DEAN
WETTON
ADVISORY

Stewardship Code

The benefits of employee ownership: accountability and stewardship.

Report 2022

Contents

Building wealth, reducing risk.

As a boutique investment consultancy DWA prides itself on being employee owned and supporting our clients through understanding risk and return and building governance capacity. By not promoting our own products we view ourselves as truly independent and therefore see stewardship as a natural extension to what we do every day.

By providing straightforward advice to trustees to manage their scheme's key risks in a simple and easy to govern way, our philosophy helps schemes retain control and manage their journey plan more easily. We recognise the importance of responsible investment and have started building this into all aspects of what we do, both as advisors and how we manage our own business.

I am therefore delighted to present, from the perspective of a service provider, DWA's report for the 2022 Stewardship Code.

Dean Wetton

Managing Director

PRINCIPLE 1

Purpose, strategy, and culture.

CONTEXT

At DWA, our purpose is reflected in our vision to find effective solutions to problems of saving for retirement and creating better outcomes for members who save or hold money.

We aim to achieve this by becoming an integrated part of our clients' teams, providing clear, valuable advice, and constantly innovating to stay ahead of our larger competitors. Due to DWA's drive to innovate it is firmly part of our culture all employees no matter who they are will be listened to, everyone has the potential to add something excellent.

Our business idea supports this vision by offering well-designed, well-researched, pragmatic, cutting edge advice based on our deep understanding of the private markets. We believe we do this all for a reasonable price to maximise the number of people who can benefit from our advice.

ACTIVITY

Our culture at DWA focuses on maintaining the long term relationships we have with our clients. This in turn allows for greater strategic alignment with the clients. The nature of long term relationships causes us to better understand our clients.

We believe good stewardship is essential to truly support our clients to the fullest. As a result DWA's strategy is to ensure strategic alignment with clients, including understanding each client's values, the processes by which they can integrate their values and by taking a long-term view for aligning goals and objectives. We do this by establishing a commercial relationship with our clients which is based on a highly competitive fee linked to assets under advice. The fee structure has the client's interests in mind and makes sense to DWA over a longer time horizon.

DWA help scheme trustees by refining their investment strategy while also aligning ourselves strategically with the client. In the event schemes begin to drift away from the objectives stated in the SIP report DWA is there to bring them back on track to their objectives. This is done with the annual Implementation statement along with the frequent meetings which is central to DWA's culture of building strong client relationships. Many of our client's we have Monthly meetings with, further some even have weekly update meetings. Ensuring we are fully integrated with all decisions of the Trustees.

Something which separates us from other consultants is the relationships we have built with our clients. During the LDI crisis our clients were always able to reach our team if they needed anything, we do not bill for this service, since it's part of our retainer. Allowing for our clients to contact us more readily when they need our advice. A relationship of this kind gives us better oversight of our clients.

DWA sets out to promote effective stewardship, which is often a long-term process, rather than focusing on short term changes. We focus on the long term by building long term relationships with our clients allowing for us to take a longer term stance. Another way we promote stewardship is by offering competitive fees or waiving fees altogether for charitable organisations, we do this to help better society for everyone.

We were among the first consultants to implement a traditionally illiquid asset class, private equity, as part of defined contribution (DC) pension schemes. This allowed for members to experience greater long-term growth in their pension.

Another core value of stewardship is to carry out responsible management, an example of this is advising on how to provide multi-asset faith-based investing which complies with Sharia law. For this to be done we work diligently to be certain all their Islamic financial principles are being met. Doing this has a profound societal impact by allowing them to stay true to their beliefs even when investing in their pensions.

A culture of ownership

Achieving success for our clients means that we as a company are enjoying success. Our culture of employee ownership and participation translates client success into the financial success of our employees.

We embed these elements a number of ways, such as being transparent about remuneration. For example, the directors are transparent about the ratio of retained earnings that will be made available to the employee bonus pool. This ratio is set as a range during the annual target setting process, which is inclusive for all employees.

DWA promote a strong culture of caring for the environment, for example we have been a remote working company since inception. By working from home, we remove the need to commute long distances adding unneeded greenhouse gasses to the atmosphere. All company documents are online, our policy discourages any printing of paper documents embedding our green credentials .

OUTCOME

DWA have been effective in serving the best interest of its clients as reflected in the positive feedback from clients as measured by their objectives reporting and how well DWA clients tend to fare in the Mastertrust Universe Comparison.

PRINCIPLE

2

Governance, workforce, resources and incentives.

ACTIVITY

DWA governance is based on openness and transparency. Our move to employee ownership means that all employees are also shareholders in the business and are represented on the Employee and Shareholder Committee, which the board of directors has accountability to.

Offering employees shares and dividends in the company is an excellent way to incentivise the workforce to the give the best advice they can. This includes those employees who have responsibility for ESG, stewardship and climate change. As shareholders all employees have a stake in the long-term success of the business. Consequently, making our employees more accountable for the errors they make. Which in turn means they have an interest to ensure the long- term success of our clients, leading to more effective stewardship.

Supporting the quality and accuracy of our advice is DWA's peer review process, which is outlined in more detail in Principle 6. This process ensures that all output goes through a review done by a suitably qualified and experienced colleague. Unless sensitive in nature, our daily team meetings are used to discuss client issues which expands the company knowledge base. For instance, when carrying out a strategic change for a DB client we base our advice off a model which allows us to evaluate the risk the scheme is required to take to bring the scheme to a point where it is fully funded, able to meet member liabilities.

Once, this is complete it will be thoroughly reviewed by a member of the team who will then challenge and question the decisions made to increase the quality and accuracy of advice, improving DWA's stewardship for our client's.

Furthermore, DWA has long term engagements with our service providers, which fosters trust. These excellent working relationships which DWA has nurtured over the years increase the quality and accuracy of the everything we receive from our service providers. This increased quality and accuracy transfers directly into long term benefits for our clients. For example, almost all of these interactions are carried out online over video conference, consequently reducing DWAs impact on the environment. This shows how we promote effective stewardship by being environmentally friendly while promoting long-term value for our clients.

At DWA we have a relatively flat organisational structure, all employees are respected, which is reflected by the fact that employees have an ownership stake here at DWA. We believe our structure provides the most effective accountability and oversight by removing the principal-agent problem altogether by allowing all agents to become the principal's. This in turn removes the issue of agent's trying to minimise workload which is detrimental to the client's we advise. Since, all principals' goals are aligned with the firms by nature, we believe DWA has an optimal governance structure for enabling the best possible oversight and accountability.

In our hiring process DWA do not discriminate based on age, race, gender, sexual orientation, pregnancy or religion. We are proud of the diversity which exists within our team and our aim is to increase diversity as the company grows.

To ensure DWA can provide market leading analysis we carry out regular employee training. Most recently some employees have completed courses in ESG and the TCFD knowledge hub. We're also encouraging our newer employees to progress to take exams to add to their professional qualifications (IMC and CFA), we allow them to set aside time to study and support them in their endeavours however we can. It is company policy to reward employees with a financial bonus upon completion of each qualification. We do all of this to guarantee long-term value is being added to the firm, hence adding value to our clients in the future and in the present.

During the 2022 period DWA has continued to invest in systems and research tools that benefit our stewardship efforts.

