Sustainable Investing Policy

WTW Investments

December 2022

Introduction and scope

Sustainable investing ("SI"), in our view, is central to successful long-term investment outcomes and a key part of WTW's beliefs and investment approach. SI describes long-term, finance-driven strategies that integrate environmental, social and corporate governance ("ESG") factors, effective stewardship and management of sustainability impacts. This reflects, we believe, good risk management and supports a robust investment industry. For us, the principles underlying SI form the cornerstone of a successful long-term investment strategy and that SI considerations can materially improve risk and/or return for our portfolios. In addition, this topic is subject to significant regulatory and public scrutiny, as well as material reputational risk.

Our delegated solutions are in many ways complete reflections of our investment expertise – building portfolios that are designed to contain our best ideas in return generation and risk management. Therefore, delegated portfolios look to embed the best of our SI research, risk management and idea generation. This policy documents the way in which we currently do this in both our delegated portfolios and for our funds globally. This policy accompanies the overall investment business approach to sustainability and the firm-wide activities undertaken in this area.

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

WTW Investments purpose and beliefs

Within the WTW investment practice, we exist to deliver better outcomes for savers. Better outcomes mean better, long-term returns with well-managed risk along the way. To achieve this we must continue to innovate and focus on the forward-looking risks and opportunities. This includes the risks and opportunities associated with sustainability. Sometimes achieving better outcomes will also mean improving the quality of the savings system so that savers' confidence in that system increases and they are willing to save more. It may also mean investing in a way that has a positive impact on the world that savers live in and will retire into.

We recognise our duty to multiple current and future stakeholders – clients, employees, shareholders, wider society and the planet – as these are all interconnected. Better outcomes require changes – from us as individuals, as a firm and as an industry. We therefore take our role in changing investment for the better very seriously.

We summarise this purpose as 'investing today for a more sustainable tomorrow'.

As a fiduciary manager we have a responsibility to act in the best interest of our clients. Fundamentally this means seeking the best risk-adjusted returns as applied to their individual investment contexts, which includes considering all material risks (current and future), many of which we see as sustainability related.

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

Within the broad remit of sustainable investing and notwithstanding other significant topics, we have identified climate change as a critical and systemic priority, given the risk it presents to our clients' investments, the ongoing resilience of the savings universe, and the planet as a whole. For further information, we have a detailed Climate policy available here.

Sustainable investing is central to successful long-term investor outcomes

- Sustainable investing is about employing long-term strategies that integrate ESG factors and effective stewardship, with regard for the impact on society and the planet now and in the future, recognising that this influences both risk and return
- Sustainability risks tend to be inaccurately appreciated by the market. Investors should look to use informational and implementation advantages to improve long-term outcomes by avoiding unrewarded risk, seeking opportunities, undertaking effective stewardship and managing impact
- Collaborative engagement and advocacy are important to give the investment industry a stronger voice and improve investment outcomes for all participants
- 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

Links:
WTW SI webpage
WTW Climate and investment webpage
WTW ESG webpage
WTW Climate webpage

External Standards

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

- Principles for Responsible Investment (PRI)
- UK Stewardship Code
- UN Global Compact Principles
- UN Guiding Principles on Business and Human Rights
- Universal Declaration of Human Rights
- UN Sustainable Development Goals
- OECD Principles of Corporate Governance
- OECD Guidelines for Multinational Enterprises
- UK Corporate Governance Code
- 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)

Governance of sustainable investing practices

We look to embed SI throughout our investment process, from setting a mission and belief framework, through risk management, portfolio construction and manager selection, to implementation and monitoring. We view SI as an integral input to the decisions we make, not a separate or disconnected consideration and is subject to continual improvement to respond to fast changing regulation and best practice. We incorporate jurisdictionally relevant requirements for portfolio investments, recognising current and evolving regulations, guidance and standards, such as the TCFD and SFDR. As a result, the governance of our SI processes is monitored on an ongoing basis as a priority focus area for our business.

