

Leveraging asset owner influence to address systemic risks

5 December 2024



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Leveraging asset owner influence to address systemic risks

Online event

5 December 2024



Outline agenda

1. What is systemic stewardship and why is it important?
2. What are asset owners doing?
3. What does good systemic stewardship by asset managers look like?
4. How well are managers carrying out systemic stewardship?
5. Three key actions for asset owners

What is systemic stewardship?

Why is it important?



*Investors using their **influence at a systems level** with the objective of addressing **systemic risks** that have the potential to materially harm **financial outcomes**.*



May be undertaken **directly**, in **collaboration** with others, and by service providers (eg asset **managers**)

What is systemic stewardship?



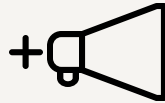
**Engagement with
regulators and
policymakers**



**Consultation
responses**



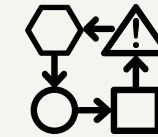
**Oversee /
engage others**



**Investor
statements**



Thought leadership



**Industry standards
and tools**

What are asset owners doing?



Engagement with
regulators and
policymakers



Consultation
responses



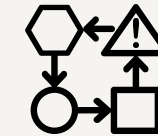
Oversee /
engage others



Investor
statements



Thought leadership



Industry standards
and tools



Industry
collaboration

Investor statements

What are asset owners doing?

A SUSTAINABILITY PRINCIPLES CHARTER FOR THE BULK ANNUITY PROCESS



TRANSPARENCY
DECISION MAKING
REPORTING AND ENGAGEMENT
COLLABORATION



INSURERS

- Aviva
- Just Group
- Legal & General Group
- Pension Insurance Corporation
- Standard Life, part of Phoenix G
- Rothesay
- Royal London

ADVISERS

- Aon
- Barnett Waddingham
- Cardano
- EY
- Hymans Robertson
- Lane Clark & Peacock (LCP)
- Mercer Limited
- Redington
- WTW
- XPS Pensions Group

PENSION FUNDS

- Cancer Research UK Pension Scheme
- Church of England Pensions Board
- Church of Scotland Pension Schemes
- HSBC Bank (UK) Pension Scheme
- Merseyside Pension Fund
- National Grid Electricity Group Trustee Limited
- Railpen
- Railways Pension Scheme
- United Reformed Church Ministers' Pensions Trust
- United Utilities Pension Scheme
- United Utilities PLC Group of the Electricity Supply Pension Scheme

OTHERS / PROFESSIONAL TRUSTEES

- Accounting for Sustainability
- Association of Member Nominated Trustees
- Pensions and Lifetime Savings Association
- Pi Partnership Group

Industry collaboration

What are asset owners doing?



Consideration of social risks and opportunities by occupational pension schemes

Government response

July 2022

Independent report

Quick start guide for pension trustees

Updated 3 April 2024

Contents

Trustees' influence over social factor stewardship

Fiduciary and other duties of pension trustees

Addressing social factors in pension schemes

Questions for your advisers and service providers

Further reading

Independent report

Guide from the Taskforce on Social Factors: Considering social factors in pension scheme investments

Updated 3 April 2024

This was published under the 2022 to 2024 Sunak Conservative government

Manager oversight

What are asset owners doing?

Example table shown to clients

Manager	ESG foundations	Net zero	Engagement	Systemic stewardship	Voting	Recommended actions
Manager 1	Amber	Amber	Amber	Red	Amber	See an alternative manager, to help understand what best in class RI practices and systemic stewardship looks like.
Manager 2	Green	Green	Green	Amber	Amber	Engage with Manager 2 on its systemic stewardship and voting practices.
Manager 3	Green	Amber	Green	Amber	Not applicable	Engage with Manager 3 on its net zero approach and systemic stewardship practices.



Systemic stewardship

We delve into how managers are engaging with policymakers and regulators on industry-wide topics and whether they are sufficiently focused on reducing systemic risk.

Read now →

What does good systemic stewardship by asset managers look like?



Clear policy positions



Governance framework



Strategic approach



Consistency



Collaboration



Progress monitoring



Appropriate resourcing



Disclosure of activity

How well are managers carrying out systemic stewardship?

Publication

Responsible investment survey

Investment


Investment strategy

Responsible investment and stewardship

Investment manager research

ESG

Investment managers have put more effort into their responsible investment practices over the two years since our previous survey - but is this effort being focused in the right areas?



