



UK Stewardship Code

WTW annual report for
1 Jan 2023 to 31 Dec 2023

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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

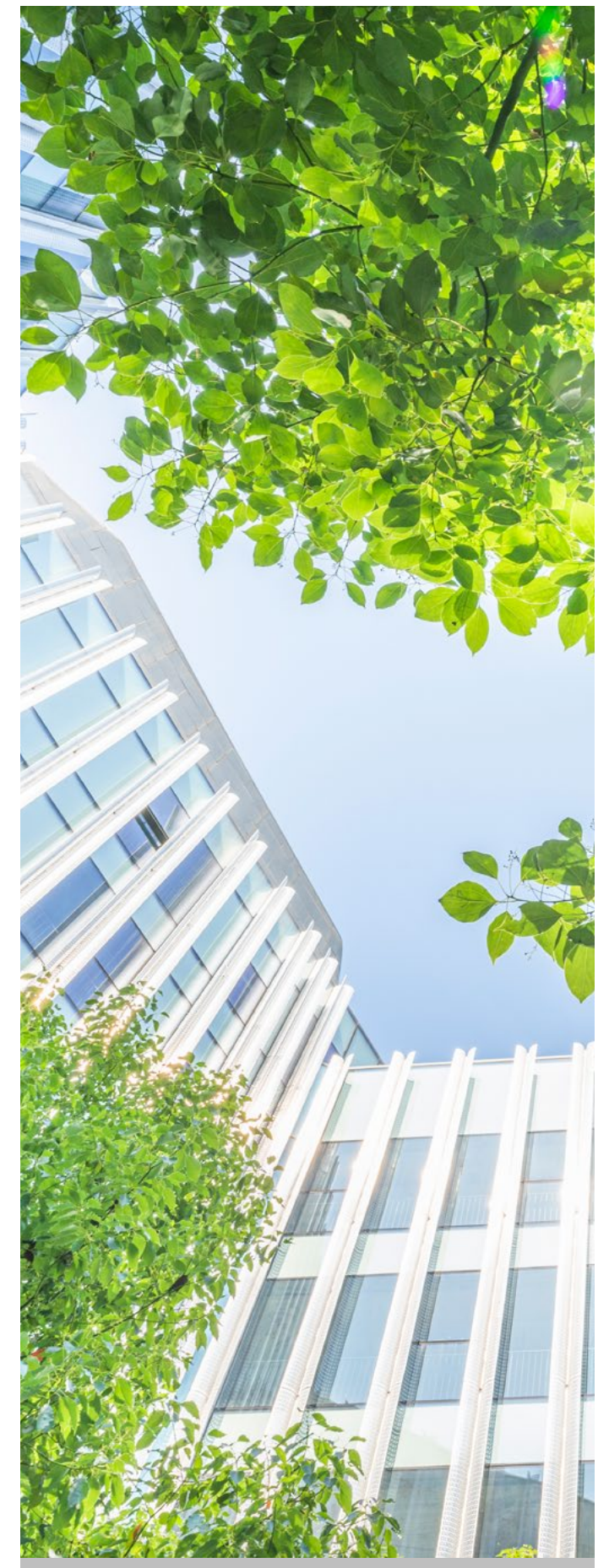
To support the reader, we have added Spotlight sections in order to highlight key areas. We have organised our report predominantly in line with the principles of the Stewardship Code, with clear navigation and extensive cross-referencing to guide the reader.



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



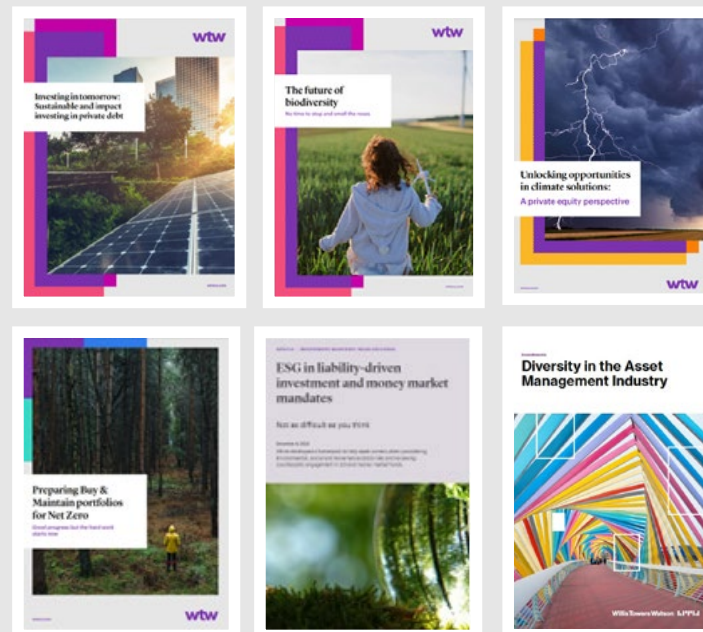
Climate, net zero and nature — taking steps towards our net zero commitment

- 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

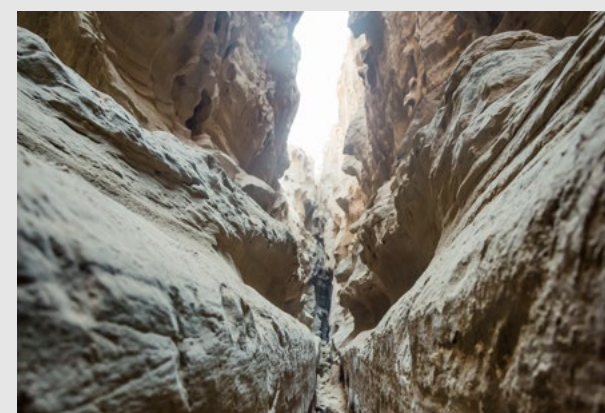
Across WTW solutions, EOS

- 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

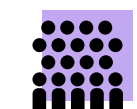
31 consultation responses or proactive equivalent



90 discussions with relevant regulators and stakeholders



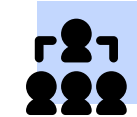
The Thinking Ahead Institute (TAI) — supporting the development and socialisation of our sustainability work



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

Section A — Purpose and governance

1 Principle 1: Purpose, strategy and culture

Context

Who we are

WTW provides data-driven, insight-led solutions in the areas of *people*, *risk* and *capital*. With a global view and local expertise, we serve 140 countries and markets to help organisations enhance their strategy, resilience and performance.

Within our *capital* practice, WTW's Investments business helps institutional investors achieve their goals. Our investment professionals focus on delivery of strong returns and controlled risk, with a wider mission to change investment for the better, and see effective stewardship as key to this.

- US\$4.16 trillion in assets under advice (as of December 2022)
- US\$161 billion in delegated assets under management (as at 30 September 2023)
- Over 1450 institutional clients (as of December 2022)
- Over 900 colleagues in 20 countries across the globe (as at 31 December 2023)

These numbers use the latest available data as at time of publication.

Our purpose

WTW's firm-wide purpose is to **transform tomorrows** — we help clients address current issues for a better future. WTW Investments reflects this in its purpose statement — **investing today for a more sustainable tomorrow**. Sustainable investing (SI) is, in our view, central to successful long-term investment outcomes.

We believe sustainability factors — including Environmental, Social and Governance (ESG) factors, stewardship, and sustainability impacts — can all have a material influence on investment risk and returns. As stewards of diversified portfolios we consider the broader impact of invested companies on the system and other investments held, recognising that these impacts can be financially material on client portfolios. **Stewardship** is about recognising the role that we play in the broader investment industry, and looking to meaningfully contribute to creating sustainability-related opportunities and managing sustainability-related risks at both portfolio level and industry level.

Culture and values at WTW

We believe in the importance of building and maintaining a strong culture. Our culture refers to our collective behaviours that gives life to our values:

Client focus

We are driven to help our clients succeed. In every interaction and with every solution, we act in our clients' best interests — striving to understand their needs, respecting their perspectives and exceeding their expectations.

Teamwork

We bring innovative solutions and world-class advice to our clients by working across boundaries of business, geography and function. We help each other succeed and create more value by working together.

Integrity

We seek to earn our clients' trust every day through professionalism, doing what is right and telling the truth. We are accountable to the organisations and people we interact with — including clients, shareholders, regulators and each other for our actions and results.

Respect

We listen to and learn from each other. We support and celebrate differences, foster an inclusive culture and operate with openness, honesty and benefit of the doubt. We manage our relationships, inside the company and out, with fairness, decency and good citizenship.

Excellence

We strive to lead and sustain excellence. This means an unwavering commitment to professional development and personal growth for our people. Our colleagues take responsibility to develop their expertise, competencies and professional stature, while the company invests in the tools and opportunities that allow for continual development. In business, we place an unrelenting focus on innovation, quality and risk management.

Sustainability at WTW — 2023 activities at our company

At WTW, sustainability is one of several key factors that guide how we approach the people, risk and capital solutions we deliver to propel the world's leading organisations forward, make them more resilient, motivate their workforces and maximise performance. It is also how we refer to our internal ESG strategy that contributes to the way we carry out our business operations. Some highlights from our firm-wide activity in 2023 include the following:

- Further developed a multiyear, multiphase road map to support our environmental strategy, including steps to reduce WTW's absolute emissions (i.e. emissions at the corporate entity level)
- Further developed a data collection program to support ongoing calculations of greenhouse gas (GHG) emissions in line with the accepted GHG Protocol
- Increased the number of women in leadership roles
- Expanded our external partnerships to help us attract and retain diverse talent
- Continued to expand the resources we have to develop and promote underrepresented talent
- Attended and were actively involved with COP28 in Dubai
- Our Disaster Risk Finance & Parametrics team won several awards
- Participated in the delivery group of the UK Governments Transition Plan Taskforce
- Continued our involvement in a variety of industry groups including ClimateWise, Ocean Risk and Resilience Action Alliance, Principles for Sustainable Insurance Initiative and the Transition Plan Taskforce

Sustainable investing (SI)

In our view, SI is about employing long-term strategies that integrate ESG factors and effective stewardship in our investment process, with regard for the impact on society and the planet now and in the future, recognising that this influences both investment risk and return.

We recognise our role in changing investment for the better and see effective stewardship as key to this. As an engaged industry participant, we seek to exercise our stewardship responsibilities, either directly or via third parties, across the following various activities which are covered in this report:

- Asset manager engagement
- Issuer and asset-level engagement
- Voting
- Public policy and engaging wider industry groups

We also engage extensively with our clients, and other asset owners in general. This enables us to:

- provide quality services and effective financial outcomes now and into the future with a close understanding of clients' needs; and
- help clients contribute to a sustainable investment industry where they themselves advocate for and support positive change.

Services, business model and strategy

WTW Investments provides investment advice and solutions to institutional asset owners, covering all aspects of their investment arrangements. Our services can be broadly split into the following two areas:

Advisory investment services

We transmit our SI beliefs and the importance given to stewardship through our advice to clients, and client agendas. These are also reflected through ongoing delivery of education and training on ESG and broader sustainability topics.

Given the variety of client relationships we have, the areas of focus, depth of engagement, and extent of portfolio integration vary; our advice therefore is bespoke to the needs and situation of each client. Our advice and recommendations most often take place through long-term trusted relationships rather than one-off ad hoc requests.

Delegated investment services

Delegated investment services involves management of assets in conjunction with, or on behalf of, clients in order to meet their specific objectives. Partial or full delegation of investment management activities has become popular to enhance governance and support a more robust investment process. Our delegated services are flexible and can be tailored to match the needs of both very large and highly sophisticated investment programs with significant internal resources, as well as resource-constrained funds in need of cost-effective solutions. This full spectrum enables our clients to delegate to a level of authority that meets their specific requirements and governance.

Please refer to Principle 6 for more detail on how we specifically work with our clients in respect of SI. In addition, as a result of the two lines of service for our clients, we note our regular 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.

Activities and outcomes

Ensuring our purpose, beliefs and culture enable effective stewardship

We believe that our purpose, values, beliefs and culture articulated above enable a focus on effective stewardship — both at the level of individual holdings, engaging underlying asset managers, as well as at a systems and industry level. We believe that effective stewardship contributes to better investment outcomes.

Throughout this report, we describe our stewardship activities and their outcomes. The key themes we engage on include climate, nature and diversity, equity and inclusion (DEI) — alongside the different stewardship levers we pull, including manager engagement, issuer and asset-level engagement, voting and public policy and engaging wider industry groups.

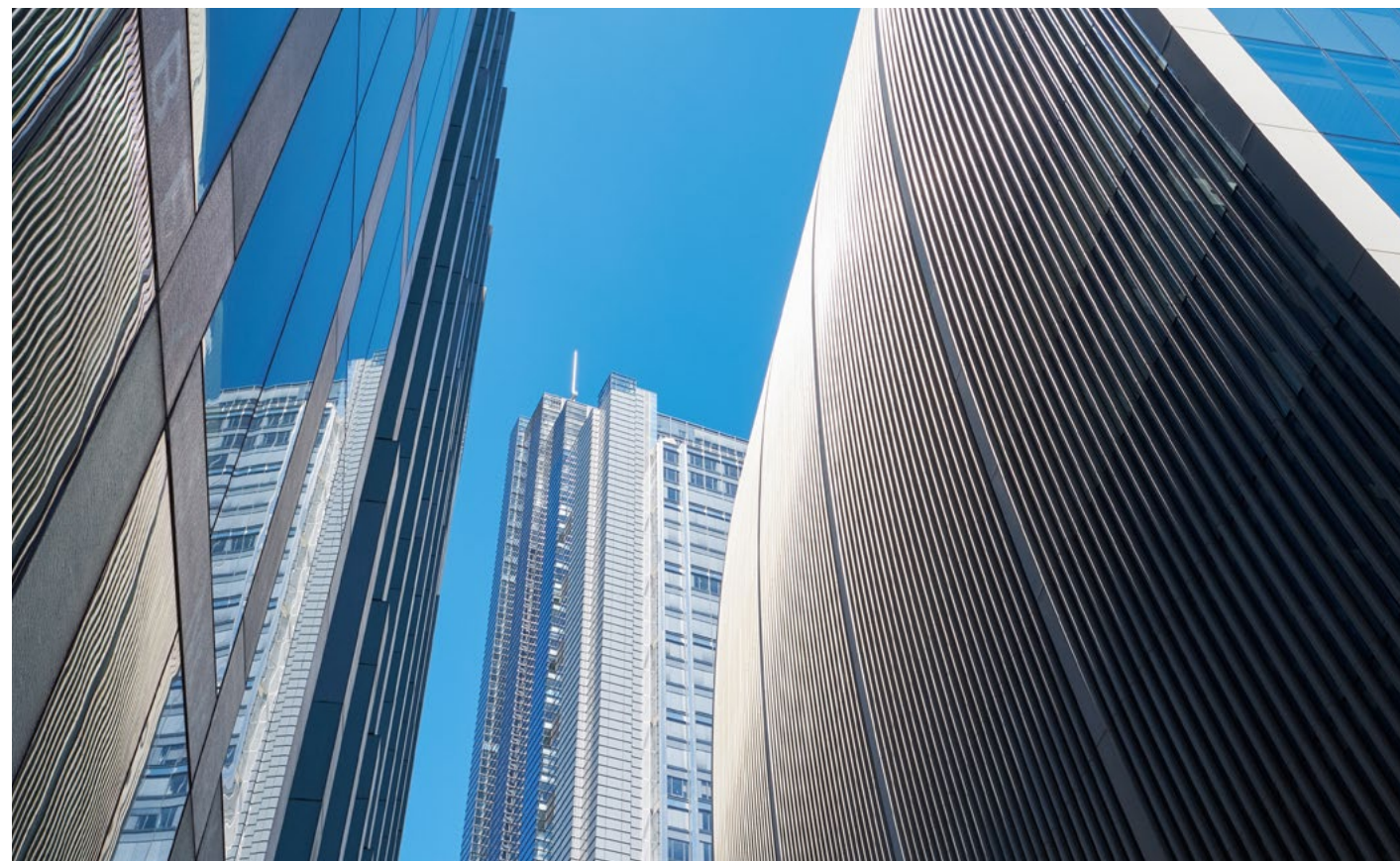
Over the past year, our efforts and activities — guided by our purpose, values, beliefs and culture — have contributed to the delivery of positive outcomes for our clients, and our ongoing success as a business.

We have retained strong client relationships, receiving positive feedback on the quality of our service (described below) and continue to be well-rated by third parties, with particular reference to our approach to climate change and stewardship.

Headline results from our annual UK client satisfaction survey for 2023:

- 96% of clients described the relationship and the quality of advice and communication from their WTW team as excellent, very good or good.
- 98% described the overall experience of working with WTW over the past 12 months as excellent, very good or good

Source: WTW as at December 2023. The UK Client Survey reflects the views of over 90 clients across delegated and advisory services.



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.



2 Principle 2: Governance, resources and incentives

Activities and outcomes

Governance structures

As a global business, our SI structure is designed to maintain and enhance consistency of content and client delivery which aligns to our purpose and values (see Principle 1).

Our governance structure was last revised in 2022, designed to promote clarity, focus and effective decision making. Stronger governance around sustainability processes means more effective stewardship work.

Governance groups	
Global Leadership Team (GLT) Sustainability Sub-Committee that reports into our Investment Global Leadership Team	This group sets business-level objectives to drive the achievement of our Sustainability Strategy. It oversees implementation, governance and resourcing to achieve our overarching business and investment/portfolio-level sustainability objectives.
Sustainability Regulations and Monitoring Committee	This group is responsible for monitoring our SI performance and processes. Its role is to consider SI related regulatory requirements and allocate responsibility for compliance across relevant business functions.
SI Standards Committee	This group is responsible for setting standards for SI processes across the content team. It owns key SI policies as they relate to investment content and oversees processes and investment frameworks for working towards our portfolio net zero commitment in a way that is consistent with achieving clients' financial goals. This group also reflects and evolves over time the underlying investment principles that support the financial case for the climate and broader sustainability-related goals for our portfolios.

We monitor the governance of our SI processes on an ongoing basis to ensure we incorporate relevant requirements for portfolio investments, recognising current and evolving regulations, guidance and standards, such as the Taskforce on Climate-related Financial Disclosures (TCFD) and the EU Sustainable Finance Disclosure Regulation (SFDR) applicable to our European business.

Keeping updated on ongoing regulatory developments, and ensuring appropriate implementation, is a priority for us – which is why we have established our SI governance structure with this principle in mind.

SI resourcing structure

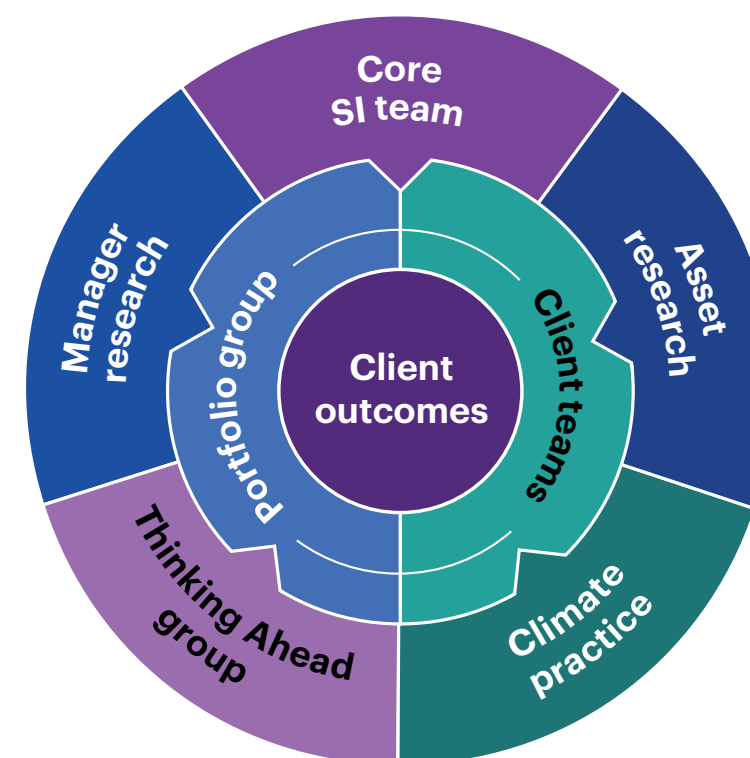
Our Core SI team consists of a number of full time SI specialists with expertise across areas such as certain ESG topics (in particular, climate), ESG data, analytics, stewardship, voting, best practice industry standards and reporting requirements. But beyond this specialist team we have moved to operate a highly integrated model. Our Core SI team provides SI-related capabilities that feed into, and leverage, the work we do across the manager research team, the Thinking Ahead Group, the asset research team, the wider firm's Climate practice, our Portfolio Management Group and our Client teams. All of these teams have a broad range of experience levels including some very senior individuals.

We have found the shift to a more integrated model a natural progression as demands from clients around SI and stewardship have increased so our various teams developed strong expertise in SI and stewardship over time.

To give some examples of how the teams interact in practice on a day-to-day basis, recent stewardship-specific examples have included the Core SI team working with:

- the manager research team in their assessment of voting and engagement by asset managers, including agreeing priorities for our engagement with asset managers
- the Portfolio Management Group to integrate enhanced voting practices into new solutions using the services of EOS at Federated Hermes
- the Thinking Ahead Group to better understand key systemic risks and further our understanding on biodiversity as a financially material issue and therefore a key stewardship topic
- our Client teams to develop a framework to help clients select stewardship priority areas

We believe our structure means we are well placed to work together as required to meet clients' needs and provide a strong platform for training and development of colleagues while benefiting from the diversity of insight that an integrated model can provide. With local and global oversight, our integration of people, research and resources ultimately supports our ability to offer high quality advisory or delegated services to clients.





Manager research

Our manager research team specialises in finding, researching and monitoring asset management firms that we believe are among the best in the world, covering a wide range of mainstream and alternative asset classes. The team focuses on identifying leading asset management organisations capable of delivering positive outcomes to clients and on advancing industry best practice. This team’s assessment of an asset manager’s SI practices and implementation, in the context of individual strategies and products, feeds into our overall view of their ability to sustain a competitive advantage and the suitability of those products for our clients’ portfolios.

Asset research

Our asset research team is a group of specialist economists who are responsible for our macro-economic and capital market views. Their work includes identifying market-wide risks, long-term thematic research, dynamic asset allocation views, and systemic risk identification, and they are an important input to our portfolio management processes.

Our asset research team analyse long-term global trends and have developed detailed long-term themes which we consider the exposure of our portfolios to. WTW tracks many specific geographical and sectoral changes driven by changes in policy, supply and demand, investment, and purpose. This type of probabilistic real-world risk assessment enables us to determine which components or uncertainties, with regards to major themes, pose the greatest risk and opportunities to financial investors and countries. Sustainability and ESG are important factors in identifying themes and investment strategies that we want exposure to (or those which we want to avoid) in our clients’ portfolios.

Climate practice

WTW’s Climate practice is the focal point for much of our climate expertise and capabilities. It brings together the company’s core risk and analytics strengths, combined with extensive climate expertise, to help clients identify, quantify and manage climate-related risks.

