

# Thinking Ahead breakfast seminar (TABS) | Sydney

14 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

**IOOT**



**Stewart Brentnall**  
TCorp

**Case studies**



**Ellie Boston-Clark**  
WTW

**Sustainability**



**Roger Urwin**  
TAI

**Future of work**



**Marisa Hall**  
TAI

**Systemic risk**



**Tim Hodgson**  
TAI

**Current issues**



**Aongus O'Gorman**  
WTW

# Investment organisation of tomorrow working group case study

Roger Urwin & Stewart Brentnall



# The working group journey

01

The experience



- Investment Organisation of Tomorrow
- Six meetings in 2022

02

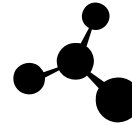
Achieving goals



- Deeper subject treatment
- Co-creation
- Adding to network

03

Relevance



- Concrete things that changed
- Using the new ideas within TCorp

04

Future work

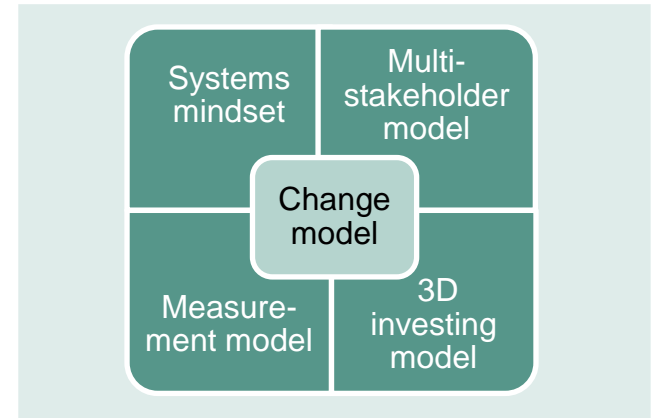


- Measurement model
- Multi-stakeholder model

# Investment organisation of tomorrow – working group 2022 summary

| Executing change  | Elements of change  |
|-------------------|---|
| Vision for change | 1. Bigger societal role for AOs, bigger support opportunity for AMs |
|                   | 2. Aligned organisation and value chain                             |
|                   | 3. Co-creator of new wealth   |
| Coalition         | 4. 3D investment model – return, risk and real-world impact         |
| Process           | 5. Net-zero emissions pathway                                       |
| Leadership        | 6. Universal ownership mind-set. Net positive impacts and SDGs      |
|                   | 7. Managing and influencing and integrating system risks            |

