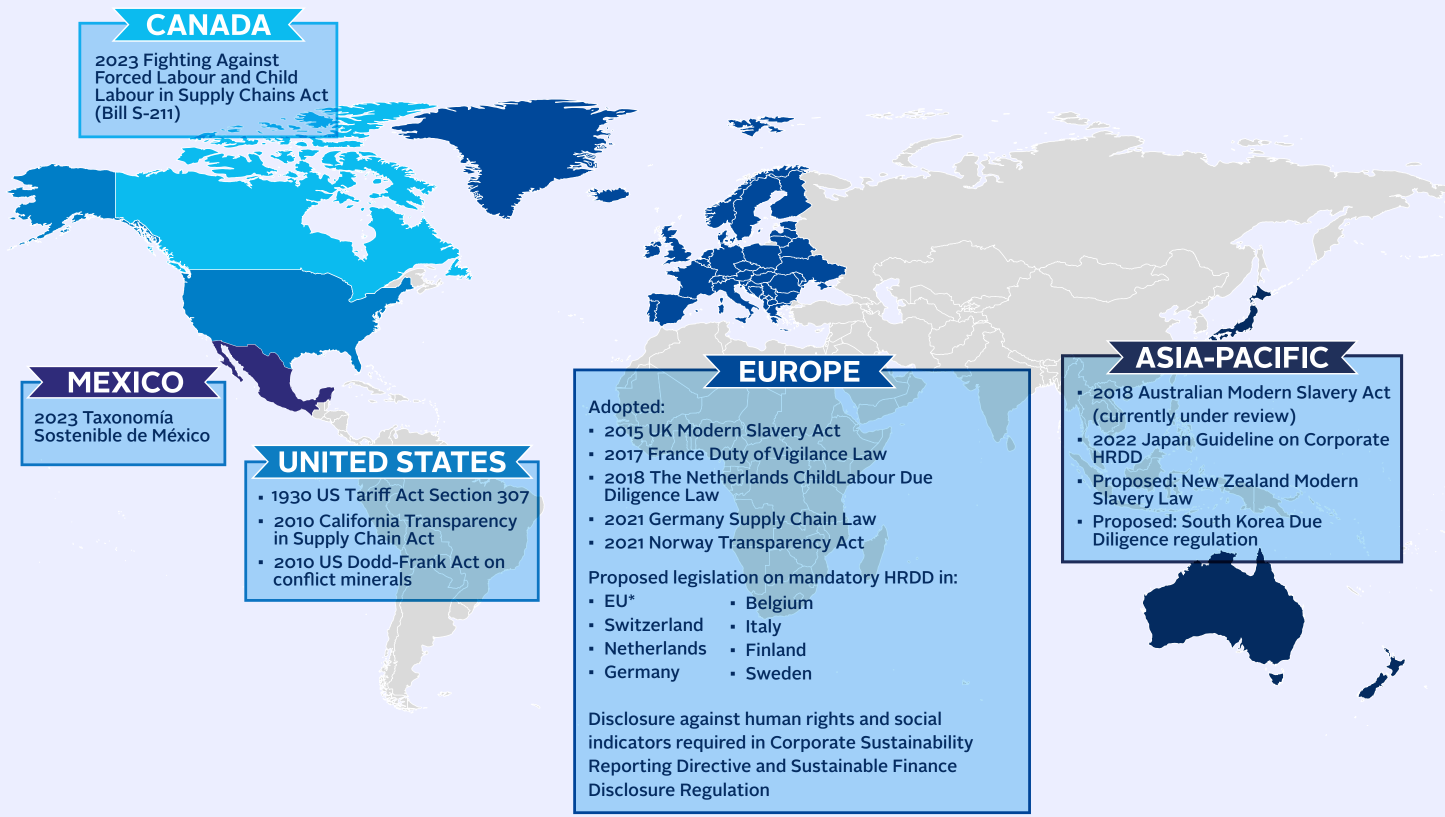
A key shift over the last decade has been the dramatic growth of both legislation and meaningful voluntary guidance focussing on coherent policy and embedded practice. Many of these developments have been shaped by the creation of the UN Guiding Principles on Business and Human Rights in 2011, and 10-year update "Roadmap for the Next Decade of 2021" on how to increase the pace of change and impact.

The Corporate Sustainability Due Diligence Directive (CSDDD) is particularly noteworthy and likely to change the landscape significantly. It was endorsed by the European Council in March 2024. If the European Parliament green lights the Bill, it will establish a uniform EU- wide standard that requires certain EU and non-EU companies to identify, prevent, mitigate and minimise potential and actual adverse human rights and environmental impacts connected with their own operations, subsidiaries and value chains.

Some of the other key legislations that mandate disclosure, human rights due diligence or impose trade restrictions as a result of human rights considerations have been neatly captured by the PRI in the map below:

Human Rights and Social Issues continued

Figure 1: Existing and Proposed Human Rights Legislation



* This includes proposed legislations on Corporate Sustainability Due Diligence, regulation on deforestation-free products, and forced labour import ban.

Approach to conflict risk

As the regulatory landscape evolves, the scrutiny on corporate as well as investor stances on human rights is likely to grow.

The ongoing tensions in the Middle East has raised further questions. For instance, we have received a lot of client and beneficiary interest in relation to exposure to Occupied Palestine Territories (OPT) through existing investments and the scope of stewardship activities undertaken to address the underlying risks.

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.

In addition, each year, EOS scan our holdings for direct and significant links to high-risk regions, as identified by authoritative sources such as the United Nations Human Rights Council. Regions that are currently considered to be high risk include Myanmar, Ukraine, West Bank

Human Rights and Social Issues continued

and the Xinjiang Uyghur Autonomous Region (XUAR). A select number of companies based on materiality of exposure are then prioritised for engagement through correspondence and/ or meetings concerning those salient adverse human rights impacts linked to the high-risk region to which they are exposed.

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.

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:

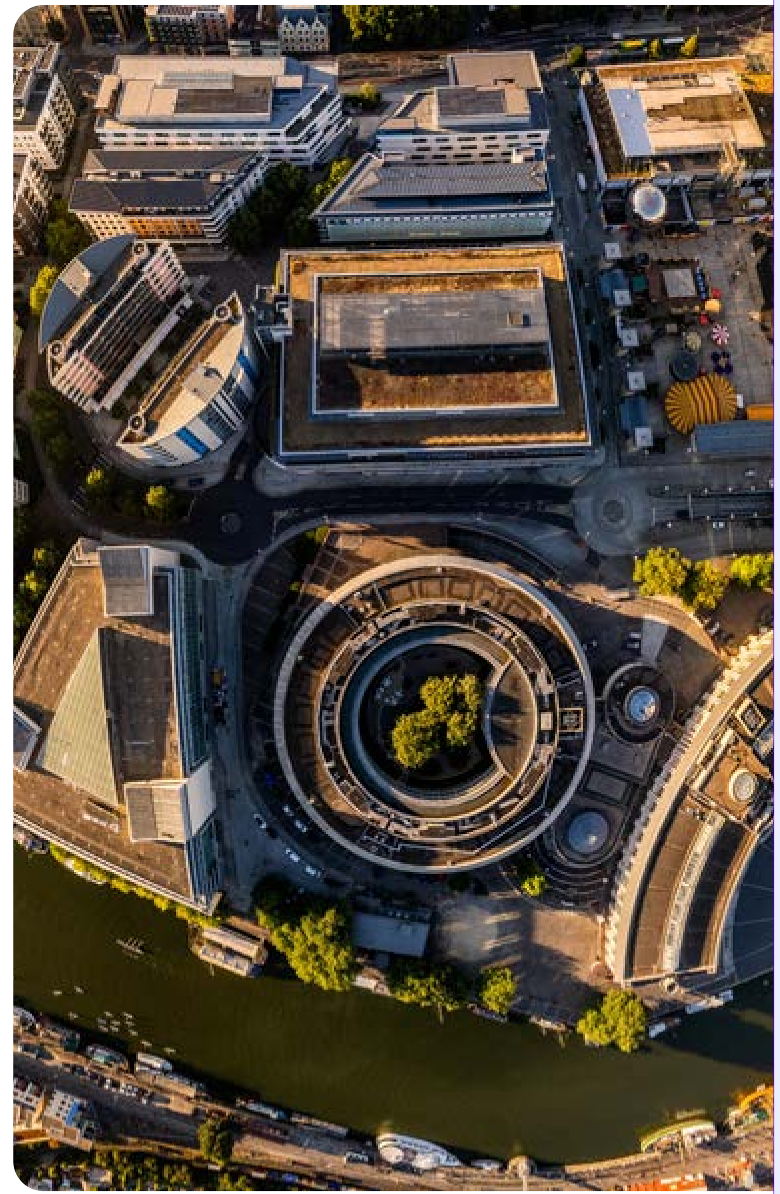
- to conduct enhanced human rights due diligence in high risk regions;
- to engage with those stakeholders impacted by business operations, including from vulnerable and marginalized populations;
- and to demonstrate that the business is appropriately using its influence to promote positive human rights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

