

Episode 13: Transcript & Shownotes

Title: From values to outcomes: Stewardship, client identity and the future of investment alignment

Summary: In this episode of Accord Talks, Elly and Lee explore how shifting client expectations—particularly among younger investors—are reshaping advice, stewardship and fund design. They discuss new research on intergenerational wealth transfer, the rise of eco-anxiety, and why uncovering client values is becoming critical to trust, retention and outcomes. With insights from Natasha Lindell-Mills, Miranda Beacham and Audrey Ryan, the episode examines how stewardship and client-led investing are evolving in practice.

Note: Guest contributions are transcribed from the recording. Host sections are based on the final script used for recording and may contain wording variations from the audio.

Transcript:

ELLY:

Hello. I'm Elly Dowding

LEE:

And I'm Lee Coates - Together we are In Accord and the Accord Initiative.

E:

You're listening to Accord Talks, a podcast about sustainability and compliance - and advice processes supporting the financial advice sector. We hope you are all well.

L:

We've got some really interesting guest contributions coming up today - but before we get into those, as is usual to our podcast format, there are a couple of themes we wanted to explore that are increasingly shaping the advice landscape.

E:

Yes - and the first one comes from the Natixis wealth transfer research. One stat in particular really stands out for me, and I think it is relevant to our whole episode: over half of next-generation heirs - 55% - are planning to leave their benefactor's adviser.

L:

Yikes, that's a pretty stark number. And I think it challenges a long-held assumption in advice - that assets and relationships naturally transfer across generations.

E:

Exactly. And I think where this becomes really interesting is when you look at why that might be happening.

Because if advisers are overestimating retention, one possible explanation is that they don't fully understand the next generation of clients - their preferences, their expectations, and what actually matters to them.

L:

Yes - and if you take that one step further, it's not just about understanding clients - it's

about whether the investment solutions actually reflect that understanding. Because if they don't, then the relationship becomes much easier to walk away from.

E:

And that links directly into the second theme we wanted to bring in – it is a theme we keep discussing in lots of our meetings recently, and this podcast, as our regular listeners will know, which is this idea of eco-anxiety, particularly among younger clients.

There's a really interesting article we've linked in the show notes that highlights how many young people experience persistent worry – even grief – about climate change.

L:

And importantly, for a lot of people, this isn't abstract. It's tied to things like fear about the future, loss of control, and a sense of moral responsibility.

E:

Yes – and that's where this becomes really relevant to advice. Because what we're seeing here isn't just a preference – it's something much deeper. Values around climate and sustainability are often tied to identity, meaning and trust.

L:

and this leads to a really important point: If an investment conflicts with a client's values or the next gens values – especially around climate – the issue isn't suitability on paper... it's a breakdown in trust.

E:

Exactly - I like the way you have made the connection there to the wealth transfer statistic. Because younger clients don't just want to be advised – they expect to be heard. It is a very important thing to note for the wealth transfer – and for the all-important thing that is client retention.

L:

yes it is. And they expect their concerns to be acknowledged, and their values to be reflected in the decisions being made.

E:

Which brings us to a key risk in the advice process, doesn't it:
The real issue isn't clients having strong views – it's advisers not having the processes in place to uncover them.

L:

Yes – because unless the next gen of clients are properly invited into those conversations, and feel safe and understood, those values will remain undisclosed.

E:

And when that happens, as we know and discuss regularly, you can end up with technically suitable advice – but outcomes that might not feel right to the client. This is important for the consideration of foreseeable harms.

L:

So with all of that in mind – client concerns, expectations, and long-term outcomes – we wanted to bring in our first guest.

E:

Yes – we asked Natasha Lindell-Mills to join us to talk about stewardship, particularly in what are clearly quite uncertain and volatile times.

Natasha is Head of Stewardship and a Partner at Sarasin and Partners, where she leads engagement with companies and policy outreach to promote sustainable economic growth and long-term returns. Natasha recorded with us on April 8th— let's hear from her now.

Natasha Lindell-Mills:

Hi Elly, Hi Lee, it's really great to be here with you on Accord Talks.

It's a really challenging time out there in the markets. And I think one of the things that I'd like to talk to you and your listeners about today is how we're thinking about stewardship, which is my role at Sarasin and Partners as Head of Stewardship, how we're thinking about stewardship and capital protection for our clients in these tumultuous times.

