

How collaboration can lead to better investment outcomes

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Summary

- Asset manager collaboration is becoming an important tool when pressing companies towards positive outcomes
 - Working with industry bodies can help identify issues asset managers need to address through engagement
 - Clear, consistent and focused data is needed to hold companies to account and help them measure against peers
 - Asset managers need to be transparent around their own data to validate their approach and allow clients to hold them accountable
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Within the asset management industry, participants vie daily with peers in a never-ending pursuit of outperformance. Every basis point counts. Yet, when approaching ESG and sustainability, this combative nature takes a back seat.

Like any carefully hewn investment strategy, each investor, manager or other service provider has their own take on how to create better outcomes through E, S and G factors. But unlike in the pure performance-based arena, there is much more collaboration and a willingness to share ideas and help one another on sustainability issues.

One asset manager's standalone influence can often be limited. Working with peers can exert greater pressure. Asset managers are therefore becoming more open to collaboration and supporting each other to achieve better outcomes.

Jointly signed letters, group calls with company management or co-filing of shareholder resolutions are all examples of how investors are showing a united front in an effort to improve the likelihood of achieving a positive outcome. The United Nations-backed Principles for Responsible Investment is perhaps the most well-known alliance through which investors can support ongoing initiatives spanning meat sourcing to pharmaceutical company responses to Covid-19, deforestation and disability inclusion.

One exciting collaboration, being led by our responsible investment peers ACTIAM, seeks to combat

deforestation using satellite imaging and artificial intelligence to map company supply chains. The project, which ultimately aims to hold corporations to account, is currently in the engagement stage. We are using the data and imaging from the project to show corporations the risks they face and work with them to mitigate and manage them.

Industry bodies and NGOs are also important allies. Their networks and knowledge present us with matters that we, as investors, might not have previously focused on. For instance, *Access to Medicine* is a fantastic resource that helps investors understand best practice that enables citizens in emerging economies to access vital drugs and medicines. Additionally, the NGO coordinates like-minded investors to ensure they are equipped with the necessary information to engage with pharmaceutical companies on these issues and explain what it is expected of them.

We, as asset managers, are increasingly well-placed to work with companies that are tackling these issues, perhaps for the first time. We have a genuine world view and can help them realise their role in their specific industry or regional landscape, and how they measure up on sustainability issues. We believe collaboration is key here, too, and are running a project to bring companies together to work towards better environmental and social outcomes.

Our Global Sustainable Equity strategy invests in two companies that are targeting positive total impact using emission reducing technology. Company A is further along its journey towards climate reporting and linking remuneration to climate outcomes than Company B, so we connected them. Company B welcomed the opportunity to learn from Company A's experiences, while Company A appreciated having the chance to do more to improve climate outcomes. The exercise enabled mutual support, learning and progress towards better environmental outcomes.

As an asset manager, stories like these are encouraging, and increasingly we find surprising openness to discussing what can be done to support achieving a more positive impact. But we are still learning the role we must play in directing companies towards better outcomes. It is not the traditional role asset managers have commonly played, but we believe our sector must be open to doing things differently. We sit at the very centre of an interlinked ecosystem through which we can influence outcomes through engagement and active stewardship. Alongside the traditional avenues we have used to effect change in the past, such as proxy voting and closed-door meetings with management, numerous new routes are opening up, even using various media to effect change.

Vital to all this is clear, consistent and measurable data to help investors identify companies that are making the most positive impact. It also enables us to hold any company accountable and engage appropriately. However, we don't need data for data's sake. Recently, there has been a tendency to over-report, leading to lengthy CSR documents that do not address a company's core impact. It is important asset managers stay focused on relevant and specific information.

Importantly, data also allows us to demonstrate our efforts and activities to clients, so they can assess what we are doing and hold us accountable, too. Transparency and openness on both investment and engagement are key to not just validate our approach and process but enables us to keep collaborating and working towards better outcomes for all.

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