



Sustainable

INVESTMENT REPORT 2024



BARNETT
WADDINGHAM

Part of **HOWDEN**

This report covers the period:
1 January to 31 December 2024

Sustainable Investment Report 2024

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Introduction

We are delighted, on behalf of our Management Board, to present Barnett Waddingham's 2024 Sustainability Report.

Over 2024 we have celebrated 35 years as a business. Our client base is increasingly varied, covering pension schemes, charities, endowments and insurers. Regardless of client type, we remain committed to doing the right thing. To do this, we look to build relationships that are open and respectful, find solutions through active listening and deliver impact to drive progress.

To coincide with our 35-year anniversary, we have undertaken a cultural alignment exercise to help us refine our purpose, mindsets and behaviours. This exercise aimed to ensure that our purpose continued to reflect our evolving client base. The outcome of this exercise was a refined purpose; *'we empower people to secure better futures'*. Sustainability and stewardship play a vital role as we work to deliver this purpose for our people and our clients, recognising the long-term value creation that such decision-making can provide.

In 2024, our highlights across our stewardship and sustainability commitments included:

- Supporting more clients on their net zero journeys and their implementation (see case studies 6 and 7 on p.38-40).
- Recognising the importance of implementing a systems wide approach to addressing sustainability-related issues, i.e. an approach that considers sustainability issues in a holistic way rather than in isolation (see case study 2 on p.24).
- Assessing insurers' credentials in relation to sustainability risk management to assist clients looking to secure their members' benefits with an insurer (see case study 3 on p.25).
- Continuing to upskill our Investment Consultancy practice (and wider firm), in recognition that such training is helping prepare our current and future consultants to provide advice across a wide range of stewardship related areas (see p.7).
- Recognising the ongoing importance of the 'Social' part of 'Environmental, Social and Governance' (ESG), we have fostered a workplace which aspires to be diverse, equal and inclusive, which together has led to improved diversity of thought and ideas within the firm (see p.16-20).
- Further developing our employee benefits package with the inclusion of an Electric Vehicle scheme (see p.10)

After the reporting period, we confirmed the completion of the acquisition of Barnett Waddingham by Howden, a global insurance and employee benefits intermediary group, on 3 April 2025. This creates one of the largest pensions and employee benefits firms in the UK.

Purpose of the report

Our report evidences how we believe we are meeting our sustainability commitments as a business, across our operations, our services and our advice to clients, covering our commitments to the:

- UK Stewardship Code;
- Net Zero Investment Consultants Initiative (NZICI); and
- Impact Investing Principles for Pensions for investment consultants

Building on previous years' reporting, we summarise our progress, activities and outcomes across all our sustainability efforts, as well as explaining our impact.

Similar to last year, this report will be supplemented with a condensed report, due to be issued later in 2025. This separate shorter report will provide a high-level overview of the firm's sustainability credentials, including firmwide annual climate reporting. We are creating the condensed report to increase accessibility to clients and stakeholders, whilst this longer report aims to provide the additional detail and specific reporting required as part of our commitments to the above initiatives.

Andrew Vaughan

Senior Partner

Helena Morrissey

Non-executive Chair

Our sustainability commitments

Some sections are relevant for more than one reporting commitment.

Framework	Page(s)
UK Stewardship Code Principles	
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Purpose, strategy and culture

This section is relevant for our UK Stewardship Code, Net Zero Investment Consultants Initiative (NZICI) and Impact Investing Principles for Pensions reporting.

Purpose-driven success

Barnett Waddingham (BW) is a leading UK professional services consultancy. We work with clients across investment, pensions, risk and insurance. We empower our people to put clients first and give back to our communities. Our purpose “to empower people to secure better futures” is our ‘north star’ as we navigate in a rapidly evolving industry. This ethos has fostered a culture where care, commitment, and innovation thrive, allowing us to secure a better future together.

Services

We offer a full range of professional services to pension schemes, charities, foundations, family offices, 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 and establishing effective governance frameworks. Sustainability, stewardship and climate change are integral considerations when providing the above services. We also advise investor clients on impact investing as well as the 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) and other retirement arrangements. Within our BW SIPP business, we handle client money and 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. In addition, we provide full administration services to pension schemes and insurers as well as specialist pensions management and governance services.

Business model and strategy

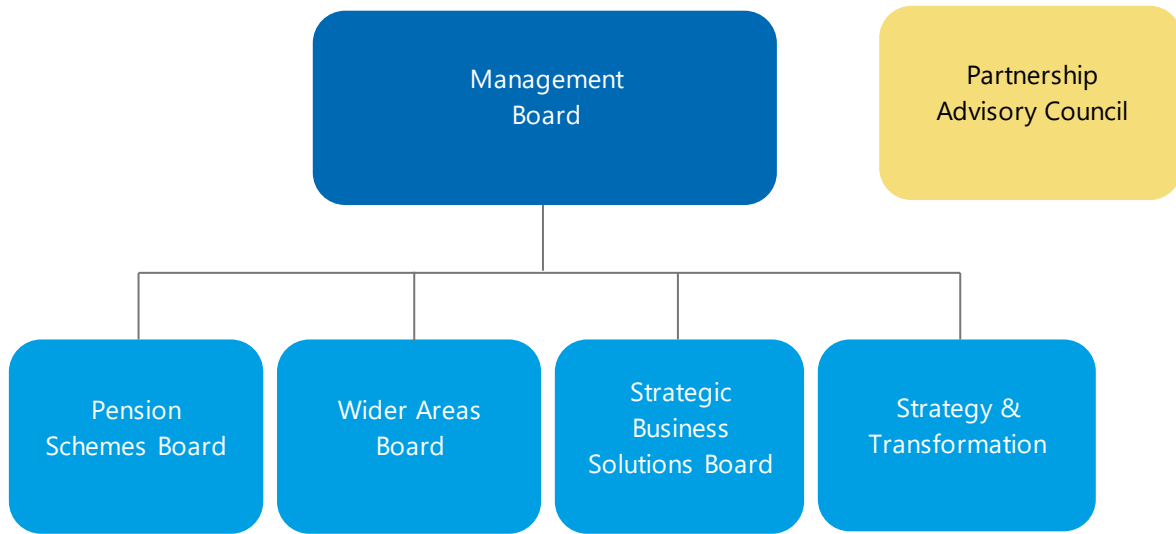
BW is led by our Management Board who oversee our activities, having set the overall direction of the business, our key objectives, and the strategies to deliver.

Three operating boards support Management Board, namely: Pension Schemes Board, Wider Areas Board and Strategic Business Solutions Board. Each Board is led by an appointed Managing Partner who also sits on Management Board. In addition, a separate Strategy Committee focuses on strategy and transformation and a Partnership Advisory Council provides a conduit for communication between the Management Board and the Partners. We have set out the structure below.

During 2024, Management Board comprised nine partners, three of whom were elected, including a representative from the Partnership Advisory Council. Six executive roles were members of Management Board (Senior Partner, Finance Partner, Managing Partner Pension Schemes, Managing Partner Wider Areas, Managing Partner Strategic Business Solutions and Managing Partner Strategy & Transformation).

The board appoints 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 overleaf describes BW’s governance structure for 2024, as well as the services the business offers.

Figure 1: BW's structure and services



Management Board's role includes setting our business' 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 has several 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.

Pension Schemes Board includes Actuarial Consulting services, Investment Consulting services and Pensions Administration services. This also covers our public sector services, risk transfers and PPF services.

Wider Areas Board includes Risk Consulting, Benefits Consulting, Insurance & Longevity Consulting, Board Management Services, Self-Invested Personal Pensions (SIPP) and Small Self-Administered Schemes (SSAS).

Strategic Business Solutions Board includes Business Development, Central Operations, Finance, Governance & Risk, Marketing, People, Property and Technology.

Strategy & Transformation will shape our longer-term areas of strategic focus and engagement with the pensions, risk, insurance and investment markets to help us meet our long-term objectives as an organisation.

Our culture and our behaviours

'Do the right thing' is the simplest way to summarise our culture. This applies to both our 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 BW tend to stay, thriving in a professional learning environment and caring, friendly culture.

In 2024 we launched a cultural alignment project to refine our purpose and our culture. During the extensive listening phase, BW partnered with a specialist purpose-led culture consultancy to gather input from our entire workforce. Over 80% of our people participated in leadership workshops, facilitated sessions, and surveys. These insights allowed us to align organisational initiatives with people's values.

Our [behaviours](#) drive how our people act. These behaviours help guide us and bring us together as one team:

Building relationships

We strive to communicate openly, creating an honest and transparent environment where everyone is free to share ideas, and challenges are addressed collaboratively. We enable others to grow and develop, offering both support and the room to learn from setbacks. Respecting everyone's differences, we champion the value of diverse perspectives, skills, and experiences, and treat everyone with dignity, kindness, and respect.

Finding Solutions

We stay curious, promoting innovation by exploring new ideas and thinking differently. Our approach involves challenging constructively, addressing issues directly and professionally, and holding ourselves and others accountable. And through this culture of mutual respect, we are encouraged to trust in our own expertise and the power it holds to drive positive change.

Delivering Impact

We keep our promises, delivering excellence by consistently following through on our commitments and delivering high-quality work. Our aims are high, taking a proactive approach to continually developing our skills and approaches as we strive to surpass expectations and set new standards in our field. Driving this progress is our desire to embrace and inspire change, taking smart risks and bold actions in our pursuit of creating meaningful impact.

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 focused 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.

BW forms a key link between our asset owner clients and the asset managers undertaking stewardship on their behalf. Stewardship is generally 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) to play a vital role in sustainable investment practices. We are signatories to the UK Stewardship Code to demonstrate the importance we place on effective stewardship activities, with this report setting out how we have applied each of the UK Stewardship Code principles not only in our work but also in our ethos, mindsets and behaviours. As set out in the introduction, we firmly believe that stewardship is analogous with our purpose to empower people to secure better futures.

In 2024, our sustainability and stewardship activities leading to sustainable benefits for the economy, the environment and society included:

Economy

Supporting our clients

- With our guidance, our clients continue to enhance their understanding of sustainability-related risks and opportunities when making investment strategy decisions. Issues such as climate change and setting stewardship priorities have become core objectives for a number of clients. We are also increasingly seeing clients consider wider sustainability-related risks such as biodiversity loss, human rights abuses and Diversity, Equity and Inclusion. Ultimately, we see clients moving to a more holistic approach to considering sustainability; recognising that such issues are often interlinked.
- The outcome of this work is that, in aggregate, our clients (and the collective value of their assets) are more resilient to the evolving challenges of sustainability-related risks, as well as collectively contributing to the economic challenges and opportunities that lie ahead. We actively provide clients with training on current challenges in the sustainable space to improve their knowledge and ability to carry out their fiduciary duties,

ensuring more robust governance. However, given the fast-paced nature of this area, keeping up to date can prove difficult for clients, investment consultancy firms like us, and the wider industry. Therefore, we are always considering innovative ways to assist clients, as well as the wider industry, in this area. Case studies in this report show examples of this, including our work considering the impacts of the Planetary Boundaries on investment decision-making (case study 2) and assisting clients with understanding and engaging with asset managers (case study 4).

- Given the ever-evolving nature of sustainable investment and sustainable finance, our dedicated Sustainable Investment Team (SIT) regularly support client teams in providing guidance and advice to clients covering a range of topics from net zero aligned investment strategies through to setting stewardship priorities and more theoretical concepts such as systems thinking in investment decision making. In the appendix, we set out the coverage of our clients (as a percentage of assets under advice) that have received training on climate change, receive emissions data and those that have set a net zero ambition.
- We have also held external training sessions for trustee groups, particularly focusing on reporting requirements like TCFD.

Supporting our consultants

- SIT also support our consultants with several internal resources to aid them in holding sustainability-related discussions with clients, these include asset class climate resources, training videos on new sustainability regulations and industry guidance and regular email updates. This enables consultants to engage in insightful and valuable discussions on up-to-date issues that may affect clients.
- During 2024, SIT provided training (either in person, virtually or through videos) to all our investment consulting teams to help colleagues understand and be able to discuss emerging sustainability-related topics. Topics included TCFD (Taskforce for Climate-related Financial Disclosures) reporting, stewardship priority setting and natural capital. In addition, SIT provided specific training to graduates and apprentices entering BW's workforce in 2024 on the importance of sustainability for our industry. We provide more information on the training and development for our colleagues under "Resourcing sustainable investment and stewardship" on p.14.
- SIT continued our monthly internal summary newsletter covering recent developments in sustainability, highlighting any new internal resources or reminders of existing resources that are useful and case studies on sustainability. SIT also host a monthly drop-in session for the investment consulting team to discuss current issues in sustainability. In 2024, we asked the team for feedback on our monthly drop-in session. Whilst the investment team found it useful, feedback noted that there was a desire for each session to have one topic of particular focus, rather than the previous approach where a number of different topics were often covered. In addition, team members wanted the ability to ask questions in advance and anonymously, particularly for junior members of the team who may lack confidence asking questions in a group setting. We took this feedback on board and reintroduced our monthly drop-in session in September, with each session having a specific theme. The team can also ask questions anonymously in advance through an electronic form.
- We have also looked to expand our training. We have held a session with our colleagues in actuarial consulting so that they have a better understanding of how sustainability considerations are incorporated into investment decision-making and how they may impact on assumptions like inflation and interest rates, which ultimately affect the valuation of liabilities.
- In 2024 there has also been a focus of developing and improving our Sustainability Monitoring Report (SMR) and rolling this out to clients to improve transparency of the climate-related risks of clients' assets. This has been a particular focus for our pension scheme clients following the release of the General Code, which included expectations that trustees should oversee, assess and manage climate-related risks and opportunities related to the scheme and to maintain and document processes for identifying and assessing climate-related risks and opportunities. Whilst not solely focused on climate change, our SMR includes key metrics like carbon emissions that help our clients assess their exposure to climate-related risks in particular. We set out how we have worked across our various consulting teams to help clients respond to the General Code on p.36.
- Considering sustainability criteria is a key part of all our manager research and fund recommendations – this includes reviewing manager voting and engagement policies, their resources, and their activity data. We assess managers against their peers and against our own expectations of good standards. As part of our manager

research, we seek to understand the strength and depth of managers' own research into systemic risks, and the steps they have taken to implement change to mitigate against such risks.

- On an annual basis, we request data from asset managers on their signatory status to various industry-recognised groups focused on sustainable outcomes, as well as engagement, voting, and macro stewardship activity. This helps us to inform our clients firstly on the signatory status of their appointed asset managers to the UK Stewardship Code, the UN Principles for Responsible Investment (PRI) and the Net Zero Asset Manager Initiative (NZAM), but also to highlight any sustainability and stewardship concerns to clients and educate and encourage them on how they can engage with their asset managers on stewardship. In our manager ratings process, we have seen that the managers we rate poorly on sustainability are less likely to be signatories to the above groups.
- In conjunction with our signatory status to the Asset Owner Diversity Charter, we have also requested data on the diversity of investment management teams. We have requested the data in line with the proforma produced by the Charter. This is an important area for us as we recognise that diversity of thought helps to lead to robust decision-making.
- The Gilts Crisis in 2022 highlighted the importance of liquidity. During 2024 we produced a suite of materials to help clients with differing objectives consider their liquidity needs and the importance of setting cashflow policies (see p.36 for further details).
- 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. This year we also joined the A4S Sustainability Principles Charter for the Bulk Annuity Process (see case study 3 for further details of how we are incorporating sustainability into risk transfer considerations for our clients). The individuals who represent BW 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 details on our involvement in collaborative initiatives under 'Our role in industry collaborations and engagement' on p.26.

Environment Client advice

- Over 2024 we worked with several clients and asset managers to consider the investment implications of the environment, climate change and biodiversity loss. Specific examples can be found within case studies later in this document. For example, case study 4 highlights examples of working with asset managers to promote better sustainability practices. Furthermore, case study 8 sets out how we assisted clients in understanding the changes in their year-on-year emissions. In turn, this understanding prevented the client from taking any knee-jerk reaction and, instead, allowed them to be able to make an informed view, incorporating emissions into future investment decision-making.
- When considering the climate risks and opportunities with these clients' specific strategies, we use our proprietary **climate analysis framework**. The climate analysis framework we have designed 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 strategy may be most at risk from the impacts of climate change. In doing so, we are able to assist clients to consider which parts of their strategy would be most meaningful to focus on. We work with the clients to provide understandable outputs for use in external communications to members and stakeholders. Please see case study 11 for further details of training we undertook to demonstrate how we have taken criticisms relating to climate scenario analysis on board and communicated this to a wide audience.

Barnett Waddingham operations and internal engagement

- 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 is using high-quality, nature-based offsets to achieve carbon neutrality. We are also promoting and underlining the importance of sustainability and climate to our stakeholders (our clients, managers we work with, etc.) through this ambitious commitment. We provide more information on our operational emissions in the appendix.
- This year we engaged with staff on Oxfam's second-hand September, encouraging our staff to be part of the circular economy and donate clothes via office drop-offs. We ended up donating 265 items to 7 charities across the UK. We also highlighted 'Great Big Green Week' to our colleagues in June, encouraging them to join in swapping skills in repair shops or allotments, or swapping clothes with friends instead of buying new.

The outcome of the above activity is that we have clear targets and activities in place to reduce our carbon emissions and environmental impact over time, as well as that of our clients who have made such commitments.

