



Raising the bar

LCP Responsible Investment Survey

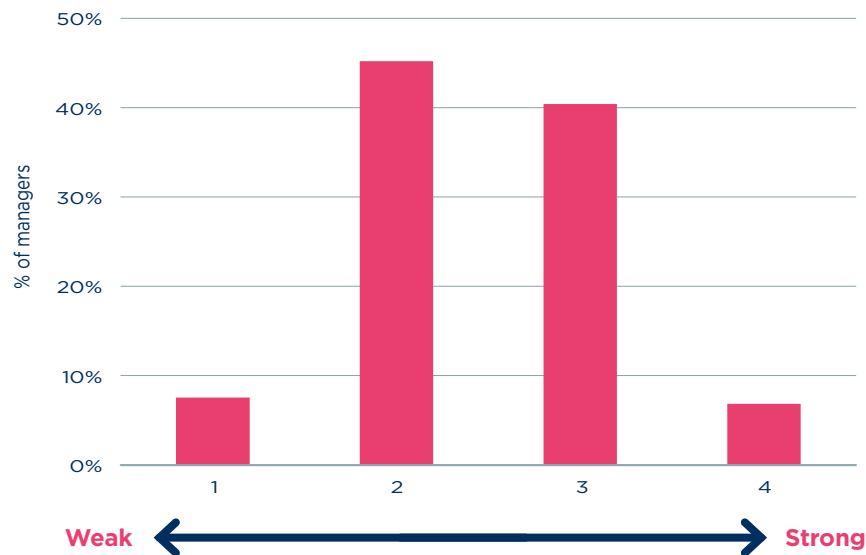
Summary report
January 2022



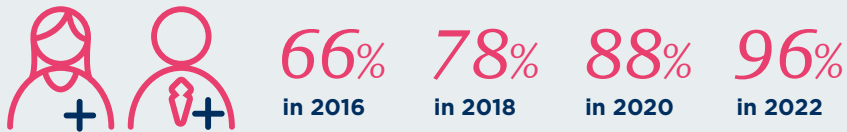
At a glance

146 investment managers completed our 2022 survey

Manager-level scores from LCP RI survey



Being a PRI¹ signatory is now an expectation



Mandatory RI training is lacking at board level



69%
of managers have
mandatory training for staff

23%
of managers have mandatory
training for board members

22% of managers
adjust third party data
a little or not at all

despite well-known concerns
about the quality of ESG data



36% of
managers have
already published
a TCFD² report

Use of climate scenario
analysis is encouraging

Broadly **70%** of managers
are using climate scenario analysis to some
extent in investment decision making,
although typically not for all their strategies



¹ Principles for Responsible Investment ² Taskforce on Climate-related Financial Disclosures

At a glance continued

Net zero targets are gaining traction

42% of managers are working towards net zero for all assets under management, although their plans to achieve this are at an early stage



Climate change and board effectiveness dominate engagement agendas

66% and **71%**

of managers frequently engaged on climate change and board effectiveness respectively

Engagement is a key priority for managers, but practices could be strengthened

42% of managers do not have a formal escalation policy to help them more quickly achieve their engagement objectives

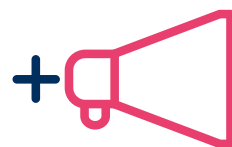


Systemic change is required to meet ambitious goals

90% of managers stated that they engage with policymakers or regulators on industry-wide topics



Managers are making their voices heard



On average, listed equity managers:

exercise **97%** of votes

and vote against management or abstain at least once at **36%** of AGMs

About our survey

This is our sixth, biennial responsible investment survey

Some of the key points we have uncovered are:

- **Managers are taking ESG issues and stewardship much more seriously.** This is reflected in their reasons for considering these, as well as the training and resource that they are dedicating to RI. However, we would like to see more evidence that this focus is being led from board level.
- **Significant progress has been made in monitoring and assessing climate-related risks.** Many managers are now going even further, setting their own net zero targets – we expect this to be a growing trend, and look forward to seeing more detail of how managers are planning to achieve their targets.
- **Voting practices remain strong and continue to improve but the wider engagement agenda is still somewhat skewed,** mainly to climate change and governance issues. Going forwards, we would like to see managers engaging on wider social and environmental issues to a greater extent.

