SUSTAINABLE INVESTMENT AND IMPACT REPORT

2023

REDINGTON


REDINGTON
WELCOME TO REDINGTON
WE'RE ON A MISSION TO HELP
100 MILLION PEOPLE BECOME
FINANCIALLY SECURE — FOR THE
BENEFIT OF PEOPLE AND PLANET

FOREWORD

FOREWORD

Redington remains committed to sustainable investment. It's core to our mission of helping to make 100 million people financially secure – for the benefit of people and planet.

Sustainability is crucial for the world we live in today, especially for long-term investors, like Redington's clients, who have responsibilities to hundreds of thousands of individual beneficiaries. Sustainability matters to them: they need financial security and for the world they live in and retire into to be habitable. We were delighted to be certified as a B Corp in 2022 – becoming a member of the growing community of companies around the world that meet a rigorous set of standards across social and environmental performance.

Becoming a B Corp isn't a change in our approach, but a recognition of the business that Redington already is and will always strive to be.

As a B Corp, we aim to deliver not only for our shareholders, but also for the communities in which we operate, our clients and their beneficiaries, the environment and our people. We seek to ensure that our governance fully reflects this. Throughout this report, we consider our performance in each of the B Corp stakeholder categories – and against an appropriate benchmark – and also identify areas for improvement.

We remain strong supporters of the UK Stewardship Code 2020; and as part of our delivery against this standard, we've been building engagement tools and supporting clients in their role as asset owners to be clearer in their expectations of their fund managers, and to hold those managers to account for the effectiveness of their stewardship efforts. We also remain committed to net zero and helping our clients achieve their climate ambitions.

We believe in clarity and honesty in our advice to clients and apply the same principles in reporting on our own activities.

100 million

OUR MISSION: To help make 100 million people financially secure — for the benefit of people and planet

After due consideration, Redington's Sustainable Investment Committee and I are satisfied that this report is a fair, balanced and understandable summary of our approach and activities in these areas for the calendar year 2022.

We see a need for the investment world to become more sustainable, and we commit to continue over 2023 and beyond to do more to ensure that sustainability and stewardship are more fully integrated into our advice and our clients' thinking.

Sylvia

Sylvia Pozezanac
CEO

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OUR PURPOSE

Redington is an independent, purpose-driven investment consultancy. We provide a full range of outcome-oriented investment advice, research and technology to some of the largest and most sophisticated pension funds, foundations, wealth managers and other long-term institutional investors across the UK and around the world. Our advice extends across investment strategy, sustainable investing, risk management and manager research, and everything we do is driven by a desire to achieve the best possible outcomes for our clients and their beneficiaries. As long-term investors, sustainability issues will affect the value and investment performance of our clients' assets over the time horizons that matter to them, which is why environmental and social factors are core considerations for us, affecting every decision we make as a business, both internally and when advising clients.

Last year, we were delighted to become the first B Corp-certified UK investment consultant. This formal certification marks the end of a rigorous application process that, in our case, took over 18 months to complete. It confirms our delivery of value across stakeholders and makes us part of a community of like-minded businesses (over 5,000 companies located across 85+ countries), united in a global movement to use business as a force for good. A fuller discussion of our score and areas for enhancement can be seen on the following page.

Becoming a certified B Corp is only the beginning of our journey of continuous improvement and collective action. We'll retake the B Corp assessment every three years to ensure we've responded to the areas identified for improvement and are keeping up with the evolving standards.

As with our purpose more broadly, we regard our B Corp status as a mark of our ambition for the future, not as an end in itself.

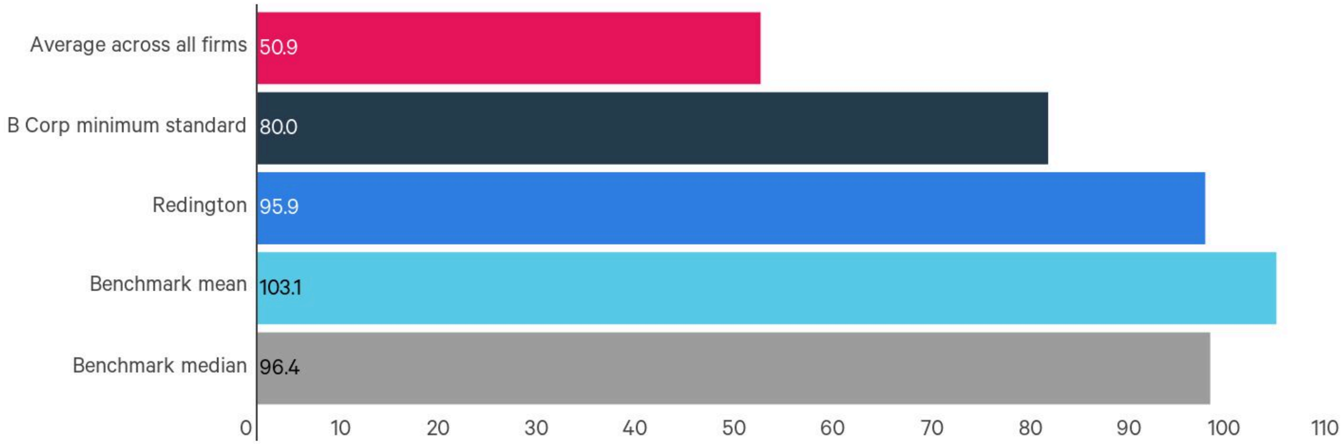
INSIGHT
B Corp scoring and comparisons

We're delighted that our overall score on the B Impact Assessment is comfortably above the minimum threshold required for B Corp status – 95.9 compared to 80 (note, the maximum available score is 200). This recognises the work invested into our stakeholder relationships since our founding. However, we recognise that this is a baseline from which we should continue to improve, and we seek to learn from our B Corp community peers.

From comparisons with our chosen peer group*, our scores are well placed across four of the B Corp pillars: Governance, Workers, Community and Environment. However, there's work to do on the final pillar: Customers. We're proud of what we do for our clients and the positive effects it has on their sustainability footprints, so, for the most part, we believe we can enhance our score by better articulating what we already do.

But we'll also continue to seek ways to further improve the positive impacts of our work and its delivery for our clients. Across all the areas of the assessment, we remain eager to make improvements in our approach. Further insights from our B Impact Assessment can be found in the relevant sections of this report.

OVERALL SCORE



Source: B Lab, Redington. 2022

We've chosen B Corp firms based in the UK in the Investment Advisory category – which in practice is a mix of investment management firms, wealth managers and advisers – as a 32-strong group against which to benchmark our performance.

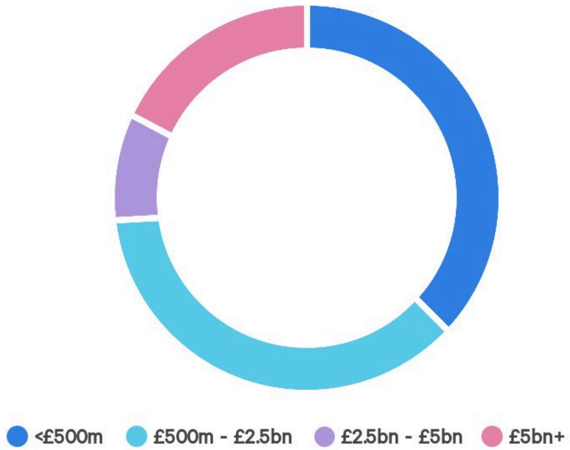
OUR CLIENTS

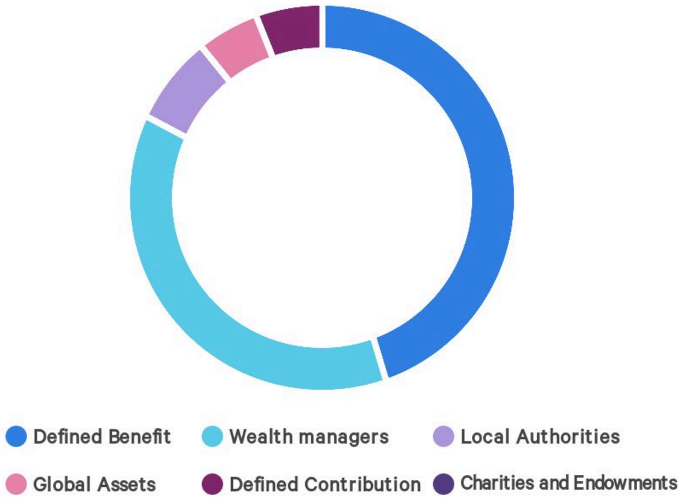
Our client base continues to become more diverse as we seek to work with a greater variety of asset owners across a greater number of geographies. Our core client base continues to be UK DB pension schemes, where we specialise in providing leading advice to the most complex schemes in the country. The largest of these have led the UK economy in being the first entities required to report against the expectations set by TCFD (the Task Force on Climate-related Financial Disclosures).

We're now working with more non-corporate DB clients than ever before. A key part of our offering to these, and all our clients, is our sustainable investment and stewardship work, an area we've invested significantly over the last few years to build our skills and expertise to deliver more effectively for all clients.

Over 2022, we carried out major projects advising on climate change risks and opportunities, effective stewardship and broader sustainable investment topics for clients that included insurance and savings providers, DB and DC schemes, local government pension schemes and endowments and foundations.

CLIENT BREAKDOWN STATISTICS (BY TYPE AND SCALE OF ASSETS)





Source: Redington. 2022

INSIGHT
B Corp scoring and next steps: Customers

We were disappointed to learn that the Customers pillar is the one area of the B Impact Assessment where we didn't score well relative to our peers. As set out in this report, we're proud of our client service culture, and we maintain active contact with each client to ensure that any concerns or questions can be quickly surfaced and addressed. Our clients' needs remain at the heart of everything we do.

On review of the self-completed questionnaire, it was apparent that we scored well on the questions that we answered (the Customer Stewardship questions) – achieving 94% of the maximum points for these. However, by not indicating that our services address a social and/or environmental problem for our customers and their beneficiaries, a wider series of questions were not opened to us.

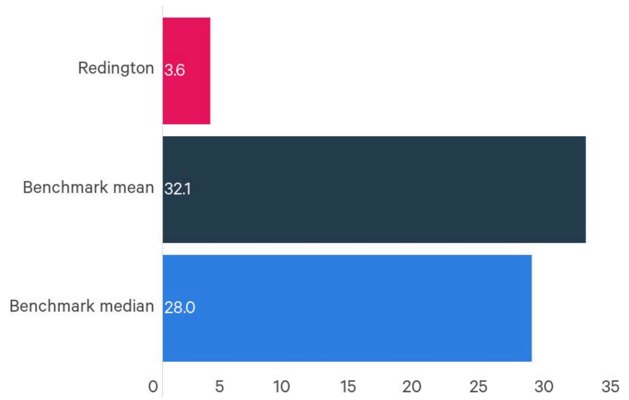
We've strongly developed our environmental and social offering for clients over the two years since we began the B Corp application process, and are therefore confident that our rating in this area will improve following our next assessment.

We're nonetheless focused on further advancing our efforts to deliver positive impacts for our clients to ensure they remain delighted by our work. We constantly challenge ourselves to evolve and enhance our offering to clients.

Senior members of Redington staff, independent of the teams actually delivering client services, hold an annual meeting with each client to gain confidence in the delivery quality and to gauge client satisfaction.

We believe this provides a ready mechanism to escalate any concerns and are pleased that these meetings have, thus far, revealed continuing significant levels of client satisfaction.

CUSTOMERS SCORE



Source: B Lab, Redington. 2022

OUR STRATEGY

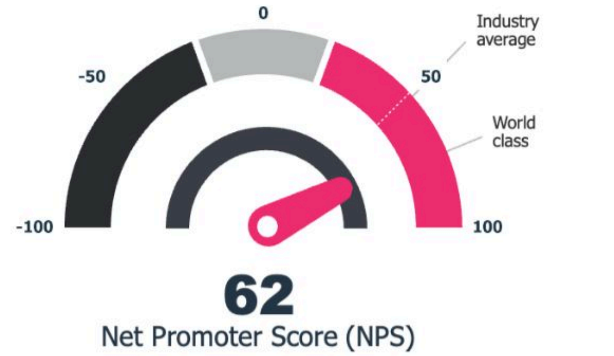
Our strategy is intrinsically linked with our purpose and mission to help make 100 million people financially secure – for the benefit of people and planet. This ambitious mission requires us to look to expand the base of clients to which we offer our services.

