

A person with long brown hair, wearing a grey hoodie and a black cap, is seen from behind, walking along a dirt path on a mountain ridge. The path leads towards a distant peak where a few other hikers are visible. The landscape is vast, with a large lake and rolling mountains under a bright blue sky with scattered white clouds. The foreground shows dry grass and a dirt path.

UK Stewardship Code

WTW annual report for
1 Jan 2022 to 31 Dec 2022

Executive Summary

UK Stewardship Code

WTW annual report for 1 Jan 2022 to 31 Dec 2022

TABLE OF CONTENTS

Introduction	4
Foreword	6
2022: Highlights	8
Spotlight on: Diversity, equity and inclusion (DEI)	12
Spotlight on: Net Zero	14
Spotlight on: LifeSight	16
Spotlight on: WTW engagement with asset managers	18
Spotlight on: Thinking Ahead Institute	20
Spotlight on: EOS at Federated Hermes	21



Introduction

Purpose of this report

Willis Towers Watson ('WTW') supports and recognises the UK Stewardship Code 2020 ('the Code') as setting good practice standards in the advancement and implementation of investor stewardship.

The purpose of this report is to demonstrate our adherence to the Code for the period 1st January 2022 to 31st December 2022.

Scope of this report

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

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

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

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

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

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

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

In addition, 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, and the benefits that this can deliver to all our clients.

Shareholders Rights Directive (EU) 2017/828

This report is also intended to document our activities as required under the Shareholders Rights Directive (EU) 2017/828 ('SRD II').

- TWIM & TWL

SRD II includes a requirement for asset managers who invest in shares traded on regulated markets to disclose and make publicly available their policies on how they engage with the companies they invest in and how their strategies create long-term value. In respect of our compliance with SRD II, we highlight our Sustainable Investing Policy and this UK Stewardship Code report. TWIM & TWL either invest in funds and/or outsource the investment management to external asset managers. As a result, the firms do not vote or engage with investee companies directly but uses its influence where appropriate. WTW believes that its adherence to the Sustainable Investing Policy and Code meets the objectives of the SRD II's Engagement Policy as they work towards the same goals.

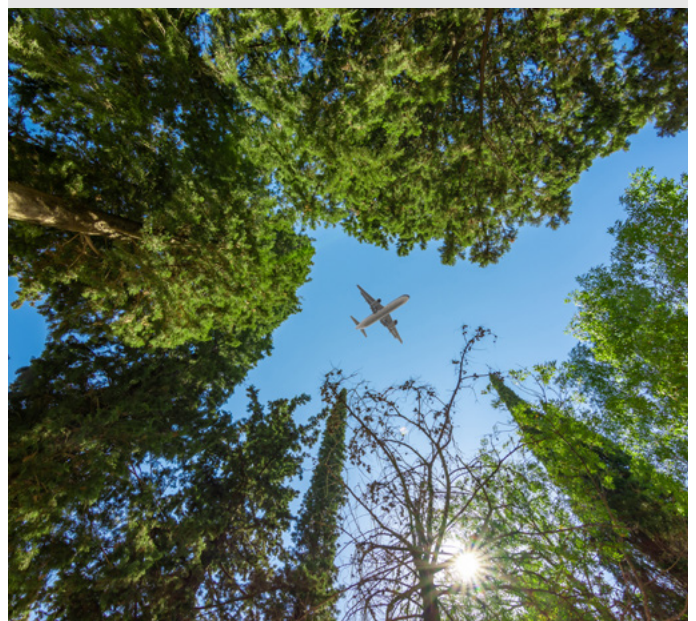
This UK Stewardship Code report, which is produced annually in line with signatory requirements, is subject to internal review (including the Global Leadership Team Sustainable Investing Sub Committee, Compliance and Legal teams) and approved by the respective entity Boards.



Further information and key policy documents

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

- [Sustainable Investing Policy](#)
- [Climate Policy](#)
- [WTW Investments Sustainable Investment webpage](#)
- [WTW Investments Net Zero commitment webpage](#)
- [WTW Investments Climate Change webpage](#)
- [WTW Environmental, Social and Governance webpage](#)
- [WTW Principles for Responsible Investment \(PRI\) Transparency Report](#)
- [WTW Thinking Ahead Institute Sustainability Spotlight](#)



Foreword

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

We are delighted to have maintained our UK Stewardship Code signatory status in both 2021 and 2022. This year's report will reflect all our Investments business activities — across research, fiduciary management and advisory — and address all the principles the Code covers, along with detailed context, activities and outcomes reporting.

