Task Force on Climate-related Financial Disclosures (TCFD)

Entity Level TCFD Report

Towers Watson Investment Management Limited

wtwco.com

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Introduction

Willis Towers Watson Public Limited Company and its subsidiaries ('WTW'), including Towers Watson Investment Management Limited[1] ('TWIM'), considers sustainability-related matters as part of its 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 TWIM.

This report is published by TWIM in compliance with the entity level disclosure requirements set out in Chapter 2 of the Financial Conduct Authority's ('FCA') Environmental, Social and Governance Sourcebook (the 'ESG Sourcebook') and aligned 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 Alliance Witan PLC 2024 Product Level TCFD Report, Towers Watson Limited ('TWL') 2024 Entity Level TCFD Report and the wider WTW 2024 TCFD Statement. These documents are not incorporated by reference into this Report.

TWIM is authorised by the FCA as a UK Alternative Investment Fund Manager ('AIFM') and provides investment management services to selected clients for which it receives investment management fees. TWIM also acts as the AIFM to Alliance Witan PLC ('ALW'), a publicly traded investment company, with investment trust status, listed on the London Stock Exchange that trades as ALW.[2] TWIM provides investment management services for several funds across a range of asset classes including equities, credit, secure income, private equity and multi-asset strategies. TWIM is the global distributor for the proprietary funds. In addition, TWIM has a distribution agreement with another WTW entity, the previously mentioned TWL.

While both TWIM and TWL are part of WTW and work closely together, they are separate legal entities with their own boards, management and governance structures.

This Report, although broadly aligned with the wider WTW approach regarding climate risks and opportunities, sets out the climate-related financial disclosures regarding the specific assets managed by TWIM as well as in relation to TWIM's own operations. 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 TWIM.

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] TWIM company number: **05534464**. Registered office address: **Watson House, London Road, Reigate, Surrey, RH2 9PQ**.
[2] ISIN GB00B11V7W98, more information on ALW can be found on its website. Company number: **SC001731**. Registered office address: **River Court, 5 West Victoria Dock Road, Dundee, Scotland, DD1 3JT**.

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 TWIM's governance around climate-related risks and opportunities:** • The TWIM 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. • The Board takes the approach that the most appropriate committee within its governance framework should maintain oversight of a particular topic and periodically report back to them. Therefore, the Risk, Product and Control Committee and Sustainability Regulations and Monitoring Committee have delegated responsibility pertaining to the day-to-day operations and business matters related to climate-related risks and opportunities.
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 TWIM's businesses, strategy and financial planning:** • TWIM acknowledges climate change as a material risk, impacting both its operations and client portfolios. It integrates climate considerations into business operations and investment strategy and risk management. • WTW, TWIM's ultimate parent company, has set science-based targets, of which TWIM 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. • TWIM 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 TWIM's investment processes, including portfolio construction, manager selection and stewardship.
Risk management a. Description of the organisation's processes for identifying and assessing climate-related risks	**Discloses how TWIM identifies, assesses and manages climate-related risk:** • Climate-related risks are considered within TWIM's Enterprise Risk Management (ERM) framework and treated consistently with other business risks. Oversight is provided by senior management and relevant committees. • Climate risk is considered a systemic priority and is integrated within the investment process, from mandate design and manager selection to portfolio construction and monitoring, using both internal and external data sources.

Table 1. Report structure and summary

TCFD pillar and recommendation	Summary
Risk management 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 TWIM identifies, assesses and manages climate-related risk:** • TWIM uses in-house tools for portfolio resilience scoring, scenario analysis and index design. These tools help assess sustainability risks and guide investment decisions aligned with long-term climate goals. • TWIM actively 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 dimensions. TWIM uses internal research, third-party data and tools like WTW Investments' Climate Dashboard to align reporting with regulatory standards and support effective oversight of client investments.
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 TWIM to assess and manage relevant climate-related risks and opportunities:** • The Report provides a range of metrics across both TWIM's own operations and for its underlying Article 8 Funds. • TWIM's operational carbon profile shows improvements across the metrics presented when compared to the previous year. • In relation to TWIM's Article 8 Funds, 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 TWIM's governance in relation to 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.

TWIM Board oversight of climate-related risks and opportunities

Given WTW's responsibility to its shareholders, TWIM, as a subsidiary of WTW, via TWIM's Board of directors (the 'Board') sets its strategic priorities and monitors investment performance against the stated objectives. As at 31 December 2024, the Board consisted of 3 directors comprising the Head of Investments, Europe, the Global Head of Funds and Senior Business Manager, Europe. The Board is responsible for oversight of risks within TWIM, including climate-related risks, delegating certain activities to the Risk, Product and Control ('RPC') Committee and Sustainability Regulations and Monitoring Committee ('SRMC') as shown below. The Board meets at least on a quarterly basis; investment and risk management are standing agenda items, including updates from RPC and, where needed throughout the year, the SRMC.

TWIM is subject to oversight by and leverages and benefits from, the wider governance structure of WTW. The operations and business activities of TWIM are also overseen and governed by the WTW Investments Global Leadership Team ('GLT'), with some sustainability-related responsibilities delegated to the GLT Sustainability sub-committee.

The Board sets TWIM's strategic direction and risk appetite which is cascaded to its committees and oversees the company's senior management who are responsible for day-to-day operations and management of business matters, including those that are climate-related.