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.

Figure 1: **Managing Sustainable Investing performance**

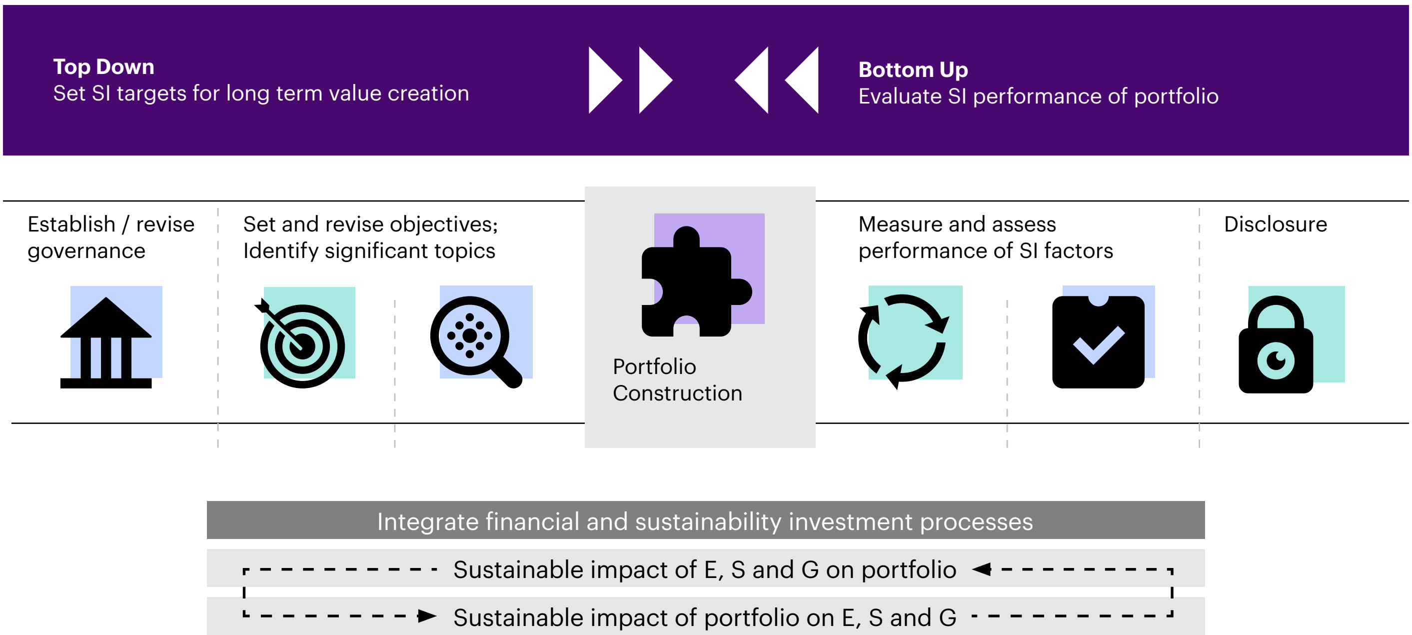

Figure 2

Top Down SI process management			Bottom up SI process management	
Establish / revise governance	**Set and revise objectives; identify significant topics**	**Portfolio Construction**	**Measure and assess performance of SI factors**	**Disclosure**
The SI governance and policies set out the practices and processes for investment management, reporting and decision-making. This ensures accountability for the investment decisions made in relation to the integration of SI across portfolios.	Here, we set out the investment strategies and related sustainability objectives to ensure integration with overall portfolio targets (risk and return). Identification of sustainability objectives which are most significant for optimal performance is crucial to ensure that over the longer term we: • Reduce portfolio level risks and negative sustainability outcomes; and • Increase portfolio level exposures to sustainable solutions and positive sustainability outcomes For example, climate is a significant topic of focus	Portfolio construction-related actions ensure matching the sustainability-related objectives (top down) and the sustainability performance of the portfolio (bottom up). Key levers include risk management and asset allocation, manager selection, index design, exclusions, stewardship, and policy level engagement.	Measurement relies on disclosures from managers, based on their analysis of disclosures from corporates and underlying holdings. It may be in the form of metrics, indicators or values. We are working through the challenges around information quality and data availability, including via the use of surveys, proxy data, and verified actual data. The data and information are used to apply an additional assessment as to whether or not the SI factor has a positive or negative effect on the overall portfolio's sustainability performance. An assessment includes: • Analytics of SI measures, or combination of measures / metrics / indicator sets; • Externally provided information to benchmark performance; and • Science-based thresholds or societal norms to determine the performance relative to an environmental boundary or societal norm	Various forms of regulated and voluntary disclosures are required for investments. These are required across all of the above sections and can vary substantially across regions and investment types.

WTW SI taxonomy

As an investments business, we require a common language to manage SI-related offerings and solutions of delegated portfolio services and Funds.

The purpose of the WTW SI taxonomy (different to the EU taxonomy) is to integrate the evolving global SI classification systems into our SI processes to help pursue market-leading sustainability performance. We recognise that regulators, financial institutions and global standard setters are continually developing guidance on sustainability-related investment practices – some mandatory, and some voluntary best practice principles.

