

Brunel Pension Partnership Ltd

Policy Statement



TO INTEGRATE



TO COLLABORATE



TO BE TRANSPARENT

Approved by the Board of Brunel Pension Partnership Ltd. Published 10 May 2018.

Brunel's Responsible Investment Policy

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

Brunel Pension Partnership was formed in July 2017 and will oversee the investment of the pension assets (around £29bn/\$40bn) of ten¹ Local Government Pension Scheme funds in the UK. We use the name '**Brunel**' to refer to the FCA authorised and regulated company.

Brunel's organisational values

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

These values are underpinned by a set of investment principles that were agreed collaboratively across the Partnership (see right).

Although **Responsible Investment (RI)** and **Responsible Stewardship** are singled out separately, all the principles are intertwined with each other.

Brunel has a comprehensive Responsible Investment Strategy. The RI Policy summarises the key elements of that strategy.

The purpose of the policy is to provide

- clarity on how Brunel will deliver on some of its investment principles for all stakeholders, most particularly the nearly 700,000 beneficiaries of Brunel Pension Partnership Funds
- support for our clients' ability to articulate how they will fulfil their specific Investment Strategy Statement disclosure requirements²
- a framework under which we will publish supporting guidelines, position statements and annual implementation and engagement plans, proxy voting policy and voting records.

Brunel Pension Partnership Investment Principles

- Long-term investors
- Responsible investors
- Best practice governance
- Decisions informed through experts and knowledgeable officers and committees
- Evidence and research at the heart of investments
- Leadership and innovation
- Right risk for right return
- Full risk evaluation
- Responsible stewardship
- Cost effective solutions
- Transparent and accountable
- Collaboration

The full wording is available on Brunel's website:

www.brunelpensionpartnership.org

¹ Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire Funds

² MHCLG (formerly DCLG) guidance for administering authorities in the formulation, publication and maintenance of their investment strategy statement, as required by [regulation 7 of the LGPS Investment Regulations 2016](#) (July 2017)

Responsible Investment at Brunel

Brunel is a signatory of the UN backed [Principles for Responsible Investment](#) (PRI) and aligns its practices and processes to their [six principles](#) and definition of RI³.

Our approach is informed by our investment beliefs, and our clients' policies and priorities together with regulations and statutory guidance. The scope includes all our **own operations** (buildings, travel, people, and so on), as well as **portfolio implementation** and **responsible stewardship**. This ensures our own practices align with our expectation of the companies and assets in which we invest, that this approach is seamlessly embedded in everyday activities and that it enables everyone to contribute to **forging better futures by investing for a world worth living in**.

As responsible investors, we recognise that every company or asset we invest in operates interdependently with the economy, civil society and the physical environment. Considering whether these interdependencies create **financially material risks or opportunities** for the investments is a core part of responsible investment. But this approach goes wider than just looking at individual investments – it applies to the beliefs and principles of the investor themselves and then using these beliefs and principles to guide the investor's strategic thinking and embedding it in all that we do. It is important to emphasise that Brunel's purpose of doing this is to **better manage risk** and **generate sustainable, long-term returns**. All actions are predicated on fulfilling our core legal obligations – our **'fiduciary duty'** – to the client funds and their beneficiaries.

Responsible investment (RI) is central to how Brunel **fulfils its fiduciary duty**. Brunel adheres to the highest standards of business ethics and integrity but is **not an ethical investor**⁴, as the term is usually used, in that the consideration of ESG risks and opportunities are evaluated in relation to investment risk and return objectives.

Responsible Stewardship at Brunel

[The UK Stewardship Code](#) explains that "stewardship aims to promote the long-term success of companies in such a way that the ultimate providers of capital also prosper. Effective stewardship benefits companies, investors and the economy as a whole."

Brunel believes in being a **good steward in all asset classes**. For example, stewardship opportunities in private markets can be particularly effective as capital (and by extension influence) is concentrated, providing opportunities to support management in embedding robust governance and working practices.

Engagement

Being an active, responsible owner is essential to Brunel's ability to identify risks and opportunities in its investment portfolios. Brunel will set engagement objectives linked to the priority themes identified below. **Clients will receive quarterly engagement updates relating to both Brunel and its asset managers' activities**. Summary information will be publicly available.

³ **Responsible investment** is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns ([Principles for Responsible Investment](#))

⁴ **Ethical investment** is an investment approach determined by an investor's specific views, usually based on a set of values. These values can take precedence over financial considerations.

