Gloucestershire Pension Fund Responsible Investment Policy

June 2024

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Contents

1. Introduction

This document sets out the Responsible Investment ("RI") Policy of the Gloucestershire Pension Fund ("the Fund"), which is administered by Gloucestershire County Council, ("the Administering Authority").

The Council has a duty to ensure that Fund assets, not immediately required to pay pension benefits, are suitably invested, and to take proper advice in the execution of this function. It has delegated this responsibility to the Fund's Pensions Committee ("the Committee").

The Committee's RI policy, published for the first time as a standalone document in 2023, considers two key areas:

- **Responsible investment integration, including climate change** – considering the financial impact of environmental, social and governance ("ESG") factors on its investments.
- **Stewardship** – acting as responsible and active investors/owners, through considered voting of shares, and encouraging its investment managers to engage with investee company management as part of the investment process. It extends to engaging for change for the benefit of the economy, society and the environment.

The Fund seeks to fully incorporate ESG factors into its investment strategy and implementation decisions, and has made significant progress over recent periods, aiming to move towards being an example of best practice in this area over time. The Committee recognises its role as an institutional investor in working with partners, aiming to systematically change the investment industry to ensure that it is fit for purpose for a world where temperature rises are limited in line with the goals of the Paris Agreement and that members retire into a world worth living in.

One high priority risk is climate change, and the Committee has a particular ambition to **target 'net zero' carbon emissions by 2045 for the Fund**. Building on this, the Committee **has agreed a target to have a minimum of 30% of assets in sustainable and low carbon funds by 2030**. In doing so it seeks to demonstrate and promote RI leadership, ESG best practice and to reflect member views. As the Fund is open to new members, the Fund needs to take a **long-term perspective** when thinking about the impact of systemic risks such as climate change on investment strategy, safeguarding pensions for the future.

The RI Policy framework will be integrated into the investment strategy setting and implementation process, monitored through regular reviews, and reported on through annual outcomes reports and **Task Force on Climate-related Financial Disclosures ("TCFD") reporting** (from 2024 onwards), demonstrating the Fund's commitment to Responsible Investment practices, promoting transparency and engagement with stakeholders.

The Committee recognises that its **relationship with the Brunel Pension Partnership ("Brunel" or "BPP")** will be central to it successfully implementing its RI policy and achieving its RI ambitions. Therefore, in addition to setting out the Committee's approach to RI, Section 5 of this document describes the policy and actions taken by Brunel on behalf of the Fund's members and how these interact with the policies of the Committee.

The Committee is seeking to continue to evolve its approach to RI issues, including climate change, and is working on a number of areas at the time of writing, including agreeing commitments to Social and Affordable Housing having already committed to a South-West **Renewable Energy** mandate in 2023. The Committee also expect to complete further analysis on exposure to climate risk within the investment strategy in 2024, as part of reporting in line with TCFD. This is an **evolving area and the Committee will keep the RI Policy updated regularly as things develop.**

2. Responsible Investment Beliefs

In discharging its duties, the Committee adheres to a set of investment beliefs, among which is the belief that adopting a responsible investment approach is in the best interest of the Fund members.

In 2022 the Committee undertook a workshop and training session facilitated by officers and advisors, with the aim of understanding the range of beliefs and views on investment and Responsible Investment issues held by the Committee. As part of this, a survey was conducted to understand the Committee's beliefs and views. The results highlighted several key areas of strong and broad agreement among the respondents.

The Committee believes that a responsible investment approach is in the best interest of the Fund members and, more specifically, that:

Investment Belief	Comments/Implications
ESG factors are financially material, and can have an impact on investment risk and return outcomes. ESG factors should be integrated into risk management processes.	The Committee believes that having a broader perspective with regard to investment implications of ESG can improve risk management and lead to new opportunities. As such, regular training is received to ensure the Committee are up to date on these key areas. ESG and RI issues are embedded and considered fully in the ongoing assessment, creation, and review of the Strategic Asset Allocation for the Fund's investments. This is demonstrated through the recent specific allocation towards social and affordable housing in 2023. This is focused on creating an investment portfolio with positive social and environmental impact whilst achieving competitive market returns.
Taking a broader and longer-term perspective on risk is consistent with fiduciary duty. **Indeed, identifying sustainability themes and opportunities is likely to lead to improved risk management, greater portfolio resilience and new and attractive investment opportunities.**	The Committee recognises that long-term sustainability issues, including climate change, present risks and opportunities that increasingly requires explicit consideration given the long-term time horizon of the Fund. This has already resulted in capital allocation decisions being made, with strategic allocations to a range of 'sustainable' investments with allocations made in 2023 and further investments planned for 2024.
Climate change poses a systemic risk that will affect all asset classes and geographies. **The Committee are supportive of the Paris Agreement's objective to limit global warming to 'well below 2ºC' relative to pre-industrial levels, and pursue efforts to limit warming to 1.5ºC if possible.**	As investors the Committee believe they should consider the potential financial impacts of both the associated transition to a low-carbon economy and the physical impacts of different climate outcomes. This has resulted in the critical decision to target 'Net Zero' carbon emissions by 2045, as referenced above and explained in more detail in Section 7. The Committee anticipate doing further work in 2024 to understand the exposure to climate risk and how this differs across the investment strategy, as part of TCFD reporting requirements.