And one of the things that I think has been quite notable over the last year, two or three years even, has been the odd narrative, in my mind, that's taking shape, which is at a time of real geopolitical insecurity, dislocation. There's actually no need for us to worry any longer about environmental issues, social issues, governance issues, these issues, you know, point by some as woke or kind of irrelevant, if you like, to the hard concerns of investors in terms of generating returns, in my mind, is a flawed concept.

In fact, if anything, it is during these insecure times, where we really need to be thinking very carefully about how we're going to preserve capital into the long term and actually, asset managers, they are really critical role in this regard.

Not just in terms of like how do we factor in environmental risks as part of our investment process, and that's just regulatory risk. Those are the kind of real hard risk of severe weather events disrupting supply chains, for example. I mean these are very hard investment issues.

Or on the social side, you know how will, for instance, the legal judgement against Meta just last week in California and also in New Mexico around how they had designed products, that is then harming their customers, particularly children, through addictive ploys, for example. But these are real material investment issues.

But beyond that, investors player really, really critical role in shaping the future through their engagement with companies and through their engagement with the board of marketplace.

Stewardship as a concept, I mean, it's really an investment philosophy and it's one, one that, you know, we adopt here at Sarasin. But stewardship grew up out of the financial crisis in 2007, 2008.

And it emerged first actually in in the UK, but now it is spread globally out of recognition that investors failed in one of their core duties of oversight of bank executives. So what you had is, is a period of increasing risks, risk taking by banks.

Building up on the balance sheets, but what you didn't have was a check in the process from shareholders saying this is not OK, we're not comfortable with the level of risk being built.

In fact, in many cases, what you saw was this came out in a number of government reviews post financial crisis, was investors almost egging on banks to take on more risk to boost their ROEs - their return on equities, but that's quite short term and as we saw was proved being disastrous for the global economy.

And even today we haven't actually, in many parts of the world, recovered fully from the shock that we experience at that time.

So stewardship emerged as an investment philosophy, or as a responsibility that was being promoted by governments, to ensure that shareholders played their role in properly stewarding assets for holding the executive to account, voting at AGM's in a responsible way, having conversations about the risks that were being taken.

And that spans strategic risk, governance issues, environmental, social, you know, all of those factors that frankly shape future prosperity and economic growth. So that that's where it's come from.

So, if you fast forward to today at a time of great turbulence, great insecurity, the notion that you should back away from those sorts of protections, for me, seems misguided and actually potentially very, very harmful.

So if anything, what you want your investment manager to be doing is to be making sure that they're all over these risks, making sure they know whether governance risks embedded in the companies in which they're deploying client capital. And making sure that they're protecting that capital for any kind of upcoming litigation or regulatory risk or consumer boycotts or whatever it might be.

But also know that the investment managers are having those conversations so that they're shaping the future for the better.

We're not bystanders in this world, if I can put it like that. As investors, we are, we have agency and we have responsibility and actually a failure to fulfil those responsibilities will potentially sow the seeds for future underperformance in future disaster.

So I do think that at this particular moment in time, if anything, we should be doubling down on on doing really deep due diligence of the companies in which we're invested and making sure that we're having those constructive conversations with businesses to provide the foundations for a sustainable future.

Let me try and bring this to life for you in terms of the kind of the nature of the conversations we might have with the company.

Actually, just this morning we published how we're voting at ING's forthcoming AGM, which is happening next week.

ING is what's known as a SIFI, a systemically important financial institution, so it's a big global bank, very impactful through the decisions that they take on their financing.

And we have been having an engagement ourselves, and also alongside other, other shareholders, inquiring as to how ING is managing the capital risk that come with climate.

So, as any bank, and in fact we are having similar conversations with other banks that we hold, what we need to know is that they're protecting capital for the future. That they're thinking when they lend to businesses, will these loans be repaid for example, or when they're underwriting equity issuance, you know, similar questions need to be asked.

And where we have a lack of transparency is, you know, is ING insulating its balance sheet from forthcoming and anticipated risk that will come with the physical impacts of climate change.

So for example, if they're lending a lot to, for real estate through mortgages, for instance, on the shore, on the shoreline, and these areas are going to be exposed to storm risk or rising sea levels, you know, and these are very long lived loans often up to 25 years, even more, are they thinking through how climate change will impact the collateral against which their lending, as an example. Equally, if they're lending to the oil and gas industry, are they thinking through the impacts of the long term energy transition, which will perhaps not at the pace that some would like, but is starting to come to a peak and come down as we see more EV's come on the road and shifts in demand pattern. So we need to know that a bank like ING is managing these risks and integrating them into also how they are approving credit for the future.