Voting

As part of owning publicly listed companies Brunel, on behalf of its clients, will have the opportunity to vote at company meetings (AGM/ EGMs⁵). To provide guidance, Brunel will have its own **single voting policy for all assets managed by Brunel in segregated accounts**. Implementation will be supported by the appointment of an engagement and voting service provider. Assets will continue to operate under the current arrangements determined by Brunel Client Funds until they are transitioned into the new portfolios. **Brunel will publish its voting policy and provide online voting records no less than twice a year.**


Our approach

Responsible Investment focused on three pillars

- **To integrate** – More efficient and effective to ensure an investment-driven focus
- **To collaborate** – Amplifies impact and outcomes through utilising the scale that comes from collaboration
- **To be transparent** – Builds trust by doing, and being seen to do, what we expect of others and leading by example

The matrix below brings to life the practical steps Brunel will take to implement responsible investment and responsible stewardship.

RESPONSIBLE INVESTMENT IMPLEMENTATION MATRIX



	TO INTEGRATE	TO COLLABORATE	TO BE TRANSPARENT
OWN OPERATIONS	<ul style="list-style-type: none"> • Board commitment • In all we do • Staff objectives 	<ul style="list-style-type: none"> • Contributing locally and globally • Diversity ambassadors 	<ul style="list-style-type: none"> • Best practice own reporting including climate change, diversity and tax
PORTFOLIO IMPLEMENTATION	<ul style="list-style-type: none"> • All asset classes globally through asset managers' plans • Fully integrated into manager selection (see the 6 Ps below) • Portfolio options 	<ul style="list-style-type: none"> • Innovating investment solutions • Cross pool collaboration • ESG risk metrics and tools 	<ul style="list-style-type: none"> • Impact reporting • Positive case studies • Carbon and environmental footprints
RESPONSIBLE STEWARDSHIP	<ul style="list-style-type: none"> • Single voice • Active engagement 	<ul style="list-style-type: none"> • Annual engagement plan • See Partnerships and Affiliations 	<ul style="list-style-type: none"> • Proxy Voting Policy and records • Pre-declaration on selective votes

⁵ AGM – Annual General Meeting. EGM – Extraordinary General Meetings.

Priority themes

Whilst all financially material risks will form part of the risk assessment of the underlying portfolios, Brunel has identified six priority themes where the potential financial impact cuts across countries, sectors, portfolios and asset classes. The six themes are informed by an overall assessment of risk and clients' own policy priorities and are consistent with those identified by the Local Authority Pension Fund Forum. Brunel will use these themes to focus its engagement programme and partnerships.

The six themes are summarised below, but Brunel will publish more detailed position statements on each area, outlining aims, objectives and, where applicable, targets.

1. **UK policy framework.** Brunel will support policy makers in the development of a robust framework that promotes sustainable economic growth. The principal objectives include: contributing to the **UK Corporate Governance Code** and related company law, **UK Stewardship Code** (FRC), work of **The Pensions Regulator**, [Green Finance Initiative](#), [Global Social Impact Investment Steering Group](#) and [MHCLG](#) (the government department with responsibility for the Local Government Pension Scheme LGPS).
2. **Climate change.** Brunel's framework for assessing the impacts of climate change will encompass **adaptation** and **physical risks** (the risks posed by the consequences of climatic change) as well those risks and opportunities arising from the **transition to a low carbon economy** (risks from addressing the root causes of climate change). Brunel is a member of the [Institutional Investors Group on Climate Change \(IIGCC\)](#), [PRI](#) and a supporter of the [Transition Pathway Initiative \(TPI\)](#) which will support our ability to apply best practice due diligence and engage with the companies in which we invest.

Brunel does not support complete disinvestment, but is committed to decarbonising listed portfolios, providing carbon footprinting to assist in reducing unrewarded carbon risk and low carbon portfolio opportunities for clients. Brunel advocates strongly for improved transparency and will disclose in line with the recommendations of the [Task Force on Climate-related Financial Disclosure](#).

3. **Cost and tax transparency.** Brunel is a signatory of the [LGPS Code of Transparency](#) and requires all appropriate managers to be signatories. Tax is complex, but it also the way corporations contribute to the economies in which they operate. We believe there is the potential for financial consequences for companies whose tax practices are deemed inappropriate by policy makers, regulators and wider society. We believe openness about the approach taken is a key step to building understanding and trust. Brunel will publish its own approach to tax transparency and engage with companies to disclose their approach.
4. **Human capital & diversity.** Implementation of this theme will overlap significantly with manager selection and monitoring, working with the [Diversity Project](#). The proposed updates to the **UK Corporate Governance Code** places welcome focus on culture, workforce engagement and diversity. Our engagement programme will aim to follow up on the implementation of the spirit of the new Code once

published. We are members of [The 30% Club](#) and will support its aim and objectives through engagement and voting.

5. **Supply chain management.** This theme will focus on specific companies and sectors where the effective management of suppliers is a principal business risk e.g. food provenance, scarce supply base or joint ventures in high risk activities/countries. Sub-themes include climate risk, modern slavery, water quality and availability and the reduction of single-use plastics.
6. **Cyber security (IT security and misuse).** This theme covers risks relating to data security and privacy. The primary activities will be engagement with specific companies and to support research and initiatives to promote corporate awareness and action on cyber security.

