Keeping pace with responsible investing – trustee essentials

August 2020

Empower Results®

Contents

Executive summary

- How we think about Responsible Investment has changed – from ethical values towards financial risk mitigation and impact.
- Trustees' responsibilities in relation to Responsible Investment are growing, driven by increased regulation. In Europe, regulations have been brought in to ensure the integration of financially material ESG factors into investment decision-making.
- Climate change continues to dominate the ESG agenda, accompanied by the launch of numerous investment initiatives. These will require active consideration by trustees and asset owners.

Introduction

Background

In 2018, we wrote an introductory guide for investors interested in, or in the early stages of embarking on a Responsible Investment journey (**'An Investor's Guide to Responsible Investment'**). In the guide, we introduced our Responsible Investment definitions – environmental, social and governance (ESG) Integration, Impact Investing, Socially Responsible Investing and Mission Related Investing and a brief overview of the Responsible Investment world.

In this paper, we build on those earlier themes and broadly evaluate the world of Responsible Investment as it has developed to date. In part, there is a focus concerning UK regulations – trustees now need to consider how to assess financially material risks and how to take action. We also set out implementation ideas to guide trustees and highlight how trustee responses will be based on their own beliefs and how they perceive the risks.

Context for trustees

The global economy is presenting investors with new and evolving challenges, from the environment, social and economic justice to privacy and security, all of which require asset allocators to account for a new set of investment risks and opportunities.

Key themes are:

- Climate change

  A highly topical example at the forefront of regulation, and because of its systemic nature, is climate change. Given the scientific evidence, it is now beyond a reasonable doubt that the world is warming and there are climate-related financial implications for investors which are more immediate than previously thought. The IPCC (Intergovernmental Panel on Climate Change) issued a special report in 2019, which was unequivocal about the dangers of the present path of global warming. In response, financial regulators, policymakers and professional bodies are increasingly formalising their expectation that investors consider the risks posed by climate change and manage them as part of their fiduciary duty, although this does vary by jurisdiction.

  Climate change is not in isolation. There is pressure to account for other environmental, social and governance factors too. It is likely that ESG regulation will intensify in the coming years, and early movers may be rewarded by seeing improved risk-adjusted returns over the longer term.

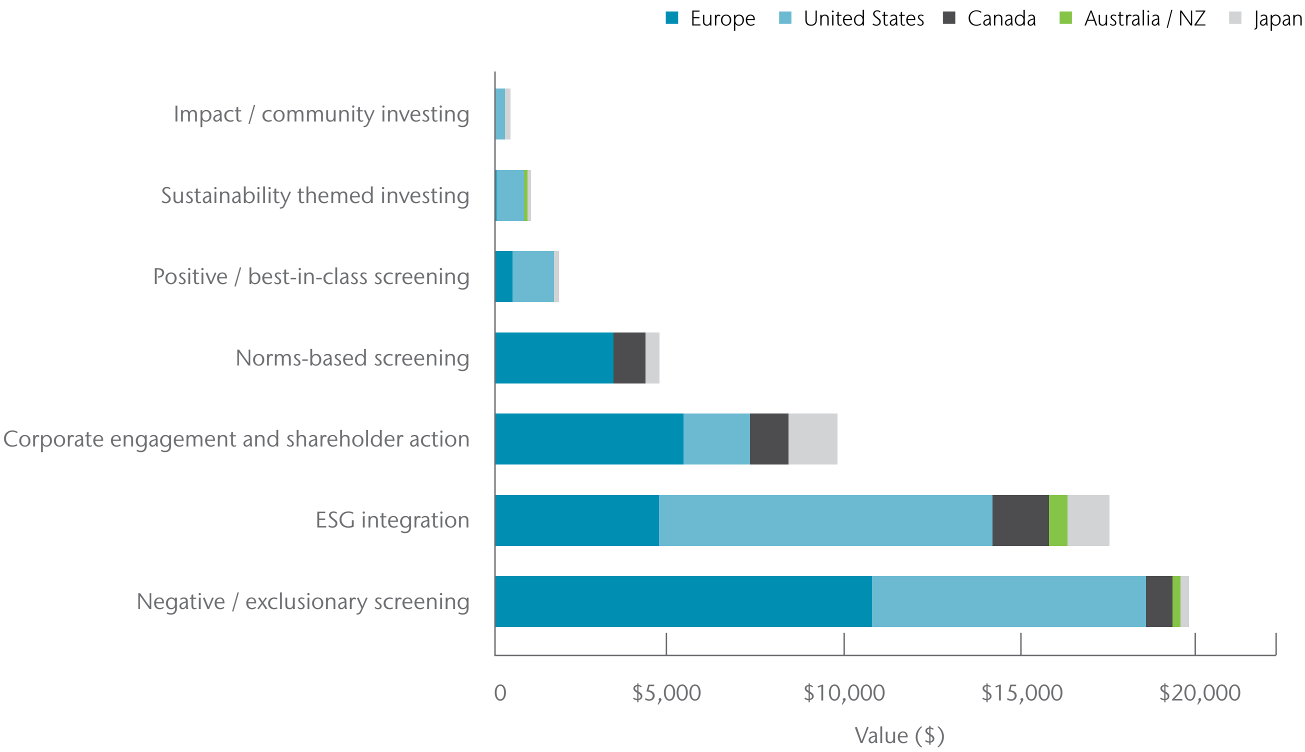
- The materiality of ESG risks and the intersection with fiduciary duty

  The evidence of financial materiality around ESG risks, and the regulatory recognition of it, is a key driver of a new ESG fiduciary alignment – the alignment of fiduciary concerns to include the consideration of non-financial factors, commonly referred to as ESG risk. This represents a meaningful evolution from the typical investment practices of the past: ESG risk is becoming better understood and terminology more consistent. It is now feasible for trustees to seek out specific approaches and funds which deliver increased sustainability as part of their response to the Responsible Investment challenge.

