Task Force on Climate-related Financial Disclosures (TCFD)

Entity Level TCFD Report

Towers Watson Limited
Investments Division

wtwco.com

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Introduction

Willis Towers Watson Public Limited Company and its subsidiaries ("WTW"), including Towers Watson Limited[1] ('TWL'), considers sustainability-related matters in our internal operations including environmental, social and governance ('ESG') programs. It is also an area where we support our clients through sustainability services and solutions to support WTW's purpose to 'transform tomorrows'.

References to "we", "our" or "us" are to TWL.

This report is published by TWL 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 2024 to 31 December 2024 (the 'Report').

This Report should be read together with the wider Willis Towers Watson Public Limited Company ('WTW') 2024 Task Force on Climate-related Financial Disclosures Statement. This document is not incorporated by reference into this Report.

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 this 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. The TWL Investments Division is part of TWL and provides investment fiduciary management services to some defined benefit schemes and UK fiduciary assets. More information on WTW's sustainability approach is available on its website, along with other WTW sustainability-related reports. References to WTW Investments are intended to refer to WTW's investments business, which is not limited to those activities within TWL.

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.

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. TWL Investments Division's governance structure directly reports to the Board.

This Report includes disclosures as required by the FCA's ESG Sourcebook where it is fair, clear and not misleading for us to do so. It should be noted that climate reporting in the asset management industry is still in its relative infancy, however, there is rapid evolution across data and methodologies associated with climate reporting.

[1] TWL company number: **05379716**. Registered office address: **Watson House, London Road, Reigate, Surrey, RH2 9PQ**.

Table 1. Report structure and summary

The TCFD developed four pillars on climate-related financial disclosures that are applicable to organisations across sectors and jurisdictions. Therefore, in line with these recommendations, this Report is structured into four sections corresponding with the relevant TCFD pillars.

TCFD pillar and recommendation	Summary
Governance a. Description of the Board's oversight of climate-related risks and opportunities b. Description of management's role in assessing and managing climate-related risks and opportunities	**Discloses TWL Investments Division's governance around climate-related risks and opportunities:** • The TWL Board has ultimate oversight responsibility for the setting of strategic priorities and monitoring of investment performance against stated objectives. This includes the consideration of climate-related risks and opportunities that could impact on our business. • Climate and sustainability related matters are directed through the Risk Committee as required including the identification and management of climate-related risks and opportunities along with public reporting responsibilities. • The Board, together with leaders from WTW Investments and WTW, oversee TWL's senior management who are responsible for the strategy and day-to-day operations and management of TWL, including climate-related matters.
Strategy a. Description of the climate-related risks and opportunities the organisation has identified over the short, medium and long term b. Description of the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning 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 d. Description of the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	**Discloses the actual and potential impacts of climate-related risks and opportunities on TWL Investments Division's businesses, strategy and financial planning:** • TWL acknowledges climate change as a material risk, impacting both its operations and its fiduciary investment management client portfolios. It integrates climate considerations into business operations and investment strategy and risk management. • WTW, TWL's ultimate parent company, has set science-based targets, of which TWL forms a part, including achieving net zero by 2050. Separately, WTW Investments has a goal to achieve net zero greenhouse gas emissions across 'In Scope Solutions' by 2050. • Climate-related risks are categorised into transition (e.g., regulatory, reputational, market) and physical (e.g., extreme weather) risks. These are assessed using a 4x4 matrix combining financial and non-financial impact scales and likelihood ratings. • TWL sees opportunities in developing sustainable investment products, enhancing data and technology infrastructure and supporting supplier sustainability. These efforts aim to reduce emissions and meet evolving client demands. • Climate risk is incorporated into TWL's investment processes, including portfolio construction, manager selection and stewardship.

Table 1. Report structure and summary

TCFD pillar and recommendation	Summary
Risk management a. Description of the organisation's processes for identifying and assessing climate-related risks 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 of how material climate-related risks are identified and assessed for each product or investment strategy c. Description of the organisation's processes for managing climate-related risks d. Supplemental guidance for asset managers: Description on how we manage material climate-related risks for each product or investment strategy e. Description of how processes for identifying, assessing, and managing climate-related risks are integrated into our overall risk management	**Discloses how TWL Investments Division identifies, assesses and manages climate-related risks:** • TWL Investments Division operates under WTW's Enterprise Risk Management (ERM) framework, with oversight from the TWL Risk Committee and Board. This includes climate-related risks, which are assessed through dashboards, scenario analysis and business continuity planning. • Key processes include monitoring climate-related legislation, maintaining disaster recovery plans and strengthening supplier risk management. A three-lines-of-defense model ensures governance, compliance and independent assurance. • Climate risk is considered across the investment lifecycle, from mission setting and manager selection to portfolio construction and monitoring. It is viewed alongside other financially material factors rather than as a separate consideration. • TWL uses external data alongside proprietary tools to assess physical and transition risks. • TWL engages with external asset managers and employs a stewardship services provider to support the improvement of sustainability practices. This includes voting, public policy engagement and direct dialogue with companies on climate risk management. • Sustainability risks are monitored across external, WTW and investment-specific levels, with reporting aligned to regulatory standards and client objectives.
Metrics and targets 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 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 c. Disclosure of Scope 1, Scope 2 and Scope 3 greenhouse gas ('GHG') emissions and the related risks 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') e. Description of the targets used to manage climate-related risks and opportunities and performance against targets	**Discloses the metrics and targets used by TWL Investments Division to assess and manage relevant climate-related risks and opportunities:** • The Report provides a range of metrics across both TWL's own operations and for its fiduciary investment management client portfolios. • TWL's operational carbon profile shows improvements across the metrics presented when compared to the previous year. • In relation to the fiduciary investment management client portfolios, an aggregated portfolio has been presented as a representation. It shows positive change in relation to the previous year across decarbonisation and alignment metrics. However, given the likely non-linear nature of the transition to net zero, overall trends and comparisons will become more meaningful over time as year-to-year variances in data are less pronounced and less impactful on the overall trajectory direction.