Society

At BW we are committed to driving positive impact towards sustainability, inclusivity, and community impact. The below information highlights the impact we have made over Financial Year 2023-24 (1 June 2023 – 31 May 2024) in reducing our environmental footprint, fostering diversity and equity, and giving back to the communities we serve. Through collaborative efforts, innovative practices, and purposeful investments, we continue to create meaningful change, deliver on our promises to improve the lives of others, build a better future for our people, our planet and society at large. We have delivered our commitments through volunteering, raising awareness, and championing charitable and environmental campaigns, and donating **£142,673** to support charitable achievements, outlining our dedication to social value investments.

Over the past BW financial year our employees contributed **1,025** hours of volunteering - exceeding our forecasted target and marking an 89% increase from the previous year. We are incredibly proud of this achievement which reflects our strong commitment to aim high, deliver impact, give back to our communities, and make a positive impact on our environment.

Our volunteering initiatives supported a range of causes including community care, personal development initiatives, and professional skills offerings across a variety of charitable initiatives in the UK. Notably, 48% of employees' volunteering hours were dedicated to environmental and nature-based projects. For example, a group of staff from our London office took part in a plastic fishing trip in the River Thames in partnership with Hubbub (further details below). By collaborating with charities and local organisations, we ensure our donated time makes a meaningful difference for people in disadvantaged positions and improves biodiversity impacts.

Our partners and employees have continued to contribute meaningfully by serving as Trustees on boards and taking on leadership roles to support charities in areas such as finance, governance, and operational management. We are also proud to maintain our commitment to the Institute and Faculty of Actuaries (IFoA) Foundation, where we support mentorship for students and remain a dedicated Silver Partner.

Through a variety of programs, we have impacted over 300 young people, focusing on skills development, mental health awareness, and access to educational resources. These efforts are aimed at fostering a more inclusive and supportive community for young individuals and the next generation to thrive. We have achieved these outcomes through offering tailored workshops and mentoring opportunities designed to empower young people and address specific needs.

We donated over £21,000 to the Trussell Trust, supporting emergency food bank supplies, essential resources, and practical assistance for those in need, empowering them to navigate challenging times. Our partnership with the Trussell Trust underscores our ongoing commitment to alleviating food insecurity and making a meaningful difference in the lives of those experiencing crisis.

Additionally, our collaborations with UK organisations such as Mind, Scottish Action for Mental Health (SAMH), Blood Bikes Scotland, Dodford Children's Farm, Buckinghamshire Healthcare Trust, Age UK, and Alzheimer's Society among others, reflect our robust commitment to inclusivity, youth empowerment, mental health and wellbeing and medical healthcare support. We are also supportive of international humanitarian crisis appeals, including a donation of £10,000 to the Türkiye-Syria Earthquake Appeal.

Sustainability Achievements Overview

The following achievements reflect our ongoing commitment to sustainable practices and environmental impact.

Waste Diversion: Achieved 100% waste diversion from landfill.

E-Waste Recycling: We recycled 3.3 tonnes of IT equipment, in addition to donating 58 laptops and monitor screens to education centres.

Litter Picking Initiative: We launched a company-wide litter picking initiative, equipping employees with litter-picking kits to help clean up local communities. Employees are encouraged to continue to use these kits both at work and in their own neighbourhoods. This investment supports our commitment to keeping our environments clean and safe for everyone.

Plastic Reduction: We sponsored a group of volunteers from cross functions of our business to take part in a plastic fishing trip, collecting waste from the River Thames in Partnership with Hubbub, contributing to plastic waste reduction efforts. All waste was safely disposed of or recycled. The plastic bottles collected were turned into Plaswood – a material used to make the very fishing boats used on such trips - circular economy in action. This hands-on initiative aligns with our focus on sustainability and reducing pollution in local waterways.

Solar Energy Generation: Many of our offices operate on renewable energy, highlighting our investment in renewable energy sources. We operate LED lighting on PIR systems and run plant machinery on optimal economic settings, to ensure we reduce the consumption of energy wherever possible.

Environmental Partnerships: Through our partnership with Office Coffee Co., we sequestered 268.3 tonnes CO₂e and Protected 28 sq. km of rainforest in 2023. Our collaboration with Fruitful Office supports tree-planting initiatives, over the financial year 23/24 we planted 827 trees together with the UK charity Ripple Africa. We have also donated to various charities such as Keep Scotland Beautiful, The Woodland Trust, Kent Wildlife Trust, and Mersey Forest Foundation to support environmental initiatives and protection.

ESG Benefits: We have been at the forefront of developing innovative benefit strategies that align with and support our ESG objectives. For a third consecutive year, we have been named Employee Benefits Consultant of the Year. Within BW's own staff benefits scheme, our employees can select to contribute towards the planting of Mangrove trees. We have also introduced new benefits including an electric car leasing scheme.

Tree Planting: Through our Partnership with Groundworks, we will plant at least 180 trees this winter nationwide by Integrating this ambition into community greenspace volunteering projects. The trees will be different varieties from native trees to fruit trees or hedgerows promoting biodiversity and enhancing green spaces across our areas of operation.

Carbon Offsetting and Emission Reduction: We offset 991 tonnes of CO₂e relating to our Financial Year 2022-23 operational emissions via certified global climate projects. Such projects are focused on community investment, renewable energy and carbon removal underscoring our commitment to reducing our carbon footprint. We have recently concluded our offsetting programme for the Financial Year 2023-24 and will confirm the value of the offsets in subsequent reporting.

Communication and Awareness: Through multiple communication channels, we share best practices and raise awareness about the steps we are taking as a business to support sustainability. We also encourage employees to make a positive impact, both at work and in their personal lives, to help protect our planet.

Fundraising and Donation Support Overview

Mental Health Support: Our 2-year partnership with Mind/SAMH concluded in December 2023 with a total support donation value of £115k. Throughout the financial year 2023/2024, we have donated to several charities supporting mental health such as The Samaritans and Mental Health UK. We have also partnered with The Charlie Waller Trust an organisation dedicated to raising awareness about mental health and providing vital resources for mental health education and support. This year, we contributed £8,500 to the charity trust, supporting its mission to provide young people, parents, and professionals with the skills and resources they need to understand and manage mental health challenges. Our donation enables an extension to outreach through workshops, training, and educational materials, fostering mental health resilience and understanding in communities nationwide. This partnership reflects our continued commitment to promoting mental well-being as a core part of our social responsibility efforts, contributing to a more informed, compassionate approach to

mental health in society. Through collaborations like this, we aim to create a supportive environment for mental health both within our organisation and in the wider community.

Diversity, Equity, and Inclusion: We invested £23,000 in DEI initiatives, through partnerships and sponsorships with Create Arts, and Opening Doors. These efforts aim to promote diversity and foster inclusive practices within our company and local communities.

In-House Fundraising and Matched Funding: As part of our commitment to empowering employee-led philanthropy, we matched charitable contributions made by our employees, resulting in an additional £17,500 raised for causes close to their hearts. This matched funding initiative significantly amplifies the impact of individual donations, enabling employees to support a diverse range of charities and community projects, from local support services to global humanitarian efforts.

By match funding our employee personal donations, we not only enhance the reach of these funds but also foster a culture of giving and social responsibility within our workforce. This initiative underscores our dedication to collective action, where employees are encouraged to champion charitable causes, they are passionate about, knowing their contributions are reinforced by the support of our company.

Our employees actively and generously engage in our in-house fundraising efforts and contribute personal gifts and clothing and food supplies to support various charitable activities. Through these initiatives, they demonstrate a strong commitment to giving something back, creating meaningful impact beyond their daily roles. This collective effort not only raises funds for important causes but also fosters a sense of community and shared purpose within the organisation, highlighting the generosity and social responsibility of our people.

We remain focused on empowering people to secure better futures. Our successes inspire us to reach higher and do more in our social value investments, reaffirming our responsibility to leave a positive and impactful legacy. We give praise and thanks to our employees, partners, and stakeholders for supporting our vision and working together in making progress in our achievements possible, year on year. Together, we will continue to drive sustainable growth, champion inclusivity, and strengthen our communities for generations to come.

Figure 2: Corporate Social Investment (CSI) Snapshot



Understanding our effectiveness

Our Management Board is ultimately responsible for our purpose, strategy and culture and keeps this under review through a number of measures to understand our effectiveness. Several delivery groups report into Management Board as set out in Figure 1. The Strategic Business Solutions Board receives quarterly reports from the Sustainability Steering Group and Pension Schemes Board receives quarterly reports on the performance of the Investment Consulting business area, which incorporates the work done within the Sustainable Investment Team. 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 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. Information on seeking clients' views and feedback is set out under 'Seeking client views and feedback' on p.34.

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, giving something back, personal growth and leadership. We were delighted to receive a one-star rating in 2024, showing BW is a 'Very Good' place to work. The results from the survey put us in the UK's Best 100 Large Companies to Work for in 2024. We will be running the survey again next year to obtain a 2026 rating.

Overall, our staff 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. We continue to work to understand our effectiveness and look for further improvements.

Governance, workforce, resources and incentives

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

Governance

Our leadership team and colleagues at BW are all aware that we must take and manage risk in order to grow and thrive. 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 and staff to freely identify and discuss risks. Where there are sensitive risks, appropriate channels are available, including liaising with 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. Culture is seen as an evolving aspect of our business. Management Board's focus is on ensuring it remains fit for purpose for staff and clients alike. However, doing the right thing is, and remains, a key cornerstone of our culture.

There are several sustainability governance and delivery groups that all ultimately report into Management Board. Details of each of these groups and their reporting lines are set out below:

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 the new Strategic Business Solutions Board (SBSB) on progress against BW's goals and objectives. SSG produces an annual paper setting out an analysis of climate-related risks and recommendations to SBSB on climate-related goals and aims.

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 (SSWG). This group is made up of sustainability leads from each of insurance and longevity, employer consulting and wellbeing, public sector consulting, investment consulting, actuarial consulting and board management services business areas. This group works to ensure knowledge sharing, joined-up offerings and efficient development and delivery of services to our clients.

SSWG reports into both the Pension Schemes Board and the Wider Areas Board.

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 regularly monitor and record emissions associated with energy use in our offices to inform our Scope 1 and 2 calculations. We also undertake regular audits and annual Environmental Impact Assessments, with the most recent occurring in 2024. Please see 'Own Operations' Net Zero Strategy' on p.42 for more details on steps we are taking to reduce our operational emissions.

The team also leads 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. The team is part of the Central Operations Team and reports into SBSB.

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.

The Actuarial Consulting Sustainability Group reports to the Business Area Leader for the Actuarial Consulting team, who in turn reports into the Pension Schemes Board.

Sustainable Investment Team

The SIT 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 sustainability, whilst supporting the sustainability objective of BW. The SIT 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 SIT governance and ways of working in 2024, providing more focused training for colleagues, and reflecting on feedback. We also continue to provide services to our clients and support their effective stewardship, net zero and impact investing.

The SIT reports to the Business Area Leader for the Investment Consulting team, who in turn reports to the Pension Schemes Board.

Resourcing sustainable investment and stewardship

Organisational and workforce structure

Our research team, including the SIT, comprises 18 full-time equivalent members, made up of 10 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 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 focused team of generalists with in-depth knowledge across multiple areas encourages knowledge sharing and better challenge. This allows our opinions to be well thought-out and robust, with no pressure to “sell” a specialist area.

Our researchers focus on delivering high-quality, in-depth research that reflects the needs of our wider investment consulting business. Our approach to research is founded on the belief that any good research idea must be considered from the perspective of strategy, markets, sustainability and managers and, as such, these form our four research cornerstones. All four research cornerstones are integrated into the solutions we provide for our clients.

We operate expert groups within our four research cornerstones to achieve the information-sharing and high-quality research highlighted above. The below graphic illustrates the new structure along with each group’s key responsibilities:

Figure 3: Investment research team structure

	Head of Investment Research (Partner) & CIO (Partner)			
Research cornerstones	Strategy	Manager	Sustainability	Markets
	Strategy lead	Manager lead	Sustainability lead	Markets lead
Head of LDI	9 experts in each of LDI, Equity and Multi Asset, Fixed Income and Alternatives	10 experts in each of LDI, Equity and Multi Asset, Fixed Income and Alternatives	7 experts in each of LDI, Equity and Multi Asset, Fixed Income and Alternatives	4 experts in each of LDI, Equity and Multi Asset, Fixed Income and Alternatives
Head of Equity and Multi Asset				
Head of Fixed Income				
Head of Alternatives				

Our research team engages with investment managers to obtain data and analyse and interrogate their investment approach on behalf of our clients. This is overseen by the Research Team Leaders. 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 sustainability and 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 to all members of the team, from introducing high-level principles to new graduates to detailed advice-focused 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 different views and approaches, and can take new ideas to clients. Consultants also invite SIT members to support the training and discussions they provide to clients.
- The data that we receive from managers on sustainability and stewardship is checked by both the SIT 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 the Pensions and Lifetime Savings Association (PLSA) vote reporting template and ICSWG recommended metrics including the Engagement Reporting Guide. In 2024 we updated our data requests to managers to include a further focus on social metrics, this included board gender and ethnic diversity as well as reference to violations of UNGC principles and director remuneration. We also asked asset managers to provide further details on their current capabilities to collect DEI data.
- All 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 the Chartered Financial Analyst (CFA) designation. Of the 145 members of the investment team, 57 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. The team also supports members studying towards the CFA Certificate in ESG Investing, with two of the team currently holding the certificate. The team benefits from study mentors for those undertaking qualifications. Mentors support team members undertaking qualifications by providing both practical assistance in relation to study routes, as well as insights into learning methods.

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 SIT are having in engaging with our wider team. Attendance each month represents around a third of the Investment Consultancy team throughout the year, with notes provided summarising the discussion for those unable to attend. The SIT provides the wider Investment Consultancy area with scheduled training, webinars, monthly newsletters, walk-in sessions, a training hub, and have a dedicated email address and a dedicated team to answer any queries. Our training hub includes useful videos on sustainability-related topics. Over 2024 we reorganised the training hub to make it easier for users to navigate. The hub is now structured with separate sections for internal and external facing material, with external material for use with clients. We also regularly highlight important developments to the Investment Consultancy team via the central resources weekly update email.

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

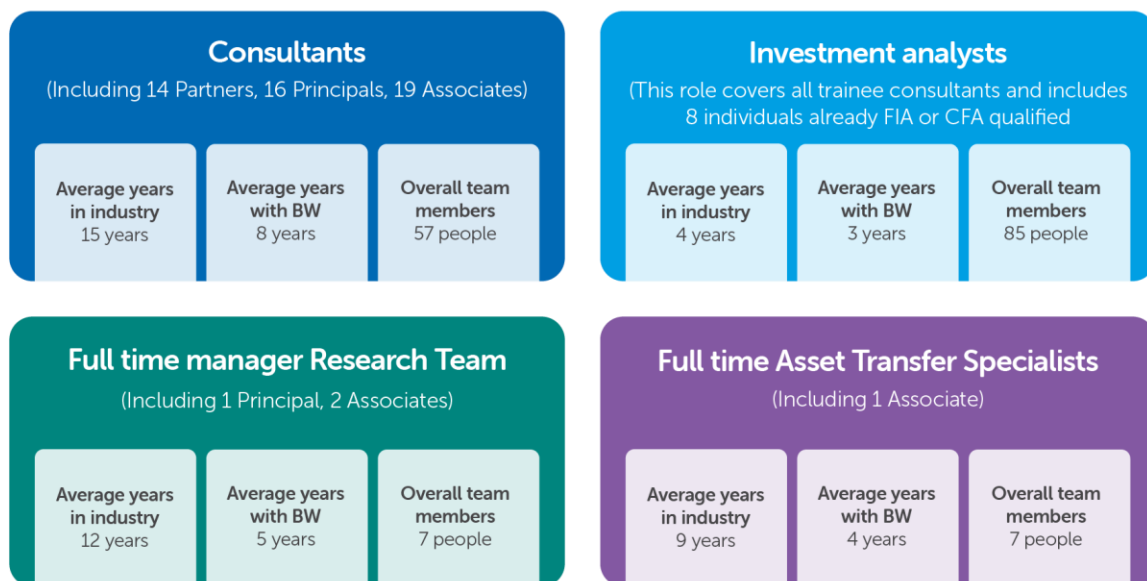
- New recruits should ideally contribute not just academic expertise to the team, but also enhance the collective efficacy by providing diversity of thought and ideas. We continue to evolve our recruitment process to make it as effective as possible.
- A sustainable business is one that is built on a stable foundation of new graduates and experienced hires who demonstrate our mindsets and behaviours, 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 4 shows our investment consulting teams and their experience.

Following the implementation of our new HR & Finance system last year, BW is collecting and analysing data about the diversity of our employees and candidates. We have recently run a DEI data engagement campaign with colleagues, to maximise the volume and quality of data collected. Gathering accurate and comprehensive data on the diversity of our workforce is a key part of the new DEI strategy, which we're currently creating. This, along with retaining key equity measures and understanding employee experiences, will guide our strategy; identifying patterns and insights to help us to allocate resources and prioritise initiatives. Reporting on DEI data will commence once a large enough proportion of colleagues have completed their data, giving us an accurate reflection of BW's diversity profile and will look at all key stages of the employee lifecycle such as attraction, recruitment, promotion/ progression, performance, and retention. We provide more information on our DEI approach later in this section under 'Diversity, Equity & Inclusion' below.

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.

Figure 4: BW's investment consulting teams and experience



Diversity, Equity & 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.

