

# UK Stewardship Code Report 2024

WTW Investments' annual report  
for 1 Jan 2024 to 31 Dec 2024

The purpose of this report is to demonstrate our adherence to the Code for the period 1st January 2024 to 31st December 2024.

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# Introduction

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## Purpose of this report

**We support and recognise the UK Stewardship Code 2020 (the ‘Code’) as setting good practice standards in the advancement and implementation of investor stewardship. We believe that active ownership and stewardship activities are an important lever for improving the financial value of and managing the risks associated with invested companies/assets.**

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## 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 in the UK (‘WTW Investments’).

Legal entities reflected within the scope of this report include:

- Towers Watson Limited (‘TWL’)
- Towers Watson Investment Management Limited (‘TWIM’)

References in this report to ‘we’, ‘our’ or ‘us’ relate to TWIM or TWL, as the context applies. However, certain references to ‘WTW’ relate to WTW’s wider global organisation, as the context applies, and not necessarily to the aforementioned entities or solely to the WTW 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 report in line with the principles for asset owners and asset managers as well as those for service providers.

This 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.





## WTW 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 guidance, 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. We do not ourselves vote or engage directly with individual securities held within these portfolios — please refer to [page 10](#) and [page 11](#) for further details.

In addition, we note our interaction with the wider investment industry, including regulators and third-party intermediaries, and therefore recognise our ability and responsibility to encourage and improve processes in respect of stewardship of the system as a whole. This can contribute to improving the value of all financial assets to the benefit of 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 external asset managers focuses on identifying organisations capable of delivering positive financial outcomes to our clients and working together to explore ways of better meeting clients' evolving needs.



### Reading this report

To support the reader, we have added Spotlight sections to highlight key areas, and we refer to these where relevant throughout this report. 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.

# Foreword

WTW Investments continues to recognise the important role that stewardship plays in supporting long-term value creation in the UK. Our focus on engagement means that, working with external asset managers, we can support sustainable investing at the issuer and asset level, as well as contributing to wider industry best practice.

During 2024, in the context of this report, our focus has been on supporting our clients' stewardship and sustainable investing needs, addressing and raising the visibility of systemic risks and refining our capabilities in the context of an evolving regulatory landscape.

Our activities have ranged from delivering training sessions on climate change and biodiversity loss as systemic risks, to preparing clients for relevant disclosures and upcoming regulation, and engaging with asset managers on improving their reporting. Activities are aimed at supporting stakeholders' understanding and prioritisation of global risks to support progress towards their financial goals.

More broadly, we continued to work with industry groups promoting effective stewardship with financial market participants. Our Thinking Ahead Institute published extensive research on systemic risk over the year, including thought pieces and tools for approaching climate and biodiversity. WTW Investments hosted in-person conferences (e.g. in London, Tokyo) and virtual events for the asset manager community. These covered presentations on, among other aspects, our approach to climate, quantifying climate risks, and a climate deep dive panel discussion. We also continued to engage our stewardship service provider, EOS at Federated Hermes Limited.

2024 was our first year of UK Task Force on Climate-Related Financial Disclosures (TCFD) reporting, and we continue to produce our regulatory disclosures under EU Sustainable Finance Disclosure Regulation (SFDR). In addition, the wider WTW firm released its corporate Sustainability Report.

We have a responsibility to respond to our clients' needs and support their progress — and we see our stewardship activity as a key part of that. In addition, we continue to invest in tools that enable us to enhance our ability to assess multiple climate metrics and align portfolio or client net zero goals, where relevant, consistently with other financial objectives.

Against the backdrop of growing reporting requirements, we continue to recognise an increasing asset owner interest in wider topics (e.g. nature/biodiversity), and momentum in asset owner policies, goals and stewardship priorities.



**Chris Mansi**  
CIO, Europe and International

# 2024 Highlights

Headlines over the year, described in further detail throughout this report.

## Working with our clients

- Helping asset owners to navigate systemic risks such as climate and biodiversity — including sharing our research in these areas.
- Helping clients define their sustainable investing and stewardship objectives and priorities.
- Client training and support across various areas such as: UK regulatory guidance, stewardship, climate, nature/biodiversity, social and governance factors.
- Supporting clients in their reporting.

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

Our Manager Research team:

Collected data from around **1,200** products and produced over **800** SI reports for client use.

Researched over **150** sustainability-themed strategies.

Conducted engagements on over **70** external asset managers covering over **100** products across different asset classes.

## Climate-related reporting and disclosure

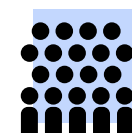
- It was our first year of UK TCFD reporting for TWIM and TWL.
- We reported on applicable EU SFDR regulatory disclosures.

## EOS at Federated Hermes Limited (EOS) — our stewardship service provider

Across WTW solutions and client services, EOS engaged over **750** companies across regions over **3,500** issues and objectives

**62** companies in EOS's core programme featured engagements with the CEO or chair

## The Thinking Ahead Institute (TAI) — global research and innovation network founded by WTW Investments



**53** members



Published **19** investment insights, **4** global industry studies, **9** research papers, and **13** episodes of the TAI Investing for Tomorrow podcast



Ran **3** working groups and hosted **28** events with **44** member organisations in attendance, alongside **179** non-member organisations

Together with EOS, the TAI published a **biodiversity toolkit** that explores the connections between biodiversity loss, climate change, and the investment industry.

# Section A — Purpose and governance

## 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, WTW serves 140 countries and markets to help organisations enhance their strategy, resilience and performance.

Within WTW's *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\$3.5 trillion** in assets  
under advice (as of December 2023)

**US\$168 billion** in delegated assets under  
management (as at December 2024)

over **1,370** institutional clients  
(as of December 2023)

over **950** colleagues in **19** countries  
across the globe (as at December 2024)

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

### Our purpose and beliefs

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 — **we invest today to transform tomorrows**. WTW Investments provides services to help institutional investors achieve their financial goals.

**We believe sustainable investing (“SI”) is an important foundation for successful long-term financial investment outcomes.**

As such, SI 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. We consider that these approaches reflect good financial risk management and support a robust investment industry.

## Culture and values at WTW as a firm

We align with WTW's belief 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 seeking to exceed 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 honesty. 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 WTW invests in the tools and opportunities that allow for continual development. In business, we place an unrelenting focus on innovation, quality and risk management.

## Business model and strategy

### 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 [Appendix A](#) 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.



## Ensuring our purpose, beliefs and culture enable effective stewardship

We believe that our purpose, values, beliefs and culture enable a focus on effective stewardship — in our work and through the activities of external asset managers or stewardship service providers we work with.

Throughout this report, we describe our stewardship activities and their outcomes. We cover key engagement themes and activities across the different stewardship levers: manager engagement, issuer and asset-level engagement, voting, policy engagement and working with industry groups. Over the past year, we believe that these efforts and activities — guided by our purpose, values, beliefs and culture — have contributed to more resilient financial outcomes for our clients.

We have retained strong client relationships, receiving positive feedback on the quality of our service and continue to be well-rated by third parties, including in relation to our approach to stewardship.

We carried out the following key stewardship related activities to support our clients in 2024:

- **Helping asset owners to navigate systemic risks**

- We view climate change and biodiversity loss as systemic financial risks. During 2024, we ran several client training sessions covering both these areas. See our [Climate Change and Biodiversity](#) on climate and nature/biodiversity for more details.
- The Thinking Ahead Institute (TAI) — a global innovation and research membership organisation set up by WTW Investments — released extensive research and tools on systemic risk over the year. We provide more information on TAI's work and thought leadership on systemic risk in our dedicated [TAI Systemic Risk](#) on TAI, as well as in

- **External asset manager engagement**

- Engaging with asset managers continues to be an important part of our stewardship activity. Throughout the year, our team held various engagements with managers — with a particular focus on transparency of climate and engagement reporting. The aim is to drive improvements in client reporting, to demonstrate progress on specific metrics and to support our clients in their regulatory reporting requirements. [Our approach to external asset manager engagement](#) provides more information on our Manager Research team, and our [External asset manager engagement](#) on asset manager engagement details our activities.

- **Client training and support across key stewardship topics**

- Our aim is to support our clients in refining and managing their sustainability-related goals. We are focused on ensuring that we review and improve our capabilities and offering, in line with the latest regulation and evolving client needs. Over 2024 we supported our clients' knowledge-building across various areas such as: UK regulatory guidance (including reporting requirements), stewardship, climate (including use of different metrics and target setting) biodiversity, social and governance factors. Please see [Our approach to client training and support](#) for more details and case studies.



## Principle 2: Governance, resources and incentives

### Activities and outcomes

#### Governance structures

WTW Investments' sustainability 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. Headlines of the sustainability related governance structure can be found below.

The operations and business activities of WTW Investments, including stewardship, are overseen and governed by the WTW Investments Global Leadership Team ('GLT').

The WTW Investments GLT Sustainability Sub-Committee, which also reports into the WTW Investments GLT sets business-level objectives to aim to drive the achievement of our sustainability strategy, which includes our approach to stewardship. It oversees implementation, governance and resourcing to achieve our overarching business and investment/portfolio-level sustainability objectives. This Sub-Committee is comprised of senior members, including the Chief Investments Officer, Chief Operations Officer, Head of Sustainable Investing, Head of Funds and Head of Sustainability Solutions.

Our Sustainable Investments Standards Committee ('SISC') reports into the Sustainability Regulations and Monitoring Committee ('SRMC'), who assesses the impact, and allocate the necessary resources to all current and potential future regulations pertaining to sustainability. Membership of the SISC includes employees from various teams across sustainability within WTW Investments. The SISC is responsible for providing guidance on the processes within the WTW Investments Content team so that they are able to meet all SI content related requirements. It owns the key SI policies, including stewardship. This also ensures that there is oversight and monitoring of our Manager Research team and their work in respect of engagement with external asset managers, a key element captured within this report.



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

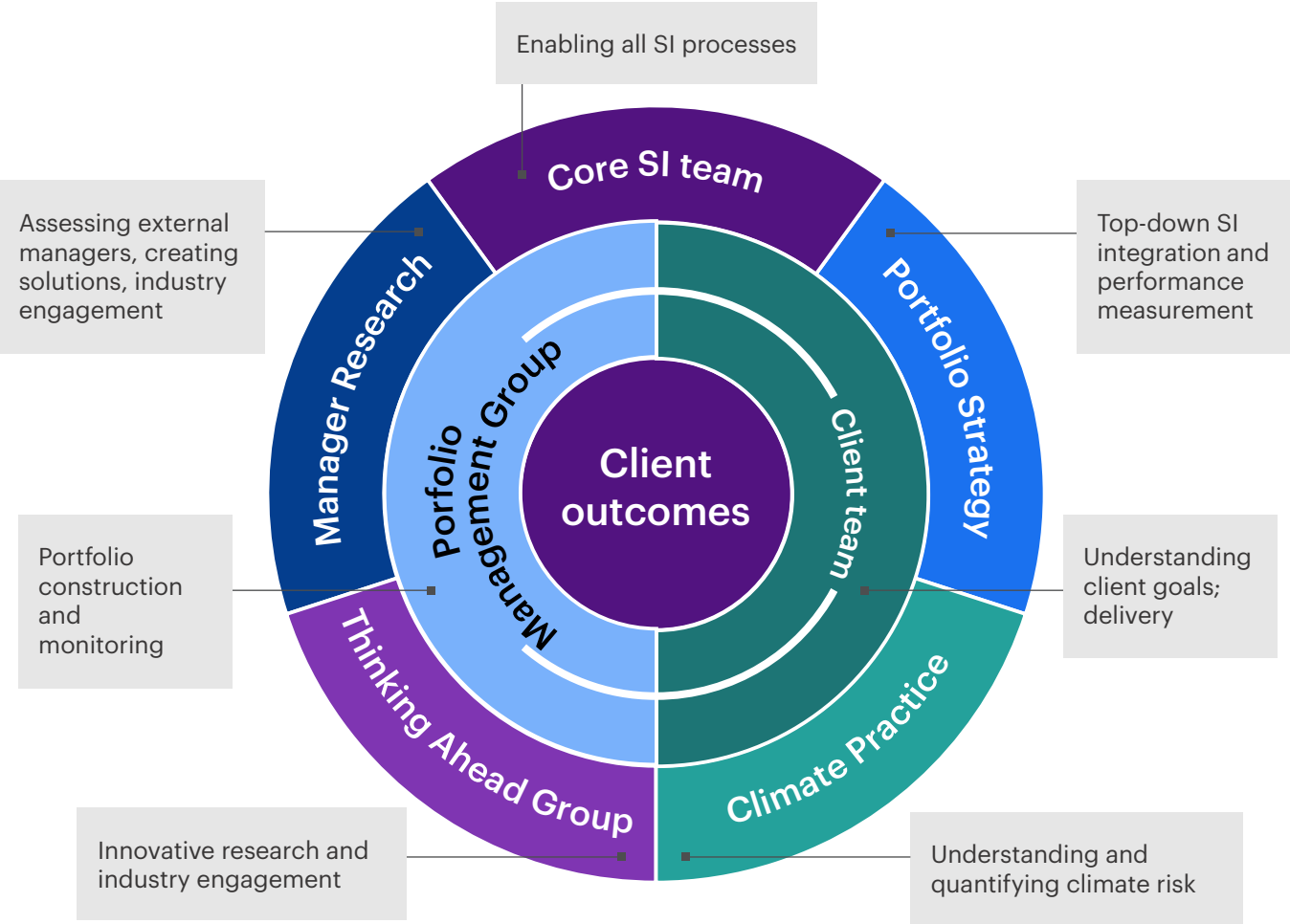
We monitor the governance of our SI processes on an ongoing basis to ensure we incorporate relevant requirements for portfolio investments, recognising and complying with current and evolving regulations, guidance and standards.

SI resourcing structure

We believe a team structure where SI is appropriately integrated, means we are well placed to work together as required to meet clients’ needs and provide a strong platform for the training and development of colleagues while benefiting from the diversity of insight that an integrated model can provide.

The graphic to the right 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 support client financial outcomes. The role and SI processes of each team is described in the graphic to the right and in the following page.

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 external 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 financial outcomes to clients and on advancing industry good practice.

Engagement with external asset managers, both to improve practices and to guide product design, is a key activity of this team. See our [Engagement with external asset managers](#) on manager engagement for more information.

