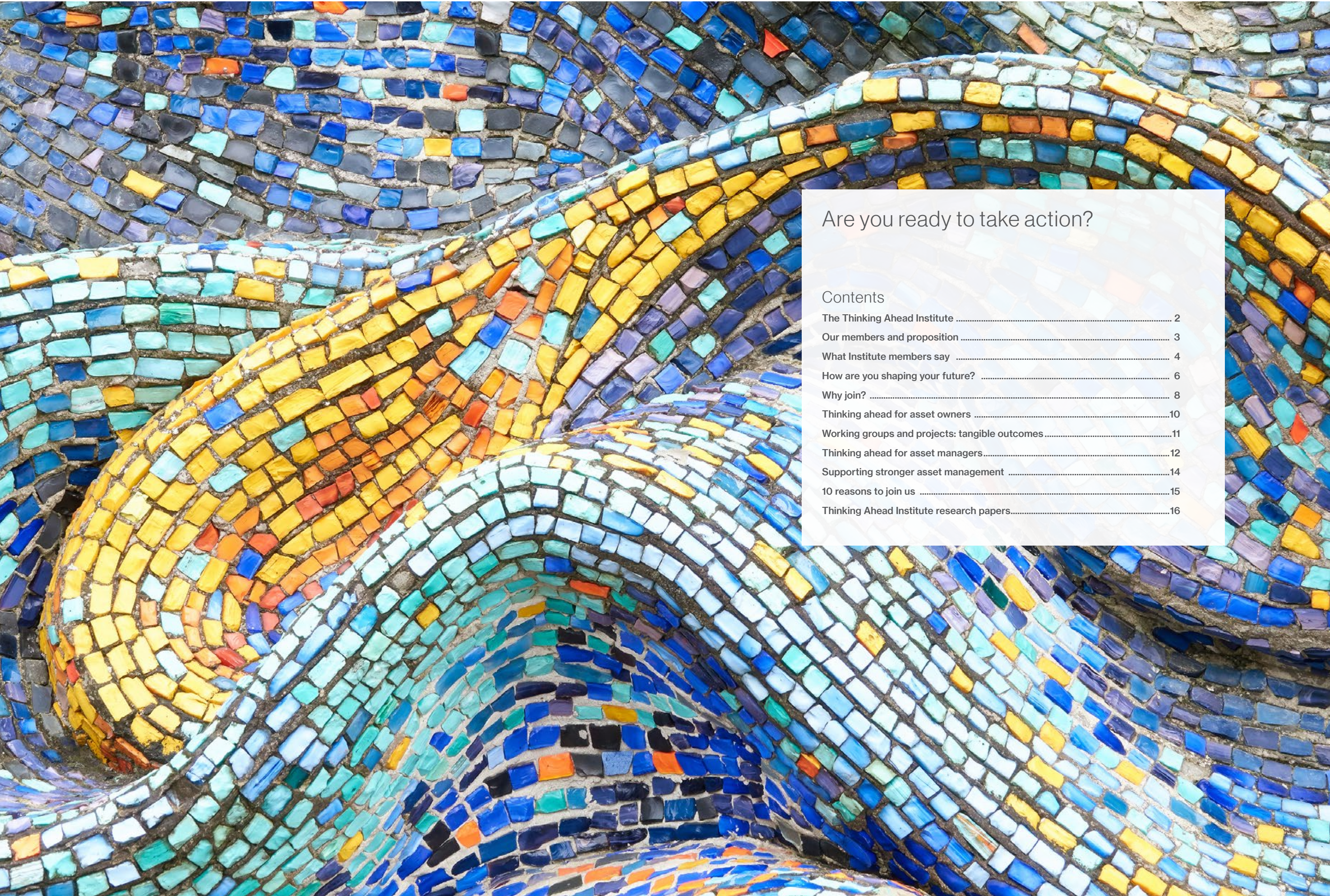


Thinking Ahead Institute

Mobilising capital for a sustainable future

Are you ready to take action?





Are you ready to take action?

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The Thinking Ahead Institute

“We believe a systems theory chain of thinking is the central paradigm to support more purposeful investments.”

The Thinking Ahead Institute is a global not-for-profit research and innovation hub which connects our members from around the investment world to harnesses the power of collective thought leadership and to bring these ideas to life. The Institute’s executive (Willis Towers Watson’s Thinking Ahead Group, or TAG), led by Tim Hodgson, Roger Urwin and Marisa Hall, comprises a diverse team of senior investment consultants with long industry experience and a strong history of thought leadership.