Effective stewardship and engagement (or active ownership), including collaboration, can create and preserve value for companies, and produce wider benefits for the economy, society and the environment.	The Committee believe that active ownership helps the realisation of long-term shareholder value and are therefore looking to ensure any voting rights held on their behalf are used appropriately. This includes engagement with Brunel, as well as underlying managers where appropriate. At present the primary focus is on engagement rather than 'exclusion', but this will be kept under regular review.
Engagement with Scheme Membership and Employers on responsible investment strategies and practices	The Committee believes that being transparent on all its actions but particularly on Responsible Investment and ESG issues is essential for effective governance going forward. Engagement with its members and employers is an integral part of this approach, and the Fund will continue to develop an effective communication strategy where information is shared openly, members' views are actively sought and considered fully throughout the management of investments going forward.
Demonstrating and promoting best practice in RI is important.	There is a strong desire from the Committee to target best practice and exhibit thought leadership. The publishing of an RI Policy and further work planned is consistent with this desire.

Given this is an evolving area, the Committee intend to keep their RI Beliefs under regular review and will update the RI policy as these develop.

3. Administering Authority Policies

Gloucestershire County Council is the designated statutory body (Administering Authority) responsible for administering the Gloucestershire LGPS Fund. Part of the Pension Committee's role is to advise the Council on any matter relating to the proper management and maintenance of the Gloucestershire Pension Fund, including its approach to Responsible Investment.

Following the Council's declaration of a climate emergency in May 2019, the Council produced its climate change strategy. It outlines the actions needed to take as a County to reach that target and improve the County for now and the future.

The Council's vision is that: '*By 2045 we will create a carbon neutral county that provides quality of life now and for future generations, having improved the quality of our natural environment. By 2030 we will have reduced our carbon emissions by 80%'.*

The Fund's approach to climate risk is set out in Section 7 of this policy. This is aligned with but differs from the policy set out above for a range of reasons; for example, given the Fund is a globally diversified investor, cutting emissions by 80% by 2030 would not be practical given the nature of investment options in the market (including those offered by Brunel, which have an over-arching target of a 50% reduction by 2030 for listed asset classes relative to a 2019 baseline).

However, the Committee are cognisant of the views of the Administering Authority when setting investment strategy and implementing its RI policy and will consult on any material decisions.

4. Fund Affiliations and Initiatives

The Fund is supportive of a range of Responsible Investment affiliations and initiatives and has exposure to a range of these either directly or via Brunel. We have highlighted a number of these in the table overleaf.

Name	Description	Current Affiliation
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.	Brunel is a member of the 30% club and will support its aim and objectives through engagement and voting
Climate Action 100+	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 more than 60 others with significant opportunity to drive the clean energy transition.	Brunel is a supporter of the Climate Action 100+ initiative. This is open to members of the IIGCC so the Fund who are now members of the IIGCC will take up membership of Climate Action 100+.
Institutional Investor Group on Climate Change (IIGCC)	A forum for collaboration by institutional investors on the investor implications of climate change. It facilitated the creation of the Net Zero Investment Framework, amongst other guides and resources.	The Fund & Brunel are members of the IIGCC.
Local Authority Pension Fund Forum (LAPFF)	The UK's largest collaborative forum for collective engagement, covering £200bn in collective assets under management.	The Fund is currently an active member of LAPFF.
Pensions for Purpose	Collaborative initiative of impact managers, pension funds, social enterprises and others involved or interested in impact investment.	Brunel is a supporter of the Pensions for Purpose initiative. The Fund are currently assessing membership directly.
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.	The Fund & Brunel are supporters of TPI. .
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.	Brunel is a member of this initiative.
The TCFD (The Task Force on Climate-related Financial Disclosures)	Voluntary climate-related financial risk disclosure framework for use by companies in providing information to investors, lenders, insurers, and other stakeholders. Brunel has been a signatory since 2017.	The Fund is committed to reporting in line with the TCFD framework and intend to commence reporting as part of the 2023-24 Annual Reporting process.

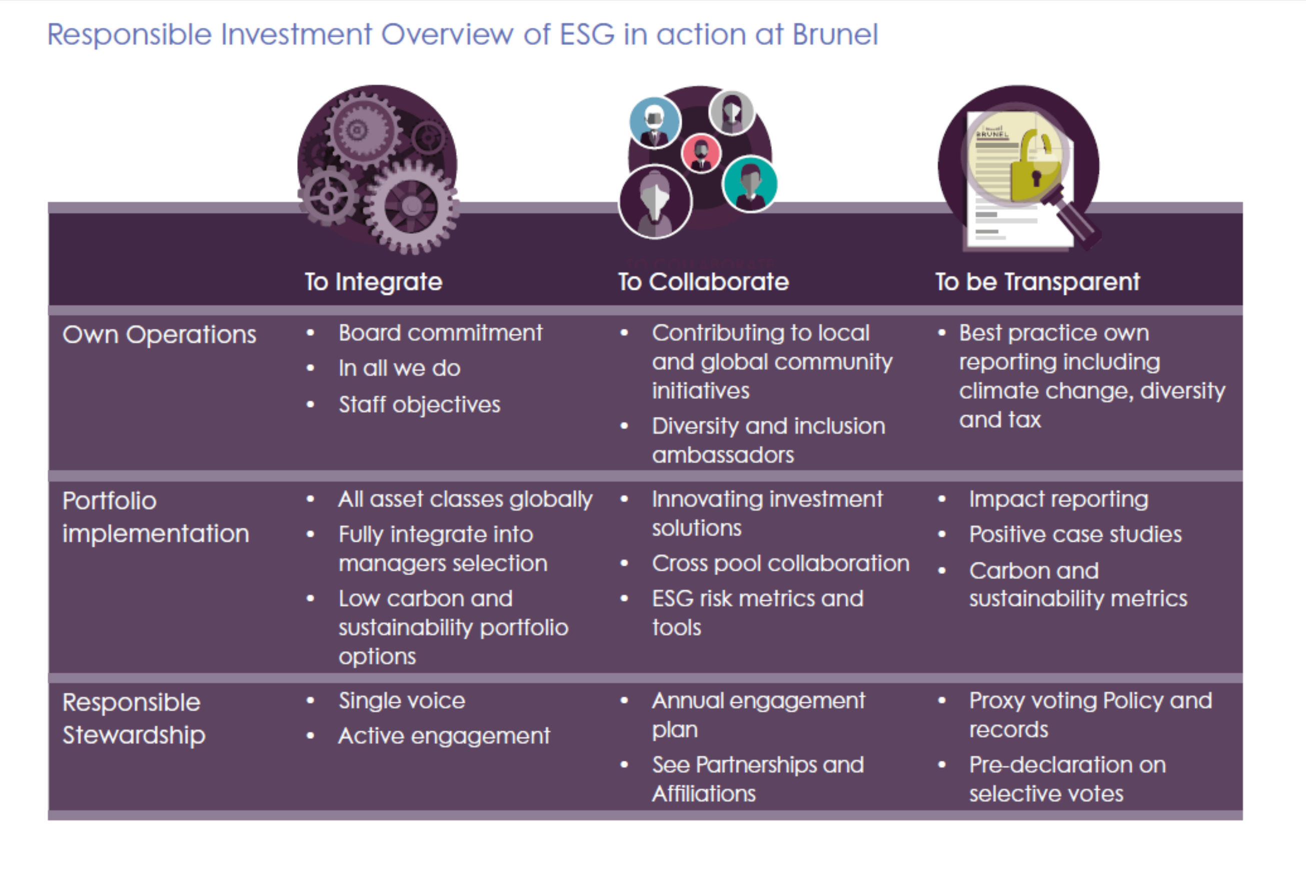
The Fund is already an active member of the Local Authority Pension Fund Forum, (LAPFF). In addition, whilst membership of a number of these organisations listed above is at present affiliated via Brunel, there is ambition to consider whether it would be merited for the Fund to support a number in its own right. Key priority initiatives that the Committee intend to review in the short term are the Institutional Investor Group on Climate Change (IIGCC), TCFD, the Transition Pathway Initiative and Climate Action 100+, given the increased focus on climate risk and the setting of a formal Net Zero objective.

