HYMANS ROBERTSON

UK Stewardship Code

Review of the year ending 31 December 2024

April 2025

Signatory to the Asset Owner Diversity Charter

Signatory to the A4S Sustainability Principles Charter for the bulk annuity process

59% of clients have assessed their baseline carbon emissions

Developed our RI Health Check

17 managers engaged through our manager engagement programme...

...over 30 focused engagement meetings...

...influenced change at six managers as a consequence

Updated the RI ratings of 102 asset managers...

...only 7% were rated as strong

100% success rate in supporting clients to be Stewardship Code signatories

£327bn of assets under advice

10 members in our RI team

Over £25bn of client assets influenced to support the 2024 Global Investor Statement to Governments on the Climate Crisis

Published our RI Mission Statement

32% of clients have a declared net-zero ambition

54 managers and 145 funds included in our private markets climate data exercise

2024

Introduction

This is our fifth year of formally reporting on our stewardship activity, and we do so at a time when stewardship and sustainability more generally are being challenged. Questions are being posed about what constitutes 'responsible investment', and asset owners' rights risk being eroded. But climate change is agnostic to politics, and the need remains for action at all levels, particularly by policymakers.

Against this backdrop, asset managers need to consider what actions they're prepared to take to address asset owners' goals. Asset owners need to be clear on their beliefs and objectives, as well as how they'll ensure alignment with their managers. We encapsulated our own beliefs in our Responsible Investment Mission Statement, which we published during the year and noted in our previous report. This sets out our 'ABC for a better future' framework, capturing our three pillars of *Achieving net zero, Being better stewards* and *Creating positive impact*. These three pillars have guided our work with clients over the course of 2024.

Our focus on climate and the interrelated topic of nature is captured by our *Achieving net zero* pillar. We've continued to support our clients in framing their ambitions – and the actions to achieve them – through the development of climate transition action plans (CTAPs). We've also sought to help our colleagues and clients better understand climate uncertainty by evolving our approach to scenario analysis. Meanwhile, we've worked with clients and asset managers to develop asset strategies that are forward looking and supportive of change.

It was a particularly active year for our stewardship team as we built our engagement programme, now named 'Hymans Engage', which pushes managers to be more ambitious in their efforts and holds them to account. We've had success across our engagement meetings, and we look forward to sharing the outcomes with our clients over 2025. Supplementing this, we've also helped our clients put in place their own engagement programmes and adopt bespoke voting policies that ensure their ambitions are being met. As manager policies change, we emphasise the need to ensure that goals and actions are properly aligned.

Our impact work builds understanding with clients who haven't yet considered impact investment, while supporting those who are already investing for impact to evolve their approach. Investment in impact real estate solutions was an area of interest for clients, and our impact evaluation framework has allowed our research team to embed impact considerations into their processes.

One key element of our work, and something we see as increasingly important in the current climate, is collaboration with like-minded organisations, as reflected by our core value of partnering. We've been delighted to have worked with a range of industry partners over 2024 to help press for action. We were founding signatories to the A4S Sustainability Principles Charter for the bulk annuity process, have driven forward a range of activity through our broad involvement with the Investment Consultants Sustainability Working Group (ICSWG) and were delighted to work with the Institutional Investors Group on Climate Change (IIGCC) in drafting guidance on net-zero alignment for asset owners.

We want to continue to help our clients find their own way to engage with sustainability issues. We're proud to have developed our RI Health Check, a simple tool that allows asset owners to identify not only their areas of strength, but also the gaps in their processes, so that they can decide what to do next. As questions continue to be posed about the long-term future of pensions, it's clear that sustainability in its various guises needs to be at the centre of these discussions.

Looking forward to 2025, we believe that three areas are particularly important:

- **Financing emissions reduction, rather than investing in reduced emissions.** Asset owners need to actively support the process of change but hold laggards to account. We'll work with clients to implement CTAPs and ensure that decisions focus on real-world outcomes.
- **Asset manager alignment with asset owner expectations.** Managers act on behalf of their clients and need to demonstrate actions that meet their needs. But it's incumbent on asset owners to empower their managers to act. We'll continue to support our clients in framing expectations, assessing alignment of interests and holding their managers to account.
- **The UK growth agenda has focused attention on local investment.** This may take different forms but should involve some form of impact. Supporting our clients as they develop their local investment strategies will be an imperative.

We look forward to continuing to work with our clients, and all our other stakeholders, to be instigators of positive change.

For and on behalf of Hymans Robertson LLP
April 2025

Shireen Anisuddin	Simon Jones	David Walker
Managing Partner	**Head of Responsible Investment**	**Chief Investment Officer**

Our firm

We build better financial futures for millions of people across the UK. With over a century of history, we provide services to organisations and individuals across pensions, investments and insurance. Our firm serves three markets:

- **the pensions market**, where our services include actuarial, pensions consulting, investment consulting and third-party administration
- **financial services**, where we provide advice and support to insurers and other financial institutions to address longevity, risk, capital management and investment, as well as – through Hymans Robertson Investment Services (HRIS) – discretionary fund management services to independent financial advisers (IFAs)
- **personal wealth**, with financial wellbeing advice and guidance to individuals.

Our business is a Limited Liability Partnership, wholly owned by our working partners. As we're an independent partnership, our clients' needs dictate our priorities. We pride ourselves on our collaborative, personal approach and place our clients, not shareholders, at the heart of our business. We operate primarily in the UK, but we're a member of the global Abelica network.

Our purpose is to help businesses, pension funds and financial institutions create financial futures for themselves, their employees, members and customers. This purpose is captured in our mission statement:

"together, building better futures"

Our culture embeds four key values: **partnering, straightforward, friendly and confident.** We're committed to developing our caring, professional community where everyone can be themselves and reach their full potential while contributing to the continued success and development of the firm.

Our values

We're partnering
We look to work as a partner with you, sharing two-way feedback and ideas to help your success.

We're straightforward
We will come to you with clear solutions and recommendations that are easy to understand.

We're friendly
We want you to enjoy working with us. Our consultants enjoy building open and meaningful relationships with our clients.

We're confident
We have the skills and research base to provide you with advice that is well thought out and truly tailored to suit your needs.

How our culture enables us to promote effective stewardship

A core theme for our business is talking to our staff and linking corporate social responsibility to stewardship this way, with a strong focus on DEI and wellbeing. We've also recognised the importance of our planet through our Climate Pledge. By embedding these issues into our thinking and the way in which we run our firm, we ensure that our staff – those who work directly with our clients – can identify the actions we've taken as examples of leading practice. We report this activity separately in our annual Purpose with Impact Report, but we share some of the highlights below.

Being a B Corp

In 2023, we achieved B Corp certification and joined the B Corp Movement. Widely recognised as a 'gold standard' for social and environmental performance, B Corp certification is a rigorous and comprehensive process overseen by B Lab – a non-profit network dedicated to transforming the global economy to benefit all people, communities and the planet.

To become certified, businesses must demonstrate their performance and credentials across five key areas – Governance, Workers, Community, Environment and Customers – which are measured and evidenced via B Corp's Impact Assessment platform. B Corps also make a legal commitment by changing their corporate governance structure to be accountable to all stakeholders, not just shareholders.

Joining the Better Business Act coalition

During the year, we were also pleased to become a member of the Better Business Act coalition, a group that drives positive change across the UK business landscape. The group consists of almost 3,000 companies who recognise that the law has fallen behind business culture and who commit to a more responsible approach. The work of the coalition is valuable, ultimately encouraging businesses to operate in a way that benefits not only shareholders but also employees, communities and the environment.

Diversity, equity and inclusion (DEI)

Different perspectives, styles, skills, life and work experiences are the ingredients for a rewarding career for our people, better outcomes for our clients and becoming the firm we aspire to be. We're committed to ensuring that everyone working with or for Hymans Robertson is treated fairly, equally and equitably. We foster a culture of belonging. This commitment is set out in full in our Diversity, Equity and Inclusion policy.

In 2024, we retained our gold standard accreditation for the Employers' Network for Equality & Inclusion Talent, Inclusion and Diversity Evaluation (TIDE). The assessment process reviews performance across eight different aspects of DEI and required a detailed submission to evidence our activities in each area. There were only 25 gold standard recipients from 185 entries, and we were ranked fourth (but first in our sector).

Our Community Groups help support different communities by sharing information, learning and planning activities. Our groups include disability, working families and carers, neurodiversity, LGBTQ+, social inclusion and multi-cultural. Meanwhile, our DEI Allyship programme – supported and coordinated through our DEI Hub – builds understanding and empathy, while striving to make our work environment one where everyone can thrive. Each ally takes part in an annual learning programme, and our allies meet quarterly to review progress, supporting and sharing insights with each other.

We also incorporate the consideration of diversity into our manager evaluation process, particularly through our Responsible Investment rating. We were pleased to become formal signatories to the Asset Owner Diversity Charter during the year and look forward to working with the group during 2025 and beyond.

Carbon offsetting

In 2024, over 170 of our people took the opportunity to offset their family's personal carbon emissions – the cost of which is split equally between them and the firm. While our primary climate focus will always be to reduce our emissions and footprint, the matched offsetting scheme helps build climate awareness and engagement across the firm. During the year, we offset more than 3,000 tonnes of carbon emissions.

Hymans Foundation

Our charitable activities are principally delivered via the Hymans Robertson Foundation – funded by 2% of the firm's profits annually. The Foundation's 10-year goal is to support 10,000 young people into better financial futures, working with a number of charity partners. To year-end 2024, we distributed £1.2 million of grant giving. We report on the activities of our Foundation via its website.

How we've served the stewardship interests of clients

While this report illustrates our own stewardship progress, we've also been pleased to work with our clients to help them become better stewards. We were delighted that all the clients we supported in reporting under the Stewardship Code were successful in retaining their signatory status.

This report expands on our work in 2024 and focuses primarily on how we've helped our clients to achieve their goals, using a range of case studies and highlighting examples of work done by different consultants across a range of clients. These illustrate the breadth and depth of work that we've undertaken to help our clients improve their own stewardship outcomes. We cross-reference each of the six Stewardship Code Principles in Appendix 1.

Working with our clients

Our core value of partnering means we take time to understand our clients' needs and work with them to help achieve their stewardship – and broader – objectives. However, we recognise that those needs will continue to evolve; it's therefore vital that we also develop our approach and skillsets to provide both support and leadership.

Responsible investment issues are considered as a matter of course in our advice and discussions. The relevance to each situation will vary, but equipping our consultants with appropriate knowledge and skills, and ensuring that we provide information that offers context, helps them to exercise judgment. Further, we continue to invest in resource to directly support our clients' requirements, whether this be through consulting teams or working directly with clients as needed.

We also believe that we can provide leadership, and we've made significant progress in areas such as biodiversity and nature over the year, as evidenced within this report. By keeping all our stakeholders informed of our progress, and engaging with other leaders, we continue to serve our clients' needs.

Aligning our activity with what matters

While our clients' needs inform our activities, we can also help to shape agendas by considering the issues that matter to them. During 2024, we published our updated RI Mission Statement, which established our **ABC for a better future** framework. This sets out our broader ambitions, while providing a clear focus for how we support our clients by defining three pillars of activity.

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.

Our focus on climate issues is supported by our Climate Change Steering Group, which oversees activity across our firm, and by our Net Zero Working Group, which develops thinking on climate issues.

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.

Our Stewardship Working Group has been particularly active over 2024, particularly on our manager engagement programme but also in helping clients evolve their own engagement efforts.

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.

Our focus on these three pillars aligns with our purpose, our approach to stewardship and the broader goals of the B Corp movement. Through case studies and practical examples of our work, we'll illustrate the outcomes we've achieved over the last year.

Achieving net zero

We actively support our clients in the development and implementation of strategies that address climate-related risks and opportunities. We illustrate various of our activities below but also report further on our progress against our commitments under the Net Zero Investment Consultants Initiative (NZICI) in Appendix 2.

Helping clients understand the climate journey

We ensure that climate is integrated across our advisory process. During the year, we actively reviewed how we support clients in this continually evolving area. We holistically addressed our climate services and establish the support our clients need when navigating the transition to a low-carbon economy. We mapped out our view of a client's climate journey, setting out the questions we expect clients to ask and the support we can provide along the way.

Understanding the risks and opportunities	1. **Develop knowledge** 2. **Analysis of the baseline**
Making a plan to address them	3. **Set clear goals** 4. **Create a Transition Action Plan**
Effectively implementing the plan	5. **Reallocate capital** 6. **Focused engagement**
Assessing and communicating the plan	7. **Evaluating progress** 8. **Report to stakeholders**

Following this exercise, we've clearly supported clients along their climate journey, detailing our services and how these fit into our broader offering. Moreover, by mapping out a client's journey, we're able to better understand and assist clients at different stages to advise on a journey plan most suited to their individual needs.

One area where we've been particularly active is in the provision of training on climate issues. This has included delivering net-zero training for mature private DB schemes considering their endgame, client workshops that help clients develop net-zero ambitions, and providing climate content via our LGPS Online Learning Academy (LOLA) platform.

Prioritising activity using Climate Transition Action Plans (CTAPs)

We've been helping our clients put in place CTAPs for several years. These help clients understand the actions they need to take to meet their net-zero ambitions and establish appropriate workplans. As part of the net-zero journey, we also support clients by analysing portfolios for their net-zero alignment and by using our model net-zero portfolios to develop their investment strategies.

While CTAPs set out our clients' ambitions and expected actions, implementation lies in the capital allocation decisions that our clients make and the extent to which they – and those they delegate to – can hold others to account through their stewardship activities.

CASE STUDY

HELPING A CLIENT SET A CLIMATE AMBITION

Our client wanted to set an ambitious net-zero target and develop a net-zero-aligned investment strategy suitable for their scheme. To support framing the client's initial thinking and potential target dates, we carried out a net-zero training session with several of the scheme's stakeholders, including the trustees and company. This enabled the stakeholders to take real ownership of their net-zero strategy and build an appropriate knowledge foundation to frame their thinking – which was critical when creating the components of the CTAP. The training discussed the importance of interrelated issues such as nature-based concerns, like biodiversity loss, and the social aspects of the low-carbon transition.

The next stage helped our client understand their baseline and current path. This used traditional climate measures – such as carbon footprint and Weighted Average Carbon Intensity (WACI) – to assess their current position and compare the progress made from positive steps they'd taken over the past three years. This showed a significant reduction in carbon footprint over that period.

To support discussions on a feasible net-zero target date, as well as ambitious but credible interim decarbonisation targets, we provided the client with our forward-looking carbon pathway analysis, supported by input from other data sources such as the Science Based Targets initiative and the Transition Pathway Initiative.