Its approach is strongly informed by client demand and plays to WTW’s core strengths. Through this work, it engages directly with some of the world’s leading companies and public sector organisations to help steer organisations away from climate uncertainty and toward climate resilience and opportunity.

Thinking Ahead Group

The Thinking Ahead Group (TAG) is the WTW executive to the Thinking Ahead Institute (TAI), WTW’s global not-for-profit research and innovation member group (see Spotlight page on TAI for more information). With a vision to mobilise capital for a sustainable future, the TAG has expanded its team to continue working towards this vision – with new joiners whose specialisms range from impact management to environmental data analysis and risk management.

Portfolio Management Group

The Portfolio Management Group has the job of bringing together all the research, risk management and idea generation done by different specialist teams in the business in a consistent manner for all our clients and funds. Our clients have many different constraints and types of mandate with us, meaning a ‘one size fits all’ approach is not possible. Each portfolio management team must make different trade-offs to create the best quality portfolio possible through our lenses, guided by our Global Portfolio Management Group (GPMG), which is responsible for setting model portfolios for delegated clients globally. In addition, GPMG ensures that a consistent set of sustainability-related investment principles and beliefs are applied by all portfolio management teams so that SI considerations are integrated into decision making in a financially rational way.

Client teams

Our client teams work with institutional investors across the world to achieve their objectives and deliver value for their money. The success of our business depends on helping our clients to succeed and maintain a competitive edge.

Additional external resources and systems

External asset managers

Beyond our in-house resource, as described elsewhere in this report, we place a strong focus on the stewardship capabilities of external asset managers.

EOS at Federated Hermes

We view our partnership with EOS at Federated Hermes (EOS) as a highly valuable – and complementary – additional resource. We specifically appointed EOS in order to increase resources applied to stewardship in areas which were less well addressed by underlying asset managers. Please see our Spotlight page for more information on their work.

ESG data providers

In addition to several asset class specialists we use MSCI as our primary ESG data vendor. While MSCI does not undertake stewardship directly the extensive dataset they provide helps us to identify potential ‘ESG laggards’ and track for improvements over time.

Systems

Over 2023, to support our SI and stewardship activities, we put significant investment into a new multi-asset portfolio management tool which incorporates climate metrics leveraging best-in-class net zero methodologies.

Diversity of our workforce at WTW

As a global firm, we want our workforce to reflect the communities in which we work and live, and we strive to build a culture of inclusivity where each of us feels welcomed and valued.

We have company-wide inclusion and diversity priorities, agreed to by our Global Leadership, that support the success of WTW. A key underlying theme of these priorities is a sharpened focus on underrepresented talent and a commitment to increase overall diversity in leadership levels across the company. One of our key commitments relates to gender parity; through our partnership with Paradigm for Parity, we have set a target to achieve gender parity in senior leadership by 2030.

We are focusing on three key areas to ensure our values and inclusion and diversity commitments are reflected in every interaction:

1	 <p>Attract and hire to grow the pipeline for underrepresented talent</p>
2	 <p>Develop and promote to increase the overall diversity in business leadership</p>
3	 <p>Culture and brand to promote an inclusive culture and work environment</p>

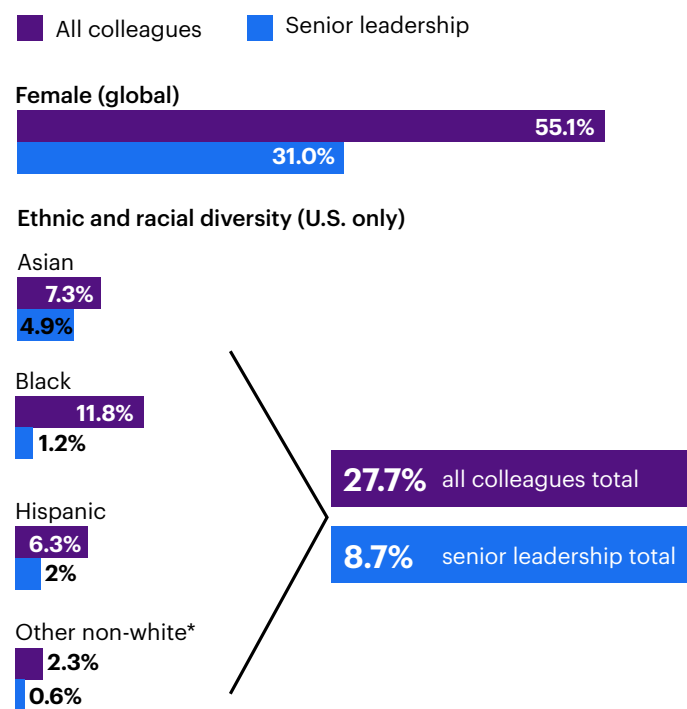
In 2023, WTW continued to make progress against the wider firm's multiyear social strategy and aspirational goals. A few highlights from the actions we took include:

- **Increasing the number of women in leadership roles:** In 2021, we reached our near-term goal of having 30% women in senior leadership roles, and we made additional progress in 2023 with 32.5% women in senior leadership roles.
- **Expanding our external partnerships to help us attract and retain diverse talent:** Our partnerships help us drive awareness of WTW's aim to be an inclusive employer of choice for all talent levels, from those early in their careers to experienced hires and more senior leaders.
- **Continued to expand the resources we have to develop and promote underrepresented talent:** In 2023, we launched our Leadership Effectiveness Accelerator Program (LEAP), a global program to retain, accelerate the development of and expand opportunities for women who are currently demonstrating the potential for senior leadership. We also launched Ready to Inspire Succeed and Elevate (RISE), a two-year pilot sponsorship program for people of color in North America.

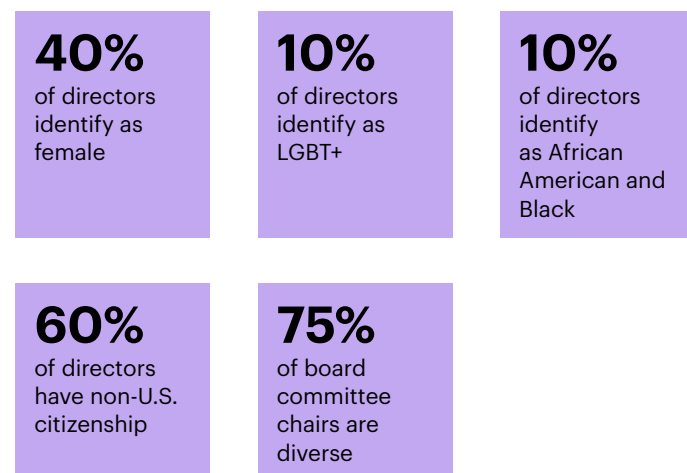


For more details, please see our firm-wide [Inclusion and Diversity page](#), and our annual I&D report. Our firm-wide policies apply across the board, and these results give a top-level view of our efforts towards prioritising I&D at our firm. For more information on diversity, equity and inclusion (DEI) within the Investments business, refer to our [DEI Spotlight page](#).

WTW Colleagues



Board



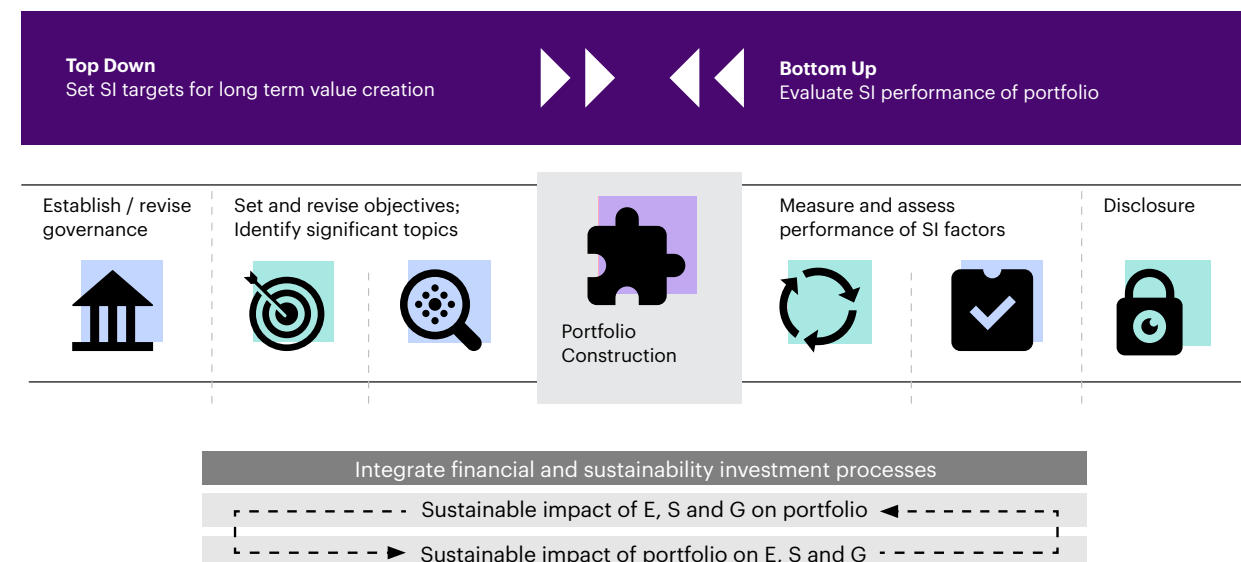
As of 31 December 2022
Source: WTW Inclusion and Diversity 2022 report

Our approach to SI

We look to embed SI throughout our investment process, from setting a mission and belief framework, through risk management, portfolio construction and manager selection, to implementation and monitoring.

We view SI as an integral input to the decisions we make, not a separate or disconnected consideration. It is subject to continual improvement to respond to fast changing regulation and evolving best practice.

Figure 1: **Managing SI performance**



Training and knowledge management

To support effective integration of SI and effective stewardship within our investment research, processes and client services, there is an extensive programme of training and knowledge sharing available. This includes compulsory SI training as part of graduate induction programmes and analyst training programmes, as well as all-colleague townhalls, a dedicated intranet site, internal newsletters, blogs, and more. We also run colleague training sessions on specific topics, and include external experts in the delivery of that where appropriate.

Throughout 2023, we ran training for colleagues across the business on some key SI topics:

- **Biodiversity** as a system level risk and **TNFD** (Taskforce on Nature-related Financial Disclosures) disclosure recommendations
- **Social factors** and **inequality** as a system level risk
- **SFDR** and **regulatory developments** across the year

Many of our colleagues complete either the CFA programme or pursue an actuarial qualification, and we provide extensive study support to help facilitate that. Several colleagues have also completed the CFA Institute's ESG investing certification.

Alongside this, our active participation in industry groups (see Principle 10) allows us to regularly and effectively share knowledge and updates across colleagues.

Performance objectives

Given that we look to embed SI and effective stewardship within our colleagues' roles as appropriate, we also use the annual cycle of individual objective setting, feedback and review as a mechanism to increase accountability and incentivisation. Where SI is relevant to a colleague's role, specific objectives will be included in their annual performance plan, and performance against those objectives will inform compensation and related decisions. Colleagues with SI objectives include those in the SI governance committees highlighted above, senior members of the Portfolio Management Group and the team of full-time SI specialists.

An ongoing focus on governance

Governance is a business priority for us and, in turn, an ongoing area of focus. We regularly review our SI governance, assessing efficacy and looking to make improvements where possible over time. Our belief is that our SI governance is effective in supporting and delivering our stewardship efforts as described above – and as evidenced through the activities and outcomes in this report.

3 Principle 3: Conflicts of interest

Context, activities and outcomes

WTW approach

We are conscious at all times of our licences to operate and the limitations of our licences, in all parts of our business and all geographies around the world. A global conflicts of interest policy applies to all WTW entities, and this is supplemented with specific policies and procedures, staffing and reporting required for each legal entity.

Our Code of Conduct states that WTW is committed to providing our clients with services that are impartial and objective. The Investments business has a more detailed policy to ensure the fair treatment of customers and address WTW's obligations in respect of the identification and prevention or management of conflicts of interest under relevant UK FCA provisions as well as the Markets in Financial Instruments Directive (MiFID) as transposed into UK law. Please note that only our UK and EU Investments business are subject to this regulatory requirement.

For background information of our broad processes, please refer to our [2021 Stewardship Report](#), where we outline general steps to managing conflicts. Please also see our Conflicts of Interest Disclosure Statement for further detail in the appendix of this report. Our firm-level Code of Conduct, which covers conflicts of interest, can be found on our WTW website.

WTW Investments

In WTW Investments, our general framework of principles is:

- We avoid situations or relationships that may compromise the best interests of our clients
- We do not receive commissions from fund managers or broker-dealers
- We do not accept soft dollars for payment
- We identify and evaluate the possible conflict before accepting an assignment

We also identify and manage potential conflicts that might arise from the actions of individual WTW employees; our policies on the acceptance of gifts and invitations, and on personal dealing are examples of this. In addition to the firm-wide policy, there may be cases when lines of business or geographies set more restrictive policies.

WTW Investments also issues guidelines in accepting gifts and invitations from entities providing investment-related services to our clients on which we are or might be asked to give an opinion. We have a strict inducements policy that requires compliance approval for any non-monetary benefits from third party organisations. These organisations include investment management organisations, custodian banks, fund administrators and financial institutions offering investment-related services, which may or may not be currently providing services to our clients.

There is ongoing education and training on conflicts management and an independent compliance function where concerns can be raised. Once conflicts have been identified, further procedures and controls monitor the effectiveness of the management arrangements of such conflicts and details of such measures are captured in registers.

To ensure we are consistently putting clients' interests first, all of our colleagues are expected to follow our Excellence procedures and behaviours which set out clear ways to ensure the highest quality service is being provided to our clients. Our "Excellence" model is embedded across all WTW services with an effective governance structure to ensure monitoring of our work and refreshing guidance and training as necessary.

We review our conflicts of interest policy and procedures on a periodic basis, and as and when new regulations are published (as well as when new business projects are introduced).



Manager research

Asset managers invest and undertake stewardship for our clients. Conflicts of interest is therefore a topic which forms part of our assessment of asset managers. As part of our Operational Due Diligence ("ODD") reviews on asset managers, we assess their approach, oversight and governance surrounding conflicts of interest (see 2023 examples on this page).

We completed 143 ODD reviews in 2023. As an outcome from this, we engaged with numerous asset managers highlighting areas where their approach could be improved. We experienced a high level of receptiveness to our recommendations. The ODD team conducts a pre-screening exercise prior to conducting full ODD on any new manager; this helps to filter out those managers who are unlikely to pass.

Specific to stewardship activity, we expect managers to document how they manage any conflicts of interest. For example, consideration of whether the investment manager's policy includes: an explanation of how they act in the best interests of clients; how conflicts of interest are identified; and the process followed when a conflict of interest is seen to exist.

During our engagement with asset managers particularly on stewardship, we have raised conflicts of interest as an area of importance, and sought for managers to evidence that conflicts (potential, perceived or actual) do not inhibit effective stewardship.

2023 case studies:

- **Example 1: IT infrastructure:** WTW had raised concerns regarding the frequency of data back-up at one of our asset managers. Prior to WTW's engagement, the frequency of data back-up was once per day. We believe best practices dictate that data should be backed-up multiple times per day. After successful engagement, the asset manager confirmed that they had increased the frequency of data back-up from once per day to multiple times per day.

- **Example 2: Anti-corruption and anti-bribery policy:** As part of their day-to-day roles at one of our asset managers, employees come into contact with government officials. At the time of the meeting, Compliance did not monitor these meetings, require pre-approval or review notes on a post-meeting basis. The CCO did not generally seem to be aware of potential material non-public information with respect to conversations specifically related to municipal bond issuers. That firm ultimately implemented a policy that requires any analyst scheduling a discussion with a municipal official to also invite compliance to 100% of those discussions. This will ensure Compliance is aware of every conversation. The policy also requires a member of Compliance to attend randomly-selected issuer meetings or review the notes from those meetings/calls. Compliance will target 20% of the meetings/calls, either in attendance or through a review of the notes.
- **Example 3: Cash management:** During a meeting with an asset manager, we had raised our concern regarding the process of adding or removing authorised individuals from the electronic banking systems, as well as maintaining single-signature checks. Prior to WTW's engagement, authorised individuals, including those who carry roles of CEO, CIO, COO and CCO, would be added or removed to that firm's portal by the company administrator, and the firm still maintained single-signature checks. We believe best practices dictate that multiple approvals should be required by the system and in case new checks are needed, at least dual signature checks should be authorised. After successful engagement, the firm confirmed that no single person could add authorised people to the accounts, and old, single-signature checks had been destroyed.

Engagement and voting

We continue to use third party asset managers to vote and undertake engagement in respect of investments in underlying companies. They have discretion regarding individual engagements and votes. For some of our funds, we also use EOS at Federated Hermes (EOS) to guide third party asset manager voting and for additional corporate and policy engagement. We contribute, alongside other EOS clients, to the high level formulation of EOS voting and engagement policies, and EOS will recommend specific votes to third party asset managers and engage with individual companies as they see fit. In setting out our feedback to EOS on preferred topics for engagement we focus on those where collective action across the industry will likely result in material financial benefit to our clients' portfolios. There is no involvement from WTW in the company-specific decisions or voting process which is where potential conflicts could otherwise lie.

EOS has a publicly available [Stewardship conflicts of interest policy](#). EOS conflicts are maintained in a group conflicts of interest policy and conflicts of interest register. As part of the policy, staff report any potential conflicts to the EOS compliance team to be assessed and, when necessary, the register is updated. The conflicts of interest register is reviewed by EOS senior management on a regular basis. One type of conflict covered in this policy is the potential for different views between EOS and the investment team within Federated Hermes. Here are some examples from 2023 of how these were resolved:

- EOS policy indicated a vote against a firm's remuneration report and policy, due to maximum variable pay awards exceeding EOS guidelines. After discussion with Federated Hermes' investment team who hold the company, EOS recommended a vote in favour by exception on the remuneration report and policy, on the grounds that the company has a track record of not exceeding guidelines on maximum pay awards and awards have not vested at maximum over several cycles. EOS also communicated its potential concerns to the company.

- EOS policy suggested a recommendation against the remuneration policy due to a company having a shareholding requirement of 250% of base salary which falls below expectations of 300% base salary for FTSE250 companies. Following Federated Hermes's investment team's meeting with the company, EOS decided to support the remuneration policy of the company by exception because they had obtained reassurance that shareholding requirements would be the first item on the remuneration committee's agenda for its meeting in September and it has committed to providing a more robust response to this issue in September.



Case study: Asset manager conflict of interest

Here are two short examples from 2023 of how a large asset manager we work with mitigated potential conflicts related to voting and independence:

1. A member of the asset manager's board joined the board of a large energy company. This immediately triggered the asset manager's conflict policy. As a result, the manager refrained from proxy voting at the company and hired a third-party fiduciary to undertake the voting.
2. A relationship was identified between an employee of the asset manager and a specific issuer. This situation was categorised as a personal conflict. The conflict was mitigated by recusal of the individual from specific activities.

4 Principle 4: Promoting well-functioning markets

Activities and Outcomes

Core beliefs

We all have a responsibility to recognise our role in responding to global challenges and supporting the overall system. Part of this means addressing systemic risks. The Thinking Ahead Institute considers systemic risk to be the possibility of a malfunctioning of the system – and an inherent property of any system.

Our core investment beliefs define how we conduct our research and provide advice and solutions to our clients. Within these beliefs, market-wide and systemic risks are explicitly mentioned in several aspects:

- We believe climate risks are financially material to the value of investment portfolios and that collective action is required from the economic system to address these, which in turn necessitates specific risk management and opportunity identification. We believe that asset owners need to consider how important they believe their role to be in ensuring the 'system' works as well as understanding the broader financial impact of invested companies/assets on the system and other investments held. We recognise the importance of differentiating between rewarded and unrewarded risks, the value of effective risk hedging, and that ultimately the key risk is that of mission impairment.
- We 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.
- We believe that markets are complex adaptive systems, and therefore the consideration of market-wide and systemic risks is critical to effective long-term investment.

Our thinking on sustainability and climate change continues to develop and evolve. Roger Urwin, co-founder of the Thinking Ahead Institute, has been involved in a project to support decision-making by UK pension trustees in the context of sustainability and climate. This activity took place over the last year, with recently published findings [here](#).

Key WTW teams supporting this work

The identification of market-wide and systemic risks is considered across many teams within WTW Investments, but is a particular area of focus for our asset research team, our Thinking Ahead Group, our manager research team and our Climate practice. These teams are described in Principle 2.

Across these teams we respond to market-wide and systemic risks in various ways, but fundamentally do so within an integrated risk management approach. This means looking holistically at a portfolio and a client's core investment objectives. We are also mindful that some market-wide and systemic risks affect us as a business, and are therefore considered as part of our Enterprise Risk Management framework (see Principle 5 for further detail).

Our systemic risk work in 2023

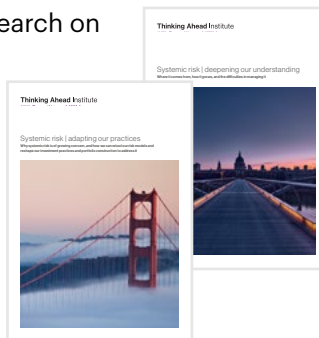
Thinking Ahead Group and Thinking Ahead Institute (TAI)

TAI has done extensive research on market-wide, systemic, and extreme risks, and effective risk management. In 2023, TAI's attention was fixed on the unfolding of multiple crises, precipitating a focus on uncertainty, risk, and the need for change.

Over the year, their research themes included:

- Investment organisation of tomorrow
- The future of pensions
- Stewardship resources
- Investing for tomorrow, macro view
- The future of environmental, social, and governance (ESG)
- Equity, Diversity and Inclusion in the UK asset management industry

TAI has done substantial research on systemic risk specifically, bringing this topic to the forefront of the conversation around risk and risk management. This research includes a deep dive into systemic risk as a critical theme for investors, as well as practical applications to help institutional investors manage risk.



In 2023 TAI also created various podcasts in the series 'Investing for Tomorrow' on systemic risk as a topic — covering topics such as [biodiversity](#) and [antimicrobial resistance](#).



Please refer to our [Spotlight page on TAI](#) for more details on the team's research and activities in 2023.

Climate change as one of the largest systemic risks

We continue to undertake a significant amount of work to analyse, quantify, assess and reflect the risks and opportunities it presents throughout our processes and portfolios.

As a member of the Institutional Investors Group on Climate Change (IIGCC), as part of our net zero delegated assets commitment, we have participated in the AGM in 2023, including voting.

The IIGCC supports industry standardisation of the Net Zero Implementation Framework which we integrate where possible into our processes.

We recognise that climate risk is linked to various other market-wide and systemic risks, including biodiversity — an area of focus in 2023. Please see our climate, net zero and nature Spotlight page.

It is important that our stewardship activities support industry initiatives which encourage the achievement of net zero goals across sectors.

Our attention to this area is further evidenced through:

- Our ongoing involvement in other climate-focused industry groups such as the Investment Consultants Sustainability Working Group (ICSWG) (see Principle 10 for details)
- Maintaining climate as our top theme for engaging with asset managers (see Spotlight on engagement with asset managers)
- Further examples in our Spotlight on climate, net zero and nature

As mentioned in Principle 2, we make use of WTW's Climate practice as a focal point for much of the firm's climate expertise and capabilities.

