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Isio's Sustainable Investment Policy

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Environmental, Social and Governance ('ESG') considerations are at the heart of everything we do here at Isio; from advising on investment strategies and funding plans, assessing investment managers, to researching new ideas and products.

The power of our clients

The investors that we advise have a hugely important role to play in driving improvement and global action on ESG issues. The decision that one client takes to invest more sustainably can have a **significant impact** on its own and adds to the momentum we see behind the push to more sustainable approaches.

There is rapidly increasing **policy and regulation** introduced in this area and our clients are continuously required to abide by the new legislation due to the responsibilities that come with their roles as fiduciaries and the impact they have on financial markets and by extension on our living environment.

Our purpose

We recognise the importance of our role and responsibility in **driving change** within the industry and to engage and support our clients through their ESG journeys.

We are privileged to be in a position where we can have a **positive impact** on our planet and society via the advice we deliver to our clients helping them to achieve their objectives.

Our core ESG beliefs

We note below the key ESG beliefs that underpin the advice we deliver to our clients.

We believe that through the identification of ESG opportunities and the management of ESG risks we can invest sustainably for **enhanced risk-adjusted returns**.

ESG considerations should be **fully integrated** and at the heart of investment decision making.

We believe **climate change** poses a significant investment risk that will become incrementally more severe over time, whilst the transition to a lower carbon economy presents substantial opportunities to investors.

We believe that proactive and targeted **engagement** with companies and the wider industry is more effective to drive change than an **exclusionary approach**.

Global collective action is needed to drive change across ESG issues; institutional investors have a key role to play.

The world of ESG-related regulations is rapidly expanding, and this results in **legal and reputational risk** for our clients but is an important driver to embrace ESG.



"Believe in the power of your own voice. The more noise you make, the more accountability you demand from your leaders, the more our world will change for the better."

Al Gore, Former US Vice President

Our role and responsibility

We have a fiduciary duty to our clients, who trust that our advice is tailored, clear and broad in its considerations of markets and opportunities. Our role is to provide robust, reliable advice every time.

Sustainability lies at the core of our advice and actions, while aiming to **achieve the best possible outcomes for our clients, their members and society in general.**

We have a key role to play in supporting the resolution of ESG issues as well as to drive industry best practice. We see our responsibility as covering three broad areas:

1 Helping our clients

As consultants, we give forthright and independent advice. We aim to not sit on the fence, and to keep sight of the bigger picture and long-term investment trajectories. To this end, we are committed to helping our clients **tackle the challenges** and **capture the opportunities** that lie ahead through the lens of sustainability. Our approach to support sustainable investing is detailed on page 8.

2 Contributing to wider industry efforts

We believe in **Global Collective Action**. We see collaboration as one of the most successful ways of gaining and sharing knowledge, generating greater momentum, and increasing our impact.

We are signatories to and supporters of various industry initiatives, including those shown below. We will actively look for opportunities to collaborate with further initiatives in the future.



[Click here](#)

Successful Collaboration: Investment Consultants Sustainability Working Group - ESG Metrics

Institutional clients are increasingly seeking to collect ESG metrics data from asset managers, however **inconsistent reporting and methodologies** are present. We see a solution in effective collaboration and engagement among asset owners, managers, advisors and policy makers.

Isio, in partnership with the Investment Consultants Sustainability Working Group ('ICSWG'), developed a list of ESG metrics that we expect all investment managers to report on to improve transparency to investors.

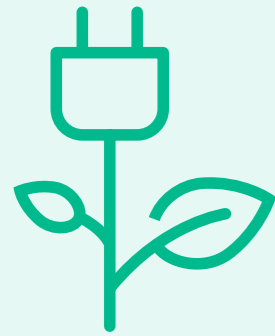
This is a step forward in standardising the ESG data reporting that managers provide. Not only will these metrics enable our clients to **assess their portfolios transparently and efficiently** with regards to ESG risks, but we also hope it will encourage reduced risk and greater efforts to **improve scores**, which can create better outcomes for the environment and society, as well as members of pension schemes.

3 Prioritising the issues that matter to us

Our key priority areas are surrounding **climate change** and **net zero advice**. Climate change is an incredibly important issue requiring increasing attention from investors. Our climate change policy can be found on page 6.

An issue that goes hand in hand with climate change is **nature**; understanding the role that investors play in preventing the acceleration of a nature breakdown and encouraging improvement is key. Our nature policy can be found on page 7.

We also focus on the integration of **social** issues within our advice. We look forward to seeing the regulatory landscape develop within this space, dealing with important issues including modern slavery and diversity and inclusion.



