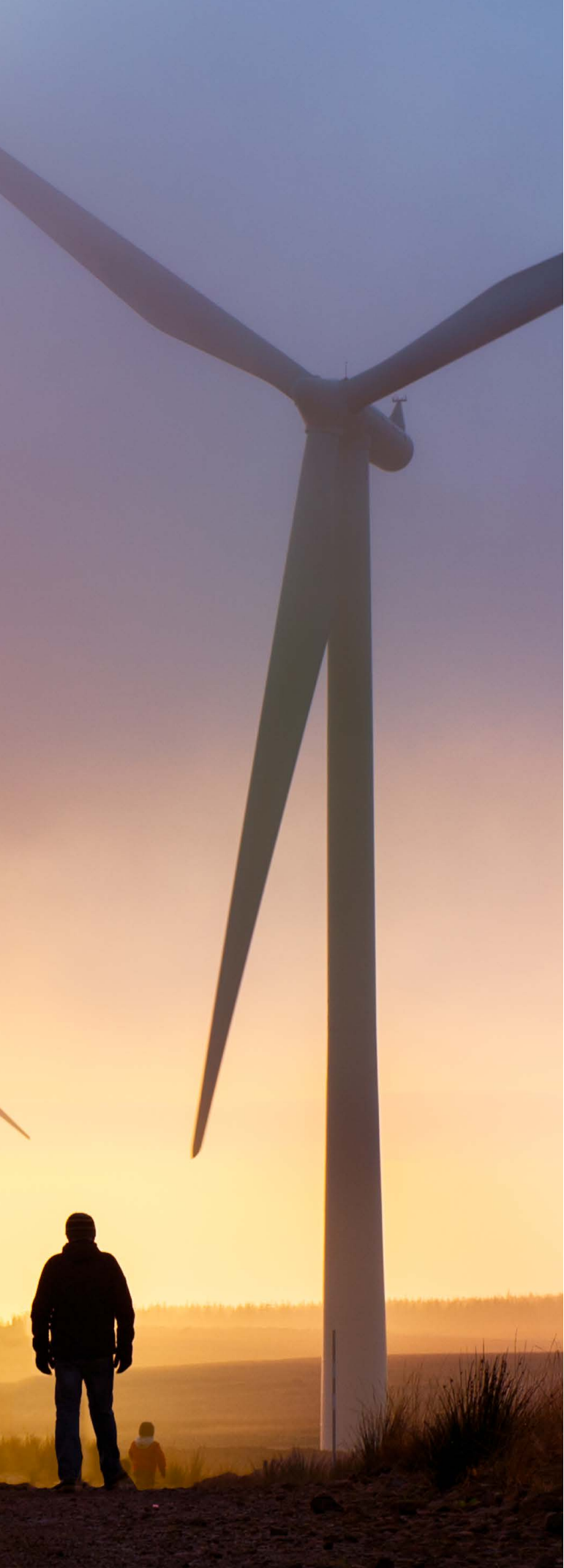




Climate Policy

WTW Investments

December 2022



Introduction

This Policy should be read in conjunction with our Sustainable Investing Policy, which is available [here](#), as our approach to climate change is an integral part of our broader Sustainable Investing (SI) programme.

We believe that climate is a financial risk that is far-reaching, systemic and foreseeable. As investors, we have an important role to shape the system going forward and to help steward a whole economy transition to a net zero and resilient future.

We recognise that the investment industry is not simply a 'taker of outcomes' generated by the investments it makes, but rather as allocators of capital and stewards of its clients' assets, it can and should play a meaningful part in transitioning economies to net zero.

In particular, we emphasise the importance of:

- A combination of decarbonising existing investments, portfolio alignment, and new investments in long-term climate solutions
- Using multiple 'levers' including changes to risk management and asset allocation, manager selection, and index design
- The critical importance of effective stewardship and policy level engagement

External Standards

This policy and our approach are informed by globally recognised standards and frameworks:

- Net Zero Investment Framework (NZIF) published by the Institutional Investors Group on Climate Change (IIGCC)
- Task Force on Climate-Related Financial Disclosures (TCFD)
- European Union (EU) Taxonomy
- Sustainable Finance Disclosure Regulation (SFDR)
- Science Based Targets Initiative (SBTi)
- Principles for Responsible Investment (PRI)
- UN Global Compact Principles
- UN Sustainable Development Goals
- UK Stewardship Code

Note: Although this policy document reflects WTW's current approach and understanding, it is subject to change at any time.