SHAREHOLDER COMITTEE

Employee Owned

Board

- Dean Wetton
  Director
- Peter Osthwaite
  Employee Representative
- Trent McLelland
  Finance

Advisory Board

- Stephan Breban
- Neil Warrender
- Martyn Dorey
- Paul Boerboom

DWA CORE

Consulting, Research and Quant

Consultants

- Dean Wetton
- Damian Mitcham
- Peter Osthwaite
- Craig Tilsey
- Trent McLelland
- Owen Mills*
- Jamie Young

Project Management

- Caroline Janaway

ADMINISTRATION

Partners

Accounting

AIMS Accountants for Business

Accounting Support

Tulip Accounting

Compliance Support

OSMO LPR Consulting LLP

*Stewardship Champion

The first example is our investment to digitise the client objectives questionnaire and survey, illustrated in Figure 4 below. Providing clients with a digital tool makes it more likely that a client will complete the survey and provide useful and real time data to DWA. At the same time the tool has been upgraded to run deeper analysis of questionnaire results.

The second example is the further investment made in our Fairway Model to include an assessment of the impact of climate change, identified as one of our key systemic risk drivers. The DWA Fairway Model is a tool we use to assess the expected returns, risk and drawdown of a typical pension pot committed to a predetermined investment strategy. The following case study details how we adapted the model to include the impact of two climate change scenarios.

Case Study

Understanding the climate impact on pension pots

PURPOSE

Enhance and further develop the Fairway Model in order to incorporate climate scenarios as a result of new regulatory requirements from the DWP, Pensions Regulator and FCA.

METHODOLOGY

To process the multiple climate scenarios against a number of other variables existent in the Fairway Model. These include multiple asset classes which behave differently within each climate scenario. In addition, we need to categorise each of the many hundreds of ESG investment products that each behave differently to the different climate scenarios into one of 10 categories for each asset class. The scenarios each have multiple time periods, which each have different effects on each factor, these periods can either be considered as a collective average, as in the Fairway Model, or else as concurrent events as per the simulations.

Scenarios at a glance

Scenarios are characterised by their overall level of physical and transition risk. This is driven by the level of policy ambition, policy timing, coordination and technology levers.

		Physical risk	Transition risk			
Category	**Scenario**	**Policy ambition**	**Policy reaction**	**Technology change**	**Carbon dioxide removal**	**Regional policy variation+**
Orderly	Net Zero 2050	1.5°C	Immediate and smooth	Fast change	Medium use	Medium variation
	Below 2°C	1.7°C	Immediate and smooth	Moderate change	Medium use	Low variation
Disorderly	Divergent Net Zero	1.5°C	Immediate but divergent	Fast change	Low use	Medium variation
	Delayed transition	1.8°C	Delayed	Slow/Fast change	Low use	High variation
Hot House World	Nationally Determined Contributions (NDCs)	~2.5°C	NDCs	Slow change	Low use	Low variation
	Current Policies	3°C+	None – current policies	Slow change	Low use	Low variation

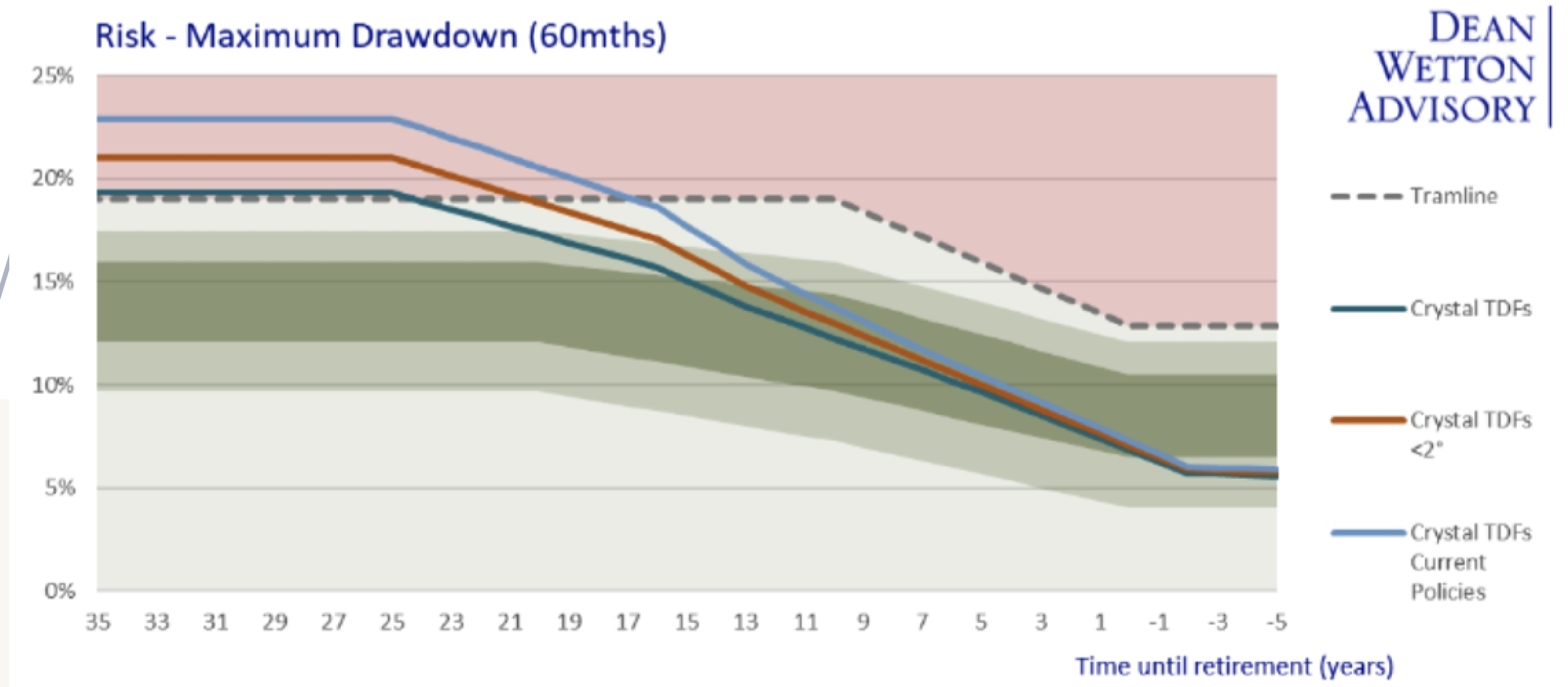
Colour coding indicates whether the characteristic makes the scenario more or less severe from a macro-financial risk perspective^

- Lower risk
- Moderate risk
- Higher risk

* See slide 18 for more details.