### **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.

### **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.

### **Thinking Ahead Group**

#### ***Innovation and horizon scanning***

The Thinking Ahead Group (TAG) is the WTW executive to the Thinking Ahead Institute (TAI), WTW Investments' global research and innovation member group — which has its own member advisory governance board that meets biannually.

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 our delegated client portfolios and funds, therefore integrating SI in the investment-decision making process.

### **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.

### **Additional external resources and systems**

Complementing the teams described above we benefit from external resources and our investment in systems:

- we place a strong focus on the stewardship capabilities and resource of external asset managers
- we have appointed a specialist engagement provider to provide complementary additional expertise (see our [Engagement with external asset managers](#) on EOS)
- our primary data provider does not undertake stewardship directly, but their extensive dataset helps us to efficiently identify potential 'laggards' on which to focus
- over 2024, to support our SI and stewardship activities, we continued to enhance our proprietary platform for gathering information from asset managers and our multi-asset portfolio management tool which allows us to measure portfolio risks (see [Measuring portfolio risks](#) for more details)





### Training and knowledge management

To support effective integration of SI and effective stewardship within our investment research, processes and client services, there is a 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 2024, we ran training for colleagues and facilitated ad-hoc knowledge-sharing on SI and stewardship related topics. Some examples are below:

- **Anti-greenwashing** — the WTW Investments business received training on this topic.
- **Portfolio Alignment** — covering different climate alignment metrics used by the industry and how these differ across asset classes.
- **Climate transition risk** — covering our in-house team's analysis of financial climate risk facing companies and tools to efficiently track this in client portfolios.
- **Emerging themes and hot topics.**
- **Taskforce on Climate-related Financial Disclosures** and **regulatory developments** across the year.

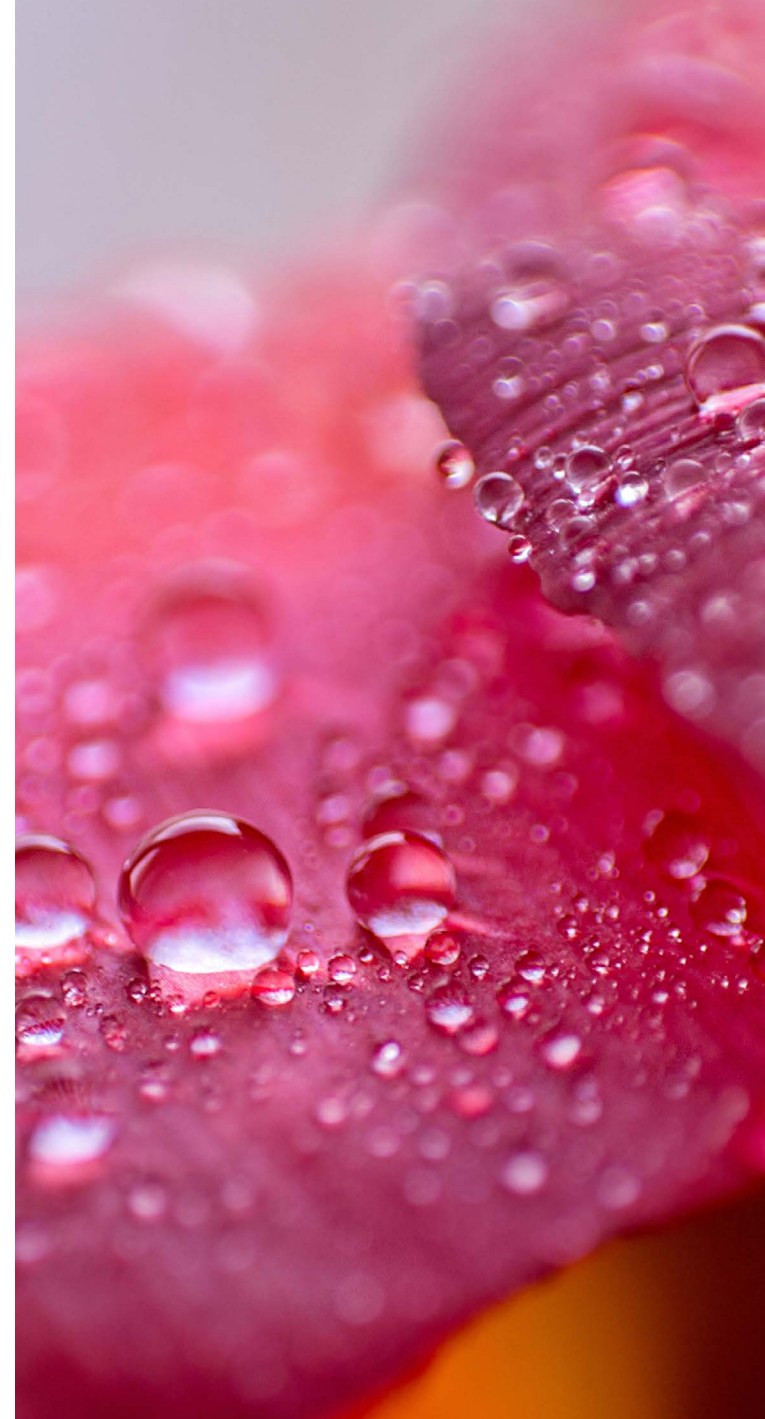
Many of our colleagues complete either the CFA programme or pursue an actuarial qualification, and we provide study support for this. Some colleagues have also completed the CFA Institute's Sustainable Investing Certificate and Climate and Investing Certificate.

### Performance objectives

Where SI is more relevant to a colleague's role, specific objectives are included in their annual performance plan, and performance against those objectives will inform compensation and related decision processes. 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. Our client consultants have objectives related to feedback from their clients so where SI and stewardship are important KPIs for their clients then this would naturally be incorporated into our consultant's annual performance feedback process.

### Ensuring our governance reflects sustainability best practice

We continue to look at ways of improving our governance structure and strategy, ensuring it is fit for purpose and effectively reflects best practice across sustainability, including stewardship.





## Principle 3: Conflicts of interest

### Context

#### WTW approach

As a firm, WTW is conscious at all times of the appropriate licences to operate and the limitations of those licences, in all parts of its business and 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. To that effect, each of TWL and TWIM have a specific Conflicts of Interest Policy and Procedures in respect of the identification, management and recording (registers) of potential and/or actual conflicts of interest arising in the Investments business and in accordance with relevant regulations. Our Code of Conduct states that WTW is committed to providing our clients with services that are impartial and objective. Our [WTW Code of Conduct](#), which covers conflicts of interest, can be found on our WTW website.

#### WTW Investments

In WTW Investments, we identify, manage and record potential and/or actual conflicts between WTW and clients and/or its employees (personal clients) as well as with third parties. Our specific policies on gifts and entertainment and personal account dealing identify and manage conflicts of interest specific to this transaction/employee personal dealing.

WTW Investments also has an Inducements Policy that requires compliance approval for certain non-monetary benefits from third party firms, e.g. investment managers.

An annual Conflicts of Interest training is launched across the Investments business globally and/or at country level.

Finally, we review our respective TWL and TWIM Conflicts of Interest Policy and Procedures in line with an established review cycle or when new regulations are published/updated which materially impact such Policies and/or Procedures.



## Activities and outcomes

### Manager research

External asset managers invest and undertake stewardship for our clients. Conflicts of interest is therefore a topic which forms part of our assessment of external asset managers. As part of our Operational Due Diligence (“ODD”) reviews on external asset managers, we assess their approach, oversight and governance in relation to potential, perceived or actual conflicts of interest (see 2024 examples on this page).

We completed 151 ODD reviews in 2024. 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 ODD.

Specific to stewardship activity, we expect external asset managers to document how they manage any potential, or actual 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 external asset managers particularly on stewardship, we have raised conflicts of interest as an area of importance, and sought for managers to evidence that any such conflicts (potential, or actual) do not inhibit effective stewardship.

### Examples from 2024 showing outcomes from our ODD processes to manage potential conflicts of interest related to governance and oversight

#### A capital real estate firm

**Portfolio valuation:** The firm does not have a valuation committee in place and as at the date of the meeting, the firm’s investment committee (“IC”) was responsible for the review, challenge and approval of all asset valuations, resulting in potential conflicts of interest. WTW Investments fed back its concerns regarding the IC’s involvement in the valuation process. In response, the firm has updated its Asset Valuations Policy such that the firm’s CFO/COO now effectively has a veto right over valuations.

#### A sustainability-focused external asset manager

**Compliance:** At the start of the review, the personal trading policy only applied to relevant persons (directors, managers, the RCCI/CCO, risk controller and internal controllers) and their household family members. While this is considered market practice in France, we believe all employees should be required to pre-approve trades as all may come in contact with MNPI. Pre-approval would discourage improper employee behaviour, including front running of client trades. Following engagement by WTW Investments, the policy now applies to all employees. Additionally, at the start of this review, there was no compliance pre-approval needed for any personal accounts trades; following engagement by WTW Investments, all personal trades in listed securities (except certain exceptions such as large cap securities over EUR 10 billion, etc.) must be pre-approved by the Chief Compliance Officer/RCCI.

### Engagement and voting

External asset managers with whom we engage continue 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 to make recommendations to appointed third party asset managers in relation to voting and for additional corporate and policy engagement. In this regard, there is no involvement from us 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 their group conflicts of interest policy and conflicts of interest register. As part of the policy, staff report any potential conflicts to the Federated Hermes Limited 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 Limited.

The following are some examples from 2024 of how potential, perceived or actual conflicts of interest were resolved:

- Over 2024, there were potential conflicts of interest related to connections between company directors and EOS/the Federated Hermes Limited Investment Team. In one example, where a company CEO sat on the Federated Hermes Limited Investment Team's board, the EOS team voted in line with EOS policy, including voting against a member of the nomination committee for the classified board.
- The Federated Hermes Limited Investment Team also raised concerns with EOS around board independence at some of their holding companies. In one example, the Federated Hermes Limited Investment Team noted that a director of one of their holding companies was 'overboarded'. After engaging with the company, the Investment Team received information which supported a conditional vote for the director.

### Case study

## External asset manager conflict of interest

### Background/context

The asset manager presented ideas around portfolio restructuring to a global mining company in April 2024. However, days later, and before the proposal could be circulated to the management team more broadly, an offer was made to buy the company. The asset manager determined that the offer did not constitute good value for money for the company's shareholders and could threaten to slow down the pace of copper growth globally, an important commodity for the climate transition.

### Why was this a potential conflict?

The asset manager holds equity and credit in both the mining company, as well as the company that offered to buy it, on behalf of its clients. The asset manager recognises that clients may have different exposures to each of these companies; individual funds that they manage will also have different exposures to the two companies; and individual portfolio managers investing in either company may also take a different perspective on relative valuations.

### How is the potential conflict managed?

When taking decisions on M&A activity the asset manager will consider this from the perspective of each individual company and engage and vote from that perspective. Internally, views were sought within the Investment Stewardship and Investment teams regarding the valuation of the transaction and potential impact on the supply of copper. The asset manager explained to the management teams of both companies their approach to managing corporate activity where they hold both companies involved. The escalation of the engagement into the public domain was overseen by executive members of the asset manager to ensure appropriate management of conflicts.

By keeping information channels open, any potential conflicts of interest were able to be managed appropriately, safeguarding relationships with both companies.



# Spotlight on: Climate and nature/biodiversity

We view climate change and nature/biodiversity loss as global systemic financial risks that are intricately linked. As climate change worsens, so too does nature/biodiversity loss — and vice versa.

## Highlights of our climate and biodiversity work and activities with clients in 2024

- We ran several climate training sessions over the year. Sometimes, these were combined with biodiversity training, given the link between climate and biodiversity.
- In a benchmarking review exercise to assess a client's sustainability approach and activities we looked at the ESG priority areas (among other topics) for several peers. We identified that many peers had retained the focus on climate while introducing nature/biodiversity as a new priority area. Biodiversity became a key stewardship consideration for the client.
- We developed an *Update on TNFD* (Taskforce on Nature-related Financial Disclosures) for clients. This included a closer look at TNFD uptake across regions and types of organisations, helping stakeholders to understand what TNFD might mean for them.
- Our 2024 global series of Manager Ideas Exchange (MiX) events — which hosted three global conferences and two virtual events — included

## Case study

### Client training on nature/biodiversity

During 2024, we ran training sessions on nature/biodiversity for several clients. It was encouraging to see clients' levels of interest in the topic, and what potential actions they could start considering in assessing their relationship with biodiversity. By the end of 2024, we had a refined set of training materials which covered:

- An overview of nature/biodiversity — how it is defined and the benefits it provides (i.e. ecosystem services), and our reliance on it for our survival
- The nature/biodiversity crisis and the main drivers of degradation
- The links between climate and nature/biodiversity, and the systemic risk that nature/biodiversity represents
- Industry frameworks and standards available (e.g. the Kunming-Montreal Global Biodiversity Framework, the Taskforce on Nature-related Financial Disclosures (TNFD))

presentations on, among others, our approach to climate, quantifying climate risks, and a climate deep dive panel discussion.

- The TAI released a podcast episode, *How asset owners can better allocate capital to achieve climate impact*, and the Investment insights, *The dance of the climate crisis*, and *Nature's nexus: exploring the interconnectedness of biodiversity and climate change*.
- The TAI also set up a Climate Transition Working Group to assess the feasibility of climate scenarios, expose their limitations and provide support for

- The importance of starting to identify and assess nature-related issues using tools and analytics

This training was initially based on clients' requests for a better understanding of nature and biodiversity, how to prioritise it alongside climate, and how to prepare for recommendations set out by the TNFD. As our understanding of clients' areas of interest and appetite for action became clearer via ongoing engagement, we continued to implement this feedback, and further develop our biodiversity training materials based on our clients' needs.

Throughout 2024, our biodiversity training sometimes formed part of a broader client training course on climate fundamentals — causes and impacts, climate literacy, policies and planetary boundaries, effect on pension schemes and practical investment considerations and actions.

coping strategies. Bringing together 11 member organisations across 77 hours of engagement, the group held five virtual sessions, resulting in a [published paper](#) and an interactive [virtual tour](#), among others.

- Together with EOS, the TAI published a [biodiversity toolkit](#) that explores the connections between biodiversity loss, climate change, and the investment industry. It also offers practical steps and emerging tools for investors to address nature and biodiversity loss.