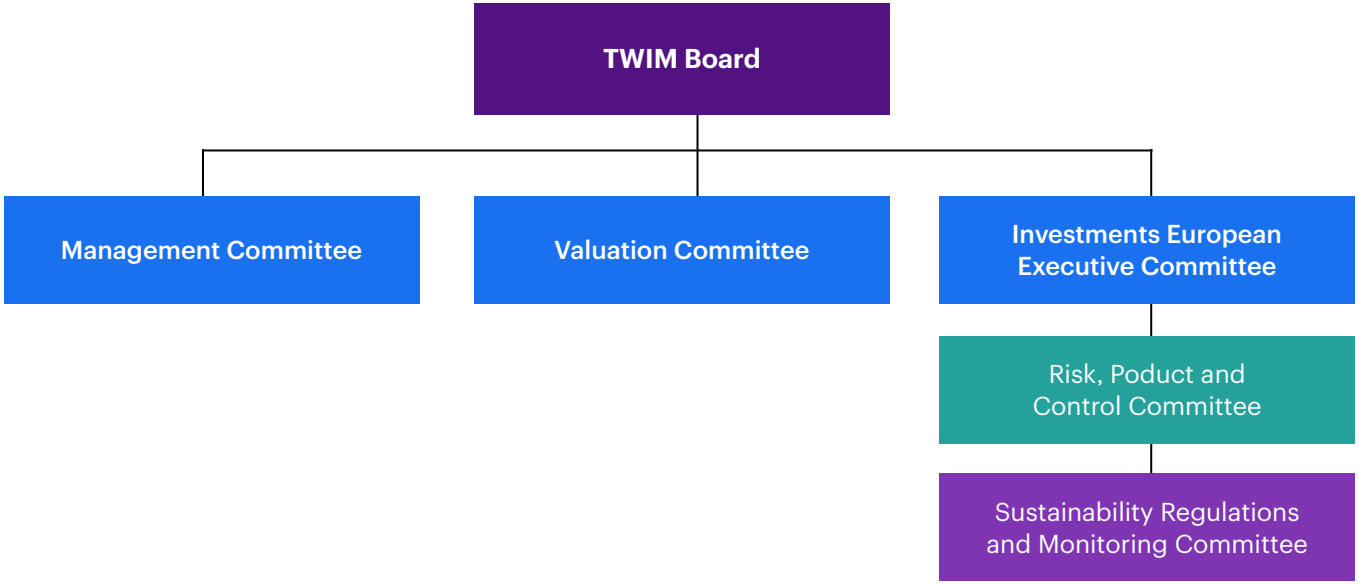
With respect to Board oversight of sustainability matters in general, the Board takes an approach that the most appropriate committee should maintain oversight over a particular topic rather than concentrating all initiatives into any one committee. The Board has three committees who report to them on a periodic basis, as described below:

The Management Committee is delegated authority from the Board to oversee TWIM's business and support in day-to-day management.

The Valuation Committee is empowered by the Board to govern the process by which the Net Asset Value ('NAV') per unit/share of WTW's funds is calculated, published and applied to subscriptions and redemptions.

The Investments European Executive Committee is responsible for the oversight of the Investments Division with delegated authority from the Board.

Figure 1. TWIM's Committees' structure



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 TWIM's related activities. The TWIM 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, SDR and SFDR, supported by additional sustainability-related knowledge sessions or modules.

By way of example, relevant TWIM personnel received training on the FCA's anti-greenwashing rule (under SDR) in May 2024 prior to the rule coming into effect. The session included providing the background and scope of the anti-greenwashing rule, together with worked examples and guidance on how ensuring compliance with the rule could best be implemented across WTW Investments. Following this training, the Compliance and the Sustainability teams prepare and deliver mandatory annual refresher training to the wider WTW Investments business going forward, whilst also acting as support to the wider business for related queries throughout the year.

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

The operations and business activities of TWIM are overseen and governed by the WTW Investments 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 reports into the WTW Investments GLT, is comprised of senior members, including the Chief Investments Officer ('CIO'), Chief Operations 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.

Our SISC reports into the SRMC. The SRMC 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 market best practice with regards to sustainability.

The Portfolio Management Group ('PMG') determines our overall investment views for managing portfolios. PMG comprises 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, including Portfolio Management, Manager Research, Asset Research team, the Thinking Ahead Institute, Operational Due Diligence, sustainability expertise and other specialist teams (Figure 2).

➡ The PMG adheres to the **Sustainable Investing Policy**.