- Growing Responsible Investment assets under management and approach

  With growing awareness of Responsible Investment, investors are responding to the issues with increased investment. The Global Sustainable Investment Alliance (GSIA) in their latest biennial review, the Global Sustainable Investment Review 2019, estimate that assets under management invested in responsible or sustainable assets have grown by 34% over the two years to the start of 2018. Below we see the distribution of assets across the general spectrum of Responsible Investing approaches. While the largest category remains Negative/exclusionary screening, the fastest growing sector over the two years was ESG Integration. Responsible Investment now represents a sizeable proportion of professionally managed assets across major markets.

Sustainable investing assets by strategy and region, 2018 ($bn)



Source: GSIA, Investment Review 2018[1]

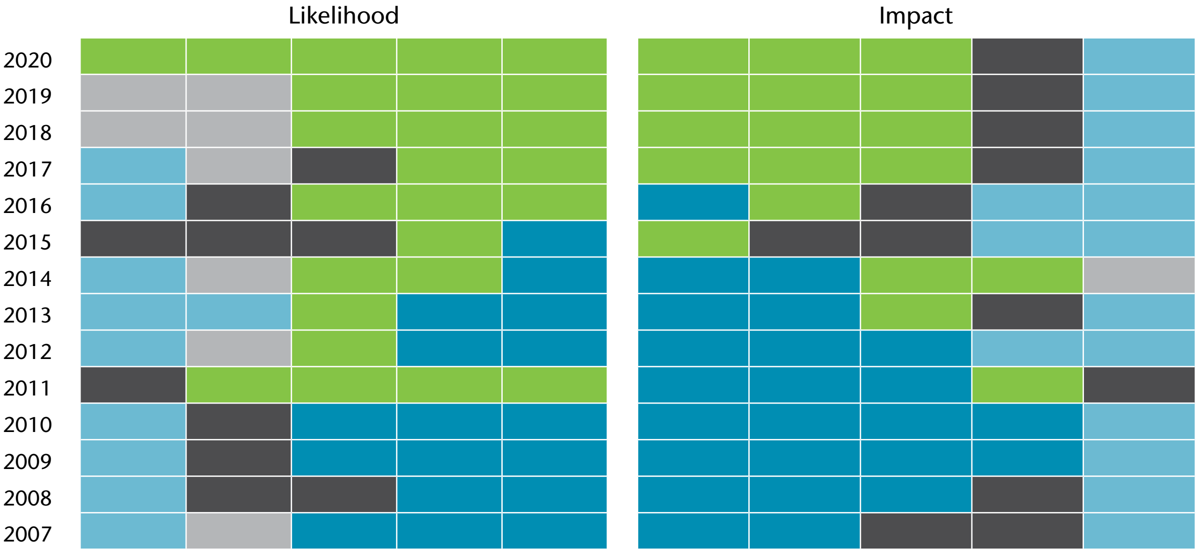
What is driving the increase in Responsible Investment and regulation?

Global megatrends, trends such as climate change, the changing demographics of a growing population, urbanisation, the rapid advance of technology and the rise of new superpowers, all have significant implications at both local and global levels. Some, inevitably, will have a financial impact as markets try to account for balance, the implications of which are varied, complex and often inter-related. ESG risks are increasingly driven and intensified by these megatrends in the following ways:

- Climate change plays a large role across many significant environmental risks, for example, the loss of biodiversity, water stress, resource depletion and soil erosion.
- From a social perspective, a growing population leads to issues related to urbanisation, inequality of wealth, consumption growth in poor and developing countries and ageing populations, among others.
- In terms of corporate governance, sound governance and management are key to the stable transition and adaptation of companies, into a world competing more intensely for a finite resource.

The global risks landscape, published by the World Economic Forum (WEF) is now into its 15th edition, and below the WEF illustrate what they consider to be the key risks for the globe over time. Their chart shows the increasing and dominating presence of environmental risk over more recent years, both in terms of likelihood and impact.

The landscape of global risks



Source: World Economic Forum, The Global Risks Report, 2020[2]

Economic

- Asset bubble
- Critical infrastructure failure
- Deflation
- Energy price shock
- Financial failure
- Fiscal crises
- Illicit trade
- Unemployment
- Unmanageable inflation

Environmental

- Biodiversity loss
- Climate action failure
- Extreme weather
- Human-made environmental disaster
- Natural disasters

Geopolitical

- Global governance failure
- Interstate conflict
- National governance failure
- State collapse
- Terrorist attacks
- Weapons of mass destruction

Societal

- Failure of urban planning
- Food crises
- Infectious diseases
- Involuntary migration
- Social instability
- Water crises

Technological

- Adverse technological advances
- Cyberattacks
- Data fraud or theft
- Information infrastructure breakdown

Risks currently regarded as market externalities will become increasingly regulated for and priced into markets and could significantly impact asset prices over the medium to longer term. The market currently lacks efficient mechanisms for pricing in many of these risks. Very broadly, Responsible Investing is about both mitigating these risks and facilitating a smoother transition of financial markets towards a more sustainable and just economy.

Responsible Investment and trustees: In practice

How is the Responsible Investment community evolving to address ESG risks and climate change in particular?

In the past, Responsible Investment was driven by corporate social responsibility and for the investor's part, usually involved value-based decisions around an investor's ethics. In recent years, however, with growing awareness of the reality around financial materiality and ESG risk, especially the growing risks of climate change, the focus of Responsible Investment has shifted. Ethics, or rather personal or institutional values, are still a subset of the Responsible Investment umbrella. However, the larger conversation today is around mitigating risk by ESG Integration investment approaches and driving positive change by Impact Investing approaches, defined as follows:

> ESG Integration:
> "The systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions."

> Impact Investing:
> "Impact investing aims to positively impact society beyond ESG-related compliance and investing."

Source: PRI

Increasingly, the notion of fiduciary duty is being broadened by regulators to explicitly include the consideration of ESG risks in the selection of all investments. Impact Investing goes a step further, and as we discuss below under Aon's Beliefs Framework, usually involves a value judgement by the trustee about to whether they 'should' be investing for more impactful outcomes. We discuss this further in our paper '**Investing For Impact**'.

