HYMANS ROBERTSON

Conference highlights

Reset Connect, London Climate Action Week 2025

Jaid Longmore
Responsible Investment Consultant

Chris O'Bryen
Investment Associate Consultant

As London Climate Action Week got underway, we joined the Reset Connect conference, which brought together sustainability leaders, innovators and decision-makers to address climate change and drive impactful transformation. Here are some of the key messages we took from the day. Our Biodiversity Lead, André Ranchin, also contributed his views in two insightful talks on issues impacting the ocean and marine biodiversity.

Nature takes centre stage

This year's United Nations Conference of the Parties (COP) meeting will be held in Belém, Brazil, on the Amazon delta. A main theme will be preserving forests and biodiversity. Our economic system is dependent on the natural ecosystem in which it operates, and the **increasing stress on natural ecosystems introduces material financial risk for businesses and investors**.

Oceans and water systems are taken for granted

Despite being the Earth's support system and one of the greatest assets in fighting against climate change - absorbing around 30% of global emissions - oceans have been overlooked to date in climate discussions. Seagrass and kelp offer effective means of absorbing carbon, but there are multiple threats to ocean health. Overexploitation of fish populations and land-based pollution point to the need for meaningful regulation and innovation to reduce damaging activity while meeting growing global food demands. **Asset owners should consider including ocean and marine biodiversity in investment policies, assess portfolios' risk exposure, and engage with asset managers and portfolio companies on this important issue.**

Environmental risks remain mispriced

Environmental, social and governance (ESG) has become a politicised term, yet prudent risk management is increasingly important. This year we saw record losses due to the winter's wildfires in California, in areas with no or low insurance coverage. Despite this risk, properties in Los Angeles County were some of the most expensive in the world – highlighting both the mispricing of risk in markets and the lack of adequate adaptation and readiness for extreme weather.

Climate transition plans must become standard

While regulatory support for environmental regulation has softened, litigation risk should incentivise company boards to pay attention to material risks. Companies are increasingly aware of the need to identify and manage risks relating to their businesses. Transition plans are an important means of recognising risk and taking the necessary steps to adapt. Companies must establish plans to identify and manage risk, and asset managers should assess the quality and feasibility of these, holding management to account in improving and implementing them. **We encourage asset owners to develop and publish climate transition plans** and policies that support their long-term objectives, and set out meaningful steps to manage environmental risk.

Investing in the transition

Climate change poses a myriad of problems for businesses and society. As investment can help to solve real-world challenges, we see opportunities across asset classes, from assessing and navigating risk to identifying emerging technologies. While many solutions that will support the transition process exist already (many requiring scaling), further innovation is needed. With an end to low interest rates, scaling businesses is more challenging, but costs for novel technologies are falling. Market forces can drive the transition to low-carbon technologies such as renewable energy infrastructure and electric vehicles.

Stewardship should be aligned with expectations on policy change

Long-term investors are most exposed to risks that may materialise over long time horizons. Their role as asset owners is vital in creating accountability for company management and encouraging sustainable value creation. A first step is to establish expectations and objectives for the asset managers they appoint. Engagement activity should act to **improve alignment between investor expectations and asset manager activity**. Given the importance of advocating for policy change that encourages innovation and sustainable business practices, investors should understand what is being done on their behalf, and whether it meets their expectations.

Disclosures must evolve

New disclosure frameworks have brought greater attention to environmental risk, but these are not harmonised and not manageable for small and medium sized enterprises (SMEs). This means information on emissions and climate-related risk across supply chains is still lacking. Greater discussion is required on what SMEs can produce with the resources available to them, and what lenders require from them to understand and price risk.

If you have any questions on anything covered in this publication or would like to discuss any of these topics further, please get in touch.

London | Birmingham | Glasgow | Edinburgh T 020 7082 6000 | www.hymans.co.uk