## Focus areas and further research

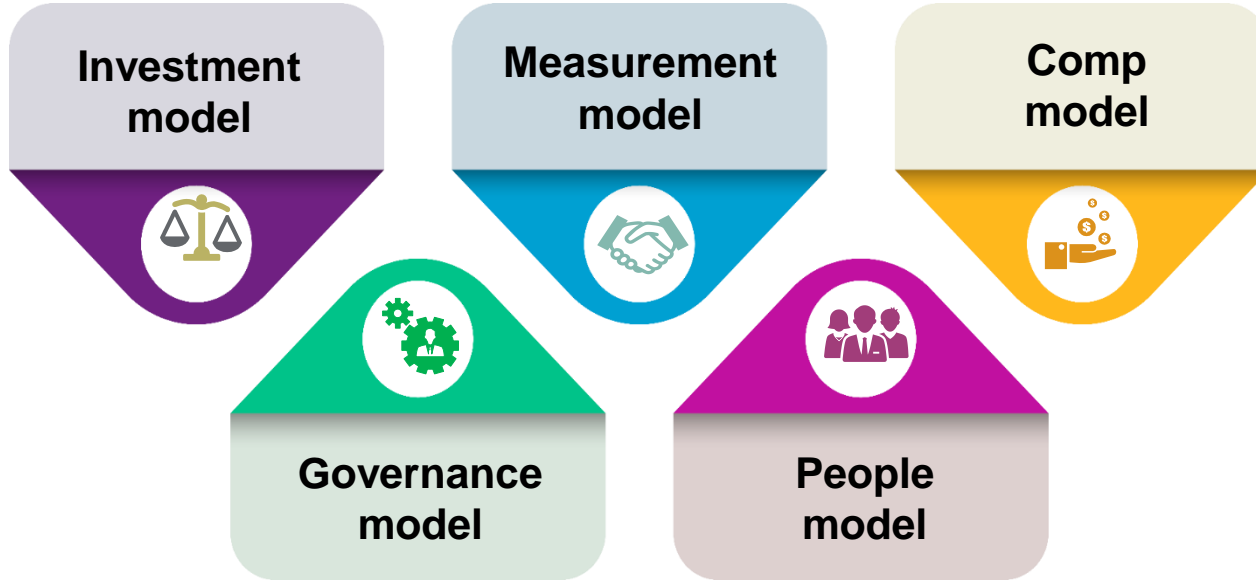


# Measurement case study: TAI and WTW partnering on client solutions

Ellie Boston-Clark

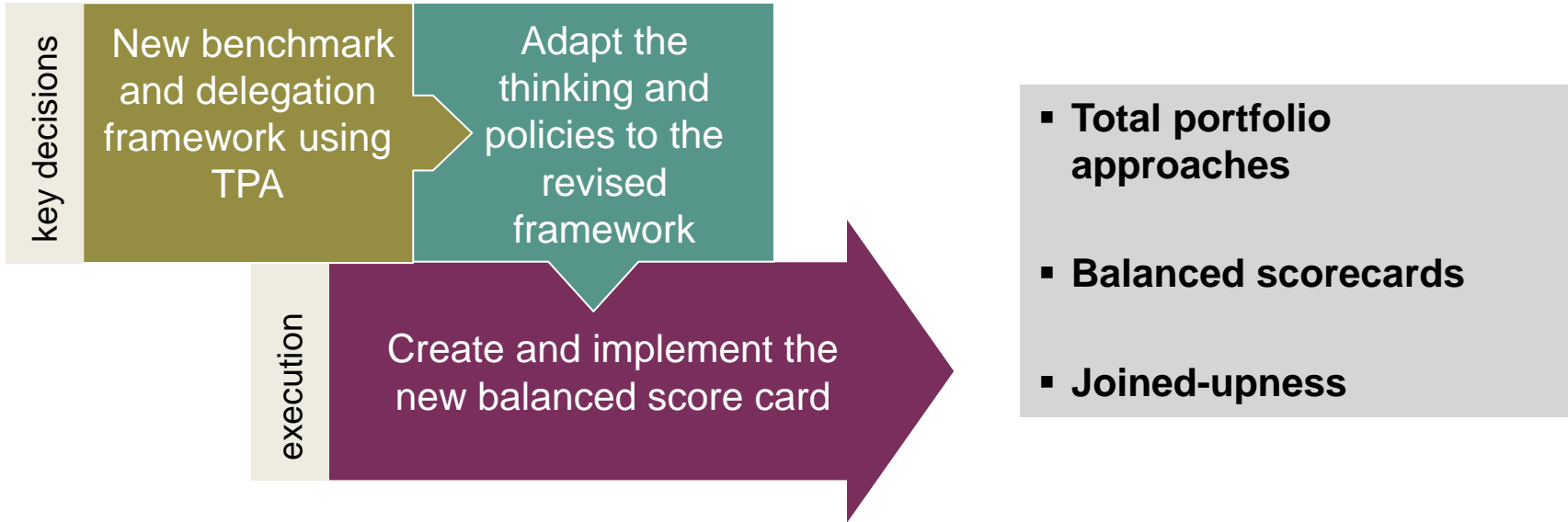


# Visualising the bigger picture through a model framework





# Case study – USS – project on balanced scorecards

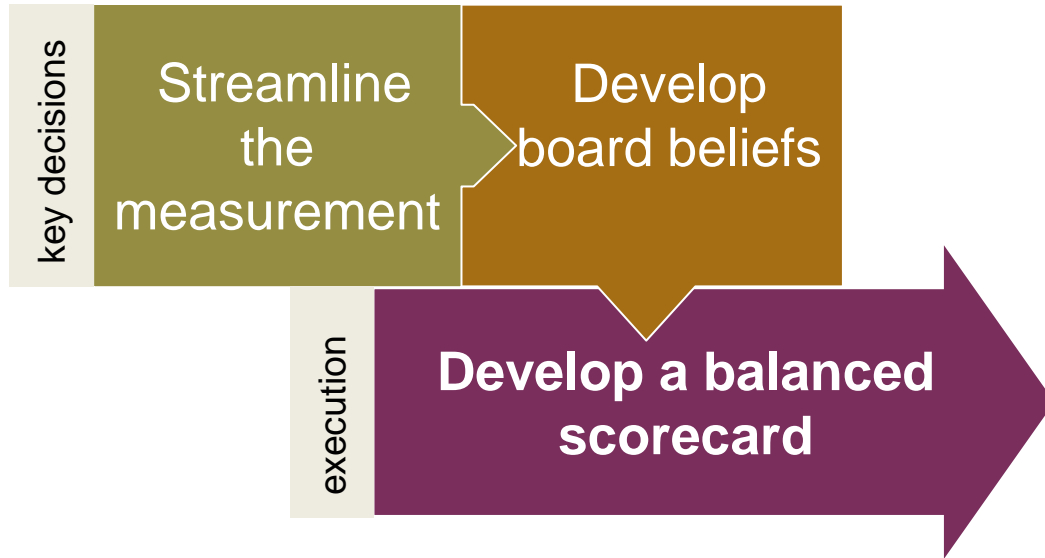


# Illustration of the USS balanced scorecard




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

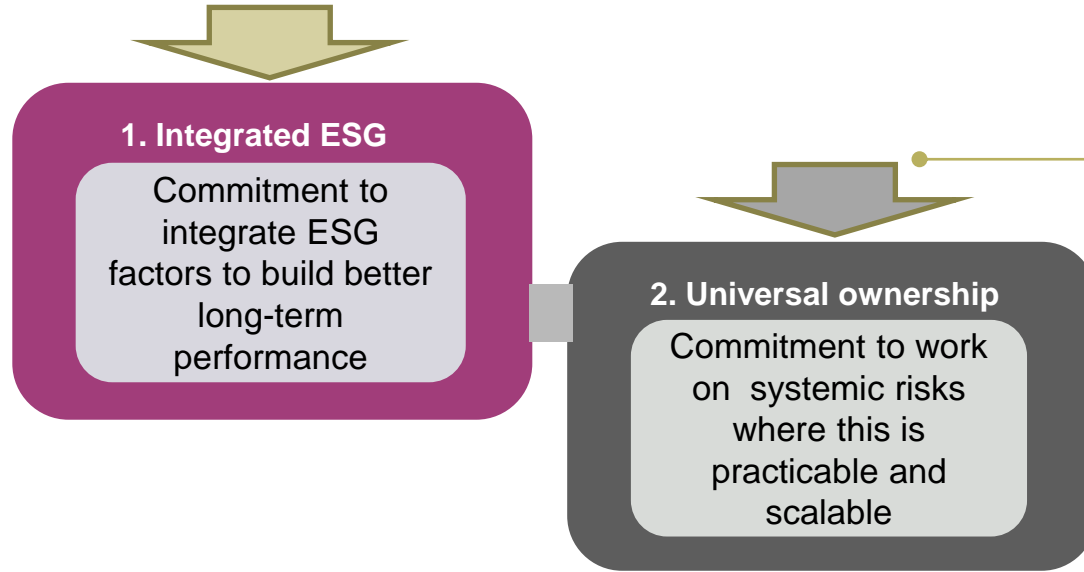