We develop teams who give - and welcome - different opinions, views and cultural perspectives, bringing a real richness in our day-to-day activities. We believe a diversity of thought achieves better outcomes for our clients. Building on our culture of doing the right thing, we want everyone at BW to feel able to bring their whole self to work from day one.

In our business

Our DEI steering group reports directly to our Management Board. The steering group has a focus on improving inclusion and bringing greater diversity to the firm. Our current initiatives include:

- Embedding our diversity networks to create spaces for colleagues to share, support and develop, as well as build an inclusive and diverse work environment. A core focus is to embed our new purpose and behaviours into all our work to ensure we communicate openly, enabling others and respecting differences.
- Increasing engagement with our colleagues and thinking about different perspectives through events, discussions and on our internal social networking platform.
- Opening career pathways to help combat social mobility by offering Apprenticeships, Graduate programmes, T-levels and summer internships.
- Collecting more information about the diversity of our colleagues and candidates. Understanding more about our talent pool is vital for us to be able to attract and retain a diverse range of individuals.
- Implementing our Gender Action Plan, having key focus areas to understand and address any potential gendered structural and cultural inequality in our workplace.
- Continuously looking for ways to improve how we approach DEI in our business such as inclusive recruitment processes, people managers' focussed training and spotlighted awareness campaigns throughout the year.

In our community

We support our wider community with our professional skills and expertise. Our colleagues:

- Volunteer time as trustees on boards to support charity finance and governance
- Use our IT skills to support charities set up computer equipment
- Use our marketing talent to help charities with branding
- Support students with maths tutoring
- Provide industry and workplace experience for people to help them get an understanding of our industry and a foot in the door.

In our thinking

A recent development for us has been the support we can provide clients in analysing their gender pensions gap, helping them to understand their current position and explore future strategies.

This service, developed in response to growing client demand in this area and closely aligned with our areas of expertise and skillset, offers a structured approach to examining factors influencing their gender pensions gap. Our goal is to help clients consider actions that contribute to a more inclusive and equitable pensions framework within their organisation, if this is a priority for them.

In our 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 2024, 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. We have also partnered with LGBT Great to provide insights, visibility and outreach solutions for our sector;

- Continued our membership of the [Diversity Project](#) to collaborate with other firms, share experiences and commit to developing an inclusive culture. We hold representation on the Diversity Project’s Advisory Board, Steering Group and various workstreams.
- Continued support for the [Asset Owner’s Diversity Charter and the Women in Finance Charter](#). This commits us to helping to build an investment industry that represents a more balanced and fair representation of diverse societies. Moreover, it enables us to identify diversity and inclusion best practices through our manager selection, manager monitoring, and leading and collaborating with others in the industry; and
- Continued our partnership with GAIN (‘Girls Are INvestors’), a charity set up by investment professionals to improve gender diversity in investment management by creating opportunities for female and non-binary young people to enter the investment industry.



We have held several events with partners over the year to encourage diversity in our applications to our graduate and apprentice programme as follows:

- In June we held a session with GAIN at our Birmingham office to give female undergraduates an insight into the life of an investment consultant.
- In August, we took part in the Data Driven Futures employability programme, organised by the IFoA and EY foundation. The programme is designed to open doors for young people from low-income backgrounds to enter the actuarial progression.
- In September, we hosted UpReach’s annual Professional Services Academy, including a panel event and professional services careers fair for UpReach associates.

Our DEI Networks

Our six DEI networks – each led by a non-partner and supported by a partner – raise awareness, run education interventions, and run 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 and financial wellbeing to accessibility and inclusion.

Ongoing and regular internal training and awareness raising on key DEI issues has continued throughout 2024, led by our six internal DEI networks.

Improving our inclusive recruitment



We are always looking for ways we can continue to improve how we do things at BW. We continue to hold Disability Confident Employer Level 2 accreditation, demonstrating our commitment to action to improve how we recruit, retain and develop disabled people. We hope to further our efforts by achieving Level 3 status in the future.

In 2024, we continued to develop our inclusive culture by continuing to run 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.

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 the financial year 2023/2024 (1 June 2023 – 31 May 2024) our employees have delivered 1,025 hours of volunteering to community care, people development support initiatives and professional skills and expertise volunteering in and around our nine office locations in the UK. We connect with charities and local community initiatives to identify where our donated time can best help to improve the lives of others and the environment. We set out our achievements in the financial year 2023/2024 under 'Society' on p.9.

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 sustainability reporting structures for managers, including a separate report on stewardship activity, which brings 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 the management of sustainability and practice of active stewardship.

Our process for preparing these reports, and 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 sustainability and stewardship continues to evolve as the information available improves, and the needs of clients evolve.

Incentivisation

Our annual personal development review process promotes good practice throughout our team, being focused 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 that 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.

Aims for 2025: Effectiveness and future improvements

Our sustainability governance, workforce, resources and incentives have enabled us to further develop our approach to supporting our clients' stewardship and sustainability over 2024. Our own operational approach to sustainability has been strengthened thanks to reviews of our various sustainability sub-groups and DEI networks. We have regular reviews in place across our teams, via 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 2025, we will continue to evolve our approach to sustainability (both operationally and in relation to our client services) to ensure we deliver best practice and forward-thinking services that support our clients' sustainability and stewardship objectives. Specific plans include:

- Expanding our work on gender pay gap reporting to help clients consider their gender pension gap and ways to address this;
- Assessing asset managers on their integration of DEI;
- Improving our climate scenario modelling capabilities with the use of updated underlying data;
- Developing an impact investment framework to help clients consider their impact on the environment and society through their investment strategy;
- Rolling out a streamlined sustainability monitoring report to improve accessibility to clients that have governance constraints.

Conflicts of interest

This section is relevant for our Stewardship Code reporting. However, it may also contain information that could be useful for our Net Zero Investment Consultants Initiative reporting and Impact Investing Principles for Pensions 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. bi-annual training on Anti-Money Laundering and compliance regime changes as well as refresher training throughout the year on pertinent compliance issues.)

All clients are the responsibility of a partner at BW. Prior to and on appointment, we check for conflicts with each of the partners and other senior members of the firm. Any potential conflicts are raised with our Governance team for further consideration.

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 the appointment 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.

Our Conflicts of Interest Policy was reviewed in May 2024 and is set out below:

Conflicts of Interest Policy

BW is committed to identifying, monitoring and managing all actual and potential conflicts of interest that can arise between both our clients and us, as well as between clients in all areas of our business.

For all conflicts of interest, BW takes reasonable steps to prevent these conflicts giving rise to material risk of damage to the interests of any of its clients. There are a number of areas where conflicts may arise which are as follows:

- BW provides advice to a wide range of organisations and their pension schemes. This includes entities in the same group as firms whose products BW may recommend. We will notify explicitly any potential conflicts that we perceive have arisen;
- BW provides advice to other clients in the same business sector; or
- BW provides a range of services to pension schemes. BW's advice may include the undertaking of further work for which BW is a potential provider.

Where we identify conflicts of interest, we acknowledge the importance of taking appropriate steps to mitigate and disclose the risks as per our internal policies and procedures reference. In summary and wherever possible effort will be made to:

- avoid conflicts between personal interests, or the interests of any associated company, person or group of persons, and duties to clients;
- avoid conflict between any competing interests of one or more clients, stepping aside if such conflicts cannot be resolved; and
- avoid conflict between personal interests, or the interests of any associated company or person, and duties to BW.

Where conflicts cannot be avoided, efforts should be made to mitigate the risks as specified in the policies and procedures previously referenced, and/or where appropriate, by the following means:

- Effective procedures to prevent or control the exchange of information between the relevant persons where the exchange of such information may harm the interests of one or more clients;
- Separate supervision of relevant persons whose principal functions involve carrying out such activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the company/firm;
- Measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services and/or activities;

- Measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest;
- Segregation of duties that could give rise to conflicts if carried out by the same individual.

Case study 1 – Managing conflicts of interest

An increasing number of defined benefit pension schemes are looking to transfer either their assets or both their assets and liabilities to an insurer having achieved improved funding positions on the back of market movements over the last few years.

When selecting an insurer, trustees must consider their fiduciary duty to act in the best interests of the scheme beneficiaries. To date, trustees have assessed the financial strength of the insurer and may consider other factors such as administration of the scheme post-transfer. Increasingly, there is recognition that an insurer's ability to manage sustainability-related risks such as climate change should also be considered firstly because it can impact on financial strength and secondly because a scheme may already have priorities in these areas.

To help trustees assess the relative strength of an insurer's capabilities in managing sustainability-related risks, we have developed sustainability ratings for each insurer (see case study 3).

However, as a business we also have an insurance and longevity consulting service and regularly advise insurers as well. In keeping with our conflicts of interest policy, we ensure that no individual can be involved in both the assessment of an insurer's sustainability credentials, as well as advising insurers on such matters also. This segregation of duties ensures that the risk of conflict is mitigated.

Promote a well-functioning financial system

This section is specifically relevant for our UK Stewardship Code and Net Zero Investment Consultants Initiative reporting. However, it also contains information that may be useful for our Impact Investing Principles for Pensions 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, asset managers 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 as interconnected. We consider these to be risks to the markets that can deliver investors good outcomes if appropriately allowed for.

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 and/or inflation;
- changes in legislation regulation;
- changes in sentiment/opinion/processes; and
- geopolitical issues;
- changes in demographics/society;
- currency rates.

Systemic risks are those that may cause the collapse of an industry, financial market or economy.

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

- Our research teams conducted over 350 meetings with managers during 2024. 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. Case study 4 provides examples of recent engagements with managers.
- 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 ask managers about their own development plans, priority themes and what they are seeing in the industry more generally, allowing us to anticipate changing sentiment and developing approaches. This allows us to be proactive and well-positioned for arising risks and opportunities. We also review the standard questions we ask managers annually to make sure they remain fit for purpose.
- We also have a market outlook team responsible for carrying out our economic outlook research and our investment research team undertakes research on individual asset classes. The overall research agenda for the research teams is set by our Research Team Leaders (who represent various expert areas of the research team), to ensure that we have a robust strategy to the way that we deploy our resources.
- Our research is disseminated to the team through a weekly email, as well as regular virtual updates.
- By engaging with 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.26).
- 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.

During 2024 and looking ahead to 2025, numerous market risks were identified that, under certain circumstances, were at risk of becoming systemic. These included but were not limited to, wars in Europe and the Middle East, high inflation, the continued movement towards and also beyond our planet’s planetary boundaries, and geopolitical risks through global elections and subsequent changes in governments.

We work with our clients in numerous ways to help them monitor, manage and mitigate such risks. This includes:

- Our research is disseminated to clients through public research papers, current issue documents, seminars and webinars throughout the year. We consider not only the downside risks associated with systematic risk but also the potential for clients to capture upside opportunities (e.g. whilst climate change is a systemic risk, investment opportunities are expected through adaption and mitigation).
- We consider such risks and opportunities when advising clients on investment strategy. For example, where our clients invest in passive equity, we will advise on the appropriate geographical split of passive equity portfolios. Furthermore, we have scenario analysis built into our modelling tools (including considering a portfolio’s resilience under various scenarios (including past economic events and climate scenarios)). Whilst each client is unique, a common theme will be incorporating a level of diversification and/or protection in a client’s portfolio to help reduce exposure to such risks.
- We help clients consider their risks and opportunities holistically. For example, we are able to provide clients with our

proprietary climate analysis framework as part of their investment strategy reviews to enable clients to allow for climate risk in decision-making, alongside traditional metrics such as risk and return.

- We assist clients in monitoring such risks and opportunities on an ongoing basis through our reporting and monitoring tools and have regular meetings with clients to discuss potential outcomes.
- When considering the structure and resource of the investment research team (as described in the governance section of this report), consideration is made to positioning the team to best service clients. This includes supporting consultants through:
 - Communications – such as dedicated email addresses (to which our SIT had over 300 internal queries in 2024, with the number of queries being largely consistent with the prior year);
 - Periodic meetings - such as monthly ‘SIT Down and Chat’ sessions and quarterly research webinars;
 - Dedicated expert groups within our investment research team; and
 - Research experts attending client meetings.

The outcome of these activities includes increased knowledge and awareness of these market and systemic risks, and the options available to investors to monitor, manage and mitigate such risks.

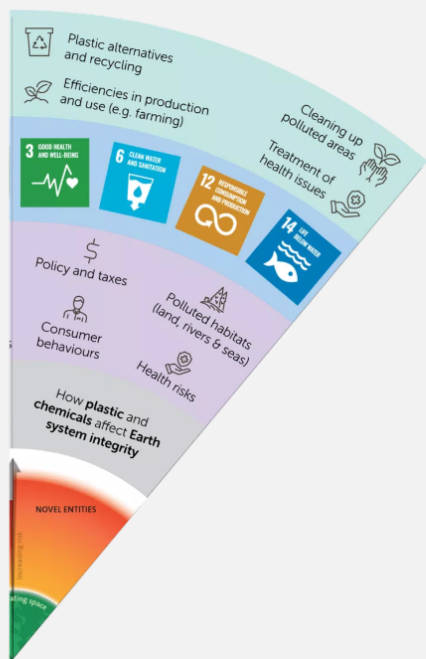
The below case studies provide two examples of how we are helping our clients consider systemic risks:

Case study 2 – Managing systemic risk through a systems-led approach

What was the issue: In 2024 we recognised that a number of clients were continuing to focus solely on climate risk as a systemic risk, without recognising the interdependencies between climate change and wider environmental and social issues. We wanted to educate clients on the importance of taking a ‘systems-led’ approach to managing sustainability risks.

What did we do: There are wider natural limits beyond climate change, as presented by the Stockholm Resilience Centre’s nine Planetary Boundaries, that represent a significant risk to the global economy. We used the Planetary Boundaries to demonstrate the interconnectivity of such issues. By linking each boundary to the Sustainable Development Goals. See an example below:

Novel entities - the problem with plastic



The ‘novel entities’ slice of the wheel is arguably the most interesting, not least of all due to its overshoot of its ‘safe zone’. **Novel entities essentially consider how plastics and chemicals affect the Earth’s stability.**

Expectation is that, by weight, there will be more plastics than fish in our waters by 2050. Furthermore, plastics and chemicals in the environment also pose a negative impact on health including lung inflammation, carcinogenicity and fertility issues. Introduction of policy and changing consumer behaviors, as a result, are likely to pose significant transition risk to material and industrial firms.

Impacts are far reaching, and are directly linked to the targets of four of the 17 SDGs. They cover environmental impacts (on marine life), social impacts (health and access to water) and economic impacts (the move towards a more circular economy).

Opportunities will come from innovation within the material / packaging industry, efficiencies through agricultural technology, protecting and regenerating impacted natural habitats and preventing and treating associated health issues.

Sources: Stockholm Resilience Centre, Barnett Waddingham. The bottom quadrant of the graphic represents the research from the Stockholm Resilience Centre.

We also demonstrated the opportunities presented by helping to address the Planetary Boundaries for clients that have an appropriate time horizon and risk appetite.

How did we help: Our visual approach, based on examples, has helped to demonstrate to clients the interconnected nature of sustainability-related risks and that a focus should not be placed on climate change alone.

Case study 3 – assessing risk transfer providers on their management of systemic sustainability risks

As set out in case study 1, this year we have rated insurers' sustainability credentials for clients that are looking to select a risk transfer provider.

Ratings provision

What was the issue: We recognise that sustainability risks such as climate change are systemic and can therefore impact an insurer's financial strength. It is therefore important to consider the insurer's approach to addressing such risks at the selection stage.




What did we do: We sent out questionnaires to all insurers involved in risk transfer with questions based on the following themes:

- Company commitment to sustainability
- Sustainability research and integration
- Stewardship
- Climate targets and transition planning
- Group-wide reporting
- Collaborative engagements and signatory status

We also held follow-up calls with each insurer to further understand their approaches to sustainability, in particular on their approaches to modelling climate-related risks.

Insurers were then given a rating relative to one another. Our rating definitions are as follows:

Rating Definitions

-  **Ahead** The insurer is a market leader in this space. They are taking appropriate steps to integrate sustainability issues that could affect the performance of the investments into their process and are therefore most likely to capture any benefit to performance or mitigation to risk that sustainability awareness brings.
-  **On Par** The insurer is on par with most others in this space. We feel the insurer is appropriately taking into account material sustainability issues that could affect the performance of the investments and may be able to capture any benefit to performance or mitigation to risk that sustainability awareness brings.
-  **Behind** The insurer is a laggard in this space. The insurer's approach to sustainability is either inadequate or inferior to the average insurer. They are unlikely to be able to capture any performance benefit that sustainability awareness brings, and their performance may even suffer as a result.

We expect most insurers to be 'on par'. 'Ahead' rating is a designation saved for those insurers achieving more indicators of a favourable rating than competitors and 'behind' rating is for those achieving fewer favourable indicators. A 'behind' rating does not imply that it would be appropriate to execute a buy-in with that insurer.

How did we help: As a result of this exercise, clients are now able to integrate sustainability-related considerations into their decision-making processes when appointing a risk transfer provider.

Collaboration

In addition to the above, we have also signed up to the Accounting 4 Sustainability charter in the bulk annuity process.

What was the issue: The majority of occupational defined benefit (DB) pension schemes in the UK, representing c. £1.4 trillion in assets under management are now closed, with many maturing on a path that considers transacting with a pension insurer. Insurers therefore play an increasingly important role in ensuring that pension investments are both resilient to the climate, nature, and social crises that we face, as well as playing an active role in investing in a more sustainable world for pension members to retire into.

