

Thinking Ahead breakfast seminar (TABS) | Melbourne

21 March 2023



Who we are

A member-driven global not-for-profit research and innovation partner with a change agenda



Our Mission:

To achieve systemic change, through research and innovation across the investment industry that creates long-term sustainable value for our members, wider society and the planet.



Our Members:

50 institutional investment organisations globally, comprising asset owners and managers, with combined responsibility for over **US\$16 trillion.**



What we do:

- Address hard questions
- Co-create original research
- Engage strategically and use proprietary toolkits
- Collaborate to solve industry issues
- Produce and host a range of events

What we will cover

Case studies



Ellie Boston-Clark
WTW

Sustainability



Roger Urwin
TAI

Future of work



Marisa Hall
TAI

Systemic risk



Tim Hodgson
TAI

DC



Brnic van Wyk
ART

Current issues



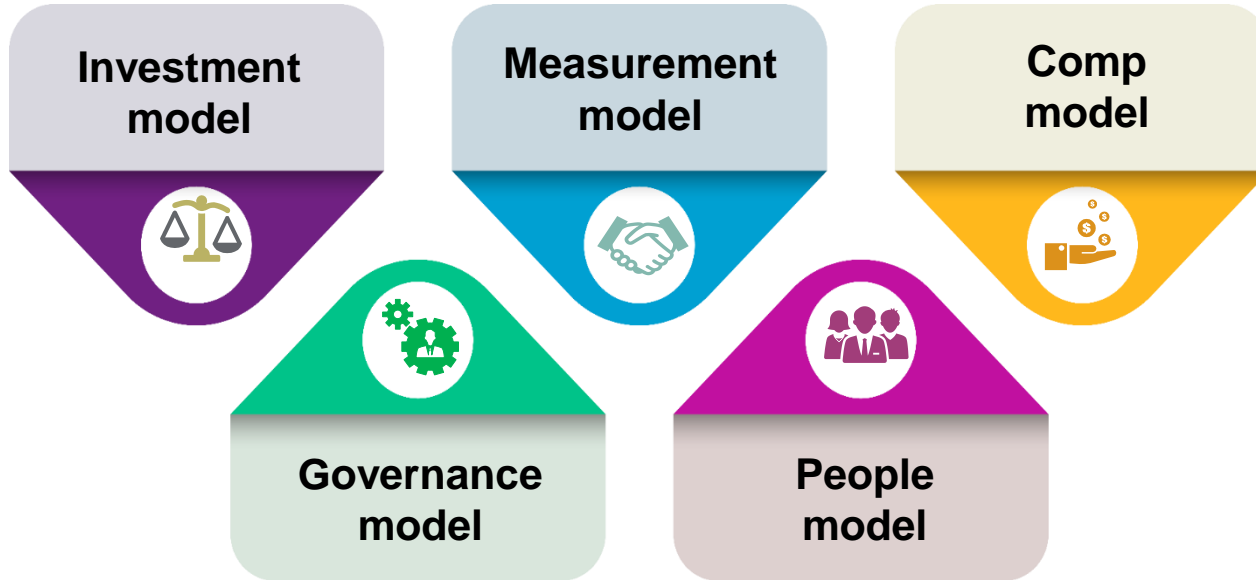
Martin Goss
WTW

Measurement case study: TAI and WTW partnering on client solutions

Ellie Boston-Clark



Visualising the bigger picture through a model framework



Case study – USS – project on balanced scorecards

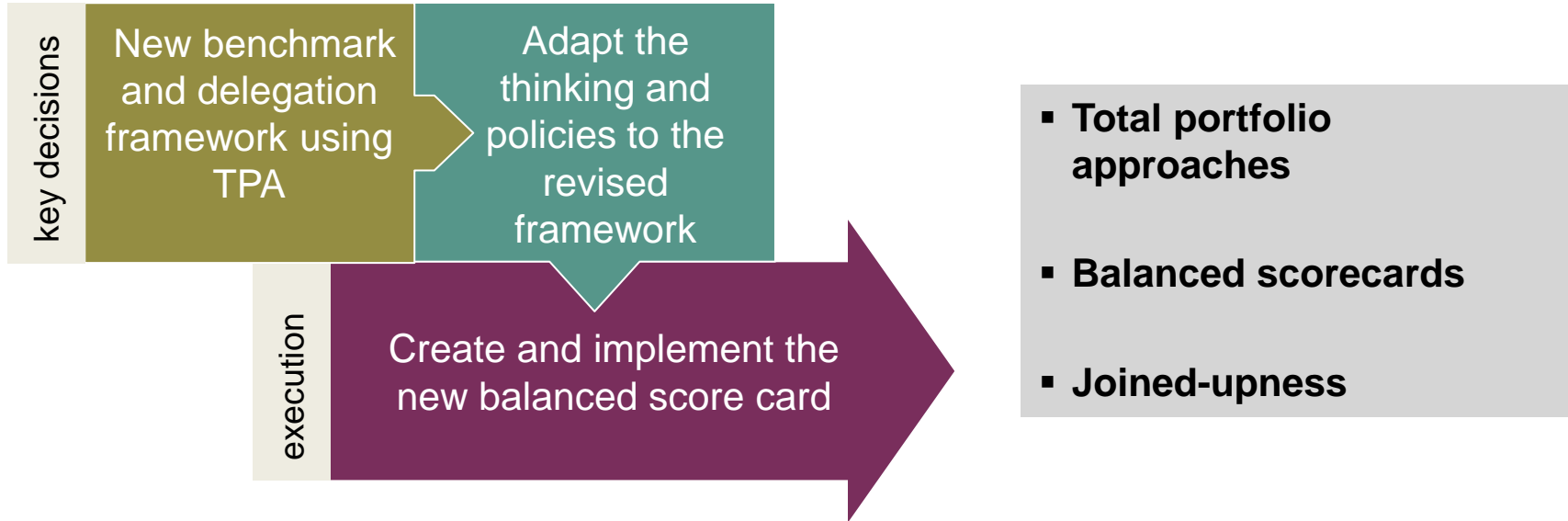
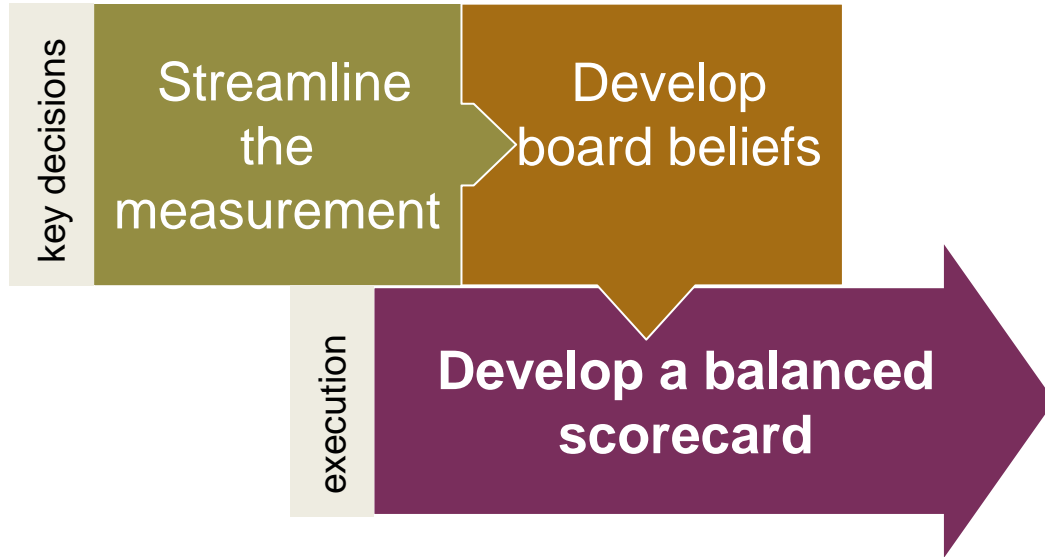