Our WTW SI taxonomy looks to provide:

- A top-down process for managing portfolio-level sustainability performance targets over time:
  - Linking investment beliefs and governance to specific SI targets and sustainability topics
- A bottom-up measurement of performance in relation to targets for:
  - SI product offerings
  - Client portfolios' sustainability performance across investment strategies

Figure 3: **WTW SI taxonomy**

ESG integration + **Sustainability characteristics promoted** + **Sustainability impacts**

ESG integration

Managing sustainability risks and opportunities to achieve minimum compliance
- General SI-related policy(ies)
- Generic SI measurement
- Some sustainable investment strategies

Sustainability characteristics promoted

Integrating sustainability risks and opportunities
- Expanded SI-related policies
- Expanded SI measurement (including more sustainability metrics)
- Documented SI methodologies (related to policies)
- Able to articulate a % allocation to specific sustainability industries or development goal
- Assessment of performance (against thresholds and benchmarks)
- Engagement and voting on key SI issues
- Do no significant harm (ensure all objectives are given substantial consideration)
- Minimum safeguards (meet minimum governance standards and do not violate environmental or social norms)

Sustainability impacts

Measurable real-world impacts
- Identified solutions, strategies and objectives
- Detailed targets and measurements
- Detailed disclosures
- May include thresholds and external verification
- Intensive engagement activity leading to substantial environmental or social impact

Outside in
(impact of sustainability factors on the portfolio)

Inside out
(Sustainability impact of the portfolio on the natural environment and society)

Integration

As set out elsewhere in this Policy, we believe that integrating SI throughout the investment process is the best way to realise the full value available from SI. We describe below how we attempt to embed SI from a top-down and bottom-up perspective across both research and portfolio management.

Asset research

Sustainability and ESG are key factors in identifying the medium- and long-term themes and asset classes we wish to pursue, avoid, overweight or underweight in our clients' portfolios. Determining these views is an exercise of ongoing collaboration across all of our research teams, and portfolio management.

To make systematically sound portfolio management decisions under economic, environmental, social, and financial market uncertainty, we use sets of scenarios to help us identify and describe the range of potential future outcomes. This research also includes the analysis and monitoring of "markers" to indicate whether economic, environmental, social, or market conditions are moving toward one or another scenario. For example, physical and transition climate risk scenario analysis is integrated into both our capital markets analysis and our asset allocation considerations.

