BRUNEL
Pension Partnership

Climate Change Policy

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

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 was formed in July 2017 and manages the investment of the pension assets (around £30bn/$40bn) of ten Local Government Pension Scheme funds in the UK. We use the name 'Brunel' to refer to the FCA-authorised and regulated company.

Our Clients retain responsibility for their asset allocation and investment strategy, and ultimately their exposure to climate risk. We see our role as helping them to understand and manage these risks, while also helping to address the climate challenge.

There are three areas where we have a particular contribution to make:

(a) significant direct influence over the investment managers we appoint,

(b) broader influence in the investment industry and with policy makers, and

(c) ability to influence company practice and performance, in particular in conjunction with our Client funds and others.

We would like to acknowledge the significant support and contribution of our Clients in the development of this policy. Our mutual commitment to building a financial system which is fit for a low carbon future is pivotal to driving change together.

Approved by the Board of Brunel Pension Partnership Ltd.
20/01/2020

Climate change is an issue for us and for our Clients

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.

Scientific evidence suggests that our climate is changing faster than at almost any point in history. The world is already at approximately 1°C of warming above pre-industrial levels. This is causing more frequent and more extreme weather events and significantly affecting rainfall and sea levels, among other changes. It is impacting agriculture and food supply, infrastructure, flooding and water supply, in turn leading to increased migration from climate-affected regions and greater conflict over natural resources such as water and agricultural land.

World governments have started to respond. The signatories to the 2015 Paris Agreement committed to keeping global temperature rise this century to well below 2°C compared to pre-industrial levels and to aim to limit the increase to 1.5°C. The signatories agreed to adopt and implement nationally determined contributions (NDCs) that set out the actions they would take to reduce greenhouse gas emissions, and to strengthen these efforts in the years ahead. Despite progress, we are currently heading towards a world of 4°C of warming compared to pre-industrial levels. This has potentially catastrophic implications for society and the environment.

Governments and all sectors of society (individuals, companies and investors, among others), will need to do much more if the global temperature rise this century is to be kept to well below 2°C. The transition to the low carbon economy calls for significant change in the shape and structure of our economy and requires us to eliminate most or all fossil fuel use and achieve a net zero carbon economy by 2050.

What is the role of investors?

Investors are exposed to the risks and opportunities presented by climate change adaptation and mitigation. They have a critical role to play if we are to successfully transition to the low carbon economy and to ensure that we adapt effectively to the physical impacts of climate change. We are a key source of the capital required for mitigation and for adaptation. We can ensure that the companies we invest in are resilient to the regulatory and other changes that will result from climate change. We can support policy makers in taking action to enable the low carbon transition and effective adaptation.

Our role in driving change

The state of play in the financial system

The case for urgent action on climate change is clear. Global average temperatures are already 1°C above pre-industrial levels, the rate at which capital is being invested in low carbon infrastructure is approximately half of that required, and the pace at which regulators and policy makers are acting is far too slow.

The nature of the investment system, and financial markets more generally contributes to the challenge of addressing climate change rather than supporting change.

Some of the specific challenges we see are:

- An emphasis on short-term rather than long-term performance which drives short-term thinking by investors and companies.
- An unwillingness to invest in areas that support the transition to the low carbon economy, in particular where the areas depend on public policy support or where the technologies are perceived to be relatively unproven.
- A general absence of investable investment products that make a substantive contribution to climate change mitigation or adaptation.
- Instances of perverse incentives and conflicts of interest through the system, not least, the use of conventional market weighted benchmarks to measure performance, when climate risk is not priced by the market.
- Backward looking investment risk models that are inherently flawed at taking account of climate risk.

The state of play in the finance sector means our focus must be on shaping and influencing the investment system.

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.

If we do not have a financial system that is fit for purpose, we will not be able to respond effectively to climate change. We can take some specific actions, mitigating risk at the margin, but the impact will be limited without wider change. However, given our position, the opportunity for us is to shape and influence the investment system and that should be the focus of our Climate Policy.

Our priority must be to catalyse change in the financial system at scale, not only through our own efforts and but in partnership with others, and through enabling our Clients to be agents of change in their own right.

