BARNETT WADDINGHAM
beyond the expected

Sustainability
Report 2022

This sustainability report covers the period 1 January to 31 December 2022

Introduction

We are delighted, on behalf of our Management Board, to present Barnett Waddingham's first comprehensive Sustainability Report. Building on previous years of reporting on our activities and outcomes, we summarise our progress, providing a single, integrated report across all our sustainability efforts and impacts. Our report evidences how we are meeting our sustainability commitments as a business, across our operations, our services and our advice to clients, covering:

- our investment consulting commitments:
  - Stewardship Code
  - Net Zero Investment Consultants Initiative (NZICI)
  - Impact Investing Principles for Pensions for investment consultants
- and our Firmwide annual report in line with the Taskforce for Climate-related Financial Disclosures (TCFD).

The past year was challenging for many of our clients. However, the nature of these challenges, in particular the extreme government bond market volatility, did highlight the need for proper consideration of systemic risk. While clients tackled these immediate risks, we continued our sustainability work and raising awareness of sustainability and stewardship topics with clients.

In 2022, our highlights across our sustainability commitments included:

- Supporting our clients and engaging with stakeholders including asset managers, regulators and parliament (via the Work and Pensions Select Committee) through the period of government bond market volatility to promote a well-functioning financial system (see p.30)
- Reviewing and improving our assessment and monitoring of asset managers to provide improved data on carbon emissions, climate risk and climate opportunities to help investors focus on their assets with the greatest impact on climate change (see p.48)
- Launching our client sustainable investment questionnaire to identify actions for clients to achieve their sustainable investment ambitions, as well as prepare for coming regulation and reporting requirements (see p.39)
- Using 100% renewable energy across our offices, continuing our journey to net zero (see p.78).

Andrew Vaughan
Senior Partner

Elizabeth Renshaw-Ames
Non-executive Chair

Our sustainability commitments

Some sections are relevant for more than one reporting commitment

Purpose strategy and culture

This section is relevant for our Stewardship Code, Net Zero Investment Consultants Initiative, Impact Investing Principles for Pensions and firmwide annual climate reporting.

Purpose

Barnett Waddingham is a leading independent UK professional services consultancy working with clients across investment, pensions, risk and insurance. We work in partnership with our clients to clarify and solve their complexities, in the right way. Our primary purpose is to provide clients with clear and accessible advice and services, through a personal, quality, tailored approach.

Services

We offer a full range of professional services to pension schemes, charities, foundations, corporates, funeral plans and insurance companies. These services include advising investors on setting objectives and policies, designing investment strategies, selection and monitoring of fund managers, oversight and evaluation of fiduciary managers, establishing effective governance frameworks and considering sustainability, stewardship and climate change. We advise investor clients on impact investing as well as implications of, and alignment with, net zero and the Paris Agreement.

All our investment consulting work is advisory – we do not manage money for our investment consulting clients and we do not manage or provide our own funds.

We also provide self-invested personal pensions (SIPPs), through BW SIPP LLP, small self-administered pension schemes (SSASs), specialist executive pension plans (EPPs) and other retirement arrangements. Within our BW SIPP business we handle client money and we facilitate the management of assets for clients within our SIPP arrangements on their instruction.

We also provide a broad range of actuarial services. Our risk advisory and management decision analytics experts support clients across the business. And we provide full administration services to pension schemes as well as specialist pensions management and governance services.

Business model and strategy

Barnett Waddingham is led by our Management Board who oversee our activities, having set the overall direction of the business, our key objectives, and the strategies to deliver. Management Board comprises eight partners, three of whom are elected. Four executive roles are members of the Management Board (Senior Partner, Finance Partner, Managing Partner and the Chief Operating Officer).

The board has an independent chair to ensure constructive discussions take place, in order to reach the right decisions and to bring an external and independent view ensuring there is appropriate challenge. Each service area is run by a Business Area Leader. Figure 1 describes BW's governance structure and services the business offers.

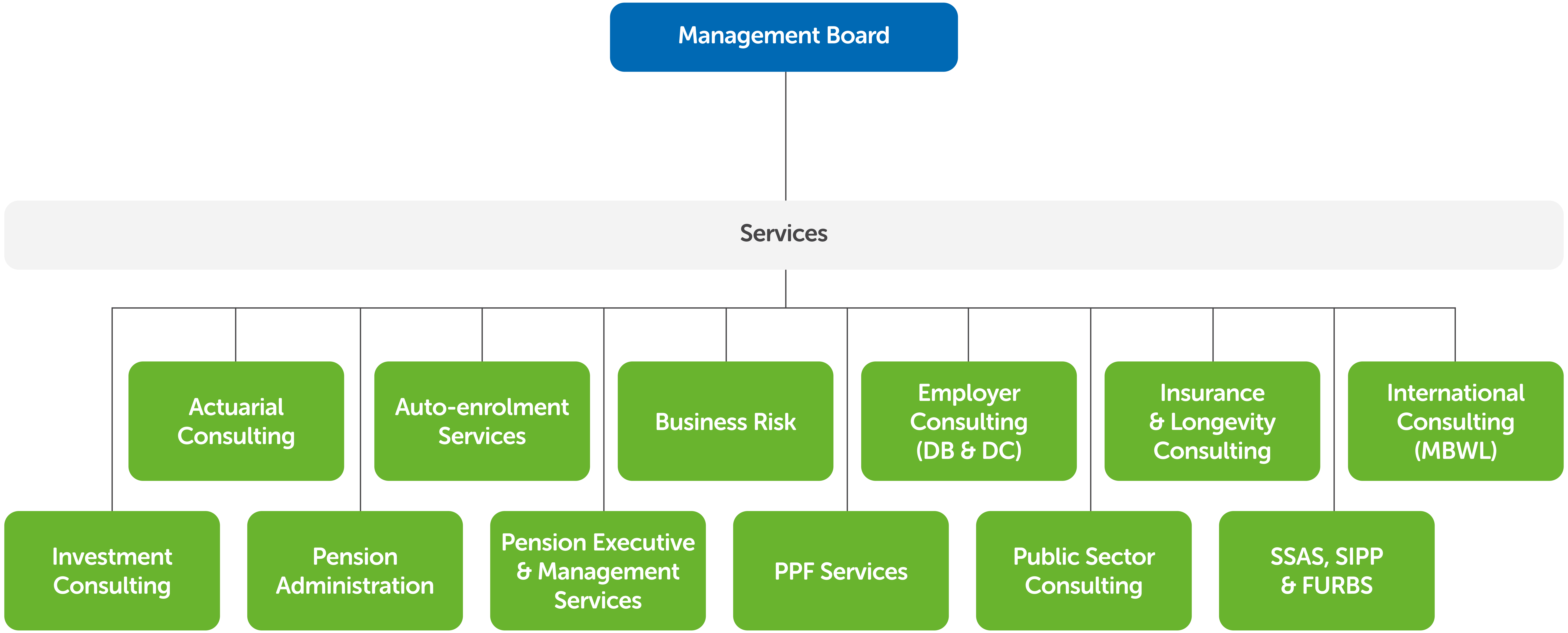


Figure 1 - Barnett Waddingham's structure and services

Management Board's role includes setting our businesses' overall sustainability objectives, as well as supporting the set-up and operation of sub-groups within the firm to deliver those objectives. In addition to Management Board, the firm also has a number of other boards reporting to it that oversee areas such as People, Professional Risk & Compliance, Nominations (for promotion to Partner and other senior positions in the firm) and Finance.

Management Board is ultimately accountable for risk management for BW, including climate risk. The board defines our risk appetite, leads by setting the culture for the firm and ensures key risks are appropriately managed within our risk appetite. Management Board is also responsible for setting high-level strategy and approving the opportunities to pursue.

Management Board set our firmwide strategy based on the dual principles of focus and impact; we choose to actively focus on specific areas where we can have an outsized impact by our direct activities. Our sustainability strategy covers our own operational sustainability as well as providing advice and services to our clients.

Culture and values

Do the right thing is the simplest way to summarise our culture. This applies to both clients and our people, and so our Partners work hard to instil this across the business. Our people are key to the success of our business and we are proud of their loyalty and commitment to delivering a quality, efficient client service. People who join Barnett Waddingham tend to stay, thriving in a professional learning environment and caring, friendly culture. Our values drive how our people act. These values help guide us and bring us together as one team:

Principled

We are committed to maintaining our high ethical standards whilst considering the impacts on all our stakeholders. We behave in a manner that demonstrates our honesty, conviction, pride and responsibility to keep our promises. We continue to uphold our reputation as an independent partnership that has integrity at its core.

Quality

We don't compromise on quality; excellence is the norm across our whole business and we consciously look to provide innovative solutions that deliver ongoing value to every client.

Partnership

By working collaboratively within the business and with our clients, we are able to deliver a seamless service by encouraging both individual excellence and teamwork within our business. Our unified approach ensures we are working together toward the same goals and desired outcomes.

Respect

We recognise and respect the value of everyone's contribution to our success, honouring our diversity and the positive effect we have on our communities and the environment.

How our purpose, strategy and culture drive sustainability and stewardship activities

Underpinning our work on sustainability and stewardship is our long-term partnership approach. As a business, wholly owned by our partners, we are focussed on maintaining long term relationships with clients. This is facilitated by our culture, which promotes sustainable relationships with clients by, for example, not setting individual income targets for consultants or by client, so that the focus can be on doing the right thing aligned with the interests of our clients and the business.

Barnett Waddingham forms a key link between our asset owner clients and the asset managers undertaking stewardship on their behalf. Stewardship is undertaken by fund managers selected by our clients based on the advice we provide.

We consider stewardship (i.e. the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society) plays a vital role in sustainable investment practices. We are signatories to the Stewardship Code to demonstrate the importance we place on effective stewardship activities, using the principles framework.

In 2022, our sustainability and stewardship activities leading to sustainable benefits for the economy, the environment and society included:

Economy

- In 2022, we continued to work with all of our clients to set and report on the implementation of stewardship policies within their investment strategies - in our work advising clients on setting investment objectives we are increasingly including climate change, sustainability and stewardship core objectives.
- We do this by undertaking training and discussions with our clients and supporting our consultants with a programme of development to improve our capabilities.

During 2022, we provided training and development for our investment consulting (IC) team on a wide range of sustainability-related topics, including ESG and stewardship, climate risks and opportunities, and updates to our Implementation Statement and sustainable monitoring report templates. We provide more information on training and development for our colleagues under Resourcing sustainable investment and stewardship on p.17.

- We continued our monthly internal roundup newsletter covering developments and case studies on sustainable investment and stewardship, as well as a monthly drop-in session for the investment consulting team to come and discuss issues arising on sustainability and stewardship. These voluntary sessions are well-attended, with roughly two thirds of the team having taken part during the year – the team engage in helpful discussions of issues as they arise and we share new developments in a timely way.
- Considering ESG criteria and stewardship credentials is a part of all of our manager research and fund recommendations – this includes reviewing manager voting and engagement policies, their resources, and their activity data. We assess managers (and asset classes) against their peers and against our own expectations of good standards.
- We report on the ESG and stewardship credentials of clients' managers and strategy on an annual basis. As part of this, we request data on PRI signatory status and ratings, Stewardship Code signatory status, Net Zero Asset Manager Initiative (NZAMI) membership and voting/engagement statistics. We also discuss reports with clients and highlight any ESG and stewardship concerns and educate and encourage them on how they can engage with their managers on ESG and stewardship.
- At a firm level, we are members of the Investment Consultants Sustainable Working Group (ICSWG), we participate in Pensions for Purpose and are supporters of the Impact Investing Institute as well as other initiatives. The individuals who represent Barnett Waddingham within these groups share any discussions and learning with our investment consulting team, and the wider firm, depending on the nature of the information. We share more detail on our involvement in collaborative initiatives under Our role in industry collaborations and engagement on p.34.
- The outcome of this activity is that, in aggregate, our clients (and the collective value of their assets) are now more resilient to the evolving challenges of ESG

and stewardship, and contributing to the economic challenges ahead. In addition, our clients have better training and knowledge to carry out their fiduciary duties, ensuring more robust governance going forwards. We also share case study examples within the IC team on how to raise ESG and stewardship issues with clients, including sharing of key challenges faced, typical push backs and appropriate responses.

Environment

- We work with our clients to educate them on the investment implications of the environment and climate change. For example, in 2022 we worked with a large-scale master trust to help them provide their investors with a net zero aligned growth option.

- Over 2022 we worked with pension fund clients to consider the climate risks and opportunities within their specific funding strategies using our proprietary climate analysis framework. Our framework utilises a combination of climate data from the Bank of England with in-house research and expertise to provide decision useful information, allowing clients to monitor, manage and potentially mitigate climate risks within their funding strategies, whilst also potentially allowing them to capture climate opportunities.

- Given that quantitative climate data, in general, is not viewed as being robust and does not currently fully consider real world impacts, our framework uses a mixture of qualitative and quantitative analysis. Where quantitative data is used, we take a pragmatic approach by using climate scenarios as a narrative or guide for clients to consider which areas, under what circumstances and when, their funding strategy may be most at risk from the impacts of climate change. In doing so, we were able to assist clients to consider which part of their funding strategy would be most meaningful to focus on. We worked with the clients to provide understandable outputs for use in external communications to members and stakeholders.

- For our BW operations, in 2021 we committed to be net carbon neutral for Scope 1 and 2 emissions (and net zero including Scope 3 emissions by 2025), which we believe is a material outcome of our sustainability strategy. BW are using high quality, nature-based offsets to achieve neutrality. We are also promoting and underlining the importance of ESG and climate to our stakeholders (our clients, managers we work with, etc.) through this ambitious commitment. We provide more information on our actions to reduce our emissions under Reducing emissions to net zero from our operations on p.76 and Achieving our targets on p.78.

- The outcome of this activity is that we have clear targets and activities in place to reduce our carbon emissions and environmental impact over time.

Society

- Our Diversity, Equity & Inclusion (DEI) networks also work in partnership with our HR team who develop our policies, processes and procedures to make sure we are creating opportunities for success for everyone. We provide more detail on our DEI approach and activities on p.21.

- We also look to make a positive impact on communities and wider society. In 2022 our employees have delivered 323 hours of volunteering to community care and support initiatives in nine locations in the UK, with over 48% of our volunteering dedicated to environment/nature projects. We also supported our wider community with our professional skills and expertise.

- In 2022, our colleagues:
  - Volunteered time as trustees on boards to support charity finance and governance
  - Supported our Bronze Partnership with the Institute and Faculty of Actuaries (IFoA) Foundation with maths and professional skills volunteering and The Rock charity with educational and life skills provisions
  - Hosted fundraising and change awareness campaigns for Early Careers, LGBTQ+ and BAME networks
  - Donated £22,000 to Disaster Emergency Committee to support environmental and war relief to Ukraine appeal
  - Provided industry and workplace experience for people to help them get an understanding of our industry and a foot in the door
  - Provided dedicated learning opportunities and welfare support to 100 young people through our volunteering and charitable education support projects in our Young People Development initiative
  - Donated essential clothing, disabled access materials and planting for local open spaces and Britain in Bloom and independent botanical garden programmes to support community accessibility and improvements
  - Supported local RNLI and water related clean up projects in rivers and wetlands to improve environmental impacts
  - Supported an Eco air pollution charity to help improve air inequalities

- Donated funds to provide shelter, bedding, hygiene essentials and clothing to assist homeless communities
- Collected and donated clothing to aid Smart Works and Suited & Booted charities to help unemployed communities prepare to return to work
- Donated 30 laptops to aid learning for disadvantaged students in two schools located in Cheltenham and Amersham
- Donated £8,000 to Trussell trust food banks and donated all of our festive dinner food supplies to local foodbanks due to cancellation of parties

- We are also committed to fostering a workplace that is diverse, equitable, and inclusive. We believe that diversity is a strength, and we strive to create a workplace where all our people feel valued, respected, and empowered.
- The outcome of this activity for our clients is improved diversity of thought and ideas within our team, so that the advice that we provide continues to evolve and innovate to support effective stewardship, while having a positive impact on communities and society.

Understanding our effectiveness

Our Management Board is ultimately responsible for our purpose, strategy and culture and keep this under review through a number of measures to understand our effectiveness. Management Board receive quarterly reports on our performance on Investment Consulting as well as on Sustainability, providing multiple lenses for us to consider our stewardship activity and other sustainability outcomes. We look at areas like business retention and winning new business, as well as feedback from our workforce, on how effective we are in our purpose, strategy and culture.