5. Brunel Relationship and Brunel Responsible Investment Policy

Brunel Pension Partnership Limited ("Brunel") is one of eight national Local Government Pension Scheme (LGPS) Pools, bringing together circa £35 billion of investments from ten likeminded pension funds: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire. The majority of the Fund's assets are now held through Brunel, which manages the Fund's investments in line with the Committee's strategic objectives.

The Fund has supported the development of Brunel's Responsible Investment Strategy, Climate Policy, and Stewardship Policy through various oversight boards and groups. As such, it considers itself a stakeholder and partner in the approach that Brunel takes, noting that sometimes this requires engagement and challenge where necessary.

Brunel integrates Responsible Investment considerations into various stages of the investment process, with ESG factors incorporated into manager selection, ongoing monitoring, and performance evaluation. Brunel strives to align all its investment decisions and operations with its Responsible Investment objectives across three pillars. An overview of how this works in practice is set out in the graphic below.



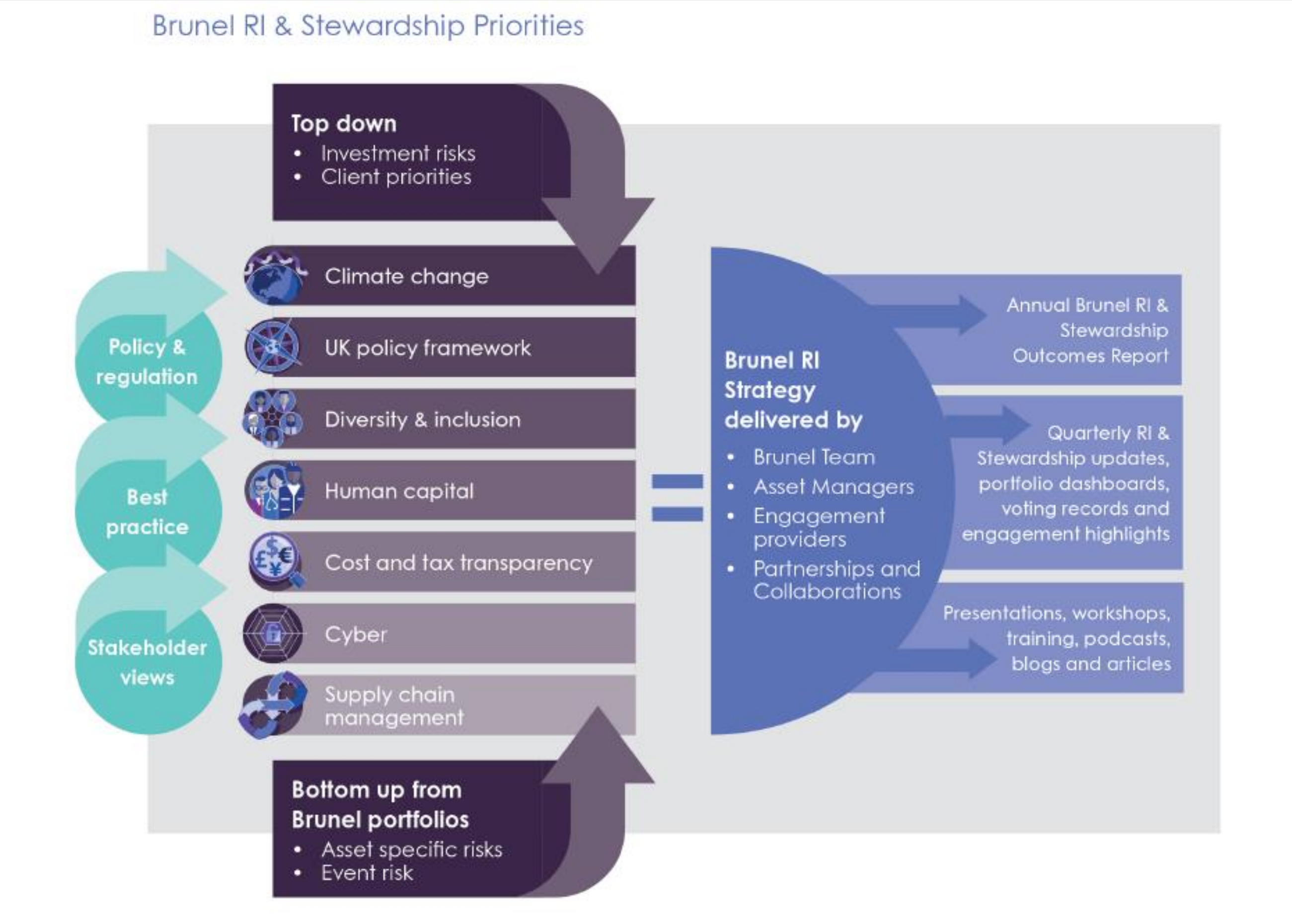
Responsible Investment Overview of ESG in action at Brunel