Recent examples of research from our Climate practice to move forward on climate goals:

- [WTW report underlines urgency of whole-economy low carbon transition planning in Colombia](#) — In 2023, WTW published the results of an in-depth study on Colombia's Net Zero transition. The report revealed that delaying the transition to a low-carbon economy could cost the country more than \$88 billion, highlighting the vulnerability of fossil fuel producing countries worldwide. The study provides a series of recommendations for how Colombian policymakers, central bankers, financial institutions and corporates can more effectively incorporate transition risks and opportunities into their planning processes.

- [Emissions Impossible: Quantifying financial risks associated with the net zero transition](#) — This white paper, published by WTW and the Institute of International Finance in 2023, examines some of the metrics which have emerged to quantify climate transition risks to financial institutions.

The authors expose the limitations of using greenhouse gas emissions as a proxy for transition risk and explore the relative merits of different climate transition tools, including more risk-sensitive and forward-looking metrics that provide a more sophisticated assessment of the risks and opportunities associated with climate transition.

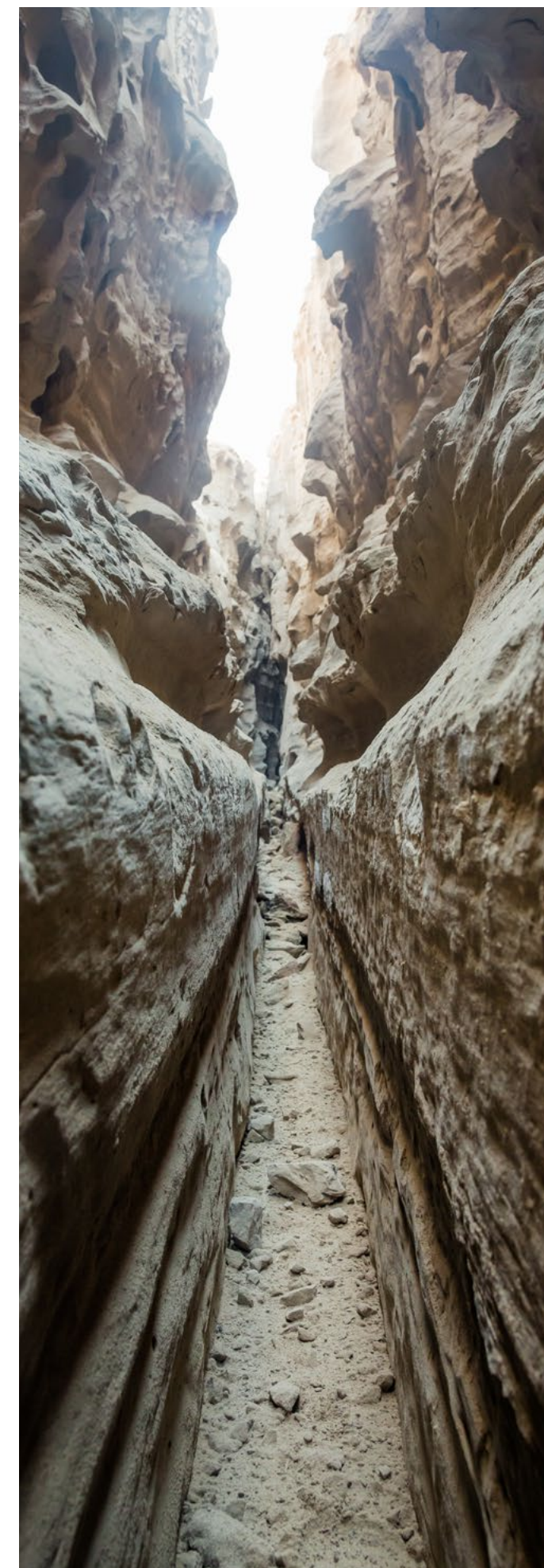
Both publications were well-received and generated significant interest from market-leading media.



Case study: Engagement with UK pensions and climate regulation on behalf of our clients

As an investment business we have had several meetings with the Pensions Regulator to discuss feedback and improvements. This covered several topics including how climate scenario analysis can be made more robust and decision useful, how the regulations might be applied to smaller pension schemes and whether we thought that the regulations themselves had achieved their main purpose of getting trustees to take more steps to appropriately monitor and manage climate change risks and opportunities. As part of this we shared various client examples and internal thought pieces written.

We continue to actively engage with the Pensions Regulator to input into the positive development of these regulations.



Manager research

Our manager research team, whose work is described in greater detail elsewhere in this report (including in response to Principles 7 and 9 and in our Spotlight page on WTW engagement with asset managers), looks to identify the quality of market-wide and systemic risk management in its research and assessment of asset managers. This is particularly important in the assessment of asset manager stewardship.

We regularly publish research to benefit both our clients and the wider market. This drives a stronger message to asset managers and provides a useful resource for them to guide changes. Some 2023 examples:

- *The future of biodiversity: no time to stop and smell the roses*
- *Investing in tomorrow: sustainability and impact investing in private debt*
- *ESG in liability-driven investment and money market mandates*
- *Preparing buy & maintain portfolios for net zero*
- *Diversity in the asset management industry: on the right track, but at the wrong pace*
- *Unlocking opportunities in climate solutions: A private equity perspective*

Client projects

Systemic risk is a complex and far-reaching topic. Our research has led to meetings to support clients' understanding of systemic risk. For example in 2023, we led a systemic risk training session with the full trustee board of one of our leading advisory clients, resulting in reinforcement of their focus on systemic risks.

Consideration of systemic risk is also built into how we help clients identify their SI beliefs and particular SI/ stewardship topic priorities. Please see case study 3 in Principle 6 for an example.

As a result of our wider work our clients have gained a greater focus on systemic risks and the importance of working to mitigate them.

EOS at Federated Hermes

As previously mentioned, 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.

EOS has continued to prioritise climate and biodiversity as key systemic risks. For example in 2023, this included:

- Presenting 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.
- EOS co-signing an investor statement coordinated by the Farm Animal Investment Risk and Return (FAIRR) initiative calling on G20 finance ministers to repurpose their agricultural subsidies in line with climate and nature goals.
- In the US, EOS has continued to encourage companies to report in line with the Task Force on Climate-related Financial Disclosures (TCFD) framework, to ensure preparedness for future Securities and Exchange Commission (SEC) guidance and requirements on climate change.



Please refer to our spotlight on EOS for further examples.

EOS's Engagement Plan 2023–25 (which we provide input to) highlights the range of their work across several systemic risks.

EOS's Engagement Plan



Source: EOS 2022 Annual Review

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:

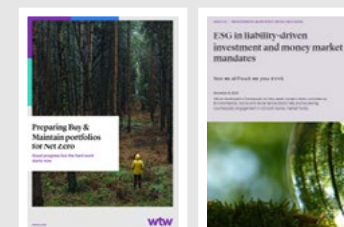
- A combination of increasing the alignment of existing investments with pathways that achieve net zero as soon as is practicable and new investment in long-term climate solutions
- Using multiple 'levers' including; changes to risk management and asset allocation, manager selection, index design, stewardship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

-  Maintained climate as our top theme for engaging with asset managers
-  Engaged with wider industry groups to support wider system transition on climate
-  Focused on new private impact solutions — in particular climate
-  Enhanced our reporting to make it as useful for clients as possible, including developments on climate-reporting
-  Focused on incorporating nature and biodiversity considerations into our climate approach
-  Published a white paper on the importance of considering biodiversity in private market investments
-  Published our first report responding to CDP's Climate Change questionnaire for the Financial Sector
-  Put significant investment into a new multi-asset portfolio construction tool which incorporates climate metrics leveraging best-in-class net zero methodologies
-  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

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.

5 Principle 5 (AM/AO), Principle 6 (SP) — Review and assurance

Activities

General policies and procedures

Our review process encompasses firm-wide frameworks and initiatives, as well as checks and procedures specific to WTW Investments, to ensure the quality of our processes and activities. These are designed to consider compliance and regulatory standards as well as principles of clear and fair communication.

WTW Enterprise Risk Management (ERM) Framework

WTW has an Enterprise Risk Management (ERM) framework in place that supports the identification, assessment, management and monitoring of risks that could affect WTW's ability to provide reliable services to its clients and meet business objectives. WTW identifies significant risks through risk management processes, overseen by appropriate governance forums that promote a positive risk management culture.

Management reviews its top risks periodically through a risk dashboard considering the critical controls and processes in place and determines if the residual risk exposures are within the company's risk appetite. Risk reporting occurs at many levels across WTW and is governed by a hierarchy of governance committees. When areas of known risks need improvement or new risks are identified, management is responsible for evaluating and implementing appropriate measures to manage and monitor those risks. This may include enhancing existing controls and/or introducing additional control procedures.

WTW operates a three lines of defence model that distinguishes among three groups (or lines) involved in risk management. The First Line of Defence is the business and/or functions responsible for adopting and maintaining systems and controls to identify and manage the risks to their business. The Second Line of Defence, including ERM and Compliance, is responsible for overseeing the management of risks by the First Line of Defence. The Third Line of Defence, including Internal Audit, is responsible for providing independent assurance to the Board over control and risk management practices.

Quality assurance programme

WTW operates an internal quality management system known as WTW Excellence. It is the responsibility of line managers to ensure that quality is maintained by their colleagues in a manner that is consistent with the principles upon which WTW Excellence is based.

WTW Excellence is operated through a global network of Excellence Leaders, allocated within each line of business, who in turn have responsibility for a network of Excellence Champions within those businesses. Each WTW Segment has a Segment Excellence Director and operation of the Excellence process is coordinated by a Global Excellence Director.

The Investments business has a set of internal Excellence quality standards with which all colleagues must comply.

- Policies and guidance for colleagues are published in the Excellence area of the WTW's intranet and drawn to their attention in a wide variety of ways such as intranet headlines, emails, training programmes and internal audits
- This process requires all work to be appropriately planned, managed and thoroughly reviewed
- All work must undergo a Standard Work Review (SWR), which typically consists of three elements (technical review, consulting review and editorial review), each of which must be documented, including the relevant reviewer's name and the date that the review took place

Regulatory compliance oversight

WTW Investments is subject to a wide range of regulatory requirements. To ensure we consistently meet these requirements, we have developed a suite of policies, procedures and other associated collateral (collectively 'regulatory collateral'). Ensuring that all of this regulatory collateral is accurate, up-to-date and properly communicated to all relevant stakeholders is a key requirement. Document sponsors are accountable to the relevant governing bodies for ensuring regulatory collateral for which they are responsible meets these requirements.



As an example, the EMEA Investments Executive Committee has approved an EMEA Investments Policy Governance framework, which sets out a number of key design principles that should be followed when developing and maintaining regulatory collateral.

In 2023, our Compliance team also set up an internal Investments Compliance webpage, as a single location to contain all Investments regulatory collateral and act as a 'one-stop-shop' for business colleagues when seeking guidance on their regulatory obligations. This webpage sets out the relevant document sponsor, to which regulated entities the document applies, and also when the document was last reviewed or updated. The webpage continues to be maintained going forward.

Sustainable investing (SI) and Stewardship specific examples

Senior oversight and policy reviews

Within WTW Investments we have established a clear oversight structure with accountabilities and responsibilities as outlined in Principle 2. In particular, our Global Chief Investment Officer (Global CIO), Chief Operating Officer (COO), Head of Strategic Projects, Head of Sustainable Investing and Head of Sustainability Solutions have overarching responsibility for reviewing our processes and activities. This is a key part of our framework for appropriate oversight, review and internal assurance over our SI policies and processes.

Key policy documents and reports in respect of SI include:

- Sustainable Investing Policy document, which is reviewed and updated annually, and is overseen by the Global Leadership Team (GLT) Sustainability Sub-Committee

- This UK Stewardship Code report, which will be produced annually in line with signatory requirements, and be subject to extensive internal review and sign off including by our Global Leadership Team, Global CIO, Head of SI and respective entity Boards

Working with clients on their policies and processes

We recognise that our clients face significant regulatory requirements, and that effective policies and processes are key to them successfully meeting their investment objectives. As such, we provide significant support and advice to our clients around policies and processes, including in respect of SI and stewardship.

We believe a robust policy is based on beliefs and values specific to the context of each asset owner. An effective policy therefore needs to align with the unique mission of the organisation, taking into consideration its specific circumstances, and be socialised enough to provide a strong sense of ownership and collective buy-in. To this effect we do not provide off-the-shelf or standard policies, but instead work with clients to assist them in developing their own beliefs, priorities and perspectives across the topics of sustainability, and ensuring that these are framed and implemented in a way that is consistent with their financial objectives.

We then help formalise these beliefs into a policy that can be used to guide thinking and decision making as relevant to their investment process and strategy. Please see Principle 6, case study 3 as an example.

External reviews or assurance around WTW Investments in relation to SI and stewardship

In WTW Investments, independent intermediaries regularly review our SI and stewardship capabilities.

We believe this provides a robust additional input and challenge to our process, supporting continuous improvement and integration of best practice. During 2023, we participated in over 20 quarterly research meetings, as well as thematic deep dive meetings to answer questions from these external review groups. We submitted over 10 data requests per quarter across our independent third-party evaluators. In addition, we participated in several ESG-specific questionnaires and meetings with evaluators throughout the year, including Hymans, XPS and Isio. These questionnaires include a significant volume of questions specific to stewardship.

These intermediary surveys provide independent reviews of our processes and activities related to stewardship, as well as an understanding of how we compare to peers.

Increased ESG and climate related reporting

In 2023 we made the following disclosures for the first time:

- SFDR reports for a number of our funds
- WTW Investment's response to CDP's Climate Change questionnaire for the Financial Sector
- The wider WTW firm corporate ESG report *Taking action to create sustainable value*

EOS at Federated Hermes (EOS)

We use EOS case studies in our reporting and we are satisfied that they have been reviewed for technical and editorial quality. In respect of our work with EOS, we would highlight the following in respect of review and assurance:

- EOS provide a range of qualitative and quantitative reporting for their clients (including us) on the engagement and voting activities they have undertaken. Case studies (such as those included later in this report in response to Principle 9) are reviewed by the named companies in advance of publication for fact checking. There are multiple touchpoints for clients to review EOS's activities, by way of regular reporting (client portal, quarterly and annual reporting) and opportunities to provide feedback, including quarterly meetings, annual presentations to trustee boards / investment committees, and a biannual client conference.
- EOS has adapted its Engagement Plan so that there's a detailed, confidential version for clients but also a public version outlining EOS's high-level approach to stewardship – helping to provide clarity on clients' intention, direction and impact of stewardship for trustees and beneficiaries.

- EOS's client-only meetings, held twice a year, include a session on obtaining input for their Engagement Plan, so that clients can feed into the direction of their engagement. EOS also has client representatives who act as a voice for the wider client base, providing further assurance that their activities support clients' effective stewardship.
- As described earlier in response to Principle 2, we have a dedicated relationship manager at both WTW and EOS, and regular ongoing and open communication. We receive regular reporting, including via their online 'EOSi' portal, as well as email alerts which are sent to a permitted group of stakeholders including our network of SI champions.
- A senior member of our team continues to chair EOS's Client Advisory Board which reflects our level of engagement with EOS, and this is in addition to attendance at the bi-annual Client Advisory Council events.
- We have ongoing channels of communication which can pick up specific queries, for example around certain corporate engagements, votes or case studies, as well as more widely on issues such as reporting and enhancements to their client servicing and EOSi platform.
- EOS sets clear engagement objectives and milestones for reporting statistics around engagement activity, tracking progress against these. This means that we can dig into the numbers, to ensure they are backed up by robust activity.

Review and assurance of this report

Our Stewardship Report subscribes to the Excellence quality standards indicated in this principle and in Principle 3. Once drafted, the report goes through various rounds of senior review, which are tackled from different angles – i.e. technical reviews, specialist checks, and editorial assessment to ensure our structure and wording is understandable, balanced and fair. This includes our legal and compliance reviewers.

Given our multiple client types, product offerings, levels of engagement and the differences in how we reflect SI and stewardship across different asset classes, we believe it is appropriate to outline a range of processes, activities and outcomes. As we aim for sufficient description and comprehensiveness throughout the report, we recognise that our Stewardship Report is a lengthy read.

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.

We feel that these review processes and efforts in assembling our report effectively, lead to a robust overall report and review process that meets the needs of our clients.

Outcomes

We have a strong culture of continuous improvement as described and evidenced throughout this report.

One area we continue to prioritise is the collection of high quality material and reliable ESG and stewardship data and the distillation of this into reports for our clients. Our internal review process has noted this as a challenging area particularly given that we are reliant on the information provided by multiple underlying asset managers and the natural differences presented by investing across very different underlying asset classes. We highlight below improvements in this area, and more widely, in 2023 which we believe reflect our processes of continual improvement:



Stewardship data	<p>We have found that using industry standard guides can be very helpful to support getting consistent, high-quality information from asset managers. During 2023:</p> <ul style="list-style-type: none"> • We led the updating of the ICSWG Engagement Reporting Guide working with other consultant members of ICSWG. • We co-led ICSWG's response to the UK Vote Reporting Group Consultation. • We were successful in encouraging many private equity GPs we work with to join the ESG Data Convergence Initiative. • In real estate, we encouraged managers to submit data to the Global Real Estate Sustainability Benchmark (GRESB), as well as the Carbon Risk Real Estate Monitor (CRREM) project (please see Principle 7 and 10 for more details on these). <p>EOS is another key source of stewardship data for our reports. In response to our suggestions (and those from their other clients), in 2023 EOS included a new engagement momentum indicator as part of standard reporting. This helps to signal engagements where progress may be slow.</p>
Our Asset Manager Sustainable Investing Reports	<p>Key updates in 2023 included:</p> <ul style="list-style-type: none"> • We made further updates to our annual SI questionnaire which supports these reports. We have brought in new questions focusing on net-zero commitments and biodiversity initiatives. • We transitioned to a single primary product level SI score for simplicity and clarity – these scores are now Low, Medium or High. • Our minimum expectations were now hard-coded into the scoring methodology with failure to meet these resulting in larger negative scores
Engagement and voting reporting for our funds	<p>We upgraded SI reporting for a number of our funds to better demonstrate voting and engagement activity taking place at various levels:</p> <ul style="list-style-type: none"> • The number of engagements with underlying managers by WTW and key topics. • The number of engagements with issuers by underlying managers and key topics. • The number of engagements with issuers by EOS at Federated Hermes (EOS), key topics and progress reporting. • Summarising combined voting activities by the underlying asset managers.



Section B — Investment approach

6 Principle 6 (AM/ AO), Principle 5 (SP) — Client and beneficiary needs, and supporting clients’ stewardship

Context and activities

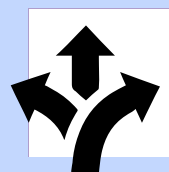
WTW Investments serves a diverse global client base of institutional investors, including pension funds, insurance companies, sovereign wealth funds, government funds, wealth management companies, endowments and foundations.

As mentioned in Principle 1, our investments business activities can broadly be split into the following two areas:



Advisory investment services

Working alongside clients through guidance, recommendations, training, research and monitoring



Delegated investment services

Partial or full management of assets with, or on behalf of, our clients

Sustainable investing (SI) and stewardship is integrated across our work with clients; here we describe how we do this across both lines of service.

Advisory services

We recognise our clients have different levels of ambition, beliefs, and objectives around sustainability and operate in different business environments according to different governance structures, contexts and regulatory regimes. We therefore seek to understand these, and our approach varies according to the individual client context, and the nature of our client engagement. We have included some examples of typical work we may undertake with advisory clients below.

With some clients we go into considerable detail — for example providing detailed training on specific ESG topics. For other clients, given trustee preferences, we keep the discussion and recommendations at a higher level, focusing on meeting regulatory requirements.

Any SI and stewardship recommendations we make are tailored to individual clients based on their beliefs, objectives (both financial and non-financial) and governance budget. Where our recommendation is not fully aligned, or where there are additional challenges in implementation, we present a range of options to the client. This is typically set out as the actions that need or could be taken to achieve minimum compliance, good or strong practice. As such, we tend to frame the path of integration as a number of steps or parts of a process that need to be achieved over a period rather than something that can be completed in one go. Such an approach looks to steer and encourage clients towards better practice, as their views or beliefs may develop over time, and the plan may need to be adjusted accordingly.

We collect feedback from clients in several ways: direct feedback provided by clients to their advisors, independent client reviews, and an annual satisfaction survey. We use this feedback as an input to direct our activities around SI both internally and for the services we offer. There are some examples of this in the Outcomes section below.

Across our business, we also regularly research hot topics for use with clients to help catalyse changes in behaviour and our global investment content teams, advisory teams and Retirement business produce research and blogs designed to inform both colleagues and clients of developments in those topics.

In 2023, some of the key topics we researched to engage our clients with included:

- How to approach updates to second TCFD reports in the UK and how reporting cycles can be used to drive changes in scheme thinking around managing climate-related risks
- Seeking to properly manage the risks and opportunities associated with climate change, including best practice climate transition plans
- Developing robust monitoring across a broad range of SI factors which consider a balanced SI assessment of investments and asset managers
- Review of the Taskforce on Nature-related Financial Disclosures (TNFD) disclosure framework and its application
- Considerations for complying with the UK SDR regulation during 2024
- Rising recognition of the relevance of social factors to pension schemes following the publication of the UK DWP’s Taskforce on Social Factors report

Our reporting activities depend largely on how we have been engaged by the specific client. For full retainer clients, we report back and communicate with them on a regular basis, to both their Board or Investment Committee and to internal investment teams where applicable. We notify clients promptly should there be a relevant change that requires review amongst our preferred managers.

Around manager monitoring, trustees are increasingly looking to understand and engage with SI ratings and stewardship, which is both educational as well as helping them to fulfil their investment and stewardship responsibilities. We will discuss sustainability reporting with them and discuss potential challenges to managers which can then be raised directly or via us to effect changes and improve practices.

We also increasingly spend time educating trustees around different approaches to investing (including ESG tilts, climate strategies, impact, or ethical/exclusionary strategies), to ultimately help them decide on a preferred strategy. Specifically, around climate where this is considered a priority for trustees we can research and educate on best- in-class environmentally focused managers or specific climate strategies including the impact of adopting these types of strategies on risk and expected return outcomes.

We recognise that training / education is an ongoing process that continues throughout the relationship with each client, as beliefs, market products, regulation, latest thinking around sustainability continues to evolve. For example, in 2023 we continued to work with several clients on meeting their current TCFD reporting requirements, whilst recognising other clients' TCFD requirements may develop in different ways as the regulation evolves. We therefore pay close attention to regulatory guidance to ensure we can pass on the key takeaways to clients and that, combined with our advice, we can be well-placed to help clients navigate such regulatory developments.