Governance

This section of the Report discloses the TWL Investments Division's governance around climate-related risks and opportunities. In line with the reporting period of this Report, the governance structure and processes outlined below were in place as at 31 December 2024.

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 five directors (two 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 TWL. 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 attends the TWL Board meetings and ensures sufficient oversight by the Board of the Investments Division's activities, in addition to periodic attendance from the Investments Division's Head of Sustainability Solutions to enable oversight of 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 WTW's Enterprise Risk Framework ('ERM') using information provided by TWL 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 sustainability and business matters.

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

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

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 including those relevant to TWL.

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 Investments Division's related activities. The TWL Board has participated in Climate and TCFD related training. 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, including on regulatory developments and regulations such as TCFD, UK Sustainable Disclosure Requirements ('SDR') and EU Sustainable Finance Disclosure Regulation ('SFDR'), supported by additional sustainability-related knowledge sessions or modules.

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, 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 Chief Investments Officer ('CIO'), Chief Investments Operating Officer ('COO'), Head of Sustainable Investing, Head of Funds and Head of Sustainability Solutions. This sub-committee sets business-level objectives to aim to drive the achievement of our sustainability strategy. It oversees implementation, governance and resourcing to achieve our overarching business and investment/ portfolio-level sustainability objectives.

The 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 Investments.

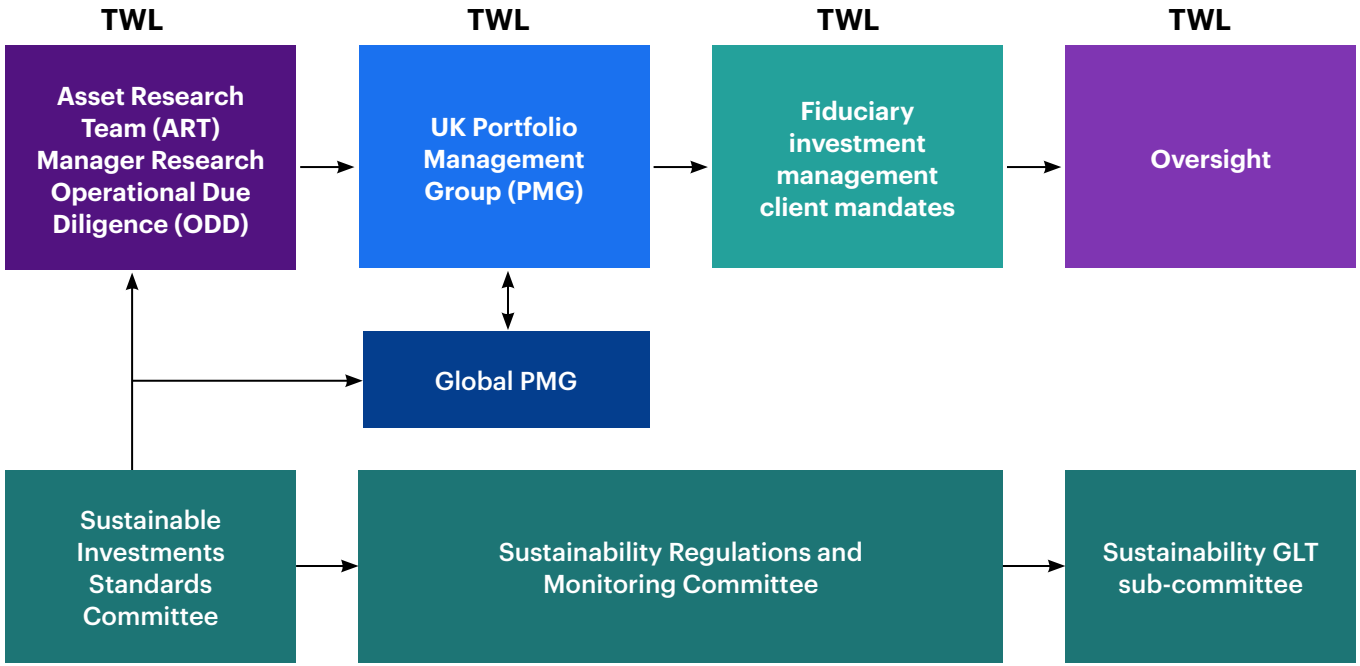
The SISC is responsible for providing guidance on the processes within the WTW Investments Content team so that they are able to meet all sustainable investing ('SI') content related requirements. It owns the key SI policies as they relate to investment content and in particular the processes required to meet our portfolio net zero goals with respect to assets managed on behalf of our fiduciary investment management clients, where we have sufficient discretion.