Manager research

We have a formal process for integrating SI into our manager research decisions, which is tailored to be most relevant and appropriate for the asset class and strategy in question. Our assessment of an asset manager's SI practices and implementation, in the context of individual strategies and products, feeds into our overall view of their ability to sustain a competitive advantage and the suitability of those products for our clients' portfolios. Consequently, the overall rating we place on a strategy will reflect our view of the SI credentials and capabilities of the strategy under review. A template of our deep-dive Sustainable Investment assessment of a specific strategy in shown overleaf in Figure 4.

In addition, we recognise that long-term themes may create return opportunities and we explore these through our manager research process too, where we look for positive alignment, particularly in private markets.

Finally, a large part of our manager research process is based on assessing the culture in place at the asset manager. SI plays a significant part in this culture assessment including with regards to inclusion and diversity principles.

Links:
Thinking Ahead Institute Culture and Leadership research
Measuring culture in asset managers

Figure 4: **Sustainable Investing Assessment Manager - Product**

Environmental, Social and Governance (ESG) integration

Resources and integration

ESG integration: ESG analysis
Firm-level ESG resources: 21
Proprietary ESG scoring methodology: Yes
Impact measurement: X# strategies (US$ Xm AUM)

Portfolio influence

ESG portfolio influence: ESG information
Exclusions applied: Tobacco, controversial weapons, UNGC, thermal coal, nuclear energy, others
ESG risk exposure: Higher than they would like

Stewardship

Policies

Stewardship policy: Disclosed publicly
Voting policy: Custom voting policy disclosed publicly / No voteable securities held
Conflicts of interest: Policy in place
Madern slavery: Statement in place
Engagement transparency: Regular reporting of all engagement activity publicly
Voting transparency: Summary activity, complete voting history and the rationale for votes against management, or for management when the matter is contentious, are all disclosed.

Engagement

Initiatives supported: PRI, UNGC, TCFD, CA100+, GRESB, UK Stewardship Code, others
Collaborative initiatives: Participation
Engagement potential: X# securities in the portfolio (X# with >5% firm ownership)
Engagement activity: Frequent company/security engagement

Voting

Voting: Undertaken by corporate governance specialists
Proxy voting providers: 0% firm-level / 10% strategy-level votes cast independently to proxy recommendation
Securities lending: Not undertaken

Weakness   Strength

Figure 4: **Sustainable Investing Assessment Manager - Product**

Firm engagement stats

Number of issuers engaged: 2,425
Number of engagements: 2,698
Top topics: 1) General governance, 2) Social

Strategy engagement stats

Number of issuers engaged: 2,425
Number of engagements: 2,698
Top topics: 1) General governance, 2) Social

Most significant engagements

Company: XYZ
Topic: Social (including Modern Slavery)
Ownership: 10.1% by firm, 5.7% by product

We have engaged with XYZ 16 times since 2015. Our most recent concerns were around the transparency of the company's workforce structure and the fact that employment practices have not kept pace with the sheer size of its workforce. The vast majority of our engagements with the company have been on the topic of labour standards within its warehouses.

Company: ABC
Topic: Other
Ownership: 8.5% by firm, 1.6% by product

We escalated our engagement with ABC this year having noted limited progress on addressing our concerns related to board composition and audit independence, via a series of meetings with the lead independent director. We will be reflecting our concerns in our AGM voting.

Firm voting stats

Vote exercised: 99% of 67,438 eligible votes
Votes cast: 9% against, 0% abstained, 70% for remuneration, 50% for climate
Top topics voted against/ abstained: 1) Board of Directors, 2) Remuneration

Strategy voting stats

Votes exercised: 100% of 1,413 eligible votes
Votes cast: 8% against, 0% abstained, 67% for remuneration, 90% for climate
Top topics voted against/ abstained: 1) Corporate structure, 2) Remuneration

Most significant votes

Company: DEF
Topic: General governance
Ownership: 10.1% by firm, 5.7% by product
Vote cast: Against (Proxy was against, Company was for)

We voted against the re-election of the chair of the board (and two further directors) given concerns over board independence, over-boarding and adequate diversity.