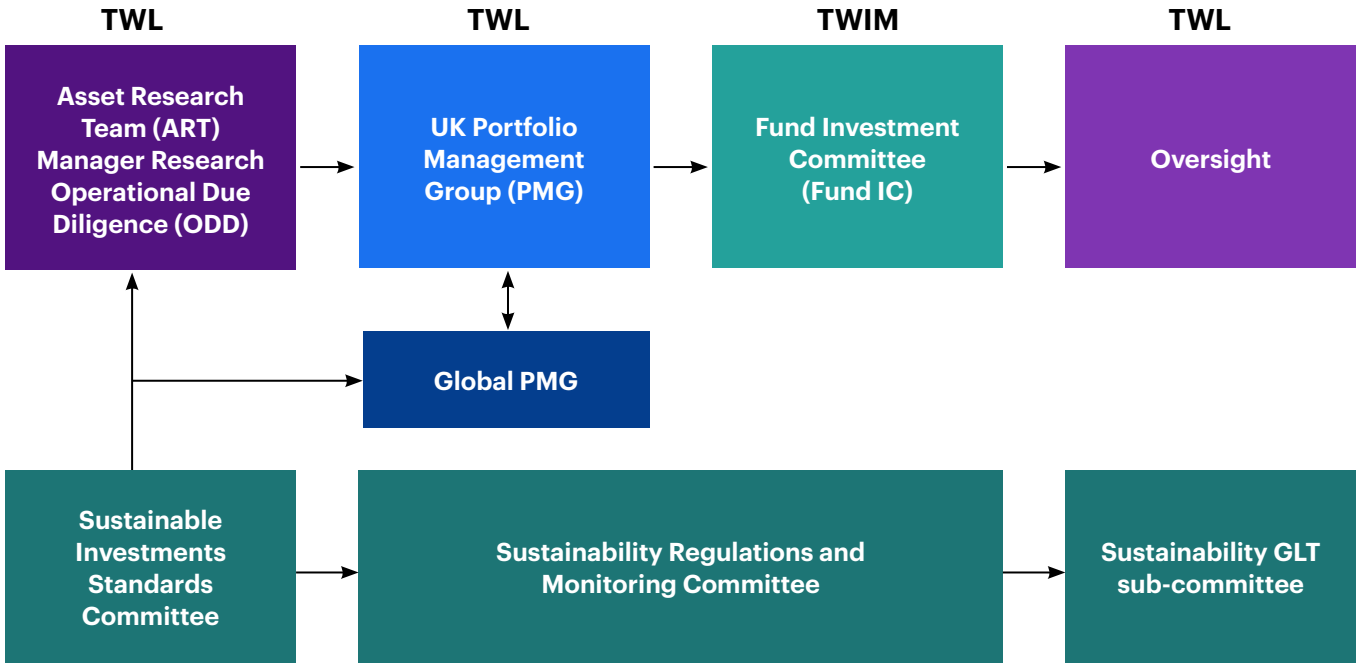
The Investment Committee ('IC') of each TWIM fund is then responsible for day-to-day management and monitoring of fund portfolios including controls and risk levels, including climate change related risk. The IC for each fund adheres to the SI Policy. The ICs use internal and external ESG data sources and stewardship level data from the stewardship services provider and external asset managers.

Sustainability specialists are also invited to IC meetings, as required, where climate-related risk is specifically considered.

In addition, the CIO of Delegated Investment services reviews the performance and risk of the TWIM funds, including overseeing the sustainability characteristics, through the receipt of the monthly fund IC meeting reports and reviews of quarterly risk and portfolio activity reports. These are then discussed in quarterly meetings with the Board, as appropriate.

In addition to the work undertaken by the IC, the TWIM Risk team reviews each portfolio's exposure to climate change risks and other ESG factors on a periodic basis and challenge the IC if concerns arise.

Figure 2. Governance process flow
Our process tailored to meet client/fund mandates



Strategy

This section of the Report discloses the actual and potential impacts of climate-related risks and opportunities on TWIM's businesses, strategy and financial planning in respect of its products and services where such information is material. We recognise that climate change presents a broad spectrum of risk and opportunity for our business, impacting both our direct operations and on the portfolios we manage on behalf of our clients.

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, validated 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's target is to seek to achieve 100% renewable energy supplies across WTW's real estate portfolio by 2050.

The alignment to scientifically validated targets demonstrates WTW's dedication to long term environmental stewardship in its own operations and through assisting others. TWIM forms part of the wider WTW targets; there are no additional targets for TWIM and TWIM does not plan to set any 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 set a goal to seek 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. Given the prioritisation of climate change as a critical and systemic issue, this is an important focus of our portfolio construction process — understanding our risk exposures and reducing them through time, as well as identifying and investing effectively in potential 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.

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.

These two factors are then combined to generate a 4x4 risk assessment matrix used to determine the overall risk assessment rating for TWIM.

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). 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:

Transition 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

	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 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 TWIM. WTW has implemented workstyles including a hybrid workstyle which helps mitigate potential productivity losses resulting from acute or chronic physical risks. This includes TWIM 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 TWIM.
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.

