



Towers Watson Investment Management Limited
(“TWIM”)
Investment Firm Prudential Regulations (IFPR)
Disclosure Statement
as at 31 December 2022

Background

The Investment Firms Prudential Regime (IFPR) came into effect on the 1st January 2022 as a new regime for UK firms authorised under the Markets in Financial Instruments Directive (MiFID). The IFPR was implemented by the FCA as prudential regulation within “MIFIDPRU”, which seeks to address the potential harm posed by investment firms to their clients and the markets they operate in. The new rules are in accordance with the Financial Conduct Authority (“FCA”) Prudential Sourcebook for Investment Firms chapter 8 (“MIFIDPRU 8”).

Scope of Applicability of IFPR

Based on the activities, systemic importance, size and interconnectedness of the company, TWIM meets the criteria to be classified as a Non-Small Non-Interconnected Investment Firm (Non-SNI).

Own Funds will be measured against the higher of the Permanent Minimum Requirement, Fixed Overhead Requirement and the K-factor requirement.

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

Risk Management and Governance

Risk governance consists of the structures and processes through which TWIM manages its risks. TWIM is governed by its Risk Management Policy that sets out in detail the policies, procedures and controls employed by TWIM to oversee risk in connection with its management, investment management and administration of Funds. TWIM implements an adequate Risk Management Framework in order to identify, measure, manage and monitor appropriately all risks relevant to TWIM and to each Fund.

Governance enables the accountabilities and authorities to be clearly defined and allocated, supporting effective decision making by the appropriate forums. The TWIM Board is responsible for overseeing the design and implementation of the Enterprise Risk Management framework and setting the risk appetite. This encompasses overseeing the alignment between the company's strategy and risk appetite, risk management processes and controls and promoting a positive risk culture within the company.

TWIM operates a "three lines of defence" model that distinguishes among three groups (or lines) involved in effective risk management. The 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 of defence (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 of defence (Internal Audit) is responsible for providing independent assurance to the TWIM Board over controls and risk management practices. The roles and responsibilities covering the three lines of defense have been clearly defined and detailed in TWIM's framework of policies and procedures.

Risk Strategy

Financial risk management is a key component of the TWIM Risk Management Framework. For 2023, the 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. If a material change, as defined by MIFIDPRU4.5.7, to the projected relevant expenditure is expected, the capital requirement is updated accordingly.

Liquidity: Always maintain the Liquid Asset threshold requirement at a level prescribed in the MIFIDPRU rules handbook, supported by quarterly monitoring. If a material change, as defined by MIFIDPRU4.5.7, to the projected relevant expenditure is expected, the liquidity requirement is updated accordingly.

Concentration risk: TWIM continues to monitor all sources of revenue, trade debtors, suppliers and client/market segment concentration. Counterparty risk is actively monitored by specialist teams within the TWIM business.

Board of Directors

The table below shows the Board of Directors for TWIM as at 31 December 2022. The TWIM Board consists of 4 people (2 female and 2 male). WTW's Inclusion and Diversity (I&D) Policy is in place along with initiatives to promote the objectives and targets WTW and TWIM aim to meet proportional to revenue growth over the near future.

Director	Position
Paul Berriman	CEO / Executive Director
Mark Calnan	Executive Director
Debra McDonagh	Executive Director
Rekha Misra	Executive Director

Own Funds

The Company's Own Funds as at 31 December 2022 are set out below. The Own Funds comprise exclusively of Tier 1 Own Funds; namely, ordinary share capital, share premium and retained earnings as described in the balance sheet within these financial statements. There are no Tier 2 Own Funds.

The Company's capital does not currently include any innovative Tier 1 Own Funds, hybrid capital or capital instruments which provide an incentive for the firm to redeem them and there are no plans to change this in the foreseeable future.

Own Funds Type	Note	Own Funds Amount (£ GBP)
Core Tier 1 Own Funds		
Permanent Share Capital	A	20
Share Premium		4,211,696
Profit and Loss Account (Retained Earnings) and Other Reserves		54,610,911
Less Deductions		-
Total Tier 1 Own Funds		58,822,627
Tier 2 Own Funds		
TWIM has no Tier 2 Own Funds (gross of deductions)		-
Less Deductions		-
Total Tier 2 Own Funds		-
Tier 3 Own Funds		
Net Interim Trading Book Profit and Loss (gross of deductions)		-
Total Tier 3 Own Funds		-
Total Own Funds		
Aggregate (net of deductions) of TWIM's Tier 1 Own Funds plus TWIM's Tier 2 Own Funds plus TWIM's Tier 3 Own Funds		58,822,627

Note

- A. This figure represents TWIM's permanent, allotted, called up and fully paid ordinary share capital



Own Funds Requirements

The IFPR requires Non-SNI firms to calculate a formulaic basic own funds requirement, which is the higher

of:

1. PMR (a fixed minimum amount based on the activities of the firm)
2. FOR (an amount equal to a quarter of fixed expenses less eligible deductions)
3. K-factor Requirement (a new activity and risk based formulaic requirement)

Permanent Minimum Requirement (PMR)

TWIM has a PMR of £75,000.

Fixed Overhead Requirement (FOR)

Under the IFPR 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.

The FOR calculated for the year ended 31 December 2022 is £2.263 million.

K-factor Requirement

KFR is a new requirement introduced under the IFPR which calculates a Own Funds requirement based on the activities a firm undertakes.

Based on the regulated activities that TWIM undertakes, there are only two K-factors in scope:

K-AUM and K-COH

K-AUM

TWIM provides four key services:

- It is the AIFM to Alliance Trust
- It is the delegated MIFID investment manager of a range of investment funds domiciled in Ireland
- It has contracted with Towers Watson Australia to provide certain portfolio management services in respect of some of their funds. TWIM acts primarily in an advisory capacity
- It provides MIFID investment advice to Towers Watson Investment Services (TWIS)

In its K-AUM calculation, TWIM includes any portfolios it is the investment manager for in its AUM. TWIM includes the TWAus portfolios and the Irish domiciled funds from its AUM calculation.