Although stewardship is particularly challenging in the context of high conflict – risk regions, it is also where there is potential to influence sustained change, however, incremental. We therefore ensure that the asks to target companies are carefully crafted considering record of progress, the level of transparency and stakeholder engagement on due diligence processes.

It is concerning to us that our stewardship activities and investment decisions on the basis of human rights considerations may be misconstrued under the Economic Activity of Public Bodies (Overseas Matters) bill (BDS Bill) currently making its way through the Parliament. We have written to the Public Bill Committee highlighting our concerns and potential unintended consequences of the Bill being ratified in its current form. The Bill intends to prevent public bodies (which could include the LGPS) making decisions about procurement and investment from considering a country or territory of origin or other territorial considerations in a way that indicates political or moral disapproval of a foreign state. Practically, 'moral' and 'political' factors can materialise into financial risk which must be duly considered as part of the investment decision making process. We have therefore suggested amendments that can provide greater clarity in terms of what is intended. For instance, we have insisted that the bill must not prevent incorporation of ESG in investment decision making, recognise that social risks can materialise into financial risks, ensure that stewardship efforts are not undermined, and funds are not exposed to vexatious legal challenges.

It becomes challenging to navigate complexities associated with human rights issues generally, but where regulatory intention and stakeholders' interests are pulling in opposite directions, it becomes doubly so.



Human Rights and Social Issues continued

2023 Key activity / themes

Human Capital continues to be a key theme for Brunel, as we directly worked on a number of different initiatives. EOS and our asset managers continued to incorporate this theme in their stewardship activity.

Brunel supported a number of initiatives on human rights and social issues under various sub-themes during the year. Some key activities below:

- We are part of the collaborative Workforce Directors Coalition, an initiative led by Railpen with other institutional investors. The initiative launched new guidance to support companies considering workforce directors. Engagement conversations will be initiated with a set of companies that either already have, should, or are considering workforce directors
- We supported the Global investor coalition on workplace mental health. During the year, CCLA Investment Management published the 2023 CCLA Corporate Mental Health Benchmark UK 100. The benchmark evaluates the largest UK-listed companies, with more than 10,000 employees, on their mental health disclosures. Companies that scored poorly in the CCLA Corporate Mental Health Benchmark were written to, with their bespoke assessment report, highlighting investor expectations and a set of recommendations to guide their work over the coming year
- We supported the Mining 2030 initiative as a member of the investor steering committee
- We continued to support the 'Votes against slavery' initiative spearheaded by Rathbones. The initiative brings together institutional investors to target 158 FTSE AIM smaller listed companies and FTSE 350 companies, which fail to comply with Section 54 disclosure requirements of the Modern Slavery Act (2015) (the "Act"), which requires companies to publish annually updated modern slavery statements to their UK websites.
- We are one of the founding members of the Fair Reward Framework and contributing to the initiative as part of the core strategy group

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.

Human Rights and Social Issues continued

Case Study:
Alibaba Group

Since June 2021, EOS's engagement with Alibaba, a leader in global retail commerce and China's premier e-commerce entity, has centred on human capital management. Recognising the pivotal role of employee engagement, well-being, and work/life balance in driving high performance, the initial discussions aimed to understand the company's strategies for nurturing its workforce. Through continued dialogue, including a formal communication in 2022, EOS pressed for the articulation of a clear human capital management strategy within Alibaba's forthcoming reports, emphasising the need for definitive metrics and targets. This emphasis on enhanced disclosure was reiterated in May 2023, reflecting EOS's persistent advocacy for transparency in how Alibaba manages and values its human capital, a factor critical to its operational success and investor confidence, especially given the industry's notorious challenge of excessive and inhumane working hours.

The company's 2022 ESG report unveiled the WeCare Programme's expanded benefits, including various leaves and flexible work options, which they introduced in 2021 to bolster employee welfare.

More significantly, the 2023 ESG report marked a leap in transparency, offering detailed breakdowns of employee turnover rates and training hours by demographic segments, thereby indicating a more equitable and extensive investment in employee development. These disclosures signal Alibaba's evolving approach to human capital management, aligning with broader industry standards and expectations.

Looking ahead, the imperative for Alibaba extends beyond the publication of metrics; it encompasses the harmonisation and efficacy of human capital management practices across its diverse conglomerate, particularly in light of the ongoing group restructuring. EOS will continue to ensure that these practices are consistently applied and will monitor how effectively these contribute to the well-being and development of all employees. As Alibaba navigates this restructuring, EOS's engagement will continue to focus on the robustness of its human capital management framework, advocating for a strategy that not only retains talent but also fosters an inclusive, supportive, and dynamic work environment conducive to innovation and sustained growth.

Human Rights & Social Issues continued

Walking the talk on human rights

Our work on human rights has grown over the years so we wanted to take a step back and develop a cohesive human rights strategy that will enable us to identify, prioritise and manage key human rights issues in our portfolios. As a starting point, we commissioned Chronos to review our work to date, provide us with tools and recommendations that would enable us to:

- develop a common organisational understanding on human rights (and the relationship between human rights and other social issues);
- help articulate Brunel's overall approach to human rights (both internal and external);
- and craft a framework for clarifying expectations of the organisation, our asset managers and high-risk companies in our investment portfolios.

The investment team, staff from our communications and client relations teams joined an interactive workshop on human rights recently. The session was intended to build staff understanding and knowledge of human rights and the investment landscape, including Brunel's work to date; better equip portfolio managers to raise pertinent questions in reviews and ad-hoc engagement with asset managers and; build foundations for further action and impact. The session kicked off with a discussion on the origin of human rights and what it means to attendees. A lively discussion brought home the complexity of the concept and the inherent trade-offs. We then talked through a few case studies unpacking how some key human rights issues intersect with the twin challenges of social inequality and environmental degradation. In the second part of the workshop, we spoke about how human rights is consistent with fiduciary duty and materiality considerations and what is expected of investors – i.e. incorporation of human rights in investment analysis and decision-making process in line with investment timelines and the requirement to take action to manage and mitigate risks and impacts. The final section of the workshop brought together staff to discuss two key questions:

1. What are the main human rights issues that you need to manage/see as important to your portfolios?
2. What do you need to identify and assess these issues in your portfolios? What do you already have?

The workshop participants highlighted several actions including:

- develop an overarching human rights strategy with a level of granularity that communicated both external and internal strategy
- share best practice and exchange information (establish internal norms as well as amongst other asset owners)
- set consistent expectations of asset managers and take advantage of side letters in private markets to enforce manager expectations
- conduct regular due diligence on managers, considering asset class and sectoral exposure

The discussions at the workshop will feed into recommendations for Brunel and shape next steps.