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 periodically reviewed to assess whether any enhancements are needed in order to respond to fast changing regulation and best practice in regard to sustainability.

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, the Asset Research Team, the Thinking Ahead Group, 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 Investments Division represents only the fiduciary management business in the UK (Figure 1).

➡ The PMG adheres to the Sustainable Investing Policy.

Figure 1. TWL Investments Division governance process flow
Our process tailored to meet fiduciary investment management client mandates



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 an important principle of TWL. Accordingly, addressing climate risk forms an important part of our business strategy. We work with our clients, investment professionals and operational teams to incorporate 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 consider sustainability-related risks, including climate, throughout our investment processes, including portfolio construction and manager selection to monitoring and reporting, with additional attention on climate-related research, resources and data.

Our own emissions

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

WTW has set a target to achieve **net zero greenhouse gas emissions** by **2050** and **50% reduction** by **2030** aligned with the Science Based Targets initiative.

In 2024, the Science Based Targets initiative (SBTi) validated WTW's near-term and long-term emissions reduction targets. This milestone underscores WTW's focus on sustainability and reducing its carbon emissions.

The validated targets include a plan to reduce absolute Scope 1 and 2 greenhouse gas (GHG) emissions by 50% by 2030 from a 2019 base year. Additionally, WTW has also set targets to engage 67% of suppliers by spend to set science-based targets by 2028 and reduce business travel emissions by 55% per full-time employee by 2030 from a 2019 base year. WTW has set a long-term target, approved by SBTi, to reach net zero greenhouse gas emissions across the value chain by 2050.

The SBTi validation confirms that WTW's targets are aligned with the latest climate science and are sufficiently ambitious to meet the goals of the Paris Agreement.

In addition, WTW is targeting achieving 100% renewable energy supplies across WTW's real estate portfolio by 2050.

This alignment to scientifically validated targets demonstrates WTW's dedication to long term environmental stewardship in its own operations and through assisting others. TWL forms part of the WTW targets and there are no additional targets for TWL. TWL does not plan to set additional targets.

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 single-use plastics in 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, WTW Investments has a goal to achieve net zero greenhouse gas emissions across 'In Scope Solutions' by 2050. WTW Investments believe the trajectory is important, therefore are also aiming to approximately halve emissions per amount invested by 2030. WTW Investments aim to help mitigate the financial impacts of climate risks facing asset owner investment portfolios, where relevant, by appropriately encouraging investment activity that supports a transition to a net zero economy as follows:

- Balancing a combination of decarbonisation of existing investments and new investment in long-term climate solutions
- Using multiple 'levers' including, changes to:
  - Risk management and asset allocation
  - Manager selection
  - Index design
- Stewardship and industry engagement to encourage mitigation of climate-related financial risks

➡ For more information, please visit the related WTW Investments' net zero goal webpage.

Risks and opportunities

This section highlights the material climate-related risks and opportunities for our own operations identified. We have aimed to highlight the potential financial impact of these risks via a qualitative impact assessment using the adapted Enterprise Risk Management ('ERM') scales. 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 timeframes, shown in **Table 2**, are applied:

Table 2. Risk timeframes

Timeframe	Criteria
Short term	**0 – 3 years** (based on our clients' needs for quick, accurate and timely deliverables based on the latest technology and sector developments).
Medium term	**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 target of a 50% reduction in greenhouse gas emissions).
Long term	**7 – 20 years** (aligned to our net zero goal and encompassing long term policy and industry trends).

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. Climate-related risks are assessed and prioritised as part of our overall risk management framework, in a similar way to all other risks on our risk register. Risks are assessed on two different scales:

01 Non-financial Impact Rating Scale

Ranks the risk over four 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.

02 Financial Impact Rating Scale

Scored based on the potential impact on revenues and assigned a "level". These risks are combined to generate an overall impact rating of one (low) to four (critical).

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

We have sub-divided climate-related risks into transition risks (i.e., risks associated with the transition to a low-carbon economy) and physical risks (i.e., risks related to the physical impacts of climate change).

Transition risks

Our overall risk rating for each of the risks has been integrated and scored within our ERM framework and is shown below (Table 3), along with an initial summary description of the potential risks:

Reputational
The regulatory landscape is rapidly evolving and increasing in complexity with different regimes across geographies. Our clients' expectations are also developing to match this. The risk of reputational damage could result in additional expenditure or litigation costs if we do not remain cognisant of the necessary requirements on our business and make adjustments where needed.

Regulatory
Changing government regulations may introduce potentially costly measures to comply with. In the extreme, this could require us to exit positions in 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. There is also the need to 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 in the medium to long-term.

Market and economic
The effects of the transition on the wider market may influence the valuation of our investment assets through asset impairment, the viability of business models or credit ratings.

Operational
The ability to recruit and retain the right personnel with appropriate skills and experience to manage the climate transition presents a risk to our operations. In addition, we will need to invest in new technology and data sources to enable us to maintain robust processes which could increase operational costs. We also need to be aware of our operational emissions in relation to WTW's targets.