Company: PQR
Topic: General governance
Ownership: 8.5% by firm, 1.6% by product
Vote cast: Against (Proxy was against, Company was for)

We escalated our engagement activity through a series of votes against management, including the re-election of the chair of the audit committee and the chair of the nominations committee.

Portfolio management

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.

We recognise that while many SI considerations have clear risk and return consequences, embedding this 'lens' into portfolios also requires us to consider issues that are subject to greater uncertainty, less measurement and are heavily context dependent. This can include, for example, issues with potential reputational risks for us and our clients. Therefore, the roles of judgement and qualitative overlays are crucial.

SI is incorporated into our portfolio management process through a number of avenues. An important part of our framework for doing this is to assess sustainability through two dimensions (see Figure 5).

Figure 5: **A framework for assessing sustainability**

Portfolio resilience
Exposure of the portfolio to sustainability-related risks and opportunities

Manger SI integration
The extent to which, and success with which, sustainability is incorporated into the decisions made by managers in the portfolio

Given the prioritisation of climate change as a critical and systemic issue, this is a key 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. This occurs both through top-down identification and analysis of climate-impacted sectors for investment, as well as the bottom-up contribution of each manager investment.

The portfolio management team has the job of bringing together all of the research, risk management and idea generation done by different specialist teams in the business in a consistent manner for all our clients and funds. Our clients have many different constraints and types of mandate with us, meaning a 'one size fits all' approach is not possible. Each portfolio management team must make different trade-offs to create the best quality portfolio possible through our lenses, guided by our Global Portfolio Management Group (GPMG), which is responsible for setting portfolio guidance for delegated clients globally.

Portfolio tools

In order to assist our portfolio construction and management processes, we draw on a number of portfolio tools, the majority of which have been developed and tailored in-house to best align with our approach to building portfolios and our investment beliefs.

We currently use a variety of third-party data sources as input to some of these tools. For example, in our equity, corporate credit, and sovereign bonds exposures (including exposure through hedge funds), we make use of MSCI ESG Research which allows analysis of holdings-level ESG scores, their component E, S and G aspects, key climate change related metrics, and controversy data. At both a security and portfolio level, this allows us to challenge bottom-up security selection decisions with managers and apply top-down portfolio management, on absolute and relative bases.

In addition, we have our proprietary Climate Quantified suite of climate data and analytical tools, that we can integrate into our portfolio management processes. This includes our Climate Transition Value-at-Risk (CTVaR) methodology, whereby we quantify transition risk by integrating forward-looking company assessments with traditional risk and return models.

These data and tools are combined within our overall portfolio construction tool which assesses all the lenses of portfolio quality that we consider, and allows us to build portfolios that weigh these lenses according to our investment beliefs, market conditions and client contexts.

Stewardship

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

- Asset manager engagement
- Security-level engagement
- Voting
- Public policy, advocacy and collaboration

We also engage extensively with our clients, and with asset owners in general. This is partly to ensure that we provide the best possible services and outcomes now and into the future with a close understanding of their needs. However this engagement is also important to help them shape and contribute to a sustainable investing industry where they themselves can be influential and advocate for and support positive change.

Asset manager engagement

The main goals of our manager research process are:

- Finding the best asset management organisations capable of delivering superior outcomes to our clients
- Working together with these organisations to explore ways to better meet our clients' evolving needs

Each of our asset manager appointments is seen 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.

The three main priorities that have recently defined and will continue to define our asset manager engagement are as follows:

- Sustainable investing
- Culture
- Inclusion and diversity

What constitutes best practice in these three areas has been rapidly evolving, and as a result, we engage with asset managers not only to evaluate their current capabilities but also their plans and desired outcomes in the future plus activities to achieve them.

We encourage our preferred asset managers to articulate their purpose beyond narrowly defined financial returns and include benefits for clients, employees, society and planet.