	To Integrate	To Collaborate	To be Transparent
Own Operations	• Board commitment • In all we do • Staff objectives	• Contributing to local and global community initiatives • Diversity and inclusion ambassadors	• Best practice own reporting including climate change, diversity and tax
Portfolio implementation	• All asset classes globally • Fully integrate into managers selection • Low carbon and sustainability portfolio options	• Innovating investment solutions • Cross pool collaboration • ESG risk metrics and tools	• Impact reporting • Positive case studies • Carbon and sustainability metrics
Responsible Stewardship	• Single voice • Active engagement	• Annual engagement plan • See Partnerships and Affiliations	• Proxy voting Policy and records • Pre-declaration on selective votes

Source: Brunel

The Responsible Investment policy document provides a comprehensive overview of Brunel's purpose, principles, governance structure, investment beliefs, stewardship, and engagement approach. It emphasises the importance of RI in achieving long-term sustainable outcomes and delivering value to clients and wider stakeholders.

A graphic demonstrating Brunel's RI & stewardship priorities, and how these feed into the overall strategy, is set out below.



Source: Brunel

Brunel has established a governance structure and has accountability mechanisms in place for RI. This comprises various committees and groups, including the Executive Committee, the Client Group, and the Responsible Investment Sub-Group. Brunel places an emphasis on the importance of clear reporting lines and regular reporting to stakeholders. Any significant breaches of the RI policy will be reported to the Audit, Risk and Compliance Committee.

Brunel's approach to stewardship and engagement focuses on the importance of active ownership and engagement with companies on ESG issues. The policy emphasises the use of voting rights to support responsible business practices and the collaboration with other investors to amplify the impact of engagement activities.

Brunel produces an annual Responsible Investment and Stewardship Outcomes report, which provides information on RI activities, engagement activities, and progress towards RI objectives. Brunel collaborates with other asset owners, industry initiatives, and service providers to enhance RI outcomes. It believes the sharing of best practices and knowledge will drive positive change.

Brunel Climate Change Policy

Brunel recognises climate change as a significant risk to economies and countries worldwide, impacting its clients and portfolios. It expects companies and fund managers to identify and manage climate-related risks and opportunities. Brunel encourages companies to disclose climate-related risks and actions in line with best practice guidelines, such as the TCFD.

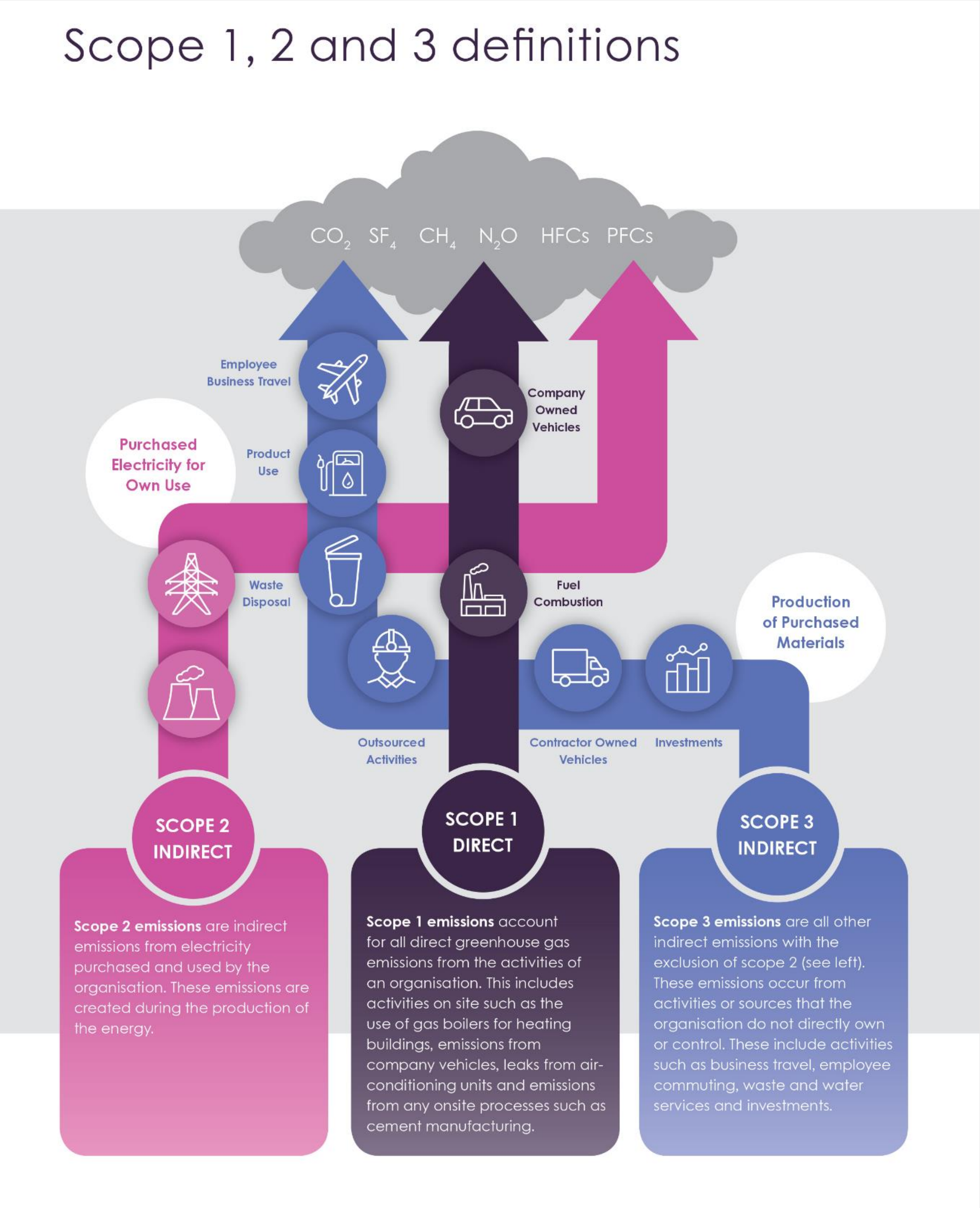
Brunel aims to invest in companies aligned with the objectives of the Paris Agreement and may consider selective disinvestment from companies not adapting to the low-carbon transition. Overall, Brunel is committed to actively managing climate risks and transitioning to a sustainable, low-carbon future, on behalf of the Fund and its other Partner Funds.