Physical risks

Extreme weather-related events
There is a risk of disruption both at an operational level and on our investments as a result of extreme weather conditions. This could reduce revenues and increase costs.

Table 3. Overall risk assessment

	Reputational	Regulatory	Market and economic	Operational	Extreme weather
Type	Transition	Transition	Transition	Transition	Physical
Area	Own operations	Upstream and downstream	Upstream	Own operations	Own operations
Primary potential financial impact	Increased expenditure or litigation costs	Increased costs of compliance from supplier or us, 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
Time horizon	Short and medium term	Short and medium term	Short and medium term	Short and medium term	Short, medium and long term
Overall Risk Rating	**Medium**	**Medium**	**High**	**Medium**	**Low**

Low	Medium	High	Critical

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. Overall risk assessment (continued)

	Reputational	Regulatory	Market and economic	Operational	Extreme weather
Mitigation	Our parent company WTW has set a net zero target for 2050 and we are part of this and aim to support meeting this target through our operations. We continue to develop our climate disclosures in line with regulatory requirements and market practice. We work with all relevant stakeholders and industry groups to remain current with climate regulation.	We periodically monitor regulatory frameworks and climate developments and consider how this may impact the environment we operate in and our business. We also update our metrics and data to ensure we have a high quality of information where possible.	We periodically 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 stakeholders and maintain an SI Policy, of which a high-level segment on exclusions is included.	We have a comprehensive training programme that evolves to meet the needs of our staff. We periodically assess the technology and data requirements of our business and are able to utilise WTW Group resources. Continue to implement energy efficiency and carbon reduction measures and engage with key suppliers to enable alignment with our emission targets.	WTW is exploring a range of mitigation and adaptation measures to address and respond to climate-related physical risks including those relevant to TWL. WTW has implemented workstyles including a hybrid workstyle which helps mitigate potential productivity losses resulting from acute or chronic physical risks. This includes TWL colleagues. As part of WTW's long-term climate strategy, climate risks will be considered as part of facilities management and real estate strategies including those relevant to TWL.
Overall Risk Rating	**Medium**	**Medium**	**High**	**Medium**	**Low**

Low	Medium	High	Critical

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.

Opportunities

01 Strategy-related

Client requirements could open opportunities for new products and services — for example, by creating sustainability aligned products and funds and also providing data and analytical tools.

Notable examples of this can be seen through the creation of our SFDR Article 8 Funds that have climate-related credentials and our support in creating the Climate Transition Index (CTI) — a family of indices — in partnership with STOXX, an index provider. In addition, we worked with an index provider to launch the WTW Global Equity Diversified Index (GEDI) — an index which aims to provide 'whole of equity portfolio' smart beta exposures whilst considering various sustainability factors in a way that aims to deliver meaningful risk-adjusted returns over a market capitalisation exposure. GEDI's approach integrates ESG, mainly through climate and net zero lenses, including incorporation of WTW's Climate Transition Value at Risk (CTVaR).

02 Investing in data, technology and infrastructure

Enables 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. As more companies within WTW's supply chain set targets with SBTi and reduce emissions, WTW anticipates a reduction of Scope 3 emissions from purchased goods and services. We aim to ensure we have up to date data and technology to analyse our emissions and our portfolio emissions.

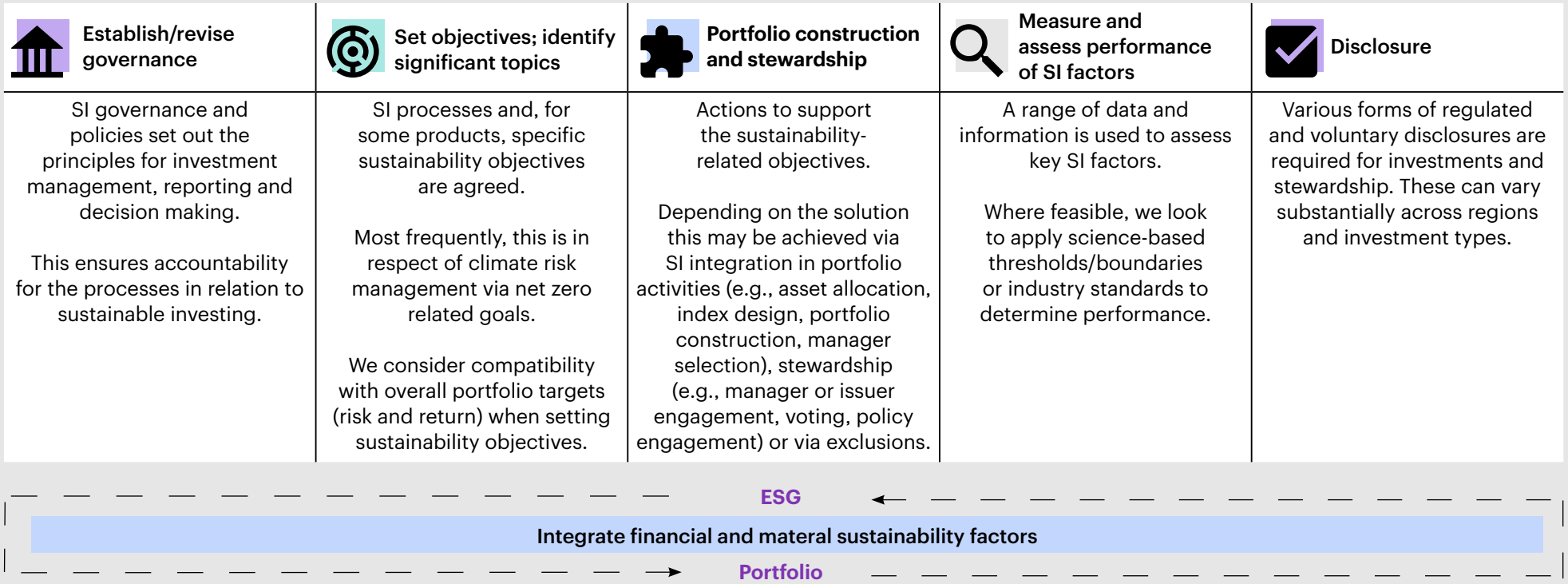
Investment management strategy and stewardship

