



# UK Stewardship Code

WTW annual report for  
1 Jan 2023 to 31 Dec 2023

Executive Summary



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# Introduction

## Purpose of this report

**WTW supports and recognises the UK Stewardship Code 2020 ('the Code') as setting good practice standards in the advancement and implementation of investor stewardship. WTW believes that active ownership and stewardship activities are a key lever for improving the financial value of and managing the risks associated with invested companies/assets.**

The purpose of this report is to demonstrate our adherence to the Code for the period 1st January 2023 to 31st December 2023.

## Scope of this report

This report is in respect of investment services provided to institutional asset owner clients ('asset owners') by WTW's Investments line of business ('WTW Investments'). Legal entities reflected within the scope of this report include:

- Towers Watson Limited ('TWL')
- Towers Watson Investment Management Limited ('TWIM')

Some activities referenced within the scope of this report include those that are part of WTW's wider global organisation, not necessarily the aforementioned entities or solely the Investments line of business.

Given the range of business activities undertaken by WTW Investments, including delegated services, and in line with the recommendations and guidance provided by the Code, we will report against the principles for asset owners and asset managers as well as those for service providers.

This UK Stewardship Code report, which is produced annually in line with signatory requirements, is subject to internal review (including the Global Leadership Team Sustainability Sub Committee, Compliance and Legal teams) and approved by the respective entity governance structures.

## Our investments business activities can broadly be split into the following two areas:

1. **Advisory investment services** — where we advise asset owners in supporting best practice stewardship through advice, recommendations, education, training, manager research, reporting, monitoring and other forms of direct and indirect engagement.



**2. Delegated investment services** — similar to our advisory services, we also help asset owners carry out best practice in stewardship but take on greater direct responsibility for portfolio construction, and oversight of manager voting and engagement activity. It is important to note that we do not ourselves vote or engage directly with individual securities or assets held within these portfolios – please refer to Principles 7 and 12 for further details.

In addition, we note our interaction with the wider investment industry including regulators, other consultants and third-party intermediaries, and so recognise our ability and responsibility to encourage and improve processes in respect of stewardship of the system as a whole (and therefore contribute to improving the value of all financial assets), and the benefits that this can deliver to all our clients.

### Our role in the value chain

As an engaged industry participant, we seek to exercise our stewardship responsibilities either directly or via third parties. Our engagement with asset managers focuses on identifying organisations capable of delivering positive outcomes to our clients, and working together to explore ways of better meeting clients’ evolving needs. We also work with EOS at Federated Hermes, a stewardship overlay provider (please see our Spotlight page for more information).

### Reading this report

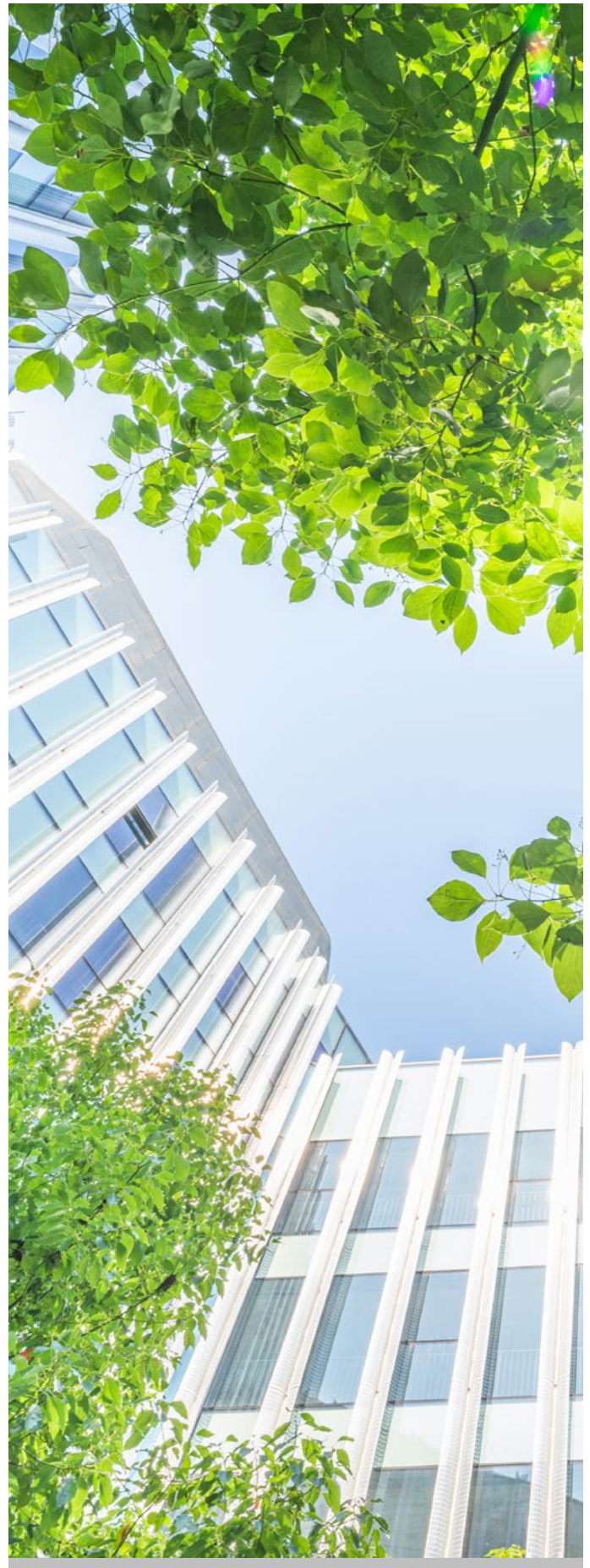
To support the reader, we have added Spotlight sections in order to highlight key areas. We have organised our report predominantly in line with the principles of the Stewardship Code, with clear navigation and extensive cross-referencing to guide the reader.