OUTCOME

Following the training on various net-zero-related topics, having developed a greater understanding of the scheme's current position on climate risk and opportunity and analysed the current investment strategy's path, the client successfully built a CTAP to monitor progress against their net-zero ambitions. They recently received their first annual reporting against the CTAP targets and actions.

Developing climate-aligned portfolios

Over the last year, we've reassessed what we consider to be best practice across various asset classes (equities, fixed income and alternatives) to support the construction of our net-zero model portfolio. Building on our initial approach to model portfolio construction, we've taken a more granular approach to net-zero-aligned portfolio construction by considering client exposure to various asset classes, as well as examining the various best-in-class funds within that asset class's investment universe.

This enables access to a wider investment universe and funds with different targets and purposes, as opposed to a one-fund-fits-all approach.

The use of model portfolios provides direction to clients on the development of their approach to net zero. Embedding broader sustainability implications into our thinking offers further nuance and promotes dialogue around a broader range of factors.

CASE STUDY

EVOLVING A CLIENT'S PASSIVE EQUITY STRATEGY

Building on analysis undertaken for our client and their prioritisation of their passive equity allocations as an area of focus, we worked with them and other stakeholders to review the investment arrangements and help define an evolved strategy. We facilitated training and an examination of existing market offerings to support thinking on what an appropriate solution may look like.

We gathered input from stakeholders by way of a questionnaire to establish expectations, with views synthesised into a summary to support the dialogue with an existing provider. This dialogue also helped to prioritise the issues that would be reflected in the solution design.

We engaged in an iterative process with the provider to explore options that were tested with stakeholders, aiming to ensure that policies were being consistently reflected in decisions. Throughout this process, we drew on our own climate expertise and understanding of our clients' needs to help them evolve their approach.

OUTCOME

As at the year end, a solution had been agreed, with the expectation that this will be launched during 2025. This solution will shift the focus towards forward-looking metrics while also incorporating the client's own stewardship policy, thereby more clearly aligning their investments with their target outcomes.

We've worked with clients across a broad range of asset classes, with client capital being allocated to impact real estate, natural capital, forestry and renewable energy infrastructure. Fixed income has been a significant area of focus, where we've previously sought to allocate to sustainability-oriented fixed income and buy-and-maintain credit strategies. However, we're also working with incumbent providers to evolve new and existing fixed-income strategies in line with clients' evolving preferences.

Model portfolios provide our clients with direction on their journey to net zero

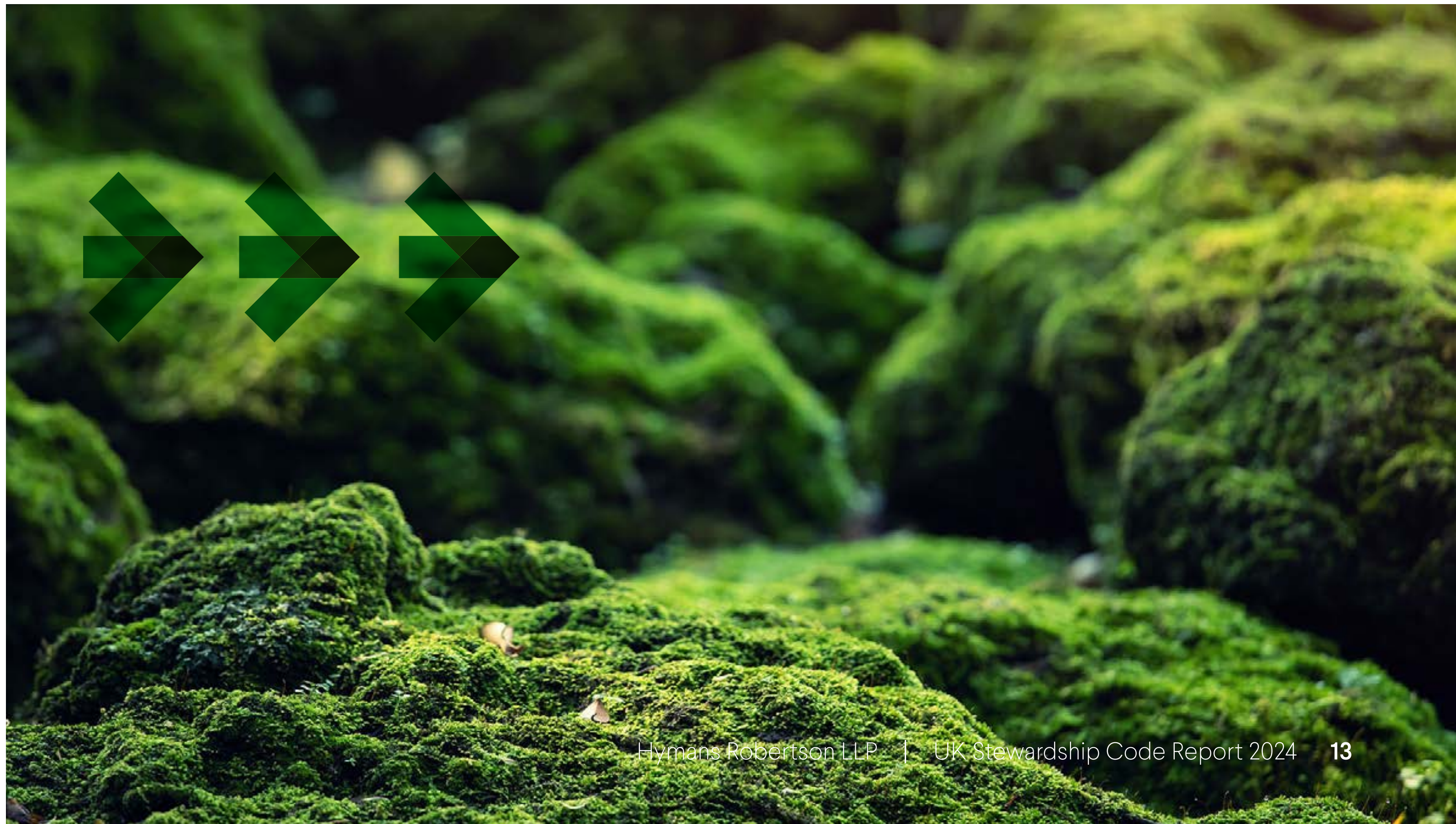
CASE STUDY

INFLUENCING THE DESIGN OF A CLIMATE-FOCUSED DEBT FUND

We were first introduced to the fund in early 2023, with the manager completing an RFP for a standalone project for a private debt manager selection. While we liked the way climate considerations were integrated, the manager and fund were not progressed in this exercise. We provided feedback on strategy allocation, geographic allocation and fees, which would make the fund more attractive to our clients.

OUTCOME

Changes that were made include a shift in the target allocations to focus on corporate direct lending, with other proposed allocations reduced or removed; a shift in the target regional allocation; and a reduction in fees to bring the proposals in line with market standards for the asset class. These changes made the fund a more attractive proposition, and the strategy has subsequently been positively rated.



Building understanding using climate scenario analysis

We recognise that scenario analysis is a useful mechanism for supporting clients in understanding the uncertainty associated with climate change, particularly in how they frame funding and investment strategy. Through the development of different methodologies, we've helped clients understand the potential financial impacts of climate change, as well as the drivers of change and how they affect each other.

We believe risk management should involve both qualitative and quantitative measures. Over the year, we continued to refine our narrative-based analysis, alongside quantitative analysis. Internally, we've worked with our investment and actuarial teams to provide training on climate scenarios, while also developing materials to support engagement with clients on this topic, particularly for our public sector clients as they approach their 2025 valuations.

Externally, our focus has been on educating clients on climate risk drivers and running workshops that allow clients to have broader dialogue on climate uncertainty and the risk management decisions that they can take. This, in turn, allows our clients to make sensible decisions around high-level funding and investment strategy, focusing on the issues that lie within their direct control.

CASE STUDY

EXPLORING NARRATIVE CLIMATE SCENARIOS

We ran workshops with several clients to help them build their understanding of interconnectedness, feedback loops and other behaviours within broader systems, so they can better understand how climate risk might manifest in the financial system. Rather than focusing on numbers and data, our approach has been grounded in the consideration of what the primary drivers of climate risk look like.

We give our clients examples of the narrative scenarios that we've built, to demonstrate different states of the world, what could happen and why it might happen. But we've also encouraged them to think about questions they might not otherwise ask, about the assumptions they're making and about the level of confidence they have in certain outcomes.

We encourage clients to think in different ways, to differentiate between risk and uncertainty and to consider what the drivers of that uncertainty look like. Then we suggest they ask themselves challenging questions to retain confidence in what they've already done to safeguard their pension arrangements – and to ensure they don't need to build in other buffers or protections.

OUTCOME

This form of scenario analysis can feel different, but we've found considerable benefits in that it:

- Allows us to talk to clients about concepts that they might be less familiar with – in other words, educating our clients, building more knowledge and creating more effective decision-makers.
- Gives clients more confidence to challenge things that they might not have challenged before, building a degree of robustness into decision-making processes.

We continue to believe that scenario analysis offers a mechanism for asset owners to understand the inherent uncertainty of outcomes over different time horizons. We will continue to evolve our approach over the coming years to ensure that we can support our clients in developing their funding and investment policies.

Helping clients understand what matters

We continually work to help our clients better understand their investment arrangements, noting the increased reporting on climate issues and that the growing number of climate metrics included in reporting requires interpretation. We help our clients understand which information can be decision useful and what matters, particularly where there is conflicting data.

A challenge lies in the disparities of language, even across collaboration partners. One way we've addressed this is by implementing a single climate framework that would allow us to have a common taxonomy, and which sets a baseline for future reporting. This has also formed a basis for setting climate targets and ambitions, ensuring a consistency of approach.

Meanwhile, we've evolved our own climate reporting to incorporate things that matter to clients and against which they can act. This emphasises the identification of engagement targets in portfolios.

We want to ensure our clients understand what they're being shown, what it means and how we reached that conclusion. This comes from our own deep understanding as well as a great deal of experience in calculating and presenting climate metrics to clients.

CASE STUDY

UNDERSTANDING CLIMATE DATA

As part of our annual climate risk report for an LGPS client, we calculated our set of climate emissions figures (scope 1, 2 and 3 emissions). But the client's pool also published a report, which had quite different numbers. We saw an increase over the year while the opposite was being shown by the pool. This necessitated a deeper dive into understanding the trend.

OUTCOME

Exploring this issue, we established the differences were due to different subsets of scope 3 emissions being reported – the result was entirely different conclusions based on the different sets of climate metrics reported. This example illustrated the challenge of climate reporting, both in the way that metrics are reported and presented. The question is: do all the stakeholders understand what they're looking at? It's easy for something to look either odd or give completely the wrong impression, but you need to dig a bit deeper and understand why.

Continuing to push for better data

Since late 2021, we've engaged with managers of private market assets on behalf of our clients to ensure that they're collecting and reporting appropriate levels of climate data on their underlying assets. Recognising the gaps in reporting, we've encouraged the development and implementation of processes to understand climate-related issues, to seek better and more detailed reporting and to encourage engagement between asset owners and asset managers on climate-related issues.

We completed our third survey during 2024, which covered 145 (2023: 157) funds and 54 (2023: 57) asset managers. We found significant improvements in the response rates within both private equity and infrastructure. Across property and private debt, however, response rates for the provision of data fell. While we've seen improvement in the rates and levels of climate disclosures, these are not yet at a level we believe to be sufficient.

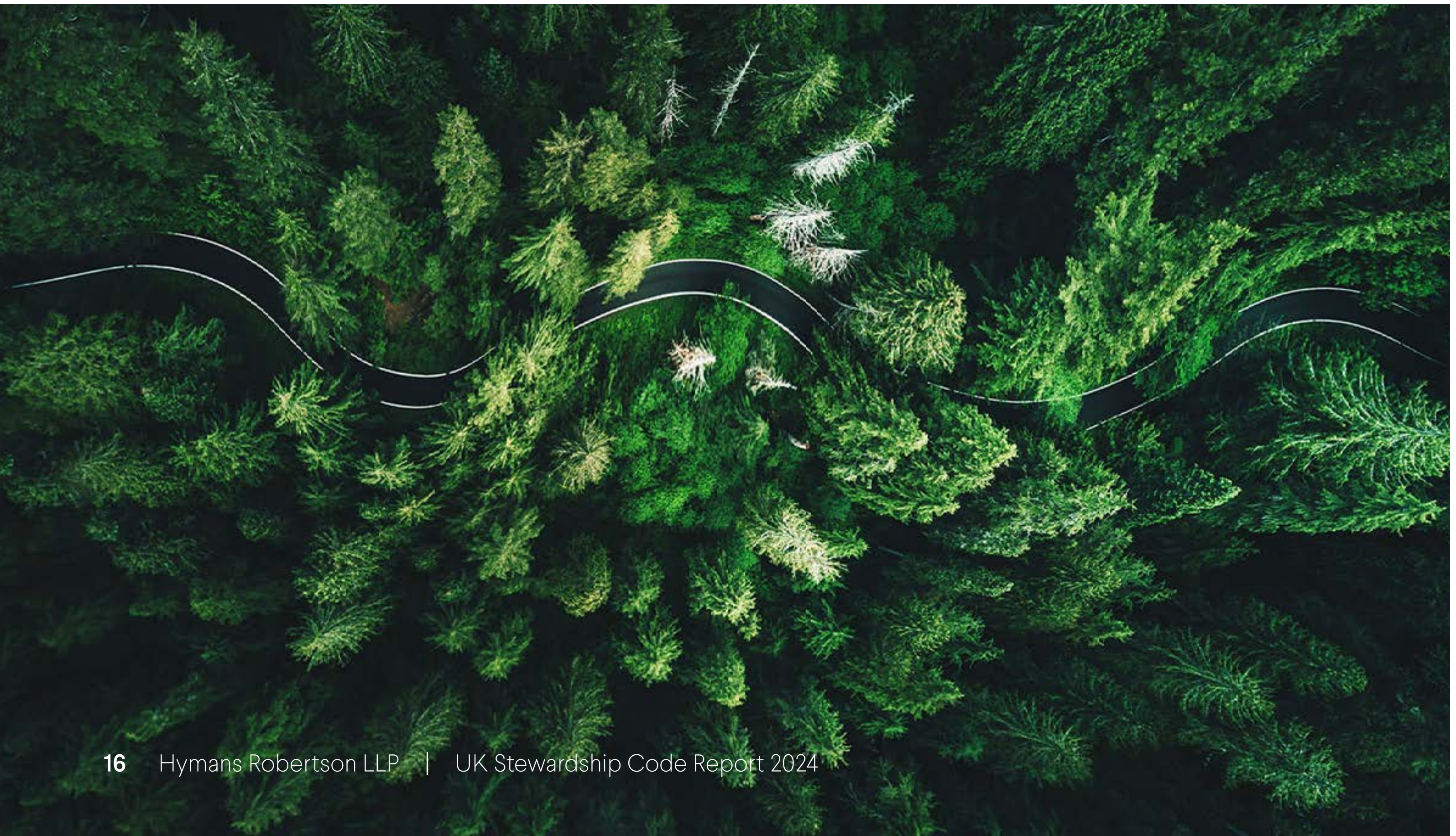
The outcomes of this survey continue the same themes as previous years: pushing and engaging with managers for better data, particularly where standards have fallen. But we've also identified further questions to ask in coming years – shifting the focus from backward-looking metrics on emissions to include portfolio alignment metrics that enable better understanding and decisions by our clients.