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

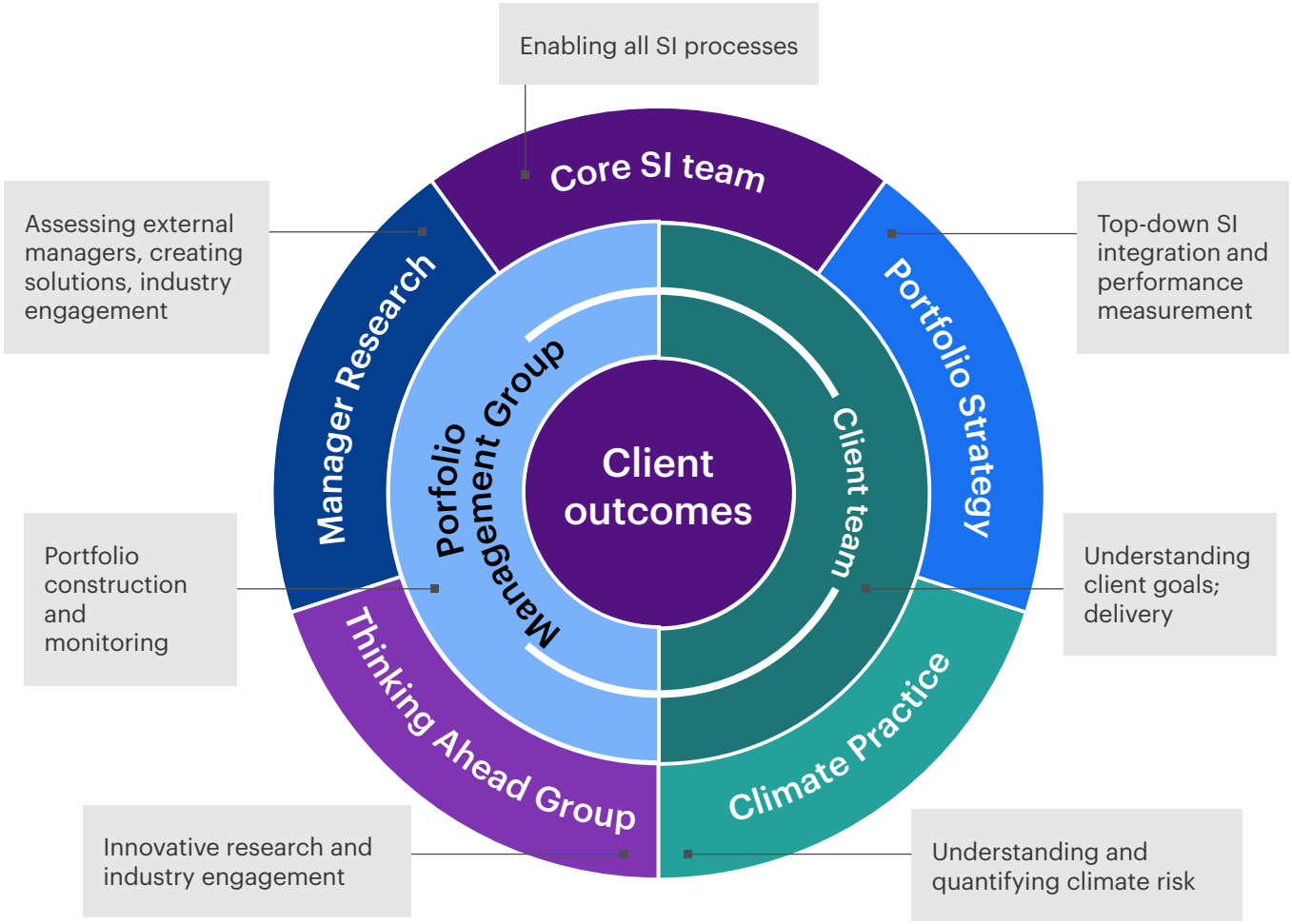
Figure 2. Sustainable investing process

Managing sustainable investing performance — an ongoing process

While the specific approach used to SI will vary by asset class and mandate depending on context, the figure below sets out our broad process.



The SI process outlined above is incorporated in the PMG activities as show in the graphic below. It also shows how our various research teams, shown in the outer circle of the graphic, provide a range of SI related insights which are distilled by the PMG to manage sustainability-related risk, including climate-related risks and help to drive client financial outcomes. We look to integrate climate throughout our investment processes, including portfolio construction and manager selection, as well as monitoring and reporting, with additional focus on climate-related research, resources and data.