In 2022, climate remained an area of particular focus. We made our public net zero pledge in 2021, and this gave the framework for us to deliver against in 2022 and beyond. This saw us [publicly reporting on our progress towards net zero](#), as well as supporting clients navigate the world of climate change, whether that be providing training, data and analysis, helping them with their own regulatory requirements, or indeed helping them with commitments of their own.

We published a [case study](#) covering WTW's application of the Net Zero Investment Framework online, which we hope illustrates a practical approach to the net zero challenge which can help others in their journey also.

We also introduced a new public [Climate Policy](#), alongside updating our existing [Sustainable Investing Policy](#). When it came to engaging with asset managers, climate remained the topic on which we engaged with them most.

Our relationships with asset managers remain strong and in 2022 we introduced new minimum standards, which focus on managers' own engagement and stewardship activities. In 2022 we also ramped up our assessment of managers in relation to diversity, equity and inclusion (DEI), as we strive to work towards a more equitable industry for us all.

Our report details the efforts and data we have been collecting on that front in more depth. We also worked on a new global paper in 2022 which was published this year: [Diversity in the asset management industry: on the right track, but at the wrong pace](#).

We pay particular attention to work undertaken in 2022 and are pleased to share what we see as our notable contributions to a more sustainable industry and future for us all.

Alongside this we continue to reflect inwards. For example, in 2022 we developed our sustainable investing governance structures. We are constantly assessing what we do and how we do it, to make sure we are offering clients the highest possible quality of service.

As we cover our investment activities globally, stewardship at WTW spreads far and wide across a broad range of environmental, social and governance factors. We have therefore put together this Executive Summary to highlight our stewardship activities in 2022, but for further details, context and case studies we refer you to our full report.

We also have dedicated spotlight pages to key areas: our climate activities, our work with EOS at Federated Hermes, the Thinking Ahead Institute, our focus on DEI, and the forward-thinking work of one of our biggest fiduciary clients, LifeSight.

We hope you enjoy reading WTW's 2022 UK Stewardship Code Report.



Craig Baker
Global Chief Investment Officer



2022 Highlights



Enhancing our internal governance

Governance of our sustainable investing activities is continually enhanced to meet the growing client and regulatory requirements:

- Introduced a new Sustainability Commercial Committee
- Introduced a new Sustainability Regulations and Monitoring Committee
- Updated Sustainable Investing Policy, with expanded standalone Climate Policy
- A core team of c.10 FTE sustainability specialists covering content, communications, analytics, research, and climate
- Network of over 60 SI champions representing all regions
- A Climate and Resilience Hub of over 100 climate specialists



Making progress towards net zero

In 2022, we developed our Climate Dashboard – showing the impact of climate change on the portfolio, and the impact of the portfolio on climate change. We also:

- Published our first net zero progress report via our [2022 Sustainable Investment report](#)
- Wrote a [public case study](#) outlining how we have implemented the Net Zero Investment Framework (NZIF) at WTW
- Published the Thinking Ahead Institute's [Pay Now or Pay Later paper](#), which provides analysis to drive increased action on climate
- Helped one of our biggest fiduciary clients, LifeSight, to implement their net zero and broader sustainability goals
- Introduced minimum standards for our asset managers to meet on climate engagement and reporting





Engagement with asset managers

Engaging with asset managers is one of our key stewardship activities geared towards positive change.

In 2022, we:

- Researched over 300 sustainability focused products across all asset classes
- Approved 12 new strategies with our highest rating for use in client portfolios
- Conducted engagements with over 200 managers on over 600 products on sustainability and stewardship
- Rejected or downgraded 25 strategies based significantly on sustainability concerns
- Introduced minimum standards on climate, modern slavery and engagement reporting for all our asset managers



LifeSight

LifeSight is WTW's DC Master Trust, with ambitious sustainability goals. In 2022, LifeSight:

- Reported on its carbon journey plan, documenting its progress across five key climate metrics
- Published its position statement on deforestation, in support of the Race to Zero Financial Sector Commitment on Eliminating Agricultural Commodity-Driven Deforestation by 2025
- Started to introduce Tumelo to engage members on important voting issues

Conducted engagements
with over

200 managers on over
600 products on sustainability
and stewardship

2022 Highlights



EOS at Federated Hermes (EOS)

Our work with stewardship specialists EOS highlight — and is a critical part of — our commitment to effective stewardship. In 2022, EOS:

- Engaged with 1,138 companies on 4,250 issues and objectives
- Made voting recommendations on 134,188 resolutions at 13,814 meetings, including recommending votes against 24,461 resolutions
- Established 12 engagement themes for 2023-25
- Engaged companies across key topics — including Sainsbury's on the living wage in the wake of the cost-of-living crisis, Amazon on tax transparency, and BHP on addressing sexual harassment in Australia's mining industry
- Participated in many collaborations including Climate Action 100+, Principles for Responsible Investment (PRI), and UN Guiding Principles Reporting Framework

Engaged with

1,138

companies on

4,250

issues and
objectives





The Thinking Ahead Institute (TAI)

Our work with the TAI supports the development and socialisation of our work on sustainability.
In 2022, TAI:

- Was selected by the Principles for Responsible Investment (PRI) to research and assess the appropriate level of resources that institutional investors should be prepared to dedicate to stewardship within their organisations
- Organised 10 events, published 13 papers, and released 21 investment insights and 6 podcast episodes
- Organised the Investment Organisation of Tomorrow summit to bring members together to address sustainability impact and universal owner principles



Diversity, equity and inclusion (DEI)

As part of our engagement with asset managers on DEI, our manager research team:

- Created DEI action plans for all 485 Preferred strategies
- Collected diversity data on over 400 firms and 1750 products
- Received a 95% response rate from managers
- Set an objective to increase the number of diverse managers rated every three years by 20%

We also worked to produce our new global investments paper: *Diversity in the asset management industry: on the right track, but at the wrong pace*



Market-wide engagement and collaborations

We believe in giving the industry a stronger voice through market engagement, collaboration and advocacy.
In 2022, we:

- Managed our discretionary portfolios in line with the NZAMI commitments and contributed to several GFANZ workstreams
- Contributed to 7 guides, consultation responses and engagements through participation in the ICSWG and led the update of the ICSWG Engagement Reporting Guide
- Provided guidance and input to 5 PRI papers, surveys and questionnaires, and continued as a member of the PRI Stewardship Advisory Committee
- Active participation in 2 IIGCC working groups as well as sister groups in Asia and Australasia
- Inputted into the Diversity Project Pathway programme, focused on developing female portfolio managers
- Were involved in several cross-industry initiatives via our Climate and Resilience Hub



Spotlight on: Diversity, equity and inclusion

Diversity, equity and inclusion (DEI) remains a significant industry challenge and we recognise that we have a role to play in it. In 2022, we continued to prioritise DEI – our aim is to encourage diverse teams to deliver the best possible outcomes for our clients, and to support representation in the investment industry. How have we been doing this?

In our research

In 2022 we worked heavily on our new global investments paper, *Diversity in the asset management industry: on the right track, but at the wrong pace*, which was published this year. It follows up on our [2020 white paper](#) which made the public call to action for greater diversity in the asset management industry. In this paper, we take the temperature across several dimensions of DEI and probe the pace of change, as well as checking in on our previous call to action. We have noted some highlights from our research here on the right.

Alongside this, our Thinking Ahead Institute (TAI) continues to focus on DEI and culture as part of its annual research agenda. From organisational transformation to the future of work to the power of teams, focusing on people remains at the heart of TAI. In 2022 TAI launched its Power of Teams project, amongst its members. It also published its white paper in its series on the power of culture, *Culture – the organisational superpower*.

With our asset managers

DEI remained one of the key pillars of our engagement with the asset manager industry in 2022, alongside sustainable investing (SI) and culture. We believe that asset managers should better reflect society and the diversity characteristics of institutional savers on whose behalf they operate. We therefore put a significant emphasis on the importance of DEI data transparency with all our managers.

On the right track, but at the wrong pace – highlights from WTW's latest global DEI paper



Fundamentally, we believe that greater diversity leads to better investment outcomes. Our analysis continues to support this, with investment teams in the top quartile of gender diversity outperforming the bottom quartile by 45bps per annum in terms of net excess return.

We outline the policies and practices of 407 asset management firms globally, varying by size, asset class focus and region.

- We find that many managers are beginning to meet the minimum standards in DEI, although some laggards remain
- 80% of managers have a formal DEI policy
- Senior leadership is accountable for DEI at 83% of managers
- 93% of managers have provided at least partial diversity data

We also consider the industry at large, highlighting that until more best practices are adopted, we would not expect to see a large enough, or quick enough change in the overall diversity in the industry, suggesting we may be going too slow today.