What did we do: Recognising that trustees have been increasingly looking to risk transfer to secure members' benefits, Accounting for Sustainability (A4S), The Church of England Pensions Board and Railpen have brought together insurers and advisers to align expectations around the bulk annuity process.

At BW, we have been happy to become a signatory to this group and to volunteer our time and thoughts to ensure that the industry can move forward effectively.

We have attended a number of working groups and collaborated with the industry to help produce a consistent set of questions that can be asked to insurers on an ongoing basis.

How did we help: We expect a common set of questions to be available by the year end. This will help us and ultimately trustees to assess insurers' capabilities in relation to risk transfer on a consistent basis and will also allow for efficiencies in the process of obtaining information. The collaborative exercise has been useful to bring together parties to agree a common goal and ensure that the industry continues to move forward on this important topic.

Our role in industry collaborations and engagement

We are members of the [ICSWG](#) collaborating with other firms to improve sustainability and stewardship across the investment industry. BW is represented on the Steering Committee and plays an active role in the group's workstreams. Activities included:

- Over the year 2024 BW was involved in projects such as the ICSWG derivatives emissions calculation group (of which one of our team chaired), and the Stewardship Code consultation response.
- The group undertook regular engagement with regulators and stakeholders. For example, BW was involved in roundtables with the Financial Reporting Council (FRC) prior to the release of their consultation on the Stewardship Code, as well as with the Taskforce on Social Factors prior to the release of their guide for pension trustees earlier in the year. These sessions brought together industry experts to discuss challenges with reporting against the Stewardship Code and views on the draft guide and its use case from the Taskforce on Social Factors.

BW is also a member 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.

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 (covered mostly within the 'Impact and Wider Sustainability Objectives' section on p.59). 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 members of the Principles for Responsible Investment (PRI) and participate in roundtables and discussions, input into policy stewardship through consultation responses and development, as well as attend learning and development sessions run by PRI.

Over 2024, Barnett Waddingham also became a signatory to the A4S Sustainability Principles for the Bulk Annuity Charter. The charter aims to align expectations around sustainability within the bulk annuity process. BW has been involved in a working party focused on the design of an industry-standard questionnaire that consultants can send to insurers to help with the assessment of an insurer's integration of sustainability within their processes.

Finally, we are members of the Net Zero Investment Consultants Initiative (further details in the 'Net Zero Investment' section of the report, p.37) set up by GFANZ. This year we have participated in two workstreams established by GFANZ; 'index investing' and 'nature in net zero transition plans'. Both workstreams have released consultation papers over the year.



As a firm, we are active members of the Society of Pension Professionals (SPP), with several of our people involved in committees. 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 (an example being a roundtable on biodiversity and natural capital).

BW employees have also been members of a number of IFoA boards and working parties, including the Climate Justice Working Party and the Life Actuaries Climate Change Working Party, working with others across the actuarial profession on sustainability and engaging with regulators and policymakers including the Financial Conduct Authority (FCA), the Pensions Regulator (tPR), the Department for Work and Pensions (DWP) and the Prudential Regulation Authority (PRA) on policy issues.

Furthermore in 2024, we contributed to the Pensions Management Institute (PMI) [2024 ESG report](#). Within the report, one of our senior sustainable investment consultants discussed the impact of new guidance from the Financial Markets and Law Committee on

fiduciary duty and how this can help pension scheme trustees with decision making when considering sustainability-related factors.

During the year we met with tPR to discuss a variety of topics including sustainability disclosures and reporting (including climate) and horizon scanning. We have provided contributions across many industry collaborations and initiatives (such as NZICI), have been involved in numerous industry roundtables, presentations, articles, blogs and thought pieces, and have responded to various consultations, 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.

Support clients' stewardship and investment

This section is specifically relevant for our UK Stewardship Code and Net Zero Investment Consultants Initiative reporting. However, it also contains information that may be useful for our Impact Investing Principles for Pensions reporting.

Investment consulting

Our investment consultancy client base comprises:

- over 540 clients;
- c.£100bn assets under advice; and
- clients ranging in size from under £1m to multi-billions of pounds.

We provide investment consultancy services to a wide range of clients, including pension schemes, charities, foundations 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' sustainability and stewardship credentials (including climate 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 sustainability considerations and develop their own sustainability and stewardship policies. We undertake this process when considering how best to support new and existing clients to identify their investment beliefs and support strategy formulation and manager selection (to ensure alignment).

When setting strategy, we consider a number of sustainability considerations, including the sustainable risks and opportunities within the asset class (including climate risks and opportunities). This is considered at both an asset class and a portfolio level (considering the interactions between asset classes). We then assist clients in implementing the strategy through fund manager selection.

We assess fund managers from a sustainability and stewardship perspective across the three sub-ratings below (as well as on their climate risk and opportunity and impact credentials):

- Sustainable Investment Research – how deeply managers research macro issues and their underlying investments.
- Sustainable Investment Integration – how well the investment process captures relevant risks and opportunities.
- Stewardship – the use of actions (including, but not limited to, voting rights and engagement opportunities) to create long-term value through mitigating risks and capturing opportunities.

The overall rating and underlying sub-ratings are:

High Conviction	Acceptable	Low Conviction
------------------------	-------------------	-----------------------

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.

This rating is the outcome of the evidence provided by the managers (through questionnaires and face-to-face meetings) and a qualitative discussion by all members of the manager research (including sustainable investment team representation) where the sustainability approach is discussed in the context of the fund. The weighting of each of the three areas above will differ depending on the asset type and fund. The decision on these relative weightings is made by the manager research team, with input and guidance from the SIT.

Our ratings directly influence our clients. For example, where we rate a manager as low conviction on sustainability, we would not expect to shortlist them in advice to clients. To raise industry standards, we have provided feedback to managers on areas of our assessment where they have scored poorly and also engaged with managers in respect of data quality, and also specific client concerns or requirements, such as case study 4 later in this report. We also engage with managers on their stewardship activities and reporting, to encourage greater transparency and data quality. Through these discussions, we have assisted them in incorporating sustainability best practices into their "standard" funds, (as well as launching new funds, where appropriate).

In addition, we consider climate risk through the use of our proprietary 'climate risk impact' score that is specific to each fund and can be communicated to clients to better illustrate climate risk. We provide an example of this in case study 6 later in this report.

We also ask managers about their funds' impact credentials as well as exposure to certain areas (such as exposure to Sustainable Development Goals, Green Revenues and Green bonds, social bonds, sustainability bonds and sustainability-linked bonds).

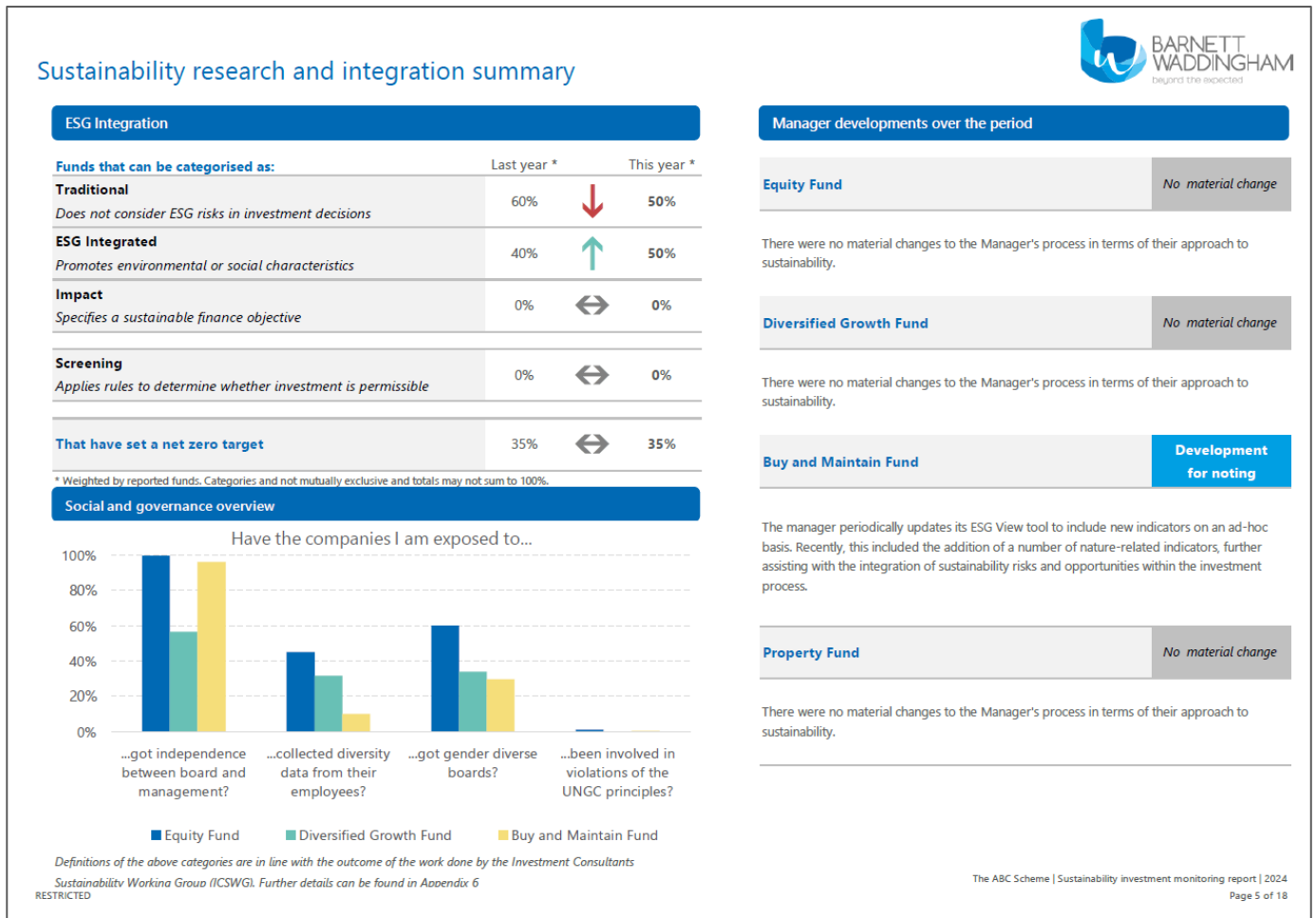
In 2024, we continued to rate managers, further rolling out the rating enhancements that we discussed within our 2022 report and made several enhancements to the way we rate and report on managers, including:

- Reviewing and adding additional metrics to our questionnaire. This included asking managers about:
 - any changes to stewardship and sustainability processes over the period;
 - the availability of voting services (such as voting choices),
 - their use of carbon offsets; and
 - how they voted in terms of a selection of a number of key controversial votes.

In doing so, we also made our questionnaire more efficient for managers to fill out, recognising that we are likely to receive better quality answers if the questionnaire was less onerous.

- Engaging directly with a number of managers on their sustainability and stewardship credentials (see case study 4 provided later on in the report). Key areas of engagement included: data quality and availability, particularly in relation to DEI data, signatory status of managers to promote best practice, the adoption of fund labels such as the new SDR labels in the UK and documentation of processes and tools as well as reporting on processes. We sought to understand the drivers of specific issues and encourage better practice going forward.
- Updating our sustainability monitoring reports to ensure that clients are receiving the most up-to-date metrics supporting our thinking in this area, as well as a focus on key aspects. This included a further focus on social metrics which included the addition of metrics such as the “gender diversity of boards” at invested companies and exposure to United Nations Global Compact (UNGC) violators. This was intended to further help trustees understand their exposure to wider sustainability issues beyond climate. As part of this, we continue to evolve our thinking on DEI and as part of our annual questionnaire have collected data on the asset managers’ approaches to collecting DEI data. (Please see figure 6 for further details). In 2025 we will focus attention on impact metrics and consider their inclusion in sustainability monitoring reports going forward.
- Updating our implementation statements to better reflect developments within the industry, the ability to achieve better outcomes from the reports, and expectations from the regulator. This included an update to our reporting to make it easier for the regulator, trustees, and members to understand the key takeaways and potential actions to consider from the report.

Figure 5: Example fund one-pager taken from our sustainability monitoring report



(ii) Manager A's approach to designing LDI portfolios and their ability to accurately derive a liability benchmark, as we believed their approach was simplistic relative to other FMs; and (iii) the experience of Manager A's LDI team.

After feeding back our concerns, Manager A took the following actions:

1. Set in place formal procedures and policy documents to evidence how they have specifically addressed our concerns.
2. Reduced the number of LDI managers, and do not use the manager that we had reservations about anymore, and now have preferential arrangements in place with managers that we rate highly for their LDI capabilities.
3. Invested in their cashflow modelling capabilities, including making an experienced hire to set up a more detailed cashflow modelling process.

In light of these developments, our FME team has since 'upgraded' their view on Manager A's LDI capabilities to the middle rating ('Acceptable'). We continue to engage with Manager A (and other FMs) on areas in which we believe they lag their peers and best practice, and where they fall short of our highest rating ('High Conviction').

Reporting capabilities

We engaged with one FM on the way in which they report a client's level of LDI hedging. Whilst their overall reporting was of high quality, we did not feel that their LDI reporting was detailed enough, potentially resulting in certain risks not being reported to clients. Since providing this feedback, the FM has updated their LDI reporting as suggested, resulting in improved risk monitoring for our clients.

Diversity, Equity and Inclusion (DEI)

As part of our annual data collection exercise, we request DEI information (both quantitative data and qualitative information) from asset managers. We have recently assisted clients with projects to better understand their asset managers' DEI credentials. In general, we have found that some asset managers have previously had difficulty in providing information and talking about their own DEI credentials. Not having good access to DEI information does not allow investors to fully understand the characteristics of investment decision-making teams and may expose clients to greater risks.

Over 2024, we engaged with managers with an aim of increasing the data quality and transparency in this area. We engaged with the asset managers that were not able to provide this information, requesting an explanation as to why they could not provide this and also a timeline for being able to provide the information. The results of these requests are included, as standard, within our sustainability monitoring reports, allowing clients to see which of their managers were not able to provide this information.

Where relevant (i.e. where an asset manager could not provide reasonable justification), we challenged asset managers on their inability to provide such information. By engaging with managers, we were able to increase the response rate from c65% (at the start of the year, when we sent out our initial requests) to c80% (by the end of the year) and we continue to receive positive responses, so we expect this number to continue to rise into 2025. This has allowed more of our clients to consider and understand their managers' DEI credentials, across more of their managers, allowing them to consider the risks and opportunities associated with a manager's DEI credentials.

In 2025, our focus will be on the continued analysis of the DEI information, including the quality of the asset managers' DEI processes, procedures and data, with an emphasis on challenging laggards and promoting good practice. Nevertheless, we will continue to engage with managers with regard to data availability to help the industry improve as a whole.

Promoting best practice through memberships

Over 2024 we continued to ask asset managers about their membership status to various initiatives, collaboration groups and Codes (such as being signatories to the UK Stewardship Code), including asking them to explain non-compliance.

We were pleased to see that in 2024, a manager that we have engaged with regarding their UK Stewardship Code signatory became a signatory to the UK Stewardship Code. However, there were also a number of high-profile exits from certain initiatives over the year (such as from CA100+ and NZAMI). In such cases, we have engaged with (or will be engaging with) managers to understand the reasoning for their exits and consider what impact, if any, this may have on a strategy and its fundamental and sustainability credentials, in particular its net zero ambitions.

Sustainability Disclosure Requirements ("SDR")

Over the period, many managers have taken up early adoption of the FCA's SDR labelling regime and/or have been required to make changes to the objectives and/or naming conventions of their strategy to comply with the requirements. We have created a process to track and monitor developments in this area.

In certain instances (i.e. where the developments would be expected to directly impact current exposure or upcoming selection), we have directly engaged with the managers with regards to their process of adoption and any changes that have been made.

A specific case was our engagement (via meetings) with a manager who opted to adopt the 'Focus' label for one of its 'sustainable funds'. During the first meeting, which was to help pre-adoption of the label, the manager asked us to comment on the fund's draft proposed objectives and KPIs. We agreed with the manager that the proposed objectives and KPIs were aligned with the fund's existing aims, would help reinforce the fund's sustainability credentials (through a more formalised process within the fund's prospectus) and would not impact the fund's underlying processes or holdings, and subsequently, would not impact our view on the fund. The second meeting was post-approval of the label and was an opportunity to discuss the adoption process in more detail.

We will be requesting SDR labelling (or their intention to do so) from all managers and funds that we monitor and in scope of the regime in 2025, with the aim of understanding why they have opted for a specific label, and any consequences of doing so.

In 2024 we continued to support our clients in considering and setting stewardship priorities, as well as supporting clients who wanted to select their own voting policies for some of their holdings. To help consultants speak confidently with clients on these issues, we updated training slides and provided specific training to the team on setting stewardship priorities to help with drafting implementation statements in the November SIT Down and Chat meeting. The result for clients was the creation of stewardship priorities and/or voting policies that reflected their specific circumstances and focuses. In turn, this could be used when selecting and engaging with asset managers, leading to more appropriate stewardship actions. Where clients have set stewardship priorities, we have then been able to help identify which votes and engagements by appointed investment managers are significant in the context of these priorities. This in turn helps to structure any engagement with appointed investment managers where priorities are misaligned.

The below case study provides details of how we helped a client better align their voting with their own preferences:

Case study 5 – Voting choices

During 2024 we assisted a client with an equity manager selection exercise, taking into account the client's desire to implement a number of sustainability objectives, including a specific voting policy.