In addition, we're expanding the survey remit to understand new asset classes that are being considered by our clients and how these compare to the 'typical' private market assets invested in by schemes. This will better support our advice and future investment decision-making, by way of which we aim to support the transition to a low-carbon future.

Over 2025, we will repeat this exercise. Recognising that standards must improve within the industry, we'll focus on using disclosure as a metric to inform our research of, and engagement with, asset managers. More specifically, we can use CTAPs to address this issue. As part of this service, for example, we incorporate engagement and formalising objectives, which can include pushing private market managers to establish reporting plans if reporting is insufficient.

Addressing nature-related risks

We recognise that climate change cannot be separated from the consideration of nature and biodiversity-related risks. Therefore, over the course of 2024, we increased our focus on these subjects through the provision of education, the evaluation of emerging strategies and via thought leadership. We've showcased some of our work in this space in our Biodiversity and Nature spotlight section.



Being better stewards

Engagement is a critical part of stewardship that's becoming more important as political and regulatory pressures impact the role of asset owners. Engagement means having active dialogue with asset managers or companies to influence their policies and practices and to improve long-term performance and sustainability.

We continue to believe that, by actively engaging, investors can influence behaviour and ensure that good risk-management principles are upheld, even in the face of external pressures. A proactive approach to engagement helps maintain long-term value, preserve asset owners' rights and align investments with expectations.

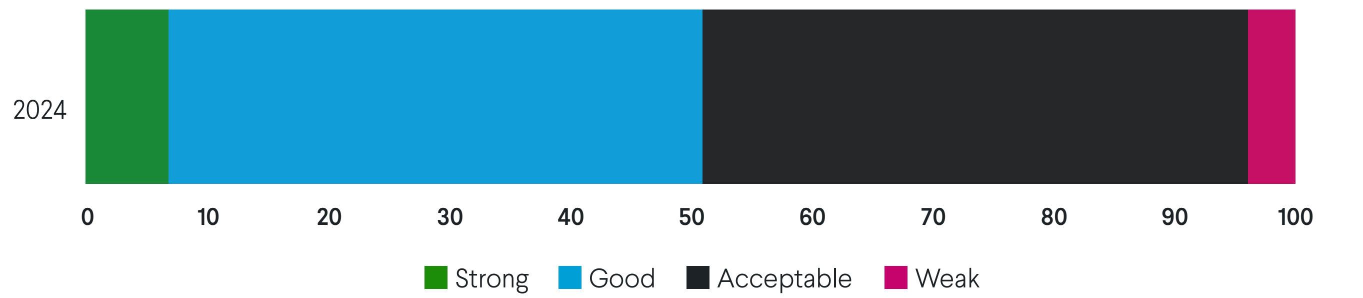
Assessing asset managers' practices

We use our RI Ratings framework to assess and consult with clients on managers' RI capabilities. Our framework defines what we view as market standard (acceptable) practices, which 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. Within our framework, we also define what we consider to be market-leading standards.

Assessment against the framework is used to assign a rating, with any investment manager rated 'weak' not generally being recommended to clients. While our RI rating considers an investment manager's overall approach to responsible investment, the ability of the manager to consider ESG factors 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.

We rated over 100 managers during our 2024 update, with only 7% being assessed as 'strong' against our framework criteria. This continues to feed into both our research processes and our ongoing manager engagement programme, which focuses on improving manager capabilities and client outcomes.

Breakdown of RI ratings



CASE STUDY

USING OUR RI RATINGS IN MANAGER RESEARCH AND EVALUATION

Over the course of 2024, our research team ran a universe search for asset-backed lending managers. This involved sending out a detailed questionnaire, from which we shortlisted several managers for deep-dive calls as part of the due-diligence process. A key topic in these meetings was ESG and the integration of responsible investment, so a member of the RI team joined the research team for these discussions.

As part of the due-diligence process, RI ratings were completed for each of the managers shortlisted, looking at their RI capabilities at a firm level. While none of the managers scored 'weak', one manager scored a low 'acceptable' rating. For this reason, further engagement took place with the manager on RI issues, with feedback provided. Our aim was to ensure that the manager committed to improving their RI capabilities and provided confidence to the team recommending the manager for client investment.

The RI rating will be reviewed after 12 months, with progress expected on key areas.

Holding managers to account through our engagement programme

Hymans Engage is the new name for our primary in-house engagement programme. We help asset managers meet client expectations regarding RI practices, which are ultimately designed to improve financial outcomes.

Over 2024, our engagement focused on managers' ambitions. We've argued that where managers limit the ambition of their stewardship, they should do this for clearly articulated, evidence-based reasons. We've pushed managers to be more ambitious, and we've sought tangible evidence that their stewardship leads to meaningful action/results. Our approach to engagement is illustrated below:

Manager engagement approach

Policy review: We assess changes to manager policies to understand manager ambition.

Voting practices: We review manager voting activity on different topics.

RI ratings: Our detailed manager evaluation tests expectations and commitments.

Manager engagement:

- Assessments are used to create engagement objectives.
- We talk to managers to establish their efforts against objectives and create change.
- Engagement activity and outcomes achieved are captured and can be reported to clients.
- We provide feedback to managers on areas of concern.
- Progress is expected to be evidenced through changes to our RI ratings.
- Bespoke programmes can be created where desired.

Aligned with our RI Mission Statement, we've had dialogue on climate change, focusing on managers' policies relating to fossil-fuel facilities, and nature and biodiversity, seeking to understand the extent to which managers recognise the systemic risks and are implementing plans/policies to combat biodiversity loss.

Our stewardship specialists have had focused discussions with 17 asset managers, holding over 30 engagement meetings over the last 12 months. Our objectives from these meetings have been to understand the extent of manager ambition to address climate and biodiversity risks and to press for the adoption of more ambitious stewardship policies. These meetings have yielded various insights, including the following broad observations.

- **The ambition of asset managers to drive change is highly varied.** All managers recognise climate change as a risk to assets, and that driving change is one way to support long-term capital growth. The voice of the climate-aware asset owner is not always echoed by asset managers.
- **In stewardship terms, nature lags climate.** Most large asset managers have well-developed climate stewardship functions, but policy relating to nature and biodiversity lags. Asset owners who recognise the importance of addressing biodiversity loss don't always have their expectations met by managers.
- **Local regulation can hinder managers.** Some managers interpret local laws to mean that they're unable to demonstrate proactive or influential stewardship. Asset owners must be clear on the extent to which managers can represent their views on climate change.
- **Rhetoric is not always followed by action.** Public announcements – particularly on ESG issues, initiative participation and reporting – don't always stand up to scrutiny. Asset owners must monitor and challenge initiative participation and overall stewardship approaches to ensure their interests are being acted upon.

Beyond these general conclusions, we're already improving financial and real-world outcomes through our engagement. Six of the managers that we engaged with have reported changes to their stewardship approach and attributed those improvements at least in part to our engagement. We view this as positive and judged that two improvements were particularly material for our clients.

CASE STUDY

ASSET MANAGER INCREASES AMBITION OF STEWARDSHIP PHILOSOPHY

An asset manager (AUM of £100bn–1,000bn) previously had a passive stewardship philosophy, typically voting only in line with company management recommendations. Our engagement challenged that weak ambition, particularly in relation to climate change, exploring the position of the firm regarding the expansion of fossil-fuel facilities.

OUTCOME

Following engagement, the manager reviewed its approach and is more willing to be an 'active owner' of capital, taking stronger action that may disagree with company management. It now addresses real-world outcomes, eg climate change/methane flaring. The manager also noted that our engagement with them played a significant (but not the only) role in this change.

Heading into 2025, our activity will be driven by the recent actions of managers rescinding their commitments and altering policies. Our immediate priority will be climate change. We want to ensure that managers are still focused on the need for long-term transition and holding companies to account.

Supporting our clients in creating their own engagement programmes

We continue to support clients in their direct engagement with asset managers and have helped them to develop bespoke engagement programmes. Crucially, these engagement programmes are outcomes based. This involves not only developing agendas for discussion with asset managers but also logging the outcomes of these discussions and subsequent expectations, so that progress can be monitored over time.

We have structured these engagement programmes by asset class, and we've defined views of best practice across ESG integration, stewardship and reporting to challenge managers to improve standards where they are not in line with expectations and/or meeting market standards. These programmes are further tailored to assess whether stewardship activity is aligned to the clients' RI beliefs and priority themes while being supportive of other commitments (eg an asset owner's net-zero ambition).

CASE STUDY

HELPING IMPLEMENT A CLIENT-SPECIFIC PROGRAMME

We have worked with a large client to create and support the implementation of an ongoing annual engagement programme across their asset manager base. We work with the client to create agendas, document dialogue and record outcomes for this programme, illustrating part of this below.

CONTEXT: EMERGING MARKET EQUITY MANAGER ('MANAGER B')

Given emerging markets (EM) typically have lower data availability and, therefore, lower ESG ratings than developed markets, discussion focused on how the manager considered ESG integration in EM. The manager commented that it did not rely on ESG data and ratings from third parties but has built its own fundamental view on how EM companies are positioned in terms of both risk and opportunities.

Manager B views its role engaging with EM companies as critical to improving corporate behaviour and addressing ESG risks in these regions. It approaches ESG integration via both bottom-up fundamental analysis and top-down country allocation.. Fundamental analysis includes identifying material ESG factors, analysing the impacts of these factors on the company's business model and quantifying the impact of these value drivers in the overall valuation of the company.

CLIENT'S ASSESSMENT: SATISFIED/FOLLOW UP

We documented that the client was satisfied that material ESG risks are effectively captured in the due-diligence stage of investment decision-making, with the manager clearly able to demonstrate, with examples, where a potential investment was not made due to ESG-related issues. Follow-up focused on gaining an understanding of how Manager B monitors *emerging* ESG risk within the portfolio, including the structures and processes in place to identify these risks.

Helping our clients ensure alignment of expectations

Over 2024, we've continued to work with our clients to understand the extent to which their own stewardship policies and expectations are aligned with those employed by their managers and other delegates. This requires a clear definition of a client's expectations, assessment of manager policy and scrutiny of their activity – these areas have formed the basis for our support in improving alignment and achieving stewardship outcomes.

We support clients in the routine review of their RI and stewardship policies, increasing the focus on clarity of objectives and measurability. Where investors establish climate or net-zero ambitions, engagement is a vital means of driving real-world change and has helped them to focus discussions with their managers.

Secondly, as manager policies evolve over time, our team has scrutinised policy changes to assess what is being done in practice and communicate this clearly to investors.

Finally, our reviews of voting outcomes span a range of themes to support this dialogue, highlighting areas where managers have voted for or against resolutions on topics of interest. Additionally, we highlight potentially significant votes in our quarterly RI News & Views publication and draw on the work undertaken by other industry bodies such as the Local Authority Pension Fund Forum (LAPFF) and ShareAction to identify votes of interest. Our goal remains to help our clients ensure that stewardship undertaken in their name is aligned with their expectations while supporting their challenge of managers.

CASE STUDY

ENSURING CLIENTS ARE CLEAR ON WHAT THEY WANT TO ACHIEVE FROM STEWARDSHIP WHILE USING THE OPTIONS AVAILABLE

In recent years, asset managers have increased the options for investors to select their own voting arrangements. These often differ by manager or fund range, posing a challenge for our clients in terms of selection and monitoring. We supported an LGPS client with a detailed review of the options presented by its managers, to ensure that they were upholding the same high standards that the client expected.

A STRUCTURED APPROACH TO STEWARDSHIP: FORMALISING POLICY AND IMPROVING MANAGER ALIGNMENT

Building on their established stewardship and escalation policy, we helped this client assess voting options for one of its equity managers and supported discussions at a face-to-face meeting. Following review of the manager's policy options, the client selected a third-party policy that most closely aligned with their views and engagement priorities.

A secondary exercise involved exploring a different arrangement with another of this client's equity managers, implementing a low-governance approach that builds on the manager's high stewardship standards but allows the client to cast individual votes in line with its broader collaborative efforts – a step above what many of its peers are currently doing.

A final assessment of the managers evaluated how these voting policies could be harmonised. In the context of increased pooling for the LGPS, input to RI committees is expected to be an increased focus for this investor in the coming years.

MAKING A CHOICE: CONSIDERING ALL OPTIONS CAREFULLY

During our work, one of the client's managers noted the potential disadvantages in picking one's own voting policy. The manager prefers to use voting and engagement hand in hand – meaning a selection of another policy would separate engagement and voting activity, potentially weakening the manager's engagement. On balance, the client prioritised voting alignment with its own high expectations and will continue to monitor the effectiveness of the manager's engagement activity.

OUTCOME: IMPROVED ALIGNMENT

Based on a series of meetings between our client and a range of stakeholders, the options available were assessed and considered, and alignment of their expectations and stewardship activity was improved.

CASE STUDY

ESTABLISHING ENGAGEMENT PRIORITIES FOR A DC MASTER TRUST

We prepare an annual report that compares our client's holdings to a benchmark and assesses their exposures to 'intensive sectors' – these include oil and gas, autos, paper and shipping, as classified by Transition Pathway Initiative (TPI), which ranks companies in these sectors. In our most recent report, we found the client had much less exposure than a comparable benchmark: about 50–55% of the index was in these intensive sectors, whereas the client's exposure was only 38%. We then established engagement priorities for firms within those intensive sectors, rating these holdings from zero to four stars in terms of their ESG credentials. For firms that are zero or one star, we suggested the client engages with their managers about the justification for holding these companies.

We also use ShareAction's watchlist of key shareholder votes over the year. We cross-refer this list to the companies in the client's portfolio, compare the portfolio exposure against the index and establish what the resolution was. We group these resolutions into four categories, according to the client's interests: climate change, human rights, health and biodiversity. We then look at how the underlying managers voted against each issue, comparing that against ShareAction's recommendations, to feed into the engagement priorities.