#### Further information and key policy documents

In addition to this report, our sustainable investing (SI) principles, policies and activities are captured in further detail in the following places:

- [Sustainable Investing Policy](#)
- [WTW Investments Sustainable Investment webpage](#)
- [WTW Investments Net Zero commitment webpage](#)
- [WTW Environmental, Social and Governance webpage](#)
- [WTW Thinking Ahead Institute Sustainability Spotlight](#)



# Foreword

WTW's Investments business continues to highlight the power of effective stewardship as a key lever for improving financial returns, as we have done for many years. We recognise the important role that we play in the investment industry, and we endeavour to contribute to progress in this space.

Once again, we are delighted to have remained a signatory to the UK Stewardship Code, reflecting the importance we place on good stewardship.

2023 was a busy year for all our teams as we worked hard to make progress towards sustainability goals and pursue our stewardship responsibilities. Climate risk management remained an area of priority – whether through our work with clients, engagement with asset managers or within our own investment processes. We also introduced nature and biodiversity training internally, recognising that this should be a stewardship priority for us, asset managers we work with and our stewardship partner, EOS at Federated Hermes. This reflects the significant contribution that addressing biodiversity issues can make to addressing climate-related risks as well as the broader dependency of many business models on nature.

Our relationships with asset managers remain strong and our ability to engage and push for progress remains one of the key stewardship levers we pull. Throughout 2023 some key areas of engagement with managers included climate-related metric reporting, high quality engagement reporting, modern slavery policies and their approach to diversity, equity and inclusion (DEI). We note the majority of managers are making good progress across these areas and we are pleased to be a part of this.

This year we have also continued working to identify attractive investment opportunities with strong sustainability credentials, something which has been particularly apparent in private markets. We have published papers highlighting the opportunities we believe exist for investors across private debt, private equity, real assets and other fixed income markets.

Alongside this, we continue to work with others to increase stewardship effectiveness in order to enhance financial returns by supporting companies to reduce exposure to sustainability-related risks or increase exposure to opportunities.

**Stewardship across WTW spreads far and wide and we are also mindful to monitor and assess our own approaches, structures and processes to ensure we are doing the best that we can.**

Our partnership with stewardship specialists EOS at Federated Hermes remains important to supplement the work of the managers that invest our clients' assets on our behalf. Our Thinking Ahead Institute was selected by the PRI to undertake research specifically on stewardship resources in the industry. WTW as a wider firm has taken part in industry groups to further our firm-level commitments and contribute to improving processes at the system level, including work with the UK government's Transition Plan Taskforce in 2023.

Stewardship across WTW spreads far and wide and we are also mindful to monitor and assess our own approaches, structures and processes to ensure we are doing the best that we can. We want to make sure we are offering the highest possible service to our clients, alongside offering our teams a great place to work and striving to have real-world impact as a firm.

This report describes our Investments activities – across research, delegated and advisory services as well as our proprietary funds – and we address all of the Code's 12 principles, along with details of the context we work in, our activities and the outcomes of our work across 2023.

We have put together an Executive Summary which provides the highlights of our stewardship activity in 2023, but we encourage you to refer to our full report for further details, context and case studies. We have also dedicated 'Spotlight pages' to some key stewardship areas this year: our climate-related activities, EOS at Federated Hermes, the Thinking Ahead Institute, our focus on DEI, engaging asset managers and finally our work seeking out private market impact opportunities.



**Craig Baker**  
Global Chief Investment Officer





# 2023 Highlights



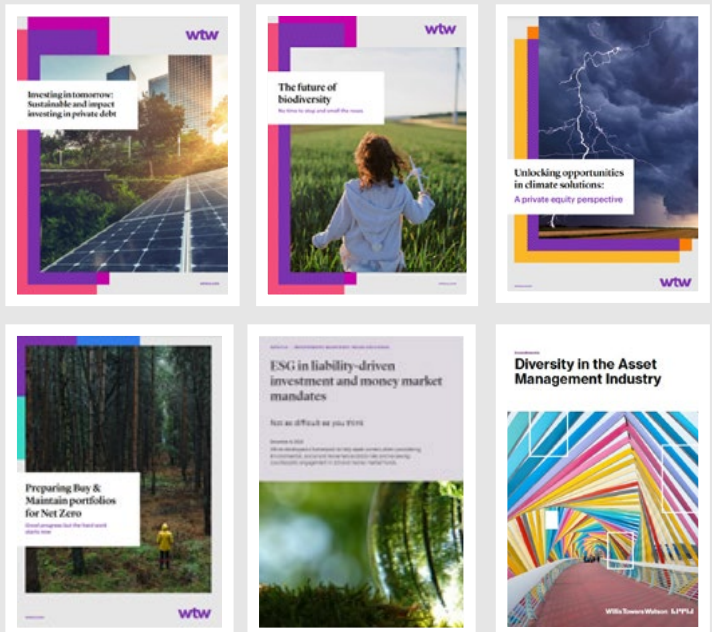
## Climate, net zero and nature — taking steps towards our net zero commitment