Examples of actions we take to help advisory clients, in alignment with their views and policies, include:

- Reviewing and aligning clients' existing beliefs, investment strategy and policy in relation to SI and stewardship
- Helping clients define SI and stewardship investment objectives and incorporating them into policies
- Aligning with relevant regulatory guidance
- Researching SI trends, terminology and current debate
- Comparing SI and stewardship investment policies of peers in the market
- Engaging a client's organisation executives, Board and any other stakeholders in the SI investment policy development
- Outlining the internal governance structure responsible for overseeing and implementing the investment policy
- Assisting clients in the appointment of a third-party specialist stewardship overlay provider
- Working with clients to identify managers with strong stewardship credentials
- Providing monitoring and reporting on the stewardship activities of managers, including the development of a proprietary voting analysis tool
- Helping clients understand why and how to prioritise real world emissions reductions in a way that is consistent with their financial objectives.
- Supporting clients with climate reporting, including target setting, metric selection and the rationale for these

Delegated investment services

Our delegated services and solutions look to be a complete reflection of our investment expertise — building portfolios comprising our best thinking on return generation and robust risk management. We leverage the breadth of our research and insight to integrate sustainability across our investment processes, tools and decision making.

Our approach to integration is similar to our core consulting business, but given delegation of assets, we have greater opportunity to fully reflect and implement the agreed investment beliefs in client portfolios compared to a typical advisory relationship. Our delegated mandates are therefore our best opportunity to fully embed and leverage our research and idea generation to build portfolios that reflect our best ideas and ultimately deliver better outcomes for our clients.

Our portfolio construction process looks to maximise portfolio quality, as evaluated through a number of 'lenses', including sustainability. This helps us build robust, diversified portfolios to meet our clients' risk and return requirements, as well as help to ensure our portfolios are resilient to a range of sustainability-related issues and/or able to take advantage of sustainability-related opportunities. We recognise that while many sustainability considerations have clear risk and return consequences, embedding this 'lens' into portfolios also requires us to consider issues that are subject to greater uncertainty, less measurement and are heavily context dependent. This can include, for example, issues with potential reputational risks. Therefore, judgement and qualitative overlays are important. An important part of our framework for doing this is to integrate sustainability into our investment process at three levels:

1. Top-down — we identify the key sustainability topics that are material for clients and set portfolio-level targets for these which form a "3D mandate" alongside our risk and return objectives
2. Bottom-up — the extent to which, and success with which, sustainability is incorporated into the decisions made by managers within the portfolio' is an integral part of our assessment and rating of external investment managers
3. Portfolio construction — our portfolio construction process then brings together top-down and bottom-up considerations and weighting the various "lenses" based on client preferences ensures that sustainability goals are achieved in a way that is in our clients' best financial interests

Given the prioritisation of climate change as a critical and systemic issue, this is also a key area of the portfolio construction process — in particular understanding our portfolios' climate risk exposures and reducing them through time, as well as identifying and investing effectively in relevant opportunities. This takes place both through top-down identification and analysis of climate-impacted areas, as well as the bottom-up contribution of each manager.

Fees and terms of service for clients

The fees we charge to our clients depend on the nature of our engagement with them, and can be a basis point fee based on assets under management (for delegated and fund of fund solution mandates), a fixed retainer or charge on the basis of time cost.

SI considerations are typically embedded within agreed scope and terms of services to the extent they are explicitly called out. Irrespective of whether they are detailed separately, or whether we have been specifically asked to embed SI considerations in contracts or business plans, sustainability is integrated across our client services and offerings we provide. Stewardship is a key client deliverable itself; we talk to clients about their own stewardship policies, encourage them to consider becoming stewardship code signatories, and point to opportunities for engagement and enhanced positioning in the industry.

Given the work we are doing with clients on more detailed and explicit SI beliefs and objectives, these frameworks and targets can then become targets and measures that clients can assess us against as part of their annual assessment of our services.

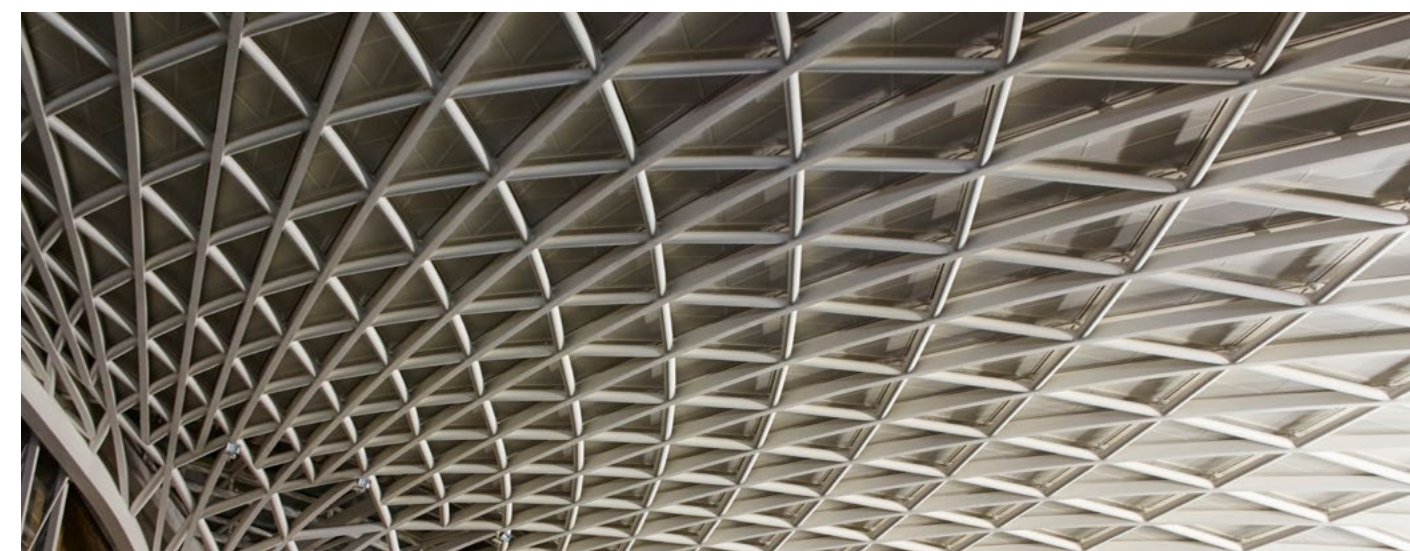


Case study: GEDI - Creating investment solutions to address clients needs

This year we worked with an index provider to launch the WTW Global Equity Diversified Index (GEDI) – an index which aims to provide 'whole of equity portfolio' smart beta exposures whilst integrating various sustainability factors in a way that is expected to deliver meaningful excess returns over a market capitalisation exposure. It has been designed to deliver desired client portfolio exposures through an index, reducing the cost for clients.

GEDI's approach integrates sustainability, climate and net zero, including incorporation of WTW's Climate Transition Value at Risk (CTVaR). It has rules for excluding stocks based on certain criteria and the strategy includes a net zero target consistent with WTW Investment's commitment to target net zero greenhouse gas emissions by 2050 across our fully discretionary delegated portfolios, and also includes an interim goal of a 50% reduction by 2030 which is consistent with plausible pathways to net zero as set out in the current climate science. This is all guided by our sustainable investing and climate policies, whilst noting that the thresholds chosen for this index reflect stakeholder preferences for stricter exclusions in this type of product.

We believe taking this opportunity to innovate using our scale and expertise will provide a lower cost way for our clients to benefit encompassing key proposals all in one index. It also allows us to continue to evolve the index as markets, regulations and ESG requirements continue to evolve.



Reporting

As mentioned, our reporting activities depend largely on how we have been engaged by the specific client and reports will often be bespoke to client context.

We use a number of key tools for monitoring investment and stewardship activities.

In our 2022 UK Stewardship Code Report (pages 45-47) we showed an illustration of these tools as an exhibit therefore here we have summarised them in shorter form and described what we have done in 2023 to develop our reporting for clients.

Key tools used as part of client reporting and monitoring

Sustainability scorecards	Asset Manager Sustainable Investing Reports	Climate dashboard
<ul style="list-style-type: none"> Key sustainability data for the portfolio is captured and summarised Draws on underlying tools and data sources to give an overall view of a portfolio's exposure to sustainability risks and opportunities and positioning Feeds into our portfolios construction process to be considered alongside other portfolio quality lenses 	<ul style="list-style-type: none"> Detailed assessments of the sustainability practices of managers Covers ESG integration and stewardship (engagement and voting) Through regular deep dives we identify priority actions which may include engagement and escalation, further data interrogation and analysis, and changes to capital allocation decisions 	<ul style="list-style-type: none"> Proprietary tool developed to display an enhanced set of climate data and metrics Follows a balanced scorecard approach, assessing multiple metrics Monitors transition risk, physical risks, decarbonisation, alignment and mobilisation of transition finance at portfolio-level Complemented by our carbon journey planning methodology to provide a top-down framework to assess the long-term trajectory of portfolios towards net zero

Throughout 2023 we have worked on developing our reporting to make it as useful for clients as possible. This has included:

- Investing in Jacobi, a comprehensive multi-asset portfolio construction tool (please see the case study on the next page)
- We updated our Asset Manager Sustainable Investing Reports:
 - Transitioning to a single primary SI score for simplicity and clarity — these scores are now: Low, Medium or High
 - We have brought in new questions focusing on important aspects such as net-zero commitments and biodiversity initiatives
 - Our minimum expectations were now hard-coded into the scoring methodology so failure to meet these results in larger negative scores
 - Broadening the universe of coverage for these reports
- We expanded our climate scenarios analysis to both consider a broader range of scenarios covering a wider range of potential climate outcomes that could impact on portfolios (e.g. scenarios where material physical and transition risks both materialise) as well as to qualitatively and quantitatively address a number of the criticisms that have been levelled at conventional approaches to climate scenario analysis (e.g. lack of allowance for climate “tipping points” and uncertainties around carbon budgets)
- We upgraded SI reporting for a number of our funds to better demonstrate voting and engagement activity taking place at various levels:
 - The number of engagements with underlying managers by WTW and key topics
 - The number of engagements with issuers by underlying managers and key topics
 - The number of engagements with issuers by EOS at Federated Hermes (EOS), key topics and progress reporting.
 - Summarising combined voting activities by the underlying asset managers

This has been a significant effort from colleagues across several teams to provide more decision-useful information for clients.

Investing in a new comprehensive portfolio construction data tool

This year we have significantly invested in Jacobi, a comprehensive multi-asset portfolio construction tool, which incorporates five distinct climate metrics that leverage best-in-class methodologies from the Net Zero Investment Framework (NZIF) as well as other accepted standards. This tool empowers portfolio managers to pinpoint the primary contributors or detractors to each climate metric within their underlying investments. The platform presents charts for each metric, facilitating easy download for reporting purposes.

Our data inputs are sourced from reputable third-party providers. To enhance usability, Jacobi displays time series data for each metric, enabling portfolio managers to observe trends over time.

Jacobi is a dynamic platform, evolving to meet global and regulatory reporting requirements. WTW has full flexibility to implement our own methodologies and approaches in Jacobi to reflect emerging best practice. This adaptability ensures it remains fit for purpose across diverse contexts. The platform's outputs play a key role in generating client reports, contributing to our sustainable investing process.

Extensive effort has been invested in developing Jacobi, incorporating features like the emissions attribution tool. Its versatility stems from drawing insights from various data sources and valuable lessons learned from.

We also use a proprietary tool to aid in our assessment of the voting activity for large asset managers (where data is available) which we use in our research meetings and engagements activities. This looks at patterns in management and shareholder resolution voting across regions, sectors and themes, as well as within particular areas of interest, such as climate shareholder resolutions. We also use this tool to highlight case studies for discussion where a manager's vote on a particular resolution seems inconsistent with their stated policies, other voting the manager has undertaken, or where the manager has taken a different view to most other market participants.

This analysis can also be used directly by our clients to help them to better understand the level of alignment between any voting principles they have and the voting activity of their asset managers.

During 2023 we wanted to use the tool to investigate the rationale for falling support for climate-categorised shareholder resolutions. We allocated these resolutions into three sub categories: reporting request, Paris aligned target request, business practice request. We then observed how support levels from a manager had changed within these categories. This enabled us, and clients, to ask better questions to the underlying asset managers.

The data we are collecting on voting and engagement are aligned with UK reporting requirements under Pensions and Lifetime Savings Association (PLSA) guidelines. We were part of the industry group who helped design the voting template, and we have also promoted its usefulness and refinement via the Investment Consultants Sustainability Working Group (ICSWG).

Within the ICSWG stewardship stream, we co-led the original development of the ICSWG Engagement Reporting Guide (ERG) in 2021. It is a guide for those seeking to gather engagement activity reporting from investment managers – having a central industry format supports the consistent collection of engagement data. In 2023 we led an update to the ERG working with other consultant members of ICSWG. Collectively we agreed a number of changes which we believe are well aligned to the UK Stewardship Code including:

- Inclusion of a distinct row for Antimicrobial Resistance (AMR) in the list of engagement themes
- Asking how often engagement escalation has taken place.
- The ERG now asks for issuer engagement case studies to demonstrate particular areas, such as: case studies with a clear outcome; case studies where engagement played a major role; case studies that best demonstrate escalation.

These changes to the template were made and it was shared with the investment community via a [LinkedIn post](#). We have integrated the new questions into our data requests from managers and will be able to share responses with clients later in the year.

Client communication from EOS at Federated Hermes

To supplement our own client communications EOS at Federated Hermes (EOS) provide a range of high quality, formal, qualitative and quantitative reporting for their clients (including us) on a regular basis (monthly, quarterly and annually).

This reporting outlines how EOS have implemented their engagement policy and is designed to help clients communicate with their internal and external stakeholders. The reporting includes statistics, engagement information (objectives, progress, meeting notes), case study examples and voting guidance. We have utilised this throughout this report in Principles 9, 11 and 12.

EOS publicly disclose information that is required by the Code, including:

- How the EOS engagement policy has been implemented (in annual and quarterly reporting and case studies, largely publicly available on the EOS website)
- EOS voting behaviour — the Global Voting Guidelines and Global Corporate Governance Principles are publicly available. EOS also produce, on a quarterly basis, statistics on voting outcomes for clients and detailed voting disclosure documents outlining how they have voted in the period and rationales for where they have opposed resolutions, which can be used publicly.

Outcomes

We typically work to improve stewardship outcomes for our clients via two streams:

1. Ongoing engagement with clients throughout the year
2. More formal mechanisms of feedback

As described above, our ongoing engagement with clients is a valuable input in helping us evaluate our effectiveness. It also allows us to incorporate clients' feedback and improve our services to make sure we are meeting their needs and preferences as best we can. For example, in 2023 we:

- Worked on simplifying and enhancing the presentation of our SI reporting for clients (as described earlier in this Principle) to address their need for clear and decision-useful SI data at a portfolio-level
- Provided training for our client consultants on the importance of nature and biodiversity in light of increasing queries from clients following the publication of the recommended TNFD disclosures

- Taking steps to simplify and enhance how our clients monitor and assess their manager's engagement processes, following feedback that the large amounts of information were often difficult to consume (see case study 3 for an example of this)

Here we have also included some more detailed examples of work we have undertaken with, or for, our clients in 2023 based on our understanding of their views and needs.



Please also refer to the section 'How we shared our client's priorities with EOS over the last year' in the EOS Spotlight page.



Case study 1: Creating a detailed climate change course for pension trustees

Having noticed a gap in the market for detailed climate training, we launched an in-depth climate course for clients in 2023. It was specifically designed to give pension scheme trustees the understanding of climate change they need to fulfil their fiduciary responsibilities. The course draws on our full breadth of climate expertise across WTW and we have brought together colleagues to create and present the course from across our Climate practice, Investments, Retirement, Covenant and Employee Experience teams.

As climate change increasingly presents significant risks and opportunities to pension schemes, we recognised that trustees need to understand enough about the topic to make informed decisions and to challenge advisers. However, the complexity of the issue means many trustees may lack sufficient knowledge to do so. We therefore created a syllabus which not only builds a foundation of knowledge about key climate concepts but then focuses them on the key considerations for UK pension schemes. The varied course content ranges from understanding the causes and impacts of climate changes and considering the intersection with nature and biodiversity, to investment considerations and practical actions, including disclosure requirements, metrics and stewardship.

At the time of writing, a UK-based independent trustee group is currently undergoing the course, having enrolled all staff which are responsible for more than 470 appointments, supporting schemes which collectively represent over 10 million members.



Case study 2: A detailed review and assessment of a client's global equity portfolio

We worked with the Board of a large UK pension scheme to undertake a detailed review of their global equity portfolio. This considered a variety of factors and included reviewing the climate exposures within the portfolio and the managers' approaches to stewardship activities. As part of this, the focus was on reviewing a balanced scorecard of metrics which identified high negative exposure to a climate transition scenario aligned with the Paris Agreement that would cause significant business disruption. The metric in particular employs detailed, bottom-up scenarios to assess the impact of changes to policy, technology, industry, and consumer behaviour, modelling the financial impact of a climate transition on businesses and assets. So this goes further than just GHG emissions, considering where the true financial exposures to transition risk exist in the portfolio and also considers the opportunities associated with the climate transition.

Combined with an underwhelming assessment of two of the underlying asset managers in engaging with the underlying companies/policy makers/wider industry and taking a less engaged and proactive approach to voting, the Trustees agreed to make a change. This involved removing an active manager and also changing the index used to implement the passive equity allocation such that it was tilted away from companies expected to be negatively impacted from a Paris Aligned climate transition and towards those with positive characteristics, resulting in expected outperformance over the market capitalisation index at relatively low tracking error. The Trustees also made this selection as the Fund employed EOS at Federated Hermes to boost stewardship impact and be more aligned with the views of the Trustee.

The Trustee continues to monitor the portfolio closely and the stewardship activities undertaken by the underlying managers and engage as appropriate if activities are below expectations.



Case study 3: Enhancing a client's monitoring of investment managers' stewardship activities

We worked with the Board of a large UK pension scheme to help them take more active ownership and engagement in the process of monitoring their investment managers' stewardship activities. It was identified that the current process of managers self-reporting with huge quantities of data was unhelpful for the Trustee to properly assess these activities.

We therefore worked with the Trustee and created a prioritisation framework, considering factors such as financial materiality, regulatory focus and engagement feasibility, to help the client identify key stewardship priorities to focus on as part of the reporting process. The degree to which a particular ESG topic was a localised vs systemic risk was one of the key drivers of the financial materiality category.

This was facilitated by training on the topic of stewardship, the different possible priorities and a survey to the Trustees to establish consensus views. This led to climate change, biodiversity and human rights being established as the key focus areas.

Going forward the Trustee will be requesting managers to provide specific voting and engagement activity across the portfolio that is in the areas of focus.



Case study 4: In depth training for a client on climate and environmental risk within their portfolio

We worked with the Board of a large UK pension scheme to meet their training needs relating to managing climate and environmental risk within their investment portfolio. We partnered with climate specialists within the WTW Climate practice to provide in depth “Carbon Literacy Training” for the Board as part of an ongoing process of education for the Trustees to support their sustainable investing activities, including meeting their published net zero commitment.

The Trustees, while familiar with the environmental, societal, and financial risks and opportunities relating to climate change, were keen to enhance their understanding of the underlying climate science, with a particular aim of being able to better assess the trade-offs between positive and negative climate and environmental impacts within investment opportunities. The training also covered the calculation methodology, strengths and weaknesses of a range of emissions and non-emissions climate metrics and a study of a just versus an un-just transition to a low-carbon economy.

As a result of the training, the Board felt better equipped to challenge the managers of existing and future portfolio investments around the environmental and social factors of portfolio investments, and more able to respond to challenges from third parties (including scheme members and campaign groups) around the sustainability characteristics of individual investments and the portfolio as a whole.



Case study 5: Helping a client with the monitoring of voting activity in its public equity portfolio

We worked with the Board of a large UK pension scheme to enhance their monitoring of voting activity within their public equity portfolio, including the activity undertaken by investment managers and the scheme’s third party stewardship provider.

The Board has found it challenging at times to usefully reflect on the large amounts of voting data to assess whether the parties involved in voting activities on the scheme’s behalf are doing so appropriately and whether there are any areas that require challenge. We worked with the Trustees to provide a two-page voting report for each entity that voted on behalf of the scheme which summarises their approach to both management and shareholder resolutions across different topics, geographies and timeframes.

Going forward the Trustees will be receiving these reports on an annual basis and use the results both in their public and non-public ESG reporting and in enhancing their engagements with managers around voting activity.

Further methods for evaluating effectiveness

In addition to our ongoing engagement with clients, we have further formal mechanisms specifically on client feedback which help us ensure we are as effective as possible for clients.

With respect to UK delegated clients as an illustration, here we describe how we regularly review the services we provide:

a. Client feedback

We undertake Independent Client First reviews where a senior associate from WTW’s investment team (who does not work on the client account) meets with key client stakeholders to seek feedback on the service being received, what’s working and what could work better. This feedback is set out in the form of a written report and provided to both the client team and the UK Head of Clients with clear actions and next steps as necessary. Progress against these actions is monitored and Client Leads have annual meetings with a member of the Client Leadership Team to discuss their clients.

More generally, we encourage our client leads to seek ongoing feedback from their clients and have open discussions on the quality of the services provided.

b. Solutions feedback

A panel of senior associates from our delegated business have monthly discussions on our portfolio solutions to ensure they remain fit for purpose and continue to meet our clients’ needs. This group acts as a key link between the views of our clients / the wider market and WTW’s investment resources. A member of the Client Leadership Team sits on the Board of the UK PMG.

c. Annual assessment of our performance related to objectives set by the client

Each client undertakes an annual review of our performance relative to objectives set by them. Clients typically take a balanced scorecard approach, incorporating both qualitative and quantitative assessment measures. This typically covers an assessment of how we work with the client to manage their investment strategy, keep them abreast of regulatory changes and help them meet their regulatory requirements as trustees. In addition, clients will usually assess how we work with them (e.g. is our reporting delivered on time, is our communication with the trustee clear and informative, have we provided adequate training etc) and an assessment of how we work with other advisors and stakeholders in helping the client achieve its goals. Some clients will also undertake a more formal quantitative assessment of portfolio performance relative to journey plan, although this is reported on to our clients regularly throughout the year.

We also work with third party evaluators who oversee fiduciary managers and assess both our performance and our approach on behalf of our mutual clients, and in undertaking wider assessment of the industry. You can read more about this in Principle 5.

In the UK, we undertook Independent Client First interviews with 30 clients over 2023, sometimes with multiple individuals. Clients asked us for:

- More punchy papers. We have:
 - Encouraged teams to focus on what is important, rather than everything we know
 - Involved central resource in more focussed general communication
 - Used supporting materials for trustees who want more detail
- Value for money. We have ensured we:
 - Provided annual assessments of the work undertaken, and the associated outcomes
 - Looked to develop the strategic consultant objectives exercise to be more meaningful
- Innovation that is appropriate for them. We have:
 - Taken appropriate solutions
 - Demonstrated why solutions we have are not suitable for certain clients
 - Used specialist resource to demonstrate depth of research

We also undertook an annual survey with our UK advisory and delegated clients and the headline results are:

96%

of clients described the relationship and the **quality of advice and communication** from their WTW team as **excellent, very good or good**

98%

described the overall experience of **working with WTW** over the past 12 months as **excellent, very good or good**

Source: WTW as at December 2023. The UK Client Survey reflects the views of at least 90 respondents across delegated and advisory services.