So, the kind of things that we do is we write to the board, which we have done on several occasions. We see discussions with the board. And the statement that we just put out today was actually the fact that we will be voting against the approval of the financial statements this year due to a lack of transparency as to the climate risks that are embedded within their balance sheet and the question that we're hoping to ask of the audit committee chair, board member at the AGM, next week.

So we have published that to put the spotlight on this issue for AGM, for other investors and to ensure that we get a thoughtful response from the board when we come to answer questions next week.

It might also be worth adding that it's through these conversations and we also get a sense of risk management of the businesses that were speaking with, right, you know, if they're not managing material climate risks in a way that, you know, would be sensible, the question is, well, how are their broader risk management procedures functioning? You know, are they managing other risks within their balance sheet?

Right now, we're seeing a lot of concerns over the fragility of private credit markets, for example, and banks are very, very heavily exposed to those markets. How are those risks being managed?

So, you know, the kind of conversations we have maybe going in through one lens, but they give us a broader perspective, actually, on governance of the businesses with whom we're engaging.

L:

That was a really powerful perspective from Natasha. Thanks so much to her for joining us. One thing that really stood out to me is how clearly she frames environmental and social issues as financially material – not optional, not peripheral – but central to long-term risk and return.

E:

Yes – completely agree. And I think that point is so important because it applies across all clients – regardless of whether they would describe themselves as ESG, sustainable or purely conventional investors.

L:

Exactly. Because ultimately, these are real-world risks – supply chain disruption, litigation, regulatory change – all of which feed directly into investment outcomes.

E:

Yeah, I think what stewardship does is bring that into the investment process in a really active way. It's not just about selecting investments, it's about that ongoing oversight, the engagement and shaping how those risks are managed over time.

Personally, I think this is a particularly important thing to be thinking about because if we think about climate change as something that is an undiversifiable issue, so that means it's a system-level risk, it could threaten entire markets, then the attention in the industry should possibly shift from a focus on not just the portfolio construction to that much wider system-wide stewardship. So we're talking things like collective action and policy engagement.

L:

Which links back nicely to what we were saying earlier – if clients are increasingly concerned about these issues, then understanding them properly, and reflecting them in how capital is managed, becomes critical.

E:

Super interesting. So that brings us neatly to our next discussion.

Because once you understand client values and expectations, the next question is: how do those values then translate into the funds themselves?

L:

Yes – and to explore that, we invited Miranda Beacham and Audrey Ryan to join us.

E:

Miranda is Head of Responsible Investment, and Audrey is an Investment Manager specialising in equities both at Aegon Asset Management UK.

We are excited to share this with everyone - together Audrey and Miranda bring a really interesting perspective on how client values are gathered, interpreted and ultimately reflected in fund construction.

Let's hear from them now.

Audrey Ryan:

Miranda, now, could you talk through what the background of this market is and how the fund came about?

Miranda Beacham:

Yeah, of course. I mean, this fund has been around for quite a while. It was started in 1989 before either of us were around, which is quite some time ago. And it was really set up in response to client wishes and their beliefs to invest into the market, but to avoid areas that they deemed to be unacceptable.

And we've carried on with listening to our clients' wishes and beliefs systems. And we've seen an evolution of this. And we talk to the clients through a regular survey. And so it's just eventually kind of developed through time.

AR:

What makes something ethical?

MB:

Well, ethics can mean different things to different people. I think when people think about ethics, they think of the sex, drugs and rock and roll. They think of, you know, avoiding alcohol, avoiding gambling, avoiding defence stocks, tobacco, et cetera.

But really, you know, people's ethics are quite a personal thing. Their belief systems are quite a personal thing. So whether we think it's ethical or not doesn't really matter. What really matters is the fact that we have to be very transparent about what those exclusions are, why we've excluded those companies and how we exclude them at what kind of level of granularity that we can give to our clients. But just turning it to you for a second, how do you translate these client preferences that we've gathered through these communications into the fund that you run?

AR:

So as you say, we run a survey. We do this every two years and we're engaging with both current and potential clients. And in essence, what we're trying to do is to capture the evolution in their specific preferences. And this allows us to create an investable universe for our ethical equity fund.

As you mentioned, the consequence of our client-led exclusions does mean that the fund cannot invest in certain areas of the market. Those would also include areas such as oil and gas, defence, pharmaceuticals, tobacco, and indeed beverages, which are all sizeable constituents of the FTSE All Share index.