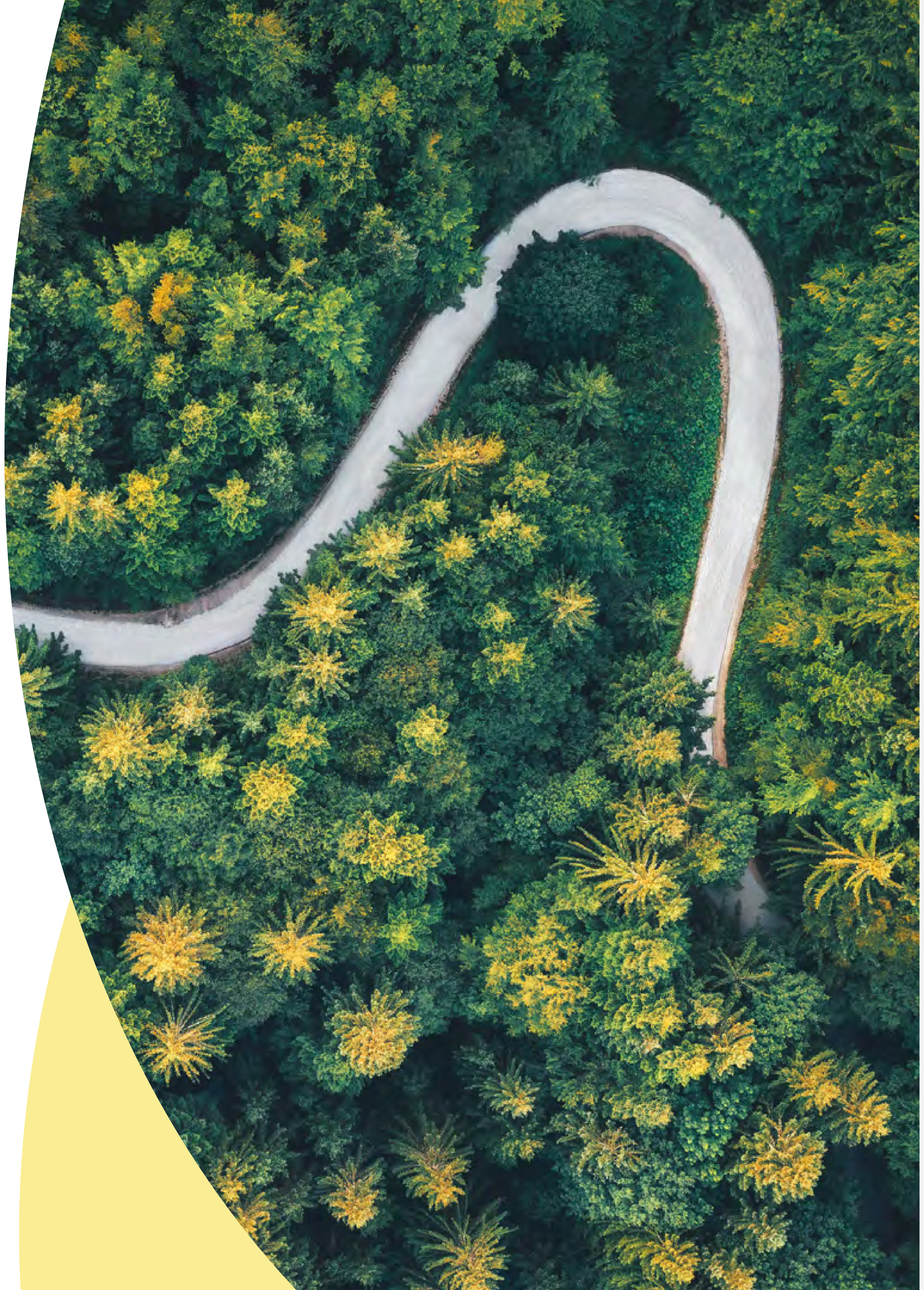
Across our business, we retain a large percentage of clients and we are successful in winning new business in competitive tenders across our investment consulting and fiduciary management evaluation areas, where we see more clients placing greater emphasis on ESG, sustainability and stewardship in their selection exercises. This indicates our culture is successful in enabling effective stewardship and sustainable investment for our clients.

We seek feedback from colleagues directly to understand the effectiveness of our purpose, strategy and culture. For our latest pulse survey which ran in December 2022 we had a great response rate, with 75% of colleagues completing the survey (for comparison, our response rate in the 2020 internal pulse survey was 67%). This level of engagement is very positive. More information on seeking clients' views and feedback is set out under Principle 5 on p.45.

We also seek feedback from our workforce using Best Companies to carry out anonymous surveys. The survey covers issues relating to engagement, including wellbeing, pay and benefits, personal growth and leadership. With the final rankings for 2022 unveiled in November, Best Companies confirmed BW retained our 2-star accreditation, meaning we continue to have "outstanding" levels of engagement.

Overall, our retention rates as well as survey results and staff engagement demonstrate our culture, purpose and strategy enable our colleagues to provide effective advice and stewardship engagement.

In 2023 we will continue to work to understand our effectiveness and look for further improvements.



Governance
workforce, resources and incentives

This section is relevant for our Stewardship Code, Net Zero Investment Consultants Initiative, Impact Investing Principles for Pensions and firmwide annual climate reporting.

Governance

Our leadership team and colleagues at BW are all aware that we must take and manage risk in order to grow and survive. We do this throughout our day-to-day business operations, processes and decision-making. We face increasingly complex and wide-ranging risks, so to manage these we have a formal risk management framework and policy.

BW has an open, transparent and blame-free culture and expects Partners, Principals, Associates and staff to freely identify and discuss risks. Where there are sensitive risks, appropriate channels are available, including reaching out to the Professional Risk and Compliance Committee or Management Board members.

Management Board is ultimately accountable for risk management for BW. The board defines our risk appetite, leads by setting the culture for the firm and ensures key risks are appropriately managed within our risk appetite. Management Board is also responsible for setting high-level strategy and approving the opportunities to pursue.

Figure 2 shows our sustainability governance and delivery structures.

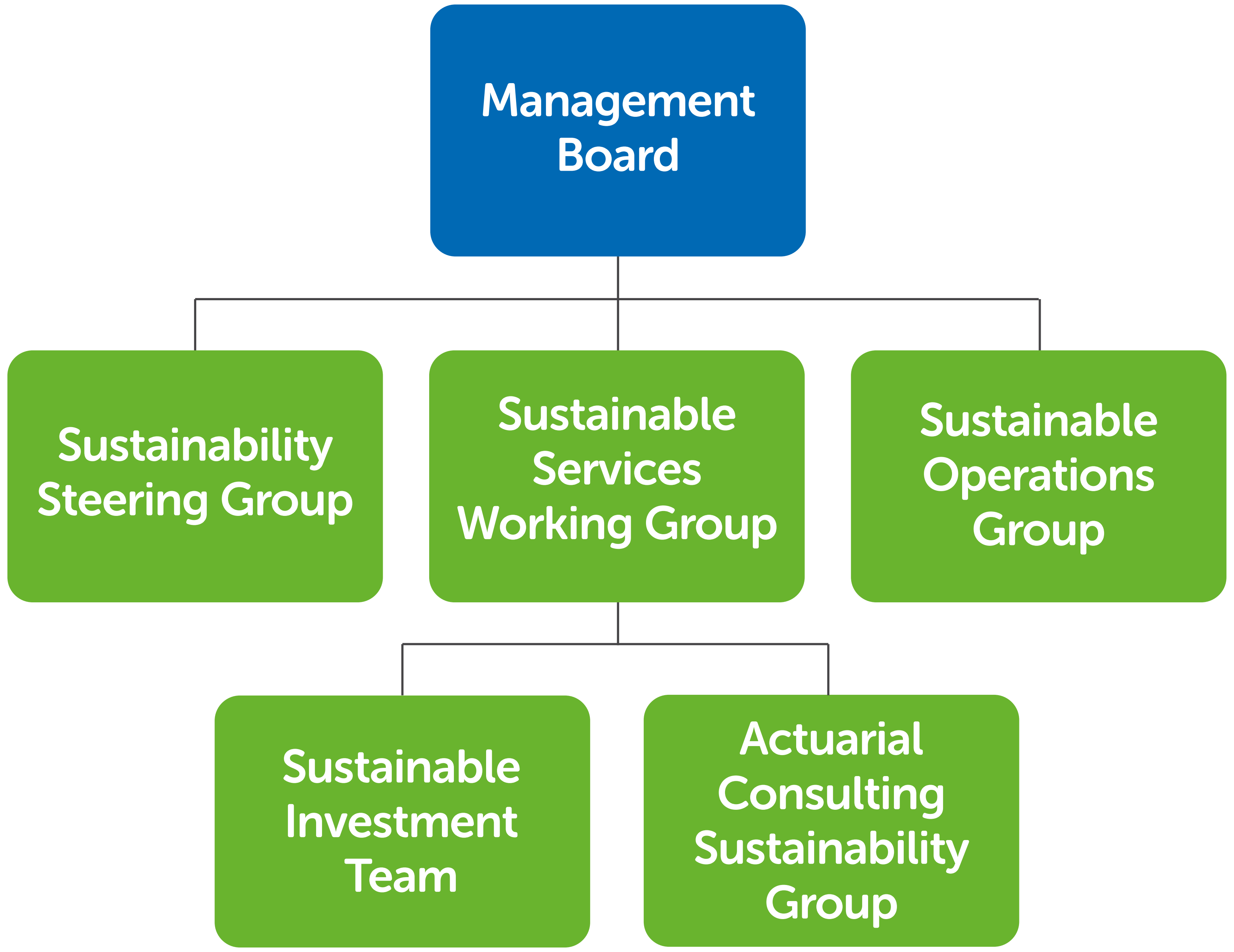


Figure 2 - Barnett Waddingham's sustainability governance

Sustainability Steering Group

Our Sustainability Steering Group (SSG) is responsible for designing and implementing BW's sustainability strategy including promoting the development of client-facing sustainability services, the impact and sustainability of our business as a whole, and our operational approach. The group is also charged with sharing sustainability knowledge and our planned actions across business areas, ensuring full engagement while supporting colleagues to help our clients.

Our SSG is responsible for identifying, managing and mitigating or eliminating sustainability risks in connection with BW's operations and corporate activity, while also ensuring compliance with relevant legal and regulatory requirements, industry standards and guidelines on sustainability. It is also responsible for identifying climate-related opportunities and supporting the development of services within business areas to take advantage of these.

The SSG meets each month to track progress and agree direction. SSG reports quarterly to Management Board on progress against BW's goals and objectives. SSG produces an annual paper setting out an analysis of climate-related risks and recommendations to Management Board on climate-related goals and aims. Final decision-making on our sustainability strategy rests with Management Board.

Sustainable Services Working Group

Within our business areas we have project teams and groups working on developing and delivering sustainable services for our clients; we also have a firm-wide Sustainable Service Working Group. This group is made up of sustainability leads from each of insurance and longevity, employer consulting and wellbeing, public sector pension consulting, investment consulting, actuarial consulting and pensions executive and management services business areas. This group works to ensure knowledge sharing, joined-up offerings and efficient development and delivery of services to our clients.

Sustainable Operations Group

Our Sustainable Operations group works to deliver our environmental strategy. The team is tasked with developing our environmental management system to accurately identify our environmental performance and enable us to make precise improvements as we look to reduce BW's emissions over time. We undertake Environmental Impact Assessments annually to understand our Scope 1 direct emissions from our buildings, with the most recent occurring during 2022. Please see Metrics and Targets on p.76 for more detail including our approach to reducing emissions.

The team also lead on sustainable procurement, adding sustainability and climate change to our supplier questionnaire so we can select the best ecological and economical goods through all our procurement activities as an organisation, including energy, waste, construction, transport, catering, energy-using equipment and other services.

Business Area teams and projects including Actuarial Consulting Sustainability Group

Teams in each business area work on various projects to develop our capacity and support our clients to manage climate change across a range of areas. These groups ensure colleagues have the knowledge and ability to advise clients on sustainability while also delivering specific projects to help clients manage the transition to a low carbon economy.

Each business area maintains a risk register and assigns risk owners with appropriate resources to manage and mitigate risks, including sustainability and climate risks. Each area reviews and reports on risks that could impact business plans and the success of the business area at least quarterly, in line with performance reporting and planning timelines.

Sustainable Investment team

The Sustainable Investment (SI) team ensures our investment consulting practice has the knowledge and ability to advise clients on all investment matters related to sustainability, like climate change, stewardship and integrating ESG, whilst supporting the sustainability objective of BW. The SI team works collegiately and aims to integrate with the whole of the investment consulting area and the rest of the BW business. It is the first point of call for all matters related to sustainable investment. Projects are undertaken by a group of around 20 members of the wider investment team, covering research, propositions, training and development. We continued to develop our SI team governance and ways of working in 2022, providing more focussed training for colleagues and services to our clients to continue to support their effective stewardship, net zero and impact investing.

Resourcing sustainable investment and stewardship

Organisational and workforce structure

Our research team, including the SI team comprises 12 full time equivalent members, made up of 6 dedicated researchers alongside our consultants. Our manager research team is part of the wider research team and are responsible for day to day integration and engagement with managers. Every researcher does sustainability and ESG research to inform our overall ratings.

The investment analysts and full-time manager research staff are the key individuals responsible for performance reporting for our clients. Our focussed team of generalists with in-depth knowledge across multiple areas encourages knowledge sharing and better challenge. This allows our opinion to be well thought-out and robust, with no pressure to “sell” a specialist area.

Our research team engages with investment managers to obtain performance data, and analyse and interrogate this on behalf of our clients. This is overseen by the IC Research Board. Sustainability is built into the team's objectives and annual assessment and review process.

Quality and accuracy

In order to ensure the quality and accuracy of our services in respect of stewardship, we undertake a range of work within the team so that our consultants are best placed to effectively advise clients:

- We provide comprehensive training, including stewardship, to all members of the team, from introducing the high-level principles to new graduates, to detailed advice-focussed training for experienced consultants. The education for new graduates includes "rotating" into our different research teams as part of their induction programme. We also encourage all members of the team to regularly attend training provided by investment managers and industry bodies, so that we understand views and approaches, and can take new ideas to clients. Consultants also invite SI team members to support the training and discussions they provide to clients.
- The data that we receive from managers on ESG and stewardship is checked by both the SI team and individual client teams for both accuracy and reasonableness, so that we can identify any inconsistencies or areas that managers may have reported contrary to our expectations.

  As part of this process, we engage with managers on the data provided and emphasise the importance of stewardship to clients and the quality of stewardship data. We aim for best practice in the process of voting/engagement data collection by using PLSA vote reporting template and ICSWG Engagement Reporting Guide.
- All of our advice to clients is subject to an internal peer review from a consultant outside of the immediate client team. This review will include raising areas of the advice that are "missing" including raising important issues such as responsible investment and stewardship.
- As part of helping clients to comply with the requirement to set objectives for asset managers and investment consultants, we encourage a beyond-compliance approach to the annual review of our performance against objectives, taking the opportunity to reassess what clients want from us as their advisor. This includes any objectives in respect of stewardship.

- By checking and reviewing the data, information and advice we provide to our clients we ensure we have a consistent and continuously improving approach to supporting clients' stewardship.

Seniority, experience, qualification(s) training and diversity

We encourage all of our investment consulting team to undertake professional qualifications, with the majority of the team studying for or qualified as an Actuary or CFA Charterholder. Of the 138 members of the investment team, 53 are certified advisors. Members of the team who are studying to qualify with the Institute and Faculty of Actuaries (IFoA) or with the CFA benefit from a comprehensive study policy, which provides both time and money to support learning.

We conduct monthly forums where we discuss current issues in sustainable investment and provide an opportunity for sharing sustainability consulting issues. These 'SIT down and Chat' sessions are voluntary and we monitor the number of attendees as an indicator of the influence our SI team are having in engaging with our wider team. Attendance each month represents around two-thirds of the IC team throughout the year, with notes provided summarising the discussion for those unable to attend. The SI team provide the wider IC area with scheduled training, webinars, monthly newsletter, walk in sessions, a training hub, and have a dedicated email address and a dedicated team to answer any queries.

Our recruitment process evolves depending on the needs of the business over time, but key principles of our approach are:

- New recruits should ideally contribute not just academic expertise to the team, but also enhance the collective efficacy by providing diversity of thought and ideas. We continue to evolve our recruitment process to make it as effective as possible.
- A sustainable business is one which is built on a stable foundation of new graduates, as we believe this best supports our business and the provision of good service to clients now and into the future.

For some clients we provide support in implementing the movement of assets between funds and between managers. This challenging and risky area of work requires careful and expert oversight, for which we have a full-time team of asset transfer specialists.

Figure 3 shows our investment consulting teams and their experience.

