Towers Watson Limited (“TWL”)

MIFIDPRU Disclosure Statement for year ending 31 December 2024

1. Background

The Investment Firms Prudential Regime (“IFPR”) which came into force in January 2022, introduced new disclosure requirements for UK MiFID Investment Firms such as TWL. The rules apply to all Non-Small and Non-Interconnected firms (“Non-SNI firms”) and to those ‘Small and Non-Interconnected firms’ (“SNI firms”) who’ve issued ‘Additional Tier 1’ instruments.

The new Regulatory Disclosure requirements can be found in MIFIDPRU Chapter 8 of the Financial Conduct Authority (“FCA”) Handbook.

2. Scope of Applicability

TWL is authorised under MiFID II as a MiFID Investment firm. TWL is also a Large Non-SNI firm for the purposes of the IFPR as it meets the following thresholds:

- the value of its on and off-balance sheet assets over the preceding 4-year period is a rolling average of more than £300m, or
- the value of its on and off-balance sheet assets over the preceding 4-year period is a rolling average of more than £100m (but less than £300m), and it has trading book business of over £150m, and/or derivatives business of over £100m

As such, TWL is required to publicly disclose the information specified in MIFIDPRU Chapter 8 annually. This disclosure statement (the “Disclosure”) is intended to conform to the relevant disclosure requirements in respect of the 2024 financial year. Unless otherwise stated, all figures quoted as part of this Disclosure are based on the audited accounts of TWL for the financial year ending 31 December 2024.

This Disclosure pertains exclusively to TWL and not to any other entity within the WTW group of companies[1]. This Disclosure is made on an individual rather than a consolidated basis.

3. Risk management objectives and policies

TWL's activities expose it to a number of risks including risk related to management of capital (own fund) requirements, liquidity and concentration. These risks are adequately monitored by the management of TWL.

The risk management objectives within TWL are to effectively identify, assess, respond and monitor the risks that affect its overall strategy, risk appetite and reputation. The TWL Enterprise Risk Management (“ERM”) Framework and Policy establishes the standards, roles and responsibilities and accountabilities for managing risk in TWL.

3.1 Generic Finance Risk Strategy

Strategies to manage financial risk such as liquidity and concentration risk are no different to management of other risks in TWL.

[1] For the purposes of this Disclosure, the term “WTW”, “WTW group of companies” or “WTW group” shall include WTW PLC and any company directly or indirectly owned or controlled by WTW PLC.

TWL operates a “three lines of defence” model that distinguishes among three groups (or lines) involved in effective risk management. It is led by 1st line, the WTW Finance functions own and manages risk (of which TWL Finance is an integral part); second line (2LoD): provides risk management framework, oversight and challenge; and third line (3LoD): independent assurance to ensure TWL Board’s oversight on Financial Risk are adequate and effective.

3.2 Specific Risk Strategy

Risk strategy for managing financial risk is always evolving in line with WTW’s ERM strategy and maturity. In 2024, strategies for managing financial risks specifically in relation to capital requirements, liquidity and concentration are:

Capital requirement: Always maintain the own fund threshold requirement at a level prescribed in the MIFIDPRU rules handbook, supported by quarterly monitoring and early warning indicators. If a material change, as defined by MIFIDPRU 4.5.7, to projected relevant expected expenditure is anticipated, the capital requirement is updated accordingly.

Liquidity: Always maintain Liquid Asset threshold requirement at a level prescribed in the MIFDPRU rule, supported by quarterly monitoring with early warning indicators. If a material change, as defined by MIFIDPRU 4.5.7 to projected relevant expected expenditure is anticipated, the liquidity requirement is updated accordingly.

Concentration risk: TWL continues to monitor all cash, bank/counterparty credit ratings, sources of income/client and trade debtor/ client credit concentration. Counterparty risk is actively monitored by WTW’s global Treasury team.

The focus is on “Monitoring” the current position and “identifying” any emerging risks summarised annually through the ICARA process. This is deemed proportionate in the current business context. “Reporting” of any issues arises through monitoring financial risk to the TWL’s Risk Committee.

3.3 Capital Requirement and Liquidity Risk Processes

TWL is an integral part of WTW’s operating model which utilises WTW group functions to perform controls and execute parts of the process.

As part of a global organisation the day-to day ‘cash collection’ and monitoring is organised through the WTW’s Global Treasury team and TWL is part of this arrangement. This is an integral part of TWL’s operating model whereby all excess cash is swept daily into a facility arrangement with WTW Treasury companies. This deposit balance is due on demand but falls outside the definition of ‘liquid assets’.

