

Task Force on Climate-related Financial Disclosures (TCFD)

Entity Level TCFD Report

Towers Watson Limited, Investments Division



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2023 Entity Level TCFD Report

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Section 1 : Introduction

Willis Towers Watson Public Limited Company and its subsidiaries (“WTW”), including Towers Watson Limited¹ (‘TWL’ or the ‘Company’), focuses on sustainability matters in our internal operations including environmental, social and governance (‘ESG’) programs. It is also an area where we support our clients through ESG services and solutions to further our purpose to ‘transform tomorrows’.

Towers Watson Limited, an integral part of WTW, is aligned to those internal programs and operations and is also able to access the full suite of services and solutions for its clients.

This report is published by Towers Watson Limited in compliance with the entity level disclosure requirements set out in Chapter 2 of the Financial Conduct Authority’s Environmental, Social and Governance Sourcebook (the ‘ESG Sourcebook’) and consistent with the recommendations of Task Force on Climate-Related Disclosures (‘TCFD’) for the reporting period 1 January 2023 to 31 December 2023.

This is the first TCFD report of the fiduciary investment management (also known as delegated management) division within TWL (‘TWL Investments Division’). References to “we”, “our” or “us” are to TWL Investments Division.

This report should be read together with the wider Willis Towers Watson Public Limited Company (‘WTW’) [2023 Task Force on Climate-related Financial Disclosures Statement](#). This document is not incorporated by reference into this report. This TCFD report is focused on the “Company” however certain initiatives in this area are WTW-led and the Company contributes to the group initiatives as appropriate.

In this report, we disclose how we consider climate-related risks and opportunities in the asset portfolios that we manage on behalf of our professional clients. Please note, although TWL’s report broadly aligns with the wider WTW approach regarding climate risks and opportunities, TWL’s approach is separate, considered with a fiduciary investment management lens, and may differ for a variety of reasons from the approach taken by WTW. This report strictly covers the TWL Investments Division.

Our fiduciary investment management services’ client base includes a diverse range of institutional investors, including defined benefit (‘DB’) and defined contribution (‘DC’) pension funds, insurance companies, and wealth management companies. TWL’s fiduciary management business designs solutions to enable clients to delegate responsibility for implementing asset strategies, whilst retaining strategic control and decision making in areas where they add most value.

In order to be diligent long-term stewards of our clients’ capital, climate risks and opportunities are managed across our portfolio management services. These activities are captured in the details of this report.

The TWL Investments Division is part of TWL and provides investment fiduciary management services to some defined benefit schemes and UK fiduciary assets. In addition, TWL has a distribution agreement with a WTW member, Tower Watson Investment Management Ltd² (‘TWIM’) for the distribution of Irish-based WTW funds. While both companies are part of WTW, and work closely

¹ Company number: **05379716**. Registered office address: **Watson House, London Road, Reigate, Surrey, RH2 9PQ.**

² Company number: **05534464**. Registered office address: **Watson House, London Road, Reigate, Surrey, RH2 9PQ.**

together, they are separate legal entities with their own Boards, management and governance structures.

The TWL Board (the ‘Board’) oversees senior management of the TWL Investments Division (as well as all other divisions within TWL) and oversees its business operations and controls, including on climate-related matters. In addition, the TWL Investments Division’s leadership team has established its own governance structure (provided in more detail within the Management approach section of the report) to provide specific and appropriate oversight of sustainability and climate-related activities related to the TWL Investments Division, which directly reports to the Board.

More information on WTW’s sustainability approach is available on its [website](#), along with other WTW ESG related reports.

This 2023 TWL Investments Division Entity Level TCFD report includes disclosures as required by the FCA’s ESG Sourcebook where it is fair, clear and not misleading for us to do so. Climate reporting in the asset management industry is still in its infancy, and there are significant data challenges and methodological challenges associated with climate reporting.

All data in this report is as of 31 December 2023 with a reporting period of 1 January 2023 – 31 December 2023.

1.1 Structure of the report

The TCFD developed four recommendations on climate-related financial disclosures that are applicable to organisations across sectors and jurisdictions. In line with these recommendations, this report is structured in four sections (see [Table 1](#) below):

Table 1 – Report structure

Section / Recommendation	Recommended disclosure	Page
Governance <i>Discloses TWL Investments Division’s governance around climate-related risks and opportunities</i>	a) Description on the Board’s oversight of climate-related risks and opportunities	5
	b) Description on management’s role in assessing and managing climate-related risks and opportunities	6
Strategy <i>Discloses the actual and potential impacts of climate-related risks and opportunities on TWL Investments Division’s</i>	a) Description on the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	9
	b) Description on the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning	9

Section / Recommendation	Recommended disclosure	Page
<i>businesses, strategy, and financial planning</i>	c) Supplemental guidance for asset managers: How climate-related risks and opportunities are factored into relevant products or investment strategies; how each product or investment strategy might be affected by the transition to a low-carbon economy	9
	d) Description on the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	26
<p>Risk management</p> <p><i>Discloses how TWL Investments Division identifies, assesses, and manages climate-related risks</i></p>	a) Description on the organisation's processes for identifying and assessing climate-related risks	17
	b) Supplemental guidance for asset managers: Description of our engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks in order to improve data availability and asset managers' ability to assess climate-related risks. Description on how material climate-related risks are identified and assessed for each product or investment strategy	17
	c) Description on the organisation's processes for managing climate-related risks	17
	d) Supplemental guidance for asset managers: Description on how we manage material climate-related risks for each product or investment strategy	20
	e) Description on how processes for identifying, assessing, and managing climate-related risks are integrated into our overall risk management	20

Section / Recommendation	Recommended disclosure	Page
<p>Metrics and targets</p> <p><i>Discloses the metrics and targets used by TWL Investments Division to assess and manage relevant climate-related risks and opportunities</i></p>	<p>a) Disclosure of the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process</p>	23
	<p>b) Supplemental guidance for asset managers: Description of metrics used to assess climate-related risks and opportunities in each product or investment strategy, including, where relevant, how these metrics have changed over time</p>	23
	<p>c) Disclosure of Scope 1, Scope 2, and Scope 3 greenhouse gas ('GHG') emissions, and the related risks</p>	23
	<p>d) Supplemental guidance for asset managers: Disclosure of GHG emissions for assets under management and the weighted average carbon intensity ('WACI') for each product or investment strategy. These emissions have been calculated in line with the Global GHG Accounting and Reporting Standard for the Financial Industry developed by the Partnership for Carbon Accounting Financials ('PCAF Standard')</p>	23
	<p>e) Description of the targets used to manage climate-related risks and opportunities and performance against targets</p>	23

Section 2 : Governance

This section of the report discloses the TWL Investment Division's governance around climate-related risks and opportunities.

2.1 TWL Board oversight

The TWL Board is responsible to its shareholders (in this instance parent company WTW), for setting its strategic priorities and monitoring investment performance against the stated objectives, including climate-related risks and opportunities. The Board consists of four directors (one Non-Executive Director and three Executive Directors) and meets at least on a quarterly basis. The Board has ultimate responsibility for the oversight and management of risk management activities across the TWL (the 'Company'). The Board delegates certain responsibilities to TWL's Risk Committee ('RC') as a sub-committee of the Board. TWL Investments Division's Head of Europe and UK attends the TWL Board meetings and ensures sufficient oversight by the Board of the Investment Division's activities, including climate-related matters.

Climate and sustainability related matters are directed through the RC as required including the identification and management of climate-related risks and opportunities along with public reporting responsibilities. The RC will review all business risk analysis through the WTW's Enterprise Risk Framework ('ERM') using information provided by the Company on its own climate strategy and reporting requirements.

The Board is ultimately responsible for oversight of climate change strategy and performance, including in respect of the TWL Investments Division, as it is for wider TWL ESG and business issues.