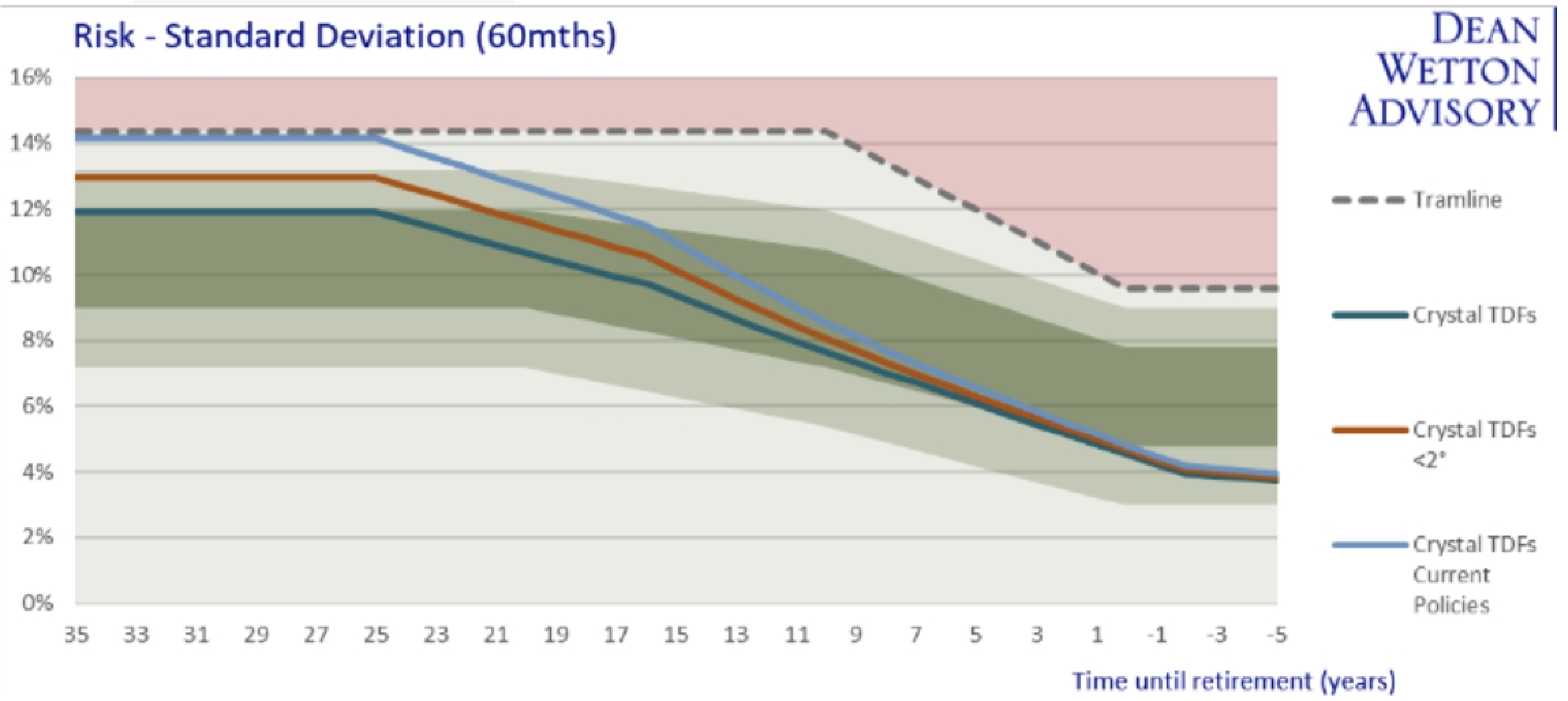
\+ Risks will be higher in the countries and regions that have stronger policy. For example in Net Zero 2050 the EU, USA and Japan reach net zero GHGs by 2050, but globally only net zero CO_2 is reached by this point.

^ This assessment is based on expert judgment based on how changing this assumption affects key drivers of physical and transition risk. For example, higher temperatures are correlated with higher impacts on physical assets and the economy. On the transition side economic and financial impacts increase with: a) strong, sudden and/or divergent policy, b) fast technological change even if carbon price changes are modest, c) limited availability of carbon dioxide removal meaning the transition must be more abrupt in other parts of the economy, d) stronger policy in those particular countries and/or regions.

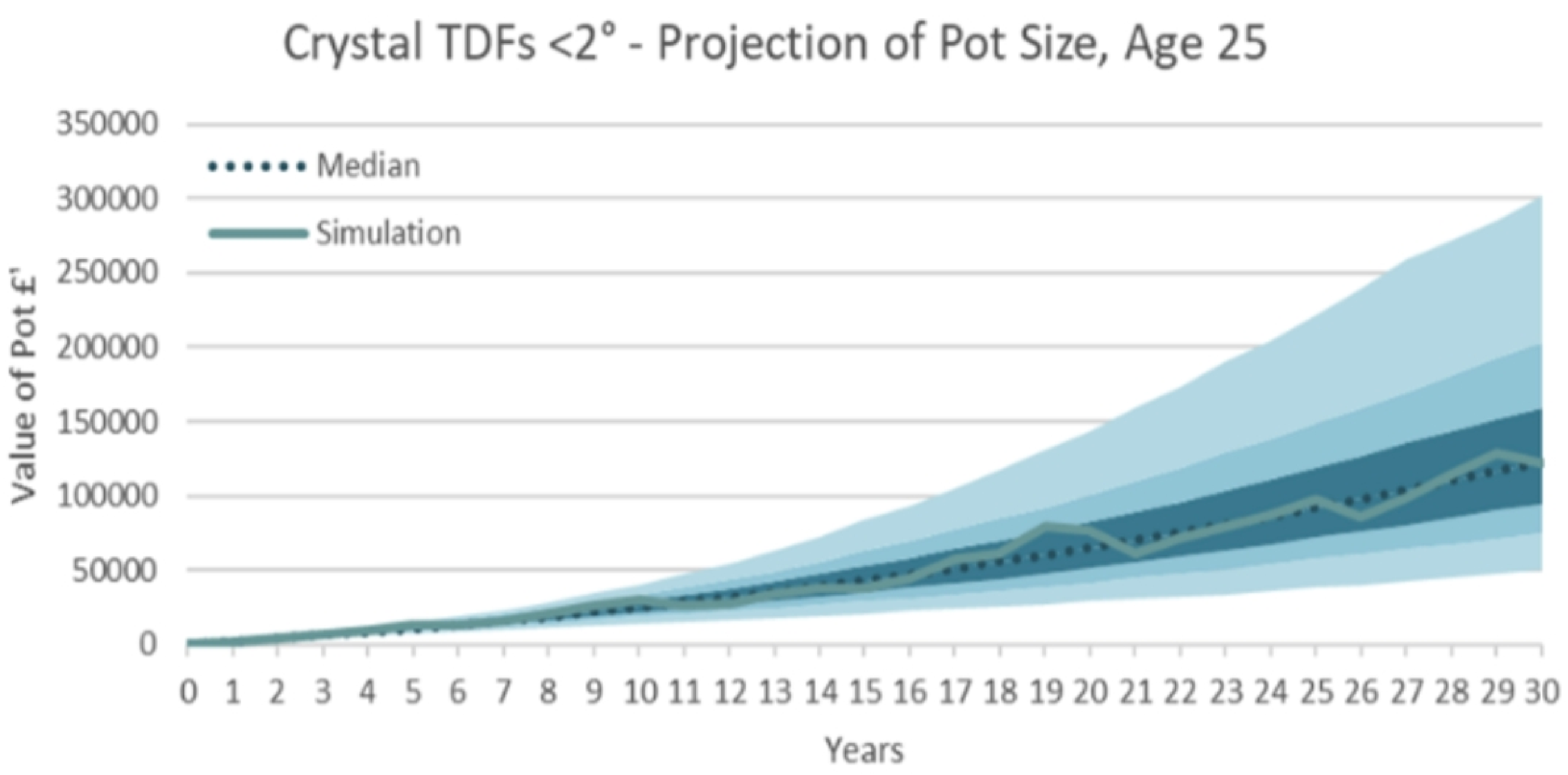


OUTCOME

This first outcome looked at how risk is expected to perform against two climate scenarios, being a Below 2°C warming scenario and a Current Policies Scenario, using a measure of maximum drawdown which measures the largest peak to trough fall over a period. The base strategy uses the actual maximum drawdown as experienced over the last 60 months with the scenarios then adding the modifications described above to model how DWA would expect the risk to change in each scenario.