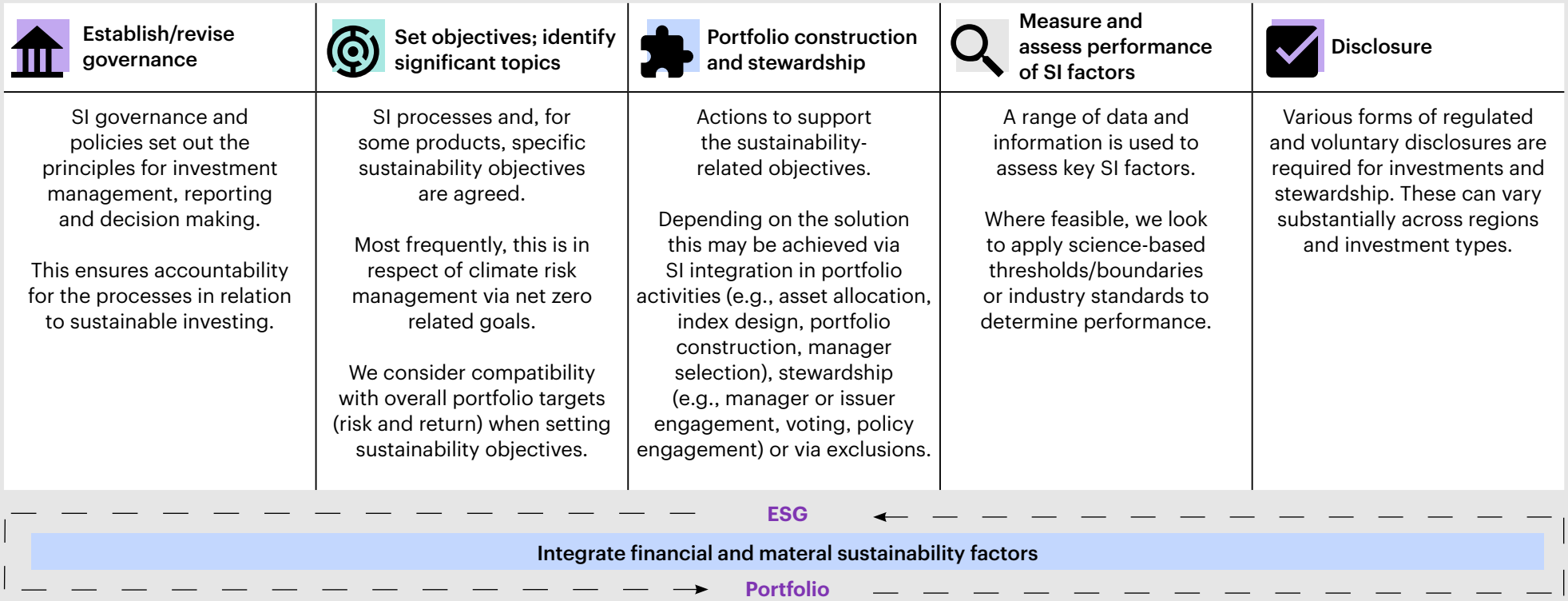
Investment management strategy

Addressing climate risk forms an important part of our investment management through our SI processes. We work with our clients, investment professionals and operational teams to integrate a better understanding of the impact of climate-related risks and opportunities within our business and to enhance our resilience to climate-related risks.

Figure 3. Sustainable investing process

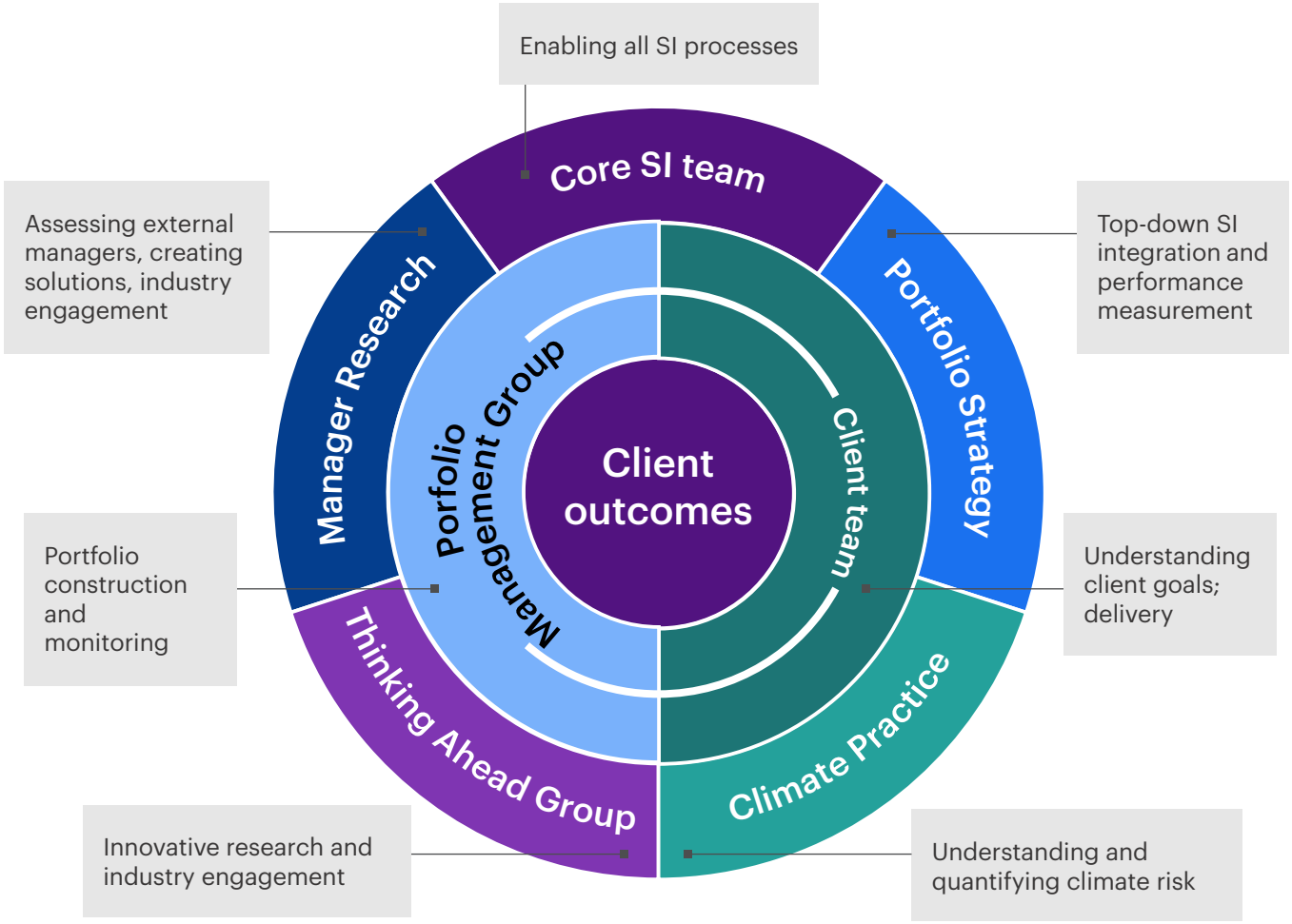
Managing sustainable investing performance — an ongoing process