We continued to make significant progress in 2022, particularly regarding diversity data collection and engagement with managers:

- We now have a robust quantitative and qualitative multi-dimensional data collection process
- Last year we noted that we were leveraging our collaboration with the Diversity Project and the Asset Owners Diversity Charter to build out an extensive industry-standard questionnaire; this is now the foundation for our DEI questionnaire which we use to collect data
- The team collected such data on over 400 firms and 1750 products, including all our Preferred rated strategies
- We created qualitative DEI action plans for all 485 Preferred strategies; this not only records our intensive engagement programme but keeps both the managers and WTW accountable
- We had a 95%+ response rate from managers following intensive engagement from our researchers on the importance of DEI data transparency
- We reached out to over 65 diverse-owned (as defined by WTW) managers to add them to our research pipeline
- We set an objective to increase the number of diverse managers rated every three years by 20%
- Our manager research and portfolio management teams have introduced aligned DEI objectives within their processes

In 2022 we also engaged heavily with US managers at our Manager Ideas Exchange (MiX) event in New York. We used this as an effective way to show managers what we are looking for from them in terms of DEI. Following the event, managers have come back to us with the steps they have taken to improve their practices. We are pleased that our message is being spread wide and acted on.

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

Thought leadership

We continued to use our position to further industry thinking and encourage others to see DEI as importantly as we do. In 2022 we provided feedback to the Securities and Exchange Commission (SEC) on their DEI recommendations for the asset management industry, as well as providing feedback on the PRI DEI questionnaire for institutional investors. In both examples we inputted our approach and areas of best practice.

We continued to actively participate in industry initiatives focusing on DEI. This includes the Institutional Investing Diversity Cooperative (IIDC), Investment Diversity Advisory Council (IDAC; which we joined in 2022) and The Diversity Project. We are also signatories to the Asset Owner Diversity Charter.

In 2022 WTW was also a core input to the inaugural Diversity Project Pathway programme, which focuses on developing female portfolio managers in our industry.

Our own firm

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

- Run Diversity Dashboards on all WTW's funds
- Run our Investment Committee diversity analysis on our own investment teams
- Received more diversity data and have seen an increase in diverse managers across our funds from 2021 to 2022
- Continue to measure key DEI characteristics within our funds with key progress markers from 2022 being:
 - A 13% decrease in managers not providing data compared to 2021
 - A 22% increase in diverse managers across portfolios compared to 2021 (recognising this will partially be linked to greater data transparency)
- Within our Investment business, have a number of key social objectives as part of our Purpose Scorecard; these cover things like colleague volunteering, CSR, charitable giving and targeting certain attrition levels

Spotlight on: Net Zero

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

This means that we:



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



Recognise the financial impacts of climate change on investment portfolios, together with the threats posed to people and planet



Understand our role, influence and responsibility in the investment system



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



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

- A combination of decarbonisation of existing investments and new investment in long-term climate solutions.
- Using multiple 'levers' including; changes to risk management and asset allocation, manager selection, index design, stewardship and policy level engagement.

So what have we been doing?

Throughout 2022 we have been busy taking steps to meet our net zero commitment and progress it in line with our beliefs stated above. Our 2022 UK Stewardship Code Report has many examples of work we have been doing to do so. Here are just a few of them:

- Publicly reporting on our net zero progress via our 2022 [Sustainable Investment Report](#)
- Putting a significant focus on data and metrics, both internally and from our external sources
- Researching and implementing best practice asset-class net zero methodologies to integrate into our own processes

- Publishing a standalone [Climate Policy](#) for our Investments business, to complement our [Sustainable Investing Policy](#)
- Helping other investors with their own net zero pledges and climate related goals
- Assisting clients navigate the evolving world of climate regulation, including TCFD requirements in the UK
- Using our new Climate Dashboard to display net zero datapoints and progress at portfolio level
- Maintaining climate as our top theme for engaging with asset managers
- Working with EOS at Federated Hermes closely on climate as a top environmental engagement theme
- Utilising internal resources via the expertise in our [Climate and Resilience Hub](#)
- Playing active roles in collaborative initiatives to further progress across the industry
- Continuing to engage with policymaker, regulatory and governmental consultations around climate

Let's work together

To be most effective in managing climate risk and stewarding the transition to net zero, we need to collaborate with others. We are proud to be part of several collaborative climate-focused initiatives and we continue to play an active role in them.