Sustainable investment and stewardship are central to our strategic aims for growth as they enable us to build new client relationships with asset owners outside our historic core market and geography (UK DB pension schemes). We've already found success through this and, therefore, have a strategic aim to further advance our sustainable investment and stewardship offerings to clients.

Core to our ongoing success as a business is the strength of our client relationships, built on empowering clients to make effective decisions in a complex and ever-evolving world.

We look to build strong relationships with our clients and deliver the information they need through accessible, technology-enabled means. We measure the strength of our relationships with clients through a Net Promoter Score (NPS). Our score remains strong compared to international benchmarks; however, it has reduced over the year. The underlying methodology we use means that if our clients are not >90% satisfied with us, our score will fall. We expect this to happen from time to time, as the clients that make up our score in any given year, and the challenges they face, change. That said, we hold ourselves to very high standards and work closely with clients that have expressed areas where they expect more from us.

NPS GAUGE ON CLIENT SATISFACTION



Source: Redington, 12 months to 31 December 2022

We hold annual meetings between senior Redington staff (typically the Deputy CEO) and each of our clients to gain honest feedback about the delivery of our services – from the quality of our reporting to the usefulness of our advice. The feedback from these meetings is shared with the client-servicing teams as appropriate to continue improving our client experience.

Over 2022, we combined our stewardship expertise with our leading technology offering to build a tool that helps us and our clients critically analyse the voting activity undertaken by fund managers. This tool helps cut through the noise, using significance indicators to determine the most pressing issues on which to challenge managers. Timely insight, deep analysis and leading expertise are the key strengths we're looking to develop to help our clients quickly ramp up the effectiveness of their stewardship efforts.

The relationships we build with our asset-owner clients, combined with our position in the investment value chain, gives us a unique position to oversee fund manager accountability and advise our clients on the best way to invest sustainably – for the long-term benefit of people and planet.

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MANAGING OUR CONFLICTS

We've deliberately designed our business to avoid conflicts, supporting our clear intention of always putting client interests first.

Unlike many other investment consultants, we've chosen not to offer fund management ('fiduciary management') or actuarial services, leaving us free to advise clients on what investment approach and which managers would best suit their needs.

Additionally, we don't charge fund managers for our research on their strategies, meaning that our advice to clients is wholly independent. Consequently, our clients can trust that we have no hidden agenda or incentives and are solely focused on helping them achieve their objectives. This structural protection against conflicts of interest extends to our sustainable investment and stewardship offering.

We reinforce these structural protections from conflict by having procedural protections and requirements of clarity and disclosure by our staff. We take our responsibilities to Treat Customers Fairly extremely seriously, with any situations that might give rise to concern debated openly and honestly at our weekly Investment Strategy Committee. Our Conflicts of Interest Policy reflects the full range of what's required of us as a firm regulated by the Financial Conduct Authority (FCA). This includes the requirement that we take all necessary steps to identify, manage, record, prevent and, where necessary, disclose conflicts of interest between ourselves and our fund managers, employees, appointed representatives or any person directly or indirectly linked to us and our clients, as well as between clients.

We place the usual constraints on gifts and entertainment that might be seen to create a conflict of interest and require appropriate transparency and disclosures from our staff.

Over 2022, no specific conflicts of interest relating to our stewardship and sustainability work were identified. This covers the work we do for our clients, as well as the interactions we have with fund managers.

REDINGTON

HOW WE MANAGE OURSELVES

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HOW WE'RE GOVERNED

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OUR CULTURE

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HOW WE'RE GOVERNED

Seventeen years since its inception, Redington is still part-owned by its founders Rob Gardner and Dawid Konotey-Ahulu. Dawid continues his involvement with Redington to this day by sitting on our Board as a non-executive director. A number of our senior staff are also shareholders in the business. Alongside them, as a majority shareholder, is Phoenix Equity Partners, a UK-based private equity firm, which invested in Redington in 2020.

At year-end, the Redington Board comprised an independent chair, Kathryn Purves, four executive directors – our CEO, Deputy CEO, COO and CFO – and three non-executive directors – Dawid alongside two Phoenix Investor Directors. Our search for a new CEO was concluded in early 2022 with the appointment of Sylvia Pozezanac, who took over from our acting Interim CEO, Zoe Taylor, who has since resumed her responsibilities as Deputy CEO. This continuity has ensured stability for our staff and clients throughout the process.

Our Board works with the executive team to set Redington's strategic direction and ambitions. It continues to encourage the maintenance of our longstanding entrepreneurial culture and growth mindset, including the expansion of our sustainability and stewardship services. Given the strategic importance of sustainable investment and stewardship, these are areas on which the Board focuses a good deal of time and attention, with regular contact with the heads of our sustainability and stewardship business.

Our sustainability and stewardship activities are overseen by an executive Sustainable Investment Committee. Committee members include our Deputy CEO and our COO, alongside representatives from across the broader business. The Committee is chaired by our Head of Stewardship & Sustainable Investment Strategy. The Committee owns and reviews our Sustainable Investment Policy, monitors operational delivery and approves the positioning of our sustainability approach, including quality of communications (not least agreeing that this report itself is fair and balanced) and public policy consultation responses.

Where we’ve made public commitments with regards to sustainability, the Committee monitors progress, with specific members accountable for maintaining ongoing relationships. This includes our B Corp status as well as assessing progress against our net-zero commitment and to those commitments taken on as part of our memberships of the Investment Consultants Sustainability Working Group (ICSWG), the Net-Zero Investment Consultants Initiative (NZICI) and Pensions for Purpose.

Promoting and practising effective stewardship is a requirement from our Board and is reflected in the governance structure we’ve put in place, which is overseen by senior leadership and our Sustainable Investment Committee. We believe this has been effective to date. To reflect the changes in personnel and the type of clients we service, we’ll be undertaking a governance effectiveness review in 2023, which will include the membership and terms of reference of our Sustainable Investment Committee.

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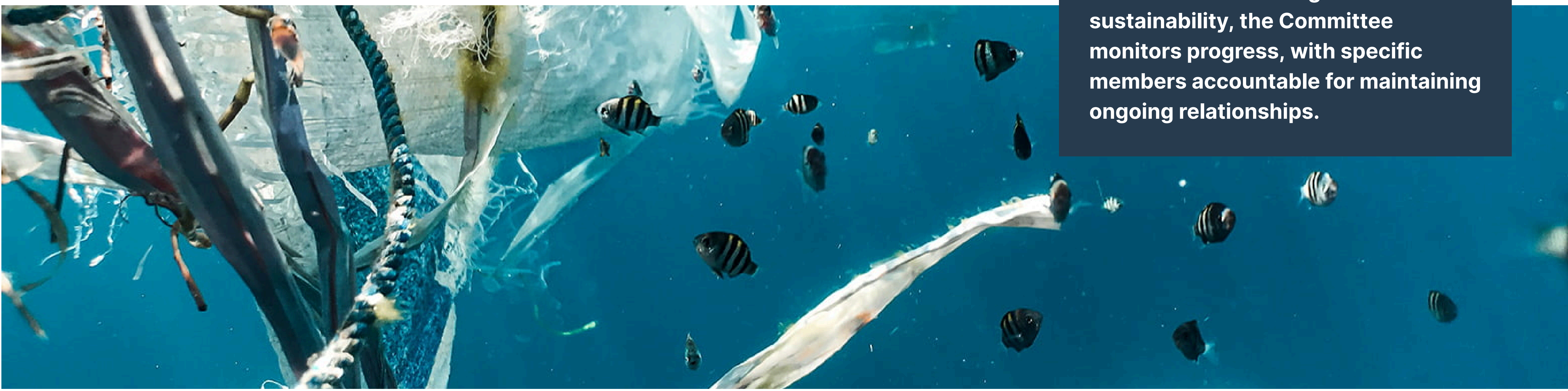
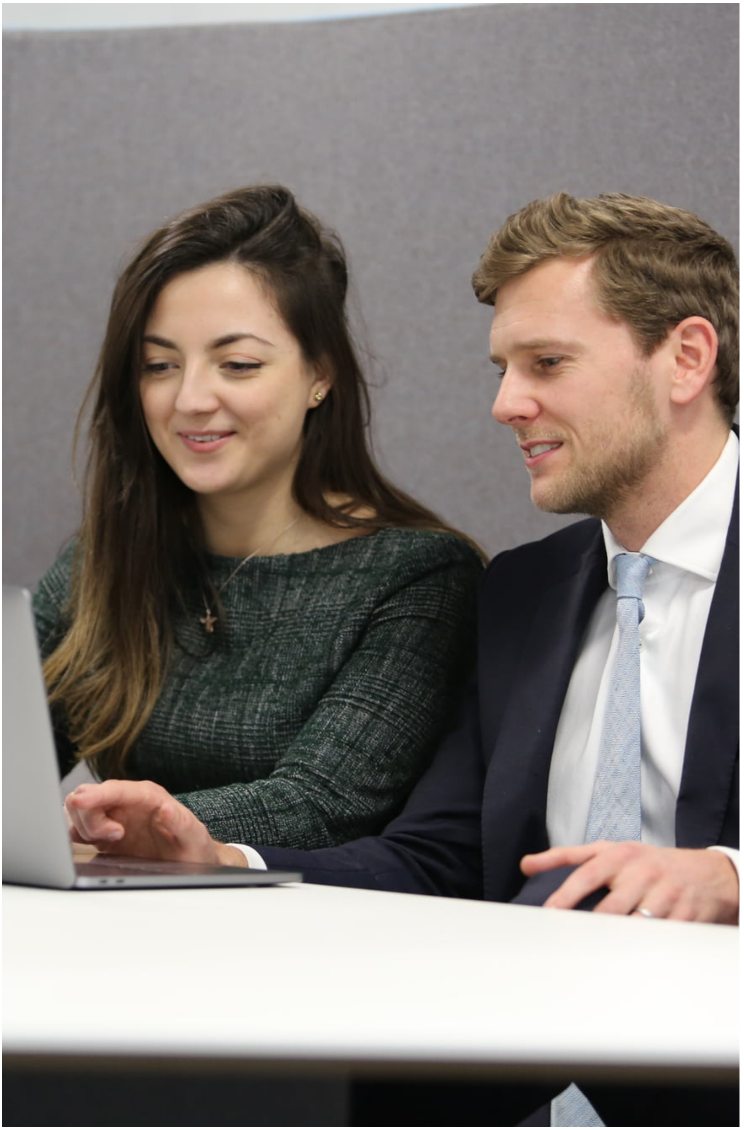


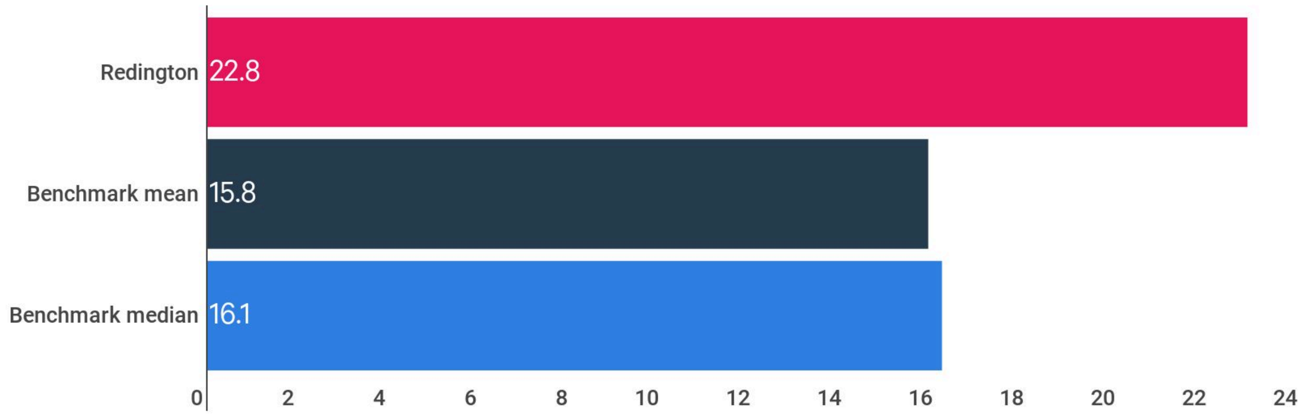


INSIGHT
B Corp scoring and next steps: Governance

We're proud that our scoring on the Governance pillar of the B Impact Assessment recognises achievement above that of our peer group. We believe that this reflects the employee-owned heritage of our firm, our responsiveness to staff perspectives and views and how we ensure we remain accountable to our clients.

