

**Thinking Ahead** Institute

# Integrated report 2020











# Thinking Ahead Institute

## Integrated report 2020

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# Welcome to our 2020 integrated report

2020 is a year that has changed the way many of us see the world around us. It highlighted the importance of our connections with society and the planet. And these changed perspectives remind us of the importance of purpose, and of putting the individual back at the centre of our interconnected system. This is a silver lining to be cherished.

We know you share our belief that the investment industry can deliver a better customer value proposition, in part through purposeful organisations and operating effective cultures. Last year, as a team, we refreshed our purpose, vision and mission and translated it into three promises to our members:

- To provide high-quality research with strong applicability to your organisations; to be inclusive and transparent in our approach
- To be curious, collaborative and courageous while maintaining our value system which is centred around integrity and truth and respect for the individual
- To connect thinking, build deeper relationships and focus on better outcomes for all.

We believe that by delivering on these we will create value for members and, together with you, achieve systemic change across the investment industry. At the same time we can contribute to long-term value creation for the end saver and wider society, while making the world more sustainable.

Turning to the highlights and learnings of 2020, we start with our climate-change working groups - 1.5°C and Duty of Ownership. It wasn't clear how effective such large working groups would be, but the outputs and the number of individuals opting to continue the journey this year mark these as clear highlights.

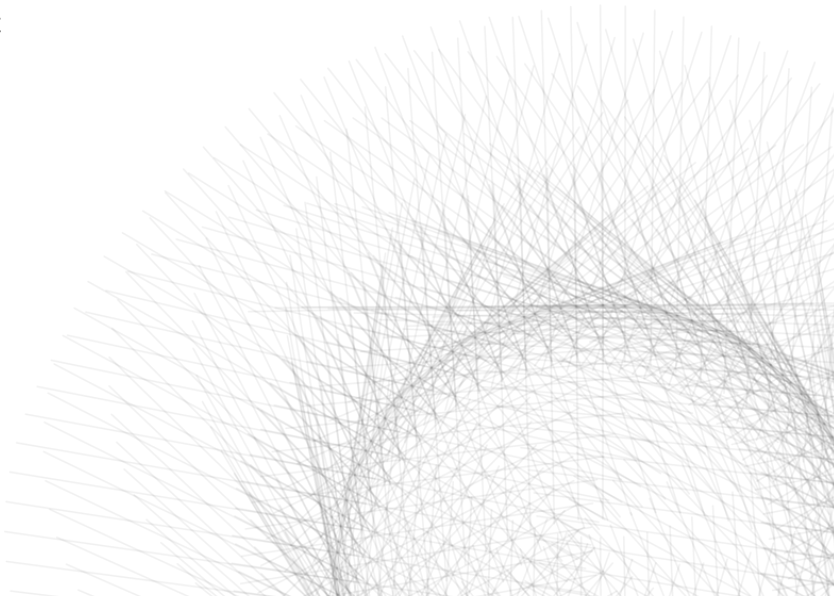
Connected, our confidence in the centrality of organisational culture to transition to more sustainable practices and improve industry resilience was boosted by good participation in The Power of Culture study, including several non-members. While the findings were reportedly empowering for leadership, particularly around diversity & inclusion and innovation, there are still unanswered questions which we aim to address in the 2021 phase of the study.

Another highlight was the record high number of 1-2-1 engagements we had with individual member organisations, largely around our Covid-related Wider Perspectives work, that really stuck a chord.

There were a number of learnings too, mainly around which channels are most effective at delivering value to you in a virtual world. Based on your feedback, we seem to have met expectations, but intend to continue to innovate, particularly around multimedia content on our website where our data reflects a tremendous increase in engagement. In addition, we'll look to offer more short virtual drop-in meetings for members.

So despite a stormy year, we are choosing to focus on the numerous silver linings we've experienced and the significant opportunities for change. We are also heartened by our growing membership, with half a dozen organisations having joined us in the past few months.

We want to heartily thank you for your support during a very challenging year and hope you find this report informative and encouraging about the next stage of the journey.