Since its establishment in 2015, over 60 investment organisations have collaborated to bring this vision to light through designing fit-for-purpose investment strategies; better organisational effectiveness and strengthened stakeholder legitimacy.

Our members influence the research agenda and participate in working groups and events and have access to proprietary tools and a unique research library.

Our membership currently comprises over 40 asset owners and managers with collective responsibility for over US\$12 trillion worth of assets.

The Institute is funded by member subscriptions and by Willis Towers Watson.

Investment experts in the Thinking Ahead Group



Marisa Hall
Co-Head of the Thinking Ahead Group



Tim Hodgson
Co-Head of the Thinking Ahead Group



Roger Urwin
Global Head of Investment Content for Willis Towers Watson



Liang Yin
Institute Director

Our members and proposition

Our proposition

Purpose

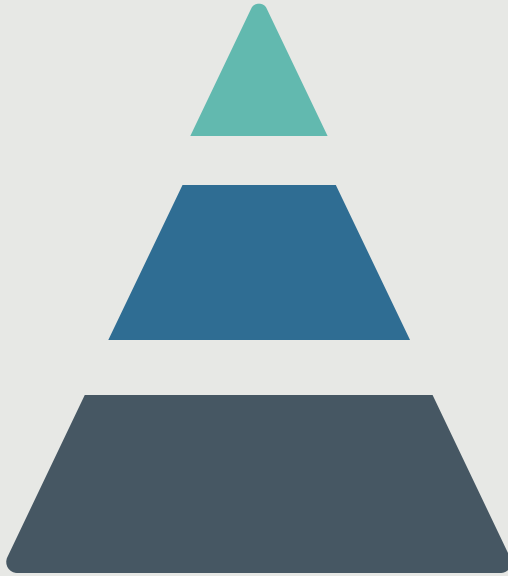
We have made it our purpose to **mobilise capital for a sustainable future.**

Vision

Our vision is to help shape a better and more sustainable investment industry that creates long-term value for end savers and contributes to a world more fit to live in.

Mission

Together with our members we have made it our mission to achieve systemic change across the investment industry, so that the provision of new capital and the stewardship of existing capital adds long-term value to the end saver, wider society and the planet.



Our members

2015	AMG	Amundi	APTITUDE	Investment Managers	Oak Pension Asset Management Ltd	BARCLAYS	CORONATION	aware	futurefund
2016	Federated Hermes International	Ninety One	LANSDOWNE PARTNERS	QIC	QSuper	RPM RALPEN	WELLINGTON MANAGEMENT	Willis Towers Watson	WILLIS TOWERS WATSON
2017	PC30	DHL Group Retirement Plan	FIRSTRAND	MFS	S&P Dow Jones Indices	nest	OPTTrust	PGB	pensioenfond
2018	AllianceTrust	BlueBay	intel	Lloyds Banking Group Pensions Trustees	LPP	QMA	NSW	corp	
2019	AberdeenStandard Investments	CAPITAL GROUP	AMERICAN FUNDS	CLAC	CQS	HESTA	Unvest Company		
2020	WELLS FARGO	ASSET MANAGEMENT	BT Pension Scheme	LifeSight	ifm	ALLIANCEBERNSTEIN	Santander Asset Management		

What Institute members say

"I love the way you tackle long-term issues (climate change, long-term mandates etc) that the industry - because of the short-term focus - does not tackle."

"Very interesting and thought-provoking external speakers."

"Involvement via working groups was very positive."

"Our annual 1-2-1 meeting was useful in focusing the minds of our senior investors on the most relevant topics."

"Your events are always well organised and communicated in advance."

"The research undertaken by the Institute is of a high quality and relevant to us."