What was this issue: The client is a pension scheme with a sponsor that has a strong link to social purpose. Sustainability-related considerations are therefore an important consideration in strategic investment decision-making. The client started a review of their global equity allocation over 2024. A number of sustainability-related factors were considered in the manager selection exercise. One such factor was the ability to implement a specific voting policy. The Trustee is of the view that they should be able to direct managers to vote in a specific way; specifically in line with the Association of Member Nominated Trustees' (AMNT's) Red Line Voting policy.

What did we do: As part of the global equity allocation review, we were tasked with providing a manager shortlist that reflected the client's sustainability-related principles.

We included the ability of the manager to adopt red line voting or at least bespoke voting policies as part of the early screening progress. This was considered alongside other factors such as the fund's alignment with the goals of the Paris Agreement, our own ESG rating and their signatory status to the UK Stewardship Code. A summary of the key information we provided to the client relating to the investment managers being considered as part of the selection exercise is set out below:

	Fund A	Fund B	Fund C	Fund D
Benchmark index (anonymised to ensure anonymity of managers)	Custom low carbon index	Custom low carbon index	Custom low carbon index	Custom low carbon index
Fund description	A passive global equity strategy with an ESG tilt, focussed on large and mid-cap companies.	A passive global developed market equity strategy that aims to track the benchmark index.	A passive global equity strategy that uses tilts, exclusions and decarbonisation targets.	A passive global equity strategy that uses tilts, exclusions and decarbonisation targets.
Barnett Waddingham Fund rating	Acceptable	High Conviction	High Conviction	High Conviction
Barnett Waddingham ESG rating	Not rated	High Conviction	High Conviction	High Conviction
Signatory of UK Stewardship Code	✓	✓	✓	✓
Ability to implement Red Line Voting	Yes, via Minerva	Yes, via Glass Lewis	Yes, via Minerva	
Net Zero by 2050 target	✓	✗	✓	✓
Additional cost to implement Red Line Voting (p.a.)	None	£30,500 across Schemes for 100 holdings	£20,500 across Schemes for 100 holdings	
Indicative total fees per year for PPS*	£31,800	£46,900	£63,400	£64,200

How did we help: This ultimately led to excluding Fund B from the next stage of the manager selection exercise as the ability to incorporate red line voting was assessed to be sub-optimal, coupled with the lack of net zero target, inconsistent with the goals of the Paris Agreement.

Over the period, we also updated our list of specific votes which could help to differentiate asset managers going the extra mile in their stewardship efforts. We, again, decided to focus on votes highlighted by the Share Action “Voting matters” and “Resolutions to watch” campaigns, supplemented with our own internal research. 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 an improved understanding of significant votes (and whether their managers are voting in line with their policies on such votes) and increased engagement with stewardship of their investments.

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 pension scheme clients to set and review strategic objectives to undertake a review of our services at least annually. We encourage clients to include an evaluation of sustainability and stewardship as part of this assessment; by suggesting they are incorporated into our objectives.

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 2024, there were independent partner reviews carried out for 24 clients.

At a wider level, we commission Investor in Customers to undertake a client satisfaction survey on our behalf every two 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 to be a recognised benchmark demonstrating customer satisfaction. Firms are assessed on several measures to independently verify their customer-centric approach.

In 2024, we achieved the highest level 'Gold Award' for a fifth successive time for our 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.

Communicating stewardship with clients

We provide clients with regular research notes and blogs on a range of investment topics. These include sustainability, climate change and stewardship. This is done via various avenues, including a quarterly 'current issues' paper for pension schemes, email communications on public research (where clients have opted in) and uploads to our website and social media. 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 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 [blog on planetary boundaries](#).

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 sustainability and stewardship. Our monitoring includes, as standard, how the manager has voted and engaged, any material changes over the period, climate risk analysis and metrics, our opinion on manager sustainability and stewardship credentials, in isolation and compared to their peers and proposed actions that a client should take considering the results of the analysis.

On publication of each list of signatories to the UK Stewardship Code by the FRC, we 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 clients through our sustainable monitoring reports. In 2024 we followed up with managers to confirm their future expectations around signatory status and any changes that occurred during the year. We were pleased to see that a number of managers that we had been engaging with regarding their signatory status (or lack of) over several years have since become signatories.

We have however seen some high-profile exits by asset managers from other initiatives over 2024 (for example CA100+ and NZAMI). These are referenced in case study 4. In such instances, we have sought to understand the rationale and to consider what impact, if any, this may have on stewardship by the manager, as well as wider implications on strategy construction, and their climate actions and commitments. We will continue to monitor these issues through our periodic communications, ratings and monitoring of managers, and will communicate any concerns we have with our clients and encourage engagement by the client with appointed asset managers, where appropriate. We also help our pension scheme clients to understand the significant votes and engagement undertaken on their behalf as part of helping to prepare Implementation Statements and helping clients identify which issues are important to them (taking account of stewardship priorities, where relevant).

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

We received feedback from clients both through formal partner reviews and via our ongoing work and discussions with our clients.

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 over 2024 as a result of our client satisfaction survey and other ad-hoc feedback:

- Updating our sustainability monitoring report to build upon the year-on-year comparisons as well as to consider actions in light of multi-year information (such as asset managers' emission reductions versus their targets). We also included a section that considers the link to the Sponsor's sustainability stance. The report has also been updated to highlight any changes in manager ratings over the period as well as to include information on social and governance (for example, board gender diversity, collection of diversity data from employees and violations of the UN Global Compact principles).
- We also made changes to the format of the monthly 'SIT Down and Chat' sessions following some feedback from the wider Investment Consultancy team. Each session now has a specific topic announced the month prior, with case studies and training videos used to encourage conversation. The team also has the opportunity to submit questions anonymously in advance as well as ask questions during the live session.
- The continued criticism of quantitative climate scenario analysis within the industry was an opportunity for us to continue to promote and develop our climate analysis framework. The framework makes significant use of qualitative data and aims to address many of the criticisms that have been made of scenario modelling over recent years. As part of this, we have updated our research and our climate one-pagers across various asset classes and have also updated our benchmark comparators (which allow for funds to be compared to their peers in terms of climate risk). We have also engaged with managers on the availability and quality of climate data that feeds into our analysis.

- While climate change has long been a priority for many investors, there is a growing recognition of the strong connections and interdependencies between climate change and broader environmental and social issues, driving a shift toward a more 'systems-led' approach. As a result, the SIT wrote a blog on the shift to a system-led approach, by looking beyond climate and considering wider environmental and social issues using the Planetary Boundaries and Sustainable Development Goals (SDGs) frameworks (see case study 2). Our research enables us to assist investors when formulating and implementing their investment strategy. Moreover, we can assist investors in meeting their objectives by mitigating risks, capturing opportunities and deriving impacts associated with the Planetary Boundaries and wider issues.

Client and industry feedback on issues that are not uniquely sustainability-related also influenced our development plans. Some of these are:

- Over 2023 and 2024, an increasing number of DB pension scheme trustees started to consider buy-out as a viable option for their schemes. As part of this, the investment research team has created various materials to assist clients when considering the options available. This includes the consideration of sustainability issues (such as the sustainability credentials of the potential insurers). As set out in case study 3 we have produced sustainability ratings for each insurer. This allows clients to weigh up the sustainability factors when choosing a preferred insurer.
- Since the 2022 gilts crisis, we have seen an increase in maturity and an acceleration in de-risking for many UK defined benefit (DB) pension schemes, with a common feature in many de-risked portfolios being Buy and Maintain (B&M) Credit strategies. Our investment research team undertook an extensive study into the B&M universe, considering the characteristics and credentials of B&M strategies and their managers, with a focus on sustainability. This study enables us to review and challenge our client's current or potential managers on their characteristics and credentials, both in terms of sustainability and more widely.
- The 2022 gilts crisis also emphasised the importance of liquidity, highlighting the severe consequences of insufficient liquidity for defined benefit pension scheme investors. Our investment research team published an [insights piece](#) setting out their latest thinking on how investors can put in place a robust cashflow policy and investment strategy to meet cashflow needs in this high-yield environment. A case study from the research is set out overleaf:

Figure 6: Example case study from Investment Insights article 'The cashflow conundrum in a higher yield world'

DB schemes - Case study

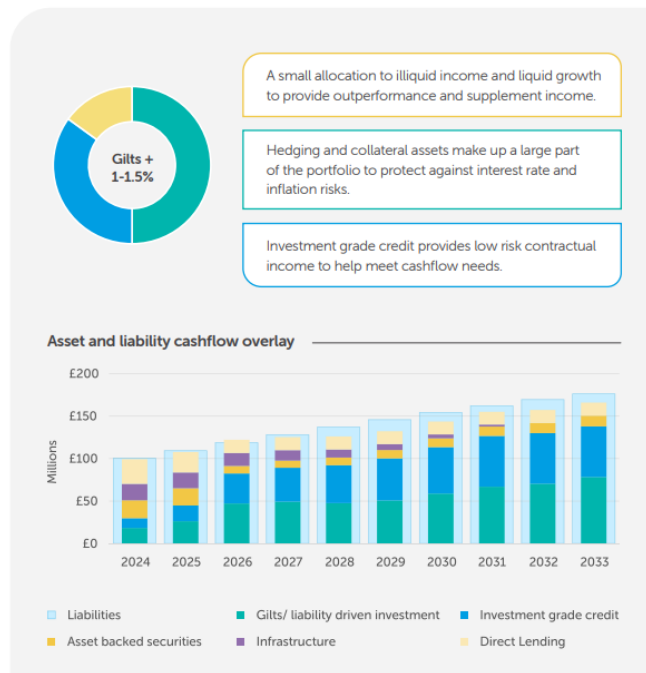
Here we have shown an example of how you can build a cashflow generating portfolio of assets for a DB pension scheme. We construct a portfolio which targets gilts +1-1.5%, reducing the risk level overtime.

Key asset classes +

This portfolio design allowed the scheme to meet the majority of cashflows from income automatically distributed from the assets, minimising the likelihood of needing additional withdrawals (except for unexpected cashflows such as cash equivalent transfer values). Forced selling and sequencing risk was minimised and cashflow efficiency was maximised.

This type of analysis should be reviewed at least every three years in line with the actuarial valuation and any adjustments made to maintain the efficiency.

Investment Insights | Cashflow Policy



Adding value through the provision of services – cross-practice working on regulatory developments

A key development in the pension industry during 2024 was the release of the General Code of Practice. This covered a wide range of sustainability areas, with multiple references to ESG and stewardship and an entire section dedicated to climate change.

We produced resources for our clients to help them move towards best practices as set out in the General Code, which includes having a governance structure that gives sufficient consideration to sustainability issues in a way that is proportionate to each scheme. This included resources to carry out an initial gap analysis, as well as a suite of documents to develop governance structures where there was scope to move closer to best practice. For example, we produced template frameworks for investment decision-making, which can be used by trustees as a “checklist” to ensure they are considering all relevant aspects of the Code, including sustainability when making investment decisions.

The BW General Code Steering Group was recognised for this work across the industry, being 'Highly Commended' in the 'Team of the Year' category at the 2024 PMI Pinnacle Awards.

Effectiveness in understanding needs and communicating with clients

We have seen continued strong growth of our investment consulting practice (and wider firm) over the last few years. 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 several 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 frequently throughout the year, bringing together the leaders in each of our proposition areas.

This forum drives forward changes to our offering for clients – this has included the development of a streamlined investment consulting service that 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 who might otherwise have struggled to take such strong action.

Net Zero investment

This section is relevant for our Net Zero Investment Consultants Initiative reporting. However, it may also contain information that could be useful for our UK Stewardship Code and Impact Investing Principles for Pensions reporting.

Integrate net zero into investment advice

The investment consulting team has internal processes in place to ensure that client teams must always consider net zero alignment when drafting investment advice for clients. This includes checklists for teams to confirm that net zero alignment has been a consideration before advice is issued. This followed training in 2023 on net zero alignment considerations for all client types, regardless of their objectives and time horizons.

We do not have house views when recommending solutions to clients. Instead, our approach is to recommend the approach most suited to their needs. As such, each consultant takes a holistic view when considering the incorporation of net zero considerations with their clients. We encourage client teams to utilise our newly devised net zero roadmap, set out in case study 6, to help clients consider the steps they should take to achieve net zero alignment.

To aid client teams, in 2024 the SIT has researched how net zero alignment can be integrated into public equities, with a particular focus on existing benchmarks such as the Climate Transition benchmarks, and the Paris Aligned Benchmarks introduced in the EU, and wider market approaches. The team is currently working on client-friendly material for client teams to use when discussing net zero alignment in public equities, with the intention that this research will be expanded to cover additional asset classes.

When providing investment advice to clients, we consider our clients' Sustainability "ABCs" (Aims, Beliefs and Constraints – see Figure 8 on p.45), 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 with 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 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.¹ Therefore, for any client expressing interest in a net zero target we start with training on what a net zero target means in practice from an institutional investor perspective, as well as a broad outline of the steps needed to achieve a net zero target.

The success of using the ABC approach has led us to develop a similarly 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** – how can the portfolio be aligned to capitalise on the transition to a low carbon economy?
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.

A number of our DB pension scheme clients are now close to being able to secure their benefits with an insurance company. In recent years, we have spoken to clients about the sustainability credentials of insurers and their ability to manage risks such as climate change risks as part of the selection exercise before risk transfer. This is an increasing area of consideration for clients. As such, in 2024 we carried out an enhanced due diligence exercise on the insurance market to enable us to provide sustainability ratings, similar to that provided to clients for appointed and prospective fund managers. Our review considers insurers against their peers as well as against reporting expectations across three ratings: Ahead, On Par and Behind (see case study 3). One aspect of our review was each insurer's commitment to net zero. This included considering the credibility of such commitments by considering the availability of transition plans and the communication of progress made to date.

We assist clients when choosing sustainable/net zero investments and funds to best align with their objectives and have engaged with fund managers with regard to creating products and services to align with 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.

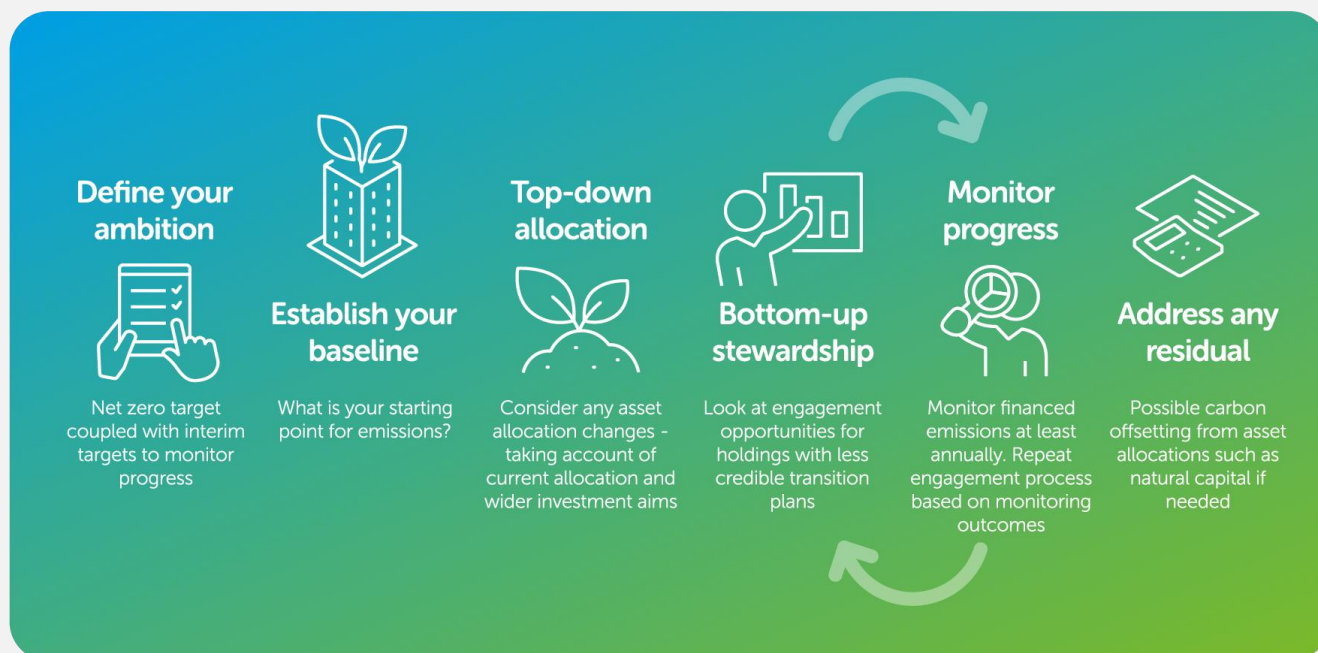
Our proprietary Climate Risk Indicator (CRI) scores can help clients with the selection of funds that align best with their objectives relating to climate risk. Set out below is a case study explaining our CRI approach.

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

Case study 6 – Setting a new net zero strategy

What was the issue: This year, we have seen an increased number of pension schemes looking for training on what a net zero commitment would entail. Having received such training from us earlier in the year, one client decided to set a net zero commitment and requested our services in considering how to restructure the investment portfolio to align with this aim. It was recognised by the client that the scheme’s assets are not currently aligned with net zero and that it may take time to restructure the portfolio to be consistent with the target. The client requested that the implementation of the target be carried out in a measured way that considers the pension scheme Trustee’s wider objectives.