Here are just a few of the things we were involved in over 2022:

- Contributing to the creation of the [Net Zero Investment Consultants Initiative \(NZICI\)](#) reporting framework for signatories
- Submitting our interim progress report to the [Net Zero Asset Managers Initiative \(NZAMI\)](#) and having our targets approved
- Participating in various [Glasgow Financial Alliance for Net Zero \(GFANZ\)](#) workstreams, as well as seconding a WTW colleague to GFANZ
- Contributing to the Institutional [Investors Group on Climate Change \(IIGCC\)](#)'s Paris Aligned Investment Initiative, and contributing to the IIGCC's sister initiatives in Asia and Australasia

This year, we:



Wrote a [public case study](#) outlining how we have implemented the Net Zero Investment Framework (NZIF) here at WTW



Published the Thinking Ahead Institute's [Pay Now or Pay Later paper](#), which provides analysis to drive increased action on climate



Helped one of our biggest fiduciary clients, LifeSight, to implement their net zero and broader sustainability goals



Introduced minimum standards for our asset managers to meet on climate engagement and reporting



Published our [Climate Policy](#), to complement our existing [Sustainable Investing Policy](#)

Spotlight on: LifeSight

LifeSight is WTW's master trust – a defined contribution (DC) multi-employer pension trust that offers employers high-quality, low-risk pension provision. An independent trustee board looks after the interests of members, who have access to LifeSight's leading-edge technology platform and administration services. LifeSight was the first master trust to be authorised in February 2019 by the Pensions Regulator in the UK.

LifeSight has ambitious sustainability goals, reflected in its beliefs and policies – which are documented publicly in LifeSight's Statement of Investment Principles (SIP). Given the long-term horizon of DC arrangements, stewardship is particularly important for LifeSight.



Sustainability beliefs:

- Sustainable investing (SI) is critical to maximising risk-adjusted returns and, therefore, delivering the best possible pension outcomes for members
- An investment's financial success can be influenced by a wide range of factors including ESG issues and stewardship. That's why these are important aspects of sustainable financial risk management – to protect and enhance the value of investments and, in turn, improve long-term member financial outcomes
- Science points to potentially catastrophic risks and impacts if global warming continues its current trajectory. Without substantial collective action, humanity risks missing the point where we can avoid runaway climate change, irreversibly damaging the world's people and economies, as well as the natural systems that sustain us
- These challenges present material financial risks (which are long-term, uncertain, systemic, undiversifiable and unhedgeable) and opportunities, which necessitate specific risk management, opportunity identification and collective action



Voting and engagement:

- In general, LifeSight prefers not to use divestment or exclusion as part of its responsible investment approach (recognising that there will be exceptions – for example, where material ESG risks are considered unlikely to be addressed effectively through engagement)
- LifeSight is committed to use its scale and position as a leading Master Trust, as well as the broader scale and influence of WTW as Founder, to engage with regulators and collaborative initiatives. LifeSight aims to improve how markets operate and tackle specific global challenges such as climate change, contributing to a sustainable future for society and the planet – clearly in the financial interests of its members
- Delegates are expected to integrate ESG factors appropriately as part of their investment processes, to adhere to the principles of applicable local stewardship codes, and to document how they are considering and addressing ESG issues
- LifeSight regularly monitors the stewardship activities of its delegates with a focus on the most impactful areas and issues of particular importance, such as climate change

Find more information in LifeSight's SIP and Implementation Statement.

Highlights across 2022

- Consistent with WTW's goals, LifeSight has committed to net zero emissions by 2050 latest, with a 50% reduction by 2030. Showing its progress on its sustainability and net zero goals, LifeSight reported on its carbon journey in 2022. LifeSight outlined its pathway to net zero emissions and documented its progress across five key climate metrics; carbon emissions, alignment, climate solutions, transition risks, and physical risks – the first client to use the WTW climate dashboard
- LifeSight published its [position statement on deforestation](#), which is publicly available. LifeSight is supportive of the Race to Zero Financial Sector Commitment on Eliminating Agricultural Commodity-Driven Deforestation by 2025 and aims to address this important issue through the collective influence of its specialist professional partners

LifeSight has specifically challenged its partners to vote and engage in ways that will help achieve deforestation goals – LifeSight will continue to monitor and engage with them regarding progress on this and other important ESG issues.