# Principle 4: Promoting a well-functioning financial system

## Activities and outcomes

The identification of, and activities related to, market-wide and system risks is considered across various teams within WTW Investments. We describe some of 2024 activities and outcomes below. Please also refer to [our research](#) and our [engagement](#) on climate and nature/biodiversity for other examples.

We believe that as a result of our activities our clients have gained a greater focus on systemic risks and the importance of working to mitigate them. We also believe that through our engagements with industry or regulatory groups we have contributed positively towards a well-functioning financial system.

### Thinking Ahead Group and Thinking Ahead Institute (TAI)

In 2024, the TAI identified systems thinking as one of their significant areas of influence.

In our increasingly complex world, systems thinking offers a new approach to problem-solving; one that is holistic in nature and looks to the interconnections and interactions within various systems to locate the root causes of issues — and find more effective solutions. It supports continuous learning and emphasises the importance of feedback loops, resilience and the long-term impacts of our actions (The Thinking Ahead Institute, [Systems thinking content hub](#)).

Systems-wide perspectives are evolving and challenging traditional economic thinking around

optimising individual investment outcomes, moving to managing the risks presented by exposure to economic systems as a whole from factors like climate.

[See our](#)

The TAI continued their focus on systemic risk in 2024:

#### Systemic risk: Adapting our practices

TAI's research paper on the growing concern around systemic risk, and how we can modify risk models, investment practices, and portfolio construction to address it



#### The simple, and enlightening, story of systemic risk

TAI's short guide to systemic risk that explains systems and the importance of approaching risk differently.



The TAI ran a dedicated systemic risk workshop as part of the System Curriculum series. This was attended by 70 asset owners and asset managers.

[Learn more about the TAI by reading our](#)

## Climate change as one of the largest systemic risks

We continue to see climate change as one of the largest systemic financial risks. As a result, 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. This includes proprietary physical and transition risk analysis. In addition, in 2024, our Head of Sustainability Solutions participated in the Association of Consulting Actuaries (ACA) conference, sharing insights around financial climate risk with the UK actuarial community.

### EOS

As previously mentioned, we have engaged EOS as an expert stewardship service provider. Please refer to our [EOS page](#) on EOS for their activity to address systemic, market-wide risks.

### Case study

## Working with a client to recognise climate as a systemic risk

In 2024, we completed a benchmarking review exercise to assess a client's sustainability approach and activities against several peers.

We covered various areas, including our client's net zero approach. We addressed whether our client, and its peers, explicitly recognise climate as a systemic risk in their policies. Recognising climate as a systemic risk means noting its effects across sectors and regions, which can be felt at a global economy level and hence also on the fund's ultimate financial objectives.

Following our review the client is in the process of updating its policies in this area.

### Case study

## Engagement with UK regulators around market functions

The appropriate teams at the Bank of England (BoE) and The Pensions Regulator are our key contacts for discussions around market function. The focus of these discussions are, typically, Gilts, Gilt Repo and UK Fixed Income markets more broadly — which are key assets in a lower risk pension scheme strategy. In 2024, in line with prevailing market-wide themes identified, we had productive discussions across a number of areas seeking to ensure the appropriate visibility and, in turn, necessary attention is given to them by policy makers moving forward. Our discussions focussed on:

- Residual risks we see in LDI following the 2022 Gilts Crisis
- The BoE's planned "direct lending" facility to stabilise the Gilt Repo market
- Our views on the "System Wide Exploratory Scenario" run by the BoE to look for areas of potential failure in UK markets
- The likely pace and impact of pension schemes buying out



### Case study

## Engagement with UK regulators around pension scheme reporting

During 2024, we discussed several topics with The Pensions Regulator to provide feedback and suggestions for improvements in areas relating to pension scheme reporting. Notable areas covered included how climate scenarios can be made more decision useful and current client sentiment on UK pension scheme TCFD reporting. We initially discussed and then shared a paper with the regulator on our approach to climate scenarios, with the aim of seeking to contribute to positive developments in this area via the incorporation of some of our views into future guidance. We also

discussed client feedback on TCFD reporting — in particular, the benefits of reporting in its current form, and how this could be enhanced in the future to maintain engagement and add value in an area where there are often resource constraints, especially with smaller schemes. We continue to engage, where appropriate, with the Pensions Regulator to input into the constructive development of these regulations.

### Case study

## European Union (EU) engagement by an external asset manager

### Background

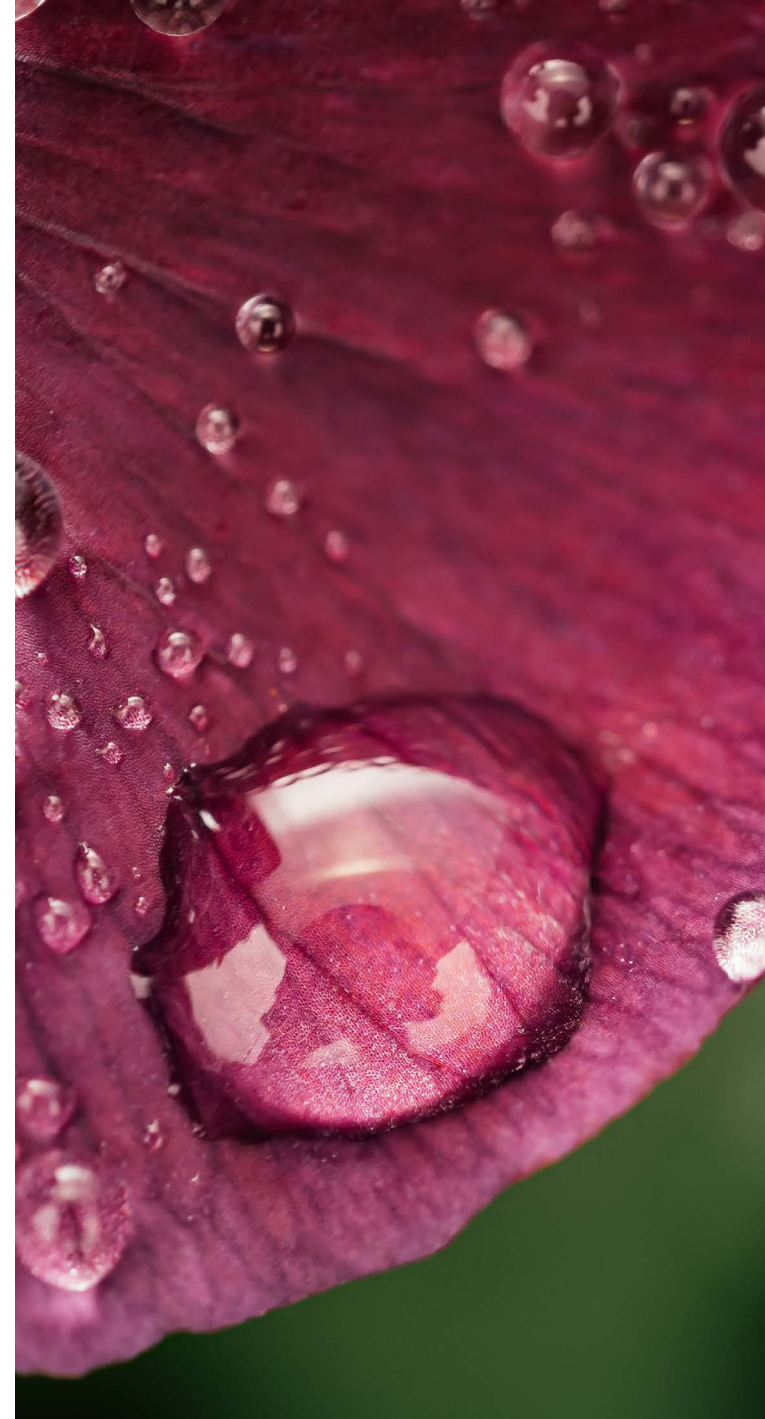
This external asset manager engaged with the EU to support the development of green bond markets. The goal was to advocate for the expansion of the green bond market and to ensure that the EU's strategies align with sustainable investment practices.

### Engagement


In June 2024, the external asset manager participated in a video conference with the EU to discuss market development, focusing on green bonds. During the session, they introduced their ESG approach and advocated for the development of the green bond market, including emphasising the importance of aligning with ISSB guidelines.

### Outcome

At the half-yearly funding update, the EU announced a specific focus on green bond issuance for the second half of the year. The announcement was aligned with the feedback and requests made by the external asset manager. The manager will continue to monitor the EU's green bond issuance plans as well as engage further with the EU to support the continued development of green bond markets and their integration into EU policy.







## 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 WTW 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 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

TWL and TWIM are subject to a wide range of regulatory requirements and each entity has a number of policies and procedures in place to meet these requirements. Each policy has a review process and, if necessary, is updated to ensure it continues to fulfil its purpose. Policies related to TWL and TWIM are located on the WTW Investments Compliance intranet website and accessible to all. Furthermore, the WTW Investments Compliance team will roll out appropriate training to staff so that they can conduct their roles with the right level of skill. For example, the FCA introduced the Anti Greenwashing rule in May 2024, and all relevant staff were given training on the subject. Please see [this link](#) for more details.

## SI and stewardship specific examples

### Leadership oversight and policy reviews

Within WTW Investments we have established a clear oversight structure with accountabilities and responsibilities as outlined in Principle 2.

Key policy documents and reports in respect of SI include:

- SI Policy document, which is reviewed annually, and is overseen by the GLT Sustainability Sub-Committee.
- This UK Stewardship Code report, which will be produced annually in line with signatory requirements, and be subject to thorough internal review and sign off including by members of our GLT Sustainability Sub-Committee, CIO (Europe and International), Head of SI, Head of Sustainability Solutions and respective entity Boards.

- Entity Level TCFD reporting, which is carefully constructed and reviewed internally, including by the appropriate members of the sustainability governance structure and relevant Entity Boards, to ensure adherence to the necessary regulatory requirements.

## 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 assisting them in successfully meeting their investment objectives. As such, we are often able to offer support and guidance to our clients around policies and processes, including in respect of SI and stewardship.

We believe that 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.



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

Independent intermediaries regularly review WTW Investments' SI and stewardship capabilities.

We believe that this provides a robust additional input and challenge to our process, supporting continuous improvement and integration of best practice. During 2024, 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 XPS, EY, LCP and PwC. We also received a series of broader fiduciary research questionnaires from Barnett Waddingham, IC Select and Isio during 2024 which were heavily weighted in our SI capabilities, particularly 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 2024 we made the following disclosures:

- Our first year of UK TCFD reporting for TWIM and TWL in compliance with the FCA's ESG sourcebook. As this was the first year of reporting, alongside input from multiple teams spanning the Investments business, we also received external support from an ESG specialist service provider who focused on helping to conduct an initial gap analysis on the entities and then aided in guiding reporting towards best practice. A review from external legal counsel to ensure compliance with the necessary requirements was also included as part of our reporting approach.
- Applicable EU SFDR regulatory disclosures
- The wider WTW firm corporate Sustainability Report

## EOS

We use EOS case studies in our reporting, and are satisfied that they have been reviewed for technical and editorial quality. The nature of our partnership with EOS as our stewardship service provider — including

effective communication channels, and participation in their yearly activities — gives us insight into their review and assurance processes. For example:

- 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 are reviewed by the named companies in advance of publication for fact checking.
- 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.
- 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. 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 culture of continuous improvement as described and evidenced throughout this report.**

In 2024, our Stewardship Code report was selected for a Work Excellence review in WTW Investments, in accordance with firm processes. Each year, key projects are selected at random to ensure review processes, including technical checks and senior oversight, have been implemented suitably. This involved showing evidence of various checks and reviews carried out during the report compiling period, appropriately organised and filed.

One area we continue to prioritise is the collection of high quality material, 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 external asset managers across different underlying asset classes. In 2024 we continued to work on this through: refining the questions we ask asset managers, leading the update of the Investment Consultants Sustainability Working Group UK (ICSWG) Engagement Reporting Guide which was published in November 2024, representing ICSWG members on the FCA Vote Reporting Group and continuing to support the use of data standardisation in private equity and real estate. Please refer to [our 2024 Engagement Report](#) and our [Engagement with Asset Managers](#) for more information.



## Section B — Investment approach

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

#### Context, activities and outcomes

**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.**

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

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

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.

To that effect, in the UK, we undertook Independent Client First interviews covering investments with over 30 clients throughout 2024, sometimes with multiple

individuals. Clients noted that they value the strength of their client relationships. Some suggestions were noted including:

- a refresh of our quarterly performance reporting which is currently underway
- further insight into our wider team resource and we have encouraged client leads to provide access to the wider client service team and specialist resource as required to demonstrate depth of research

We also look to undertake an annual survey with our UK advisory and delegated clients. As a result of a change in approach and systems, this survey is scheduled to be sent to clients in Q1 2025 rather than Q4 2024.

As mentioned in Principle 1, our investments activities to support clients 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.

SI and stewardship is integrated across our work with clients; here we describe how we do this across both areas of service.

### Advisory services

We recognise that our clients have different levels of ambition, resource, beliefs, and objectives around sustainability and operate in different business environments according to different governance structures, contexts and regulatory regimes. Our approach to supporting clients on SI, including stewardship and integrating financially material ESG issues is tailored according to this context.

To fully understand client context we collect feedback from clients in several ways. The most effective way is ongoing direct feedback from each client to their relevant WTW Investments consultant team, who they would typically work very closely with. We use this feedback as an input to customise our service and to direct our activities and service around SI.

#### **Some of the areas where we helped advisory clients in 2024, in alignment with their views and policies, included:**

- Aligning with relevant regulatory guidance, including supporting reporting requirements
- Reviewing and aligning clients' existing beliefs, investment strategy and policy in relation to SI and stewardship
- Helping clients define their SI and stewardship objectives and priorities, including helping clients to identify priority stewardship ESG topics

### Case study

## Training on navigating the 'S' and the 'G' of ESG

In 2024, we ran a focused training session on social and governance considerations — the 'S' and the 'G' of ESG. One of our clients had requested the training specifically, to be rolled out at their bi-annual 'Strategy Day'.

Our aim was to show the scope of social and governance issues, and the importance of prioritising those issues that are more likely to be material to financial outcomes in the future. We also wanted to highlight latest developments in the industry, and some of the challenges that come with engaging on social and governance issues.