Illustration of the USS balanced scorecard




Source: USS and WTW


Case study – leading Canadian public fund – project on improving measurement




- **More long-horizon measurement**
- **More total-fund emphasis**
- **More regard for the soft stuff**

Conclusions – new thinking on measurement




Management by objectives only take us so far


The rise of balanced scorecards


Systems leadership called for to address the Board's problems

The truly sustainable investment organisation

Roger Urwin



Landscape for investors in the move to a 3D investment framework

Duty of ownership working group



Applying systems-theory

- The ecosystem* has many moving parts
- Everything connects
- Data is messy
- Collaboration is critical
- Behaviours and incentives matter



Using the 3D framework (risk, return and impact)

- Applying long-term integrated thinking
- To core and advanced ESG practices
- To achieve high risk-adjusted returns and real-world positive impacts through investing and stewardship/ ownership

**Note: The ecosystem comprises all relevant factors that drive investment markets and organisations*

PRI – TAI stewardship resourcing project

Helping the industry to a more effective resourcing model

01

Right time for stepping up on active ownership

02

A key idea is right sizing the sustainability effort

03

Adopting universal ownership strategy / systems investing



The pitch – universal ownership mind-set

Investment organisation of tomorrow working group



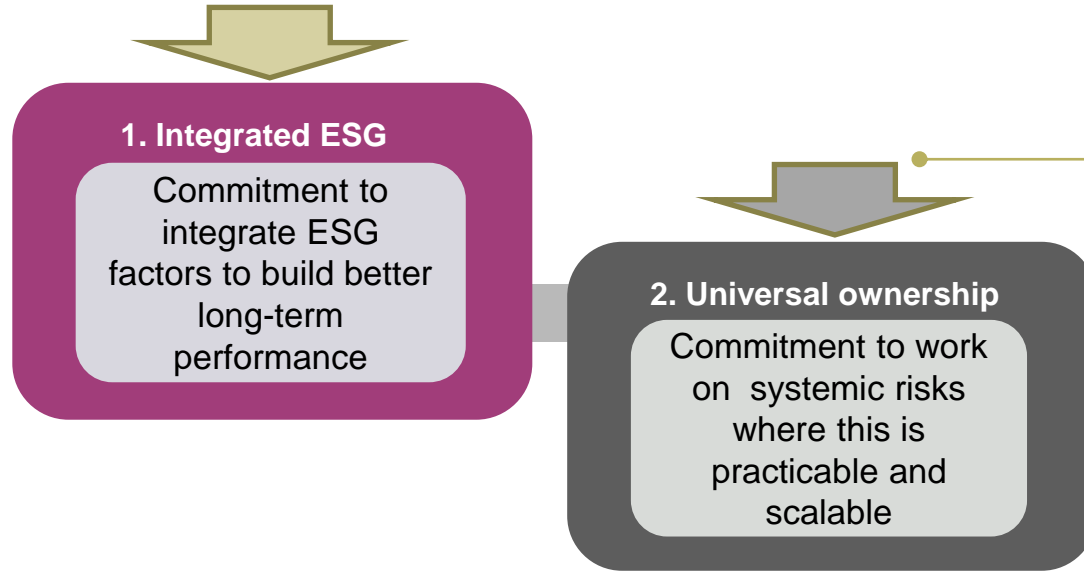
1. Integrated ESG

Commitment to
integrate ESG
factors to build better
long-term
performance

- Moving from integrated ESG starting position

The pitch – universal ownership mind-set

Investment organisation of tomorrow working group

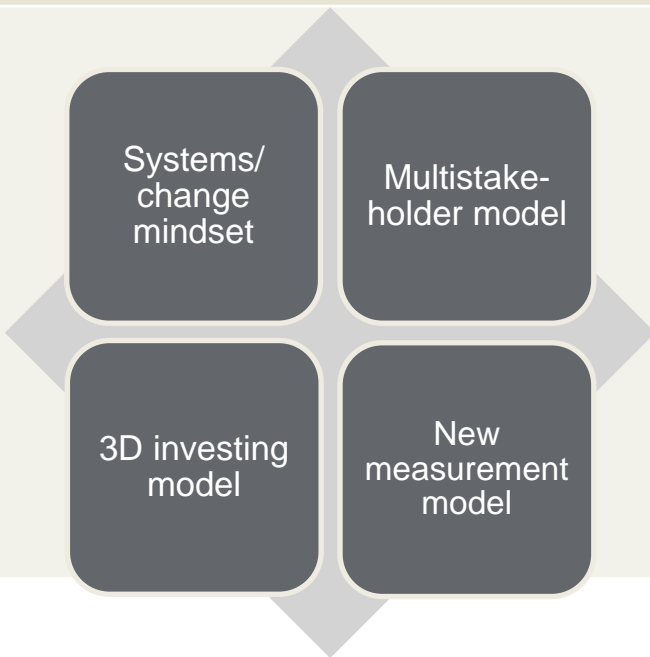


- Moving from integrated ESG starting position

- To universal ownership starting position, mindset and strategy

Successful sustainable investment organisations

1. Truly sustainable = sustainable in organisational longevity and investment focus



2. Success model

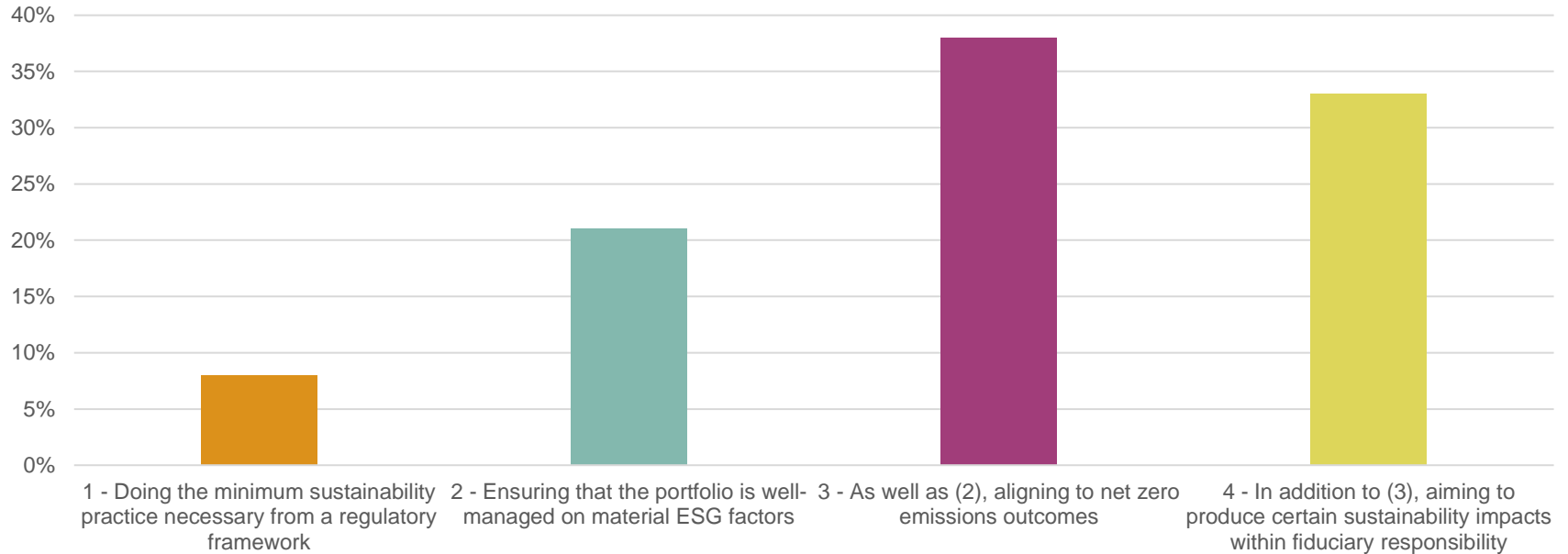
To be truly sustainable requires a combination of exceptional capabilities and culture

3. Scale advantages

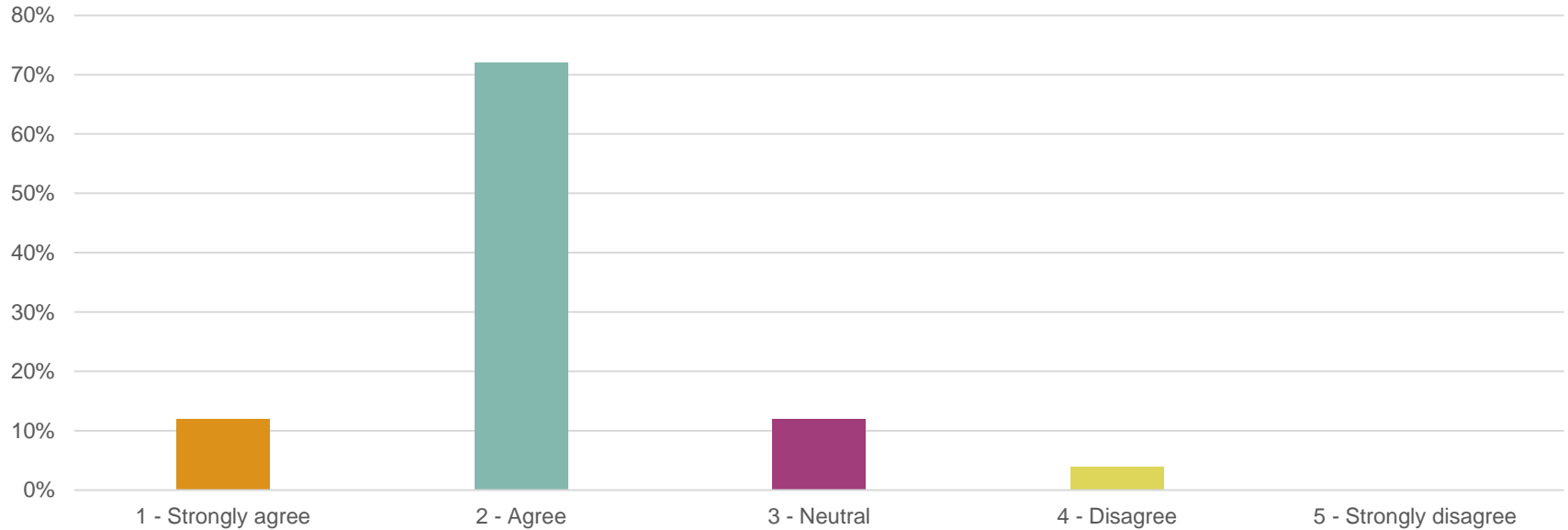
With more beta emphasis over alpha, a more select set of organisations emerge that can benefit from economies of scale