We're proud of our senior commitment to hearing and responding to client feedback, and we continue to consider ways in which we can enhance our approach and accountability across all of our stakeholders.

GOVERNANCE SCORE



Source: B Lab, Redington. 2022

OUR CULTURE

At Redington, our culture, people and how we treat one another are paramount. Our culture has evolved organically over almost 17 years; we've had colleagues join us and leave us, and each has left a unique mark on who Redington is today. Yet, throughout, our culture has remained anchored by our values:

Strive for better

Redington was founded on the principle of challenging the pensions industry to improve outcomes for end members. This still very much runs through our organisation and the way in which we operate. We have a strong desire to learn and improve across all aspects of our business, whether that's how we advise our clients, the systems we use or the opportunities offered to our employees to take on substantial responsibility early in their careers. We don't fear change; we do what it takes to ensure that we maintain a culture of innovation and progress.

The B Corp certification process has been an important aspect of putting this into practice. When we set out to complete the B Impact Assessment, we were eager to discover the areas we needed to strengthen to obtain certified status. As we worked through the questionnaire and learnt that we might already meet the criteria for certification, our focus immediately switched to identifying areas in which we could improve. The framework has already been of significant benefit to us in developing our evolving and progressive culture.

Empower others

We believe that to have an engaged, happy and productive workforce we must ensure that our colleagues feel empowered to speak up and have appropriate platforms and channels available to do so.

Our employee-led Inclusion & Diversity Committee works closely with our Leadership and People teams to ensure inclusivity is central to everything we do. Our People team provides channels for feedback to be heard and acted on through pulse surveys, focus groups and an anonymous suggestions box. We employ individuals from diverse backgrounds to ensure that we think and work differently. We're confident that this plays a part in our ability to respond to client needs effectively.

Be generous

Whether it's being generous with our time, knowledge or pastries, generosity is something that makes Redington a special place to work. Walking through our offices, generosity is something that really stands out – you often see people huddled around a desk sharing their insights on what's happening in the market, discussing client projects and actively collaborating.

Just as we're constantly learning and seeking to improve, we're also keen to share what we know, being transparent about what we think has worked for us and the things that haven't. This operates outside the organisation too: in this vein, we've co-founded and continue to help steer industry groups such as the Investment Consultants Sustainability Working Group (ICSWG) and the Net Zero Investment Consultants Initiative (NZICI) and actively participate in organisations such as the Diversity Project and 10,000 Black Interns to ensure our learnings can benefit the wider industry.

We're excited to become a B Corp, joining a community of like-minded businesses that are keen to learn and share, just as we are. We challenge ourselves and the wider investment industry to follow best practices concerning inclusion and diversity and we're committed to supporting the initiatives set out later here.

Gender pay gap

We continue to publish our gender pay gap voluntarily as part of our efforts to promote honesty about this issue across the financial services industry and to challenge ourselves to continue to improve. We've been successful in driving greater gender diversity across our business, with women now making up 40% of all employees – up from less than 30% in 2018.

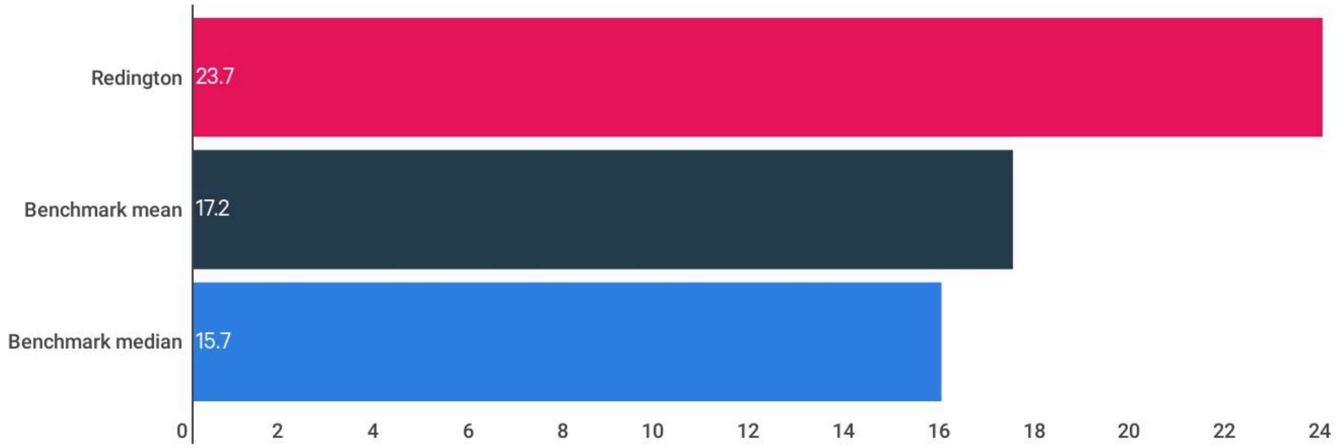
Our success in improving gender diversity at the junior level has been less positive for our gender pay gap numbers, which remain stubbornly higher than we would want. Our 2022 mean hourly pay gender pay gap was 18.3%, very marginally lower than in 2021; however, the median saw an increase to 31.1%. We see a wider gap in bonuses, with the mean very similar to 2021 at 37.3% and the median markedly down to 46.3% from 68.3% in the prior year.

These numbers are disappointingly large, and we continue to work to ensure that we treat all our staff fairly and that we practice equal opportunities. We take little comfort from knowing that these numbers are better than the financial services industry generally, so we will continue to work to address them.

INSIGHT
B Corp scoring and next steps: Community

We're pleased that our scoring on the Community pillar of the B Impact Assessment is notably above that of our peer group. Redington has long recognised our interdependence with others in order to deliver our role effectively – and our ability to work with others to shape our profession and the investment industry as a whole. We continue to foster meaningful relationships with our peers and others, including regulators, to ensure we can support our clients in the way they require, and we seek to further advance our efforts in this area.

COMMUNITY SCORE



Source: B Lab, Redington. 2022

OUR TEAM, RESOURCING AND INCENTIVES

Redington is a purpose-driven organisation, and this is a value our entire team upholds. Considerations of sustainability are embedded into everyone's role, regardless of which function they undertake. How this is embedded and how it manifests is different for each role and each individual member of our team. Specifically, our Manager Research colleagues and client-facing teams will embed material sustainability considerations into their work for our clients, while our Operations team will consider the environmental and social impacts of facilities management and procurement.

Training is available, and our size and autonomous culture mean that any individual can readily approach our sustainability specialists for advice and input. We encourage our employees to study for various qualifications, including the CFA UK's Certificate in ESG Investing or Certificate in Climate Investing, of which one of our employees was a leading author. In 2022, c.10% of our employees were studying towards a professional qualification of their choice.

Our workforce reduced in size over 2022 to just over 200 employees, largely as a result of completing a major technology development process. Going forward, we expect to continue to grow as an organisation.

Specifically, regarding sustainability and stewardship, we continue to grow our team with both part-time and full-time SI specialists joining our Manager Research, Investment Consulting and Modelling teams to cater to the increased demand for sustainable investment and stewardship advice from our clients. At the end of 2022, we had six full-time and three part-time SI specialists: five specialists within our Investment Consulting function, three within our Manager Research and our Head of ESG Analytics sitting in our Modelling (Asset & Liability Management) team.

During the year, we also had an active recruitment process to hire another full-time SI consultant who joined us at the beginning of 2023. Collectively, these six full-time individuals have more than 50 years of professional experience in sustainable investment and stewardship and ensure that our clients benefit from a resource and skill-base that is unique among investment consultants.

However, it's not only our SI specialists that work on sustainable investment, all our staff are expected to be able to support clients in their stewardship and sustainability decision-making. In fact, during 2022, we spent significant time and resources to further upskill our colleagues on material sustainability and stewardship matters. For example, all ESG reporting analytics are now fully integrated into our modelling capabilities and are delivered by our Modelling team, overseen by our Head of ESG Analytics. As an outcome of these efforts, our full-time sustainability professionals were able to focus on forward-looking research and advice to ensure our clients have access to the most up-to-date SI capabilities. This has also allowed us to develop our sustainable investing and stewardship propositions for both new and existing clients, led by our sustainability and stewardship heads and supported by the wider team. Given we're a relatively small organisation, our sustainability and stewardship heads are closely involved with the delivery of much of our work and maintain oversight of the quality of our overall advice in these areas.

While all our SI specialists are specifically incentivised to deliver insights and advice to our clients that meet their sustainability and stewardship needs, such goals are also prevalent more broadly across the organisation

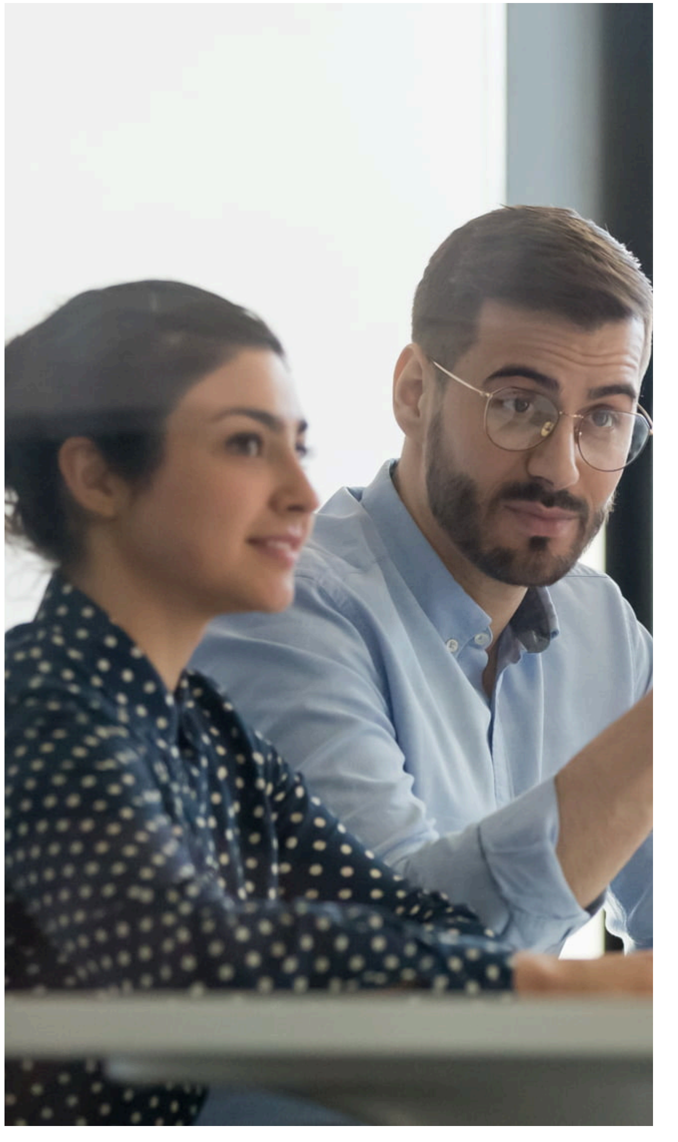
During the year, we bolstered this by adding additional objectives within our performance management system to highlight our aim of delivering sustainable investment advice effectively across our client base. Thus, among our firmwide performance objectives available for assessing the performance of all employees are: "embed responsible investment into research", "embed responsible investment into advice" and "embed sustainability into operations". Implementing these objectives means that our employees are fully incentivised to support clients with their sustainable investment and stewardship requirements, as delivery against them influences annual appraisals, bonuses and promotions.