Governance

I. Climate belief

As a responsible market participant one of our core SI beliefs is climate specific. We believe that:

- Climate change, and a just transition to net zero carbon emissions, is a systemic and urgent global challenge which necessitates specific risk management opportunity identification and collective action.

II. Our commitment to a net zero future

We have made the following climate-related commitments:

- 100% of our delegated portfolios committed to net zero greenhouse gas emissions by 2050, with at least a 50% reduction by 2030
- A commitment to double our investments in climate solutions by 2030
- Joined the Net Zero Asset Managers Initiative (NZAMI)
- Co-founded and launched the Net Zero Investment Consultants Initiative (NZICI)
- Invested significantly in internal resources, analytics and capabilities, including a team of over 100 climate specialists forming our [WTW Climate and Resilience Hub](#), and the development of proprietary risk analytics such as [Climate Transition Value at Risk](#) and related investment products

Our net zero commitment is described in further detail [here](#).

III. Internal governance structure

Our climate change investment activities are governed within the same Sustainable Investing (SI) governance framework as described in section 3 of our Sustainable Investing Policy.

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

IV. Transparency

Transparency is a core tenet of our approach to SI and climate specifically. The following reports are publicly available and published on our website:

• UK Stewardship Code Report

- We were amongst the first wave of signatories to the 2020 UK Stewardship Code recognised by the Financial Reporting Council (FRC). We produce annual reports in line with the Stewardship Code requirements.

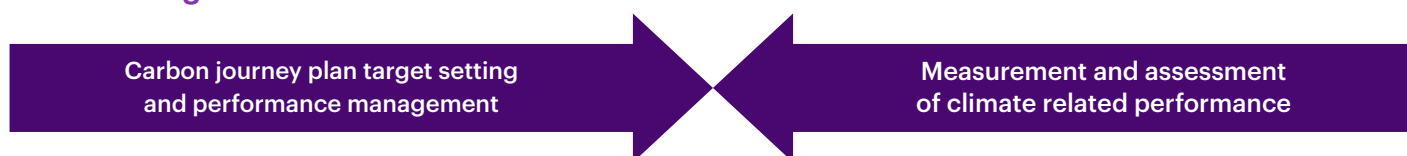
• Task Force on Climate-Related Financial Disclosures (TCFD) Report

- We are committed to disclosing in line with the requirements of the TCFD. Please see our WTW TCFD report [here](#) and our Investments SI Annual Report [here](#). The TCFD is a framework to assist disclosure of climate-related risks and opportunities.

Strategy

We look to integrate climate throughout our investment processes, from beliefs and risk management, through portfolio construction and manager selection, to monitoring and reporting. We place emphasis on climate given our beliefs and apply additional focus on research, resources, data and tools, and collaboration.