Commitment to  
integrate ESG  
factors to build better  
long-term  
performance

- Moving from integrated ESG starting position



# The pitch – universal ownership mind-set

Investment organisation of tomorrow working group

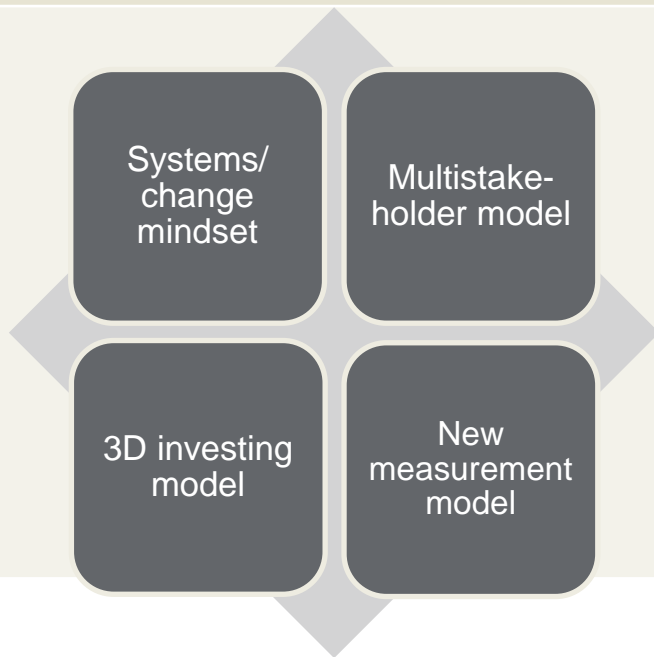


- Moving from integrated ESG starting position

- 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**

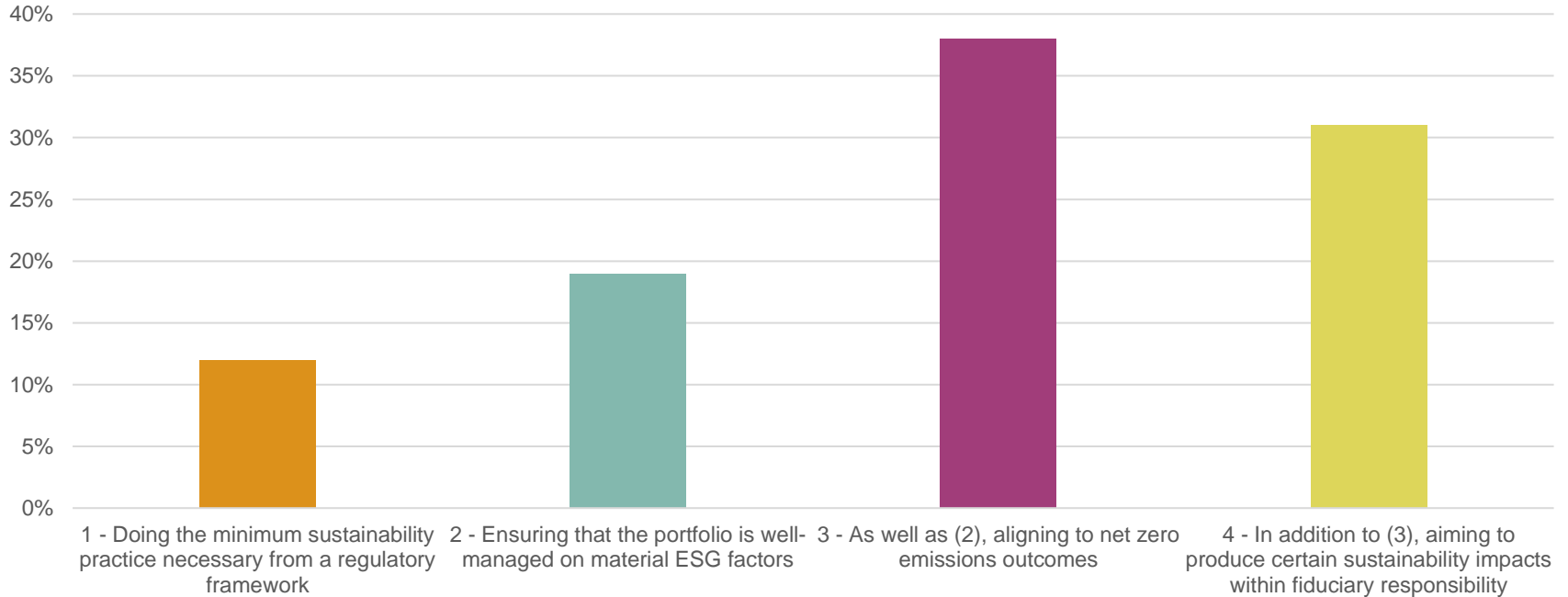
To be truly sustainable requires a combination of exceptional capabilities and culture