Enabling all SI processes
Core SI team
Assessing external managers, creating solutions, industry engagement
Top-down SI integration and performance measurement
Manager Research
Portfolio Strategy
Portfolio Management Group
Client team
Client outcomes
Portfolio construction and monitoring
Understanding client goals; delivery
Thinking Ahead Group
Climate Practice
Innovative research and industry engagement
Understanding and quantifying climate risk

Stewardship

Effective stewardship is a key 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:

01 External asset manager engagement

02 Security-level engagement

03 Voting

04 Public policy and working with industry groups

We also engage with our clients and other stakeholders to ensure that we manage climate related financial risks appropriately.

➔ Please refer to our latest **WTW UK Stewardship Code Report** for more details.

Engagement

Key topics of engagement in 2024 included:

- Being able to measure and report climate related portfolio risks
- Providing transparency of engagement activity including at mandate level
- Modern slavery and human trafficking policy, reporting and statement
- The external asset manager's culture and approach to human capital management

External asset managers we work with have a responsibility to undertake engagement with underlying issuers on their approach to managing climate related financial risks. We look to these external asset managers to evidence and track, via quality reporting, underlying engagement with issuers.

To supplement corporate engagement carried out by individual asset managers, we partner with a stewardship services provider for many of our fiduciary investment management solutions. Climate risk management is an important part of the stewardship services provider's engagement plan. We track the progress made by this group when engaging issuers. We provide input into their engagement prioritisation process and a senior member of our team chairs their Client Advisory Board.

Data

An important aspect of this process is enhancing the quality of our proprietary climate analytical tools like our Climate Transition Value at Risk ('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 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 work with 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 and opportunities as we construct and manage our investment portfolios. These tools are incorporated within our SI strategy which considers ESG factors and effective stewardship in our investment management activities.

Voting

We expect underlying extenal 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.

Risk management

Risk management within our operations

The TWL Investments Division relies on TWL's risk management framework to provide the core of its 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 captured 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'), when combined 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:

01 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).

02 ERM reporting dashboards

Our quarterly reporting program supports the assessment of risks. ERM dashboards are regularly reviewed by senior management and relevant committees. Management actions are identified to address control weaknesses, as appropriate.

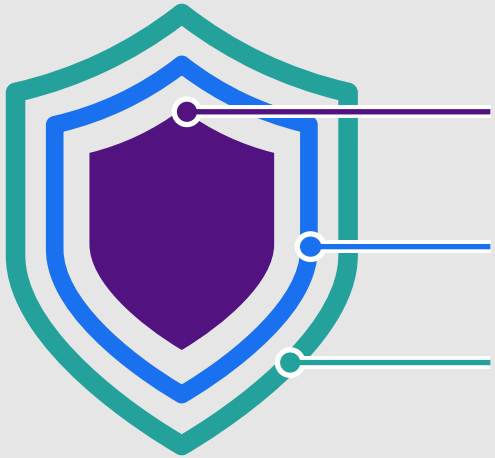
03 Business continuity and disaster recovery plans

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.

04 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.

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



First line of defense
The business
Own and manages risk (supported by human resources, finance, technology and operations)

Second line of defense
Office of the General Counsel
Oversight and challenge

Third line of defense
Internal Audit
Independent assurance

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 SI form an important part of a successful long-term investment strategy and that SI considerations can materially improve risk-adjusted returns for our clients' portfolios. This reflects, in our view, good risk management and supports a robust investment industry.

SI is considered within 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 important input to the decisions we make, not a separate or disconnected consideration.

SI is also incorporated 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.

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.

These tools and data are assessed within our portfolio construction process alongside other lenses of portfolio quality that we regard as important to outcomes.

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.

We currently use a variety of third-party and proprietary data sources as input to our proprietary tools. 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.

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.

How climate-related risks are integrated

Asset selection

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

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 external 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.

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:

1 Climate metrics
Aggregating security-level data to indicate the total exposure of a portfolio (or parts of a portfolio) to a range of climate-related risks (e.g., through use of our proprietary CTVaR to assess transition risk).

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.

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.

Stewardship

This section expands on the **four elements** that we look to utilise to carry out effective stewardship:

01 Asset manager engagement

02 Security-level engagement

03 Voting

04 Public policy and working with industry groups

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 external asset managers to vote with the aim of managing climate-related financial risks and helping to create attractive returns.

External asset managers are expected to cast votes on all eligible ballots where possible. For some of our fiduciary investment management solutions, we use a stewardship services provider to provide voting advice to the asset managers. We then monitor the voting decisions each manager makes against what they were advised by the stewardship provider, engaging or challenging where necessary.

We also partner with the stewardship services provider to undertake public policy engagement and work with wider industry groups. It works with policy makers and institutions around the world to encourage policies and standards that are aligned with the financial interests of investors.

Engagement numbers for our stewardship services provider over 2024

994 companies — engaged across regions on **4,267** issues and objectives

62 companies — in their core programme featured engagements with the CEO or chair

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.