# Overview of the Institute

The Thinking Ahead Institute is a global not-for-profit research and innovation hub that connects members from around the investment world to harness the power of collective thought leadership. Since establishment in 2015, over 65 investment organisations have collaborated to bring our vision to light through designing fit-for-purpose investment strategies; working towards better organisational effectiveness and strengthening stakeholder legitimacy. This is achieved through:

- Research: papers, thought pieces, principles, tool kits
- Collaboration: seminars, communication, research working groups
- Private action: 1-2-1 meetings, workshops, projects.

## Meet the team

The Thinking Ahead Group (TAG) is the full-time executive of the Institute. We believe in the value and power of thought leadership, research and collaboration and between us have over 100 years of combined experience in the investment industry.



**Nikki Brown**  
Marketing



**Paul Deane-Williams**  
Director



**Jess Gao**  
Research



**Marisa Hall**  
Co-head



**Tim Hodgson**  
Co-head



**Roger Urwin**  
Co-founder



**Liang Yin**  
Director

## Our members

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



# Research

In this section we summarise our 2020 research work and papers and list some practical applications for asset owners and asset managers.

## Sustainability and climate change

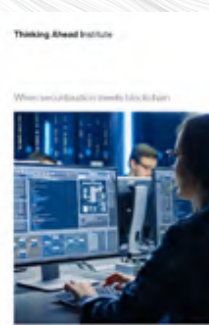
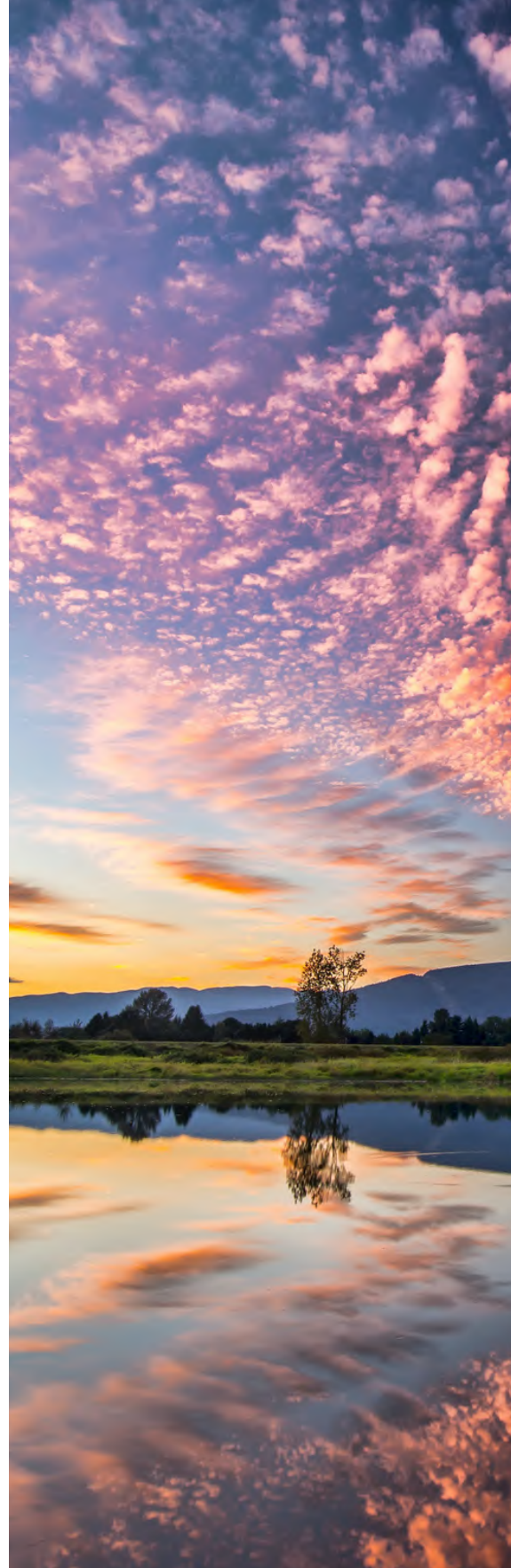
In continuing to drive our sustainability research forward, while building on our value creation and impact work, we ran two climate-change-related working groups in 2020. One focused on 1.5°C investing with the objective of guiding investors' behaviours and enabling them to become a driving force in transforming the global economy to be compatible with the 1.5°C climate target, while fulfilling their fiduciary duties. This group produced a series of five papers: Climate actions start with beliefs; The investment industry and climate change - framing the problem; How warm is your portfolio?; More primary investment; and Climate-impact dashboards.