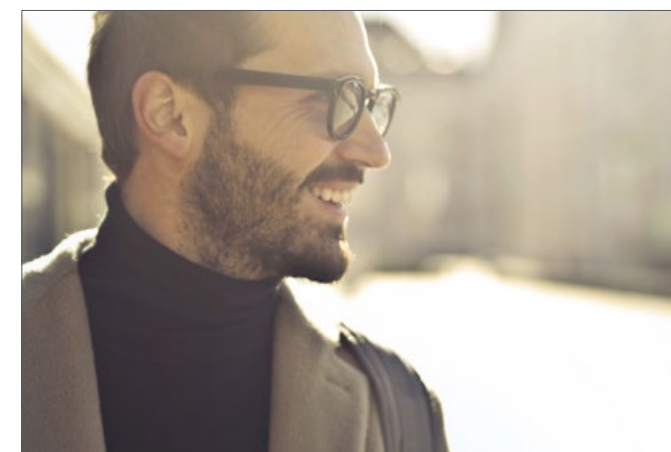
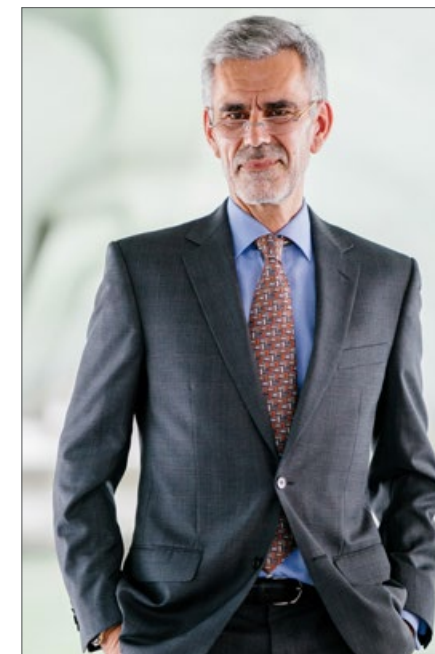
"We experienced a really good breakfast seminar where our company logo was present in the seminar pack, opportunities were mentioned to maximise involvement further and some good insights were provided."

"The TPA working group has been the clear highlight for us, with an excellent paper produced at the end of this process. Debates in this group have contributed to raising my company's awareness of the importance of this topic."

"I thoroughly enjoyed the seminar which, as always, was thought provoking and challenging."

"You and the team are doing fantastic work and I appreciated you taking the time to illustrate some of what you all have been up to."

"Really high-quality events, particularly in Australia, with significant engagement from asset owners and asset managers."



How are you shaping your future?

Being at the forefront of the investment industry and of new thinking is the goal of many asset owners and asset managers. Differentiating the organisation is critical in a competitive environment for talent, ideas, assets and clients.

But achieving this is easier said than done in a rapidly changing and complex world.

Few organisations have the time or capacity for **strategic thinking**, and fewer still have the resources to **implement** strategic thinking in the real world. Making changes that genuinely improve outcomes for end savers and, by extension, for investment organisations are elusive. Effort tends to be spent on issues that are known and quantifiable. That leaves a whole load of challenges that are less well outlined, but arguably a lot more **meaningful to investment outcomes**.

The goal of the Thinking Ahead Institute is to lead efforts to mobilise capital for a sustainable future through thought leadership and member engagement.

The Institute connects people from all corners of the investment world, harnessing their ideas through a “**give and get**” approach. This pooling of ideas leads to a range of concrete solutions to investors’ real-world problems. Consider this example of an outcome-oriented Institute initiative:

One of the Institute's first research papers addressed a key industry issue: culture and leadership in investment. One member - Willis Towers Watson - used the thinking to develop its manager research culture assessment framework, designed to assess and select asset managers based on how they deliver value to their employees and clients and how their leadership provide cultural guidance. Since then there has been increasing demand from members, and non-members alike, to have their culture measured and be empowered to manage it using proprietary Institute tools. This gave birth to the power of culture study which, in addition to being a global peer study, is supporting greater purpose and mission in the investment industry, while highlighting diversity and inclusion as a competitive edge.

These are the kinds of initiatives that take place between Institute members and lead to new thinking and solutions.

This is just one way that the Thinking Ahead Institute directly benefits its members. With over 40 existing members (with stewardship responsibility for over US\$12 trillion in assets), the pipeline of game-changing initiatives is only expected to grow.

We hope you will join and **help shape your future and the future of the industry**.

Why join?

High-quality organisations become Thinking Ahead Institute members because they agree that our world and investment are getting tougher to navigate and want ideas to journey further and better. Typically they:

- Are inquisitive and innovative and seek to engage with similarly-minded organisations on trends, context, new thinking and its application to their futures
- Are client- or member-focused and want to deepen their understanding of what other leading investment organisations want and need
- Have purposeful cultures and want to use this purpose to good effect, testing their ideas against the ideas of peers to round out their thinking and develop implementable strategies.

With over 40 members from eight countries (Australia, Canada, France, the Netherlands, South Africa, Spain, United Arab Emirates, the UK and the USA) the cross-fertilisation possibilities are enormous. The strength of the Institute is collaboration. Value is created through engagement or ‘give and get’. With your participation, these possibilities will only grow.

