

PENSION COMMITTEE – 22nd September 2023
PUBLIC QUESTIONS

1. Questioner's name: Penny Kent	Respondent's name: Cllr Lynden Stowe
<p>1. This August, it was reported that an International Monetary Fund analysis has found that fossil fuels received record subsidies of \$13million (£10.3million) a minute in 2022, despite being the primary cause of the climate crisis. The IMF said that the total subsidies for oil, gas and coal in 2022 amounted to 7% of global GDP and that ending the subsidies should be the centrepiece of climate action. Shouldn't all Pension Funds in the UK be ending their investments in fossil fuels now in line with that International Monetary Fund recommendation?</p> <p><i>(£10m every minute: IMF reveals scale of subsidies for fossil fuels in 2022; Guardian 25.08.23)</i></p>	<p>The Gloucestershire Pension Fund aims to deliver stronger investment returns over the long term, protecting our interests through contributing to a more sustainable and resilient financial system, which supports sustainable economic growth and a thriving society.</p> <p>Our partnership (Brunel) manages the investment of the assets of the Fund, in conjunction with nine other LGPS Funds in the Southwest. As such, Brunel own and maintain a number of policies such as the Responsible Investment and Stewardship and Climate Change policies on behalf of us all within the partnership. The Fund participated in the development of all the partnerships policies to ensure they met our needs and we fully support these policies.</p> <p>The Brunel policy on Engagement & Divestment states: <i>'On the issue of divestment, Brunel supports divestment from specific fossil fuel and other carbon-intense companies, if they present a material investment risk – such as due to 'stranded assets' – but this is based on analysis by our asset managers. Brunel expects managers to take these decisions independently.'</i></p> <p>In addition, we have a continued commitment to review this approach and, indeed, the holdings themselves; and to evaluate whether companies are taking steps to manage climate risks and to enable our overall alignment with the Paris Agreement.</p> <p>Brunel set out clear expectations for its asset managers for reviewing companies – and this was reinforced in the climate stock take undertaken in 2022. The criteria to evaluate companies and managers continues to be developed with the Partner Funds. It will take into account different</p>

	<p>investment mandates and starting points, but always with reference to Paris alignment.</p> <p>We chose not to use exclusion lists with our active managers. Instead, we require them to analyse the companies and other entities they invest in, and to justify their investments in those companies with higher greenhouse gas emissions. We do not currently issue exclusion lists because what is most needed is change in the way investment managers work. Simply enforcing 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 they hold. Climate then becomes a technical operational matter, not an investment priority. This approach also ensures that our managers will be holding companies to account and challenging them and the data on their transition pathways and commitments to net zero, as demonstrated by emerging and increasing investment in renewables within the energy sector.</p> <p>However, we acknowledge that we may need to take other action and have reserved the right to implement specific, and stock-specific, exclusions if appropriate.</p>
<p>2. Questioner’s name: Penny Kent</p>	<p>Respondent’s name: Cllr Lynden Stowe</p>
<p>1. On 22nd June this year, Christian Aid issued an announcement) that the Church of England Pensions Board and Church Commissioners are divesting from fossil fuel companies. Jennifer Larbie, Christian Aid’s Head of Global Advocacy, said, “As an investor that takes its ethical responsibilities seriously, the Church of England’s decision to divest from fossil fuel companies is a damning indictment of the harm these corporations are doing to the world.” Will the Pension Committee now also take its ethical responsibilities seriously - not just to Gloucestershire pensioners, but to people and nature being destroyed all over the planet – and finally agree to invest in green energy for the</p>	<p>The Gloucestershire Pension Fund aims to deliver stronger investment returns over the long term, protecting our interests through contributing to a more sustainable and resilient financial system, which supports sustainable economic growth and a thriving society.</p> <p>Our partnership (Brunel) manages the investment of the assets of the Fund, in conjunction with nine other LGPS Funds in the Southwest. As such, Brunel own and maintain a number of policies such as the Responsible Investment and Stewardship and Climate Change policies on behalf of us all within the partnership. The Fund participated in the development of all the partnerships policies to ensure they met our needs and we fully support</p>