TWL meets its liquid asset requirement through a minimum cash balance not part of the sweep arrangement and trade debtors.

3.4 Financial Concentration Risk Processes

Management of financial concentration risk is managed as follows:

- Cash concentration: Excess cash of TWL is managed by WTW Treasury, which manage the credit and concentration risk in line with WTW policy;
- Trade debtors and client credit concentration: TWL’s key customers are reviewed on a monthly basis by line of business. Exposure is spread over many counterparties and customers; and

- Sources of earnings/ client credit concentration: Terms of engagement are agreed with all clients. Management has a credit policy in place.

3.5 Financial Risk Controls

Each quarter, TWL's CFO reports the financial results including the cash position and Fixed Overhead Requirement against the available Capital and Liquidity requirement. As noted above, excess cash is managed by WTW Treasury, which manages the credit and concentration risk in line with WTW policy, exposure to credit risk is monitored on an on-going basis through the WTW Treasury function.

In addition, stress testing and reverse stress testing form part of the ICARA. The ERM team also facilitate scenario analysis and wind-down analysis which identify specific circumstances where capital or liquid assets held could fall below the capital and liquidity requirements.

Any issues or indication of capital requirement, liquidity or concentration risk worsening are reported to the TWL Board with appropriate management actions. All associated controls are subject to review between 1st and 2nd line functions as and if a material issue emerges it will be resolved in line with WTW's ERM strategy and maturity.

3.6 Harm Identified

Potential sources of material harm for client and firm have been identified as follows:

1. Clients could be impacted due to incorrect advice being given.
2. Clients could also be impacted by a cyber-attack (external) or accidental data loss (internal) via being exposed to fraudsters.
3. Parental failure which would impact the way TWL conducts business through shared corporate functions.

Current internal controls in place provide effective mitigation to reduce the risk within appetite, albeit the risk remains as the current geopolitical environment increases the chance for cyber-attack or market volatility.

3.7 Controls against harm

The key controls to protect the firm, client and market from harm are:

1. Adherence to Excellence framework to reduce the chance of incorrect advice being given.
2. Professional duties training and education in managing information security risk to reduce client impact in the event of data loss whether caused by internally or externally; and
3. Multiple controls on information security and data loss preventions in targeted process, specifically on generic process across multiple businesses.

The control framework supports the TWL Board to monitor this risk during quarterly meetings.

4. Governance Arrangements

Governance enables the accountabilities and authorities to be clearly defined and allocated, supporting effective decision making by the appropriate forums.

Risk governance consists of the structures and processes through which TWL manages its risks.

The Risk Committee is authorised by the Board to assist it in its oversight of TWL's ERM arrangements and activities; reviewing and reporting to the Board whether the risk appetite is appropriate; and whether key risks are identified and managed.

TWL's Risk Committee comprises three Directors, two of whom are non-Executive Directors, and the other is an Executive Director of TWL.

The Risk Committee is supported by regular attendees from leaders of Legal, Human Resources (HR), Compliance, Risk and Internal Audit functions, who actively participate in discussions and issues raised in Risk Reports produced by the ERM team with inputs from all business areas in TWL.

The TWL Risk Committee is responsible for overseeing ERM matters across TWL specifically:

- Solvency: that the risk culture across the organisation is appropriate;
- Material Risks: ensures all material risks have been identified and managed within TWL's risk appetite; and
- Policies: that TWL's policies and initiatives are appropriate and adhered to.

4.1 The Board of Directors and other Directorships held

The TWL Board of Directors as of 31 December 2024 is set out below:

Director	Position
Paul Morris	Chair/Non-Executive Director
Jane Armstrong	Non-Executive Director (appointed on 1 Sept 2024)
Marco Boschetti	CEO/Executive Director
Ian Spencer	Executive Director
Charlotte Hodges	Executive Director

As of 31 December 2024, with the exception of one non-executive director (Jane Armstrong), none of the directors held a directorship with an organisation outside WTW which pursues predominantly commercial objectives.

The roles and responsibilities of the Chair and the CEO are clearly set out in the TWL Articles of Association and Adopting Resolution document and explained in section 4.2 Three lines of defence model.

Our board composition reflects diverse viewpoints, backgrounds and experiences, attributes and industry knowledge. The TWL Board members consists of 5 people (3 male and 2 female). WTW's approach to Inclusion and Diversity (I&D) Policy, including fostering an inclusive environment is in place along with initiatives to promote the objectives and targets WTW and TWL aim to meet proportional to revenue growth over the near future.

