



# Sustainable Investing Policy

WTW Investments

July 2024



# Introduction and scope

We believe sustainable investing (“SI”) is an important foundation for successful long-term financial investment outcomes. As such, it is an important part of WTW Investments’ beliefs, investment processes and decision-making. Rather than being a regulatory or product label, we use the term SI to describe a range of long-term, finance-driven processes that integrate consideration of environmental, social and corporate governance (“ESG”) risk factors, apply effective stewardship and — in some cases — directly manage sustainability impacts. These approaches reflect, we believe, good financial risk management and support a robust investment industry.

This SI Policy applies to our delegated investment portfolios. Detailed implementation may vary by jurisdiction depending on local regulatory environment and each delegated portfolio faces distinct operating parameters given its risk and return objectives, asset class and implementation constraints. Certain investment strategies may not consider particular ESG risk factors where it is not currently feasible or appropriate to do so (for example a high turnover process). Please refer to portfolio/fund specific documents for specific information around the particular SI process applied.

Delegated portfolios are designed to contain our best ideas in return generation and risk management taking account of the objectives and context of the various clients we service. In doing so, we leverage our expertise across integrated SI research, risk management and stewardship. This Policy is aimed at establishing the structure and principles for doing this. Key areas covered by this policy are:

- **Investment beliefs** — Explaining our investment beliefs around sustainable investment.
- **Governance and strategy** — An SI governance framework has been established to identify, manage and monitor how SI is incorporated within our processes, strategy and controls.
- **Integration** — How our various research teams provide SI related insights which are distilled by the Portfolio Management Group and client teams.
- **Stewardship** — How stewardship responsibilities are exercised across asset manager engagement, issuer engagement, voting, and wider industry engagement.
- **Exclusions** — The principles around when exclusions may be used.

Within the broad remit of sustainable investing we have identified climate change as a priority, given the potential financial risk it presents to our clients’ investments. Please refer [here](#) for more details around our net zero goal and approach.

Note: Although this policy document reflects WTW’s current approach and understanding, it may be subject to change and/or update at a later date.



# WTW Investments' beliefs

As noted previously, we believe SI is an important foundation for successful long-term investment outcomes. As such, it is part of our beliefs and investment processes.

We have a responsibility to act in the best interest of our clients. Fundamentally this means seeking the best financial outcomes as applied to their individual investment contexts, which includes considering all material risks (current and future), including those which are sustainability related.

Sometimes achieving better outcomes might mean improving the robustness of the savings system so that savers' confidence in that system increases and they are willing to save more. It may also mean investing and undertaking stewardship to help reduce the probability of a future systemic risk event (such as a significant increase in global temperatures) from transpiring.

In order to fulfil this responsibility, we attempt to think and act like a leading asset owner and responsible market participant. One of our core investment beliefs (copied in the box to the right) is specifically focused on SI.

## **WTW Investments' perspective: sustainable investing is a foundation of successful long-term investor outcomes**

- Sustainable investing describes a range of long-term finance driven processes that integrate consideration of ESG risk factors and apply effective stewardship, with regard for the impact on society and the environment given that this can influence financial risk, both at issuer level and market-wide system level.
- Sustainability risks are often not accurately appreciated by the market. Investors should look to use informational and implementation advantages to improve long-term outcomes by avoiding unrewarded risks, seeking financially attractive sustainability related investment opportunities and undertaking effective stewardship.
- 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.
- Climate change is a systemic and urgent global challenge which necessitates risk management, opportunity identification and focus on efforts to reduce global real world emissions.



# Governance and strategy

Our governance structure is designed to promote clarity, focus and effective decision making. We place particular focus on those jurisdictions with increasing regulatory focus on SI.