Blog

Gilts, stewardship and addressing climate risk


Pensions & benefits

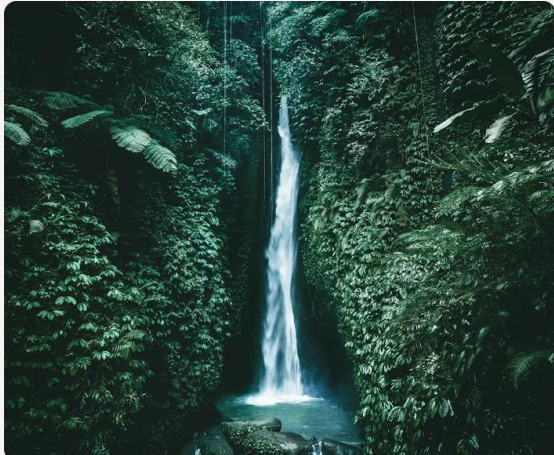
Investment

Climate change, ESG and sustainable investment

DB pensions

Climate change

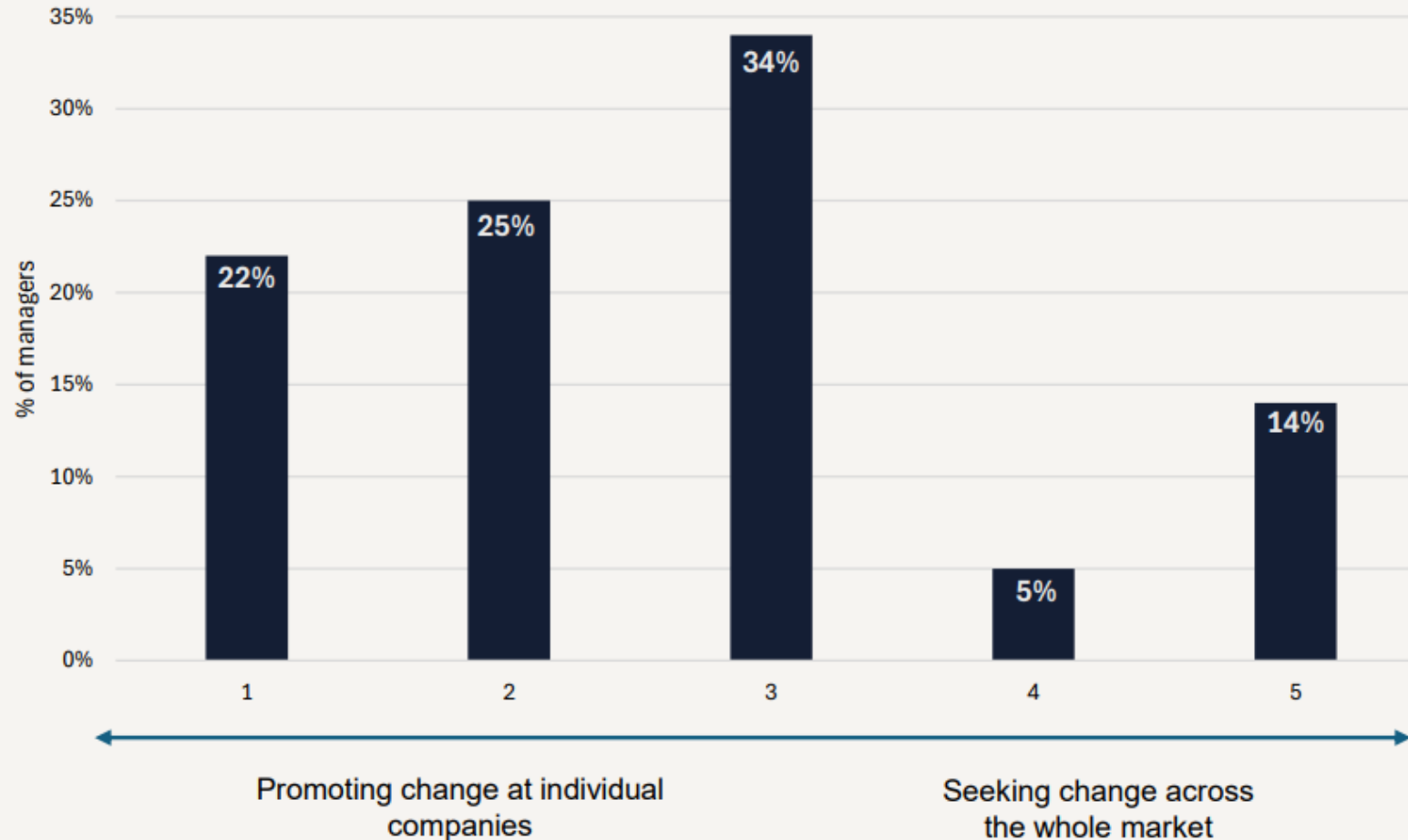
 **Julian Thakar**
Investment Consultant