Brunel has committed to target 'Net Zero' carbon emissions by 2050 and the goal of limiting the global temperature rise to 1.5°C. It has an explicit target to reduce carbon emissions intensity (on a scope 1 and 2 basis) for all listed equity and corporate bond portfolios by 50% by 2030, using a trajectory of at least a 7% per annum reduction, from a baseline of 31/12/2019 (or an appropriate subsequent date). Its full set of climate targets can be found in its Climate Change Policy, (alongside other key documents) online at www.brunelpensionpartnership.org/climate-change/

Brunel's five-point plan on climate change is summarised in the diagram below:

Source: Brunel

Carbon intensity is broken down into 3 different scopes as explained more via the following illustration which was taken from a recent Brunel Pension Partnership publication.



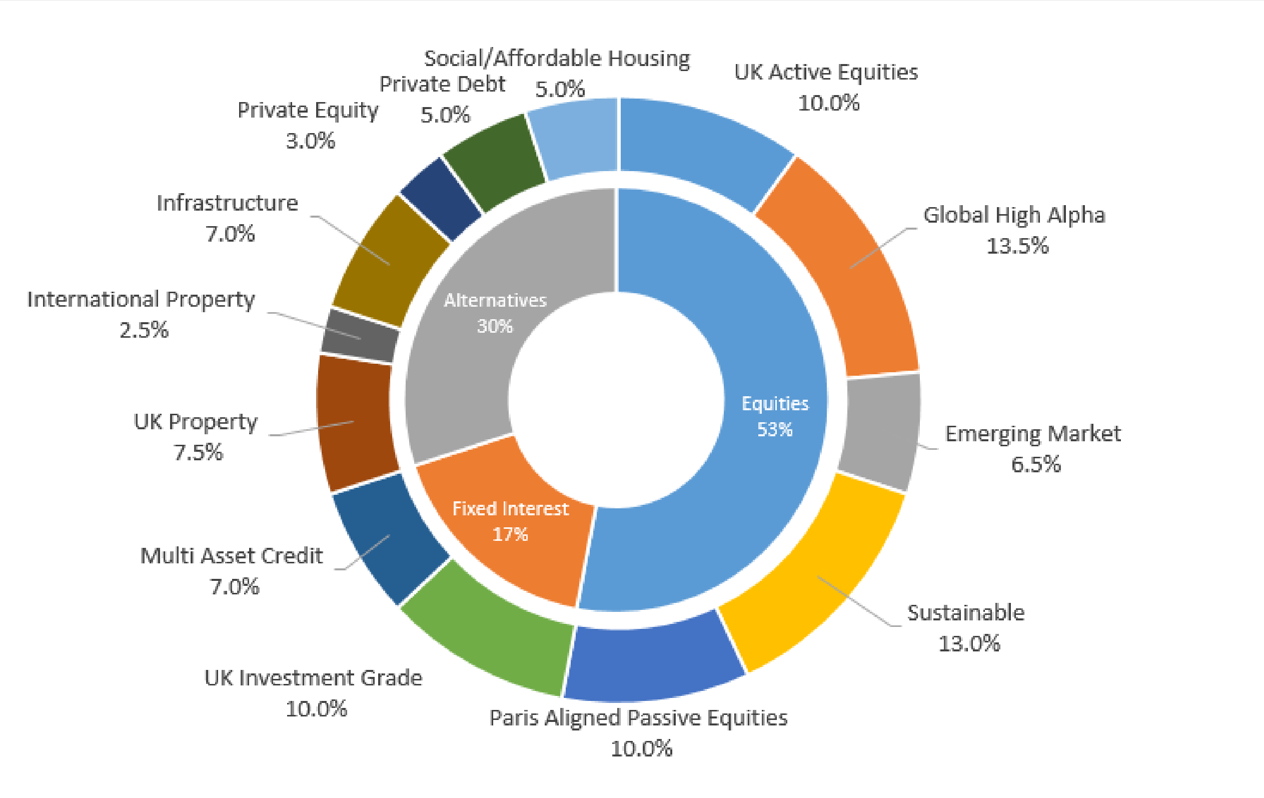
6. Strategic Asset Allocation and Other Responsible Investment Considerations

6.1 Strategic Asset Allocation

The Committee has translated its investment objectives (as defined in the ISS) into a suitable strategic asset allocation ("SAA") benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk, as well as the nature and cash flow requirements of the Fund's liabilities.