A watershed event for Responsible Investment is the Paris Agreement 2015[3], signed a year later by most of the participating nations of the United Nations Framework Convention on Climate Change (UNFCCC). By 2020, all UNFCCC members had signed the agreement and the vast majority are now a party to it. The Paris Agreement's central aim is to strengthen the global response to the threat of climate change, committing its members to efforts ensuring that the increase in average temperatures above pre-industrial levels is kept to 'well below' 2°C by 2100 and to pursue efforts to limit the temperature increase to 1.5°C. The Paris Agreement is widely referred to and provides a strong basis for much of the regulatory policy that has gathered pace since.

Similarly, the actions of the Financial Stability Board (FSB) in 2015, illustrate how the investment community is evolving to accommodate ESG risk with respect to the impacts of climate change. Mark Carney, then Chair of the FSB and former Governor of the Bank of England, identified the problem of climate risk clearly that year in his acclaimed speech "Breaking the Tragedy of the Horizon". Mr. Carney argued there are three broad channels through which climate change could affect financial stability, namely:

- physical risk to real assets
- liability risk through future compensation claims
- transition risk, the adjustment of financial values as changes in policy, technology and physical risks are reassessed

Mr Carney has said the degree of uncertainty around a stable transitioning of financial markets towards a lower carbon economy is largely driven by several factors including policy and regulation, technology and the speed of innovation, economics, science and society. (See Aon's White Papers: **"What Should Trustees Do About Climate Change?" and "Climate Change Challenges"**.)

> "The speed at which such re-pricing occurs is uncertain and could be decisive for financial stability."

Source: Mark Carney, BoE, 2015

The Task Force on Climate-Related Financial Disclosures

Given the need for action, the FSB created the Task Force on Climate-related Financial Disclosures (TCFD[4]) during the Paris Conference of 2015. The TCFD later published a framework which "...seeks to develop recommendations for voluntary climate-related financial disclosures that are consistent, comparable, reliable, clear, and efficient, and provide decision-useful information to lenders, insurers, and investors". The framework has since gained traction globally and is likely to be used as the basis for mandatory climate reporting in the near future.

At an investment portfolio level, the TCFD recommendations are about understanding underlying climate risk exposure, looking for ways to govern, manage, measure and monitor it. The need for standardised and transparent metrics is key to this, and it is expected that reported climate metrics such as scope one and two carbon emissions (two of the few well established ESG metrics), will become integrated into standard financial reporting. The TCFD framework is already being used extensively by a number of high-profile organisations seeking to disclose their management of climate risk in a transparent and meaningful way.

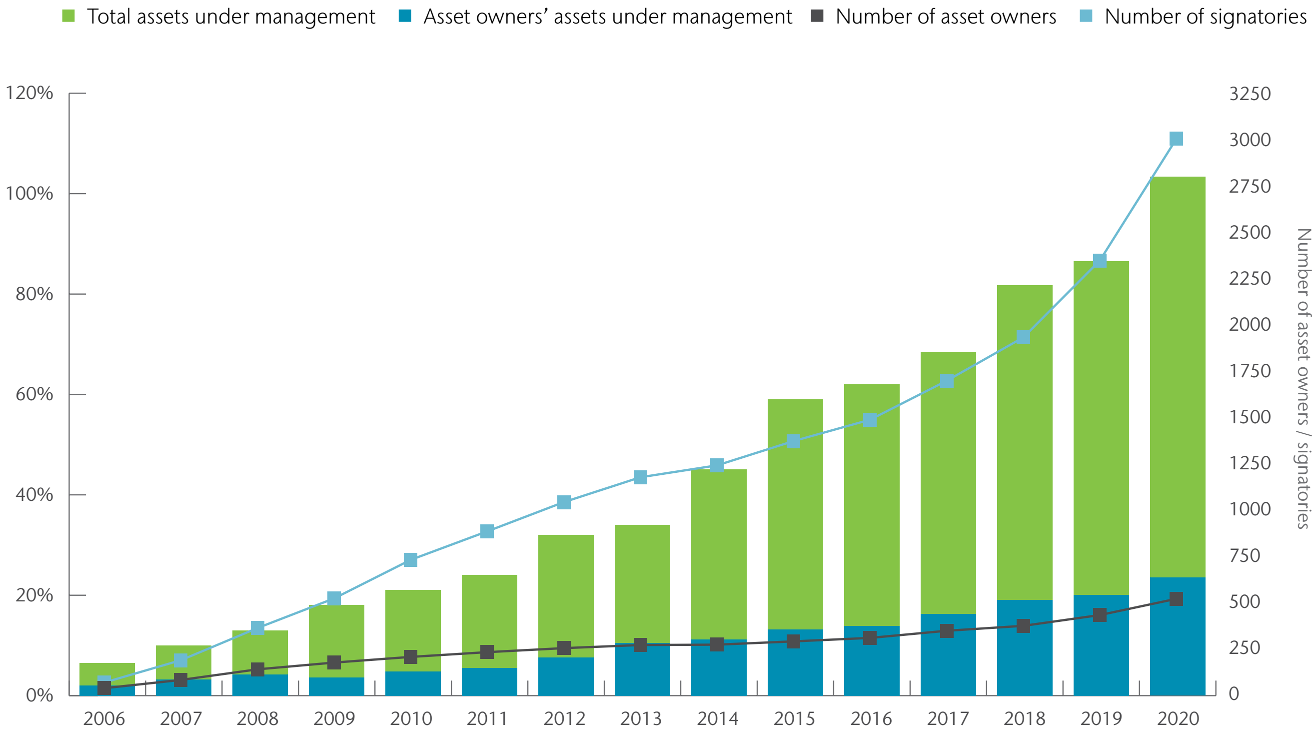
While momentum around the TCFD framework has gathered pace, it is generally accepted that current regulation and investment activity is behind the level of action needed to tackle the problem of climate change and other key ESG risks. Lessening the impact of global warming in physical and financial terms needs more focus on reducing carbon emissions and much greater provision of capital to finance renewable energy innovation and greener technological alternatives. The Green Finance Institute was recently launched in the UK with these objectives, and the United Nations Principles for Responsible Investment (PRI) highlights the need for more urgent action in its working series of articles, The Inevitable Policy Response[5].