Give and get: it’s your Institute

The ethos of the Thinking Ahead Institute is on the practical value add and impact, rather than on *bons mots* and nice ideas. It delivers applicable ideas in a number of ways:

Research working groups. The Institute invites representatives from each member to join a working group on the basis that members get most value from the Institute if they fully engage in its work. Working groups serve as channels for Institute members to contribute directly to ground-breaking research and solutions. Members are typically involved in calls and meetings throughout the life of a research project, from initial scoping to the production of whitepapers and toolkits. Each working group is led by a member of the Institute executive, who uses best-practice guidelines to encourage progressive thinking, engagement and collaboration. These working groups have been active across: sustainability, long-horizon investment, defined contribution; decision making; value creation; and benchmarking and monitoring.

Implementable research papers with practical applications. Using the working groups, the Institute has produced dozens of research papers that improve the accessibility of Institute ideas to members who are unable to attend events. In parallel, toolkits and workshops are developed for members to use in their organisations. These include: assessing culture in investment organisations; mapping and settling sustainability beliefs against a peer-group benchmark; improving investment decision-making; and testing the extent to which an organisation is genuinely focused on the long term. Increasingly, members plan to use these tools as part of their annual **one-to-one meetings** to derive tangible value for their organisations from the research.

One-to-one meetings and workshops. In one-to-one member meetings, senior TAG executives offer insights into the unique contexts of member organisations and act as a trusted sounding board. These meetings can also take the form of workshops, which aim to be a facilitated, engaging, inclusive and collaborative learning experience to help members better achieve their goals and, ultimately, the end saver. These meetings and insights are customisable to the member’s requirements and the make-up of attendees is at the member’s discretion. Previous one-to-one meetings have included a dialogue with a small group of a member’s management team, through to a formal presentation to a member’s board at its annual offsite.

Global peer group research. TAG has been studying trends and developments among the world’s largest institutional investors for over 20 years via three annual research studies: the global pension asset study, the 300 largest pension funds and the 500 largest asset managers. More recently a fourth study was added – the Asset Owner 100, which includes data on pension funds, outsourced CIOs (OCIOs), sovereign wealth funds and endowments and foundations. These studies are used by investment institutions, in the wider industry and also publicly to effect broader change. From time to time, the Institute commissions and curates peer group studies on other topics which, in the past, have included best practice studies in governance and defined contribution.

In 2019 we also conducted a global study around the increasingly popular total portfolio approach (TPA), which looked into current and future asset allocation practices of leading asset owners.

While we are serious about changing the investment industry, we do find time for social events, including formal and informal events to facilitate networking.

Seminars and socials. Breakfast briefings and dinner discussions are held in major centres around the world, bringing members together to progress research and network. While we are serious about changing the investment industry, we do find time for social events, including formal and informal events to facilitate networking.

Deep-dive events. These events are held in major centres, where academics and industry specialists present their latest research and challenge mainstream investment thinking. Typically they focus on the threats, opportunities, implications and risk management associated with a pre-defined topic.

Website. The Institute hosts a full website containing a comprehensive research and video library, event content, news updates, podcasts and key research hubs. In addition, it hosts a members-only section and a forum for regular thought-pieces on diverse investment topics.

Fortnightly members-only newsletters. These facilitate efficient and effective engagement across the full breadth of the membership on all research topics, projects and events.

How we measure value add and impact

The Institute uses the Integrated Reporting (IR) framework – which was developed by the International Integrated Reporting Council – to report back annually to members. The main IR principle is that an organisation employs multiple capitals, not just financial capital, over multiple timeframes, to create value. In our Integrated Report we update members on our stewardship of resources and the extent to which our research streams created value and through it we aim to exemplify a high level of transparency which, if replicated across the industry, may engender a trust that is currently lacking.

Membership subscriptions

Annual membership subscription fees are available on request. As a not-for-profit organisation, financially underpinned by Willis Towers Watson, the Institute’s goal is to continue to review subscription levels as membership grows.



Thinking ahead for asset owners

Being part of the Thinking Ahead Institute offers an opportunity for asset owners to interact on a non-competitive basis and jointly develop solutions around investment strategies, organisation culture and governance, as well as wider industry issues. It is also a forum for them to influence and help shape the strategies being developed by asset managers and service providers.