Working with investment managers

One area of focus will be on driving real and substantial change in how investment managers invest. We expect them to think deeply about all aspects of how they invest and how they engage with the companies and other entities in which they invest. We will challenge them to provide investment products that deliver on both our investment and climate change objectives. We will press them to think carefully and critically about the companies and other entities they invest in, and to justify their investments in companies with higher greenhouse gas emissions. We will not issue exclusion lists because we need to drive change in the way investment managers work. Simply stating exclusions or requiring divestment from specific stocks or sectors will not compel investment managers to develop their capacity on climate change or to drive change in the companies in which they are invested – climate becomes a technical operational matter not an investment priority.

However, while **we will not instruct managers to exclude certain stocks, this does not mean we do not expect managers to have portfolios with materially reduced climate exposures and to be able to justify any climate controversial holding**. If investment managers are not able to robustly and credibly explain their investment strategies and how they have integrated climate risk, we will look to replace them with investment managers that do. If we find that our investment managers' engagement with companies is ineffective (i.e.

these efforts do not deliver real change in corporate strategies on climate change so that these companies are on a trajectory to be aligned with the transition to a 2°C or below economy), we will consider whether we should remove certain investment managers and/or introduce specific exclusion criteria to be applied to companies.

Taking stock

Our Climate Change Policy will guide our work on climate change over the next three years. We will regularly monitor and report on its implementation and effectiveness and the policy itself will be reviewed annually.

In late 2022, we will conduct a full stocktake of this policy. This stocktake will provide us and our Clients with the opportunity to reflect on our progress and to ramp up our ambitions. It will also, ahead of our Clients' triennial valuation and investment reviews, help us prepare for what we see as the tightening of regulation and escalation of government action on climate change.

We will develop the framework for the stocktake with Clients during 2020. We expect that the stocktake will consider:

- How have we performed against the objectives and targets we have set for ourselves?
- What outcomes – in terms of mitigation and adaptation – have we delivered?
- Have we been able to link carbon and financial performance, and if so, what does it tell us?
- Is this policy still fit for purpose or does it need to be substantially revised?
- How effective have the key elements of our strategy been? In particular, has our decision to engage with our investment managers been effective or do we need to change our investment managers and/or introduce selective divestment requirements for companies?
- Are there companies or managers who have not responded effectively to robust stewardship and present climate-related financial risks?

Our climate change beliefs and our Investment Principles

We set out our core beliefs on climate change below. In Appendix 1, we describe how these align with our Investment Principles.

Our Investment Principles are designed to capture the ambitions of how the Partnership will operate on a day to day basis, clearly demonstrate compliance with relevant regulations and policies, support our investment strategy and be commensurate with the expectations of an organisation of our size. In turn, they enable each of our Clients to deliver on their fiduciary duty to act in the best long-term interests of their members. They also recognise that our Clients (as administering authorities) retain responsibility for strategic asset allocation and setting their investment strategies, and ultimately their exposure to climate risk.

We believe that:

- Climate change presents a **systemic and material risk** to the ecological, societal and financial stability of every economy and country on the planet, and therefore will impact our Clients, their beneficiaries and **all portfolios**.
- Investing to support the **Paris goals that deliver a below 2°C temperature increase** is entirely consistent with **securing long-term financial returns** and is aligned with the best long-term interests of our Clients.
- For society to achieve a net zero carbon future by 2050 (or before) requires **systemic change in the investment industry**, and **equipping and empowering our Clients** (and other investors) is central to this change.