10 Systemic stewardship online event – December 2024

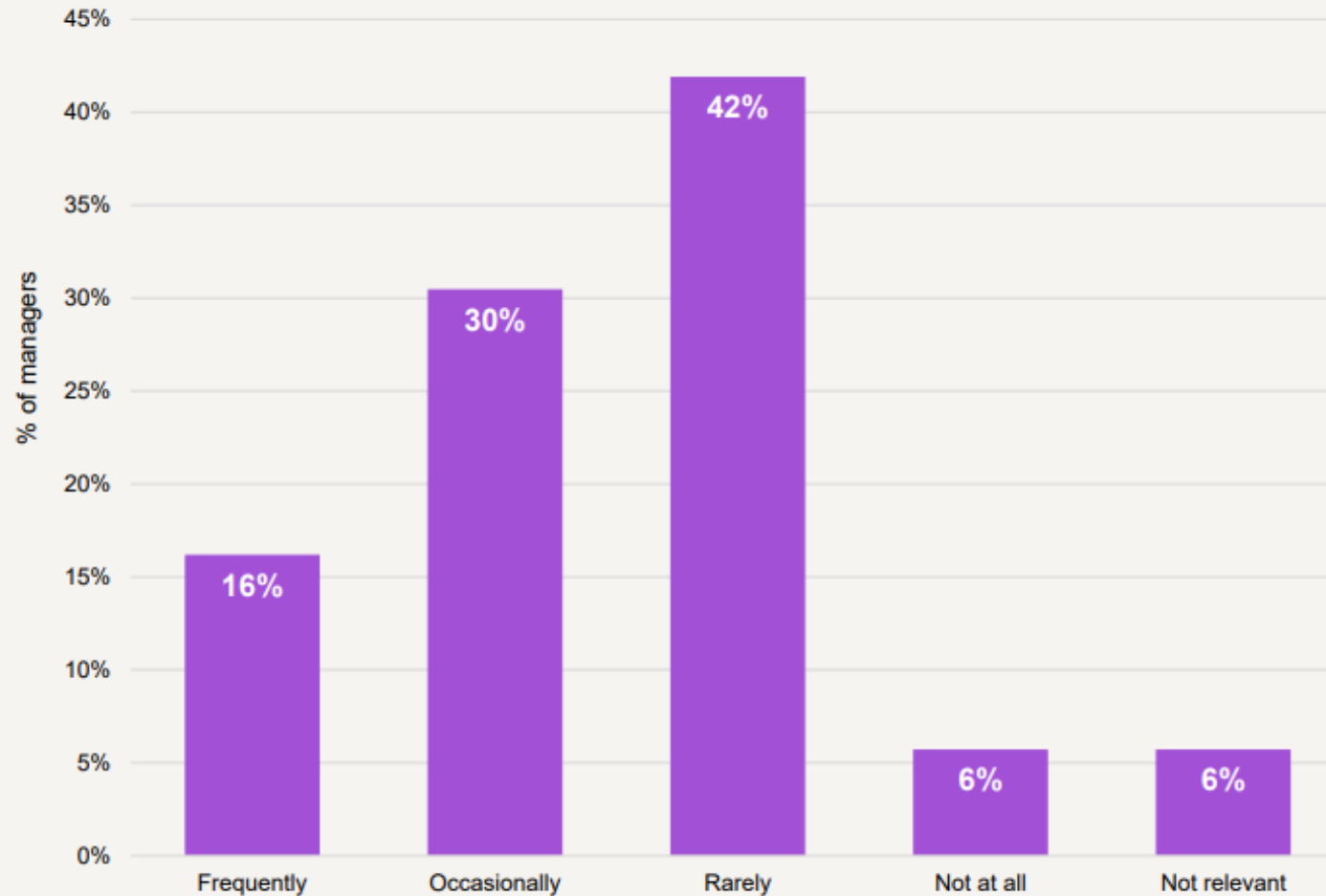
Are managers focused on market-wide change?

Managers and their stewardship style



Source: LCP Responsible Investment Survey 2024 (100 responses)

How often are managers engaging on market-wide topics and systemic issues?

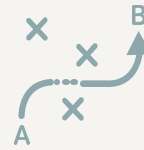


Source: LCP Responsible Investment Survey 2024 (126 responses)

How well are LDI managers engaging on UK climate policy?



All LDI managers undertake climate policy advocacy



Strategies and governance frameworks could often be improved



Mostly engage as large asset managers, not gilt holders



Transparency could be improved, especially around policy positions



Level of resource varies



Generally reluctant to comment on UK government's net zero plans

Are managers prioritising the right topics?

Q5. What level of priority do you think the industry should put on the following topics, when engaging for system-level change?