To ensure relevance to our client, we included outputs on voting data from two of their key external asset managers on social- and governance-related shareholder resolutions. This allowed for insight into the patterns, convergences and differences between their two main external asset managers on these issues — and precipitated a further discussion on potential actions our client could consider:

- Reaffirming or updating current social/governance priorities and documenting these in their policy
- Considering social/governance sub-topics to prioritise, such as Antimicrobial Resistance (AMR) and document in their policy
- Engaging with their external asset managers on their work in the social and governance space

- Considering their existing exclusions policy
- Prioritising monitoring and engaging on the United Nations Global Compact (UNGC) red flags — a simple framework for understanding and identifying offenders on certain ESG issues

We were pleased that our engagement with the client resulted in tangible considerations that support effective stewardship, including considering new priority stewardship topics to focus on. This outcome provides an important reference point for overseeing stewardship activity and progress.

Antimicrobial resistance (AMR) is a rapidly emerging public health risk, with the potential to put modern medicine practices at risk, which may have financial material impacts on asset owner investments. The World Health Organization has identified AMR as one of the [top global health threats facing humanity](#). Asset owners can play an important role in engaging with governments and policymakers on AMR, as well as engaging with asset managers.

For this session, AMR was the topic that received the most engagement from the group. It was encouraging to see our client's recognition of AMR's relevance as a risk, and their role in engaging on it.

- Training regarding the latest SI trends and developments — for example systemic financial risks, evolving in good practice climate reporting and goal setting, training on nature/biodiversity, training on social factors.
- Comparing SI and stewardship investment policies of peers
- Working with clients to identify managers with strong stewardship credentials or strategies offering both attractive returns and impact contribution
- Assisting clients in the appointment of a third-party specialist stewardship provider
- Providing monitoring and reporting on the stewardship activities of external asset managers and supporting the client's engagement with external asset managers
- Helping clients measure and manage physical and transition climate risks
- Supporting clients with climate reporting, including target setting, metric selection and the rationale for these
- Supporting clients with other aspects of SI and stewardship reporting

### Delegated investment services

Our approach to integration of SI and stewardship follows principles set out in our [SI Policy](#).

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

### Case study

## Helping a client manage climate and broader SI-related risks

Over the year we worked with a DB scheme on a large SI project. The trustee of this client has a net zero goal which is important to them and, as a result, they have a strong focus on climate change. The project included developing an improved set of SI dashboards, to be updated annually, to assist the trustee on managing climate and broader SI-related risks throughout its investment portfolio over time.

Part of this work involved educating the trustee around the importance of using a balanced scorecard of metrics to manage climate risks, including portfolio engagement monitoring, in order to track progress against the trustee's net zero

goal. The output from the dashboards complements the scheme's annual climate change report requirements, and provides the trustee with further information and analysis on various metrics and comparable benchmarks.

As part of this project, a SI reporting timetable has also now been put in place to cover the various different aspects of SI, ensuring a holistic review is undertaken throughout the year. This includes horizon scanning, a stewardship update and climate laggards analysis, as well as an annual SI review of the scheme's underlying investment managers.

sustainability-related investment principles and beliefs are applied by portfolio management teams so that SI considerations are integrated into decision making in a financially rational way.

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.

Given the prioritisation of climate change as a critical and systemic issue by many of our clients, this is an important area of the portfolio construction process across many of our solutions. In particular

understanding portfolios' financial climate risk exposures and identifying investment opportunities with sufficiently attractive risk/reward profiles.

Climate scenarios are translated into the likely impact of sustainability issues on asset values/returns. To assist with our engagement with external asset managers and monitoring of stewardship activity, we use our granular climate transition risk assessment to identify individual portfolio positions which may be exposed to higher financial climate risk.

## Terms of service for clients

SI considerations and stewardship are typically embedded within agreed scope and terms of services for a client 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 an important client deliverable: we help clients develop stewardship policies and support their activities. We are able to support clients in various ways depending on their level of stewardship ambition and resources.

It is common that SI and stewardship are elements of how clients regularly assess our overall services to them.

## 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.

Examples of reporting outputs are below:

### SI client reporting

- Key sustainability data for the portfolio is summarised
- Engagements shown at multiple levels: WTW Investments' engagement with external asset managers; engagements with issuers by managers; engagements by EOS (where applicable)
- Shows where engagements were focused to help clients track alignment with their stewardship priorities

**Many of our clients have identified private market climate solutions investments as an area of interest. Below we provide two case studies from 2024.**

### Case study

## Green Transition Private Equity specialist in Europe

In early 2024, one of our funds committed to a European private equity strategy.

The opportunity set focused on green transition scale up opportunities, offering high potential returns, as well as positive linkages to sustainability. Our team assessed the external asset manager and identified an excellent track record, with a strong reputation and network across the climate solution space.

The strategy is focused on the Nordic region due to its dominant position globally in leading the green transition, with conducive legislation and government policies.

We believe this was an opportunity to invest in scale-ups of newer but proven industrial processes or technologies which meaningfully reduce global greenhouse gas emissions.

### Case study

## Sustainability linked Private Equity in North America

One of our funds committed to a US private equity strategy within our preferred segment (lower middle market buyout) in Q3 2024. The strategy is to invest in four key focus areas where growing demand for climate solutions is driving accelerated growth and investment opportunity. These thematic areas of focus include: (i) AgTech transition; (ii) energy transition; (iii) industrial transition; and (iv) built world transition.

Our team found that the external asset manager has a strong, stable team who have developed a track record of investing in these types of businesses across the external asset manager's platform. The timing of the fund investment was attractive as the portfolio was already seeded with three platform deals that were exhibiting attractive performance, yet investors were still able to come into the fund at investment cost. Since then, the external asset manager has delivered a strong early exit, locking in a 3.1x gross multiple return for one of the platform deals.



### Asset Manager SI reports

- Detailed assessments of the SI practices of external asset managers
- Covers ESG integration and stewardship (engagement and voting)
- Through regular deep dives we identify priority actions which may lead to engagement and escalation, further data interrogation and analysis, and changes to capital allocation decisions

### Implementation Statement reporting

- We support many of our UK clients with their reporting for Implementation Statements
- Involves reviewing and summarising engagement and voting activity across stewardship priority topics identified by the client
- Summarising stewardship oversight related actions by the trustees over the year

## Activities to support high quality reporting for clients

### Portfolio analysis

This year we have continued to invest in Jacobi, a comprehensive multi-asset portfolio construction and reporting tool, which incorporates a range of climate metrics that leverage accepted methodologies. 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.

To enhance usability, Jacobi displays time series data for each metric.

Jacobi is a dynamic platform, evolving to meet global and regulatory reporting requirements. WTW Investments 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 SI monitoring and reporting process.

Extensive effort has been invested in developing Jacobi, adding additional metrics to support reporting needs and incorporating features like data quality measurements for carbon metrics. This enables the team to gain insights from various data sources and make more informed decisions.

### Vote activity analysis

In 2024 we continued to 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 analyses 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 used this tool to highlight case studies for discussion where an external asset manager's vote on a particular resolution seems inconsistent with their stated policies, inconsistent with other voting the external asset manager has undertaken, or where the external asset manager has taken a different view to most other market participants.

This analysis was used directly by some of our clients to help them to better understand the level of alignment between any voting principles they have and the voting activity of their external asset managers. This enabled them to have more informed discussions with their external asset managers.

### Collecting engagement activity information from external asset managers

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 2024 we led the annual update of the ERG working with other consultant members of ICSWG. Collectively we agreed on some simplifications to the guide, following feedback from external asset managers around the practicalities of stewardship reporting. The updated version of the guide was agreed and published on the ICSWG website.

### Client communication from EOS

To supplement our own client communications, EOS provide a range of high quality, formal, qualitative and quantitative reporting on a regular basis covering engagement and voting.

Please also refer to the section 'How we shared our clients' priorities with EOS over the last year' in the

## Spotlight on: EOS

EOS is a well-established stewardship service provider — specialising in helping institutional investors to be more active owners of companies and fulfil their fiduciary duty.

We have engaged EOS to supplement and add to the stewardship work performed by the external asset managers we work with. Our use of EOS highlights our commitment to effective stewardship.

### How we shared our clients' priorities with EOS during 2024

- EOS attended an event with WTW Investments' clients to describe their work over the year. As part of this event, all attendees shared their priority stewardship topics with EOS.
- Our Head of SI chaired the EOS Client Advisory Board. During 2024, this helped to support the communication of our clients' ESG priorities and objectives.
- We responded to the EOS annual survey.
- We encouraged greater focus on nature/biodiversity related engagements and on market-wide stewardship activities.

### EOS's work in 2024

EOS's [2024 Annual Review](#) summarises their approach, activities and outcomes over the year.

A reminder of EOS's engagement process:

- EOS sets a specific objective for an engagement — an outcome they're looking to achieve.
- Each objective is tracked using EOS's milestone system — a four-stage process to monitor progress of engagements against objectives.
- EOS's specialist team engage with companies directly — every call, meeting or correspondence is recorded as an action.

### Engagement and voting numbers

Across WTW solutions and client services, EOS engaged

over **750** companies across regions  
over **3,500** issues and objectives

**62** companies in EOS's core programme featured engagements with the CEO or chair

### Priorities and themes

- EOS focus their work on priority themes, as well as expanding themes, throughout the year. They maintain a comprehensive engagement plan covering these, and other areas.
- Priority themes remained: climate change, human and labour rights, human capital, and board effectiveness, with expanding themes: nature and biodiversity, digital rights and artificial intelligence (AI).

Below we have outlined work undertaken by EOS in 2024 to address three different sustainability themes.

This highlights the breadth of EOS's engagement with companies, policy makers and industry bodies.

### Thematic engagement by EOS — biodiversity and natural resource stewardship

Over the year, nature-related issues remained an engagement priority across key sectors. In 2024, EOS's expectations of companies evolved to include addressing marine and terrestrial biodiversity loss across their value chains, in line with the Global Biodiversity Framework (GBF). They continued to encourage companies to assess and disclose their nature-related impacts, dependencies, risks and opportunities, as per the Taskforce on Nature-related Financial Disclosure (TNFD) recommendations. They emphasised the importance of supply chain oversight and governance of nature-related issues.

Some highlights and positive outcomes from 2024 include:

- Responding to three TNFD sector guidance consultations for food and agriculture, beverage, and apparel, accessories and footwear.
- Raising the issue of water security — resulting in four food and beverage companies conducting water risk assessments, with one setting a goal to identify 100% of manufacturing sites located in water risk areas by 2030. Engagement on water security also resulted in progress on an agricultural commodity company's water restoration goal, and further discussions with other companies on the harms of plastic.
- Engaging on maintaining momentum towards deforestation goals with focus companies.
- Attending the Biodiversity COP16 in Colombia, as part of the Finance for Biodiversity Foundation delegation, where EOS co-chairs the Policy Advocacy Working Group.
- Strengthening engagement on biodiversity with French supermarket operator Carrefour, given its significant impacts and dependencies as a food retailer.

Please see pages 19 – 22 of EOS's 2024 [Annual Review](#) for details and case studies.

## Thematic engagement by EOS — digital rights and AI

Digital technologies, particularly AI, introduce unprecedented opportunities for businesses alongside ethical dilemmas, as well as reputational and legal risks. In 2024, EOS — who have been engaging on digital rights since 2012 — continued to focus engagement on AI governance and ethical use principles, privacy and freedom of expression, and negative societal impacts with a strong focus on children and young people.

- Following engagement with Baidu, the company published its AI Ethics Measures, which cover many aspects that EOS expects to see, including core principles, oversight by the technology ethics committee, ongoing AI training, participation in the development of industry standards and stakeholder engagement.
- Following engagement with GSK in 2023, asking the company to adopt a responsible use policy for AI, GSK shared a draft responsible AI use policy in early 2024, seeking EOS's feedback. EOS suggested that GSK could include details on which board members had oversight of AI use, as well as clarity on what reporting structures and procedures were in place for AI use. GSK reached out again in March 2024 to confirm that it had published its Responsible Artificial Intelligence policy on its website and highlighted that it was able to incorporate some of EOS's recommendations into its final policy document.

Please see pages 26 – 28 of EOS's 2024 [Annual Review](#) for details and case studies.

## Thematic engagement by EOS — human rights engagements in high-risk regions

EOS understands that without a commitment to protecting human rights, companies could face various penalties and potential disruptions, as well as damage to their social licence to operate and hence ability to deliver value for their investors. EOS participates in working groups related to human rights, facilitating engagement and knowledge-sharing (e.g. on engagement approaches in high-risk regions), through the Investor Alliance for Human Rights and the Principles for Responsible Investment's Advance initiative.

- In 2024, EOS undertook outreach to a select group of companies, including some of those identified by the United Nations Human Rights Council (UNHCR), to clarify their exposure and discuss human rights within the framework of their approach. They sought evidence that companies had rigorous human rights practices that applied across all business activities and that they were effectively managing associated risks.
- In total, EOS engaged with 22 companies regarding their exposure via correspondence and virtual meetings — and expects to continue their dialogue with these companies on this issue and their wider human rights performance.
- There is considerable complexity around engaging on human rights issues in high-risk regions. EOS's engagement with Volkswagen Group, following concerns about the risk of human rights is indicative of this. For the full case study, please see page 25 of EOS's 2024 [Annual Review](#).



# Principle 7: Stewardship, investment and ESG integration

## Context

### How we integrate stewardship

We recognise our role in helping to improve financial outcomes and see effective stewardship as key to this. We seek to exercise our stewardship responsibilities, either directly or via third parties, across various activities which are covered in this report:

- **External asset manager engagement**
- **Issuer and asset-level engagement**
- **Voting**
- **Policy engagement and working with industry groups**

#### a. External asset manager engagement

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

Please see our [Investment Stewardship](#) on WTW Investments' engagement with external asset managers for information on how we do this as well as [Investment Stewardship](#) for some case studies.

#### b. Issuer and asset-level engagement

This engagement is the responsibility of the external asset managers we work with. It is therefore a key part of our research and engagement with managers (as above) to assess their engagement capabilities and practices (see [Investment Stewardship](#)).

To supplement corporate engagement carried out by external asset managers, specialist stewardship provider EOS provides additional corporate engagement for several of our funds. See [Investment Stewardship](#) and the [Investment Stewardship](#) on EOS for some case studies.

