

Asset owner statement on climate stewardship

Climate change presents a systemic and material risk to economies and financial markets. Tackling global temperature increase requires urgent action to deliver on the goals of the Paris Agreement¹ to help mitigate its most severe impacts. The Intergovernmental Panel on Climate Change's 2023 Synthesis Report² highlights that human-caused climate change is already affecting many weather and climate extremes in every region across the globe leading to widespread adverse impacts and related losses and damages to nature and people.

Given the compelling evidence of the materiality of climate change as a financial risk, managing the impacts and due consideration of related risks and opportunities becomes an essential component of investors' fiduciary duty³. As outlined by the Financial Markets Law Committee guidance for trustees on climate change: for a pension fund, "if [climate change] is a risk that comes with an investment, it may outlast the holding of an investment"⁴. So, in assessing it as a financial factor, not only is risk and return on a particular investment relevant, but also the "the effect of the subject of climate change on return or risk anywhere across the pension fund and including by reference to all applicable time horizons"⁵.

Accordingly, our pension funds have independently set clear commitments to address climate change and are making progress by working across the investment ecosystem, while keeping with all regulatory and legal requirements. Despite that, recent studies⁶ have provided evidence of divergence between asset owners' expectations and asset managers' (notably large financial institutions) climate stewardship activity. There is, however, acknowledgement that asset managers have shown some innovation in allowing clients greater choice through making differentiated stewardship options available.

Notwithstanding the above developments, from a systems change perspective, the engagement and voting behaviour of large financial institutions remains an area that deserves particular attention from asset owners, irrespective of whether assets are externally or internally managed. Ultimately, independent research shows that ongoing and material divergence can introduce significant inefficiencies in our progress towards a net zero world and better outcomes for ultimate beneficiaries⁷.

Now more than ever, by working together asset owners and asset managers can contribute to a more efficient and competitive industry, ultimately benefiting beneficiaries. In the spirit of collaboration, we have co-authored and endorsed this statement to promote a better understanding of good practices for climate stewardship and to enable a dialogue on how asset managers can more effectively represent their beneficiaries' long-term interests. It builds on existing good practices for asset managers on how to integrate climate stewardship⁸.

Through this statement, we are calling on our asset managers, as our strategic partners in delivering our investment objectives, to develop and evidence an independent robust

¹ The Paris Agreement's overarching goal is to hold "the increase in the global average temperature to well below 2°C above pre-industrial levels" and pursue efforts "to limit the temperature increase to 1.5°C above pre-industrial levels."

² [AR6 Synthesis Report: Climate Change 2023](#)

³ [Paper-Pension-Fund-Trustees-and-Fiduciary-Duties-Decision-making-in-the-context-of-Sustainability-and-the-subject-of-Climate-Change-6-February-2024.pdf \(fmlc.org\)](#)

⁴ Ibid page 7.

⁵ Ibid page 7.

⁶ <https://www.brunelpensionpartnership.org/wp-content/uploads/2023/11/Hoepner-2023-Asset-Owner-Asset-Manager-Voting-Alignment-Review.pdf>

⁷ Ibid.

⁸ Such as the Net Zero Asset Owner Alliance: See <https://www.unepfi.org/wordpress/wp-content/uploads/2024/02/NZAOA-CTA-to-AM-industry.pdf>

stewardship strategy that addresses the urgency of action needed on climate-related risks and builds resilience into financial markets.

Our expectations⁹ are outlined below.

Principle 1: Industry/market and public policy engagement should be core to the climate stewardship proposition across asset classes

Systemic risk cannot be tackled with company engagement alone. We are acutely aware that the lack of an enabling policy environment and inconsistent policy signals can impact the climate ambition of underlying holdings, market competitiveness, the effectiveness of investor stewardship and ultimately, the pace and scale of transition. We expect asset managers to have a commitment to align their climate engagement activities with the goals of the Paris Agreement¹⁰, with appropriate governance and oversight, and transparency and reporting to its client base¹¹. Given its importance as an enabler of effective company engagement, we also expect asset managers to allocate significant time and resources to communicating their policy positions on climate to policy makers¹² and demonstrate this resource commitment through client reporting. Publicly stating firm wide climate ambitions and commitments helps clients understand whether potential conflicts of interest may prevent asset managers from aligning their policy activities to their clients' long term best interests¹³.