<p>future rather than greedy and harmful fossil fuel companies?</p> <p>(https://mediacentre.christianaid.org.uk/christian-aid-church-of-england-fossil-fuel-divestment-damning-indictment-on-oil-and-gas-industry/)</p>	<p>these policies.</p> <p>The Brunel policy on Engagement & Divestment states: 'On the issue of divestment, Brunel supports divestment from specific fossil fuel and other carbon-intense companies, if they present a material investment risk – such as due to 'stranded assets' – but this is based on analysis by our asset managers. Brunel expects managers to take these decisions independently.'</p> <p>In addition, we have a continued commitment to review this approach and, indeed, the holdings themselves; and to evaluate whether companies are taking steps to manage climate risks and to enable our overall alignment with the Paris Agreement.</p> <p>The Gloucestershire Pension Fund has already made significant commitments through its Strategic Asset Allocation to the renewable energy sector. Through a range of investment managers, we already invest extensively in renewable energy as well energy efficiency, public transport, smart grid and other technologies that support transition. These allocations are captured in the Funds published Investment Strategy Statement.</p>
<p>3. Questioners Name: Penny Kent</p>	<p>Respondent: Cllr Lynden Stowe</p>
<p>In a previous supplementary question to the Pension Committee I asked, 'Would the Pension Committee ask Brunel Pension Partnership to provide incontrovertible evidence that their policy of engagement is effective in altering the core business models of the oil giants that are set to destroy our planet?'</p> <p>The response from Brunel talked of engagement 'across the whole economy' and gave examples of successful engagement with banks.</p> <p>Yet the IMF this August said that ending subsidies to fossil fuel companies should be the centrepiece of climate action, which surely applies to all funding for fossil fuel companies, and the Church of England, which had worked tirelessly to engage with</p>	<p>Brunel provide a comprehensive responsible investment and stewardship outcomes report each year. The latest of which is available here: Responsible Investment and Stewardship Outcomes Report - Brunel Pension Partnership</p> <p>The report, which is published annually captures the engagement undertaken across all the focus areas of our partnerships responsible investment policy and includes case studies.</p> <p>To reiterate, Brunel supports divestment from specific fossil fuel and other carbon-intense companies, if they present a material investment risk – such as due to 'stranded assets' – but this is based on analysis by our asset</p>

<p>the oil and gas industry and shift it to a sustainable approach, divested in June this year, saying fossil fuel companies are "beyond the pale".</p> <p>As my supplementary question was not answered satisfactorily, and in view of the fact that the big fossil fuel companies have all rowed back now on their commitments to renewable energy projects, despite years of engagement, I ask again:</p> <p>Will Brunel Pension Partnership provide incontrovertible evidence that their policy of engagement is effective in altering the core business models of the oil giants that are set to destroy our planet?</p>	<p>managers. Brunel expects managers to take these decisions independently.</p> <p>This approach also ensures that our managers will be holding companies to account and challenging them and the data on their transition pathways and commitments to net zero, as demonstrated by emerging and increasing investment in renewables within the energy sector.</p>
<p>4. Questioner's name: Alan Mossman</p>	<p>Respondent's name: Cllr Lynden Stowe</p>
<p>As well as contributing as a council-tax payer to the pensions of local authority, staff and pensioners in Gloucestershire, I have a local government pension provided by Avon Pension Fund. On the 7th of September 2023 I received an email from them. It included this invitation to share my views on the Avon Fund's net zero goals and responsible investments.</p> <p>What plans does the Gloucestershire Pension Committee have to find the views of its contributors and pensioners?</p>	<p>Within the approved business plan of the Gloucestershire Pension Fund for 2023/24, is a core project in relation to the creation of a responsible investment policy for the Pension Fund. The progress on this can be seen in the Gloucestershire Pension Fund Update – Part 1 agenda item. It is envisaged that upon completion of another workshop event of Committee members, that the Responsible Investment Policy will be tabled at the December 2023 Committee meeting.</p> <p>In parallel to the Funds Business Plan is also a work plan in relation to the Governance Review that Committee undertook. One of those work streams is to review the Funds communications policy in Q1 2024. This policy review will be debated by Committee debate and will focus on how the Fund wishes to engage with all its key stakeholders.</p>
<p>5. Questioner's name: Alan Mossman</p>	<p>Respondent's name: Cllr Lynden Stowe</p>
<p>In March this year Cllr Chloe Turner wrote to you about how Gloucestershire appears to lag behind other authorities that use</p>	<p>Within the approved business plan of the Gloucestershire Pension Fund for 2023/24, is a core project in relation to the creation of a responsible</p>