Our *Asset owner of tomorrow* research paper, is an example of developing solutions for the specific needs of asset owners. This paper aimed to set out the direction of travel for asset owners over the coming 5-10 years and how to achieve change in practice. The key actionable solutions include:

- Repurposing the business model by institutionalising professionalism
- Streamlining the operating model to make more effective decisions possible
- Adapting the people model to leverage culture and diversity
- Making the investment model smarter and more sustainable

Institute membership is relevant to asset owners of all sizes and all roles within these organisations including:

Chair of trustees. Working groups cover big picture issues with recent relevant research focusing on the Asset owner of tomorrow, Better decision-making, The future of DC and Sustainability.

Chair of the investment committee. Working groups focus on, for example, better investment committees, and the long-term investment premium and total portfolio approach (TPA).

Chief investment officer (where applicable). Working groups that include stronger investment theory, long-term mandates, and stranded assets.

Corporate sponsor. Research aims to help improve culture, cognitive diversity, the state of the industry, and sustainability

Each asset owner has its own needs which can be addressed through membership. For some, it can be a way, for example, to explore sustainability, by seeing what others are doing. Others see membership as an unofficial training program for trustees, investment committee members, or for staff in the corporate finance department.

Working groups and projects: tangible outcomes

Thinking Ahead Institute is not only about identifying issues but also finding applications and creating better outcomes for investors. Examples of past and current working groups and projects that have focused on tangible outcomes are:

The power of culture study

The Institute is running the power of culture peer study for asset managers and asset owners keen to understand their own culture and leadership, where they sit on a spectrum and how they could sharpen their edge. Participants have had their culture measured and their leadership empowered to manage it using proprietary Institute tools, including a customised culture dashboard. They have also been able to make the link between strategy and culture more tangible and achievable and discovered opportunities for culture innovation, particularly around diversity and inclusion. They have also explored how greater organisational purpose can be part of the culture and vision conversation.

Sustainability and long-horizon investing

The Institute has had sustainability at its heart since its inception. Output to date includes several research papers, such as: *The search for a long-term premium*; *Understanding purpose in the investment industry*; *Mission critical: understanding value creation*; and *Sustainability – understanding impact and value creation*. We have developed a sustainability beliefs toolkit and subsequently a peer group benchmark for asset owners and managers, allowing a comparison across organisations along six belief vectors: materiality, mispricing, financial, extra-financial, consistency and uniformity of beliefs. In addition, we have developed guidelines and a workshop to help organisations: define purpose; document sustainability beliefs; and understand and communicate value created for stakeholders

Decision-making

This working group conducted a year-long exploration of institutional decision-making, drawing on both academic research (including management science) and practice and resulted in the development of a toolkit. Each individual tool, in the kit, is applicable to specific challenges in specific contexts, for example: improving the quality of inputs to decision making; improving the processing of inputs; improving group dynamics for decision-making meetings; and actually making the decision. Another key output was a set of questions that allows important decision-making groups to systematically evaluate their decision-making practice in accordance with the best-practice ideas set out in the research.

Defined contribution (DC)

This working group ran for three years and produced four research papers. The first - *Proposing a stronger DC purpose* - focuses beyond the accumulation of savings to the provision of lifetime income. The next - *DC: the movie and Lifetime income – the DC system's missing design feature* – both expand on this theme. The final paper - *The DC engagement tree* - suggests the future is likely to be hyper-customised, with increased focus on individual participants and funds need to improve their governance to fully embrace this. Other practical output from this group includes a global DC summit and a global peer study of best practices in DC.



Thinking ahead for asset managers

The operating landscape for asset management is changing faster than most participants could have imagined. Although assets globally have been stable or rising, the challenges are increasing as investors put more emphasis on outcomes.

Membership of the Thinking Ahead Institute provides access to innovative research which can help asset managers think through the pressing issues and develop workable solutions. They can also gain from networking opportunities, including access to the thinking and needs of world-class asset owners.