DB (Lead) Consultants
(including 10 Partners, 6 Principals, 10 Associates)

Average years in industry	Average years with BW	Overall team members
15 years	9 years	29 people

DC (Lead) Consultants
(including 2 Partners, 3 Principals, 1 Associate)

Average years in industry	Average years with BW	Overall team members
12 years	12 years	8 people

Investment Analysts
(this role covers all trainees and includes 10 FIA or CFA qualified individuals)

Average years in industry	Average years with BW	Overall team members
6 years	4 years	51 people

Full-time Manager Research Team
(including 1 Principal, 2 Associates)

Average years in industry	Average years with BW	Overall team members
12 years	6 years	7 people

Full-time Asset Transfer Specialists
(including 1 Principal, 1 Associate)

Average years in industry	Average years with BW	Overall team members
6 years	4 years	6 people

Figure 3 - BW's investment consulting teams and experience

We do not yet report on the diversity of our teams. In 2023 we are introducing a new HR system and as part of this we will have the ability to collect diversity disclosures from colleagues, for example disability and ethnicity, to enable us to better target our DEI activities and actions to improve our inclusive workplace culture. This will also enable us to understand the diversity of our teams across our business areas, so we can monitor and report where useful. We provide more information on our DEI approach later on in this section under Diversity, Equity & Inclusion on p.21.

We look to understand the behavioural diversity of our teams through The Colour Works Insights Discovery Profiling, providing profiles and training to help colleagues recognise and adapt to different behavioural styles, improving self-awareness, communication and team dynamics.

Each team member across BW develops a profile and we also look at our behavioural and communication styles across our teams both in-person and virtually, helping us to consider the different skills that can be brought to our client teams.

Diversity, equity and inclusion

The BW culture of ‘doing the right thing’ emphasises ethical behaviour and treating others with respect and fairness and our ambition to enhanced DEI practices supports these values by ensuring that all individuals are treated fairly and have access to opportunities and resources.

Our DEI Networks

Our six DEI Networks – each led by a non-Partner and supported by a Partner – raise awareness, run education interventions, and interactive events. Our networks work together to build an inclusive and diverse place for us all to work:

Early Careers Network

Supports graduate roles, summer internships, apprenticeships and work experience placements, and helps those at the beginning of their careers to build confidence, knowledge and input as they develop.

LGBT+ Network

Raises awareness, shares experiences and works together to provide a safe, open work environment where everyone can thrive and be their best, authentic self regardless of gender or sexual orientation.

Gender Equality Network

Promotes and champions awareness of, and engagement in gender equality to ensure the equal representation of all genders which have equal value and should be given equal opportunity.

Inter-faith Network

Promotes tolerance and understanding that real inclusion is wanting the best for each other, and encouraging each other to thrive, even though our backgrounds and beliefs may be different.

Multicultural Network

Respecting and celebrating the differences among our people and promoting and championing the many different cultures within BW and beyond.

Wellness+ Network

Improving wellness and related areas, from mental health, neurodiversity, disability, financial wellbeing to accessibility and inclusion.

Improving our inclusive recruitment

We are always looking for ways we can continue to improve how we do things at BW, so in 2022 continued to develop our inclusive culture through:

- Gaining Disability Confident Employer Level 2 accreditation demonstrating our commitment to action to improve how we recruit, retain and develop disabled people
- Introducing a facilitated development module for our hiring managers to raise awareness on protected characteristics – Inclusion by Understanding – with outcomes including:
  - developing managers' understanding of microaggressions and their impact
  - enhancing understanding of differences – including what this means for managers within the workplace, and
  - considering potential barriers to inclusion using open discussions to learn to be more comfortable with these issues.

disability confident EMPLOYER

disability confident COMMITTED

Sustainability and social investment

Our work on DEI links into our wider sustainability strategic priority as a firm, where we look to make a positive impact on communities, the environment and wider society. In 2022, our employees have delivered 323 hours of volunteering to community care and support initiatives in 9 locations in the UK for nature and wildlife projects and support to armed forces and emergency providers. We also supported our wider community with our professional skills and expertise. We set out our achievements in 2022 under Society on p.11.

Partnerships and collaboration

We also look to advance inclusion and diversity through collaboration, joining with others in our industry and challenging ourselves and others to go further, faster.

In 2022 we:

- Continued our work with 10,000 Black Interns to transform horizons and prospects by providing paid work experience, training and mentoring to help provide the foundation for more black people to pursue careers in business

- Organised events and discussions across the industry through our membership and colleagues who are co-organisers of the pensions industry LGBTQ+ network group, O:pen, an inclusive organisation for professionals working in pensions who believe in the importance of promoting and celebrating LGBTQ+ diversity and inclusion within the industry

- Continued our membership of the Diversity Project to collaborate with other firms, share experiences and commit to developing an inclusive culture, with a colleague joining the Mental Health workstream in 2022

- Continued support for the Asset Owner's Diversity Charter, committing us to helping to build an investment industry which represents a more balanced and fair representation of diverse societies through our manager selection, manager monitoring, and leading and collaborating with others in the industry to identify diversity and inclusion best practice

- Continued our partnership with not-for-profit organisation, Speakers for Schools, to give young people access to quality work experience

- Volunteered with Investment Springboard providing mentoring for university students from under-represented groups looking to join the investment and savings industry.

2023 and beyond

We are pleased with the progress in 2022 and want to build on these successes and continue to do more. As we move into 2023 with new DEI leadership at BW, we have a renewed focus on building a more inclusive and equitable workplace for all our people. We are introducing a DEI ambition for BW alongside a renewed strategy and action plan to realise this, focused on 5 priority areas for action:

- Improving stakeholder engagement to build trust and transparency
- Effective governance to ensure DEI initiatives align with our values and the needs of our stakeholders
- Data collection and analysis to identify trends and evaluate the effectiveness of DEI initiatives and their impact
- Increased internal communication to build trust and drive positive change in a collaborative environment
- Recognising and celebrating success to foster a culture of recognition and appreciation.

Investment in systems, processes, research and analysis

Another of the key operational sub-teams is our systems development team. They are responsible for developing our risk modelling tools as well as our internal systems for performance monitoring of client investments. By developing these systems in-house, we have full control and flexibility to adapt and tailor them to our client needs.

We have developed template ESG reporting structures, including on stewardship, which bring together the key metrics available from investment managers and presents them in an easily accessible dashboard for clients. This allows clients to make effective decisions on their managers with respect to management of sustainability and practice of active stewardship.

Our process for preparing these reports, and also for preparing regulatory disclosures like implementation statements, is standardised at the data collection and analysis stage. This stage is undertaken by the research team to make this as cost efficient as possible for clients, and then allows the individual client teams to add value specific to client needs when the report is finalised, so that all clients get tailored advice. Our approach to monitoring ESG and stewardship continues to evolve as the information available improves, and the needs of clients evolves.

Incentivisation

Our annual personal development review process promotes good practice throughout our team, being focussed on providing top quality advice to clients. As a minimum, this means helping clients to comply with the latest legislation on stewardship, but for consultants to demonstrate best practice they must be delivering beyond this, helping them to understand how good stewardship can enhance investment outcomes. All else being equal, remuneration will therefore be aligned with consultants delivering effectively on stewardship to clients.

Fees

We use a template fee modeller to assist our consultants in setting fees for clients, to help ensure consistency and fairness to clients. All of our advice to clients in respect of fund selection includes a section which compares the cost of investing on a like-for-like basis – we seek to include both explicit fund management charges, and implicit costs (e.g. turnover). We are flexible with how we charge clients - we are happy to agree fixed fees in advance or work on a time cost basis.

We regularly test the fees we charge against the market (e.g. by taking feedback following new business tender processes, through discussions with independent trustees and via external surveys such as that carried out by Greenwich Associates), so we are confident that our fees represent excellent value for the quality of service we provide.

Effectiveness and future improvements

Our sustainability governance, workforce, resources and incentives enabled us to further develop our approach to supporting our clients' stewardship during 2022, as well as our sustainability activities for clients and our operational approach to sustainability.

We have regular reviews in place across our teams, as well as our Sustainability Steering Group and Sustainability Services Working Group to oversee, coordinate and challenge our approach to sustainability across our relevant business areas and our organisation as a whole. In 2023, we will continue bedding our sustainability approaches and services into our business, supporting clients across BW to achieve their sustainability and stewardship objectives.

Conflicts of interest

This section is relevant for our Stewardship Code reporting.

Our approach to conflicts of interest

We train all our staff on our conflicts policy on induction and provide regular updates to training (e.g. annual training on Anti-Money Laundering and compliance regime changes).

All clients are the responsibility of a Partner at Barnett Waddingham. Prior to and on appointment, we check for conflicts with each of the Partners and other senior members of firm. Any potential conflicts are raised with our Governance team for management.

Where a potential conflict is identified, we will investigate whether this is actual or perceived and whether it is manageable. If appropriate, we have the technology in place to set up separate client teams, with access to documentation restricted to ensure no breach of a conflict. If this were the case, any proposed approach would be agreed with the clients beforehand, and in the event that an approach could not be agreed, we would decline to remain appointed to one or both clients.

We do not accept commission on investments unless our clients specifically instruct us to do so and it is in their interest, in which case we will offset it against our fees. Commissions are sometimes arranged on risk benefits, for example life assurance and stakeholder or personal pension arrangements but only with the client's agreement. All commissions are declared.

We do not manage any assets or provide fiduciary management services (where trustees delegate the majority of investment decisions) within our investment consultancy practice.

As independent consultants we offer our clients unbiased investment advice across the whole of the market. We are also ideally placed to provide our expert independent fiduciary management oversight service to trustees who are considering or who have chosen to go down a fiduciary management route.

BW's Conflicts of Interest Policy +

Case study 1 - Managing conflicts of interest

During 2022, we provided training to all of the Investment Consulting teams on identifying and managing conflicts of interest. We monitor conflicts on an ongoing basis. As a result, we identified and managed a number of conflicts throughout 2022 where we shortlisted or recommended a number of our existing clients, who are also asset managers, to other clients in our investment consulting practice. We let our clients know about the conflicts of interest with wording included in our report:

"Barnett Waddingham provides advice to a wide range of organisations and their pension schemes. This includes entities in the same group as firms whose products we may recommend. In providing the above shortlist, we wish to declare that affiliates of [asset manager name] are clients of Barnett Waddingham. This has not affected the decision-making process and has not been taken into account at any stage of the selection exercise."

The outcome was that we are confident that no actual conflicts arose, and that where potential conflicts were present (e.g. we were recommending a manager that we also advise), these were not realised conflicts. A further outcome was that advice provided to our clients was suitable.

Promote a well-functioning financial system

This section is relevant for our Stewardship Code and Net Zero Investment Consultants Initiative reporting.

Identifying and responding to market-wide and systemic risk

In our role as consultants, we work with a wide range of employers, asset owners and asset and fiduciary managers. Through this exposure to a wide cross-section of the financial sector, our research, analysis and monitoring enable us to access and understand information on system-wide risks. By considering this information holistically, we see systemic risks like climate change, biodiversity destruction and inequality. We consider these are risks to the markets that deliver investors good outcomes, and we think every organisation needs to play its part to help move to a sustainable future.

Market-wide risks are those that lead to financial loss or affect overall performance of the entire market and include but are not limited to:

- changes in interest rates;
- geopolitical issues;
- currency rates.

Systemic risks are those that may cause the collapse of an industry, financial market or economy, such as climate change, biodiversity loss and inequality. During 2022 volatility in the government bond market caused significant disruption to our clients. The need to address the immediate and significant risks associated with Liability Driven Investments (LDI) meant clients' governance time for SI issues was restricted over 2022 and particularly in Q4 2022. As a consequence of the necessary actions clients took during 2022, we are undertaking an increased proportion of investment strategy work in the short to medium term. Whilst the timeframe until full funding on a solvency basis has shortened for many clients, the need to address market-wide and systemic risks is still very important and forms an integral part of the considerations for any investment strategy review. This is reflected by the inclusion of these risks within clients' Statement of Investment Principles.

Despite these challenges we have been able to advance client thinking over 2022.

We identify market-wide and systemic risks through both formal and informal approaches:

- Our research teams conducted over 200 meetings with managers during 2022. These meetings covered both specific aspects of the management of their funds, but also market-wide issues, so we can identify themes that continue to be raised, or "quirky" ideas which may grow into more significant issues. Meetings are undertaken by our manager research, fiduciary management evaluation and sustainable investment teams.

- As a base, we ask all managers a consistent set of questions on their approach to stewardship, and then undertake specific questioning as part of our research meetings.
- We also have a strategy research team responsible for carrying out our economic outlook research and research on individual asset classes. The overall research agenda of each of the research teams is set by our Research Board, to ensure that we have a robust strategy to the way that we deploy our resource.
- Our research is disseminated to the team through regular (monthly or quarterly) updates, and to clients in research papers and webinars throughout the year.
- By engaging in industry bodies and participating in consultations issued by regulatory bodies, we also maintain awareness of emerging risks and help shape the way that our clients respond (see Our role in industry collaborations and engagement on p.34).
- We promote a "free-thinking" culture within the team so that consultants and trainees are able to spend time reading and attending seminars/webinars so that they can generate ideas or challenge our central research output.

The outcome of these activities included increased knowledge and awareness of these systemic risks and the options available to investors.

Case study 2 - Working to manage systemic risk

Identifying and responding to market-wide systemic risk

It has always been evident that collateral management is fundamental in running LDI portfolios given the importance of maintaining hedging at volatile times and avoiding 'whipsaw risk' (where hedging is reduced following a spike in yields, and yields subsequently fall back, resulting in the scheme losing out). Therefore, on a regular basis we undertake research into building robust collateral structures. Our findings were used to advise clients on structuring an appropriate collateral process for their specific scheme's needs. This meant our clients were well-advised on how the collateral process worked and the actions needed by Trustees alongside LDI managers in the event of interest rates rising and gilt yields rising.

During September 2022 we started to see a particularly quick upwards spike in yields, and from our research we could see that this was going to test the limits of collateral processes in place. Therefore, a line of communication was opened between BW and LDI managers, to ensure clear communication of events and that this information was flowing to consultants and clients.

A risk that was highlighted by events in September and early October was that once gilt yields reached a certain point at such speed, managers at fund level took extreme actions including reducing hedging exposure within the funds themselves. This meant that even if a scheme had a good collateral management process, Trustees could still be exposed due to limitations given their manager's approach to managing the situation. Given the unprecedented speed and size of the yield increases, it was clear that our views on how to respond to this needed to be considered as a matter of urgency. A working group of BW's most senior specialists in investment and LDI gathered to ensure that:

- our best thinking on how clients should react and respond to the crisis could be drawn together and appropriately challenged.
- we could effectively prepare appropriate and fully considered written advice for our clients at short notice.
- we were well set-up to effectively manage the very high volumes of asset transfers required in meeting collateral calls.

We then communicated with our clients on a regular basis to keep them informed of what was happening and any actions required of them, to help ensure the best outcomes for our schemes. Given the severity of the market impact, our actions covered the whole BW business to ensure that we were working in a joined-up way, e.g. ensuring the administration team were briefed to respond to client queries and that the actuarial team were able to consider the impact on the liabilities and advise clients appropriately.

Working with other stakeholders to promote continued improvement on the functioning of financial markets

At the time of the market events, we kept very close communication in place with all of the LDI managers who our clients invested with, in order to understand the actions they were taking and what was required of investors. This was done through coordinated emails and regular calls with our LDI team to ensure the information was being passed on as swiftly as possible. Relevant information was then passed onto clients, with written advice provided in relation to the specifics of the scheme, as well as having regular calls with Trustees where appropriate. We were also in contact with The Pensions Regulator to let them know what was happening and our views on what was needed to re-establish market stability.

Post-crisis and following the changes made to LDI funds and portfolios, we have spent additional time reviewing the LDI managers to ensure their revised offerings are appropriate. This included speaking to them about things we thought they did well, what could have been improved, and changes that should be made for better outcomes in the future.

We found that some managers performed better in different scenarios than others. Where we remain not fully satisfied that a manager's processes are sufficient, we have promptly applied a downgrade of our rating of their LDI services and have been clear in our advice to clients to disinvest given the risks of investing in a sub-par manager. We also had to make sure that Trustees understood the changes made to LDI portfolios and therefore how they could appropriately make changes to their wider strategies, for example extending collateral waterfalls further if they needed to make the collateral process more robust.

We also provided a substantial amount of feedback to the Work and Pensions Select Committee inquiry and our Head of Investment Consulting attended a hearing and provided further comment and answers to the Select Committee members.