Monitoring and reporting

An overview of the current sustainability-related risks and challenges being monitored across three levels is summarised below:

01 External

- Increasing volume and divergence of regional ESG regulations
- Increasing scrutiny (investigations/audits) by regulators
- Variable quality and coverage of underlying ESG data with multiple sources

02 WTW

- Varied stakeholder, client and regulator expectations
- Necessity for alignment in ESG data and reporting across WTW Group entities

03 WTW Investments

- Balancing internal processes against the regional divergence of sustainability-related regulations and client expectations
- Complexity of global, multi-asset class investments portfolios and range of licencing requirements
- Reliance on third party ESG data (external asset managers, data providers etc.)
- Human capital management challenges

As part of the WTW Investments' 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 reporting 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 Investments has developed a 'Climate Dashboard', that displays a multidimensional set of climate data and metrics.

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.

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.

TWL Investments Division uses climate-related metrics to monitor climate-related risks and opportunities, consistent with those used for WTW. Targets are described under Strategy.

TWL Investments Division climate metrics

To measure the impact of our operations on climate change, we measure metrics across decarbonisation and alignment. 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.

We have calculated a range of metrics that allow us to manage and measure climate risk on our business operations shown below. The reporting period of Table 4 is as at 31 December 2024. 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.

Table 4. TWL Investments Division's operational carbon profile

Metric	Unit	2023	2024
Scope 1 and Scope 2 emissions	tCO_2e	119	103
Scope 3 emissions*	tCO_2e	8	10
Total emissions	tCO_2e	127	112
Weighted Average Carbon Intensity ('WACI')	tCO_2e/£m revenue	1.79	1.52

WTW 2023 data have been restated due to more information being available, with updates in methodology to enable a more accurate calculation.
*Employee-owned cars: Emissions from business travel in employee-owned vehicles where WTW is responsible for purchasing the fuel (mandatory).

TWL Investments Division — underlying fiduciary investment management portfolios

In relation to our underlying fiduciary investment management portfolios, we have also provided a selection of climate metrics from our Climate Dashboard for an aggregated portfolio of underlying investments.

Reporting period overview and metrics

The TWL Investments Division fiduciary investment management portfolios' carbon profile shows positive results in emissions reduction and alignment for 2024. Scope 1 and 2 emissions decreased by 4%, from 1,067,883 tCO_2e in 2023 to 1,027,290 tCO_2e in 2024. The carbon footprint per million dollars invested for Scope 1 and 2 dropped by 3%. Additionally, the WACI (Weighted Average Carbon Intensity) for Scope 1 and 2 improved by 11%.

The portfolio's Scope 1 and 2 carbon footprint decreased overall during the period, primarily due to divestments from external asset managers with higher-emitting strategies. These disinvestments were the main driver of the reduction. In contrast, other factors, including increased allocations to certain holdings and a general rise in emissions from underlying external asset managers, put upward pressure on the footprint. A few new funds were also added, contributing modestly to the increase. While there were some minor improvements in emissions intensity, the net decrease in the portfolio's carbon footprint was largely attributable to the removal of higher-carbon external managers.

In terms of data quality, there were minimal changes in the accuracy of reporting for Scope 1 and 2. The percentage of Scope 1 and 2 carbon footprint data reported as actual decreased slightly, from 41% in 2023 to 40% in 2024, while the share of estimated and proxied data increased.

Portfolio alignment with well below 2 degrees Celsius ('WB2C') improved slightly, with 26% of the portfolio aligned in 2024, a 1% increase from 2023. Meanwhile, the percentage of non-aligned assets decreased by 4%.

TWL Investments Division — fiduciary investment management portfolios carbon profile	2023	2024	Change	2024 Carbon Data Quality Actual (Proxied)
Scope 1 and 2 total emissions (tCO_2e)	1,027,935	989,285	–4%	55% (13%)
Scope 1 and 2 carbon footprint (tCO_2e/$m invested)	55	54	–1%	55% (13%)
Scope 1 and 2 WACI (tCO_2e/$m sales)	247	220	–11%	42% (5%)

Source: WTW. The figures above are based on a portfolio size of $18.2bn as at 31 December 2024. 'Actual' data quality shown aggregates 'Actual — Reported', 'Actual — Estimated by external asset manager' and 'Actual — Estimated by third-party'.

TWL Investments Division — fiduciary investment management portfolios Alignment	2023	2024	Change
% of Portfolio Aligned	25%	26%	1%
% of Portfolio Aligning	42%	44%	2%
% of Portfolio Not Aligned	33%	29%	–4%

Source: WTW.

Fiduciary investment management portfolios — metric calculation methodology and data sources

The carbon footprint metric shows both the absolute emissions (in tonnes CO^2) and relative emissions (absolute emissions/$m invested). Emissions cover Scope 1 and 2 only; this Report does not cover Scope 3.

WACI is measured as the tonnes of CO^2e per million dollars revenue.

The alignment metric shows the extent of alignment (not aligned, aligning, aligned) of assets with the Paris Agreement. This metric draws on multiple lenses, including Science Based Targets Initiative (SBTi) and Transition Pathway Initiative (TPI).

Different approaches are followed to arrive at strategy level climate characteristics depending on the situation.