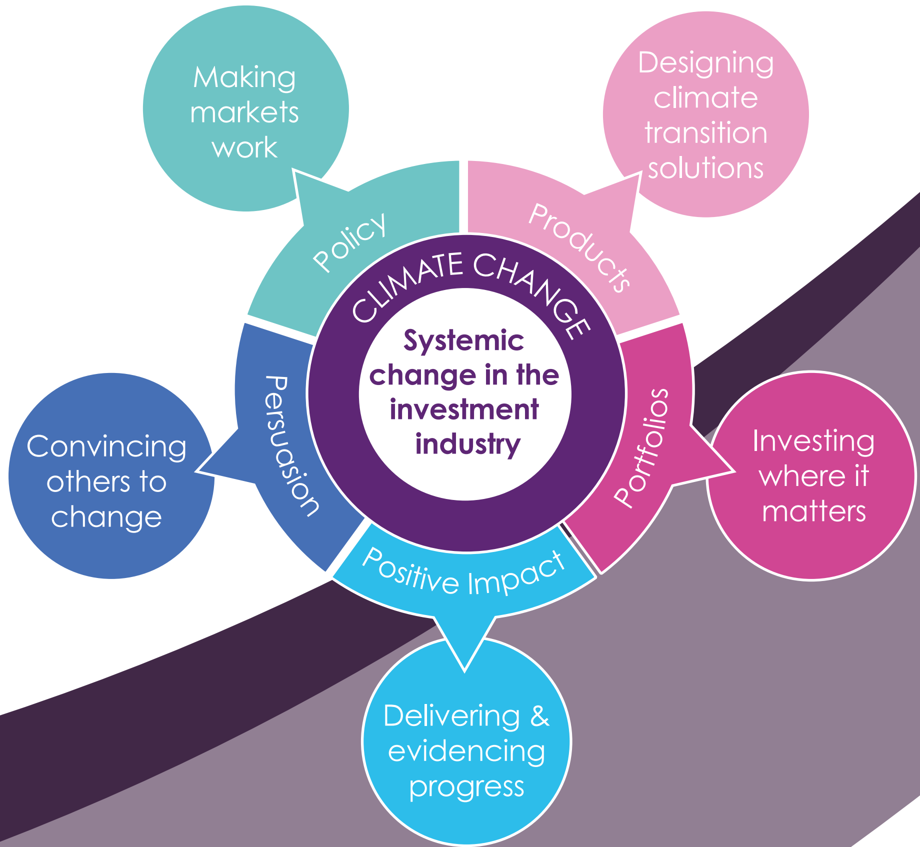
Given our strengths and our position in the market, we therefore believe that **the key objective of our climate policy is to systematically change the investment industry so that it is fit for purpose for a world where temperature rise needs to be kept to well below 2°C compared to pre-industrial levels.**

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

We have made significant progress on integrating climate change into our own practices and processes. However, the urgency of climate change means that we need to do much more. We believe that we need to focus on delivering change across the investment industry. We also believe that our circumstances: Clients with a strong commitment to action on climate change; our relative scale within the UK market; our track record of action; our own skills, capacities, resources and networks, mean that we are well positioned to take on this leadership role.

Our analysis of the investment market and of the investment system, and of our role within that market and that system, has led us to identify five areas where we believe there is a critical need for action and where we believe we can make a significant difference. These are:

- Policy
- Products
- Portfolios
- Positive Impact
- Persuasion



Policy

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

Why: Our analysis

Public policy – regulation, economic incentives, disclosure expectations – establishes the rules of engagement for companies and for investors. We have seen significant progress in many areas over the past decade. Examples include emissions trading in the electricity sector, vehicle emission standards in the transport sector, efficiency standards for electrical equipment, and incentives for the deployment of renewable energy. Investors have been an important voice in encouraging governments to establish comprehensive climate change policy frameworks, in particular in relation to emissions mitigation and enabling the low carbon transition. We need policies which have the ability to shift investments at scale. These include policies that change the economics of particular investments, and policies which draw out and make explicit the climate risks in such investments.

Our analysis of the policy landscape is that, despite progress, much more is needed before we can consider there to be a comprehensive climate change policy framework in place. In the short to medium term, we believe that there are three priority areas for action:

- Establishing a meaningful price on carbon (and equivalents e.g. methane) across the global economy. This price needs to be sufficiently high – or reach a sufficiently high level over time – to deliver the emissions reductions we need if we are to meet the goals of the Paris Agreement.
- Introducing mandatory climate change disclosure requirements for companies. Our ability to fully integrate climate change into our investment research and decision-making and our engagement with companies is limited by the consistency, comparability and quality of the data they provide and by the lack of attention paid to climate change-related risks and opportunities in discussions around strategy and capital investment.
- Addressing regulatory barriers to progress. These are barriers that emerge from elsewhere in the regulatory landscape. Examples include bank provisioning requirements which make it more expensive for renewable energy project developers to borrow money, barriers to renewable energy accessing the electricity grid and fossil fuel subsidies.