Principle 2: Where permissible, asset managers should prioritise collaborative initiatives to achieve greater impact and embed efficiencies in engagement activities

Whilst recognising the importance of individual engagement, collaborative engagements enable investors to have a more impactful voice across issues of prime importance. Initiatives such as CA100+, can therefore, be a positive indication that the manager seeks to leverage partnerships for additional impact and expertise while circumventing inefficiencies that stem from bespoke engagement approaches – which can also be duplicative. We actively encourage participation in such initiatives, whether they be at a company, industry or policy level¹⁴.

Key to underpinning this approach and enhancing efficiency, we expect managers to draw upon industry developed frameworks, benchmarks and forward-looking analytics to assess the ambition, accountability, and credibility of companies' transition strategies, while accounting for market maturity¹⁵.

⁹ Where applicable, these expectations could also apply to overlay engagement and voting providers

¹⁰ Refer to Footnote 1

¹¹ Governance and transparency expectations as outlined in the Net Zero Asset Owner Alliance paper [Aligning-Climate-Policy-Engagement-with-Net-Zero-Commitments.pdf \(unepfi.org\)](#).

¹² Thinking Ahead Institute/PRI: "An organisation's total stewardship resources level should align with its stewardship and sustainability ambition. For instance, as the organisation seeks to try and address systemic risks such as climate change or biodiversity loss, then the engagement required becomes more complex. Higher ambition levels also suggest there should be a change in how stewardship resourcing is allocated. For example, the percentage of resources dedicated to engagement at the policy/system level". [Putting Resources Where Stewardship Ambitions are Structured Measurement to Empower Asset Owner-Asset Manager Conversations \(thinkingaheadinstitute.org\)](#)

¹³ [The Global Standard on Responsible Climate Lobbying](#) is an industry good practice example of how fund managers could publicly report on their climate lobbying activities.

¹⁴ Examples of industry and policy engagement include the Global Commission on Mining 2030, and the Investor Agenda's Global Investor Statement on the Climate Crisis

¹⁵ Examples include widely used benchmarks and research such as the Transition Pathway Initiative, IIGCC's Net Zero Standards and Net Zero Investment Framework 2.0, supported by information captured through direct engagement dialogues.

Principle 3: Asset managers' prioritisation framework for company engagement should be rooted in a robust theory of change¹⁶ that delivers maximum impact

Managers must reflect on where they can add most value and bring about systemic change through deep and impactful engagement. We see this operating at two levels¹⁷:

Value-Chain/Sectors

Prioritisation should be given to sectors that are critical to achieving a low carbon economy, for example:

- Fossil fuel dependent sectors (e.g., utilities, automotive, steel), to support company and sector transition plans to phase out fossil fuel dependency. This is not to negate the importance of continued engagement with the supply side (e.g. for the oil and gas sector) but rather to also emphasise the importance of engagement with demand side companies to reduce dependency on fossil fuels.
- Sectors linked to forest-risk commodities collectively represent the primary drivers of deforestation and nature degradation.
- Other high impact including hard to abate sectors that are critical to the transition to a low carbon economy (e.g. cement, technology, financial services, mining – the latter in terms of both the management of declining assets justly and the growth of production of transition minerals).

This prioritisation framework should not only guide voting during AGMs but also EGMs¹⁸, when issues of corporate takeovers/consolidation are brought to a vote which may serve to undermine the drive for best practice social and environmental performance standards of the sector in question and ultimately investors' long-term interests.

Companies

The narrowing timeframe to achieve alignment with the Paris Agreement presents a clear call for increased ambition today. Whilst we recognise the importance of continued engagement on companies' net zero commitments and target setting¹⁹, we believe greater emphasis needs to be placed on:

- Engagements (including escalation) focused on the robustness of corporate net zero commitments (i.e., transition plans), rather than purely on disclosure of climate risks and opportunities.
- Assessing companies' sector-specific decarbonisation strategies, capex allocation plans, climate lobbying alignment and inclusion of climate risks in financial accounts and audit statements in determining the robustness of their net zero commitments²⁰.
- Nature (beyond deforestation) and social related impacts. An orderly climate transition cannot be achieved either without incorporating nature-related considerations into the

For further details on the benefits of collaborative initiatives from an asset owner perspective at a company level, please refer to the following: [Investor statement in support of Climate Action 100+ - CalSTRS](#)

¹⁶ A theory of change is a written description of the strategies, actions, conditions and resources that facilitate change and achieve outcomes. It has 'explanatory power' (Reinholz & Andrews, 2020) in that it should explain why particular activities or actions will lead to particular outcomes.

https://www.researchgate.net/publication/338659037_Change_theory_and_theory_of_change_what%27s_the_difference_anyway

¹⁷ Some asset owners may choose to go beyond these focus areas.