#### c. Voting

Voting on equity shares is an important and visible engagement tool. See our comments under [Investment Stewardship](#) for our approach in this area.

#### d. Policy engagement and working with industry groups

Please refer to [Investment Stewardship](#) and [Investment Stewardship](#) for examples of our work with industry groups.



## How we systematically integrate ESG across each asset class

As per the below, we aim to 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 SI is incorporated into our advisory service and delegated portfolio management approach. In this section we dig deeper into our integration of SI within different asset classes.

### 1 Public equity

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

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

We assess the ESG risk profile of equity portfolios and, where relevant, challenge external asset managers on particular holdings by drawing on stock-specific data supplied by third-party research providers and our own proprietary climate risk metrics. 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 resourcing made available to integrate ESG and conduct effective stewardship, including people, tools and data.

### 2 Private equity

Within the private equity space, capital is invested in companies with a long hold period and the general partner (GP) may be a majority owner of a company. This presents a strong opportunity for ESG integration and effective stewardship. It is expected that GPs will carefully integrate financially material sustainability considerations throughout the investment process, with ESG risks and opportunities identified early on during the diligence phase. If appropriate to the given strategy, tailored ESG objectives may be set for individual portfolio companies, which can be executed during the value creation phase. We have engaged with generalist managers across all strategies to encourage management of financial ESG risks, including climate transition risks. We have also encouraged better data collation from underlying companies by GPs.

### 3 Credit

Financially material 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 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 important.

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.

Sometimes 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 and client requirements, we sometimes actively seek credit strategies with positive environmental impact by utilising the Institutional Investors Group on Climate Change (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. 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 important to analysis and monitoring, promoting increased engagement.

#### **4 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 and effective stewardship. As such we believe the best opportunities for long-term sustainable financial returns are achieved by considering financially material ESG in all parts of an asset manager's investment decision making and philosophy.

We assess each external asset manager's stated approach and policies, but also consider it even more important to understand the applications of their policies in practice by discussing specific assets held in their portfolio. We expect lead fund manager(s) to have a good understanding of 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 have helped external asset managers seed new strategies with exposure to themes that create positive sustainability-related tailwinds and offer attractive financial returns. Examples include strategies focusing on sustainable indoor agriculture, renewable energy, social and temporary housing and waste to energy plants, forestry, natural capital strategies, biodiversity and Electric Vehicle (EV) charging.

#### **5 Liquid diversifiers, including hedge funds**

Financially material ESG considerations are integrated into our 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 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 may impact asset prices over the possible holding period, we expect external asset managers to reflect this in their investment thesis, financial models and ownership activities.

From an external asset manager's bottom-up research perspective, there is often the need to assess if poor governance negatively impacts the credit worthiness or valuation multiple of an issuer. From a top-down perspective strategies may require an assessment of broader ESG thematic risks such as exposure to changes in carbon targets or regulations. For external asset 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.

## **Activities and outcomes**

Please see our [Annual Report](#) on WTW Investments' engagement with external asset managers for highlights of outcomes in 2024, following engagements on key issues, including integration of stewardship.

# Spotlight on: WTW Investments’ engagement with external asset managers

Engagement with external asset managers, both to improve practices and to guide product design, is a key activity for the Manager Research team and one of the key stewardship activities we undertake.

A foundation for this engagement work is the Asset Manager SI Reports, produced by the team. These reports provide a baseline of where external asset managers sit in the various elements of sustainability, and also provide us with data to a) see particular external asset managers who we can engage with to improve approach, while supporting financial outcomes and b) track improvement across the portfolio over time.

With closed-end funds, we often have representation on investor advisory committees which also 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.

## Key topics of engagement in 2024 included:

- Being able to measure and report climate related portfolio risks.
- Providing transparency of engagement activity including at mandate level.
- Modern slavery and human trafficking policy, reporting and statement.
- The manager’s culture and approach to human capital management.

### In 2024, our Manager Research team:

- Collected data from around 1,200 products and produced over 800 SI Manager reports for client use.
- Researched over 150 sustainability-themed strategies.
- Conducted engagements on over 70 external asset managers covering over 100 products across different asset classes.
- We saw a good level of receptiveness to suggestions for improvements with most asset managers making progress in 2024.

In addition to external asset manager-specific engagement conversations our global series of Manager Ideas Exchange (MiX) events aims to foster idea exchange within the asset management community:

- Over 2024, we hosted a mix of in-person conferences and virtual events.
- We engaged with over 400 asset management companies.

- Colleagues covered key sustainability topics, e.g. how we measure financial transition and physical climate risks.

## Highlights of work and activities from across our asset class streams in 2024

### Public equity

- With the aim of ensuring that financially material climate risks are assessed and managed, in 2024 we continued our research and engagement on public equity strategies, with a particular focus on strategies in our Global Equity Focus Fund.
- We continued to engage with external asset managers on greater disclosures aligned with industry standards and practices such as reporting on strategy-level climate metrics. We also advocated for external asset managers to provide modern slavery statements to clarify their position as a firm.
- We reviewed and enhanced our key questionnaires to asset managers for our ongoing assessment and monitoring.

### Private equity

- In 2024 we researched over 80 private equity strategies with a climate or environmental focus, and we awarded a ‘Preferred’ rating to one climate fund.
- We continued to engage with external asset managers to disclose climate related data. All funds that we rated as ‘Preferred’ during 2024 will report on emissions. Some of these managers have not been reporting on emissions historically and have agreed to do this following our engagement.



- We engaged with GPs on the topic of aligning with net zero in order to manage financial climate risk. In 2024, we saw evidence that several GPs had taken action to reduce emissions in their portfolios.
- As a member of the ESG Data Convergence Initiative (EDCI), we continue to encourage GPs that we work with to participate in the initiative to improve the transparency of data available to investors. Our engagements with GPs contributed to many joining the initiative in 2024. See [here](#) for more information on our EDCI membership.

### Credit

- In 2024 our credit team completed projects researching three Buy & Maintain mandates (covering sterling, euro and global universes) that include climate related objectives.
- We continued to engage with external asset managers on improving their mandate-level ESG and engagement reporting so that all issuer types are covered. We saw significant milestone improvements in some cases.
- We published an [article](#) on ESG in securitised, one of the most difficult asset classes to measure and report on.

### Real assets and infrastructure

- Using data we collect annually on external asset managers/products we were able to hold comprehensive engagement sessions with our managers over 2024 to explain the results of our assessment and agree areas to improve for the forthcoming year.
- Throughout our engagement with external asset managers in 2024, we continue to be successful in 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) or to other suitable providers.
- We encouraged external asset managers to engage, and collect climate related data from, underlying tenants / portfolio level companies. Progress is being made albeit there is still somewhat to go before data collection is comprehensive.
- For certain sectors such as infrastructure (PPP/PFI) or Ground Rents, the underlying assets are owned by intermediaries (such as public sector counterparties). We have been encouraging the managers to engage with these counterparties whenever possible.
- We have been asking external asset managers how they consider the biodiversity impact from their assets. The focus for many managers is to try to understand what types of biodiversity impact they will need to consider. This differs depending on the type of asset and where it is located. Some of the more advanced managers have already started thinking about how to establish the baseline and implement biodiversity strategies within the products.
- We are continuing to look at new/evolving sectors such as hydrogen, biodiversity net gain, carbon capture, sustainable agriculture and natural capital related investments.

### Liquid diversifiers including hedge funds

- The team has continued to research and engage with new strategies and also continued to engage with managers to improve ESG reporting. We have worked as part of the ICSWG working group and implemented the new IIGCC methodology for assessing the sustainability characteristics of portfolios using derivatives and shorting.

One of our senior researchers for Liquid Diversifiers took on the role of co-head for the ICSWG working group on net zero reporting for derivatives in 2024. This involved engaging with the broader UK investment consulting industry, regulators (Financial Conduct Authority (FCA), European Securities and Markets Authority (ESMA), Commodity Futures Trading Commission (CFTC)), large asset owners, academics, UN Principles for Responsible Investment (UNPRI), IIGCC, Standards Board for Alternative Investments (SBAI), MSCI, and various hedge funds to drive a more standardised approach to net zero accounting for shorting and derivatives. The final ICSWG report provides clear guidance and a workable way forward for consultants to report climate related metrics for hedge fund mandates.



# Principle 8: Monitoring external asset 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 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 2024.

## External asset managers

Please refer to:

for our resource structure including our Manager Research team who are specialists in asset manager monitoring.

for comments around how we report this analysis to asset owners.

for how we assess SI and stewardship practice of external asset managers including asset class specifics.

**and**

for case studies of our engagements with external asset managers.

## Data providers

We recognise the importance of data in all aspects of investment, including SI and stewardship. We have made significant investments in obtaining high quality data to enable us to provide 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.

## Case study

# Our engagement with an external asset manager — engaging with a credit manager on their ESG reporting capabilities

## Background

At the start of 2024, our team met with the lead PM for the external asset manager's strategy, as part of a refresh of global corporate bond managers. Following a productive meeting covering the team, portfolio and investment process, we conducted a second meeting dedicated to ESG and transparency of reporting. During this meeting, which included attendance from the external asset manager's ESG investment director, the decision was made to terminate the research process.

## Engagement and outcome

We felt that the external asset manager's ESG and reporting processes were materially behind the wider peer group, and that it was appropriate to pause engagement.

Rationale for terminating the research process:

- There was a heavy reliance on 3rd party data providers for ESG scoring, and the external asset manager's processes were largely in place to address immediate client demands, rather than thinking about longer-term needs.
- We noted that the external asset manager had an engagement framework, but this seemed to be run predominantly by the equity team rather than the credit team. In addition, there was no conflict of interest policy between equity and debt investors at the firm.

- We also found that ESG and RI was an overlay for the team, rather than an embedded part of their investment process. Much of the reporting was done based on client requests, rather than as standard — and dedicated ESG meetings did not include any representation from the investment team. When we questioned the ESG investment director on this, it was confirmed that analyst and PM involvement was light touch.

We shared this feedback with the investment team and investor relations team, explaining that the key reason for us not continuing our process was due to their lack of ESG integration. To assess the manager's appetite and ESG reporting capabilities, we asked the team to complete the ICSWG engagement reporting template, and found that they were able to do so quickly.

Since terminating this process, we have frequently checked in with the external asset manager to assess their progress in material areas of concern we had highlighted. As yet, the team have not implemented any recommended changes but they list them as work in progress.

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. We have had numerous additional meetings where we offer feedback to MSCI on different process developments. During 2024 year we investigated MSCI data fields related to climate alignment and biodiversity. In each case we compared MSCI metrics to data available from other sources. At the time of writing both areas were ongoing areas of investigation.

Within private markets in order to improve the quality of data we receive from external asset managers we continue to support certain standardisation efforts such as the ESG Data Convergence Initiative (private equity) — see comments in our on WTW Investments' engagement with external asset managers.

## Stewardship specialists

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 clients' requirements.

We have a dedicated relationship manager within both WTW Investments and EOS, and regular communication and reporting.

We believe that EOS have delivered a high quality service during 2024. To help illustrate these activities and outcomes, we would highlight the EOS 2024 [Annual Review](#) and our [EOS](#) on EOS.



## Section C — Engagement

### Principle 9: Engagement

We seek to exercise our stewardship responsibilities across a range of activities. As noted previously, this includes issuer and asset-level engagement via external asset managers, external asset manager engagement, policy engagement and working with industry groups.

Here we reiterate some key highlights and examples. Policy engagement and working with industry groups is addressed in [redacted] and [redacted]

Engagement with external asset managers

#### Activities and outcomes

Please refer to [redacted] and our [redacted] on our engagement with external asset managers which include focusing on: asset class specific considerations, our main engagement priorities and outcome highlights.

### Case study

## Our engagement with an external asset manager — improved reporting for CLO and European loan strategies

### Background

We had been engaging this external asset manager on their reporting capabilities for two of their strategies (a collateralized loan obligation (CLO) mandate and a European loan mandate), for some time. In particular, we were looking for them to produce climate reports and engagement reports for both mandates to improve transparency.

We engaged with the investment team, investor relations and the head of ESG at the firm on this topic. This included providing information on why we made these requests and what we believe to be best practice as well as providing feedback on initial draft reports.

### Engagement

In Q1 2024, the external asset manager produced their first climate report and engagement report, in line with the ICSWG template, for their European loan fund. However, they were hesitant to produce reports for their CLO fund due to a lack of available data and guidance on how to produce a climate report for CLOs.

We continued with the engagement and made recommendations to the head of ESG at the firm as to how their team could produce initial reports. This included discussing how the team could amend the ICSWG template to best fit the asset class and how they could estimate carbon emissions from proxied calculations using existing data sources.

### Outcome

By the end of 2024, the external asset manager had committed to producing their first engagement report for the CLO fund in Q1 2025. The climate report for the fund remains a work in progress for now but we continue to check in with the team and provide pointers where possible, including, for example, discussing the recent PCAF methodology for climate accounting in securitised assets.

We also continue to engage with the team on improving the quality of their European loan fund reporting and are currently looking for them to include information on areas such as escalations.

### Case study

## Our engagement with an external asset manager — engaging a credit manager on improving their reporting

### Background and ongoing engagement

WTW Investments engaged with this manager on strengthening their fixed income stewardship practices to better align with fixed income investors. Specifically, we have been working with this manager on producing mandate-level engagement reporting, in line with the ICSWG template.

### Outcome

This had led to the manager producing regular reports — quarterly mandate-level engagement reports in line with the ICSWG template. In addition, the manager is working on crafting a client-friendly version of these reports to add to quarterly packs, including examples with issuers flagged in TCFD and ESG reporting.

### Case study

## Our engagement with an external asset manager — transparency around EU Taxonomy investments in a real estate debt strategy

### Background and engagement

This is an external asset manager who, as part of their strategy to manage financial risks, seeks to lend on buildings with strong ESG characteristics. We engaged with them to report on the proportion of properties that could be considered eligible under the EU Taxonomy — which could contribute to our clients' climate goals and disclosures. We discussed this with senior leadership at the external asset manager, including the Head of the Real Estate Debt platform. We also outlined that a lack of improvement may result in challenging discussions about new commitments in the future.