Across all of these areas, we need to ensure that policy interventions take account of the impacts on society, including the impacts on employment, on access to energy and on the affordability of energy, in particular for vulnerable groups. We are committed to supporting a **Just Transition**[1].

We recognise that changing or influencing public policy requires us to work with our Clients and others. We therefore expect to deliver our objectives through direct communication with policy makers. This includes our continued commitment to directly participate in technical advisory and working groups. We will also encourage other investors to get involved where policy makers are actively seeking investor expertise. We will also take advantage of speaking and educational opportunities to raise awareness and demand for these issues to be addressed.

We will also actively participate and, where appropriate provide leadership, of investor collaborative initiatives, in particular the Transition Pathway Initiative (TPI), Institutional Investors Group on Climate Change (IIGCC), the Principles for Responsible Investment (PRI) and, in the UK, Green Finance Institute, the Sustainable Finance and Investment Forum (UKSIF) and the Local Authority Pension Fund Forum (LAPFF).

Our Policy Advocacy objectives: 2020-2022

We will play an active and leading role in encouraging policy makers to establish comprehensive and robust climate change policy frameworks. Within this, we will focus particular attention on:

- The adoption of a meaningful price on carbon, which is material (i.e. sufficient to drive change at the scale and rate required), progressive over time and widespread (i.e. applies to all major sectors of the economy).
- The removal of fossil fuel subsidies.
- The introduction of policy measures – for example, product standards, limitations on high carbon technologies, support for low carbon technologies – that accelerate the move away from high impact activities and sectors.
- The removal or correction of regulatory barriers to progress and support financial policy makers and regulators in being ambitious and effective in implementation of plans to mitigate climate risk and under the Adaptation Reporting Power[2].
- The integration of climate change into the mandates and into the oversight and control processes of prudential regulators and other regulatory bodies.
- Ensuring that climate change policy is socially sustainable and takes due account of workers' rights and community interests (the 'Just Transition') when taking action to reduce greenhouse gas emissions and adapt to a changing climate.

We will play an active leading role in encouraging policy makers to integrate climate change into multilateral and bilateral trading frameworks, with a particular focus on the UK post Brexit.

We will encourage policy makers to introduce mandatory climate change disclosure requirements for companies, with a focus on providing clear, decision useful information and encouraging a clear articulation of the risks that companies and their investors face.

We will support the development of skills, knowledge and professional standards of those intermediaries who are critical influencers in the action of investors and companies. These include, but are not limited to, investment consultants, actuaries, lawyers and auditors.

1 The Just Transition means managing both the positive and negative social and employment implications of climate action across the whole economy

2 The Adaptation Reporting Power (ARP) is an important aspect of the Climate Change Act 2008. The ARP aims to ensure that organisations of a public nature with climate-sensitive responsibilities are taking appropriate action to adapt to the impacts of climate change.

Products

We want to increase the number and range of products available to our Clients and the wider investment market that deliver substantial climate change benefits.

Why: Our analysis

One of the key challenges we face is that there is a limited supply of investment products that meet our climate change objectives (e.g. low carbon, impactful, socially responsible) and our investment requirements (e.g. appropriate risk-return characteristics). There is a clear need to encourage innovation in product development and build the supply of climate-oriented products.

We recognise that innovation does not happen automatically, it needs to be deliberately encouraged and stimulated. This is also true of supply; investment managers must see there is demand, or at least a potential market, in order to support product development. This requires us to be clear about what we want, and – subject to our fiduciary and other obligations – provide incentives and encouragement to investment managers to innovate and to supply the products we want to invest in.

About the Transition Pathway Initiative (TPI)

In 2017, the TPI was established as a joint initiative between the Environment Agency Pension Fund and the Church of England National Investing Bodies (Church of England Pensions Board, the Church Commissioners and CBF Funds).