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 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.

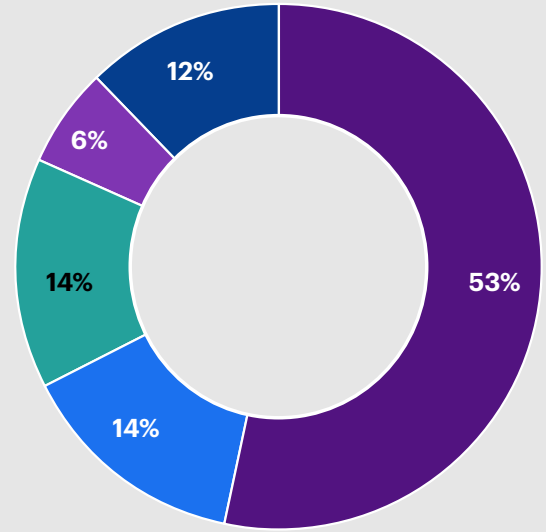


Across the TWIM fund range, we have certain funds with climate change related characteristics as pertains to their SFDR Article 8 classification. However, these funds are out of scope of SDR and therefore none of these funds have been labelled under the UK SDR regime. These funds (together, the "TWIM Article 8 Funds") make up 90.49% of TWIM's AUM that is in scope of SFDR and are:

01	Towers Watson Alternative Credit Master Fund ('ACF')
02	Towers Watson Core Diversified Master Fund ('CDF')
03	Towers Watson Euro Secure Income Master Fund ('ESIF')
04	Towers Watson Global Equity Focus Fund ('GEFF')
05	Towers Watson Partners Master Fund ('Partners')
06	Towers Watson Secure Income Fund ('SIF')

An asset class breakdown of the total assets under management can be found below.

Figure 4. Total Assets Under Management by asset class (% AUM)



Source: WTW above data is as at 31 December 2024 based on TWIM's total AUM of £18,819m (including Alliance Witan). Reported data subject to rounding and may not sum to 100%.

Summary details on the credentials that are used across the six TWIM Article 8 Funds in accordance with SFDR can be found at our related SI regulatory disclosures webpage.

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 our stewardship responsibilities, 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 with asset owners, regulators and other stakeholders to ensure that we manage climate change related risks now and into the future.

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

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 plans to reduce emissions over time. We look to these external asset managers to evidence and track, via quality reporting, underlying climate engagement with issuers.

In 2024, our Manager Research team:

Collected data from around **1,200 products** and produced over **800 SI Manager Reports** for client use

Researched over **150 sustainability-themed strategies**

Conducted engagements with over **70 managers** across asset classes. We alsoengaged on **over 100 products** on sustainability and stewardship

We saw a good level of receptiveness to suggestions for improvements with most external asset managers making progress in 2024

To supplement corporate engagement carried out by external asset managers, we partner with a stewardship services provider for many of our delegated solutions. Climate is a key pillar of the stewardship services provider's engagement plan. We track the progress made by this group in engaging the most material emitters in relation to climate. We have worked closely with this stewardship services provider for many years, providing input into their engagement planning and prioritisation and currently our Head of SI 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, TWIM is well positioned to provide data and analytical tools 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 into our investment management activities.

Voting

We expect appointed external 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

This section of the Report discloses how TWIM identifies, assesses and manages climate-related risks.

As part of the management of business risks, climate change has been identified by the business as an important risk. TWIM's approach to managing risks related to climate change is captured within its ERM framework and processes. As such, risks related to climate change are managed consistently with the other risks faced by TWIM.

The ERM process assesses climate change risks to ensure they are managed within acceptable levels by implementing appropriate controls and limits.

Risk oversight is carried out by senior management periodically, including through relevant committees and management actions are agreed to address identified control weaknesses, as appropriate.

For our portfolio management operations, we believe that the principles underlying SI form an important component of a successful long-term investment strategy and that incorporating SI considerations can materially improve risk and/or return for our portfolios. This reflects, in our view, good risk management and helps support a responsible investment industry.

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

Within the broad remit of SI and notwithstanding other significant considerations, we have identified climate-related risk as a critical and systemic priority, given the potential risk it presents to our clients' investments, the ongoing resilience of the savings space and the planet as a whole.

Identifying climate-related risks 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 teams and portfolio management teams.