### Outcome

- Following our engagement, the external asset manager agreed to develop a plan for how they could report on this data
- They have also provided draft reporting for us to review
- We continue to engage with them on this topic as part of promoting the disclosure of data to help our clients

### Case study

## Our engagement with an external asset manager — engaging in the reinsurance space

### Background

In February/March 2024, the research team became aware of a growing concern from climatology experts and reinsurance managers that the US hurricane season (July-November) was going to be extremely active. Asset managers do not usually act on these forecasts until closer to the hurricane season (usually around end of Q2), as they have less certainty before then. However, on this occasion, the warning signs came early and were very strong.

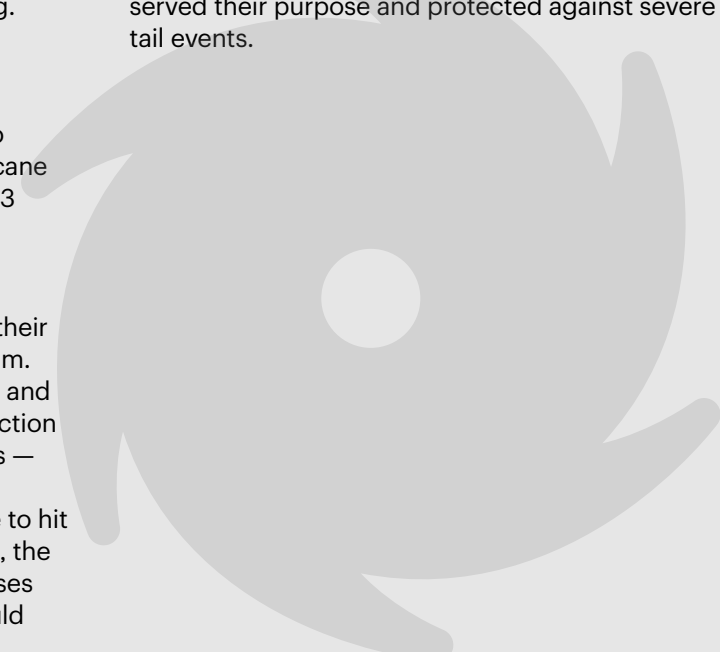
### Engagement

We therefore communicated with this external asset manager early, and expressed a desire to protect the portfolio against extreme US hurricane loss scenarios. Engagement took place over 2-3 conversations, and included the CIO and the investment team.

In turn, the external asset manager consulted their climatology experts and in-house analytics team. They shared stress tests, scenario analysis etc, and worked with us to determine the level of protection to put on. This is done via selling ILW contracts — in practice, these hedges meant that if a large hurricane (or numerous large hurricanes) were to hit peak US regions, causing major insured losses, the portfolio was protected against paying out losses above a fixed threshold that we otherwise would have been exposed to.

### Outcome

Ultimately, while the year saw several billion-dollar hurricanes make landfall, the US hurricane season was not as active/intense as was forecast and so the hedges were not triggered. Despite this, we are happy with the results of our engagement to reduce risk as probabilistically, we (and the external asset manager) believe this was the correct course of action, and in many scenarios they would have served their purpose and protected against severe tail events.



## Case study

### Our engagement with an external asset manager — engaging a private equity manager around reporting and awareness of ESG related opportunities

#### Background

As part of our diligence process for an external asset manager, we held a call to discuss their approach to managing financially material ESG risks and to provide feedback on areas for improvement. We also wanted to highlight latest best market practice.

#### Engagement and outcome

Our recommendations included:

- Implementing emissions reporting. The manager agreed to start with scope 1 and 2 emissions reporting, with ambitions to expand this to scope 3 over time. We shared contact information for a number of consultants who could support them with data collection for this reporting.
- Joining the ESG Data Convergence Initiative. This would support them by aligning their reporting with the metrics outlined by the initiative.

- Considering ESG opportunities during the diligence process. Historically, they had only assessed ESG risks in the diligence process and had not yet considered potential ESG opportunities as a lever to create value. We have encouraged them to think about ways they can implement ESG initiatives that generate financial value, for example improving the circularity of a business or reducing energy usage.

We're pleased that our engagement with the external asset manager over the year led to their agreement to implement emissions reporting across their portfolio.

## Issuer and asset-level engagement

### Activities

Given the scope of our advice and solutions to clients and the wide range of external asset 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 four delegated solutions/client services we provide which, combined, represent a substantial and representative portion of EOS engagements across our wider asset base. The underlying four solutions are: Irish-domiciled Towers Watson Global Equity Focus Fund, Alliance Witan, LifeSight and Towers Watson Alternative Credit Fund. These represent a mix of equity, credit and multi-asset strategies.

External asset managers we work with exercise active stewardship in respect of the securities to enhance or protect the value of those securities. Our manager monitoring process is described separately in this report. Corporate engagement by the external asset managers is supplemented by engagement carried out by EOS.

EOS measures and monitors progress on 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 may be 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 2024, EOS engaged on over 3,500 issues and objectives across the combined set of corporate exposures across the solutions/client services noted above. The split of these engagements is shown to the right. Note that we count both engagements where there was an action over 2024 and engagements from a prior period which led to the company achieving an engagement milestone (see below) in 2024.

### 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:

1

A concern is raised with the company at the appropriate level

2

The company acknowledges the issues as a serious investor concern, worthy of a response

3

The company develops a credible strategy to achieve the objective, or stretching targets are set to address the concern

4

The company implements a strategy or measures to address the concern

Milestone progress

Source: EOS, December 2024

Figure 1. Split of EOS engagements by topic in 2024

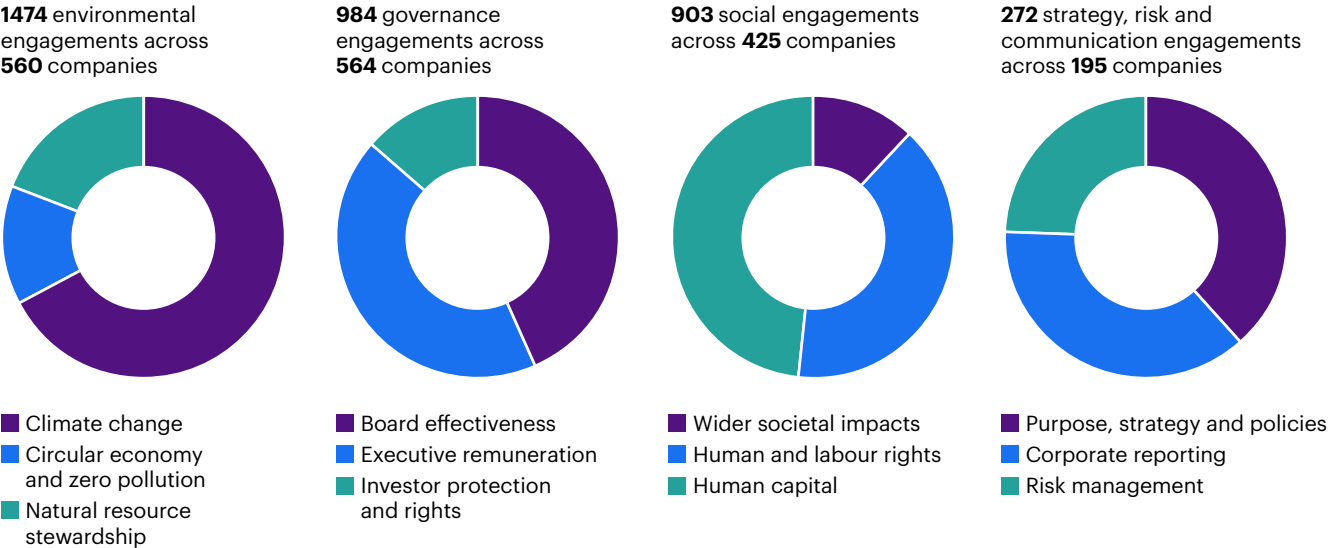


Figure 2. Engagements with objectives: progress across headline categories in 2024

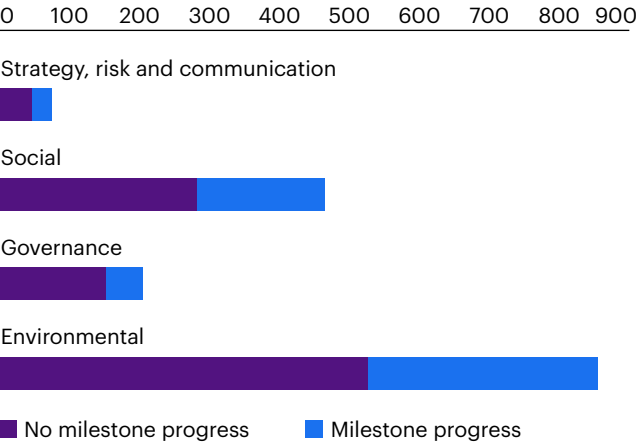
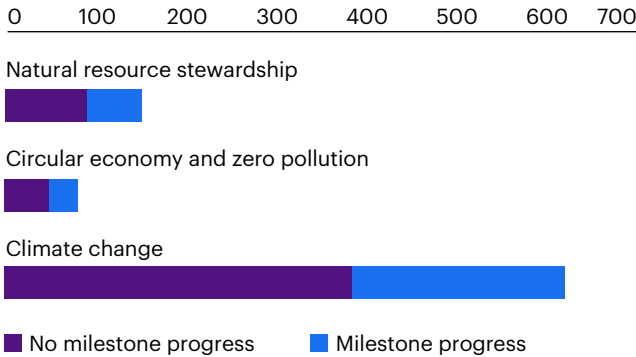
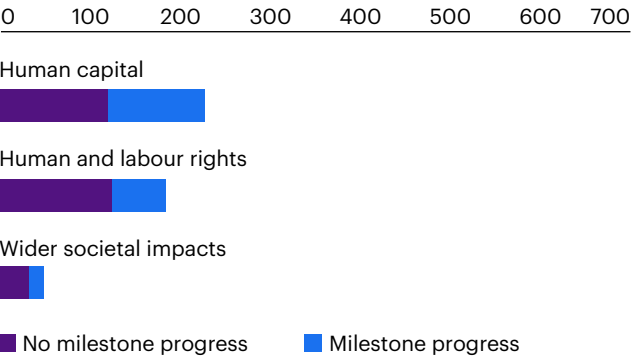


Figure 3. Engagements with objectives: progress across sub categories in 2024

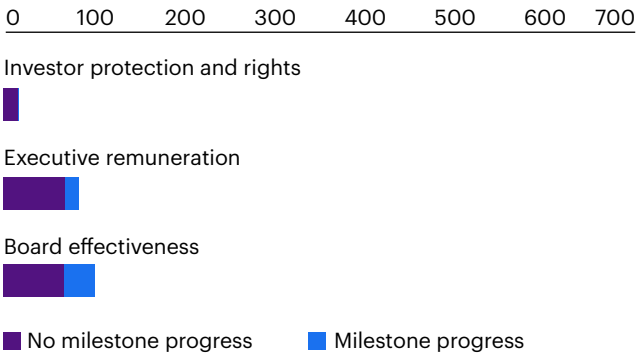
Environmental



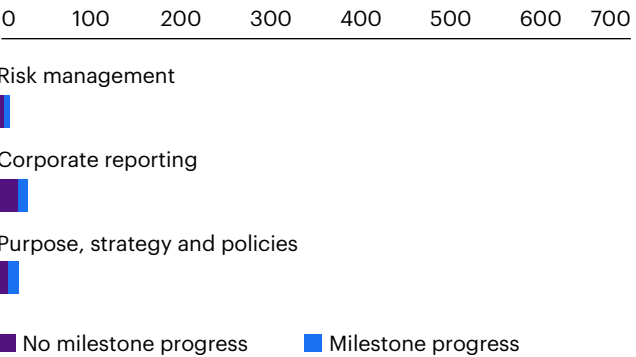
Social



Governance



Strategy, risk and communication



### Case study

## External asset manager engagement with an American chain of superstores

### Background

The external asset manager began engagement with the company due to its lack of alignment with the fund's financial climate risk KPIs, specifically in terms of greenhouse gas (GHG) emissions disclosure. The manager's goal was to encourage the company to conduct a GHG inventory and begin disclosing its emissions. They also aimed to manage risk through advancing the company's sustainability efforts.

### Engagement

Engagement with the company evolved positively over 2024. The external asset manager held several meetings with the company's Chief Sustainability Officer (CSO), who has been highly receptive to their engagement efforts and input. The engagement

focused on GHG emissions disclosure and wider climate risk management. Discussion topics have included California regulatory readiness, as well as upcoming Extended Producer Responsibility (EPR) regulations.

### Outcome

The external asset manager's engagement has been successful in achieving key milestones. The company now discloses GHG emissions and has set a credible interim reduction target in order to manage financial climate risk. We understand that the external asset manager's consistent engagement, including offering guidance on regulatory readiness and best practices, has been a material driver in these changes.

### Case study

## External asset manager engagement with a healthcare company

### Background

The external asset manager engaged with the company to address its challenges in labour wage pressures for caregivers. Their goal was to encourage the healthcare company to advocate for higher reimbursement rates to improve the cost-effectiveness and quality of in-home care, ensuring patients could remain in an affordable, preferred setting. This strategy could also enhance financial value to investors.

### Engagement

The manager engaged with the company's executives to discuss the issue of labour wage pressures and reimbursement rates.

### Outcome

The company successfully received reimbursement rate increases in various states, enabling it to meet service demand within those regions. The company continues to advocate for rate increases in other states, too. The manager will continue to monitor the company's progress in these states and engage on further reimbursement rate advocacy.

### Case study

## External asset manager engagement with a firm's underlying portfolio company on governance concerns

### Background

This external asset manager engaged with a private equity firm about an underlying portfolio company in the cybersecurity sector. They wanted to address a concern that the company had failed to prevent a data breach the previous year, and understand how the firm was engaging with the company on cybersecurity matters. In addition, the external asset manager was looking to see that lessons learned from the breach were integrated into future practices.

### Engagement

The external asset manager reached out to the firm's ESG team to discuss their engagement with the portfolio company. The firm responded, detailing their ongoing engagement with portfolio companies to improve cybersecurity and resilience to major threats, including ransomware.

### Outcome

The firm has strengthened its engagement programme with portfolio companies on cybersecurity issues. They have implemented a 'lessons learned' exercises for companies involved in incidents. The external asset manager is satisfied with the firm's responses and will continue to monitor the company's cybersecurity practices.