We want to engage with those firms that recognise their responsibility in actively creating a sustainable future and expect an industry mindset shift in the way leading groups make their investment and business decisions towards more direct consideration of externalities. One important example is encouraging our preferred managers to carefully consider the coming global climate transition in their investment decisions.

While different firms vary in their approaches, their leadership usually plays the critical role in defining the purpose, motivating their employees and creating the ability to continuously improve. Hence, our asset manager engagement process involves interaction with the most senior leaders of the firms with which we partner.

We highlight stewardship as an area where the industry needs to improve. Engaging with underlying businesses, issuers and operating assets, beyond just quarterly results, financial models and valuations, but on their strategy, culture, leadership, innovation, and sustainability is an opportunity for the asset management community to demonstrate actual value creation to society. We have engaged with numerous managers in detail on this, shared best practices and have published research to call for greater efforts.

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

In those rare instances where our engagement process does not lead to sufficient progress, we often will look to allocate capital to other opportunities. In addition, our manager research team engages with our preferred asset managers and other third parties to design and provide seed capital for new solutions where existing offerings do not meet our clients' needs.

Links:
Manager Ideas Exchange
Investor Stewardship: One hand on the wheel
TAI Duty of Ownership

Corporate engagement

We endeavour to effect positive change in our industry and the market more widely, and therefore promote corporate engagement as a tool to help achieve this. In the vast majority of cases, corporate engagement is the responsibility of the underlying managers who hold the securities and are best positioned to engage. It is therefore a key part of our research and engagement with managers (as above) to assess the engagement capabilities and practices of managers, share and encourage best practices, and advocate for greater and more effective stewardship at an industry level.

To supplement corporate engagement carried out by individual managers, we have partnered with EOS at Federated Hermes ("EOS") in relation to some of our funds – a leading stewardship provider. For those funds, EOS provide additional corporate engagement to that of the asset managers, applying their expertise, scale and market standing to effect positive change. We have worked closely with EOS for many years, input into their engagement planning and prioritisation, and currently co-chair their Client Advisory Board.

Voting

Voting on equity shares is an important and visible engagement tool. In our portfolios, there are two ways in which we exercise our voting rights and responsibilities:

i. Third party funds

Here we delegate stock selection to third party managers, and in doing so, we also delegate voting rights and the execution of those rights. Therefore, assessing the voting practices of our agents is an important part of our process. Our manager research team looks at this across both active and passive mandates; it is also specifically assessed and monitored via our Sustainable Investing assessments. We have also developed a proprietary voting analysis tool which analyses voting practices by managers over time, by topic, by region and by type of resolution. It also highlights voting patterns relative to other shareholders which can enable better scrutiny of individual voting decisions in the context of wider patterns and stated policies.

ii. Directly held equities

We also own stocks directly in some instances through managed accounts. It is important to note that WTW still make no underlying stock selection decisions, which continue to be outsourced to third party, best-in-class, specialists. However, as the stocks are under our control, we are able to influence voting more easily than for third party funds above. To ensure managers are voting in the best way possible at every opportunity, we use EOS to provide voting advice to the asset managers. We then regularly monitor the voting decisions each manager makes against what they were advised by EOS, engaging or challenging where necessary.

Where our clients hold managed accounts with direct equities, we review (in addition to reviewing the manager's policies and procedures in the manager research team) the voting procedures mandated under the agreement between the manager and the client on a regular, ongoing basis.

Public policy, advocacy and collaboration

We have strong conviction that collaborative engagement and advocacy are important to give the investment industry a stronger voice and improve investment outcomes for all participants. Long-term value creation relies on robust economic and investment markets. As a trusted adviser, we recognise the role we play in the investment chain, believing that undertaking activities to promote resilient and well-functioning economic and investment markets is consistent with our fiduciary duty and with our aim of changing investment for the better. We do this in a number of ways, including engaging in a dialogue with regulators and policymakers and participating in the work of industry bodies and collaborative investor initiatives, to promote high industry standards and effective investment markets.