Among the 2025 priorities, the TWL Board see continuing to embed Inclusion & Diversity principles into our talent processes and building an inclusive culture ensuring our colleagues feel valued and that they belong. The HR Director will inform the TWL Board via the TWL Risk

Committee and escalate a material I&D issue to the WTW Board including but not limited to issues around TWL board composition and remedial actions to address them.

4.2 Three lines of defence model

Under the "three lines of defence" model outlined above, 1st line (business units) is responsible for adopting and maintaining appropriate systems and controls in order to manage the risk to their business. The 2nd line (such as Compliance and Risk functions) is responsible for designing the risk management processes, used by the 1st line to manage risks, and monitor the implementation of these processes. The 3rd line (Internal Audit) is responsible for providing independent assurance to the TWL Board over controls and risk management practices. The roles and responsibilities covering the three lines of defence have been clearly defined and detailed in TWL's framework of policies and procedures.

5. Own Funds

Table 1

Composition of regulatory own funds			
	Item	**Amount (GBP thousands)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	OWN FUNDS	**349,729**	
2	**TIER 1 CAPITAL**		
3	COMMON EQUITY TIER 1 CAPITAL		
4	Fully paid up capital instruments	120	A
5	Share premium	-	
6	Retained earnings	418,066	B
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(68,457)	C
19	CET1: Other capital elements, deductions, and adjustments	-	
20	**ADDITIONAL TIER 1 CAPITAL**	-	
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	

23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24	Additional Tier 1: Other capital elements, deductions, and adjustments	-	
25	**TIER 2 CAPITAL**		
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

Notes

A. This figure represents TWL's permanent, allotted, called up and fully paid ordinary share capital.
B. Retained earnings is represented as profit and loss account in the audited balance sheet
C. Deductions comprise the following:

Deduction components	£'000
Intangibles	8,045
Pension Asset	80,549
Pension Asset related deferred tax liability (*)	(20,137)
TOTAL	**68,457**

(*) Included within Debtors is a net deferred tax asset of £1,834,000, which includes the related pension deferred tax liability of £20,137,000.

Table 2

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
Amount (GBP thousands)				
		A	B	C
		Balance sheet as in published/audited	**Under regulatory**	**Cross-reference to**

		financial statements	scope of consolidation	template OF1
		As at period end	As at period end	
Assets – *Breakdown by asset classes according to the balance sheet in the audited financial statements*				
1	Intangible assets	8,045	n/a	C
2	Tangible assets	12,001	n/a	
3	Investments	18,998	n/a	
4	Trade debtors	86,041	n/a	
5	Amounts owed to group undertakings	346,079	n/a	
6	Prepayments and accrued income	97,929	n/a	
7	Deferred tax asset	1,834		C
8	Other assets	35,000	n/a	
9	Cash	4,037	n/a	
10	Pension Asset	80,549	n/a	C
xxx	**Total Assets**	**690,513**	n/a	
Liabilities – *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1	Trade Creditors	(5,064)	n/a	
2	Amounts owed to group undertakings	(35,951)	n/a	
3	Intercompany derivative-creditor	(200)	n/a	
4	Taxation and social security	(45,916)	n/a	
5	Corporation tax	(31,861)	n/a	
6	Accruals and deferred income	(127,560)	n/a	
7	Provisions	(25,775)	n/a	
xxx	**Total Liabilities**	**(272,327)**	n/a	
Shareholders' Equity				
1	**Called-up share capital**	120	n/a	A
2	**Profit and loss account**	418,066	n/a	B

xxx	**Total Shareholders' equity**	**418,186**	n/a	

Table 3

Own funds: main features of own instruments issued by the firm
Called-up share capital is permanent, allotted, called up and fully paid ordinary share capital.

6. Own Funds requirements

The own funds requirement of a non-SNI MIFIDPRU investment firm is the highest of:

(1) its permanent minimum capital requirement under MIFIDPRU 4.4;

(2) its fixed overheads requirement under MIFIDPRU 4.5; or

(3) its K-factor requirement under MIFIDPRU 4.6.

A table summarising TWL's Own Funds requirements at 31 December 2024 is set out below:

	Notes	Total (£'000 GBP)
Permanent Minimum Requirement	A	75
Fixed Overhead Requirement	B	131,246
K-Factor Requirements	C	52,638
Overall Minimum Own Funds Requirement higher of A,B or C		131,246

A Permanent Minimum Requirement (PMR)

The PMR for TWL is £75,000.

B Fixed Overhead Requirement (FOR)

The FOR is calculated as a quarter of total expenses from its most recently audited financial statements less allowable deductions as set out in MIFIDPRU 4.5.

