

# UK Stewardship Report

For the year ended  
31 December 2022



# Foreword

Buck, a Gallagher Company, is an integrated HR, pensions and employee benefits consulting, technology, and administration services firm. Founded more than 100 years ago as an actuarial consultancy, we've evolved to serve organisations and trustees across the health, wealth and career spectrum.



With the ultimate goal of securing the futures of our clients' employees and members, we develop technology-enabled programmes that engage individuals and drive organisational performance. Our award-winning solutions and people-first approach empower our clients to protect the physical, mental and financial wellbeing of their employees and members.

Our investment specialists offer advice on asset allocation, asset de-risking, risk management, liability-driven investment and journey planning. We work with our clients to implement their investment strategy, including selecting managers and transferring assets and we also assist clients in establishing and maintaining their own stewardship and pension governance requirements as asset owners.

We are innovative, proactive and pragmatic. We help trustees and sponsors to focus on the things that can really make a difference. Our clear way of communicating helps our clients to make quick, well-informed decisions.

Buck has a responsibility to help trustees of pension schemes set an appropriate investment strategy that considers the nature of their obligations to their ultimate beneficiaries. This includes consideration of environmental, social and governance issues when investing their assets and the ongoing stewardship of their investments. We continue to evolve our stewardship activities in response to the demands of all stakeholders in a rapidly changing environment.

We support the six principles of the UK Stewardship Code 2020 for service providers and this is our third report demonstrating our commitment to meeting the expectations of the Code through the dedicated efforts of all Buck colleagues. We continue to maintain the highest standards of professionalism and stewardship and to ensure our contribution towards a more sustainable future.

This report applies to Buck Consultants (Administration and Investment) Limited, a UK company authorised and regulated by the Financial Conduct Authority.

**David Piltz**  
Managing Director  
Buck Consultants (Administration and Investment) Limited

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# Principle 1: Purpose, strategy and culture

Buck Consultants (Administration & Investment) Ltd is a UK-based subsidiary of Buck Global LLC (“Buck”). In March 2023, Buck was acquired by Arthur J Gallagher, a global insurance brokerage, risk management and consulting services firm headquartered in Illinois, USA providing services in approximately 130 countries around the world.

Buck has over 730 people in the UK providing actuarial, investment consulting, technology and pensions administration services to our UK clients, representing one of the most deeply experienced and capable teams in the pensions industry.

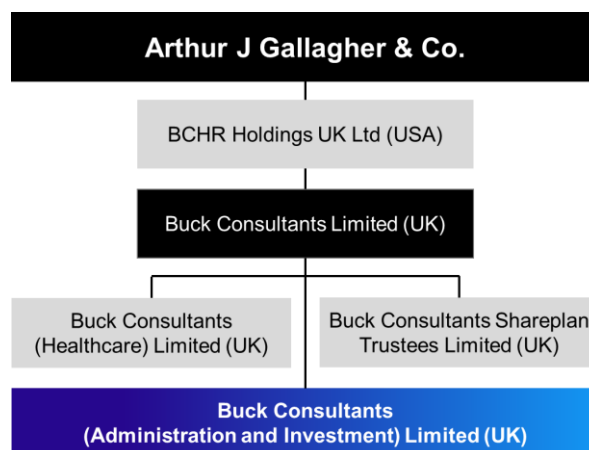
Buck’s UK investment consulting team sits within Buck Consultants (Administration and Investment) Limited, a UK company authorised and regulated by the Financial Conduct Authority.

We also provide general consulting and administration services to our clients, although they are not the focus of this report as their services don’t fall under the remit.

Our clients rely on us to design, deliver, and monitor an effective investment strategy that is consistent with their objectives and risk tolerances. We partner with them to ensure our advice and recommendations are clear, objective and unbiased and provide them with a high degree of confidence that their objectives will be met.

Since 1977 we have, in our role as trusted advisor to our clients, designed and implemented dynamic strategies to manage risk optimally in ever-changing economic environments, reinforced by independent global manager research conducted for the sole benefit of our clients.

1. Our purpose is to help UK pension schemes secure members’ benefits through:
  - Giving members confidence that their benefits will be met in full
  - Involving key stakeholders in the decision-making process
  - Ensuring that our advice is formulated by a diverse workforce backed by the required knowledge, skills and culture that guards against group think and fosters challenge.
2. We encourage progression and promotion within the firm to motivate, retain and attract talent.



3. Effectively managing cashflows is crucial to a pension scheme’s success. Cashflow Centred Investment (CCI) forms a key part of our investment consulting (See Principle 5).

Our investment team consists of 48 dedicated professionals, with a wide support network of specialist subject matter experts.

	Number	Professionally Qualified	Average Experience
<b>Leadership</b>	2	2	30 years
<b>Lead Consultants</b>	11	11	24 years
<b>Other Investment Consulting Professionals</b>	28	6	10 years
<b>Strategic Advice</b>	7	6	23 years
<b>Manager Research / Selection</b>	5	3	14 years
<b>Implementation</b>	4	1	9 years
<b>Investment performance and reporting</b>	8	0	8 years

as at 31December 2022

### 1.1 Our culture and values

With changing dynamics in healthcare, retirement and human resources, people think about work in very different ways. Today, employees expect pension scheme trustees and employers to invest in their growth and their financial security in more flexible and personalised ways.

At Buck, we’re working to redefine the social contract between employers and employees, to not only accommodate shifting expectations, but to stay ahead of them. We believe the working relationship is a two-way relationship. We partner with forward-thinking organisations to re-envisage the role of the employer and re-design how employees work and live.

Our approach helps our clients get the best business performance while driving positive health, wealth and career outcomes for people.

Environmental, social and governance issues transcend everything we do. Our company’s culture and service philosophy revolve around putting clients and people first. We are a thriving, growing organisation that is focused on our client’s needs. The culture within our organisation is one of true collaboration; one of the key reasons why our clients stay with us for the long term.

“We’re consciously putting people at the centre of everything we do, not just in the services we offer, but in the way we think about who uses our services and how they use them.”

- Jack Freker, CEO



## 1.2 Business strategy

Our business strategy at Buck is to be:

- **Client centric:** We start by listening. Our recommendations and insights are always tailored to our clients' unique needs, enabling us to deliver the desired results and exceed our clients' expectations.
- **Accountable:** Our choices reflect our integrity each and every day. The commitments we make are the commitments we keep. From little to big, delivering on our commitments builds our clients' confidence and trust in us.
- **Bold:** We continually look for ways to become better, faster, and more valued in the way we work and serve. Our aim is to create a legacy of improvement leaving our clients better off for the work we have done for them.

With an eye towards the future, we're introducing new technology-enabled administrative solutions that make delivering on commitments to employees seamless and more measurable. This will help the right decisions be made regardless of shifts in the workforce and strategy.

We believe our commitment to our clients is reflected in the fact that our clients have been with us for an average tenure of over 10 years.

Much of our growth over the years has been organic, and going forward we believe that a key part of this will be sourced through professional trustees.

In December 2022, Arthur J Gallagher & Co announced their agreement to acquire Buck globally.

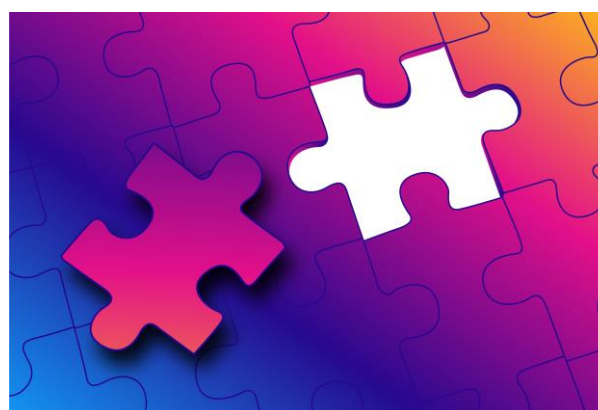
"Buck is thrilled to be bringing our industry-leading capabilities to Gallagher's best-in-class organisation. Together, we'll continue to build upon our excellent market reputations, breadth of talent, commitment to DE&I, and client-first mindset as we serve many of the world's leading corporations and brands. We could not have achieved this result without the dedication of our exceptional global workforce"

- Jack Freker, CEO

Within the UK, Buck solely offers investment consulting advisory services and does not offer fiduciary management services to pension scheme trustees. We are truly independent and help our clients determine the right approach for their circumstances. We do offer fiduciary oversight services in addition to other advisory services.

While we have house guidance, our advice is formulated around clients' unique circumstances including, but not limited to areas such as strength of the sponsor's covenant and investors' beliefs, to ensure giving 'best advice' and not just standardised advice.

Under UK financial services regulation we make publicly available certain information regarding our risk management policies, capital resources and capital requirements on an annual basis.



## 1.3 Our commitment to our staff

### 1.3.1 Our Code of Conduct

Buck is committed to the highest professional, ethical and legal standards in everything we do. Our Code of Conduct is intended to provide all Buck employees with an understanding of the fundamental principles and policies that apply to our business and is integral in every interaction we have with our clients, suppliers and employees.

We also have separate policies available to all employees covering sexual orientation, disability discrimination and behavioural standards.

### 1.3.2 Addressing the needs of our people

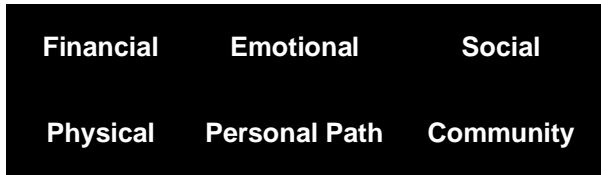
Covid 19 has changed the way we work and we have taken the best bits of office based and remote working. We find that our people and clients increasingly use the office as a place to collaborate in person, complementing our best-in-class remote working technology.

We are in the process of developing a new Mental Health policy. This is integral to our business, managers and employees to outline a framework of support we can offer to employees, should it be needed.



**Head-first wellbeing programme**

Our internal health and wellbeing programme, ‘Head first’, incorporates the six key pillars of wellbeing underpinned by DE&I principles.