TPI assesses companies' preparedness for the transition to the low-carbon economy in two areas:

- Management quality: TPI evaluates and tracks the quality of companies' management of their greenhouse gas emissions and of risks and opportunities related to the low carbon transition.
- Carbon performance: TPI evaluates how companies' planned or expected future carbon performance compares to international targets and national pledges made as part of the Paris Agreement.

TPI uses information sourced and provided by FTSE Russell, and the results of TPI analysis are made available through a publicly-available tool hosted by its academic partner, the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science (LSE).

TPI is rapidly becoming the 'go-to' corporate climate action benchmark. As at December 2019, over 60 investors globally representing over $18 trillion combined assets under management and advice have pledged support for the TPI. These investors have committed to using the tool and its data in a range of ways, including informing their investment research, informing their engagement with companies and tracking managers' holdings.

Transition Pathway Initiative

Our Product Governance objectives: 2020-2022

We will ensure that climate risk is an integral part of our product governance and monitoring framework. We will:

- Work with Clients to avoid launching products whose carbon footprint or negative climate impact is excessively high.
- Seek to ensure our portfolios' climate risk profiles are better than the benchmark as soon as practical and that our products are steadily improving.
- Seek, in our listed equity portfolios, an improvement of at least 7% year on year. This will equate to over 20% lower carbon intensity than the benchmark (which we are also seeking to improve) by 2022. This target will be reviewed as part of the stocktake and the results of the 2 degrees transition study below.
- Work with our Clients to establish their climate change objectives and outcomes, establish their climate change-related risk tolerances, and we will offer a range of products that meet these objectives and expectations.

We will report on the climate change performance – both mitigation and adaptation – of our portfolios and will explain how we manage the investment-related risks and opportunities associated with these issues.

We will continue to ensure that climate change considerations are integrated into all the mandates that we award.

We will identify and develop new product opportunities which help further address climate change risks in all asset classes. We will do this through working with the industry on delivery, and with our Clients to ensure that these products meet their needs and that there is demand for these products.

By 2022 we will have assessed the degree to which our main listed equity portfolios, and possibly other portfolios, are, at least, 2 °C aligned. If these portfolios are not aligned, we will identify the actions needed to bring them into alignment and engage with our Clients as to the adjustments to specifications that would be required. In making this commitment, we recognise that the assessment of whether funds and portfolios are aligned with the goals of the Paris Agreement or other reference targets (e.g. 1.5 °C, net zero) is an area where methodologies and frameworks are under development. We will therefore prioritise supporting – through the provision of financial support, through piloting methodologies – efforts that enable us to assess and report on our portfolio performance.

We will explore the role that investment benchmarks play in driving investment decisions and in constraining our ability to invest in areas that make a meaningful contribution to climate change mitigation and adaptation. We will press the industry to make the core benchmarks more compatible with a 2°C aligned world. In 2020, we will publish a paper discussing the issues with benchmarks and proposing alternative frameworks for to assess and manage our performance in a more holistic way.

Portfolios

We want our investment portfolios to be resilient under a range of climate change scenarios (both mitigation and adaptation). We want to adopt best practices on climate risk management and to work with our managers to further improve and develop our processes.

Why: Our analysis

We recognise that climate change is a dynamic issue from an investment perspective. Our understanding of the science, of the policy goals and of the financial implications is constantly changing. We need to ensure that we and our investment managers are aware of and are acting on these changes. This requires us to assertively, consistently and rigorously challenge our investment managers on all aspects of their investment processes and expect them to explain and justify the investment decisions that they are making.

These efforts are not confined to our dialogue with our existing investment managers. We will explain our approach to the wider investment market so that potential new investment managers are aware of our position. We will share our expertise and experience so that our Clients and other investment system actors can also challenge their investment managers and other service providers on their approach to climate change.

We also, to the extent possible, need to future proof our portfolios so that they are reasonably resilient to the downside consequence of climate change, that they can benefit from the opportunities that arise and that, if we need to intervene, we are able to do so in a timely manner.

Our Portfolio Management objectives: 2020-2022

We will rigorously, assertively and continuously challenge our investment managers on their analysis and assessment of change-related risks in their investment practices and processes. We will expect them to continually improve these practices and processes, and will explicitly consider these improvements in our monitoring, management, selection, appointment and reappointment of our investment managers.