Outcomes

In the context of liability driven investments, where the purpose is to stabilise funding level regardless of market movements, we achieved good outcomes for our clients throughout the crisis through a combination of:

- having processes in place which enabled collateral calls to be met and avoided triggering further dysfunction in the markets.
- where a reduction in hedging was appropriate, undertook this in a controlled way with an active decision from Trustees rather than a forced action at an unknown time.
- being prompt in our reviews of the LDI managers post crisis including on the revised LDI structures being provided, helping provide Trustees with clarity over the actions that were appropriate both within their LDI portfolios and for their wider investment strategy.

Our role in industry collaborations and engagement

We are members of the Investment Consultants Sustainability Working Group (ICSWG) collaborating with other firms to improve sustainability and stewardship across the investment industry. In 2022, BW are represented on the Steering Committee and play an active role in three workstreams, including chairing the Stewardship workstream. The ICSWG undertook a strategy review in the second half of 2022 and BW were elected to co-Chair the Steering Group. Activities included:

- ICSWG Engagement Reporting Guide (ERG) continued implementation over 2022. The guide provides targeted engagement metrics and case study formats to help investors evaluate their managers' stewardship, with an emphasis on the outcomes achieved. The information captured is designed to sit alongside the reporting which asset managers typically provide in accordance with the UK Stewardship Code. Case studies cover the engagement rationale and objective, the approach taken including any escalation, and the outcomes.

- The group undertook regular engagement with the Financial Reporting Council (FRC), Financial Conduct Authority (FCA), The Pensions Regulator (TPR), Department of Work & Pensions (DWP), Association of Member-Nominated Trustees (AMNT), Association of Professional Pension Trustees (APPT), the Investment Association (IA), and the Defined Contribution Investment Forum (DCIF) on stewardship expectations and how investment consultants can facilitate improved stewardship activities and outcomes.
- BW also helped draft responses from ICSWG for the Taskforce for Nature-related Financial Disclosures (TNFD), the International Sustainability Standards Board (ISSB) and DWP's consultation on climate and investment reporting. BW led on drafting some portions of the submissions and collaborated in reviewing all consultation responses.

BW are also members of Pensions for Purpose, a collaborative initiative of impact managers, pension funds, social enterprises and others providing thought leadership on impact investment. We attend and speak at roundtables, and participate in research and discussions. In 2022, our Sustainable Investor Insight[1] report was awarded Best ESG / Sustainable Investment Report at the annual Pensions for Purpose awards.

We have signed up to the Impact Investing Principles for Pensions for Investment Consultants and include information on how we have met the principles in this report on pp.51-54. We routinely include impact as a topic for consideration, and support clients to review, set targets for and monitor the impact of their investments. We are also members of the Principles for Responsible Investment (PRI) and participate in roundtables and discussions, input to policy stewardship and development, as well as attend learning and development sessions run by PRI.

1 https://www.barnett-waddingham.co.uk/comment-insight/research/sustainable-investor-insights-survey/

Signatory of:

As a firm, we are active members of the Society of Pension Professionals (SPP), with several of our people involved in committees. And we are involved with the Association of Investment Management Sales Executives (AIMSE), working to support the inclusion of sustainability and stewardship topics on the agenda of their conferences, roundtable and academy sessions, providing speakers and other input to events.

BW are also members of a number of Institute and Faculty of Actuaries (IFoA) boards and working parties, including Sustainability Board and the Life Actuaries Climate Change Working Party, working with others across the actuarial profession on sustainability and engaging with regulators and policymakers including FCA, TPR, DWP and PRA on policy issues. And we are members of policy working groups with the CBI, providing input to consultation responses and collaborating with others across the business sector.

Also in 2022, we met with the FRC Lab on UK Stewardship Code 2020 reporting where we explained our stewardship activities and how the Code feeds into that, as well as provided feedback on manager reporting and opportunities for improvement. We contributed to the Glasgow Financial Alliance for Net Zero (GFANZ) consultation on portfolio alignment metrics.

We also met with The Pensions Regulator (TPR) on a variety of topics including LDI, climate disclosures and reporting, and with the DWP on stewardship and climate reporting, to support policymakers developing and implementing effective interventions in the markets we operate in.

We have provided contributions across many industry collaborations and initiatives, looking to support and advance sustainability and stewardship for our clients and looking to manage systemic risks by working with others across the UK and globally.

Engage on the transition to net zero

We regularly engage with regulators and policymakers, and participate in consultations issued by regulatory bodies, helping both to maintain awareness of emerging risks and help shape the way that our clients respond, and seek to influence emerging policy and regulation to support sustainable investment. We do this through one-to-one discussions, participation in roundtables, and responding to consultations both as BW and also as part of collaborative groups like the ICSWG, the SPP, the CBI and the IFoA.

Through our interactions with regulators and policy makers we continue to highlight the need for all investors, not just the larger ones, to be able to achieve net zero.

Support

clients' stewardship and investment

This section is relevant for our Stewardship Code and Net Zero Investment Consultants Initiative reporting.

Investment consulting

Our investment consultancy client base comprises:

- 495 UK pension schemes
- £64bn assets under advice
- clients ranging in size from £1m to multi-billions of pounds

In addition to pension funds, we also advise charities and foundations on their investment strategies and companies on their invested assets. This provides us with perspective across a range of asset owners, beyond only pension schemes.

How our services support clients

Assessing and monitoring managers on climate, sustainability, stewardship and impact

Our ABCs process – looking at clients' Aims, Beliefs and Constraints framework in setting investment objectives – is where we help investors identify their specific ESG considerations and develop their own ESG and stewardship policies. We undertake this process when considering how best to support new and existing clients to identify their investment beliefs and support manager selection.

We assess fund managers from a sustainability perspective across the three sub ratings below (as well as on their climate credentials):

1. **Sustainable Investment Research** - how deeply managers research macro issues and their underlying investments.
2. **Sustainable Investment Integration** - how well the investment process captures relevant risks.
3. **Stewardship** - the use of voting rights and engagement opportunities.

The overall rating and underlying sub-ratings are:

High Conviction	Acceptable	Low Conviction

We also ask managers about their funds' impact credentials as well as exposure to certain areas (such as exposure to Green Revenues and Green bonds, social bonds, sustainability bonds and sustainability-linked bonds). We assess and rate the sustainability approach and present our clients with one final rating, along with sub-ratings for each of the three elements so that clients have full transparency on the manager's performance.

We also consider climate risk through the use of a climate risk impact score that is specific to that fund and can be communicated to Trustees to illustrate climate risk.

This rating is the outcome of the evidence provided by the managers and a qualitative discussion by all members of the manager research and sustainable investment team where the sustainability approach is discussed in the context of the fund. The weighting, or importance, of each of the areas we assess a fund on in terms of sustainability is determined by the SI team specialists in our manager research team and varies by asset type.

Where a manager rates low conviction in sustainability, we would not expect to shortlist them in advice to clients. Our ratings also influence our clients. In order to raise industry standards, we provide feedback to managers on any areas of our assessment which have scored poorly, and also engage with managers in respect of specific client concerns or requirements, such as the case study set out later where we developed a new fund with an asset manager to meet a client's needs. We have also, when preparing client implementation statements and monitoring reports, engaged with managers on their stewardship activities and reporting, to encourage greater transparency and data quality. Through these discussions, we assist them in incorporating sustainability best practices into their "standard" funds, rather than launch new funds.

In 2022, we evolved our stewardship rating methodology to reflect latest industry developments, as well as achieve better consistency in ratings. As part of this:

- we updated our standard sustainability questionnaire to include more voting and engagement questions, as well as asset class specific questions
- we developed a stewardship rating note template that ensures rationale is provided for each rating and specifies what the manager must do to improve their rating (if they do not have the highest rating), as well as follow up actions we need to take with the manager (if applicable)
- where a high conviction rating results from our standard sustainability questionnaire and desk-based research, we verify that through a research meeting with the manager. These meetings cover:
  - how stewardship is structured and resourced within the organisation
  - typical stewardship activities
  - stewardship systems and tools
  - highlights, developments and case studies over the year
- we evolved the stewardship rating process so that there is a core team of individuals that produces the ratings, ratings produced by one individual are ratified by others, and ratified ratings are presented to the wider research team

- we updated manager and fund ratings, prioritising those where we have clients invested

In line with previous years, in 2022 we also undertook our annual review of our ESG questionnaire, including to support our stewardship ratings – the questions allowed us to have a more detailed understanding of the asset managers' approaches to engagement, voting and wider stewardship.

For example, we researched 8 "controversial votes" that occurred over the period and asked the managers specifically how they voted in these instances (see Case study 3 on p.44). This allowed us to separate asset managers that were going the extra mile in their stewardship efforts.

We also conducted research meetings in 2022 with private market managers (private debt, private equity, property) to gather requisite data to update stewardship ratings due to stewardship-related questions in the standard ESG questionnaire not being completed or completed incorrectly. These meetings sought to understand managers' typical stewardship activities, as well as highlights, developments, and case studies over the year.

We also sought to understand why managers could not provide the data we requested and encouraged them to improve their stewardship tracking and reporting systems and tools to be able to do so in the future.

We review our Monitoring dashboard annually to ensure that clients are receiving the most up to date metrics supporting our thinking in this area. Over 2022 we adapted our dashboard to incorporate our climate risk impact scoring. The Climate Risk Impact score is based on our scenario analysis modelling, but we believe the output is both readily digestible and actionable. This fund specific measure allows clients to understand the climate risk that their investments are exposed to at both an asset class and fund level (see Figure 4).

We also identified further improvements we will make over the coming year with respect to our ESG questionnaire and stewardship research process, based on our experience this year of reviewing manager responses to the ESG questionnaire responses and stewardship research meetings with public and private market managers.

Figure 4: Example fund manager monitoring report +

In 2022 we supported clients who wanted to select their own voting policies for some of their holdings. Some asset managers now offer options to clients including remaining with the asset manager's voting policy, set the client's own voting policy, or choose to apply one of a selection of template voting policies. We considered the various approaches with our clients; some decided to stay with the asset manager's policy – taking the view they have chosen the manager that best aligns with their views and expect manager to do the best for their fund – with others opting to choose specific voting policies based on their convictions.

We also use technology to support our clients' stewardship and group decision-making. We use BW Swarm AI, a collective intelligence technology which mimics the biological principle of swarm intelligence to allow groups of decision-makers to collaborate and quickly converge on solutions that maximise their combined intelligence. It drives more accurate insights, faster and works by connecting decision-making teams like boards into a real-time interactive platform moderated by AI algorithms and a BW consultant. The interactive platform amplifies the knowledge and wisdom of a team, while reducing the impact of biases. In 2022, we used Swarm AI with trustee boards to help develop investment strategy and stewardship policies.

Seeking client views and feedback

We take the views and feedback from our clients seriously.

At a specific client level, we seek feedback as part of our regular meetings and engagements with clients. This is typically undertaken by the Partner responsible for our services. We have also embraced the requirement for clients to set and review CMA objectives to undertake a thorough review of our services at least annually. We encourage clients to include an evaluation of ESG and stewardship as part of this assessment, by including them in the templates that we provide clients to assist in the assessment process.

We also have a programme of independent partner reviews for some clients whereby a partner otherwise unconnected with the day-to-day delivery of services meets with the client to hear views on our service. Such exercises provide useful feedback on the quality of service provided by our teams. These are normally conducted every two years. In 2022, there were independent partner reviews carried out for 23 clients which covered investment consulting services.

At a wider level, we commission Investor In Customers to undertake a client satisfaction survey on our behalf every 2 years. This covers the proactivity, clarity and professionalism of our advice. The feedback from these surveys is reviewed by the Partners, and used to develop our proposition, and to identify any areas for improvement at an aggregate or individual client level.

Investor in Customers

Investor in Customers (IIC) independently assesses companies based on feedback from clients, staff, managers, and IIC's own perceptions. We consider the framework is a recognised benchmark demonstrating customer satisfaction. Firms are assessed on a number of measures to independently verify their customer-centric approach.

In 2021, we achieved the highest level 'Gold Award' for our pension consultancy and pension administration services, achieving consistently high scores across the four guiding principles: understand client needs; meet client needs; delight clients and; engender loyalty. This assessment will be carried out again mid-2023 to update our understanding of the client experience BW is providing to its clients.

Communicating stewardship with clients

We provide clients with regular research notes and blogs on a range of investment topics. These include ESG, climate change, stewardship and sustainable investment. Where research is of particular interest to specific clients, we will supplement the briefing note with specific commentary on how the topic is relevant to that client's circumstances. We regularly provide information to our clients on new regulatory developments.

We meet face-to-face (whether in person, or more recently, by video call) with most of our clients on a quarterly basis, and this forms the bedrock of our communication. In addition, written reports, blogs, webinars and conferences allow us to keep in contact in between planned meetings. A recent example is our briefing on climate governance and reporting for pension trustees covering the TCFD framework, trustee requirements around climate change, and how BW can help meet governance and reporting duties.

We also monitor investment managers and provide investors with an easy to interpret dashboard of what their investment managers are doing well and not so well in terms of ESG and stewardship. Our monitoring includes, as standard, how the manager has voted and engaged, any companies or sectors it includes and excludes, and our opinion on manager performance, in isolation and compared to their peers. Our monitoring includes reporting on climate metrics – see Figure 4.

On publication of each list of signatories to the UK Stewardship Code by the FRC, we immediately identify non-signatory managers with whom we have clients invested and look to understand this outcome. We request these managers explain their signatory status and give us more details on their application if applicable, and their plans if they had not been successful in their application. We then share the information with our consultants for communication to clients. In 2022 we followed up with managers to confirm their future expectations around signatory status and any changes that occurred during the year. This information is reflected in our 2022 ESG monitoring reports which in turn are used to relate the managers' activity to the clients' ESG Aims, Beliefs and Constraints.

We also help our pension scheme clients to understand the significant votes undertaken on their behalf as part of helping to prepare Implementation Statements, helping clients identify which issues are important to them. Some clients are beginning to set out their own thematic engagement policies, identifying the ESG themes they consider will be drivers of long-term value and where they would prioritise engagement activities – we then feed this information to the client's asset managers.

Case study 3 - Significant votes

Over 2022 we reviewed our stewardship ratings of asset managers to consider the ever-improving standards of best practice. As part of our assessment of their stewardship approach, we decided to consider specific votes which could help to differentiate asset managers going the extra mile in their stewardship efforts. Few clients have expressed specific views with regards to stewardship priorities/themes to date and so we decided to focus on votes highlighted by the Share Action "Voting matters" and "Resolutions to watch" campaigns, supplemented with our own internal research.

We asked every asset manager as part of our annual sustainability monitoring process how they voted in these instances (noting clearly some managers may not have holdings in all of the companies we highlighted). The response from the various asset managers fed into our stewardship ratings process, and the final rating was then communicated to clients through their sustainability monitoring reports. The outcome for clients was improved understanding of significant votes and increased engagement with stewardship of their investments.

Taking account of clients' views and feedback in provision of services

The feedback from clients is only worth taking if it is acted upon where concerns are expressed. Some examples of how we have adapted our service as a result our 2022 client satisfaction survey and other ad-hoc feedback:

- The development of our ESG reports is an ongoing process. The need to align our reporting with the level of available client resource is also a driver of the development process for our sustainability and stewardship reporting. In 2022 we made the refinements to include a more focussed executive to help them navigate towards the more relevant sections of their report. Following feedback we will be creating more impactful shorter reports for those clients with more limited governance resource.
- During 2022 we held a roundtable for large Schemes (attendees were from a number of heavy emitting industry sectors) to discuss the voluntary carbon credit market and its development. Following feedback from this group and our interactions with industry wide groups, our challenge for 2023 is to help clients that are making net zero commitments understand the role that nature will play in these and explore the use of natural capital assets with them.
- Client feedback on issues that are not uniquely sustainability related also influences our development plans as it creates learning points. Some of these are:
- Having seen the benefit that 'product specialists' in the investment management community, we have provided a buddying system for consultants who feel more confident having support from a specialist colleague or where the project size means the extra dedicated resource is useful. Forums have been held for less experienced colleagues to assist with this. In addition our monthly 'Sit Down and Chat' sessions remain an access point.
- The development of our reporting generally and the sustainability and stewardship reports in particular is an ongoing process. Over time, we have provided additional detail for clients, as the available information has become more reliable. This has led to long and detailed reports. Whilst this is what many of our clients require, we have received feedback that some clients would prefer a more impactful shorter report. Therefore, we are creating updated versions of our reports to cater for these clients.
- 2022 saw a significant rise in the prominence of biodiversity and the challenges it faces together with the opportunities it creates. Feedback from clients

and other industry sources highlighted a need for training and understanding in this area and this too is something where we are building on the work of late 2022 and expect to continue it over 2023. Following feedback from some clients that they want to hear more about broader areas where we can provide services to them, a toolkit has been developed to share up-to-date information about key topics for our different services. This allows the client teams to be more proactive in sharing new information that is of interest to clients and developing their relationships using the client plan tool to support this activity. This approach is now being implemented across all client teams.