Human Rights and Social Issues continued

Case Study: Compass Group

Modern Slavery in the supply chain

EOS's engagement with Compass Group Plc, a leading UK-based provider of outsourced food and support services globally, began in October 2020, focusing on the issue of modern slavery within its operations and supply chain. Despite acknowledging Compass's establishment of a human rights policy and its dedication to eradicating modern slavery, EOS questioned the efficacy of its measures to detect instances of modern slavery throughout its network. This scrutiny extended to the company's recruitment practices, particularly concerning migrant workers employed through its joint venture with Abu Dhabi National Hotels (ADNH), a topic which was pursued as part of the 2020 'Find It, Fix It, Prevent It' initiative aimed at combating modern slavery, (this initiative was recently updated and can be found here).

EOS's continued dialogue culminated in productive discussions with Compass's executive team in late 2021, leading to the procurement of a third-party evaluator to scrutinise the recruitment and treatment of workers from seven source countries, alongside a bolstering of the company's human resources expertise. The subsequent independent review in 2022 revealed compliance with International Labour Organisation forced labour indicators, identifying no major violations but highlighting minor areas for improvement, such as the need for language-appropriate documentation for workers.

The company's responsive measures, including the establishment of monitoring procedures for the identified areas of improvement and a commitment to ongoing progress, are a positive outcome from EOS's engagement objective with this company. Furthermore, Compass's pledge to introduce a Group-wide Third-Party Integrity Due Diligence Policy and establish a Migrant Labour Working Group in 2023 marks significant steps forward. These initiatives reflect a deepening commitment to addressing the complexities of modern slavery within its business model and supply chain, setting a precedent for continuous enhancement of its human capital management practices. EOS's engagement will nonetheless persist, focusing on the effectiveness and implementation of these new policies and groups, ensuring Compass Group's enduring dedication to ethical and responsible business conduct.

Case Study: Eating recovery centre (ERC)

The APAX Global Impact Fund in our Cycle 3 Private Equity holds an investment in Eating Recovery Center (ERC), a national leader in eating disorder treatment. ERC operates 35 treatment facilities across 21 states in the United States, offering on-site and virtual care, serving 6,500 patients annually.

The company's differentiated clinical model meets patients where they are in their treatment journey by offering the full continuum of care, spanning high acuity inpatient care to intensive outpatient treatment. Through the recent expansion of its Pathlight division, ERC Pathlight addresses a more comprehensive set of behavioural health conditions, including primary mood and anxiety disorder treatment. ERC's recent development of virtual care capabilities allows it to expand access and for patients to carry on treatment while returning to work, school, or family.

ERC Pathlight lowers financial barriers to accessing behavioural care by partnering with most major commercial insurers in the U.S., so patients can focus their energy on pursuing recovery.

Votes to note

AGM: Wells Fargo
Date: 25 April 2023

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. The decision was based on public allegations from unions of retaliations against workers for unionising, the lack of mention of the bank's position on this issue in its human rights impact assessment and its general lack of disclosure.

AGM: Meta Platforms, Inc
Date: 31 May 2023

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. Going beyond exploitation, we would like the company to enhance its "child safety" practices to include not only protection from exploitation, but mental health, device addiction, and other emerging issues that more holistically address child safety, health, and wellness.

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. The UN Guiding Principles on Business and Human Rights (UNGPs) outline the corporate responsibility to respect human rights, including a human rights policy commitment, a human rights due diligence process, and a process to enable access to remedy. As digital rights were relatively nascent when the UNGPs were published in 2011, these EOS Digital Rights Principles provide guidance for contemporary issues that require companies' attention when fulfilling their broader obligations to the UNGPs. Companies whose business models misalign with the UNGPs have salient adverse impacts on peoples' lives and face material financial risks to long-term holistic value.

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

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.

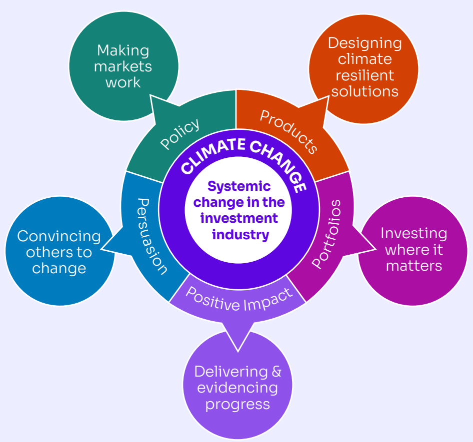
As a result of these significant announcements, Brunel and the coalition of investors decided to withdraw from the shareholder resolution. They bring Barclays' approach on par with their peers in key areas such as asset level financing. The policy also sends a strong signal to clients in terms of current 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 (see p.61). 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.

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.



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.

In 2023 we updated our Climate Change Policy – we extended our five-point plan to 2030, as we cleave to our aim to change the broader financial system as we believe 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.

Our Climate Change Policy has been developed in collaboration with our clients and key stakeholders. For each of the five areas we set at least one target. Additional targets to cover new asset classes and Scope 3 greenhouse gas (GHGs) emissions by June 2024.

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. 2023 was the hottest year on record with the **global average temperature 1.48°C above pre-industrial levels** and the recent UN Emissions Gap report stated that greenhouse gas emissions must still fall by 28% by 2030 to achieve the Paris Agreement 2°C pathway, and by 42% for the 1.5°C pathway. There is no way to dress it up, things are not going in the right direction, so we are doubling down on our plan of action. In this section of the report, we provide examples of action we are taking across all five-points. More information and detailed analytical information is provided in Climate Progress Report and Climate-related Product Reports, published in June 2024.

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 continued

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. We outline some of the key actions to enhance disclosure through our participation in the advisory and working groups of the International Sustainable Standards Board (ISSB) and Transition Plan Taskforce (TPT) as detailed on page 7.

The formation of the ISSB and TPT were announced at United Nations Framework Convention on Climate Change (UNFCCC) Climate Conference in 2021, (COP26). Faith Ward has attended the last 3 COPs, representing the investment community in panels, roundtables and one to one conversations will policy makers from around the world.

COP28 saw significant commitments made in relation to investment themes important to Brunel:

- Tripling renewable energy capacity & doubling energy efficiency improvements by 2030
- Rapidly phasing down unabated coal limit permit for new and unabated coal power
- Accelerating efforts globally towards Net-Zero emissions energy systems by 2050
- Transitioning away from fossil fuels in our energy systems, beginning in this decade, in a just, orderly and equitable manner so as to achieve Net-Zero by 2050 in keeping with the science
- Accelerating zero and low emissions technologies, including, inter alia, renewables, nuclear, abatement and removal technologies, such as carbon capture and utilization and storage particularly in hard to abate sectors, and low carbon hydrogen production
- Accelerating reduction of methane (& non-CO2 emissions) by 2030
- Accelerating emissions reductions from road transport through a range of pathways, including development of infrastructure and rapid deployment of zero emission vehicles
- Phasing out of inefficient fossil fuel subsidies that do not address energy poverty or just transitions, as soon as possible

Global Methane Pledge (GMP)

Accelerated action on the Global Methane Pledge (GMP) aims to cut anthropogenic methane emissions at least 30% by 2030 from 2020. Brunel was delighted to be able to join the collaborative engagement focused in methane, led and coordinated by one of our Global Sustainable Equity managers, Nordea.

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, KazMuynayGas, 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.

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. The updated Climate Policy targets – for corporate bonds, multi-asset credit, infrastructure, real estate, secured income and the Cornwall Local Impact portfolio – will be included in our Climate Progress Report by the deadline in June.

All targets are consistent with Net-Zero Investment Framework (NZIF) and target setting guidance and are reflective of Brunel and its client priorities to have real world impact. Brunel has been instrumental in the development of the NZIF which is recognised industry standard for investors. It was initially developed by the IIGCC and now a core component of the delivery strategy for the Paris-Aligned Asset Owners, for which Brunel is part of the global steering committee.