Example of RI in action: Integration into manager selection

Asset class, geography and risk objectives will have a bearing on which RI and ESG risks will be most relevant to focus on when making an appointment. Whilst the examples below are not our manager selection criteria, they do illustrate the sort of things we consider when selecting managers, here are 6 Ps:

- **Philosophy** (investment, corporate culture, Board-level leadership)
- **Policies** (commitment, policy framework, pricing and transparency)
- **People** (numbers, retention, cognitive diversity)
- **Processes** (investment process, performance, reporting, stewardship)
- **Participation** (thought-leadership, innovation, contribution to investment industry)
- **Partnership** (in it together, cultural fit)

Integrating RI into **mandate design** and **risk appraisal** process prior to launching a search for a manager is therefore critical in ensuring that we focus on the right things. More information about the selection and monitoring of managers is on our [website](#).

Reporting on progress

Brunel demands high standards of transparency from the companies and organisations it works with, so likewise places a high priority on being transparent itself and providing high standards of reporting and communication.

As outlined above, we plan to publish position statements on each priority theme, an annual engagement plan, voting records and updates on engagement activity. Together with our PRI Transparency Report, from 2019 we will produce an annual progress report against our RI Strategy.

Brunel is also committed to reporting on the positive impacts of the investment it makes. The [UN Global Goals](#), also known as the **Sustainable Development Goals** (SDGs), provide a useful framework to translate the positive outcomes of the investments we make to real world issues. We have committed to progress our ability to make meaningful disclosures linked to these global priorities and encourage companies to evaluate their fitness for the future, through benchmarks such as [Future Fit](#).

We aim to use [our website](#) as the primary route for additional information and further insights to our approach into responsible investment and the risk management of ESG factors.



Policy development, accountability, review and compliance

The Brunel Board approves and is collectively accountable for Brunel's Responsible Investment Strategy and Policy, but operational accountability on a day to day basis is held by the **Chief Responsible Investment Officer**.

The **Chief Executive Officer** is responsible for ensuring effective implementation across the whole organisation, ensuring Brunel's own operations meet or exceed best practice standards. Our CEO is also a designated Diversity Ambassador.

The **Chief Investment Officer** is responsible for ensuring the integration into the portfolio construction, implementation and overall investment decision making. All members of the **investment team** have explicit responsibility for the implementation of responsible investment within their respective roles.

Whilst the strategy and policy are designed for the long term (5+ years), they are reviewed by the Board annually. This annual review is informed by active stakeholder engagement. Brunel will publish an **annual implementation plan**, outlining the priorities for the forthcoming year.

The strategy and policy have been developed in conjunction with key stakeholders, including the **Brunel Oversight Board**, **Brunel Client Group** and **Client RI Working Group**, membership of which includes representatives from the administering authorities which it serves and Brunel staff.

Progress and compliance is monitored by all the groups outlined above. Any significant breaches will be reported to **Audit, Risk and Compliance Committee**. Severe breaches can lead to disciplinary action or termination of contracts (where the breach is committed by an asset manager or other service provider).

Getting in touch

If you have any questions or comments about this policy, 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.

Disclaimer

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

This content is provided for information purposes only and is Brunel's current view, which may be subject to change. This document does not constitute an offer or a recommendation to buy, or sell securities or financial instruments, it is designed for the use of professional investors and their advisers. It is also not intended to be a substitute for professional financial advice, specific advice should be taken when dealing with specific situations.

Past performance is not a guide to future performance.

Annex 1:

Partnerships and affiliations	
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.
British Private Equity & Venture Capital Association (BVCA)	Industry body and public policy advocate for the private equity and venture capital industry in the UK.
The 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.
Future-Fit Business Benchmark	Not-for-profit organisation with the aim of encouraging and equipping business leaders and investors to take action in response to today's biggest societal challenges, from climate change to inequality.
The Green Finance Initiative	Launched in January 2016 by the City of London in partnership with the government to promote the UK as a global centre for green finance.
Institutional Investor Group on Climate Change (IIGCC)	A forum for collaboration by institutional investors on the investor implications of climate change.
Local Government Pension Fund Forum (LAPFF)	The UK's largest collaborative forum for collective engagement, and covering £200bn in collective assets under management.
Pensions for Purpose	Collaborative initiative of impact managers, pension funds, social enterprises and others involved or interested in impact investment.
ShareAction	Charity that promotes Responsible Investment and gives savers a voice in the investment system.
Global Social Impact Investment Steering Group (successor to Social Impact Investment Taskforce)	Working to increase momentum by promoting a unified view of impact investment, facilitating knowledge exchange and encouraging policy change in national markets.
The Transition Pathway Initiative	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.
Principles for Responsible Investment	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.
The TCFD (The Task Force on Climate-related Financial Disclosures)	Will develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.
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.