- Maintained climate as our top theme for engaging with asset managers
- Enhanced our clients' climate reporting
- Invested into a new portfolio construction tool incorporating climate metrics
- Educated clients on the importance of nature
- Focused on new private impact solutions — in particular climate



## Engagement with asset managers — a key stewardship activity towards positive change

- Researched over 140 sustainability-themed strategies
- Engaged with over 150 managers and almost 300 products on the topics of sustainability and stewardship
- Our manager research team published various papers:



Collected diversity, equity and inclusion (DEI) data on over

**500** firms and  
**1,700** products including all our preferred rated strategies





### EOS at Federated Hermes (EOS) — a key partner in effective stewardship

Across WTW solutions, EOS

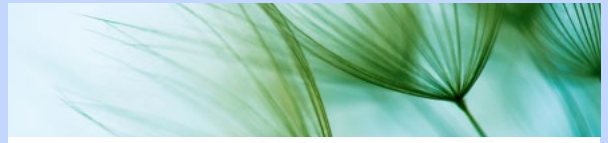
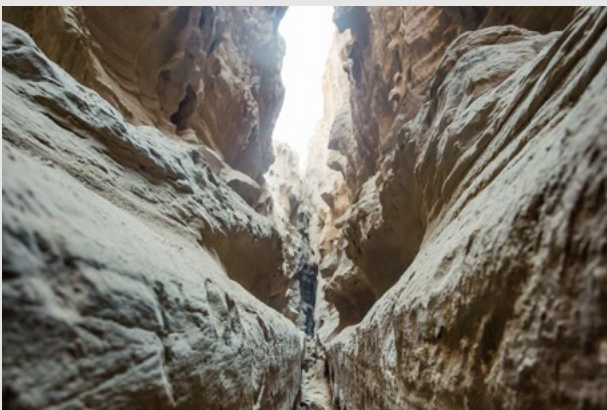


- engaged on over **3000** issues and objectives
- achieved at least one engagement milestone for **51%** of objectives
- made most progress in engagements within climate change, human capital and human/labour rights

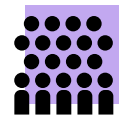
**31** consultation responses or proactive equivalent



**90** discussions with relevant regulators and stakeholders



### The Thinking Ahead Institute (TAI) — supporting the development and socialisation of our sustainability work



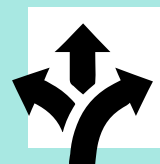
**52** members



Published **21** investment insights, co-authored **13** research papers in collaboration with members, and published **9** episodes of the TAI Investing for Tomorrow podcast



Ran **five** working groups and hosted **22** events with 47 member organisations in attendance, alongside 117 non-member organisations



### Market-wide engagement — recognising our role in changing investment for the better

- Various consultation responses on topics ranging from nature and climate to regulatory disclosures
- Working with the PRI to assess stewardship resourcing and design a structured measurement approach to support improved stewardship resourcing practices
- Led the updating of the ICSWG Engagement Reporting Guide
- Active members of the UK Government's Transition Plan Taskforce working to improve organisations' climate transition planning

# Spotlight on: Diversity, equity and inclusion

Diversity, equity and inclusion (DEI) remains a significant industry challenge and we recognise that we have a role to play in it. In 2023, we continued to prioritise DEI – our aim is to encourage diverse teams to deliver the best possible outcomes for our clients and to support representation in the investment industry. How have we been doing this?

## In our research

As detailed last year, in 2023 we published our global investments paper, *Diversity in the asset management industry: on the right track, but at the wrong pace*. It follows up on our 2020 white paper which made the public call to action for greater diversity in the asset management industry. In this paper, we take the temperature across several dimensions of DEI and probe the pace of change, as well as checking in on our previous call to action. We spoke about the paper at several events and highlighted the key findings in various press articles in 2023.



Alongside this, our Thinking Ahead Institute (TAI) published an industry-wide data report on DEI in the UK investment management industry. This was written in partnership with The Investment Association (IA). The *EDI Data Survey* provides an overview of diversity data collection, including a demographic snapshot of the industry's workforce. The report also explores how data can be used to inform DEI strategies, with the aim of fostering inclusivity and attracting and retaining diverse talent in the industry.



## With our asset managers

DEI remained one of the key pillars of our engagement with the asset manager industry in 2023. We believe that asset managers should better reflect society and the diversity characteristics of institutional savers on whose behalf they operate. We therefore put a significant emphasis on the importance of DEI data transparency with all our managers.

We continued to make significant progress in 2023, particularly regarding diversity data collection and engagement with managers:

- We now have a robust quantitative and qualitative multi-dimensional data collection process; this is consistent with industry-standards set by the Asset Owners Diversity Charter and the Diversity Project.
- The team collected such data on over 500 firms and 1700 products, including all our Preferred rated strategies.
- We had a 90%+ response rate from managers following intensive engagement from our researchers on the importance of DEI data transparency. Data transparency in the key areas of ownership and senior leadership has increased by 20%+ across strategies held by our Funds.