**Mental Health First Aiders**

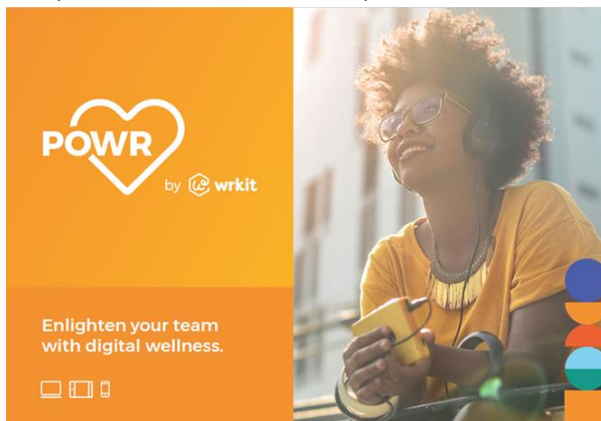
Buck Headfirst Mentors have been trained to provide confidential support and a listening ear to those employees in need. We commenced work on an FAQ document to act as a reference point should employees have any questions, but perhaps don’t feel ready or able to reach out to an individual within the organisation yet.

“By talking about mental health, we can recognise that it’s OK not to be OK, and that it’s good to share our experiences. And remember, there are a great deal of resources available here at Buck to support you when you need it”

- David Piltz, U.K. Managing Director

**POWR**

The Buck Wellbeing Team launched a digital tool, POWR to support wellbeing. POWR is a 360-wellbeing tool focussed on 6 pillars – Mind, Work, Life, Sleep, Active & Food.



During 2022 the Buck Wellbeing Team supported staff by celebrating Mental Health Awareness Week to raise awareness of loneliness and how it impacts our mental health.

**Employee Assistance Programme**

Buck provides an Employee Assistance Programme with an online portal providing information, tools and tips to help improve the mental and physical wellbeing of our colleagues, including webinars, programmes, mini health checks, online counselling and managing others.

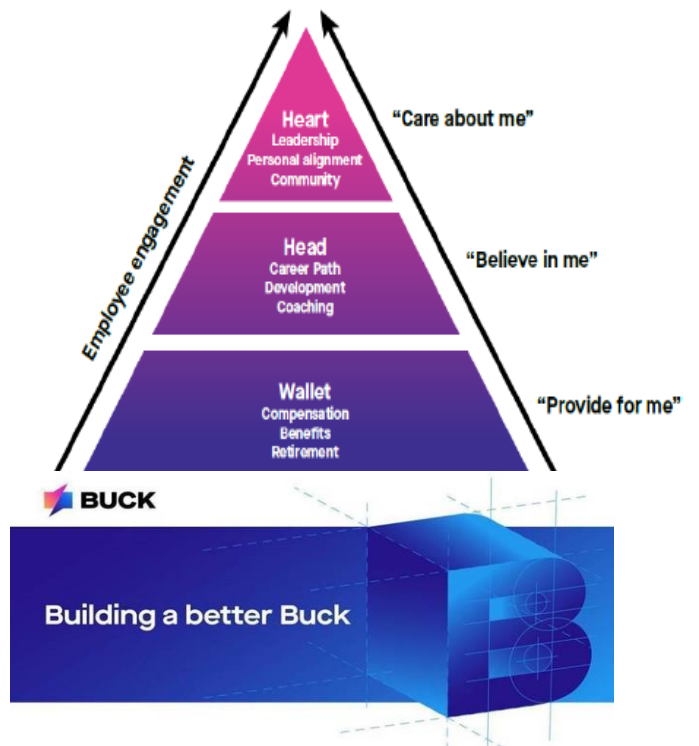
**Manager Toolkit**

Our managers have been provided with a toolkit developed with guidance from mental health professionals who have a strong reputation for clinical expertise and an in-depth understanding of innovative digital healthcare.

This is being supplemented by Manager Upskill Training across the business to allow our managers to have the improved skills and knowledge to better support employees. This will cover a range of topics and will be mandatory for anyone in a management role or being promoted into a management role.

**1.3.3 Employee engagement**

Buck maintains constant communication between the Leadership Team and Buck colleagues.



Following an engagement survey in 2021, Buck launched the ‘Building a better Buck’ initiative which focused on 6 key areas that were identified as key improvers of engagement by our colleagues. By focusing on these we support our growth towards becoming a great place to work.



These areas are as follows:

- Learning and Development
- Communications
- Total Rewards
- IT equipment and desktop support
- Systems and Processes
- Connection to Leadership

On the anniversary of the engagement survey Buck CEO Jack Frecker reported back on the significant progress made in each of these areas and reflecting on areas that required further work.

Our goal is to achieve 'Best Place to Work' status. A cross-discipline team was formed to help define what being a best place to work means for Buck. The team interviewed our senior leaders to gain their insights and perspectives and have spoken with representatives of peer companies to form an objective view of how we can attain this.

In order to embed our culture within our organisation, regular team and social meetings are held within our organisation.

Employees can anonymously provide feedback on ongoing questions, concerns or creative ideas through our anonymous online 'Better together' portal. Through this, 497 questions, comments and ideas were submitted. The ground-up feedback feature enabled a global, cross-functional partnership for continuous improvement in every area of our organization. Merging that effort with targeted action plans, identified through the 2021 Engagement Survey, allowed us to focus on the initiatives that matter to employees most – to enable our success and collective progress.

#### 1.3.4 Gender Pay

The median hourly pay difference for women has reduced from 27% as of 5 April 2021 to 18% at 5 April 2022.

The proportion of women in the highest paid jobs within Buck has increased from 31.3% to 32.2% over the same period.

2022 was a challenging year in terms of recruitment at all levels across all departments. The labour market expanded and as a result, candidate pools were comparatively low and competition was high across our business.

Despite this, we have focussed on gender diversity through our candidate attraction methods, and introducing more flexibility in working practices.

We ran a Diversity Equity and Inclusion survey in 2022 and focused on gender split when analysing results to help assess our position, plan and deliver improvements.

We continue to review and assess recruiting and retention practices to address gender split in our sector and continue to focus on attracting women into the organisation, at all levels.

#### 1.3.5 Mentoring

Buck's internal mentoring programme, launched in 2020, provides a way to ensure everyone at Buck has an equal opportunity for success. The programme provides the opportunity to partner and engage with leaders across the Global Buck community to gain career guidance and advice, exchange perspectives, and broaden support networks.

The relationship between mentors and mentees forms a two-way conversation, encouraging diversity of thought, history, background and experience.

#### 1.3.6 Diversity, equity, and inclusion

Our UK Diversity, Equity, and Inclusion (DE&I) Council actively drive awareness, education, and initiatives across several areas. There are currently 12 members of the DE&I Committee and they represent all locations and practices within Buck UK. This includes support functions.

Our goal is to create a diverse, equitable and inclusive environment in



all our offices, as well as in our communications, processes and policies, and in our philosophy in thought when we provide and receive services.

We have an established DE&I community group to communicate events, news initiatives and ways in which employees can get involved.

Our Pride committee put together a month-long schedule of engagement activities during LGBTQ+ Pride month in June 2022. The theme was Pride, community and allyship. The goal was to promote affirmation, dignity, equality, and increased visibility of Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ) people within our families, friends, business and communities.

We provided employees with a number of resources to help them to be an ally with LGBTQ+ people both at Buck and in their wider social circle.

Buck also undertook a charitable giving collaboration which focused on improving the mental health and wellbeing of LGBTQ+ communities. In the UK, we chose MindOut, for their vision of a world where mental health is a priority, free from stigma, respected and recognised. Their mission aligns well with Buck’s focus on our own staff’s mental health as well as with the health and wellbeing services we offer our clients.



In July 2022 we launched our first UK DE&I Survey to help us understand what we are doing well and not so well, and help the DE&I Council decide where time and energy is best spent in developing future plans.

In October 2022, we celebrated Global Diversity Awareness by sharing a video from our Buck colleagues around the world as they describe what diversity means to them, why it’s important in the workplace, and how they celebrate diversity in their own lives.

We continually strive to expand our efforts to make Buck a more diverse, inclusive, and equitable place of work.

### 1.3.7 ‘Future Leaders’ programme

The Buck Future Leaders (BFL) program is established as a development platform for Buck employees who exhibit the potential to create positive change by leading themselves and others, including their direct reports, co-workers and clients. During 2022 the programme offering was expanded.

Through professional coaching, targeted exercises, and exposure to current Buck leadership, the BFL program provided 7 candidates across the UK with a window into what it means to be a leader at Buck, and the opportunity to hone the necessary skills to be successful in a leadership role and embed our culture within our organisation.

The training covered various themes within three categories of self, others and clients.



## 1.4 Promoting effective stewardship

### 1.4.1 ESG integration with investment research

Our manager research benefits from the strength and depth of our dedicated in-house Investment Research Team. Environmental, Social and Governance (ESG) credentials are some of the factors we consider when conducting manager research work and hence feed into the funds and manager recommendations that we make to clients.

We have expanded our research in this area and now formally integrate ESG considerations into our manager research process. We also undertake more detailed reviews on specific ESG factors through a more in-depth annual manager due diligence review.

### 1.4.2 Buck ESG fund ratings

Buck has developed a proprietary ESG Funding Ratings System, based on a ten-point scoring system and undertakes specific research into the ESG policies of the managers in which our clients are invested.

The ESG ratings are reviewed at least annually based on new information, or immediately after a significant event.

During 2022 we reviewed and updated our ratings framework based on our experience over previous years. Our revised ratings framework is shown below.



We carried out over 200 fund ratings during the year. These ratings have been shared with clients and form an important part of our clients’ engagement with managers and manager selection.

### 1.4.3 ESG Group

Buck operates a specialist multi-disciplinary ESG Group to develop our service offering and to provide specialist advice to clients to help them identify climate related risks and opportunities for investment and funding strategies over the short, medium, and long term.



During the year the ESG Group has worked on the following:

- Client portfolio scenario analysis
- Production of ESG and climate risk dashboards.
- Internal training to colleagues to raise awareness of consulting issues and reporting tools available.
- Working with other teams within Buck to co-ordinate climate change knowledge and data into our investment and actuarial advice and modelling processes.

These initiatives are ongoing with continuous improvement as our team gains wider experience and more data becomes available. We have promoted awareness of climate change risks and broader ESG awareness through individual client training, reviews of clients' statements of investment principles and in the preparation of clients' engagement policy implementation statements. During the year, the majority of clients had their statements of investment principles reviewed, and we assisted them with preparing implementation statements which captured the ESG work they had undertaken.