What did we do: We worked with our ‘net zero roadmap’ below to first help support the client to define their ambition, including the points raised above relating to implementation:



The client is also currently undertaking a review of their global equity mandate and so net zero alignment became a factor of the selection criteria. To help with this we proposed the use of our Climate Risk Indicator (CRI) scores to assist with decision-making:

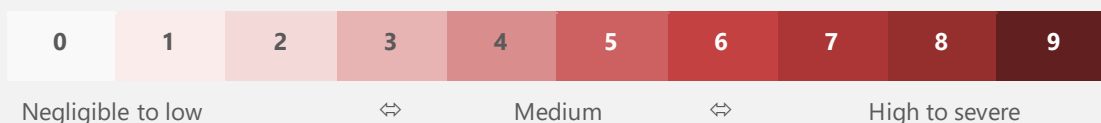
Climate Risk Indicator (CRI) score

Our CRI score considers an investment’s climate risk impact on expected return (that is, the difference between an optimistic climate scenario and a pessimistic climate scenario, the latter includes the existence of both physical and transitional risks).

The CRI score is scored on a scale from 0 (negligible impact) to 9 (severe impact), as per the scale below, and goes beyond considering risk at an asset class level by incorporating both a fund’s underlying asset class(es) as well as its own unique characteristics (with the recognition that no two funds within an asset class are the same). The score is derived using a combination of qualitative and quantitative analysis.

Generally, we would expect assets with little or no exposure to climate risk (such as short-term cash deposits) to be located toward the lower end of the scale, whilst assets with high exposure to climate risks (such as property) to be located toward the upper end.

CRI score scale | Expected potential “climate risk impact” over a long-term time horizon, under a pessimistic scenario



We demonstrated to the client how the CRI scores can be used for decision-making

		Climate Risk Impact (CRI) score										
		DC	Negligible to low			↔	Medium		↔	High to severe		
Previous mandate	Action	Exposure	0	1	2	3	4	5	6	7	8	9
UK Equity Fund 1	Replaced	✓					4	5	6	7	8	
EM Equity Fund 1	Replaced	✓						5	6	7	8	9
Global Equity Fund 1	Retained	✓						5	6	7	8	9
Global Equity Fund 2	Replaced	✓						5	6	7	8	9
Global Equity Fund 3	Sold 100%	✓						5	6	7	8	9
Diversified Growth Fund (DGF) 1	Replaced	✓				3	4	5	6	7		

The coloured squares represented where a fund sits on the CRI scale, whilst the numbered range represents the potential range of scores for a specific asset class and the black squares represent where an 'average' fund in that asset class would sit. For example, an average global equity fund would have a CRI score of 7 (hence the box around the 7 on the global equity rows). The global equity funds with the best CRI would score 5, and the worst would score 9.

How did we help: We proposed that the client use our CRI scoring approach to assist with their manager selection exercise. By undertaking this approach, the client has an additional climate-related metric with which to assess proposed investment managers and to ultimately help align with their net zero commitment by selecting asset managers with a lower CRI score than the existing score. This proposal has been adopted and the exercise is currently underway.

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 aims, beliefs and constraints, as well as recognising their risks and opportunities with regard to sustainability and climate matters. Furthermore, we have also helped clients develop stewardship policies that include stewardship activities around climate change. In 2024, we have helped clients review existing sustainability and climate policies to ensure they remain fit for purpose. In some instances, clients have looked to incorporate wider themes such as biodiversity loss and the steps the client is taking to address this in their investment portfolio. This reflects the growing trend for investors to take a more holistic approach to sustainability, recognising the interlinkage between sustainability-related factors such as climate change and biodiversity loss.

We continue to assist a number of clients in understanding the importance of carbon emissions financed by their investment portfolio, what a net zero policy could mean in practice and the development and implementation of such a policy. We set out in the appendix statistics on clients for whom we have worked with to date on net zero education and policy setting.

When setting policies, we consider the client's wider objectives, their governance budgets and what is practical and feasible for the client.

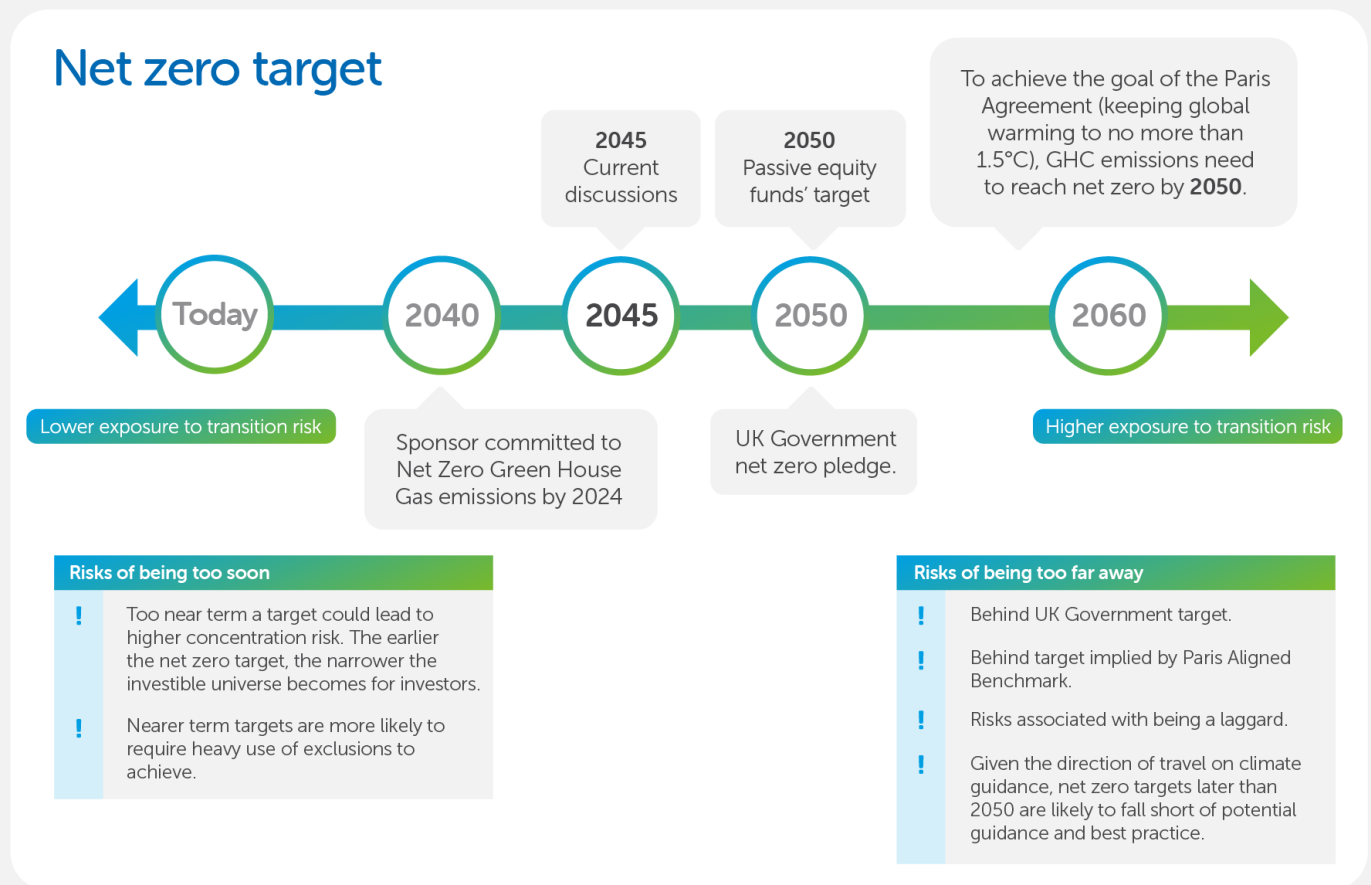
Case study 7 – Supporting a client to set an appropriate net zero target

What was the issue: Our client has a sponsor who has declared a climate emergency and has made a commitment to be net zero by 2045. Having taken steps to manage climate risk within their asset mix already, our client also wishes to make a net zero commitment.

What did we do: Prior to any net zero target being set, we noted that climate-related governance would need to increase. Increased governance will enable our client to monitor such a target on an ongoing basis and take appropriate action if they find themselves 'off-track'.

As a result of the suggested updates to climate-related governance, the client has collected greater granularity on stewardship activity undertaken on their behalf by appointed asset managers. In addition, the client has collected emissions data, where available.

We then used our 'net zero roadmap' (as set out in case study 6) to provide advice on achieving net zero. The focus has been on step one: '**Define your ambition**'. We used the below slide to illustrate the range of options (the names of asset managers and the sponsor have been anonymised):



After discussion, the client is progressing with a 2045 approach. This reflects a balance between the client's desire to be a leader alongside their risk appetite and desire to avoid concentration of risk. A climate action plan is now being constructed.

How did we help: We were able to provide clarity to the client on which net zero target is most appropriate for them by reflecting on their different needs and objectives.

Going forward, we will be working with the client on the additional steps in our net zero roadmap.

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.

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 the 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 time, these same criteria (the client's aims, beliefs and constraints) act as a backstop for assessing the ongoing suitability of any methodology adopted.

Case study 8 – Supporting a client's emission reductions

Some of our clients have a reporting requirement to produce a Taskforce on Climate-Related Financial Disclosure (TCFD) report on an annual basis. We have undertaken market reviews of TCFD reporting, including the most commonly chosen metrics. An example of such a review is our 2024 review of TCFD reports by Master Trusts. This review highlighted that it is more common for Master Trusts to set net zero emissions reduction targets when compared with the wider pension scheme market in the UK:

Reporting targets and progress

All but two reports have a target focused on emissions reduction

For those targeting emissions reduction, there are differences in reporting progress. Some are using a baseline reporting year (typically 2019) whilst some are showing year on year progress. We believe a combined approach could be of most benefit to readers, with an explanation of changes year on year and actions to be taken going forward.

Of the two providers not targeting emissions reduction:

- One is looking to improve data coverage
- The other is looking to engage with a specific number of holdings on climate - this target has already been met but no reference to a change of target was made.

Two providers have changed their target since the prior year. This can make sense if you have already met a specific target.

A few reports have multiple targets. Other than interim targets for emissions reduction goals, multiple targets can be confusing for readers trying to monitor progress.

We also highlighted that our review, coupled with that by the Pensions Regulator of large schemes with a regulatory reporting requirement to produce a TCFD report implied that fewer Defined Benefit schemes are setting net zero targets:

In their 2023 review of TCFD reports, TPR highlighted that 43 of the 71 reports they reviewed had set a net zero target.

The regulator's review covers a snapshot of DB, DC and hybrid schemes. Coupled with our findings, this implies that a lot less DB schemes are setting net zero targets. This may reflect the commercial nature of a majority of Master Trusts.

We provide more details on net zero targets set by Master Trusts in our paper on 'sustainability considerations for Master Trusts.'

For one defined benefit scheme that we advise on, it is recognised that the ability to measure climate-risk exposure or set a meaningful target requires an improvement in data quality, which is low for this client given their allocation to illiquid assets and assets that have historically had difficulties measuring emissions. The client has therefore set a target to improve data quality over the short term within their TCFD report. We are assisting in this area by providing prompts within our ongoing sustainability investment monitoring reports:

Possible actions		
Fund	Action	Further details
XYZ Fund	?	Encourage XYZ to improve the data quality on Scope 1, 2 and 3 given the Trustee is arguably best placed to influence on emissions reduction on this mandate. XYZ noted the Scope 1&2 data quality improved to around 70%, compared to 50% as at 31 March 2024. We are having conversations with XYZ on approaches to carbon data on derivatives, securitised credit etc.

Engage on the transition to net zero

As covered in the “Promote” and “Support” sections of this report, 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. Through our interactions with regulators, policymakers and other stakeholders we continue to highlight the need for all investors, not just the larger ones, to be able to achieve net zero.

Own operations’ net zero strategy

Details relating to BW’s own operational emissions for the financial year 2023/2024 are set out in the appendix.

We continue to remain committed to reducing our (pre-offset) carbon footprint significantly by 2025 compared to our 2019 benchmark. We offset our operational emissions, which includes all our scope 1 and scope 2 emissions, as well as some emissions from categories of scope 3. For our offsetting, we engage both UK and international projects. All our international offsetting projects are verified by VCS or Gold Standard.

For 2024, the leasing of Electric Vehicles (EVs) has been included as a flexible benefit. The benefit has been available for 6 months and, at the time of writing, take-up has been positive.

Impact and wider sustainability objectives

This section is specifically relevant for our Impact Investing Principles for Pensions reporting. However, it also contains information that may be useful for our Net Zero Investment Consultants Initiative and UK Stewardship Code reporting.

Routinely include impact investing for consideration

When we research managers and funds, as part of our information gathering exercise, we ask them to categorise their fund in terms of their sustainability and impact credentials. This could be whether their fund is a “traditional” fund (e.g. “Article 6” fund (referring to the EU Sustainable Finance Disclosure Regulation classifications)), integrates ESG and sustainability considerations (e.g. “Article 8” fund) or an “impact” fund (e.g. “Article 9” fund). We then ratify this information to satisfy ourselves that a fund has sustainability and impact credentials. We have undertaken several exercises for our clients with objectives on particular environmental and social impact (see case studies 9 and 10 as examples). Whilst we do not put a high weighting on such classifications (due to their subjectivity), we use them as a starting point.

Figure 7 provides a snapshot of the proportion of funds that we undertook detailed research and/or managers we have met with over 2024 that are classified under various criteria (along with examples of such funds), enabling us to support our clients’ considerations of impact investments. Whilst ‘traditional funds’ are the largest proportion of funds across all asset classes, we expect the proportion of funds that can demonstrate an ESG integrated approach, as well as funds that demonstrate specific impact to continue to expand as new funds come to the market. (Please note, given that we provide independent, whole-of-market advice, this is not a comprehensive list, but an indication of the breadth of our fund research in 2024. We also have use of a third-party fund analysis tool which significantly increases the universe and access to fund information across each asset class. Research through this tool has not been included in the data presented in Figure 7).

At a high level, and in line with the Global Impact Investing Network (GIIN), we consider impact investments to be investments made to generate positive, measurable social and/or environmental impact alongside a financial return. However, we believe that it is difficult to define ‘impact investing’ and believe that the introduction of the Sustainability Disclosure Requirements (SDR) within the UK, coupled with the continuation of the Sustainable Finance Disclosure Regulations (SFDR) in the EU will enable a more consistent industry-wide definition. Furthermore, ‘Impact’ means different things to different clients, and interpretation will differ depending on a client’s unique circumstances. Within the appendix, we have provided data regarding our clients’ take-up of impact investing. To date, we have found the Impact Investing Principles to be a useful framework, to enable clients to think about the steps they would need to take to implement impact investing within their strategy. We use the principles as a broad guide when delivering our own strategic advice.

We believe that the impact investing space has both tailwinds and headwinds in terms of how widely it is adopted. For example, in light of recent market events (specifically the Gilts crisis), most UK DB pension schemes find themselves in a relatively better funding position and have a shorter-term investment horizon. A shorter time horizon tends to encourage a greater allocation to fixed income assets, including government bonds. Whilst impact investments do exist within the fixed income space, they are less common, relative to their growth asset counterparts (although green Gilts are an example whereby government bonds may have impact credentials).

However, there remains an array of investors who retain a material allocation to growth assets (such as DC pension schemes, open DB schemes, Local Government Pension Schemes (LGPS), charities, foundations, corporates and family offices) and may wish to hold an allocation to impact investments to help meet their various objectives. Such demand is likely to be increased, driven by the recent Mansion House reforms aimed at driving capital into private markets (an area that offers various opportunities in terms of impact investment) and the increased focus on “place-based investing”. Nevertheless, we may expect impact investments to make up a minority share of many of our clients’ assets due to the need for diversification, accessibility and the need to hold other assets to meet other objectives (such as hedging assets).

A significant development for us over 2024 has been the creation of our planetary boundaries framework referenced in case study 2. When articulating tailwinds, we have been able to use the planetary boundaries framework to highlight specific opportunities clients may wish to consider. This has been helpful in our conversations.

Given the increased interest in demand, in 2025 we intend to work on an impact score for our clients that are specifically interested in allowing for impact, risk and return in their investment strategy.