OUTCOME

We've created a bespoke process for a DC master trust provider to establish its engagement priorities, with strongly positive feedback from the client.

Creating focus on issues of interest

We believe that stewardship efforts are most effective if they're well targeted through the identification of objectives and target outcomes. We reflect this not only through the Hymans Engage programme but also in the ways we've worked with clients to improve their reporting and create more targeted dialogue between clients and their asset managers.

Changes to our reporting have facilitated this, but we've also worked with several clients to create focus lists that support engagement with asset managers and stewardship service providers. We believe that by selecting a small number of companies or investments around which dialogue can be focused, our clients can better understand the actions that are being taken and scrutinise the effectiveness of outcomes in more detail.

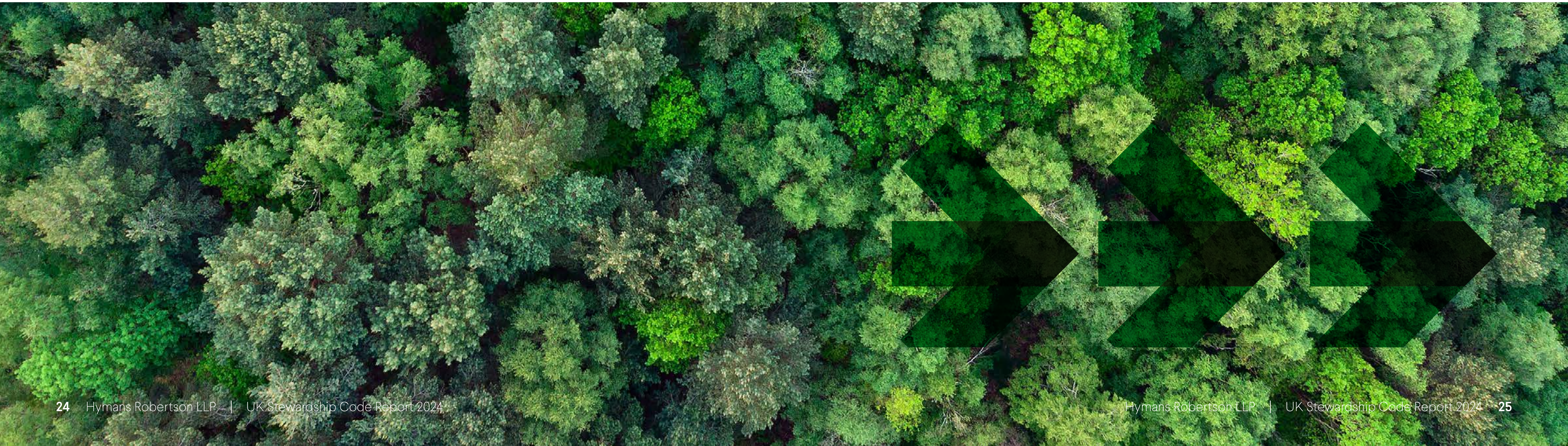
CASE STUDY

CREATING A CLIMATE-FOCUS LIST

Our client wanted to make the best use of their governance budget, focusing their climate engagement with their stakeholders and service providers on a smaller number of organisations. Our goal was not just to select companies based on a single criterion but to use multiple criteria to create a diverse list that would allow dialogue across a number of issues. We helped our client curate a focus list of companies to monitor, based on factors including emissions intensity, portfolio weighting, sector, TPI score and engagement status.

OUTCOME

By working with multiple factors, we've been able to support the client in understanding a broader range of climate-related issues. We're working to evolve the focus list to create KPIs that can be actively monitored to allow engagement success to be tracked.



Encouraging policy advocacy

Within our RI Mission Statement, we note that our global economy relies on interlinked social and environmental systems. 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.

We also recognise that policy advocacy is one of the key levers available to asset owners for influencing global government policy. Stable and consistent policies focused on ensuring a rapid but orderly transition to a low-carbon economy are essential for both companies and investors, allowing for long-term investment decision-making and greater certainty of outcomes.

Against this backdrop, we again wrote to our clients to encourage them to sign the 2024 Global Investor Statement to Governments on the Climate Crisis, noting that it called for government action to create policies that enable and encourage private-sector investment in the transition to a net-zero economy.

Several of our clients subsequently signed the statement in response to our encouragement, adding over £25bn of assets in support of this initiative.

Supporting industry efforts to improve stewardship

We have been active in our engagement with industry and in supporting broader efforts to improve stewardship. Examples of our contributions over 2024 included:

- We engaged with the Financial Reporting Council on their review of the UK Stewardship Code, contributing to their initial evidence gathering. We also published guidance for asset owners on what you need to know as a Stewardship Code signatory, sharing our eight key learnings from working through the reporting process.
- We contributed to the ICSWG response to the Vote Reporting Group consultation on their proposed reporting template.
- We provided input to proxy voting advisers on the development of their benchmark voting policies, which are used across the industry.

Creating positive impact

Assets are invested to generate economic return, but many assets also directly or indirectly affect society and the environment. We define impact investing as investing where the investor materially and measurably makes the world a better place as a result of the investment process.

Being clear on the desired outcomes is essential for creating impact. As detailed in our recent article, we help our clients better understand how they can have impact through education and goal setting, building and implementing strategy to allocate capital, and exercising stewardship to create positive real-world outcomes, all while continuing to meet their fiduciary responsibilities. We also support our clients in monitoring impact outcomes.

Assessing the impact credentials of potential client investments

Building on our sustainability evaluation framework that we created during 2023, our research team has developed our own assessment framework to test the impact credentials of potential client investments. This framework is applied within our research process and is a consideration in the rating of new products where they are put forward for inclusion in an impact-oriented strategy.

Components of our impact framework:

- Theory of change, additionality and materiality
- Measurability
- Room for further funding
- Unintended consequence

We've taken an asset class by asset class approach to impact research, and we've identified several suitable impact strategies. For example, we applied our framework to evaluate a UK impact property strategy, noting that the manager clearly demonstrated priority areas of focus with defined metrics in place to allow impact to be measured. Alongside the fundamental research assessment of the strategy, this gave us confidence in recommending the strategy to clients.

Building understanding of impact

We see education as a critical element of all investment decision-making – particularly in the consideration of impact investment, where asset owners need to determine where their capital will have the greatest effect through theme and asset selection, while also considering how they can determine the level of impact they may have. We've run various training sessions with clients over the year, seeking to ensure that clear actions ensue, and that the consideration of impact can be built into subsequent dialogue on investment strategy.

Supporting client investment decision-making

While many clients are beginning their impact journey, some already have well-established commitments to impact investment and a desire to extend their reach. This may require waiting for the right opportunity in an asset class that fits with our clients' broader investment strategy, recognising that timing is a critical component of decision-making.

CASE STUDIES

WORKING WITH CLIENTS TO MAKE IMPACT ALLOCATIONS

Our client sought to allocate to a real estate strategy, wanting to weave in impact credentials by making sure they achieve additionality, intentionality and measurability, but not to the detriment of returns. We explored a range of social and environmental themes with our client and how they may be translated into real estate investment, concluding that climate change and the drive for energy efficiency offered the more attractive opportunity.

Working in conjunction with our client and their pool, we were able to help identify and test an appropriate solution, gaining comfort that the themes being targeted and the financial return sought could be achieved. Further, by collaborating with the pool, our client was able to help create a solution that was more broadly available.

ENSURING THAT DECISION-MAKERS FULLY UNDERSTAND THE INVESTMENT

One client had previously determined their desire to invest in both social and environmental-related infrastructure. While they appointed a renewable infrastructure manager, it was agreed that social housing would be revisited to allow our client to build comfort with both the asset class and the selected manager.

WAITING FOR THE RIGHT STRATEGY

A client has been revising their strategy to allocate to private debt. The client wants to allocate to an impact-oriented strategy to supplement existing impact-oriented real-asset allocations. We urged caution in the approach to ensure that an appropriate solution could be identified, with the client now poised to make the allocation to a climate-focused debt fund in early 2025.

Using engagement to monitor and encourage impact

We recognise that there are several routes to achieving impact. Beyond channelling capital towards investments with a measurable outcome, engagement can also be a route that creates change. While our own engagement programme allows this, we also see impact through our work with clients.

CASE STUDY

EVOLVING STEWARDSHIP EFFORTS TO ASSESS IMPACT OUTCOMES

We work with a client to implement their ongoing stewardship programme, meeting at least annually with all their managers. Preparation for engagement meetings includes a top-down and bottom-up assessment, and agendas seek to establish the extent to which managers are integrating our client's criteria into their processes.

One meeting during 2024 was with a manager that straddles infrastructure and property assets, where there is a small allocation to an impact strategy. While impact outcomes were not previously discussed, we expanded our client's engagement to the progress being made on impact targets, and to what extent the manager is engaging companies on the relevant areas. Our goal is to gain comfort that our mutual client is getting the desired outcome both from an impact and financial perspective.

OUTCOME

Dialogue initially focused on establishing alignment between the client's principles and the manager's implementation. However, this has evolved towards testing whether expectations are being met, and we continue to explore how we can develop this form of impact engagement and monitoring activity.

We help clients understand the impact that their investment will have.

Helping our clients engage with RI

Beyond our three pillars of responsible investment lies the day-to-day governance activity with which we continue to support our clients. While reporting is one aspect of this support, we help our clients address other issues that arise.

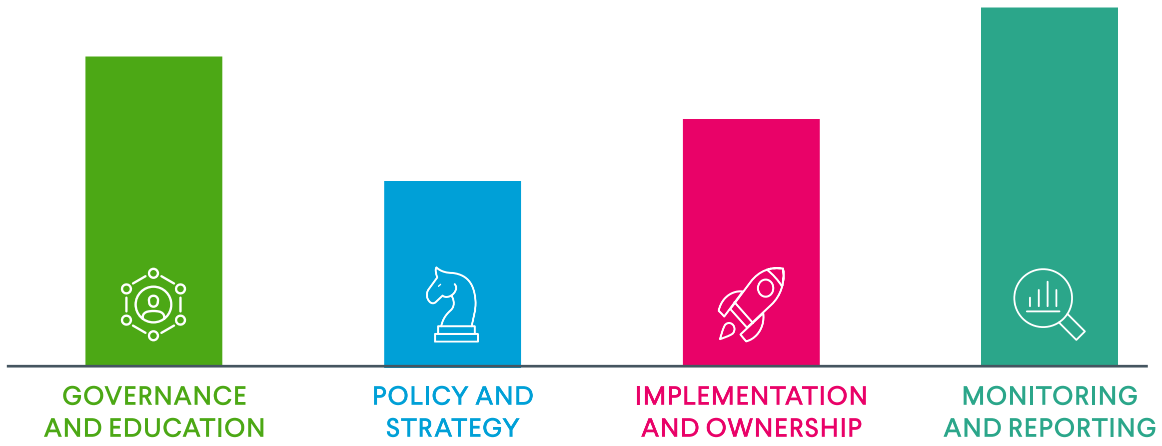
Developing our RI Health Check

The RI space is dynamic, and it can, at times, be challenging for our clients to effectively navigate the developing landscape when setting goals, understanding regulatory requirements and identifying knowledge gaps. To support our clients in this area, we've developed our RI Health Check. Its aim is to encourage asset owners to consider how they can integrate RI further into their processes and practices.

Our RI Health Check is powered by an online questionnaire from which we produce an output report, assessing practices across four areas of scheme governance and education; policy development and strategy; implementation and ownership; and monitoring and reporting.

In doing this, our aim is to help our clients understand where they are focusing time and the issues that are being considered under each step. For example, if resources are primarily devoted to monitoring and reporting, it may be that time needs to be redirected towards the exercise of ownership rights. By doing this, we help our clients establish a clear balance in their efforts and understand how their activity can be more effectively channelled within their governance budget.

We convey our assessment through a simple score, 'RI Health', and give an indication of how clients stack up against all the activities they could reasonably be taking across four areas:



RI Health thus gives a simple benchmark for our clients' progress and allows them to assess themselves against others who've completed the same assessment.

CASE STUDY:

USING RI HEALTH TO INFORM POLICY DEVELOPMENT

We recently worked with a client that wanted to follow a 'back to basics' approach to reviewing their responsible investment policy and activities. One of the challenges the client faced was the visibility of all the activity that was being undertaken. As part of the training preparation, we asked the client to complete the Health Check questionnaire, which we then evaluated and presented back to them during the discussion.

OUTCOME

The RI Health Check was useful in highlighting the range of activity being undertaken by the trustees and in noting where there were apparent gaps in their activity. Digging into these gaps highlighted that much of the activity was being undertaken by their delegated provider on their behalf; however, the activity was not as immediately visible to them. This highlighted the need for clearer communication and a focus on the broader approach to stewardship across all stakeholders.

Supporting clients when addressing moral issues in the face of public scrutiny

Growing global tensions have increased the scrutiny placed on many clients, particularly to the extent that investments have some association with contentious issues. One area of focus over 2024 was the conflict within the Occupied Palestinian Territories (OPT), where our public-sector client base has seen their investment portfolios being actively scrutinised by external stakeholders and decision-makers challenged to exclude investments.

We've worked with a number of our clients on this, helping them to understand their exposures and facilitating discussion on the issues and potential approaches to policy development, the reasons why companies are being associated with the OPT and the challenges in using external data sources to create policy.

These topics create challenging discussions about what the right approach looks like. We've found that it can be easy to rush into the development of policy and that the implementation of policy can consequently be difficult. But discussion and debate are always preferable to ignoring the issue, even if decisions are not made quickly.

Assessing fiduciary managers on responsible investment

Our fiduciary oversight team works with clients who have appointed a single third-party fiduciary manager to take investment decisions on their behalf. This often involves the delegation of responsibility for stewardship activity and the introduction of a further gap between asset owner and the underlying assets. Our role here is to help our clients scrutinise the actions of their fiduciary manager and help hold them to account.