Every two years we invite a wide selection of investment managers to complete an in-depth survey about responsible investment (RI).

It covers:

- their approach to environmental, social and governance (ESG) issues; and
- their stewardship practices, such as exercising voting rights and engaging with company management.

We analyse each manager's responses and assign the manager a score between 1 (weak) and 4 (strong).

Our survey covers the managers' general approach to RI. However, there are usually differences in implementation between different funds and strategies offered by the same manager. When we form an opinion on a particular strategy, we therefore supplement the survey results with

specific research into the RI approach of that strategy, which we use to assign a strategy-specific RI score (on the same 1 to 4 scale). RI is a standard agenda item in our meetings with managers, where we probe what they do in practice.

Investors' expectations of investment managers are now higher than ever as the bar is continuously raised to keep pace with the latest developments.

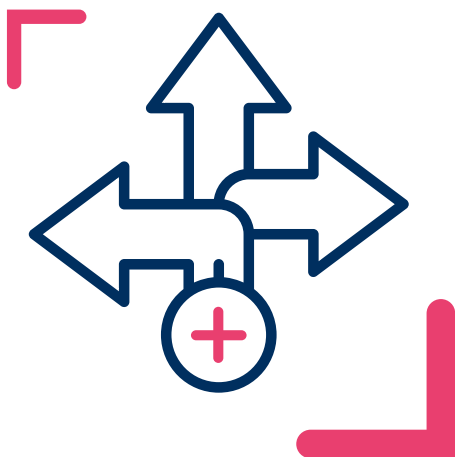


The full report, including more detailed results and the survey methodology, is available [here](#)

Actions for asset owners

Significant progress has been made by managers on RI since our 2020 survey and we are expecting even more progress over the coming years. However, asset owners cannot simply sit back and wait for progress to be made on their behalf. With the help of their advisers, they should continue to demand more of their investment managers in areas that are being neglected and make sure that managers are aware of their responsible investment expectations and beliefs.

It can be difficult for asset owners to know where they should be focusing their attention, so, based on the findings in our report, here are some key actions we think asset owners can take away when engaging with managers.



ESG integration

- Question how board oversight of the manager's responsible investment approach is implemented and what RI expertise exists at board level.
- Discuss with your managers the ways in which they use third party data for assessing ESG criteria in their portfolios, how they ensure the data is fit for purpose, and how the data influences investment decisions.

Climate change

- Engage with your managers to understand whether they have firm-level or portfolio-level net zero targets, and what interim targets and plans they have put in place or are planning to make to achieve the net zero goals.
- Encourage your managers to engage with all investee entities (not just equities) on the importance of setting net zero targets.
- Ask your managers about the extent to which climate scenario analysis is used to manage your portfolio and how they are using the results.
- Find out what climate-related metrics your managers can provide for your portfolios and encourage them to engage with investee entities to increase coverage of these metrics over time.

Stewardship

- For managers based in the UK or with significant UK-based investor assets, check if they are a signatory to the UK Stewardship Code 2020. If not, ask why not and encourage them to sign. For non-UK managers, are they signed up to other relevant stewardship codes?
- Ask your managers how they are considering social and wider environmental risks (not just climate change) for your investments and how they are engaging with investee companies on these topics.
- Do your managers have a plan in place for when engagement doesn't achieve their intended objective?
- Ask your managers to what extent they rely on proxy voting advisors when casting votes, and what criteria they use to determine when they should apply their own view where this differs from the advisor.

Contact us

If you would like more information please contact your usual LCP adviser or one of our specialists below.



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