These efforts, together with a much broader awareness of ESG risks and opportunities amongst our clients, are already yielding results, with several clients making a conscious decision to align at least a part of their portfolio with their ESG views.

### 1.4.4 Industry representation

We have become active members of the Investment Consultants Sustainability Working Group (ICSWG), with senior members of the investment team participating on several committees, including the ICSWG Stewardship Committee. We are also active members of various other industry groups where we play an active role in promoting effective Stewardship of pensions schemes. These include:

- The Pensions Regulator's Diversity and Inclusion Working Group
- UK Pensions Board at the Institute and Faculty of Actuaries
- Pensions Administration Standards Association (PASA) GMP Equalisation Working Group (GMPEWG)
- Various committees of the Association of Consulting Actuaries
- Society of Pensions Professionals Actuarial Committee
- Various committees of the Institute and Faculty of Actuaries
- Pension Scams Industry Group
- Society of Pensions Professionals Administration /Covenant Committees

### 1.4.5 Client-centric consulting

Client satisfaction is a key metric for our business to help measure the quality and success of the services we provide to our clients. We measure client satisfaction in several ways:

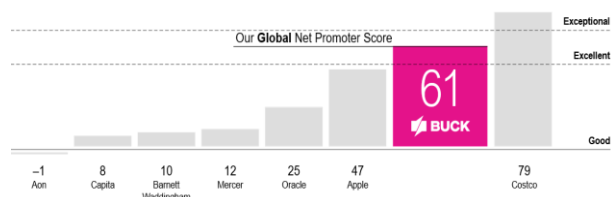
#### Executive Sponsor (or client care) meetings

Client care meetings are held with appropriate trustee and sponsor representatives on selected clients no less frequently than annually. This ensures that clients have an objective, independent and candid discussion about the services we provide with a suitably senior person in our business. Every part of our service is assessed as part of the meeting, with feedback given to the team to refine how we work with our clients.

#### Client satisfaction surveys

Our Client Satisfaction Survey allows our clients to provide feedback through an online survey which is then followed up as necessary.

Our last client satisfaction survey was carried out in 2021. Further information on the survey and our excellent Net Promoter Score (how likely our clients are to recommend Buck) is included below.



Buck has a Net Promoter Score of 61 with this having improved from 59 in 2020, corresponding to a client satisfaction level that puts us among the most elite brands in the world including Sony and Starbucks.

**Review of investment consultant’s objectives**

We operate under regulatory requirements for us to have formal investment consultant objectives agreed with all our clients. Annual reviews against our objectives together with detailed measurement criteria provides us with the opportunity to discuss our own performance and areas for improvement over the next year.

The objectives themselves are reviewed at least every three years or earlier if there is any change in the client's investment strategy.

**Industry feedback**

We are always receptive to feedback from the wider industry and proactively seek this out. During 2022 we held meetings with Independent Trustee organisations to share ideas, industry knowledge and to garner specific feedback.

Buck has also been recognised through several awards during 2022, including:

**Pensions Age Awards 2022 Winner:** Pensions Consultancy of the Year

**Workplace Savings and Benefits Awards 2022 Winner:** Workplace Savings and Benefits Initiative of the Year

**Pension and Investment Provider Awards 2022 Winner:** Employee Benefits Consultant of the Year

We believe that our business and the way we operate are aligned with meeting our clients’ need for effective investment advice, which is paramount in ensuring that UK pension schemes meet their ultimate objective of paying benefits to members.

The longevity of our client tenure provides evidence of our long-term partnership with clients to achieve their goals, and our high Net Promoter Score of 61 and positive client feedback from annual performance reviews is evidence of high client satisfaction.

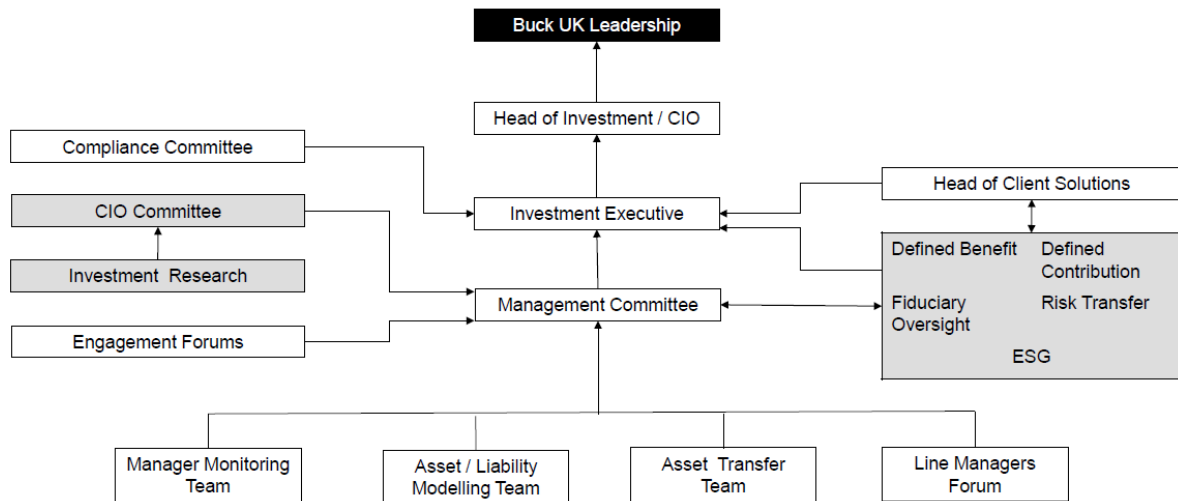
Our services help our clients manage ESG issues, while our continued development of ESG services and industry representation, particularly on the ICSWG provide further evidence of our serving the best interest of pension schemes and their beneficiaries.

This exemplifies our willingness to volunteer staff time to contribute on a pro bono basis to growing industry-wide best practice.

# Principle 2: Governance, workforce resources and incentives

Our governance structure was reviewed in 2022 and has been designed to ensure strong oversight, clear lines of accountability and effective communication throughout the investment consulting team. In particular, the committee reporting lines and individual responsibilities have been structured such that stewardship and ESG are fully integrated into our internal operations and how we work with clients.

Our governance framework is designed to reflect the evolving needs of our clients, changes in market dynamics and the development of our CCI approach (see Principle 5). The governance approach within the investment team is shown below.



## 2.1 CIO committee

The objectives of the CIO Committee are:

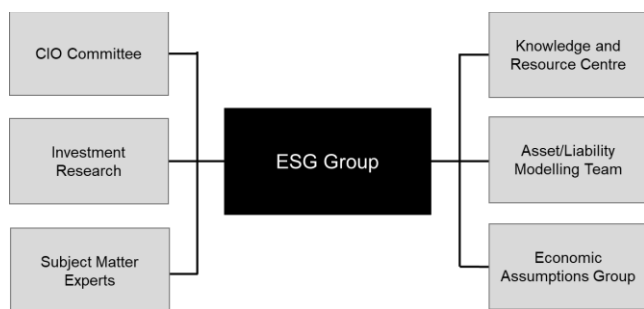
- Agree the investment research agenda and priorities, ensuring it focuses on those areas relevant to Buck’s clients, covering both current and future expected client needs.
- Agree who is responsible for researching the areas identified, with the individuals concerned reporting back to the CIOC in a manner agreed with the CIO.
- Facilitate the development of the research output into consultant-ready collateral to be released to clients.

## 2.2 ESG group

Buck investment consulting team created an explicit structure in 2018 to support ESG consulting and to support Buck’s own corporate and social responsibilities as a firm.

This specialist ESG Group consisted of six team members in 2022 with an average experience in excess of 17 years in the industry.

The ESG Group invite members from other specialist teams, such as our Economic Assumptions Group (‘EAG’) and Knowledge and Resource Centre (‘KRC’) (a pensions regulations specialist team within Buck with legal background) to support ESG-specific investment advisory and implementation work.



During 2022 the ESG Group used KRC’s expertise to monitor developments in the ESG-related regulatory environment including the Pensions Regulator’s focus on Trustee Board Diversity, which has resulted in trustee and employer guidance on equality, diversity and inclusion and a diversity and inclusion survey.

The team worked with consultants to review and enhance the pension scheme Engagement Policy Implementation Statements for defined benefit pension schemes, to include greater detail on voting and engagement by asset managers.

The ESG Group also developed our first TCFD reporting for clients with more than £1bn in assets to ensure compliance with the DWP Guidance issued in June 2022.

The team meets twice a month to discuss ESG issues and supports investment consultants in providing analysis and advice to their clients.

Members of this team have an explicit time allowance as approved by senior management to perform their role to support activity on ESG-related matters. They are also encouraged to be on various industry groups such as the Investment Consultants Sustainability Working Group, and the Actuarial Profession’s Finance and Investment Board, which include specialists who practise ESG across asset management, insurers, and the pensions sector.

Outside of the investment team, Buck also has a formal Climate Risk Group who consider wider ESG issues, including for example, climate risk on liabilities and reflecting climate change impact and risks in employer covenant.

Both the ESG Group and the Climate Risk Group set goals for the team each year which are reviewed and approved by senior management.

## 2.3 Investment research

The Investment Research Team comprises four full-time researchers supported in specific areas by the client consulting team. We help our clients to monitor their managers effectively and, when change is required, to select the best replacement managers.

Our manager research process focuses on what matters most to our clients: selecting and monitoring the most appropriate managers to meet their needs. We are constantly developing new measures for the objective assessment of investment managers, in addition to evaluating their investment processes, risk controls and performance.

We identify managers who offer sustainable competitive advantages that produce superior returns with a commensurate level of risk.

Our fund research benefits from in-depth manager due diligence ESG questionnaires and the strength of our dedicated in-house research team.



## 2.4 Team Training

We encourage all members of the team to develop their skills and Buck will fully fund different professional study pathways including qualifications – FIA or CFA for all our UK graduate analyst training programme within the investment team. At 31 December 2022, 40% of team members were studying towards professional qualifications.

To maintain our professional standards, all authorised investment consultants have completed a minimum of 50 hours of Continuous Professional Development during 2022 (pro rata for part time employees). ESG forms part of our regular internal training programme, which comprises internally developed training materials together with invited speakers covering various topical issues during our ‘Lunch and Learn’ sessions.

