

SUMMARY: Virtual meeting between Brunel Partnership and Southwest Action on Pensions (SWAP), 1430-1530, 14 December 2021

1. Purpose: Following several emails between Caz Dennett and Brunel about Brunel's approach to divestment and engagement, this meeting was organised to enable representatives from SWAP, Fossil Free Oxfordshire and UNISON – and from pension scheme members from Brunel's client funds – to ask Brunel questions about its climate strategy, the nature of its funds, and its approach to divestment and engagement. Brunel and SWAP had already acknowledged – prior to the meeting – that they held different approaches on the most effective way for investors to target Net Zero, even if they agreed on the broader goal.

2. Format: Brunel's CIO and CRIO each delivered a brief introduction to explain Brunel's approach to climate investing. Brunel also stated that they are not a commercial organisation and are at the service of the Councils / Pension Funds in the Partnership. SWAP posed questions in response to these introductions but also posed further questions. The summary below reflects this balance. The meeting was held online due to COVID-related office restrictions.

3. Attendees:

Brunel:

- David Vickers, Chief Investment Officer
- James Russell-Stracey, Chief Stakeholder Officer
- Faith Ward, Chief Responsible Investment Officer
- Alex Monro, Head of Communications

SWAP & associated representatives:

- Caz Dennett, SWAP co-founder
- Andrew Finney, Fossil Free Oxfordshire
- Alasdair Yule, Bath & Northeast Somerset UNISON Branch Green Officer
- Julie-Ann Booker, SWAP co-founder

4. KEY DISCUSSION POINTS

4.1 Net Zero

On this topic, SWAP representatives asked:

- Is Net Zero by 2050 too little too late?
- Hasn't the Brunel Climate Change Policy been updated since 2019?
- Will commitment to keeping global warm to max 1.5C be in the new policy?
- Can you add the 1.5C target commitment to your website?

Brunel representatives answered:

4.2 Brunel has made a commitment to Net-Zero, by no later than 2050 but is aiming to achieve this sooner and will update the target date as things develop. Brunel will update its website to reflect this commitment revision.

4.3 Brunel is undertaking a climate stocktake during 2022 to evaluate its delivery of its 2020 Climate Change Policy.

4.4 Brunel clarified that the 2020 policy reflected the position of Brunel and clients as developed throughout 2019. It was acknowledged that a lot has happened in the last 2 years, and this will be reflected in the drafting of the new policy, including commitment to 1.5C in line with IPCC August 2021 report. Brunel said this information will be more visual on the website for clarity, as this has already been published in a report. Brunel agreed to provide SWAP with a link to report where this has been stated.

4.5 The 7%-per-annum reduction target set in 2020 is in line with EU recommendations and IIGCC Net-Zero guidance.

4.6 Brunel clarified its governance structure and the decision making with respect to portfolio specification and delivery.

4.7 Brunel outlined the new index-tracking products and how those reduce exposure to high impact companies (and most specifically those exposed to fossil fuels) that don't decarbonise overtime.

4.8 Brunel outlined why it believed an engagement with selective divestment strategy was the most effective way to reduce/ eliminate fossil fuels from economy but highlighted the different timelines given some emerging economies lack alternatives.

5. Fossil Fuels

5.1 On this topic, SWAP said/asked:

- SWAP is seeking 100% divestment from fossil fuel companies by 2025.
- Will you stop companies pursuing further exploration of o&g?
- What is Brunel's position on Shell? Is it a good or bad example?
- Where are divestment decisions actually made?
- Would Brunel support a divestment position if any of its clients pursued it?
- Will Brunel be neutral as SWAP pushes pension funds to pursue divestment / if clients in the partnership pursue or commit to divestment?

Brunel representatives answered:

5.2 You stop companies pursuing further exploration by voting against the Chair, the CEO and against their transition plans. We engage to bring change – For example, we did not support Shell's transition plan.

5.3 Shell is currently excluded from the Paris-aligned benchmark that Brunel uses for its new index/passive funds. [There was then a deeper dive into Royal Dutch Shell but this is sensitive information and will not be shared beyond the discussion.]

5.4 Brunel's clients already have product offerings from Brunel which have zero fossil fuel reserves exposure.

5.5 On the question of where divestment decisions are actually made, Brunel stated that the pension funds themselves have the power to determine their own strategy and policy position in relation to sector-wide divestments, while day-to-day asset selection rests with the managers Brunel appoints to the portfolios.

5.6 While Brunel seeks to accommodate and support any funds' investment strategy, including those who want fossil fuel divestment, Brunel would not be 'neutral' in the position – Brunel believes engagement with the threat of divestment (where inadequate progress is made) is the most effective approach.

5.7 Brunel stated there is lots of academic research that evidences the engagement approach works.

5.8 Brunel clarified that *selective divestment or engagement with the threat of divestment* is Brunel's position, and fundamentally does not support direct divestment from fossil fuels.

5.9 At the close of the meeting it was agreed by all parties that we would maintain an open dialogue between SWAP and Brunel, and the time was together was a valuable discussion.

This summary was approved by all participants on 9 March 2022