We will work with our investment managers and with others in the investment industry to develop methodologies for climate risk stress-testing and risk management of our mandates, on both mitigation and adaptation. We will conduct our own stress tests of portfolios, using the best methodologies we have access to, from 2020 onwards.

We will assess how our portfolios and mandates align with the goals of the Paris Agreement.

Positive Impact

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

Why: Our analysis

We recognise that we can directly support the low carbon transition and adaptation, through investing in opportunities in areas such as renewable energy, energy efficiency, adaptation and resilience. We also recognise that, through sharing our experiences and our successes, we can encourage others to increase their investments in these areas.

Our investments supporting the low carbon transition are part of a wider commitment to invest for positive impact and support of the United Nations Sustainable Development Goals (SDGs). For example, investments that support female empowerment through access to finance, education and new markets can have positive impacts on climate change. Our investment strategies recognise that issues and opportunities are interconnective.

Whilst our direct operational impacts are not as material, we believe in leading by example and take steps to reduce our own climate impacts. We will do this through our procurement of goods and services, travel choices and use of technology. Where impacts cannot be mitigated, we will consider the use of offsets. We will report on our principal impacts and the steps we have taken to reduce them as part of our wider corporate disclosures.

Our Positive Impact objectives: 2020-2022

We will continue to make significant investments in a diverse set of opportunities that directly contribute to the energy transition.

We will seek to establish what the level of our Clients' contribution makes to the overall global investment needs for capital investment in the low carbon transition.

We will report on the investments that we have made, their contribution to climate mitigation and adaptation, their financial performance, and the wider social and environmental benefits of these investments. We will also report on the proportion of our portfolios invested in, or exposed to, the low carbon transition and to adaptation.

We will report on our principal impacts and the steps we have taken to reduce them as part of wider corporate disclosures.

SUSTAINABLE DEVELOPMENT GOALS

Persuasion

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

Our analysis

As a large investor, we – on behalf of our Clients – have the ability to encourage companies and other entities to take action on climate change, both to mitigate and adapt for climate resilience. Our climate stewardship extends to all our portfolios but will be adapted to ensure it is effective and meets the needs of the specific asset class and strategy.

Climate Action 100+
Global Investors Driving Business Transition

Our questions

Through engagement we are seeking evidence that supports answers to each of these high-level questions:

- How aligned is your business model, asset portfolio or investment approach with the goals of achieving a net-zero carbon future and of supporting efforts to keep global temperature increase to well below 2°C?
- How are you adapting your business model, asset portfolio or investment approach to align with the goals of achieving a net-zero carbon future and of keeping global temperature increase to well below 2°C?
- How are you adapting your business model, asset portfolio or investment approach to ensure resilience to the impacts of climate change and different climate scenarios?
- Are you fully transparent on your climate-related financial risks and opportunities? Will you report in line with Taskforce on Climate-related Financial Disclosure (TCFD)?

Some comments on asset class-specific engagement

Engagement with issuers on climate mitigation and resilience will be central to our approach in corporate bonds and we will explore the possibilities for engagement in other fixed income investments.

Engagement impact can be even stronger in private markets, working with our general partners to support private companies, real estate, infrastructure projects and other entities in managing their impacts on climate change and the impacts of climate change on them.

In listed equities, engagement goes beyond the process of dialogue with companies to include the use of the formal rights granted to us as investors, specifically the right to vote on our shareholdings, file resolutions and even the right to call Extraordinary General Meetings).

We also recognise the collective power of investors, and how an alignment of investor voices can send a strong, clear message to company management.

We prioritise engagement with those companies or other entities with the biggest climate change-related impacts or risks, where we have a significant exposure and where we have the ability to effect change. Working collaboratively with others increases our effectiveness and we will continue to support collaborative action though initiatives such as Climate Action 100+ (CA100+).