The number of ESG related training sessions for investment consultants is captured as part of an annual plan by the specialist ESG Group and differs from year to year based on changes which are taking place in the industry including any regulatory changes.

The Climate Risk Group provided an update during the year on the professional requirements to consider when providing advice to clients against a backdrop of climate driven uncertainty.



Examples of some of the training topics covered during 2022, include:

- Hybrid working
- Asset transfer processes and techniques
- MiFID cost reporting
- File audit review learning points
- The great inflation debate
- Exploiting opportunities in Credit markets
- Cashflow centred investment
- Efficient working practices

In a period of rapidly rising interest rates, significant time was devoted to training on the reasons and implications of this and managing cash call risk. This prepared the team in advance of the gilt crisis that unfolded rapidly in autumn 2022.

Our company and/or individual employees gain additional insight and learning opportunities on ESG developments through membership of a number of associations and trade bodies, including the Pensions and Lifetime Savings Association (PLSA), Pensions Management Institute (PMI), Society of Pensions Consultants (SPC), the Chartered Institute for Securities and Investment (CISI), Institute and Faculty of Actuaries (IFoA), and The Association of Consulting Actuaries (ACA).

### 2.5 Quality assurance

Our services are constantly evolving to meet the changing landscape in which we and our clients operate. Our CIO Committee and our ESG Group meet regularly and have been involved in the development of our stewardship capabilities during 2022 and beyond.

- All advice provided to our clients, including that relating to stewardship, meets our internal peer review standards as detailed below.
- The work of each authorised investment consultant is reviewed periodically by a separate compliance and audit team to ensure that our advice is clear, fair and not misleading, and that all internal processes and procedures have been followed.
- Our investment consulting practice has achieved the Quality Assurance Scheme accredited status from the Institute and Faculty of Actuaries.

To help our clients achieve effective stewardship we ensure that the quality and accuracy of our services is maintained at the highest standards.

Providing consistent, high-quality services is one of our most important and enduring commitments to all our clients. We do this through a framework of people and process-based

controls, which ensure not just great quality work, but a great quality service.



We have a very direct way of measuring our success using the regulatory requirement for trustees to set objectives for their investment consultants, as well as measure their consultant's performance against those objectives. We typically incorporate a combination of qualitative and quantitative metrics.

All our work must follow company review and peer review policy.

Every piece of work and advice must be **done, checked, and reviewed** by people who are competent to carry out the tasks.

In addition, for regulated advice an additional **regulated peer review is required** where another authorised investment adviser will critique and challenge the advice being given.

For certain specialist subjects which are highly technical, specialist teams are involved to carry out, or review, the work.

- Specific high-risk work is subject to additional audit review in addition to the steps set out above.
- All areas are audited by our risk and compliance teams annually, in accordance with our risk management policy, including comprehensive file audits and reviews of training and competence files for authorised consultants.
- We have an ongoing project to review our internal procedures documents to ensure that they meet current best practice, are appropriate for regulatory purposes, and are available to all members of staff in a controlled environment with appropriate flexibility to allow timely and controlled maintenance.

Our compliance team oversees the authorisation process for investment consultants, ensuring this reflects best practice and all regulatory requirements. Please see Principle 6 for further information on our quality assurance accreditation.



## 2.6 Manager ratings review

All manager ratings are brought before and ratified by a Ratings Committee comprising senior members of the investment team on a rotating basis as well as the Investment Research Team. This ensures that proposals are given appropriate scrutiny and challenge. Any changes to manager ratings, particularly where a fund may be downgraded, are communicated to the investment manager to ensure transparency.



We explicitly incorporate ESG views within our manager ratings review process.

In addition, our separate and ongoing annual manager ESG questionnaires for ESG fund ratings helped our clients understand their managers' strengths and weaknesses in this area (see Principle 1).

## 2.7 Pricing

We operate a pricing model which is used as a base for determining the cost of our services. This ensures that our pricing is fair and equitable and that it correctly reflects the complexity and time required for each service. Where new or bespoke services are not reflected in the pricing model, these may be carried out on a time cost basis or a budget is agreed with the client based on the expected time cost charges.

Our pricing reflects the mix of levels from junior analysts through to Senior Consultants and Principals to ensure that all work is completed at the right level and to ensure the fees are appropriate for the services provided.

We have received feedback through new business tender processes regarding the overall competitiveness of our fees and are satisfied that these are set at an appropriate level.

## 2.8 Incentives

Our investment team are incentivised to deliver high quality services through regular performance and development discussions. Where appropriate, staff are also encouraged to use our mentoring programme detailed in Principle 1. Our annual performance appraisal process, bonus system and our framework for gauging client satisfaction, ensures that we provide our staff with appropriate incentives to meet and exceed our clients' expectations, including in matters relating to stewardship.

Our governance structures have effectively supported our clients' stewardship through the following activities:

- We continued to advise our clients on market risks and opportunities (e.g. those identified by our CIO Committee).
- Where appropriate, we helped our clients keep abreast of new regulatory developments such as new climate change reporting, and guidance on diversity, equity and inclusion.
- We supported clients as required on their ESG journey plan tailored to their broader funding strategy.
- We offer tailored ESG dashboards and, for our largest clients, made preparations for new TCFD reporting requirements.
- We worked with our clients to review our performance against agreed objectives and measurement criteria based on the services we provide.
- We completed a review of our governance structure in 2022 which better aligns the relationship between the various committees, and which better reflects the changing needs of our clients.

## Principle 3: Conflicts of interest

Due to our client-centric approach, advice is formulated by understanding each client's individual situation. This allows us to identify potential conflicts of interest, manage them as appropriate and in many cases avoid them entirely.

Key potential conflicts are:

- Where we advise both the trustees and the scheme sponsor.
  - Where we make manager recommendations, and we have other relationships with those managers.
  - Where internal stakeholders may drive our recommendations.
  - Where the choice of advice which we provide may impact on our future revenue.
  - Where we have received a complaint.
- We disclose the conflict and the plan to the client in enough detail to enable the client to provide informed and clear consent.
  - We retain documentary evidence of the client's consent to the plan.
  - The conflict-of-interest management plan is reviewed by all parties on a regular basis.

Buck maintains strict conflicts of interest and anti-bribery policies. Avoiding conflicts within our client dealings is a core component of Treating Customers Fairly.

We have detailed compliance procedures which help to ensure that conflicts potentially arising from the provision of services are avoided, as set out in our Conflicts of Interest Policy (see Appendix 1).



### 3.1 Where we advise both the trustees and the scheme sponsor

Where a conflict of interest exists or arises, we will take the following steps:

- For all clients we prepare a conflict-of-interest management plan.
- This plan is approved by our internal Conflicts of Interest Committee.

### 3.2 Where we make manager recommendations, and we have other relationships with those managers

Our manager research is independent and impartial, and is not influenced by other relationships, or by the provision of hospitality. As described under Principle 2, all manager ratings are brought before and ratified by a Ratings Committee comprising senior members of the investment team on a rotating basis as well as the Investment Research Team. Any actual or potential conflicts of interest pertaining to a rating under review must be disclosed to the Ratings Committee and the party involved will be excused from voting on that rating, if deemed appropriate.

This ensures that proposals are given appropriate scrutiny and challenge. Any changes to manager ratings, particularly where a fund may be downgraded, are communicated to the investment manager to ensure transparency.

### 3.3 Where internal stakeholders may drive our recommendations

As highlighted in Principle 1, we took a conscious business decision to only offer investment advisory services and do not offer investment products or fiduciary management services. By adopting a pure advisory model, this allows us to maintain our independent position in the market and deliver best-in-class advice to our clients. In this way, we can provide our clients with objective, conflict-free advice which is right for their situation.

While we have house guidance, our advice is formulated around clients' unique circumstances such as strength of sponsor's covenant and client preferences, to ensure we give 'best advice' and not standardised advice.

In addition, we encourage our staff to take a client-centric, ethical viewpoint with regards to their advice and to always ensure they are working in the best interest of our clients. This ethical approach includes prioritising client requirements over short-term business gains and recognises that doing so is better for the long-term strength of our business. This is encapsulated in our Buck Code of Conduct to which all staff must adhere.

### 3.4 Where the choice of advice which we provide may impact on our future revenue

As part of our cost transparency requirements under MiFID, we signpost the fees and costs which clients may incur as a result of follow-on actions to strategy work being undertaken. We will also set out how these costs may vary under different implementation approaches, where this is relevant.

We also provide full cost transparency of all fees charged to our clients on an annual basis, details of which have been provided under Principle 4. We do not accept commission from providers.

In taking this transparent approach, we empower our clients to make the best decisions for themselves, in full understanding of any potential conflicts of interest to which Buck may be subject.

### 3.5 Where we have received a complaint

Where we have received a complaint, our staff must report this immediately to our Compliance Officer who liaises with the Client Management Team.

We immediately acknowledge the issue to the client and will arrange for an internal investigation to be carried out. It is not permissible for a consultant about whom a complaint has been made to be involved in investigating and resolving the same complaint.

Upon completion of the investigation, we will write to the client explaining the outcome of the investigation and if applicable, our remedy.



If the matter is escalated our Compliance Officer will fully cooperate with the Ombudsman and will assess how we can make improvements to our process, automation or training.

As part of our regular administration reporting to our clients we report any complaints received from pension schemes members raised under the scheme's Internal Dispute Resolutions Procedure which lays down a formal complaint resolution procedure.

In addition, we have adopted the following practices:

- A six-monthly attestation signed by senior staff to confirm they have complied with regulatory and Buck's own requirements.
- Peer review requirements compliant with regulatory requirements and best practice guidance, following the doer/checker/reviewer process.
- Mandatory training sessions where it is considered essential to the role or for regulatory compliance.
- Promoting a culture of speaking up.

### 3.6 Examples of how we have resolved conflicts of interest

During 2022 only one potential conflict of interest was reported. We have therefore included two additional examples of conflicts of interest previously reported.

#### 3.6.1 Example 1

A client requested advice on securing pension scheme benefits with an insurer. The advice was sought from an actuary who had previously acted as an adviser to the sponsoring employer on a specific project.