Climate integration framework



Establish / revise governance	Set and revise objectives; identify significant topics	Portfolio construction	Measure and assess climate performance	Disclosure
<p>Oversight by GLT Sustainability Subco</p> <p>Policy and technical positions set out by SI Standards Committee</p> <p>Integration into Global Portfolio Management Group and Fund Investment Committees</p> <p>Overall carbon journey plan framework – pace and shape determined, and design of pathway</p> <p>Engagement strategy established</p> <p>Evaluation of preferred metrics and methodologies</p>	<p>Baseline year for decarbonisation set</p> <p>Targets set at:</p> <ul style="list-style-type: none"> 50% reduction in GHG footprint by 2030 Net zero GHG by 2050 Double allocation to climate solutions by 2030 <p>Review range set</p> <p>Conduct scenario analysis based on orderly, disorderly and failed transitions</p> <p>Identify top ranked risks and opportunities in portfolio</p> <p>Prioritise climate-related engagements</p>	<p>Total portfolio (reference) carbon journey targets modelled</p> <p>Asset class level modelling of climate targets commenced</p> <p>Key levers:</p> <ul style="list-style-type: none"> Risk management and asset allocation Manager selection Index design Exclusions Stewardship Policy level engagement 	<p>Balance scorecard developed to cover metrics determined valuable for performance measurement across our identified topics and use cases:</p> <ul style="list-style-type: none"> Carbon emissions and footprint Alignment through % of portfolio Paris aligned Amount invested and % of portfolio in climate solutions Physical risk exposure Transition risk exposure Engagement assessment across voting, asset stewardship and public policy advocacy <p>Current reporting combines targets with periodic changes</p> <p>Increased variety of data points to assess metrics from baseline to targets, interim and long term</p>	<p>Regular reporting, including as aligned to relevant jurisdictional regulations</p>



I. Stewardship

Climate is a significant focus for all our stakeholders, and it is amongst our most engaged topic across our stewardship activities.

- **Asset manager engagement**

We integrate climate into our asset manager assessments, analysing both climate integration and climate stewardship as tailored to the strategy in question. It is also a core focus of our ongoing asset management engagement, pushing for improved approaches, activities, and outcomes.

- **Corporate engagement**

In order to supplement corporate engagement carried out by individual managers, we partner with EOS at Federated Hermes (EOS). Climate is a key pillar of EOS's engagement plan, and as an example, EOS plays a leading role in Climate Action 100+. Climate Action 100+ is an investor-led initiative aiming to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

- **Voting**

Voting rights are typically held by third-party managers, and we also use EOS to provide voting advice to the asset managers on directly held equities. Climate voting policies are a key area of scrutiny and engagement for us.

- **Policy Advocacy**

We engage with regulators, policy makers and industry groups on climate, and respond to key consultations put forth by these groups. In addition, we have partnered with EOS who undertake public policy engagement and advocacy on our and our clients' behalf to address a range of systemic risks including climate.

II. Integration

We aim to integrate climate into every step of the investment process. Key elements of that include into our asset research, manager research and portfolio management process. We also incorporate jurisdictionally relevant requirements for portfolio investments, recognising current and evolving regulations, guidance and standards, such as TCFD and SFDR.

- **Asset research**

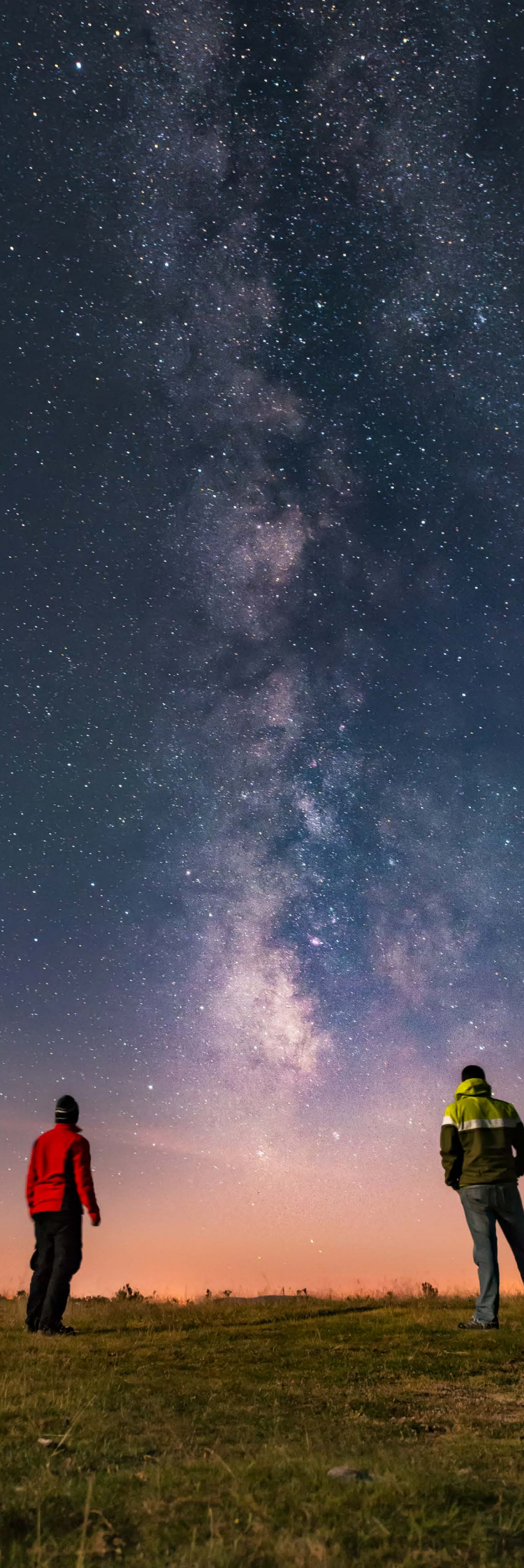
Climate risk scenario analysis is integrated within our asset allocation frameworks and capital market forecasts.