SI governance committees	
Global Leadership Team (GLT) Sustainability Sub-Committee that reports into our Investments Global Leadership Team	This sub-committee sets business-level objectives to achieve our sustainability strategy, including climate-change related strategy, and oversees the implementation, governance and resourcing to achieve those objectives.
Sustainability Regulations and Monitoring Committee	This committee considers, and allocates the necessary resources related to, current and future regulations pertaining to sustainability.
SI Standards Committee	This committee is responsible for structuring the processes within the WTW Investments Content team to meet all SI content related requirements. It owns the key SI policies as they relate to investment content and in particular the processes required to meet net zero goals.

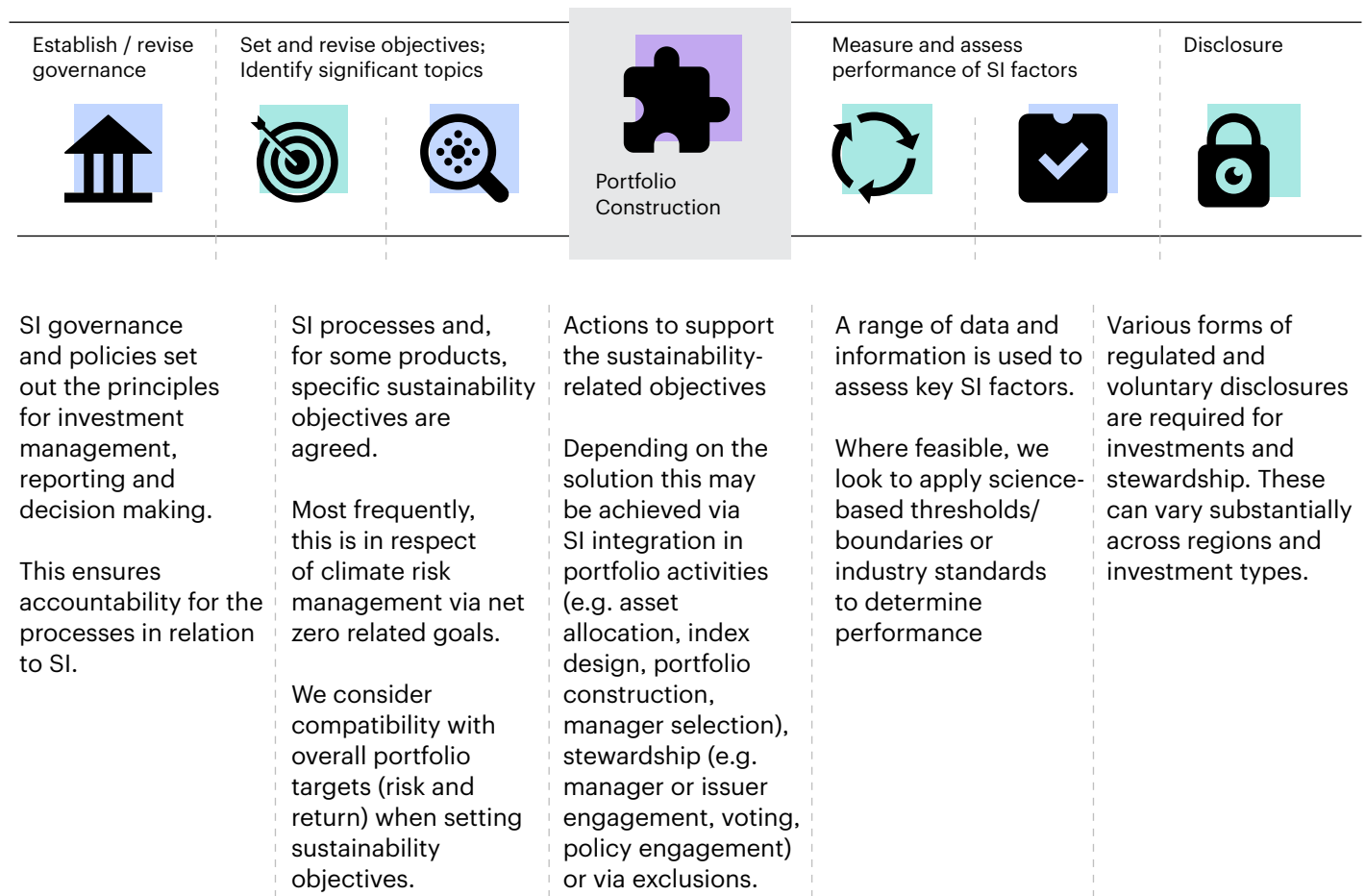
We monitor the governance of our SI processes on an ongoing basis to ensure we incorporate relevant requirements for portfolio investments, recognising current and evolving regulations, guidance and standards.