It was confirmed that there were no ongoing contractual duties to do work for the Company, and therefore no inherent conflict with the buy-in work. It was also confirmed that the Company were happy for information to be shared with the Trustees.

**3.6.2 Example 2 (2021)**

An employee wished to apply to act as a member nominated trustee to a competitor's pension scheme. This could expose the employee to confidential information on the competitor. In this case Buck requested that the employee did not apply for the role and the case was closed.

**3.6.3 Example 3 (2021)**

An employee of Buck became aware that a tender could be affected by the possibility of a part sale of the potential client's business. There was concern that our position could be compromised by this knowledge.

Our employee was instructed not to share this information with those employees involved with the tender. The client was also requested not to share the knowledge of the potential sale with Buck's employees involved in the tender.

At Buck we are very proud of our ability to provide independent, conflict free advice to our clients. Client care plays a significant role in how our staff are assessed and rewarded. This ensures that advice is formulated based on the most suitable and appropriate outcome for our clients.

## Principle 4: Responding to systemic risks and promoting well-functioning markets

Risk management is integral to our approach and as part of this we always look to address both market wide and systemic risks.

### 4.1 Market-wide risk management

Most of the clients for whom we provide investment advice are the trustee(s) of defined benefit and defined contribution pension schemes. We believe that the investment strategy for these clients needs to consider the nature and duration of their liabilities as well as risk appetite of the investors and/or members.

Pension schemes have a key competitive advantage in that they are typically long-term investors and can adopt a long-term investment strategy both with regards to new opportunities and those requiring long term commitment of capital such as private equity, private debt, private infrastructure and private real estate.

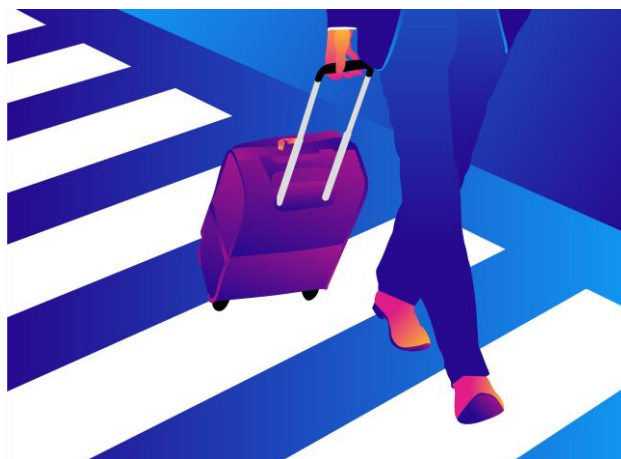
We believe that risk can be reduced through diversification across a variety of asset classes and geographies. However, while diversification is important, assets also need to have a clear alignment with our clients' other objectives, including income objectives, liquidity objectives or other strategic objectives such as liability management.

Where appropriate, we advise on managing risks and opportunities (as illustrated by recent changes in interest rates and inflation) over time, subject to meeting the overall investment return objective of the client. This may include liability matching assets on levered or unlevered basis and a cashflow centered investment strategy.

The complexity of the investment strategy should consider the governance budget of the client.

Where active management is deemed to have no clear evidence of outperformance, a passive investment management approach is recommended. This allows our clients' investment governance budget to be focused on areas where a passive approach is not possible or where there is significantly different risk exposure – e.g. property, private markets, and alternative investments.

We think that moments of regime shift can provide good entry or exit points from long term trades. We seek to help clients identify those as and when they arise rather than seek to call the future direction of markets on any given day.



We deliver pragmatic advice that establishes a journey planning framework, allowing our clients to de-risk and / or reposition risk for market opportunities as part of a suitable funding strategy and journey plan.

The key risk measures which we consider to be important are:

- Value at Risk (i.e. how much a pension scheme deficit / surplus could change over a given period if investment markets moved against it).
- The extent to which projected cash outflows are matched against expected income and maturity proceeds from assets.
- Interest rate and inflation hedging ratios (and how they should change given investment market valuations and funding changes).
- The expected period over which closed pension schemes are expected to become net cashflow negative and the impact on strategy.

Our clients typically look at these metrics as part of a non-discretionary trigger-based strategy but also as part of a

regular discussion on the appropriateness of any strategy change.

## 4.2 Capturing market opportunities

For those clients that have either market-based or funding level triggers in place to de-risk investment portfolios as circumstances permit, providing up to date information is key to the long-term success of their investment strategies, enabling them to take advantage of market opportunities as they arise.

We make our client’s pension scheme information easily accessible, improving trustee decision-making using up-to-date data.

Stride is Buck’s online funding, investment and risk monitoring application which can provide the trustees and sponsor with access to key daily actuarial, asset and risk metrics such as funding levels, hedge ratios and value at risk, as well as detailed information on assets, liabilities and cashflows.

Stride’s many features include the ability to track whether the funding level is improving in line with the agreed Recovery Plan and to indicate where the scheme might be relative to agreed de-risking triggers. This means clients can take actions as and when needed, keeping the Trustees in control.

Key qualities of Stride:

- Stride is secure (with multi factor security); simple (both in terms of the user experience and screen layout); accessible (with all information available within three clicks), and flexible (accessible via multi-media and able to work across multiple platforms).
- The most striking USP is its design, which is truly best in class, as evidenced by client feedback.

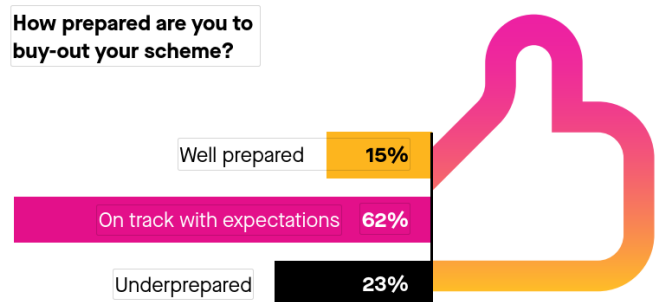


Our video provides an overview of the application, how it works, and key features.

<https://vimeo.com/366219897>

Trustee and market feedback have been exceptional, and planned releases will further enhance Stride’s excellent capabilities, including the addition of more detailed investment performance reporting, asset liability modelling capability, liability management and settlement capability, and cashflow modelling capability.

With the rapid rise in real and nominal yields during 2022, many clients experienced significant improvement in their funding levels, leading to buy-out becoming a more realistic shorter term aim. We had been working with our schemes to help prepare them for this situation and many schemes reported being on track or well prepared for buy-out, as the following poll from our June / July 2022 conference season confirms:



## 4.3 Risk analysis

We have a dedicated risk modelling team that provides and maintains proprietary software solutions for our clients. Their work is supported by our Economics Assumptions Group consisting of experts including our Chief Actuary, CIO, Head of ALM and senior researchers. The EAG meets monthly to set key assumptions for the actuarial and investment teams.

There are three key forms of asset / liability modelling used to help our clients: deterministic analysis, stochastic modelling, and scenario testing. Examples of the various modelling approaches are provided below.

**Deterministic analysis** In this approach, we apply a set of assumed values for key assumptions (e.g. a moment of stress from the past) or an assumed bad case (e.g. what happens if bond and equity markets simultaneously drop by x%).



**Stochastic modelling** In addition to short term risk modelling approaches such as 1-year and 3-year Value at Risk analysis, we analyse the variation of the projected scheme funding level.  
The tool enables clients to adjust variables such as investment strategy, assumed contribution schedule, time horizon and asset class return assumptions

**Scenario testing** To gain a fuller picture of a portfolio’s risk exposures, we believe it is important to stress test a portfolio under several economic scenarios. This will highlight the sensitivity of the funding position to different economic factors.  
Our Economic Assumptions Group maintains a series of central potential economic scenarios; however, there is flexibility to customise specific scenarios.



We believe that the best approach to analysing risk and success measures is through a range of ‘lenses’, allowing clients a broad perspective on the factors that will influence the progression of a pension scheme’s financial position.

Although we believe quantitative modelling is required to inform investment strategy decision making, it is important that limitations of the models and associated risk metrics are understood by all parties. For example, during periods of acute market stress, often it is important to have a degree of flexibility, simplicity and liquidity in a portfolio. Quantitative risk metrics have a tendency sometimes to attach a lower probable benefit to such an approach. Put simply, we recognise that in some market environments, return of capital will be considered more important than return on capital.

We ensure our clients are clear on the sensitivity of the results to different inputs and consider the implications of weighting one risk metric over another, for example:

One-year Value at Risk analysis is instructive if short-term downside volatility is a concern, however it can drive investment decisions at odds with delivering the longer-term objectives. However, focusing on the probability of delivering members benefits in full, without considering the potential size of the downside risk, could, in isolation, lead to taking too much risk; depending on the strength of sponsor covenant, a

strategy with a lower probability of success but with a materially lower downside risk may be more appropriate.

With the above in mind, we believe that stress testing of portfolios and running scenario analysis ensures a fuller picture of a portfolio’s expected performance in different market environments.

Our in-house modelling and economic assumptions do not currently make explicit allowance for climate change, with separate tools being used to identify and measure the impact of climate change (see below). However, climate change effects are built in implicitly to a number of our assumptions.

#### 4.4 Climate change

Climate change is a systemic risk to the world economy and financial markets. As such, we expect an efficient market will, therefore, come to demand a higher long-term return on all asset classes. This makes sense; the higher return will attract more capital to any investment proposition, all else equal, hopefully funding the development of the solutions needed to overcome the climate change challenge.

During 2022 we kept our clients informed and advised on a number of UK Government and other initiatives and legislative changes relating to climate change, including:

- Pensions Regulator – Illustrative example on governance and reporting of climate-related risks and opportunities** was published in February 2022 as part of its existing guidance on the governance and reporting of climate-related risks and opportunities, charting how the trustees of a fictitious pension scheme might approach meeting the legislative requirements.  
The Regulator also published a blog in June that looked at the TCFD reports submitted to the Regulator by the largest pension schemes – involving around 100 schemes – and how the published reports will be used and reviewed by the Regulator.  
The Pensions Regulator updated its guidance on climate risk reporting in September 2022.
- Institutional Investors Group on Climate Change - The IIGCC published a report in April 2022** which aims to support investors in understanding the £96trn of investment in climate solutions required to meet the goals of the Paris Agreement.  
The IIGCC also launched the Net Zero Stewardship Toolkit, providing investors with a process to enhance their stewardship practices to deliver the decarbonisation required to halve emissions by 2030 and the chance of achieving net zero by 2050.



