

# Being Better Stewards

Review of the year ending 31 December 2023

July 2024

## Be bold. Be ambitious. Create change.

To achieve our goal of investment decision-making that “properly and effectively considers the positive and negative impacts on people and planet”, we know we need to continue to instigate positive change. We’re delighted to be able to share some highlights from our 2023 Stewardship Code report and the actions we’ve taken to meet this high bar.

Over 2023, we successfully certified as a B Corp, a designation that means we meet high standards for social and environmental impact, and that we’ve made a legal commitment to stakeholder governance. These commitments were also reflected in our updated Responsible Investment Mission Statement, which captured what we believe our clients want to achieve from their strategies, with our ABC for a better future framework at its core.

### Achieving net zero

We recognise that the world must go through a period of systemic change if we’re to protect the environment, societies and our economy from climate change and biodiversity loss. The collective goal is that of a low-carbon economy and the pursuit of ‘net zero’.

### Being better stewards

Asset owners have a role to play in overseeing the assets managed on their behalf. They should thoughtfully, ambitiously – and, where necessary, forcefully – exercise stewardship within their sphere of influence.

### Creating positive impact

Assets are invested to generate economic return, but many assets also directly or indirectly affect society and the environment. We’ll help our clients invest and exercise stewardship to create positive real-world impacts.

Focusing on these three pillars aligns with our purpose and the broader goals of the B Corp movement.



**78%** of clients covering  
**95%** of assets under advice  
have received meaningful education on net zero

**THIRTY**  
DIFFERENT  
ORGANISATIONS  
supported on climate reporting

**17**      
**MANAGERS**  
targeted through our manager engagement programme

**SIX** CLIENTS  
WITH  
**FULL CLIMATE TRANSITION ACTION PLANS IN PLACE**

**SIX** RESPONSIBLE INVESTMENT BELIEFS WITHIN OUR MISSION STATEMENT

**19** PEOPLE IN OUR extended RI team

**11** clients supported to be stewardship code signatories  
**£210m aum**  
of the smallest signatory

**FIVE** RISK DRIVERS UNDERPINNING OUR CLIMATE SCENARIOS

**25%** OF CLIENTS have declared a net zero ambition

**100** MANAGERS responded to our RI survey

# HIGHLIGHTS FROM 2023

## Making progress against our focus areas

### Catalysing action on climate change

We've helped our clients develop and implement climate transition action plans. We've also invested in the development of climate scenarios, helping clients better understand potential tipping points and make more informed decisions.

### Driving accountability through stewardship

We created our stewardship working group and launched our Manager Engagement Programme during the year. We've continued to help clients develop their own engagement frameworks and supported 11 clients to become or remain Stewardship Code signatories.

### Focusing on social issues

We've explored how AI (Artificial Intelligence) is being considered by asset managers, and explored how we can better use the technology. We coordinated training on modern slavery issues and have added the consideration of human rights to our manager review.

### Expanding our consideration of biodiversity

We've continued to educate our clients and develop our own knowledge on biodiversity and nature. We've worked with external stakeholders on deforestation and ocean biodiversity issues, publishing material on both subjects. We've also helped clients evaluate investments in natural capital.

### Pushing for more impactful investment

We added an impact specialist to our team during the year. We've also worked with clients to develop their understanding of impact and begun developing mechanisms to measure and prioritise impactful investments.

## SHARING OUR VIEWS



## ◆◆◆ CASE STUDIES:

### Creating Climate Transition Action Plans

We believe that climate ambitions need to be translated into meaningful actions with measurable goals. We actively worked with our clients to develop climate transition action plans, capturing fund-level and mandate-level targets and areas of focus, while providing a means to communicate the strategy to all stakeholders. We helped six clients put full plans in place and are working with others to finalise theirs.

### Building insight with narrative-based climate scenarios

We've evolved our approach to helping clients understand climate risks, building scenarios that capture a detailed analysis of the potential policy and market responses to different catalysts. Our approach captures the human response to environmental or other stimuli, recognising that different entities may not always take decisions that lead to an optimal outcome. We had discussions with several clients to develop our thinking and published details on our approach in September 2023, sharing information with the industry and inviting feedback.