<https://www.top1000funds.com/2021/01/3d-framework-a-game-changer/>

Where is your organisation's sustainability ambition going? (results)



The quantum of resources (specialists full-time, portfolio managers part-time, etc) applied to stewardship in the investment industry is not currently adequate (results)

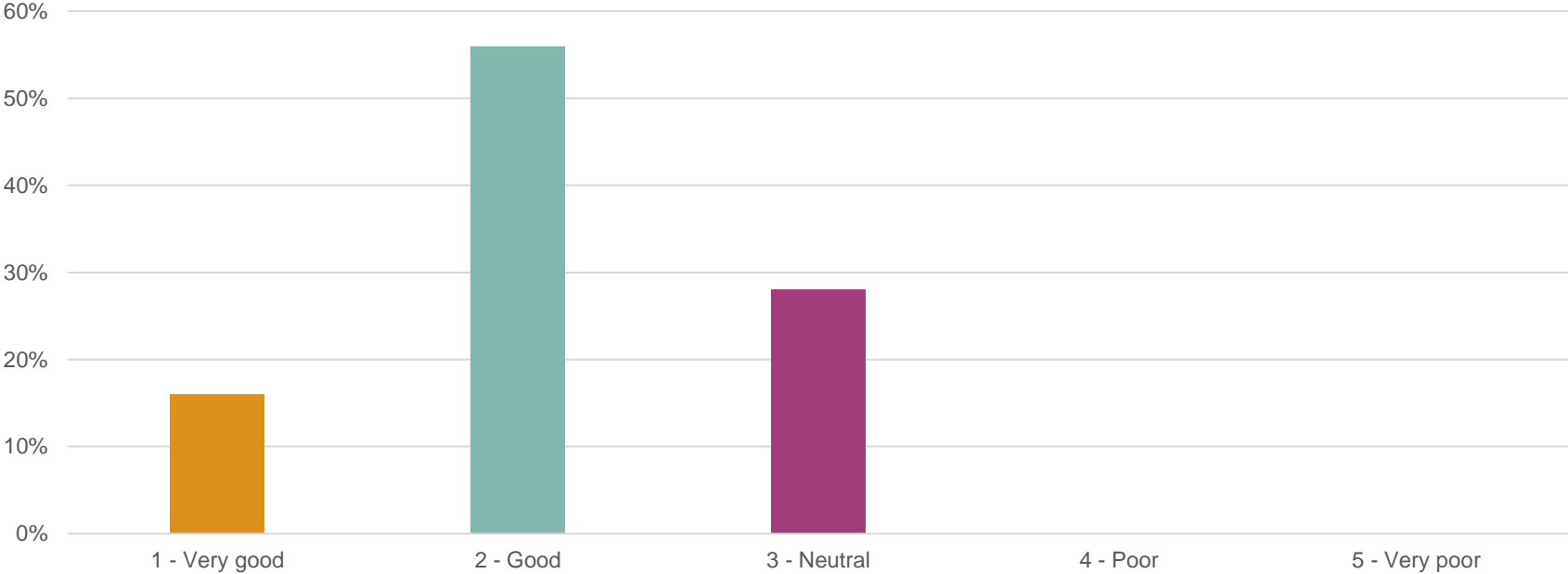


Future of work case study: TAI partnering on organisation work design

Marisa Hall



How would you rate your organisation's current hybrid arrangements? (results)



THE GREAT RESET



... where companies have a responsibility, and a rare opportunity, to rethink organisational and workplace structures and to invest in their workforces...