<p>Brunel PP to manage their Pension funds. Cllr Turner quoted the results of the Environment Agency's decision to reduced emissions from their listed equity portfolio by 74% in the last decade, and how the value of their investments grew by 94% in the same period. I appreciate that there is no guarantee that reducing emissions from GCC's listed equity portfolio will grow the value of the fund in the same way as the EA's has - the times are now different than they were over the last decade. With the climate events of the last few months clearly in mind, there is the distinct possibility that low emission stocks will grow even faster in the next decade. What plans does the Pension Committee have to instruct Brunel PP to reduce emissions from the County Pension Fund's listed equity portfolio?</p>	<p>investment policy for the Pension Fund. The progress on this can be seen in the Gloucestershire Pension Fund Update – Part 1 agenda item. It is envisaged that upon completion of a further workshop event of Committee members, that the Responsible Investment Policy will be tabled at the December 2023 Committee meeting. The policy is anticipated to include the Funds net zero commitment and also potential targets for the Fund to achieve along the transition pathway.</p>
<p>6. Questioner's name: Alan Mossman</p>	<p>Respondent's name: Cllr Lynden Stowe</p>
<p>What plans does the Gloucestershire Pension Committee have to follow Cornwall Pension Fund and the Avon Pension fund in asking Brunel PP to invest in local (Gloucestershire) assets such as Social and Affordable Housing?</p>	<p>The Fund has already made a strategic asset allocation of 5% to Social and Affordable Housing, with an aspiration of 50% of the allocation to be deployed within Gloucestershire. This is captured in the Funds Investment Strategy Statement.</p>
<p>7. Questioner's name: Alan Mossman</p>	<p>Respondent's name: Cllr Lynden Stowe</p>
<p>Gloucestershire CC is a member of Climate Action 100 (www.climateaction100.org). Wiltshire Council Pension Committee have embedded Climate Action 100 principles and resources into their work. What specifically have Gloucestershire Pension Committee done to use Climate Action 100 principles and resources in their work?</p>	<p>Within the approved business plan of the Gloucestershire Pension Fund for 2023/24, is a core project in relation to the creation of a responsible investment policy for the Pension Fund. The progress on this can be seen in the Gloucestershire Pension Fund Update – Part 1 agenda item. It is envisaged that upon completion of a further RI workshop event for Committee members, that the Responsible Investment Policy will be tabled at the December 2023 Committee meeting. The policy is anticipated to embed the principles of Climate Action 100.</p>
<p>8. Questioner's name: Alan Mossman</p>	<p>Respondent's name: Cllr Lynden Stowe</p>
<p>Cornwall and Oxfordshire have commission a Responsible Investment Policy. When will Gloucestershire Pension Committee commission a Responsible Investment Policy?</p>	<p>Within the approved business plan of the Gloucestershire Pension Fund for 2023/24, is a core project in relation to the creation of a responsible investment policy for the Pension Fund. The progress on this can be seen in the Gloucestershire Pension Fund Update – Part 1 agenda item. It is envisaged that upon completion of another workshop event of Committee</p>

members, that the Responsible Investment Policy will be tabled at the December 2023 Committee meeting.

Respondent's name: Cllr Lynden Stowe

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Through our partnerships agreed Climate Change Policy, we seek to change the system not just our portfolios. The purpose of our Climate Change Policy is to deliver a world that limits global warming to well below 2°C. and also clearly states our commitment to support achieving Net-Zero well before the 2050 deadline.