Data, tools and technology in our portfolio management process

At present, our principal external provider of data to help assess climate change risks is MSCI ESG Research LLC ('MSCI'). We supplement the extensive data we receive from MSCI, with our proprietary 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 are able to determine the climate transition risk that investee 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 continues to improve, but there are still challenges for certain companies, particularly within debt and outside of developed markets. We have identified areas where data is limited and we are engaging with external asset managers and third-party data providers to improve coverage and quality.

Risk management case study:
Towers Watson Global Equity Focus Fund

The levers to manage climate risk differ by investment solution. In order to illustrate some specifics, below we set out the process in place in respect of a key focused equity solution we manage.

1. **Mandate design:** External asset managers are all given segregated mandates and the mandates are designed to focus on the long-term (5-10+ year time horizon). With a long-term time horizon, asset managers are more focused on risk as the permanent loss of capital rather than short-term risk relative to a benchmark. As such, the long-term risks associated with climate and other ESG risks are inherently more pertinent in the mandate.
2. **Research/integration:** TWIM integrates the assessment of sustainability risks, including climate risks, into investment management processes alongside other financial metrics. “Sustainability risk” means an ESG event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. Also, it integrates the assessment of sustainability risks into investment management processes through conducting due diligence over current and potential asset managers and scoring each to assess capability in managing sustainability risks.

3. **Stewardship:**

Engagement
TWIM believes that engagement, with a view to making incremental improvements in management of sustainability risks, should reduce risk and potentially increase expected returns over the long-term. As such, TWIM engages with the external asset managers on sustainability risk and climate risk management. The asset managers will engage with the companies in which they invest. The asset managers typically meet with or write to investee company management teams to express their views and opinions on sustainability risks or to seek further clarity from the company on their approach in this regard. In addition, the stewardship services provider will engage with companies, policy makers and other industry bodies on sustainability issues in order to support and report on progress against their engagement plans over time. Finally, TWIM, combined with the external asset manager is able to engage with the stewardship services provider on engagement priorities.

Proxy voting
TWIM's intention is for external asset managers to vote on every eligible ballot for shares held. There can, on occasion, be technical or operational limitations which prevent voting on certain matters, but TWIM strives to eliminate them where possible. Additionally, the external asset managers may choose to not vote on eligible ballots if such voting restricts the ability to sell the shares to be voted for a period of time (a situation known as share blocking). The external asset managers have accountability for voting and do so with the aim of positively supporting their climate risk strategy and seeking to create attractive returns.

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 seek to achieve our funds' and 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 investee company 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 portfolios based on certain revenue thresholds.

4 Manager selection
Key to our manager research and selection process is an assessment of how well climate-related factors, as well as wider sustainability factors, are incorporated into an asset manager's investment process.

5 Index design
We actively assess the characteristics of market indices and make a deliberate choice of which to use — climate risk is one of the factors we use in this decision.

Stewardship
Engagement with external asset managers, both to improve practices and to guide product design, is a key activity for the Manager Research team and one of the key stewardship activities we undertake.

A foundation for this engagement work is the Asset Manager SI Reports, produced by the team. These reports provide a baseline of where external asset managers sit in the various elements of sustainability and also provide us with data to:

a. See particular external asset managers who we can engage with to improve approach, where not affecting financial outcomes and
b. Track improvement across the portfolio over time.

With closed-end funds, we often have representation on investor advisory committees which also allows us a mechanism for ongoing engagement.

In those instances where our engagement process does not lead to sufficient progress the Manager Research team may revise its view on a strategy potentially leading capital to be reallocated to other opportunities.

Case study

Physical risk

Our engagement with an external asset manager — engaging in the reinsurance space

Background

In February/March 2024, the research team became aware of a growing concern from climatology experts and reinsurance managers that the US hurricane season (July-November) was going to be extremely active. Asset managers do not usually act on these forecasts until closer to the hurricane season (usually around end of Q2), as they have less certainty before then. However, on this occasion, the warning signs came early and were very strong.

Engagement

We therefore communicated with this external asset manager early and expressed a desire to protect the portfolio against extreme US hurricane loss scenarios. Engagement took place over two – three conversations and included the CIO and the investment team. In turn, the external asset manager consulted their climatology experts and in-house analytics team. They shared stress tests, scenario analysis etc and worked with us to determine the level of protection to put on. This is done via selling industry loss warranty contracts — in practice, these hedges meant that if a large hurricane (or numerous large hurricanes) were to hit peak US regions, causing major insured losses, the portfolio was protected against paying out losses above a fixed threshold that we otherwise would have been exposed to.

Outcome

While the year saw several billion-dollar hurricanes make landfall, the US hurricane season was not as active/intense as was forecast and so the hedges were not triggered. Despite this, we are happy with the results of our engagement to reduce risk as probabilistically, we (and the external asset manager) believe this was the correct course of action and in many scenarios they would have served their purpose and protected against severe tail events.

We also partner with the stewardship 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.

➜ For further information please refer to Stewardship, Engagement and Voting sections above.

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 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 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.

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 TWIM.

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

TWIM business operational carbon emissions

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. TWIM's operational carbon emissions

	Metric	Unit	2023	2024
TWIM's carbon profile	Scope 1 and Scope 2 emissions	tCO_2e	15	13
	Scope 3 emissions*	tCO_2e	1	1
	Total emissions	tCO_2e	16	14
	Weighted Average Carbon Intensity ('WACI')	tCO_2e/£m revenue	0.23	0.19

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).