### Addressing the gaps in climate data

We completed our second annual private markets climate data survey, which revealed an improvement in response rates and data quality. However, overall progress in the data provided by private market managers is not sufficient. This lack of strong progress indicates why engagement with managers remains crucial. We shared our findings with the asset manager community through our Research Roundup publication and continue to challenge managers to do more.

### Investing in natural capital

We helped a client explore alternative investment opportunities, reflecting their net-zero goal. Drawing on our net-zero model portfolios and our research into natural capital solutions, we helped our client allocate £50m across two specialist timberland managers, one of which also incorporated farmland assets, with both contributing towards their net-zero goal.

### Working with multiple stakeholders to assess climate-related exposures

We completed a landmark climate analytics project to better understand climate risk exposure across multiple public sector funds, exploring both pooled and unpooled assets. This ambitious project required collaboration across many parties and led to the adoption of a series of recommendations on the development of policy and decision-making frameworks. The project also allowed stakeholders to explore changes over time and understand the impact of various policy decisions.

### Continuing to implement engagement programmes

We helped a client create and implement an engagement programme, drawing on our experience of creating engagement frameworks. We designed the programme, focusing on outcomes-based engagement. That meant not just meeting with the managers, having discussions, and then moving on, but creating engagement logs of those discussions and the outcomes that we want to achieve, which are then monitored. We approach our engagement by asset class, starting with direct lending managers (the client has four). Our first round of engagements with the direct lending managers considered their TCFD reporting requirements, RI policy expectations and their net-zero ambitions.

### Launching our manager engagement programme

We established our formal manager engagement programme, recognising that a separate, more strategically oriented dialogue with key asset manager relationships would help increase challenge of managers on their actions. Our programme was launched in Q3 2023 and was initially focused on a group of 17 managers. The goal of our first round of discussions was to better understand the ambition and intent of managers' stewardship activity, to draw out examples on climate-related issues and to better align our expectations.

## Getting marine biodiversity onto a client's engagement agenda

In our annual review of stewardship themes, we noted both a strategic imperative for our client to address marine biodiversity and that the marine environment is one of the lowest areas of focus for investors. We therefore proposed they consider an engagement theme on the marine environment in conjunction with their engagement service provider, as a longer-term objective. The issue was raised during discussions on theme selection and, following the broader review, we and our client were delighted to see that marine biodiversity had been adopted as an engagement theme for 2024 by their provider.

## Integrating human rights issues into our manager evaluation

We recognise that modern slavery is one of several potential human rights violations that may be considered by investors. Dialogue with both internal and external stakeholders raised the consideration of ethics and when it may be appropriate, or inappropriate, to act. One discussion highlighted a need to understand whether managers had human rights policies in place and how these were being implemented. We updated our RI questionnaire to incorporate the consideration of broader human rights issues, captured this information through our survey and are building these into our review of managers and RI ratings framework in early 2024.

## Continuing to focus on change

Considering opportunities not just for today, but for the years ahead, means we need to consider how the ongoing transition to a low carbon economy may impact us all. Our Focus on Change series of articles explores a range of issues relating to changes within energy systems as we try and identify the investment ideas for tomorrow. While we continued to focus on energy systems, exploring the potential investment case for hydrogen in particular, we also broadened our consideration to other areas that may be affected by climate, such as food systems.

## Working with others

Collaboration is a tenet of our climate pledge and our broader ambitions. We aim to participate within initiatives where we can effectively share our knowledge and influence outcomes. Organisations we worked with over 2023 included Global Canopy, Abelica Global, the Net Zero Investment Consultants Initiative, the Investment Consultants Sustainability Working Group, the Institute & Faculty of Actuaries, and the Institutional Investor Group on Climate Change.



If you'd like to discuss anything covered in this publication, please get in touch with your usual Hymans Robertson Consultant.



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