- LifeSight started to introduce Tumelo as a tool to engage members on important voting issues
- LifeSight has developed a stewardship policy covering voting and broader asset manager, issuer and system level engagement. Reflecting its beliefs, the policy focuses on climate change, including deforestation and biodiversity, as LifeSight recognises the systemic challenge of an orderly transition to net zero



Leading the way

LifeSight is a WTW product that we not only offer the market – we also use it for our own members. As such, it captures our best ideas and latest thinking, which includes SI and stewardship as key principles. This is reflected in LifeSight's beliefs and policies, as well as its ambition to be leading edge in addressing key sustainability issues and driving engagement for the benefit of the wider investment community.



Spotlight on: WTW engagement with asset managers

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

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



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



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

Our manager research teams are busy engaging with managers frequently throughout the year; we highlight stewardship as an area when the industry can and should do more.

We also view our relationship with the asset managers we appoint as a long-term partnership with an institution we rate highly. Our manager research team practises asset manager engagement in the same manner that we ourselves expect asset managers to engage in a constructive dialogue with the businesses, issuers and assets they own.

Because of this we are keen to engage with laggards and help them to improve their practices. We will escalate issues where we do not feel progress is being made. If our engagement and subsequent escalation process does not lead to sufficient progress, we will look to downgrade or reject a strategy and allocate capital to other opportunities. Each year there remain some examples where we feel progress is too slow, minimum standards are unable to be met, or where we decided the gap between current practice versus best practice is unlikely to be closed through engagement.

We continue to see a good level of receptiveness to suggestions for improvements with the vast majority of asset managers making progress in 2022. Our researchers have deep specialist knowledge so are well placed to understand the areas of relevance for each asset class.

The three main priorities that define our asset manager engagement are:

- Sustainable investing (SI), including climate
- Culture
- Diversity, equity and inclusion (DEI)

Our manager research specialists were frequently used as a sounding board to understand best practice and proactively reached out to asset managers who we thought were falling short of expectations on this front.

Focus on climate

Consistent with our net zero commitment, our main topic of engagement during the year continues to be around climate risk management. Asset managers are now fully aware of the importance we place on them to:

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

One part of our newly introduced minimum standards for managers is the assessment of their mandate-level and firm-level TCFD disclosures. These minimum standards have led to actions being agreed for managers for 2023.

Climate will continue to be a key topic of asset manager engagement in 2023 as we push for more and review the level of progress made.

Engaging with all asset classes

Listed equities are often the focus for engagement, but we also understand the importance of engaging within other asset classes. For example, influencing issuers is a key part of fixed income investing and we view effective stewardship as a critical component of successful private markets investing.

Please refer to Principles 7, 9, 11 and 12 for further details on this.

In 2022, our manager research team:

- Researched over 300 sustainability-themes strategies across all asset classes
- Approved 12 new strategies with our highest rating for use in client portfolios
- Conducted engagements with over 200 managers on over 600 products on sustainability and stewardship
- Rejected or downgraded 25 strategies based on sustainability concerns
- Introduced minimum standards on climate, modern slavery and engagement reporting for all our asset managers
- Updated and developed our annual manager SI questionnaire to reflect evolving client needs and regulatory requirements
- Collaborated with others to design and provide seed capital for 12 bespoke solutions where existing offerings did not meet our clients' needs
- Collected multi-dimensional diversity data on over 400 firms and 1750 products
- Introduced aligned DEI objectives between our manager research and portfolio management teams

We have included several case studies of our engagement with asset managers throughout our 2022 UK Stewardship Report.

Please refer to Principles 7, 9 and 11 for these.



Examples of things we monitor and engage with managers on:



Their approach to climate reporting and target setting as well as how they consider climate change within their decision making



Their voting practices



Their culture and approach to DEI – both at firm level and at mandate level



Whether they are actively involved with industry collaborative initiatives



The extent to which they are providing relevant and up to date data across sustainability areas – from DEI to climate



How they are engaging with the underlying assets and securities they invest in

Spotlight on: Thinking Ahead Institute

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

2022 marked the 20-year anniversary of the Thinking Ahead Group (WTW executive to the TAI) – 20 years of harnessing the power of collective thought leadership, ground-breaking research and innovations in the areas of culture, sustainability, climate change, value creation, organisational change and ESG.

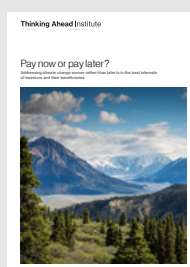
TAI's approach

The Institute's research agenda is driven by its members, and it publishes research papers, releases podcasts, and runs events to circulate knowledge and drive learning in the investment industry. It organises research working groups, seminars and industry body projects, recognising the importance of effective collaboration in stewardship. Further, it works with members to take action through strategic member engagement sessions, workshops and projects using proprietary tools.