The Institute specifically targets certain roles within asset management organisations:

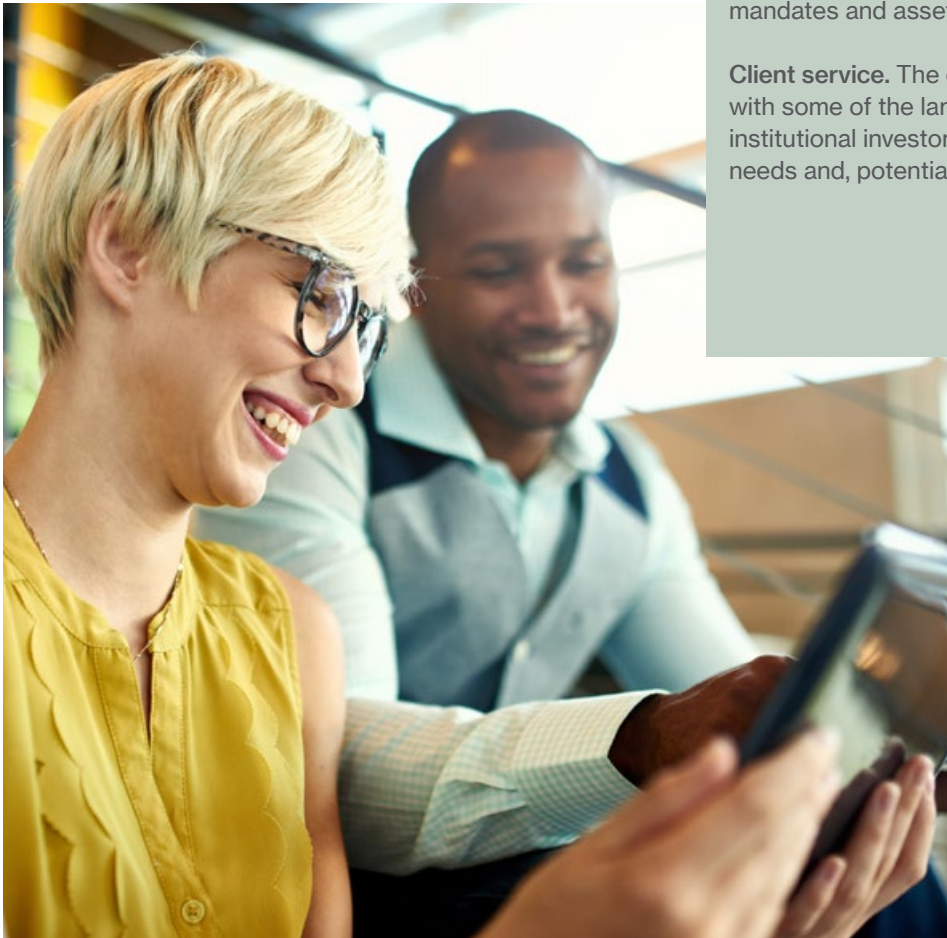
Chief executive officer/chief investment officer. The Institute hosts debates to talk about the future of asset management. Past conversations have ranged from organisational culture and issues relating to compensation and diversity, to active, factor and index tracking (and the associated shift in the skills mix), to whether the industry needs to entirely reinvent its purpose.

Chief investment officer. Research relevant for CIOs includes stronger investment theory, better decision making, stranded assets, investment as an ecosystem, culture and TPA.

Product development. Research working groups and papers on the future of DC, sustainability, long-term mandates and asset classes of tomorrow.

Client service. The opportunity to meet and interact with some of the largest and most sophisticated institutional investors in the world, understand their needs and, potentially, collaborate with them.

Membership of the Thinking Ahead Institute provides access to innovative research which can help asset managers think through the pressing issues and develop workable solutions.



Supporting stronger asset management

Two examples of recent research work streams, below, are influencing the thinking and processes of the Institute's asset manager members.

Value creation

We do not believe that value creation by asset managers is purely about outperforming market benchmarks – even though the great majority of the industry acts as if it is. In *Connecting the dots: understanding purpose in the investment industry*, we lay out a path for better articulating the industry's purpose, and for understanding how value is distributed among stakeholders. In the follow-up paper *Mission critical: understanding value creation in the investment industry*, we define what value creation is, and lay out a vision for how the investment industry can better work for the benefit of end-savers.

Understanding what value creation is (and what it is not) is a key element of the Institute's broader work stream on sustainability and long-horizon investing, work which will continue through 2020 and beyond. This includes development of a value creation code and a workshop to help organisations articulate their purpose and wider impacts, as well as to identify the steps that organisations need to take to move forward. A video series on this topic can be found on our [website](#).

Culture

Culture is the collective influence from shared values and beliefs on the way the organisation thinks and behaves. The Thinking Ahead Institute rolled out a culture assessment framework for members in 2017 followed by a research paper in 2019. This framework has been adopted, for example, by Willis Towers Watson's manager research team and incorporated into its due diligence process. Within the Thinking Ahead Institute, we've rolled out the power of culture project which has enabled us to work with organisations to help them understand their own cultural signature and leadership footprints, where they sit on a peer spectrum and how they could sharpen their edge. In addition to developing their own better cultural outcomes.