- We formalised and documented our minimum standards and areas of best practice in DEI, allowing for richer DEI engagements and enabling asset managers to focus efforts as needed.
- As detailed in 2022 we created qualitative DEI action plans for over 500 of our Preferred rated strategies; this not only records our intensive engagement program but keeps both the managers and WTW accountable.
- We continue to proactively reach out to diverse-owned (as defined by WTW) managers to add them to our research pipeline.
- We rated several new diverse strategies in 2023 in line with our objective to increase the number of diverse managers rated every three years by 20%. We are doing this through increased data transparency, engagement with existing managers and rating new managers.
- Our manager research and portfolio management teams have introduced aligned DEI objectives within their processes. We have seen increases in both data transparency and average diversity in our portfolios as we make progress towards these objectives.

In 2023 we engaged heavily with asset managers at our Manager Ideas Exchange (MiX) events in London, Chicago, Hong Kong and Sydney. We used this as an effective way to show managers what we are looking for from them in terms of DEI. Following the event, managers have come back to us with the steps they have taken to improve their practices. We are pleased that our message is being spread wide and acted on.

To truly understand the current state of play, we will continue to advocate for higher quality diversity data across the industry. Alongside this, we continue to amplify both our sourcing and engagement efforts with managers. Doing this in parallel gives us the greatest chance of making a wider impact across the industry.

## Thought leadership

We continued to use our position to further industry thinking and encourage others to see DEI as importantly as we do.

In 2023, our WTW Investments Head of North America, Nimisha Srivastava, was named one of Pension & Investment's Most Influential Women, for her work across the industry and continued emphasis on DEI.

We continued to actively participate in industry initiatives focusing on DEI. This includes the Institutional Investing Diversity Cooperative (IIDC), Investment Diversity Advisory Council (IDAC) and The Diversity Project. We are also signatories to the Asset Owner Diversity Charter.

We partner with initiatives such as Diversity Project Pathway, Girls are Investors (GAIN) and Diverse Investment Management Engagement (DIME).

## Our own firm

DEI is an important factor in how we assess other firms, therefore it is just as imperative that we look inwards and assess ourselves as well. We:

- Run Diversity Dashboards on all WTW's funds
- Run our Investment Committee diversity analysis on our own investment teams
- Received more diversity data and have seen an increase in diverse managers across our funds from 2021 to 2023
- Continue to measure key DEI characteristics within our funds with key progress markers from 2023 being:
  - A 20% increase in managers providing diversity data (at an ownership and senior leadership level) compared to 2022
  - 7.5% increase in data transparency of investment teams
  - An 11% increase in diverse managers across portfolios compared to 2022 (recognising this will partially be linked to greater data transparency)
- Within our Investment business, we have a number of key social objectives as part of our Purpose Scorecard; these cover things like colleague volunteering, CSR, charitable giving and targeting certain attrition levels

You can also refer to [WTW's Inclusion and Diversity Report](#) for more detail on DEI initiatives at a corporate firm-level.





# Spotlight on: Climate, net zero and nature

WTW is targeting net zero greenhouse gas emissions for its fully discretionary delegated investment portfolios, as well as in its own business operations by 2050.

## This means that we:



Believe climate to be one of the most important issues facing investors and businesses



Recognise the financial impacts of climate change on investment portfolios which are linked to (and in many cases are a result of) the threats posed to people and planet



Recognise that the mitigation of systemic climate risks is achieved by financing reduced real world emissions rather than just self-decarbonisation



Understand our role, influence and responsibility in the investment system, in particular to contribute to the reduction of systemic risks



Believe that acting and investing in a way that supports a transition to a low carbon economy is likely (relative to the expected costs associated with physical risks and climate tipping points) in the best long-term financial interests of key stakeholders as well as being in the best interests of the planet






Will aim to use our position to play a meaningful role in stewarding a whole economy transition to a net zero and resilient future

We believe that the transition to net zero should be achieved by:

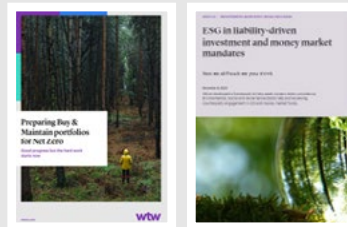
- A combination of increasing the alignment of existing investments with pathways that achieve net zero as soon as is practicable and new investment in long-term climate solutions
- Using multiple 'levers' including; changes to risk management and asset allocation, manager selection, index design, stewardship and policy level engagement

Each year we are busy taking steps towards our net zero commitment and progress it in line with our beliefs stated above. We also recognise how important it is to recognise the intersection of climate change with other issues, particularly nature and biodiversity, and we continue to place high importance on this as a priority area.

## Throughout 2023, we have:

 <p>Maintained climate as our top theme for engaging with asset managers</p>	<p>Engaged with wider industry groups to support wider system transition on climate</p>	<p>Focused on new private impact solutions — in particular climate</p>
<p>Enhanced our reporting to make it as useful for clients as possible, including developments on climate-reporting</p>	<p>Focused on incorporating nature and biodiversity considerations into our climate approach</p>	<p>Published a white paper on the importance of considering biodiversity in private market investments</p> 
<p>Published our first report responding to CDP's Climate Change questionnaire for the Financial Sector</p> 	<p>Put significant investment into a new multi-asset portfolio construction tool which incorporates climate metrics leveraging best-in-class net zero methodologies</p>	<p>Assisted many clients with their own climate goals ranging from training sessions on specific topics and development of TCFD reporting, to detailed assessments of their portfolios and identifying attractive investment opportunities</p>

This year we also published papers and pieces of research around climate and net zero, alongside those mentioned in the Private Impact Solutions Spotlight.