- DWP Consultation Response on climate and investment reporting** – From 1 October 2022, trustees of occupational pension schemes with at least £1bn in assets will be required to calculate and report on how their investments are aligned with the Paris Agreement goal of limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C above pre-industrial levels. The DWP has also produced statutory and non-statutory guidance for all schemes on reporting on stewardship and other topics through the Statement of Investment Principles and implementation statement.
- In July 2022 a taskforce on social factors (TSF) led by the Minister for Pensions was set up to support pension scheme trustees and the wider industry with some challenges around managing social factors, including the identification of reliable data and metrics.
- The Joint Forum on Actuarial Regulation** published a report on understanding the science of climate change, which highlights the urgency of climate change and the role actuaries have to play in mitigating its risks.
- Institute & Faculty of Actuaries** - Climate Emergency – tipping the odds in our favour: A climate change policy briefing for COP27. The IFoA published a report which urged policymakers and stakeholders of pension schemes to take a risk management approach to combat climate change.
- Employer Covenant Practitioner Association** produced a “Top Tips” guide for trustees on embedding ESG into the covenant process.

Buck has developed a **3-Step ESG Readiness Assessment** for pension scheme trustees – a starter package for trustees who want to kick start their ESG journey within a comprehensive, cost-effective package covering ESG training, developing ESG beliefs and measuring carbon emissions.



Buck also offers pension scheme trustees a proprietary, innovative ESG/climate risk dashboard, giving clients effective and easy-to-understand monitoring of compliance with TCFD and other regulatory requirements. Our ESG dashboard provides clients with an up-to-date snapshot of ESG and climate risk metrics related to their investments, including all-important carbon footprint measurements.



At present, data is limited to Scope 1 and 2 emissions. We anticipate Scope 3 emissions (i.e. those for which a company is only indirectly responsible because they are up or down its supply chain) to become increasingly available in response to legislative and shareholder pressure.

We were also able to undertake additional climate change reporting. This measures equity and bond portfolios' alignment with various climate scenarios consistent with the Paris Agreement. Where appropriate, we have also provided further detailed analysis of portfolio holdings to establish the carbon performance of specific holdings and how well the management of companies with the biggest impact on climate change are dealing with transition risk.

The discussion and reporting of ESG / climate risks has prompted several clients to review the funds in which they invest.

### 4.5 Manager ESG ratings

Under Principle 1 we set out how Buck has developed a proprietary ESG Fund Ratings System. During 2022 we carried out over 200 fund ratings.

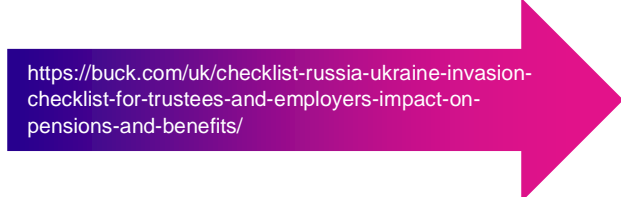
These ratings have been shared with clients and form an important part of our clients' engagement with managers and manager selection. This may include direct discussion with the existing manager to effect change or promote discussion of alternative funds that are better aligned with the client's objectives.

Moreover, we have noticed a significant shift, over the last five years or so, in the way in which the fund management community as a whole is engage with climate-change and now recognises the impact it can have on corporate decision making.

These activities mitigate the systemic risk associated with poor risk management of ESG factors.

### 4.6 War in Ukraine

Following the invasion of Ukraine by Russian forces in March 2022, Buck provided early information to clients on their portfolio exposure to both Ukraine and Russia, together with our views on the wider economic impact.



We also provided specific information to our clients on the medium- and long-term implications of the war to promote consideration and debate, and published a checklist to help clients navigate the crisis. Please also refer to Principle 5 regarding our ongoing client communication on various Stewardship topics throughout 2022.

### 4.7 Inflation

Increased capital market volatility in 2022 arose from concerns over rapidly rising inflation, and the impact this had on interest rates, bond yields, and equity market valuations.

We engaged with clients on this topic throughout 2021 and 2022. This included clear guidance made available at regular client meetings, discussion (as part of our pensions conference season), and regular press comment, as well as new blogs made publicly available.

The debate resulted in trustees taking practical measures to update their leveraged LDI strategies, supporting liquidity arrangements, and considered their position should the inflationary backdrop deteriorate further. In many cases, this has meant transacting portfolios to move from return seeking assets (e.g. equities) at valuations at the upper end of their range, into bonds where yields are at relatively attractive levels and what might be considered longer term norms.

### 4.8 Liquidity management

Since 2020, issues around liquidity management have become a key focus of our discussions with clients as the impact of the pandemic on financial markets unfolded and inflation and interest rates continued to rise.

The key areas we highlighted were:

- Considering formal cashflow policies and procedures were in place for each client.

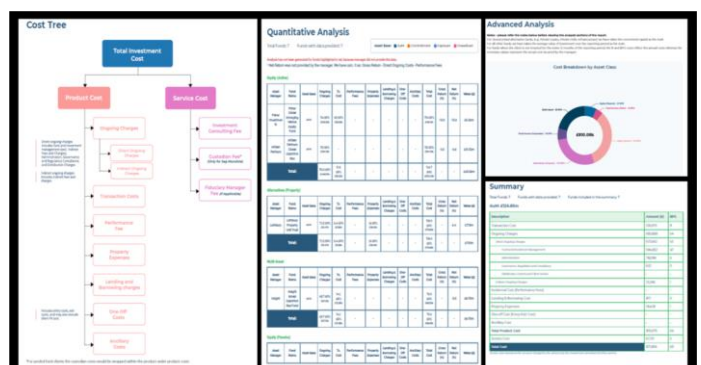
- Ensuring that pension scheme administrators had access to cash to meet benefit payments as they fall due.
- Ensuring that pension schemes had sufficient liquidity to meet leveraged LDI fund rebalancing requirements when interest rates rose, or capital call requirements when closed ended funds drew down.
- Ensuring that investors were not disinvesting from assets at inopportune times because of market volatility.
- Carrying out longer term reviews of investment strategies using our CCI approach (see Principle 5). This is an approach which ensures the scheme manages its cash flow risks robustly. It enables trustees to allocate very secure and liquid assets to short term cash flows, whilst ensuring the scheme delivers sufficient investment returns to meet its long-term obligations.

The issues around liquidity management continued to be a theme of our discussions with clients during 2022 and the work we did during this period helped our clients prepare for the systemic risks that arose from the rapid rise in gilt yields and the consequential impact on liquidity during 2022, which forced the Bank of England to intervene in the markets.

### 4.9 Promoting cost transparency

We believe that better manager cost transparency will lead to better outcomes for our clients as investors, and ultimately for pension scheme members. This is echoed by statements from the Competition and Markets Authority and the Department for Work and Pensions.

We provide all our clients, as standard, with detailed cost disclosure reporting covering the consulting fees and the aggregated costs relating to the underlying investments we have advised on. This goes much further than providing the Annual Management Charges and Total Expense information clients had been used to seeing previously, and since requesting this information, we have seen some asset managers improving their recording and distribution of the data, significantly increasing cost transparency and ultimately improving the way financial markets operate.



This information is gathered with the assistance of a company specialising in manager charging analytics and the exercise is repeated annually. We expect this to encourage all investment managers to provide clear, concise and comparable cost information, as any who fail to do so will be clearly seen to be falling behind their peers.

#### 4.10 Supporting Industry initiatives

We are members of the Investment Consultants Sustainability Working Group (ICSWG) which is an industry-wide group representing a broad spectrum of the UK investment consulting industry who work closely with a broad array of stakeholders, including asset owners, asset managers, platform providers, regulators and non-governmental organisations. The Group aims to engage with all relevant stakeholders and give added power to asset owners and their ultimate beneficiaries to seek genuinely sustainable investment outcomes.

Over 2022, Buck had 3 senior members of our investment team represented on the ICSWG and actively participated in several committees during 2022, including on stewardship matters.

We are also board members of the Pensions Board and the Finance and Investment Board at the Institute and Faculty of Actuaries as well as having representation on the Association of Consulting Actuaries committee through which we support the identification, measurement, and management of risk. For more detail of our industry representation, please refer to Principle 1.

**4.10.1 Engagement with the Pensions Regulator** - We conduct meetings with representatives from the Pensions Regulator around current regulatory themes.

**4.10.2 Seminars and webinars** – we act as a conduit between our clients and experts in the field outside of our organisation. We ran a series of webinars over the year which included 8 external guest speakers, across 8 sessions with experts from wider fields such as legal advisers, professional trustees and insurers, ensuring our clients have access to views and opinions from the industry (See Principle 5).

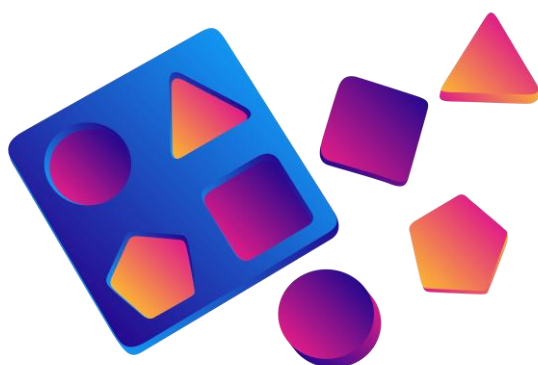
We continue to develop our consulting capabilities relating to climate change as well other elements of Environmental, Social and Governance issues through helping clients develop their engagement policy implementation statements and TCFD reporting.

We have a wealth of experience in assisting our clients understand and mitigate market related risks, particularly around interest rate and inflation risks and are adapting to changes in market-related risks as the pension schemes we advise on mature and managing cashflow becomes more important.

Our work with clients around the risks of rising interest rates, inflation and liquidity risks has meant that our clients were prepared for the systemic risks that unfolded during 2022.

We have promoted well-functioning markets through our seminars and webinars, which were made available to clients and wider industry participants together with over 90 articles and blogs publicly available on our website (see Principle 5)

We have used technology to improve and speed up our client decision-making process through Stride, our online funding, asset, and risk monitoring application.