Whilst the specific metrics required to demonstrate alignment will vary across asset classes and legal structures, there is commonality in the principal expectations:

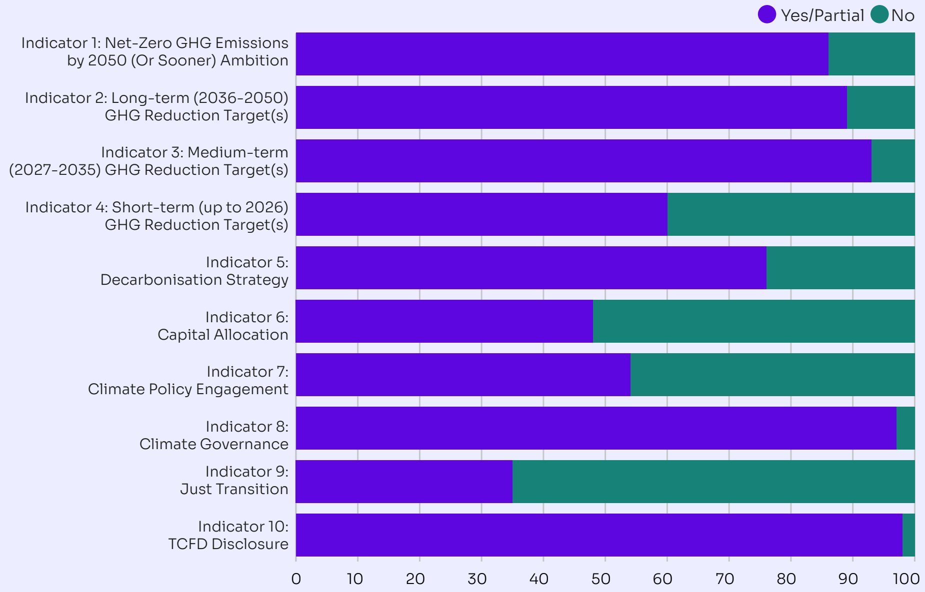
- Ambition
- Targets
- Emissions performance
- Disclosure
- Decarbonisation plan
- Capital allocation alignment
- Climate policy engagement,
- Climate governance
- Just transition
- Climate risk and accounts

Source: NZIF 2.0, 2024

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. Further details are set out in our Climate Progress Report 2024.

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.

Climate Change continued

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.

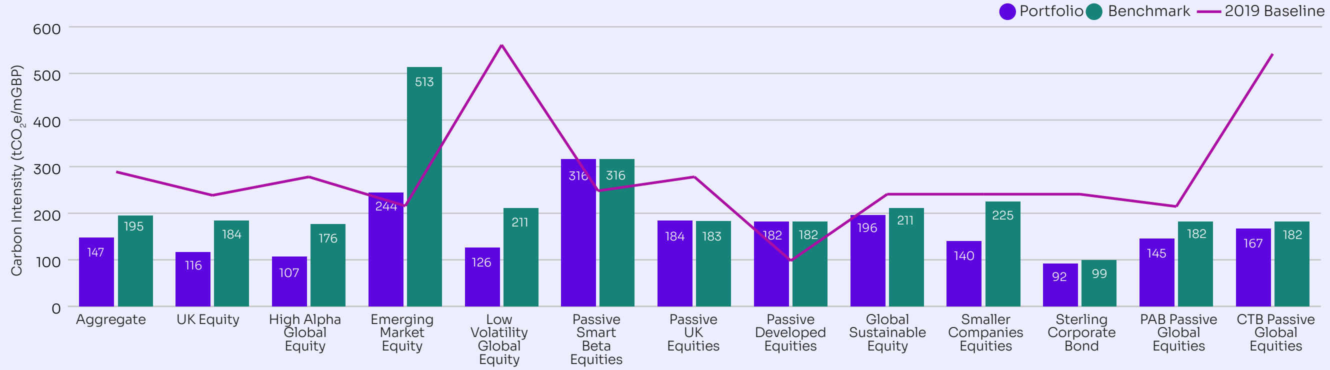
In 2023, we made significant developments in our carbon and climate metrics embedding new metrics into our climate-related risks reports, our quarterly risk reporting as well as those metrics required to support our new alignment targets in private markets. More details on these are included in our Climate Progress Report 2024.

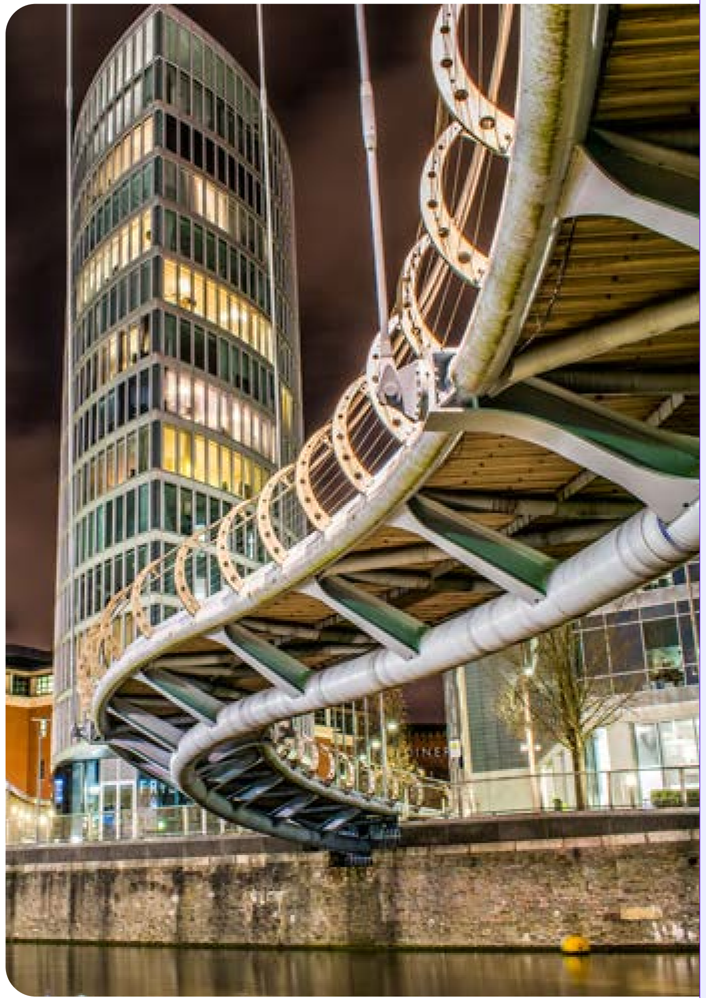
Whilst recognising the limitations of data that is inherently a snapshot in time, we are delighted that we continue to reduce the carbon intensity of our listed market portfolios. As of December 2023, our carbon intensity was 57% below that of our 2019 base line, with good progress in all portfolios.

Physical climate risk and adaption through the work of the TPT as well direct engagement has been a focus in 2023 and will continue in 2024.

In our Climate Change Policy, published in 2023, we committed to develop our strategy and approach to Scope 3 GHG emissions and to set targets in 2024.

Carbon Intensity of Brunel Portfolios and Benchmarks - December 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.

Climate Change continued

Why do scope 3 GHG emissions matter?

Scope 3 GHG emissions are not produced by the organisation itself or assets owned or controlled but arise as part an organisation's value chain, for example emissions relating to the supply of raw materials. Whilst the organisation may not control, they can still expose the company to climate-related financial risks, and also opportunities. Disclosure of scope 3 emissions is essential as;

- It can often represent as much as 80-90% of the total GHG emissions for a company
- It allows more equitable risk assessment between companies that are vertical integrated versus those who outsource (thereby reducing their direct footprint and potentially looking misleadingly less risky)
- Its absence could lead to misallocation of capital by governments, corporates and investors
- Its absence could lead to misrepresentation of climate alignment

There are 15 sub-categories of scope 3 emissions and the materiality of each varies across companies and even within sectors. Research[2] indicates that for any given company only 2 of the categories could account for around 80% of overall scope 3 intensity, but which 2 varies. As the current state of disclosure of scope 3 emissions data is very low, with varying quality and little consensus on approaches to estimation it needs to be an area of focus for investors. Brunel, like most investors, currently relies on modelled data for lots of its climate risk assessment, particularly material scope 3 GHG emissions data.