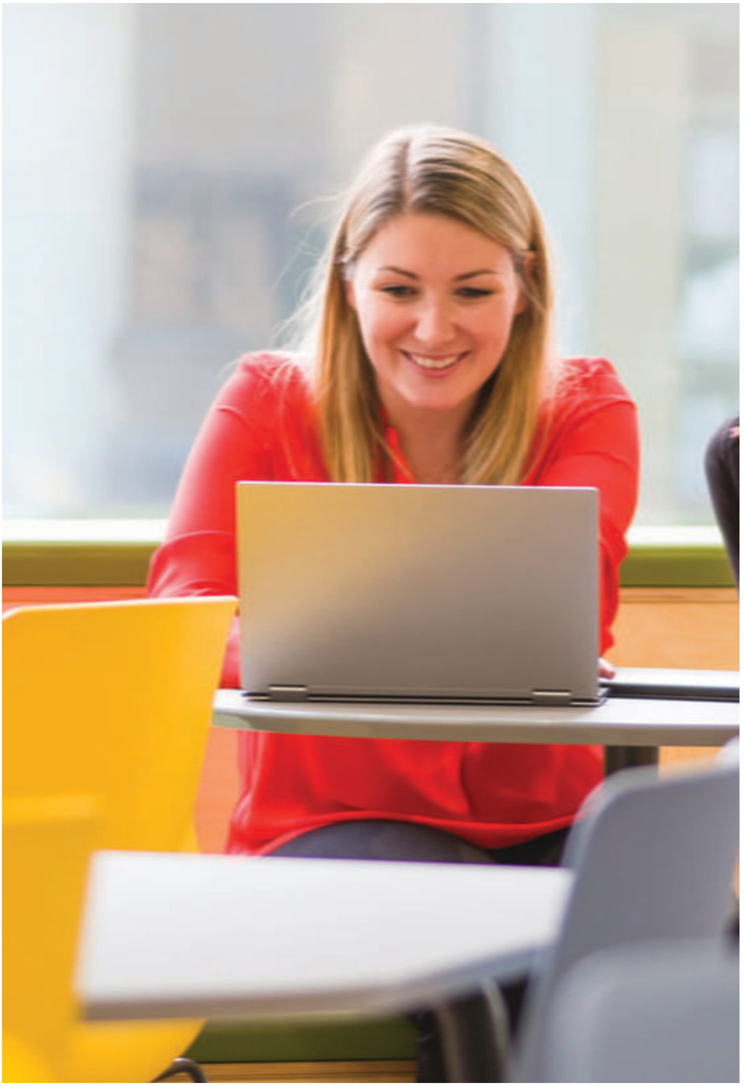
We regularly host internal teach-ins and workshops on relevant sustainability topics either as separate targeted sessions or as part of quarterly town halls and other firmwide meetings. We also host external manager presentations, some of which directly relate to sustainability and stewardship.

In 2022, we hosted 13 manager presentations, to which all our staff were invited. Notably, one of our preferred managers gave a presentation on an impact private equity fund and another manager on a sustainable listed equity fund.

We use sustainability data on climate metrics and SDGs from market-leading data providers MSCI and Impact Cubed, enabling us to share considered insights with our clients. Recognising the pace of change in the market, at the beginning of the year, we conducted a review of ESG and specifically climate data and scenario analysis providers, which provided an opportunity to test the data market for new developments and to ensure we're providing our clients with expert analytics. As a result of this exercise, we have switched from using the stress tests developed by the Prudential Regulation Authority to those under the banner of the Network of Central Banks and Supervisors for Greening the Financial Systems (NGFS), which will be updated regularly.

Over 2022, our Modelling team worked hard to ensure a smooth transition into this new climate modelling technology, and we'll start to incorporate the new scenarios into our advice in 2023.



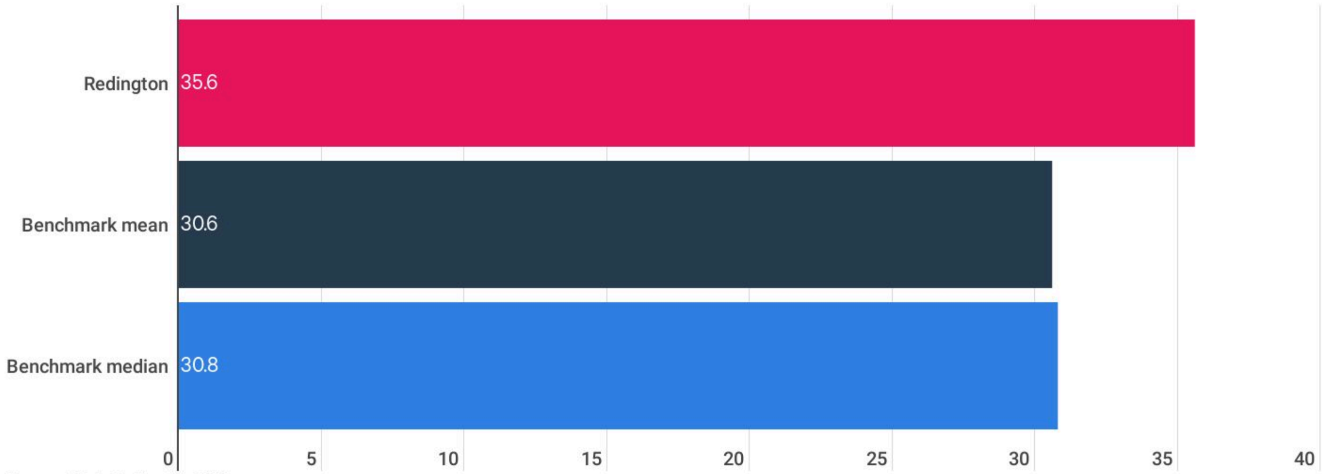


INSIGHT
B Corp scoring and next steps: Workers

Our scoring on the Workers pillar of the B Impact Assessment is above that of our peer group. We know that as a people-oriented business, our colleagues are our key resource and are what enables us to deliver to and satisfy our clients.

To further enhance our approach in this area, we're exploring ways in which our people policies, such as our approach to parental leave, can be enhanced.

WORKERS SCORE



Source: B Lab, Redington. 2022

OUR FOOTPRINT

By far the largest impact we can have in the world is by supporting our clients to be conscious of their impact on people and planet while delivering the investment returns they need to fulfil the expectations of their beneficiaries, and helping them to reduce those impacts over time.

However, we know that this doesn't absolve us from responsibility for our own footprint. We chose our current offices for their low impact and their sustainability credentials – as well as our scope to influence further improvements. We buy recycled and recyclable supplies, have moved to vegetarian food as our default and are actively cutting our printing activities (as well as measuring our precise paper usage and financing tree planting to ensure reforestation to reflect this footprint – from the start of 2022). We benefit from greywater harvesting and electricity efficiency features – not least shifting part of our server activities during the year to the cloud rather than within our own offices, notably reducing our power usage. We've been consistently pressing for an increase in the proportion of our electricity that comes from renewable sources, and were pleased in late 2022 to reach an agreement with our London landlord that all of our future electricity will be from renewables.

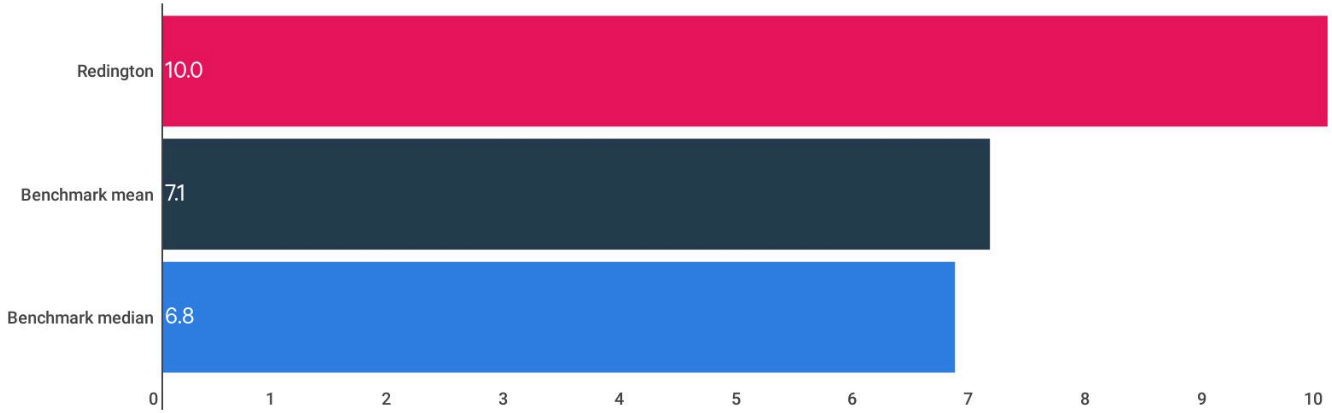
We actively assess our carbon footprint across scopes 1, 2 and 3, including our employees' commutes and business travel, and have committed to offset the carbon emissions that we cannot eliminate, but still strive to reduce. We continue to buy the highest quality of offsets and over-purchase to provide a further buffer of assurance.

INSIGHT
B Corp scoring and next steps: Environment

We're pleased to find that our score on the Environment pillar of the B Impact Assessment exceeds that of our peer group. We acknowledge the need of every business to work to address the climate crisis and to minimise its negative environmental footprint.

We're seeking to further enhance our approach in this area, and our recent success in sourcing more electricity from renewable sources will improve our score. We're also continuing to think about the suppliers we use and working with our building landlords to ensure we're maximising opportunities for recycling.

ENVIRONMENT SCORE



Source: B Lab, Redington. 2022

WHAT WE DELIVER IN STEWARDSHIP AND SUSTAINABILITY

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THROUGH OUR INVESTMENT CONSULTING

THROUGH INDUSTRY AND POLICY ENGAGEMENT

THROUGH OUR MANAGER RESEARCH

LOOKING TO THE FUTURE

THROUGH OUR INVESTMENT CONSULTING

We take a framework-based approach to helping our clients make difficult decisions effectively. Among our guiding principles are to focus on decisions that'll make a real difference and to keep the end objective in mind.

We provide clear and unbiased advice – and we're not shy of taking bold stances on particular issues. We welcome the constant challenge from our clients to advance our offering and enhance the delivery of all our services, including sustainability and stewardship.

Our clients, alongside other asset owners, faced a number of challenges in 2022. Among these for UK pension schemes was the gilts crisis in Q3. Our investment consultants worked closely with clients throughout this time, helping to protect them from the worst impacts of this market disruption. At the end of this crisis, many clients found themselves nearer to funding maturity but with the need to rebalance their portfolios and consider fundamental asset allocation changes. This upheaval somewhat diverted attention from sustainable investment matters for some clients, especially in Q4. However, despite these challenges, during 2022, we worked on sustainable investment topics with all of our clients in different forms and capacities. With limited time on agendas, we remained focused on the sustainable investment matters most material and important to our clients.

The majority of our work over the year focused on two areas: climate change and TCFD reporting, and stewardship.

Climate change and TCFD reporting

In particular, we helped a number of clients with their Task Force on Climate-related Financial Disclosures (TCFD) reporting. Among these were our Master Trust and DB pension clients with assets over £5bn, who were required to implement TCFD reports per the DWP's Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021.

Our work included providing our clients with comprehensive training on climate change in an investment context and helping them establish a suitable climate governance process, understand climate metrics and scenario analysis and how stewardship can be a used as an effective lever to meet climate-related objectives. Our framework-based approach focuses on helping our clients adopt efficient processes tailored to their specific structures, integrate climate stress tests into strategic decision-making and select and monitor the most suitable climate-related metrics and target(s) for their circumstances, including time horizons.

In 2021, we committed to aligning our default client advice with net zero. In 2022, we helped many clients set specific net zero and other decarbonisation objectives, with advice tailored to each client and focused on what moves the dial for their particular scheme.

Also tailorable is our regular reporting to clients on climate-related matters, which provides regular insight (either annually or quarterly) into the key emissions and alignment of their portfolios and relevant comparatives. Our reports are designed to provide valuable insights to aid decision-making on climate matters.

