

HYMANS # ROBERTSON

# Responsible investment: mission statement

April 2024

Our global economy relies on interlinked social and environmental systems. At Hymans Robertson, we believe that policymakers, regulators and those of us in financial services need to do more to recognise these interdependencies, if we're to collectively drive change. This change must acknowledge the value of people and our planet as well as the risks to our economy if climate and other tipping points are breached.

Responsible investment is a catalyst for this change. To us, responsible investment means making sure that investment decision-making properly and effectively considers the positive and negative impacts on people and the planet. This aligns with our purpose – together, building better futures – and the broader goals of the B Corp movement.

Ultimately, we want our clients and their members to have a habitable world to retire into. And we'll help to positively change our industry, holding others to the same standards by which we measure ourselves, because we all have a role to play.

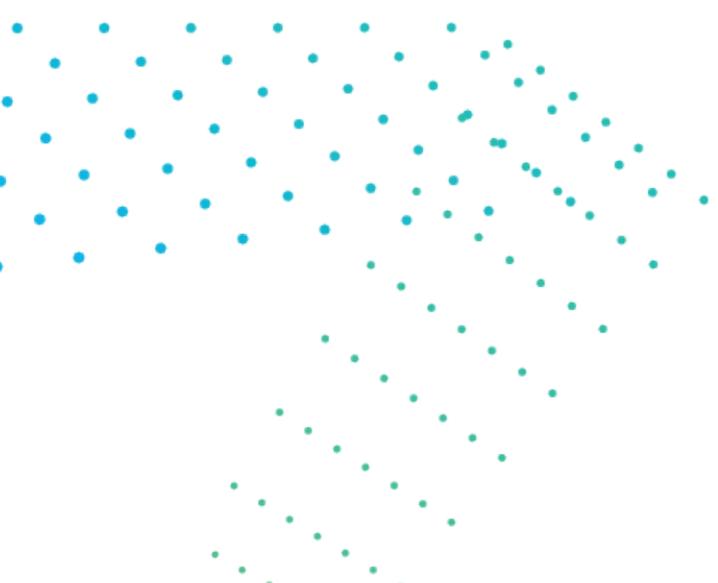
**To achieve this, we believe it's necessary for us to:**

- ◆ Be instigators of positive change, collaborating with others where possible.
- ◆ Have the courage to challenge, even if that means difficult conversations.
- ◆ Use our influence to hold others to account.
- ◆ Be transparent and vocal about what we do, what we believe, and why.

**What we expect of others:**

- ◆ We expect our industry to recognise – and act upon – the need for short, medium and long-term economic and societal change, understanding the risks and opportunities that change creates.
- ◆ We expect others to be open to adaptation and evolving their processes.
- ◆ We want to help others to set ambitious goals – we want our clients to think as big as possible.
- ◆ We want our clients to be open to discussion, informed by advice and willing to challenge their providers and their own preconceptions.

We believe it's incumbent upon us all to make the right choices, even hard choices, if we want the right sort of change. We constantly reassess, reappraise and reevaluate our own approaches to reinforce our own accountability.



## Our ABC for a better future

We've distilled our thinking into three pillars of activity that guide our research and advice to clients. These are:

### **A** Achieving net zero.

The world must go through a period of systemic change to protect our environment, societies and economy from climate change and biodiversity loss. This can be characterised by the goal of a low-carbon economy and the pursuit of 'net zero'.

We help our clients understand what net zero means for them and how they can take meaningful action to align with this ambition.

### **B** Being better stewards.

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

We help our clients create approaches to stewardship that reflect the resource they're able to commit. Where necessary, we also help them fill in the gaps.

### **C** Creating positive impact.

Assets are invested to generate economic return, but many assets also directly or indirectly affect society and the environment. Being clear on the desired outcomes is essential to creating impact.

We help our clients better understand how they can have impact, allocate capital and exercise stewardship to create positive real-world outcomes, all while continuing to meet their fiduciary responsibilities.

## Our focus themes

Asset owners' attention has historically focused on financial capital and the economic activity that generates investment return. However, attention has shifted to also consider natural, social and human capital; the dependencies that organisations place on these; and the opportunities and risks that they bring.