On climate mitigation we believe we should not only focus our efforts on how companies with the biggest impact on climate change – these include companies in sectors such as oil and gas, transport, mining and electricity – are adapting their business models for the low carbon economy but also those companies who provide other sources of capital to these entities. We see influencing policies within the banking sector as being particularly important in changing behaviour. For example, lending policies to companies (not supporting new fossil fuel extraction) and wider society (provision of green mortgages and loans to support other innovations).

We have played a leading role in growing the Transition Pathway Initiative which assesses how some 400 high impact companies are managing their greenhouse emissions, and how their expected future carbon performance compares to international targets and national pledges made as part of the Paris Agreement. Collaborative initiatives such as CA100+ now use TPI to both identify engagement priorities and to track the effectiveness of this engagement.

Engaging on climate resilience is less developed and we will work with other investors to create an engagement framework that incentivises the right behaviours and supports our capacity to assess risks.

Our Persuasion objectives: 2020-2022

We will, using the Transition Pathway Initiative (TPI), strengthen our focus on climate change outcomes and impacts in our engagement with companies.

We will:

- Engage with our material holdings to persuade them to advance at least one level (up to 4*) per year on the TPI management quality framework. We will report on progress on an annual basis. We will extend this engagement to our corporate bond portfolios in 2021.
- Align our voting with our engagement. We will escalate our voting activity from our current policy where we vote against the reappointment of the Chair to other board members where they have not met our climate disclosure expectations. These expectations will increase over time with the aspiration of all our material holdings being on TPI Level 4 by 2022 and having made meaningful progress to alignment with a 2 degree or below pathway. In some sectors, e.g. oil and gas, we will aim to stimulate more rapid change. We provide further detail in our Stewardship Policy, which itself is regularly updated.
- Support Client engagement with companies e.g. through facilitating their attendance at AGMs, through facilitating their participation in collective engagement with us and with other institutional investors, through providing them with information about the climate performance of individual entities.

We recognise that addressing supply chain and product-related emissions requires investors and companies across a range of sectors to work together to develop and deploy solutions. We will facilitate and support cross-sectoral efforts focused on defining and delivering substantial reductions in supply chain and product-related greenhouse gas emissions.

Working collaboratively with other investors we will:

- Establish engagement objectives for the other asset classes in which we are invested. We expect that we will use Global Real Estate Sustainability Benchmark (GRESB) to frame our expectations of our real estate investment managers, and we will need to work with General Partners (GPs) and other industry players to develop appropriate metrics for our private equity investments.
- Challenge companies on their approach to public policy lobbying, in particular lobbying that undermines the transition to the low carbon economy or that prevents effective adaptation to the unavoidable impacts of climate change.
- Amplify our efforts through working with others (e.g. through formal collaborative engagement initiatives such as CA100+), through clearly communicating our voting intentions and through encouraging others to support us.
- Work with other investors to create an engagement framework for climate resilience that incentivises the right behaviours and supports our capacity to assess risks during 2020. We will then publish our progress against this framework.

Reporting on progress

We will report annually on our progress against the commitments set out in this policy.

We will use our website as the primary route for providing additional information and further insights into our approach.

Reporting is an area that is evolving rapidly. We are involved in a number of programmes – notably the IIGCC project on adaptation and the IIGCC project on Paris-aligned Portfolios – which will propose new metrics that allow asset owners and investment managers to explain, in a consistent and comparable manner, how their portfolios compare to the goals of a net zero carbon future and of keeping global temperature rise below 2 °C. Both of these projects are expected to be completed in 2020. We are committed to both piloting the recommendations and, once finalised, using the metrics in our future reporting.

Our expectation is that we will, in most cases, add these metrics to the data and indicators that we currently provide. These include (as relevant to the asset classes and companies/entities in our specific portfolios):

- Carbon footprints.
- Fossil fuel exposures.
- Green and brown share (i.e. the proportion of our portfolios invested in areas such as renewable energy).
- Performance against the Transition Pathway Initiative management quality and carbon performance frameworks.
- Our engagement and voting activities.

We will continue to report on the overall exposure of our portfolios to the risks and opportunities presented by climate mitigation and adaptation, and to align this reporting with the TCFD recommendations and other relevant disclosure frameworks.

Our governance of climate change

The **Brunel Board** approves and is collectively accountable for Brunel's Climate Change Strategy and Policy. 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.