This policy is authored and regularly reviewed by the SI Standards Committee and our adherence to it is monitored by the Sustainability Regulations and Monitoring Committee, with the GLT Sustainability Sub-Committee having ultimate oversight responsibility.

While the specific approach used to SI will vary by asset class and mandate depending on context, Figure 1 below sets out our broad strategic framework.

Figure 1:

## Managing Sustainable Investing performance



The remaining sections of this document outline the key process areas identified in the middle column above: integration, stewardship and exclusions.

# Integration

This section describes how we undertake SI across our various teams. We look to integrate SI throughout our investment processes: we view SI as part of the financial risk and return related decisions we make, not a disconnected consideration.

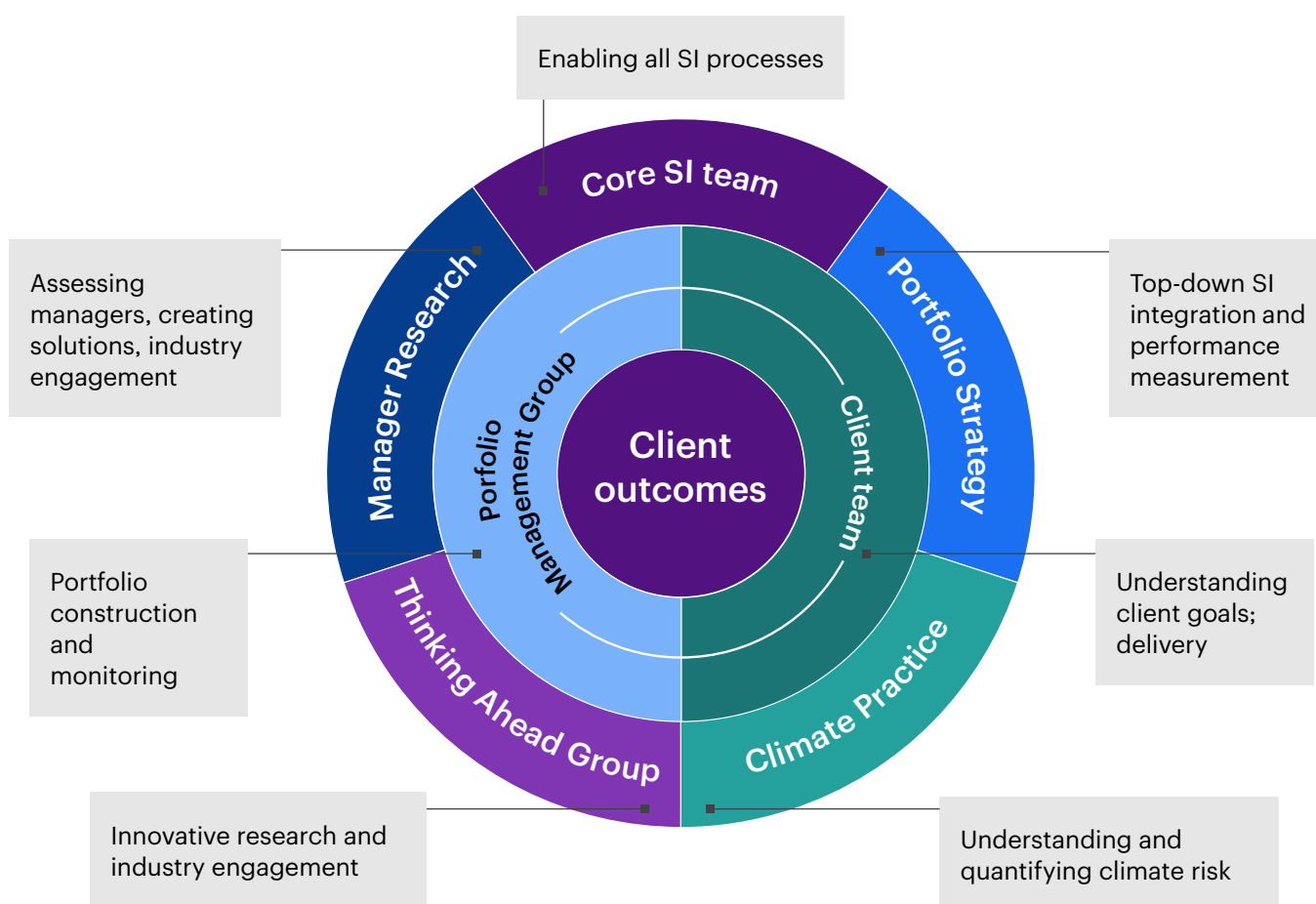
We believe a team structure where SI is integrated means we are well placed to work together as required to meet clients' needs and provide a strong platform for