Stewardship both recognises and, where appropriate, protects each of these forms of capital to preserve and enhance value. Within this process, our role is to engage with managers and hold them accountable for their actions, and to support our clients in their own engagement. In doing this, four themes are at the core of our dialogue:



**Artificial intelligence (AI)** threatens to be a disruptive force, creating value for investors but with potential impacts for people and thus human capital. AI offers improved productivity and management but comes with risks like the creation and propagation of misinformation, discrimination through biased algorithms, a lack of transparency in decision-making, and potentially even more severe outcomes. We need to understand how AI is considered and deployed by asset managers and others, what safeguards are being put in place and the different use cases of AI.



**Biodiversity** plays a pivotal role in supporting human life via the ecosystem it provides. However, biodiversity is declining faster than at any other time in human history through over-exploitation, climate change and pollution. Investors increasingly need to understand their dependency and impact on biodiversity to mitigate the potentially devastating social and economic consequences. We're also considering how investors can invest in natural capital solutions.



**Low carbon transition.** Our Achieving Net Zero pillar recognises the need for change to our social, economic and energy systems to address the risks of climate change. However, we need to understand how individual companies respond, the pace of technological change, and associated policy and regulatory risks. We're also exploring areas of opportunity, and how companies can be supported through change.



**Modern Slavery** is a human rights violation in which victims are exploited for others' gain, diminishing human capital. Regulatory change is increasing the focus on modern slavery, and organisations are being challenged to respond through implementing appropriate policies and improving disclosure and accountability where subcontractors are used. We need to understand how exposure to modern slavery is being identified and mitigated as well as how asset managers are addressing human rights issues more generally.

While these themes are the focus of our dialogue with managers and research efforts, we recognise that other issues will emerge for consideration. We'll explore and prioritise these themes, reflecting the potential impact that asset owners could have.

## Core beliefs

Within the responsible investment sphere, there are often issues raised that distract from what really matters. We want to focus attention on helping clients frame and implement their policies, accepting the following as our core beliefs of responsible investment:



### ESG factors can affect investment outcomes

ESG factors can have a material financial impact. Asset owners, managers and companies should maintain integrated processes to ensure these factors are built into their decision-making.



### Governance matters

An effectively governed organisation manages risk more effectively. This makes such organisations more open to scrutiny and challenge as well as more likely to remain accountable to stakeholders. Organisations may need to prioritise their efforts in areas of greatest potential impact according to their governance budgets.



### Effective stewardship adds value

Investors must act as responsible and active owners. Voting and engagement activities can both influence outcomes.



### Investors need to evolve with the times

The world is changing, and the industry must adapt to survive.