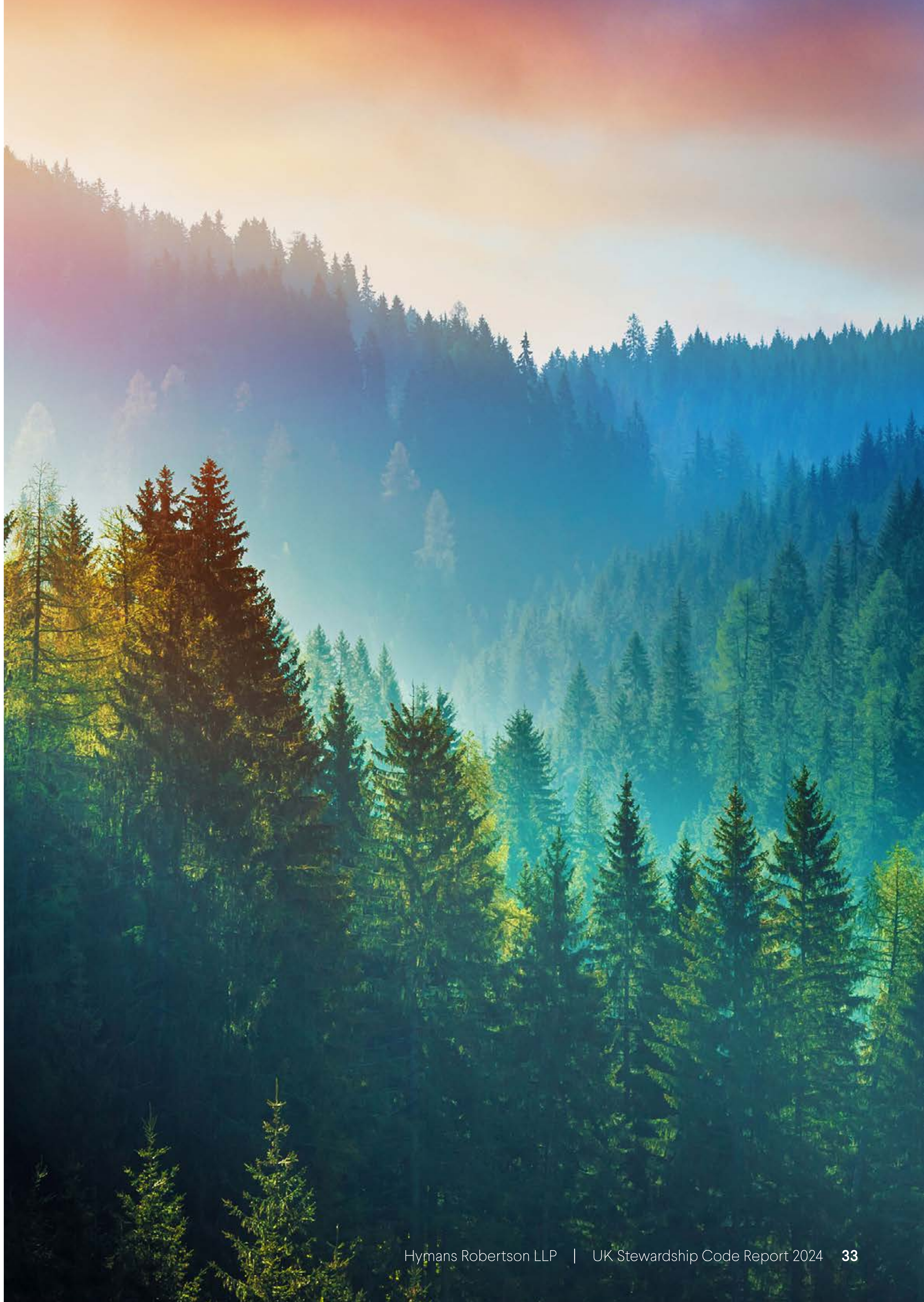
Our focus over 2024 has been on four issues: **net zero, biodiversity & nature, social issues and stewardship & engagement**, and we've engaged with all fiduciary managers to understand their own actions. This has allowed us to identify common findings and areas of concern/monitoring, which we've fed back to both fiduciary managers and clients.

For example, within social issues, we noted that a number of managers had identified AI as a theme of interest, with many having taken steps to add it to their scrutiny and engagement process. This allows us to differentiate the activity of managers and market trends, supporting our clients in their oversight.

Supporting our clients by answering their questions

Our clients have a varied approach to sustainability and stewardship issues, and we structure our work and advice to meet their varied needs. While the examples set out above offer insight of how we have evolved our services over the year and addressed client needs, we briefly outline some other questions that have been asked – and answered – over 2024.

How do we...	What we did
...develop an approach to fossil-fuel exclusions?	We've undertaken detailed assessment on the implications of applying fossil-fuel-related exclusions. We provided analysis and comments on the practical aspects such as feasibility, transaction costs and potential performance impact for each asset class. We also looked at second-order effects, such as bank and insurer ties to fossil fuels, which are not excluded through typical measures.
...build our understanding of social factors?	Following the draft guidance from the Taskforce on Social Factors, we have developed training materials to build understanding of the subject, including a focus on modern slavery. We've delivered training internally and to clients to help them understand the actions that can be taken.
...assess our exposure to deforestation?	We've used data from MSCI and Forest500 to assess exposure to deforestation-related activities and help clients prioritise areas of focus for their stewardship efforts.
...understand our alignment to net zero?	We reported on carbon pathways for our clients, reviewing their net-zero strategies and interim targets. The carbon pathways analysis informed the clients' decisions on how to adjust targets in light of their positions and progress to date.
...rethink our approach to net zero?	We worked with a large master trust to create a net-zero investment strategy that was unconstrained in its approach. This included how to structure listed equities and the role of private markets in the net-zero journey.



Market-wide and systemic risks

As investment advisers, we're aware of the multitude of risks that markets, institutions and the global financial system can present. But we're equally aware of the importance of building sustainable solutions to long-term problems. We have three routes for the identification of emerging systemic risks and the consideration of how clients may understand and mitigate these.

We recognise that this approach will lead to areas of overlap. For example, the manifestation of climate-related risks that may be identified through long-term scenario analysis may also be discovered in our assessment of capital markets.

Capital market led	We have a Capital Markets Oversight Committee in place to evaluate the outlook for different asset classes and markets through a defined framework that considers a range of fundamental, valuation and technical drivers.
Stewardship led	Our Stewardship Working Group has developed an approach to theme prioritisation, which considers potential systemic risks through the lens of 'impact cost-effectiveness' alongside issues that may be of direct investor interest.
Climate scenario led	The development of our approach to climate scenarios considered the broad drivers of climate risk, taking a systemic perspective. Our narrative-based climate scenario methodology considers five separate long-term risk drivers and their interactions in our work and client advice.

A key consideration for us and our clients is financial stress, which we monitor using a bespoke indicator. This captures market information on key risks spreads, volatility and issuance to inform thinking. We also make use of broader market tools such as the Bank of England Exploratory Scenarios, which we have deployed to help clients understand potential market risks.

Our views are communicated both internally, through regular briefings for consultants, and externally to clients, through our quarterly Capital Markets Update, Monthly Market Brief and InflationWatch publications and via regular dialogue with our consultants.

Geopolitical risks

We monitor geopolitical events and the potential impact that policy change may have on both short-term decision-making and long-term policy around sustainability issues. We place value on being able to share our thinking with our clients through a variety of media. Supporting this are various periodic publications, many of which directly focus on stewardship issues.

We were cognisant of the potential impact of political change on climate policy, with more than 70 countries taking to the ballot box. Our thoughts were presented in an **article** exploring the impact of populist policies. As the risks highlighted in our article became manifest, we have continued to focus our efforts to influence climate outcomes on manager engagement and, where possible, through policy advocacy. Further, the changing political environment has become a growing factor in our capital markets outlook.

Artificial intelligence

Artificial intelligence (AI) has experienced an explosion in capability and, consequently, attention from investors over recent years. It already threatens to be a disruptive force, creating potential value for investors by also having consequential impacts for people. Potential benefits include improved productivity and management in areas such as logistics, healthcare and financial services. But there are also risks that need to be considered, including the creation and propagation of misinformation, biased algorithms leading to discrimination, and a lack of transparency in decision-making.

To support our clients, we've monitored stewardship activity between asset managers and companies, particularly how an initial wave of shareholder resolutions was received and voted upon. We've also sought to educate our clients on the emerging risks arising from AI and are building the consideration of AI issues into our broader investment research.

Climate change & nature

Heping our clients understand climate-related risks and build more resilient portfolios is a core consideration. We continue to build our understanding of how climate change could impact the financial system and how risks may manifest for asset owners, and we develop our advisory services for clients accordingly. Examples of our activity are set out in pages 38 to 40, and in Appendix 2.

We recognise that climate and nature are interconnected risks and have also focused on how clients can better understand nature and take action to address this. Our 2024 spotlight is on the actions we've taken to understand and address biodiversity and nature-related risks.

Emerging risks

Beyond our risk management framework lies the consideration of new and emerging risks. Understanding risk lies at the heart of our business, and we frequently share thinking on lesser appreciated issues that may manifest in time. One such area is the issue of health and wellbeing. This affects not only the longevity of pension scheme members but is also an area of potential risk for investors.

We often explore these issues through research and dialogue, highlighting areas of concern and potential lines of enquiry to clients. For example, through our Hymans Robertson On... **podcast** series, we explored the topic of vaping, where long-term health impacts are largely unknown and considerations for legislators, insurers and investors are only gradually appearing.

Spotlight on biodiversity

Biodiversity plays a pivotal role in supporting human life via the vast number of ecosystem services it provides. Over 50% of global GDP (around $44 trillion) depends on natural capital, and we rely on biodiversity for most of what we need to survive. However, biodiversity is declining faster than at any other time in human history. Issues such as overexploitation, climate change and pollution mean that extinction rates are expected to increase significantly over the coming decades.

Biodiversity is an integral part of our stewardship approach both as an issue in its own right, and due to the close links between the climate and nature crises. The Taskforce on Nature-related Financial Disclosure (TNFD) framework sets out actions that investors and companies can take to address nature loss, while assessing and disclosing their risks, impacts, dependencies and opportunities regarding nature.

Recognising that biodiversity and nature remain relatively new topics for many asset owners, the focus of our efforts over 2024 has been across four areas:

Education	Measurement and Reporting	Engagement	Strategy
Building understanding of nature-related issues through training, awareness raising and thought leadership.	Helping clients understand the exposures to nature-related risks within their existing portfolios, supporting journey planning and target setting (including TNFD compliance) and informing engagement activity.	Challenging managers on their approach to nature and helping clients set appropriate nature-related policies.	Supporting clients on adjusting their investment strategies to capture nature-related opportunities.

To support our work with clients, we have built expertise into our team with Christina Williams, our natural capital specialist, and André Ranchin, our biodiversity lead. We've also drawn on our intern programme to support work in this area.

Biodiversity is one of four key focus themes within our RI Mission Statement

Education

We've worked with a number of clients over the year to deliver introductory training on nature and biodiversity. To supplement this, we also launched our Nature Hub in May 2024, showcasing our educational material, research and thought leadership on biodiversity and natural capital.

Unpicking three perspectives on nature: the consideration of nature-related issues, nature-related guidance and regulation, and nature-related investments (often termed natural capital).

Our thoughts on how to build investment portfolios that invest in natural capital and the drivers of return.

Written in collaboration with CreditNature, we explore biodiversity within the UK and the emerging biodiversity credit market.

We've also sought to engage and educate our clients on this topic through other mechanisms, holding a webinar on how to factor nature into your investment strategy alongside a series of podcasts highlighting our work on deforestation and the marine environment. In this work, we've partnered with external experts to help guide our thinking.

Measurement and reporting

We recognise that the first step for asset owners looking to address nature-related issues is to understand their portfolio's interaction with nature and biodiversity issues. Identifying a portfolio's exposure to nature is key to understanding the most effective actions to tackle nature loss. We've worked with several clients to help them understand their exposure to deforestation and broader nature-related issues within their portfolios.

We also highlighted how asset owners can start simply when building their monitoring and reporting on nature-related activity in an Investment Perspectives article.

CASE STUDY:

ASSESSING NATURE EXPOSURE IN CLIENT PORTFOLIOS

Given the rising importance of biodiversity and nature risk, and its interrelation with climate risk, we've started to support clients in monitoring nature exposure across their portfolios. Our process begins with educating clients on exposure to nature risks and how to engage with managers. Our reporting methodology follows the TNFD guidance to approach monitoring by looking at, and targeting, exposures in key risk sectors. We offer this to clients as part of climate-risk reporting or standalone nature reporting. The priority is to ensure clients are well equipped and ahead of the curve to report against TNFD, should the guidance become mandatory in the future.

OUTCOME

Our clients who have undertaken nature-risk reporting on their portfolios utilise the data results to inform their engagement priorities across managers. Our nature-risk reporting and analysis has ensured clients can use the data collected on their portfolios to support them in holding their managers accountable. We've also been working with Forest500 to further understand the role of deforestation and nature risk as well as the metrics available to assess this risk for client portfolios. This will allow clients to meet potential future regulatory requirements and consider sustainability reporting more broadly than just climate.

Supporting engagement

Biodiversity is one of the four key focus themes set out in our RI Mission Statement, and we seek opportunities to engage with clients and asset managers on this subject, either during information conversations or formally as part of our engagement process. During the year, we used biodiversity and the threat to food systems as a catalyst for dialogue within some of our manager engagement work. We've also been able to draw on our work on the marine environment with one client who championed this topic with their engagement service provider; this led to the marine environment being selected as a focus theme for ongoing engagement.

CASE STUDY:

SUPPORTING A CLIENT'S PRIORITY THEMES WITH OUR BIODIVERSITY WORK

The client identified a shortlist of priority themes a couple of years ago, including climate change, diversity and inclusion and biodiversity. Across those, they determined six priorities to focus on in discussions. From these, biodiversity emerged as being very important to the client. They appreciate that climate change and biodiversity go hand in hand, with a need to tackle both.

OUTCOME

By following a process of training followed by exposure analysis, we equipped our client with sufficient knowledge to actively engage their asset managers on biodiversity during subsequent meetings.

We also continued to monitor biodiversity-related resolutions at companies and how these were both received and voted on. We addressed this within our Q2 2024 RI News and Views.

Developing strategy

Many clients remain at the early stages of developing their strategic approach to investment in nature, considering either exposure to asset classes such as agriculture and forestry, or a broader allocation to natural capital, all of which offer a sensible starting point for consideration. We've sought to help our clients understand these emerging strategies by considering the different drivers of return from natural capital: the direct use of assets, monetising ecosystem services and investing in technologies supporting natural capital.

Illustrative framework for the assessment of natural capital investments

	Real assets	Private equity and debt	Listed assets
Investing directly in natural capital assets	✓	✓	✓
Financial credits (carbon and biodiversity)	✓		
Technology supporting natural capital		✓	✓

For clients who have chosen to diversify into natural capital assets, we've helped them test the structure of different solutions to ensure their needs are being met. For example, we worked with several of our LGPS clients to help them understand and shape the emerging natural capital solution being developed by their pool. Using the framework set out above, we provided feedback on the balance of expected returns from each driver, and the choice of asset classes being incorporated into the solution. This helped ensure that the solution was not overly reliant on underdeveloped markets for return.