Working together

TAI is key to developing and socialising our work on sustainability. It collaborates with industry bodies (e.g. PRI, IA, CFA, CAIA) and brings together leading practitioners, academics and organisations to complement and leverage our thinking. This, in turn, supports our responsibility to encourage and improve processes in respect of stewardship, with a view to positively influencing the system as a whole.

In 2022, TAI published the **Pay now or pay later paper** – a clear and thoughtful argument on the logic of addressing the climate challenge now.



Thinking Ahead Institute and PRI to create new global standard for stewardship resourcing

The joint TAI/PRI project is global and will include:

- An institutional benchmarking study to better understand current stewardship practices
- Examples of best practice stewardship
- A proposed calculation methodology to estimate the appropriate levels of resources that investors should be prepared to dedicate to stewardship activities for real-world impact

Find out more [here](#).

2022 membership

- **Membership:** 60
 - Asset owners: 33
 - Asset managers: 27
- **Assets under Management:** c. US\$16trn

Research themes

- Investment organisations of tomorrow
- Culture, the power of teams & future of work
- Stewardship
- Investment for tomorrow | environment & society

Activities over 2022

TAI's annual report shows key activities and contributions over the past year, creating sustainable value for all stakeholders. Highlights include:

- The *Investing for Tomorrow (IFT)* working group was set up in 2020 to guide investors' behaviours to become a driving force in transforming the global economy in line with climate targets and societal goals. The IFT **environment** working group covered three topics over 2022: halving emissions by 2030, biodiversity loss and achieving organisational climate goals
- The IFT **society** working group was set up in 2022, and covered inequality, just transition and moving from interest to action on societal issues
- The *Investment Organisation of Tomorrow (IOOT)* working group has been co-creating a change model for investment organisations to keep up with the paradigm shift occurring in our industry. In 2022, the IOOT summit saw members coming together to discuss sustainability impact and universal owner principles
- TAI was selected by the Principles for Responsible Investment (PRI) to research and assess the appropriate level of resources that institutional investors should be prepared to dedicate to stewardship within their organisations
- Organised 10 events, published 13 papers, and released 21 investment insights and 6 podcast episodes

Spotlight on: EOS at Federated Hermes (EOS)

EOS is a leading stewardship service provider – it specialises in helping institutional investors to be more active owners of companies and fulfil their fiduciary duty. It offers corporate engagement and proxy voting services and currently advise on over \$1.34 trillion of assets under advice (as of 31 December 2022).

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

Our use of EOS highlights – and is a critical part of — our commitment to effective stewardship.

How we worked with EOS in 2022:

- EOS undertook corporate engagement and voting advice on a variety of our pooled fund solutions, covering both listed equity and some fixed income
- In addition to the bottom-up company engagement, EOS performed public policy engagement and advocacy on behalf of us and our clients
- Our Head of Stewardship continued to chair EOS's Client Advisory Council, and we engaged closely with EOS on their engagement agenda and prioritisation

During 2022, WTW held a meeting to give our delegated clients the opportunity to engage with EOS to challenge their work and communicate key priorities. The meeting included:

- EOS sharing engagement case studies, and explaining how their voting approach has evolved
 - A deep dive discussion around climate engagement (a focus area for clients)
 - Questions from clients (e.g. EOS's approach when companies are not responsive, EOS's work on biodiversity)
-

EOS's work in 2022

EOS's [2022 Annual Review](#) summarises their approach, activities and outcomes over the course of the year.

Engagement and voting numbers

- Engaging with **1,138 companies** on **4,250 issues** and objectives
- Making voting recommendations on **134,188 resolutions** at **13,814 meetings**, including recommended votes against **24,461 resolutions**
- **33 consultation** responses or proactive equivalent
- **75 discussions** with relevant regulators and stakeholders

Priorities and themes

- Established **twelve engagement themes for 2023-25**, across broader topics of environment, social, governance and strategy, risk and communication. Priority themes remained climate change action, human and labour rights, human capital, and board effectiveness, and ethical culture, with three expanding themes: biodiversity, digital rights and tax
- **2,617** of the issues and objectives engaged in 2022 were linked to one or more of the UN SDGs

Work and initiatives

- Engaged companies across key topics – including Sainsbury's on the living wage in the wake of the cost-of-living crisis, Amazon on tax transparency, and BHP on addressing sexual harassment in Australia's mining industry
- Active participation in many collaborations including Climate Action 100+, Principles for Responsible Investment (PRI), and UN Guiding Principles Reporting Framework
- Received a 5-star PRI rating for its investment and stewardship policy, an A+ Influence Map Climate Engagement Score, and received a 1st in Scope's ESG integration ranking, all for the international business of Federated Hermes, recognising EOS activity

Below we have outlined three thematic case studies highlighting work undertaken by EOS in 2022 to address three different sustainability themes. This highlights the breadth of EOS's engagement with companies, policy makers and industry bodies to push for progress.