- **Manager research**

Climate risk is one of three main areas that drive our asset manager engagement, as well as climate being a key element integrated into our manager assessments and ongoing due diligence.

- **Portfolio management**

Climate is a focus of our portfolio construction process – understanding our risk exposures and reducing them through time, as well as identifying and investing effectively in the opportunities. We have a specific, and high, weighting to climate relative to other dimensions of portfolio quality when making portfolio construction decisions for example.



III. Collaboration

We engage in climate specific collaborative initiatives, such as the ones listed below:

- Asia Investor Group on Climate Change (AIGCC)
- ClimateWise
- Coalition for Climate Resilient Investment (CCRI)
- Glasgow Financial Alliance for Net Zero (GFANZ)
- Global Innovation Lab for Climate Finance
- Institutional Investors Group on Climate Change (IIGCC)
- Investor Group on Climate Change (IGCC)
- Principles for Responsible Investment (PRI)
- Transition Pathway Initiative (TPI)
- UK Transition Plan Taskforce (TPT)

IV. Industry and thought leadership

- **Net Zero Investment Consultants Initiative (NZICI)**

We co-founded NZICI as part of our focus on collaboration and commitment to net zero greenhouse gas emissions by 2050 across our advice and solutions.

- **Coalition for Climate Resilient Investment (CCRI)**

We launched the CCRI at the UN Climate Action Summit in 2019 in partnership with the World Economic Forum and the governments of the UK and Jamaica. CCRI aims to create a more resilient global financial industry in which key incentive structures foster an accurate pricing of physical climate risks in investment decision making.

We partner with several organisations to understand and advance the latest climate thinking and research.

- **The Climate and Resilience Hub (CRH)**

The CRH at WTW brings together deep climate expertise and capabilities to deliver climate and resilience solutions, analytics, advice and transactions.

- **WTW Research Network (WRN)**

A WTW collaboration supporting and influencing science to improve the understanding and quantification of risk, with the aim to improve the resilience of clients and society.

- **Thinking Ahead Institute (TAI)**

A global non-profit innovation network founded by WTW whose members comprise asset owners, asset managers and other groups motivated to influence the investment industry for the good of savers worldwide.



Risk management

We have identified climate change as a critical and systemic priority, given the risks it presents to our clients' investments and the ongoing resilience of the savings universe.

I. Risk management tools

- **Scenario analysis**
We apply multiple climate pathways to stress test asset portfolios and liabilities, assess resilience and identify strategic actions.
- **Physical risk mapping**
We use location data to assess unlisted real estate and infrastructure assets' exposure to a range of physical risks and perils under a variety of climate change scenarios.
- **Exclusions**
There are instances when certain activities and involvements meet our exclusion criteria. Specific to climate, thermal coal and tar sands are currently considered, subject to revenue and materiality thresholds:

Thermal coal

Any company or asset with revenues of more than 25% from mining or sale to third parties, and any companies with over 50% from coal power generation.

Tar sands

Any company or asset with revenues of more than 25% from tar sands extraction.