TCFD CLIMATE METRICS REVIEW

Fund	Fund Value (£)	[3rd Metric - Portfolio Alignment Metric #1]		[3rd Metric - Portfolio Alignment Metric #2]		[4th Metric]	
		Current	Previous	Current	Previous	Current	Previous
Liquid Markets (Equities)							
XX Sustainable & Responsible Global Equity Fund	XX,XXX,XXX	XX	XX	XX	XX	XX	XX
XX Balanced Managed Fund	XX,XXX,XXX	XX	XX	XX	XX	XX	XX
XX Continental European Fund	XX,XXX,XXX	XX	XX	XX	XX	XX	XX
XX Sleeve Greater European Progressive Fund	XX,XXX,XXX	XX	XX	XX	XX	XX	XX
XX Value Investors Japan Equity Fund	XX,XXX,XXX	XX	XX	XX	XX	XX	XX
Liquid Markets (Multi-Asset)							
XX Balanced Managed Fund	XX,XXX,XXX	XX	XX	XX	XX	XX	XX
XX Multi-Asset Fund	XX,XXX,XXX	XX	XX	XX	XX	XX	XX
GRAND TOTAL		XX	XX	XX	XX	XX	XX
BASELINE (20XX)		**XX**		**XX**		**XX**	

The following table provides insight into the extent to which we've provided climate-related advice to clients, helped them establish metrics and targets and assisted them in advancing the decarbonisation of their portfolios:

	Total clients	**Trained on climate change**	**Completed TCFD governance element**	**Received carbon emissions data**	**Completed TCFD reporting**	**Invested in climate solutions**
>£5B	12	12 (100%)	10 (83%)	7 (58%)	7 (58%)	6 (50%)
£1-5B	24	24 (100%)	19 (86%)	13 (54%)	0 (0%)	6 (25%)
<£1B	17	12 (71%)	0 (0%)	0 (0%)	0 (0%)	1 (6%)
Defined Contribution	9	5 (56%)	N/A	N/A	N/A	N/A

Source: Redington. 2022

We've undertaken to continue to publish this table over time to provide insight into the practical outcomes of our advice on climate risks.

Stewardship

We've identified stewardship as a key challenge for our clients and have developed processes and technology to hold fund managers accountable for delivering positive stewardship outcomes. We've implemented new tools via our proprietary software platform, Ada Fintech, allowing clients to make sense of manager voting activity, and delivered bespoke reports to clients that highlight the votes that matter to them. This helps our clients improve their stewardship activity ahead of the DWP's recent moves to raise their stewardship expectations of pension schemes.

We frame our approach to stewardship through three key elements: report, assess and engage. We provide tools and advice that enable our clients to understand and make sense of what is being done on their behalf (report), consider whether that is good enough and identify any areas of particular weakness (assess); and challenge and press managers to deliver more (engage).

We provide each element independently or as a bundle, depending on our clients' specific needs. Overall, our stewardship services respond to two distinct needs among our asset owner clients:

- To have insightful material for their own reporting needs (including Implementation Statements, Stewardship Code responses, and/or other public disclosures of stewardship);
- To hold their fund managers accountable and call for more from them, ensuring that asset owners can play their role in delivering good stewardship.

Our sustainability work with clients extends beyond these two key areas. Our broader work in sustainable investment includes among other things developing clarity on their sustainable investment beliefs, detailed advice on investment approaches that can effectively reflect their sustainability ambitions, assessing the appropriateness of relevant service providers, and helping our clients identify relevant responsible investment bodies to join. The two case studies highlight some particularly in-depth work on climate and stewardship we've conducted for specific clients.

Highlighted client enhancement for 2022: Most Significant Votes

Within stewardship, one of our areas of focus in 2022 has been voting. During the year, we developed a tool that allows our clients to analyse their managers' voting behaviour and turn that weight of data into decision-useful information. The tool allows our clients to identify the votes that most matter to them, based on their exposure and relevance to their specific focus themes. We also launched the Most Significant Votes blog, aggregating news on key votes across the different voting seasons, recognising that there were limited channels through which our clients were receiving this information from their other service providers.

OUTCOME: This output gives trustees and other asset owner representatives an insight into key votes on which they might choose to challenge their fund managers – and urge improvements if their approaches seem weak.

MOST SIGNIFICANT VOTES

New blog every Friday

Most Significant Votes (w/e 13th May 2022)

Redington
13,552 followers
✓ Following

May 13, 2022

*Welcome to Most Significant Votes! A weekly update from **Paul Lee**, Redington's Head of Stewardship & Sustainable Investment Strategy, highlighting the key AGM decisions that matter to asset owners and on which they might wish to hold their fund managers accountable.*

Spain's **Repsol** (AGM 6th May) was the latest of the large integrated oil companies to hold its AGM, including an advisory vote on its climate strategy. This faced opposition from 17% of shareholders, far from a strong endorsement. This perhaps reflects a relatively downbeat assessment of the company against

CASE STUDY:
1. Advice on voting approach for a large asset owner

We worked with a large UK asset owner to provide analysis and advice regarding their approach to voting on equity investments.

Our client had multiple segregated equity mandates split across six different fund managers in three regions, generating concerns over the net impact that votes were having. We found inconsistent voting across the fund managers – only 53% were adding weight to each other, with the remaining cancelling each other out or voting in contrary ways. The primary source of this inconsistency was the client's outsourced voting model and the large number of fund managers in each region.

We spent three months working closely with the stewardship lead of the asset owner, analysing different voting models against regulatory requirements, global best practice, peer group comparisons and capacity to overcome inconsistent voting. Based on insights from this analysis, we recommended insourcing the client's voting activity and proposed a roadmap for implementing change over time in the most effective way.

The impact of managers voting differently

Since we were able to quantify the scale of managers voting differently, we wanted to analyse what the potential impact of this might be. To do this we considered what the aggregate direction of a vote was. This does not consider the number of votes per proposal each manager had (determined by investment size), but assumes each manager had one vote. We focused only on instructions to vote against management – For or Against, ignoring votes that were abstained, or not voted on.

This leaves three outcomes:

- **Additive**: where more than 50% of the managers vote against management, meaning the overall voting footprint contributed to the direction of the resolution
- **Neutralised**: where 50% of the managers voted For, and 50% voted against, meaning the overall vote did not contribute to the outcome
- **Defeated**: where greater than 50% of the managers did not vote against management, meaning the overall vote against management was self-defeated.

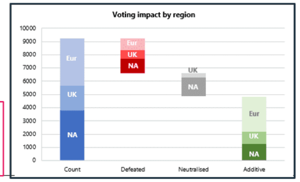
On a cumulative basis, the combined voting direction of managers was marginally majority Additive (53%). However, the other 47% were either cancelled out, or defeated. The situation was particularly poor in North America, where only about a third of votes against management were cumulatively supported – the primary driver of this was [redacted] and [redacted] strong preference to support management. The European figures are also skewed somewhat by the fact there are only three managers in the region, and so a neutralised vote is not a possible outcome.

Key takeaway

This analysis shows that there is a material impact resulting from the decision to have multiple passive equity mandates in the same regions. This may present a serious risk to [redacted] stewardship, engagement, and broader sustainability credibility given its ambition to be a leader in sustainable investment. Full details of this analysis, broken down by region, are presented in the appendix.

	Count	Additive		Neutralised		Defeated	
NA	3,798	1,274	34%	1,431	37%	1,093	28%
UK	1,892	915	48%	343	18%	634	34%
Europe	3,530	2,653	75%	n/a	n/a	877	25%
Total	**9,220**	**4,842**	**53%**	**1,774**	**19%**	**2,604**	**28%**

US = 4 managers, UK = 6 managers, EUR = 3 managers



OUTCOME: The client is still in the implementation stage but has adopted the core of our proposed solution. Through enacting the recommendations of our advice, the client is on their way to maximising their ability to make a positive impact through voting and wider engagement with the underlying companies in which their fund managers invest. Once fully implemented, this model will allow the client to have greater control over voting outcomes, resulting in consistency in the client's voting across different fund managers and shareholder resolutions, including ones focused on key ESG topics.

CASE STUDY:
2. Advice on setting an ambitious climate target

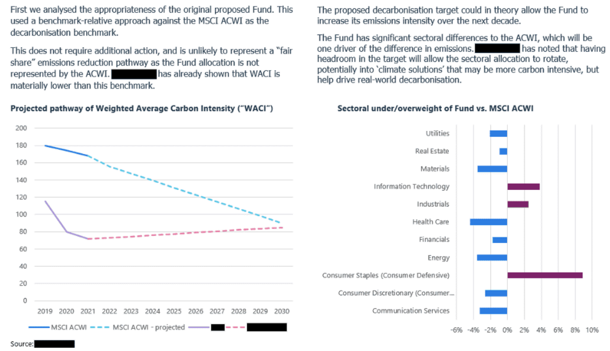
We advised a large local authority pension scheme on a suitable and ambitious interim climate target for its largest active global equity fund.

Through a period of months working closely with a specially created subcommittee of the trustees, we assessed the trustee's initial climate targets for their active global equity fund. We explored different steps that could be taken to raise the ambition of the target.

We designed a framework to help our client interrogate a series of options and, using the framework, we suggested a self-decarbonisation target that was more ambitious than the existing target. We mapped the scheme's allocation to relevant sectoral decarbonisation pathways to determine the most appropriate emissions-based metric for the client. Recognising the challenges and limitations of using backward-looking emissions metrics in isolation, we also recommended adopting a forward-looking climate target to measure how the fund contributes to real-world decarbonisation. We suggested adopting an Implied Temperature Rise secondary goal, allowing the client to measure the progress made towards portfolio-alignment and engagement targets.

We believe that to be good investment consultants, we must communicate with our clients clearly and proactively. During periods of market turmoil, such as the gilts crisis of Autumn 2022, we make sure to keep our clients aware of what's going on and what they need to focus on. We also produce several periodic communications, listed in the appendix. It's the responsibility of our Investment Consulting team, in conjunction with Marketing colleagues, to assess how effective these communications are and to enhance them over time to ensure we deliver the right messages, at the right time. We regularly review our correspondence with clients to ensure we don't over-communicate.

Is the ACWI an appropriate decarbonisation benchmark?

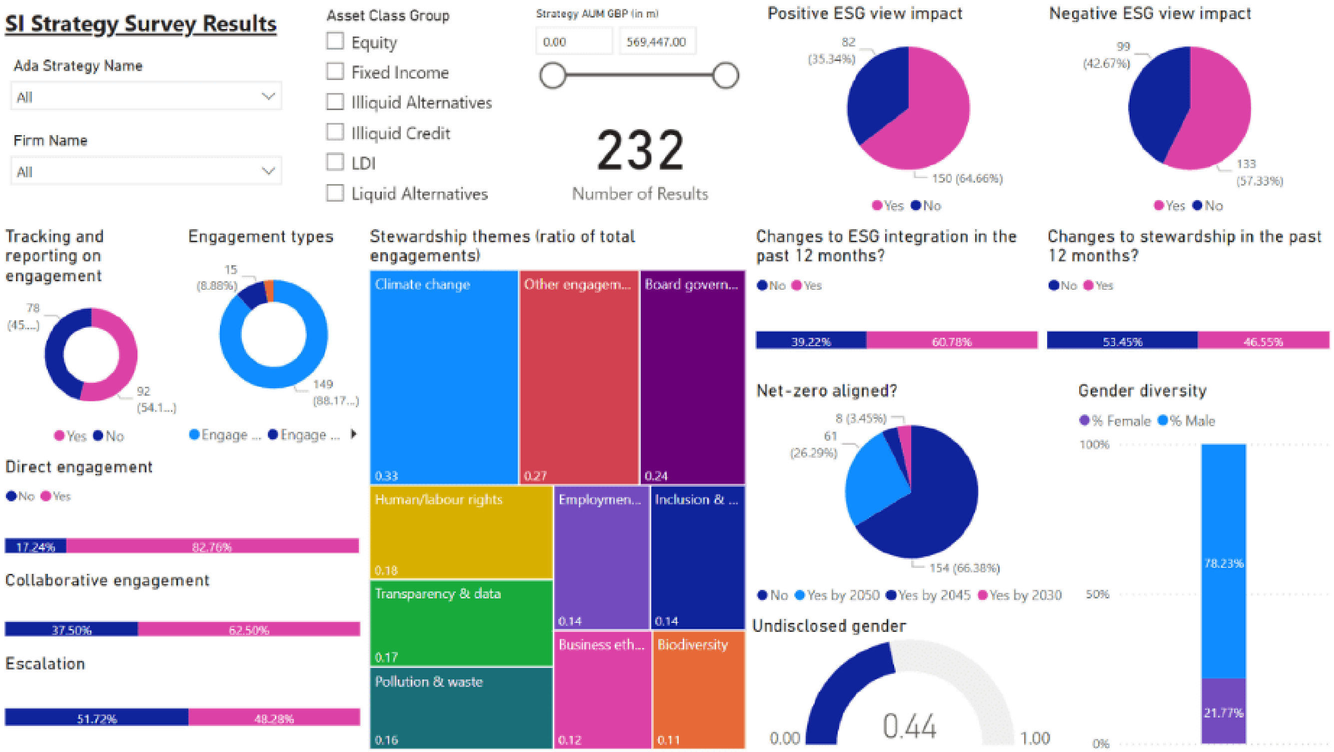


OUTCOME: The client adopted an interim emissions reduction target alongside an Implied Temperature Rise goal to maintain a portfolio consistent with the Paris Agreement.