We also partner with EOS to undertake public engagement and advocacy on our and our clients' behalf. EOS work with policy makers and institutions around the world to better ensure policies and standards are aligned with the interests of investors and best meet the needs of end savers. Some examples of our collaborative initiatives and engagements are shown below.

Links:
More information on EOS at Federated Hermes and their voting policies can be found here: https://www.hermes-investment.com/uk/en/intermediary/eos-stewardship/

Examples of our collaborative initiatives and engagements

Net Zero Investment Consultants Initiative (NZICI):
We were one of twelve investment consultants to launch NZICI in 2021, committing to supporting the goal of global net zero greenhouse gas emissions by 2050 or sooner through nine commitments, applying to investment advisory services, fully discretionary services and our own business operations. Its twelve signatories at the time of launch are responsible for advising on assets exceeding $10 trillion.

Net Zero Asset Managers Initiative (NZAMI):
We are a signatory of NZAMI, an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner. We have committed 100% of our delegated portfolios to the initiative. NZAMI has 291 signatories with $66 trillion assets under management (as at November 2022).

Investment Consultants Sustainability Working Group (ICSWG):
We co-founded the ICSWG in 2020. Bringing together leading UK investment consulting firms, its membership has grown to nearly 20 organisations with the aim of seeking to improve sustainable investing practices across the investment industry, as well as forming a US sister organisation. More information can be found here and here.

Principles for Responsible Investment (PRI):
We are a signatory to the PRI, and further information as well as our annual Transparency Report can be found at www.unpri.org.

UK Stewardship Code:
We were one of the first wave of signatories to the updated 2020 UK Stewardship Code, and continue to maintain our signatory status. We also encourage and help our clients to adhere to its guidelines. Our latest UK Stewardship Code Report can be found on www.frc.org.uk and our 2021 report is also available here.

Institutional Investors Group on Climate Change

(IIGCC):
We are members of this European investor collaboration with a mission to support and enable the investment community in driving significant and real progress by 2030 towards a net zero and resilient future, which has more than 375 members, across 23 countries, representing over €60 trillion in assets under management (as at November 2022). We have also joined its sister initiatives in Asia (AIGCC) and Australasia (IGCC).

Thinking Ahead Institute (TAI):
Our global not-for-profit research and innovation group, established in 2015, now has 55 members with combined responsibility for over $16 trillion (as at November 2022). The groups vision is to mobilise capital for a sustainable future. Its members comprise of asset owners, asset managers and other groups motivated to influence the industry for the good of savers worldwide.

WTW Research Network:
Founded by WTW over 15 years ago, this is a collaboration between academia and our insurance and reinsurance experts, working on programs and projects with over 60 science partners worldwide.

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. It now has over 120 members representing over $20 trillion of assets (as of November 2022). 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, resulting in more resilient economies and communities across the world.

Glasgow Financial Alliance for Net Zero (GFANZ):
We have representation on the following GFANZ workstreams: Financial Institutions Transition Plans, Sectoral Pathways and Portfolio Alignment Measurement. We also provide technical support to Climate Transition Planning and Sectoral Pathways.

The Diversity Project:
We are founder members of this investment industry initiative which aims to attract and retain diverse talent in the industry. We have recently signed its Asset Owner Diversity Charter, a commitment to work together to build an investment industry which represents a more balanced and fair representation of our societies.

Transition Pathway Initiative (TPI):
We are official supporters of this global investor initiative that assesses companies' preparedness for transition to a low-carbon economy. Led by asset owners and academic research from the Grantham Research Institute and London School of Economics, TPI is supported by more than 132 organisations globally, jointly representing over $50 trillion combined assets under management and advice (as of November 2022).

Additionally, we support and contribute to several more industry initiatives through senior colleagues being members of working groups, committees and boards across various organisations. We also proactively respond to a range of industry and government consultations and reports worldwide.