The United Nations Principles of Responsible Investment

We expect that regulators and Non-Governmental Organisations (NGOs) will continue to step in to help define the issues for investors. The PRI is a good example of global NGO action. They are one among many other organisations, though none so central, which now has more than 430 asset owners within its signatory base of some 2,350 signatories. All signatories are pledged to the PRI's six Responsible Investment principles[6] seeking to promote best practice, action and understanding.

The PRI provides its signatories with perspectives, guides and advice around Responsible Investment. One important and central resource offered by the PRI is their reporting framework, to which all their signatories are required to report into. The framework encourages signatory disclosure on alignment to best practice around Responsible Investment behaviours and consideration of how ESG issues are integrated into investment processes. Given that there are currently no standard processes for ESG integration, the PRI reporting framework is not prescriptive and allows for a broad range of approaches. However, like other initiatives for Responsible Investment, there is an emphasis on more proactive actions than has been seen in the past.

Growth of signatories to the PRI



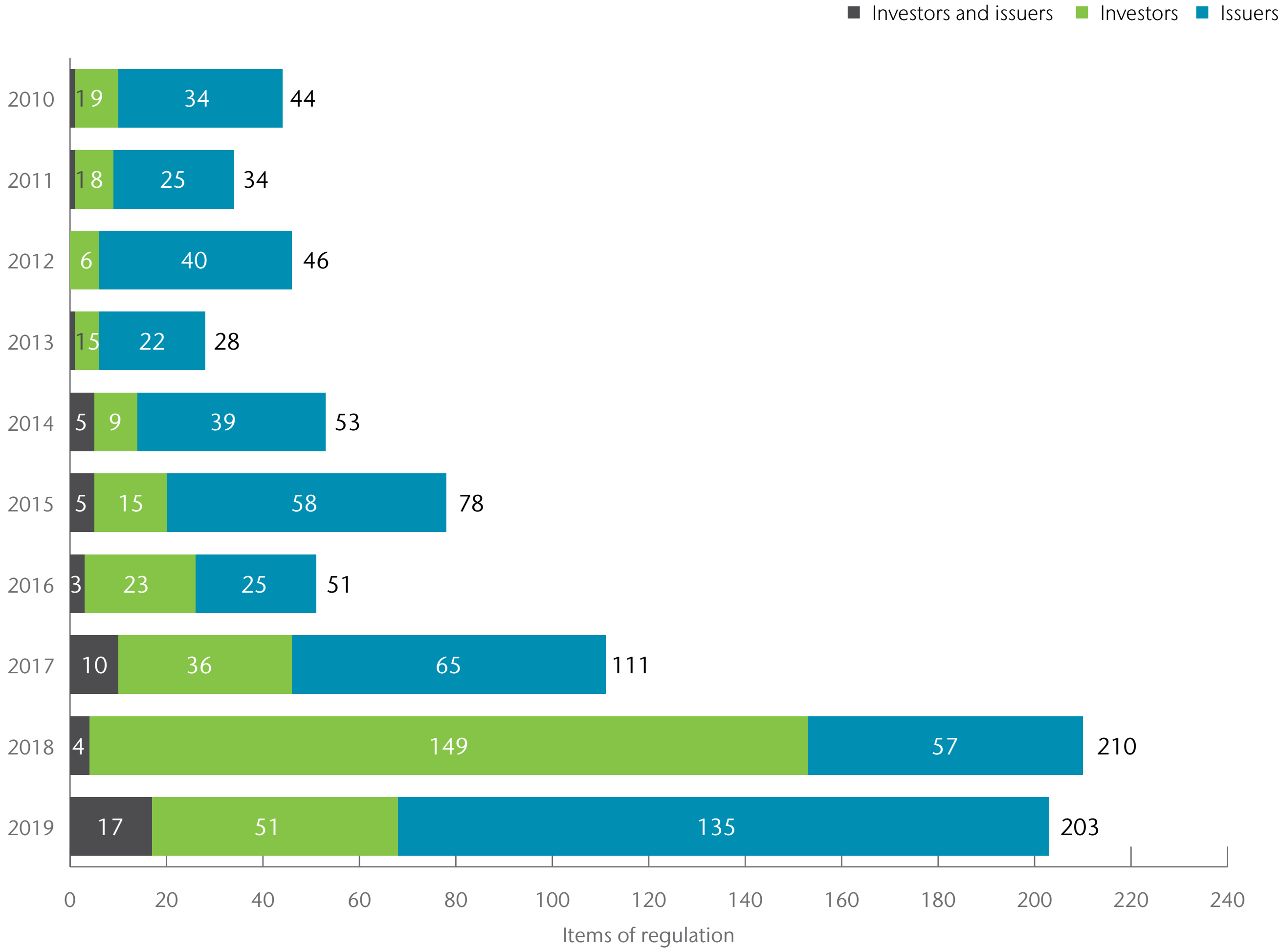
Source: PRI

Why is regulation needed to bring about change?

Regulators and NGOs seek to revolutionise how investors think about their ESG risks. In the effort to stimulate action and change, regulators are increasingly focusing their efforts on the asset owner rather than the asset manager.

MSCI shows that over the past two years, investors have been the focus of regulation to a greater extent than seen before. Most of that regulation has come from governments, and to a lesser extent, financial regulation; the EU Action Plan is the basis for much of it. With a focus on the asset owner, regulation is encouraging investors to more actively consider, manage and report on ESG risk with an emphasis on the reporting of activity.