Across the wider firm, WTW has also continued making progress towards our net zero commitment at a corporate level. In 2023 we:

- Further developed a multiyear, multiphase road map to support our environmental strategy, including steps to reduce WTW's absolute emissions
- Were members of the UK Government's Transition Plan Taskforce (TPT) designed to improve organisations climate transition planning. A WTW representative co-chaired the disclosure working group and we spoke at the Chapter Zero launch event
- Attended and were involved with several events and discussions at COP28 in Dubai, including supporting the launch of a joint declaration and global task force to boost sustainability-linked sovereign financing for nature and climate
- Published our first firm-level sustainability report on our global corporate sustainability efforts, which included our greenhouse gas emissions from our operations
- Launched ESG Clarified™, which combines an extensive set of external, market-leading data sets with proprietary internal WTW data sources and analytics to create a powerful analytical lens into ESG initiatives and risks to help organizations identify, prioritize and manage sustainability efforts
- Were involved with several climate-focused industry groups, including ClimateWise and United Nations Sustainable Blue Economy Finance Principles.

## Nature and biodiversity – deeply connected with climate change

We recognise that the biodiversity crisis is intrinsically connected with climate. Therefore in order to achieve climate goals in a financially rational way we should not ignore other financially material environmental, social and governance issues, such as biodiversity loss.

This year we have paid particular attention to incorporating biodiversity considerations into our work, which has included:

- Staying abreast of industry developments e.g. release of TNFD disclosure recommendations
- Responding to TNFD's market consultation in 2023
- Considering how we can incorporate biodiversity metrics into our process
- Educating clients on the importance of nature and biodiversity as a systemic risk
- Creating materials to support colleagues including training sessions and a dedicated biodiversity FAQ toolkit
- Asking managers about their approach to biodiversity and assessing strategies in this space
- Publishing a [white paper](#) on biodiversity opportunities for private investors
- Partnering with our stewardship specialists, EOS at Federated Hermes, who have developed a dedicated biodiversity engagement programme for companies and public policy. We have encouraged EOS to continue to make biodiversity a key priority area.

# Spotlight on: Private impact solutions

A significant focus of our research process is looking for solutions in private markets which provide attractive returns as well as having positive sustainability credentials. As capital flows to underlying issuers or assets (rather than transacting in secondary markets), this offers greater opportunity to have real world impact while meeting financial return hurdles.

## Private debt

A key area of focus for us in 2023 has been private debt, an area where we have seen a dramatic rise in sustainable debt issuance and significant demand for an increase in financing. This year we have written a [white paper](#) outlining why we believe sustainable and impact private debt is an important way to invest for tomorrow.



We have several opportunities in our impact private debt research pipeline. Opportunities (at the time of writing) include strategies providing finance to:

- Wind and solar power projects
- Sustainable transition of agriculture and agro-food sectors in Europe
- Infrastructure supporting the climate transition

## Real assets and infrastructure

The opportunities for impact equally extend to real assets and infrastructure given these investments are generally held for the long term and can be linked to local communities (and are therefore more likely to be financially impacted by sustainability-related issues during their holding period). We have described this in more detail in Principle 7 of the main report.



In 2023 our real assets team researched and rated a co-investment opportunity dedicated to regenerating and protecting the biodiversity levels of England. Invested capital is used to lease plots of land with low biodiversity and transform them into habitat banks for the purpose of generating biodiversity net gain (BNG) credits to sell to end buyers.

Linked to this we also published another [white paper](#), arguing that private investors can unlock the key to addressing the biodiversity emergency we face.





## Case study: How we worked with a major European asset owner to develop their exposure to impact private debt

We worked with a large asset owner in 2023 to develop their exposure to impact private debt, with a particular focus on promoting the energy transition in Europe. Together with the client we identified two managers and worked to design and draft mandate guidelines curated to address our collective needs, particularly impact considerations and reporting requirements.

One strategy focused on impact generation through financing the low-carbon transition. We initially discussed a portfolio with 100% EU Taxonomy (EUT) alignment. However, the manager felt this could constrain the investment characteristics of the portfolio (due to concentration, deployment speed, and areas of impact not well covered by the EU Taxonomy), diluting the overarching requirement to maximise the strategy’s impact and perhaps other investment characteristics of the mandate. Instead, the manager agreed three KPIs to ensure the portfolio maintained its sustainable focus without a 100%

EUT alignment target. The first was a reasonable yet ambitious EUT alignment-based target, the second a fund-level temperature in line with the 2 degrees Paris Agreement, and the third a cap on fund-level carbon intensity. Fees were also aligned to the goals of the mandate.

The other strategy was a climate solution mandate with a general focus on energy transition. This mandate was designed to be broader than the first, with greater remit to pursue a wide range of diversifying sectors whilst still targeting impact generation. We focused on environmentally sustainable investments, setting an EUT alignment target of 50%, emphasising the ESG capabilities of the manager.

The first strategy began investing in 2023 and was c.33% invested as at end 2023. The second strategy will start investing in Q1 2024.