The second outcome assesses risk using a measure of standard deviation, which considers the month-to-month volatility of returns. It helps to add further context to the maximum drawdown picture.



DWA sought to further build on this modelling by performing a series of simulations projected forward over a period of 30 years, examining the probable outcomes of the value of a member's pot over time, considering multiple periods within the different climate scenarios and the effects each may have. A total of 10,001 simulations were performed to assess each strategy, examining the median outcome as well as the plausible range around that outcome.

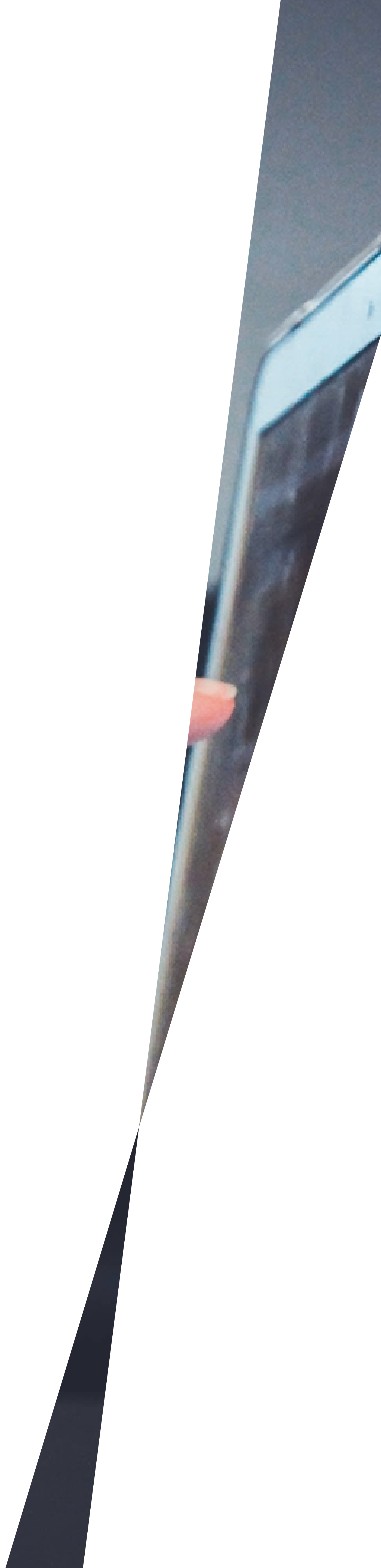
By example, the results of these simulations were put together to create the left-hand chart of one particular default investment strategy against a Below 2°C warming scenario. This simulation example assesses the pension pot of a person aged 25 years old earning £25,000 per annum, with a starting pot of zero and a monthly contribution of 8% of their salary into a default investment strategy.

DWA believes fees should be a function of the value we add. Our preference is for an asset based fee structure which has been proven to be very successful with our clients as it provides a much better alignment of interest compared with activity based fees such as time-cost which, we believe, are not in clients' best interests. The latter rewards further activity and complexity in solutions whilst our fee structure broadly reflects the value added by us.

The flat corporate structure has lowered the employee turnover which allows for our employees to build stronger relationships with our clients. This in turn allows for us to communicate more effectively with our clients, resulting in better management of the clients' assets which is an effective form of stewardship. This allows instant feedback to improve process.

We believe our main processes, openness and transparency have been highly effective in promoting stewardship. Our openness and transparency have allowed for our clients to communicate more effectively with DWA. This more effective communication has allowed for fostering of strong client relationships leading to significantly improved oversight of capital from DWA.

We think transparency and openness could be improved by spending a little extra time explaining our documents in a way which more trustees of the pensions will be able to understand. We think this is achievable and useful because reducing some technical language may in fact save us and our client's time, however it is hard because we deal with complex issues.



PRINCIPLE

3

Conflicts of interest

DWA has established a strong idea of conflict of interest since outset. All new employees are required to be familiar with the company policies and sign an acknowledgement to this effect.

Our conflict policy is designed with the interest of our clients at its core and is revised annually to ensure it stays relevant to our changing market conditions and services.

The Managing Director and Compliance Officer are responsible for identifying possible conflicts of interest, however in reality the entire team need to be conscious of the issues and work to ensure that the firm is always fully transparent. This is a good example of Employee Ownership culture in action.

Conflict of Interest Policy

Purpose of policy

Under MiFID, regulated firms are required to maintain a conflict of interest policy which sets out any significant conflict of interest that could arise as a result of its activities and how such conflicts are handled. DWA embraces this requirement as part of our belief in good stewardship.

Conflicts between the firm and its clients

For the most part, DWA's regulated activities relate to the investment advice it gives to pension funds and their trustees. There is a potential for a conflict of interest because DWA also undertakes research and provides consultancy services to asset managers who may manage investment vehicles that are suitable to the investment requirements of a pension fund client. Such conflict of interest is fairly handled by ensuring the asset manager pays DWA directly for its services, independently of any advice given and similarly by charging our pension fund clients fees based on a retainer and/or time spent rather than as a commission or trail.

Conflicts between clients

Each client is given advice suitable to their own investment requirements, based on their current holdings and statement of investment principles. In view of this, DWA believes there is no potential for a significant conflict of interest between clients but, if one were to arise, DWA would inform the relevant clients and take instruction as to how to proceed.

Review

This policy will be reviewed annually to ensure it is appropriate to the firm's current activities.

Identifying and managing conflicts of interest

DWA designed its fundamental business offering to minimise conflicts of interest so far as possible by avoiding the obvious pitfalls such as offering fiduciary services, having links with product providers or providing our own products. Beyond this, we are an owner-managed business driven by the desire to deliver services for our clients rather than profits for external shareholders.

Where potential conflicts of interest are identified, these are highlighted both to existing and potential clients to facilitate making an informed decision about whether we can manage the conflict fairly. Our conflicts policy is available for review at any time by our clients. Clear examples of this in action are i) if we are advising clients on procurement decisions; ii) when DWA withdrew from the tendering for a competitor Mastertrust; and iii) where we advise asset managers.

When there is a potential conflict of interest, it will be highlighted:

- in the Executive Summary and relevant area of potential conflict (e.g., Fees) of a proposal;

- in the relevant section of a report;

- by email and/or telephone call to both existing clients and potential clients.

Procurement on Behalf of Clients

DWA's business model is primarily designed for working with aggregators, such as mastertrusts rather than working directly with many employers. The aggregators have the relationships with a number of employers using our intellectual capital. Despite this, we find it useful to undertake work to support employers and have the employer's perspective and, as a result, we have run searches for auto-enrolment solutions for employers. In each case, we include the Mastertrust we advise in the long lists and short lists if they are appropriate, however, in line with our conflicts policy, we disclose the fee arrangements we have with each Mastertrust so the client is fully aware of the situation. Owing to its size, DWA deals with Chinese wall concerns through transparency.

In managing conflicts between other providers and mastertrusts, we simply follow our Conflicts policy, which is to seek to avoid conflicts but, if they arise, we deal with them in a timely and transparent way. As a result, we have not had any conflicts between providers and mastertrusts. Where this may arise is where we have recommended asset managers we have advised in the past. This is disclosed in full in our reports to clients and DWA keeps a logrecord of advice to providers and this is available for any investment client to review.

We maintain a log of all conflicts and in the period 2021 / 2022 we experienced no obvious conflicts of interest. The log is kept up to date on an ongoing basis, it contains a record of our conflicts and how we mitigate them once they occur.