The other working group - the Duty of Ownership - established the high-level principles and beliefs associated with active ownership and stewardship. It scoped out the components of 3D mandates targeting risk, return and impact. The findings are set out in the coming paper: With great power comes great responsibility.

## The Power of Culture study

Following five years of researching organisational culture at the Institute, last year we launched The Power of Culture study. It was designed to help investment leaders better understand their own culture and leadership styles enabling them to sharpen their competitive edge, notably in the areas of diversity & inclusion, innovation and purpose. In addition to developing better cultural outcomes at organisational level, the study aims to support more widespread positive cultural change. It comprised 15 member and non-member organisations with combined responsibility for over US\$8.5 trillion - involving over 150 leadership professionals - having their culture assessed using the proprietary Institute model and tools. The high-level findings from the study reveal that:

- A strong emphasis on culture is a prerequisite for organisational success and more important than business strategy in influencing good organisational outcomes
- Organisational purpose and actively managed culture play a key role in enhancing differentiation and resilience, especially in crisis times







- Leadership commitment to elevating and actively shaping culture is the key factor for building a competitive edge and generating sustainable business performance.

The remaining aggregate findings were written up in [The Power of Culture](#) whitepaper and shared at a [culture summit](#). Additional information was made available on a new [culture hub](#). Based on the popularity of the study, we are running it into a third phase in 2021.

### Wider perspectives on the Covid-19 crisis

Impacts from the coronavirus have been multiple and far-reaching, spanning governments, markets, organisations, end investors, wider society and the planet. Our thoughts are captured in a series of presentations - themed Wider perspectives - made publicly available on our [coronavirus coverage hub](#). Roger Urwin wrote a series of articles narrating the crisis, and we hosted our first virtual event, [The climb to the new view](#), where we discussed how the pandemic has disrupted the investment industry and explored the steps needed to climb back up together to a 'new view'.

### Good to great

Governance and culture feature heavily in our research because they are essential for realising good investment outcomes. In our view, the investment industry can improve those outcomes through better governance. We revisited this critical subject, in the context of investment committees, and produced a comprehensive best-practice guide entitled: [Going from good to great](#).

### Total portfolio approach (TPA)

We concluded a working group that explored the benefits of adopting TPA, and held a (physical!) [symposium](#) where the discussion centred around four key areas:

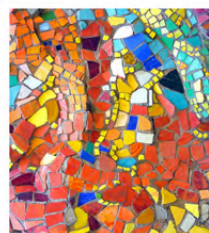
- The critical role of governance
- The centrality of culture and people
- How sustainability works better with a TPA
- The place of factors, technology and private markets.

### Your Future, Your Super

We produced a [submission](#) for the Australian government's Your Future, Your Super reform consultation, written after interviewing senior investment professionals from different super funds. In it we concluded that while the reform's intentions are unquestionably good, they will be counterproductive and member outcomes will suffer because aggregate costs will rise, long-term achieved returns will be lower and systemic risk is likely to increase.

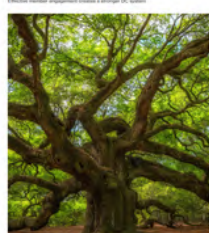
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The impact of culture on institutional investors  
What's what? Culture?