Hymans Robertson LLP | UK Stewardship Code Report 2024

Making our voice heard

Advocating for change

We take our position as an industry leader extremely seriously. Accordingly, we appointed Calum Cooper to the newly created role of Head of Pension Policy Innovation, helping to steer the firm's voice, with the aim of achieving better outcomes for savers. Calum has become one of Hymans Robertson's most recognisable faces in the industry, with responsibility for helping us to shape the future of pensions policy and regulation, working with political and industry stakeholders to make change happen and publishing high-profile thought pieces.

Calum was instrumental in establishing our Excellence in Endgames campaign, which we launched in March 2024 to help trustees and corporate sponsors navigate the complexities of endgame planning for DB pension schemes. The best thinking from across the firm on endgame planning, including the implications of net zero for investment strategies, is set out in our Excellence in Endgames hub.

Responding to industry consultations

We also believe it appropriate to represent our clients' interests in the development of policy and regulation. Over 2024, we responded to several consultations to support our beliefs, work with clients and influence policy outcomes. Topics addressed in 2024 included investing in UK productive assets and the government's consultation on the so-called 'pot for life'.

As we are a leading adviser on public-sector pensions, most significant during the year was the government's proposals for the LGPS through its 'Fit for the Future' consultation. We engaged with a broad range of stakeholders while publishing evidence on comparators and responding directly to the consultation. We also shared our thoughts on what the proposals could mean for investors.

Working with others

Collaboration is a tenet of our climate pledge and our broader ambitions. We aim to participate in initiatives where we can effectively share our knowledge and influence outcomes. While we continued to work with organisations such as Abelica Global and the Net Zero Investment Consultants Initiative over the year, we highlight our work on two collaborative initiatives during 2024.

Investment Consultants Sustainability Working Group (ICSWG)

The ICSWG brings together leading UK investment consulting firms, with the aim of improving sustainable investment practices across the industry. As a group, the ICSWG believes that more urgent and constructive action needs to be taken to address the various systemic challenges we face. It also recognises the vital role played by investment consultants as a critical link between asset managers and asset owners.

Our involvement with the ICSWG spanned various of the Group's workstreams, and acting as Co-Chair of the Group. In addition to helping to develop the Group's strategy for the year, particular initiatives that we were able to directly support included:

- Engagement with the Transition Markets Finance Review, providing input to the review exercise.
- Responding to the Vote Reporting Group consulting on the development of a new voting template.
- Developing policy positioning for the Group to support engagement with key UK regulators.

We also supported increased communication from the Group, including publication of its first newsletter in December 2024.

Institutional Investor Group on Climate Change (IIGCC)

We were delighted to work with the IIGCC and Ceres on the development of net-zero guidance for private debt investment, which was published in May 2024. Drawing on the expertise of our consulting and research teams, and our climate specialists, we ran a series of meetings with industry representatives from across the General Partner (GP) and Limited Partner (LP) community. We also held one-to-one meetings with stakeholders to gain further feedback.

Across five meetings, we facilitated discussion on issues including portfolio company alignment criteria, portfolio coverage targets and engagement reporting. Drawing on these discussions, we then drafted the guidance and consulted with stakeholders to gain approval of all key elements of the guidance prior to publication.

Thought leadership

We continue to develop thinking on sustainability issues, focusing particularly on the need for a transition to a lower-carbon economy as we seek to stimulate discussion with clients. We continued our Focus on Change series of articles, with Mhairi Gooch and Asad Rashid reviewing the current state of the energy transition, assessing both the opportunities and the risks that we see for investors. They also explored the evolving renewable energy landscape and the changing nature of the opportunities available to investors.

We recognise that other factors influence outcomes for savers. Our research identified 42% of employers are very concerned that their employees are not saving enough for retirement, with all noting that there is room for improvement in relation to DEI issues. We believe the first step to taking action on this is to raise awareness around issues of pension adequacy and the underlying interdependencies. We've shared thinking with our clients, including through our webinar.

Gathering client insight

We aim to ensure that our efforts are informed by insights from stakeholders, and we regularly engage our client base to understand their position on a range of topics. For example, we surveyed our public sector pensions clients and insurance clients to understand the steps they were taking to address climate change during the year.

CASE STUDY:

PUSHING THE INSURANCE MARKET

Our survey of insurers is part of our commitment to advancing dialogue on ESG issues within the sector. We engage clients in meaningful discussions, benchmark their progress against industry best practices and highlight areas for improvement. The surveys covered key aspects of climate risk management, including **governance and risk management, disclosures and future plans, metrics and measurement tools and scenario analysis.**

Each client received a personalised report outlining their position relative to market best practices and their peers, with tailored recommendations. Our follow-up 2024 survey sought to track progress, assess the impact of previous discussions and reinforce the importance of ESG integration across all areas of their business. This ongoing engagement ensured that clients continue to evolve their climate strategies in alignment with industry-leading practices.

Supporting industry initiatives

In recent years, insurers' approaches to addressing climate and ESG risks have become a consideration for trustees who are pursuing risk transfer solutions. We've made it an element of our own evaluation process and regularly highlight our activity within our annual Risk Transfer report. For example, our 2024 report includes an article on insurers' progress towards their net-zero goals on their investment portfolios.

We are delighted to support the Accounting for Sustainability (A4S) Sustainability Principles Charter for the bulk annuity process, which was launched in January 2024, and to which most of the year's work in this area was linked. We're closely aligned with the Charter, having been involved since its inception, and its principles are already embedded in our work. We welcomed becoming a signatory, and we think it's the right direction of travel for the industry to work more collaboratively, including pension schemes, insurers and other advisers. Work over the year with A4S and the Charter group primarily focused on streamlining the approach for how we seek information from insurers on their sustainability approach and stewardship activities.

Assessing insurers' ESG credentials is an integral element of our evaluation process

CASE STUDY:

SUPPORTING THE A4S CHARTER

SURVEY

The Charter group has developed a central questionnaire for all insurers to fill out that can be shared to all advisers, rather than each adviser going individually to the insurers. It's more comprehensive and streamlines the process, providing a regular information flow that serves as a point of reference to ensure our ratings remain up to date. 2024 was largely about agreeing how that will look, with multiple workshops to streamline the list of questions, and collecting feedback from the insurers to ensure the requested information can be provided in a timely manner.

TNFD

It's not yet a requirement, but the Charter Principles include reference to TNFD as an area where insurers can go further. The Charter survey also contains questions on insurers' nature-related commitments, which maintains pressure on insurers to consider what they're doing in this area. We expect further information to start flowing through on this as insurers continue to develop their approach.

RAISING THE BAR

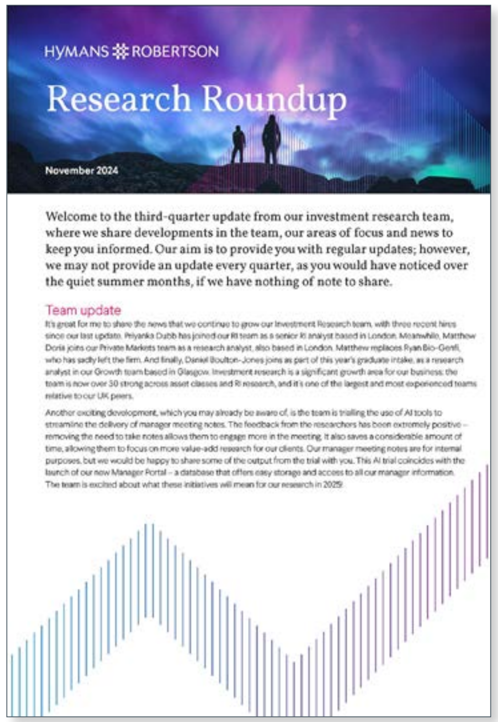
After the Charter was published last year, we reviewed our benchmark of how we rate the insurers, to ensure full alignment and to maintain a high level of expectation against the wider market. Given the market continues to move forwards, we want to make sure that we're holding the insurers to account. If we're saying they're exceptional and going beyond a perceived 'good' level, they need to move with the benchmark of the rest of the market. We want to make sure the whole market continues to push forwards, rather than just certain insurers.

PROVIDING FEEDBACK TO THE INSURERS

We have lots of conversations with clients at the point of selecting their insurer, so we're well placed to give the insurers a view of how any potential changes are likely to land. We keep our ratings up to date, especially with new insurers who have entered the market, while helping them understand the expectations. They should have sufficient reporting in place, and we can help them understand where they sit versus the wider market. We use insights from the trustees' perspective, when it comes to new transactions. Ultimately, we try to be as helpful as possible to make sure everyone's pushing forwards together.

Effective communication

RI News and Views is published quarterly, providing us with a mechanism to share opinions, market developments and activity with our clients. We include detail of forthcoming votes that can be considered by asset owners in scrutinising their asset managers. This is to help our clients create dialogue with their asset managers on voting and engagement issues, as well as to better prepare them to challenge unsatisfactory responses.



Our **Research Roundup** is a quarterly publication targeted at the asset manager community. Through this, we share information on current areas of activity and focus while providing feedback on our research findings. This supplements the direct discussions and engagement we have with asset managers.

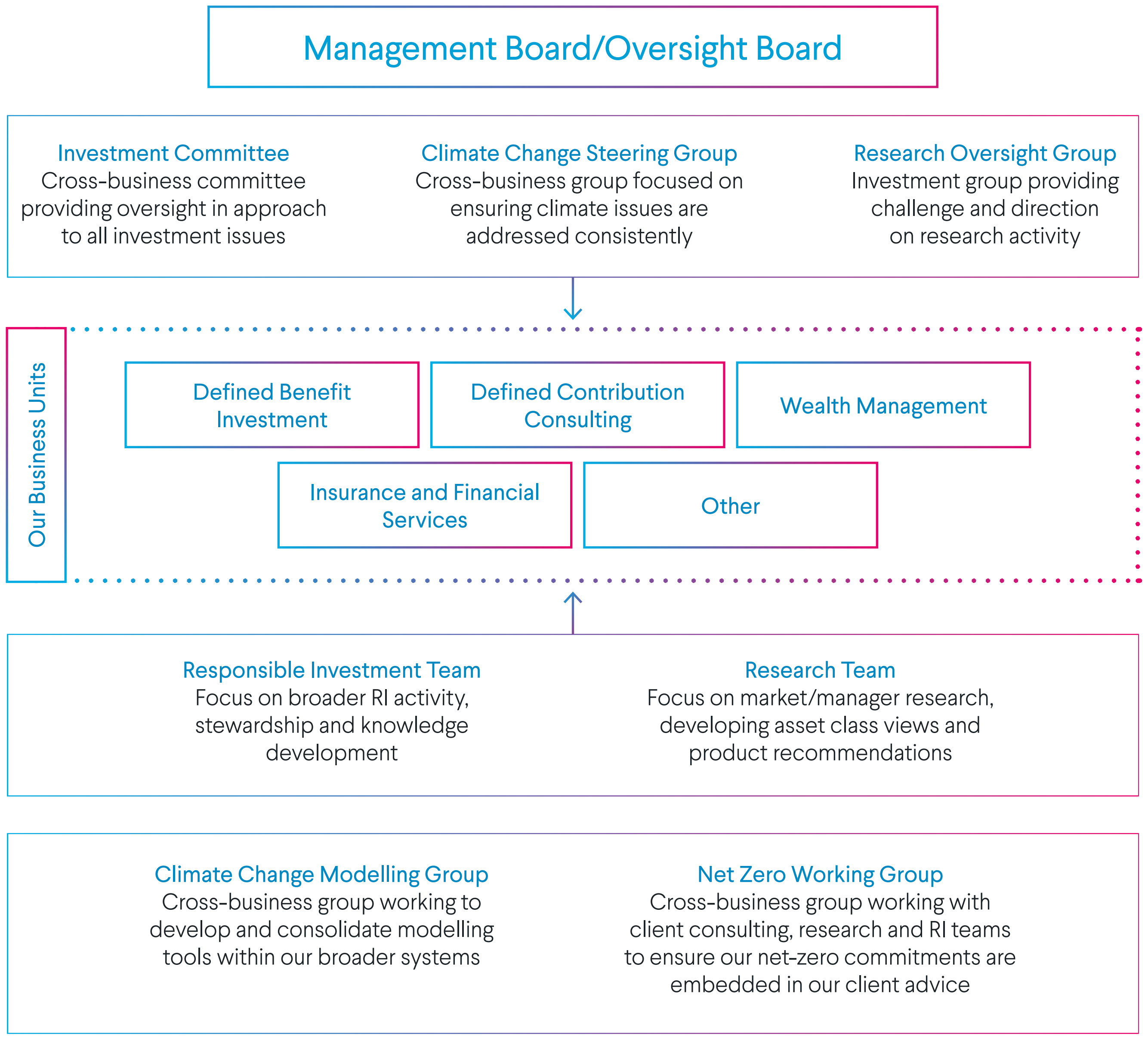
Investment Perspectives is our quarterly magazine for asset owners, consolidating our views on capital markets and showcasing our thought leadership. We produced a piece on quantifying your scheme's exposure and the Taskforce on Nature-related Financial Disclosures (TNFD). We also wrote an article that explored the key RI considerations for investors amid rising demand for energy-efficient space as our economy transitions to net zero.

Our **podcast** series offers commentary on a broad range of investment and other topics. Subjects addressed during the year included biodiversity, renewable energy infrastructure and climate scenarios, with input from industry experts providing additional colour to our discussions.

One particular highlight from 2024 was our April investment podcast where Head of RI Simon Jones joined podcast host Ben Farmer and Annabel Gillard from the Institute of Business ethics to discuss the 'G' in 'ESG', workplace culture and what asset owners can do to capture culture in their decision-making.

How our governance structure supports RI

Our Management Board has ultimate responsibility for all our RI and stewardship activities to provide accountability and consistency across business units. Individual business units are then empowered to embed RI considerations into the development and implementation of client-specific advice, with one accountable person within each relevant business unit. This structure, which remained unchanged over 2024, is illustrated below.



Investment Committee

Our investment committee continues to be chaired by Emma Cameron and met five times during 2024.

Climate Change Steering Group

Our Climate Change Steering Group is chaired by Lisa Deas. The group met five times during the year, considering issues such as the evolution of climate scenario analysis and knowledge development within the firm. The group is also responsible for the firm's annual climate competence survey.

Research Oversight Group (ROG)

Our ROG is chaired by our Chief Investment Officer, David Walker, and met fortnightly over 2024. A standing item on the agenda is Research and RI team responsibilities, provided by the Head of Research. This covers key priorities and activities of the teams.

How we've resourced our RI activity

We resource our activity using specialists from our RI and investment research teams, while educating and providing internal training to all our consultants and analysts across the business. The seniority and diversity of specialist resource available is illustrated below:

It's imperative that our research and consulting teams can develop their broader skillsets to support our work with clients. We strive to support all our people in their development through formal and informal training, structured development programmes and by encouraging involvement with industry working groups, allowing them the chance to learn from others.