Growth in regulation relating to Responsible Investment



Source: MSCI ESG Research, March 2020

The emphasis of regulation however, is uneven around the globe. Investors in Europe now face a broadening definition of fiduciary duty which requires the consideration of ESG issues to be integral to investment decision processes. In the U.S., however, investors have a burden of proof for the financial materiality of ESG factors versus performance, before actively integrating ESG decisions into investment processes. Consequently, there is a strong contrast to the European position, where, in light of recent regulation, not considering ESG risks would likely be considered a failure of fiduciary duty.

Below, we list some of the high profile regulatory changes globally:

- In 2019, the UK Government introduced the world's first law requiring its nation to reduce greenhouse gas emissions to net-zero by 2050.
- In 2019, the EU Commission reached a political agreement with the European Parliament and the EU Member States on new rules around disclosure requirements for sustainable investments and sustainability risks[7]. These rules are integral to the EU's Sustainable Action Plan launched in 2018, an ambitious plan proposed by their sustainable finance High Level Expert Group (HLEG). The rules highlight the following:
  - Explicitly link financial regulation to global sustainability objectives such as the Sustainable Development Goals (SDGs) and the Paris Agreement.
  - Compel covered financial market participants to integrate ESG factors.
  - Require financial market participants to disclose the adverse impact of ESG matters. This would be the first regulatory-backed disclosure framework for the adverse sustainability impacts of investment activity.

The EU's Sustainable Action Plan was launched aiming to align Europe's financial system with the goals of the Paris Agreement[8].

- In 2018, the UK Department of Work and Pensions (DWP) brought in legislation[9] which required trustees to produce an updated Statement of Investment Principles (SIP), setting out
  - How they take account of financially material considerations, including (but not limited to) those arising from ESG considerations, including climate change.
  - Their policies in relation to the stewardship of investments, including engagement with investee firms and the exercise of the voting rights associated with the investment.

  The DWP later issued additional requirements requiring applicable SIPs to set out how respective asset managers align themselves to the trustee's SIP, including voting and engagement behaviours.

  UK legislation is further supported by revisions to the voluntary UK Stewardship Code. The revised code came into effect from the start of 2020, redefining stewardship and requiring far more detail on the reporting of both activities and outcomes of stewardship actions. Stewardship is extended beyond listed equity and now includes other asset classes with a greater focus on the purpose and governance of stewardship around ESG factors. Notably, climate change is specified as a key issue for consideration.

  In 2019, government departments established the PCRIG (Pensions Climate Risk Industry Group) to develop industry-wide guidance for pension scheme trustees on climate-related risks and voluntary alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It is likely that elements of this guidance will become law in 2022.

- In 2016, France introduced Europe's first carbon-related legislation[10] for investors through Article 173 of the French Energy Transition Law. This strengthened mandatory carbon disclosure requirements for listed companies and introduced carbon reporting for institutional investors, defined as asset owners and investment managers.

- In 2015, the US Department of Labor (DoL) issued an Interpretive bulletin clarifying fiduciary duties for ERISA accounts setting out that investors are required to take into account ESG issues if, and only if, the issues are financially material[11]. While a later field bulletin, in 2018[12], largely maintained the original ruling of the DoL, its tone served to distance many investors from more active ESG integration stances.

What is 'materiality' around ESG issues?

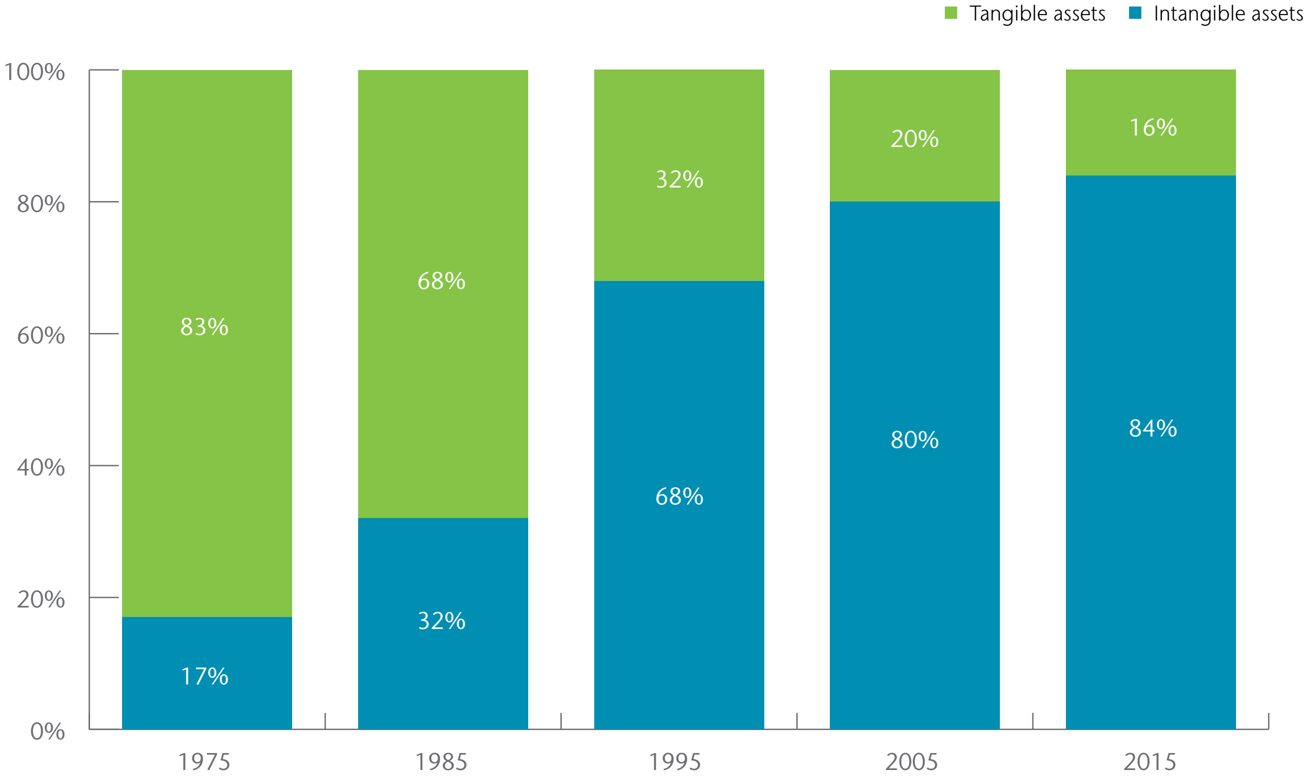
ESG materiality is a dynamic concept, and its evolution is driven by several factors which include, among many others: the understanding of heterogenous risks across sectors, an investor's investment horizon, local legislation and policy and changes, societal expectations and norms. It is complex and not always easily measured.