Note: Past performance does not predict future returns. Please refer to the risk warnings in the Appendix for further information.

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.



7 Principle 7: Stewardship, investment and ESG integration

Context

In our view, sustainable investing (SI) is about employing long-term strategies that integrate ESG factors and effective stewardship, with regard for the impact on society and the planet now and in the future, recognising that what occurs in companies/portfolios can have a material impact on society and the planet and these impacts can be financially material for portfolio risk and return. One of our core investment beliefs is that SI is central to successful long-term investor outcomes. It is one of the key elements of our investment processes and activities. As such we look to embed sustainability and ESG throughout our investment processes, beginning with mission and beliefs, through to risk management, portfolio construction, manager selection, implementation and monitoring. Below we describe in detail how we systematically integrate stewardship and ESG considerations.

How we integrate stewardship

We recognise our role in changing investment for the better and thereby improving financial outcomes for all participants, and see effective stewardship as key to this. As an engaged industry participant, we seek to exercise our stewardship responsibilities, either directly or via third parties, across various activities which are covered in this report:

- Asset manager engagement
- Issuer and asset-level engagement
- Voting
- Public policy including engaging wider industry groups

We also engage extensively with our clients, and with asset owners in general. This is partly to ensure that we provide quality services and outcomes now and into the future with a close understanding of their needs.

However, this engagement is also important to help them shape and contribute to a sustainable industry where they themselves advocate for and support positive change.

Our partnership with EOS at Federated Hermes (EOS) – and the opportunity to provide feedback via quarterly meetings, annual presentations and other forums (e.g. Client Advisory Council) – further supports our integration of stewardship and investment.

a. Asset manager engagement

The main goals of our manager research process are:

1. finding the best asset management organisations capable of delivering positive outcomes to our clients; and
2. working together with these organisations to explore ways to better meet our clients' evolving needs and industry best practice

Please see our Spotlight page on WTW engagement with asset managers for information on how we do this as well as Principle 9 for some case studies.

b. Issuer- and asset-level engagement

We promote issuer- and asset-level engagement as a tool to help achieve positive change in wider markets. In the vast majority of cases, this engagement is the responsibility of the underlying managers who hold the securities / assets. It is therefore a key part of our research and engagement with managers (as above) to assess the engagement capabilities and practices of managers (see Principle 8), share and encourage best practices, and advocate for greater and more effective stewardship at an industry level (see Principle 10).

To supplement corporate engagement carried out by individual asset managers, specialist stewardship provider EOS provides additional corporate engagement to that of the asset managers for several of our funds, applying their expertise, scale and market standing to effect positive change to the issues that are most financially material to client portfolios. See Principle 9 and the Spotlight page on EOS for some case studies of their activity on this front in 2023.

c. Voting

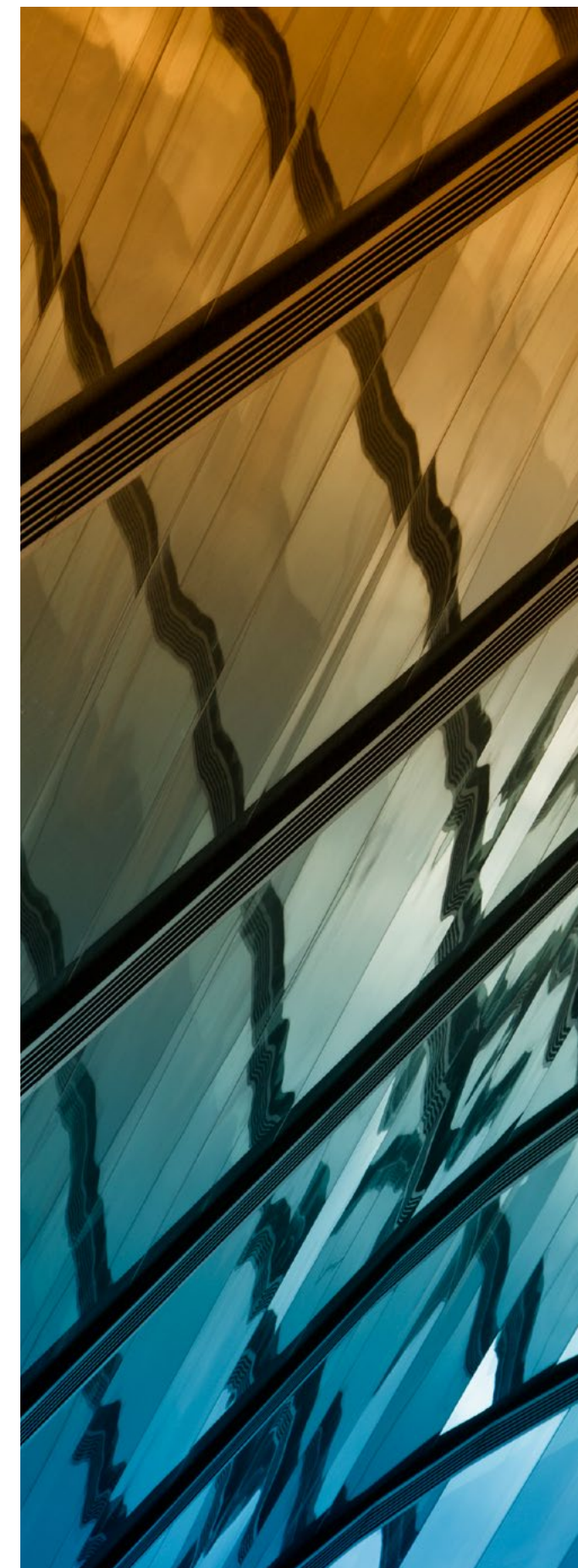
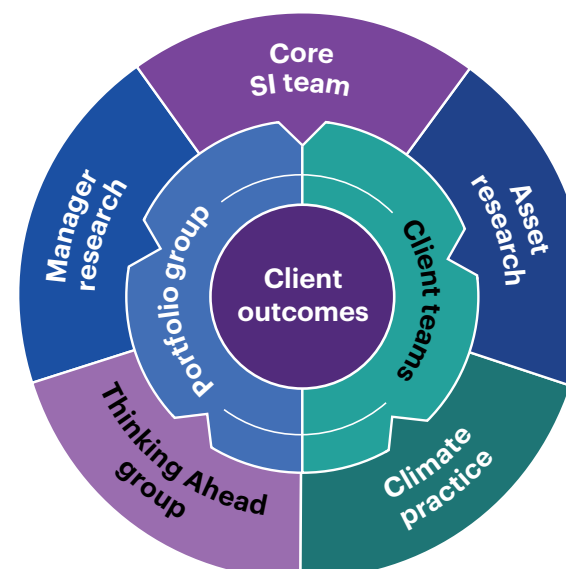
Voting on equity shares is an important and visible engagement tool. See our comments under Principle 12 for our approach in this area.

d. Public policy including engaging wider industry groups

Please refer to Principle 4 and Principle 10 for examples of our activities in industry wide initiatives and engagements. Our partnership with EOS helps them to engage with policy makers and institutions around the world. Please refer to our Spotlight page on EOS for further examples of their activity throughout 2023.

How we systematically integrate ESG across each asset class

As per the diagram below, we integrate SI throughout the investment process and our different teams. In Principle 2 we explained the role of each team and in Principle 6 we explained how ESG is integrated into our advisory service and delegated portfolio management approach. In this section we dig deeper into our integration of ESG within different asset classes which is primarily the focus of our specialists within the manager research team.



Our assessment of an asset manager's SI practices and implementation, in the context of individual strategies and products, feeds into our overall view of their ability to sustain a competitive advantage and the suitability of those products for our clients' portfolios.

Below we outline our manager research approach in respect of some different asset classes to demonstrate the use of common principles, but tailored application.

1. Equity

Where sustainability themes could impact asset prices over the expected holding period, we expect managers to reflect this in their investment thesis, financial models, portfolio construction and stewardship activities (such as voting and engagement).

We require asset managers to navigate ESG risks across all strategies although we recognise active equity strategies with a long time horizon will be more sensitive to sustainability factors than trading style strategies which have a higher portfolio turnover and shorter expected holding periods.

We assess the sustainability risk profile of equity portfolios and challenge asset managers by drawing on stock-specific data supplied by third-party research providers or WTW's Climate practice. Through this we identify where the most material sustainability risks lie within a portfolio from a regional, sector and stock perspective. We place significant emphasis on the strength of an asset manager's assessment of these risks.

Our assessment also looks at the depth and quality of resourcing made available to integrate ESG and conduct effective stewardship, including people, tools and data. Specifically, when looking at people resourcing, we assess calibre and level of industry experience, as well as degree of buy-in at all levels.

Within the private equity space, you are investing capital in companies with a long hold period and the General Partner (GP) may be a majority owner of a company, which presents a strong opportunity for ESG integration and effective stewardship. It is expected that GPs will carefully integrate sustainability considerations throughout the entire investment process, with ESG risks and opportunities identified early on during the diligence phase and, if appropriate to the given strategy, tailored ESG objectives set for each individual portfolio company, which can be executed during the value creation phase. We have engaged with generalist managers across all strategies to drive best-in-class ESG practices, promote better data collation and we have encouraged managers to align with pathways that achieve net zero as soon as is practicable.

2. Credit

Sustainability topics, including ESG and stewardship, are formally integrated into our due diligence and monitoring of credit managers, similar to the approach with equity managers.

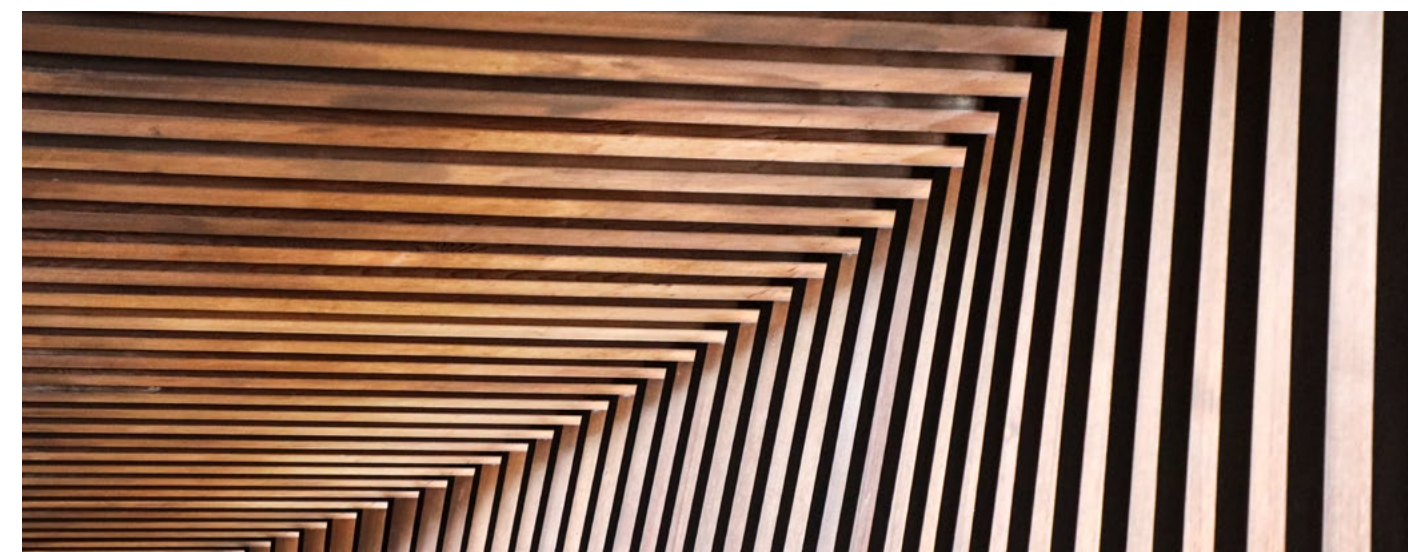
Despite being higher up the capital structure there is strong evidence that sustainability related themes can impact the credit worthiness of a firm, sovereign or securitisation, including their ability to access capital markets. An important part of manager assessment is to understand their ability to assess the sustainability of issuers. Credit investors can influence issuers and the wider investment system even though they cannot vote. Hence strong stewardship practice is critical.

Our approach differs for credit managers as the universe is complex with different borrowers, instruments, quality, maturity and place in the capital structure. This can mean more nuanced approaches are required as different sustainability themes could impact securities from the same issuer in different ways. We expect managers to reflect this in investment theses, financial models, portfolio construction and stewardship activities.

Typically the financial risks associated with the environment and climate change are seen as beyond the time horizon of credit strategies. However, it is clear the energy transition is now underway, impacting both corporate and sovereign issuers, and climate risks may be priced in over the nearer term by markets. We expect managers to assess associated risks during investment and risk management processes alongside other financial risks. In particular, the significant potential downside risks associated with physical climate risks mean that, similar to how other investment downside/tail risks are managed, it is rational to take actions now to manage climate-related financial risks.

Subject to financial return requirements, we actively seek credit strategies with positive environmental impact by utilising the IIGCC and EU Taxonomy frameworks to determine what constitutes a "climate solution".

Identifying issues with the labelled green bond market, we look beyond security-level third party verification to identify managers who verify an issuer's environmental credentials, combating greenwashing, sustainability washing or other undesirable effects.



Within private debt, the wide range of collateral types requires a tailored ESG framework. With private debt fund lives averaging five to seven years, we can consider thematic, longer-term market trends. Impact investing is more common in private debt as a result. We expect a deeper understanding of material ESG issues versus public debt managers, given the bilateral nature of loans (negotiated directly between the manager and the borrower). It is unlikely third-party research will exist on an issuer or asset. Positively, best-in-class managers have generally embraced ESG within their investment processes. For direct lending managers who provide loans to companies owned by private equity sponsors, it is important there is awareness of how the private equity firm considers the ESG risks to that company. This should foster a culture across closed-end markets where ESG is crucial to analysis and monitoring, promoting increased engagement.

3. Real assets and infrastructure

Given real assets are generally held for the long term and linked to local communities, this asset class presents a strong case for ESG integration (particularly for unlisted assets which are more illiquid and expected to be held for an even longer time period and therefore more likely to be affected by sustainability-related issues) and effective stewardship. As such we believe the best opportunities for long-term sustainable financial returns are achieved by fully embracing ESG in all parts of a given real asset manager's investment decision making and philosophy.

We assess each manager's stated approach and policies, but also consider it even more important to understand the practical applications of their policies in practice by discussing specific assets held in their portfolio. We expect lead fund manager(s) to be fully engaged on financially material sustainability-related issues and the strategy around the assessment and integration of these, and not to outsource responsibility to others (even if guidance is obtained and measurement/ reporting is outsourced to third parties).

We are strong advocates on the use of third parties such as GRESB for independent ESG auditing and measurement, as well as advocating for independent members of investment committees where appropriate and relevant.

We formally monitor our strategies via regular meetings with managers, as well as through our proprietary WTW sustainable investing assessment process, rating and report. We have recommended many strong ESG scoring real assets strategies to clients and in several cases helped managers seed new strategies with strong sustainability credentials / exposure to themes that create positive sustainability-related tailwinds. Examples include strategies focusing on sustainable indoor agriculture, renewable energy, social and temporary housing and waste to energy plants, forestry and Electric Vehicle (EV) charging.

4. Liquid diversifiers, including hedge funds

Sustainability factors including but not limited to ESG are formally integrated into our deep due diligence and monitoring of liquid diversifying managers (this includes hedge funds, insurance-linked strategies and alternative beta strategies). The degree to which these risks are financially material to any given strategy is a function of time horizon, instrument type, investment style, philosophy and exposures which we consider in our assessment. Where sustainability themes could realistically impact asset prices over the possible holding period, we expect managers to reflect this in their investment thesis, financial models and ownership activities.

From a manager's bottom-up research perspective, there is often the need to assess if poor governance (i.e. lack of management oversight practices, independence on the board or sound market practices) negatively impacts the credit worthiness or valuation multiple of a sovereign entity, firm or a securitisation, including the ability to access the capital markets. From a top-down perspective, macro and other futures market strategies may require an assessment of broader ESG thematic risks such as exposure to changes in carbon targets or regulations. For managers investing in weather related insurance-linked securities a formal assessment of the future impact of climate change on the expected loss from these contracts would be required. Additionally, where strategies involve short holding periods, a strong process around market impact and compliance reflecting broader social concerns around market abuse becomes important.

Activities and outcomes

Across all asset classes, we researched over 140 sustainability-themed strategies in 2023. We engaged with over 150 managers and almost 300 products on the topics of sustainability and stewardship. We also held seats on 66 real asset fund advisory committees to help formalise our ongoing stewardship of those funds, as well as sitting on 42 boards across private equity strategies.

Given the rise in prominence of ESG considerations in the marketplace, we continue to find asset managers to be very open to discussing how they might improve their approach. Our manager research specialists were frequently used as a sounding board to understand best practice within a particular asset class and proactively reached out to asset managers who we thought were falling short of expectations on this front.

We are also sensitive to asset manager size in setting realistic demands. Where we feel progress is too slow, our minimum expectations are not met or where we decide the gap between current practice versus best practice is unlikely to be closed through engagement, we are prepared to downgrade or reject managers, following significant research engagement / due diligence. However, in 2023, there were no occasions where we felt this action was necessary.

We believe through this process, and our other ongoing activities as detailed elsewhere in this report, we have helped our clients gain access to skilful managers and attractive investment opportunities.

A key focus in 2023 remained engaging with the industry on diversity, equity and inclusion (DEI). It is considered for each new strategy we rate. In 2023 we continued to make progress in this area — please refer to our Spotlight page on DEI for details and outcomes from our work in 2023. You can read more about our efforts in the DEI space in Principle 10.

Below we highlight key outcomes from across our asset class streams in 2023:

Equity

Public equity

- With the aim of ensuring that climate risks are assessed and managed, in 2023 we continued our research on sustainability-focused public equity strategies.
- Certain WTW clients invested capital in a new solution (WTW Global Equity Diversified Index, see case study in Principle 6) we developed in 2023 in partnership with an index provider, which embeds net zero ambitions in its design.
- Engagement with public equity managers, in particular those used within our delegated client portfolios, over our expectations for them with regards to net zero.
- For asset managers in our Global Equity Focus Fund this included a company-by-company assessment of holdings most at risk from climate transition and monitoring of asset manager engagement for these companies.
- We continue to engage with managers on greater disclosures aligned with industry standards and practices such as TCFD and advocate with managers for modern slavery statements to clarify their position as a firm. These continue to be ongoing areas of engagements with Preferred managers.

Private equity

- In 2023 we researched over 100 private equity strategies with a climate or environmental focus, and we awarded a 'Preferred' rating to two funds. Please see [this paper](#) for background on our work in this area.
- In the private equity space, we continue to engage with managers to disclose climate related data. All funds that we rated as 'Preferred' during 2023 will report on emissions.
- We engaged with general partners (GPs) on the topic of aligning with net zero. There is evidence that a number of GPs are taking action to reduce emissions in their portfolios.
- As a member of the ESG Data Convergence Initiative (EDCI), we continue to encourage all GPs that we work with to participate in the initiative. Its objective is to streamline the private equity industry's historically fragmented approach to collecting and reporting ESG data in order to create a critical mass of meaningful, performance based, comparable ESG data from private companies. Our engagements with GPs have led to many joining the initiative in 2023, and as part of the initiative GPs submit data to the EDCI which improves the breadth and quality of the benchmarking data available on the platform.

Credit

2023 was a year focussed on engaging with credit managers and finding new solutions to help move our clients towards net zero objectives. Across the year our credit team:

- Rated an infrastructure manager which had 3 climate specific KPIs written into the mandate design and included a sustainability linked management fee
- Rated a climate-focused sterling Buy & Maintain mandate
- Added net zero objectives to previously rated mandates
- Launched a structured engagement plan with Preferred managers to ensure certain sustainability standards were met
- Encouraged managers to engage with a wider range of issuer types beyond corporates

Real assets and infrastructure

On the basis of the data we collect annually on asset managers / products through our detailed ESG and DEI questionnaires, we were able to hold comprehensive engagement sessions with our managers over 2023 to explain the results of our assessment and agree with them action plans for the forthcoming year. Actions inevitably vary by manager / product as a result but have a common theme of data collection and then using it to review their own fund investment policies and strategies as well as improvements in the way they assess and price risk. That includes factors across ESG as well as through understanding how they will improve their DEI and consequently how decisions are made. We have been strong advocates for many years on the benefits of using ESG and diversity in decision making as we believe by so doing the risks to future return generation are better understood and mitigated. The actions we agree with managers reflect areas we would like to see improvement across ESG but we are mindful, in particular, in risks associated with climate change resulting from global temperature increases and hence have focused on areas with this in mind. In considering new investments, we consider these ESG and diversity factors as part of our investment underwriting and actively seek compelling investments from managers who already understand what is required and already think in a way that aligns with the net zero agenda as well as more broadly across ESG and DEI. Throughout our engagement with managers in 2023, we have also been encouraging them to submit data to GRESB, as well as the Carbon Risk Real Estate Monitor (CRREM) project (to facilitate a better understanding of physical risk). In addition:

- We have been engaging with managers to continue to collect the data and have a framework in place, so they can engage with the underlying tenants / portfolio level companies and have a journey plan to collect Scope 1-3 data.
- For certain sectors of infrastructure (such as Ground Rents/PPP/PFI), the managers do not own (or directly control) the underlying assets and the assets are owned by intermediaries (such as public sector counterparties) so the managers are not fully in control of implementing ESG upgrades or authorising the necessary spending. In any event, we have been encouraging the managers to continue to engage with the counterparties whenever possible, and to see how they could improve the environmental impact of those assets even if there is limited capex available.



- One further aspect we have been asking managers about is how they think about the biodiversity impact from their assets. It is still very early stages to get biodiversity related data, partly as there is no single way of measuring its impact. The focus for many managers is to try to understand what types of biodiversity impact they will need to think of, which differs depending on where the asset is located, and also depending on what type of asset they are operating. Some of the managers have already started thinking about how to establish the baseline.

We are currently looking at various adjacent sectors related to the renewables investments, as well as hydrogen and natural capital related investments. We have also made an investment in a biodiversity-related investment in the UK in 2023.

Biodiversity and private markets investing — white paper

This year our real assets team published a new white paper, *The future of biodiversity - no time to stop and smell the roses*, which explores what private investors can do to improve their portfolios in light of the global biodiversity crisis we are facing. The paper argues that private sector investment and engagement as stewards of capital is key to match the scale of the biodiversity emergency and that there are several actions investors can take to improve their biodiversity characteristics.



Liquid diversifiers including hedge funds

The team has continued to research and engage with new strategies. One example has been a new SFDR Article 8 fund focusing on catastrophe bonds which provide pay-outs to impacted entities following large natural disasters such as hurricanes or earthquakes, which we assigned our Preferred rating to in 2023. Another example is the rating of a new manager that focus on trading carbon emission allowances from regulated carbon initiatives from regions such as the EU and California. The team also continued to engage with managers to improve ESG reporting and we have evolved our own methodology for assessing the sustainability characteristics of portfolios using derivatives and shorting.