training and development of colleagues while benefiting from the diversity of insight that an integrated model can provide.

The graphic below depicts how our various research teams, shown in the outer circle, provide a range of SI related insights which are distilled by the Portfolio Management Group and client teams to drive client outcomes. The role and SI processes of each team is described below.

Figure 2:

## SI integrated team structure and process



### Core SI team: Enabling SI processes

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. Our Core SI team provides SI-related capabilities that feed into, and leverage, the work we do across all other teams.

## Manager Research: Assessing managers, creating solutions, industry engagement

Our Manager Research team looks to identify, across a wide range of asset classes, leading asset management organisations capable of delivering positive outcomes to clients and on advancing industry good practice.

An important part of this process includes assessing an asset manager's SI practices in the context of each asset class, as summarised in Asset Manager Sustainable Investing Reports produced by this team. These reports feed into our overall view of the suitability of asset manager products for our delegated clients' portfolios and are an important input for the Portfolio Management Group (see below).

Asset Manager Sustainable Investing Reports are driven by proprietary questionnaires sent to asset managers and the insights from asset class specialists within the Manager Research team. Figure 3 outlines the five areas considered in these reports. The assessment of each area is tailored to reflect the nuances of each asset class.

Figure 3:

### SI criteria in asset manager assessment



**Resources and integration** — ESG integration within investment research and decision-making, including resources available.



**Portfolio influence** — how big a driver ESG considerations typically play on a portfolio.



**Policies** — an asset manager's policies on areas such as stewardship, voting and managing climate risk.



**Engagement** — engagement activity including involvement in industry initiatives and transparency of engagement reporting.



**Voting** — (where applicable), including disclosure of voting rationale to companies and transparency of vote reporting.

Our Manager Research team recognises that exposures to certain long-term ESG solutions may provide attractive return opportunities and contribute to a wider risk management strategy. The team identifies attractive investment strategies with positive alignment to these themes, particularly in private markets, such as financing renewable energy, infrastructure or energy efficient real estate.

Engagement with asset managers, both to improve practices and to guide product design, is a key activity of this team — see Stewardship section below for more details.

## Portfolio Strategy: Top-down SI integration and performance measurement

Our Portfolio Strategy team is a key support function for the Portfolio Management Group and is responsible for the evolution of the principles, frameworks and tools used to design portfolios for clients.

A key stream of work within the remit of the Portfolio Strategy team is the integration of climate and broader SI considerations into the portfolio construction process from a top-down perspective. Our portfolio construction process focuses on maximising 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 risks and/or able to take advantage of sustainability-related opportunities.

In order to facilitate this the Portfolio Strategy team is also a key input to the SI Standards Committee in relation to determining the metrics used to assess climate and broader SI performance of portfolios/alignment of portfolios with SI goals and the data and methodology used to calculate these. This is implemented in practice by a range of portfolio construction tools which are maintained and developed by the team.