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The engagement tree  
Effective member engagement creates a strategic VC system



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What we wrote 2019  
Risk, return and impact: moving towards a 2.0 model



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Climate actions start with beliefs  
Part of a series of articles from the IFC meeting working group





# Practical applications for asset owners

Based on our 2020 research, we suggest the following as possible actions for asset owners:

**1. Start reporting climate impact.** Asset owners are being encouraged to integrate climate-change risk into decision making and report on their climate impact in a considered and consistent way. We believe a dashboard, comprising multiple measures, should be used and have developed some guiding principles for their design. These dashboards are also a valuable building block of a three-dimensional investment framework that balances risk, return and impact. [View research](#)

**2. Review current investment committee practices.** Think about whether your investment governance is up to the challenges that lie ahead, such as increasing pressures on performance, difficulties in managing complexity and potential transition to net-zero, increased regulatory influence and the growing influences from multiple stakeholders. Consider our thesis that improving investment committee practices is most certainly the best route to improving the quality of [investment governance](#).

**3. Consider the benefits associated with a TPA.** TPA approaches have been evolved by some leading asset owners around the world as a more 'joined up' investment philosophy that results in a more streamlined approach to portfolio construction. Our [research](#) into current and future asset allocation practices by some of the world's leading asset owners found that a TPA could produce a performance advantage of between 50 and 150 bps per annum compared with Strategic Asset Allocation (SAA), on a like-for-like basis.

**4. Consider more active engagement with fossil fuel companies.** [View research](#)

**5. Consider new primary investment opportunities.** Look for opportunities in renewable energy, negative emissions technologies and energy efficiency. [View research](#)



# Practical applications for asset managers

Based on our 2020 research, we suggest the following as possible actions for asset managers:

**1. Measure and assess your current culture.** Our thesis is that a strong emphasis on culture, when synchronised with purpose, is a prerequisite for organisational success at investment organisations. The importance of effective organisational purpose and actively managed culture has grown in recognition considerably of late as industry leaders acknowledge its key role in enhancing differentiation and resilience. And the factor most indicative of edge is leadership commitment to elevating and actively shaping culture in the organisation. This process starts with measurement and assessment of your current culture which can be done via [The Power of Culture study](#) phase 3. [View research](#)

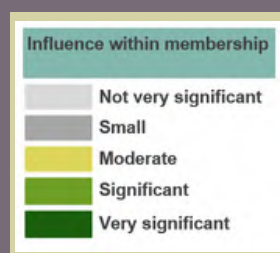
**2. Re-engage and empower your people through leadership.** There are significant opportunities for organisations to scale up by redefining

their boundaries and make more widescale change for the benefit of their biggest asset - their people. Organisations are stepping up by becoming more emotionally intelligent and humanistic. But their success relies on something quite special. It needs a new form of leadership. [View research](#)

**3. Develop and document your climate change beliefs.** Our planet's life supporting system is the ultimate complex system that matters to every one of us. In addressing the challenge of climate change, investors are facing immense levels of uncertainty, compounded by a long time horizon. These include unknown unknowns that are impossible to model or measure (eg the climate technology that is yet to emerge). A set of strong investment beliefs acts as a long-term compass to guide investment decisions in such an environment. [View research](#)