8 Principle 8: Monitoring managers and service providers

Activities and outcomes

To deliver quality advice and solutions to our clients, we work with many external parties and service providers. Most notably in respect of sustainable investing (SI) and stewardship, these include asset managers, data providers and stewardship specialists.

We have outlined below some key details of how we work together and monitor these firms, and specific activities during 2023 that are illustrative of our ongoing engagements and partnerships.

Asset managers

Please refer to:

- Principle 2 for our resource structure including our manager research team who are specialists in asset manager monitoring.
- Principle 6 for comments around how we report this analysis to asset owners via Asset Manager Sustainable Investing Reports.
- Principle 7 for a detailed explanation of how we assess SI and stewardship practice of underlying asset managers including asset class specifics.
- Principle 9 and 11 for case studies of our engagements with asset managers.



Case study: WTW engagement with asset manager - global infrastructure manager

Background and engagement

We have significant exposure to this manager through one of our funds and many of our clients invest in the manager; we recognise infrastructure is a key long-term exposure where sustainability metrics are important. We have engaged specifically with the manager through annual ESG-focused meetings and analysis of its responses to our sustainability questionnaires in relation to a number of key identified items – approach to TCFD reporting, approach to physical risk analysis, limited data availability and increasing demand for sustainability information from limited resource.

Outcomes

During 2023, the manager has expanded its sustainability team and its data collection appears to be improving - the manager will provide TCFD reporting for all funds from 2024 with the provision of scope 1, 2 and 3 data. The manager has been working on physical climate risk modelling and ties this into capex from a resilience perspective. It has also started working with an external firm to identify the top 20 sites most at risk from physical climate risk, the worst outcomes at the firm level, and a consequent plan to mitigate these. Alongside this, the manager has been investing in bespoke software to improve the efficiency of ESG data collection and reporting. This is now being used to help raise awareness with asset managers of what best-in-class looks like to identify action plans. Our engagement will continue to monitor delivery of improved reporting of sustainability metrics in future.

Data providers

We recognise the importance of data in all aspects of investment, including SI and stewardship. Given that, we have made significant investments in obtaining high quality data to enable us to provide the best advice and solutions to our clients, and to allow them to appropriately monitor and report on their investment arrangement, including as required by applicable regulation.

Our principal external data provider for SI is MSCI ESG Research. We have partnered with MSCI for several years and during that period have undertaken reviews of other data providers as well. We have had numerous additional meetings where we offer feedback to MSCI on different process developments.

This year our team carried out work to review and validate the data from MSCI which fed into our new portfolio construction tool, Jacobi, which we described in Principle 6.

To supplement the extensive data we receive from MSCI and other external sources, we continue to combine it with our proprietary Climate Transition Value at Risk (CTVaR) data and in-house analytics for assessing physical risk exposure.

We have also expanded our SI data sources from other providers such as GRESB (real estate and infrastructure) and using the ESG Data Convergence Initiative (private equity) – see comments under Principle 6.

Stewardship specialists

As highlighted earlier in this report, we have partnered with EOS at Federated Hermes (EOS) for several years. We periodically review to reassess the stewardship provider marketplace against our clients' needs, with our most recent review concluding that we would retain EOS as our overlay provider deeming them the best fit for our client's requirements.

We have a dedicated relationship manager at both WTW and EOS, and very regular ongoing and open communication and reporting—as outlined in Principle 2.

We believe that EOS have delivered an excellent service during 2023, and this is evidenced through our close partnership but also in terms of their engagement activities with corporates and on public policy.

To help illustrate these activities and outcomes, we would highlight the [EOS 2023 Annual Review](#) and our Spotlight page on EOS. Further information on EOS is also included in response to Principles 2, 4 and 9-12.

Section C — Engagement

9 Principle 9 — Engagement

We recognise our role as an engaged industry participant, and seek to exercise our stewardship responsibilities, across a range of activities. As noted previously, this includes issuer- and asset- level engagement, asset manager engagement, and public policy including engaging wider industry groups. We endeavour to effect positive change in our industry and the market more widely in relation to issues that represent material financial risks or opportunities to client portfolios, and therefore promote engagement as a tool to help achieve this.

Below we reiterate some key highlights and examples of our work in respect of asset manager engagement and issuer- and asset-level engagement. Our public policy engagement and engagement with wider industry groups is addressed in Principle 4 and Principle 10.

Engagement with asset managers

Activities and outcomes

Please refer to Principle 7 and our Spotlight page on WTW engagement with asset managers for how we have engaged asset managers including: asset class specific considerations, our main engagement priorities and outcome highlights.

An important starting point for our manager engagement is the annual sustainable investing (SI) questionnaire. These questions support the production of our Asset Manager Sustainable Investing Reports which address the capabilities, including stewardship, of these asset managers. The underlying questionnaire and this report give us a baseline of where our managers rank in the various elements of sustainability, but also provide us with data to a) see particular managers that we can actively engage with to improve their performance and b) track improvement across the portfolio over time.

In addition to manager-specific engagement conversations, each year we identify common issues across groups of asset managers and engage with them in different ways, such as running group events and publishing papers. One example of this in 2023 was our global series of Manager Ideas Exchange (MiX) events. This was an important mechanism for engaging with groups of managers at once:

- We were able to engage with managers on how we could address the key systemic challenges/risks facing our industry and therefore deliver better outcomes for savers
- Each of the events had an explicit focus on the markets and clients relevant to asset managers in that region
- Events were held in the UK, Australia, Hong Kong and North America, reflecting the different developments and demands for investors across the world
- Within the conferences our approach and expectations to DEI played a significant part of the engagement programme, as well as focused sessions on ESG, organisational resiliency, and asset class specific issues.
- The MiX series will expand in 2024, with plans for a virtual event to be solely focused on sustainable investing

In particular we recognise the importance of engagement beyond listed markets and view effective stewardship as a critical component of successful private markets investing. In respect of specific funds and co-investments, we often look to formalise our ongoing engagement with asset managers via membership of investor advisory committees or similar. Currently we hold seats on 66 real asset fund advisory committees to help formalise our ongoing stewardship of those funds, as well as sitting on 42 boards across private equity strategies.



Case study 1: WTW engagement with asset manager – global equity manager

Background

A boutique asset manager was managing a diversified portfolio of over 200 issuers with a higher degree of portfolio turnover than some peers. Hence, the manager was facing some practical challenges in applying a scalable approach to ESG integration and stewardship. The manager had also changed its historic approach to exclude certain high ESG risk industries, moving to an ‘invest and engage’ model. With this shift, the manager also required strengthening of its stewardship practices to align with WTW expectations.

Engagement

WTW engaged with the manager on these topics:

- Strengthening voting practices as the manager historically relied on third party proxy voting advisor, with limited involvement of the investment team
- Formalising engagement approach on portfolio laggards on ESG risks

Through this process, we also engaged with the manager on adopting a pragmatic approach given the nature of their approach and size of their team. We engaged with the manager through multiple meetings emphasising our focus on SI practices of managers in our rating. We also further escalated engagement by involving senior leaders from WTW.

Outcome

The manager took the following major steps:

- Fully applied ESG assessment across the whole portfolio and ESG assessment was integrated into its investment processes
- Process on voting was formalised with the establishment of an ESG committee responsible for voting oversight which included investment team members. Voting continues to be an area of evolution for the team.
- Targeted engagement activity laid out with a subset of companies impacted by material ESG risks in the portfolio.



Case study 2: WTW engagement with asset manager - European private equity manager

Background and engagement

During our due diligence of a Pan-European buyout manager, we identified several areas for improvement around its sustainability practices. We met with the manager to discuss industry best practices and covered next steps that it could take to improve its sustainability practices. Our feedback included recommendations to:

- Implement sustainability training for all employees
- Improve the diversity of the team
- Implement carbon emissions reporting
- Sign up to the ESG Data Convergence Initiative (EDCI)
- Think about alignment of portfolio companies with plausible net zero pathways and explore verification of climate transition plans through the Science Based Target Initiative (SBTi)
- Consider ESG incentives for the investment team and management teams

Outcome

- The manager implemented sustainability training for everyone in the investment team
- During 2023, the manager has been very focused on improving the diversity of the team. Of nine hires over the last year (six investment, three operations), eight are female. Previously, only two of the 26 people in the investment team were female. It has also launched a student scholarship programme and provides coaching for underserved students
- The manager implemented full carbon emissions reporting (scope 1-3) for 80% of its companies
- The manager signed up to the EDCI and ICI and it will submit data to feed into the EDCI benchmarks for the first time in 2024
- The manager is working with two companies on net zero transition plans
- The manager has implemented ESG incentives for the investment team and management teams of portfolio companies. A portion of the team’s bonus will now be tied to performance on ESG initiatives, this will come into effect for 2024
- The manager has provided positive feedback to our engagement noting that they appreciate the best practices guidance and feedback that we have provided.



Case study 3: WTW engagement with asset manager – UK infrastructure manager

Background and engagement

Through analysis of a manager’s responses to our sustainability questionnaire and our annual ESG-focused meetings, we identified several areas where we could actively engage with the manager:

1. Finalise how to measure SBTi targets - whether on funds or sectors - and setting net zero targets within their control
2. 2023 plan to review and update the ESG framework
3. More detailed formal due diligence on climate risk
4. The firm’s priorities to delve deeper into compliance aspects & engagement with stakeholders and the industry, with wider engagement on ESG

Outcome

Since our engagement, the firm has hired a dedicated ESG specialist which is positive progress. Regarding the engagement areas identified above, the manager has also made positive progress as follows:

1. The manager is proposing a fund-level net zero target to the Board so it can come up with a strategy to deliver on these targets
2. The firm has been working on a climate framework aligned to Institutional Investors Group on Climate Change (IIGCC) guidance
3. The firm has started producing an enterprise risk management (ERM) tool and physical risk screening assessment
4. The firm recognises it is sometimes difficult to have influence over Public-Private Partnership (PPP) assets but is generally trying to have targets - e.g. building management systems (BMS) audits to optimise systems and make sure assets are running as efficiently as possible.

We will continue engaging with the manager to monitor the delivery of improved reporting of sustainability metrics in future.



Case study 4: WTW engagement with asset manager – Latin American high yield debt strategy

Background

Given the opportunity set, the manager's portfolio is heavily weighted towards high emitters. We wanted to explore ways the manager could bring down the emissions of the portfolio over time, recognizing energy names are a core part of the Latam universe and WTW were not in a position to dictate the guidelines of the pooled fund in question.

Engagement

WTW engaged with the portfolio managers and ESG team within the strategy. We outlined that as distressed and names in default are a part of this opportunity set, we felt the manager was in a privileged position to negotiate better ESG policies and approaches with their borrowers moving forward as part of workout situations.

Outcome

The manager took our feedback on board and as part of a workout it had undertaken on a Chilean thermal coal company, negotiated with the company to develop a plan to shut down its plants in the coming years (consistent with Chilean regulations to shut down coal fired plants by 2040), therefore managing risk for investors in the company.

The manager now looks for opportunities to enhance the ESG policies and approaches with borrowers in default as part of workouts. We continue to engage with the manager on its reporting and ESG integration.

Issuer— and asset-level engagement

Activities

Given the scope of our advice and solutions to clients and the wide range of underlying managers and holdings, it is not practical to detail all the issuer- or asset-level engagement conducted. Therefore, we highlight in this report the aggregate corporate (relevant to both equity and debt) engagement conducted by EOS in support of five delegated solutions which, combined, represent a substantial portion of our total delegated assets. The underlying five solutions are: Irish-domiciled Global Equity Focus Fund, Alliance Trust, LifeSight, Alternative Credit Fund, Core Diversified Credit Fund. These represent a mix of equity, credit and multi-asset strategies.

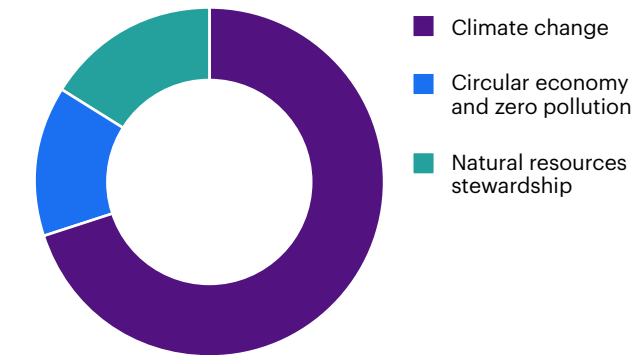
In all cases underlying managers of these solutions exercise active stewardship in respect of the securities they own to enhance or protect the value of those securities. Our manager monitoring process is described separately in this report. Corporate engagement by the underlying managers is supplemented by engagement carried out by EOS. We have worked closely with EOS for many years and input into their engagement planning and prioritisation (see Spotlight on EOS for details).

EOS measures and monitors progress on all engagements, setting clear objectives and specific milestones for more intensive engagements. In selecting companies for engagement, EOS takes account of their ESG risks, their ability to create long-term shareholder value and the prospects for engagement success. Intensity of engagement with companies is escalated over time, depending on the nature of the challenges the companies face and the attitude of the board towards dialogue. Engagements vary in length, some involving one or two meetings, while others entail multiple meetings over several years.

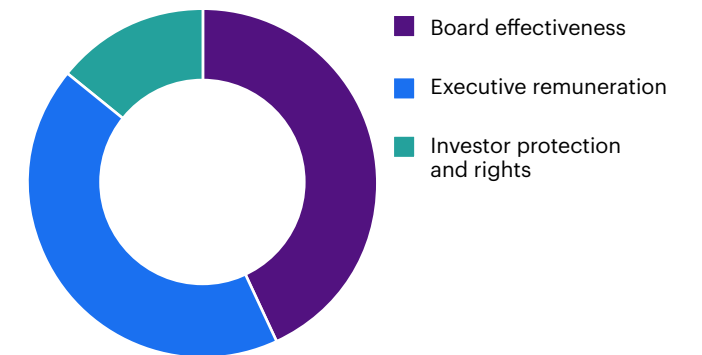
In 2023, EOS engaged on over 3000 issues and objectives across the combined set of corporate exposures across the solutions noted above. The split of these engagements is shown below. Note that we count both engagements where there was an action over 2023 and engagements from a prior period which led to the company achieving an engagement milestone (see below) in 2023.

Split of EOS engagements by topic in 2023

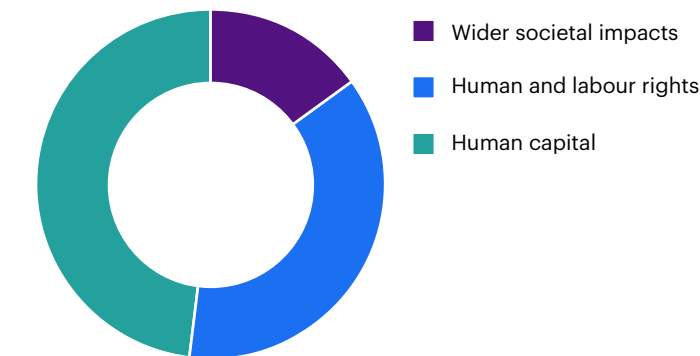
1177 Environmental engagements across 518 companies



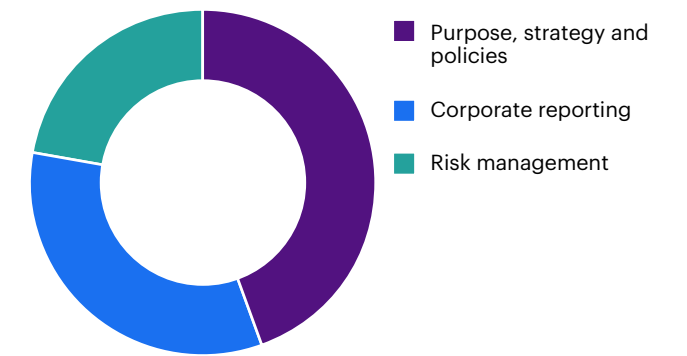
959 Governance engagements across 533 companies



956 Social engagements across 420 companies



437 Strategy, Risk & Communication engagements across 275 companies



Source: EOS, December 2023

Outcomes

EOS uses a four-stage milestone system allowing it to track the progress of its engagements, relative to the objectives set for each company, as follows:



Source: EOS, December 2023

Here we show the progress that has been made against engagement milestones in 2023. EOS made solid progress in delivering engagement objectives across themes and regions. At least one milestone was moved forward for 51% of objectives during the year. Figure 1 to the right describes this milestone progress across headline categories.

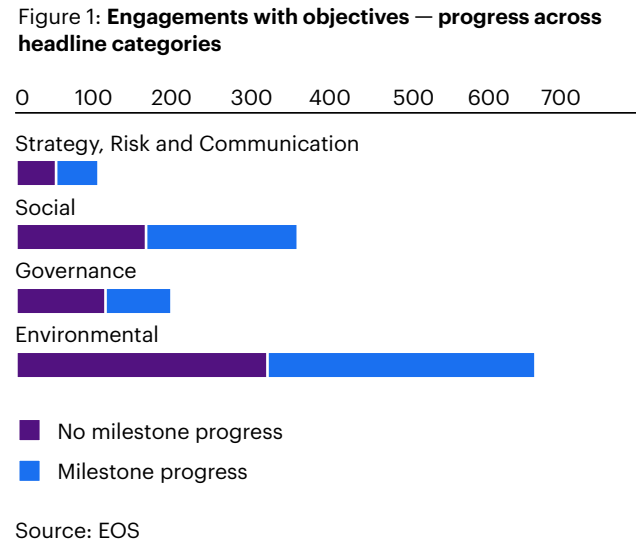
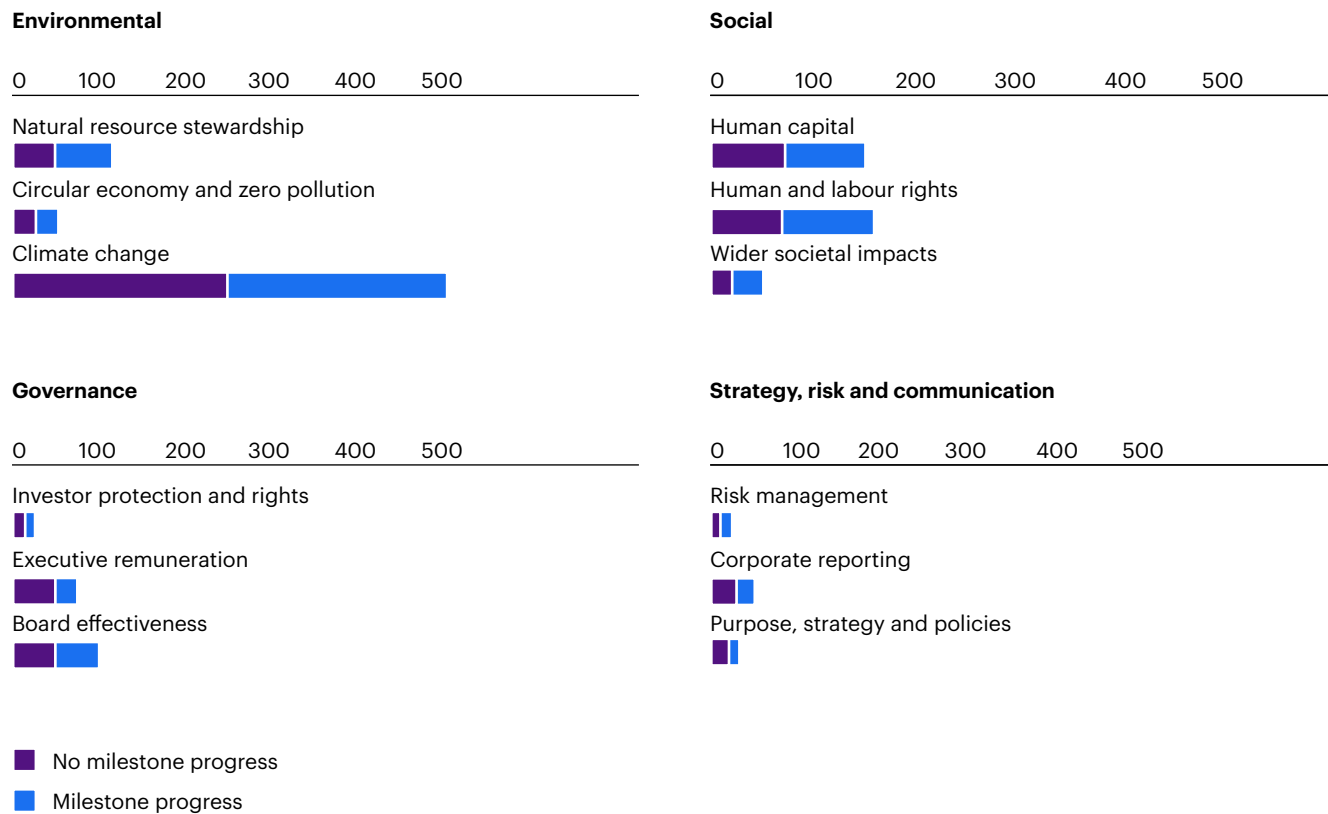


Figure 2 shows milestone progress across these themes, in more detail. This data suggests a broadly similar rate of milestone progress across sub-themes. However, there is clearly more progress, in terms of the number of milestones achieved, within climate change, with human capital and human/labour rights being the next highest.

Figure 2: **Engagements with objectives — progress across sub categories**



Below we provide various additional case studies relating to engagements by EOS or underlying managers we work with. These cover a range of asset classes. There are further examples in the Spotlight on EOS and under Principles 11 and 12.

Case study 5: EOS engagement with Starbucks on worker rights and the living wage

Background and engagement

In 2022, coffee chain Starbucks raised the minimum wage floor to US\$15 per hour, and the wages of its long-tenured employees. EOS asked it to consider publishing a living wage strategy and to commit to paying a living wage or its equivalent. They also wanted Starbucks to demonstrate the effectiveness of its grievance mechanisms by publishing the number and type of grievances reported by employees, suppliers and third parties, and whether access to appropriate remedy was provided for each case. Both the living wage strategy and transparent reporting on grievances would help the company to demonstrate that it was acknowledging and appropriately addressing employee rights concerns.

Ahead of the 2023 annual shareholder meeting, EOS wrote to the company to indicate concern that Starbucks may have interfered with the rights of its US employees to unionise. They recommended support for a shareholder proposal asking for an independent review of its stated commitment to worker rights, rather than making a recommendation to vote against the governance committee chair. They also indicated that to retain their continued support for the incumbent governance chair, the company should provide evidence that it was complying with its global human rights statement and that it was taking action to improve its score on the Corporate Human Rights Benchmark.

Outcomes

The proposal received majority support and the company has since appointed an independent third-party to assess its commitment to the principles of freedom of association and collective bargaining. The company planned to publish key takeaways by the end of 2023. Starbucks has also established a new board committee for environment, partner and community impact.



Case study 6: Issuer engagement by asset manager - ESG reporting within securitized markets

Background and engagement

A fixed income manager engaged with a range of influential entities in the securitized markets to encourage progress around ESG reporting in these markets. They believe that in future there may be scope to encourage a type of societal bonds via this framework that could be an important development within US securitized markets.