¹⁸ Extraordinary meetings for issues such as mergers or takeovers

¹⁹ Short, medium and long term which includes material Scope 3 emissions

²⁰ The 2024 State of the Transition Report also highlights the importance of CAPEX and lobbying as the defining characteristics of leading companies: [2024-tpi-state-of-transition-report-2024 \(transitionpathwayinitiative.org\)](#)

decarbonisation pathways or without factoring in the social impacts of the actions required. These factors are fundamental to a transition happening²¹. Managers must assess trade-offs in ensuring a just transition and the need for differentiation between markets based on maturity. Being transparent about these factors is also necessary to embed credibility into the stewardship processes.

- Physical risk disclosures in line with best practice guidance²².
- A more nuanced approach to climate competency at board level which considers climate expertise in conjunction with other transferrable skills like change management within the context of the sector.

Principle 4: A systematic approach to voting is imperative

Asset managers need to have robust escalation processes in place and articulate how different types of escalation are used within what timeframes when climate expectations are not met. Asset managers should make use of the currently under-utilised routine agenda items (e.g., director elections, remuneration, audit) to drive their stewardship escalation activities. An in-depth evaluation of the remaining stewardship mechanisms (such as co-filing or supporting shareholder resolutions and transition plans) should guide implementation, prioritizing both effectiveness and resource allocation. Where a manager delays escalation that may be reasonably expected under the framework, clear explanations should be provided to clients regarding the basis of exception.

Principle 5: The stewardship function needs to be appropriately resourced

A stewardship strategy will only be successful in delivering the above noted expectations, if it is backed by effective current and future resourcing²³. In ensuring that the focus is on quality versus quantity of engagements, effective stewardship resourcing should not only include appropriate headcount (relative to AUM), but also an appropriate balance of skills, thematic, regional and sectoral expertise, as well as enterprise capabilities such as data access, tools and applications underpinned by investment in IT infrastructure.

Concluding Remarks

We will incorporate these views into our individual manager monitoring expectations and frameworks and independently consider appropriate action to achieve philosophical alignment. For some asset owners, poor or misaligned stewardship activity could contribute to a downgrade in asset manager ratings, a reassessment of the mandate, or the selection of asset manager/s demonstrating greater alignment with the pension scheme's objectives.

We intend this statement to provide clear guidance for asset managers on joint expectations from asset owners on climate stewardship. We foresee opportunities for continued constructive dialogue between asset owners and managers on the basis of this statement.

Signed

An investor coalition led by:

²¹ <https://www.weforum.org/publications/global-risks-report-2024/>

²² [Adaptation.pdf \(transitiontaskforce.net\)](#)

²³ See hyperlink in footnote 10

Signatories as of 9th October 2025

Aegon UK

Australian Ethical Investment

Border to Coast Pensions Partnership

Brunel Pension Partnership

Caisse des Dépôts (CDC)

Church of England Pensions Board

Cornwall Pension Fund

Environment Agency Pension Fund

Établissement de Retraite additionnelle de la Fonction publique (ERAPF)

Fonds de Réserve pour les Retraites (FRR)

Gloucestershire Pension Fund

Greater Manchester Pension Fund

IRCANTEC

LGPS Central

London Pensions Fund Authority

Lothian Pension Fund

Merseyside Pension Fund

Malakoff Humanis

Mutuelle assurance des instituteurs de France (MAIF)

Nest

North East Scotland Pension Fund

Northern Ireland Local Government Officers' Superannuation Committee

Oxfordshire Pension Fund

Pension Protection Fund

Pensionskasse Basel-Stadt

People's Pension

Phoenix Group

Sammelstiftung Vita

School Sisters of Notre Dame Collective Investment Fund

Scottish Widows

Shell Contributory Pension Fund

Sisters of Charity of St. Vincent dePaul of New York

SVVK-ASIR²⁴

United Nations Joint Staff Pension Fund (UNJSPF)

West Midlands Pension Fund

²⁴ SVVK-ASIR unites a group of eleven large Swiss pension and social security funds [SVVK-ASIR: Uniting Swiss Pension and Social Security Funds for Responsible Investment – SVVK ASIR – Swiss Association for Responsible Investments](#)