As outlined in Section 2, a core belief of the Committee is that ESG factors are financially material and can have an impact on investment risk and return outcomes. As such, RI issues are integrated across the entire investment process.

The current SAA as of November 2023 is outlined in the graphic below.



As the above demonstrates, the Committee in working with its Independent Investment Advisor has made meaningful progress in integrating RI issues within the overall investment strategy, most notably:

- 23% of total assets (over half of the total equity portfolio) are allocated to **active and passive 'sustainable' equity funds** managed by Brunel. These strategies have explicit decarbonisation objectives as well as broader ESG criteria deeply integrated into the investment process.
- As part of its private market Infrastructure portfolio, managed by Brunel, investments within **various renewable energy, natural capital and sustainable investments** have been initiated, and continue to be an essential focus of the portfolio construction.
- The Fund has recently made a commitment to a **local Renewable Energy mandate** managed by Schroders Greencoat, as part of the overall allocation to Infrastructure. This strategy is a bespoke account managed on behalf of Gloucestershire and five other LGPS funds, and is intended to boost the supply of clean and renewable energy throughout the South West of England.
- The Committee have recently approved manager selections for the **5% strategic allocation to Social/Affordable Housing,** and following completion of the due diligence process anticipate making commitments during the Summer of 2024.

Once funded, the allocations to Renewable Energy and Social/Affordable Housing will assist the Committee achieving its target of holding a minimum of 30% in Sustainable Investments by 2025 (further information set out in Section 7).

6.2 Controversial Weapons

The Committee is supportive of Brunel's approach to excluding investment in controversial weapons investment and expects all fund managers to invest in line with the United Nations Global Compact.

6.3 Levelling up

The UK Government have stated a desire to see more funds invested in the 'levelling up' agenda and in support of UK businesses via private equity. The Fund has significant investments in UK infrastructure, and this will grow in future given the commitment made to a local renewable energy mandate managed by Schroders Greencoat. In addition, the Pensions Committee has agreed to allocate 5% of Fund assets to UK Social and Affordable Housing. We believe that these investments will contribute to the Government's levelling up agenda.

6.4 Engagement vs Disinvestment

Divestment is the deliberate act of moving or selling investments as a result of economic, financial, ethical, or political reasons. In partnership with Brunel the Committee considers fully the nature of companies, their operational strategies and potential impact that these have on the environment and society when selecting and managing investment portfolios. The Committee recognises that global change is needed and therefore believe that proactive stewardship and engagement is a more effective approach in achieving positive change, and safeguarding investments for the long term. It is clear that one of the main benefits of LGPS pooling is that the Committee is able to adopt a collaborative approach with Brunel, partner funds and wider organisations on engagement in an attempt to force systemic change with a unified voice.

The Committee does not consider a top-down approach to disinvestment to be an appropriate strategy for its investments. After much careful thought when developing our strategy, we chose not to implement blanket exclusions. We need to drive change in the way investment managers work. Simply applying exclusions or requiring divestment from 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.

The Committee will continue to work with Brunel and our partner funds, in developing a proactive stewardship and engagement policy which will use emissions and other relevant climate metrics such as whether a company is subject to Climate Action 100+ engagement to monitor, challenge and engage with both companies and fund managers, throughout all managed portfolios, tracking decarbonisation and low carbon alignment progress. Where companies deemed to be making insufficient progress on transition the Fund may introduce restrictions to these investment holdings until the necessary improvements can be demonstrated. Whilst it is acknowledged that this is an evolving area, this approach is seen as an essential tool for achieving our net zero aspirations and initiating a systemic change in the world.

In addition to the above approach, the Committee have also been working with Brunel and partner funds in the introduction of activity based exclusions policy being applied within the active management of equity and corporate bond listed market portfolios(non-passive). These exclusions, intended to improve the assessment and management of investment ESG risks in stock and fund selection, will set partnership agreed percentage parameters or limits for thermal coal & oil sands extraction revenues, together with controversial weapons and tobacco production revenues. Once formally adopted by Brunel the activity based exclusions policy will apply to the Gloucestershire Pension Fund.

6.5 Equality, Diversity & Inclusion (EDI)

The Committee supports the Brunel Diversity and Inclusion pillar, which seeks to promote fair, diverse, and inclusive business environments and practices across the companies in which it invests, as well as across its own operations. In the UK it advocates for continued development and endorses recommendations made in the Business, Energy and Industrial Strategy Committee report on gender pay gap reporting. Brunel works closely with the 30% Club and Diversity Project to promote diversity on Boards and within the talent pipeline.

EDI is embedded within the Fund's operations and strategic considerations, and the Committee recognises the importance of having a proactive approach to EDI in creating an effective organisation. The Fund fully adopts the County Council's policies and frameworks as the administering authority, and also recognises the importance given to this by the Pension Regulator. We are continually seeking to improve the way we are run as a Fund, and to deliver better outcomes for staff, employers, and our members.

7. Climate Risk and 'Net Zero'

7.1. Beliefs and Implications

As set out in Section 2, the Committee believe that climate change poses a systemic risk that will affect all asset classes and geographies, and that managing and mitigating climate risk is a key part of the overall fiduciary duty to members of the Fund.

As a key part of this, the Committee are supportive of the Paris Agreement's objective to limit global warming to 'well below 2ºC' relative to pre-industrial levels and pursue efforts to limit to 1.5ºC if possible. This implies targeting 'Net Zero' carbon emissions as an investor by 2050 or earlier; Net Zero refers to a state in which there is a balance between the greenhouse gases going into the atmosphere and the amount removed from the atmosphere, across the whole investment portfolio.