– Klaus Schwab, executive chairman of the World Economic Forum

XYZ Limited – a large global investment organisation

Our case study



Hybrid design

Office vision

Productivity

Social capital

1. Hybrid design – underlying principles



2. Office vision – work design matrix

01

Office value needs enhancing – it has to be worth the commute

02

The office needs high interactive content which needs careful planning

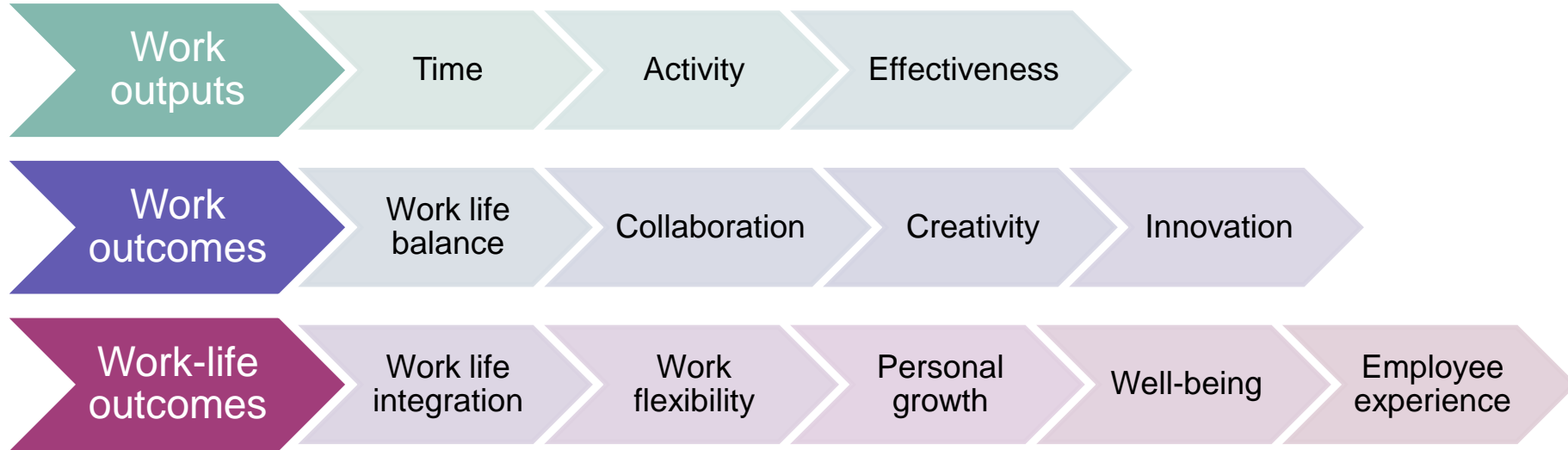
03

You need to work with some sort of work design matrix – see below



Work design matrix		The work category that the majority of this task works best with	
Task	Social capital	Remote	Office
Focused	Small	x	
Oversight	Moderate	x	
Coordinating	Small	x	x
Co-creation	Moderate	x	x
Upskilling	Small	x	x
Influencing	High		x
Water-cooler	High		x
Coaching	High		x

3. Productivity is multi-faceted



4. Building social capital through **SUPERTEAMS**

01 ...defined by exceptional accomplishments & outcomes



02 ...exploiting collective intelligence & cognitive diversity



03 ...applying diversity, equity and inclusion (DEI)