PRINCIPLE

4

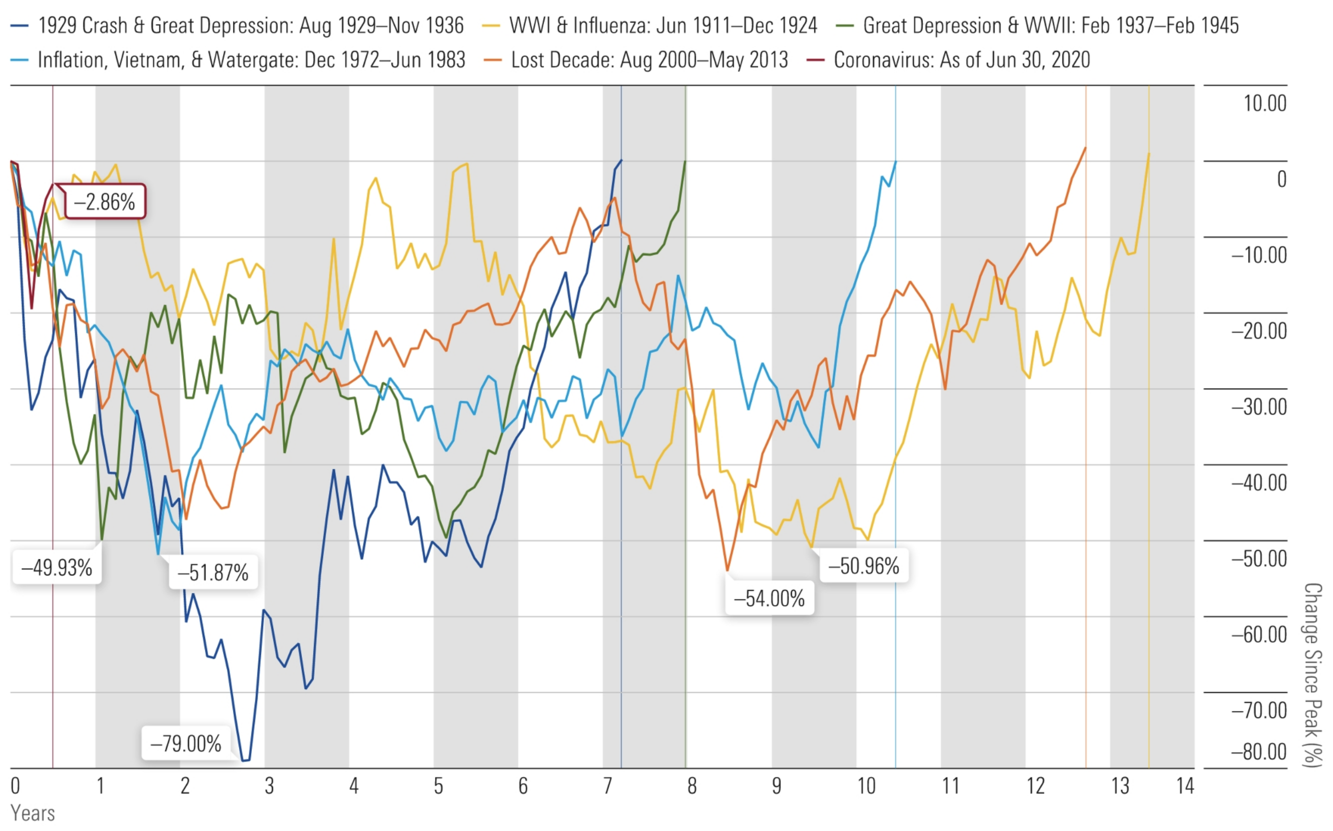
Managing market wide and systemic risks

ACTIVITY

At DWA we carry out in depth analysis and research to identify market risks and impact these have on the expected returns of pension strategies.

Our core team meet monthly to review the scenario plans constructed based on variables such as inflation, GDP, BOE rates and so on. These scenario's range from likely to highly unlikely and are of great significance to our clients. For example, where our DB clients are typically invested using LDI strategy our scenario planning provides a way to address how we would supply liquidity to meet the cash calls for each different scenario.

Comparison of Severe Bear Markets since 1871



Data as of Jun 30, 2020. Sources: Kaplan et al. (2009); Ibbotson (2020); Morningstar Direct; Goetzmann, Ibbotson, and Peng (2000); Pierce (1982); www.econ.yale.edu/^shiller/data.htm, Ibbotson Associates SBBI US Large-Cap Stock Inflation Adjusted Total Return Extended Index.

War Scenario could be most like:
- **1970**
- **WW1 & Flu**

Source: https://www.morningstar.com/features/what-prior-market-crashes-can-teach-us-in-2020

A major systemic risk we see is the impact of climate change on our investments and the physical risks we face as people. This has resulted in a major adaptation of our risk models to incorporate the different climate scenarios and the impact of transition and physical risks on our client's investment strategies and those of the broader market. Thus far we have modelled against the NGFS climate scenarios using a unique in house methodology that incorporates ESG scores and physical versus transition risk timeframes, amongst other factors.

As a firm we hold regular meetings with trustees and investment committee members of our pension clients. The agenda includes an opportunity to discuss the state of the industry and broader market. We use these sessions to provide input into consultations and meetings with the regulatory bodies. An example of this is a recent discussion on what further regulations could be implemented by the DWP to improve the member outcomes. Our core team are regular attendees of industry conferences hosted by the PPI, DCIF, PLSA.

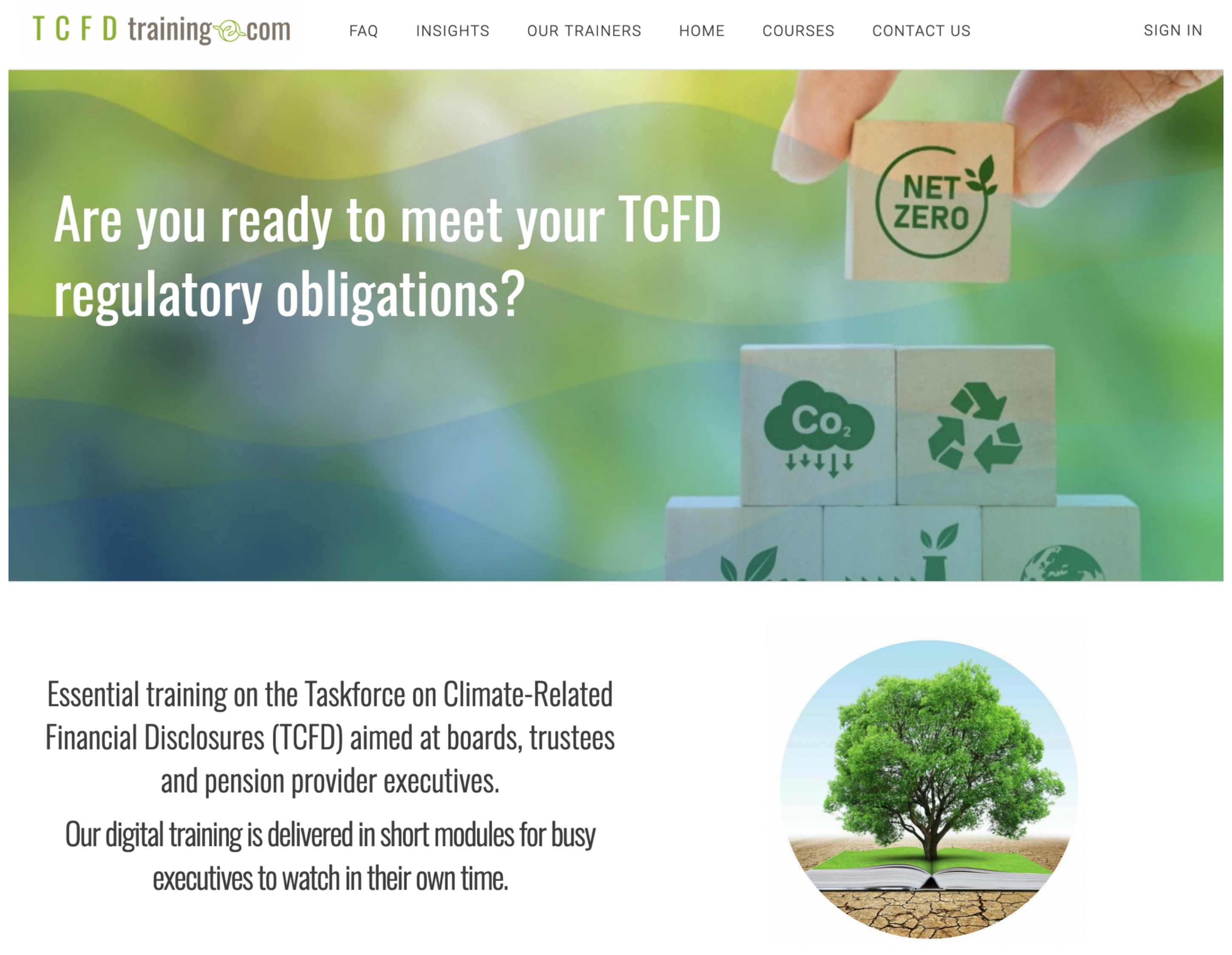
We also provide periodic market commentary reports which became more regular during times of crisis and regularly update the News & Insights section of our website with relevant market related topics.