# Spotlight on: Thinking Ahead Institute (TAI)

The TAI is a global research and innovation network founded by WTW Investments that connects organisations from around the investment world to harness the power of collective thought leadership and implement strategic projects.

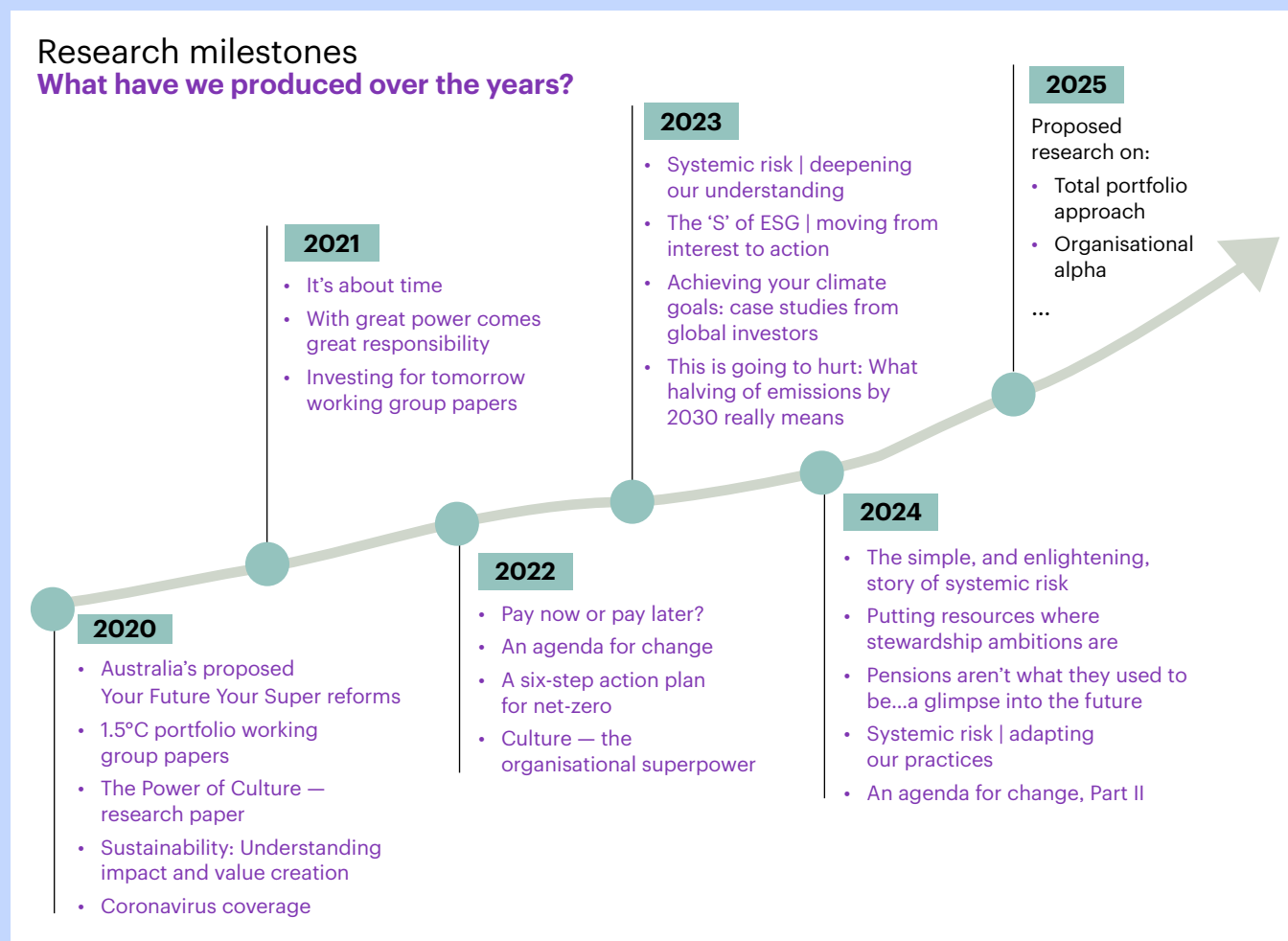
Since its establishment in 2015, more than 100 investment organisations have worked together to bring this vision to light by designing fit-for-purpose investment strategies, working toward better organisational effectiveness and strengthening stakeholder legitimacy. This is achieved through:

- Unique research delivered via seminal papers, articles, toolkits, podcasts and events
- Working with industry bodies and networks on key issues such as stewardship, diversity, climate change and portfolio resilience, research working groups, seminars and global industry studies
- Private action with organisations via 1–2–1 strategic engagement, including structured leadership sessions, mini consulting projects, training and workshops

## The TAI's work and activities

The TAI's work combines in-depth research with implementation. For example, as described in Principle 4, across 2024 the TAI published papers on systemic risk, and ran a workshop session for external asset managers.

Some of the TAI's key research milestones over time are shown in the graphic below.





## Outcomes

The TAI's self-assessment shows where it has made most progress across key areas over time. Areas of notable progress include SI / ESG integration, culture / leadership, and climate investing.

### TAI influence heatmap — self assessment

- This assessment of influence is a 'soft data' measure
- See qualifications to all 'soft data' in the TAI blog [Measurement as part of the solution not part of the problem](#)
- Measures of influence are essentially unobservable but good process can be used to produce a best estimate for the 'true' value

2024 influence heatmap — in progress

Very significant Significant Moderate Small Not very significant

		15	16	17	18	19	20	21	22	23	24
Investment	Risk (extreme, systemic)										
	Asset allocation / investment macro										
	Long-horizon investing										
	Investment theory and practice										
	Systems thinking										
	Total portfolio approach										
	Sustainable investing / ESG integration										
	Stewardship										
	3D investing (including impact)										
	Climate investing (including net zero)										
Organisational	Culture / leadership										
	Compensation / fees										
	Investment beliefs										
	Diversity / cognitive diversity										
	Organisational effectiveness of asset owners										
	Organisational effectiveness of asset managers										
	Governance / decision making										
	Work design / superteams										
Societal	Industry impact on society (S of ESG)										
	Integrated reporting										
	Defined contribution										
	Purpose and value creation										
	Universal ownership										



# Principle 10: Collaboration

## Activities and outcomes

Long-term value creation relies on robust economic and investment markets but these are challenged by systemic financial risks. The investment industry cannot address systemic financial risks in isolation — mitigation is also contingent on the actions of other participants, such as investment industry standard setters, governments and other policymakers.

Related to this, we participate in several industry groups and provide a sample of our 2024 activities below.

### Thinking Ahead Institute (TAI)

The TAI is a global research and innovation network founded by WTW Investments that connects organisations from around the investment world to harness collective thought leadership and implement strategic projects.

### The Diversity Project

Colleagues from WTW Investments in the UK participate in this UK focused initiative, which aims to attract, develop and retain a broad range of talent in the investment industry. The Diversity Project now has over 100 members representing in excess of £13 trillion assets under management and more than 85,000 employees.

### ESG Data Convergence Initiative (EDCI)

The EDCI's objective is to streamline the private equity industry's historically fragmented approach to reporting ESG data in order to improve data comparability. As a EDCI member, we continue to encourage private equity managers we work with to participate. This has contributed towards growth in the initiative, which we anticipate will improve the breadth and quality of available data, ultimately increasing transparency for our clients.

### Investment Consultants Sustainability Working Group UK (ICSWG)

ICSWG has established links with UK regulatory and oversight bodies, as well as the asset management and asset owner communities. WTW Investments has representation on the Steering Committee and in the UK Raise the Bar workstream. 2024 activities include the following:

- We co-led ICSWG's workstream on climate risk reporting for derivatives from which a final report offering clear guidance on a standardised approach to reporting for hedge fund mandates was published.
- We were part of the working group for ICSWG's response to UK Financial Reporting Council's Stewardship Code Consultation which led to an ICSWG UK submission.

- We represented ICSWG members on the UK FCA Vote Reporting Group which is looking to establish improved frameworks for disclosing voting activity to asset owners. It is expected that the output of this will be published during 2025.
- We led the annual update of the ICSWG Engagement Reporting Guide. This guide is designed to improve transparency of engagement activity for asset owners. The updated version was published in November 2024.

### 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). 2024 activities including the following:

- The TAI, commissioned by the UN's Principles for Responsible Investment (PRI), [published findings](#) from their joint project which analysed stewardship resourcing among institutional investors. The published paper shows the need for stewardship resources to increase at the industry level — and reiterates the importance of stewardship activities for the investment industry. This includes addressing systemic risks.
- Our Head of SI joined the PRI's newly formed System Stewardship Advisory Committee. This group is focused supporting work related to mitigating system wide financial risks.

### Further industry engagement by the wider WTW business

Beyond WTW Investments' practice activities, colleagues from the wider WTW business contributed to industry groups across various industries to help identify, assess and manage risks. We provide some examples of activity from 2024 below. We believe this all ultimately contributes to the mitigation of the system wide financial risks which are faced by asset owners. WTW Investments also benefits from this in house technical expertise, particularly in the area of climate.

### WTW Research Network

The WTW Research Network (WRN) is a well-established, not-for-profit, award-winning group comprised of academia, and the insurance, finance and risk management sectors. Founded in 2006 and funded by WTW, its research team works with colleagues across WTW to encourage and support innovative research aligned with clients' needs, through long-term partnerships to gain the clarity of vision required to turn risks into opportunities. Partnerships with more than 60 research organizations across the world help the WRN confront the full spectrum of risks facing our societies, providing applied risk insights to clients.

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 2024 are documented in their annual review, which can be found [online](#).

Some highlights from the WRN's work in 2024 include:

- bi-annual [Natural Catastrophe Review](#), which examines recent natural disasters, lessons learned, and emerging trends, including insights from our academic partners.
- bi-annual Risk & Resilience Reviews on other risk themes. Last year, these covered [geopolitical shifts](#), and the [trade-off between AI and sustainability](#) including supply chain sustainability.
- the [WTW Emerging Risks Survey](#), which is designed to provide insight into the most pressing emerging risks across industries, including key drivers and underappreciated topics. Last year's survey focused on the interconnectedness of risks and was based on insights from 333 executives at organizations responsible for \$2.3 trillion in revenue.

### Other examples

- WTW is an active member and signatory of the United Nations Environment Program Finance Initiative's Principles for Sustainable Insurance (PSI) Initiative. PSI serves as a global framework for the insurance industry to better understand, prevent and reduce environmental, social and governance

risks while better managing opportunities to provide quality and reliable risk protection.

- WTW continued as 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, focused on oceans and coastal areas. Working with governments, non-governmental organizations, conservation organizations, academia and the private sector, WTW is helping communities build resilience against climate change, often the most vulnerable. This work, as outlined below, takes many forms:
  - Implementing parametric insurance products that safeguard fishers and their livelihoods from inclement weather
  - Helping to protect sovereigns from disaster through innovative risk transfer mechanisms
  - Enabling the conservation and restoration of our most crucial ecosystems, such as coral reefs and mangroves

### Case study

## External asset manager engagement on modern slavery compliance

### Background

This external asset manager's engagement was part of a wider effort to address modern slavery compliance and regulation in the UK. They monitor the modern slavery policies of their investee companies and participate in initiatives aligned with the UN's Sustainable Development Goal of decent work and economic growth. The aim is to reduce financial risk to investors by strengthening corporate commitments to addressing modern slavery in business practices and supply chains.

### Engagement

In February 2024, the external asset manager joined a group focused on modern slavery compliance and regulation. The group submitted a response to the House of Lords consultation reviewing the 2015 Modern Slavery Act, with objectives to encourage

the Home Office to strengthen Section 54 of the Act, introduce penalties for non-compliance and create a government-run registry of modern slavery statements. The external asset manager also signed a letter to encourage companies to comply with modern slavery legislation, as part of the investor group, Votes Against Slavery.

### Outcome

By December 2024, 32 of the FTSE 350 companies had been contacted, with 31 becoming compliant and 1 committing to make necessary changes. While none of the external asset manager's investee companies were targeted via this group, the engagement is having a broader impact on UK corporate compliance with modern slavery laws, hence reducing risk to investors.



## Case study

### External asset manager engagement with investee companies on water security

#### Background

Water security is important for businesses and society, and hence a financial risk for investors. In South Africa, water risk remains a thematic area of focus across invest companies for this external asset manager. As part of its engagement, the manager requested information from companies, including disclosure of water consumption or withdrawal data, and details on processes and controls for assessing water-related risks and responding to water loss events. Additionally, the manager wanted to understand how companies are managing water risks (and whether they are aware of the Platform for a Water Secure Gauteng (PWSG) initiative), and companies' water risk management policies and water reduction targets.


#### Engagement

In 2023, the manager assessed water risks across the Johannesburg Stock Exchange Top 100, analysing disclosures, reduction targets, and penalties, while engaging with 58 companies. By 2024, the manager refined the analysis to 31 high-risk companies based on water usage, sector risks, and regional stress. They then analysed their public disclosures to identify gaps in oversight, mitigation strategies, targets, risk assessment, and supplier engagement. Using these insights, they assessed overall water risk management and developed tailored engagement questions for 19 companies with remaining concerns.

In 2024, the manager conducted 29 engagements via emails, in-person meetings, and video calls with 22 companies. Given the priority of water risks for local asset managers, the manager joined four investor calls hosted by another external asset manager — two for planning ahead of municipal engagements and two for discussions with the Cities of Cape Town and Ekurhuleni on water management challenges and solutions.

#### Outcomes and next steps

One investee company confirmed exposure to water stress in three sites and outlined mitigation efforts including efficiency improvements, expanded water reuse, and a targeted reduction by 2030. The company acknowledged the regional initiative to lower water consumption and plans to participate in a project to enhance water security. Short-term supply issues were effectively managed through scheduling adjustments, with no impact on market availability. The engagements with both municipalities were productive, with the City of Cape Town and the City of Ekurhuleni addressing the manager's questions in detail. Overall, these discussions strengthened the manager's understanding of municipal water management efforts and informed ongoing engagements with companies on water-related risks, which may be financially material. The manager continues engaging eight Gauteng-exposed companies on water risk and PWSG awareness while monitoring broader governance and disclosure practices.