Over 2023 the Committee has received training on climate risk and 'Net Zero', and using analysis has developed a transition plan including interim targets for decarbonising over time. In particular, it has undertaken analysis to establish an emissions 'baseline' as at 31 December 2019, and also to assess progress against this baseline over the three year period to 31 December 2022, using Mercer's Analytics for Climate Transition ("ACT") framework.

This analysis has enabled a number of decarbonisation targets to be formally set as part of the Fund's Responsible Investment Policy.

7.2 TCFD Reporting

The Committee received training in 2023 on the Task Force on Climate-related Financial Disclosures ("TCFD"), which it supports as a best practice framework. The Committee intends to voluntarily commit to reporting in line with TCFD requirements, with the first report expected in 2024. This is ahead of the expected requirement for LGPS funds to report in line with the TCFD framework (subject to consultation) and demonstrates the Committee's desire to target best practice in climate and other RI issues.

7.3 'Net Zero' Commitment and Transition Plan

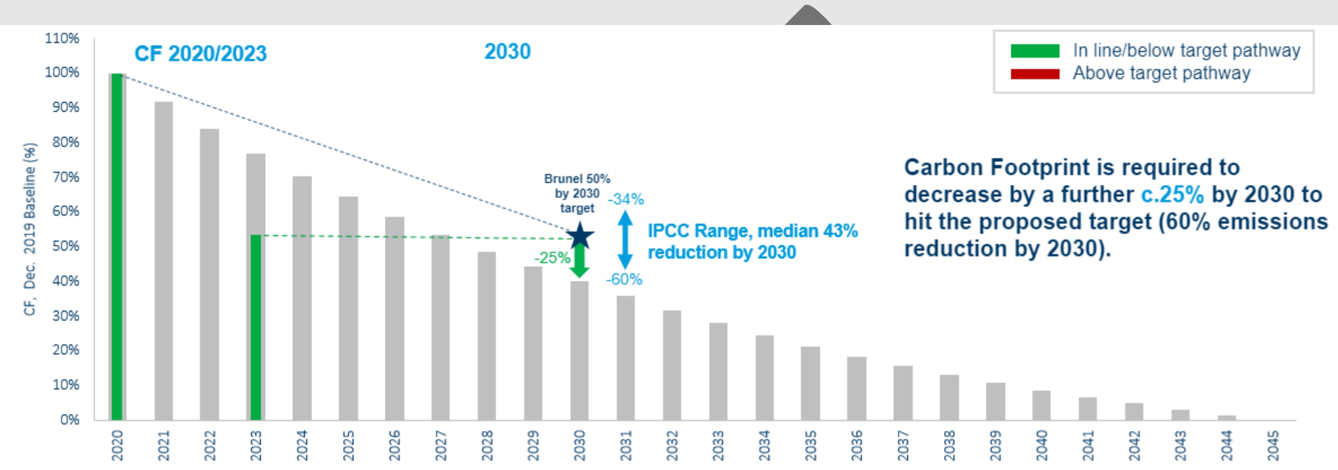
The Committee has agreed to target 'Net Zero' emissions by 2045, across the whole investment portfolio. As set out earlier in this section, targeting Net Zero by 2045 is ambitious and consistent with the objectives of the Paris Agreement.

The Committee have set what they consider to be a credible decarbonisation plan, with a range of targets at both the total Fund level and at the more granular asset class level. These targets are set out in the table below.

Scope	Committee Target	Comments
Total Fund	**Total Fund carbon reduction target of 50% by 2030 (carbon footprint scope 1+2).**	• Listed equities and corporate bonds are the initial area of focus, with further asset classes (e.g. private markets) expected to be incorporated over time. • Target is consistent with that set by Brunel.
Total Fund	**Allocating 30% of the Fund to sustainable / low carbon green assets by 2025**	• Supports overall objective of supporting the global climate transition and sustainability ambitions of the Fund. • The Fund has made allocations to the Brunel Sustainable Equity and FTSE Paris Aligned World Developed strategies, with a current SAA of 23%. The Fund has also recently made a commitment to a local Renewable Energy mandate with Schroders Greencoat, which when drawn down will assist in meeting this objective and is in the process of selecting managers for the 5% Social/Affordable Housing allocation.
Total Fund	**Expand specific net zero target setting and monitoring of metrics for other asset classes over 2024/25, data and methodologies permitting, starting with property and infrastructure.** **Scope 3 emissions to be included when data quality and consistency of measurement are sufficient.**	• Consistent with IIGCC Framework and other investors targeting a 'whole of portfolio' approach across scope 1, 2 and 3 emissions.
Listed Equities	**A listed equities decarbonisation target of 60% reduction by 2030 (carbon footprint scope 1+2) versus the 31 December 2019 baseline.**	• The equity portfolio has changed materially since the baseline date. Given the decarbonisation to date and Brunel's 7% year-on-year decarbonisation ambition, the Committee agreed to increase the level of ambition to beyond 50% emissions reduction by 2030.
Corporate Bonds	**A corporate bonds decarbonisation target of 50% reduction by 2030 (carbon footprint scope 1+2) versus the 31 December 2020 baseline.**	• Carbon footprint intensity has remained largely unchanged over the period since the baseline, suggesting a 50% reduction is ambitious but appropriate.

The primary metric being used by the Committee for assessing decarbonisation progress is the ‘carbon footprint’, a so-called ‘intensity’ metric that standardises absolute emissions per $million invested. This process of standardisation allows the carbon footprint for the Fund to be compared with other investors, and for different components of the investment strategy/different managers to be compared with each other, helping to identify areas where progress needs to be made. That said, focusing on one metric (or a small number of metrics) may lead to sub-optimal decision making and as such the Committee will monitor and consider progress in a variety of ways over time.