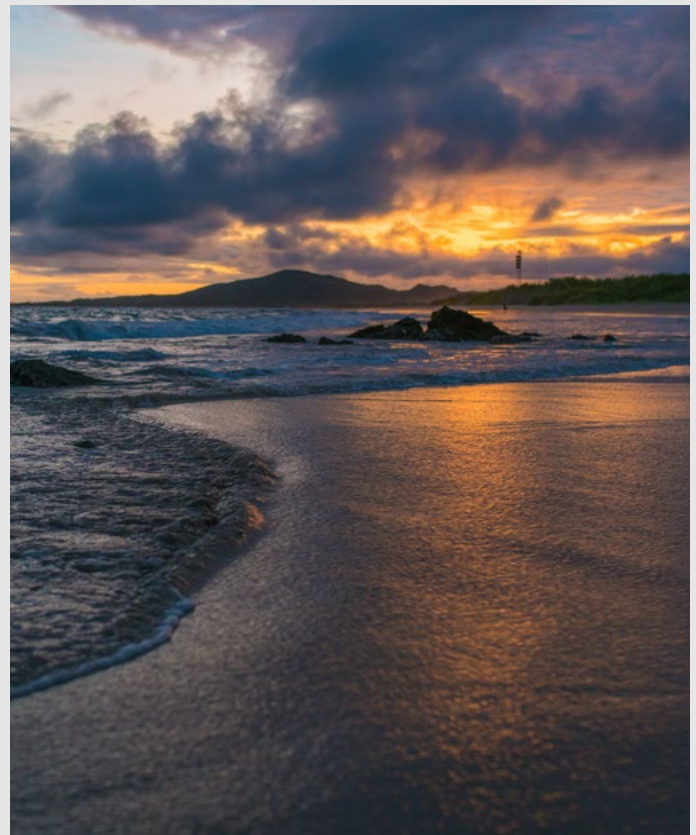
More broadly, we continue to review the market and work with existing managers to promote new impact ideas as well as improving upon the sustainability characteristics of portfolios and improved sustainability reporting.

## Private equity

We also seek to identify opportunities in the private equity space. One area which we have been actively seeking out more specialised strategies is within climate solutions. In 2023 we published the paper, *Unlocking opportunities in climate solutions: A private equity perspective* sharing our belief that private equity investors are at the forefront of providing much-needed funding to address climate change. Many private equity investments, in particular venture capital investments, directly inject cash to investee companies to support, for example, the development of technologies or scaling up the manufacturing capability.



We have undertaken a major initiative since 2021 to investigate the global climate solutions fund raising market and have shared some key learnings from this process in the paper this year.



# Spotlight on: WTW engagement with asset managers

Engaging with asset managers is one of the key stewardship activities we undertake as we endeavour to effect positive change in our industry and improve financial outcomes for end savers. We are aware that our size and influence comes with significant responsibility — and we take that responsibility seriously.

## The main goals of our asset manager research process are to:



Find the best asset management organisations capable of delivering superior outcomes to our clients



Work together with them to explore ways to better meet clients' evolving needs and industry best practice

Key areas of our engagement with managers in 2023 included:

- Taskforce on Climate-related Financial Disclosures (TCFD) reporting
- The quality of engagement process and evidencing this through high quality engagement reporting
- Modern slavery and human trafficking policy, reporting and statement
- Their culture and approach to diversity, equity and inclusion (DEI) — both at firm level and at mandate level

We also reflected these priority areas in our manager rating process and reports which are available to clients. Generally speaking we continue to see a good level of receptiveness to suggestions for improvements with the vast majority of asset managers making progress in 2023. While we are seeing improvements from managers, we still find the quality of engagement activity reporting to be mixed.



### Focus on climate

Consistent with our net zero commitment, our main topic of engagement during the year continues to be around climate risk management.

Asset managers are aware of the importance we place on them to:

1. be able to measure, report and manage climate risk, and
2. use their influence to undertake stewardship that supports a Paris aligned climate transition

### Engaging with all asset classes

Our approach is across all asset classes, rather than just listed equity focused.

For example, influencing issuers is a key part of fixed income investing and we view effective stewardship as a critical component of successful private markets investing. Please refer to Principles 7, 9, 11 and 12 for further details on this.

### Focus on culture and DEI

We believe that asset managers should better reflect society and the diversity characteristics of institutional savers on whose behalf they operate. We therefore put a significant emphasis on the importance of DEI with all our managers.



**Please refer to our DEI Spotlight for more details on this.**

### In 2023, our manager research team:



Researched over 140 sustainability-themed strategies



Conducted engagements with over 150 managers on almost 300 products on sustainability and stewardship



Formalised and documented minimum expectations and areas of best practice for managers on DEI



Collaborated with others to design and provide seed capital for 3 bespoke solutions where existing offerings did not meet our clients' needs



Collected DEI data on over 500 firms and 1700 products



**We have included several case studies of our engagement with asset managers throughout our 2023 UK Stewardship Report. Please refer to Principles 7, 9 and 11 for these. Please also refer to the Spotlight on DEI for more details of our engagement with asset managers.**



# Spotlight on: Thinking Ahead Institute

The Thinking Ahead Institute (TAI) is a global not-for-profit innovation and research membership organisation set up by WTW in 2015. Together with members it produces intellectual capital and practical tools that promote better investment strategies, organisational effectiveness and improved societal legitimacy. Its mission is to achieve systemic change across the investment industry, so that the provision of new capital and the stewardship of existing capital adds long-term value to the end saver, wider society and the planet.