WTW has a cross-functional management committee, the WTW Corporate Sustainability Taskforce (the 'Taskforce'), sponsored by WTW General Counsel and comprises representatives from across the global functions, to coordinate and facilitate communication of WTW's sustainability initiatives applicable to its own operations. The Taskforce provides central governance over WTW's sustainability efforts across the organisation to ensure our commitments are aligned with WTW's business and strategic priorities.

The Board, together with leaders from WTW Investments and WTW, oversees the company's senior management who are responsible for the strategy and day-to-day operations and management of the company, including climate-related matters.

As governments around the world are considering and implementing regulations relevant to climate change, WTW monitors emerging actual and potential environmental regulations and sustainability-related standards (such as those issued by the [International Sustainability Standards Board](#) ('ISSB'), [European Sustainability Reporting Standards](#) ('ESRS') and the [US Securities and Exchange Commission](#) ('SEC') proposed climate disclosure rule) including those relevant to TWL.

2.2 Climate-change training

The Board recognises the importance of climate change related training both at Board level and for all our WTW employees involved in TWL Investment Division's related activities. Senior management and investment professionals complete training as part of WTW's wider training and development programmes. This includes specific training on climate risks and opportunities, as well as Net Zero goals, regulatory developments, and topics such as greenwashing.

2.3 Management's role in assessing and managing climate-related risks and opportunities

The operations and business activities of the TWL Investments Division are overseen and governed by the WTW Investments Global Leadership Team ('GLT'). The WTW Investments GLT comprises 10 senior leaders including the Heads of three geographies (Europe and UK, International and North America).

The WTW Investments GLT Sustainability sub-committee, which also reports into the WTW Investments GLT, is comprised of senior members, including the Global Chief Investments Officer ('CIO'), Chief Operations Officer ('COO'), Head of Sustainable Investing ('SI'), Global Head of Strategic Projects and Global Head of Sustainability Solutions. This sub-committee sets business-level objectives to achieve our sustainability strategy, including climate-change related strategy and objectives and oversees the implementation, governance and resourcing to achieve those objectives.

The main business activity of the TWL Investments Division is the Portfolio Management Group ('PMG') which is responsible for the fiduciary investment activities. The PMG comprises of a number of portfolio managers, assistant portfolio managers and analysts. In order to fulfil its role, PMG also draws on the specialist investment knowledge available within WTW Investments Division, including Manager Research, Asset Research Team, the Thinking Ahead Institute, Operational Due Diligence, sustainability expertise and other specialist teams. The WTW investment business is global, includes a range of financial services activities and reports into the WTW Board. The TWL Investment Division represents only the fiduciary management business in the UK (Figure 1).

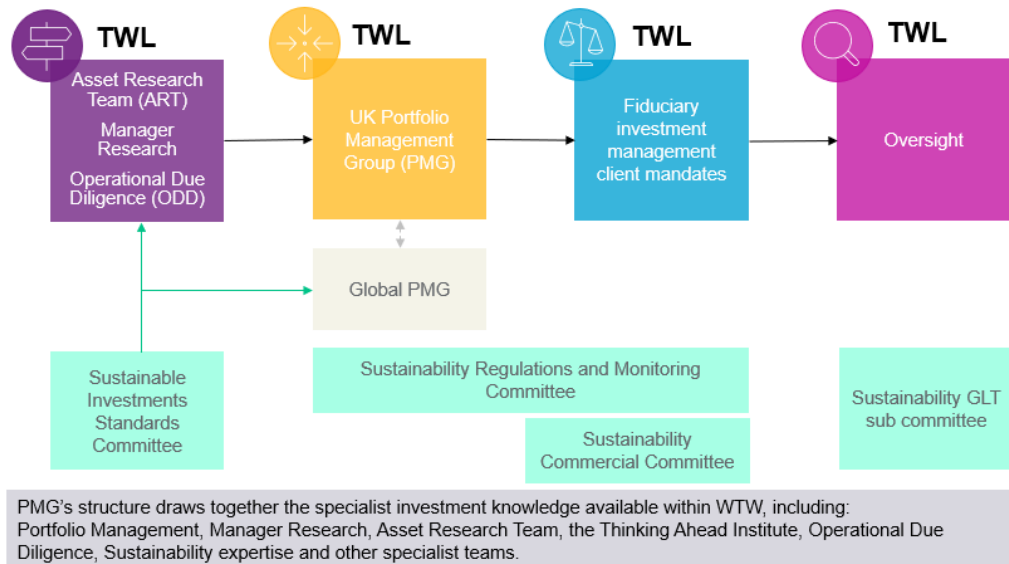
The PMG adheres to the Sustainable Investing ('SI') Policy. Our Sustainable Investments Standards Committee ('SISC') reports into the Sustainability Regulations and Monitoring Committee ('SRMC'), who consider, assess the impact, and allocate the necessary resources to all current and future regulations pertaining to sustainability. Membership of the SISC includes employees from various teams across sustainability within WTW, including, but not limited to, the Head of SI. The SISC is responsible for structuring the processes within the WTW Investments Content Team to meet all SI content related requirements. It owns the key SI policies as they relate to investment content and in particular the processes required to meet our portfolio Net Zero goals with respect to fiduciary investment management assets.

The governance of our SI processes (of which climate change is a key part) is one of the priorities across our business and it is constantly being enhanced to respond to fast changing regulation and best practice.

Figure 1 – TWL Investments Division governance process flow

Governance process flow for investment decision making

Our process tailored to meet fiduciary investment management client mandates



Section 3 : Strategy

This section of the report discloses the actual and potential impacts of climate-related risks and opportunities on TWL Investments Division's business, strategy, and financial planning in respect of its products and services where such information is material.

We recognise that climate risk presents a broad spectrum of risk and opportunity, for our business, impacting both our direct operations and those of the companies which selected asset managers invest in on behalf of our clients. Being a responsible and sustainable company is one of the fundamental principles of TWL. Accordingly, addressing climate risk forms an integral part of our business strategy. We work with our clients, investment professionals and operational teams to embed a better understanding of the impact of climate-related risks and opportunities within our business and to enhance our organisation's resilience to climate-related risks. We look to integrate climate throughout our investment processes, including portfolio construction and manager selection to monitoring and reporting, with additional focus on climate-related research, resources and data.

3.1 Our own emissions

WTW recognises the importance of its environmental responsibilities and focus on improving and tracking emissions globally. WTW has clear targets and specific actions to reduce its own carbon footprint including reducing waste, energy use & business travel from its operations.

Target: WTW is committed to delivering Net Zero greenhouse gas emissions by 2050 at the latest, with at least a 50% reduction by 2030 across its business operations. This includes a commitment to achieving 100% renewable energy supplies across WTW's real estate portfolio by 2050.

WTW manages its contribution to global emissions across its own operations, its suppliers and its value chain through:

- Improving energy efficiency in its operations
- Reducing its need for business travel by using virtual meeting technologies and more flexible workstyles
- Promoting recycling in WTW offices
- Minimising the waste sent to landfill
- Purchasing environmentally responsible supplies
- Encouraging all colleagues to adopt environmentally responsible habits at work and in their communities

Separately, in the fully discretionary delegated investment portfolios we manage for clients, we set a goal of Net Zero greenhouse gas emissions by 2050 at the latest, with at least a 50% reduction by 2030, consistent with the goals of the Paris Agreement. Accordingly, within the TWL Investments Division we manage fiduciary investment management portfolios to the same goals.

3.2 Risk and opportunities

This section highlights the material climate-related risks and opportunities for the TWL Investments Division identified. Due to the limited availability of public data and assumptions involved, we have not quantified the financial impact of these risks and opportunities at this time. Instead, a qualitative impact assessment using the adapted ERM scales has been performed. Quantification of the financial impact (e.g. costs and revenues) on all climate-related risks and opportunities will be further developed in future reporting.

Certain non-financial data and information which is subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used for determining such data is set out below.