## Principle 5: Supporting client’s stewardship

Governance is at the absolute heart of everything we do and one size certainly does not fit all. We understand the challenges trustees face when it comes to governance: changing requirements, time constraints, wanting to improve diversity and inclusion, lack of engagement, and understanding how to achieve better results.

Our suite of tools helps trustees tackle these challenges and ensure they have the right tools in place to deliver the performance they require, and their members expect.

### 5.1 Client stewardship of investments

We provide investment consulting services to institutional defined benefit and defined contribution pension schemes, and other institutional clients.

<b>Number of defined benefit schemes</b>	84
<b>Number of DC / hybrid schemes</b>	24
<b>Fiduciary manager oversight</b>	9
<b>Other</b>	2

All clients are based in the UK with one exception, and all are categorised as institutional. A core service to our clients is to help them maintain the high standards of governance required of them by the Pensions Regulator and other stakeholders.

Our conflicts of interest policies described under Principle 3 create the structure required to identify and manage potential conflicts to support our clients’ stewardship of their investments.

Our online funding, investment and risk monitoring application, **Stride**, described under Principle 4, helps Trustees effective decision-making process by providing access to key asset, actuarial and risk metrics required to understand the overall performance of their portfolio and pension scheme and to take advantage of market opportunities.

### 5.2 Promoting client governance

The Pensions Regulator is expected to publish a new code of practice, which includes new requirements for Trustees to operate a proportionate effective system of governance and to produce an own risk assessment annually. While this will formalise requirements, we are already working with our clients

to record and evaluate their systems of governance and ensure that these are effectively managing our clients’ risks.

See the video link below:



### 5.3 Maturing pension schemes in an uncertain world: Cashflow Centred Investment (CCI)

We implemented our innovative CCI strategy approach during 2021 and have had a positive response from existing clients and prospects. Over 2022, we engaged further with our existing clients and new clients, demonstrating how CCI principles applied to all schemes regardless of circumstances (closed/open to future accrual, strong/weak covenant, well/under-funded, low dependency/buyout longer term objective, etc.).

CCI allocates specific assets to specific cashflows. The safest assets – e.g. gilts/high-quality corporate bonds - are dedicated to shorter-dated cashflows while riskier growth assets are notionally allocated to the longer-dated ones. Aligning income and maturity proceeds from credit securities to near-term cashflows not only mitigates the disinvestment risk it also mitigates the need for regular advice on which assets to sell down to meet benefit payments, reducing the time cost of managing cashflows.

Trustees and sponsors recognise the simplicity of CCI. It enables them to de-risk their investments now - an important benefit against a background of market uncertainty - without impacting on their agreed funding plan. The reduced allocation to growth assets results from the fact that they are expected to have a longer average holding period than under a fixed weight benchmark allocation.



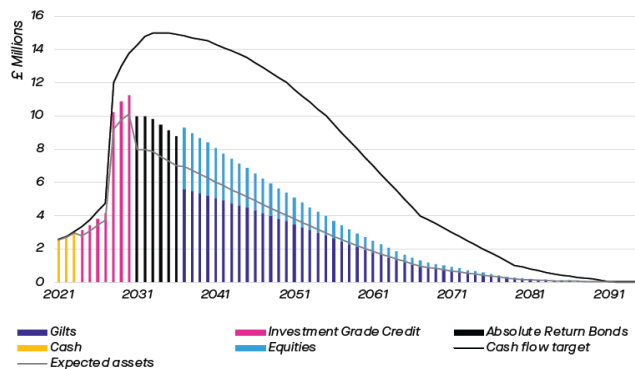
“Buck advised us on adopting the cashflow centred investment approach for our scheme. We decided to move in this direction because, with Buck’s help, we concluded that CCI would increase the certainty of the scheme to deliver our members’ benefits.

One of the most valuable elements for us has been the way the Buck team has worked to ensure a consistent funding and investment strategy, but also effectively engage with our sponsor and their advisers, bringing all the parties together to agree this strategy would be the best approach for our scheme.”

Pension scheme trustee

Our clients’ confidence in the merits of a CCI approach are reflected in the size of assets they were prepared to move as a result of our advice. For example, the trustee of a medium-sized scheme (c. £320 million AUM) transferred approximately 90% of its assets as part of the transition to a new CCI approach which we supported with an extensive investment manager selection exercise.

To support the growing number of clients adopting a CCI approach, we established a intuitive reporting mechanism that gives trustees visibility of the scheme’s progress relative to the projected journey plan. This creates a robust governance framework that allows stakeholders to monitor closely how their investments are performing against expectations.



Cashflow centred investment has been designed to benefit trustees, sponsors, and members. Our approach:

- Facilitates better governance.
- Provides flexibility to de-risk now without affecting the contribution schedule.
- Improves the risk/return trade-off.
- Reduces the need for ongoing disinvestment advice and associated costs.

- Offers a genuine alternative to fiduciary management without the costs and complexity.

### 5.4 Integrated defined benefits governance solution

In May 2022 Buck launched Echelon+, an inclusive approach to defined benefit pensions governance to help protect trustees and sponsors from increasing complexity, enabling them to achieve their long-term objectives with additional certainty.

Delivered through a single fixed annual management charge model, providing exceptional certainty and value, Echelon+ brings together Buck’s award-winning trustee consulting, administration, and technology services, combining the flexibility and independence of a traditional approach with the efficiencies of a master trust. It was developed in consultation with independent trustees and is aimed at schemes looking for prompt decision-making and fee certainty, whilst retaining overall control and enhancing the member experience.



Centralised governance, working alongside bespoke journey planning (including all aspects of funding, investment, data, and GMP equalisation), enables trustees and sponsors to take advantage of economies of scale, whilst retaining control of the future strategic direction of their scheme. Additionally, trustees and sponsors benefit from future-proofed, day-to-day governance automatically, enabling them to concentrate on decisions that accelerate plans to achieve their overall objective.

With a focus on members, Echelon+ includes an online member portal with illustrative transfer values, retirement quotations, newsletters, and enhanced member communications and education.

Echelon+ is powered by Stride™, Buck’s online funding and risk monitoring tool. The newly enhanced version includes a real-time dashboard with access to information on plan governance issues across funding, investment, pensions administration, and progress made against strategic funding and investment objectives.

“There’s been a real focus on consolidation and improving efficiencies in the defined benefit pensions market, especially among smaller and medium-sized schemes, to deal with the growing time and cost pressures of complying with increasing legislation, governance, and journey planning requirements. At Buck, we see a real opportunity in the market to offer a service to trustees and sponsors which provides the benefits, efficiencies, and certainty of consolidation, whilst allowing them to retain control of the key decisions impacting the long-term future of their scheme.

Put simply, through Echelon+, we enable defined benefit pension schemes to reach their objectives quicker, and for a lower cost. We have already seen real interest in this and are looking forward to bringing this solution to a wide range of schemes in the coming months.”

David Piltz, U.K. Managing Director

### 5.5 Keeping our clients informed during a year of change

Following the successful launch of our inaugural Pensions conference season in 2021, we helped our clients and the wider industry address key priorities facing UK pension schemes.



Our 2022 Pensions conference season provided free-of-charge training on a wide range of topical matters.

Our ambitious programme included 8 webinars, across three weeks in June/July, covering a variety of themes, including inflation, ESG issues, providing members with value for money benefits, and governance.

We partnered with investment managers, legal advisers, independent trustees, and insurers delivering sessions led by the best of Buck and the industry’s thought leaders, with 8 external guest speakers, across 8 sessions.

- Inflation: The economic and investment challenge
- Maximising buy-in and buy-out opportunities.
- Best practice digital pensions administration.
- Zero ambition: The impact of geopolitical events on ESG.
- Preparing for your effective system of governance.
- The funding challenges which lie ahead: regulatory, inflationary and longevity.
- DC trustees: Stick or twist?
- The latest on GMP equalisation.

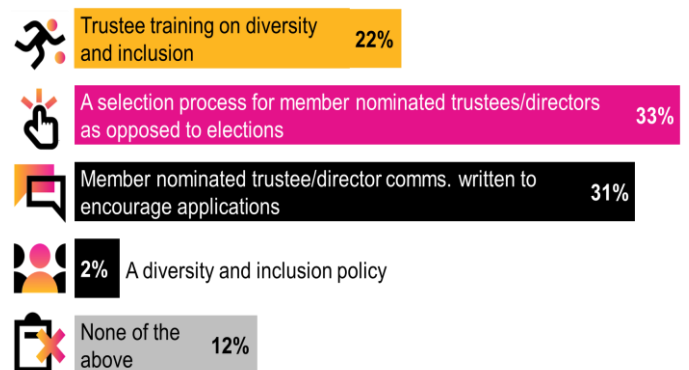
Total attendees were 350 and we achieved a 96% retention rate across all webinars, 16% higher than the performance benchmark.

These sessions were made publicly available on demand for our clients and broader stakeholders.

The results of polls taken across our 2022 webinar series on a number of pensions hot topics provided us with valuable insight on client needs and where we can devote further resources.

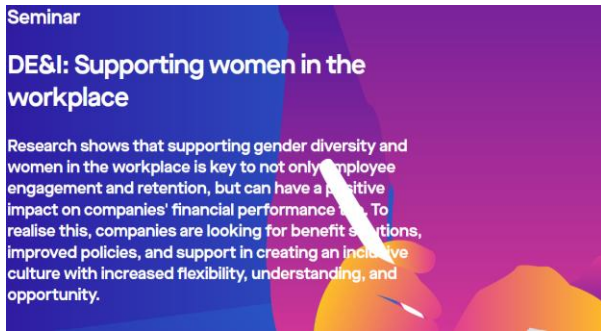
An example of this is shown below:

#### Which of the following items has your trustee board introduced?



In July 2022 we hosted a seminar on DE&I: Supporting women in the workplace. The seminar included five guest speakers and covered the following topics:

- Hot topics in women's health and wellbeing
- Modern Families Index research results
- Gender savings gap
- Encouraging an inclusive workplace culture



We also published a blog on the journey towards improved diversity and inclusion on pension trustee boards.