- One area clients continually ask is how they compare to others – this is a challenge for many investors. This is an area we're helping to address. We provide a case study on our work to improve communicating with our clients in Case study 8 – Developing better metrics and communication on p.63.

Effectiveness in understanding needs and communicating with clients

We have seen continued strong growth of our investment consulting practice (and wider firm). A lot of this comes from referrals from our existing clients, which is good evidence that our approach to looking after our clients is working. Ultimately, this success is driven by us continuing to deliver to clients. We consider we have the right approach, with a variety of ways of gathering client feedback and assessing our approach and delivery. The feedback that we receive from individual clients and wider client surveys is key to the Partners when considering how we develop the business, and to identifying client needs and training needs to help our consultants to deliver those needs. There are a number of forums available within the team to promote this, but the primary body responsible for delivery of our services to clients is our Investment Consulting Proposition Forum. The forum meets on a monthly basis, bringing together the leaders in each of our proposition areas, as well as our head of client service, head of external profile and head of successful clients.

This forum drives forwards changes to our offering for clients – this has included the development of a streamlined investment consulting services which helps to bring our best thinking to clients with lower governance budgets in an efficient fashion, reflecting feedback we'd received from new business tenders. Within this service, the core portfolio design reflects our views on sustainability, and all of the funds that we put forward are either rated high conviction or acceptable, helping to bring good stewardship to clients which might otherwise have struggled to take such strong action.

Net Zero investment

This section is relevant for our Net Zero Investment Consultants Initiative reporting.

Integrate net zero into investment advice

When providing investment advice to clients, we consider our clients' Sustainability "ABCs" (Aims, Beliefs and Constraints - see Figure 6 on p.53), including those specific to climate change and net zero targets. Advice on a client's strategy and / or investment managers will integrate these considerations to create a portfolio that aligns to the client's sustainability objectives (including any climate and / or net-zero objectives).

We recognise that clients' understanding of the complexities of net zero can vary enormously. BW's Sustainable Investor Insight research in late 2021 (published in 2022) asked 91 investors about net zero and found 36% had no clear understanding of what net zero means and the impact it will have[2]. The success of using the ABC approach has led us to develop a similar simple approach to act as an agenda when discussing climate risk management more generally, and net zero specifically. Here our focus is on three elements:

1. **Aim to do no harm** – what steps are being taken to measure and reduce emissions, what transition pathways are suitable and how are the assets aligned with these, what engagement is being undertaken and how is its success being measured?
2. **Benefit from the opportunity** – what positive contribution to the transition to a low carbon economy are the assets making?
3. **Control the controllable** – ensure the governance structure recognises the changing landscape that we live in from an investment opportunity and product perspective, as well as the regulatory landscape.

The combination of these three is key to achieving a successful net zero commitment.

Furthermore, we assist clients when choosing sustainable / net zero investments and funds to best align with their objectives and have engaged with fund managers with regards to creating products and services to align to clients' needs. Our success in this area can be measured in the fact that clients of ours have been seed investors and early adopters of climate management solutions, such as Paris Aligned funds, with leading UK and global investment houses.

Whilst the work of raising net zero with clients continues, we are currently developing software which builds on clients' TCFD requirements to help them answer the question 'how do I compare with my peers?' and 'am I positioned where I think I am?' by using the answer to these as an opening point for discussion we will be able to use the ABC agenda above in a more responsive environment to generate proactive discussions around net zero. We supported our clients with training incorporating net zero in 2022. In 2023, we will be measuring and monitoring this metric and will include quantitative figures in our 2023 report.

2 https://www.barnett-waddingham.co.uk/comment-insight/research/sustainable-investor-insights-survey/

Support clients developing policies on net zero

We work with clients to assist them in developing an effective system of governance including sustainability and climate policies. These policies set out a client's "ABCs", as well as recognising their risks and opportunities with regards to sustainability and climate matters. Furthermore, we have also helped clients develop stewardship policies that include stewardship activities around climate change.

In 2022 we have assisted a number of clients in developing policies net zero policies, including setting out their ambitions and considering targets. In 2023, we will be measuring and monitoring this metric and will include quantitative figures in our 2023 report. We do not use a single framework or initiative, as we believe that different frameworks and initiatives may suit different clients based on their unique characteristics. We ask all asset managers we research if they are members of NZAMI.

When setting policies, we consider the client's wider objectives, their governance budgets and what is practical and feasible for the client. Planned software development will enable net zero and climate risk management in general to be discussed and delivered for clients of all sizes and who access their investments both directly and via pooled funds.

Case study 4 – Supporting a client's net zero policy

Our client has made it a strategic priority to develop their investment beliefs around climate change and reflect these in the investment choices available to members.

By helping understand their attitudes to climate change, where they felt the risks lie, what their attitudes to engagement vs excision was along with other driving forces helped us provide insight to a full review of the climate change policy and the client's portfolio.

For portfolio construction, we use our three-pronged framework to guide the trustees (set out below). We find that this simple framework helps trustees to break down the task at hand and set priorities and manage expectations around what is possible.

- A focus on downside risk ("do no harm"),
- A focus on enhancing returns ("access opportunities"), and
- A reminder that 'perfect' may not exist ("control the controllables")

Throughout the project, we highlighted the importance of placing climate change into context against the other investments risks facing the scheme. While trustees must address climate-related matters to offer ongoing and improving value for members, they should not do so at the expense of all else. Similarly, it was important to keep in mind the trustees' wider investment beliefs, such as a preference for engagement over exclusion.

In relation to their equity management, we used the output from our discussions on their aims, beliefs and constraints in conjunction with our framework, to eliminate the use of a Paris Aligned transition approach in favour of tracking an index meeting the EU's minimum requirements for Climate Transition Benchmarks. This recognises that the products developed in this space all go 'beyond' the minimum requirements. Recent examples in the industry highlight the dangers of investing without appropriate due diligence – namely, significantly higher turnover than expected.

With our guidance, the trustees understand the importance of balancing different priorities for risk/return (including climate as one of these). The extensive due diligence carried out in the selection of an appropriate index will provide confidence that the index chosen will offer significant, and improved, value for members.

Prioritise real economy emissions reductions

We work with clients to develop net zero policies which, in turn, target zero emissions by 2050 (or sooner) and a 50% reduction by 2030 (as per the methodology of the main initiatives). We provide clients with data to allow them to track their progress against their objectives. In 2023, we will be measuring and monitoring this metric and will include quantitative figures in our 2023 report.

We do not have house views when recommending solutions to clients. Instead, our approach is to recommend the approach most suited to their needs. This remains the case when consulting on net zero.

By following this approach, our commitment to targeting the reduction in emissions and ability to provide clients with information on the most appropriate decarbonisation methodologies is done with the client's aims, beliefs and constraints in mind.

Furthermore, with the passage of time, these same criteria act as a backstop for assessing the ongoing suitability of any methodology adopted.

Case study 5 – Supporting a client's emission reductions

In a sample-based survey (based on a regional office's client base) of pension scheme client sponsors we established that all of them had made statements on their websites about sustainability. This is consistent with the comments that clients have historically included in their Statement of Investment Principles about the consideration of Non-Financial Factors.

Against that backdrop, the corporate sponsor of a client in the packaging sector was taking steps to improve the sustainable nature of its business. Aligned with this are steps we took to engage the pension fund trustees on managing climate risk within the pension fund assets. We include this case study as an example of how we are raising awareness and engagement on how to address climate change with clients of all sizes.

This is a small pension scheme. Engagement was achieved by demonstrating that the emissions reductions they could achieve by moving their equity management to a low carbon Paris Aligned index tracking approach (a broadly 50% reduction in emissions) were equivalent to a similar number of vehicles that the sponsor had in their fleet.

This use of analogous and more tangible ways of illustrating the benefit of taking action is something that resonated with the Trustees and further work to address other areas of their strategy is ongoing and have incorporated sustainability into their credit portfolio.

Impact investing principles for pensions

This section is relevant for our Impact Investing Principles for Pensions reporting.

Routinely include impact investing for consideration

When we research managers and funds, as part of our information gathering, we ask them to categorise whether their fund is an "impact" fund or is classified as "article 9" (referring to the EU Sustainable Finance Disclosure Regulation classifications). We have undertaken a number of exercises for our clients with objectives on particular environmental and social impacts; Figure 5 provides a snapshot of impact managers and funds, enabling us to support our clients' consideration of impact investments. This list will expand as new funds come to the market (e.g it is not a comprehensive list, but an indication of the breadth of the funds and investment themes in 2022).

We are currently developing ways in which we can better track impact investing metrics and will be able to provide a better reflection for our 2023 report. It is also very difficult to define 'impact investing', but we believe that the introduction of SFDR in the EU and SDR in the UK will enable better classifications of assets.

At a very high level, we estimate that around c3% of clients (who represent c4% of the IC team's AUA) have exposure to impact funds. Typically, impact will make up a minority share of our clients' assets (on average <5%). This is due to: (i) investors wanting a high level of diversification; (ii) UK DB pension schemes having a significant proportion of assets invested in government bonds and Liability Driven Investment

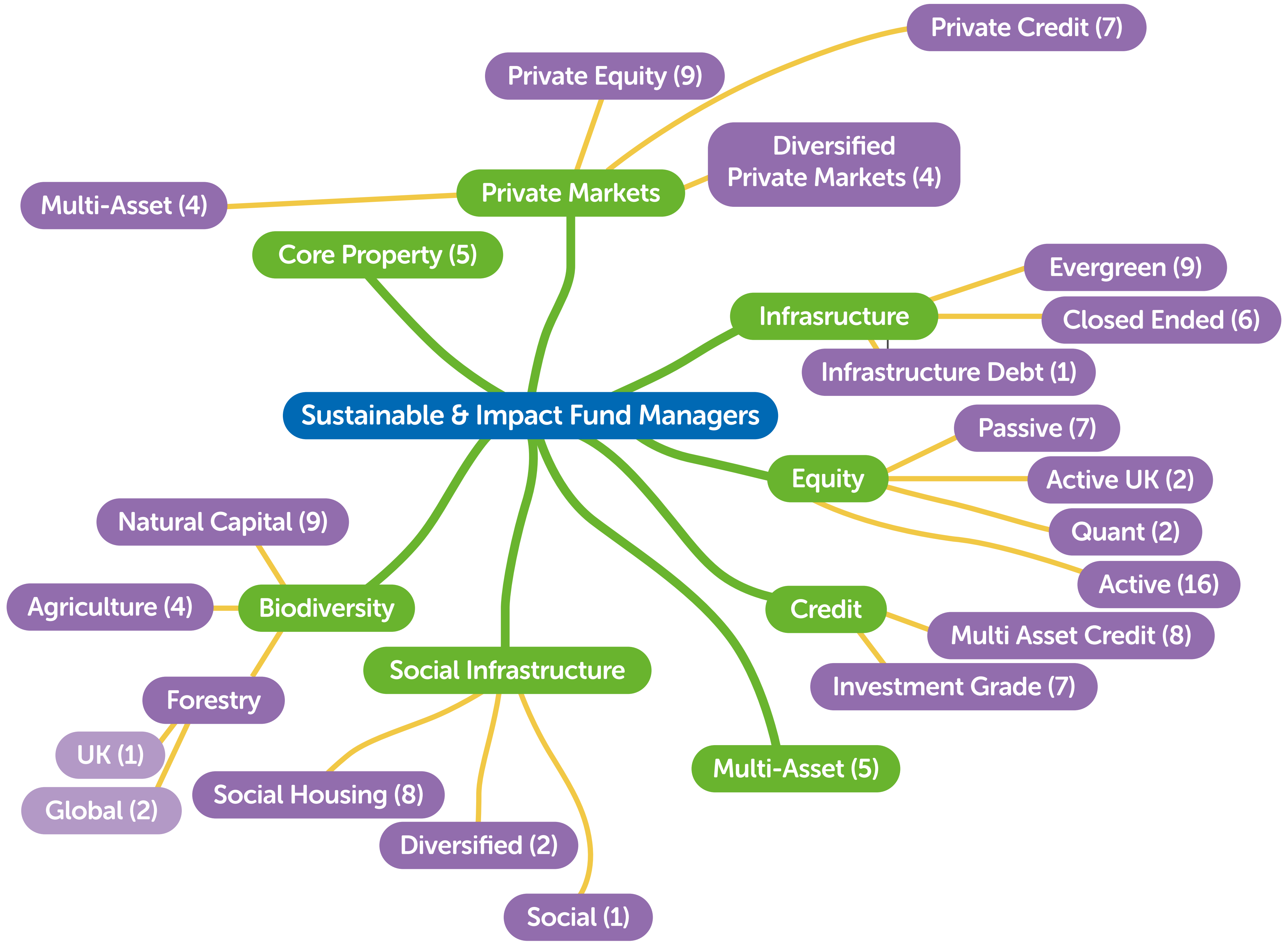


Figure 5 - Researching impact investments

(LDI) strategies; and (iii) the fact that this asset class has not historically been easily accessed by smaller investors.

As with the evolution of LDI strategies in the 2000s, we would expect the number of clients who have exposure to impact to grow over the coming years as this market develops and more options become available for investors, for example, using pooled funds so investments are accessible to a broader range of investors. Gilt market volatility also impacted on the governance time available to pension trustees to address impact during 2022 - we expect this proportion to rise in 2023, particularly in relation to impact within public markets.

Providing strategic advice to clients

When setting investment strategy, we think it is essential for investors to understand their Aims, Beliefs and Constraints. Or, as we call it, 'knowing your ABCs', shown in Figure 6. We help investors to understand their ABCs for both their wider investment strategy as well as focussing on sustainable investing. This is done through the use of our questionnaire together with our state-of-the-art decision-making tool, BW Swarm AI. The sustainable investing questionnaire includes questions on the clients' views on aspects of impact investing.

The output is then used to create a sustainable investing policy, which provides a clear framework against which investment decisions can be tested and monitored. This also helps to improve efficiency of decision making. Whilst the coverage of impact metrics has improved over 2022 in relation to climate, in other areas the risk is more idiosyncratic and the metrics necessarily so too. We are monitoring the developments in this area. However, from our discussions it has become apparent that client appreciation of impact is most easily expressed through case studies and tangible examples of what the assets have delivered.

Aims

- What are you ultimately trying to achieve?
- What shorter-term goals are there along the way?

Beliefs

- What beliefs drive your decision making?
- What is your attitude to risk?
- Do you believe in active management?
- Is it important to make a positive impact?

Constraints

- When do you want to achieve your long-term objectives?
- Are there any limitations (e.g. asset size or governance budget) on the investment approach you can take?

Figure 6 - Investment ABC's

We continue to develop and monitor ways in which we can better track impact investing metrics and will be able to provide a better reflection for next year's report. Where clients have invested in impact investment products, they have received training and formal advice (including the suitability of these products for the client and their objectives). At a high level, we estimate that at least 6 clients have invested in impact investments.

Once an investor's ABCs have been established, our matrix approach allows for the integration of their policy into their investment portfolio, shown in Figure 7. This method allows investors to consider how their investments may either contradict or complement each other, when implementing their objectives. Impact is considered as part of the 'Sustainability' objective.

Investors can clearly identify which investments are contributing to meeting their sustainability and impact objectives, along with their wider Risk and Return objectives. This analysis allows an investor to consider whether their objectives can be better implemented through complementary investments. For example, in the matrix, "fund manager 3" is able to satisfy, in part, all of the investor's objectives, including its impact objective.

