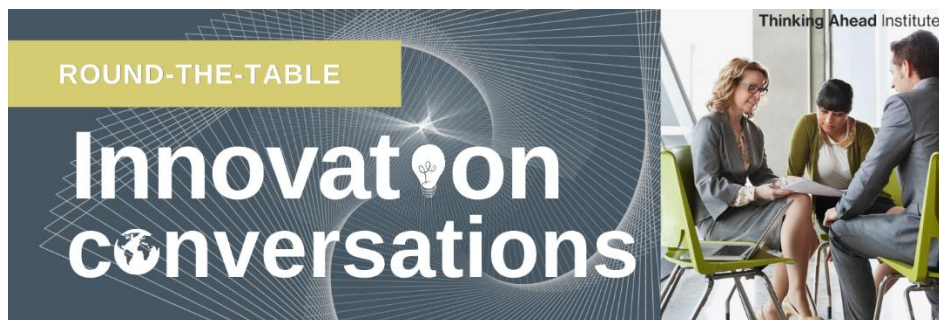


# Thinking Ahead Institute



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**Topic:** Five key themes for 2021

## **Participants:**

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## **Summary of talking points**

### **Conflicts and challenges in transitioning to net zero**

- Our current climate actions will only show effects in 10-15 years' time. How can we better balance meeting the long-term climate objectives whilst dealing with short-term business/operation demands (such as quarterly reporting and investment mandates being short term)?
- Some funds are transitioning from climate-risk management to achieving alignment with climate outcomes. These are distinctly different objectives with different results - climate-risk management making only small contributions to climate outcomes, alignment to climate outcomes not necessarily contribute positively to risk-adjusted returns.
- Organisations are making incremental changes but transformational changes are required to meet the net-zero targets.
- Smaller organisations have an advantage in implementing changes but achieving impact requires scale.
- Collaboration and strategic partnerships are likely to be part of the solution.
- Climate data has dramatically increased in volume and complexity, but comes with validity problems. Being very data driven, our industry needs to have a better grasp of what is available and what is useful.

### **Be more aligned in thinking, talking and doing**

- Our industry would benefit from asset owners and managers having a better understanding of what is required to achieve net-zero targets, in respect of their commitments at an organisational level.
- There is a need to better link climate outcomes with risk-adjusted return.
- The above two are necessary to limit the risks of under-performance in the short term disrupting the transitioning to net zero.

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- Many asset owners will require considerable levels of support when going through the mindset changes needed to adopt net-zero targets.

## Covid and its impact

- We are currently in the middle of a pandemic, a unique moment in time for the industry, but all the effects of Covid will play out over time.
- Many changes have happened in the past 12 months with remote working and virtual communication tools have driven some positive outcomes, but other areas may have suffered, such as innovation, equity and, in some cases, inclusion.
- This extraordinary period has opened up new opportunities for change, so it's important that we keep up the momentum.

## Practical challenges

- Asset managers are under pressure to meet increased demands from regulators/asset owners/consultants while at the same time keeping fees down. More collaboration may be the solution to help improve efficiency and reduce costs.
- Alternative assets can be seen as a fertile area for climate solutions in which the requirement for more primary investing is critical.
- Change is usually incremental, but in the face of a non-linear challenge, in the form of climate change and net zero alignment, transformational change is required and this implies considerable innovation. Particularly for those organisations that aspire to be the next generation of *truly sustainable* firms (*those with authentic capabilities, communications and cultural commitment to a sustainable business model and value proposition*).
- Would starting new companies be more efficient and faster to achieve net zero ambitions, rather than trying to make existing ones undergo structural changes?

## About the Thinking Ahead Institute

The [Thinking Ahead Institute](#) is a global not-for-profit member organisation whose aim is to influence change in the investment world for the benefit of savers. The Institute's members comprise asset owners, investment managers and other groups that are motivated to influence the industry for the good of savers worldwide. It has over 40 members with combined responsibility for over US\$13 trillion and is an outgrowth of Willis Towers Watson Investments' Thinking Ahead Group.