04 ...developing and utilising culture & social capital



05 ...and adding governance

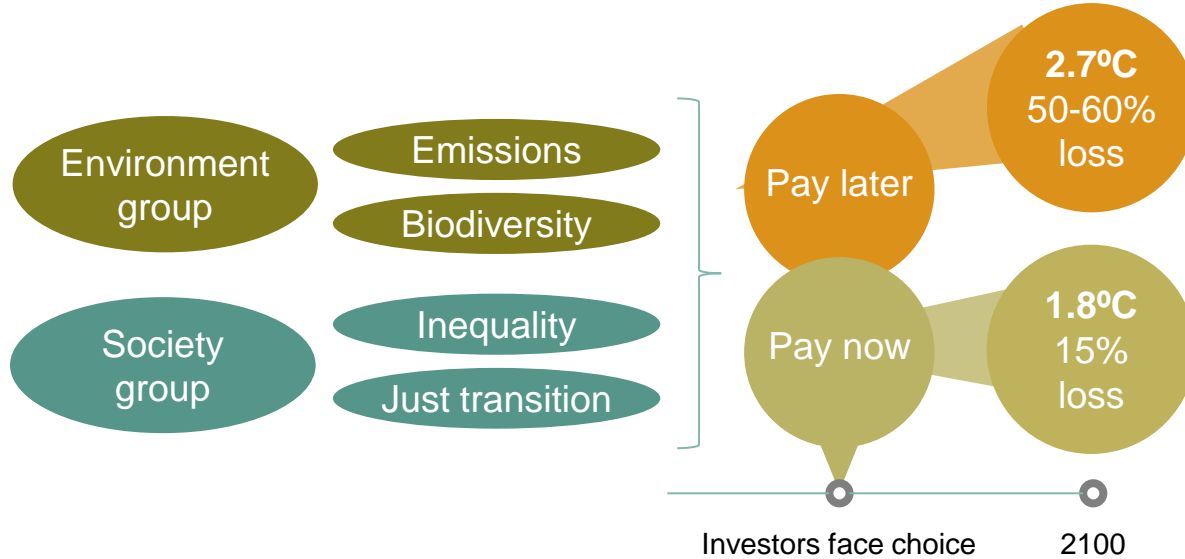


Systemic risk has grown up, so must risk management

Tim Hodgson



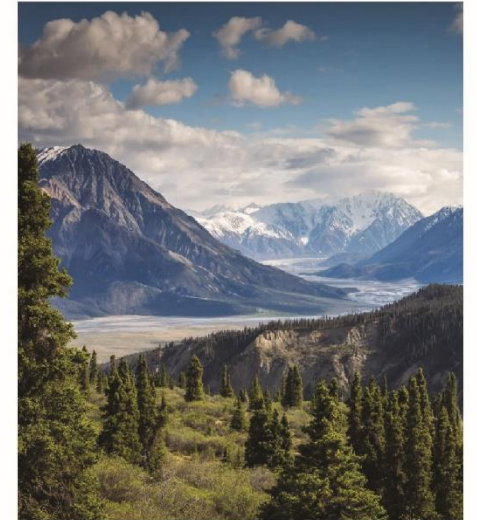
Investing for tomorrow



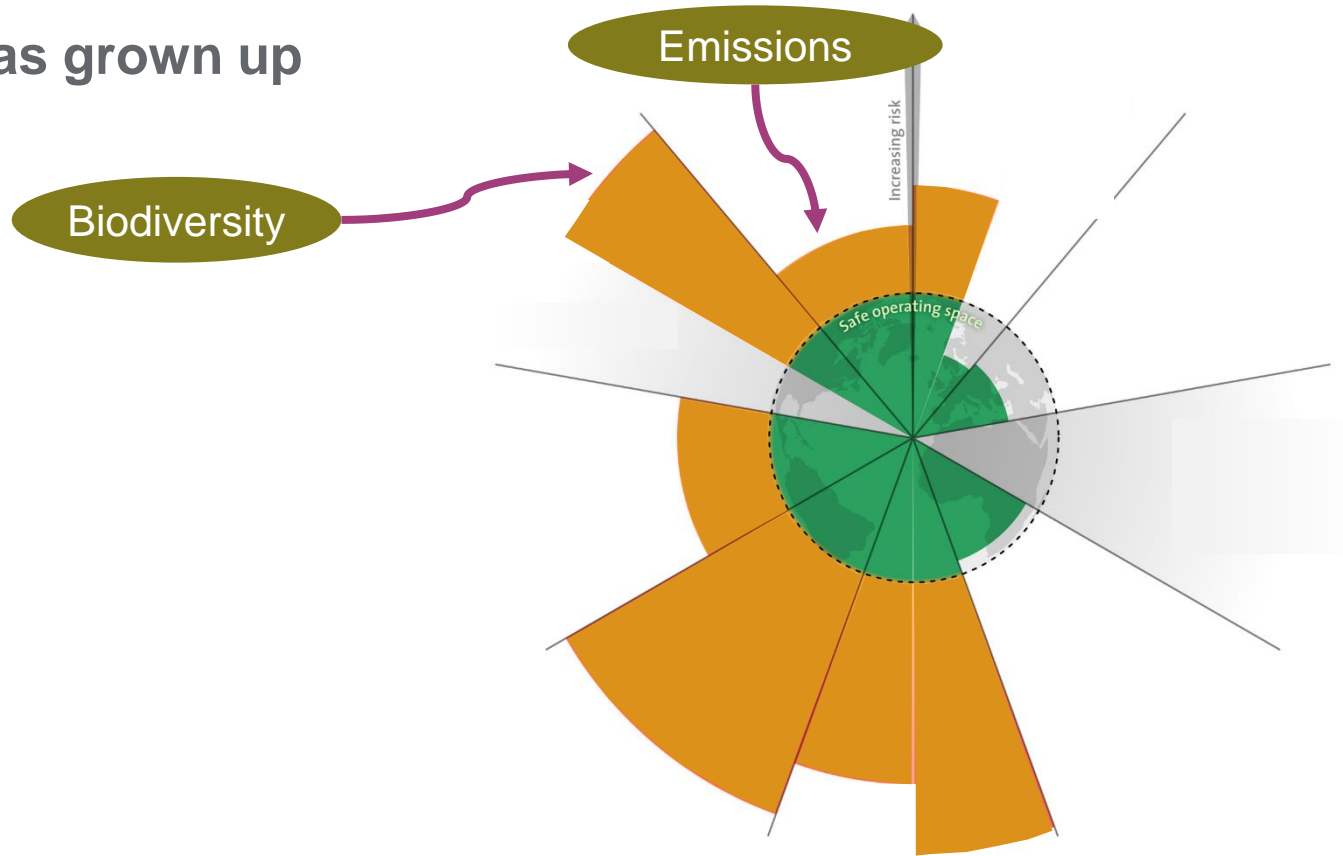
Thinking Ahead Institute

Pay now or pay later?

Addressing climate change sooner rather than later is in the best interests of investors and their beneficiaries



Systemic risk has grown up

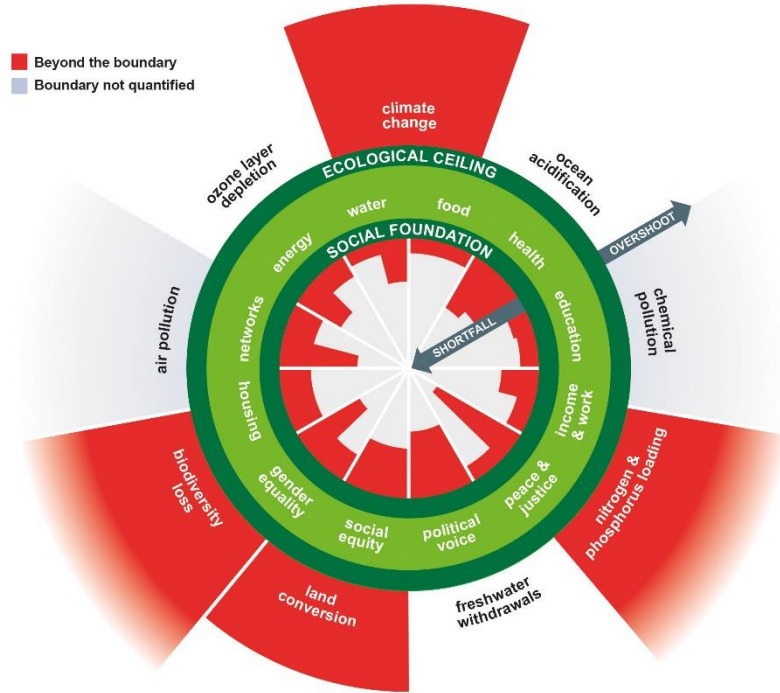


Licensed under [CC BY-NC-ND 3.0](https://creativecommons.org/licenses/by-nc-nd/3.0/) Credit: "Azote for Stockholm Resilience Centre, based on analysis in Wang-Erlandsson et al 2022".