# Principle 11: Escalation

## Activities and outcomes

### Our oversight of the external asset manager escalation processes

As part of our manager research, assessment and monitoring, we expect external asset managers to escalate stewardship activities where necessary, and in the context of their process, if financially material issues are not being adequately addressed. Our monitoring and assessment of this is captured within our Asset Manager SI Reports.

We do not specify to managers a single correct way to undertake escalation as the external 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 more substantial engagements to evidence escalation taking place
- for public equities, how voting is used as a stewardship tool and evidence of this activity.

### Escalation in our engagements with external asset managers

Please refer to [redacted] and our [redacted] on WTW Investments' engagement with external asset managers for how we have engaged with such asset managers.

We saw a good level of receptiveness to suggestions for improvements with most external asset managers making progress in 2024. Our preference is to build long-term relationships with asset managers and engage 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, we may stop researching a new idea or revise down our view of an existing strategy (which may then flow into disinvestment from our delegated solutions or advice to our clients to disinvest).

Prior to abandoning an engagement, we have various other methods of engagement escalation including having multiple conversions over time. Our approach to escalation will depend on the issue being discussed and the wider context of our relationship with the external asset manager.

## Escalation in issuer engagements

### EOS

As mentioned previously in this report, EOS provide additional corporate engagement to that of the asset managers for several of our funds. As part of this, EOS escalates certain engagements where limited progress is being made.

Escalations depend on context but may include attempting engagement at a more senior level, letters to the board of directors, asking questions or making statements at annual meetings, recommending votes against annual meeting items or supporting shareholder resolutions.

In the EOS 2024 Annual Review, examples of escalation include:

- Intensifying engagement on biodiversity with leading French supermarket operator Carrefour, given its significant impacts and dependencies as a food retailer. In 2024, the company published its biodiversity impacts and dependencies, and related risks and opportunities. The company also assessed its entire value chain, in line with EOS's recommendations, and outlined an action plan to promote responsible consumption and sustainable agriculture. Read the full case study on page 22 of EOS's 2024 Annual Review.
- Stepping up engagement efforts with leading European pharmaceutical AstraZeneca, with regular meetings between 2015 and 2024. In early 2024, EOS met with the new chair to gain an understanding of the strength of the internal pipeline for CEO succession, and to raise concerns about the high level of variable pay, which led to recommending a vote against the proposed remuneration policy at the 2024 AGM. Read the full case study on page 38 of EOS's 2024 [Annual Review](#).

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

### Case study

## Our engagement with an external asset manager — escalation with a manager we invest with for direct lending

### Background

We engaged with this asset manager to begin reporting on their engagement work with borrowers. Specifically, they engage with borrowers around financially material ESG risks when they are underwriting the deal and setting deal terms. They then engage with borrowers throughout the life of the deal as part of ensuring they are adhering to the terms of the deal, as well as helping them move to best practice sustainability. Despite this, the manager did not regularly report on these discussions to investors, making it harder for us and our clients to have transparency around their stewardship capabilities.

### Engagement

We communicated to the manager that they were not meeting our expectations with respect to engagement reporting which impacted the investment and sustainability ratings of the manager

as part of a new vintage due diligence we were conducting. We discussed with the manager that we wanted to see case studies of their engagement, which they subsequently took onboard, and started reporting high level summaries.

Subsequently, we have continued to engage on the matter — and have again signalled to the manager that their reporting lacks sufficient detail and was an issue we were monitoring.

### Outcome

- The external asset manager has agreed to elevate their engagement reporting
- With respect to adequate reporting detail, they have confirmed that they expect to include more detailed case studies in their reporting in H2 2025
- We continue to monitor their reporting efforts

### External asset manager engagement with underlying assets

We have included an example of escalation by an external asset manager we work with.

Further information is contained in our response to Principles 8, 9 and 12.

### Case study

## Escalation by an external asset manager over board effectiveness at a cosmetics company

### Background

The asset manager believed that the board and prior management team at the cosmetics company were slow to react to global market challenges. Their engagement aimed to address governance concerns around board effectiveness and refreshment.

### Engagement

They held several meetings with key stakeholders at the company, including the Chair, the Lead Independent Director and the CEO-elect, as well as members of the sustainability, governance and investor relations teams. They expressed their concerns regarding the board's composition and suggested the addition of younger members with relevant experience to improve governance. In addition, the manager raised the recent appointment of the CEO-elect, as they had previously advised the company to consider an external candidate to increase credibility with investors.

### Outcome

The Chair agreed to the need for board refreshment but cited the limitation that family members of the company's founder held a minimum of four board seats. Despite this, the manager made it clear that they would withhold their vote for two board members who had each served for a very long period.

At the AGM, the external asset manager followed through on this approach and withheld their votes for these two longest-serving board members. They will continue to monitor and engage with the company on board refreshment and governance improvements.



## Section D — Exercising rights and responsibilities

### Principle 12: Exercising rights and responsibilities

#### Context

We believe that actively exercising ownership rights and responsibilities is a key 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 external asset managers. Therefore, assessing the voting practices of our delegates is an important part of our process.

Our Manager Research team assessment is described below. This feeds into our Asset Manager SI 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 necessary improvement in one of our appointed external asset managers, we engage with the manager on the relevant issues.

In addition to the voting practices of the appointed external asset managers, we employ EOS for certain mandates to provide voting recommendations to those managers. We may decide not to use EOS in this role, for example where a) WTW Investments' client assets represent a small part of a wider pooled fund, b) an external 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 cost effective in the context of the value to clients and goals of the solution.

We share our client priorities with EOS. They consider this, alongside the views of other EOS clients, when evolving their process. EOS's global voting guidelines and key policy documents including approach to stewardship and escalation are [available online](#). 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 review the overall pattern of EOS voting recommendations annually.

We monitor the voting decisions made by appointed external asset managers. Where EOS is employed in the mandate, we also monitor manager voting compared to the guidance by EOS.

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.

Voting and engagement activity is disclosed to clients.

## Manager research

As part of our manager research, assessment and monitoring we expect external asset managers to vote whenever it is practical to do so. External asset managers are expected to have a documented voting policy in line with relevant industry good practice and to disclose this publicly (or at best to clients when requested). 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
- the level and frequency of reporting of voting activity which is disclosed to clients and disclosed publicly

- whether the asset 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
- whether the asset manager has exercised all votes and, if not, the reasons why

Additional voting analysis is also conducted for managers in our delegated solutions where EOS is utilised. As relevant, we may engage with external asset managers on specific voting case studies where they chose to vote differently to the stewardship service provider's initial recommendation.

## 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 asset 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.

## Activities and outcomes

Given the scope of our advice and solutions to clients and the wide range of external asset 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 of our largest delegated solutions/client services with voting rights which, combined, represent a substantial portion of our total delegated equity assets.

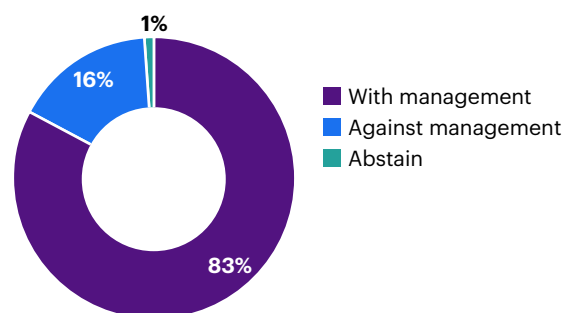
### Voting statistics — 12 months to 31 December 2024

During 2024 we monitored the voting activity of the external asset managers in various ways using our 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 external asset managers.

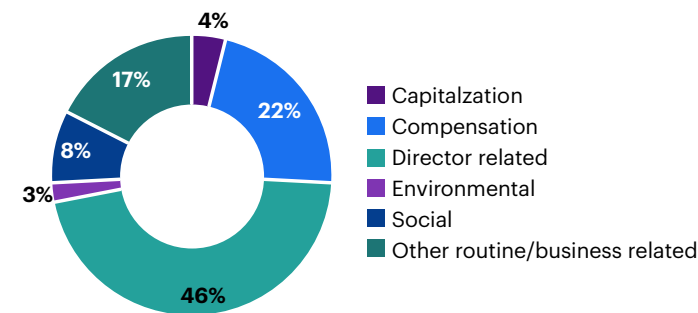
Across these solutions on average our external asset managers voted against company management 16% of the time, predominantly around director-related and compensation matters.

Figure 4. **Voting stats**

#### Split of votes exercised during 2024



#### Votes against management by topic during 2024



Number of meetings with eligible votes	4,761
Number of votable resolutions	54,041
Percentage of votes exercised	99.7%
Of the resolutions voted, percentage with management	83.5%
Of the resolutions voted, percentage against management	15.6%
Of the resolutions voted, percentage abstain	0.9%
Percentage of meetings where voted at least once against management?	59.3%
Percentage of resolutions voted contrary to initial policy recommendation of proxy adviser? (if applicable)	10.6%

#### Methodology note:

To identify representative aggregate percentage figures 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. In this analysis we have counted 'E&S Blended' resolutions under the Environmental category.

Source: WTW, ISS, EOS, underlying asset managers

**We have included some examples of significant votes in 2024 below:**

Company	Asset manager	Resolution summary	Why deemed significant	Voting action by manager	External manager stated rationale and next steps	Outcome of vote
Alphabet	Small UK based quality value manager	Adopt Targets Evaluating YouTube Child Safety Policies	Shareholder resolution; vote against management	For	The manager observed that the company has come under scrutiny for content on YouTube, that the request for additional annual information on how the company is managing risks related to child safety does not appear to be overly burdensome and it would provide shareholders with additional information on management of financially material related risks. The Manager was disappointed in the vote outcome, but expect similar proposals in the future, which they will vote 'FOR'.	Rejected
Amazon	Small US based value manager	Report on Efforts to Reduce Plastic Use	Shareholder resolution; vote against management	For	The manager recognises that the company provides some metrics but felt that a more thorough report would provide better transparency around performance. The manager was disappointed with the voting outcome, but noted support was material suggesting that a large portion of shareholders see this as an area of concern and worthy of a more detailed, transparent report. The manager intends to vote 'FOR' similar proposals in the future.	Rejected
CBRE Group (CBRE)	Small US based quality value manager	Advisory Vote to Ratify Named Executive Officers' Compensation	Vote for management following engagement progress	For	The manager has been engaging with the company on the structure of their executive compensation program for several years, raising questions over the financial and strategic performance metrics used to determine long-term incentive compensation. The manager encouraged the inclusion of performance metrics such as total shareholder return and return on capital. Beginning in 2024 the company updated their long-term incentive design to incorporate both core EPS and relative total shareholder return metrics. The manager considered this a step in the right direction but intends to continue to engage on overall plan design and scoring metrics.	Passed
Chipotle Mexican Grill, Inc.	Large global indexation manager	Elect Director	Vote against director; escalation	Against	This vote was an escalation of the manager's vote policy on the topic of the combination of the board chair and CEO. The manager prefers companies to separate the roles due to risk management and oversight concerns. In addition, the company was deemed by the manager to not meet minimum standards with regard to the managers' deforestation policy. The manager will continue to engage on this topic.	Passed



Company	Asset manager	Resolution summary	Why deemed significant	Voting action by manager	External manager stated rationale and next steps	Outcome of vote
HCA Healthcare Inc	Large US based value manager	Report on Patient Feedback Regarding Quality Care	Shareholder resolution; vote against management	For	The manager voted for this shareholder resolution as it promotes transparency and allows investors to assess the company's operational performance in a financially material area.	Rejected
House Foods Group Inc	Small US based mid cap manager focused on Japan	Amend Articles to Require Majority Outsider Board	Shareholder resolution; vote against management	For	The manager is of the view that governance best practice should entail a majority independent board. While this resolution did not pass the manager believes that even rejected resolutions can still contribute to improving capital allocation and governance though encouraging positive measures by the company.	Rejected
McDonald's Corporation	Large global indexation manager	Adopt Antibiotics Policy	Shareholder resolution; vote against management; escalation	For	The manager considers Anti-Microbial Resistance a systemic financial risk. The manager would like to see the company applying WHO guidelines around the use of medically important antimicrobials throughout its meat portfolio supply chain. The manager will continue to engage on this topic.	Rejected
Meta Platforms, Inc.	Small US based value manager	Report on Child Safety and Harm Reduction	Shareholder resolution; vote against management	For	The manager felt that greater transparency related to how the company measures & tracks metrics impacting child safety and harm reduction on its platforms would help shareholders gain better understanding, and build confidence in, how the company is managing these risks. The manager was disappointed with the voting outcome. In their view, child safety and self harm are areas of controversy which could be financially material. The Manager intends to vote 'FOR' similar proposals in the future.	Rejected

Company	Asset manager	Resolution summary	Why deemed significant	Voting action by manager	External manager stated rationale and next steps	Outcome of vote
Target Corporation	Large global indexation manager	Establish a Company Compensation Policy of Paying a Living Wage	Shareholder resolution; vote against management; escalation	For	The manager notes that while the company has improved its minimum wage, it does not have a policy on the living wage. The manager supported the resolution given paying a living wage may reduce the potential long term negative financial impacts that stem from low worker morale/poor health/absenteeism/presenteeism. The manager will continue to engage on this topic.	Rejected
Toyota Industries Corp	Small US based mid cap manager focused on Japan	Appoint Statutory Auditor Nominee	Vote against management	Against	The manager voted against based on the rationale that the nominee was considered non-independent and the manager observed that the audit committee membership has a low level of independence (25%)	Passed
Workday	Large US based growth manager	Advisory Vote to Ratify Named Executive Officers' Compensation	Vote against management	Against	The manager considers executive compensation structures a key factor in determining management strength and sound governance practices. In this case the manager had concerns around lack of performance-based vesting in the LTI program; lack of a gross annual dilution cap; and questions around the basis for large restricted stock unit grants. While the resolution passed, it received a relatively high level of votes against. The manager will continue to monitor executive pay and alignment with performance.	Passed
Workday	Large US based growth manager	Elect Director	Vote against director; escalation	Against	The manager considers voting against directors to be a stewardship tool to communicate concerns that the company is not altering the dual share class provision sunset date of 2032 despite the company's scale and maturity. The manager will reiterate its view that the dual-class structure needs to be addressed.	Passed

# Appendix — Disclosures and disclaimers

## Disclosures and disclaimers

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