Situation 1

Underlying issuer-specific climate data related to holdings in a strategy is available (this is the case for strategies investing in listed securities):

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

Situation 2

Issuer-specific climate data related to holdings in a strategy is not available, but the underlying external manager, who undergoes our 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 underlying external 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:

- Proxy 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 an indication of potential climate solutions and alignment status.
- 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.

Business operations — 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 2024.

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.

Data limitations

Reported business operations emissions include Scope 1 and 2. Limited Scope 3 emissionsare also included which takesinto account emissions from business travel in employee-owned vehicles where WTW 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.

Scenario analysis

In addition to the scenarios set out in 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 5. Scenarios 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 2oC 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 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. TWL 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 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 on this page. 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. TWL also recognises the uncertainty in the underlying assumptions and that the shocks experienced could be larger.

Table 6. CVaR under climate scenarios (% of portfolio)

Scenario	Physical risk	Transition risk	Total
Below 2°C	–2.6%	–0.6%	–3.2%
Delayed Transition Below 2°C	–2.6%	–2.7%	–5.3%
Hot House World	–10.0%	–2.7%	–12.6%

Source: MSCI, NGFS, WTW.
Figures subject to rounding.

What does the CVaR analysis show?
The scenario analysis highlights how different climate pathways influence portfolio risk, with varying degrees of physical and transition risks.

Below 2°C **–3.2%**

The Below 2°C scenario remains the most favourable for portfolio stability, with a total risk impact of –3.2%. This reflects a world in which global warming is successfully limited to below 2°C through early and effective action. Physical risks account for –2.6% and transition risks are relatively low at –0.6%.

Delayed Transition Below 2°C **–5.3%**

The Delayed Transition Below 2°C scenario carries a higher total portfolio risk of –5.3%, due to a more disorderly shift toward a low-carbon economy. Here, physical risks are similar at –2.6%, but transition risks rise significantly to –2.7%, reflecting the cost of delayed policy action and increased market disruption.

Hot House World rise well above 2°C **–12.6%**

The Hot House World scenario, where global temperatures rise well above 2°C, presents the most severe outcome. The total portfolio impact is –12.6%, primarily driven by physical risks of –10.0%, including widespread economic disruption, extreme weather and asset impairment. Transition risks remain material at –2.7%, but are overshadowed by the scale of physical impacts.

This analysis highlights the financial case for early, coordinated climate action. Limiting warming to below 2°C offers the lowest risk to portfolios, while delay and inaction significantly increase both transition and physical climate risks.

Within this context, the selection of external asset managers and active engagement emerge as an important determinant for support positive 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, supporting the adoption of net zero targets and investment strategies conducive to facilitating a transition to a low-carbon economy.

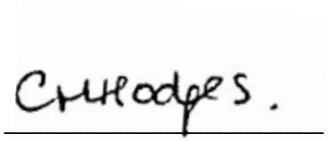
Statement of compliance

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 continue to oversee compliance with TCFD requirements and recommendations.

This statement is made in accordance with TCFD disclosures for the year ending 31 December 2024 and has been sent to the Board for approval and was approved by the Board of Directors of Towers Watson Limited on 20 June 2025, as reflected by the Director's signature below.



Charlotte Hodges
Towers Watson Limited
20 June 2025

Disclaimers

Towers Watson Limited

Legal notices

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 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 Report 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.

This Report is not intended by TWL to be construed as the provision of investment, legal, accounting, tax or other professional advice or recommendations of any kind, or to form the basis of any decision to do or to refrain from doing anything. As such, this Report should not be relied upon for investment, or other financial decisions and no such decisions should be taken on the basis of its contents without seeking specific advice. Furthermore, this disclosure in no way constitutes an invitation to subscribe to any fund mentioned herein. Any reference to underlying funds within a portfolio is only for illustrative purposes and opinions expressed herein may be changed without notice at any time.

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Glossary

C Carbon Dioxide Removal

Refers to technologies, practices and approaches that remove and durably store carbon dioxide (CO_2) from the atmosphere.[1]

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°C.[2]

G Greenwashing

Behaviour or activities that make people believe that a company is doing more to protect the environment than it really is.[3]

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 low.[4]

[1] Source: The Intergovernmental Panel on Climate Change
[2] Source: NGFS, WTW
[3] Source: Cambridge Dictionary
[4] Source: NGFS, WTW

Glossary (continued)

N

Net Asset Value is the total value of the assets of a company after its total debt has been subtracted.[1]

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 economy.[2]

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 low.[3]

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 criteria.[4]

Scope 1: Direct GHG emissions that occur from sources owned or controlled by the reporting company — i.e., emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.[5]

Scope 2: Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company. Scope 2 emissions physically occur at the facility where the electricity, steam, heating, or cooling is generated.[6]

Scope 3: All other indirect GHG emissions (not included in Scope 2) that occur in the value chain of the reporting company. Scope 3 can be broken down into upstream emissions that occur in the supply chain (for example, from production or extraction of purchased materials) and downstream emissions that occur as a consequence of using the organisation's products or services.[7]

[1] Source: Cambridge Dictionary
[2] Source: Network for Greening the Financial System
[3] Source: NGFS, WTW
[4] Source: Science Based Targets initiative
[5] Source: PCAF, WTW
[6] Source: PCAF, WTW
[7] Source: PCAF, WTW

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