Social risk is rising too

Inequality

Just transition



Source: Kate Raworth / doughnuteconomics.org

Capital-S Systemic risk

Thinking Ahead Institute

An innovation network founded by WTW

The 'S' of ESG —
moving from interest to action

Societal issues and environmental issues are inextricably linked

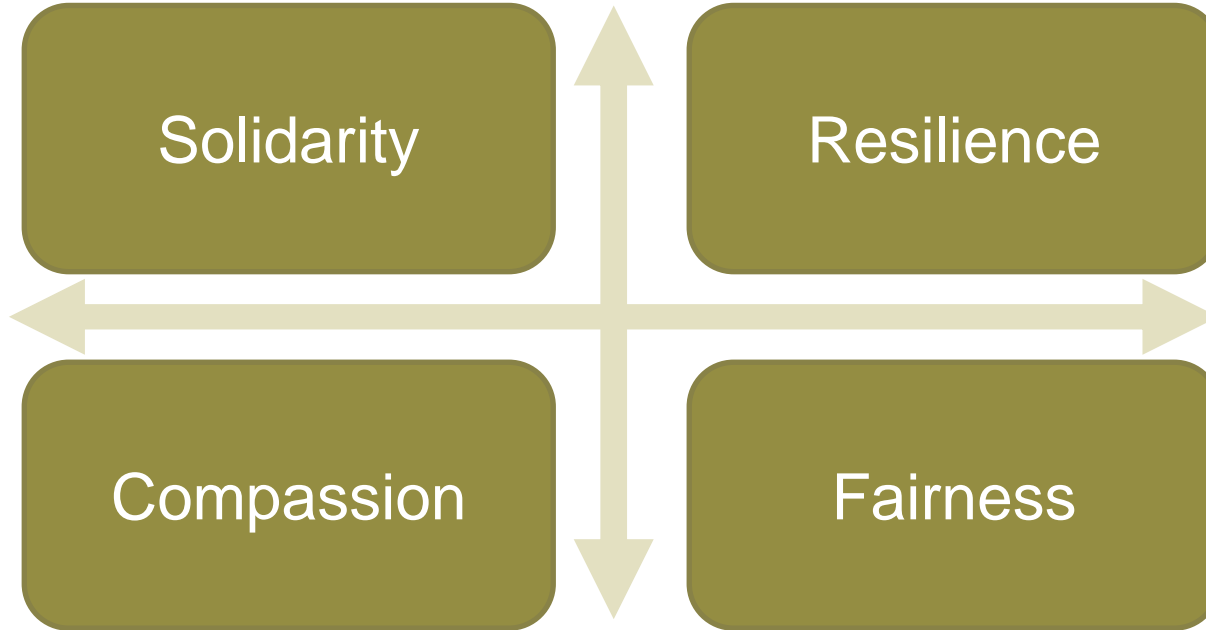


“We see inequality and justice as intrinsically intertwined with climate, and therefore requiring a joint and simultaneous solution.”

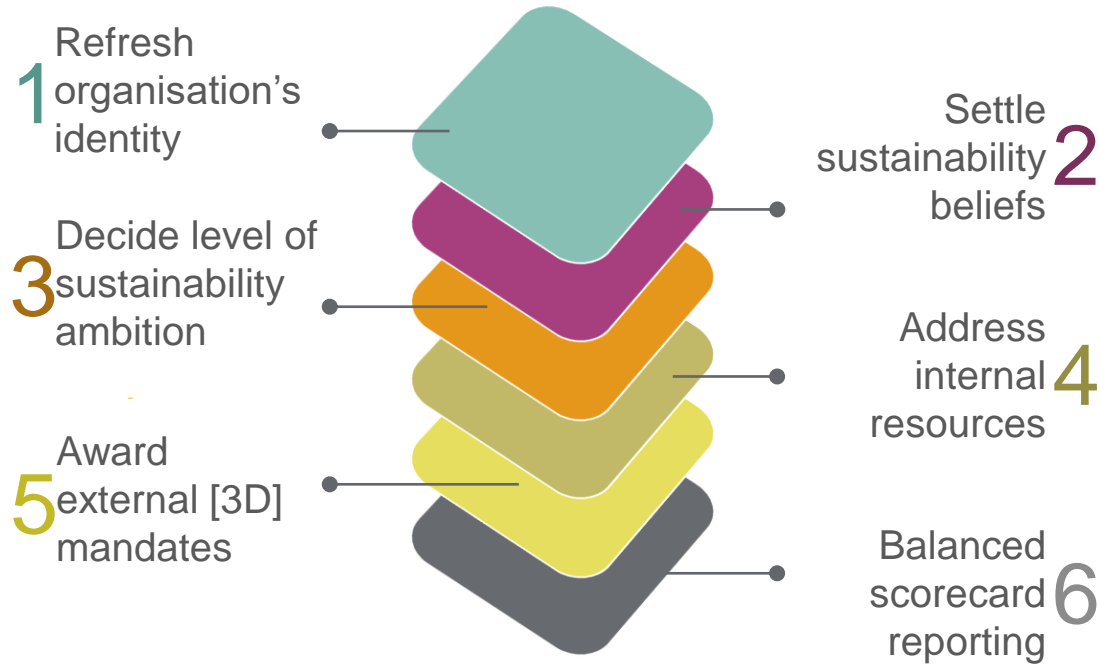
Source: Kate Raworth / doughnuteconomics.org