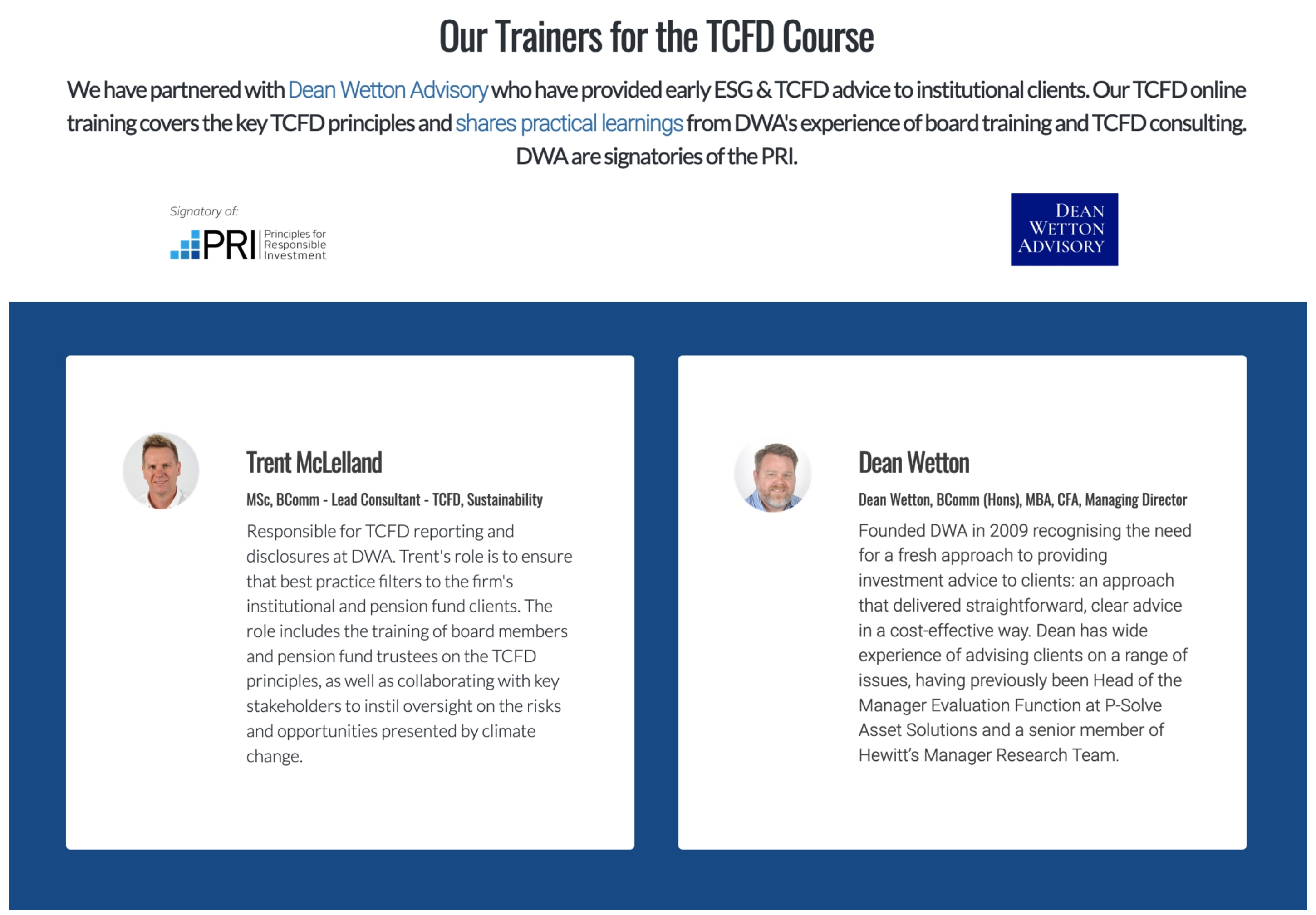
Case Study

DWA contribution to TCFD training

To support the broader industry as well as our clients on the issue of climate change, DWA have partnered with www.TCFDtraining.com to provide content and case studies for their digital training material aimed educating the industry on the new TCFD obligations and regulatory impacts. We are one of the first companies to provide TCFD training available for Trustees to undertake, leading to greater awareness in pensions of climate related concerns.

DWA are also signatories to the UNPRI and have been regular contributors to consultations and surveys. Our input although small, due to our size, we still feel it is important we play part our part and lead the pensions we advise by example.





Case Study

How DWA supported our clients during the LDI crisis

ARTICLE

LDI: Sink the ship or weather the storm?

The liability-driven investment (LDI) crisis in late 2022 sent shockwaves through the UK pensions industry.

It caused sharp price falls in the financial markets driven by fears that the government would be unable to fund its Growth Plan 2022. A sharp increase in gilt yields resulted, which in turn led to a fire-sale of assets and resulted in an unprecedented liquidity squeeze. It was one of the most volatile weeks in the UK bond market and left many consultants, trustees and LDI providers reeling.

Taking the time to properly understand LDI, being prudent in our assumptions, and being as diversified as possible, ultimately paid off for our clients.

DWA however navigated the LDI crisis well and as a result our clients were able to weather the LDI storm better than others. Our strategy was to ensure that we did not hold UK Corporates and gilts as a source of collateral, instead we chose to be more prudent and to either use only cash. In addition, the Growth assets that we held were held in diversified funds, and not particularly exposed to the UK market.