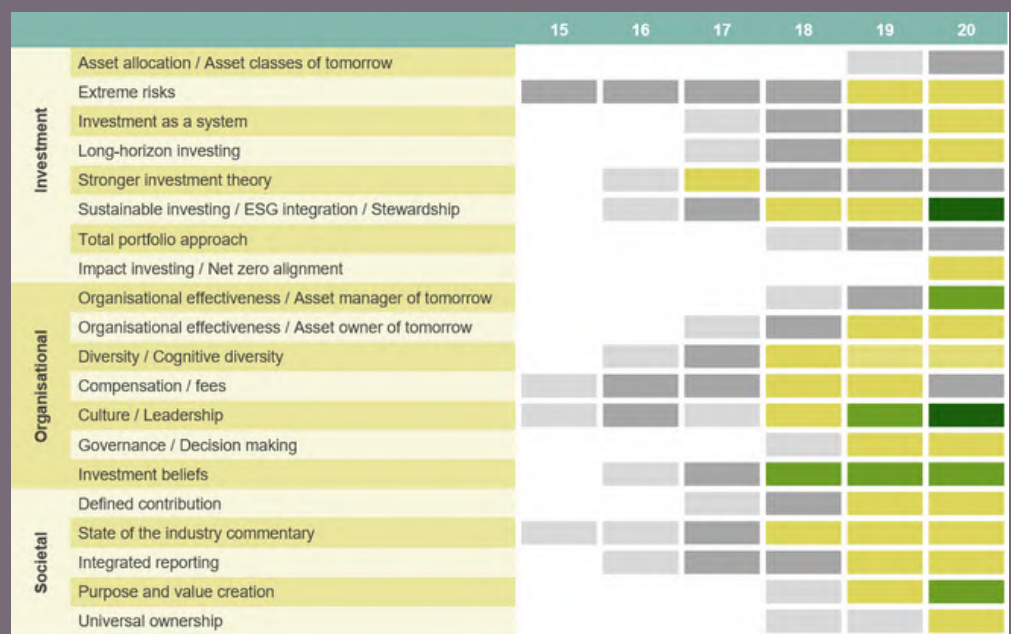


## Heatmap of influence



- This assessment of influence is made by TAI leadership and is a 'soft data' measure
- See qualifications to all 'soft data' in the TAI blog ['Measurement as part of the solution not part of the problem'](#)
- Measures of influence are essentially unobservable but good process can be used to produce a best estimate for the 'true' value
- With full transparency of this measure, it is possible to make an inference of its accuracy and usefulness
- We have adjusted our grading methodology of our influence within membership. Past data has been restated.

We use a heatmap to chart the extent to which our research makes an impact within the membership. The degree of impact reflects the subjective views of the TAG team and our assessment of members' engagement in these areas.





# How the Institute creates value

## Creating value for members



In line with guidance from the International Integrated Reporting Council (IIRC), it is important to look at how an organisation creates value over time for various stakeholders using capital from multiple sources (financial, intellectual, human, social and relationship, natural and manufactured). Below we provide some comments on how we create value for our key stakeholders.

**We want to help our members better fulfil their commitments to more sustainable outcomes for end savers, wider society and the planet.**

Our members are very important to us and we want them to derive value from Institute membership. We collaborate with members to design fit-for-purpose investment strategies; work towards better organisational effectiveness; and strengthen the industry's stakeholder legitimacy. This year our members scored us 7.6/10 when they assessed us on creating member value (see next section).

### Being a member of the Institute means:

#### 1. Being at the forefront of new investment thinking.

- Our members drive the [research agenda](#) and we work with them to co-create intellectual capital and develop proprietary investment tools and practical solutions (see previous section)
- Over the last year we ran 25 tailored 1-2-1 sessions and worked directly with 9 leadership teams on assessing and managing culture as part of The Power of Culture study
- We were proud to have two of our global studies - the Global Pension Asset Study and the World's 300 largest pension funds - receive highly commended awards in the best pensions papers category with Savvy Investor
- On the Institute's members only [discussion forum](#), we published 21 Investment Insights, setting out our latest thinking. We also co-wrote 15 research papers with members over the year and regularly send members Memo - our twice-monthly newsletter featuring our latest research.

#### 2. Collaborating with some of the world's leading investment organisations and academics committed to influencing the industry for the good of end savers, wider society and the planet.

- Working groups are a fundamentally important mechanism for maintaining and growing our relationships with members. Last year we ran two significant research working groups - the 1.5C investing working group and the Duty of Ownership working group. Around 15 Institute members actively participated in these working groups and 75% of members that provided feedback felt that the working group was highly valuable to their organisation.
- We ran 8 events for members with over 44 organisations in attendance. Average feedback for our events was 4.5 out of 5

- We maintain a network of academic partnerships, including Pembroke College at the University of Cambridge and project-by-project work with Oxford University. In addition, academic experts from other leading universities have presented at Institute events, for example Professor Tim Lenton from University of Exeter, Dr. Ashby Monk from Stanford University and industry representatives such as Sarah Maynard - Global Head of Inclusion & Diversity and Margaret Franklin - President, from the CFA Institute and Martin Rich, Co-founder and Executive Director of Future-Fit foundation
- We have spent time developing our digital capabilities so that members are able to directly engage with each other and the Institute's research through our website, [videos and podcasts](#).