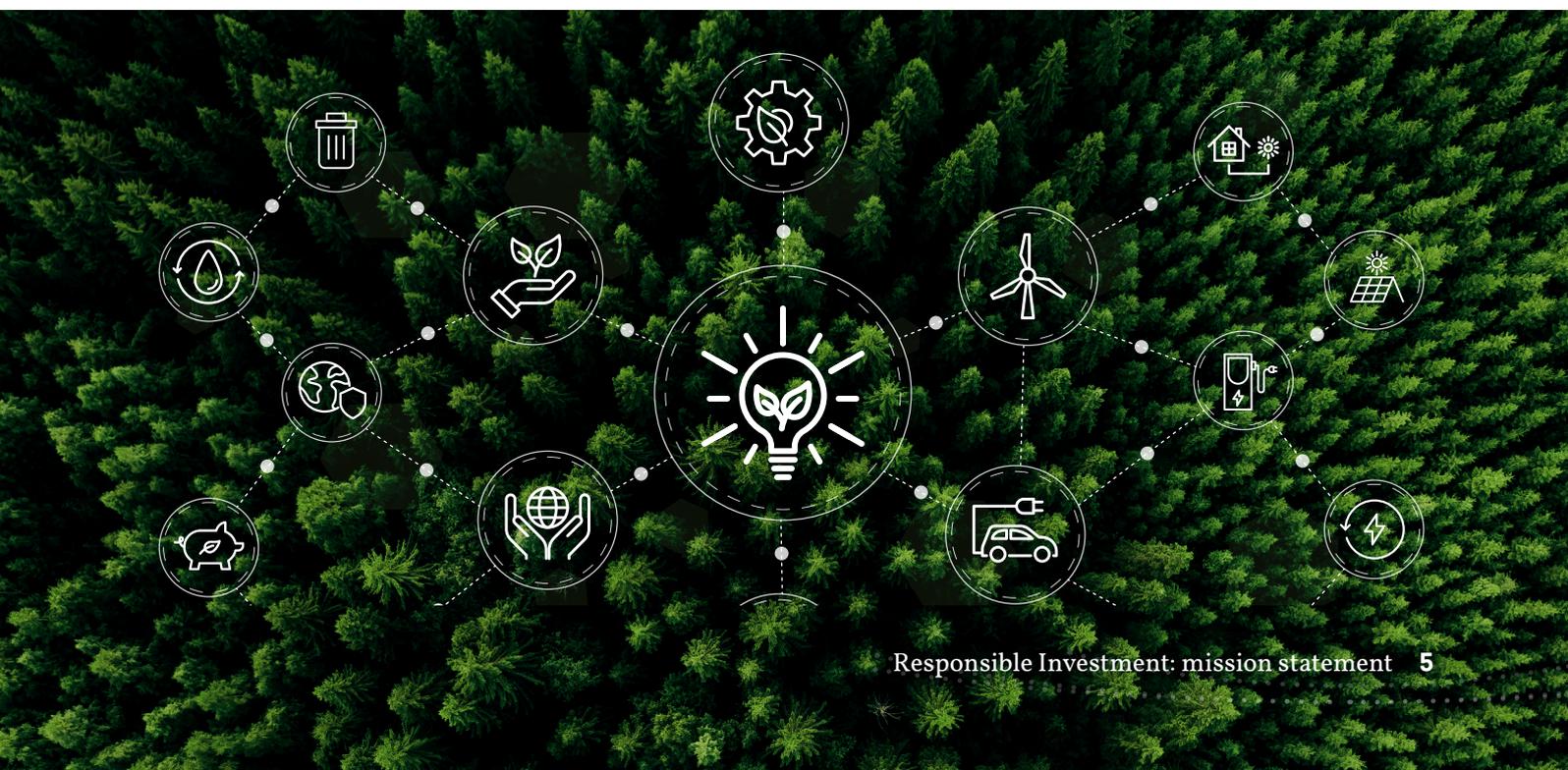
### Data counts

Better data means better decisions. The more informed we are, the better our choices will be. However, **materiality and quality also matter**. Not all data has value, poor quality data may be misleading and reporting has a cost. Investors need to be judicious in their requests for and use of data.



### Transparency is essential

Organisations can be most effectively assessed if they make as much relevant information available as they can. But organisations can also help stakeholders by being clear and concise in their reporting. The adoption of industry-standard disclosure frameworks should enable better decision-making.



## Our approach

We're collectively responsible for protecting our planet and its people as well as their financial futures. We address responsible investment issues in our client work by:



## Assessing the attributes of responsible investment

When we research managers, providers and the products and strategies they offer, we use clearly defined frameworks that reflect the three attributes of responsible investment – intent, integration and engagement – within our evaluation. This allows us not only to be objective, but also to allow standards to evolve over time.

### Intent

Our sustainability framework allows us to objectively review sustainability-themed strategies. We have established practices against which we assess the sustainability objective, methodology and data sources, measurement and reporting as well as any stewardship claims. This approach allows us to test the credibility of any sustainability-oriented strategy.

### Integration

We use our RI Ratings framework to assess and consult with clients on managers' responsible investment capabilities. Our framework defines what we view as market standard (acceptable) practices, that we expect all investment managers to meet, alongside industry-leading practices. We seek to gauge the firm-level commitment to RI, considering factors such as culture (ie the 'tone from the top'), stewardship and climate change. The assessment is used to assign a rating, with any investment manager rated 'weak' not being recommended to clients. While our RI rating considers the investment manager's overall approach to responsible investment, the ability of the manager to consider ESG at a product level is ingrained in our research process, with consideration given to the extent to which ESG issues are integrated into research, decision-making and monitoring processes.

### Engagement

We assess asset managers' and providers' engagement capabilities on both a relative and absolute basis. Relative assessments are conducted through the collation of information on policies, the application of processes and the review of outcomes achieved, through which we aim to determine areas of strength and weakness. Absolute assessments are conducted relative to an aspirational standard – we believe that doing so is useful both for raising standards in the industry and more clearly identifying asset managers who have a desire to improve themselves and others.

# Transparency

It's important to be transparent about our activities and our influence on outcomes for our clients. In other words, we hold ourselves to account by telling people what we're doing. And we expect, where possible, that our clients will do the same. To encourage this, we:



Review this Mission Statement annually so that we continue to keep up with evolving best practice.



Provide honest feedback to those we assess and engage with, and seek constructive feedback from them.



Report on our activities annually, in accordance with the principles of the UK Stewardship Code and our commitment under the Net Zero Investment Consultants Initiative (NZICI).

## Key Contacts



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