To do this our strategy includes;

- Policy advocacy.
- We advocate mandatory climate disclosures, challenging fossil fuel subsidies and asking for positive policies to encourage actions that assist with decarbonising our economy.
- We support moves to apply a price on carbon, and to incentivise green investment.
- Investing positively - When it comes to climate risk, we assess the whole value chain, one of the core themes of our partnerships Responsible

9. Questioner's name: Alan Mossman

BBC R4 Money Box live
(<https://www.bbc.co.uk/programmes/m001qdxw> Weds 13 September, 15:00-15:30) on "Pensions, Acutally" talked about "pensions for the next generation". There was a segment about 'green and ethical Investments' (starting at about 17 mins) with writer and director Richard Curtis. Curtis reported that green and ethical Investments are much more effective ways to address climate change than, say, stopping flying, so while the Pension Committee is investing pension funds in green and ethical investments it can also be shaping the world for the future that younger people are looking forward to. What do you see as the advantages of retaining the investments that the Pension Committee has already made in fossil fuel companies?

Investment Policy

- We, through the managers of our sub-funds already invest extensively in renewable energy as well energy efficiency, public transport, smart grid and other technologies that support transition.
 - We do not just focus on the supply side – the fossil fuel companies – but also on the demand side, looking at fossil fuel consumption, and at the wider financing of projects.
 - Selective divestment - We strongly believe in engaging with perseverance, but selective divestment does and will continue to be part of the tool kit.
 - Brunel supports divestment from specific fossil fuel and other carbon-intense companies over time, if they present a material investment risk – such as due to ‘stranded assets’ – but this is based on analysis by our asset managers.
 - We chose not to use exclusion lists with our active managers. Instead, we require them to analyse the companies and other entities they invest in, and to justify their investments in those companies with higher greenhouse gas emissions. We do not currently issue exclusion lists because what is most needed is change in the way investment managers work. Simply enforcing 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 they hold. Climate then becomes a technical operational matter, not an investment priority. This approach also ensures that our managers will be holding companies to account and challenging them and the data on their transition pathways and commitments to net zero, as demonstrated by emerging and increasing investment in renewables within the energy sector.
 - Fossil fuel exposure - our active portfolios have a low and declining exposure to fossil fuel companies
- On the issue of divestment, Brunel supports divestment from specific fossil fuel and other carbon-intense companies, if they present a material investment risk – such as due to ‘stranded assets’ – but this is based on analysis by our asset managers. Brunel expects managers to take these decisions independently.

<p>Following on from the previous question, what do you see as the advantages of switching from fossil fuels to green and ethical investments?</p>	<p>Following on from the response provided to the previous question, We, through the managers of our sub-funds already invest extensively in renewable energy as well energy efficiency, public transport, smart grid and other technologies that support transition.</p>
<p>10. Questioner's name: Alan Mossman</p>	<p>Respondent's name: Cllr Lynden Stowe</p>
<p>When government cancels subsidies to Fossil Fuel companies, the value of those pension funds that are invested in fossil fuel companies will fall. If the market believes that this will happen they will adjust prices downward in anticipation, so it won't be possible for investors, including pension funds, to escape that revaluation unless they switch away from fossil fuels now. What are the advantages of retaining shares in fossil fuel companies rather than switching to renewable energy alternatives now?</p>	<p>The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death for their dependants. The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee is aware that the Fund has a need to take investment risk to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and has put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. The Committee seeks to mitigate systemic investment risk through a diversified portfolio of assets and by employing a number of asset managers, across a wide range of asset classes.</p> <p>We, through the managers of our sub-funds already invest extensively in renewable energy as well energy efficiency, public transport, smart grid and other technologies that support transition. We also support divestment from specific fossil fuel and other carbon-intense companies, if they present a material investment risk – such as due to 'stranded assets' – but this is based on analysis by our asset managers.</p>
<p>11. Questioner's name: Bill Roberts</p>	<p>Respondent's name: Cllr Lynden Stowe</p>
<p>This summer because of human-caused climate change we have seen thousands of people killed by flash floods in Libya, wildfires across southern Europe, and record temperatures across the globe. This is at 1.2 degrees of warming caused by</p>	<p>The Gloucestershire Pension Fund aims to deliver stronger investment returns over the long term, protecting our interests through contributing to a more sustainable and resilient financial system, which supports sustainable economic growth and a thriving society.</p>

CO2 emissions. We are on a trajectory to hit 2.5 degrees of warming this century, at a conservative estimate.