We were able to mitigate the risks the market presented by:

Investing Growth Assets in Globally diversified portfolios with only a market weight in the UK. The majority of growth assets were daily dealt and very liquid, reducing any liquidity squeeze risk

Tempering LDI leverage with the use of a cash buffer. Cash provides a ready source of liquidity, and is not correlated with other risk assets such as gilts

Conducting rigorous due diligence on the LDI providers recommended and we therefore avoided providers where problems were encountered

Under hedging (around 50% – 90%) of liabilities unless a scheme was fully funded on a buyout basis

Our approach ensured we were able to avoid the challenges that other consultants faced, and, as our client's funding positions improved they were able to meet their liquidity obligations.

Preparing for market shocks

Well ahead of the LDI crisis our consultants recognised the danger that rising interest rates presented.

This knowledge ensured that we focused our LDI strategy on ensuring that we would be able to manage this. We deliberately under hedged to ensure that if rates did rise, which we believed would be the case, the increase in funding levels (as liabilities would have fallen by more) would be more than offset by reduced expected return caused by the reduced allocation to Growth assets.

We set out to ensure that our clients had the ability to meet collateral calls quickly should the need arise. And hindsight has shown that our prudent strategy was the right one.

How DWA's approach differed from other LDI strategies?

The challenge that other consultants faced is that many schemes were 100% hedged and had invested in UK bonds as collateral. In addition, many schemes did not invest sufficiently in globally diversified growth strategies. This would prove to be a challenge for these schemes. Whereas our decision to use cash, given we were not happy with the 3 x leveraged approach, helped our clients to avoid a cash squeeze because there was a buffer in place to reduce leverage.

What also sets our approach apart is that we always understand our client's governance structure, so that we can navigate our client's return objective and risk tolerance efficiently. We always determine how well the scheme is governed, and how it works, and ensure our solutions match the structure. This knowledge gave us the ability to make decisions efficiently at a time where speed was critical.

What we learnt from this unprecedented experience

We believe that we were able to navigate the market by being prepared. We had considered the risk implications of possible events and ensured that we had designed a strategy to mitigate them.

We stuck by our guns, took some tough decisions, which while appearing to be out of sync with others in the industry, ultimately ensured our client's were buffered from the market shocks.

By taking the time to properly understand LDI our strategy of being prudent in our assumptions, strategy and models, and of being as diversified as possible, ultimately paid off for our clients.

END ARTICLE

OUTCOME

We recognise that as a small boutique firm our ability to contribute to the promotion of the functioning of financial markets is limited and therefore our focus is on protecting our clients as described above. However in 2022, the board started a process of elevating our profile and increasing industry engagement. For example, we have offered our services to provide panel experts at events and more regularly sharing our insights into industry related social groups.

Finally, we have begun receiving formal feedback from the pension's regulator on our client's initial TCFD reports and are pleased by the positive input received from them.

PRINCIPLE

5

Integration of stewardship and investment

CONTEXT

DWA has approximately £2.5 billion Assets Under Advice. Our client base consists mainly of multi-employer DC schemes, however we are increasingly advising more DB schemes and other financial institutions. The majority of our clients are based in the UK; however, we do service clients on an ad hoc basis in different locations around the world.

ACTIVITY

To ensure we provide the best advice to our clients, a key philosophy is employee training, as shown in the table below.

13% DWA employees have an actuarial qualification	**25%** hold the Investment Management Certificate
25% possess the CFA designation	**25%** are currently CFA candidates

Most employees are either working towards or have qualifications which support and enhance the advice they give.

We consider our clients' views and feedbacking in provision of their services by maintaining strong long-term relationships with clients. This is at the core of our fundamental values at DWA, since it allows for us as advisers to be closely aligned with their strategic objectives.

When our advice is closely aligned with their objectives, we will better represent their needs. We feel it is essential for us to emphasise the extent to which we do this. For 2022 we have co-developed an online version of the survey with Avida International to help our clients assess and rate our annual objectives and provide critique on the service we provide.

In our most recent survey, we discovered that some clients felt we could increase our input into member engagement. To address this issue, we initiated market research to assess member engagement across the mastertrust universe.

The primary method of servicing these members is by working with their fiduciaries, usually trustees, DWA engage with them providing regular reporting (usually quarterly), although ensuring that these reports take a long term view. Our understanding is the Regulatory requirements for Mastertrusts for example are the "R" boxes below. What DWA provide is denoted by a green tick.

	Triennial Review	Annual Review	Quarterly Monitor	
Membership Analysis	R ✓	✓		Completed in the annual membership Analysis report
Qualitative Review of Funds	R ✓	✓	✓	Is done continuously and reported Q through a monitor, with further detail in annual review
Review of Strategy	R ✓	✓	✓	Provided in the fairway analysis and commentary in the Q monitoring Reports
Performance of Strategy	R ✓	✓	✓	Provided in the Q Monitoring Reports
Performance of Fund	R ✓	R✓	✓	Provided in the Q Monitoring Reports
Industry/Peer Comparison	R ✓	✓	✓	Provided in the Q Mastertrust Universe Comparison

R denotes regulatory requirement, Ticks denote DWA supplied monitoring.

DWA meets with client's frequently to ensure we are fully integrated with their decision making process, allowing for our advice to have greater specificity to the client. In turn this helps us add maximum value to the client's investment process.

This regular reporting cycle is augmented by "DWA Market Notes" which provides ad hoc updates on particular market issues such as the Covid disruption or the invasion of Ukraine. Further DWA are very responsive to client requests on any issue which may be a specific investment related query or for support with a corporate action.

OUTCOME

We take account of the client's views and feedback in our frequent meetings as well as effort to streamline the process to measure our objectives and performance by digitising it. We have extended the scope to include ESG and stewardship and all DWA clients will assess us on this basis. For example, we now include questions on how DWA have supported the client and the production of their TCFD report.

Following an appraisal of our performance and objectives by a client, based on a RAG system with additional comments, the core team at DWA assess the feedback and provides a formal response to each client. Included in this process is a measure against the previous year to determine any trends (both negative and positive) that may need attention.

PRINCIPLE

6

Review of policies and quality assurance

CONTEXT

At DWA, our policies are the articulation of culture and practice rather than something imposed by management, this is because as owners of the business the employees take the longer-term perspective.

ACTIVITY

To ensure fairness and balance all employees formally review the policies on an annual basis. A recent example happened during a review of stewardship related policies when a new hire identified an improvement to DWA's cyber security process. As a result, a new policy was implemented with immediate effect.

For our external assurance, DWA seek formal client feedback at least once a year on the objectives which include ESG and stewardship objectives. How our clients feel about our strategies we implement for them is of utmost importance to us. We use this approach because the client is best positioned to provide feedback on how we are supporting them in their stewardship journey.

One of our key priorities for 2022/23 is to better document our stewardship policies, processes and activities in order to provide the most effective stewardship framework that filters to our employees, our clients and to the industry as a whole. Although stewardship responsibility falls on all employees, we have been improving our stewardship processes and consequently appointed our new stewardship champion.

FCA Oversight

DWA is Authorised and regulated by the FCA and as such is subject to controls on its activities. These include a number of checks on reviews, ensuring that advice is appropriate for client, that staff are trained appropriately and that customers are treated fairly.

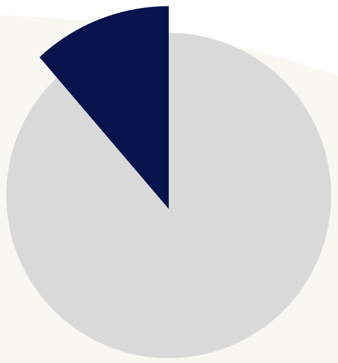
Third Party Data

DWA receives a number of types of data from Third Party data vendors on both financial data and ESG data. DWA corroborate this data with data gathered directly by DWA and by requesting data from asset managers. Where there are discrepancies this is evaluated and resolved to ensure clients can rely on data provided by DWA.