Click here for details of the many more initiatives WTW is involved with as a wider organisation.

Exclusions

We start with the view that having active managers that integrate best-in-class sustainability thinking into their process and undertake effective stewardship (voting and engagement) is a better approach than blunt exclusions. However, we also recognise that in mandate design we have sustainability-related responsibilities as decisions in this regard have a significant influence on the real-world impact of the investments we make.

We are of the view that exclusions should not be included into a mandate lightly for the following reasons:

- They may constrain the ability to engage for positive change, particularly at a security level
- They may have limited positive sustainability impacts, particularly in secondary markets
- They can only deal with first order effects, and often second and third order effects are at least material, if not more influential in many cases
- It is possible that an exclusion that improves the sustainability/resilience of a portfolio in one aspect actually reduces the sustainability/resilience of the portfolio in another
- Measuring ESG exposure and risk is inherently difficult and dynamic in nature (for example the extent to which sustainability risks are reflected in market prices, or not)

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

- The mandate is passive or smart beta in nature so there is no active manager applying judgment to increasing risks that were not envisaged at the outset of the mandate
- We believe that the active managers employed are good but not best-in-class on sustainability, potentially due to them having a shorter time horizon than we or our clients have
- For risk management, we want to moderate exposures in one part of our portfolio given exposures elsewhere in the portfolio

Exclusions fall into three groups:

- Category A: Those that represent a license to operate and don't change materially over time (e.g. where it is illegal to invest in these in some markets, such as controversial weapons; where it is common practice in a market and hence key to make the solution meet the needs of our clients; or where it has clearly become global best practice)
- Category B: Those that we believe would improve the return per unit of risk when risk is considered holistically (generally by mitigating exposure to issues/externalities that are not yet priced in), even where historic analysis would not show this to be the case as the issues we are concerned about in the future have not necessarily happened in the past
- Category C: Those that are primarily introduced for reasons outside the above two categories, for example to meet ethical preferences

We are comfortable, subject to the appropriate analysis, with introducing exclusions in the first two categories (particularly where we believe engagement will have limited impact), but the third category will typically be a client-by-client decision.

Monitoring and reporting

Sustainability scorecard

The monitoring undertaken by portfolio managers and researchers forms the basis for our client reporting, noting that reports will often be bespoke to client context. Key sustainability data for the portfolio is captured and summarised on our sustainability scorecard, covering overall sustainability data, specific E, S and G information, exposure to key sectors and activities, and controversy information. This draws on underlying tools and data sources to give an overall view of a portfolio's sustainability exposures and positioning, which can then feed into our portfolio construction tool to be considered alongside other portfolio quality lenses.

Internal sustainable investing reports

As described in section 5, we undertake detailed assessments of the sustainability practices of managers in the context of each highly rated strategy we use in our delegated portfolios. These assessments are summarised in our sustainable investing reports, which are tailored to the asset class and strategy in question, covering ESG integration, engagement, and voting (where applicable).

A template report is shown in Figure 4. Our research team complete, update and review these reports as appropriate, mindful of both changes to the manager or strategy, as well as evolutions in industry best practices. GPMG is responsible for reviewing new manager products before they are available for delegated portfolios, and as part of this, GPMG review the sustainable investing reports. On a regular basis, we conduct sustainability deep-dives that look across all key sustainability considerations for our portfolios, and through that process we identify priority actions which may include engagement and escalation, further data interrogation and analysis, and changes to capital allocation decisions.

Review of and interaction with third party providers

Any sustainability-focused advisors or specialist providers for WTW will be formally reviewed at least annually by the team responsible for their appointment, overseen by the Head of Sustainable Investing. When appointing these providers, we conduct market reviews to consider who best fits our requirements. This process is run by the Head of Sustainable Investing, in consultation with (among others) the delegated team and GPMG.

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.

wtwco.com/social-media

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