- **Manager selection**
An assessment of how well climate-related issues, as well as wider sustainability issues, are factored into an asset manager's investment process is a significant part of our manager research and selection process.
- **Index design**
We actively assess the characteristics of market indices and make a deliberate choice of which to use – climate risk is one of the factors we use in this decision. We provide this assessment as advice to clients or as part of our discretionary investment process.

II. Opportunities

- **Climate solutions**
We are committed to doubling our investments in climate solutions by 2030. We invest in areas such as renewable energy, forestry, sustainable agriculture and electrification and electric vehicle infrastructure.

III. Data, tools and technology

To ensure we are working with the climate assessment and impact data we need to best support our clients, we invest in specific climate data. At present, our principal external provider is MSCI ESG Research. To supplement the extensive data we receive from MSCI, we combine it with our proprietary Climate Transition Value at Risk (CTVaR) data and in-house analytics for assessing physical risk data.

- **Climate Transition Index**
In 2021 we created the Climate Transition Index (CTI) family of indices in partnership with STOXX, an index provider. It offers a systematic and transparent way for investors to manage the financial risk from the climate transition that investment portfolios are exposed to.
- **Climate Transition Value at Risk (CTVaR)**
Our proprietary CTVaR methodology quantifies climate transition risk by integrating forward-looking company assessments with traditional risk and return models. Using this methodology, we are able to determine the climate transition risk that companies face, helping identify risks and potential opportunities for investors.
- **Climate Quantified**
Our proprietary Climate Quantified physical and transition risk analytics enable us to get a much better understanding of the true exposure to climate-related risks in our portfolios.

Metrics and targets

Across our delegated portfolios and in line with the Net Zero Asset Managers Initiative, we have committed to:

- Net zero greenhouse gas emissions across 100% of our delegated portfolio by 2050, and at least a 50% reduction by 2030
- Double our allocations to climate solutions by 2030

We believe that measurement of our progress and that of the whole investment industry in stewarding the transition to a net zero and climate-resilient economy is an important issue.

We integrate climate change risk metrics into regular reporting and monitoring and invest heavily in leading analytics in this space. This includes the development of our proprietary Carbon Journey Plan methodology, an ‘impact measurement framework’ we have developed together with other industry participants via the Thinking Ahead Institute, as well as our proprietary Climate Quantified physical and transition risk analytics and CTVaR. The key metrics that we use to assess the climate performance of portfolios are combined into a climate dashboard that is used for monitoring and decision-making purposes.

Carbon journey planning

Our carbon journey planning methodology is aligned with the Institutional Investor Group on Climate Change’s (IIGCC) Net Zero Investment Framework, Taskforce for Climate-related Financial Disclosure (TCFD), Climate Financial Risk Forum (CFRF) and other relevant standards and guidelines. These have been applied across asset classes. Subsequent reporting will continue to improve in line with evolving best practice.

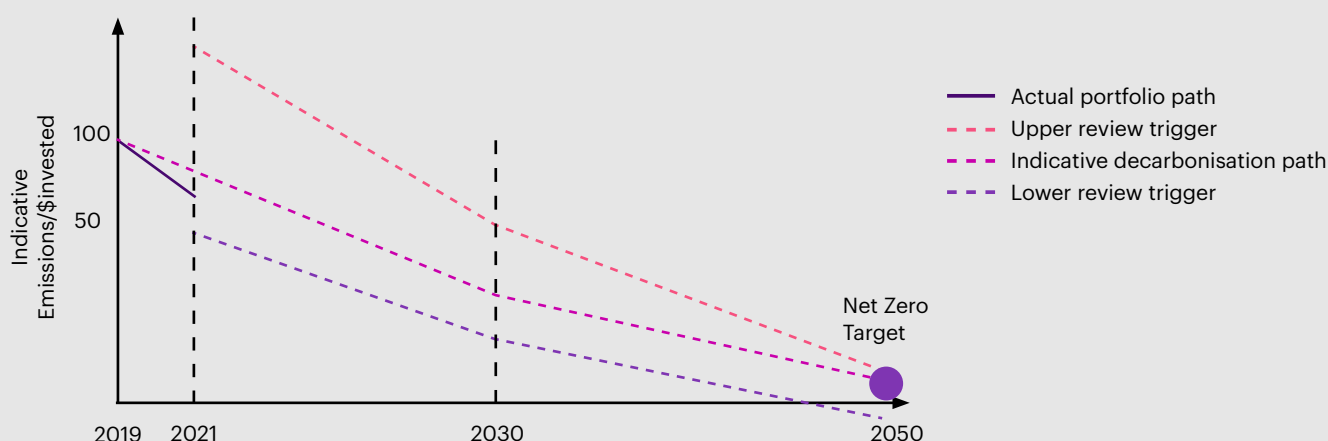
The role of the Carbon Journey Plan is to provide a top-down framework setting out a pathway of emissions consistent with a portfolio’s long-term net zero goals, in line with the Paris Agreement and assist us in setting portfolio decarbonisation pathways.