Our underlying assessments vary depending on the timeframes and risk profiles of our clients and the business line. Recognising the longer time horizon of many climate-related risks, the following timescales are applied:

Table 2 - Risk timeframes

<i>Scale</i>	<i>Criteria</i>
<i>Short term</i>	0-3 years (based on our clients’ needs for quick, accurate and timely deliverables based on the latest technology and sector developments).
<i>Medium term</i>	3-7 years (covers potential risks and opportunities that are identified now but may not be experienced until later. This is in line with WTW’s environmental goal to at least a 50% reduction in greenhouse gas emissions).
<i>Long term</i>	7-20 years (aligned to our Net Zero target and encompassing long term policy and industry trends).

3.2.1 Risks

This section outlines how we identify and manage climate-related risks and opportunities pertaining to our own operations across various timeframes and the steps we are taking to mitigate them. Our overall risk rating for each of the risks has been integrated and scored within our ERM framework and is shown below (including in **Table 3**), along with a more detailed description of the specific types of risks found. Climate-related risks are assessed and prioritised as part of our overall risk management framework, in a similar way to all other risks on WTW’s risk register. Risks are assessed on two different scales:

- 1) **A Non-Financial Impact Rating Scale** which ranks the risk over 4 levels (low, medium, high or critical) based on the actual or potential damage it could cause to reputational, regulation, legal, client or service delivery levels.

- 2) **The Financial Impact Rating Scale** is also scored based on the potential impact on revenues and assigned a “level”. These risks are combined to generate an overall impact rating of 1 (low) to 4 (critical).

The likelihood of the risk is also assessed. We assess likelihood as the likelihood of a potential risk occurring within the next 12 months and based on this percentage, a rating of “unlikely” to “highly likely” is assigned.

These two factors are then combined to generate a 4x4 risk assessment matrix used to determine the overall risk assessment rating for TWL Investments Division:

1. **Reputation (Transition Risk/Regulatory/short term)** – The regulatory landscape is rapidly evolving and increasing in complexity with different regimes across geographies. In addition, our clients’ expectations are also developing to match this. There is a risk of reputational damage which may result in additional expenditure or litigation costs if we do not remain at the forefront of this change and continue to address this challenge and that of quality data to make our investment decisions.
2. **Policy and legal (Transition/Regulatory & Market/short & medium term)** – Changing government regulations may need asset managers to invest in new products and introduce costly new measures to comply. In the extreme, this could require us to dis-invest certain assets to meet new regulatory guidelines. Regulatory change could lead to stranded assets or asset impairments in our investment portfolios. In addition, we may need to put in place investment restrictions and limitations on carbon intensive companies in our portfolio. We also consider restrictions on companies not taking appropriate action towards Net Zero, or holdings where countries are exposed to the transition to a low carbon economy (medium- to long-term).
3. **Market & Economic (Transition/Market/short & medium term)** - The above issues may have an adverse effect on the valuation of our investment assets through asset impairment, the viability of business models or credit ratings.
4. **Operational (Transition/Market/short & medium term)** – There is risk involved in being able to recruit & retain the right personnel with appropriate skills & experience. We will also need to invest in new technology and data sources to enable us to maintain robust processes which could increase operational costs. Additionally, we need to continue to reduce our operational emissions in line with the parent company Net Zero target (WTW) or our own Net Zero target.
5. **Extreme weather-related events (Physical/ Acute/short & medium term)** - There is a risk of disruption both at an operational level and with investments as result of extreme weather conditions. This could reduce revenues and increase costs.

We have 4 offices in England and Scotland. A physical risk assessment of risk exposure of these sites was completed using Munich Re’s Location Risk Intelligence tool.

All sites were analysed using geospatial modelling software to establish current physical risk along with how these vary across different time horizons under various scenarios. One site was identified as ‘low’ risk, two were ‘medium’ risk and the other ‘extreme’ risk, however these were all due to singular potential hazards rather than numerous risks at each site.

Two sites in England, including the London office, were identified as having heightened present risk to extratropical storms and tornados; however, the exposure to this risk is not projected to increase under any of the scenarios or across any of the studied time horizons and so is not considered to be climate-related. These sites were also identified as being in areas with annual water stress, however given the nature of operations, this is not considered a risk.

One site had an 'extreme' exposure to flooding due to its proximity to the nearby river.

Key for Table 3 and Table 4 below:

Low	Medium	High	Critical
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The key above sets out our overall risk rating scale based on the likelihood of the specific risk occurring within the next twelve months and the subsequent financial and non-financial impacts.

Table 3 – Qualitative climate-related risk assessment

	Risks				
	Reputational	Regulation	Market & Economic	Operational	Flood
<i>Type</i>	Transition (Regulatory)	Transition (Regulatory & Market)	Transition (Market)	Transition (Market)	Physical (Acute)
<i>Area</i>	Own Operations	Upstream and Downstream	Upstream	Own Operations	Own Operations
<i>Primary potential financial impact</i>	Increased expenditure or litigation costs	Increased costs of compliance from supplier or marketing, or loss of potential income from having to divest from assets	Lower valuation of our investment assets	Increased costs of training and compliance and lower productivity in the interim if technology or working practices change	Higher costs / disruption of operations
<i>Time horizon</i>	Short term	Short & Medium term	Short & Medium term	Short & Medium term	Short & Medium term

Risks

	Reputational	Regulation	Market & Economic	Operational	Flood
<i>Mitigation</i>	<p>Our parent company WTW has set a Net Zero target for 2050 and we have committed to meet this target through our operations and investments. We continue to develop our climate disclosures in line with regulatory requirements and best practice. We work closely with all our stakeholders, peers and climate bodies to remain current with climate regulation. Continued development of the range of ESG and sustainable customer solutions. Regular assessment of investment strategies to</p>	<p>We regularly monitor regulatory frameworks and climate developments and consider how this may impact any litigation risks. We also update our metrics & data to ensure we have a high quality of information.</p>	<p>We regularly assess climate risks by asset class/sector and geography, with updated data and enhancing modelling capabilities and tools. We pursue a policy of engagement and stewardship with all stakeholders and maintain an up-to-date exclusions policy.</p>	<p>We have a robust business continuity and operational resilience programme to cover all staff, locations and processes. Continue to implement energy efficiency and carbon reduction measures and engage with key suppliers to enable alignment with our emission targets.</p>	<p>We have a robust business continuity and operational resilience programme to cover all staff, locations and processes, with insurance policies in place. Established working from home practices for employees alongside only leasing offices minimises any potential physical risks that may affect our operations, as does the location of the “extreme” exposure site, in a leased office not located on the ground floor.</p>

Risks

	Reputational	Regulation	Market & Economic	Operational	Flood
	ensure they meet customer demand.				
Overall Risk Rating (Low / Medium / High / Critical)	Medium	Medium	High	Medium	Low

3.2.2 Opportunities

This section outlines how we identify and manage climate-related opportunities pertaining to our own operations, across various timeframes. The overall rating for each of the opportunities has been integrated and scored within our ERM framework and is shown in the table below, with a more detailed description of the specific types of opportunities found further below (Table 4).

- 1. Products and services (strategic)** - In order to meet client requirements on ESG & Net Zero, there may be a growing demand from clients for services that have ESG integration as a key consideration. This could open opportunities for new products and services for example, by creating Net Zero aligned products and funds, and also providing data and analytical tools. Our EU proprietary SFDR Article 8 Funds, the portfolios of which are managed by TWIM, and to which we allocate in TWL Investments Division’s fiduciary investment management services for clients, have climate-related objectives and WTW has also helped create the Climate Transition Index (‘CTI’) – a family of indices – in partnership with STOXX, an index provider.
- 2. Enhance investment returns** - Through investing in companies, via funds, which benefit from the energy transition and/or those that have high levels of climate resilience and have good environmental disclosure.
- 3. Invest in data, technology & infrastructure** - This will enable us to achieve our operational emission reduction targets (like EV charging points, renewable energy sources, low carbon properties/leases). WTW also supports sustainable sourcing with suppliers and our processes for evaluating our key suppliers includes sustainability criteria and compliance with environmental and climate laws and regulations. This supports WTW’s goal to reduce Scope 3 emissions in line with our 2030 and 2050 targets. As more companies within WTW’s supply chain set SBTi targets and reduce emissions, WTW anticipates a reduction of Scope 3 emissions from purchased goods and services.