THROUGH OUR MANAGER RESEARCH

From a manager research perspective, in 2021 we focused on introducing new assessment frameworks to hold fund managers to account on ESG integration, stewardship, culture, and inclusion and diversity. In 2022 we focused on the effective roll out of these new frameworks across our Manager Research team.

Since ‘ESG & Stewardship’ is one of our core manager selection factors, ESG has long been a key agenda item when we speak with new fund managers or ones we already research and monitor. However, to aid our team’s research process and ESG evaluations, this year, we built ESG dashboards which pull in data from our annual Sustainable Investment Survey. This enables our team more readily review insights related to ESG integration, stewardship, climate, and inclusion and diversity for over 230 strategies and 120 fund managers.

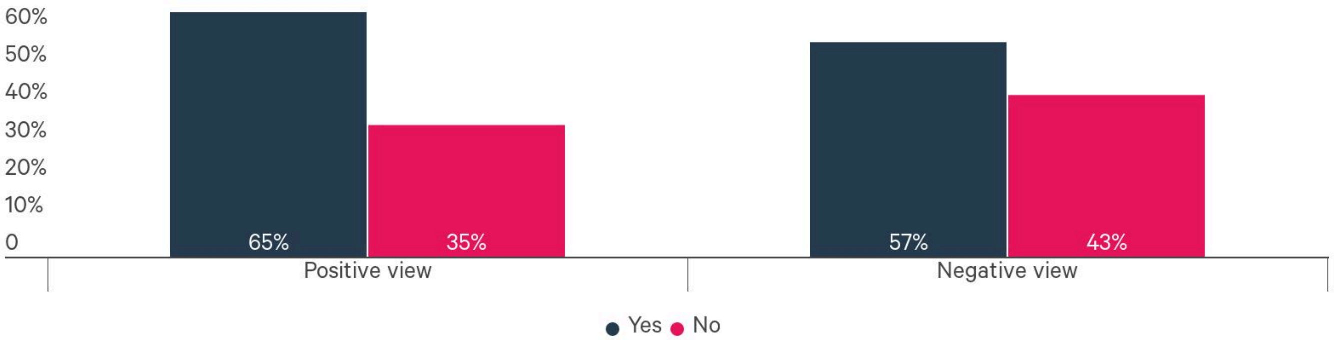


Data is updated annually (in line with our survey), and we encourage our Manager Research team to consider these dashboards when making fund manager evaluations across asset classes. We also use these dashboards to challenge fund managers when they lag in comparison to peers.

Our 2022 Sustainable Investment Survey again provided a powerful moment for us in gaining real insights into the approach of fund managers to ESG matters. We took the opportunity to reflect what we'd learnt to both the fund managers and asset owners. We expressed disappointment about the continued failure of the industry to evidence properly their delivery of ESG in practice, in particular:

- A failure to provide clear examples of buy and/or sell decisions that were driven by ESG criteria; and
- A failure to deliver concrete engagement even on issues that fund managers state as their priorities.

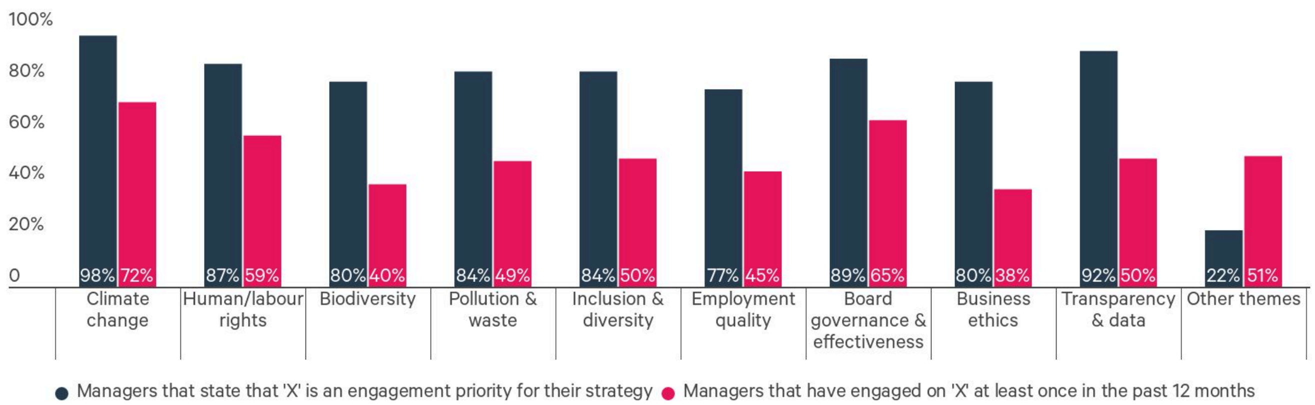
CAN YOU PROVIDE AN EXAMPLE OF A NEGATIVE/POSITIVE ESG VIEW THAT LED TO DECREASED/INCREASED EXPOSURE IN THE LAST 12 MONTHS?



Source: Redington and surveyed fund managers. 2022

WHAT MANAGERS SAY VS. WHAT THEY DO

(of those managers that approach, track and report on stewardship at the strategy level)



Source: Redington and surveyed fund managers. 2022

This year, we also asked questions regarding the defence sector arising from Russia's invasion of Ukraine. We recognised this as a major systemic event and sought some additional transparency on how fund managers are considering and responding to the relevant risks. Through these questions, and a standalone blog on the issue, we're encouraging fund managers to learn from the events of 2022, both in respect of their approach to managing and mitigating geopolitical risks, and their exclusion policies in ESG products.

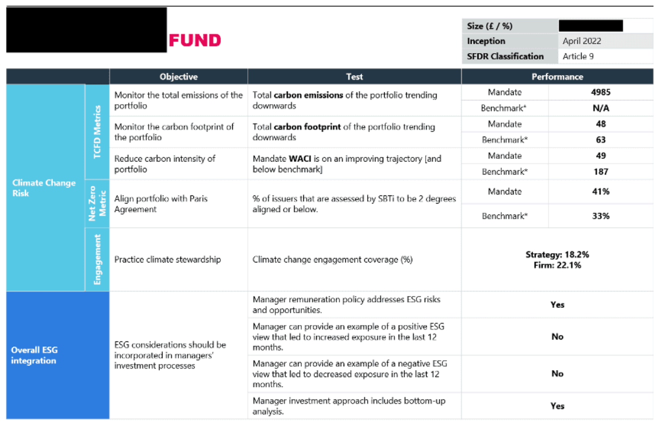
CASE STUDY:
1. Leveraging data to support fund manager monitoring on behalf of our clients

We recently provided a client with more in-depth ESG and stewardship reporting across its key fund managers, in the form of an annual set of slides on each fund manager. They were seeking to better understand the approaches of their fund managers and potential areas for improvement so that they could hold their fund managers to account in line with their duties as a responsible asset owner.

We utilised our data infrastructure to review information on the fund managers at scale related to ESG integration, stewardship activities, inclusion and diversity, climate risk and industry affiliations. In each case, we sought to use data points that didn't just cover issues on a superficial level, but that delved beneath the surface.

This process also provided an opportunity for challenge and engagement with the fund managers in question. For example, we tested one sustainability-focused fund manager on why they had responded 'No' to our survey on whether their remuneration policy considers ESG risks and opportunities. We were able to clarify the true situation, gaining confirmation and evidence about how ESG risks and opportunities are considered in pay structures, and update our dataset accordingly to ensure an accurate representation of the fund manager.

OUTCOME: We produced a decision-useful enhanced ESG report covering ESG integration, stewardship statistics and climate metrics across the client's key fund managers – complete with our views on their fund managers' approaches relative to peers. This provided our client with the tools and insights necessary for engaging with their fund managers, holding them to account on material topics. The screenshot shows a sample page from our ESG report.



[redacted] FUND

Size (£ / %)	[redacted]
Inception	April 2022
SFDR Classification	Article 9

		Objective	Test	Performance	
Climate Change Risk	TCFD Metrics	Monitor the total emissions of the portfolio	Total **carbon emissions** of the portfolio trending downwards	Mandate	4985
				Benchmark*	N/A
		Monitor the carbon footprint of the portfolio	Total **carbon footprint** of the portfolio trending downwards	Mandate	48
				Benchmark*	63
		Reduce carbon intensity of portfolio	Mandate **WACI** is on an improving trajectory [and below benchmark]	Mandate	49
				Benchmark*	187
	Net Zero Metric	Align portfolio with Paris Agreement	% of issuers that are assessed by SBTi to be 2 degrees aligned or below.	Mandate	41%
				Benchmark*	33%
	Engagement	Practice climate stewardship	Climate change engagement coverage (%)	Strategy: 18.2% Firm: 22.1%	
Overall ESG integration		ESG considerations should be incorporated in managers' investment processes	Manager remuneration policy addresses ESG risks and opportunities.	Yes	
			Manager can provide an example of a positive ESG view that led to increased exposure in the last 12 months.	No	
			Manager can provide an example of a negative ESG view that led to decreased exposure in the last 12 months.	No	
			Manager investment approach includes bottom-up analysis.	Yes	

CASE STUDY:
2. Supporting innovative impact funds via our research process

We recognise our privileged position as gatekeepers between fund managers and asset owners, and the influence we have on institutional capital through our advice.

Currently, investor commitments to impact funds are slow compared to the rapid proliferation of impact-related products. In our interactions with asset owners, there seems to be some apprehension regarding impact strategies due to perceived risks and limited awareness of impact options outside of private equity. However, it's evident that in order to achieve a net-zero future or make meaningful contributions towards the SDGs, private institutional capital is required to drive positive change.

As a result, we researched impact options within private credit because we believe that this offers investors an untapped opportunity to invest in positive real-world impact alongside attractive risk-adjusted returns. The aim of our research was to dispel misconceptions around the relationship between impact, returns and risk, present investors with credible impact private credit investment products and provide a compelling case for the mobilisation of institutional capital towards these impact solutions.

The research project involved:

- Surveying a broad universe of private credit fund managers to understand the products currently available;
- Conducting several investment and impact due diligence meetings with fund managers;
- Analysing track records, deal pipelines and other available data; and
- Engaging with the Investment Consulting team to understand client priorities to guide research.

OUTCOME: We took our impact private credit research to our Investment Strategy Committee and presented the market and asset class context and proposed a 'Preferred' rating for two fund managers in which we have high conviction. The research was well-received and approved by the Committee in March 2022. Following this, we've presented the asset class to several clients – and to the fund managers in question.

IMPACT PRIVATE LENDING *at a glance*

We surveyed **66 private lending managers** to get an overview of the rapidly growing universe. Here's what we learnt:

Lending to projects or corporates whose assets or revenues positively contribute to specific and defined environmental or social objectives. Loans in these strategies may be backed by corporate cashflows or real assets.

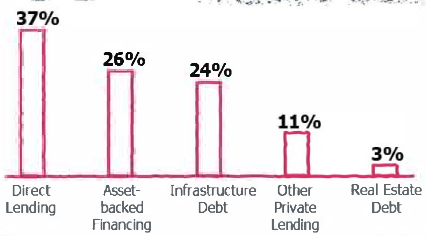
Do you have an impact private lending strategy? **33%**

If not, are you planning on launching one? **41%**

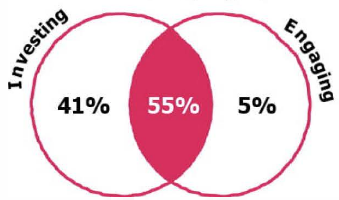
Of those that do have a specialist impact private lending strategy…

Generating Impact

What underlying asset classes do you invest in?