#### 3. Driving positive change to create a sustainable future in a world worth living in.

- In partnership with our members, last year we held our first virtual global public forum '[The climb to the new view](#)' focussed on gaining wider perspectives on the impact of the COVID-19 crisis on investment organisations and society, in partnership with our members
- We also launched our [3-D investing podcast](#), produced a number of videos with members featuring leaders advocating for positive change and ran social media campaigns on building more inclusive teams, communicating investor impact and understanding what gaps need closing in order for organisations to make progress on sustainability
- As advocates for change, we believe it is important for our research with members to have a public voice and so the TAG team regularly speak at a number of external events and do media interviews and podcasts. The Institute's work has been published in over 30 industry magazines, journals and newspapers.



## Creating value for colleagues



**We want to be a great place to work, with the development opportunities to enjoy a high quality and fulfilling career in a supportive and inclusive environment.**

- We believe that inclusion and diversity are key to building a fairer culture and a stronger and better business model. We actively implement turn-taking where everyone's voice can be heard and use techniques from our [better decision-making research](#) to harness the power of cognitive diversity to improve our collective intelligence
- TAG actively fosters a culture of continuous learning, and supports the making of mistakes as evidence of progress. Every year, each colleague receives 360 degree feedback and is assessed on adherences to wider WTW values of teamwork, member focus, integrity, respect and excellence and TAI values of being curious, collaborating, caring and courageous
- Researchers in particular are expected to read widely, share thoughts, and contribute to the development of colleagues. The team meets weekly to test ideas and learn from each other and also regularly engages with external academics, industry practitioners and multidisciplinary experts to improve their knowledge
- Since the start of the pandemic we were keen to particularly focus on colleague well-being. Over the last year, we introduced weekly team stand-ups where colleagues are given the space to share and are encouraged to score their level of engagement (including work/life considerations) and their level of stress to create a 'net happiness' score. As a team, we also do more formal culture check-ins every 3 years, using our propriety culture framework, with our last assessment in 2019.

## Creating value for wider society



**We want to help contribute to the global society that we live in and support our members and our colleagues in doing so.**

- Our core purpose is to mobilise capital for a sustainable future and so it is important that we influence not only our members, but the wider industry as a whole. Our members scored us 7.4/10 on how well we influenced the industry (see next

section for further details) and our research agenda continues to have a significant focus on contributing to wider society through sustainable investment and through our work on culture, leadership and diversity in the investment industry

- Each year we produce a number of publicly available industry-focused studies: the Global Pension Asset Study, the World's 300 largest pension funds and the World's 500 largest asset managers (in collaboration with Pensions and Investments) and Asset Owner top 100 study. These studies remain popular and are the most downloaded content on our website
- We also made 15 research papers publicly available on our website, and have a dedicated 'friends of the Institute' newsletter, [Grapevine](#), to share our research more widely (the readership of which has doubled over the last year). We held our first virtual global public event, The climb to the new view, with over 278 attendees
- We believe that great thinking can come from multiple sources and as part of our duty to encourage insightful industry research, we partnered with Savvy Investor to judge a new category - the Most Innovative Paper of 2020 - which was won by Duncan Austin for [Milton Friedman's hazardous feedback loop](#).

## Creating value for the planet



**We work with our members to understand the real-world impact of their businesses and how they invest on behalf of end savers. As an Institute we believe that how we act is important and we aspire to have a minimal carbon footprint.**

Over the last year, like many others, we significantly reduced our air and land travel due to the global coronavirus pandemic. This has allowed us to accelerate our exploration of new ways to communicate with our members and innovate our event delivery model using technology platforms. With the continued aspiration of minimising our carbon footprint in future, post-pandemic we will continue to maintain a greatly reduced travel itinerary using electronic means where possible and provide links to electronic versions of research documents to reduce paper use. We will continue to advocate for investors understanding their impact on the planet through our research on sustainability, 3-D and universal investing and the duty of ownership.