We ensure we have up to date data and technology to analyse our emissions and our portfolio emissions.

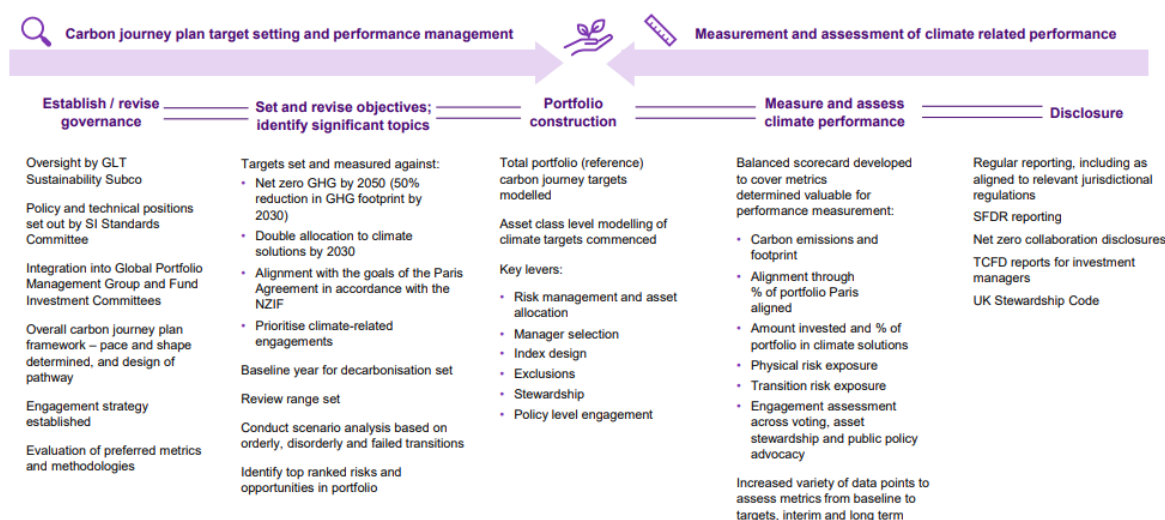
Table 4 – Qualitative climate-related opportunities identified

Products and services (strategic)	Enhanced investments returns	Investment in data, technology and infrastructure
Growing demand from clients for ESG investing	Investing in companies, via funds, which benefit from the energy transition and/or those that have high levels of climate resilience and have good environmental disclosure, may lead to outperformance over the medium term	Enabling the monitoring and achievement of emission reductions
Opportunity for new products and services		The processes for evaluating the key suppliers includes sustainability criteria and compliance with environmental and climate laws and regulations
EU SFDR Article 8 Funds have climate-related objectives and WTW has also helped create the Climate Transition Index (CTI) – a family of indices – in partnership with STOXX, an index provider		As more companies within WTW's supply chain set Science Based Targets Initiative ('SBTi') targets and reduce emissions, WTW anticipates a reduction of Scope 3 emissions from purchased goods and services, helping WTW to achieve its own Net Zero targets
Medium	Medium	Medium

3.3 Investment management strategy and stewardship

Addressing climate risk forms an integral part of our business strategy in investment management. We work with our clients, investment professionals and operational teams to embed a better understanding of the impact of climate-related risks and opportunities within our business and to enhance our organisation's resilience to climate-related risks. We look to integrate climate throughout our investment processes, including portfolio construction and manager selection to monitoring and reporting, with additional focus on climate-related research, resources, and data.

Figure 2 – Sustainable investing process



3.3.1 Stewardship

Effective stewardship is a critical aspect of our SI and sustainability risk management and is important to a well-functioning investment industry. We seek to exercise stewardship in our capacity as fiduciary investment management provider for client portfolios, either directly or via third parties, across relevant areas to mitigate risks (including sustainability risks) identified across our investment process through:

- Asset manager engagement
- Security-level engagement
- Voting
- Public policy and engaging wider industry groups.

We also engage with our clients, and with asset owners, regulators and other stakeholders to ensure that we manage climate-change related risks now and into the future.

Please refer to our latest [WTW UK Stewardship Code Report](#) for more details.

3.3.2 Engagement

Our main topic of engagement with external asset managers during 2023 was around climate risk management. External asset managers have a responsibility to undertake engagement with underlying issuers on their plans to reduce emissions over time. We look to external asset managers to evidence and track, via quality reporting, underlying climate engagement with issuers.

To supplement corporate engagement carried out by individual asset managers, we partner with a stewardship service provider for many of our fiduciary investment management solutions. Climate is a key pillar of the stewardship service provider’s engagement plan. We track the progress made by this group in engaging the most material emitters in relation to climate. We have worked closely with this stewardship service provider for many years, input into their engagement planning and prioritisation, and currently our Head of SI chairs their Client Advisory Board.

3.3.3 Voting

We expect underlying asset managers to consider climate-related resolutions on a case-by-case basis given the context and nuance of each proposal and to give due care to the voting decision made. For example, in relation to the voting conducted in respect of Alliance Trust PLC, managed by TWIM. For this strategy, during 2023 approximately 54% of environmental themed shareholder resolutions (the majority of which were climate-related) votes were supported¹.

3.3.4 Data

An important aspect is enhancing the quality of our proprietary climate analytical tools (like our Climate Transition VaR ('CTVaR') tool) and our climate metrics and data. We recognise that climate risk data still has gaps and challenges associated with it and we work closely with managers and third-party data providers to improve coverage and quality of the data and our associated analytical tools. As a result of this and our continued work in WTW's Climate Practice, TWL Investments Division is well positioned to provide data and analytical tools to enable us to assess and monitor the impact of climate-related risks & opportunities of our investments as we construct and manage our investment portfolios.

These tools are embedded within our SI strategy which integrates ESG factors and effective stewardship into our investment management activities. SI is embedded throughout our investment process, from setting a mission and belief framework, through risk management, portfolio construction and manager selection, to implementation and monitoring. An important aspect of our SI strategy is embedding climate considerations into the investment decisions we make for our fiduciary investment management clients, to ensure the financial risks and opportunities of climate are taken into account, consistent with our Net Zero target.

¹ Source: ISS, EOS at Federated Hermes, WTW, data as of 31 December 2023.

Section 4 : Risk Management

4.1 Risk management within our operations

The TWL Investments Division relies on TWL's risk management framework to provide the core of their risk management, with additional layers of oversight to cover the investment function. WTW has an ERM framework that outlines the processes and methodologies for identifying and assessing risks faced by WTW and its subsidiaries. WTW considers climate change-related risks when conducting its analysis of key risk areas. WTW's approach to managing climate-related risks is embedded within its ERM framework and processes.

As described in more detail above, both the Risk Committee and the Board of TWL oversee TWL's approach to risk identification, risk assessment and risk management. These board committees are supported by management and management-level committees. The TWL Chief Risk Officer reports directly to the WTW Chief Risk Officer ('CRO'), which along with the use of a single ERM framework, enables consistency of approach and the sharing of best practice.

TWL Investments Division relies on a number of key processes to help to manage climate-related risks, including:

1. **Legislative and regulatory review:** Monitoring legislative and regulatory developments allows us to keep abreast of any change in climate-related legislation that may impact our operations globally (e.g. EU Corporate Sustainability Reporting Directive).
2. **ERM reporting dashboards:** Our quarterly reporting program supports the assessment of Company risks. ERM dashboards are regularly reviewed by senior management and relevant Company committees. Management actions are identified to address control weaknesses, as appropriate.
3. **Business Continuity and Disaster Recovery Plans:** Extreme weather events (e.g. hurricanes, heat waves, droughts, etc.) can significantly impact our ability to provide continuity of services to our clients. To mitigate this risk, we have a business continuity program and disaster recovery plans. The level of criticality of locations and business applications is based on detailed impact analysis performed by all segments and lines of business. The results of this analysis determine the level of priority to recover normal business activities.
4. **Supply Chain Management:** The business depends on purchasing goods and services from suppliers, especially within IT, professional services, travel and real estate, to ensure we can service our clients. Our supply chain network is exposed to potential adverse events, including climate-related disruptions, all of which could impact our ability to service our clients. We also work with a number of our key / strategic suppliers (such as key IT suppliers) in terms of their disaster recovery / business continuity plans with the goal of mitigating any disruptions of service. This approach is currently being strengthened, through enhancing the supplier onboarding checks and ongoing supplier risk management processes focused on risk mitigation, social responsibility and climate change.