Unlike scope 1 and 2 GHG emissions, investors are not recommended[3] to attribute 'ownership' as this leads to double, triple, counting of the same emissions but to encourage assessment, management, and disclosure. Context is critical, as how the emissions translate into transition risk will vary, so we are encouraging companies to provide narrative explanations and ask our asset managers to provide qualitative as well as quantitative analysis on companies.

We believe the most effective action Brunel, as an investor, can take to achieve decarbonisation in relation to scope 3 GHG is through ensuring companies and assets publicly disclose the data, thereby enabling investors to assess and take account of, and price, the risk.

Brunel's approach

Policy – Ensure a clear ask for mandatory scope 3 disclosures, particularly by high impact companies. Reinforced by our advocating ISSB (S1 and S2) adoption by governments to create a globally consistent baseline, supported by the mandating of transition planning, starting with large, high impact companies and banks.

Products – The disclosure of material scope 3 emissions and related target setting are already components of asset alignment criteria. Call for greater harmonisation of methodologies to enhance credibility of the data and analysis.

Portfolios – Brunel already includes portfolio level scope 3 data for supply chain emissions but will seek to enhance data and analysis of a wider range of relevant emissions in our climate-related product reporting.

Positive impact – Proactive investment in climate solutions, supporting energy transition and other innovations that reduce the climate impact of products in use and supply chain emissions e.g. electrification of transport and regenerative agriculture.

Persuasion – Enhance the precision of the ask on companies regarding categories of scope 3 GHG we view as material. Seek to improve and disclose direct disclosure levels of the directly held listed assets in high impact sectors and our largest IT companies (see targets below). Scope 3 GHG disclosures and targets will continue to form part of escalation and voting strategies.

Scope 3 Targets

- 100% of directly held high impact and banks to disclose their own material scope 3 emissions by 2030
- 100% of AUM in our largest directly held IT companies to disclose their own upstream and downstream scope 3 emissions by 2030.

[2] Scope for improvement: Solving the scope 3 conundrum, FTSE Russell, 2023.
[3] IIGCC Discussion Paper: Investor approach to Scope 3: its implications, challenges and implications for decarbonising portfolios, IIGCC, 2024.

Climate Change continued

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

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.

David Jenkins, our portfolio manager for Global Sustainable Equities, brings to life the listed equity portfolio which has an explicit investment objective to deliver sustainable change in his interview on p.32. We have detailed numerous examples throughout the report from our private market portfolios but have also worked on providing a holistic overview of these investments with the support of our strategic partner Stepstone Group. We have analysed our infrastructure investments applying the FTSE Russell Green Revenues classification and calculate that we have over £900 million, or 83% of total committed capital as at September 2023, that can be classified as contributing to sustainable objectives.

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:
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.

Case Study:
RBC Asset Management's engagement with Morgan Stanley

Banks play a pivotal role in allocating capital towards green projects and companies. As such sustainability, particularly best in class environmental strategies, form an important part of the investment thesis within the sector.

RBC Asset Management, one of our asset managers has engaged with Morgan Stanley several times over the course of the year, to better understand whether the company remains a leader within the climate space. Morgan Stanley was one of the first movers, amongst global financial service firms, to commit to achieving Net-Zero in financed emissions by 2050. Whilst culturally at the top they seem to have retained that focus, scores such as TPI (Transition Pathway Initiative, independent non-profit) paint the company's strategy in more of a negative light. Nevertheless, the company highlights that there is continued commitment to increased sustainability.

Management have indicated that they have now rolled out their climate strategy assessment framework, which allows for transition preparedness and target assessment. Whilst this does not mean a reduction in high carbon investments, it does equate to increased green and transition financing.

From a company (Scope 1 & 2) level climate strategy perspective, the company continues to rely on RECs (renewable energy certificates) and offsets to realise operational carbon neutrality. There are no plans to shift away from this in the near term.

Given the position Banks hold in bringing about the transition, and the complexity of achieving global Net-Zero, RBC Asset Management will continue to monitor and engage with the company on these issues.

Climate Change continued

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. Page 31 provides a case study of one of our biggest projects in 2023 which looked at the alignment between asset owner and asset managers on engagement and voting.

Page 30 also sets out all the enhancements to our voting guidelines to reinforce the communication and escalation of our expectations on listed companies. One of the areas we have enhanced our expectations in is with regard to lobbying. Using CA100+ and Transition Pathway Initiative (TPI) indicators to assess companies, we have clearly set out expectation to vote against relevant directors in 2025 if there is a continued lack of progress.

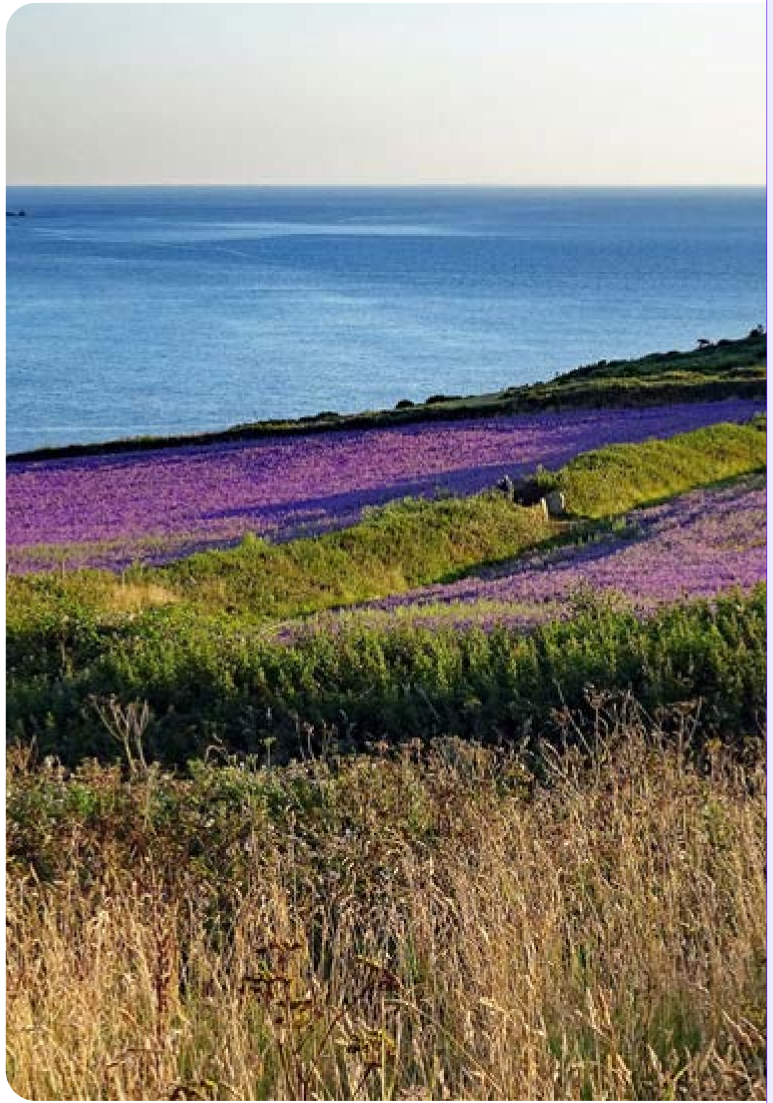
The company should be transparent about its governance procedures and climate-related lobbying activities by aligning with best-practices set out in the Institutional Investors Group on Climate Change (IIGCC) Investor Expectations on Corporate Lobbying on Climate Policy. Companies materially reliant on public policy support for their climate strategies should also proactively support and advocate for positive action in their spheres of influence. (Brunel Voting Guidelines, 2024)

One of the most challenging of our climate targets is to ensure that we engage with all companies not already aligned with Net-Zero that represent at least 70% of financed emissions - in 2023 this equated to about 90 companies, up from 80 in 2022. This is sign of success, as the portfolios/companies reduce their emissions the number of companies that make up 70% is likely to increase. As the diagram on the next page illustrates, 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.