How do you generate impact?

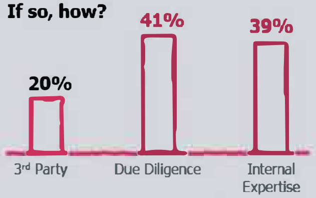


Managing Climate Risk

Do you assess climate risk?

96%

If so, how?



How do you measure carbon emissions?

Scope 1: **73%**

Scope 2: **55%**

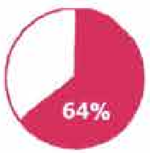
Scope 3: **23%**

Carbon avoided: **55%**

Aligning with Industry Standards

Do you map investments to UN SDGs?

SUSTAINABLE DEVELOPMENT GOALS



How do you classify under SFDR?

Article 8	Article 9	Neither
32%	**41%**	**23%**

Want to hear more about our impact private lending research? **Get in touch!**

REDINGTON

Source: Redington. Data as at 30 June 2021

CASE STUDY:
3. Addressing news flow concerns swiftly and completely

In addition to our regular monitoring meetings and requests for information from fund managers, we stay on top of news flow and notable fund manager events (e.g. team departures, changes in ownership, etc.) to ensure we hold fund managers fully to account on an ongoing basis.

3.1 Social risk exposures at an underlying company

In 2022, one of our rated fund managers was under scrutiny in the mainstream media for the practices of one of its private equity-held companies. The company in question was in the healthcare industry, and a small portion of its business included managing care homes for people with intellectual or developmental disabilities.

The article claimed poor living conditions for patients and an undersupply of staff relative to patient needs.

Soon after the article was published, we arranged a meeting with the fund manager to discuss the article, their response and any remediation efforts undertaken. Whilst we don't have any direct exposure to this asset, we believed it was important to engage with the fund manager on this topic to understand any implications or learnings for other healthcare companies in their funds.

OUTCOME: The fund manager was very transparent in discussions with us and provided useful context about the investment and the article in question. They set out a clear plan for improvements to staffing, client care and records. We also discussed hiring an independent consultant to assess the allegations and provide recommendations to the Board. Overall, whilst some of the events described in the article were tragic, we didn't believe there to be a systemic issue within the fund manager regarding the provision of healthcare services. We were comfortable with their due diligence process in acquiring the asset and the remediation efforts undertaken following the news event. We continue to monitor the fund manager regularly.

3.2 Change in manager stewardship approach

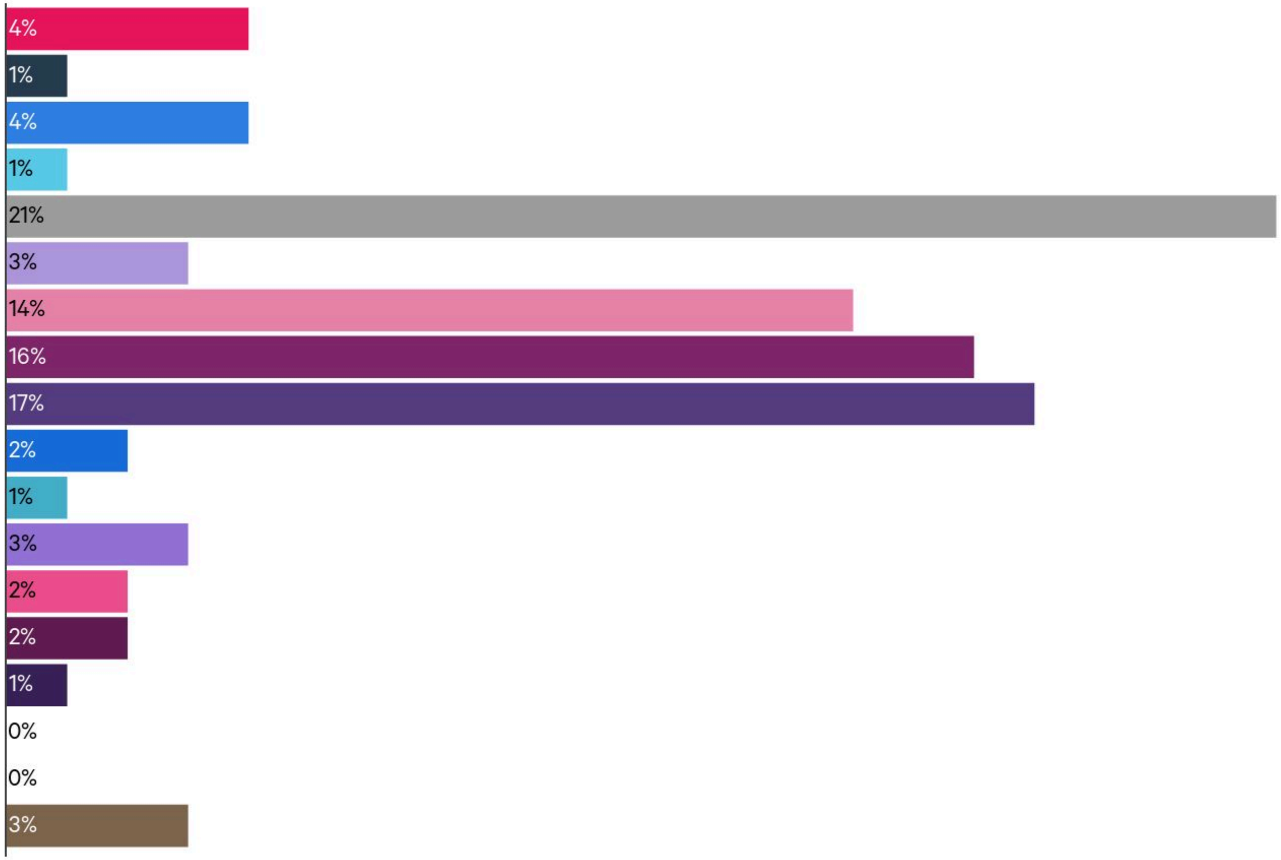
During the year, a fund manager to which many of our clients have entrusted money revealed that the outcomes of its vote decisions would look very different over 2022 when compared with its statistics from 2021. The fund manager indicated that this was driven by external changes rather than a change in its own approach. Through formal and informal dialogue with its staff, and through a close analysis of the fund manager's public reporting of its activities, we reached a clear conclusion that the change being made was in fact rather less about the external changes and much more a deliberate decision by the manager to shift its approach – and that this indicated that there was likely to have been a change across stewardship more broadly, not just voting. We shared a brief paper setting out this analysis and our view with relevant and interested clients.

OUTCOME: We know that some of our clients had active dialogue with the fund manager, and used our analysis as the basis for challenging the change in approach. We know that at least two clients reached the conclusion that they needed to change their intended relationships with the fund manager as a result.

Stewardship Code Reporting Analysis

At the end of the year, we published our first analysis of investment manager reporting against the Stewardship Code – an analysis we aim to produce annually. We revealed a notable range in approaches to definitions of the engagement that fund managers report on – which means that careful assessment is required. Fund managers seem to be tempted to report the largest number of actions possible, which we believe is unhelpful – stewardship should be about quality rather than just quantity – hence the overall message of our report that it's not just a numbers game.

CASE STUDIES AS % OF COMPANIES ENGAGED



Source: Redington and surveyed fund managers. 2022

THROUGH INDUSTRY AND POLICY ENGAGEMENT

We engage on policy matters to help solve market-wide issues that we identify as significant and systemic. We recognise that by working together with our clients, we can have an outsized impact on the evolution of sustainable finance. We work closely with our clients to assist them in their thinking about such systemic issues and to engage on policy matters as appropriate.

Having been a co-founder of the Investment Consultants Sustainability Working Group (ICSWG) in 2020, we continue to use this as our principal vehicle for collaboration with our peers and for influencing policy and regulation as appropriate. We sit on the ICSWG steering group and the Net-Zero Investment Consultants' Initiative (NZICI) and are strong supporters of both organisations – recognising their role in expecting more from our profession as well as in influencing the marketplace.

Recognising the systemic importance of rising inequalities and other social issues, which have so far been poorly identified and reflected by institutional investors, we welcomed the opportunity to join the Taskforce on Social Factors (TSF) as the ICSWG's representative on the TSF's steering group. The TSF was established by the Department for Work and Pensions, in collaboration with other arms of government and regulators, to assist pension schemes in thinking more actively about the 'S' in ESG. We look forward to delivering a report in 2023 that provides guidance and support to trustees in approaching these issues.

During the year, we participated in a range of discussions regarding fiduciary duty, with the aim of aiding the understanding of practical constraints to pension scheme sustainable investment actions arising from current interpretations of fiduciary duty. We discuss one particular set of activities in the case study.

We continue to regard our Sustainable Investment Survey as a key contribution to engaging with our industry for collective benefit. The 2022 report was based on the responses to our survey from 122 global fund managers representing over £37 trillion in combined assets under management. We urged fund managers to deliver more action across sustainability issues, highlighting our message through a public webinar and broader media activity.

This year we also published our first analysis of fund manager stewardship reporting (their responses to the UK Stewardship Code). We noted a tendency to inflate the number of activities and highlighted ways in which the best reports reveal the quality of stewardship activity rather than fixating on quantitative measures. Often, we were more impressed by the reporting from managers who downplayed their numbers overall but demonstrated the delivery of tangible outcomes. It's not just a numbers game.

We actively respond to public consultations ourselves, collaboratively with other members of the ICSWG and by supporting clients to submit their own responses. Through individual members of our team sitting on industry committees, we also ensure broader-based finance sector involvement in policy developments. Similarly, we actively participate in the development of industry best practices.

Among the consultations and initiatives we responded to in 2022 were:

- DWP Consultation on Climate and Investment Reporting (January 2022)
- IIGCC Consultation on Net Zero Investment Framework for Private Equity (February 2022)
- TNFD (Taskforce on Nature-related Financial Disclosures) Beta Framework (June 2022)
- US SEC (Securities and Exchange Commission) Climate-related Disclosure Standard (June 2022)
- ISSB (International Sustainability Standards Board) S1 (Framework) Consultation (June 2022)
- ISSB (International Sustainability Standards Board) S2 (Climate) Consultation (June 2022)
- GFANZ (Glasgow Financial Alliance for Net Zero) Portfolio Alignment (September 2022)
- GFANZ (Glasgow Financial Alliance for Net Zero) Sectoral Decarbonisation (September 2022)
- DWP (Department for Work & Pensions) Funding and Investment Strategy (October 2022)
- LGPS (Local Government Pension Scheme) Proposals for Governance and Reporting of Climate Change Risks (November 2022)

We're active participants in the following groups:

- **Glasgow Financial Alliance for Net Zero (GFANZ) Sectoral Decarbonisation Working Group** – we're members of this group, which aims to develop guidance to support financial institutions' use of sectoral pathways in the creation of net-zero transition plans, alignment of portfolios and engagement with real-economy firms, consistent with climate science to achieve 1.5°C targets. To help shape this work, during 2022, the group met with companies from three highly-exposed sectors – airlines, oil and gas, and steel – to discuss detailed realistic pathways for their industries.
- **Institutional Investors Group on Climate Change (IIGCC)** – as members of this group representing investors that consider the implications of climate change in their investment approaches, we've actively participated in the development of IIGCC best practice guidance. We're also members of the associated Paris Aligned Investment Initiative's Net-Zero Technical Working Group.
- **Investment Consultants' Sustainability Working Group (ICSWG)** – we were a co-founder of this initiative, focused on sharing best practices and raising standards across investment consultants and the investment industry as a whole. We remain represented on the steering committee.
- **LGPS Scheme Advisory Board** – Responsible Investment Advisory Group – supporting local authority funds and pools in responding to developments, with a particular focus on the forthcoming TCFD reporting requirements.
- **Net-Zero Investment Consultants Initiative (NZICI)** – created in 2021, NZICI is investment consulting's contribution to the broader Glasgow Financial Alliance for Net-Zero, the finance industry's commitment to net zero. We and a dozen other consulting firms have undertaken to deliver net zero in our own businesses but more significantly through our advice. We sit on its steering committee.
- **Pensions for Purpose** – a collaboration of pension funds, fund managers, investment consultants and social enterprises, whose aim is to promote understanding of impact investment-related issues. We sit on its advisory group.
- **Taskforce on Social Factors** – a group fostered by government departments working to assist pension funds to think through the challenge of the 'S' in ESG and how to respond effectively. We're the sole investment consultant on the steering committee and an active participant in the working group on making the case for social issues and setting out the relevant roles within the investment chain.