Focusing development and training

Our investment consultants are required to agree appropriate Continuing Professional Development (CPD) objectives that have requisite training hours to demonstrate progress, and which are monitored by our people managers as part of the ongoing evaluation process.

To support the development of our staff and to help them meet their CPD objectives over the year, we organise a range of specific training sessions, which follow a formal training plan that the team developed for 2024. Training is provided both by our in-house team and by external specialists and asset managers, where appropriate. Topics covered by internal training over the year included:

- Biodiversity and natural capital
- Carbon offsetting and the use of offsets within investment decision-making
- Regulatory change, including the FCA's anti-greenwashing regulation

We record training sessions available to all staff through our internal learning system, Aspire. We also have a learning and development site, accessible by all staff, which is home to all our training materials and session recordings.

Broad support for learning and development

To keep consultants' knowledge fresh, we deliver updates on developments in the broader market through our regular Investment Consultants' Briefings (ICB). These sessions also highlight client-focused projects, including various case studies referenced in this report.

Over 2024, we ran monthly RI drop-in sessions within our investment and defined contribution consulting businesses. These sessions, which are hosted by our RI team, provide an informal environment for colleagues to ask questions on both client-specific and broader research topics, thus serving to embed knowledge within the team. We also produce our internal RI Matters summary of the team's activity, reinforcing our communication efforts.

More generally, everyone who joins our investment team receives RI training as part of their formal induction. RI issues are also integrated into our graduate training materials, with programmes run for first- and second-year graduates, as well as any other new colleagues who wish to join.

Supporting the next generation of talent

We run an annual intern programme across our business, with 26 students joining the firm during summer 2024. As part of their eight-week programme, each intern takes on a project, the results of which they then present during the final week of their internship. In 2024, two interns within the Investment business unit carried out stewardship-focused projects.

One intern's work has helped us to create material on voting activity, while the other's efforts supported our plans to incorporate AI techniques into reviewing stewardship policies. Other projects included developing client-ready slides for considering net zero in the journey to buy-out, assessing exposure to biodiversity loss and drafting a blog post on shareholder resolutions.

How we incentivise stewardship

Our incentive structure includes an element of individual bonus, which is assessed against objectives agreed with each of our people. As we've prioritised RI, individual objectives and incentives will reflect this, but we also recognise that different clients (and therefore different consultants) have different requirements. So, a 'one-size-fits-all' approach isn't appropriate. Those with a more direct responsibility for RI issues, such as our RI team, are more incentivised to develop both our services to clients regarding RI and the exercise of stewardship.

Ensuring our fees are appropriate

We're flexible when it comes to the structure of our fee arrangements with clients. What matters to us is that fees are transparent and fair, so that our clients receive excellent value from our advice and service. Whether clients value the cost certainty of a fully fixed fee or prefer the cost control of an annual budget with project-by-project sign-off, we work with them to accommodate their requirements and preferences.

Appreciating the control and certainty of fixed-fee agreements, we take a no-surprises approach to fees. Where the scope is clear, we'll provide fixed fees for all items we expect to deliver on a regular basis. In addition, we'll provide quotations for any material pieces of work required on an ad hoc basis. In instances where the scope can't be defined in advance, we agree a budget and provide early notifications on progress against this budget.

We also believe it's important to help our clients understand their fees are appropriate. We partner with technology platform ClearGlass on the Cost Transparency Initiative framework to fully understand the costs and charges being incurred and assess whether these offer value for money.

Conflicts of interest

It's vital for our business's continued success that we always act in the best interests of our clients. The identification and management of potential and actual conflicts of interest are embedded in the client take-on phase right at the start of our process. We also have measures in place to ensure that conflicts continue to be considered and monitored at all stages of a client lifecycle. In addition, conflicts are a consideration when we develop new services or propositions.

Our conflict management policy

We have a mandatory policy in place that colleagues across all of our group companies are required to follow. This clarifies expectations on upfront disclosure of actual, potential or perceived conflicts of interest. **At the heart of this is ensuring that:**

- all potential, perceived and actual conflicts are identified and documented as early as possible, and mitigations to manage the conflicts are agreed
- we'll only act where we can do so without inhibition and in the best interests of our clients
- we're open and transparent with our clients
- we work with the relevant parties to agree and implement measures to manage any potential, perceived or actual conflicts (as you would expect, such measures will include ensuring that we're complying with any of our professional/regulatory obligations).

Our internal requirements for the management of conflicts apply not only to client conflicts, but also other areas where conflicts could arise. For example, the selection of suppliers or the potential for conflict between the interests of an individual and the interests of a client and the firm.

Conflicts champion group

We have dedicated conflicts champions for each of our business units, who are responsible for providing their teams with advice, guidance and training on conflicts-related issues. In addition, we have clear escalation points for more complex issues (whether to a member of our management board, senior actuary or our legal team). With a view to continuous improvement, our conflicts champions group meets quarterly to discuss training and best practice for how to manage conflicts of interest. There are representatives from all business areas.

CASE STUDY:

MANAGING POTENTIAL SOURCES OF CONFLICTS OF INTEREST IN THE LGPS

We regularly engage with the bodies that oversee and regulate the Local Government Pension Schemes (LGPS). For example, we've recently undertaken work with the Scheme Advisory Board (SAB) in England and Wales on the Good Governance project. The SAB is a statutory body that encourages best practice and transparency across the LGPS, which may include formulating guidance and standards for schemes. Working with the SAB could result in a conflict, as we may then support our LGPS clients in meeting the guidance and standards set. With this type of work at a national level, we're always conscious of the need to provide quality advice without being influenced by our commercial considerations or the interest of our clients. Therefore, we always consider the potential for conflicts of interest and only bid for work where we're confident no such conflict will arise. Within the example of the Good Governance project, we assessed the potential conflicts that may have arisen from the work, and did not make any recommendations to the SAB. Instead, we focused on identifying options and outlining the issues with each.

OUTCOME

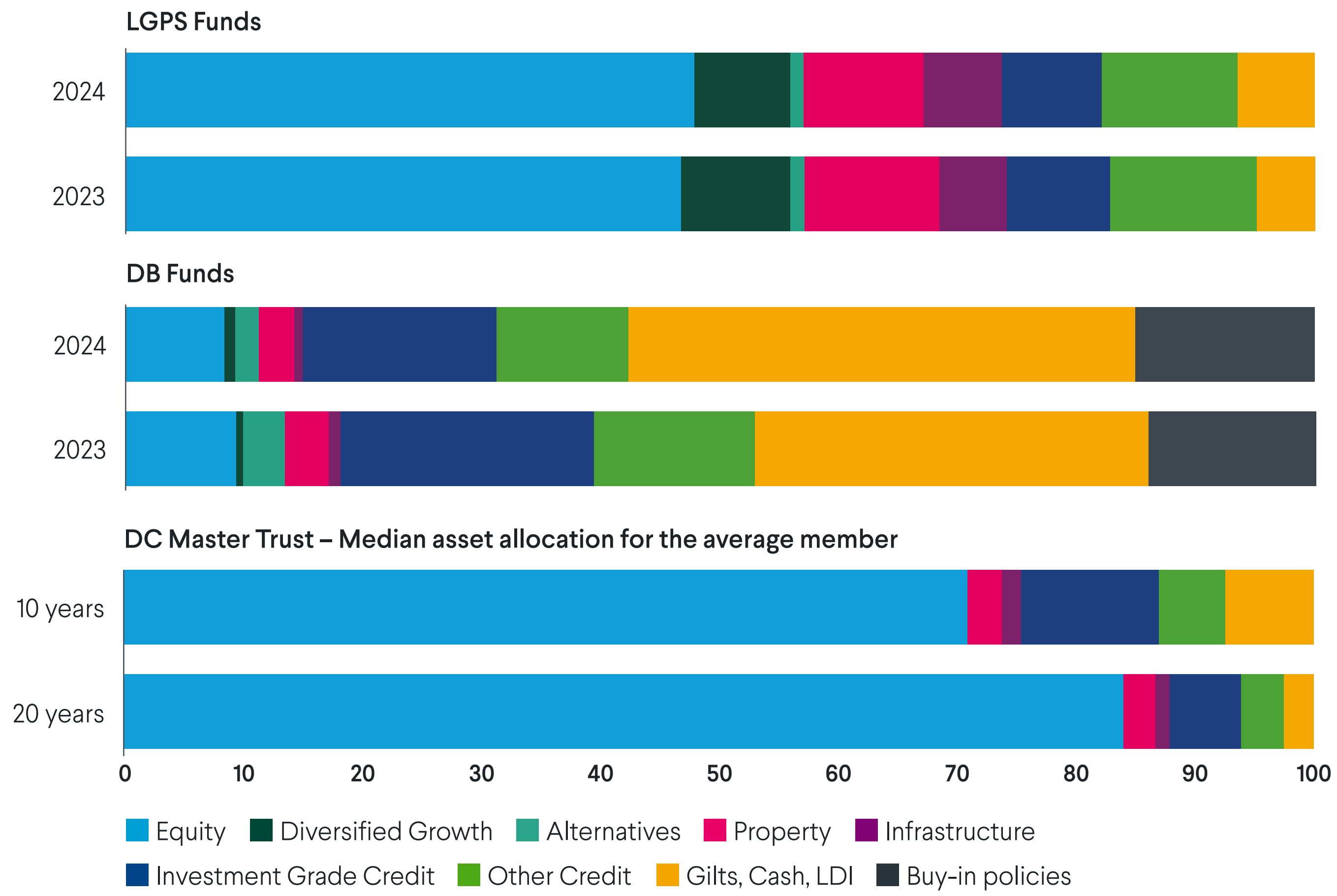
We were able to provide useful insights to the SAB using our industry knowledge and understanding, but without compromising our independence in advising and supporting our LGPS clients.

About our clients

Our client base

Our clients are the trustees, sponsors, platform providers and committees that govern defined benefit (DB) and defined contribution (DC) pension arrangements. We also work with endowments, insurers and other financial services institutions that are responsible for asset pools. Our clients are UK domiciled. In total, we provide direct investment advice to pension clients with approximately £327 billion of assets, of which £237 billion relates to DB clients and £90 billion relates to DC clients. While consideration is given to RI issues in all areas of our services, stewardship is most directly exercised over the assets of our institutional client base.

The charts below provide breakdowns as to how our DB clients' assets were invested in 2024 compared to the position 12 months earlier, together with an illustration as to how our DC clients' assets are invested:



Source: Hymans Robertson, Data as at 31.12 in each year

Our DC clients comprise individual clients implementing their own strategies and providers that are responsible for the entirety of assets invested across their platform, and the asset allocation generally depends on the age of members. In practice, younger members will be invested more heavily in equity and other growth assets, and older members will be invested in a more diversified manner. The chart above represents the allocation of the median member. Our advice to clients influences the asset-allocation journey that individuals take, the nature of the default arrangements, the underlying constituent elements, the stewardship of assets and how issues are communicated to members.

Getting feedback from our clients

Each year, we also undertake an annual Voice of Client survey, so that we can gather information about the quality of our service and our clients' overall experience. This is essential information, because first and foremost our clients need to trust us and have confidence in our ability to guide and advise them.

The survey data relates directly to our ability to support our clients: they need to see us as their expert, trusted adviser if we're to persuade or influence them to make RI and stewardship a priority.

We've shared some of the highlights of our 2024 client survey in a recent video, and are pleased that:

96% of clients would recommend us to their colleagues.

98% of clients agree that we understand and take the time to get to know them.

96% of clients rate us highly for service quality.

91% of clients rate us highly for innovation and bringing them new ideas.

We also maintain Guardian Partner roles with around one-quarter of our clients, where a senior member of our firm who sits outside the direct client team meets periodically with clients to gain feedback on all aspects of our service. This feedback is shared with client teams and used to improve our services.

Finally, we also regularly engage with other service providers, particularly professional independent trustees (PITs) as key stakeholders, as noted under Principle 4, which is coordinated by our PIT group. Feedback and areas for development are shared and used to inform the evolution of our services.

Our policies and processes

Our purpose is to help our clients deal with the challenges and risks they face. We know that our clients need help in understanding these risks, evaluating the solutions that they may employ, and then making changes. Our research and tools are all geared towards providing our clients with better, more relevant information that they can use to make decisions.

We review our progress on stewardship and investment issues on an ongoing basis, to ensure our processes remain fit for purpose and include the latest thinking. Our Investment Committee and Research Oversight Group both offer mechanisms for scrutiny and the provision of assurance as needed, serving to challenge new areas of activity. In addition, through our membership of different industry bodies, our discussion with other market participants such as professional independent trustees and the scrutiny exercised by our clients, we're regularly able to test the validity of our approach.

Reviewing our RI policy statement

We published our reviewed and revitalised RI policy in 2024. We transformed the policy (rebranded as a Mission Statement) to capture the essence of what we believe RI to be, to reflect the evolving understanding of sustainability issues, and to better convey our ambition in this area.

Our updated beliefs are set out in our Mission Statement and reproduced below.

ESG factors can affect investment outcomes.
ESG factors can have a material financial impact and affect investment outcomes. 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 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.

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.

Investors need to evolve with the times.
The world is changing, and the industry must adapt to survive.

These beliefs are reflected in multiple ways across our Mission Statement and within the actions and outcomes set out in this report. From the focus on getting better data through our updated questionnaire and our ongoing private markets climate data initiative, to the core pillar of being better stewards, which we have made a focus of our activities, we continue to embody these beliefs in all that we do.

RI ratings refresh

In 2024, we moved to firm-level RI ratings for investment managers. The consideration of ESG factors by managers has evolved considerably over recent years. It's well established across the industry that the consideration of financially material factors, whatever their provenance, is a necessary element of the management of a product or strategy.

In the same way as we expect managers to integrate these considerations into their decision-making processes, so we apply the same principles to our own approach. We believe it's not necessary to separately assess and rate just one element of an investment process. Instead, we believe this assessment should be captured within our overall research process and product rating.

Our investment research team consider a broad range of factors in evaluating the suitability or otherwise of any product or strategy. To date, this process has also incorporated the RI assessment, albeit the rating has been separately reported.

From 1 April 2024, RI factors became an element of the overall product rating and will not separately contribute to the RI rating of a firm. We determined that it was appropriate to maintain an RI rating for asset managers, but this will reflect our assessment of the firm only. This approach better reflects the way in which we and our clients can exercise stewardship.

> The consideration of ESG factors by managers has evolved significantly over recent years.