**3. Scale advantages**

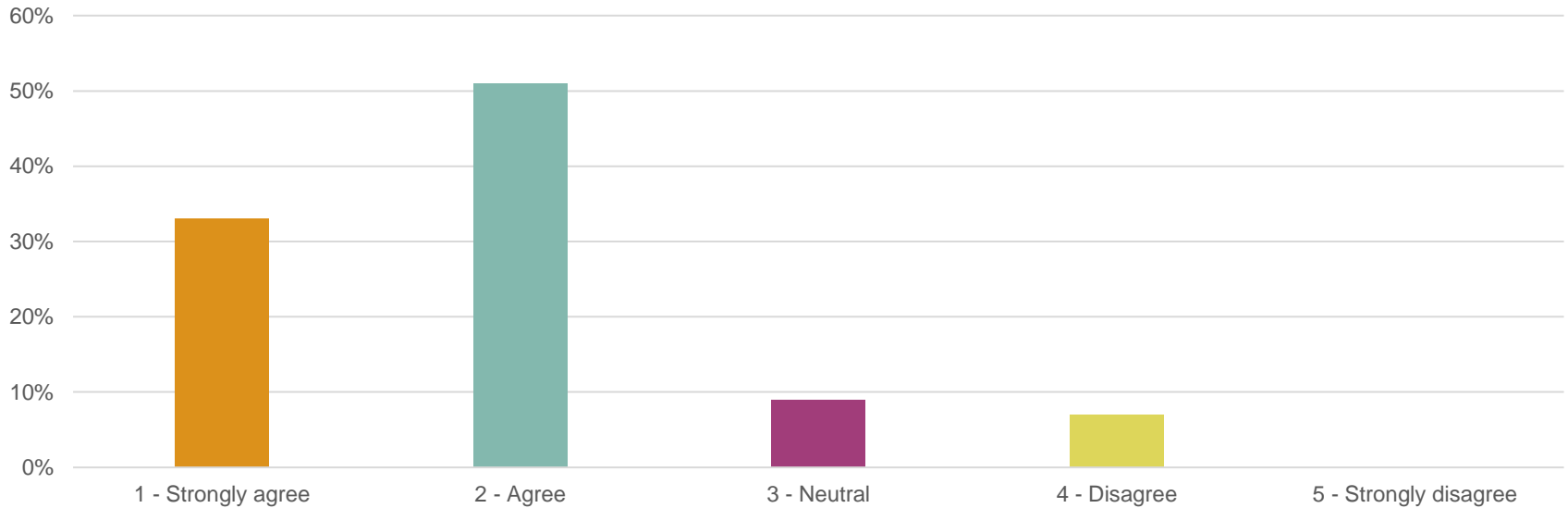
With more beta emphasis over alpha, a more select set of organisations emerge that can benefit from economies of scale

<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)