C K-factor Requirement (KFR)

The KFR is calculated based on the activities a firm undertakes under MIFIDPRU 4.6.

Based on the regulated activities that TWL undertakes, there is only one K-factor in scope K -AUM. The K-AUM co-efficient is calculated as 0.02% of the average AUM over the previous 15 months, excluding the most recent 3 months.

Through the ICARA process, TWL assessed no additional capital or liquidity was required.

7. Remuneration policies and practices

Fixed and Variable remuneration

All staff are eligible to receive both fixed and variable remuneration. Variable remuneration takes the form of five schemes:

- Short-Term incentive ("STI") program
- Long-Term incentive ("LTI") program
- Investment LTP
- Sales Plans
- Investment Firm Prudential Regime ("IFPR") (see section on Material Risk Takers for further information).

All TWL colleagues are part of WTW's global STI program which provides variable compensation. The percentages of variable compensation increase with level/seniority which provides the relevant proportion of fixed to variable compensation.

All senior colleagues are also eligible for the LTI program which is an annual discretionary program designed for our most senior colleagues who make strategic contributions to the success of the business over time. Vesting is made over a 3-year period from the grant date, MRT's have a further 6-month holding period. The LTI program is intended to provide episodic awards and colleagues should not expect to receive an award every year.

The Investment LTP Scheme is open to senior colleagues within the Investments Line of Business ("LoB"). Invited participants will be offered a percentage interest in an Allocation Pool, the initial value of which will be determined at the date a grant is made. Vesting is after a 3-year period from the grant date, MRT's have a further 6-month holding period.

TWL also has several sales plans to provide an incentive to participants to generate new business leads. Such plans are open to Sales and Account Management colleagues.

Guaranteed variable remuneration is only awarded in very limited circumstances:

I. Sign on / Buy-outs

II. Retention

III. Severance

Typically, any such awards will be subject to minimum performance requirements.

Early termination / severance arrangements are reviewed on a case-by-case basis and will not be awarded in instances where misconduct or conduct breaches have led to the termination. Further, such awards will take into account performance appraisals over a period of time and will not be designed in a way to reward continued poor performance. Any early termination payments in respect of Code Staff will be considered in consultation with Compliance to ensure compliance with the Code requirements.

Link between remuneration and performance

TWL believes that this provides the right level of incentivisation, reflecting responsibility and seniority, without encouraging or incentivising excessive risk taking. All of the non-standard remuneration schemes in place have defined limits set to ensure this remains the case.

The performance of TWL, business line, geography and individual are taken into consideration when deciding variable pay which includes the possibility of no variable remuneration for poor individual performance or significant conduct rule breaches.

The STI Scheme (applicable to most colleagues) is linked to the annual appraisal process in which performance is assessed by line management based on a weighted scorecard of:

- four key metrics; Clients, Financials, People, Innovation / Operations; and
- a demonstration of the Willis Towers Watson values of; Client Focus, Teamwork, Integrity, Respect, Excellence.

All appraisals and incentive awards are subject to a moderation process which involves Compensation Managers and HR. Payments are in cash, with no deferred element, except for those colleagues who are identified as Material Risk Takers under the IFPR guidelines.

STI bonus pools and other incentive schemes are discretionary in nature and linked to WTW's performance.

Risk Adjustment of remuneration

WTW's compensation programs are designed to minimise the potential risks that could result in a material adverse impact to its clients or TWL.

The WTW Global Compensation Committee considers, with the assistance of compensation consultants, whether incentive arrangements encourage unnecessary or excessive risk that might have an adverse impact on TWL. Additional oversight is provided by the TWL Remuneration Committee, whose role is set out below under Governance Arrangement.

WTW is alert to the fact that remuneration arrangements can have an influence on colleague behaviour. Potential risks can include:

- the risk that variable remuneration may encourage colleagues to behave in a manner which may be detrimental to the best interests of clients and take undesirable or irresponsible risks in the hope of generating more turnover or making more profit and thus increasing individual variable remuneration.
- the risk that colleagues may be tempted to manipulate information with a view to making their measured performance look better.

To protect against such undesirable outcomes, the global arrangements for remuneration include the following:

- Typically limiting the variable remuneration under the Individual Bonus Plan to between 5% and 80% of base salary (the % level depending on level of seniority)
- Making the bonus discretionary and basing it on performance across four areas, only one of which is Financials (the other three being Clients/Innovation; People; Excellence). The level of bonus is also dependent on living the WTW core values and acting with integrity and in the best interests of clients.
- Having a system of hierarchical reviews of proposed bonus amounts, and Board Director oversight through the Remuneration Committee, so that the final decision is not solely in the hands of the immediate team.
- Executive incentive schemes take the form of the Long-Term Incentive Plans (LTIPs), in the form of shares which vest over a three-year period and the Investment LTP (in the form of cash which does not vest until the end of a three-year period). IFPR requirements are in addition to this.