TWIM's Article 8 Funds' climate metrics

In relation to our investment management portfolios, we have also provided a selection of climate metrics from our Climate Dashboard for our previously mentioned Article 8 Funds.

Reporting period overview and metrics
The 2024 carbon data across the TWIM Article 8 Funds shows a mixed performance in terms of emissions and alignment. 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.

Across GEFF and ACF, the Scope 1 and 2 carbon footprints increased over the period. In GEFF, the rise was mainly due to higher emissions from underlying external asset managers in a few large holdings, including increased exposure to higher-emitting sectors such as utilities and airlines. This included new positions in two U.S. utility companies and increased allocations to airline operators. The overall impact of portfolio reallocation was minor, with the increase in footprint driven more by changes in underlying holdings and associated emissions. In ACF, the increase was led by a reduction in data coverage, with increased allocations to high emitters contributing further.

One of the largest contributors was a holding in the metals sector. In both portfolios, changes in data coverage were more influential than asset allocation and external asset manager emissions.

In contrast, the Partners and CDF portfolios saw reductions in their Scope 1 and 2 carbon footprints. In Partners, the decrease was largely the result of reallocating away from higher-carbon funds and fully disinvesting from one major holding, with no new funds added. In CDF, reductions came from both weight cuts and falling emissions from several large holdings managed by external asset managers.

Although a few holdings rose due to increased weights or emissions, these were outweighed by the broader downward trend, resulting in an overall improvement in the carbon profile of both portfolios.

For both SIF and ESIF, changes in the Scope 1 and 2 carbon footprint were relatively limited and driven largely by changes in portfolio weights. There were no significant shifts in emissions intensity at the external asset manager level and no material new additions or disinvestments. As such, the carbon footprint changes in these portfolios primarily reflect adjustments in asset allocation rather than underlying emissions.

Data quality and reporting also showed room for improvement, with several portfolios facing gaps in data reporting, particularly for Scope 3 emissions (not included in this Report). Overall, the data reflects both progress and ongoing challenges in reducing carbon footprints and aligning portfolios, with more work needed to address Scope 3 emissions and improve data accuracy to enable greater utility in reporting on these figures in the future.

GEFF carbon profile (26% of AUM)	2023	2024	% change	2024 data quality Actual (Proxied)
Scope 1 and 2 total emissions (tCO_2e)	209,101	245,916	18%	97% (0%)
Scope 1 and 2 carbon footprint (tCO_2e/$m invested)	29	35	19%	97% (0%)
Scope 1 and 2 WACI (tCO_2e/$m sales)	50	89	78%	98% (0%)
ACF carbon profile (15% of AUM)	**2023**	**2024**	**% change**	**2024 data quality Actual (Proxied)**
Scope 1 and 2 total emissions (tCO_2e)	554,564	505,327	–9%	33% (19%)
Scope 1 and 2 carbon footprint (tCO_2e/$m invested)	134	148	10%	33% (19%)
Scope 1 and 2 WACI (tCO_2e/$m sales)	232	251	8%	36% (19%)

CDF carbon profile (4% of AUM)	2023	2024	% change	2024 data quality Actual (Proxied)
Scope 1 and 2 total emissions (tCO_2e)	67,960	74,355	9%	58% (8%)
Scope 1 and 2 carbon footprint (tCO_2e/$m invested)	76	75	–1%	58% (8%)
Scope 1 and 2 WACI (tCO_2e/$m sales)	286	316	11%	60% (8%)
SIF carbon profile (9% of AUM)	**2023**	**2024**	**% change**	**2024 data quality Actual (Proxied)**
Scope 1 and 2 total emissions (tCO_2e)	85,022	80,851	–5%	77% (15%)
Scope 1 and 2 carbon footprint (tCO_2e/$m invested)	37	37	1%	77% (15%)
ESIF carbon profile (3% of AUM)	**2023**	**2024**	**% change**	**2024 data quality Actual (Proxied)**
Scope 1 and 2 total emissions (tCO_2e)	15,402	17,545	14%	30% (52%)
Scope 1 and 2 carbon footprint (tCO_2e/$m invested)	21	23	11%	30% (52%)
Partners carbon profile (9% of AUM)	**2023**	**2024**	**% change**	**2024 data quality Actual (Proxied)**
Scope 1 and 2 total emissions (tCO_2e)	137,322	108,291	–21%	57% (24%)
Scope 1 and 2 carbon footprint (tCO_2e/$m invested)	55	50	–10%	57% (24%)
Scope 1 and 2 WACI (tCO_2e/$m sales)	119	111	–7%	49% (8%)

Source: WTW. % of AUM figures based on TWIM's total AUM of £18,819m as at 31 December 2024 (including Alliance Witan). 'Actual' data quality shown aggregates 'Actual — Reported', 'Actual — Estimated by external asset manager' and 'Actual — Estimated by third-party'.