## TAI's approach

- The Institute's research agenda is driven by its members, and it publishes research papers, releases podcasts, and runs events to circulate knowledge and drive learning in the investment industry. It organises research working groups, seminars and industry body projects, recognising the importance of effective collaboration in stewardship. Further, it works with members to take action through projects and training using proprietary tools.
- In 2023, TAI's attention was fixed on the unfolding of multiple crises, prompting the production of two papers on systemic risk; [deepening our understanding of systemic risk](#) and offering [practical applications for investment organisations](#). This focus on uncertainty, risk and the need for change fed into the activities of TAI's working groups over the year. For instance, the Investing for Tomorrow group focused on understanding climate science and climate scenarios, recognising climate change as a standout systemic risk. And the Future of Pensions group prepared a paper, advocating for hybrid pension design as the default option, given the understanding that the future of pensions will be affected by systemic risk, climate change and changing demographics.

## Working together

- TAI is key to developing and socialising our work on sustainability. It works with industry bodies (e.g. Principles for Responsible Investment (PRI), Insurance Authority (IA), Chartered Financial Analyst (CFA) Institute, Chartered Alternative Investment Analyst Association (CAIA)) and brings together leading practitioners, academics and organisations to complement and leverage our thinking. This, in turn, supports our responsibility to encourage and improve processes in respect of stewardship, with a view to positively influencing the system as a whole.
- In collaboration with the CAIA, TAI authored two papers on professionalism, fiduciary responsibilities, and ethical principles in 2023. Plus, their dedication to diversity, equity and inclusion (DEI) led to collaboration with the Investment Association on the [EDI Data Survey](#) which advocated for the use of diversity data in DEI initiatives.
- TAI was commissioned by PRI to produce a report as part of its Stewardship Resourcing project launched in late 2022 under its [Active Ownership 2.0 programme](#). The key objectives of the stewardship resourcing report are to provide an insight into the current level of stewardship resources within our industry, and to promote a structured measurement approach that could support better, more deliberate stewardship resourcing practices.

- Building upon these learnings, the report promotes a **Stewardship Resources Assessment Framework** as a new industry tool. It is designed to serve the industry by:
  - empowering asset owners to understand resourcing practices and have productive conversations with asset managers
  - demonstrating to asset managers that resource levels are being monitored
  - providing a reference point for requests to grow stewardship resources and
  - operating as a tool for organisations to self-assess their resource levels.

## 2023 membership

- **Membership:** 52
  - Asset owners: 34
  - Asset managers: 18
- **Assets under Management:** US\$17.9tn

## Research themes

- Investment organisation of tomorrow — working group
- The future of pensions — working group
- Stewardship resources — working group in partnership with PRI
- Investing for tomorrow, macro view — working group
- The future of environmental, social, and governance (ESG) — working group
- Equity, Diversity and Inclusion in the UK asset management industry — survey in partnership with the Investment Association (IA)

## Activities over 2023

- **Knowledge dissemination:** In the past year, TAI published **21 investment insights**, co-authored **13 research papers** in collaboration with members, and maintained regular communication through *Memo*, their monthly newsletter
- **Absorbing new content:** TAI published **9 episodes** of their Investing for Tomorrow *podcast*, including the debut of a new spin-off series called Sustainability shapers.
- **Strategic engagements:** Across the year TAI worked with several organisations to improve effectiveness, as part of changing our industry, through workshops and strategic 1-2-1s. Some topics covered include measurement, rightsizing ESG and horizon scanning.
- **Fostering dialogue:** In 2023 TAI ran **five working groups** – future of pensions, future of ESG, investing for tomorrow (macro), investment organisation of tomorrow (IOOT) (phase 3) and stewardship. 35 member organisations actively participated in these working groups.
- **Engaging events:** TAI hosted **22 events** with 47 member organisations in attendance, alongside 117 non-member organisations. They hosted a roundtable, *The future of ESG is about right-sizing* and held 4 dinners with member organisations and special guests, among other collaborative events.
- **Innovative networking:** In April TAI hosted their inaugural film night, *Climate+: real people, real stories, real change*. In partnership with ClimateCulture TAI screened a series of short films and hosted an expert panel discussion focused on climate change and its intersection with diversity, equity and inclusion.
- **Advocacy and Outreach:** Committed to amplifying impact, the Thinking Ahead team actively contributed to external events, media interviews, and podcasts. The Institute’s insights have been prominently featured in **409** industry publications worldwide.

# Spotlight on: EOS at Federated Hermes

**EOS at Federated Hermes (EOS) is a leading stewardship service provider – it specialises in helping institutional investors across 13 different countries to be more active owners of companies and fulfil their fiduciary duty. It offers corporate engagement and proxy voting services and currently advise on over \$1.4 trillion of assets under advice.**

(2023 Annual Review, as of 31 December 2023).

We have engaged EOS as an expert stewardship overlay service — they supplement and add to the stewardship work performed by the underlying asset managers we work with.

Our use of EOS highlights — and is an important part of — our commitment to effective stewardship.