Changes to the market value of a company can serve as a very general barometer for measuring risk and its impact in terms of financial value. Increasingly, over the decades, the value of a company has become driven by its intangible assets (see below). The potential here for financially material ESG issues to impact value can be significant. Recent examples include Wells Fargo, Facebook, Target, British Petroleum and Volkswagen, and all companies suffered significant drops in market value following repercussions around poorly managed ESG factors. Understanding ESG risk issues has become an important skill set for financial analysis. ESG metrics could highlight issues around the quality of a company's management, for example, the risk of severe incidents, upstream issues in the production and operations of products and services and demand-side issues impacting a company's reputation and brand.

Tangible assets are also very much in scope. A good example being the risk of 'stranded assets', a term coined by the Carbon Tracker Initiative to describe 'assets that turn out to be worth less than expected as a result of changes associated with the energy transition'. An industry particularly at risk is oil and gas, and the concept of stranded assets is now widely recognised as relevant to many sectors.

In summary, identifying sound ESG metrics allows an investor or stakeholder to more effectively manage overall risk and value.

The increase of intangible assets contributing to market value



Source: Ocean Tomo LLC[13]

Assessing ESG materiality, however, is not straightforward. It requires the availability of consistent and comparable data for ESG metrics which is not always to hand, nor universally defined. In fact, due to the different approaches across a multiple of ESG rating providers and their potential 'work arounds' (estimations of metrics), ESG ratings for the same company can be produced with substantially different assessments. Comparison across these rating agencies has been made, and the correlation across outputs is low.

The industry continues to evolve, and both the consistency and availability of data are expected to improve. The lack of available and consistent comparable data is arguably one of the biggest challenges the Responsible Investment community has to grapple with. Non-governmental organisations (NGOs) are stepping into the breach, with bodies such as the Sustainable Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI). Both are influential organisations progressing standardised reporting and gaining widespread global traction.

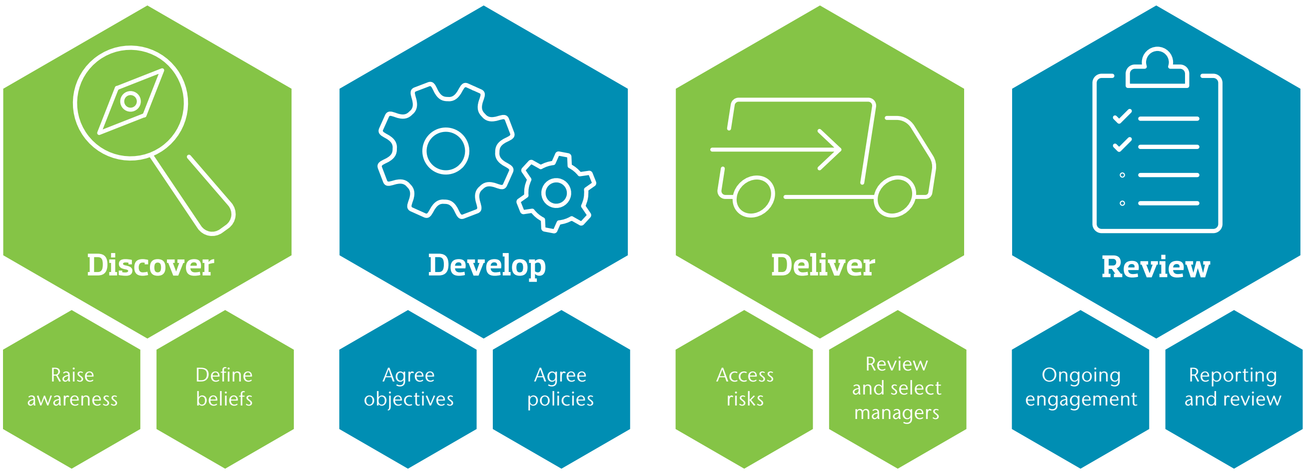
The introduction and development of big data analysis and artificial intelligence techniques entering the field are also worth mentioning. A number of start-up companies have made progress using machine learning and artificial intelligence to mine data to infer relevant context around ESG risks. It is early days for these approaches, but it could be an exciting development nonetheless, given its potential to influence the Responsible Investment landscape in the future.

How must trustees in the UK respond?

New regulations from the DWP and the revisions to the new UK Stewardship Code (the Code) require a more active approach from the asset owner when taking into account ESG risks. The spirit of underlying legislation, and the Code, is an expectation that asset owners will more actively take steps to understand the issues, address and report on an ongoing basis. These actions are meant to be purposeful and not a tick box affair, as has arguably been the case in the past. The new Code has redefined stewardship by requiring ESG reporting across asset classes, covering both activities and outcomes, and with a renewed focus on purpose and governance.

Aon has developed a Responsible Investment 'roadmap' to help trustees navigate their own understanding of their approach to Responsible Investment and responsibilities. This starts with the discovery of a trustee's own beliefs and values around Responsible Investment. These beliefs are developed into agreed objectives and policies, with steps to deliver and review the agreed approaches.

Aon's Responsible Investment roadmap



Aon has also developed a framework called ViewPoints where we encourage boards of trustees to undertake a comprehensive survey of their views followed by a facilitated workshop to establish a common position of agreed Responsible Investment beliefs. This process seeks to understand differing opinions, highlight important distinctions and reconcile the board to a position and investment approach within Responsible Investment opportunities.