Another important part of assessing portfolio resilience is considering the impact of different climate and broader sustainability scenarios on portfolio outcomes. These scenarios are developed and maintained by the Portfolio Strategy team, using macro and climate inputs from Climate Practice and other research teams and translating these into the likely impact of sustainability issues on asset values/returns.

### **Climate Practice: *Quantifying climate risk***

WTW's Climate Practice is a focal point for our climate expertise and capabilities. It brings together extensive climate expertise to help identify, quantify and manage climate-related financial risks.

The Climate Practice provides transition and physical risk insights used within our investment process. For example, Climate Transition Value-at-Risk (CTVaR) analysis, quantifies transition risk faced by issuers, given the real world decarbonisation required in order to mitigate global temperature rises. This analysis is integrated into the risk management and monitoring processes used by the Portfolio Management Group (see below).

### **Thinking Ahead Group: *Innovation and horizon scanning***

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.

TAG provides us with valuable horizon scanning insights into potential future systemic ESG risks and potential approaches to manage these risks. This innovative forward-looking work is a driver of our SI process evolution over time.

### **Portfolio Management Group: *Portfolio construction and monitoring***

The Portfolio Management Group has the job of bringing together all the research, risk management and idea generation done by different specialist research teams described above in a consistent manner for all

our delegated client portfolios and funds, therefore integrating SI in the investment-decision making process. For example, as noted above, this includes reviewing Asset Manager Sustainable Investing Reports for new manager products before they are available for delegated portfolios.

Our clients may have different preferences, 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.

In order to assist our portfolio construction and monitoring, this team draws on a number of portfolio construction tools maintained by the Portfolio Strategy team, the majority of which have been developed and tailored in-house to best align with our approach to building portfolios and our investment beliefs.

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 which are heavily context dependent. Therefore, the roles of judgement and qualitative overlays are important.

### **Client team: *Understanding client needs and delivery***

Our client teams work closely with individual institutional investors to understand their SI needs, preferences and deliver services to help achieve their objectives.





# Stewardship

We believe that effective stewardship is a key aspect of SI and important to a well-functioning investment industry. We recognise our role as an engaged industry participant, and seek to exercise our stewardship responsibilities, either directly or via third parties, across a range of activities:

- Asset manager engagement
- Issuer engagement
- Voting
- Policy engagement and supporting wider industry groups

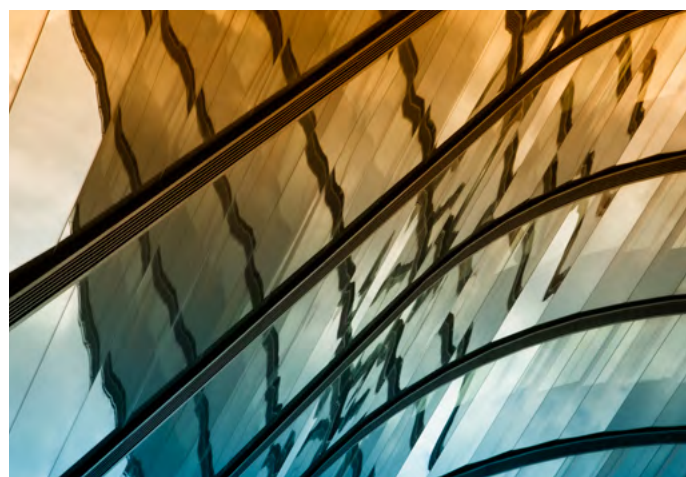
## Asset manager engagement

As noted above, engagement with asset managers, both to improve practices and to guide product design, is a key activity for the Manager Research team.