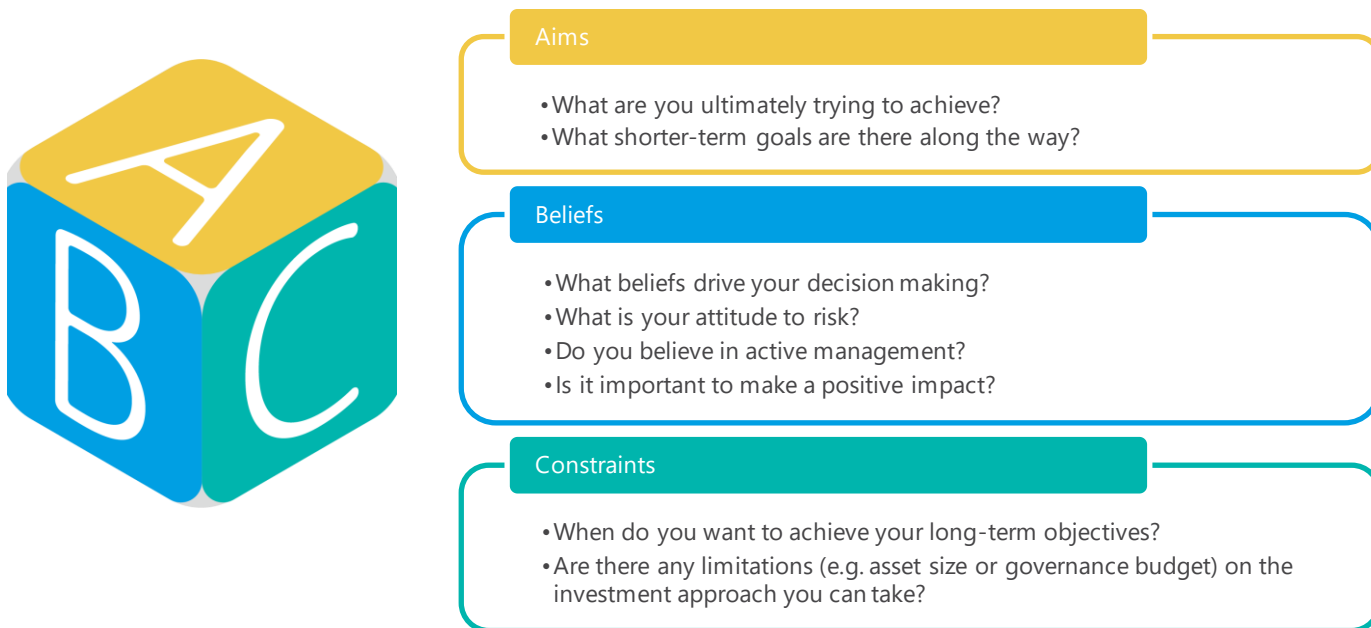
Figure 7: Researching the sustainability spectrum – investment manager meetings and research in 2024

Asset class	Traditional	ESG integrated / Sustainable	Impact
Percentage of funds within each category and examples of funds across the spectrum			
Equity	36%	50%	14%
	Market/factor cap index	ESG index tracking funds	Sustainable Development Goal (SDG) funds
	Fundamental quant index	ESG quant funds	Positive impact funds
	Fundamental active equity	Active Sustainable/ Thematic funds	
Fixed Income	78%	19%	4%
	Market/factor cap index	ESG index tracking funds	Green/Social/Sustainable bonds
	Fundamental quant index	ESG quant funds	Impact bonds
	Fundamental active fixed income	Active Sustainable/ Thematic funds	Sustainable linked bonds
Multi-Asset	61%	37%	1%
	Fundamental DGFs	Sustainable/ Thematic DGFs	Impact DGFs
Private markets	69%	11%	20%
	Traditional real estate/infrastructure	Sustainable/Thematic private equity	Social / impact housing
	Fundamental private equity/debt	Sustainable/Thematic estate/infrastructure	Renewable energy
	Fundamental multi-asset private asset	Debt rachets	Natural capital

Providing strategic advice to clients

When setting investment strategy, we think it is essential for investors to understand their Aims, Beliefs and Constraints, as shown in Figure 8. We help investors to understand their ‘ABCs’ for both their wider investment strategy as well as focusing on sustainable investing, including impact. This is done using a questionnaire that includes questions on clients’ views on aspects of impact investing.

Figure 8: Investment ABCs



Once an investor’s ABCs have been established, we can allow for the integration of their policy into their investment portfolio. By using the ABCs, we can help investors to consider how their investments may either contradict or complement each other when implementing their objectives (including sustainable and impact objectives).

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 the efficiency of decision-making.

We continue to see improvements in the coverage of impact metrics, particularly concerning climate. In other areas, the risk is more idiosyncratic and the metrics are necessarily so too. Over 2024, we actively participated in roundtables and consultation responses on the Taskforce on Social Factors. We have also actively requested data from managers on their Diversity, Equity and Inclusion statistics (see case study 4) and we see this as an increasing area of interest to our client base, recognising the importance of diversity of thought in investment decision-making. Based on our work with clients to date, we have found that the use of case studies and tangible examples of what assets have delivered has been beneficial for clients looking to articulate their impact.

Within the appendix, we have provided data regarding delivering impact training, metrics, and exposure to impact investments.

As mentioned above, in 2025 we intend to develop an impact score, which will further strengthen our clients’ ability to understand the impact their investment strategy is having and to consider changes that can be made to enhance impact.

Case study 9 – Developing an impact strategy

In 2024, we continued to work with a university client as they considered the impact their investments could have through the pension scheme investment portfolio. This has been a multi-year project that involved working with the client to integrate sustainability and impact within the scheme’s investment strategy (as per case study 8 in last year’s report).

2021 Our work with the client on Impact investing began in 2021, where we provided training on what Impact investing entails and how it can be implemented. Following this, the client 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.

2022 In 2022 we discussed different approaches to implementing an Impact allocation with the client (via both public and private markets) and agreed to make this allocation through listed equities.

During 2022, our manager research team and SIT met and rated a number of managers for this mandate and produced an initial longlist. We discussed the features of the fund on the longlist with the client and reduced this to a shortlist of funds for the client to meet with.

2023

The client met the shortlisted managers during 2023. We worked closely with the managers ahead of this meeting. During the year, we also assisted the client when setting stewardship priorities around environment and climate. These priorities were a key consideration when reviewing the impact of asset managers and their alignment with the Scheme's objectives.

We identified that there were varying approaches to integrating Impact investing for each of the funds on the shortlist. Therefore, we worked closely with the managers ahead of the meeting to ensure that the following were clearly explained during the presentation to the client: 1) the investment process for each fund; 2) how Impact is integrated; 3) how stewardship is used to enhance impact; and 4) how the fund's Impact is measured.

We guided the client through a discussion to identify which fund would be the best fit for their scheme, and this involved balancing the objectives (including sustainability and stewardship objectives, and priorities) and track record for each fund in terms of return and impact. The client ultimately decided on one of the funds for the mandate, and an investment was made during 2023.

2024

This year, the client has looked to enhance their understanding of the latest climate-related risks and opportunities by holding a specific climate training day, of which we were a part. Leveraging internal university resources, the aim of this was to consider future strategic investment design aligned with climate-related risks and opportunities.

We also helped the client to hold a separate training day focusing on 'mega trends', which include climate related opportunities. This included consideration of impact investment aligned with the transition to a low carbon economy, for example sustainable forestry.

The client has existing commitments to private market investments, which will reach maturity and ultimately pay out over the next few years. The client will use their enhanced knowledge of climate risks and opportunities to consider investing in climate impact as their existing private market allocations roll off.

Case study 10 – Integrating investment policies into a portfolio

What was the issue: A defined contribution pension plan client wanted to replace the existing passive equity allocation within their default strategy to better reflect their updated principles, which included updates to some of their considerations on sustainability.

The revised fund selected would need to meet the following updated sustainability principles:

- Does the fund align with the Plan's ambition of net zero greenhouse gas emissions by 2050?
- Do the manager's stewardship priorities align with the Plan's stewardship priorities (Climate Change and Diversity, Equity and Inclusion)?

What did we do: We first provided education to the client on the different passive investment approaches now available. The below diagram helped to illustrate to the client the different types of index investing approaches available via the row headings, with the column headings representing the different methods of implementation (from exclusions through to tilts). The coloured dots then represent the availability of each approach in the market:

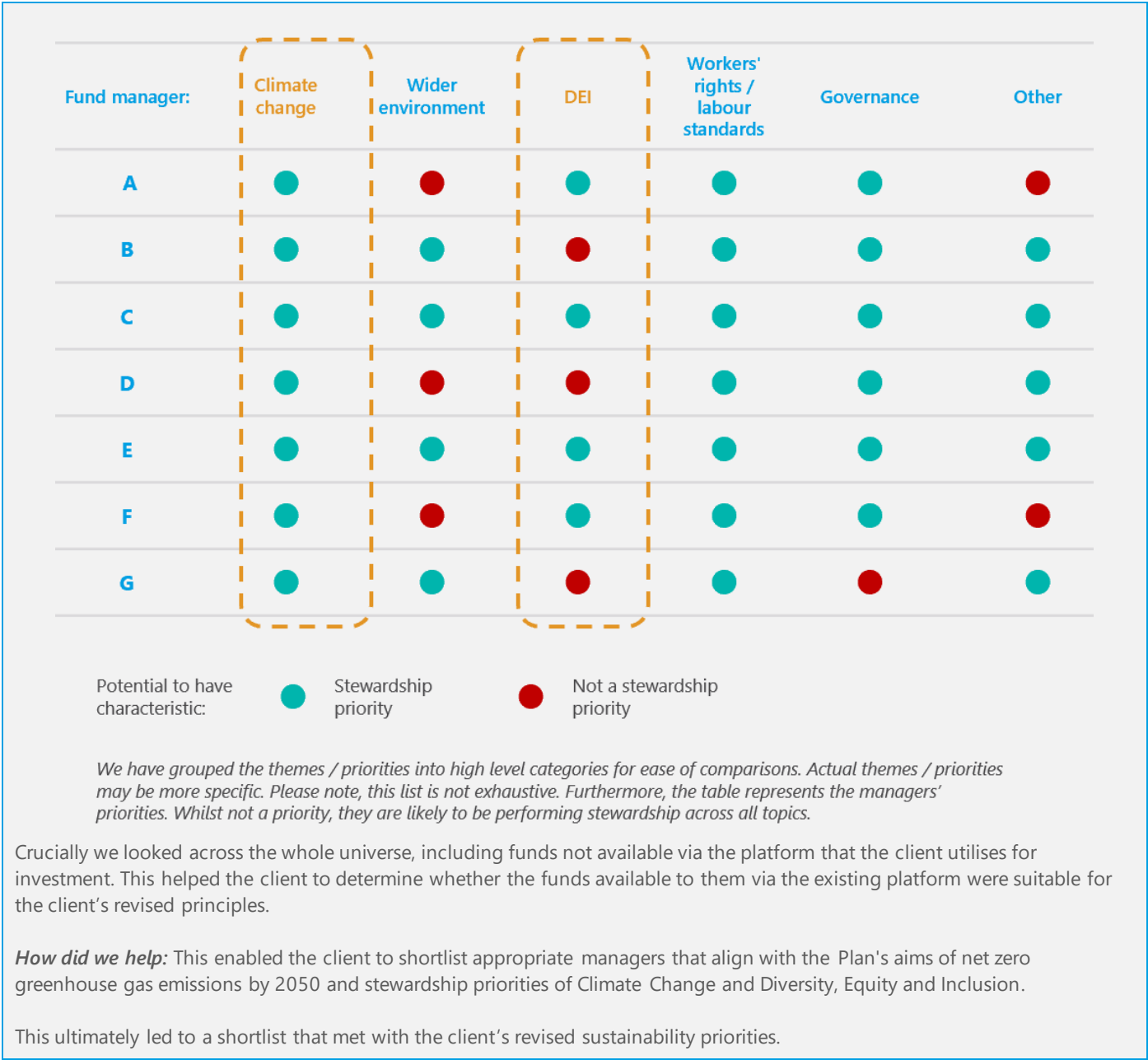
Types of index funds	Targets							
	Climate exclusions / tilts	Wider ESG exclusions / tilts	Emissions reduction vs parent	Annual emissions reductions	Green revenue uplifts	Issues wider than climate	Ethical exclusions	Example on platform?
Traditional	●	●	●	●	●	●	●	●
Climate Transition Benchmark*	●	●	●	●	●	●	●	●
Paris Aligned Benchmark*	●	●	●	●	●	●	●	●
Other Climate Transition	●	●	●	●	●	●	●	●
General ESG	●	●	●	●	●	●	●	●
Other specific issue funds (non-climate)	●	●	●	●	●	●	●	●
Ethical fund	●	●	●	●	●	●	●	●

Potential to have characteristic: ● Very likely / mandated ● Potentially / known examples ● Unlikely / no

**Climate Transition and Paris Aligned Benchmarks (CTB and PAB respectively) must meet certain minimum standards set out by EU regulation. Initial emissions reduction vs. parent indices are >30% & >50% for CTB & PAB, respectively, with 7% year-on-year decarbonisation.*

We used this to highlight the most appropriate index methodology to meet the client’s first objective of net zero greenhouse gas emissions, as demonstrated by the orange box.

Next, we looked across the fund universe for managers offering a passive investment approach aligned with the approaches highlighted in orange above. We then highlighted each manager’s compatibility with the client’s revised stewardship priorities as follows:

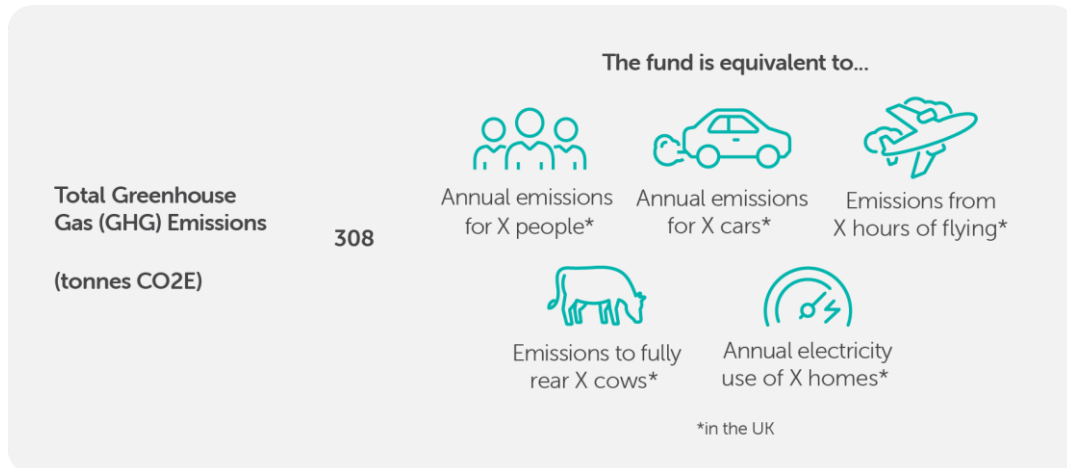


Support clients to review environmental, social and governance impact

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 9. We also include Climate Risk Indicator (CRI) and Climate Opportunity (CO) scores to help investors focus on the assets with the greatest impact on climate change. Whilst scores by asset class are helpful, we consider it important that a client has a consistent investment and stewardship approach to any area of sustainability that they wish to focus on. For example, if a client invests to create impact then engagement and voting should also be consistent with such aims. Over 2024 we made changes and efficiencies to our reporting and research processes (as discussed within the 'support' section of this report). In addition, as mentioned in the 'support' section, we are currently in the process of developing a streamlined Sustainability Monitoring report. We have developed this to support clients that are governance constrained, to help inform their decision-making in relation to sustainability-related risks and opportunities.

Our main focus in terms of our standard monitoring has been on climate as this area is becoming a regulatory requirement for some of our clients and there is greater demand for our services in this area. We expect that as biodiversity and inequality/social areas become better reported and there is increased awareness and regulation, there will be increased demand in these areas too. As a result, we are working to incorporate these areas into our standard monitoring report. An example of this is our inclusion of data points relating to DEI.

Figure 9: Visualising carbon emissions



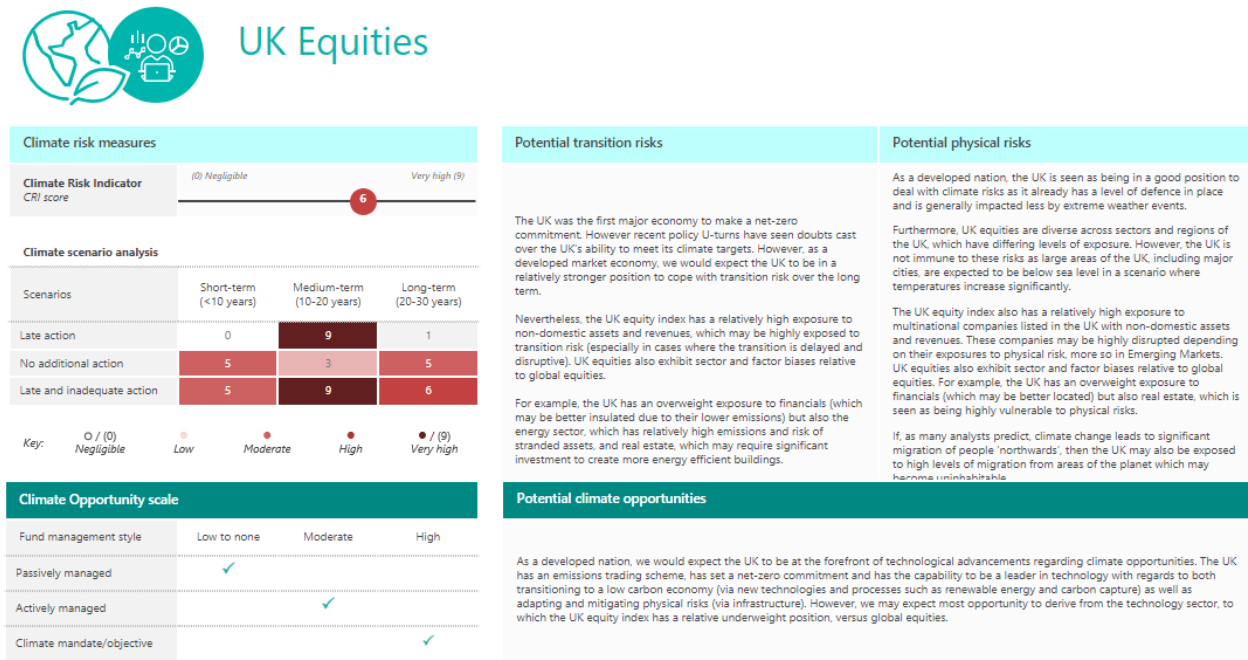
Our Manager Research Team, together with our SIT, review each of our clients’ fund managers on their Sustainable Investment credentials – we provide more information in ‘Assessing and monitoring managers’ sustainability and Stewardship credentials (including climate and impact)’ on p.28.