The figure below shows an indicative carbon journey plan and illustrates a hypothetical carbon budget for each year for the portfolio.

Consistent with the Net Zero Asset Managers Initiative (NZAMI) and the Net Zero Asset Owner Alliance (NZAOA), the baseline year of 2019 is recommended.

We have been clear that there are times when it makes financial sense to be ahead of the planned average trajectory, and times when it makes sense to be behind. The triggers are there to ensure there is a review to check that the financial case exists at times when the portfolio is a significant way from the expected trajectory rather than to mark a failure of the approach. For example, being above the upper trigger can be influenced by a very small number of portfolio holdings that are themselves making good progress to net zero. For simplicity, we have set the triggers at +/- 30% of the average planned trajectory, but only starting three years after the baseline year.

Figure 1: **Emissions/\$invested example journey plan**





• Climate Dashboard

In adherence to our reporting responsibilities and commitments, we have developed a Climate Dashboard which displays an enhanced list of data and metrics across all our discretionary assets. Our annual reporting therefore aims to show an increased variety of data points to assess metrics from baseline

to targets, both in the interim and against long term goals. To supplement the metrics shown below, we also undertake significant reporting on stewardship and engagement activities. These activities are disclosed in several places including our UK Stewardship Code report available [here](#).

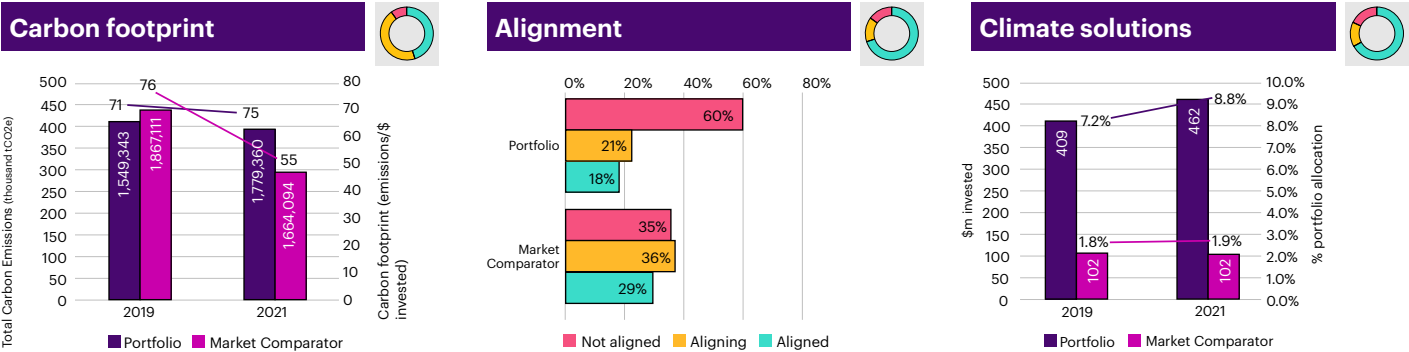
Climate dashboard

Category	Use case	Current metric	Notes
Impact of climate change on the portfolio	Transition Risk	Climate Transition Value at Risk	
	Physical Risk	Proportion of portfolio exposed to significant physical risks	Quantifying physical risk is a major focus, led by our Climate Quantified programme and our leadership of the Coalition for Climate Resilient Investment
Impact of the portfolio on climate change	Decarbonisation	Financed emissions – emissions / \$ invested	We assess total emissions and carbon footprint, also looking to exclude the impact of market movements to focus on actual underlying decarbonisation
	Alignment	% assets Paris aligned	We draw on multiple lenses here, including Science Based Targets Initiative (SBTi), Transition Pathway Initiative, Climate Action 100+
	Mobilising transition finance	Exposure to climate solutions	Aligned to EU Taxonomy and IIGCC methodologies.

Climate dashboard

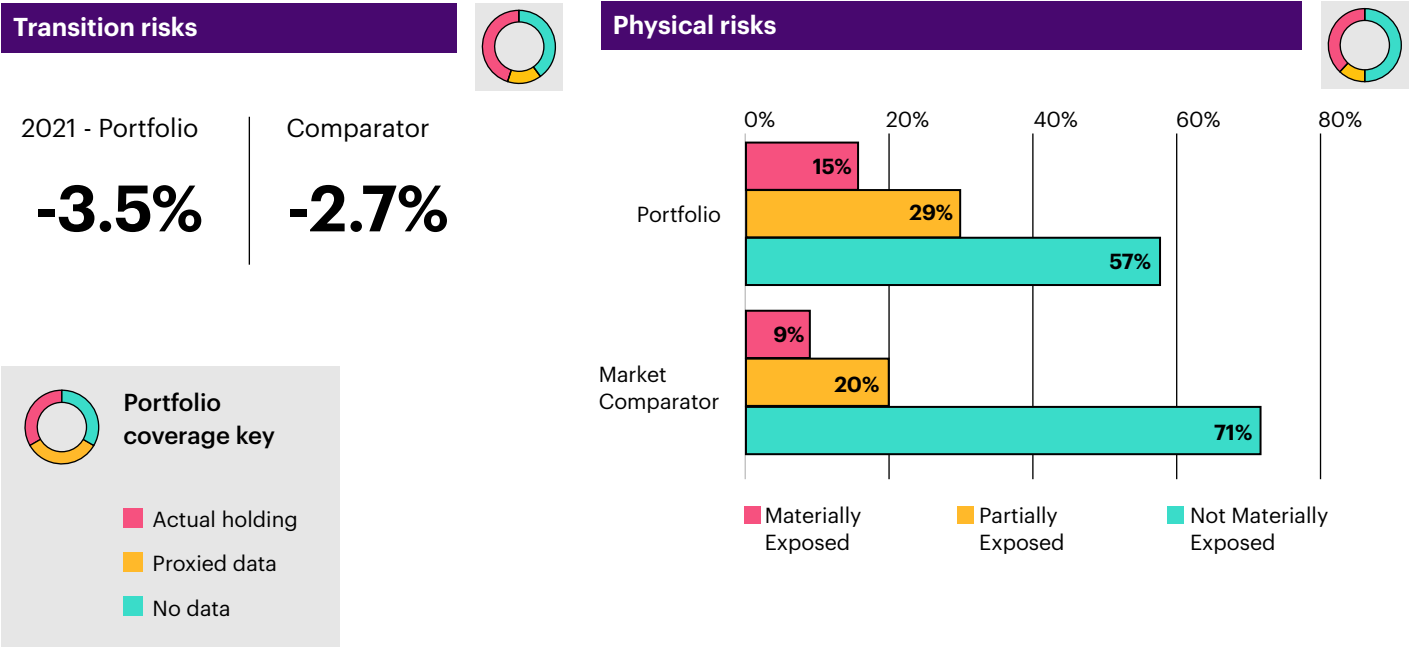
Example portfolio

Impact of portfolio on climate change



Note that Climate Transition value at Risk (CTVaR) can be used as an alignment metric as well, however we have chosen to show CTVaR as our transition risk metric

Impact of climate change on portfolio



About WTW

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



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