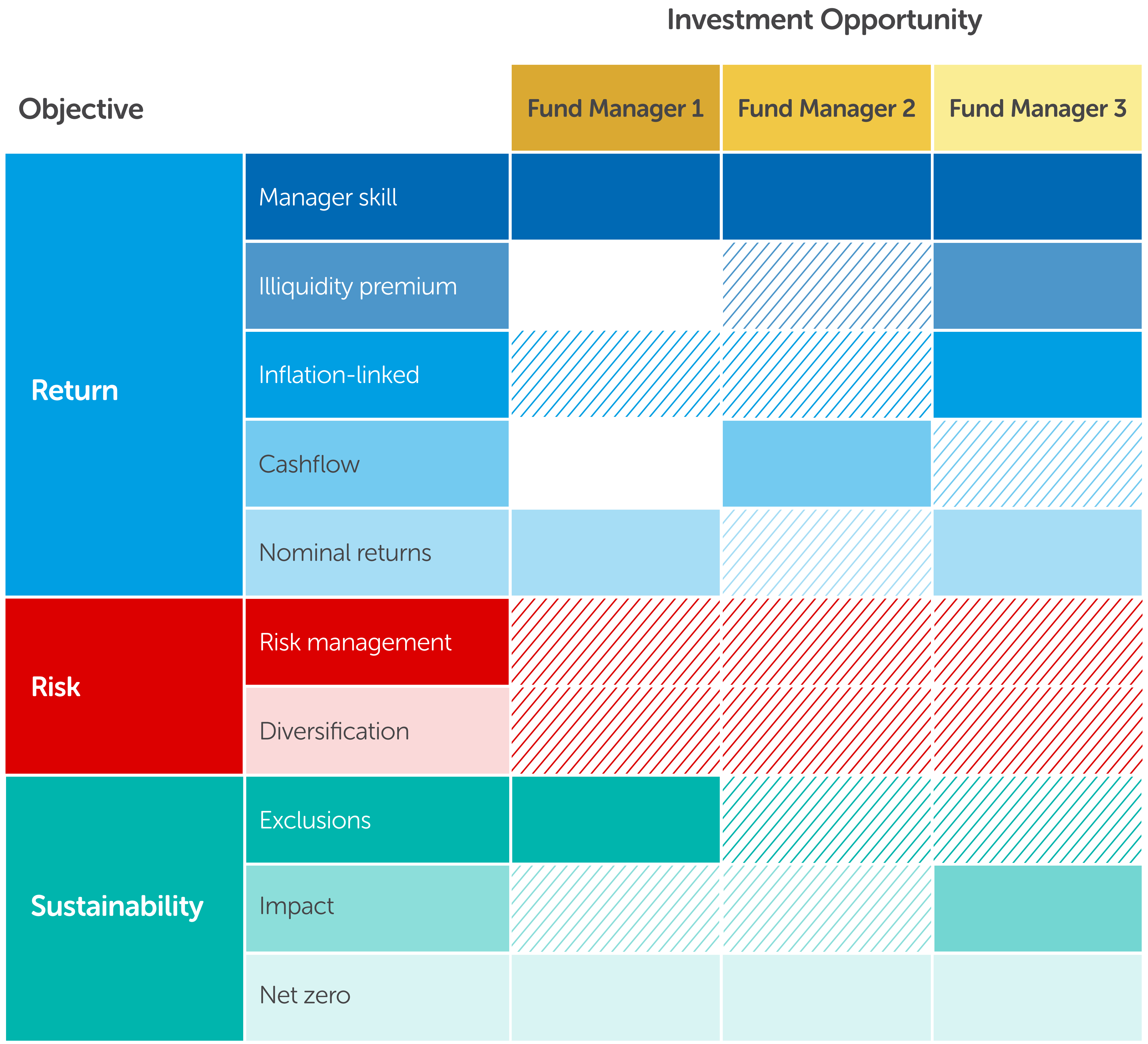


Figure 7 - Integrating investment policies into a portfolio - example

Case study 6 - Developing an impact strategy

In 2022 we continued to work with a university client to consider impact within its pension scheme investment portfolio. This work began in 2021, where the client received training on impact investing, updated their Responsible Investment (RI) Policy to include impact and earmarked part of their portfolio for an impact investment. Furthermore, although not dedicated impact portfolios, the client also allocated assets to an ESG and climate tilted passive equity fund in 2021.

The client considered two areas of its strategy where it could incorporate impact investing, that is:

1. **Private markets** - whereby it could target a place-based direct impact within its local area; and
2. **Public market equity** - whereby it could gain a liquid exposure to a broader impact.

During 2022, the client requested that, for the public market equity exposure, BW put forward a shortlist of managers that it could meet with to discuss their offerings in more detail.

Our manager research team and sustainable investment team met and rated a number of public market equity impact managers, to create a short list for the client. The client and client team are due to meet the short-listed managers in due course, but this has been put on hold due to matters arising from the gilt market crisis.

For the proposed private market exposure, the client requested more information on impact within this area, as well as information on local private market impact investment ideas.

> We provided a briefing paper for the client which detailed various ways in which they could gain exposure to impact investing across asset classes such as agriculture, natural capital, infrastructure, real estate and multi-asset.

Our manager research team, sustainable investment team, and strategy research team considered a number of options and put forward the potential for the client to invest in a fund that held exposure to a local business park, targeting a positive local impact across a number of areas aligned with the UN Sustainable Development Goals (SDGs) including 'climate action' and 'quality education' (areas which were of particular interest to the university).

In reviewing the overall asset class and the specific fund, our research teams considered the overall investment case (including risk, return, fees, leveraging, currency hedging, etc), as well as the fund's sustainability and impact credentials.

Again, given the issues that have been caused by the gilt market crisis, implementation has currently been put on hold.

Support clients to review environmental, social and governance impact

We provide clients with support to review the impacts of climate change in particular in our standard Sustainability Monitoring report, setting out carbon metrics including Total Greenhouse Gas (GHG) Emissions and Carbon Footprint, voting and engagement metrics, as well as providing some real-world measures to help investors understand the impact of their portfolio, shown in Figure 8.

We also include Climate Risk Impact (CRI) and Climate Opportunity (CO) scores to help investors focus on the assets with the greatest impact on climate change.

Our focus in terms of our standard monitoring has been on climate as this area is becoming a regulatory requirement for our clients and there is greater demand for our services in this area. We expect, as biodiversity and inequality / social areas become regulatory, there will be increased demand and we are working to incorporate this into our standard monitoring report.

Our Manager Research Team, together with our Sustainable Investment Team, review each of our clients' fund managers on their Sustainable Investment credentials – we provide more information in Assessing and monitoring managers on climate, sustainability, stewardship and impact on p.38.

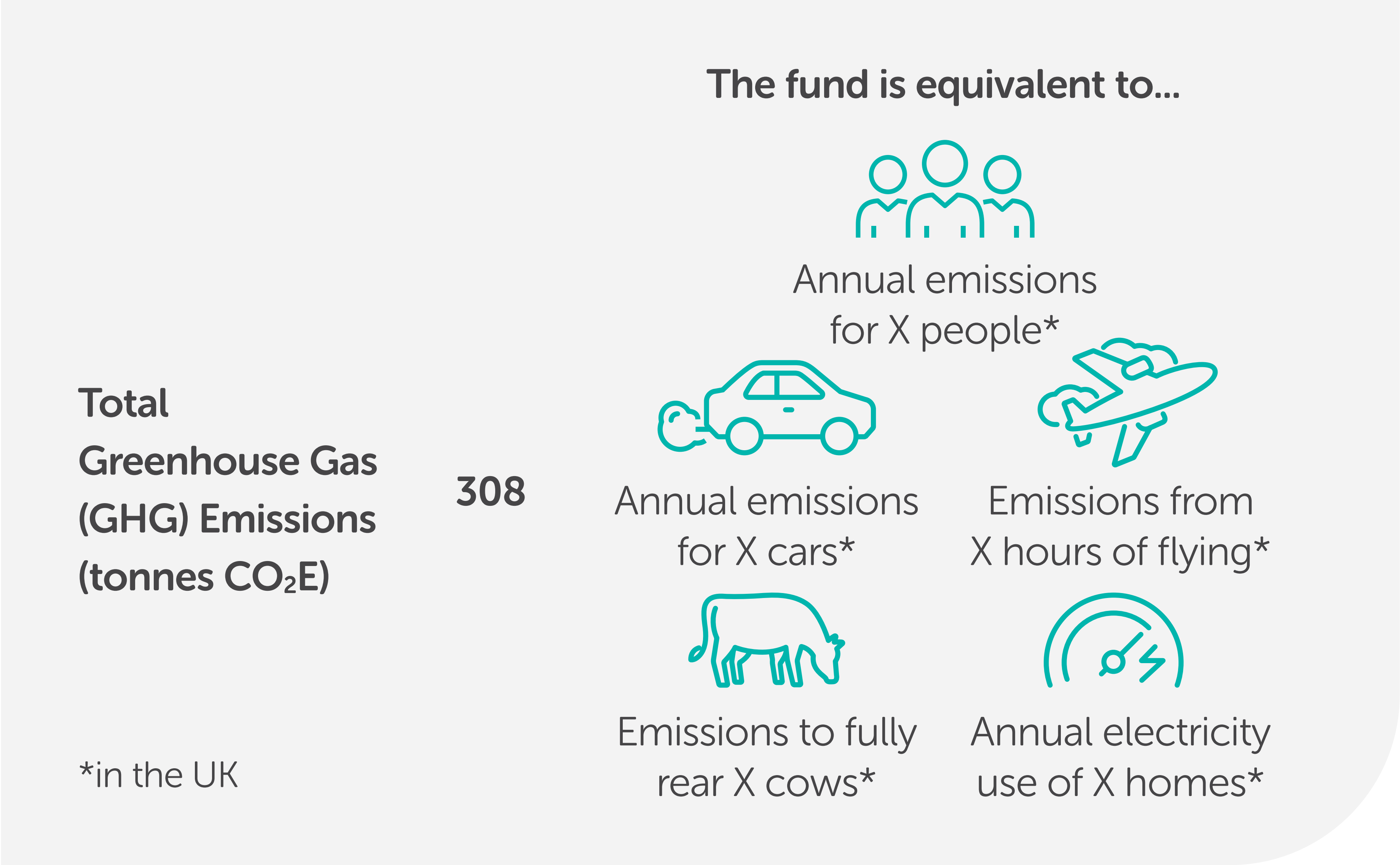


Figure 8 - Visualising carbon emissions

We are currently developing ways to better track impact investing metrics and will be able to provide a better reflection for next year's report. A growing number, just over 31% of those surveyed, now receive annual sustainable investment reports containing the impact metrics listed above. We expect the number of clients receiving these reports to increase over time, driven by: (i) regulations; and (ii) clients' drive to measure the impact they are exposed to.

When we provide sustainable investment reports to clients, our standard us to do this annually. We believe that an annual report provides the right balance between having up to date information with the investor's governance, as the vast majority of managers update their data and produce their sustainability reports annually. A client is able to receive reports more frequently if they wish. We do not currently have metrics on the number of sustainable investment reports we produce however are collecting this data going forwards.

For pension scheme clients the impact of climate change on their assets is only part of their concern. The impact on the liabilities is also of interest. Over the course of 2022 we have had a cross practice working group seeking to help provide this insight in a manner that is consistent with our approach to scenario modelling above.

Over 2022 we have begun rolling out the results of this modelling to help provide clients with a deeper understanding of how climate change may impact their pension arrangements in different scenarios. We expect this initiative to increase over 2023.

We are aware of the forthcoming requirements in relation to biodiversity risk. Over the course of 2022 we have been engaging with clients and industry wide groups and centres of influence to better understand the implications of this and how it can be included in clients' portfolios.

Support clients to set impactful objectives and targets, implement and monitor

For all clients that have invested in impact investments, training, and suitability advice was provided.

Therefore, we estimate that approximately 32 clients (c7% of total clients) have been through the process whereby consideration has been given to their objectives when making impact investments.

We provide clients with support to review the impacts of climate change in particular in our standard Sustainability Monitoring report, setting out carbon metrics including Total Greenhouse Gas (GHG) Emissions and Carbon Footprint, voting and engagement metrics, as well as providing some real-world measures to help investors understand the impact of their portfolio.

Please see previous section for further details.

We have also assisted several clients with completing their climate governance and disclosure reports. This included:

1. **Climate governance** – including helping clients set and document robust climate governance.
2. **Climate risk management** – including helping clients set and document robust climate risk management.
3. **Climate strategy** – including climate scenario analysis. This provided clients with Climate Risk Impact and Climate Opportunity scores, as well as climate scenario analysis.
4. **Climate metrics and targets** - including reporting of emissions data and setting targets against these metrics.

This framework allows investors to consider the impact of climate change on their investments (including their portfolio's resilience) as well as the impact of their investments on climate change. We do not currently have metrics on number of sustainability reports our clients receive.

Case study 7 - Supporting clients to embed impact investing

We worked with our client's Pension Committee for a local authority pension fund. The Committee took several years to investigate and implement their social housing mandate. They wanted to ensure that their investment worked for the Pension Fund from a risk and return perspective, and the Council, along with having the desired social impact.

Early on in this journey, the Committee recognised that investing in local infrastructure projects would bring social impact, however the rationale for doing so was driven by the return opportunity that it created, as their principal responsibility is to pay and protect the pensions of the Fund's members.

The Committee ruled out infrastructure lending as an investment as they felt the social impact was not high enough. Social and affordable housing were therefore identified as a suitable alternative that met more of the Fund's targets.

The Committee, along with us as their investment adviser and their manager search provider, worked with investment managers with credible social housing investment opportunities to come up with a proposal that:

1. Had attractive risk, return and impact characteristics
2. Provided investment in social housing within the council area
3. Didn't sacrifice diversification in order to achieve (2)

The Committee, along with its advisers, reviewed and discussed a range of options for this mandate. These included direct investment in social and affordable housing projects, or investing through funds in new-build social and affordable housing or specialist homelessness projects.

A key factor in designing the mandate was risk diversification. Whilst the biggest social impact for the council would have been achieved by solely investing in social housing within the council area, this would have created a concentration of risk. Therefore we worked with the shortlisted managers to put forward a solution that incorporated their UK wide social housing investments, with a guaranteed level of investment within the council.

A manager was selected as their offering was felt to be the highest quality across the following areas:

- Their approach to engagement with the local community;
- The quality of care given to their residents – people who had experienced homelessness and/or who live with long term disabilities;
- Their commitment to improving the energy performance of the properties over time;
- Their commitment to affordability relative to real local incomes (rents capped at local housing authority levels).

The fund has an aim to "create positive social outcomes" and enable charities, local authorities, and others to fulfil their missions to "alleviate social exclusion and promote community development" and uses the sustainable development goals (SDGs) as a framing, looking to impact the following SDGs:

The fund has engaged the Policy Institute at King's College London to document the fund's social impact, who have tried to draw on existing frameworks for assessing social impact, however, none of these frameworks proved suitable for applying to the Fund's model. Instead, the academic researchers proposed a new framework for impact in social housing investment:

Financial niche to be filled	Partner organisation(s)
How likely is the project to proceed without the Fund's finance?	What population is being served?
What is the Fund's unique offering?	Who will benefit?

Source: Benson, R. Cheyne Social Property Impact Audit 5, February 2021

This provides narrative conclusions for the fund's impact:

- During a protracted housing affordability crisis, the fund enabled local authorities to provide high quality emergency and temporary accommodation.
- The fund has filled a need in several housing spheres, beyond homelessness.

The Committee is passionate about the social impact of this investment and wants to show other investors how this kind of investment can work for pension schemes to encourage others to invest similarly. The Chair of the Committee spoke about the Fund's social housing mandate at Barnett Waddingham's annual investment conference, to an audience of hundreds of trustees and investment professionals.

As the investment is relatively new, the Committee is at the beginning of their impact monitoring journey. Currently they rely on the manager's impact report (in conjunction with Kings College London and the Good Economy) to monitor the impact of this investment, meeting with the manager in 2022 to discuss the investment and its impact.

Support clients to make changes to their objectives, investments, advisers and managers

In a rapidly changing marketplace we feel it is important that clients understand that addressing sustainability is not a 'one and done' task. Over the course of 2022 and into early 2023, we have identified the need to be able to provide clients with an ability to benchmark their actions and aspirations against a peer group.

By doing so those who were early adopters of change in this area, and others, can see how their actions now compare with those who have been later to start. Consequently, we have undertaken a client survey that identifies actions and views on where clients are and want to be seen in relation to tackling sustainability issues. Whilst this will provide useful insight for engaged clients, we intend to use it as a tool to drive up engagement with clients who have still to take meaningful action.