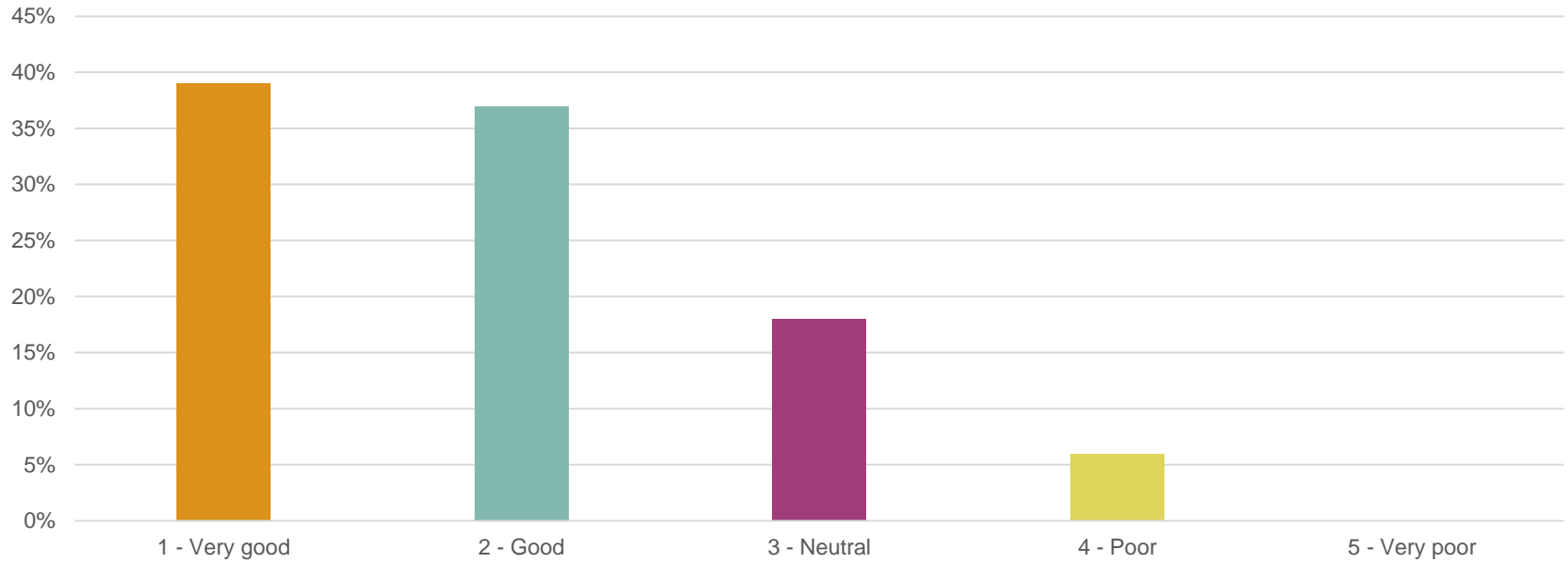


# Future of work case study: TAI partnering on organisation work design

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

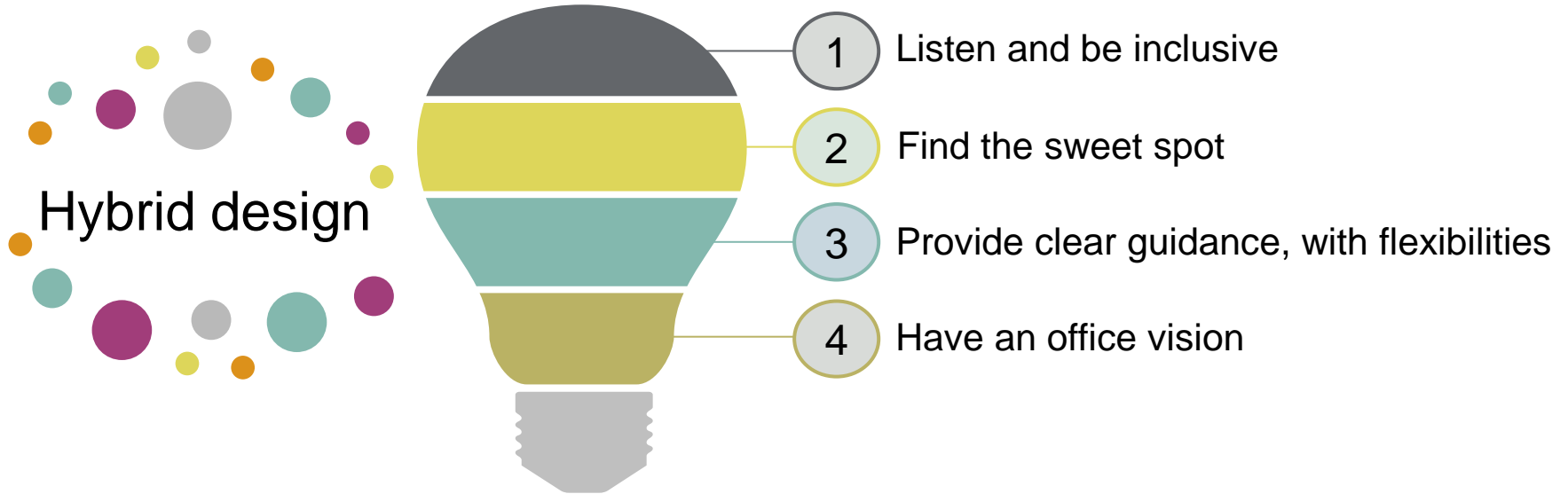
Office vision

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

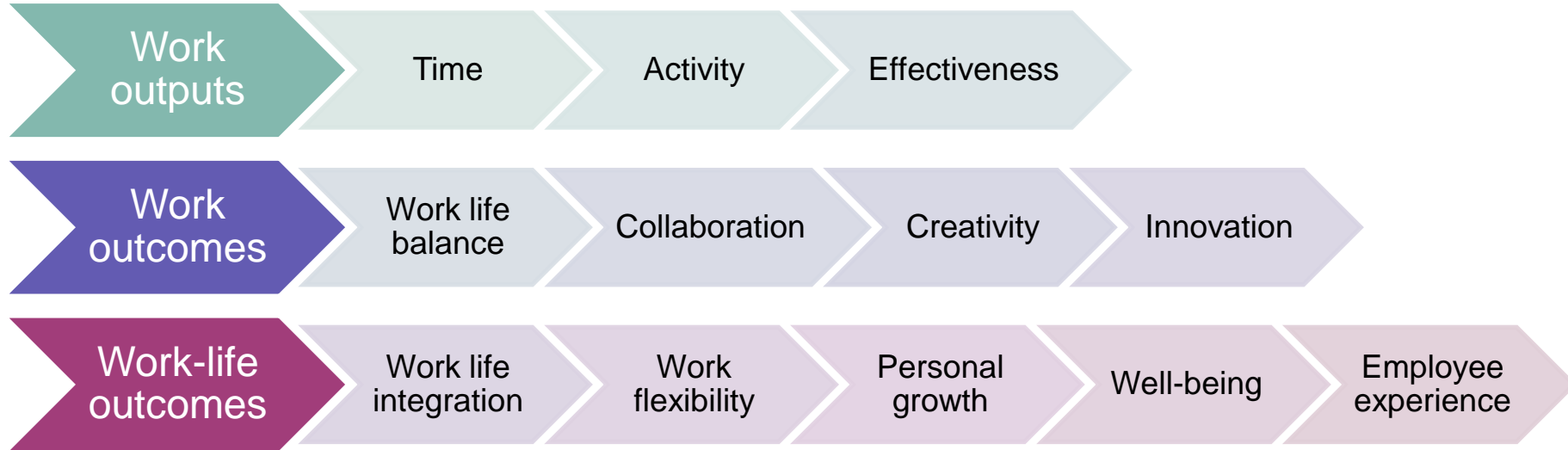
03

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

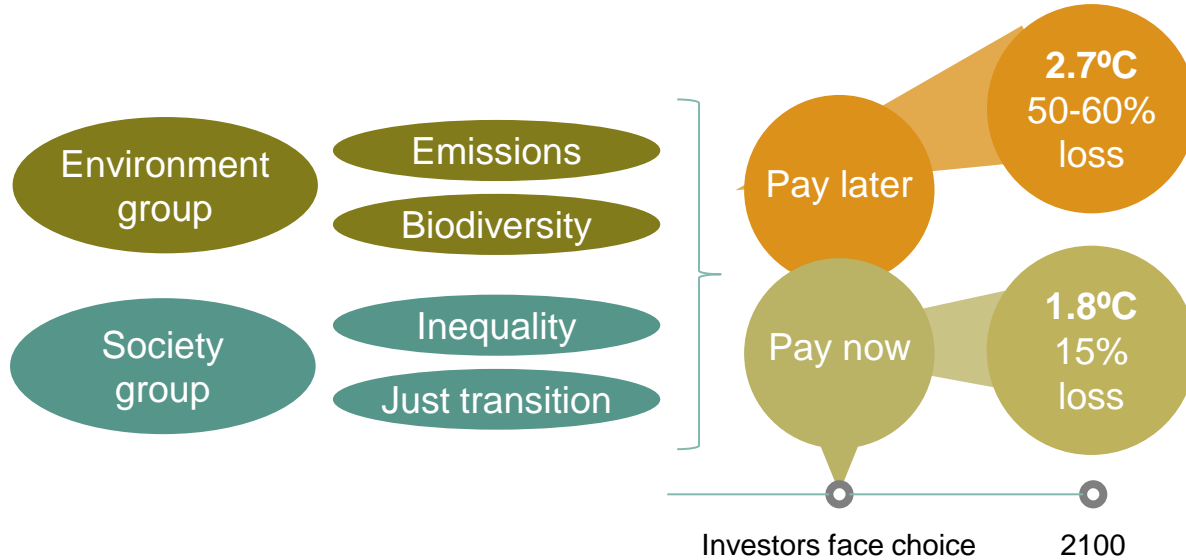