DWA manager research use this data to score investment products for clients using the DWA ESG scoring system described in the box below. The system continues to develop as DWA challenge managers and raise the bar on ESG.

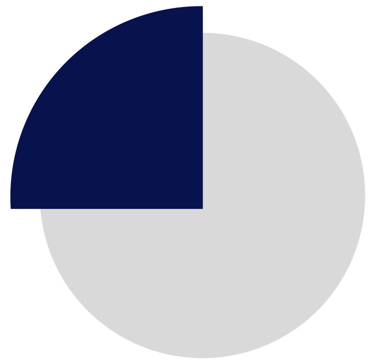
ESG Scoring System

DWA's ESG rating system is developing as ESG develops. It attempts to combine the OECD spectrum of capital with the FCA ESG Related Features and the UNPRI Signatory system to create a 10-point rating system for ESG. We set out this system below.



Financial Only

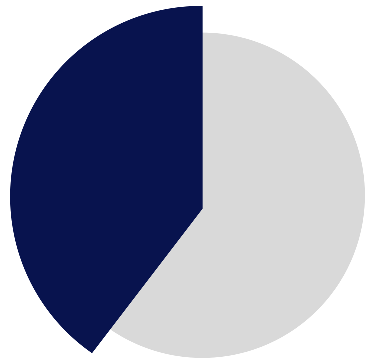
1 Delivering competitive financial returns.



Responsible
Mitigating ESG Risk

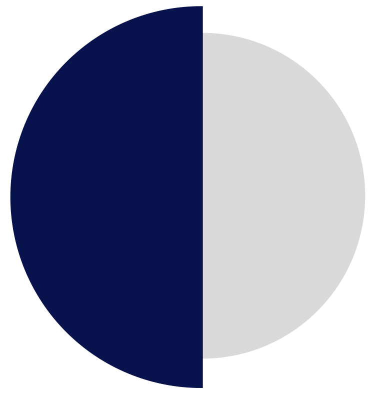
2 Exclusions

3 Pro-active engagement on ESG



Sustainable
Pursuing ESG Opportunities

4-5 Rebalancing to ESG to enhance value



Impact
ESG as Primary Focus

6-7 Address social challenges whilst generating competitive returns

8-9 Prioritise ESG over returns

10 Maximising ESG outcomes ahead of financial considerations

It is important to note that 10 is not "the best" but rather the "most ESG" and therefore would likely not be appropriate for the vast majority of members, who would likely generally prefer to be in fund ranked somewhere between 4-6. The system faces issues with blends where constituent parts may have different ESG scores. Our current approach is to give an approximate overall score.

DWA Peer Review Process

For our internal assurance, in addition to the FCA prescribed processes, there is a formal Quality Assurance process in place that is implemented through the Peer Review Process. We believe this a very thorough process that assures we provide solutions of the highest quality for our clients. The consultant generating the report must acknowledge the minimum time required for the review to be able to reach the appropriate standard. The review is considering several key questions:

1

Are there any logical errors in our solution?

Has a key variable in the problem been overlooked? Does the solution make unrealistic assumptions?

Are there any contradictory statements?

Has the solution been sufficiently sanity checked by a peer?

2

Has the solution been communicated effectively?

Does our language accurately and succinctly communicate the solution?

Have DWA's professional reporting standards been met?

Has the target audience of the report been considered? Is the solution complete?

3

Is the solution complete?

Have all natural questions that arise when reading our report been thought of?

Have any key considerations been missed?

Case Study

A regulatory Review of a client TCFD Report received the following feedback

A thorough and detailed section of the report, with lots of practical information on how risks are managed within the Scheme.

A clear demonstration that climate change risk management is well integrated across the Scheme's operations.

The additional information on engagement was helpful in providing practical examples of how stewardship is used to manage climate-related risks, this is welcomed.

OUTCOME

Stewardship is fundamental to investment consultants. Consequently, we work hard to continually improve our stewardship policies to ensure they are the best they can be. We review our policies and take account of our client's feedback and how stewardship can be improved.

DWA seek feedback formally and informally from clients because this is how we learn, improve and ensure what we provide is useful for clients.

DWA understands the importance of having stewardship priorities and engaging but having clear outcomes from these engagements which we are able to report on.

DWA defines an engagement as an 'interaction to drive change'. Specifically, for DWA this can involve letters, emails, calls and collaborative efforts. As previously noted, via our manager ESG assessment framework, DWA assess and engage with managers. We request they fill out a request for information and, if necessary, hold a call with the manager to fill any gaps in order to assess the manager effectively.

As part of this assessment, we detail the areas in which we think the manager can improve across the different categories and will then follow up with the manager later to engage on the areas to understand progress. We obviously engage with managers more deeply where we have client exposure.

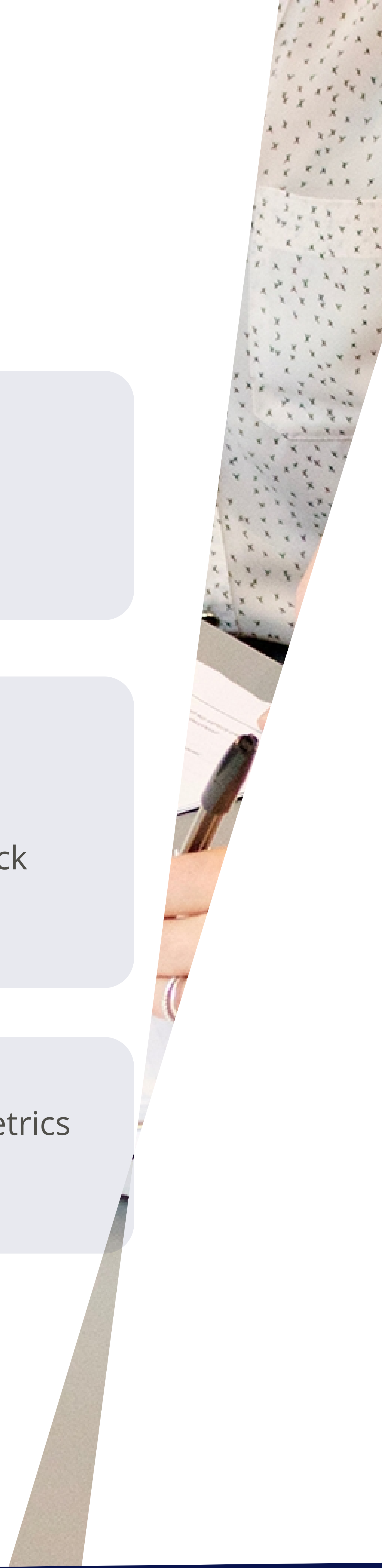
We remind managers of these areas for improvement and provide them with the opportunity to provide updates on whether these have progressed or improved.

Further improvements to our stewardship process may involve:

Refinement of ESG scoring system and "Raising the bar" for products which clients may use.

Tightening the calibration of ESG effects in used in modelling, particularly for TCFD and TNFD and further widening the Scenarios considered. Our clients and regulators have fed back that these fully integrated models provide helpful insight.

Monitoring of industry standards, particularly around ESG metrics as the provision and quality of data improves.



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