Figure 4:

## Key pillars of our engagement with asset managers

Climate	All asset classes	Culture and diversity, equity and inclusion (DEI)
<p>Consistent with our net zero goal, our main topic of engagement continues to be around climate risk management.</p> <p>Asset managers are aware of the importance we place on them to:</p> <ol style="list-style-type: none"> <li>1. be able to measure, report and manage climate risk, and</li> <li>2. use their influence to undertake issuer and industry engagement to support the transition</li> </ol>	<p>Our approach is across all asset classes, rather than just listed equity focused.</p> <p>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.</p>	<p>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 our managers.</p>



A foundation for this engagement work is the Asset Manager Sustainable Investing Reports, described above. These reports provide 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.

With closed-end funds, we often have significant representation on investor advisory committees which allows us a mechanism for ongoing engagement.

In those instances where our engagement process does not lead to sufficient progress the Manager Research team may revise its view on a strategy potentially leading capital to be reallocated to other opportunities.

The Manager Research team publishes SI related thought pieces to help guide good practice. These papers provide a useful resource for asset managers to encourage improvements in SI practice.

In addition to engaging around existing asset manager products, the Manager Research team also engages with our preferred asset managers and other third parties to design and, working with the Portfolio Management Group, provide seed capital for new solutions where existing offerings do not meet our clients' needs.

## Issuer engagement

We promote issuer engagement as a tool to help achieve positive change. In the vast majority of cases, this engagement is the responsibility of the underlying managers. It is therefore a key part of our research and engagement with managers (as above) to assess the engagement capabilities and practices of managers, share and encourage best practices, and advocate for greater and more effective SI stewardship at an industry level.

To supplement corporate engagement carried out by individual managers, we have appointed specialist stewardship provider EOS at Federated Hermes (“EOS”) in relation to several of our funds. We have worked closely with EOS for many years and input to their prioritisation process.

## Voting

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’s assessment (see above) summarises various voting processes, resources and metrics, ultimately assigning a positive, neutral, or negative score on a manager’s practices.

In addition to the voting practices of the third party managers, we employ EOS for certain mandates to provide voting recommendations to 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 sufficiently cost effective.

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. We review EOS voting recommendations annually.

EOS’s global voting guidelines are available [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.

We regularly monitor the voting decisions each asset manager makes. Where EOS is employed in the mandate, we also monitor their 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.





### **Public policy engagement and supporting wider industry groups**

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.

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 benefit of savers worldwide.

#### **EOS at Federated Hermes (EOS)**

We also partner with EOS to undertake public policy engagement. 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 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 had 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.

### **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.

### **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](http://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). In 2023 PRI selected TAI to research and assess the appropriate level of resources that institutional investors should dedicate to 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.



# Exclusions

We describe below the principles we apply when considering exclusions criteria and their thresholds. For the precise exclusion definitions and thresholds in place for any given strategy please refer to product specific documentation.

We start with the view that having active managers that integrate sustainability into their process and undertake effective stewardship (voting and engagement) is often a better approach than exclusions which can be a somewhat blunt tool. Exclusions can have limited sustainability impacts, particularly in secondary markets.

However, we recognise that there are instances where exclusion may be an effective strategy such as:

- The mandate is passive or smart beta in nature so there is no active manager applying fundamental judgment around ESG risks as they arise
- We might believe that the active managers employed have a shorter time horizon that does not sufficiently capture a longer term risk
- For risk management, we want to moderate exposures in one part of our portfolio given exposures elsewhere in the portfolio

Where exclusions are in place for a strategy, they fall into three categories:

- Category A: Those that represent a ‘license to operate’ and don’t change materially over time (e.g. where it is illegal to invest in these in some markets, such as controversial weapons; where it is common practice in a market and hence key to make the solution meet the needs of our clients)
- Category B: Those that we believe reduce exposure to a particular financial risk
- Category C: Those that are primarily introduced for reasons outside the above two categories, for example to meet ethical preferences as requested by a particular client

#### Disclaimer

WTW has prepared this sustainable investing policy ("SI Policy") for general information purposes only and it should not be considered a substitute for specific professional advice. 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 SI Policy 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.

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.

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

#### About WTW

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



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