That said, the consequences of ethical screening very much leads us to having the ability to invest in companies that are tackling some of the biggest environmental and social issues that we have today.

As an example, some of the themes the fund addresses would include, firstly, inclusive finance. That clearly ensures individuals and businesses have access to useful and affordable financial products and services that meet their needs and those are delivered in a responsible and sustainable way. So, a number of plays we would have in the funds to reflect that would include the likes of NatWest Group and Paragon Banking.

Secondly, enabling energy transition. Again, the progression of moving from fossil based systems of energy production and consumption to renewable energy, you know, whilst clearly ensuring infrastructure is capable of servicing that change. That's another theme we've been playing through holding stocks such as Scottish and Southern Energy and indeed National Grid.

And finally, building better. We have a number of stocks that provide products that ensure buildings are both resource and energy efficient and stocks that we've held for some time would include the likes of Volution who are involved in ventilation solutions and Ferguson Enterprises.

MB:

Excellent. So how do you ensure with that kind of method of investing that you're delivering on your client expectations?

AR:

Well, as well as investing in line with the preferences that our clients want from an ethical point of view, we absolutely aim to create an attractive return profile for our clients.

Over the one year period, we can see a very big dispersion in returns between sectors in the UK market. As an example, the recent conflict in Iran is driving very strong performance from the likes of oil and defence sectors for very obvious reasons. Those are areas of the market that we cannot invest in due to the criteria that we have.

We very much aim to deliver attractive returns for clients over the course of the economic cycle. Our belief is very much that long run earnings are the key drivers of stock returns and we actively seek to identify stocks that compound earnings through that cycle and aim to pay an acceptable valuation for those companies.

Perhaps to put that into some form of context, a good example of a business that we own is Diploma. That is currently a FTSE 100 global distributor. But we first invested in that stock in the fund when it was a billion market cap. They provide value added distribution of critical products and services across three varying sectors, controls, sales and life sciences and gaining share in those fragmented markets and expanding through acquisitions that's allowed Diploma to compound its earnings and has propelled that stock into the FTSE 100 and has generated very strong returns and today the market cap of that company is in excess of nine billion pounds sterling.

MB:

That's really interesting.

AR:

Miranda, could you perhaps talk through the common exclusions and the evolution for the fund?

MB:

Yeah, absolutely. I mean, you know, I've been in the business for 30 years and going back through the decades and how we look at what the ethical fund really has excluded over the time, the very common exclusions that I mentioned earlier, alcohol, gambling, tobacco, etc. have remained quite static. But the other parts of the market really have evolved.

And if we think back to the 90s when we were both around, the ethical considerations when you were looking at oil and gas companies were really based around the health and safety of those organizations. And what they were doing to the planet really wasn't up for consideration.

Obviously that changed. And we've seen obviously climate change come into it and having to make those kind of considerations as to what the kind of future looks like for those kind of companies. And that has come into the exclusions in time.

The most recent survey that we did two years ago, we're due to do one at the end of this year, the wording around the banks has evolved. So previously, we've very much looked at unfair treatment of developing markets. And that probably was the right thing to look at back in the kind of 80s and 90s. Whereas now there's far more interest in understanding the underlying lending of the banks. And therefore, the wording has changed to reflect that so that we ensure that the lending activities of these banks are not contradicting the ethos of the fund by funding things like fossil fuel expansion.

But as I said earlier, the core of the ethical fund remains steady. Those kind of core beliefs have stayed static for the whole time that I've been here. But what is your understanding of the underlying client base and how that's changed over time?

AR:

Well, I think it's important to touch on a couple of things to address your point. One is the heritage and then secondly, the kind of future opportunities.

And, you know, as we've discussed throughout this time, our fund is greater than 30 years old. And, you know, we have many long standing and loyal clients who have allocated capital to the funds over a number of decades. The funds exclusions reflect our clients values whilst delivering returns over the longer term investment horizon. Looking forward, there are a number of studies out there in the market.

One by Morgan Stanley and the CFA Institute that show that younger investors, particularly Gen Z and Millennials, are more focused on values-based investing. Morgan Stanley's Sustainable Series, which is a survey for 1,700 investors showing Gen Z and Millennials, highlights more than two thirds of Gen Z and Millennial investors have allocated more than 20 % of their portfolios in value based investment. And this contrasts with Baby Boomers investing just about a third of their portfolios in a similar fashion. So preferences are being reflected in investors allocations.