GEFF Alignment	2023	2024	Change
% of Portfolio Aligned	24%	26%	3%
% of Portfolio Aligning	58%	58%	0%
% of Portfolio Not Aligned	18%	15%	–3%
ACF Alignment	**2023**	**2024**	**Change**
% of Portfolio Aligned	13%	24%	11%
% of Portfolio Aligning	34%	32%	–2%
% of Portfolio Not Aligned	53%	43%	–9%
CDF Alignment	**2023**	**2024**	**Change**
% of Portfolio Aligned	18%	22%	4%
% of Portfolio Aligning	53%	54%	1%
% of Portfolio Not Aligned	29%	24%	–4%
SIF Alignment	**2023**	**2024**	**Change**
% of Portfolio Aligned	32%	32%	0%
% of Portfolio Aligning	16%	16%	0%
% of Portfolio Not Aligned	52%	52%	0%
ESIF Alignment	**2023**	**2024**	**Change**
% of Portfolio Aligned	18%	17%	–1%
% of Portfolio Aligning	3%	4%	1%
% of Portfolio Not Aligned	79%	80%	0%
Partners Alignment	**2023**	**2024**	**Change**
% of Portfolio Aligned	29%	31%	2%
% of Portfolio Aligning	47%	51%	4%
% of Portfolio Not Aligned	25%	19%	–6%

Source: WTW

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 TWIM emissions data was based on the WTW Scope 1 and 2 emissions only — where a proportional approach based on headcount was applied to allocate emissions in the first instance. The TWIM emissions data was proportionately allocated based on percentage of AUM in relation to TWL Investments Division.

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.

TWIM funds — 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 defined 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.

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

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.

- 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.

Data limitations

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

Proxy portfolios of listed securities are derived based on country/sector exposures for strategies where holdings-level or manager-provided data are not available. These proxy portfolios are used, where necessary, for calculating carbon emissions and footprint metrics calculations but not for climate solutions.

Scenario analysis

In addition to the scenarios set out in **Strategy** identifying TWIM's operational risk and opportunities, this scenario analysis sets out portfolio level climate risk 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, scenario analysis provides 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 investee 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 TWIM's portfolios, which are proprietary and aligned with those published by the Network for Greening the Financial System ('NGFS'), are:

Table 5. Scenarios

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

Source: NGFS, WTW

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

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

The three scenarios selected reflect an appropriate range of plausible decarbonisation pathways and are relevant in the context of TWIM's portfolios and objectives. 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.
- The impact of the various policy, technology and socioeconomic changes associated with the various transition narratives considered. In applying the scenarios to derive a CVaR figure it is assumed that the future transition outcomes under a BAU/ continuation of current policies scenario are broadly reflective of what is likely priced into markets in aggregate.

The resulting CVaR figures for the TWIM portfolio under each of the scenarios considered is set out in the table below. This can be thought of as the potential impact on the portfolio if markets were to immediately price in the expected impact of physical and transition risks under each of the scenarios immediately. We also recognise the uncertainty in the underlying assumptions and that, in reality, the shocks experienced could be larger.

Table 6. CVaR under climate scenarios (%)

	Climate Value at Risk (% of portfolio)		
Scenario	**Physical risk**	**Transition risk**	**Total**
Below 2°C	–2.8%	–0.8%	–3.6%
Delayed Transition Below 2°C	–2.8%	–2.9%	–5.7%
Hot House World	–10.2%	–2.9%	–13.1%

Source: MSCI, NGFS, WTW.

What does the CVaR analysis show?
The scenario analysis highlights how different climate pathways influence portfolio risk, considering both physical and transition risks.

Below 2°C **–3.6%**

The Below 2°C scenario presents the lowest overall risk, with a total portfolio impact of –3.6%. This reflects a world in which climate policies are implemented early and effectively, limiting global warming to below 2°C.

Delayed Transition Below 2°C **–5.7%**

The Delayed Transition Below 2°C scenario results in a higher total portfolio risk of –5.7%. This outcome assumes delayed and less coordinated policy action, leading to a more volatile and disorderly transition. Physical risks remain similar at –2.8%, but transition risks rise sharply to –2.9%, reflecting the heightened uncertainty, market disruption and cost of late-stage adaptation.

Hot House World **–13.1%**

The Hot House World scenario, where global temperatures exceed 2°C, poses the most severe risk to portfolios, with a total impact of –13.1%. Physical risks dominate at –10.2%, driven by worsening climate impacts such as extreme weather, resource stress and widespread asset devaluation. Transition risks remain at –2.9%, but are overshadowed by the magnitude of physical damage associated with uncontrolled warming.

Overall, the analysis underscores the importance of timely, coordinated action to limit global warming, as delayed transitions and unchecked temperature rise lead to higher portfolio risks, primarily due to physical climate impacts.

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

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 Investment Management Limited ('TWIM').

The disclosures in this Report, are consistent with the TCFD Recommendations and Recommended Disclosures. 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 endeavor 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 TWIM Board for approval and was approved by the Board of Directors of TWIM on 18 June 2025, as reflected by the Director's signature below.

Mark Calnan
Towers Watson Investment Management Limited
18 June 2025

Disclaimers

Towers Watson Investment Management Limited

Legal notices

Towers Watson Investment Management Limited ("TWIM") is the appointed investment manager to a range of WTW funds (together, the "Funds").

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

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

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

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 Report 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.

TWIM, with a place of business at 51 Lime Street, London, EC3M 7DQ, is authorised and regulated in the United Kingdom by the Financial Conduct Authority (FCA Register Firm Reference Number 446740, refer to the FCA register for further details) and incorporated in England and Wales with Company Number 05534464.

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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

About WTW

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

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