As part of the management of business risks, climate change has been identified by the business as an emerging risk. In 2023, the Company completed a climate risk assessment. This has been conducted in consideration with other business risks and opportunities with the aim to integrate within

the wider ERM framework. The risk assessment for the Company applied a methodology for identifying climate-related risks and opportunities.

The business operates within a three lines of defence approach. The first defines SI strategy, the second where Compliance and Risk provide governance oversight and the third where internal audit provide independent assurance through conducting reviews and testing.

During 2023, workshops with senior leaders from TWL were conducted to identify and assess risks. The Transition Risk Assessment was conducted using 1.5°C and 2°C Low Carbon World scenarios as described in depth below. Impacts were considered in terms of a potential impact to financial performance (including profit or loss) and financial position (balance sheet). The impact and likelihood scales used in the analysis were in line with the ERM scales. The physical risk assessment was conducted by modelling using 2°C, 2-3°C and 4°C climate scenarios. The modelling provided the likelihood of occurrence and the most likely time horizon of impact. Throughout the assessment process, participants were asked to consider existing mitigation actions that are in place and what more is required to reduce both future risk and capitalise on potential opportunities. As such both inherent and residual risk were considered.

TWL Investments Division reviews and aims to update its climate scenario analysis at least every three years, when scenario indicators change materially, and/or if there is a material change to the business.

Similarly, for our fiduciary investment management portfolios we believe that the principles underlying sustainable investing (SI) form the cornerstone of a successful long-term investment strategy and that SI considerations can materially improve risk and/or return for our clients' portfolios. This reflects, in our view, good risk management and supports a robust investment industry.

SI is embedded throughout our investment process, from setting a mission and belief framework, through risk management, portfolio construction and manager selection, to implementation and monitoring. We view SI as an integral input to the decisions we make, not a separate or disconnected consideration.

SI is also embedded within our research, advice and solutions. In the course of our research and analysis, we will look across a range of potential sustainability risks. Unless client-specific objectives or requirements necessitate, we seek to identify, measure, manage and monitor those risks that we judge to be financially material.

How we identify and assess climate-related risks (in our portfolio management process)

Given the prioritisation of climate change as a critical and systemic issue, this is a key focus of our portfolio management process for fiduciary investment management clients – understanding our risk exposures and reducing them through time, as well as identifying and investing effectively in the opportunities. This occurs both through top-down identification and analysis of climate-impacted sectors for investment, as well as the bottom-up contribution of each manager or investment.

Data, tools and technology (in our portfolio management process)

At present, our principal external provider is MSCI ESG Research. To supplement the extensive data we receive from MSCI, we combine it with our proprietary Climate Transition Value at Risk ('CTVaR') data and in-house analytics for assessing physical risk data.

- **Climate Transition Index:** In 2021 we created the Climate Transition Index ('CTI') family of indices in partnership with STOXX, an index provider. It offers a systematic and transparent way for investors to manage the financial risk from the climate transition that investment portfolios are exposed to.
- **Climate Transition Value at Risk ('CTVaR'):** Our proprietary CTVaR methodology quantifies climate transition risk by integrating forward-looking company assessments with traditional risk and return models. Using this methodology, we can determine the climate transition risk that companies face, helping identify risks and potential opportunities for investors.
- **Climate Quantified:** Our proprietary Climate Quantified physical and transition risk analytics enable us to get a much better understanding of the true exposure to climate-related risks in our portfolios.

These data and tools are combined within our overall portfolio construction process which assesses all the lenses of portfolio quality that we consider and allows us to build portfolios that weigh these lenses according to our investment beliefs, market conditions and client contexts.

How we manage climate-related risks (in our portfolio management process)

In order to assist our portfolio construction and management processes, we draw on a number of portfolio tools. The majority of which have been developed and tailored in-house to best align with our approach to building portfolios and our investment beliefs. Examples of some of these tools are outlined below:

1. **Portfolio resilience scoring** – aggregating security-level sustainability data to indicate the total exposure of a portfolio (or parts of a portfolio) to a wide range of sustainability risks and issues.
2. **Scenario analysis** – stress-testing our portfolios, including for example on realistic global emissions pathways to assess portfolio quality in the face of various climate change scenarios. See further details on our approach to scenario analysis in Section 6 below.
3. **Exclusions** - there are instances when certain activities and involvements meet our exclusion criteria in certain portfolios. Thermal coal and tar sands are examples of climate-related exclusions in place for some of our fiduciary investment management portfolios based on certain revenue thresholds.
4. **Manager selection** – an assessment of how well climate-related issues, as well as wider sustainability issues, are factored into an asset manager's investment process is a significant part of our manager research and selection process.
5. **Index design** – we actively assess the characteristics of market indices and make a choice of which to use – climate risk is one of the considerations in this decision. We provide this assessment as advice to clients or as part of our discretionary investment process.

We currently use a variety of third-party and proprietary data sources as input to our proprietary tools (as listed above). At both a security and portfolio level, this allows us to challenge bottom-up security selection decisions with managers and apply top-down portfolio management, on absolute and relative

bases. These sustainability-focused tools are combined within our overall portfolio construction process which aims to assess all the lenses of portfolio quality that we consider and allows us to build portfolios that weigh these lenses according to our investment beliefs, market conditions and client contexts.

The assessment of sustainability risks is complex, often requires subjective judgements, and may be based on data which is difficult to obtain, incomplete or estimated. Sustainability risk data is a continuously improving space and there are still data gaps and challenges for certain companies, particularly within debt and outside of developed markets. We have identified areas where risk data is limited, and we are engaging with managers and third-party data providers to improve coverage and quality. We expect data coverage and quality to improve over time.

4.2 How climate-related issues are integrated into fiduciary investment management portfolios

4.2.1 Asset selection

Sustainability risks and sustainability-related considerations, including climate-related factors, are key features in identifying investments, themes and asset classes we pursue, avoid, overweight or underweight in the portfolios. Determining these views is an exercise of ongoing collaboration across all our research teams and portfolio management teams.

4.2.2 Manager research

We have a formal process for integrating sustainability risks into our manager research decisions, which is tailored to be most relevant and appropriate for the asset class and strategy in question.

Our assessment of an asset manager's SI practices and implementation, in the context of individual strategies and products, feeds into our overall view of their ability to sustain a competitive advantage. Consequently, the overall rating we place on a strategy will reflect our view of the SI credentials and capabilities of the strategy under review.

In addition, a large part of our manager research process is based on assessing the culture of the asset manager. SI plays a significant part in this culture assessment, including inclusion and diversity principles.

4.2.3 Portfolio management

Our portfolio construction process focuses on maximising portfolio quality, as evaluated through a number of 'lenses', including sustainability. This helps us build robust, diversified portfolios to meet our clients' risk and return objectives, as well as help to ensure our portfolios are resilient to a range of sustainability-related risks.

Sustainability risks are incorporated into our portfolio management process through a number of avenues. An important part of our framework for doing this is to assess sustainability through two dimensions:

1. **Portfolio resilience** – exposure of the portfolio to sustainability risks.
2. **Manager SI integration** – the extent to which, and success with which, sustainability is incorporated into the decisions made by managers in the portfolio.

4.2.4 Stewardship

Voting on equity shares is an important engagement tool. Whether investments are implemented through third party funds or directly held equities, we delegate stock selection and voting decisions to third party asset managers. Therefore, assessing the voting practices of our agents is an important part of our manager research process.