When we provide sustainability monitoring reports to clients, our standard is to do this annually. We believe that an annual report provides the right balance between having up to date information without being overly spurious. We have also found the vast majority of managers update their data and produce their sustainability reports annually. A client can receive reports more frequently if they wish. Within the appendix, we have provided data regarding our clients’ monitoring of impact.

For many clients, the impact of climate change on their assets is only part of their concern. The impact of all risks and opportunities (including climate risks) across all areas of strategy (such as a DB scheme’s assets, liabilities and covenants) is also of interest. Over the course of 2024, we have continued to develop our thinking on climate scenario modelling within our cross-practice working group, ensuring to help provide this insight in a manner that is consistent across our business areas. We are currently undertaking a review of data providers to assist with our climate scenario modelling. This is in recognition of the growing concern in the industry about the understatement of climate-related risks from certain modelling approaches. We want to work with a data provider at the forefront of the latest climate thinking. To ensure the chosen data provider meets the requirements of our differing business areas, including our life and longevity consulting practices, the selection exercise has involved team members across our different business areas. We expect this exercise to conclude in 2025.

Over 2024 we have provided the investment consulting team with updated ‘climate one pagers’ that reflect our research on the impacts of climate change on various asset classes. These one-pagers also consider different qualitative scenarios, and their narratives, and have coupled these with our ‘CRI’ scores to help provide clients with a deeper understanding of how climate change may impact them. An example is set out overleaf:

Figure 10: Climate one pager example - UK Equities



During 2024, there has continued to be much discussion around nature and biodiversity within the industry. We have been engaging with clients and industry-wide groups and centres of influence to contribute to a better industry understanding of the implications of this and how it can be included in clients' portfolios. This included presenting at events (such as an SPS Conference and Mallowstreet events), attending roundtables and other seminars, meeting with numerous asset managers in this space, as well as providing training to clients. All of this had consideration of the risks and opportunities of nature, how it interacts with other risks and opportunities (such as climate change) and developments in the market (such as the Taskforce for Nature-related Financial Disclosures (TNFD)) and the development of new solutions. A particular focus for us has been the interaction between nature and the climate change we are facing, and in recognition of this, we joined a working party run by GFANZ focusing on nature in net zero investment portfolios. Our discussions on how to educate our clients further on this topic ultimately led to our decision to produce the material on systems thinking as set out in case study 2.

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

We provide clients with training and wider support to consider the impact within their strategies. We provide clients with sustainability training sessions that include impact topics as standard, and within our standard Sustainability Monitoring report (within the appendix, we have provided data regarding delivering impact training and monitoring to clients).

Within our standard Sustainability Monitoring reports, we consider impacts such as climate change. In doing so, we report on carbon metrics, including Climate Risk Impact (CRI) scores, GHG Emissions and Carbon Footprint, Temperature alignment, data quality metrics, initiative signatory status and voting and engagement metrics. Furthermore, we provide real-world measures and engagement case studies 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 (including TCFD) reports. This included:

1. Climate governance – helping clients set and document robust climate governance.
2. Climate risk management – helping clients set and document robust climate risk management.
3. Climate strategy – 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 – 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.

A development seen this year is an increased focus by some of our clients on the importance of diversity in investment decision-making. We have helped such clients consider how diverse their appointed asset manager teams are, an example output for such an exercise is shown below:

Figure 11: Example output, DEI statistics of appointed asset managers.

		Arrows show change relative to 2022													
Board		Manager A		Manager B		Manger C		Manager D		Manager E		Manager F		Manager G	
Males	80%	↓	74%	↑	92%	↔	71%	↓	59%	↑	56%	↑	71%	↓	
Females	20%	↑	26%	↓	8%	↔	29%	↑	41%	↓	44%	↓	29%	↑	

Wider executive group		Manager A		Manager B		Manger C		Manager D		Manager E		Manager F		Manager G	
Males	75%	↓	70%	↓	92%	↑	82%	↔	45%	n/a	62%	↓	71%	↔	
Females	25%	↑	30%	↑	8%	↓	18%	↔	55%	n/a	38%	↑	29%	↔	

*Manager A reported 1% undisclosed gender at wider executive group level.
** Manager E wider executive group statistics were not clear in 2022 so were unreported.

We have also aimed to capture metrics relating to DEI in our SMRs as set out on page 30 under the section ‘Support Client’s stewardship and investment’.

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 2024, we assisted several clients in setting stewardship priorities. Whilst climate change was understandably a key focus for many clients, a large proportion of clients also considered wider environmental and social priorities such as nature (including biodiversity), circular economy, modern slavery, DEI, health and wellbeing and fair pay. This has broadened the scope of stewardship, impact and sustainability, wider than climate change for many clients. This, in turn, will lead to greater scrutiny of client objectives (including impact), stewardship actions and asset manager credentials (including the data they can provide in these areas), amongst other things, in 2025. By continuing to develop and use the frameworks, research and tools detailed within this report, we will continue to assist clients over 2025 across all areas of sustainability, with an enhanced focus on some of these wider areas.

Furthermore, over the year we have helped certain clients to benchmark their sustainable reporting approaches. For example, we have worked with one client to consider how their Responsible Investment Policy compared with other investors of a similar type and size.

Case study 11 – Developing better metrics and communication

There has been increased criticism of the output from climate scenario analysis over the last two years. Criticisms include that output understates the risks we face and that the output is not decision useful.

Recognising this increased criticism, the SIT hosted a webinar to:

- debunk some of the myths surrounding climate scenario analysis
- expand on the rationale for the commonly cited criticisms
- explain how investors can utilise scenario analysis for decision making

The outcome was increased conversation and increased awareness by end users of climate scenario analysis on the limitations of such modelling. This has helped to enhance reporting for clients that have a regulatory requirement to conduct such analysis.

[Climate models and investing: what’s the issue?](#)

Engage on impact investing

As covered in the “Promote” section of this report, we regularly engage with regulators and policymakers, we are members/signatories to various industry bodies and participate in consultations issued by regulatory bodies. These actions help us to maintain awareness of emerging risks and 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 as part of collaborative groups), including the Impact Investing Principles and Pensions for Purpose. Through our interactions with stakeholders, we continue to highlight the potential benefit that impact investing may deliver.

Review and assure

This section is specifically relevant for our UK Stewardship Code reporting. However, it also contains information that may be useful for our Net Zero Investment Consultants Initiative and Impact Investing Principles for Pensions reporting.

Reviewing policies and activities

During 2024, the SIT met at least monthly to review our workflow, policies and activities to ensure they supported clients' sustainable investment and stewardship goals. Information was then escalated to the wider Investment Consulting research team (through weekly catchups) and the firm's wider sustainability groups (specifically to either the Sustainability Working Group or the Sustainability Steering Group, with SIT representation on both) - please see the 'Governance' section of the report for more information on these groups, who also all meet every month.

Some areas in which the SIT undertook specific reviews in 2024 are listed below. Please note, that some of these are covered in more detail in the referenced report sections:

- We reviewed insurers in the bulk annuity market to give each a sustainability rating relative to peers; either 'ahead', 'on par', or 'behind'. This reflects the growing number of our defined benefit clients looking to secure their benefits with such an insurer. Most trustees of defined benefit schemes have written into their Statement of Investment Principles that they consider ESG factors to be financially material. Therefore, given that executing a bulk annuity transaction is an investment decision, trustees should assess the ESG/sustainability credentials of the insurers they are considering. The transaction will ultimately see liability for future pension payments pass to the insurer and so the need for trustees to assess how well the insurer integrates climate and wider sustainability-related risk management into their business and operations is of importance.
- Updating our sustainability monitoring report to provide clients with a report that is more decision useful. This included the inclusion of DEI metrics, a growing area of consideration for clients, recognising that diversity of thought is expected to help lead to robust decision-making and improved outcomes for investors.
- Linked to the above, we have undertaken a review of DEI credentials for all managers that we research
- Regular team training (including dedicated in-person regional training on sustainability matters for all Investment Consulting members) provided to the team to ensure that they are well equipped to advise clients. We also used this engagement as an opportunity to gather feedback from them and encourage them to share client feedback on advice. We continued our monthly 'SIT Down and Chat' sessions in a revamped format, focusing on specific topics each month. We also continue our regular newsletter for the Investment Consultancy team. (For more detail see the 'Support' section of the report).
- Continued to develop systems and processes with the help of our IT team and the wider investment consulting team. These developments aimed to support data collection, checking, and reporting of sustainability and stewardship information for clients, including pension trustees' implementation statement reports, sustainability monitoring reports and client sustainability scoring (for more detail see the 'Support' and 'Impact and wider sustainability objectives' sections of the report).
- General updates to our internal and external materials, including updating research and training for new information and evolved thinking, blogs and articles, input into initiatives, collaborations, consultations and other industry pieces and insight pieces. (Such examples are detailed throughout this report.)

We will continue to periodically review our processes over 2025. A key focus in 2025 will be the consideration of the data set underpinning our Climate Risk Indicator (CRI) scores. Data availability underpinning climate modelling has improved since we developed our CRI scoring approach. We want to ensure that our clients benefit from the latest available research and that our scoring approach remains decision useful. This exercise will be cross-practice, involving team members from our actuarial consulting and life and general insurance consulting practices to ensure that the data we have access to for climate modelling purposes is appropriate for all our clients' needs.

Assurances

Although the SIT leads the review and development of any changes we make to support client stewardship and sustainable investment, we take feedback from across all our consultants when rolling out new developments to clients, so that improvements can continue to be made. Our Proposition Forum, which is an internal group responsible for ensuring we deliver 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 periodically review policies across our business, including our approach to sustainability and 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. This is mostly done on an annual basis and/or when a review is warranted due to, for example, a change in market conditions, new information, etc. Through our horizon scanning, we aim to proactively review policies for anticipated market developments, ensuring our activities are robust and deliver optimal outcomes for our clients (this is done reactively if, for example, a change was unexpected and/or not as expected). In 2024, we undertook a review of the insurance market, given the growing trend for our defined benefit clients to consider risk transfer exercises and the growing need for sustainability-related considerations to be factored into the selection exercise process (see case study 3).

Specific to the creation of this report, we gathered feedback from relevant stakeholders to ensure that our report was fit for its purpose of reporting against initiatives and was a useful document for stakeholders. As part of our NZICI membership, we discussed feedback on members' reports, and we fed into the NZICI progress report. We also gathered ad-hoc feedback from stakeholders such as clients, prospects, employees, and the wider industry. We have fed the feedback into this report. For example, a key point of feedback was around wider BW commitments to sustainability. We have, therefore, strengthened the information we provide on our own commitments and our work as a business to leave a positive impact on society. No independent assurance has been sought on the information contained within this report, in line with our understanding of the common industry approach at the current time. We have also received feedback internally that this report can be repetitive in nature. This is deliberate as the report's overriding aim is to help demonstrate that we have met the requirements of the initiatives we have signed up to. We have therefore designed this report to help relevant stakeholders review our signatory status through clear signposting of the relevant sections.

We also assist clients with their own assurances. Recent examples of this have been several assurance reviews of clients' TCFD reports and clients' responsible investment policies. Our assurance reviews have considered the alignment of clients' reports to regulation and guidance, as well as the accessibility of these reports (including assisting a client in creating a separate 'member-friendly' TCFD report). We have also considered how clients' approaches differ from peers, highlighting best practice examples where appropriate. This has helped clients better communicate and engage with stakeholders on sustainability matters through greater transparency and understanding.

Ensuring reporting is fair, balanced and understandable

When reporting on our own policies externally, how we set and develop our policies ensures this reporting is fair, balanced and understandable. Our policies 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 SIT to drive the development of ideas, which includes research on the wider market's approach to sustainability and stewardship, we can assess our own approach against peers. Participating in industry groups and initiatives, such as the ICSWG and NZICI, 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, reflecting the rapid developments in the industry currently.

To ensure that sustainability and stewardship reporting to clients is fair, balanced and understandable, we recognise that the quality and completeness of data from investment managers is variable and evolving. As a result, we standardise the information we receive by asking managers consistent questions and providing 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 that may need addressing when we meet with clients to discuss the reports. We internally review and check the information we receive before sharing it with clients. We check all data and peer review all advice to ensure quality and accuracy (see 'Quality and accuracy' on p.13). Part of our work to help clients with their own assurances included ensuring their TCFD reports were fair, balanced and understandable.

While we consider we have been successful in 2024, we are continually working to improve our processes, activities and outcomes. For example, we will continue to strive for improvements in our work (using our Lean continuous improvement framework), our client delivery (through continuing to collect feedback from stakeholders and acting upon it) and also continue to challenge ourselves and the wider industry on the status quo (through our internal dialogues and our engagement with the wider industry and regulators).

Continuous improvement of sustainability and stewardship practices

Our SIT 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.

There were also a number of wider firm developments in 2024. For example, building on previous training provided, refresher training on sustainability was provided to our Actuarial Consulting Team and insurance teams; our risk and Actuarial Consulting teams have worked together to consider the concept of deep uncertainty when applied to climate change; our Employer Consulting team has put a greater focus on sustainability within our employer benefit package services; and individuals across these wider teams have been involved in publications and presentations to their respective industries. Furthermore, over the course of 2024, the work of our cross-practice group has been developing our thinking on climate scenario analysis.

The latest iteration of our framework will be rolled out to clients in 2025.

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

Reviewing, approving and signing our report

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

Our sustainability report was produced by members of our sustainability teams across BW, our SIT, wider Investment Consultancy team and colleagues across BW, with peer review undertaken by partners in our Investment Consulting area and on Management Board. Management Board, including our non-executive chair, sign off our annual sustainability report. BW is a partnership and has two independent non-executives: our Management Board's non-executive chair and an Independent Non-Executive Director to BW's SIPP business board.

Signed (on behalf of Management Board):

Andrew Vaughan

Senior Partner

Helena Morrissey

Non-executive Chair

Appendix – Quantitative data

This section is specifically relevant to our Net Zero Investment Consultants Initiative and Impact Investing Principles for Pensions reporting. However, it also contains information that may be useful for our UK Stewardship Code reporting.

Client exposures to Impact and net zero

The below tables consider the quantitative data that we are required to report on against our initiatives (over and above what has already been reported on within the main body of the report).

The data has been collated via an internal survey and includes all ‘relevant’ clients*. As such, there is an element of subjectivity in terms of answering questions (which may be exacerbated in areas such as ‘impact investing’, where there is no one-size fits all approach). Whilst these factors may over or underestimate the true numbers, given the size of our client base, such instances should be rare and are expected to have only a small impact on the overall percentage figures (which have been rounded to the nearest 5%).

*There are a number of credentials that may deem a client not relevant within our quantitative analysis. For example, this may be a client who is not ongoing (e.g. whereby we have undertaken a one-off project) and/or a client who is serviced by another consultant, fiduciary manager, etc, and we are providing an oversight service.

Table 1: NZICI metrics.

	Clients receiving meaningful education on climate change	Clients receiving baseline carbon emissions data	Clients setting a net zero ambition	Clients setting a net zero target/intention to be Paris-Aligned
% of total relevant assets under advice	60	70	5	10

Numbers have been rounded to the nearest 5%

Table 2: Impact Investment Principles metrics.

	Number of impact investment training sessions run	Clients that are investing in impact investments	Clients receiving impact metrics
As a % of total relevant assets under advice	45	45	65

Numbers have been rounded to the nearest 5%

Own operations' emissions

This data relates to operational emissions for BW during the 12 months from 1 June 2023 to 31 May 2024 (which is our most recent financial year). This period is different from the sustainability report which is 1 January 2024 to 31 December 2024.

Table 3: GHG emissions and energy use data for the period (UK and offshore).

	Current year 2023-24		Comparison year 2022-23	
	kWh	kg CO2e	kWh Previous	kg CO2e Previous
Combustion of gas (scope 1)	None	None	None	None
Combustion of fuel for transport purposes (scope 1)	None	None	None	None
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (scope 3)	135,410	32,832	176,750	42,700
Purchased electricity, heat, steam and cooling (scope 2, location-based)	5,251,260	1,016,936	4,890,160	947,819
Total gross based on above	5,251,260	1,049,768	5,066,911	990,519
Intensity ratio – revenues (per £million)	32,758	6,549	34,808	6,804
Intensity ratio – people (per Full Time equivalent (FTE))	2,784	557	3,811	745

FTE numbers are 1,372 for the financial year 2022-23 and 1,886 for the financial year 2023-24.

We have followed the guidance on Environmental reporting guidelines, including Streamlined Energy and Carbon Reporting requirements² for our current reporting year. Last year's 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 emissions³ 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 didn't record any hybrid/electric vehicles this year.

We purchase part of our electricity directly and have used kWh figures from our providers combined with the government conversion factors for carbon emissions. Directly purchased electricity, amounting to 661,000 kWh over 2023-24, is 100% renewable. We have included the full emissions in this report. Some direct electricity was not available last year due to administrative timings which have been resolved this year.

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 by 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. We do not have sub-meters in any office and our landlords do not provide data that is directly usable for this Streamlined Energy and Carbon Reporting (SECR) report; therefore, we 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 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 [3] over the quarter before the annual charge commenced. This methodology is slightly different from 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 factor.

² <https://www.gov.uk/government/publications/environmental-reporting-guidelines-including-mandatory-greenhouse-gas-emissions-reporting-guidance>

³ <https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting>



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