

### Aligning stewardship expectations and practices between asset owners and asset managers

#### 1. Context

Effective engagement with companies is the primary tool that investors have to drive real world emissions reductions and meet their own net zero goals. Investor commitments to net zero through initiatives such as Paris Aligned Asset Owners expect investors to implement a stewardship and engagement strategy, with clear engagement targets required under the Net Zero Investment Framework. Regulation is also increasingly asking asset owners to disclose stewardship and engagement activities through both voluntary and mandatory standards, alongside an increased number of beneficiaries seeking positive climate impact from their investments.

While asset owners can and do engage directly with portfolio companies, many enlist external managers to implement engagement strategies. In this context, the alignment between asset owner and manager on climate stewardship and how this is integrated into investment decision making is critical to achieving net zero targets. This is highlighted in Step 5 of IIGCC's [Net Zero Stewardship Toolkit](#), which aims to support investors to develop and implement stewardship and engagement strategies. However, asset owner members have expressed difficulties in assessing, understanding and monitoring their managers' stewardship on climate.

In 2022, we set up a working group of asset owners to develop guidance to address the challenges with alignment and transparency between investors.

The questionnaire has been reviewed by over 50 stakeholders, including asset owners, asset managers, investment consultants and regulators.

In June 2023, we published the questionnaire as a best practice resource for use by asset owners, as well as investment consultants and asset managers, in incorporating climate stewardship into selection, appointment and monitoring of external managers. It primarily builds on the IIGCC Net Zero Stewardship Toolkit but also seeks to align with existing work to promote consistency, including the ICSWG Engagement Reporting Guide.

## 2. Objectives

The questionnaire aims to improve information flows between asset owners and their asset managers and investment consultants, to ensure that engagement and stewardship activity delivers what asset owners require to align their portfolios with net zero.

It also sets out to optimise use of resources and ensure consistency of goals and approaches across asset owner portfolio efforts, setting the standard for stewardship practice and reporting, and promoting consistency across investors, consultants, regulators and other stakeholders.

The questionnaire is designed to be a best practice resource for asset owners to use as appropriate in engagement with external managers and investment consultants. Asset owners are encouraged to apply the questionnaire in a manner commensurate with their resources and approach to stewardship and may wish to incorporate a lead time into adoption of the questionnaire, in addition to integration with other reporting on ESG stewardship.

High level guidance for asset owners using this tool is set out in the introduction to the questionnaire.

## 3. Next steps

We will work with our members, both asset owners and asset managers, to support implementation of best practice on climate stewardship using this questionnaire alongside the Net Zero Stewardship Toolkit and other key guidance. We will also continue to engage with regulators to drive consistency and practicality in regulation on stewardship.

We will continue to work with asset owners, managers, investment consultants and regulators to ensure that the questionnaire remains best practice and is aligned with other mandatory and voluntary reporting on climate stewardship where possible.

Over the longer term, we will develop further guidance on best practice climate stewardship practices and reporting, particularly beyond the listed equity space. Our asset owner working group will collaborate with other IIGCC workstreams across asset classes, including fixed income, private equity and real estate, to create similar tools for stewardship in these asset classes.

The working group will also continue to address key issues affecting asset owners' ability to develop and exercise best practice climate stewardship, looking at tools such as expressions of wish for voting.