Looking ahead

We see 2025 as a year of continued challenge. The changing geopolitical landscape coupled with evolving policy will require asset owners to be clear on what they want to achieve and why. Against this developing backdrop, there are several areas where we will continue to focus our efforts, many of which were summarised in our February 2025 Investment Perspectives.

Financing emissions reduction

Within our *Achieving net zero* pillar, we will work with our clients to support the financing of carbon emissions reduction. We believe that asset owners need to actively support the process of change while continuing to hold laggards to account. We'll work with clients to develop and then put in place transition action plans, and to ensure that decisions focus on real-world outcomes. We will also support our clients to be forward looking in their analysis and risk oversight.

Ensuring asset manager alignment with asset owner expectations

Managers act on behalf of their clients and should demonstrate actions that meet their needs. But it's incumbent on asset owners to empower their managers to act. We will continue to support our clients in framing expectations, assessing alignment of interests and in holding their managers to account.

Our stewardship focus will be on climate change. Through Hymans Engage, we will work to ensure that managers are still focused on the need for long-term transition and are holding companies to account. We'll also update our climate expectations of asset managers and seek support from our clients for these expectations.

Supporting local investment

The UK growth agenda has focused attention on local investment. We recognise that this may take various guises but expect that local investment should have some form of impact. We will focus on the development of appropriate local investment objectives and strategies, ensuring that these can be appropriately implemented and outcomes measured.

Deploying our RI Health Check

There's always more that any asset owner can do to be a better steward. While it would be a fantastic outcome for all to strive for best practice, we need to be pragmatic and help asset owners consider what they should do next and, perhaps more importantly, what can be done that will have the greatest impact. We'll use our RI Health Check to help asset owners introduce a simple but effective step to their governance processes, support business planning and catalyse discussions on priority areas.

Continuing to collaborate

Many market participants have pulled back from collaborative initiatives, but we believe that collaboration with like-minded peers can achieve significant results. We will continue to work within our own collaborative initiatives such as the ICSWG, while helping our clients to identify collaborations that work effectively for them, or even to build partnerships to achieve common goals where possible.

Ensuring this report's accuracy

This report has drawn on input from across our business and has been drafted by members of our RI team. The report has been reviewed by our Head of RI and members of our Investment Committee. The report was subsequently presented to and signed off by our Management Board.

Appendix 1:

Reference to the Stewardship Code principles

Principle 1:

Signatories' purpose, strategy and culture enable them to promote effective stewardship

See pages 6–8, 54–53

Principle 2:

Signatories' governance, workforce, resources, and incentives enable them to promote effective stewardship

See pages 46–49

Principle 3:

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

See page 49

Principle 4:

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

See pages 10–11, 14–20, 34–40

Principle 5:

Signatories support clients' integration of stewardship and investment, taking into account material environmental, social and governance issues, and communicating what activities they have undertaken

See pages 9–20, 22–32, 42–45, 50–51

Principle 6:

Signatories review their policies and assure their processes

See pages 54–54

Appendix 2:

Reporting for the Net Zero Investment Consultants Initiative

Key Performance Indicators

Our clients are UK domiciled. In total, we provide direct investment advice to pension clients with approximately £327 billion of assets, of which £237 billion relates to DB clients and £90 billion relates to DC clients. The following figures refer to these clients and their assets under advice (AUA); no clients have been excluded.

	% of clients meeting the KPI as at 31 December 2024 (2023)	
Key Performance Indicator	**By AUA**	**By number**
Meaningful net-zero education received	*92% (95%)	*57% (78%)
Baseline emissions data received	83% (89%)	59% (48%)
Net-zero ambition declared	78% (70%)	32% (25%)
Net-zero target and interim targets set consistent with Paris-aligned method	68% (61%)	21% (16%)
Formal goal to increase exposure to climate solutions	89% (83%)	40% (40%)

*We have provided our data based on education carried out over the year 2024, not to date, given this is a dynamic subject. Over 97% (by AUA) and over 80% by number of clients who have received net-zero education over the last three years.

Our progress against the commitments

Commitment	Comment/Reference
Integrate advice on net-zero alignment into all our investment consulting services as soon as practically possible and within two years of making this commitment.	We carry out an annual assessment for all our investment clients, which tells us where they are on their net-zero journey and if there are perceived barriers to progress. From the 2023 results, we had a clear group of clients that saw their short time horizon as a barrier to engage on net zero as an important topic. Over 2024, we developed our thinking on what net zero means for clients with buy-out on the horizon. See our Excellence in Endgames article on the topic. Alongside the support provided by our Net Zero Working Group, our investment consultants are able to integrate net-zero advice that is appropriate for their client and progress their journey, whatever their starting position. We continue to see an increase in the level of knowledge and confidence across our consultants to integrate net zero into their advice. We continue to ensure all our investment team have sufficient knowledge and support to be able to bring net-zero advice to their clients. We regularly update the investment business on our NZICI commitments and provide training for client teams on a one-to-one basis if needed. Over the year, we carried out a full review of our climate-related services to establish how well we are serving our clients and if there were any gaps in our abilities. The conclusion of this was that the services we're able to provide are comprehensive and meeting our clients' needs. Through this exercise, we identified priority areas to evolve and develop over 2025.
Work with our institutional asset owner clients to identify the investment risks from climate change, highlight the importance of net-zero alignment and, where applicable, support our clients in developing policies that align their portfolios to a net-zero pathway.	Our clear methodology to take clients through the steps needed to build a credible net-zero strategy has proven effective over the year, with several of our clients fully engaged with building their net zero strategy in this way and working through the steps to the tangible output of the process, which is a CTAP. Our narrative scenario work also helps with the richer understanding of climate risk more broadly and supports the pursuit of net zero. Throughout 2024, we developed a workshop approach to deliver this to our clients (across both actuarial and investment clients, and so not limited to our investment only clients). The aim being to help our clients really understand the principles and the approach, to develop their thinking rather than a focus on the number outputs. See pages 14 and 15 for more information.
Support efforts to decarbonise the global economy by helping our clients prioritise real-economy emissions reductions, reflecting the target of 50% global emissions reduction by 2030 or sooner using existing decarbonisation methodologies.	Our focus and our analytics continue to support real-world change. That could be through supporting the transition by staying invested in high-emitting sectors or companies, increasing allocations to climate solutions or through incorporating natural capital themes to strategies. Our model portfolio work and work to explore scope 4 emissions across various asset classes has continued to support the progress in this area, as has encouraging our clients to build climate transition action plans. We developed our metrics and reporting over the year to be more 'decision useful' for our clients and link closely to their CTAPs as a way to monitor progress.

Commitment	Comment/Reference
Assess and monitor asset managers on the integration of climate risks and opportunities in their investment decisions and stewardship and reflect this evaluation in our client recommendations.	Our manager engagement programme, Hymans Engage, has focused on engagement with our largest asset manager relationships, exploring how they're supporting the transition. More details on pages 18 and 19. Phase 1 of our engagement programme focused on climate change, with the aim of encouraging stronger, more ambitious climate stewardship. We focused on real-world issues, to understand what asset manager stewardship means in practice, asking managers whether they encourage companies to cease development of new fossil fuel facilities. We challenged managers on the real-world practice of their policies on climate, in line with academic research.
Align with the Net Zero Asset Manager Initiative as soon as practically possible and within two years of making this commitment.	Not applicable
Set emissions reduction targets across all our operational emissions in line with 1.5°C scenarios.	Our last report provided details of our emissions reduction targets and emissions report for the year 2023/24. Further information can be found in our TCFD and Purpose with Impact reports.
Where suitable net-zero methodologies do not exist, work collaboratively for the benefit of our clients to address these challenges, seeking harmonised methodologies.	Our most recent example of this is working with IIGCC on the NZIF framework for private credit. This started in 2023 and continued through the first half of 2024 with the guidance published in May 2024. Our biodiversity lead joined the IFoA's Biodiversity Working Party and the GFANZ Nature workstream. Towards the end of 2024, we took part in ICSWG initial discussions with DWP on climate transition plans for pension schemes, sharing our experience of having developed these with clients.
Engage, independently or as a group, with regulators and policymakers, to facilitate the transition to net-zero carbon emissions, addressing any barriers to our clients adopting and achieving their net-zero targets.	We have actively supported the NZICI manager assessment workstream and continued to support the ICSWG influence workstream in its engagement with policymakers, as well as the ICSWG TCFD workstream. Looking ahead, at the beginning of 2025, we started a series of conversations with policy specialists, including members of the Transition Finance Council and the Clean Air Taskforce, on what actions on policy advocacy would be meaningful for our clients to pursue. This will continue through 2025, with the aim of finding effective and meaningful ways for asset owners to engage at policy level.
Report progress by our firm against the commitments made here at least annually in the public domain.	This serves as our report under the NZICI commitments.

Our people

We want to say thank you to all those who have been involved in the ongoing development and evolution of our approach to RI over 2024, our success in becoming Stewardship Code signatories and those who will be working with us over 2025 as we continue to build.

Alexander Geyer
Senior Investment Analyst

Alison Leslie
Head of DC Investment

Amy Sutherland
Climate Change Consultant

Andrew Gilliland
Developer

Andrew McCollum
Investment Research Analyst

Andre Ranchin
Investment Consultant

Asad Rashid
Senior Investment Research Consultant

Catherine Bamber
Investment Manager

Chris Arcari
Head of Capital Markets

Chris O'Bryen
Investment Associate Consultant

Claire Cairney
Head of Investment Research

David Norton
Head of Data & Reporting

David Walker
Partner

David Watson
Investment Research Associate Consultant

Duncan Black
Investment Copywriter

Heather Jones
Designer

Iain Campbell
Head of LGPS Investment

Jaid Longmore
Responsible Investment Consultant

Jasmine Humphrey
Investment Editor

Joe Meagher
Risk & Modelling Consultant

Kathryn Robertson
Investment Copywriter

Linda McAleer
Senior Investment Research Consultant

Lisa Deas
Chair of Climate Change Steering Group

Megan Lai
Investment Analyst

Melissa Moran
Senior Data & Reporting Specialist

Mhairi Gooch
Senior Responsible Investment Consultant

Nicola Kenyon
Head of Insurance Investment and ALM

Oliver Hook
Investment Consultant

Oriana Mezini
Senior Investment Research Consultant

Paul Hewitson
Head of ESG for Risk Transfer

Penny Cochrane
Senior Investment Research Consultant

Peter MacRae
Actuary

Priyam Jain
Senior Investment Analyst

Priyanka Dubb
Senior Responsible Investment Analyst

Rachel Barrack
Associate Responsible Investment Consultant

Richard Warden
Partner

Sarah Clare
Insurance Consultant

Sanjay Joshi
Responsible Investment Consultant

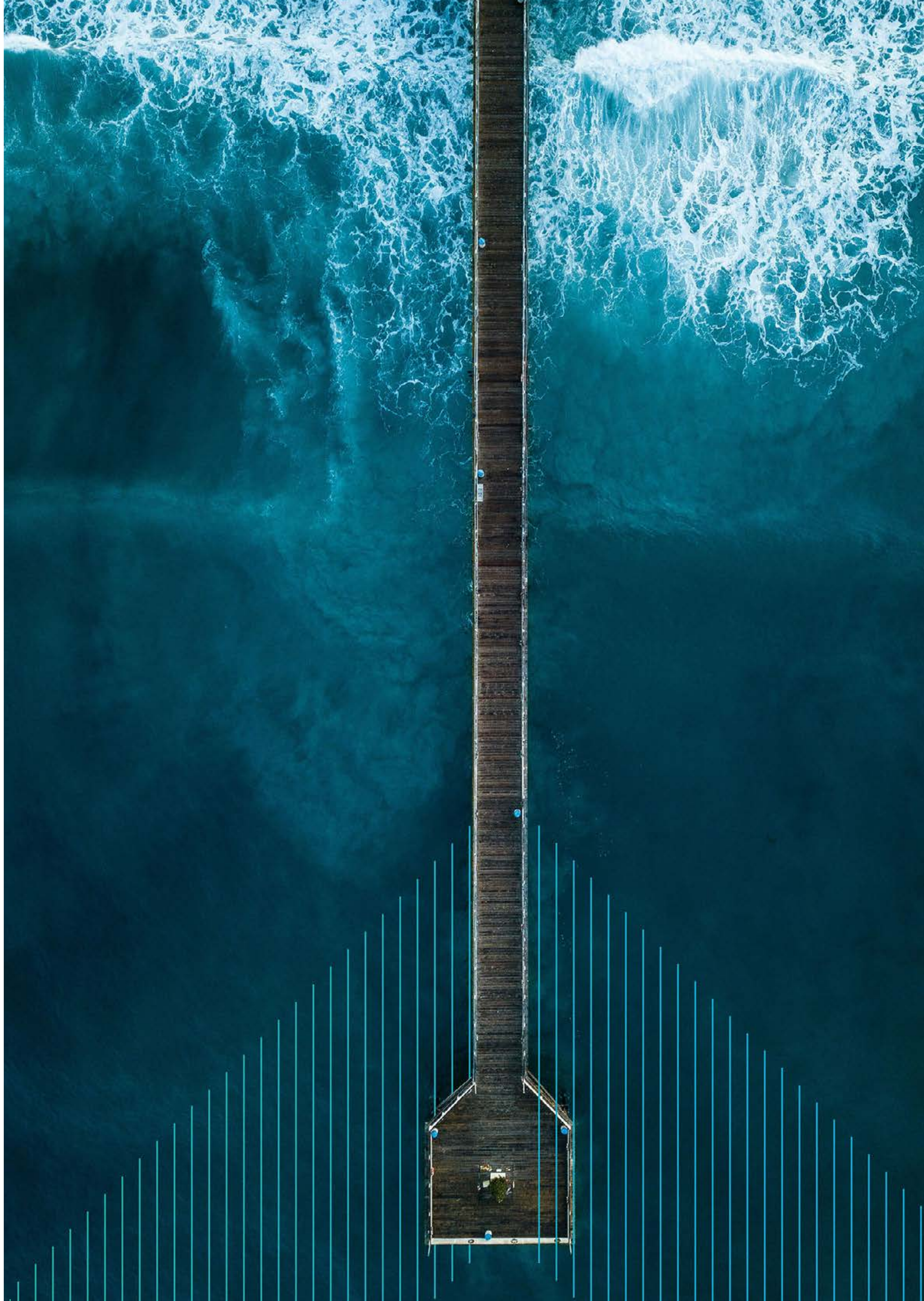
Simon Jones
Head of Responsible Investment

Steven Grahame
Senior Investment Research Consultant

Tashemia Glen
Senior Responsible Investment Analyst

Tom Prince
Associate Consultant

Ziqi Li
Investment Analyst



London | Birmingham | Glasgow | Edinburgh

T 020 7082 6000 | www.hymans.co.uk