ViewPoints works along two spectrums of thought: the extent to which trustees believe ESG risk is already priced into market values, and the extent to which they believe they should be investing 'responsibly', i.e. with investment objectives that go beyond 'finance only'. The latter enquiry focuses on a trustees' beliefs and the level to which ESG considerations should be integrated in their portfolios and with a view to moving towards making an impact for positive change.

These distinctions have different implications for investment choices within a portfolio, and there is no single correct Responsible Investment approach. Working through ViewPoints can help trustees identify areas of focus and significance for them and their scheme.

A first step towards the delivery of agreed approaches is for trustees to articulate a Responsible Investment policy, integrating their own beliefs and values. From here, they can develop an ongoing investment approach towards a more sustainable investment position, aligned to their Responsible Investment policy. In order to decide how to interpret their approach, in terms of available investment avenues, a trustee may need to build up their ESG knowledge and awareness of the issues.

Below we illustrate some high-level actions trustees have taken with Aon while working through their own roadmap.

Case Study – Raising awareness

A pension scheme asked us to provide Responsible Investment training, taking them through the current landscape and how to interpret regulations in terms of the actions they needed to think about.

Case Study – Defining beliefs

A client engaged us to guide them through the ViewPoints process to define their own beliefs. These were then translated into a Responsible Investment policy which was used as a basis for thinking through potential investment strategy changes.

Case Study – Agreeing policies – due diligence

We were asked to undertake a governance review, specifically looking at the governance framework, policies, and responsibilities around Responsible Investment.

We assessed their existing governance arrangements, developed a Responsible Investment policy and tested it against the policies of their existing managers.

Case Study – Assessing risks – climate change

A client asked us to work through our climate change scenarios. Our climate change experts guided them through this process, enabling the trustees to better understand climate change risk in the context of their situation, and make plans with greater confidence and purpose.

Case Study – Review managers – due diligence

A client wanted to review and monitor their existing managers on an annual basis. We compiled our ESG ratings of their managers, demonstrating our view of the levels of existing manager ESG integration. The Responsible Investment policies of those managers were also compiled, and the client used the information to determine how best to engage with their existing managers at investment review.

Case Study – Select managers – sustainable investing

A client interested in building a more sustainable and robust portfolio reviewed a list of Buy-rated managers identified by our manager research team. Some of these managers are globally diversified sustainable managers, while a number have a focus on environmental opportunities.

Case Study – Select managers – mitigating climate risk

A client looked to reallocate capital away from a parent index towards a similar index with lower carbon characteristics, and we helped them identify the issues across a number of low carbon indices. The client wanted to avoid sectoral bias and limit tracking error.

Case Study – Review managers – divestment

A client's sponsor had recently announced its commitment to Responsible Investment and a decision to divest from fossil fuels. The client engaged us to review their scheme's existing investment managers from a Responsible Investment perspective, assessing the managers' engagement with ESG and enable the trustees to make decisions on their future portfolio.

How can pension funds reflect their Responsible Investment approach in their portfolios?

A well-articulated Responsible Investment policy is the start of any considered responsible investing approach, the activities, level of reporting and engagement required. Some of the actions a trustee can take, consistent with the PRI's six Responsible Investment principles, are as follows:

(i) Review existing managers for Responsible Investment policies and levels of ESG integration within existing strategies.

(ii) Engage with existing managers about ESG holdings, voting behaviours and engagement with investee companies.

(iii) Choose to tilt or screen existing investments with respect to ESG factors.

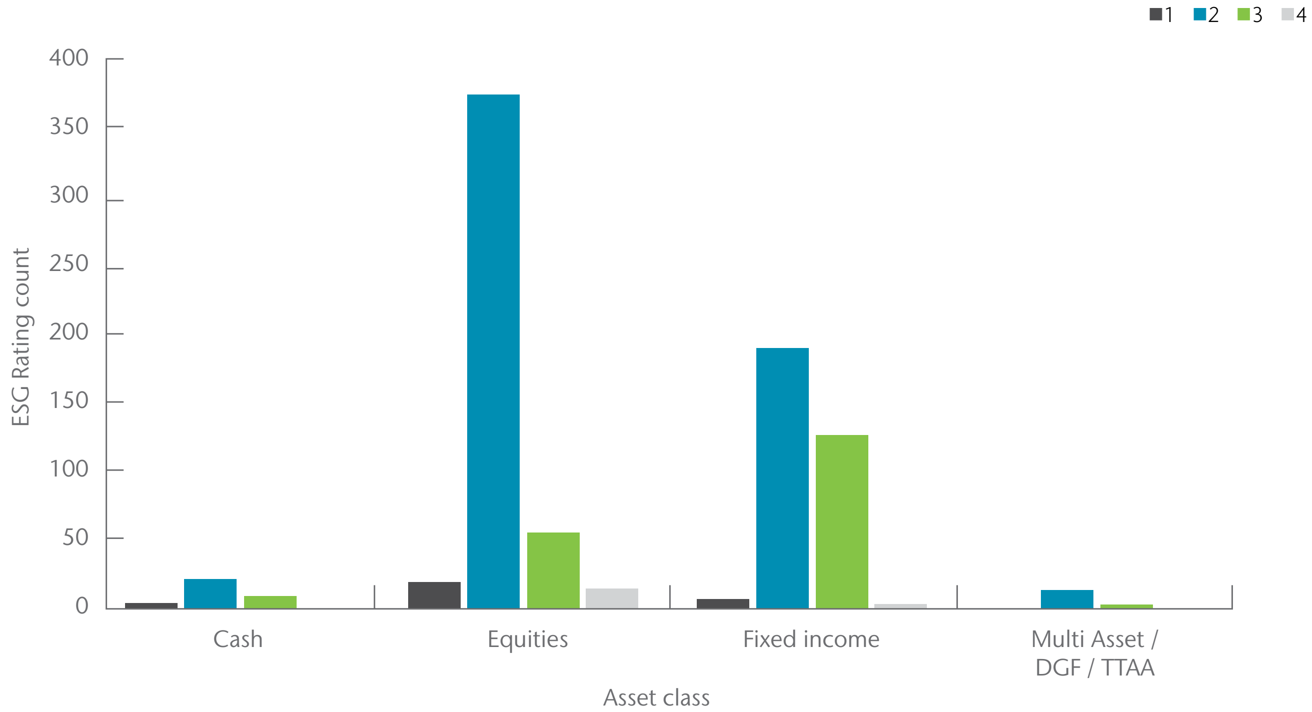
(iv) Choose to reallocate capital towards more sustainable strategies.