We encourage underlying asset managers to vote with the aim of positively influencing climate risk strategy and helping to create attractive returns. Managers are expected to cast votes on all eligible ballots where possible. To ensure managers are voting in the best way possible at every opportunity, for many of our fiduciary investment management solutions, we use a stewardship service provider to provide voting advice to the asset managers. We then regularly monitor the voting decisions each manager makes against what they were advised by the stewardship service provider, engaging or challenging where necessary. Climate voting is a key area of scrutiny and engagement for us.

We also partner with the stewardship service provider to undertake public policy engagement and engagement with wider industry groups. It works with policy makers and institutions around the world to better ensure policies and standards are aligned with the interests of investors and best meet the needs of end savers.

During 2023, our stewardship service provider:

- Engaged on over 3000 issues and objectives
- Achieved at least one engagement milestone for 51% of objectives
- Made most progress in engagements within climate change, human capital and human/labour rights

We also engage with our clients, and with asset owners in general to ensure that we manage sustainability risks now and into the future, with a close understanding of their beliefs and needs.

For further information please refer to [Stewardship, Engagement and Voting sections](#) above.

4.2.5 Monitoring and reporting

In respect of monitoring and reporting, we undertake a wide range of activities as part of our research, portfolio management, risk management and client services. Our monitoring and reporting of sustainability risks is consistent with the principles and activities outlined above. We look to monitor and report against sustainability risks that are financially material in the given investment context, and we also look to align our report with regulatory standards and recognised good practices.

Our monitoring and reporting draw on both internal research and external third-party data. We view our monitoring and reporting as an important tool to help with the effective oversight of a client's investments, aligned to their ultimate investment objectives. WTW has developed a 'Climate Dashboard', that displays a multidimensional set of climate data and metrics. The dashboard is used as a portfolio management monitoring tool and the metrics include carbon footprint, alignment, climate solutions, transition risks and physical risks.

TWL actively identifies and monitors regulatory and industry requirements related to climate change as well as their impact to the business and our clients. To that effect the Global Investment Regulatory

Change Forum chaired by the Compliance function has been established since 2022 responsible for tracking material regulatory developments relating to climate and broader ESG topics, assessing their impact on TWL Investments Division and its clients and overseeing implementation and compliance with such regulatory changes.

Section 5 : Metrics and targets

This section of the report discloses the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material to TWL Investments Division. This is the first year of disclosure and the metrics have been selected in accordance with the FCA's ESG Sourcebook and the TCFD's supplemental guidance on metrics. We will look to evolve our disclosures as industry reporting standards converge and data quality improves.

TWL Investments Division uses climate-related metrics to monitor climate-related risks and opportunities, consistent with those used for WTW. Targets are described under [Section 3, Strategy](#).

To measure the impact of our operations on climate change, we measure metrics across decarbonisation, alignment and mobilising transition finance. These are monitored on a quarterly basis through executive-level performance reporting. We are actively working to improve coverage of climate metrics and associated methodologies.

In relation to our underlying fiduciary investment management portfolios, we continue to increase coverage of our emissions data, and strive to move towards full coverage whilst acknowledging the industry wide challenges with this. Emissions for the fiduciary investment management portfolios we manage for clients are not included in this report. Scope 3 Category 15: Investments and other Scope 3 Category emissions, to the extent relevant, are addressed as part of a separate effort, for consideration in future disclosures as industry reporting standards converge.

We have calculated a range of metrics that allows us to manage and measure climate risk on our business operations shown below.

Table 5 - TWL Investments Division's operational carbon emissions

Measure	Metric	Unit	Year: 2023
<i>TWL Investments Division's operational carbon profile</i>	Scope 1 and Scope 2 Emissions	tCO ₂ e	119.28
	Scope 3 Emissions*	tCO ₂ e	18.79
	Total Emissions	tCO ₂ e	138.07
	Weighted Average Carbon Intensity ('WACI') (Scope 1 and Scope 2)	tCO ₂ e/£m revenue	1.94
Underlying fiduciary investment management portfolios' metrics			
<i>Transition risk</i>	Climate Transition Value at Risk ('CTVaR')	%	-3.01

**Employee-Owned Cars: Emissions from business travel in employee-owned vehicles where the company is responsible for purchasing the fuel (mandatory).*

The reporting period of Table 5 is as at 31st December 2023. These metrics have been used as they are common business metrics for our industry sector. Data timeframe alignment is as close as is reasonably practical. For example, emissions data covers the calendar year reporting period, but revenue figures related to the WACI cover the financial year best aligned to the reporting period.

5.1 Metric calculation methodology and data sources

WTW has taken guidance from the UK Government Environmental Reporting Guidelines (March 2019), the GHG Reporting Protocol - Corporate Standard, and from the UK Government conversion factors for company reporting database from the Department for Business, Energy and Industrial Strategy (BEIS) for calculating carbon emissions. We consider this energy and emissions accounting has been completed in accordance with reasonable methodology. Utility data was obtained to measure Scope 1 and 2 emissions, and where unavailable, proxy data for floor area was used to estimate energy usage and emissions. The TWL emissions data was based on the WTW Scope 1 and 2 emissions only, a proportional approach based on headcount was applied to allocate emissions. The TWL Investments Division emissions calculated from TWL emissions, was proportionately allocated based on revenue.

For ground transport (both Scope 1 and 3), data was obtained from expense claims and converted to fuel volume using global fuel price averages for 2023.

Weighted average carbon intensity ('WACI') is defined as the tonnes of CO₂e per million pounds revenue.

CTVaR quantifies climate transition risk exposure by integrating forward-looking company assessments with traditional risk and return models. CTVaR analyses the impact on projected company cashflows of moving from a 'business as usual' scenario – reflecting current policies – to a world where emissions pathways are fully aligned to the goals of the Paris Agreement. This is based on a granular understanding of the plausible/likely changes to policy, regulation, technologies, and consumer preferences that would occur in a transition to a low carbon world.

In relation to the fiduciary investment management portfolio metrics: issuer-level climate and fundamental data is sourced from MSCI and applied to the model portfolios. For unlisted or non-transparent strategies, strategy-level climate metrics results provided by underlying managers are used in the first instance. In cases where underlying managers have not provided the requested climate metrics, country/sector exposures are sourced from a combination of risk metrics and underlying managers. Sovereign debt strategies are excluded from the calculation of all metrics.

GHG footprint scope, calculation information and emissions factors:

Certain information used to calculate emissions is assumptions-based. WTW uses actual data when it is available and when WTW concludes it is practical and appropriate for the company to gather and use, with total emissions reflecting WTW's possible emissions in alignment with the GHG Protocol.

More generally, GHG emissions quantification is subject to significant inherent measurement uncertainty because of such things as GHG emissions factors that are used in mathematical models to calculate GHG emissions and the inability of these models, due to incomplete scientific knowledge and other factors, to accurately measure under all circumstances the relationship between various inputs and the resultant GHG emissions. Environmental and energy use data used in GHG emissions calculations are subject to inherent limitations, given the nature and the methods used for measuring

such data. The selection by management of different but acceptable measurement techniques could have resulted in materially different amounts or metrics being reported.

WTW applies a consistent approach and methodology for our GHG calculations and net zero target for our business operations, including but not limited to, calculating scope 2 emissions with the market-based approach and including both owned and leased real estate facilities.

Offsets are not included in WTW's GHG emissions totals.

5.1.1 Data limitations

Reported business operations emissions include Scope 1 and 2. Limited Scope 3 emissions are also included which takes in account emissions from business travel in employee-owned vehicles where the company is responsible for purchasing the fuel (mandatory).

Model portfolios of listed securities are derived based on the strategy's country/sector exposures. These model portfolios are used, where necessary, for calculating carbon emissions and footprint metrics calculations but not for climate solutions.

To derive the fiduciary investment management portfolios' figures that have been reported, metrics are calculated at the individual strategy level and then aggregated to the total portfolios' level. Where we have limited coverage, we report the information for the portion of the portfolio for which there is data.