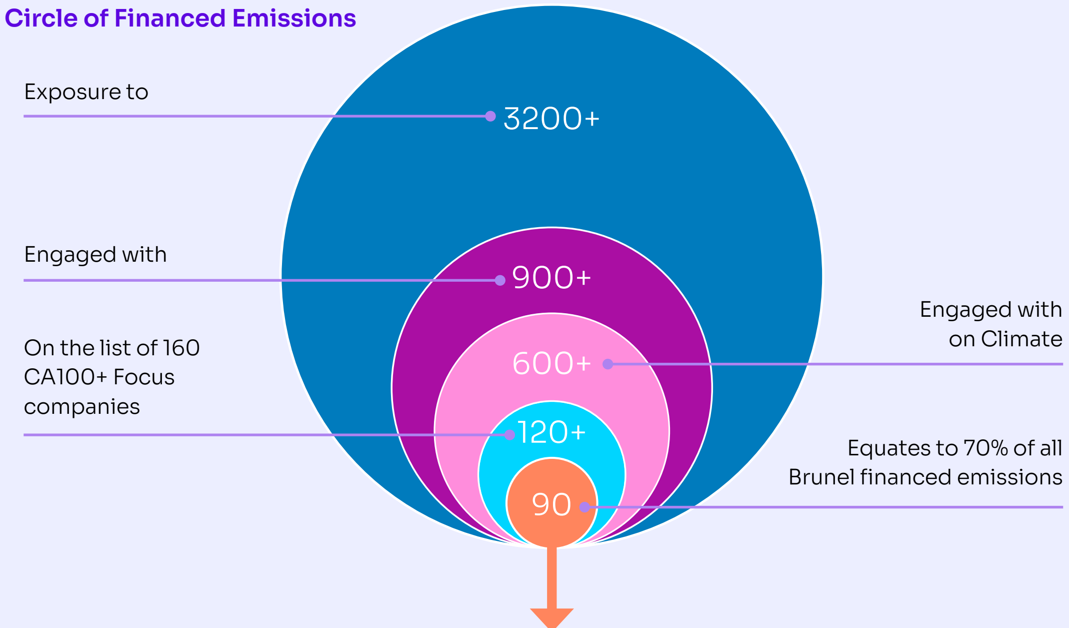
Case Study:
Danone SA – Climate Lobbying

Throughout 2023, EOS has been actively involved in dialogues with Danone, (alongside other members of the CA100+ lead investor engagement group and the CA100+ Climate Lobbying Working Group), to ensure its climate lobbying efforts are aligned with a 1.5-degrees trajectory. EOS, along with the other participants, emphasised the importance of transparency and accountability, urging the company to review its direct lobbying activities and the stances of the trade bodies it is affiliated with. Following these conversations, Danone highlighted that it will endeavour to analyse its efforts against this CA100+ climate benchmark and agreed to publicly disclose its findings.



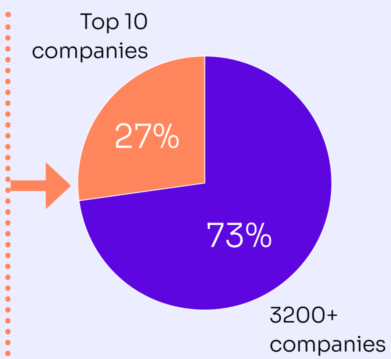
Climate Change continued

Circle of Financed Emissions



Rank	Company Name	% of Brunel financed emmissions
1	Waste Management, Inc.	4.55%
2	Shell plc	3.69%
3	Delta Air Lines, Inc.	3.20%
4	WestRock Company	2.64%
5	L'Air Liquide S.A.	2.48%
6	UPM-Kymmene Oyj	2.28%
7	Steel Dynamics, Inc.	2.20%
8	Linde plc	2.17%
9	Glencore plc	2.01%
10	Holcim AG	1.90%

The top 10 companies are responsible for 27% of all of the Brunel financed emissions



Brunel financed emissions

As at 31 December 2023

Case Study: Gridserve – EV charging infrastructure

Gridserve is a UK-based EV charging infrastructure business held in our Cycle 2 Infrastructure portfolio targeting 315 sites by 2024 and with a long-term aim of installing an EV charger within 5km of 80% of the UK's population. The business has strong Net-Zero alignment through enabling the decarbonisation of the transport sector through its end-to-end EV charging eco-system, developing and operating electric vehicle charging networks powered by solar energy and batteries.

Gridserve have a dedicated sustainability manager and ESG committee, which aims to integrate sustainability considerations throughout the business' operations. During 2023, Gridserve raised over half a billion pounds in green financing to accelerate expansion of its EV charging network. This represents a significant milestone for the business and the largest debt raise to date globally for a privately-owned chargepoint operator.

Walking the talk

Our operational climate-related risk

Physical risks exposure is mitigated through a highly agile workforce, all staff are provided with the technology to work remotely.

100% of energy supplied to Brunel is generated from solar, wind or hydro power. In addition the supplier uses profits to invest in new and more efficient ways of generating renewable energy.

During 2023, we commissioned our first full carbon footprint report, setting an operational emissions baseline to enable targets & improvements. We have begun work on follow-on actions to improve our organizational footprint:

- 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.

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 "forging better futures by investing for a world worth living in".

We have outlined our core principles and expectations on tax to companies and our investment managers in our tax policy, which was revised in June 2023. A summary is published on our website. In line with our tax principles, we will steer companies to exercise restraint in their tax planning, avoid excessively complex structures that result in little, or no tax being paid in the jurisdictions where their revenues are earned and encourage improved tax transparency to enable identification and assessment of risks.

We recognise the firm-level and systemic implications of tax avoidance. Companies shifting profits to low tax jurisdictions or restructuring for tax purposes can impact long-term sustainability and profitability of a company through erosion of earnings, impacts on reputation and poor strategic decision making. Studies have also established the negative consequences on competition and economic growth from tax abuse.

To this end, we engage with companies through EOS, asset managers and collaboration with other investors. Over the next year, we will be seeking to further escalate this topic as an engagement priority.

01	02	03	04	05
Updated our own tax policy	Joined a collaborative engagement on tax transparency	Continue to engage with companies on tax via EOS	Updated our voting guidelines on tax with a focus on escalation in 2025	Active member of the PRI tax reference group

Regulatory landscape

The spotlight on tax fairness post-pandemic set off much-needed dialogue on tax revenue losses from corporate tax abuse, that governments could otherwise allocate to robust healthcare and social protection. As a result, we have seen positive regulatory momentum to drive improvements in corporate tax transparency and regulatory developments to reduce undertaxed profits. The EU public country by country reporting requirements, which will be effective in 2025 will capture companies operating in the EU and require more granular information on taxes paid and other indicators when compared to what multinational companies are currently reporting. A similar law has been proposed in Australia. In addition, a global minimum tax has been agreed by 140 nations in what has been touted as a major step in international co-operation. The agreement will result in large multinationals being subject to a minimum effective tax rate of 15% regardless of where they operate. The OECD estimates that this could reduce under-taxed profits by around 80% due to reduction in profit shifting and the application of top-up taxes.

Cost Transparency and Fairness

Brunel is a signatory of the LGPS Code of Transparency and requires all qualifying managers to be signatories. We expect all of our managers to have appropriate fee structures that align with client interests. Our private markets team has been actively engaging with General Partners to promote fair and transparent fee structures.

Our cost transparency reports are provided to clients and include disclosures such as:

- Portfolio investment activity and transaction costs
- A breakdown of ongoing charges
- Performance fees (if applicable)
- Incidental costs (if applicable)
- Lending and borrowing costs (if applicable)

A focus on costs and cost transparency has contributed to our achievements in making savings for our clients, one of the main drivers for pooling. Brunel is currently making net cost savings of £41 million, ahead of its 2025 target. We are on track to deliver £43m net savings by 2025 (11.7 bps), which translates to saving around four and a half times the cost that is incurred through the negotiated management fees.