Outcomes

In 2022, major enterprises that buy and guarantee mortgages agreed to a proposed methodology for societal-oriented disclosures that would provide investors within better insight into lending activities. In 2024, these groups announced a new iteration of their social scores which can serve as the basis for future social-labelled agency MBS. They will also disclose new impact reporting metrics for investors.

The manager notes that they cannot accept credit for having driven this evolution (the entities have been motivated from the start) but the manager will continue to engage on this front and offer feedback which they believe should help promote continued focus.



Case study 7: Issuer engagement by asset manager — market development of green bonds

Background and engagement

This example describes a fixed income manager's engagement with the Australian government as a bond issuer. The manager notes that Australia is among the shrinking group of sovereign government bond issuers that has not yet brought to market a dedicated green bond program at the sovereign level (Australian state governments have issued green bonds).

Over a series of meetings commencing in 2021 and continuing through to the present, the manager has emphasised the importance of providing issuance that remains eligible for a growing number of investors in this space. The manager further promotes green bond issuance in numerous media articles and through active participation at industry conferences. They also joined the Collaborative Sovereign Engagement on Climate Change Pilot in Australia, facilitated by the Principles for Responsible Investment (PRI).

A further component of this engagement has been elevating green bond issuance to policy staff at the Australian Treasury. The manager believes emphasising the importance of green bond development to policy decision makers and talking through market implications should assist with a higher quality green bond program than otherwise.

Outcomes

The manager believes that recent announcements by the government have indicated that Australia will bring a green bond program to market in 2024 and highlights that the Australian Green Bond Framework was released in late 2023. As key investors in government bonds, the manager looks forward to contributing to and shaping these discussions.



Case study 8: Company engagement by asset manager — African mobile network operator

Background and outcomes

The fixed income team of this global asset manager engaged with one of Africa's largest mobile network operators which operates in higher-risk countries across Africa and the Middle East. Despite challenges in the region, the team assessed the company to have a medium fundamental ESG risk rating due to its notable focus and good progress on ESG issues, as well as its unique positioning to drive changes on a number of the UN SDG's in Africa.

The managers fixed income team had several engagements with the entity in the space of a few months, largely discussing policies around digital consumer rights. They focused on the points where the company scored lowest in a Ranking Digital Rights Scorecard. The manager is also a member of the Emerging Markets Investors Alliance which helps their engagement efforts.

Outcomes

The fixed income team followed up with the company after their meetings to highlight areas which required further engagement, particularly around data collection. The team is planning to continue to monitor progress. Overall, the manager is pleased with the ESG focus they have seen from the company in the last 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

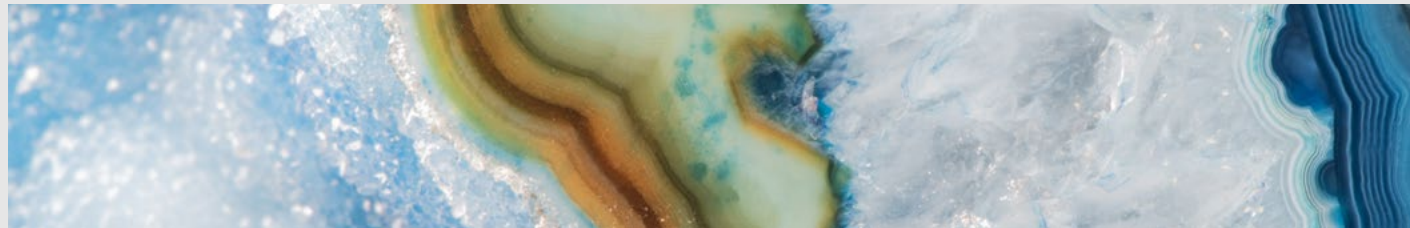


Work together with them to explore ways to better meet clients' evolving needs and industry best practice

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.

10 Principle 10: Collaboration

Activities and outcomes

We believe that public policy engagement and working with wider industry groups is important to give the investment industry a stronger voice and improve investment outcomes for all participants. This recognises that the investment industry cannot resolve systemic issues/risks in isolation. Mitigating the financial impact of systemic risks is contingent on the actions of other participants, in particular governments and other policymakers.

Long-term value creation relies on robust economic and investment markets. As a trusted adviser, we recognise the role we play in the investment chain, believing that undertaking activities to promote resilient and well-functioning economic and investment markets is consistent with our fiduciary duty. We do this in a number of ways, including engaging in a dialogue with regulators and policymakers and participating in the work of industry bodies and certain investor initiatives, to promote high industry standards and effective investment markets.



Please see our Spotlights on asset manager engagement and diversity, equity and inclusion for more on the role we have played in raising the bar to improve investment outcomes.

We outline below some of the main initiatives and engagement that we have been members of and directly contributed to during 2023.

Thinking Ahead Institute (TAI)

The Thinking Ahead Institute is a global not-for-profit group whose vision is to mobilise capital for a sustainable future. Its members comprise asset owners, asset managers and other groups motivated to influence the industry for the good of savers worldwide. Please refer to our Spotlight page on TAI for more details on the team's research and activities in 2023.

EOS at Federated Hermes (EOS)

We also partner with EOS to undertake public policy engagement. Further details of EOS's activities and outcomes in this area, including our involvement, are detailed in response to Principles 4 and on our Spotlight on EOS.

Stewardship has become increasingly complex as topics become more specialist and engagements need to build on existing frameworks and industry standards. In this environment we see significant value from using EOS as a specialist engagement provider.

The Diversity Project

We are founder members of this initiative which aims to attract and retain diverse talent in the industry. We have recently had core input into the creation of its inaugural Diversity Project Pathway program, which launched in 2023 and which focuses on developing women who are portfolio managers within the investment industry. It is now an award-winning program with 80 participants from 44 companies.

Investment Consultants Sustainability Working Group (ICSWG)

WTW co-founded the ICSWG in 2020 and membership of this initiative has grown in both the UK and US groups. Both groups have established links with regulatory and oversight bodies, as well as the asset management and asset owner communities. WTW has representation in the UK and US ICSWG's Steering Committees and in the UK Raise the Bar workstream. 2023 activities included:

- We led the update of the ICSWG Engagement Reporting Guide, which we were involved in creating in 2021 — for example adding anti-microbial resistance. Please see comments in Principle 6 for more outcomes of the update process.
- We co-led the drafting of the ICSWG's response to the UK Vote Reporting Group Consultation. The conclusion of this was a high quality response leveraging the expertise of a number of investment consultants.
- Co-drafted the ICSWG's response to Financial Conduct Authority's Discussion Paper 'DP23/1 Finance for positive sustainable change: governance, incentives and competence in regulated firms'.

Principles for Responsible Investment (PRI)

We are a signatory to the PRI, and further information as well as our most recent Transparency Report can be found at www.unpri.org (note that PRI has paused service provider reporting until further notice to focus its time and resources on updating the service provider Reporting Framework). 2023 activities:

- As previously mentioned, the PRI selected TAI to research and assess the appropriate level of resources that institutional investors should dedicate to stewardship. Our Head of Sustainable Investing has worked closely with TAI and PRI on this research in 2023. Please see our Spotlight on TAI for more information.
- We inputted into various draft PRI papers such as Private Equity Stewardship.

WTW Research Network

The WTW Research Network (WRN) is a well-established, not-for-profit, award-winning group comprised of the science and insurance, finance and risk management sectors. Founded in 2006, its mission is to encourage and support innovative research through long-term partnerships to gain the clarity of vision required to turn risks into opportunities. Long-term partnerships with more than 60 research organizations across the world help the Network confront the full spectrum of risks facing our societies.

WRN continues to share openly the results of their efforts, real-world applications and impact across a growing number of research themes and geographies. Activities and outcomes from across 2023 are documented in their annual review, which can be found [online](#).

Some highlights from their work in 2023 include:

- Their bi-annual Natural Catastrophe Review, which examines recent natural disaster, lessons learned, and emerging trends. [The latest issue](#) looks at some of the physical, vulnerability and socio-economic factors that contributed to natural disasters in the second half of 2023.
- Publication of their [white paper](#) exploring the impact of climate litigation risk on the insurance market
- Participation in the Towards Zero Carbon Aviation [research project](#), which focuses on evaluating several technologies, including fuels, to explore which have the potential to support the sector in achieving [decarbonisation](#) by 2050.

Coalition for Climate Resilient Investment (CCRI)

In previous reports we have described the work of the Coalition for Climate Resilient Investment (CCRI), which WTW launched in 2019 at the UN Climate Action Summit in partnership with the World Economic Forum and the UK and Jamaican governments.

In 2023, after four years of growth and success, the CCRI transferred its flagship climate initiatives to other specialist not-for-profit partners to deliver long-term success of the projects. Having conceptualised, built and launched the initiative, we considered this the right time to allow other specialists to continue delivering the core programmes begun by the CCRI.

One of the programmes WTW is still involved in is in respect of the Physical Climate Risk Assessment Methodology (PCRAM), which has been taken over by IIGCC, selected as the legacy partner for pursuing a second version of the methodology.

This table summarises wider industry groups WTW Investments is actively part of.

Initiative	Status	Date joined
Asia Investor Group on Climate Change (AIGCC)	Member	2020
Institutional Investor Group on Climate Change (IIGCC)	Member	2020
Investment Consultants Sustainability Working Group (ICSWG)	Co-founder	2020
Net Zero Asset Managers Initiative (NZAMI)	Signatory	2021
Net Zero Investment Consultants Initiative (NZICI)	Signatory	2021
Principles for Responsible Investment (PRI)	Signatory	2011
The Diversity Project	Co-founder	2018
Thinking Ahead Institute	Founder	2015
Transition Pathway Initiative (TPI)	Member	2019
Investor Group on Climate Change (Australasia)	Member	2020

Further industry engagement

WTW also proactively responded to various industry and government consultations and were involved with industry events worldwide. Some examples of this activity in 2023 included:

- Responding to the TNFD market consultation on nature-related financial disclosures ahead of its final disclosure recommendations
- Meetings with the UK pensions regulator (see case study in Principle 4)
- Responding to the Australian government's consultation on climate-related financial disclosures
- Responding to the Financial Conduct Authority's consultation on Sustainability Disclosure Requirements (SDR)
- Attending and speaking at the Investment Association's Stewardship and Corporate Governance Forum 2023

- In the US we are a supporting member of the Investment Diversity Advisory Council (IDAC) and one of our Investment Directors spoke at the IDAC annual conference in 2023 highlighting the importance of diverse investment teams
- In Europe we attended and spoke at the Bridges Sustainable Finance conference 2023, on the topic of governance
- Participated in a round table session with the FCA, hosted by the Accounting4Sustainability workshop series as part of their response to the proposed IFRS sustainability disclosure standards of the International Sustainability Standards Board (ISSB) S1 and S2
- As a member of IIGCC, as part of our net zero delegated assets commitment, we have participated in the AGM in 2023, including voting

Industry engagement led by other areas of WTW

WTW Investments benefits from WTW's expertise and resource across other lines of business, as well as our Climate practice. Other parts of WTW are heavily involved with a variety of initiatives, both in the investment industry as well as across other industries. Below we have listed some of the key initiatives we were involved in across the firm in varying capacities in 2023:

- Our efforts for the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (**COP28**) in Dubai included supporting the launch of a joint declaration and global task force to boost sustainability-linked sovereign financing for nature and climate. WTW looks forward to engaging with the task force to enable the development of innovative solutions on reducing borrowing costs for vulnerable countries facing the triple climate, biodiversity and debt crisis.
- WTW has been an active member of the **UK's Transition Plan Taskforce (TPT)**, which is led by the UK Treasury and the Group CEO of Aviva and composed of industry leaders. The TPT's mandate was to develop the gold standard for private sector climate transition plans. This year WTW participated on the [Delivery Group](#) and drafting team for the [Disclosure Framework](#) and [Transition Planning Cycle online guidance](#).
- We continued to promote the role of gender in wealth equity, based on **WTW and World Economic Forum research** that identifies a significant gender wealth gap between men and women at retirement. Through ongoing work with organizations around the globe, we have helped hundreds of companies explore the effects of career, family support, life events and financial literacy on wealth accumulation and identified ways to create improved impact among their workforces. In 2023, one of WTW's Senior Directors received the Women in Pensions Innovator of the Year award from Professional Pensions for her work on this research.
- WTW was elected to serve on the **Ocean Risk and Resilience Action Alliance (ORRAA) Steering Council**, a group that helps to set the overall strategic direction of the Alliance by providing guidance on strategy, objectives, plans and programs. The ORRAA is a multi-stakeholder group with a mission to build the resilience of millions of climate vulnerable coastal people by deploying investment into finance and insurance products focused on ocean and coastal resilience.
- This year marks the 10th year of WTW's membership in **ClimateWise**. This global network of leading insurance industry organizations — convened by the University of Cambridge Institute for Sustainability Leadership — is dedicated to enhancing societal resilience to climate risk.
- We are a signatory of the **United Nations Sustainable Blue Economy Finance Principles**, the world's first global guiding framework for banks, insurers and investors to finance a sustainable blue economy.

Engagement by asset managers we work with

We encourage asset managers we work with to contribute to engagements. There are numerous examples of this – below we highlight some examples.



Case study 1: Asset manager collaborative engagement — sovereign-related climate risk

Background and engagement

This case study shows the participation of a global fixed income manager in the Assessing Sovereign Climate-related Opportunities and Risk (ASCOR) project. ASCOR was established in May 2021 to create an annual assessment tool giving investors common understanding of sovereign exposure to climate risk and opportunity.

The project is a collaboration by asset managers and asset owners and supported by international investor networks working with academia.

The manager has contributed to both public consultation the ASCOR project and a series of regional round tables on the proposed assessment framework.

Outcomes

During Q4 2023, the ASCOR project published the methodology for assessing sovereigns on climate change. This report was informed by the participation of members of the manager's fixed income team. The manager is supportive of the aims of the ASCOR project and believes the creation of an independent, free, and publicly available investor-led resource to assess sovereigns on their

approach to climate change will be a useful tool to support the firm's investment teams' internal analysis and engagement. RI team members are currently reviewing and assessing how best to incorporate the ASCOR methodology within the firm's climate change investment engagement efforts, and the firm's fixed income platform's sovereign ESG evaluation framework.



Case study 2: Asset manager collaborative engagement — Scope 3 emission disclosure

Background and engagement

This equity manager was concerned that a large global e-commerce business was underreporting its scope 3 emissions. The manager views climate change as a systemic financial risk and that the largest companies can have significant impact on this risk via their activities. The manager wrote a letter to the Chairman of the Board requesting improved scope 3 disclosure in the context of its four areas of concern. Despite repeated follow up attempts, the manager apparently did not receive a direct response to the specific concerns raised. Given the lack of progress, the manager decided to escalate the engagement via the PRI Collaboration Platform, where they published a letter and put out a call for other investors interested in signing a joint letter. This project attracted 21 other investor signatories with a joint AUM of \$400billion.

Outcomes

The manager received a response to the joint letter from the Head of ESG Engagement at the company. This addressed some of the concerns but still two key areas were outstanding. The signatory group now endeavours to send a response letter to the company highlighting remaining concerns and requesting a call to discuss. The manager will continue to engage on this issue and consider other means of escalation in future.



Case study 3: Asset manager collaborative engagement — environmental reporting and disclosures

Background and engagement

This global multi-asset manager has been investor members of CDP (formerly the Carbon Disclosure Project) since 2010 and shares its goal to make environmental reporting and risk management a business norm and to drive disclosure, insight and action towards a sustainable economy. The manager aims to take a lead role, or support other investors, in CDP's climate-related disclosure campaigns for companies that they invest in.

Outcomes

In 2023, the manager joined the efforts of the CDP non-disclosure campaign. The target companies are identified by CDP and are those which have received the CDP disclosure request on behalf of investors asking for questionnaires to be completed relating to climate change, water security and/or forests, but have not provided a response. The manager sent letters to the companies where they are the lead engager, which have been selected based on where they have a material exposure and whether the issue is critical for the company, which this year covered 22 companies. The manager believes that capital market engagement has a significant impact on improving corporate environmental disclosure and so they hope to see continued improvements going forward.

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.

11 Principle 11: Escalation

Activities and outcomes

Our oversight of asset manager escalation processes

As part of our manager research, assessment and monitoring, we expect asset managers to escalate stewardship activities and engage with investee companies when they view that there are financially material risks or issues that are not currently being adequately addressed. Our monitoring and assessment of this is captured within our internal Asset Manager Sustainable Investing Reports, and ultimately our overall rating and conviction in that strategy.

We do not specify to managers a single correct way to undertake escalation given the asset managers we work with have access to different engagement levers given their varying size, investment approach and asset class emphasis. Areas we examine to understand the adequacy of an asset manager's escalation approach include:

- the investment manager's stated process regarding when and how they will escalate engagement activities
- overall engagement statistics (volume and topics of focus)
- examples of substantial engagements to evidence escalation taking place
- for public equities, processes around using voting as an escalation tool and evidence of this activity

Escalation in our engagements with asset managers

During 2023, we engaged extensively with the asset manager community on sustainability, as mentioned previously in this report, and we engaged with over 150 managers across asset classes. We saw a good level of receptiveness to suggestions for improvements, with the vast majority of asset managers making progress in 2023, particularly in response to the introduction of our minimum expectations for all managers. As mentioned, our preference is to build long-term relationships with asset managers and engage with laggards to achieve improvement over time. Where we feel our minimum expectations are not met, progress is too slow or where we decide the gap between current practice versus best practice is unlikely to be closed through engagement, the ultimate sanction is a rejection or downgrade of a strategy (which may then flow into disinvestment from our delegated solutions or advice to our clients to disinvest).

Before we abandon an engagement, we have various other methods of engagement escalation. These will depend on the issue being discussed and our level of leverage with the asset manager. On the following pages are three specific case studies to exemplify some of this work.



Case study 1: Escalation by WTW — ongoing engagement and subsequent escalation with European real estate debt strategy

Background

The manager was historically ahead of the curve on ESG, however was reluctant to implement engagement reporting or have a firm level engagement policy. In addition, the manager previously made a commitment to achieving SFDR Article 8 and providing EU Taxonomy analysis for some of its funds, however no progress had been made on these fronts.

Engagement

WTW's engagement with the CIO and the ESG team over the past 12-18 months had driven some improvement to the manager's process, however after 6 months, it had not provided any update on achieving SFDR 8 status, EU Taxonomy analysis, climate or engagement reporting. As part of

escalating our engagement, WTW spoke to the Head of Real Estate Debt and outlined that if WTW did not see a concrete plan for achieving SFDR Article 8 status or an update with regards to achieving our expectations, WTW would be unlikely to provide a rating on new vintages and the manager would likely receive less interest in its next vintage.

Outcome

The manager provided a roadmap on how it expected to achieve Article 8 status and the fund is now Article 8. It now undertakes EU Taxonomy eligibility analysis on some funds, reports on its engagements and has drafted an engagement policy. WTW continue to engage with the manager on how it can enhance its reporting on ESG going forwards.



Case study 2: Escalation by WTW — engagement and escalation with large global indexation manager

Background

This is a large global indexation manager with equity and credit offerings. The manager has historically been behind the curve on fixed income stewardship. For example:

- There has been limited focus on credit engagements outside of corporate issuer engagements.
- The manager's stewardship team had a focus primarily on equity engagements and had limited dedicated resources/specialists within this group for credit engagements. The manager thus relied on active credit analysts to undertake engagements which covered a limited breadth of the index universe.

Engagement

WTW engaged with the manager on strengthening the fixed income stewardship practices to better align with fixed income investors. This included:

- Advocating for focused fixed income engagement, with team members specifically dedicated to this.
- Expanding universe of fixed income issuers for example in sovereign engagements.

We engaged with the manager through repeated discussions emphasising priorities with the managers during annual meetings and dedicated stewardship

meetings. We further escalated engagement by involving senior leaders on WTW's end as well as on the manager's end.

WTW highlighted that without a greater focus on stewardship, clients seeking indexation managers with a stewardship focus would not see the manager put forward on selection exercises and this could have an impact on rating decisions of manager research.

Outcome

We have not been the only group engaging with this manager on stewardship but believe our dialogue and robust challenge has contributed to positive change.

The manager took the following major steps:

- Hired a Head of Fixed Income Stewardship in 2023.
- Identified sovereign issuers that can be engaged with thematically.
- Demonstrated an intention to review ways to engage with non-corporate issuers.

We are encouraged to see the progress the manager has made following our engagements but there is room for further development. That said, we continue to engage and assess the manager's stewardship and will be assessed in practice.

Escalation in issuer or asset-level engagements

EOS at Federated Hermes

As mentioned previously in this report, EOS at Federated Hermes (EOS) provide additional corporate engagement to that of the asset managers for several of our funds.

As part of this, EOS regularly escalates engagements where the company is not receptive to engagement, no progress is being made or progress is too slow.

Escalations include attempting engagement at a more senior level, letters to the board of directors, engaging with investors or other stakeholders, questions or statements at annual meetings, recommending votes against annual meeting items, shareholder resolutions or open letters.

In EOS's regular reporting to clients, they provide such examples of escalation. In the [EOS 2023 Annual Review](#), such examples include:

- Intensive engagement with mining company Glencore on the shareholder proposal seeking disclosures on the alignment of its thermal coal production and related capital expenditure with the Paris Agreement, ultimately recommending support for the proposal as a necessary escalation to encourage improvement climate risk management at the company
- Stepping up the intensity of engagements by increasing in-person engagements and site visits to improve their understanding of business risks and opportunities, with visits occurring in India, China, United States, Japan and the Netherlands.

EOS's key policy documents and approach to stewardship and escalation are available online [here](#).

Asset manager engagement with underlying assets

We have included some case studies below providing examples from asset managers we work with of escalation approaches with their underlying holdings.

Further information on issuer- and asset-level escalation engagement and voting is contained in our response to Principles 9 and 12.



Case study 3: Escalation by asset manager — divestment from a real estate company

Background and engagement

The manager engaged with a real estate company to discuss how sustainability and ESG was being incorporated into executive compensation practices. They engaged with key members of the company's executive management team on several occasions since they established a position in 2021 to promote better public disclosure of transactions and investments.

Outcomes

The manager initially believed they were making some progress as the company improved some disclosures and seemed receptive to comments around better public disclosure of non-real estate investments. However, the trend of inadequate communications and still lacking disclosures then continued into 2023. The manager then expressed a dissatisfied view to the company and subsequently lost confidence in the company's willingness to take serious action to improve. Based on concerns around higher financial tail risk of misrepresentations the manager ultimately divested of its position. The manager stated it would reconsider this position if it sees key management/board changes and serious actions that address the concerns.