# Advocacy

## Media coverage

- 401k Specialist
- Actuarial Post
- AP Bankers
- Asian Investor
- Best Execution
- Deal Street Asia
- European Pensions
- ESG Clarity
- Financial Standard
- Financial Times
- Funds Europe
- FundFire
- Funds Global Asia
- Ignites Asia
- Institutional Asset Manager
- International Investment
- Investor Daily
- Investment News
- Investment Week
- Money Management
- Pensions & Investments
- Pensions Age
- Portfolio Institutional
- Professional Adviser
- Professional Pensions
- Private Equity News
- Super Review
- The Asset
- The Economist
- Top1000funds

## Examples of speaking opportunities at global forums

- CAIA
- CFA institute
- The Connexus Institute
- The Diversity Project
- FCA
- i3
- Investment 20/20
- Investment Association
- MSCI
- Westminster Parliament
- PRI
- Scotia Bank
- Women in Finance Awards and Summit
- Women in Investment Festival
- Willis Towers Watson



# 2020 in figures

## Content

**15** published papers  
**21** forum posts  
**11** podcast episodes  
**8** organised events

## Engagement

**46** members  
**21** working group calls  
**391** event attendees  
**2,424** social followers

## Reach

**169,677** website visits  
**185,024** social media impressions  
**111** media releases  
**444** receiving Memo



# Member assessment



We aim to continually improve and learn from member feedback. This year we asked members to complete a short survey in four parts: two scored responses, and two free-form responses.

1. Influencing the industry:

• Thinking Ahead Institute research is highly regarded, influential and widely cross-referenced in the investment industry

• The Institute is effective in promoting a better and more sustainable investment industry for the public good through events, trade media and social channels.

2. Creating member value:

• High-quality research and events, with useable content, are delivered in an engaging way


• The Institute provides a useful forum to members for wider industry engagement

• Members are using or adopting some of the content and innovations developed in the Institute.

3. What were any Institute highlights for you during the year?

4. Please identify improvements we could make to provide better member value.

We were scored as follows:

	Min	Max	Average	Weighting
Influencing the industry	3	10	7.4	50%
Creating member value	4	10	7.7	50%
Overall score				7.6/10

Score out of 10 by 27 individual members

# What surveyed members said

## Highlights

"**Working groups** and **culture** analysis."

"**Research**"

"The **Culture study**"

"**Sustainability** WG hit a new level of member engagement and idea sharing; the **sustainability summit** was also a highlight showcasing the Institute's thought leadership".

"**Sustainability Summit** and **Power of Culture**." "The **TPA research**"

"1-2-1 **Culture** meeting with Roger and Marisa."

"Got **the events** spot on this year - length/content etc."

"The last few sessions of the **1.5C WG** where we really got away from theory and more into **addressing the challenges** we have on reporting."

"The **working group** was awesome. Also the meeting with Mr. Urwin was great and useful."

## Improvements

"**Clearer communications** around when new workstreams are starting/recruiting."

"There has been a lift in focus on **practical member tools** and it's important that this momentum continues."

"**Biodiversity** could deserve more attention."

"**More asset owners** as members, more WTW house views."

"I felt the Institute was **lower profile** than it should have been in 2020."







## 3-D Investing podcast

Listen on:

[TAI website](#)

[Spotify](#)

[iTunes](#)

[Stitcher](#)



# 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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### About the Thinking Ahead Institute

The Thinking Ahead Institute was established in January 2015 and is a global not-for-profit investment research and innovation member group made up of engaged institutional asset owners and service providers committed to mobilising capital for a sustainable future. Currently, it has over 45 members around the world and is an outgrowth of the Thinking Ahead Group which was set up in 2002.

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