Brunel is supportive of aligning asset manager or fund incentives with broader sustainability outcomes where appropriate. For funds which are explicitly targeting impact, particularly in private markets, we support the idea of linking 'carry' which forms part of the fee/incentive structure for the fund with the outcomes being delivered. Whilst still in its infancy we are already starting to see clear examples of General Partners linking the carry received to the sustainable outcomes of investments. The below is an additional example from this year, providing evidence that there is growing momentum in this direction:

We have allocated to the EQT Future Fund for Private Equity cycle 3 which links carry to stated ESG/impact targets for individual portfolio companies. EQT generates carry on the fund in the typical Private Equity mode over a pre-specified hurdle and can then earn a further increase where the stated impact/ESG indicators have been met. These targets were agreed at the outset of the investment.

Tax and Cost, Transparency and Fairness continued

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.

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.

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. Cyber-attacks continue to increase in frequency and sophistication and the associated costs rise – the annual costs are estimated to reach $10.5trn globally by 2025. The financial materiality and the systemic impacts are highlighted by some of the recent incidents we have seen.

A ransomware attack on the NY arm of China's largest bank disrupted the $25 trillion US treasury bond market. When tech group, Ion Markets was targeted, it hit the reconciliation of trades in the global derivatives trading industry. Such attacks point to the interconnectedness and the fragility of the financial infrastructure and the possibility that they can result in liquidity strains, bank runs and capital flights.

With the advent of a vast range of AI tools, cyber criminals can also now be more targeted and precise. Phishing emails, which can provide initial access to networks, can be translated to minority languages using generative AI – leading the way for ransomware targeting. In this evolving threat landscape, there are greater pressures on companies to raise their game to tackle cyber challenges.

Student insights

Brunel hosted a multidisciplinary team of master's students from Bath University for 6 weeks, and they were tasked with analysing the opportunities but predominantly the risks of AI across the investment landscape. The students conducted analysis on companies from different sectors of Brunel's active listed market holdings. They arrived at some interesting and useful conclusions whilst developing their consultant style presentation skills.

Consultation Phase: Brunel provided the students with objectives, setting the direction for the project and aligning with pertinent areas of interest, particularly within the LGPS context.

Research Phase: The students engaged in extensive research and development activities and focussing on understanding current AI technologies, their applications, and evaluating Brunel's exposure across its portfolios.

Data Gathering and Analysis: The students employed a variety of methodologies to gain a comprehensive understanding of the landscape and identify significant trends and risks associated with AI.

Report Production: The culmination was a report providing a valuable resource for Brunel, with actionable insights for navigating AI-related investment risks.

Presentation: Alongside the report, the students prepared an in-depth presentation. This presentation was an opportunity for them to demonstrate their analytical skills, strategic planning capabilities, and their proficiency in translating complex technological concepts into understandable and actionable insights. It also allowed them to showcase their ability to work collaboratively within an interdisciplinary team and deliver comprehensive outputs within a set timeframe.

Cyber and AI continued

The fast pace of technological advancements, especially in Artificial Intelligence (AI), contrasts starkly with the slow progress of regulatory frameworks, presenting both challenges and opportunities. 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.

The emergence of deep fake technologies is intensifying societal divides, making it hard to distinguish between reality and manipulation. Complications arise from antitrust and competitive issues, as highlighted by Microsoft's major investment in OpenAI, which adds to the risk of market concentration in the tech sector. Cybersecurity vulnerabilities also threaten critical infrastructure, a recent example was seen in the windfarm sector, which faces serious cyber risks. Despite these challenges, positive developments are emerging, more proactive government and corporate cybersecurity strategies given the critical need for preventative measures in an era where digital threats are constantly evolving.

We are continuing to collaborate with Royal London Asset Management on their initiative on cybersecurity. In 2023, they worked with several of their clients and other asset owners to review and update the investor expectations on cyber security. To ensure they reflect the latest standards and best practices, they also worked with Royal London Group's cyber defence team. The expectations have been structured into four pillars: governance, supply chain, culture, and collaboration.

The target companies include those that faced known cyber-attacks in 2022. Royal London Asset Management have also obtained data from BitSight, a third-party provider, to understand cyber performance at these companies.

Case Study:
Highlights from Cyber Security Engagement Programme in 2023

The Cyber Security Engagement Programme, coordinated by RLAM, 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.

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.

Cyber and AI continued

Walking the talk

Brunel places a high emphasis on our own cyber security controls, as well as those of our supply chain. We have robust, independently audited controls in place to safeguard our systems and data, and we expect the same level of security from any outsourced partner. Our Security Operations Centre enables us to monitor systems, respond effectively, and maintain up-to-date intelligence on any emerging threats.

We maintain annual Cyber Essential Plus accreditation, which is the highest level of certification offered under the government-backed, industry-supported scheme. We view the scheme's rubric as a minimum standard, and we strive to exceed this across our operations in line with best practices.

We recognise the pivotal role our staff plays in upholding our security. In 2023, we bolstered our capabilities by implementing an advanced phishing testing and cyber security training platform. Additionally, we have increased our engagement with our clients to provide assurance and foster collaborative learning opportunities.

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. These incidents have exposed the risks of relying too much on linear, sea-based logistics, highlighting the need for supply chains that are both more resilient and flexible. Companies are evaluating the benefits of onshoring to strengthen their supply networks.

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. Yet, transitioning to a circular economy comes with its own set of challenges, such as the complexities involved in recycling electronics and plastics and organised crime. Additionally, the growing need for transition metals, essential for tech and energy innovations, brings to light the friction between pursuing sustainability and dealing with geopolitical instability affecting resource availability. These challenges mark a critical juncture for companies, underscoring the importance of incorporating circular economy concepts into their strategic supply chain management to foster a future of sustainable and resilient business practices.

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 Supply Chain Management continued

AMR

Anti-microbial resistance (AMR) occurs when bacteria and other microorganisms evolve and fail to respond to antibiotic use. Misuse and overuse of antibiotics has been a key contributing factor to what is now termed as a 'silent pandemic'. 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.

While regulators have increased restrictions on the use of antibiotics in countries such as the US, EU and China, more work is needed to secure consistent progress given the expansion of industrial animal agriculture and large increase in antibiotics use in emerging markets.

Given antibiotics and antimicrobials are a material portion of the product portfolios of animal pharmaceutical companies, we were keen to see companies in the sector address the risk of AMR throughout their value chain. With this objective, 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. Some asks of the engagement were to see an explicit acknowledgement of AMR as a material risk and a corporate strategy to reduce exposure, responsible sale and marketing of antibiotics; effective management of antimicrobial residues in manufacturing and production; innovation and diversification of product portfolios and alignment of stewardship and lobbying activities on AMR.

We have found that it has been challenging to get access to the target companies, however the companies have made some positive strides in their disclosure over the year. For instance, more companies have introduced a global ban on marketing and sale of antibiotics for growth promotion, disclosed revenues from antibiotics segments and provided evidence of working with stakeholders and the broader industry. However, we continue to see higher levels of opacity with regards to the KPIs in use to measure the effective management of antibiotic residues in manufacturing waste streams, initiatives to provide alternatives to antibiotics and companies' lobbying activities on AMR. FAIRR will be providing further detail in a progress report scheduled to be published later in the year.

Circular economy and infrastructure

The shift towards a circular economy is essential for sustainable development, with infrastructure being a key factor in this transformation. Progress in this area is geared towards establishing systems that reinforce and extend the lifecycle of products and resources. The development of electric vehicle (EV) charging networks, for instance, is fundamental for enabling the broader use of EVs and reducing emissions from transport. Equally important is enhancing supply chain recycling processes to ensure materials are recycled more efficiently and put back into use, supporting a cycle of continued resource productivity. Incorporating robust EV charging frameworks and refining recycling processes within supply chains are necessary steps toward realising a truly circular economic system. These efforts not only contribute to the conservation of resources but also embody the shift from a 'take-make-dispose' model to one where resource regeneration and sustainability are at the core of economic activities.