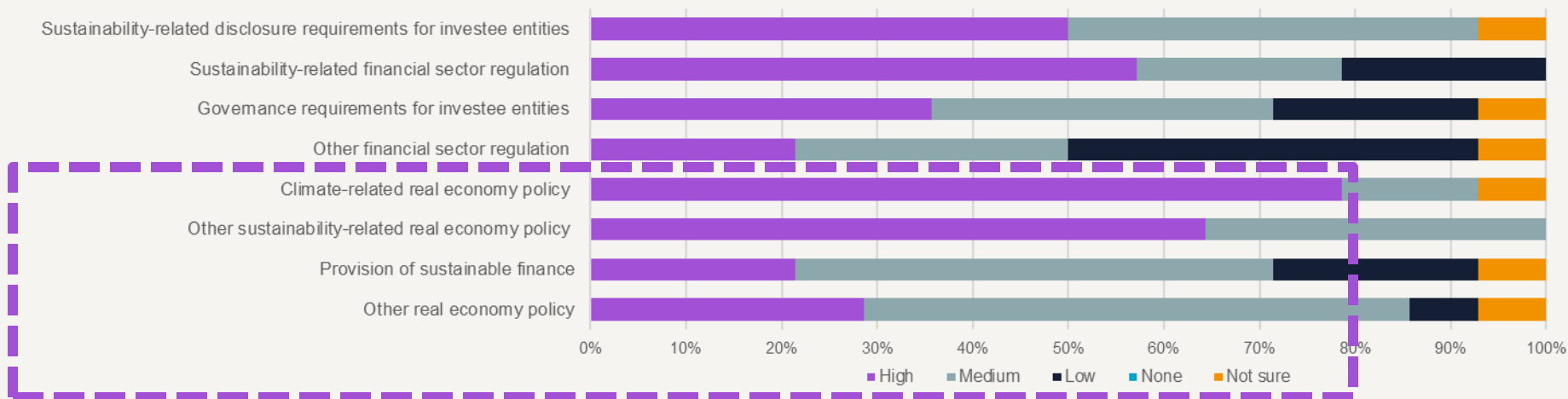
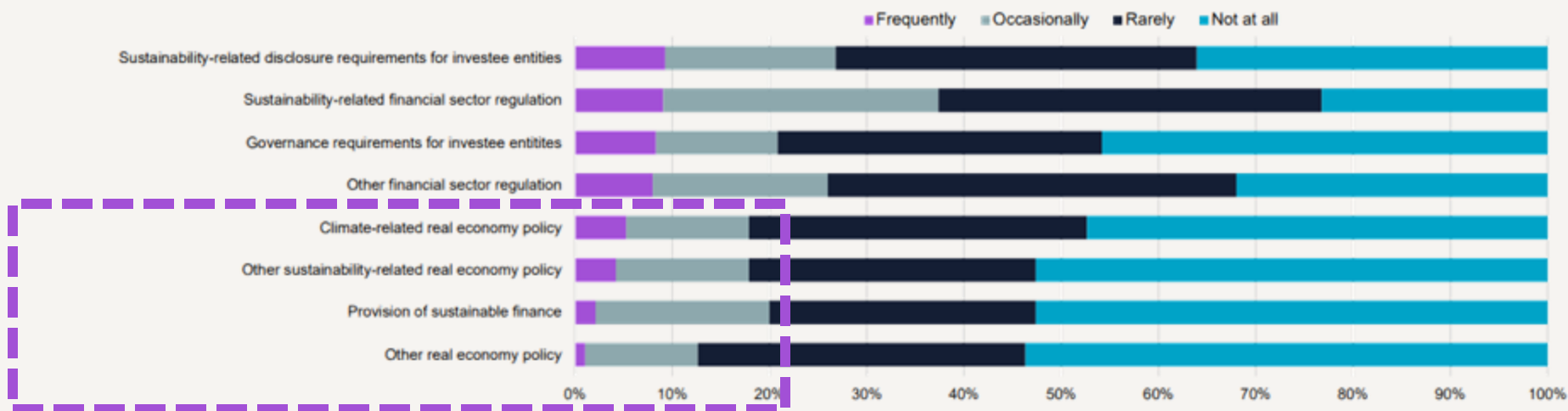


Figure 5. How often are managers engaging on various policy advocacy themes?

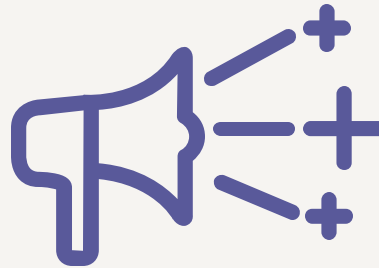


Source: Systemic stewardship roundtable survey 2024 (14 responses) & LCP Responsible Investment Survey 2024 (100 responses)

Three key actions for asset owners



1 Hold asset managers to account



2 Support investor statements



3 Participate in industry collaborations

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