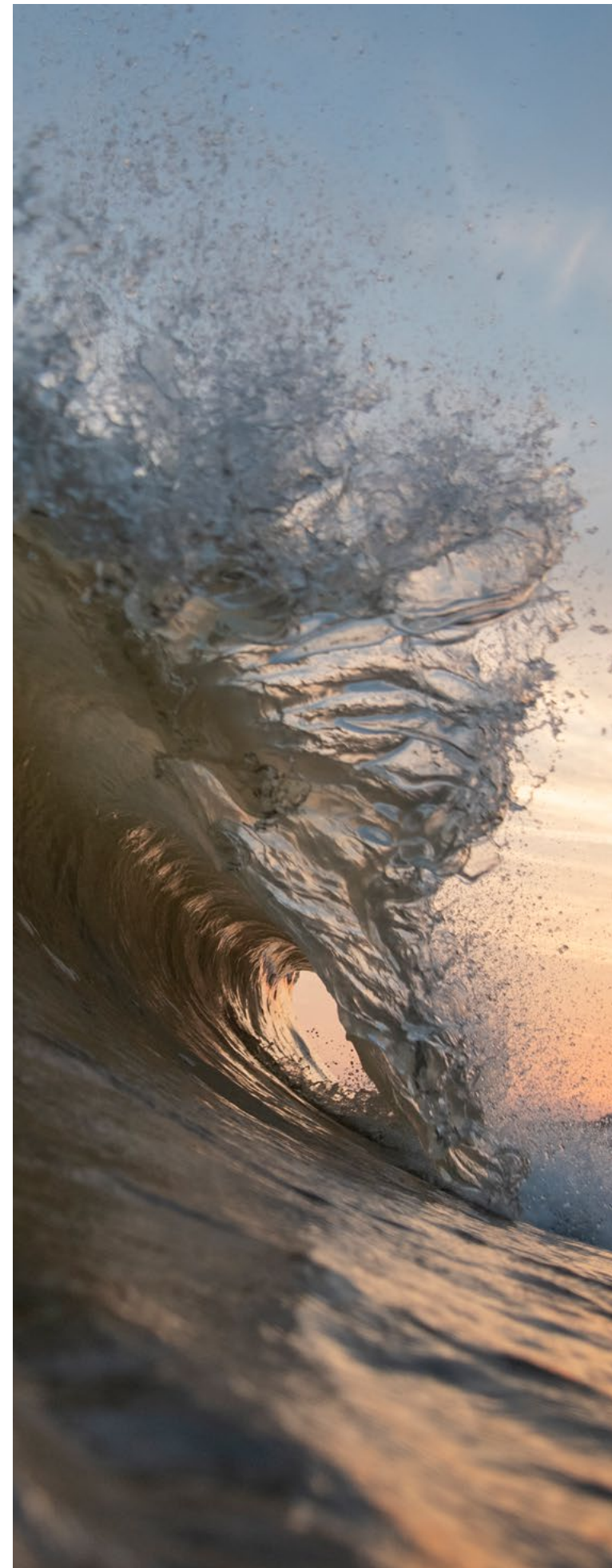
Case study 4: Escalation by asset manager — AMR concerns at a food company

Background and engagement

This case study describes a global asset manager’s elevated work on an engagement campaign with a global fast-food company. The manager had supported anti-microbial resistance (AMR) shareholder proposals filed at the company, pre-declared their votes in relation to these resolutions, and engaged with the company. The manager also signed a joint investor letter asking the company to publish targets related to the reduction of medically important antibiotics. However, given insufficient progress the manager co-filed a shareholder resolution asking the company to comply with World Health Organization (WHO) guidelines on the use of medically important antimicrobials in food-producing animals throughout its supply chain.

Outcomes

Following co-filing of the shareholder proposal the company released its antibiotics reduction targets. However, the manager did not deem that to be sufficient progress. The proposal received 18% votes in favour which, although slightly lower than they had hoped, still draws attention to the issue. The manager is looking forward to working with the company, both individually and alongside with other shareholders. The manager believes that AMR poses a systemic financial threat to the global economy and they continue to call upon the company to take steps towards mitigating AMR.



Section D — Exercising rights and responsibilities

12 Principle 12 — Exercising rights and responsibilities

Context

We believe that actively exercising ownership rights and responsibilities is a critical part of effective stewardship and in turn, effective long-term investment. Investors across all asset classes hold a range of such rights and responsibilities.

Given the activities described elsewhere in this report which cover a wide range of stewardship activities across a wide range of asset classes, we have chosen to provide further detail principally in respect of voting for equity investors in response to this principle.

Voting on equity shares is an important engagement tool. Whether investments are implemented through third party funds or directly held equities, we delegate stock selection and voting decisions to third party asset managers. Therefore, assessing the voting practices of our agents is an important part of our process.

Our manager research team assessment is described below. This feeds into our Asset Manager Sustainable Investing Reports which track and summarise various voting processes, resources and metrics, ultimately assigning a positive, neutral, or negative score on a manager’s practices. Where we see potential for improvement in one of our appointed third party managers, we engage with the manager on the relevant issues to seek improvement. Further information on these reports is provided in Principles 6 and 9.

In addition to the voting practices of the third party managers, we employ EOS at Federated Hermes (EOS) for certain mandates to provide voting recommendations to the underlying asset managers. We may decide not to use EOS in this role where a) EOS recommendations would be unlikely to influence due to WTW client assets representing a small part of a wider pooled fund, b) an asset manager operates within a specialist section of the market where we believe EOS's voting recommendation is less additive, or c) this arrangement is not practicable on a cost effective basis given the nature of the underlying mandate/manager.

We provide input into EOS's Engagement Plan and voting approach, alongside other EOS clients with a focus on the issues that are most material to outcomes for our clients. You can see EOS's global voting guidelines [here](#). EOS's key policy documents and approach to stewardship and escalation are available online [here](#). EOS voting guidance incorporates the services of a proxy voting provider. Instead of using 'default' recommendations from the proxy voting provider, EOS shares its preferred voting approach each year with the proxy voting provider. The proxy provider interprets this to arrive at a custom policy which drives initial guidance for each vote. EOS then reviews this initial guidance from the proxy provider and may override based on the insights from EOS company engagements and the EOS team's general expertise.

Our conviction, monitoring and ongoing engagement with EOS is described elsewhere in this report, including in the EOS Spotlight page.

We regularly monitor the voting decisions each asset manager makes. Where EOS is employed in the mandate, we also monitor voting against the guidance by EOS. We will engage with or challenge the underlying asset manager where necessary. Throughout this process we pay particular attention to ESG related resolutions especially on the topic of climate given we, and many of our clients, have identified this as a key topic.

We are sometimes able to assist clients should they wish to implement a specific voting policy or direct voting. How this would work in practice depends on client specific goals, investment arrangements, the size of assets and other practical aspects.

Within the provision of outsourced investment services, for managed accounts where we have full delegated authority, stock lending is not permitted.

Our voting and engagement activity is disclosed to clients.

Manager research

As part of our manager research, assessment and monitoring we expect investment managers to vote whenever it is practical to do so. Investment managers are expected to have a documented voting policy in line with relevant industry best practice and to disclose this publicly. Our monitoring and assessment for managers where voting is applicable includes consideration of:

- whether the manager has a custom voting policy and, if so, what areas are covered whether client-directed voting policies can be applied
- the level and frequency of voting activity which is disclosed to clients and the level and frequency of voting activity which is disclosed publicly
- whether the investment manager typically informs companies of their rationale when voting against or abstaining (and whether this is typically in advance of the vote or not)
- if securities lending takes place within a pooled fund for the strategy, whether the stock is recalled for all key votes for all stocks held in the portfolio
- whether a third party proxy voting service provider is used and, if so, how
- how investment managers exercise votes in relation to various sustainability and operational topics, and how this is broken down globally
- whether the manager has exercised all votes and, if not, the reasons why

What about fixed income?

While we have mainly highlighted equity related activity under this Principle, influencing issuers is also a key part of fixed income investing. We describe how we integrate ESG into credit research in Principle 7. Fixed income engagement case studies are provided in Principle 9 and Principle 11.

We expect all our managers to review the prospectus and trust deeds for all securities they invest in with respect to impairment rights and other issues. This is basic credit analysis and is important.

Where possible, the asset managers we use engage with issuers to amend document terms. This is most frequently done by private debt asset managers given they have greater influence. Whilst not yet common, we are seeing increasing use of ESG linked ratchets in areas like middle market direct lending.

Examples of KPIs could be diversity targets at the board level / senior management or related to safety standards.

It is more difficult to amend covenants in public issues, but the asset managers we use do engage at the time of issue. More commonly, they will decide not to invest in issues where they feel the covenants are insufficient. On occasion this has led to some covenants being amended. We review the managers' approach in this area as part of our due diligence.

During 2023 we published two papers on addressing SI, including stewardship, within particular types of fixed income:

- [ESG in liability-driven investment and money market mandates](#)
- [Preparing Buy & Maintain portfolios for Net Zero](#)

Activities and outcomes

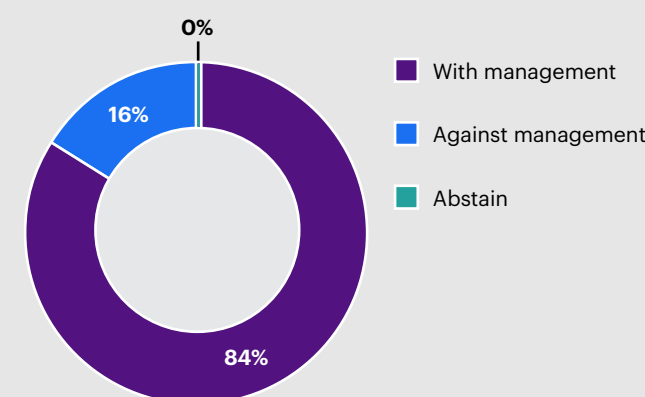
Given the scope of our advice and solutions to clients and the wide range of underlying managers and holdings, it is not practical to detail all the exercise of ownership rights, including voting, conducted. Therefore, we highlight in this report the aggregate voting activity across three large solutions which, combined, represent a substantial portion (over 70%) of our total delegated equity assets. The three underlying solutions are: our Irish-domiciled Global Equity Focus Fund, Alliance Trust and LifeSight (WTW's DC Master Trust).

During 2023 we monitored the voting activity of the underlying managers in various ways using a proprietary tool. For example this highlights: whether all votes are exercised, voting on key topics of interest, voting vs EOS guidance (where applicable), and conflicting votes between underlying managers.

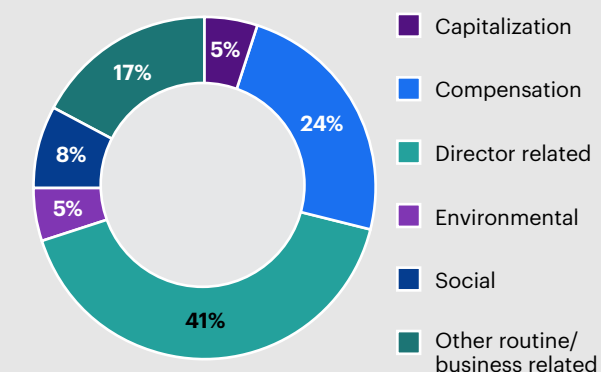
Across these solutions on average our managers voted against company management 16% of the time, predominantly around director-related and compensation matters.

Voting statistics - 12 months to 31 December 2023

Split of votes exercised during 2023



Votes against management by topic during 2023



Number of meetings with eligible votes	5,470
Number of votable resolutions	60,734
Percentage of votes exercised	99.3%
Of the resolutions voted, percentage with management	83.7%
Of the resolutions voted, percentage against management	15.7%
Of the resolutions voted, percentage abstain	0.6%
Percentage of meetings voted at least once against management	59.9%
Percentage resolutions voted contrary to initial policy recommendation of proxy adviser	10.3%

Methodology note: To identify representative aggregate percentage figures across multiple WTW solutions we have calculated weighted average figures according to the level of assets under management. However, for total number of votes and number of meetings these figures were added so there will be an element of double counting.

Source: WTW, ISS, EOS at Federated Hermes, underlying asset managers

We have included some examples of significant votes in 2023 below.

Company	Asset manager	Resolution summary	Why deemed significant	Manager vote	Manager rationale and next steps	Outcome of vote
Alphabet	Small US based value manager	Report on Siting in Countries of Significant Human Rights Concern	Shareholder resolution; vote against management	For	The proposal was regarding greater transparency related to business conducted in places with significant human rights concerns. The manager believed that the siting of cloud datacentres and strategy for mitigating related country risk seem like appropriate and material topics for disclosure. The manager noted it would likely support similar proposals in future.	Rejected
Amazon	Large US based growth manager	Commission a Third Party Audit on Working Conditions	Shareholder resolution; vote against management	For	The manager viewed the vote as providing transparency on warehouse working conditions. They will continue to consider proposals on worker safety.	Rejected
Amazon	Large global indexation manager	Report on Median and Adjusted Gender/Racial Pay Gaps	Shareholder resolution; vote against management	For	The manager voted in favour as it expects companies to disclose meaningful information on gender pay gap and the initiatives being applied to close any stated gap. This is considered an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. The manager will continue to engage with the company and monitor progress.	Rejected
Bayerische Motoren Werke AG	Large global indexation manager	Elect Kurt Bock to the Supervisory Board	Vote against director; escalation	Against	The manager voted against as an escalation of engagement related to ongoing concerns around remuneration practices and concerns around gender diversity. The manager will continue to engage with the company on this issue.	Passed
Berkshire Hathaway	Small US based value manager	Annual Disclosure of Audit Committee's Oversight on Climate Risks and Disclosures	Shareholder resolution; vote against management	For	The manager voted in support of audit committee responsibility for climate risk disclosure believing the significance of leadership on this issue overrides the cost and inconvenience of compliance. The manager was disappointed in the voting outcome and wrote to the CEO expressing their view that climate risk transparency is an important issue and encouraged the company to take a more leadership role rather than wait for policy guidance. The manager noted it would likely support similar proposals in future.	Rejected

Company	Asset manager	Resolution summary	Why deemed significant	Manager vote	Manager rationale and next steps	Outcome of vote
Charles Schwab	Small US based value manager	Proposal Regarding Median Gender and Racial Pay Equity Report	Shareholder resolution; vote against management	For	The manager voted for as they felt the proposal promoted better transparency on racial and gender pay gaps. They believe transparency around gender and pay gaps is not burdensome or cost prohibitive. The manager intends to vote for similar measures in the future.	Rejected
Glencore Plc	Large global indexation manager	Resolution in Respect of the Next Climate Action Transition Plan	Shareholder resolution; vote against management; escalation	For	The manager co-filed this shareholder proposal, calling for disclosure on how the company's thermal coal production plans and capital allocation decisions are aligned with the Paris objectives. This proposal was filed as an escalation following the manager's multi-year discussions with the company since 2016 on its approach to the energy transition. The manager will continue to engage with the company and monitor progress.	Rejected
McDonald's Corporation	Large global indexation manager	Adopt Policy to Phase Out Use of Medically-Important Antibiotics in Beef and Pork Supply Chain	Shareholder resolution; vote against management	For	The manager voted for the proposal given antimicrobial resistance ('AMR') is a key area of focus within the manager's approach to health, and they consider AMR to be a systemic risk. The manager will continue to engage with the company and monitor progress.	Rejected
Meta Platforms	Large US based value manager	Report on Child Safety and Harm Reduction	Shareholder resolution; vote against management	For	The manager believes that greater disclosures are necessary for shareholders to be able to assess the underlying risks. That said, it feels the board should have sufficient flexibility in such disclosure so as not to put the company at a competitive disadvantage. The manager will continue to advocate for more disclosures so that shareholders can better assess underlying risks.	Rejected
Rinnai	Small US based mid cap manager	Amend Articles to Require Majority Outsider Board	Shareholder resolution; vote against management	For	The manager supported the shareholder proposal to include in the Articles of Incorporation the goal of having a majority of independent directors, including women, on the Board of Directors. The company subsequently included a female independent director with finance background. In summer of 2023 the manager issued a letter to company management thanking them for their efforts and notifying them to expect further shareholder proposals in 2024, should further sufficient improvements not be made.	Rejected
Shell	Large global indexation manager	Approve the Shell Energy Transition Progress	Climate transition plan; vote against management	Against	The manager voted against despite acknowledging substantial progress made by the company in meeting its 2021 climate commitments and the company's leadership in pursuing low carbon products. However, the manager remained concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations. The manager intends to continue to undertake extensive engagement with Shell on its climate transition plans.	Passed
Workday	Large US based growth manager	Advisory Vote to Ratify Named Executive Officers' Compensation	Vote against management	Against	The manager voted against given concern that the executive pay program lacked a strong connection to objective performance criteria. The manager will continue to monitor executive pay and alignment with performance.	Passed

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.



Case study 2: Thematic engagement by EOS — climate and net zero

EOS play an important role in engaging with industry groups to support wider system transition on climate. Over 2023, EOS has led or co-led various engagements with companies for progress on their climate objectives. Some positive outcomes from the past year include:

- Encouraging efforts where companies had made positive progress, for example the reduction in carbon emissions at automotive firm Stellantis and the development of its plan to transition to zero-carbon vehicles

- Continuation of intensive engagement to inform the analysis distributed to other engagers and groups and EOS's vote recommendations to clients
- Increased scrutiny of decarbonisation strategies, including encouragement of Chinese Hon Hai's supplier engagement programme to encourage progress on Scope 3 emissions reduction

Please see pages 16-19 of EOS's 2023 Annual Review for further detail and more examples of its engagement work with the wider industry.



Case study 3: Thematic engagement by EOS — treating workers fairly and good workforce relations

In a year that was characterised by several major strikes across the US and Europe, EOS has identified the business case for treating workers fairly. The team has engaged with companies across a range of human capital factors ranging from fair pay, living wages and decent work, to racial equity, gender equity, and health, safety and wellbeing. Some highlights from 2023 include:

- Engaging with fashion retailer Boohoo as part of ShareAction's Good Work Coalition on becoming an accredited Living Wage employer and increasing minimum pay
- Encouraging utility companies to publish just transition plans to redeploy and retrain their workers as we transition to a low-carbon economy
- Involvement with several collaborative initiatives to define decision-useful standards on human capital, including through support for the Workforce Disclosure Initiative (WDI), the UK Living Wage Foundation and the US Human Capital Management Coalition.

For more details and examples please refer to pages 24-27 of EOS's 2023 [Annual Review](#).



Appendix – Disclosures and disclaimers

Disclosures and disclaimers

This Stewardship Report (“Report”) should not be considered a regulatory disclosure. Furthermore, the material contained in this Report has been prepared by WTW for general information purposes only and it should not be considered as specific investment advice nor should it be construed as an offer or recommendation to subscribe for or purchase securities. In particular, its contents are not intended by WTW to be construed as the provision of investment, legal, accounting, tax or other professional advice or recommendations of any kind, or to form the basis of any decision to do or to refrain from doing anything. As such, this Report should not be relied upon for investment or other financial decisions and no such decisions should be taken on the basis of its contents without seeking specific advice. Any reference to underlying funds within a portfolio is only for illustrative purposes and opinions expressed herein may be changed without notice at any time.

This Report is based on information available to WTW at the date of this Report or other date indicated and takes no account of developments after that date. In preparing this Report, WTW has relied upon data supplied by its affiliates or third parties (as further detailed below). Whilst reasonable care has been taken to gauge the reliability of this data, WTW provides no guarantee as to the accuracy or completeness of this data and WTW and its affiliates and their respective directors, officers and employees accept no responsibility and will not be liable for any errors, omissions or misrepresentations by any third party in respect of such data.

All statements, other than statements of historical facts, including our expectations and intentions regarding net zero implementation, and statements when we use such words as “may”, “will”, “believe” and “estimate” are forward-looking statements. Such statements are based upon current beliefs and expectations of management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements and all forward-looking disclosure is speculative in nature. Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of these assumptions, and therefore also the forward-looking statements based on these assumptions, could themselves prove inaccurate. Given the significant uncertainties inherent in them, our inclusion of this information is not a representation or guarantee by us that our objectives and plans will be achieved.

WTW's membership or support for certain sustainability-related organisations or initiatives such as those described in this Report may change or be withdrawn from time to time if WTW determines it is the organisation's interest to do so.

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Conflicts of Interest – Disclosure Statement

Introduction

It is a fundamental requirement for a financial services firm to identify and manage conflicts of interest. This is central to the duty of care we owe to our clients. WTW (“we”) will take all appropriate steps to identify conflicts, manage them effectively and to treat our clients fairly.

This document seeks to provide a high-level description of how conflicts of interest can arise in our business and how they are managed. WTW has numerous controls, policies and procedures in place to ensure that we manage conflicts when providing services or products to clients. Employees, directors and non-executive directors of entities within the WTW Group are required to follow them.

Our MiFID firms in the UK and Europe (including Towers Watson Ltd, Towers Watson Investment Management Ltd, Willis Human Capital & Benefits Ireland Limited, Towers Watson Netherlands BV and WTW Investments GmbH) are part of the wider WTW Group, and actual or potential conflicts arising from those relationships have been considered as part of this statement.

What conflicts could arise

A conflict of interest may arise where competing obligations or motivations may damage the interests of a client.

In identifying the conflicts of interest that may arise when providing services to clients, we will take into account the following:

- Client versus client conflict – where we may be unable to act in the best interests of one client without adversely affecting the interests of another client.
- Firm versus client conflict (including client/third party conflicts) – our own corporate interests conflict with a duty we have to a client, in certain instances where that ability to act in the best interest of the client is impacted by our relationship with a third party.
- Intra-group conflict – where the interests of a WTW corporate entity, fund, director or employee conflict with the interests of another WTW corporate entity, fund, director or employee.
- Individual versus client conflict – an employee's personal interest does or could conflict with a duty we have to a client.

How are conflicts managed

We are required to maintain and operate effective organisational and administrative arrangements with a view to taking all appropriate steps to prevent conflicts of interest from constituting or giving rise to a risk of damage to the interests of its clients.

We have a strong focus on managing conflicts of interests at WTW and this is supported by a number of processes and policies. We provide all staff with training on awareness and understanding of how conflicts could arise within our business.

There are a number of group-wide policies and procedures designed to ensure that every employee in the business is personally responsible for highlighting and managing conflicts of interest. These policies ensure that once a conflict has been identified, it is managed in a way that gives reasonable assurance that there is no material risk of damage to the interests of clients.

Steps taken by WTW to manage actual and potential conflicts include the following:

- a. Effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients.
- b. The separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict.
- c. The removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities.
- d. Measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest.
- e. Reporting lines which limit or prevent any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities.
- f. As required by the WTW Code of Conduct, all employees are required to identify and disclose any personal associations that may give rise to an actual or perceived conflict of interest.
- g. Internal guidance and training on the identification of possible issues of conflict as they arise.
- h. Escalation procedures which ensure that issues identified are referred to and considered at the appropriate level within WTW; and
- i. Other relevant policies and procedures, including the personal account dealing requirements in the Code of Conduct, the Gifts & Hospitality Policy and the Anti-Bribery and Corruption Policy.

Disclosure

Conflicts and potential conflicts of interest are reviewed regularly and where it is not possible to manage an actual or potential conflict satisfactorily, we will disclose this.

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.

Towers Watson Investment Management Limited (“TWIM”) of 51 Lime Street, London, EC3M 7DQ, is authorised and regulated in the United Kingdom by the Financial Conduct Authority (FCA Register Firm Reference Number 446740, refer to the FCA register for further details) and incorporated in England and Wales with Company Number 05534464.

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.



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WTW-137155/04/24

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