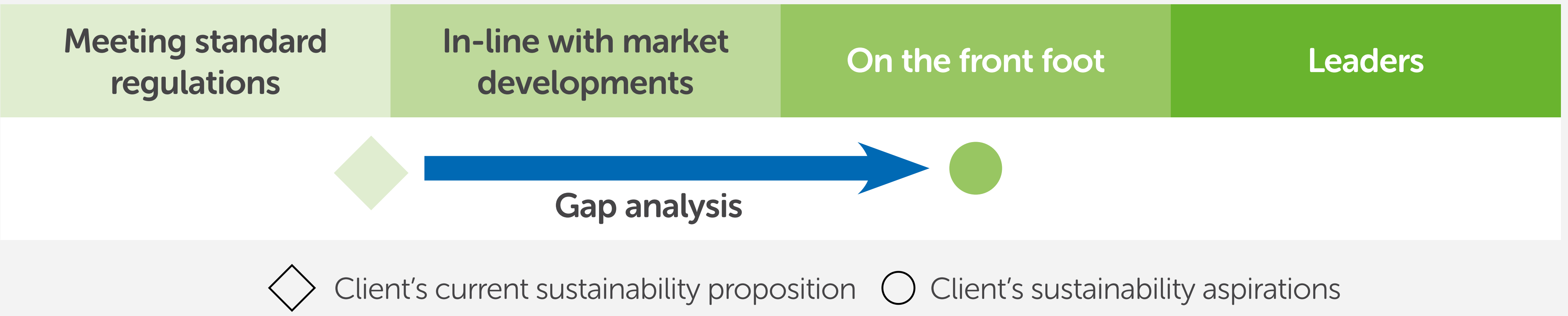
The chart in Case study 8 illustrates some of the output from the survey. It shows a comparison of the positioning (colour of the dots) with the clients' aspirations (shaded areas). The results are used in conjunction with our ABC process to help support clients changes to their objectives and investments.

Case study 8 – Developing better metrics and communication

In 2022, as part of our drive to increase data quality and assist clients further with their sustainability objectives, we developed and launched an internal questionnaire for our investment consultants to gather information on our clients' sustainability approaches and progress. The questions covered various topics including governance structures, policies, communications, climate, TCFD, net-zero, impact, data collection and data use.

The results allow us to tailor and direct research and communications to certain consultants and clients, allowing clients to undertake gap analysis in terms of where they are today relative to their aspirations, and allow clients to benchmark and compare themselves to their peers. We recognise that not all clients have the same goals, but the results allow us to engage with clients in a more effective and tailored manner on sustainability matters.

We produced a quantitative 'sustainability score' based on the survey findings. By plotting these scores against a client's aspirations, we can consider any gaps that need to be addressed, as illustrated by the example graphic below. We categorise each client into four groups: (i) meeting standard regulations; (ii) in-line with market developments; (iii) on the front foot; and (iv) leaders. By updating the results on a periodic basis, we are able to track a client's progress, whilst accounting for changes in market developments and regulation.



We are able to show results specific to the client (as per the above), or relative to their peers, allowing them to make meaningful comparisons.

The survey results also feed into our internal training sessions, allowing us to focus on key areas to ensure our consultants have the skills and resources required to assist clients across different areas.

Review and assure

This section is relevant for our Stewardship Code reporting.

Reviewing policies and activities

During 2022 the Sustainable Investment team met at least monthly during the reporting period to review our policies and activities to ensure they support clients' sustainable investment and stewardship. Areas in which we undertook specific reviews in 2022 were:

- Our manager stewardship ratings and research - the changes make for more effective integration of ESG and stewardship factors within advice to clients (for more detail see Assessing and monitoring managers on climate, sustainability, stewardship and impact on p.38)
- Updating our sustainability monitoring report to provide clients with additional sustainability metrics and information
- Regular training provided to the team to ensure that they are well-equipped to advise clients and gathering feedback from them and encouraging them to share client feedback on advice. We also continued our monthly SIT Down and Chat sessions and our regular newsletter for the IC team
- Developing systems and processes with help of our IT team and the wider investment consulting team to support data collection, checking, and reporting of stewardship information for clients, including pension trustees' implementation statement reports.

Assurances

Although the SI team lead the review and development of any changes we make to support client stewardship and sustainable investment, we take feedback from across all of our Partners and consultants when rolling out new developments to clients, so that improvements can continue to be made.

In particular, our Proposition Forum, which is an internal group responsible for delivering quality services to clients, considers the efficacy of all of the work that we do for clients, including in respect of stewardship and sustainable investment.

We annually review policies across our business, including our approach to stewardship, data collection, manager research and ratings on sustainability and stewardship, ensuring our approach reflects good practice for our industry and looking to continuously improve our services to clients. We will also reactively review policies when there are market developments, ensuring our activities are robust and deliver optimal outcomes for our clients. In 2022, we reviewed our approach to LDI research and implementation following a disorderly market (see Case study 2 on p.32).

Ensuring reporting is fair, balanced and understandable

When reporting on our own policies externally, the way in which we set and develop our policies ensures this reporting is fair, balance and understandable. Our polices on sustainability and stewardship are ultimately the responsibility of our Management Board, which means that our reporting receives a high-level overview and support.

By having a specialist SI team to drive the development of ideas, which includes research on the wider market's approach to stewardship, we are able to assess our own approach against our peers. Participating in industry groups, such as the ICSWG, for example, helps to establish standards for reporting, which we have helped develop and support. We are regularly reviewing and evolving our processes and policies during the period, and this work continues into the future, reflecting the rapid developments in the industry at this time.

To ensure that stewardship reporting to clients is fair, balanced and understandable, we recognise that the quality and completeness of data from investment managers on stewardship is variable and evolving. As a result, we standardise the information we receive by asking managers consistent questions, and provide clear definitions of the information we expect to receive. This allows us to compare like-for-like information, or be clear where information is missing. When we report to clients, we include definitions and explanations of the information and then highlight issues which may need addressing when we meet with clients to discuss the reports. We internally review and check the information we receive before sharing with clients. We check all data and peer review all advice to ensure quality and accuracy (see Quality and accuracy on p.18).

While we consider we have been successful in 2022, we are continually working to improve our processes, activities and outcomes.

Continuous improvement of sustainability and stewardship practices

Our SI team continues to refine and develop our approach across our investment consultancy services, taking into account market developments and client feedback, along with developing policy and regulatory changes like the increasing focus on social aspects of investment and biodiversity. We consider this the most appropriate approach to developing and maintaining our policies and processes for stewardship and other sustainable investment practices.

In addition, over the course of 2022 we have incorporated climate change modelling into our actuarial valuation software. This has seen our Public Sector actuarial team being able to provide clients with an insight into how changing climate may impact their liabilities under a range of scenarios.

Over the course of 2023 we expect that the work of this cross-practice development group should see this functionality become available to our private sector clients. In the meantime, training is being carried out so that our actuarial team are equipped to help clients understand and address climate change.

We continue to use our peer review process described under Quality and accuracy, on p.18 and our customer feedback actions described under Seeking client views and feedback on p.41, as our experience shows these provide us with helpful actions for continuous improvements to our services.

Climate governance reporting

This section is relevant for our Net Zero Investment Consultants Initiative and firmwide annual climate reporting.

Net Zero

With the UK parliament declaring a climate emergency in 2019 and becoming the first major economy in the world to pass laws to end its contribution to global warming by 2050, it's been clear major change is coming in the way we look at climate change across the whole economy. So we have made our own net zero commitment and set ourselves a number of sustainability goals as a business. This enables us to drive focus and a consistent approach while ensuring Management Board level visibility and oversight of sustainability risks.

Climate change risks

The science on climate change is clear and informs our view as a firm. Changes in the climate are expected to give rise to both acute physical effects (such as increasing severity and frequency of extreme climate change-related events like fires, floods, landslides and storms) as well as chronic effects (long term progressive shifts in climate like changes in precipitation, extreme weather variability, ocean acidification, rising sea levels and average temperatures). At the same time, attempts to limit global warming to an increase of less than 2°C are expected to lead to aggressive mitigating actions and changes in policy to rapidly decrease CO_2 emissions.

Financial impacts from climate change for businesses and investors include:

- **Physical:** financial losses as a result of damage to land, buildings, stock or infrastructure owing to physical effects of climate change.
- **Transition:** financial losses coming from disorderly or volatile adjustments to the value of listed and unlisted securities, assets and liabilities in response to other climate-related risks including impacts from local, national or international policy responses to climate change.

There are also **liability / litigation** risks that flow from these physical and transition risks that can result in financial liabilities, including insurance claims and legal damages. These could all drive short-, medium- and long-term financial impacts on our clients and our business. We monitor and identify systemic sustainability risks at firm level and within our business areas.

Climate change presents a broad set of complex and interconnecting system-wide risks. And climate change risks are risk multipliers, driving existing risks. These risks materialise in wide-ranging and interconnected ways, like significant readjustments to market values and flows of capital, new regulations and policies to internalise previously unaccounted costs, changing consumer preferences, extreme weather events, environmental damage, changing patterns of land use, political instability and large-scale migration.

Climate risk management

As an evergreen business that has supported our clients for more than 30 years and expects to continue to grow and support even more UK investors and businesses into the future, we consider climate change over the short-, medium- and long-term. We used our firm's four-stage risk management process to consider climate change: Identification, Assessment, Treatment, and Monitoring (see Figure 9). We applied this process across three scenarios and the three time horizons to consider the potential financial and strategic impacts on our business as a result of climate-related developments and events.

Identification

We use a number of sources to identify climate risks and opportunities and to assess their materiality for our business, including:

- Publications, data and research on climate change
- Relevant articles and papers on the impact of climate change on the financial service industry
- TCFD guidance as well as guidance from financial regulators and industry groups

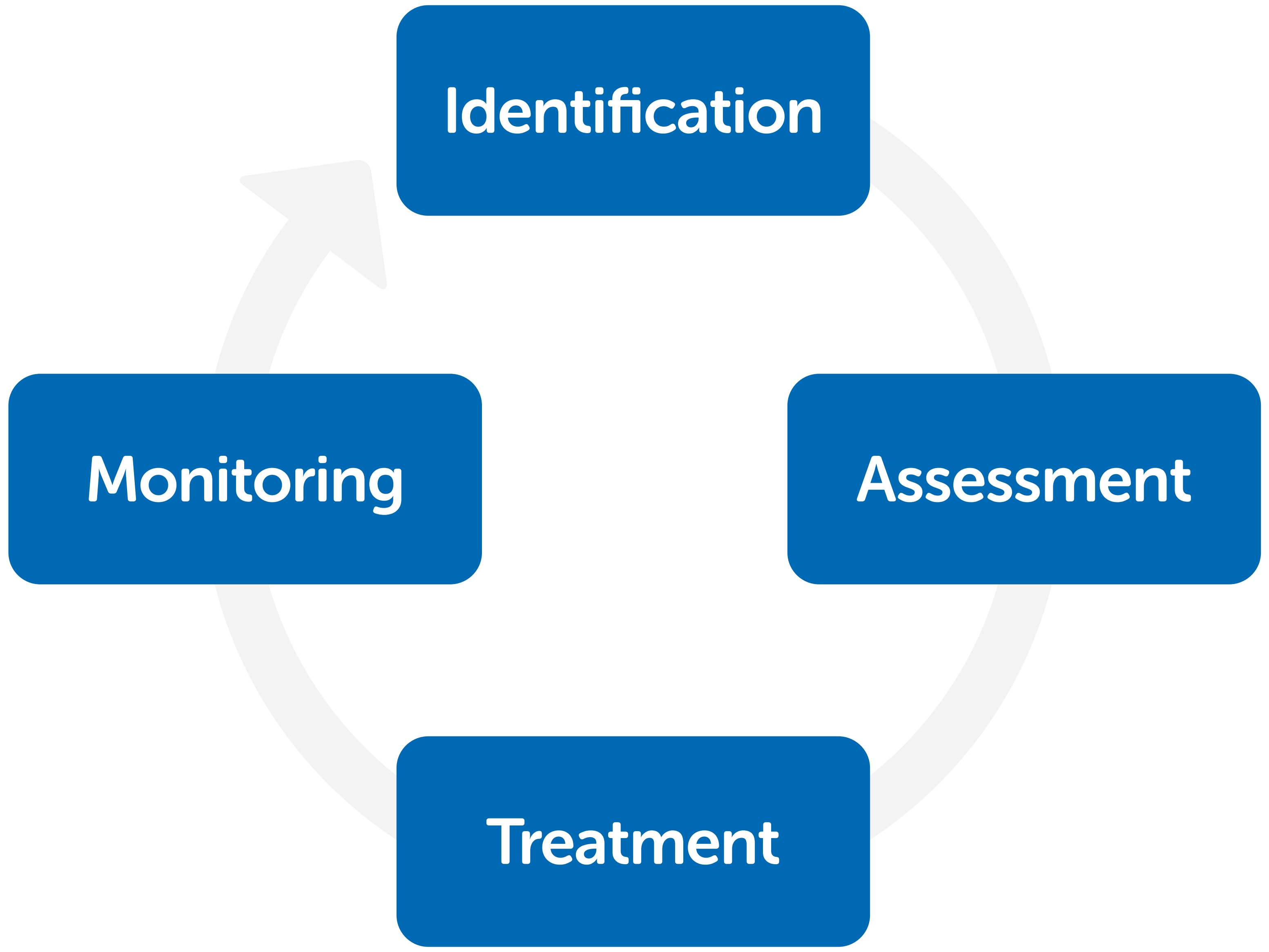


Figure 9 - BW's risk management process

Following initial identification, we consider the likelihood and impact of each risk and opportunity to understand their materiality for BW. We plan to update our risk assessment as additional flows of information become available, like improved climate data and modelling, and as the policy and physical environments we operate continue to change.

Assessment

When we considered climate risks and opportunities for our business, initially with the Sustainability Steering Group and then with our Management Board, we decided on three scenarios (see Figure 10).

These scenarios help to understand the resilience of our business to climate change, considering how the impact and likelihood of our material risks and opportunities might change in each scenario. We selected the particular scenarios to:

- Align with the Bank of England climate scenarios used to stress test the financial sector
- Meet the TCFD recommendation to consider a number of scenarios including one representing 2°C or lower
- Enable consideration of physical and transition risks over the three time horizons we chose.

Scenario A	Temperatures are below 2°C by 2100 - There is a sudden disorderly transition before 2050.
Scenario B	Temperatures are well below 2°C by 2100 - Long-term orderly transition that is broadly in line with the Paris Agreement.
Scenario C	Temperatures exceed 4°C by 2100 - A continuation of current trends with no transition.

Figure 10 - Barnett Waddingham's climate scenarios

We know climate change is an issue that manifests over decades, so we consider different time horizons in our climate impact modelling, particularly when compared to our usual business cycle modelling and risk management framework. We use impact and likelihood ratings from our existing risk management framework in order to be able to embed climate risk into our risk management processes. This allows us to assess climate-related risks relative to other risks within the risk universe using our existing tools.

We also chose three time horizons between now and 2050. We use 2050 as our backstop, as we are a UK firm with UK-based clients and the UK government has committed to a net zero economy by 2050.

- **Short-term:** 2022 to 2027
- **Medium-term:** 2027-2037
- **Long-term:** 2037-2050

Treatment

We established our sustainability governance structure and its various groups to develop our response to our emerging climate risks and opportunities and to develop climate capability and resilience for BW. The groups are tasked with defining controls and monitoring metrics to make sure the appropriate decisions on mitigating, transferring, accepting, or controlling the climate-related risks are made.

Monitoring

Monitoring of risks is an ongoing process conducted by Business Area leads and/or risk owners together with our Risk Committee. This includes considering and identifying emerging risks and what key risk indicators need to be in place to monitor the risk. The process of risk management is cyclical, and the results of the monitoring feed back into future identification, assessment and treatment of risks. Risks are not static, so we manage them in a continuous process.

Climate strategy

We continued to integrate climate into our risk framework, and business plans, to facilitate risk-based decision-making. We have identified climate impacts that are already being felt, so we are acting now to mitigate and manage climate impacts today and in the future through our own net zero commitment.

As a business, our clients come from all sectors and areas of the economy from public and private companies, public sector organisations, investors including trusts, endowments, pension schemes and family offices, as well as private individual savers. Like the 'universal owner' we advise across a number of sectors and our clients invest in global markets, so we are broadly impacted by the systemic risks from climate change.

Our continued success as a business relies on our colleagues being safe and well, functional infrastructure, as well as political stability and policy clarity.

We identified 7 risks and 2 opportunities that could materially impact our business; risks that could impact our strategy, operations and finances as well as opportunities to improve our financial performance and our impact on the climate (see Figure 13). We set out the time horizons over which these risks and opportunities arise and the potential impact under the three scenarios.

We also consider narrative scenarios to help understand the impacts of climate change we will be subject to as a business. For Scenario C, we can articulate as well as visualise what a 4-degree world might look like, then start to think about how our business would perform in these conditions. One area of risk to our business as a financial business is the impact of climate change on the insurance sector – we know that insurability is not limitless and comes at a price. Insurance leaders have unequivocally stated that if climate change raises average temperatures to 4 degrees above pre-industrial levels, most assets will be uninsurable.[3]

3 https://www.bloomberg.com/news/articles/2018-01-25/basements-in-new-york-mumbai-seen-as-uninsurable-in-next-decade

We can also use visualisations to consider the potential change to our earth's regions in terms of productivity and habitability and the impacts these would have on our business. Through this consideration of narrative and visual 4-degree scenarios, we can see a 4-degree rise will make investing increasingly difficult and impact across our pensions, insurance, risk and investment advising and consulting businesses (see Figure 12).