(v) Report, monitor and track progress towards a more sustainable portfolio.

(vi) Collaborate with peers and other bodies across the industry, striving for greater transparency and standards of best practice.

With respect to (i) above and the review of a scheme's current levels of ESG integration, Aon has ESG ratings for our Buy-rated strategies on a scale of 1 to 4. The essence of these ratings is to assess the level of ESG integration within a strategy and an ESG rating can be used by trustees for information or as a differentiator across managers. We depict below the current level of rating dispersion across managers and note that most managers currently have a modest rating of '2' along our scale. We then engage with these managers to improve their score alongside a number of expected goals.

Aon ESG Rating



Source: Aon

We are encouraged by the efforts of managers to better understand the issues and progress towards higher levels of ESG integration, and there are many imperatives and motivations to do so. As regards strategies, there are numerous products being offered currently and the list is set to grow rapidly as managers capitalise on a wide array of potential Responsible Investment goals.

At the more passive end of ESG integration, there are ESG index providers of passive or smart products which tilt, using ESG scores and data, to achieve desired ESG outcomes. More active strategies then include levels of ESG integration such as screened products, strongly ESG tilted strategies and factor-based ESG products. In the context of Aon's beliefs framework, investors can advance and choose to invest for greater sustainability and opt for the more sustainable strategies which focus on any, or all, of the E, S and G lenses. Finally, impact strategies are an investment approach which will add a specific objective of having an impact in addition to financial returns. In terms of which impacts to achieve, the UN Sustainable Development Goals (SDGs) are increasingly providing investors with a framework which they can choose to align with or select from.

Over time, we believe the array of Responsible Investment products will continue to expand and eventually comprehensively encompass all Responsible Investment approaches.

Conclusion

The topic of Responsible Investment is very broad and rapidly developing in the face of growing pressure to resolve the problems presented by many global megatrends, most notably climate change. Presently, the investment community is faced with increasing pressure to act given the potential for ESG risks to impact asset values and the increase in regulation. There is enormous momentum within the investment community in response, and investors are gradually building towards an understanding of best practice with a wide array of initiatives underway. Many hurdles need to be overcome however, given ongoing issues around data materiality and definition. As yet, there is no broad agreement as to what the best investment approaches are, how and what to report. The Responsible Investment industry is still young with a developing profile set to see rapid change in answer to these issues.

Increasingly, trustees will be required to fully take into account financially material ESG risks and need to be prepared on how best to do this. We have developed a number of tools to assist this journey and further explore various topics in a number of white papers. In this paper, we hope to have provided the context for better understanding and perspectives.

Appendix

Approaches to Responsible Investment

Investment approach	Definition	Impact on selection process	Examples
ESG Integration	Integrates environmental, social and governance non-financial data into fundamental investment analysis to the extent they are material to investment performance	Positive / negative / neutral	A fund manager who has a clear and systematic process on how financially material ESG factors are identified and incorporated into the decision-making process
Impact Investing	looking for investments that have a positive investment return as well as a desired social, economic or environmental outcome	Positive	low-income housing, clean drinking water, clean technology projects, protecting biodiversity
Mission Related Investing	Placing investments (or avoiding investments) into companies or funds that complement (or are counter to) an investor's mission	Positive or negative	Healthcare, child issues, religious beliefs
Socially Responsible Investing	Attempting to screen out investment in stocks, companies or industries based on a set of ethical values	Negative	Private prisons, carbon, coal, fossil fuel, cluster munitions

Source: Aon

References

[1] **Global Sustainable Investment Review, 2018**

[2] **World Economic Forum, The Global Risks Landscape, 2020, 15th Edition**

[3] **Paris Agreement, 2015**

[4] **TCFD Recommendations , 2017**

[5] **UN PRI The Inevitable Policy Response**

[6] The PRI's six Principles for Responsible Investment:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

https://www.unpri.org/

[7] **EU Press release, 2019**

[8] **EU Action Plan**

[9] **DWP legislation 2018**

[10] **France, Article 173, 2016**

[11] **U.S. Dept. of Labor, Interpretive Bulletin 2015**

[12] **U.S. Dept. of Labor, Field Bulletin 2018**

[13] **Annual Study of Intangible Asset Market Value from Ocean Tomo, LLC, 2015**

Contact

Aon's Responsible Investment Team

Tim Manuel
Head of Responsible Investment, UK

+44 (0)1132 915 038
tim.manuel@aon.com

Investment Manager Research

Mette Charles
Senior Investment Research Consultant,

+44 (0)20 7086 9050
mette.charles@aon.com

Global Asset Allocation Team

Mark Jeavons
Principal Investment Consultant and
Head of Climate Change Insights and Analytics

+44 (0)20 7086 9563
mark.jeavons@aon.com

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

For further information on our capabilities and to learn how we empower results for clients, please visit http://aon.mediaroom.com.

Aon Solutions UK Limited Registered in England and Wales No. 4396810 Registered office:
The Aon Centre, 122 Leadenhall Street, London, EC3V 4AN

Aon Solutions UK Limited is authorised and regulated by the Financial Conduct Authority.

Aon Solutions UK Limited's Delegated Consulting Services (DCS) in the UK are managed by Aon Investments Limited, a wholly owned subsidiary, which is authorised and regulated by the Financial Conduct Authority.

www.aon.com

Compliance code: A214-280221

Empower Results®