Although good culture can take many forms, there are some common indicators, such as strong leadership that distributes power, a healthy balance between employee value proposition (EVP), client value proposition (CVP), and diversity and inclusion.

"Understanding what value creation is (and what it is not) is a key element of the Institute's broader work stream on sustainability and long-horizon investing..."

10 reasons to join us

In a nutshell, here's why you and your organisation should consider joining the Thinking Ahead Institute:

1. Identify and **solve key strategic problems** that your organisation faces, or will face
2. Collaborate and **network with leading investment organisations** from across the globe
3. Stay at the leading edge of genuinely **innovative investment thinking**
4. Benefit from **high-quality research** allied to useable tools
5. Access to a sounding board and **strategic insights** through annual 1-2-1 meetings and workshops
6. **Improve your investment processes** and strategy, and operational effectiveness
7. **Test your strategies, governance and culture** against the best in the business
8. Achieve **personal stretch** through taking part in effective and productive working groups
9. Invitations to **high-quality events** providing relevant information on a range of topics
10. Be **part of the solution** the investment industry needs

Thinking Ahead Institute research papers

Culture

- The impact of culture on institutional investors
- Culture as a measurable edge
- Culture and leadership

Decision-making

- How to choose?
- Better decision-making: a toolkit
- Collective decision-making in action,
- Fundamental return attribution

Enhancing DC

- DC: the movie
- Lifetime income – the DC system's missing design feature
- Proposing a stronger DC purpose
- DC: the engagement tree
- DC: the movie
- Shifts for the DC organisation of tomorrow

The asset industry of tomorrow

- Smart leadership, sound followership
- The asset owner of tomorrow
- The asset manager of tomorrow
- Private equity
- Chinese capital markets
- Securitisation meets blockchain,

Long-horizon investing

- The search for a long-term premium
- Converting the 99 (beliefs)
- What you think you become: building a long-horizon mindset
- Patience: not merely a virtue, but an asset
- Investing in equity factors for the long run – co-authored with Amundi Asset Management



Sustainability and value creation

- Sustainability beliefs: a new measurement tool
- Sustainability portfolio construction: connecting sustainability risks to asset class returns
- Sustainability portfolio construction case studies
- Mission critical: understanding value creation
- Connecting the dots: understanding purpose in the investment industry

General investment

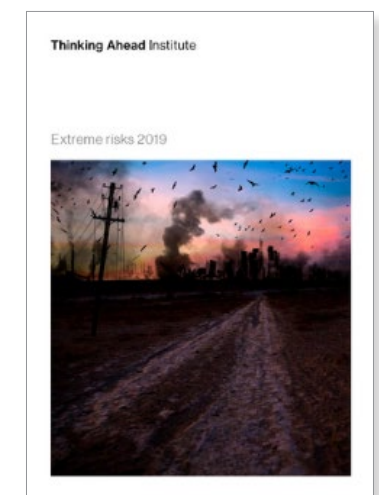
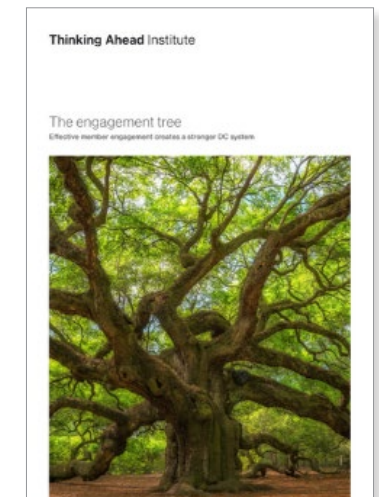
- Extreme risks
- Compensation and incentives
- Going above and beyond: stronger investment theory and practice
- Total Portfolio Approach (TPA)
- It's story time: The why, how and what of scenario learning

Investment as an ecosystem

- System thinking and investment – introducing the ecosystem perspective
- Ecosystem: case studies

Wot we wrote (forum post compendiums)

- Risk, return and impact | moving towards 3-D investing
- Value creation
- Here be dragons



Limitations of reliance

Limitations of reliance – Thinking Ahead Group 2.0

This document has been written by members of the Thinking Ahead Group 2.0. Their role is to identify and develop new investment thinking and opportunities not naturally covered under mainstream research. They seek to encourage new ways of seeing the investment environment in ways that add value to our clients.