The chart below shows a ‘decarbonisation pathway’ for the Fund’s equity portfolio, measured against the agreed targets (Net Zero by 2045, and 60% emissions reduction by 2030). This highlights that at present the Fund is well positioned relative to the agreed pathway.



7.4 Additional Targets

The Committee intend to consider additional targets in future, as they progress with their transition plan. Based on initial discussions these may include targets for engagement activity and for portfolio alignment with Net Zero. A key focus will also be on increasing the proportion of assets covered by their analysis such that ultimately all Fund assets are assessed, incorporating ‘scope 3’ emissions when data quality has improved sufficiently for this to be meaningful.

7.5 Progress vs Targets

The Committee intends to monitor progress on an annual basis using the ACT framework and will report on the progression of key metrics as part of future TCFD reports (with the first report expected to be produced in 2024). TCFD reports will be published online such that members or interested parties can check the progress the Fund has made over time. An example of how progress relative to targets will be measured is set out above under 7.3.

7.6 Climate Scenario Modelling

The Committee is aware that climate-related metrics and targets, while important, are not the only ‘lens’ through which to assess climate-related risk. As part of the 2022 actuarial valuation process the Committee has undertaken initial climate scenario analysis, assessing the potential funding level impact of a range of scenarios over the medium to long term. In advance of drafting the Fund’s first

TCFD report, a more detailed assessment is expected to be completed.

7.7 Carbon Offsetting

The Committee supports the position of IIGCC on Carbon Offsetting.

The IIGCC Net Zero Investment Framework Implementation Guide states that; *'Decarbonisation and avoided emissions should generally be treated separately. Similarly, investors should not offset emissions in one part of their portfolio through accounting for avoided emissions in another part. Given the necessity of effectively reaching zero emissions from investments over time, trading these two against each other is not consistent with creating incentives for investors and underlying assets to maximise their efforts to decarbonise their portfolios to the full extent possible.'*

7.8 Future priorities

The importance of biodiversity/natural capital, both as a standalone topic for consideration and as something that requires thought when considering any climate transition plan, is something the Committee have received initial training on and expect to consider further over 2024 and beyond.

8. Engagement and Voting

Stewardship

The Committee believes one of the potential benefits of pooling, achieved through the scale and resources of combining assets with other large pension funds, is the improved implementation of stewardship practices. Brunel has published its Responsible Investment Stewardship Policy which outlines its approach and priorities. The policy reflects the priorities of Brunel's underlying clients, including the Fund, and the Committee was active in contributing to the policy.

The Committee has delegated investment powers to Brunel and the Fund's investment managers (where assets have not yet transitioned to Brunel) to act in the best interests of the Fund. Brunel and the Fund's investment managers are encouraged to engage in constructive dialogue on behalf of the Fund and to use their influence to encourage companies to adopt best practice in key areas. Brunel and the Fund's investment managers have been asked to report to the Committee on the implementation of their stewardship and engagement activities, which will be reviewed on a regular basis.

Officers of the Fund have been involved in the Responsible Investment sub-group and discuss ESG and stewardship matters regularly and can report back on these activities. The Fund recognises the importance of collaboration with other investors to achieve more effective and wider reaching outcomes. In this respect, the Fund is a member of the Local Authority Pension Fund Forum ("LAPFF") which aims to protect the long-term investment interests of beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies.

UK Stewardship Code:

In late 2019, the Financial Reporting Council ("FRC") published its revised 2020 UK Stewardship Code ("2020 Code"). The Code defines stewardship as "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." The FRC has described the 2020 Code as ambitious and highlighted the increased focus on 'activities and outcomes' as opposed to policy statements alone. As part of this increased remit, the 2020 Code covers a wider range of asset classes, requires signatories to consider the systematic integration of ESG and climate change in the stewardship and investment process, and is based on a more stringent 'comply and explain' basis.

The Committee will be reviewing its policy towards becoming a signatory to the Stewardship Code, as published by the FRC. In relation to the asset classes where the UK Stewardship Code is relevant, our fund managers (including Brunel) are signatories. The Committee expects both the Brunel pool and any directly appointed fund managers to comply with the Stewardship Code and this is monitored on an annual basis. The Committee continue to explore opportunities to enhance the Fund's stewardship activities.

Voting

The Committee has delegated the exercise of voting rights to Brunel and the Fund's investment managers (where assets have not yet transitioned to Brunel) on the basis that voting power will be exercised with the objective of preserving and enhancing long-term shareholder value.

As part of owning publicly listed companies Brunel, on behalf of its clients, will have the opportunity to vote at company meetings (AGM/EGMs). Brunel aims to vote 100% of all available votes. In order to provide guidance to its managers, Brunel has a single voting policy for all assets managed by Brunel in segregated accounts. Hermes EOS has been appointed to support Brunel as its engagement and voting service provider. Brunel will publish its voting policy and provide online voting records at least annually. The Fund will separately publish the voting carried out on its behalf on its website.

Investment managers have produced written guidelines of their processes and practices in this regard. They are encouraged to vote in line with their guidelines, in respect of all resolutions, at annual and extraordinary general meetings of companies. Investment managers are expected to report on their voting activity on a regular basis.

9. Future Responsible Investment Policy Reviews

This RI Policy is to be reviewed annually as a minimum and/or after any meaningful changes to the Fund's investment strategy or implementation approach. Due to this being an evolving subject, the expectation is the RI Policy will be kept under frequent review.

Version Control

Date	Author	Description / Changes made	Version number
07/12/2023	Nigel Gabb	Original Gloucestershire Pension Fund version	1.0
30/05/2024	Nigel Gabb	Updates to sections 4, 6.1, & 6.4.	1.1