# Systemic risk has grown up, so must risk management

Tim Hodgson



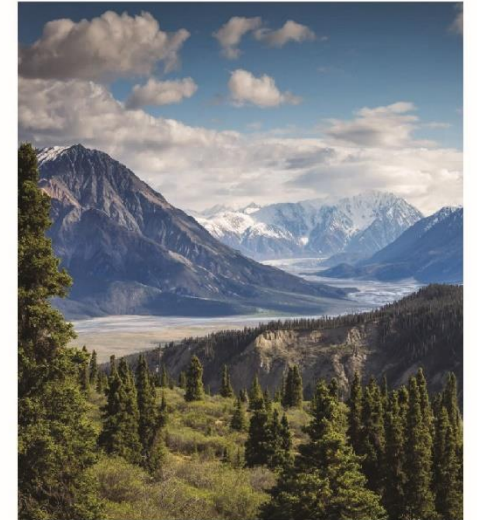
# Investing for tomorrow



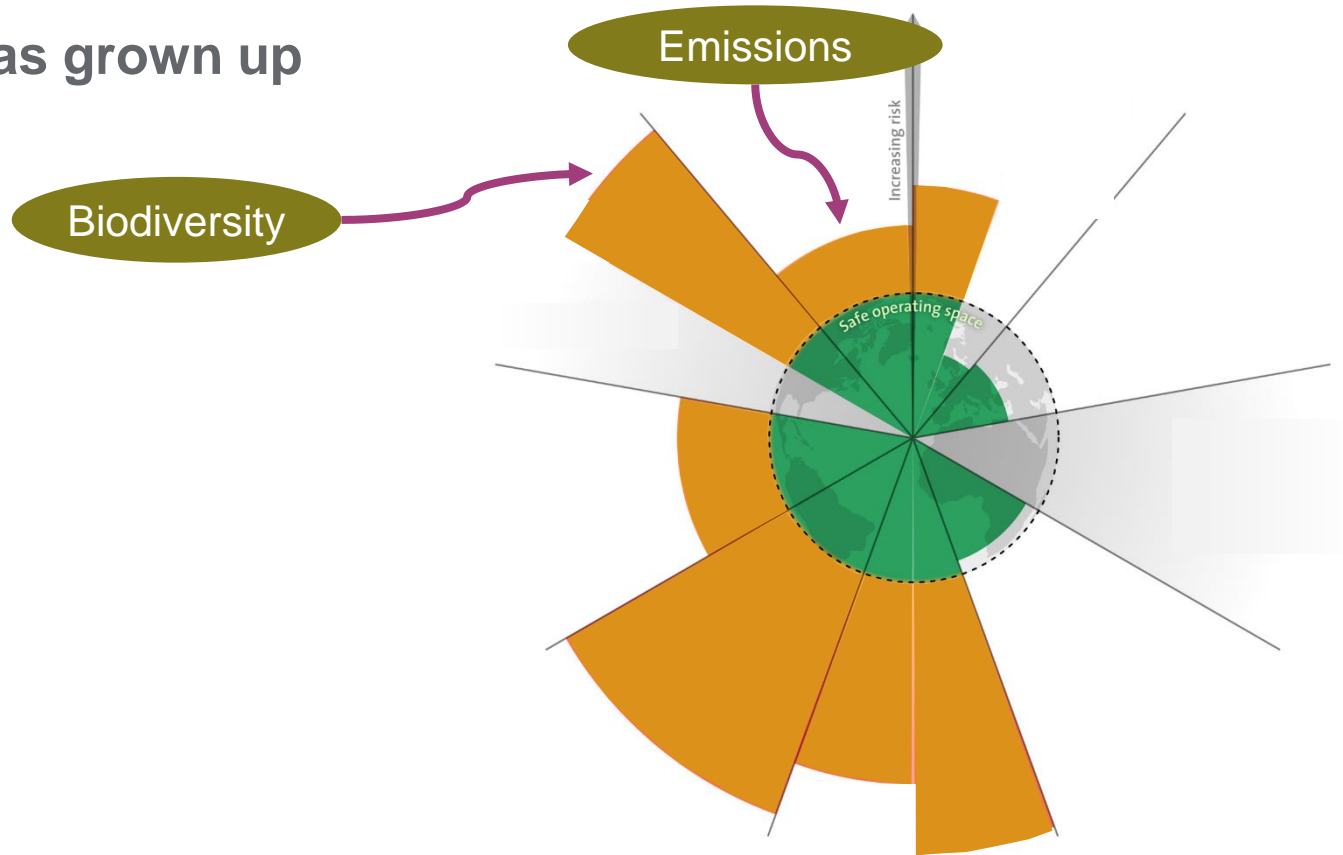
Thinking Ahead Institute

## 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

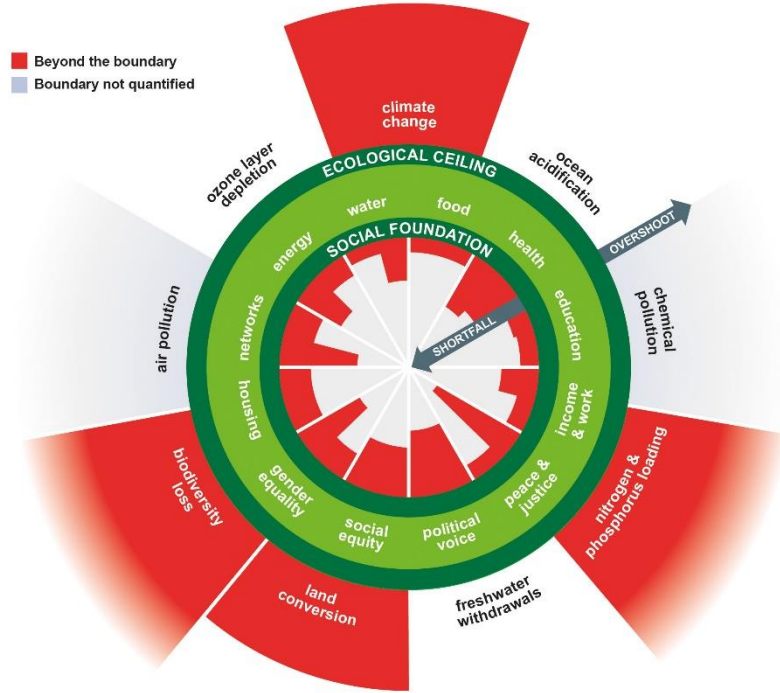


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# Social risk is rising too

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