Our views on Climate Change

We recognise the importance of **all ESG issues**, however the risks and opportunities posed by climate change is a key focus area for us. This is a topic that we actively discuss with our clients.

Climate change is the biggest issue of our time with the potentially significant impact of **physical and transition risks** on our clients' portfolios, as well as wider impacts across the world's population. We are ready to support our clients through their climate journey.



The verdict

The planet is warming to unsustainable levels as a direct result of human action.

The recent 2021 report released by the IPCC (Intergovernmental Panel on Climate Change) sets out a code red to humanity to address the climate emergency.



Why should investors care?

Estimates vary, but under business as usual, climate change could cost up to **20% of global GDP each year** (Stern). Conversely, an orderly transition to meet the Paris Agreement could bring about **net benefits for the global economy**.



Incorporating into strategies

We have developed **climate aware forward-looking return assumptions** in addition to our standard asset class assumptions. We also conduct **Climate Scenario Analysis** to help clients understand the potential impacts of climate change on their investment strategies and funding plans.



Investor opportunities

The transition to a lower carbon economy will present both **risks and opportunities** to investors. There are a number of **innovative climate aware products** available across all asset classes. Investors should also be aware of the **carbon credit markets** that can serve as a hedge against carbon pricing as well as presents an investment opportunity. We regularly assess climate aware products to support our clients in meeting their **climate objectives**.



Our views on Nature

There is **increasing attention on nature** as an issue for investors, both in its own right and as a response to the global emergency of climate change. Our relationship with nature is deteriorating, with the **widespread destruction and degradation** of nature on which we depend.



The verdict

We are seeing the acceleration of a **nature breakdown**. According to the Footprint Network, humans are using natural resources at an **unsustainable rate** and our demands of the planet are **three times** what it can sustainably support.



Why should investors care?

There will be **significant economic costs to inaction on nature**. According to the World Bank, by 2030, global GDP could decline by >2% a year, under current rates of nature degradation. Global governments are currently negotiating a **post-2020 biodiversity framework**, this will lead to a nature equivalent of the climate change-focused Paris Agreement.



Incorporating into strategies

Nature-based solutions can create win-wins for delivering nature and climate objectives in the portfolio. There may also be **trade-offs** when investors adopt a singular focus on emissions offsetting (through reforestation) rather than a **holistic view** on ecosystems and biodiversity.



Investor opportunities

We seek to focus on **innovative approaches for nature integration**. There are several investor **collaborative initiatives**, tackling various aspects of a nature positive future, from nature-related **commitments** to **disclosure** frameworks, and **stewardship**. Investors should seek to understand the impact of nature degradation on their portfolios and take steps to mitigate the risks and capture the opportunities.

Our approach to supporting our clients through their ESG journey

We provide detail below and overleaf on how we support our clients through their ESG journey. Our approach to ESG integration is continually evolving, as is industry best practice.



Education & setting ESG beliefs, policies & targets

We provide **regular ESG training** to our clients on a range of ESG topics; from broad ESG training, to delving into a particular ESG issue of interest, to regulatory training.

We work with clients to develop **bespoke ESG beliefs and policies**, and then incorporate these into specific investment objectives and targets, examples include a net zero target or targeting specific UN Sustainable Development Goals.



Consider strategy changes

We **develop investment strategies** that consider the inclusion of explicit ESG allocations, across asset classes. We have developed a **market map** of sustainable and impact strategies that are available to our clients across all asset classes, combining our qualitative research with quantitative analysis. We consider the appropriate approach for clients using our **Responsible Investment Spectrum**, for more information see our [Sustainable and Impact Investing paper](#).



Implementation

We aim to conduct a **balanced** implementation process. We ensure we are aware of what is available in the **evolving** market across all asset classes and regularly monitor **investment managers' ESG capabilities** via a quantitative scorecard approach. We also work closely with investment managers to design **innovative products** when needed.



Monitoring & reporting

We encourage transparent and regular **reporting on ESG metrics**, against **ambitious yet achievable targets**. Given the evolving landscape we support clients in ensuring **regulatory requirements** are met and ensure insight on key ESG topics is shared to develop knowledge. We support clients in exceeding regulatory requirements to ensure our clients' portfolios are future proofed.

Our ESG approach, knowledge and understanding of ESG issues is continually evolving, as is **industry best practice**. We are committed to continuing to evolve our ideas and processes. Where gaps exist, we will coordinate our efforts with clients, investment managers and the wider industry to find solutions, thus using our position within the industry to create and communicate demand for such products and be a **driver for change**.

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