The sooner we reach net zero the better, and every little helps. We all acknowledge the problem, and all delay in acting makes it worse.

I am a Gloucestershire resident and council tax payer. The purpose of a pension is to provide a secure future for the rest of our lives. By investing money saved for people's pensions in fossil fuel companies, we are actively engaged in destroying the future for those workers and everyone else, and other species. Will you act as swiftly as possible to take my council tax and the whole of the pension fund out of investments in fossil fuel companies?

I believe that you already have information about other council pension funds acting on this matter, and showing that there is no need to invest in a path away from these investments while still producing the returns for your employees. Will Gloucestershire become a leader on this issue so I can be proud to live here, instead of being ashamed because my county council is delaying action?

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The Brunel policy on Engagement & Divestment states: 'On the issue of divestment, Brunel supports divestment from specific fossil fuel and other carbon-intense companies, if they present a material investment risk – such as due to 'stranded assets' – but this is based on analysis by our asset managers. Brunel expects managers to take these decisions independently.'

In addition, we have a continued commitment to review this approach and, indeed, the holdings themselves; and to evaluate whether companies are taking steps to manage climate risks and to enable our overall alignment with the Paris Agreement.

Brunel set out clear expectations for its asset managers for reviewing companies – and this was reinforced in the climate stock take undertaken in 2022. The criteria to evaluate companies and managers continues to be developed with the Partner Funds. It will take into account different investment mandates and starting points, but always with reference to Paris alignment.

We chose not to use exclusion lists with our active managers. Instead, we require them to analyse the companies and other entities they invest in, and to justify their investments in those companies with higher greenhouse gas emissions. We do not currently issue exclusion lists because what is most needed is change in the way investment managers work. Simply enforcing 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 they hold. Climate then becomes a technical operational matter, not an investment priority. This approach also ensures that our managers will be holding companies to account and challenging them and the data on their transition pathways and commitments to net zero, as demonstrated by emerging and increasing investment in renewables within the energy sector.

However, we acknowledge that we may need to take other action and have reserved the right to implement specific, and stock-specific, exclusions if appropriate.

12. Questioner's name: Katherine Holden

The IEA, the world's foremost energy adviser, has warned that countries and companies planning to expand their fossil fuel production are taking "very unhealthy and unwise economic risks" as their investments may not be profitable.

Will you consider divesting the pension fund from fossil fuels to protect the benefits for the pension recipients?

Fatih Birol, the executive director of the International Energy Agency (IEA), predicted this week that fossil fuels would peak this decade, a historic turning point for the climate.

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13. Questioner's name: Katherine Holden

Respondent's name: Cllr Lynden Stowe

Are the committee members aware of the current effects of climate change around the world, the likely events if all the current climate pledges are kept and those if more fossil fuel sources are explored and burnt? If so, do you think it is ethical

The Pensions Committee are committed to being a responsible investor, and is currently preparing a Responsible Investment Policy for the Pension Fund. Our partnership (Brunel) also own and maintain a number of policies such as the Responsible Investment and Stewardship and Climate Change

to continue to fund fossil fuel companies? If not, will you take rapid action to divest from fossil fuels now?

- We are already seeing the devastating effects of climate change around the world with floods, fires, droughts, etc., such as the latest floods in Libya.
- The IPCC says that we are on course for a likely global average temperature rise of 2.7 degrees C by the end of the century with a large range of uncertainty, with the high end at 4 degrees C.
- Any temperature rise over 1.5 degrees now risks breaching tipping points. Every fraction of a degree counts.
- The Paris Agreement said we should keep temperatures to below 2 degrees. Even then, as well as catastrophic weather, that could lead to significant food shortages.
- On the current course of 2.7 degrees, that could lead to billions of people not being able to live where they are currently, due to drought, famine and/or it bring to hot and humid for humans to survive outside. That in turn could lead to massive migration, conflicts, wars and global chaos. The warning of possible 'global chaos' is in the recent IPCC 6th assessment report.

policies on behalf of us all within our partnership and are considered an industry leader in responsible investing.

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