Among other groups, we're also members of:

- Pensions and Lifetime Savings Association (PLSA)
- the International Corporate Governance Network (ICGN)
- UN-supported Principles for Responsible Investment (PRI)

CASE STUDY
Public policy work in practice: fiduciary duty and green gilts

At the end of 2021, at the invitation of the Impact Investing Institute, we took part in a roundtable to discuss issues of fiduciary duty. We brought a practitioner perspective to a discussion predominantly between lawyers, academics and industry bodies. Early in 2022 we followed up on our comments in writing with a short paper outlining the limits set by fiduciary duty on pension scheme trustees choosing to invest in green gilts – according to most legal advice. Noting that this appears to run contrary to the policy intent in creating green gilts, and the net-zero ambitions of both the UK government and many pension schemes, we also articulated ways to address these limits. After some minor changes to the document based on input from other members of the roundtable, we understand that the Institute has used our paper in a range of lobbying efforts.

OUTCOME: The public policy discussion about green gilts continues, and we continue to engage with it.

LOOKING TO THE FUTURE

Our biggest value-add – to our clients, our stakeholders and the wider communities we come from and serve – remains our progressive yet pragmatic approach to sustainable investing. We're data- and goal-driven problem-solvers in a world where neither data nor goals are standardised. This is challenging, but being well-informed, disciplined and forward-thinking in setting objectives and strategy means fewer revisions later.

To help clients do this in 2023 – we will:

- Focus on joining the dots for clients through our refreshed sustainable investment training. What's happening in the science? Does protecting biodiversity and land fit into net-zero targets, and if so, how? What are scope 3, 4 and 5 emissions, and are they important to your portfolio's climate risk and opportunities?;
- Update our tools and metrics to reflect our best thinking on climate and more, which includes updated scenario analysis, more emphasis on sustainability risks and forward-looking metrics and access to modelling around biodiversity strategies and investments. We'll start to advise clients on nature-positive net-zero investments; and
- facilitate asset owners in reporting and in holding fund managers to account for effective delivery of engagement and voting. We'll do this by continuing to shine a spotlight on the most significant lever for investor action across all asset classes – effective stewardship and engagement. Stewardship is applicable across all asset classes, and in 2023, we'll be rolling out Redington's Enhanced Stewardship Platform (ESP) to clients. This will help them to understand and make sense of what's being done of their behalf (report), consider whether that's good enough and identify any areas of weakness (assess), and challenge and press fund managers to deliver more (engage).

This year, as we continue to build out the seven-person, cross-functional Sustainable Investment team at Redington, we do so to honour our commitment to aligning our default client advice with net zero, helping our clients manage their money for success – for the benefit of people and planet.

APPENDICES

APPENDICES

Where our delivery against the Stewardship Code Principles can be found

A summary of Stewardship Code expectations not explicitly covered elsewhere in this report.

How we ensure our fees are appropriate for the services provided

We will often competitively tender with other investment consultancies when pitching for new business and therefore price our services accordingly. Fee satisfaction is also often discussed with clients as part of client service reviews and captured in wider feedback as discussed in the 'Our Strategy' section.

Assurance

We build appropriate internal checks and controls into all services we provide clients, including audit trails.

Our involvement with industry bodies as described in the 'Through Industry and Policy Engagement' section provides further assurance of our services through discussions on best practice and industry developments. Through actively participating in these industry bodies, we seek continuously to improve our services.

Continued overleaf

How we communicate with our clients

We produce a wide range of periodic communications for our clients. These are based on a variety of topics and are purposefully designed for certain investor types. We keep these under review to ensure they remain timely and useful and cut through the noise to help our clients focus on what matters.

Method	Message	Audience
The Responsible Reporter	A weekly newsletter providing a summary of developments in sustainable investment, and policy and regulations.	All investor types
Thoughts From the Loft	A bi-weekly email and quarterly summary of the views of our CIO on financial markets and investment matters.	All investor types
Off the Cuff	A collection of short videos providing descriptions and insights into timely and sometimes complex topics.	All investor types
The Defined Contrarian	A quarterly summary providing news and our views on the DC pensions world.	DC pension schemes
Investment Edge	A quarterly summary providing news and our views on the wealth management world.	Wealth managers
LGPS Spotlight	A quarterly summary providing news and our views on the LGPS world.	Local authorities and local government pension funds
Redington's Market Musings	A quarterly summary of financial markets and investment matters.	All investor types
The Scoop	A quarterly summary of all of Redington's thinking in one place – including decisions made by our Investment Strategy Committee.	We tailor the content for different investor types

NZICI

Our commitments as part of the Net Zero Investment Consultants Initiative

1. Integrate advice on net zero alignment into all our investment consulting services as soon as practically possible
2. Work with our clients to identify the investment risks from climate change, highlight the importance of net zero alignment and support clients in developing policies that align their portfolios to a net zero pathway
3. Support efforts to decarbonise the global economy by helping clients prioritise real economy emissions reductions, reflecting the target of 50% global emissions reduction by 2030 or sooner
4. 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
5. Align with the Net Zero Asset Managers Initiative as soon as practically possible and within two years of making this commitment*
6. Set emissions reduction targets across all our operational emissions in line with 1.5C scenarios
7. Where suitable net zero methodologies do not exist, work collaboratively for the benefit of our clients to address these challenges
8. Engage, independently or as a group, with regulators and policymakers, to facilitate the transition to net zero carbon

**Note: Does not apply to Redington as we have no discretionary investment mandates ('fiduciary management')*

Net-zero advice

Our net-zero commitments (prior to the creation of NZICI, Redington committed to align default client advice with net zero.)

1. Assist client objective-setting
2. Identify climate solutions
3. Adopt and engage with industry frameworks
4. Deliver effective climate stewardship
5. Provide net-zero default client advice
6. Manage own footprint
7. Collaborate with broader industry

ICSWG climate competence

ICSWG Climate Competency Scorecard

1. Firmwide climate expertise and commitment
2. Individual consultant climate expertise
3. Tools and software
4. Thought leadership and policy advocacy
5. Assessment of investment managers and engagement with them

B IMPACT ASSESSMENT: OVERALL AND BY PILLAR

	Overall score	Governance	Community	Workers	Environment	Customers
Average across all firms	50.9					
B Corp minimum	80.0					
Redington	95.9	22.8	23.7	35.6	10.0	3.6
Benchmark mean*	103.1	15.8	17.2	30.6	7.1	32.1
Benchmark median*	96.4	16.1	15.7	30.8	6.8	28.0
Section of this report in which discussed	Our purpose	How we're governed	Our culture	Our team, resourcing and incentives	Our footprint	Our clients

**We've chosen B Corp firms based in the UK in the Investment Advisory category – which in practice is a mix of investment management firms, wealth managers and advisers – as a 32-strong group against which to benchmark our performance.*

BEFORE YOU GO

Let's chat

MORE OF OUR THINKING?

for your next tea break...

REPORT

SUSTAINABLE INVESTMENT SURVEY 2022

Read me

ARTICLE

STEWARDSHIP CODE REPORTING ANALYSIS

Read me

CASE STUDY

ALIGNING YOUR INVESTMENTS WITH YOUR VALUES

Read me

VIDEO

WHAT DOES SUSTAINABILITY LOOK LIKE AT REDINGTON?

Watch me

MEMBERSHIPS & AFFILIATIONS

Sustainable investing

- PRI Principles for Responsible Investment
- Transition Pathway Initiative
- IIGCC Institutional Investors Group on Climate Change
- TCFD Task Force on Climate-Related Financial Disclosures
- UK Stewardship Code
- Impact Investing Principles for Pensions
- Pensions for Purpose
- ICSWG Investment Consultants Sustainability Working Group
- ICGN

Inclusion & diversity

- Diversity Project
- Investment 20/20 The talent solution from the Investment Association
- #10000 Black Interns
- upReach Transforming Social Mobility
- ican youcan too
- InterInvest
- GAIN Girls Are INvestors
- LGBT Great
- asset owner diversity charter

ANY QUESTIONS?
let's chat

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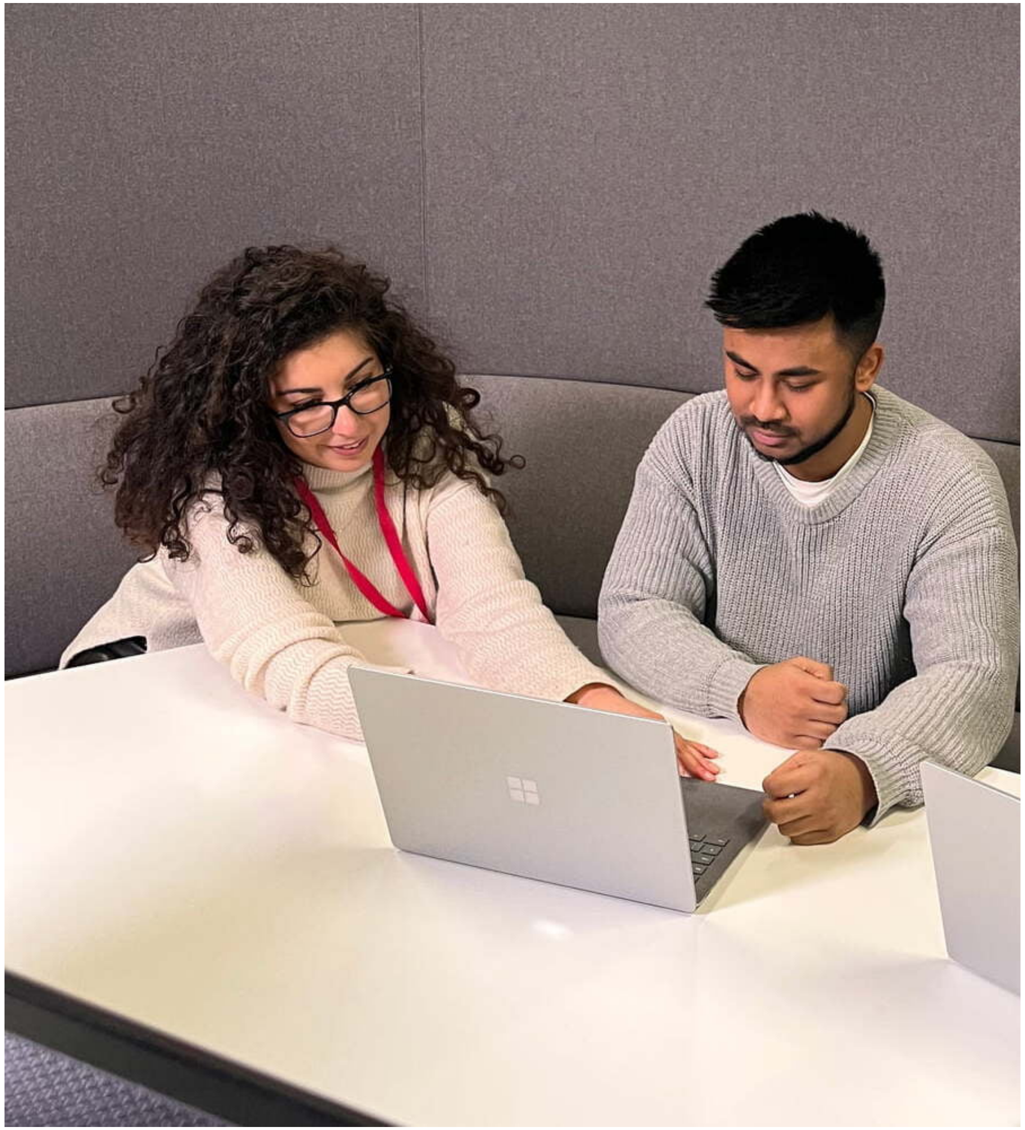

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Thanks for reading our

SUSTAINABLE INVESTMENT AND IMPACT REPORT

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