Section 6 : Scenario analysis

In addition to the scenarios set out in [Section 3: Strategy](#) identifying TWL Investments Divisions' operational risk and opportunities, this scenario analysis sets out portfolio level climate risk scenario considerations.

Scenario analysis is a process for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. Scenarios are hypothetical constructs and not designed to deliver exact outcomes or predictions. Instead, scenarios provide a way to consider how the future might look if certain trends continue or diverge and if certain conditions are met. In the case of climate change, for example, scenarios allow an investment manager to explore and develop an understanding of how various combinations of climate-related risks, both transition and physical risks, may affect companies within their portfolio in terms of their businesses, strategies, and financial performance over time.

Scenario analysis can be qualitative (relying on descriptive, written narratives) or quantitative (relying on numerical data and models) or some combination of both. Qualitative scenario analysis explores relationships and trends for which little or no numerical data is available, while quantitative scenario analysis can be used to assess measurable trends and relationships using models and other analytical techniques. Both rely on scenarios that are internally consistent, logical, and based on explicit assumptions and constraints that result in plausible future development paths.

The key building blocks used to design a climate scenario are:

- A transition narrative, describing the socioeconomic pathway followed globally/regionally, the climate policies implemented and the resulting technological and societal shifts that occur.
- The emissions pathway (typically communicated using the Representative Concentration Pathways developed by the Intergovernmental Panel on Climate Change ('IPCC')) resulting from the implementation of the policies and technologies described in the narrative and the resulting level of peak global temperature increase.
- The economic costs/benefits resulting from physical risk (derived from the level of temperature increase) and transition risks/opportunities (derived from the climate policies and technologies implemented).
- The resulting impact on financial returns of the above at the asset class, sector and potentially security level.

The key climate scenarios that we have considered for the fiduciary investment management portfolios, which are proprietary but aligned with those published by the Network for Greening the Financial System ('NGFS'), are:

Table 6 – Scenario analysis

	Orderly scenario	Disorderly scenario	
	Below 2°C	Delayed Transition Below 2°C	Hot House World
Description	Globally co-ordinated climate policies are introduced immediately, becoming gradually more stringent over time. Companies and consumers take most actions available to capture opportunities to reduce emissions, and the use of Carbon Dioxide Removal ('CDR') technologies is relatively low.	Delays in taking meaningful policy action result in a rapid policy shift around 2030. Policies are implemented in a somewhat but not completely co-ordinated manner resulting in a more disorderly transition to a low carbon economy, with availability of CDR technologies limited. Emissions exceed the carbon budget temporarily but decline more rapidly than in Below 2°C.	The world follows a Net Zero 2050 pathway; however the resultant temperature outcome exceeds 2°C due to a lower than expected remaining carbon budget and/or the impact of climate tipping points. Use of CDR technologies is relatively low.
Temperature increase	1.8°C	1.8°C	2.5-3.0°C
Physical risk level	Medium	Medium	High – Very high
Transition risk level	Low – Medium	High	High

Source: NGFS, WTW

The scenarios were created to reflect the differing paths that could be taken to meet, or fail to meet, the temperature rise target agreed as part of the Paris Agreement. The Paris target is to limit global temperature rises to well below 2 degrees Celsius (WB2C) above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. The scenarios differ in the size of the physical risks, based on the resulting temperature impacts, but also in the size of the transition risks.

The Hot House World scenario considers the uncertainty associated with the carbon budgets assumed in mainstream scenarios and in particular the possibility that these are overestimated. In this scenario the world attempts to transition in line with a WB2C pathway but because real world carbon budgets are lower than estimated a high level of temperature increase still occurs resulting in the realisation of material transition risks and physical risks concurrently.

The three scenarios selected reflect an appropriate range of plausible decarbonisation pathways. The Company recognises that there is the potential for more extreme outcomes than reflected in the chosen scenarios. Although consideration has been given to the possibility that carbon budgets are lower than anticipated in existing scenarios, our scenarios do not currently include climate “tipping points” which, if crossed, would potentially result in future temperatures being higher than predicted for a given level of future emissions and/or the impact of physical risks at a given temperature level being significantly greater than is currently predicted by most economic models for climate change.

We view tipping points as a longer-term risk, with transition risks dominating in the shorter term and physical risks/tipping points then becoming increasingly material as the time horizon for analysis increases. This said, we recognise that longer-term risks may be priced in by markets over the nearer term and the timing of this is highly uncertain. The significant potential downside risks associated with physical climate risks mean that, similar to how other investment downside/tail risks are managed, it is rational for both medium and long-term investors to take actions now to understand/quantify and manage climate-related financial risks to their portfolios.

Some other considerations that are applied when considering tipping points in the context of climate scenario analysis:

- Existing climate scenarios are simplified and stylised (as with any set of scenarios). The real world is a complex adaptive system which is very hard to capture using any quantitative model, no matter how sophisticated.
- There is a limit to model tractability and the precision of scenario analysis. It is tempting to try to build ever more sophisticated models in the pursuit of precision, but it is not a given that a more sophisticated model will derive a more accurate outcome.
- Given the likely magnitude of the impacts of tipping points we believe that a high-level approach to quantitative analysis supported by qualitative analysis/narrative is likely to be the most fit-for-purpose approach.
- Due to the points above, when applying climate scenarios and identifying possible actions to take as a result of the analysis, it is often reasonable to further overweight risk management actions to mitigate model risk.

Climate Value at Risk ('CVaR')

CVaR is a forward-looking measure of the exposure of a portfolio to climate risks and is based on bottom-up analysis of the impact of climate physical and transition risks on individual companies, by considering a wide range of underlying climate-related issues that are expected to influence the drivers of investee company cashflows. This includes:

- The range of natural hazards/physical perils that are expected to manifest under various temperature increase scenarios as well as the long-term chronic impacts of climate change; and;

- The impact of the various policy, technology and socioeconomic changes associated with the various transition narratives considered. In applying the scenarios to derive a Climate Value at Risk figure it is assumed that the future transition outcomes embedded in the Nationally Determined Contributions ('NDC') scenario (i.e. implementation of existing policies and pledges) are broadly reflective of what is likely priced into markets in aggregate.

The resulting CVaR figures for the TWL fiduciary investment management services total client portfolios under each of the scenarios considered are set out in the table below. This can be thought of as the potential impact on the portfolios if markets were to immediately price in the expected impact of physical and transition risks under each of the scenarios immediately. The Company also recognises the uncertainty in the underlying assumptions and that the shocks experienced could be larger.

Table 7 – CVaR under climate scenarios (%)

Scenario	CVaR (% of portfolios)		
	Physical risk	Transition risk	Total
Orderly	-3.98%	-2.15%	-6.13%
Disorderly	-3.98%	-5.07%	-9.04%
Hot House World	-13.34%	-2.84%	-16.18%

Source: MSCI, NFGS, WTW

Table 8 – CVaR under climate scenarios (\$m)

Scenario	CVaR (\$m)		
	Physical risk	Transition risk	Total
Orderly	-745.70	-403.31	-1,149.01
Disorderly	-745.70	-949.78	-1,695.48
Hot House World	-2,500.27	-532.76	-3,033.04

Source: MSCI, NFGS, WTW - The figures above are based on a portfolio size of \$18.7bn as at 31 December 2023

What does the CVaR analysis show?

The CVaR shows that the impact across scenarios mirrors the broad trends in the broad market however, asset class diversification is of a lot of benefit. The most substantial effects manifest under scenarios associated with the highest temperature outcomes and heightened exposure to physical risks.

Within this context, the selection of managers and active engagement emerge as the critical determinant for influencing outcomes. A bottom-up evaluation of transition risk exposures informs ongoing monitoring and engagement initiatives with managers. Moreover, the relative magnitude of physical risks compared to transition risks serves as a guiding factor in decision-making, guiding the adoption of Net Zero pledges and investment strategies conducive to facilitating a transition to a low-carbon economy.