Further, TWIM also includes any advisory mandates that are ongoing in nature. TWIM provides ongoing investment advice to TWIS and TWIM sits on the TWIS investment advice committee, therefore the TWIS portfolios meets the definition of advisory mandates that are ongoing in nature, as a result the portfolios which TWIM provides investment advice to TWIS are included in TWIM's AUM calculation.

The K-AUM co-efficient is 0.02% of the average AUM over the previous 15 months, excluding the most recent 3 months.

The K-AUM calculated as at 31 December 2022 is £6,980,187.

K-COH

The client orders handled (COH) calculation only includes MIFID business, so the trades that TWIM executes which are related to its AIFM activity are excluded from K-COH. TWIM is also excludes trades related to assets included in its K-AUM from its K-COH. Therefore, TWIM excludes all trades relating to the TWAus portfolio's it manages and the TWIS advisory business.

In its K-COH calculation TWIM includes any trades it executes for the Irish domiciled funds.



The K-COH co-efficient is 0.1% of the daily average client orders handled over the most recent 6 months, excluding the most recent 3 months.

The K-COH calculated as at 31 December 2022 is £7,583.

Internally Derived Own Funds Requirements

TWIM's Internally Derived Own Funds requirement is assessed as part of the firm's Internal Capital Adequacy and Risk Assessment ("ICARA") process in line with IFPR. The ICARA is a substantial consideration of TWIM's business and the risk environment in which it operates. In particular, the ICARA considers TWIM's risk appetite, risk types pertinent to the firm and risk mitigation factors. It also includes scenario analysis and stress testing of those scenarios.

TWIM's capital adequacy position is monitored by the firm's Finance function. Based on these reviews, the TWIM Board of Directors is able to consider the need to change any capital forecasts and plan accordingly. The ICARA is reviewed on an at least an annual basis or more frequently if there is a material change in the internal or external business environment.

The Company has an established Risk Management function, and for the duration of the reporting period, there have been in place ongoing policies and processes for identifying, evaluating, and managing risk. There has been regular risk reporting to the Board of Directors and Senior Management throughout the period.

Given the nature of the Company's activities, the Company's regulatory capital requirement is based on either its FOR, its FUMR, or, from time to time its credit risk requirement. The Company applies a standardised approach to credit risk which means that TWIM's credit risk capital component is calculated as 8% of the firm's total risk-weighted exposures. It is the Company's opinion that no additional capital is required in excess of its Pillar 1 credit risk capital requirement. The Company expects to maintain its capital position comfortably in excess of its capital requirement for the foreseeable future.

A table summarising the Company's Own Funds requirements is set out below.

Risk Type	Pillar	Total (£ GBP)
Permanent Minimum Requirement	1	75,000
Fixed Overhead Requirement	1	2,263,067
K-Factor Requirements	1	
K-AUM		6,980,187
K-COH		7,583
Overall Minimum Own Funds Requirement higher of (sum of: (a) the greater of Risk Type 1, Risk Type 2, and Risk Type 3)	1	6,987,770



Capital Adequacy Assessment

A table comparing the Company's current capital resources against its total overall minimum capital requirement is set forth below.

Own Funds Calculations	Total (£ GBP)
Current Own Funds available	58,822,627
<i>Less</i> Variable Capital Requirement (taken as the total overall minimum capital requirement for the firm)	(6,987,770)
<i>Equals</i> Total Capital Surplus	51,834,857

An analysis of this reveals that there is a current Own Funds surplus of £51,834,857 GBP which represents a significant buffer over the Company's IFPR Own Funds requirements and is within the firm's risk tolerance.

The underlying strength of the business and projected earnings are considered sufficiently robust to allow TWIM to withstand the effects of the full range of extreme adverse events considered as part of its ICARA.

1. Remuneration

The FCA, requires firms to disclose information on their remuneration policies and pay outs on an annual basis under the IFPR disclosures. The company, as a Non-SNI firm, falls within the standard remuneration rules under IFPR. The directors are of the opinion that the company follows remuneration policies and procedures that are consistent with the requirement of the Code and which do not promote or encourage undue risk taking.

TWIM has no direct employees and engages staff through an established staff secondment arrangement with Towers Watson Limited (TWL). TWL publishes a IFPR Disclosure on a WTW UK webpage which sets out the TWL Remuneration Code policy and arrangements, for the company as set by the Willis Towers Watson Global Total Rewards Philosophy as determined by the Willis Towers Watson Plc Board Compensation Committee, covering remuneration structure and governance, as well as quantitative information on remuneration.



TWL is subject to enhanced remuneration rules under IFPR. TWL will disclose aggregated quantitative information regarding the forms of variable remuneration that have been awarded to Material Risk Takers (MRTs). TWL will also disclose details of its remuneration policies which include:

- the level of variable remuneration and the criteria for awarding it
- the ratio between fixed and variable remuneration
- the gender pay gap

The table below provides a summary of the remuneration provided to staff identified as TWIM Code Staff, these are people who have influence over the risk profile of TWIM; as well as figures for all TWIM employees, for the period from 01 January 2022 to 31 December 2022.

Remuneration Type	TWIM Code Staff £ GBP	All TWIM Staff £ GBP
Fixed remuneration	321,915	2,493,200
Variable remuneration	520,018	623,300
Total remuneration	841,933	3,116,500
Total number of colleagues	25	135

The number of colleagues values indicate staff who work a proportion of their time on TWIM activities.