Case Study: MIPS: Advancing Circular Economy through Material Innovation

MIPS, a company that specializes in helmet-based safety, informed Montanaro, one of Brunel's small-cap equity managers, that they are using an increasing amount of Post Industrial Recycled (PIR) materials in their products. Pleasingly, MIPS set an ambitious target to incorporate approximately 15% of their total product volume with PIR materials in 2023, demonstrating a proactive approach to sustainable material use and waste reduction.

Following these engagements, Montanaro joined the Global Plastics Treaty run by the Ellen MacArthur Foundation (EMF) in the third quarter of 2023 as part of their collaborative engagement efforts. The coalition seeks to unite companies that are committed to finding solutions to the plastic waste problem and accelerating the transition to a more sustainable and circular economy for plastics. Their main responsibility is to encourage companies to improve the entire life cycle of plastic products, from design and production to end-of-life solutions, to minimise their negative impact on the environment and human health via engagement.

Circular Economy and Supply Chain Management continued

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.

Appendix

Partnerships and affiliations	
30% Club	The 30% Club aims to develop a diverse pool of talent for all businesses through the efforts of its Chair and CEO members who are committed to better gender balance at all levels of their organisations
Accounting for Sustainability (A4S)	Accounting for Sustainability (A4S) was established by HM King Charles III in 2004, when he was The Prince of Wales, "to help ensure that we are not battling to meet 21st century challenges with, at best, 20th century decision making and reporting systems."
Asset Owner Council	The AOC was formed in 2024 as a result of a merger between the Occupational Pensions Stewardship Council (convened by the Department for Work and Pensions), and the UK Pension Scheme Responsible Investment (RI) Roundtable . The council aims to be a forum for sharing best practice on investor stewardship and responsible investment implementation, engaging with regulators and government and encourage high standards of stewardship and collaborations among asset owners.
Climate Action 100+ (CA100+)	Climate Action 100+ is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The companies include 100 'systemically important emitters', accounting for two-thirds of annual global industrial emissions, alongside around 60 others with significant opportunity to drive the clean energy transition
Deforestation - The Investors Policy Dialogue on Deforestation (IPDD)	The Investors Policy Dialogue on Deforestation (IPDD) is a collaborative investor initiative which engages with public agencies and industry associations in selected countries on the issue of deforestation.

Partnerships and affiliations	
Diversity Project	A group of leaders in the investment and savings profession who are working to accelerate progress towards an inclusive culture within our industry. We are a member of the steering committee and various workstreams.
ESG Data Convergence Initiative	The goal of the EDCI is to create a critical mass of meaningful, performance-based ESG data from private companies by converging on a standardized set of ESG metrics for private markets. The standard can allow GPs and portfolio companies to benchmark their current position and generate progress toward ESG improvements, while enabling greater transparency and more comparable portfolio information for LPs / Investment Managers.
FAIRR	The FAIRR Initiative (FAIRR) is a collaborative investor network that raises awareness of the environmental, social and governance (ESG) risks and opportunities in the global food sector.
Glasgow Financial Alliance G for Net-Zero (GFANZ)	GFANZ is a global coalition of leading financial institutions committed to accelerating the decarbonization of the economy. Brunel is a member of the GFANZ through PAII, but also through our membership of GFANZ workstreams.
Green Finance Institute (GFI). **The GFI is currently housing theNational Wealth Fund Taskforce**	GFI's mission is to accelerate the transition to a clean, resilient and environmentally sustainable economy by channeling capital at pace and scale towards real-economy outcomes that will create jobs and increase prosperity for all.

Partnerships and affiliations	
HM (Treasury) UK Government **Green Taxonomy Taskforce and Transition Plan Taskforce working group**	Brunel support the UK Government, often at the invitation of the Treasury, but also other government departments and regulators to support the development and implementation of corporate and sustainable finance policy objectives. Specifically, Brunel has participated in the Green Taxonomy Taskforce and Transition Plan Taskforce Delivery Group.
Institutional Investor Group on Climate Change (IIGCC)	A forum for collaboration by institutional investors on the investor implications of climate change. Brunel sits on the Board of IIGCC as Chair as well participating in a number of advisory groups.
International Corporate Governance Network (ICGN)	ICGN advances the highest standards of corporate governance and investor stewardship worldwide in pursuit of long-term value creation, contributing to sustainable economies, societies, and the environment.
International Sustainability Standards Board (ISSB)	ISSB aims to deliver a comprehensive global baseline of sustainability- related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions.
Investment Association (IA)	The Investment Association is the trade body that represents UK investment managers. Brunel sits on the Climate Change Working Group.
Local Government Pension Scheme/ Local Government Association (LGA)	National voice of local government, working with councils to support, promote and improve local government. Brunel work collaboratively with LGA on supporting the LGPS and policy advocacy. Brunel is currently Vice-Chair of the LGPS Cross Pool RI Group.

Partnerships and affiliations	
Mining 2030 – Global Investor Commission	The Global Investor Commission on Mining 2030 is a collaborative investor-led initiative seeking to define a vision for a socially and environmentally responsible mining sector overall by 2030, and to develop a consensus about the role of finance in realising this vision.
Pensions and Lifetime Savings Association (PLSA)	Primary Pensions industry body for UK.
Pensions for Purpose	Pensions for Purpose is a collaborative initiative of impact managers, pension funds, social enterprises and others involved or interested in impact investment. Brunel sit on the Board.
Principles of Responsible Investment (PRI)	United Nations-supported and investor-led global coalition promoting the incorporation of environmental, social and governance factors. Brunel was the first LGPS Pool to join. Brunel is a member of several working groups and initiatives including Asset Owners Advisory Council, Global Policy Reference Group, SPRING and Tax Reference Group.
ShareAction	Charity that promotes Responsible Investment and gives savers a voice in the investment system.
Transition Pathway Initiative (TPI)	Co-founded in 2016 by the Environment Agency Pension Fund and the Church of England National Investing Bodies. The initiative assesses how companies are preparing for the transition to a low-carbon economy and will form the basis for engagement with companies. Brunel sit on the Board and Advisory Committee of TPI.
UKSIF (The UK Sustainable Investment and Finance Association)	Membership organisation for those in the finance industry committed to growing sustainable and responsible finance in the UK.

Carbon Reporting

The Brunel Aggregate Portfolio Custom Benchmark

As at 31 December 2023

Benchmark	Benchmark Weight
FTSE Dev World TR UKPD	27.39%
MSCI World	20.91%
MSCI ACWI	20.72%
iBoxx Sterling Non Gilt x	12.82%
FTSE All Share ex Inv Tr	6.35%
MSCI Emerging Markets	4.87%
MSCI Small Cap World	4.66%
SciBeta Multifactor Composite	1.62%
FTSE All Share	0.66%

Definitions to levels of disclosure

Full Disclosure - Companies reporting their own carbon data (eg in financial reports, CDP disclosures etc)

Partial Disclosure - The data disclosed by companies has been adjusted to match the reporting scope required by the research process. This may include using data from previous years' disclosures as well as changes in business activities.

Modelled - In the absence of usable or up to date disclosures, the data has been estimated by Trucost models.

Company disclosures rates are based on Scope 1 emissions, where the rate of companies in the Brunel Aggregate Portfolio for which fully disclosed carbon data was available was 38% (GHG weighted) and 40% (value weighted). Both GHG and value weighted modelled scope 1 disclosure rates have reduced in 2023.

Companies identified for engagement dialogue as part of our Physical Climate risk and biodiversity engagement programme:

Anheuser-Busch InBev SA/NV
Archer-Daniels-Midland Company
Constellation Brands, Inc.
Danone S.A.
Diageo plc
Heineken Holding N.V.
Keurig Dr Pepper Inc.
Lamb Weston Holdings, Inc.
Marks and Spencer Group plc
McCormick & Company, Incorporated
Nestlé S.A.
PepsiCo, Inc.
Pernod Ricard SA
Suntory Beverage & Food Limited
Sysco Corporation
Tesco PLC
The Coca-Cola Company
The J. M. Smucker Company
Walmart Inc.
WH Group Limited

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.