The contents of individual documents are therefore more likely to be the opinions of the respective authors rather than representing the formal view of the firm.

Limitations of reliance – Willis Towers Watson

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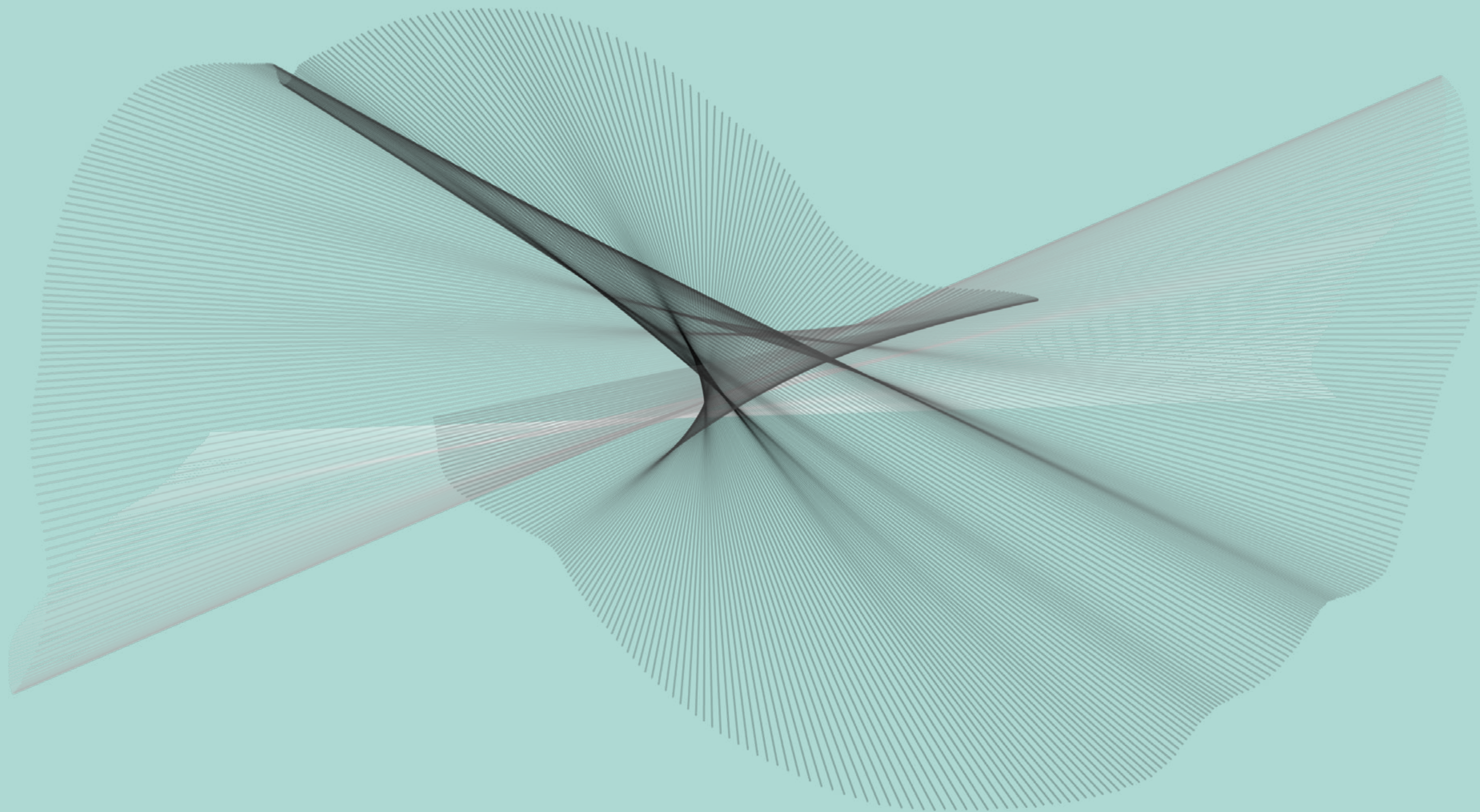
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About the Thinking Ahead Institute

The Thinking Ahead Institute seeks to bring together the world's major investment organisations to mobilise capital for a sustainable future. Arising out of Willis Towers Watson's Thinking Ahead Group, formed in 2002 by Tim Hodgson and Roger Urwin, the Institute was established in January 2015 as a global not-for-profit group comprising asset owners, investment managers and service providers. Currently it has over 45 members with combined responsibility for over US\$12trn.

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