During 2022 we published over 90 bulletins and blogs on a wide range of topical issues

Please see our website for specific examples:

<https://buck.com/uk/type/thought-leadership-uk/>

### 5.6 Seeking client feedback

Under Principle 1 we provided details of how Buck's services have supported our client's stewardship of investments. Principle 1 also explains how we seek feedback from our clients.

Our last client feedback survey was conducted in 2021. This survey showed that we had improved our Net Promoter Score from 59 in 2020 to 61 in 2021. Our 2021 Client survey speaks volumes:



The introduction of a new legal requirement in 2020 for our clients to set investment consultants' objectives resulted in the need to ensure that our client services agreements and the work undertaken are adequately aligned, and that these services meet best practice requirements for pension schemes.

As part of this, and the ongoing reviews of these objectives in more recent years, we have seen clients expanding the range of services provided by us, as they come to realise the increased scope of their stewardship requirements and the ways we can help them to address this.

Where client feedback highlights any concerns, we ensure that clients are contacted and issues discussed and addressed, with follow up contact to ensure the actions we have taken meet their requirements.

We communicate with our clients through regular formal meetings of the Trustees which typically take place on a quarterly basis. This provides us with the opportunity to provide tailored advice and communication with our client. Broader communication is provided through relevant bulletins, blogs and seminars which may be referenced and discussed at meetings.

We use a combination of methods to obtain clients views and feedback, using both a bottom-up approach (where our performance is reviewed through annual trustee reviews and executive sponsor meetings) and a top down /strategic approach (where client satisfaction surveys and industry feedback provide an excellent source of feedback from potentially different stakeholders).

Our net promoter score of 61 and positive feedback during the 2022 consultant performance review process provides further evidence that we are effective in understanding our clients' needs.



## Principle 6: Review and assurance

We believe that it is important to obtain both internal and external confirmation that our activities are meeting the appropriate standards, and as part of this have sought various assurances as described below.

### 6.1 Internal review and assurance

- All advice provided to our clients, including that relating to stewardship, meets our internal peer review standards as detailed in Principle 2.
- The work of each authorised investment consultant is reviewed periodically by a separate compliance and audit team to ensure that our advice is clear, fair and not misleading, and that all internal processes and procedures have been followed.
- We have invested in developing rigorous quality assurance procedures, which are aligned with the requirements of the ISO 9001:2008 standard.
- We have developed a 'process approach' for our pension and benefits consulting services (similar to that required by ISO standards) to ensure that our quality procedures are closely aligned to our industry and adhered to across all our offices. There have been no exceptions arising on any of our quality accreditation over the last three years.

We continually review our processes and procedures to ensure that we continue to provide high quality services to our clients.

Our services are constantly evolving to meet the changing landscape in which we and our clients operate.

Our CIO Committee and our ESG Group meet regularly and have been involved in the development of our stewardship capabilities in 2022 and beyond.

### 6.2 External review and Assurance

We have achieved and maintained several recognised quality standards across our consulting, technology, and administration capabilities:

- Authorised and regulated by the Financial Conduct Authority (FCA)
- Friend of the Pension Quality Mark (PQM)

- Quality Assurance Scheme (QAS) accredited status from the Institute and Faculty of Actuaries (see Principle 1)



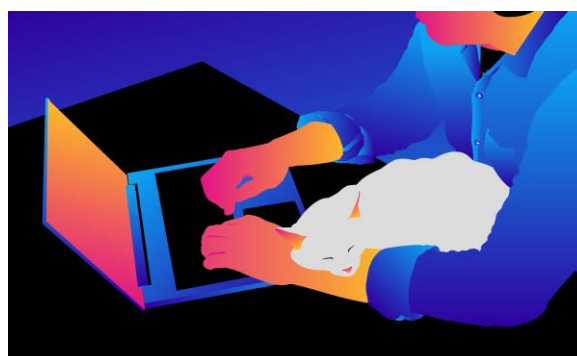
The QAS review process involved the following elements:

- Interviews with a broad cross-section of the team
- Review of the organisational structure
- File reviews

### 6.3 Information Technology

Buck operates using information security standards based on the ISO 27000 family of standards. All locations at Buck are subject to annual security self-assessments, as well as audits and periodic reviews by our internal audit department. In addition, our scanning, indexing, fulfilment, and communication services, as well as our data centres in Telford and Birmingham are covered by ISO 27001:2013, ISO 20000 1:2011 and ISO 9001:2008.

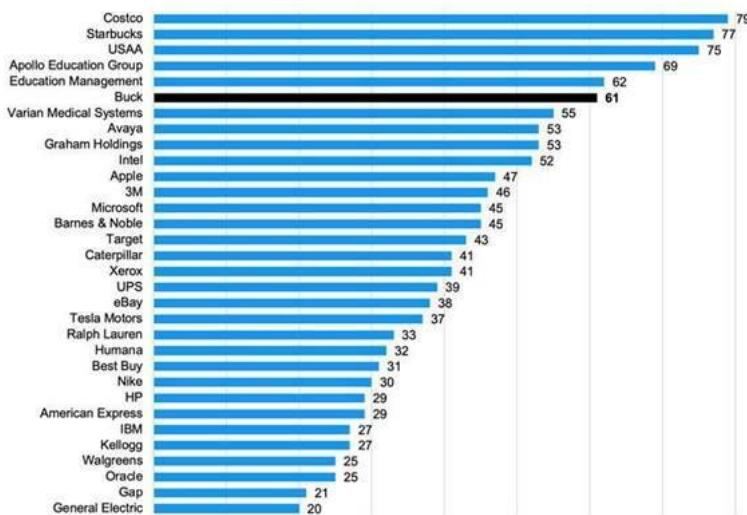
Following the COVID-19 pandemic in 2020, we have transitioned to hybrid working model with our systems and teams being able to work effectively and seamlessly whether working from home or based in office locations, as illustrated by our superb business performance and client feedback over the year.



## 6.4 Client feedback

As highlighted in Principle 1, our clients have spoken: we meet and exceed their expectations and provide a strategic partnership that is rated higher than all of our competitors on a global scale as well as other top companies such as Apple, Tesla, and Nike. We received the highest marks for our positive relationship building technical proficiency, collaboration, and the ease of doing business with us. Companies scoring 50 or above are considered best-in-class. Our overall score of 61 validates Buck’s position that we are the right partner at the right time to help current and prospective clients successfully navigate a rapidly changing world.

### Buck’s NPS ranks among the highest of the Fortune 1000



## 6.5 Industry groups

We work closely with industry bodies, most notably the Institute and Faculty of Actuaries and the Investment Consultants Sustainability Working Group to improve market practices. Individuals will often also be members of professional bodies as detailed under Principle 2. These provide us with a basis for comparison with our peers.

Our work with the Investment Consultants Sustainability Working Group included participation in setting out a common framework for asset managers to report to consultants and their clients on their engagement with underlying companies.

We believe our internal quality review processes ensure that work produced is of the highest standards and has been appropriately thought through and challenged, while also being tailored to individual clients’ needs. This belief is supported by accreditations received from external parties.

Our feedback from Professional Trustee organisations, the awards we have received during 2022 (see Principle 1), our client satisfaction scores and peer group analysis means that we are confident that our stewardship reporting is fair, balanced and understandable.

We also recognise that the environment in which we are operating is constantly evolving, and that we need to pursue continual improvement. We believe that our strategy of being client centric, accountable and bold will continue to provide us with capability to adapt to the changes that lie ahead.

The FRC has also provided us with positive feedback in relation to our second UK Stewardship Code Report for 2021 and this is reflected in the consistent format used in this report.

## For more information please contact:



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# Conflicts of Interest Policy

## Preface

Buck is a leader in human resource and benefits consulting with more than 1,500 professionals worldwide. Founded in 1916, Buck is an innovator in the areas of retirement benefits, investment advice, health and welfare programmes, human resource management, compensation and employee communication. News and other information about Buck is available at [www.buck.com](http://www.buck.com).

This document sets out the policy of the companies within Buck to effectively identify and manage any conflicts of interest that may arise in the provision of the above services to their clients.

Conflicts of interest may arise where:

- there is a conflict between the interests of Buck, or an individual member of staff within Buck, and the interest of the client; and/or where
- there is a conflict between the differing interests of two or more clients of Buck. This may include the employer and trustees of a single company pension scheme.

## Identifying, managing and monitoring conflicts

Policies and procedures have been implemented to ensure that all of Buck's consultants are able to identify actual or potential conflicts of interest, of whatever nature, in the provision of services to our clients. These procedures operate during the life of our appointment.

In all areas, employees operate within a framework of procedures designed to limit any potential for conflicts of interest to arise. For those services performed under the authorisation of the Financial Conduct Authority, all recommendations provided are fully documented and subject to peer review. All client recommendations are liable to review on a sample basis by the Compliance department.

In engagements involving the trustees of a pension scheme and the sponsoring employer and/or participating employers of that scheme, each individual consultant is responsible for identifying actual or possible conflict of interest situations. Comprehensive training is provided to all of our consultants to assist them in identifying such situations. In addition, the management of particular situations is governed by an internal 'traffic light' framework. This framework identifies a number of situations where the consultant may not progress without specific approval from an internal Conflicts of Interest Committee.

## Managing conflicts of interest

Where a conflict of interest exists or arises, we will take the following steps:

- in all cases, we prepare a conflict-of-interest management plan
- this plan is approved by our internal Conflicts of Interest Committee
- we disclose the conflict and the plan to the client in enough detail to enable the client to provide informed and clear consent
- we retain documentary evidence of the client's consent to the conflict-of-interest management plan.

## **Disclosure of information**

The Client Service Agreements we hold with our clients detail the confidentiality requirements relating to client information which we abide by, at all times.

## **Avoiding inappropriate influence**

Policies and procedures have been implemented to ensure that employees do not accept gifts or inducements which may influence the advice given or may give the perception that advice given is not impartial.

## **Review**

We will review this Conflicts of Interest policy at least annually and, where appropriate, on an ad hoc basis, to ensure it adequately reflects the types of conflicts that may arise and how we manage those conflicts, and to ensure that it continues to fulfil the requirements of all relevant legislation, regulations and professional guidance.

## **CONTACT US:**

Further information on our conflict management methods is available from the Compliance Officer at Buck  
+44 (0)20 7429 1000