The challenge for us as fund managers is remaining accommodating on client values, whilst also delivering attractive return profiles for our investors. What trends are we seeing at the moment?

MB:

So we're seeing people really re-examine their belief system in these difficult times. We are living in extraordinarily uncertain times. And one of the biggest concerns that we are seeing is that there's a recognition that the energy system is not working and people are wanting to know how that can be addressed. So obviously clean energy in terms of solar and wind is the best option.

But there does seem to be a fairly rapid re-examination of where nuclear fits into the transition. And that is something that we are monitoring closely with our clients. But I also think that people are interested in not only avoiding sectors they find to be distasteful, but also to understand what positive outcomes come from these funds. Because, you know, as you said earlier, the consequences of removing a lot of sectors that are harmful to the environment or to society is that these funds will invest in some companies that are doing good in the world.

The absolute carbon footprint of this fund in particular is small in comparison to the index. So we ensure good transparency and wider stewardship activities and some of the themes

that are the results of the screening process, such as things that you mentioned, exposure to inclusive financing, innovative technologies that enable transition and building more resilient and efficient buildings. So while the ethical funds as a kind of sector of the market are probably one of the oldest sectors of the market, in terms of our eye, I think they are here to stay as they are the cleanest and most transparent products to ensure that value alignment is with investment proposals.

So they're going to continue to evolve in response to client values and the engagement we've got with clients is both fascinating and invaluable to help us to continue to shape these products into the future.

L:

A massive thanks to Miranda and Audrey - that was great. And, there's a lot to unpack there – but one of the things that really stood out to me is the role of client participation in shaping the market.

E:

Yes – absolutely - you know I love market participation! What Miranda and Audrey describe is a very clear feedback loop: client values influence fund design, and fund design influences where capital is allocated.

L:

And that's where this all becomes really important. Because when clients allocate money to funds that reflect their values, they're not just selecting investments – in a way they're actively contributing to how the market evolves.

E:

But I think also worth saying here is that there's an important role for advisers here in managing expectations and advisers need to be very careful here. This is about proper market functioning and design more than real world outcome. Because while capital allocation may influence markets over time, it doesn't always translate into immediate or direct real-world outcomes for clients.

L:

Great compliance point there. I think also Audrey and Miranda's points reinforce something we touched on earlier – that client values aren't static. They evolve over time, and fund managers are having to continuously engage with clients to understand those changes.

E:

Yes – and that ongoing engagement is critical. Because without it, there's a real risk that investment solutions drift away from what clients actually want – even if they started in the right place. The same is true for the adviser and client relationship.

L:

And that is, I guess, where having an advice process to fully engage with client preferences over time is essential.

So as usual, there's certainly been a lot to cover in today's episode – from intergenerational wealth transfer and client retention, through to eco-anxiety, stewardship and fund design.

E:

And I think what brings it all together is a single theme – the importance of truly

understanding clients. Shall we say brings it all in accord? Not just on paper – but in terms of their values, concerns and expectations.

L:

Yes, we should say that! Because ultimately, that understanding underpins everything – trust, alignment and long-term outcomes.

E:

OK, so if today's discussion has sparked questions about Consumer Duty, client understanding or the Client Preference Ready badge and toolkit, please do get in touch.

We have just fully updated the preference toolkit on the Accord Initiative website to make it even easier for advice firms to be awarded the Client Preference Ready badge. It is all free to access and we have just made it open access for everyone as well.

L:

Yes, we have. Please do visit the site; the links are in the show notes along with other areas covered in today's episode.

If there are any topics you'd like us to cover in future episodes, we'd love to hear from you.

E:

If you enjoyed this episode, don't forget to subscribe to Accord Talks. And of course, a big thank you to our Accord Initiative partners who make the podcast possible.

L:

Thanks for listening.

E:

We've loved it – we hope you have too.

SHOW NOTES:

Nataxis Wealth Transfer Report - <https://www.im.natixis.com/content/dam/natixis/website/insights/investor-sentiment/2026/the-great-wealth-transfer-an-existential-test-for-advice/2026-wealth-transfer-report.pdf>

Eco-anxiety: how do young people relate to the climate crisis? - <https://theconversation.com/eco-anxiety-how-do-young-people-relate-to-the-climate-crisis-277520>

Aegon Asset Management - Equities - <https://www.aegonam.com/investment-capabilities/equities/>

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