We have also seen climate change risks materialising during this reporting period and have considered how we might mitigate and manage impacts on our clients and our business (see Figure 11).

We have not yet modelled the financial impact of these scenarios on our business model and strategy. With our people and our technology, we expect to be able to adapt and take advantage of advisory opportunities under all 3 scenarios so our business and strategy should be resilient in each scenario. However, we think Scenario B, a long-term orderly transition, is the one offering the greatest opportunity for the least risk as we will benefit as a firm from a strong and stable economy.

We continue to develop our thinking on these scenarios and how they will impact our strategy as a business over the coming year, using the expertise of colleagues across our business in risk management, data, analytics, actuarial and management consulting to further develop our sustainability strategy.

Physical

Record-breaking flooding in Pakistan, causing loss of life, widespread damage and economic disruption. With **1/3** of the country underwater, around **33 million** people have been affected, including at least **7.9 million** people who have been displaced, **13,000** injured and millions left homeless, **2,000** hospitals and health centres damaged or destroyed, almost **1,700** people dead, nearly **15%** of the rice crop and **40%** of the cotton crop destroyed.

Transition

The EU's agreement in 2022 to implement the carbon border adjustment mechanism (CBAM) requiring goods imported into the EU to be covered by equivalent carbon pricing applicable to production of the same goods within the European Union, under the ETS. These policies increase the cost of production, affecting businesses and consumers. The CBAM will **enter into its transitional phase as of 1 October 2023.**

Liability / litigation

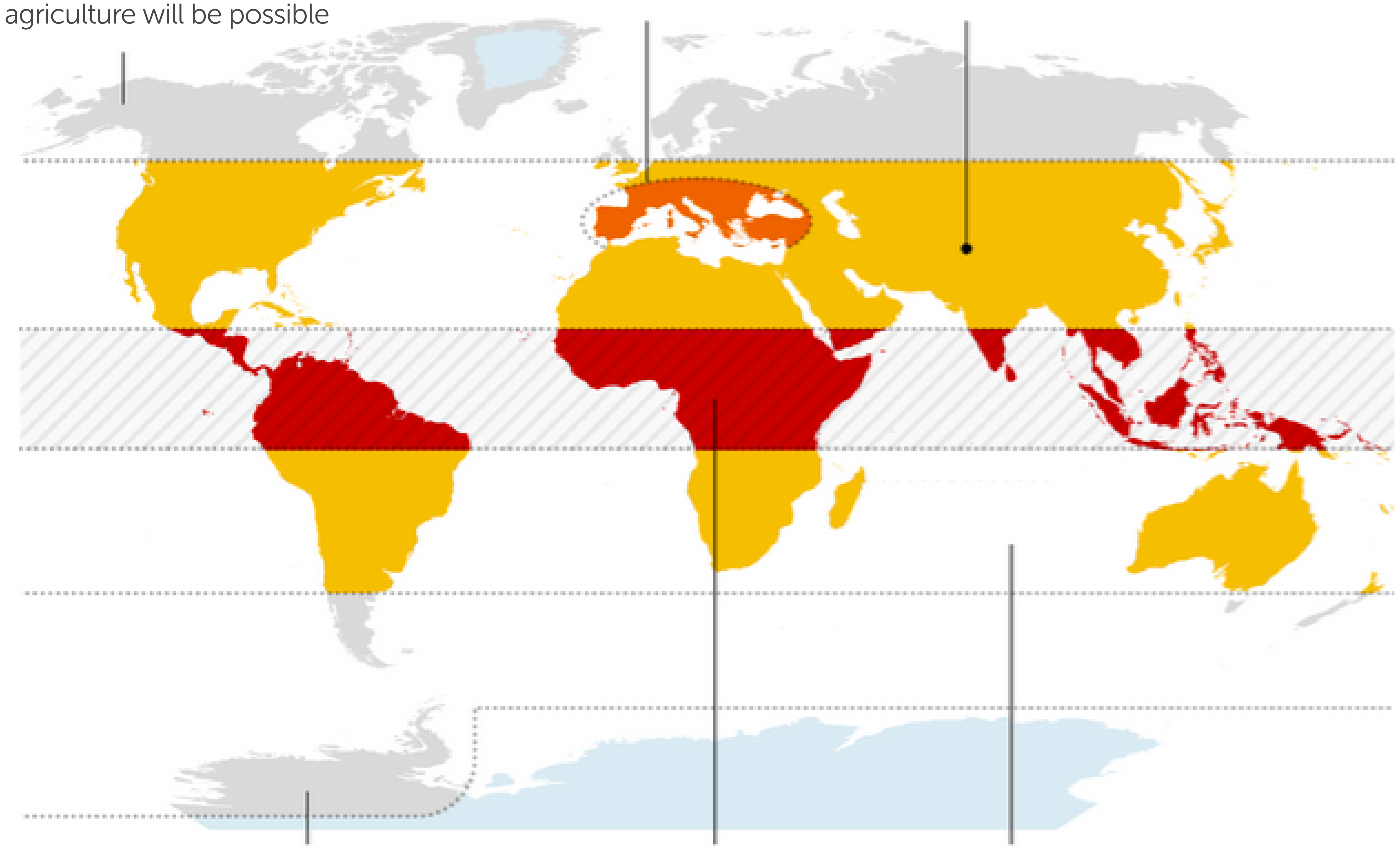
A case has been launched in the UK's High Court by a number of pension funds (holding more than 12m shares) against Shell's Board of Directors for failing to deliver the reduction in emissions needed to keep global climate goals within reach. 2022 also saw **greenwashing** lititgation action against firms including HSBC, DWS and Mercer Austaralia for making sustainability claims while still supporting oil and gas.

Figure 11 - Recent examples of climate change risks materialising

Canada, Siberia, Scandinavia and Alaska
The vast majority of humanity will live in high-latitude areas, where agriculture will be possible

Southern Europe
Saharan deserts will expand into southern and central Europe

Hindu Kush, Karakoram and Himalayas
Two-thirds of the glaciers that feed many of Asia's rivers will be lost



New Zealand, Tasmania, Western Antarctica and Patagonia
Some of the only habitable parts of the southern hemisphere - likely to be very densely populated

Equatorial belt
High humidity causing heat stress across tropical regions will render them uninhabitable for much of the year. To the north and south will lie belts of inhospitable desert

Oceanic dead zones
Coral reefs, shellfish and plankton will be wiped out by rising acidity and algae starving the oceans of oxygen. Without prey, larger sea life will decline rapidly

Figure 12 - Habitability in a 4-degree world (source: The Guardian)

	Description	Challenges	Time Horizon	Impact	Actions
Transitional Risk	Risks that arise as a result of the global governmental and economic shift toward a low-carbon future, including policy and regulatory risks, technological risks, market risks, reputational risks and legal risks. This could mean that some sectors of the economy face big shifts in asset values or higher costs of doing business.	Increased regulatory and reporting requirements for clients and/or BW and policy changes to account for previously unpriced externalities impact clients' ability to operate profitably and engage BW or pay for our services or for BW to operate profitably Changes in client and prospect behaviours seeking more sustainable advisers and providers Competition and disruption from new entrants focussed on sustainability entering the market without incurring transition costs Staying ahead of potentially rapid policy changes and continuing to support our clients	**Short-term:** 2022 to 2027 We are already seeing: - Increased climate regulation and reporting across our business areas and for ourselves. - Regular requests for information on our approach to sustainability when we tender for work.	We consider the faster-changing regulation expected in Scenario B will result in increased advisory and implementation work as clients adapt to policies aimed at achieving an orderly transition to net zero. For Scenarios A and C, without additional policy changes in the near-term, may not result in any additional work.	Set out sustainability as a strategic organisational priority. Established clear governance for identifying and managing risks and opportunities to our firm as a whole through the Sustainability Steering Group reporting to the Management Board.
Physical Risk	Risks arising from chronic changes, or long-term shifts in climate patterns; as well as acute events, which may increase in severity or frequency in light of chronic changes. These events impact society directly and have the potential to affect the economy. As weather-related insurance claims rise, insurance companies have more to pay out, increasing everyone's premiums. If companies and households are not insured, they need to foot the bill themselves. In both cases, the consumer ends up paying more.	Alterations in weather patterns and stability of local ecosystems affecting food production and living environment, reducing GDP and impacting BW and our client's abilities to operate profitably Rising temperatures affecting working conditions, living conditions and local infrastructure, impacting BW and our client's abilities to operate profitably. Rising sea levels affecting local ecosystems, increasing subsidence and flood risks, including damaging local infrastructure, impacting BW and our client's abilities to operate profitably.	**Long-term:** 2037 to 2050 While we have seen some increased events like flooding and storms in the UK, most of the physical impacts of climate change are expected to occur over the long-term, with many predictions looking at conditions in 2100.	We see physical risks as having the greatest impact in Scenario C, with a lesser impact in Scenario B. Risks may materialise for BW, for clients or across markets where we operate.	BW's net zero commitment, both for our operations and our advice to clients, looking to reduce all emissions over time and off-setting any remainder using high-quality UK nature-based projects. Established clear governance for identifying and managing risks and opportunities to our firm as a whole through the Sustainability Steering Group reporting to the Management Board.
Opportunities	The changing conditions for business and the developing policy environment as we move to net zero creates opportunities.	Providing new services to clients like supporting investors and companies to embed TCFD recommendations. Advising clients on investing in companies and assets that may benefit as we transition to a low carbon future.	**Short-term:** 2022 to 2027	Regardless of Scenario, we see significant opportunity for our services in the transition to a low carbon economy and beyond, however Scenarios A and B will present greater opportunities for advising where this is related to regulatory requirements.	Our Sustainable Services Working Group, along with business area and project teams, identify and develop new services and investment research and strategies.

Figure 13 - Barnett Waddingham's climate-related risks and opportunities

Metrics and Targets

Targets

We have set ourselves a number of targets for our carbon emissions:

2021 Target	Reduce emissions to net zero from operations including our own activities and the energy we purchase (Scope 1 & 2)
2023 Target	Integrate advice on net zero alignment into all our investment consulting services
2025 Target	Reduce Scope 3 emissions to achieve net zero across our full carbon footprint[4]

4 We exclude assets under advice from Scope 3 calculations and provide reporting on our progress on net zero advising under the NZICI framework. We also exclude the SIPP and SSAS assets we administer on behalf of our clients from our Scope 3 calculations.

Reducing emissions to net zero from our operations

This data relates to emissions during the 12-month period from 1 June 2021 to 31 May 2022. This period is different from the TCFD Report which is 1 January 2022 to 31 December 2022.

	Current year 2021-22		Comparison year 2020-21	
	kWh	kg CO_2e	kWh	kg CO_2e
Combustion of gas (Scope 1)	None	None	None	None
Combustion of fuel for transport purposes (Scope 1)	None	None	None	None
Purchased electricity, heat, steam, and cooling (Scope 2 location-based)	4,608,321	861,799	3,996,658	764,743
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	19,200	4,705	13,511	3,360
Emissions from staff commuter journeys (Scope 3)	N/A	316,794	N/A	Not calculated
Total gross based on above	4,627,521	1,183,297	4,010,169	768,103
Intensity ratio - revenues (per £million)	38,313	9,797	35,524	6,804
Intensity ratio - people (per FTE)	3,372	862	3,178	608

Table 1: GHG emissions and energy use data for the period (UK and offshore). FTE numbers are 1,262 and 1,372 for the two fiscal years.

Methodology

We have followed the guidance on Environmental reporting guidelines, including Streamlined Energy and Carbon Reporting requirements[5] for our current reporting year. Last years' reporting followed a broadly similar approach.

We extracted data on business travel from our finance, expenses, and travel booking systems. Where we do not have journey information we have estimated typical journeys separately for each office based on conversations with staff and business leaders. We have used the relevant Government conversion factors for company reporting of greenhouse gas emissions[6] to convert distance into carbon emissions. In most cases, we have information about the type of vehicle used; where this is missing, we have used the 'Average' from the tables.

We purchase part of our electricity directly and have used kWh figures from our providers combined with the government conversion factors for carbon emissions. This directly purchased electricity, amounting to 651,000 kWh over 2021-22, is 100% renewable. We have included the full emissions in this report.

5 https://www.gov.uk/government/publications/environmental-reporting-guidelines-including-mandatory-greenhouse-gas-emissions-reporting-guidance

6 https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting

7 https://www.gov.uk/government/statistical-data-sets/gas-and-electricity-prices-in-the-non-domestic-sector

In two offices, we directly purchase the gas for heating. We have used the kWh from our provider and the government conversion factors. We have also included the electricity consumption incurred from employees working from home. The total number of days worked from home, taken from an internal database, has been multiplied by a reasonable estimate of the daily consumption.

We also purchase electricity and gas via landlord service charges. Our landlords do not provide data that is directly usable for this SECR report. We do not have sub-meters in any office and so have made estimates. With our landlords and own buildings experts, we have made assumptions about what parts of the service charges are for heating and for electricity. These percentages are different for each office based on the use and design of the building. We have estimated kWh from the service charge amounts using the applicable BEIS Gas and electricity price in the non-domestic sector[7] over the quarter before the annual charge commenced. This methodology is slightly different to last year, where we took an average over all four applicable quarters. This change in methodology accounts for the rapid increase in energy prices not being fully priced into the annual service charges. Carbon emissions are estimated from this based on the government conversion factors.

To calculate our commuting emissions, we utilised office entry data and staff database information to understand the length and frequency of commutes at an individual basis. We used the outcome from a staff survey to understand commuter modes of transport. As with business travel, we used the relevant Government conversion factors to convert distances into carbon emissions.

We note that the figures for 2020-21 have been adjusted down in comparison to the report issued last year. This is due to a double counting error for electricity in some offices which was identified this year.

Achieving our targets

BW is committed, through our environmental policies, to the operation of an Environmental Management System (EMS) that meets the standards of ISO14001:2015 framework and elicits the following outcomes:

- Enhance environmental performance by preventing or mitigating adverse environmental impacts;
- Fulfil compliance obligations by mitigating potential adverse effects of environmental conditions;
- Achieve environmental objectives by controlling or influencing the way our products and services are designed, manufactured, distributed, consumed and disposed.

It is our goal to reduce our (pre-offset) carbon footprint significantly by 2025 compared to our 2019 benchmark and, whilst we saw total emissions rise over 2022 due to increased business, commuting and office activity following the Covid-19 period, we have or are implementing many measures to achieve this. There are 4 key strands to our sustainability strategy:

- Minimise office waste and non-renewable energy
- Use suppliers who share our vision on sustainability
- Provide our staff with the opportunity to make an impact
- Help our clients on their sustainability journeys

In particular, we now use 100% renewable energy in our offices. The Scope 2 emissions disclosed in Table 1 above could be shown to be practically zero but we prefer to show our actual usage. We have developed a sustainable procurement process to ensure we achieve our best practice in securing environmentally friendly products.

We are also working to achieve optimal sustainability practice by planning ahead, managing demands and ensuring we are buying through networks with strong green ethics and achievements.

We most recently calculated our commuting emissions in 2019-20 when the figure was three times higher than that calculated in 2021-2. This reflects increases in the number of individuals using less emitting modes of transport as well as a significant reduction in commuter journeys due to the flexibility offered by our WorkSmart programme.

We are in contractual negotiations to include leasing of Electric Vehicles (EV) as a flexible benefit and expect to be able to offer this from during 2023. We are installing EV Charging points at two of our sole occupied offices to support the use of electric and hybrid vehicles. We will be working with our building management teams and landlords to inspire similar charge points to be installed in our offices where we are not the sole tenant.

We achieved carbon neutrality on Scope 1 and Scope 2 emissions through planting willow trees in England via our selected carbon-offset partner. We identified that commuting emissions (part of Scope 3) are greater than our Scope 1 and Scope 2 emissions and therefore went further than our initial pledge and included a value for these Scope 3 emissions in our offsetting.

Reviewing, approving and signing our report

This section is relevant for our Stewardship Code, Net Zero Investment Consultants Initiative, Impact Investing Principles for Pensions and firmwide annual climate reporting.

Our sustainability report was produced by members of our sustainability teams across BW, our SI team, wider IC team and colleagues across BW, with peer review undertaken by partners in our IC area. Management Board, including our non-executive chair, sign off our annual sustainability report.

BW is a partnership and does not have independent non-executives, other than our Management Board's non-executive chair.

Signed (on behalf of Management Board):

A Vaughan

Andrew Vaughan
Senior Partner

E Renshaw-Ames

Elizabeth Renshaw-Ames
Non-executive Chair

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