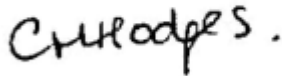
Section 7 : Statement of compliance

In accordance with 'ESG 2.2 TCFD entity report' of the FCA Handbook, this report sets out our disclosures in line with the Recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) for Towers Watson Limited (TWL).

The disclosures made in this report, are consistent and comply with each of the TCFD Recommendations and Recommended Disclosures, and where relevant the actions we are taking to achieve compliance. Reasonable steps have been taken to ensure that disclosures, to the extent they are relevant and/or possible, also reflect sections C and D of the TCFD Annex entitled 'Guidance for All Sectors' and 'Asset Managers', respectively. We view climate-related disclosures as evolutionary and endeavour to continue to improve on our disclosures.

The Sustainability Regulations and Monitoring Committee will continue to oversee compliance with TCFD requirements and recommendations as the report is moved into business as usual (BAU) reporting.

This statement is made in accordance with TCFD disclosures for the year ending 31 December 2023 and has been sent to the Board for approval and was approved by the Board of Directors of Towers Watson Limited on 25 June 2024, as reflected by the Director's signature below.



Charlotte Hodges
Towers Watson Limited
25 June 2024

Section 8 : Disclaimers

Legal Notices

MSCI ESG Research

This disclosure was developed using information from MSCI ESG Research LLC or its affiliates or information providers. Although TOWERS WATSON LIMITED'S (2TWL's") information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Furthermore, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

WTW

Scenarios are hypothetical constructs and not designed to deliver exact outcomes or predictions. Instead, scenarios provide a way to consider how the future might look if certain trends continue or diverge and if certain conditions are met.

Metrics selected have been used as they are common business metrics for our industry sector. Data timeframe alignment is as close as is reasonably practical. For example, emissions data covers the calendar year reporting period, but revenue figures related to the WACI cover the financial year best aligned to the reporting period.

Different approaches are followed to arrive at strategy level climate characteristics depending on the situation and data availability. These are described below.

Situation 1: Underlying issuer-specific climate data related to holdings in a strategy is available

- Strategy-level holdings data is obtained from the relevant underlying external managers, custodians or index providers as appropriate.
- Issuer-level climate and fundamental data is sourced from MSCI and applied to the actual holdings data.

Situation 2: Issuer-specific climate data related to holdings in a strategy is not available, but the external asset manager, who undergoes a thorough due diligence process, is able to provide emission and climate information related to the strategy as a whole

- Strategy level climate and fundamentals data is sourced from the external asset manager (this is requested via a survey sent out on an annual basis)

In situation 2, the accuracy of the metrics is contingent upon each external asset manager's individual interpretation of the data request, including their understanding of the definitions of each metric provided.

Situation 3: Issuer-specific climate data related to holdings in a strategy is not available and the external asset manager is not able to provide emission and climate information related to the strategy as a whole.

- Model portfolios of listed securities are derived based on the strategy's country/sector exposures.

These proxy portfolios are used for calculating carbon emissions and footprint metrics calculations but are not to be used for or are an indication of potential climate solutions.

- Issuer-level climate and fundamental data is sourced from MSCI and applied to the proxy portfolios.

In situation 3, the accuracy of the metrics is contingent upon the extent to which the country/sector exposures provided, and the resulting proxy portfolio is representative of the actual exposures in the strategy.

Scenario analysis is a process for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. Scenarios are hypothetical constructs and not designed to deliver exact outcomes or predictions. Instead, scenarios provide a way to consider how the future might look if certain trends continue or diverge and if certain conditions are met.

Some of the goals, targets, commitments, impacts, policies, and programmes described in this report are also dependant on future actions, collaboration and/or commitments taken by governments, private and public sector firms and wider systems.

A number of risks and uncertainties could cause actual results to differ materially from the results reflected in the forward-looking metrics and statements that are identified within this disclosure. These statements are based on assumptions that may not come true and are subject to significant risks and uncertainties.

Although we believe that the assumptions underlying our forward-looking metrics and statements are reasonable as of today's date, any of these assumptions, and therefore also the forward-looking metrics and statements based on these assumptions, could themselves prove to be inaccurate. Given the significant uncertainties inherent in the forward-looking metrics and statements included in this disclosure, our inclusion of this information is not a representation or guarantee by us that these outcomes will occur.

This disclosure and the forward-looking metrics and statements contained herein (together with other company documents) speak only as of the date made and we will not update this report or these forward-looking statements or other documents. With regard to these risks, uncertainties and assumptions, the forward-looking events discussed in this document, and others, may not occur, and we caution you against unduly relying on these forward-looking statements.

Any assumptions, scenario analysis and metrics used in this report have been derived using a blend of economic theory, historical analysis and opinions provided by external asset managers, and/or advisers. They inevitably contain an element of subjective judgement.

Any opinions or return forecasts on asset classes contained in this disclosure are not intended to imply, nor should they be interpreted as conveying, any form of guarantee or assurance regarding the future performance of the asset classes in question. No economic model can be expected to capture perfectly future uncertainty, particularly the risk of extreme events.

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Section 9 : Glossary

C

Carbon Dioxide Removal: Refers to technologies, practices, and approaches that remove and durably store carbon dioxide (CO₂) from the atmosphere¹.

Climate Action 100+: Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change².

D

Disorderly scenario: Delays in taking meaningful policy action result in a rapid policy shift around 2030. Policies are implemented in a somewhat but not completely co-ordinated manner resulting in a more disorderly transition to a low carbon economy, with availability of CDR technologies limited. Emissions exceed the carbon budget temporarily but decline more rapidly than in Below 2°C³.

G

Greenwashing: Behaviour or activities that make people believe that a company is doing more to protect the environment than it really is⁴.

H

Hot house world scenario: The world follows a Net Zero 2050 pathway; however the resultant temperature outcome exceeds 2°C due to a lower than expected remaining carbon budget and/or the impact of climate tipping points. Use of CDR technologies is relatively low⁵.

O

Orderly scenario: Globally co-ordinated climate policies are introduced immediately, becoming gradually more stringent over time. Companies and consumers take most actions available to capture opportunities to reduce emissions, and the use of Carbon Dioxide Removal ('CDR') technologies is relatively low⁶.

N

¹ Source: The intergovernmental Panel on Climate Change

² Source: Climate Action 100+.

³ Source: NGFS, WTW

⁴ Source: Cambridge Dictionary

⁵ Source: NGFS, WTW

⁶ Source: NGFS, WTW

Net Asset Value: Is the total value of the assets of a company after its total debt has been subtracted¹.

Network for Greening the Financial System: It was launched at the Paris One Planet Summit on 12th December 2017. It is a group of Central Banks and Supervisors willing, on a voluntary basis, to share best practices and contribute to the development of environment and climate risk management in the financial sector and to mobilise mainstream finance to support the transition toward a sustainable economy².

S

SBTi: The SBTi defines and promotes best practice in science-based target setting. Offering a range of target-setting resources and guidance, the SBTi independently assesses and approves companies' targets in line with its strict criteria³.

Scope 1: Scope 1 GHG emissions are “direct” emissions – those that a company causes by operating the things that it owns or controls. These can be a result of running machinery to make products, driving vehicles, or just heating buildings and powering computers⁴.

Scope 2: Scope 2 GHG are “indirect” emissions created by the production of the energy that an organisation buys. Installing solar panels or sourcing renewable energy rather than using electricity generated using fossil fuels would cut a company's Scope 2 emissions⁵.

Scope 3: Scope 3 emissions are also indirect emissions – meaning those not produced by the company itself – but they differ from Scope 2 as they cover those produced by customers using the company's products (downstream emissions) or those produced by suppliers making products that the company uses (upstream emissions)⁶.

¹ Source: Cambridge Dictionary

² Source: Network for Greening the Financial System.

³ Source: Science Based Targets initiative

⁴ Source: World Economic Forum, WTW

⁵ Source: World Economic Forum, WTW

⁶ Source: World Economic Forum, WTW

About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at [wtwco.com](https://www.wtwco.com).