## **How we shared our client's priorities with EOS over the last year**

- Our Head of Sustainable Investing chaired the EOS Client Advisory Board. During 2023, this ensured we had a strong voice to communicate our clients' ESG priorities.
- We responded to EOS's annual survey of our clients' priorities. In particular, we have encouraged EOS to continue to make biodiversity a key priority area given this has become more of a focus for our clients due to regulatory focus, the intersection between biodiversity and climate-related risks and an increasing awareness of the financial materiality of biodiversity issues. Following our feedback to EOS, alongside that of other EOS clients, we were pleased to see EOS further prioritise this area.
- For some of the more difficult to engage topics, we suggested more emphasis on a combined approach involving corporate engagement, supportive public policy engagement and market best practice work. We also suggested improvements to engagement activity reporting to highlight engagements where progress may be slow. EOS has since responded with a new momentum indicator as part of standard reporting. Historically we have found EOS to be very responsive to our suggestions.
- In 2023 we held a WTW client-EOS event to give our clients the opportunity to a) meet senior EOS engagers and b) communicate their priorities and questions to EOS. Prior to the event, all clients were asked to indicate their stewardship priorities in a form and these results were shared with EOS. There was good alignment between these priorities and the EOS focus areas. It reinforced the message noted above that biodiversity is becoming a more important topic for many of our clients which supports EOS growing focus on this area.



## EOS's work in 2023

EOS's 2023 Annual Review summarises their approach, activities and outcomes over the course of the year.

### Engagement and voting numbers

- Engaging with 1,041 companies on 4,272 issues and objectives
- Making voting recommendations on 128,101 resolutions at 12,963 meetings, including recommended votes against 22,716 resolutions
- 31 consultation responses or proactive equivalent
- 90 discussions with relevant regulators and stakeholders

### Priorities and themes

- EOS identifies priority themes, as well as expanding themes, to ensure focus in their work through the year. However, in addition to these, they maintain a comprehensive engagement plan covering a broad range of other areas.
- Priority themes remained climate change action, human and labour rights, human capital, and board effectiveness, with three expanding themes: biodiversity, digital rights and artificial intelligence (AI).
- 2,949 of the issues and objectives engaged in 2023 were linked to one or more of the UN SDGs.

### Work and initiatives

- Engaged companies across key topics over 2023 – including AP Møller-Mærsk on its climate emissions, Starbucks on its living wage strategy, and Techtronic Industries on supply chain and emissions disclosures
- Active participation in many wider industry groups to support wider system transition issues including climate and biodiversity
- Received a 5-star PRI rating for its investment and stewardship policy, an A+ Influence Map Climate Stewardship Score, and received an Engagement Award from the ESG Clarity Awards

Below we have outlined three thematic case studies highlighting work undertaken by EOS in 2023 to address three different sustainability themes and systemic risks. This highlights the breadth of EOS's engagement with companies, policy makers and industry bodies to push for progress.



### Case study 1: Thematic engagement by EOS — natural resources, biodiversity and deforestation

**With growing recognition of the financial risks associated with our impacts and dependencies on the natural world, EOS have been engaging with companies in sectors with the biggest exposures to nature. They are encouraging companies to develop strategies to avoid and mitigate their most material impacts on nature (and therefore reducing the financial impact of biodiversity risks), while aiming for an overall net-positive impact.**

Within this, EOS deepened engagements on the more specific areas of deforestation, pesticides and regenerative agriculture, and water pollution and scarcity. Some highlights and positive outcomes from 2023 include:

- Positive engagements with several companies as part of the Finance Sector Deforestation Action (FSDA) collaborative initiative
- Vote recommendations against the election of directors at some food companies and financial institutions due to deforestation concerns

- Progress from US food company General Mills, who agreed to consider setting a deforestation-free target and has completed a pilot on regenerative agriculture, which EOS encouraged them to share with the industry to help elevate the work
- Mining company BHP setting context-based water management targets.
- In 2023, EOS presented to the World Bank Coalition of Finance Ministers for Climate Action in their capacity as co-chair of the Finance for Biodiversity Foundation Public Policy Advocacy working group. They highlighted some of the ways in which finance ministers can play a role in supporting the private finance sector to address biodiversity loss. This includes setting nature-related disclosure requirements, requiring transition pathways, integrating biodiversity risks alongside climate risks, and creating economic incentives for businesses to incorporate nature into decision-making.

Please see pages 20-22 of EOS's 2023 Annual Review for further detail, more examples and its expectations for 2024.

#### **Regulatory status disclosure**

Towers Watson Limited (trading as Willis Towers Watson) (Head Office: Watson House, London Road, Reigate, Surrey, RH2 9PQ) is authorised and regulated in the United Kingdom by the Financial Conduct Authority (FCA Register Firm Reference Number 432886, refer to the FCA register for further details) and incorporated in England and Wales with Company Number 05379716.

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Carne Global Fund Managers (Ireland) Limited (“Carne”) is the management company to the WTW Irish range of actively managed funds and has appointed TWIM as the investment manager to these funds. Carne was incorporated on 10 November 2003 under registration number 377914 and its registered office is at Iveagh Court, Harcourt Road, Dublin 2, Ireland. Carne is authorised and regulated by the Central Bank of Ireland

#### **About WTW**

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at [wtwco.com](https://wtwco.com).



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