The case for a new investment paradigm

Value(s) | Mark Carney



A six-step plan to help navigate systemic risk

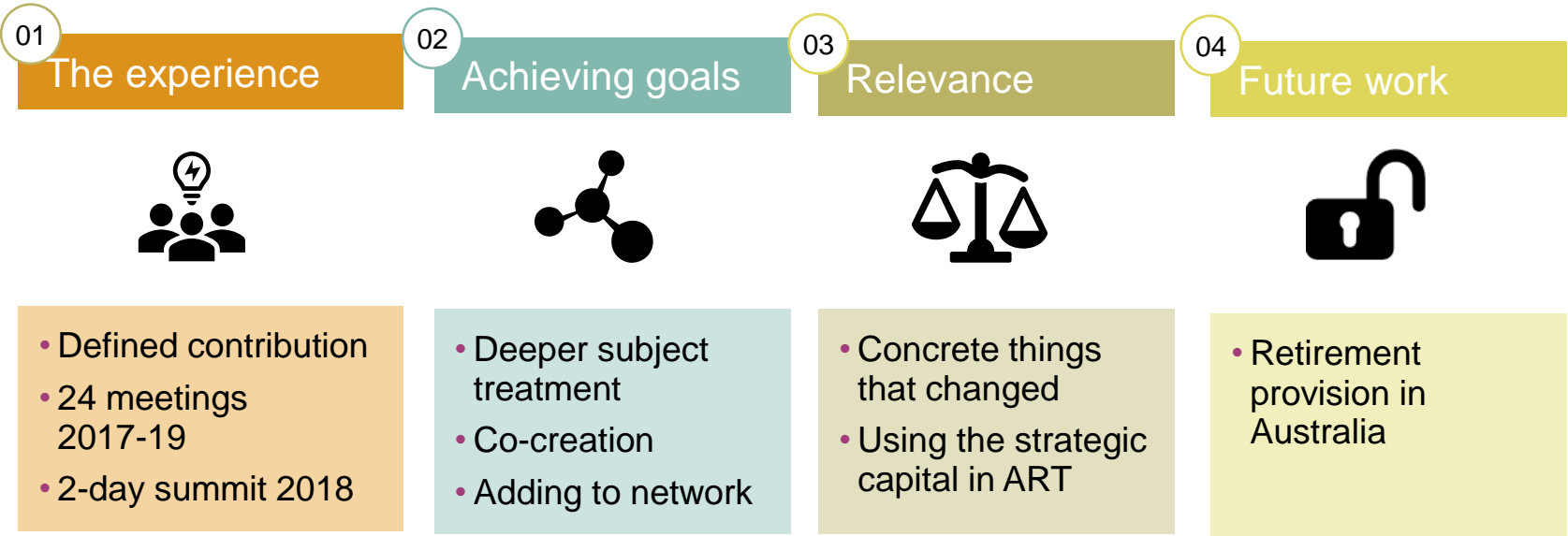


Defined contribution working group case study

Tim Hodgson & Brnic van Wyk



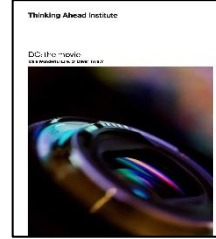
The working group journey



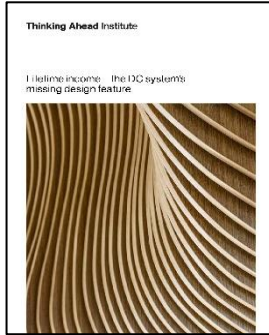
Defined contribution working group 2017-19 summary



- ## Proposing a stronger DC purpose
- DC is to support post-work consumption
 - Whole-of-life money-weighted returns

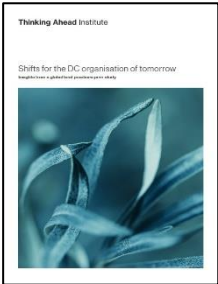


- ## DC: the movie
- managing the whole of a member's journey.



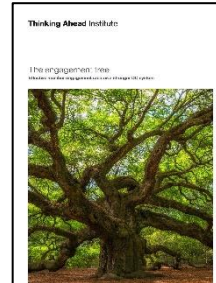
Lifetime income – the DC system's missing design feature

- Required steps to resolve the absence of lifetime income solutions
- The longevity tail as the unsolved part of the retirement income puzzle



Shifts for the DC organisation of tomorrow

- DC best practices from interviews with 10 leading providers



The engagement tree

- Best practice for engagement
- Creates stronger DC

Summary

Martin Goss



What sort of organisations become members



They are **innovative** and **inquisitive**...

...and want the opportunity to **engage** on **trends, context, new thinking** and its **application** to their **futures**...



They are **client / member-focused**...

...and want the chance to **deepen their understanding** of what the leading **investment organisations** of **tomorrow** want and need...



They have a **purposeful culture**...

...and are up for **contributing to the industry** through **giving and getting** **within the Institute**...

Ask us how you can join or engage with the Institute

What our members say

“You guys have over delivered!”

“Involvement via working groups ... very positive”

“Very interesting and thought provoking external speakers.”

“Social events are very good”

Many thanks for this great seminar!!!!

“I love the way you tackle long term issues.”

“Our 1-2-1 was useful in focusing the minds of senior investors ... on most relevant topics.”

“The research ... is of a high quality and relevant to us.”

Limitations of reliance and contact details

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 – WTW

WTW has prepared this material for general information purposes only and it should not be considered a substitute for specific professional advice. In particular, its contents are not intended by WTW to be construed as the provision of investment, legal, accounting, tax or other professional advice or recommendations of any kind, or to form the basis of any decision to do or to refrain from doing anything. As such, this material should not be relied upon for investment or other financial decisions and no such decisions should be taken on the basis of its contents without seeking specific advice.

This material is based on information available to WTW at the date of this material and takes no account of subsequent developments after that date. In preparing this material we have relied upon data supplied to us by third parties. Whilst reasonable care has been taken to gauge the reliability of this data, we provide no guarantee as to the accuracy or completeness of this data and WTW and its affiliates and their respective directors, officers and employees accept no responsibility and will not be liable for any errors or misrepresentations in the data made by any third party.

This material may not be reproduced or distributed to any other party, whether in whole or in part, without WTW's prior written permission, except as may be required by law. In the absence of our express written agreement to the contrary, WTW and its affiliates and their respective directors, officers and employees accept no responsibility and will not be liable for any consequences howsoever arising from any use of or reliance on this material or the opinions we have expressed.

Contact Details

Marisa Hall | marisa.hall@wtwco.com

Tim Hodgson | tim.hodgson@wtwco.com

Roger Urwin | roger.urwin@wtwco.com