Case study 1 — thematic engagement by EOS: climate and net zero

EOS play an important role in the collaborative engagement initiative Climate Action 100+ (CA100+), recognising that investor engagement on climate change is important to help companies manage risk through a period of economic transformation.

Within that, EOS acted as the lead or co-lead engager on 24 companies in 2022. Some highlights include:

- Continuing to push for progress where companies lagged best practice, as well as welcoming the setting of new targets by others e.g. food company Danone setting Science-Based Targets initiative-validated emissions targets — something EOS have engaged on since 2019 through CA100+.

- A focus on 'say-on-climate' votes, particularly at European oil and gas companies. This required some intensive engagement to inform the analysis distributed to CA100+ signatories and EOS's vote guidance to clients. Examples of this extend from BP to Centrica to TotalEnergie, as well as mining companies Anglo American and Rio Tinto
- Intensified scrutiny and engagement with German automobile companies BMW, Mercedes-Benz and Volkswagen on aligning their public policy lobbying with their ambitions for achieving net-zero emissions

EOS appreciate that good progress has been made over the past five years of climate engagement, but many of the world's biggest emitters are still far from achieving full alignment with the goal of the Paris Agreement

Please refer to pages 16-19 of the EOS [Annual Review](#) for a more extensive review of its climate engagements with CA100+ in 2022.



Case study 2 — thematic engagement by EOS: digital rights

EOS have engaged with companies on digital rights since 2016. In 2022, they published their Digital Rights Principles to provide an engagement framework for investors in the tech sector and other data-reliant sectors. Some of the key focus areas are on privacy rights, freedom of expression, and risks related to the negative societal impacts of digital products and services with an emphasis on social media.

In 2022, EOS used the principles in their engagements with companies. They sent letters to some of the largest tech companies globally including Alibaba, Alphabet, Amazon, Apple, Meta, Microsoft and Twitter, introducing the principles. They made several requests from companies and subsequently met with most of them to reiterate the requests and track responses.

Outcomes from this include:

- Meta publishing its first human rights report. EOS have been engaging with the company on digital rights since the 2018 Cambridge Analytica issue
- Engaging with Tencent and Alibaba on complying with China's Personal Information Protection Law. Tencent made improvements to its private and security disclosures, but EOS have suggested it could do more. Alibaba have acknowledged the need to enhance its focus on these issues and have outlined plans to develop such a strategy
- Engaging with standards-setting organisations for digital rights such as the Global Network Initiative and the Ranking Digital Rights Index to influence their standards and inform our views on best practice

EOS will continue engaging on digital rights with these large tech companies in 2023. Please refer to pages 35-36 of the EOS 2022 [Annual Review](#) for further detail.



Case study 3 — thematic engagement by EOS: deforestation, biodiversity and sustainable food systems

EOS have responded to the challenges presented by a loss of biodiversity by engaging with companies on their impacts and dependences on biodiversity and encouraging them to develop strategies to avoid and mitigate their impacts on nature, whilst aiming for an overall net-positive impact.

They have developed a dedicated biodiversity engagement programme to accelerate and deepen the focus on biodiversity protection and restoration.

Some positive outcomes from 2022 include:

- EOS attended the Montreal COP 15 international negotiations in 2022. A senior EOS engager inputted to the drafting of the goals, advocating for an ambitious Global Biodiversity Framework. This was ultimately agreed in December 2022
- Companies starting to identify their impacts and dependencies on biodiversity and preparing for the Taskforce on Nature-related Financial Disclosures (TNFD)
- Posco International developing its sustainable palm oil strategy in accordance with Roundtable on Sustainable Palm Oil (RSPO) guidelines
- An impressive regenerative agriculture pilot by Carrefour, which EOS urged them to scale to a larger proportion of its supplier base
- Engagement with the chief sustainability officer of Yum! Brands to encourage a group-level target and strategy for sustainable proteins

Please refer to pages 27-29 of the EOS 2022 [Annual Review](#) for more context, examples and future plans.

Regulatory status disclosure

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About WTW

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



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