The **Chief Investment Officer** is responsible for ensuring the integration of climate change 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.

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

This policy relates and interacts with other Brunel Policies, including but not limited to: Responsible Investment, Stewardship, Risk Management, Product Governance, Manager Selection and Manager Monitoring.

Progress and compliance is monitored by all the groups outlined above. Climate change forms part of Brunel's overall business risk and as such will be monitored by **Audit, Risk and Compliance Committee**. This policy was approved by the Board on the 9th January 2020, after extensive consultation with Clients and other stakeholders.

It is expected that the policy will develop over time, given the fast-changing nature of the climate debate. Relatively minor changes to the policy, including clarifications and more specific targets or updates to reflect market developments, can be approved by the Brunel Executive Committee. More substantive changes will require approval by the whole Board, after Client consultation if appropriate.

Appendix 1: Our Investment Principles and climate change

Our Investment Principles	What this means in practice for our work on climate change
Principle 1: Long-term investors	We recognise that climate change may affect our portfolios, the sustainability and resilience of the financial system, and the sustainability and health of our economy, our society and the natural environment, over the short, medium and long-term. As such, climate change – mitigation and adaptation - is relevant to all our investments, in all asset classes and in all geographies. Climate change is a source of downside investment risk and of upside opportunity.
Principle 2: Responsible Investors	In the medium and long-term we will deliver sustainable investment returns by investing in companies and assets that effectively manage the risks and opportunities presented by climate change.
Principle 3: Best Practice Governance	We allocate clear responsibilities and accountabilities for the oversight and implementation of this climate change policy. We integrate climate change into our appraisal and remuneration processes, and through effective monitoring and review of the implementation of this policy.
Principle 4: Decisions informed through experts and knowledgeable officers and committees	We ensure that our Clients' views on climate change are fully integrated into our practices, processes and decisions. We support our Clients' training and continuing professional development on climate related issues. We engage regularly with experts both within and outside the investment community to ensure that we are fully up to date with the science, the policy and the economics of climate change.
Principle 5: Evidence and research at heart of investments	We continually learn and reappraise our understanding of the science, the policy and the investment implications of climate change from academic research, investment professionals, and our peers.
Principle 6: Leadership and innovation	We work and innovate with other funds, pools and the market to create cost effective solutions needed by the pool and its funds. We encourage those asset managers that work with us, and those that might aspire to work with us, to innovate and offer new investment solutions, to effectively manage the climate-related risks and opportunities in their portfolios, and to constructively engage with the companies and other entities in which they invest.
Principle 7: Right risk for right return	When evaluating climate change-related investment opportunities, we ensure that these investments meet the risk and return objectives of the fund, over the short, medium and long-term.
Principle 8: Full risk evaluation	We recognise that, as long-term investors, our investment success depends substantially on the sustainable growth of the economy. This, in turn, demands effective action on climate change.
Principle 9: Responsible stewardship	We require our asset managers to use their formal rights and informal influence to encourage the companies and other entities in which they invest to take a proactive approach to managing the business risks and opportunities presented by climate change, as a central part of how they generate sustainable financial returns over the long-term. We work as a collective responsible voice on climate change in the broader investment community, and always look to work collaboratively with others. For example, we are leading participants in initiatives such as the Transition Pathway Initiative, the Institutional Investors Group on Climate Change, the Principles for Responsible Investment and CDP.
Principle 10: Cost effective solutions	We seek the most cost-effective solutions to achieving our funds' objectives and implementing these principles collectively. We recognise that scale is critical to reducing the costs we pay, and also to ensuring that investments that we make and the innovations we catalyse have real impact.
Principle 11: Be transparent and accountable	We report annually on the commitments set out in this policy. We will formally review the implementation of this policy in 2022, including an assessment of how we have performed against each of our Investment Principles.
Principle 12: Collaborate	We collaborate with other funds, pools and the market to build the wider investment industry's capacity and expertise on climate change. We also work with others to ensure that public policy and the investment system are explicitly focused on enabling and financing both the low carbon transition and effective adaptation to the unavoidable impacts of climate change.

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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.

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