Objectives of financial incentives

Remuneration arrangements and the incentive schemes that apply to TWL are straightforward. Importantly, the incentive schemes are designed to drive appropriate behaviours that meet TWL's and WTW's values. They are consistent with and promote sound and effective risk management and they encourage colleagues to act in the best interests of the WTW's clients.

Governance Arrangements

TWL has established a Remuneration Committee ("RemCo") to ensure remuneration is applied in a way which complies with statutory and regulatory requirements and promotes appropriate risk and capital management and is aligned to the purpose of TWL, its values and culture with a clear link to the successful delivery of the long-term strategy of TWL.

The composition of the RemCo consists of the following two members:

- Marco Boschetti – Chief Executive Officer/Director (resigned on 31 March 2025)
- Rash Bhabra – Chief Executive Officer/Director (appointed on 30 May 2025)
- Paul Morris - Non-Executive Director

TWL also has a Remuneration Policy in place which is reviewed on an annual basis or as and when regulatory changes occur by the RemCo on behalf of the TWL Board. Any proposed changes will be carefully considered and will follow the governance process outlined below:

- RemCo review of any remuneration policy changes
- Raise proposed changes with the Risk Committee for awareness and input, plus further Control function review on the same basis
- Board oversight and ultimate sign off
- Periodic review of remuneration policy by Internal Audit as required.

Material Risk Takers Remuneration

In identifying Material Risk Takers ("MRTs"), TWL has used the criteria set out in SYSC 19G.5.R of the FCA Handbook. The Firm has identified 19 MRTs of which 11 are Senior Management and 8 are other staff. The amount of remuneration paid out to all staff, including MRTs can be seen in the below tables:

Remuneration Type	**Senior Management**	**Other MRT's**	**Other staff**	**All Employees**
	(£GBP)	**(£GBP)**	**(£GBP)**	**(£GBP)**
Fixed Remuneration	2,717,081	1,817,831	235,111,143	239,646,055
Variable Remuneration	3,241,830	4,331,635	76,709,647	84,283,112
Total Remuneration	**5,958,911**	**6,149,466**	**311,820,790**	**323,929,167**
Total No. of colleagues	11	8		

Variable Remuneration Type (split)	Senior Management (£GBP)	Other MRT's (£GBP)
Cash	1,227,787	826,933
Cash (LTI)*	837,174	2,892,057
Shares (LTI)*	1,176,740	612,645
Shares (Other)	129	-
Total Variable Remuneration	**3,241,830**	**4,331,635**

* deferred variable remuneration

All variable remuneration is non-deferred unless noted as deferred in the table above.

Guaranteed Variable Remuneration	Senior Management (£GBP)	Other MRT's (£GBP)
Total Guaranteed Variable Remuneration	-	-

Aggregate fixed and variable remuneration	Senior Management (£GBP)	Other MRTs (£GBP)
Fixed Compensation	2,717,081	1,817,831
Variable Compensation	3,241,830	4,331,635
Total	**5,958,911**	**6,149,466**
Cash	4,782,043	5,536,821
Non- Cash	1,176,868	612,645
Total	**5,958,911**	**6,149,466**

Deferred remuneration

The table below outlines the movement in the fair value of outstanding deferred remuneration for the year ending 31 December 2024:

Deferred Remuneration	Senior Management (£GBP)	Other MRT's (£GBP)
Deferred compensation awarded for 2024	2,013,914	3,504,702
Deferred compensation awarded prior to 2024 vested and paid during 2024	2,592,968	4,577,125
Deferred compensation awarded prior to 2024 not yet vested	5,333,714	9,459,470

Severance payments

There were no severance payments made to material risk takers in this review period.

8. Investment Policy

As part of the strategy of WTW, TWL holds equity investments in other WTW entities and two funds for operational reasons.

The net book value of equities held in other WTW entities is £10 (£000) (cost £10 (£000)). The carrying value of these investments is deemed not less that the fair value. None of the equities are traded therefore no market price information is available.

TWL has invested in two funds - Towers Watson Alternative Credit Fund and Towers Watson Global Equity Focus Fund. The cost of investment is £16,503 (£000) and the market valuation at 31 December 2024 is £18,988 (£000).