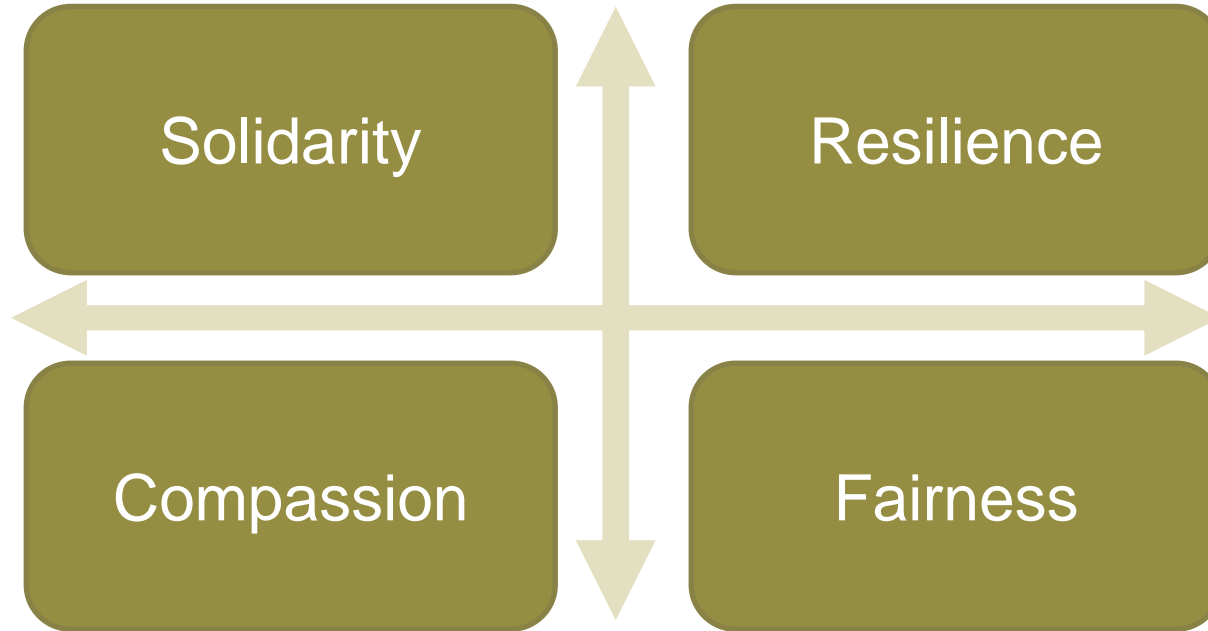


*“We see inequality and justice as intrinsically intertwined with climate, and therefore requiring a joint and simultaneous solution.”*

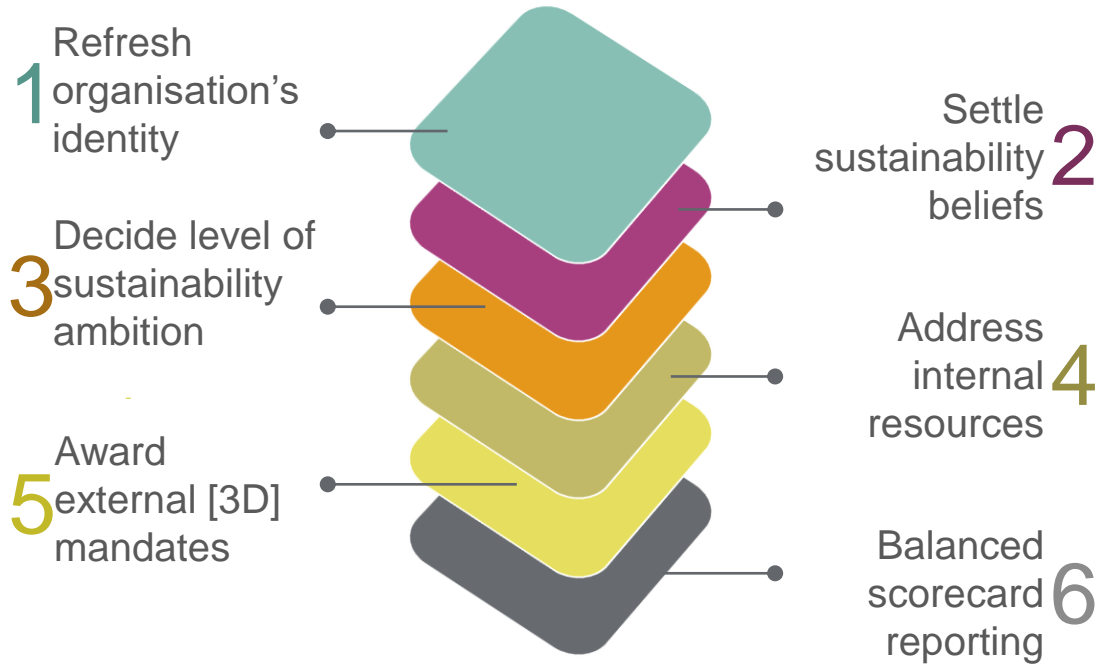
Source: Kate Raworth / [doughnuteconomics.org](https://doughnuteconomics.org)

# The case for a new investment paradigm

Value(s) | Mark Carney



# A six-step plan to help navigate systemic risk



# Applicability to the Australian market

Aongus O’Gorman



# Q&A

## Sustainability



**Roger Urwin**  
Thinking Ahead  
Institute

## Future of work



**Marisa Hall**  
Thinking Ahead  
Institute

## Systemic risk



**Tim Hodgson**  
Thinking Ahead  
Institute

## Measurement



**Ellie Boston-Clark**  
WTW

## Current issues



**Aongus O’Gorman**  
WTW

# 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.

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