# Task Force on Climate-Related Financial Disclosures (TCFD)

## Entity Level TCFD Report

**Towers Watson Limited, Investments Division**

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# Introduction

WTW Public Limited Company and its subsidiaries ('WTW'), including Towers Watson Limited[1] ('TWL'), considers sustainability-related matters as part of its internal operations. It is also an area where we support our clients through sustainability services and solutions to support the management of climate-related financial risk.

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

This Report is published by TWL in compliance with the entity level disclosure requirements set out in Chapter 2 of the Financial Conduct Authority's Environmental, Social and Governance Sourcebook (the 'ESG Sourcebook') and consistent with the recommendations of the Task Force on Climate-Related Financial Disclosures ('TCFD') for the reporting period 1 January 2025 to 31 December 2025 (the 'Report'). 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.

This Report may be read together with the wider WTW 2025 Task Force on Climate-related Financial Disclosures Statement. This document is not incorporated by reference into this Report.

In this Report, we disclose how we consider climate-related risks and opportunities in the asset portfolios that we manage on behalf of our professional clients.

Please note, although this Report broadly aligns with the wider WTW approach regarding climate risks and opportunities, TWL's approach is separate, considered with a fiduciary investment management lens and may differ for a variety of reasons from the approach taken by WTW. This Report strictly covers the TWL Investments Division. The TWL Investments Division is part of TWL and provides investment fiduciary management services to some defined benefit schemes and UK fiduciary assets. More information on WTW's sustainability approach is available on its website, along with other WTW sustainability-related reports. References to WTW Investments are intended to refer to WTW's investments business, which is not limited to those activities within TWL.

Our fiduciary investment management services' client base includes a diverse range of institutional investors, including defined benefit ('DB') and defined contribution ('DC') pension funds, insurance companies and wealth management companies.

TWL's fiduciary management business designs solutions to enable clients to delegate responsibility for implementing asset strategies, whilst retaining strategic control and decision making in areas where they add most value.

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

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

## Structure of the Report

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 (see Table 1 below):

Table 1. **Report structure and summary**

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

Note: Clickable text above the arrow links to the relevant page.

| TCFD pillar | Summary |
|---|---|
| Risk management | **Discloses how TWL Investments Division identifies, assesses and manages climate-related risks:**<br>• TWL Investments Division operates under WTW's Enterprise Risk Management (ERM) framework, with oversight from the TWL Risk Committee and Board. This includes climate-related risks, which are assessed through dashboards, scenario analysis and business continuity planning<br>• Key processes include monitoring climate-related legislation, maintaining disaster recovery plans and strengthening supplier risk management. A three-lines-of-defense model ensures governance, compliance and independent assurance<br>• Climate risk is considered across the investment lifecycle, from mission setting and manager selection to portfolio construction and monitoring. It is viewed alongside other financially material factors rather than as a separate consideration<br>• TWL uses external data alongside proprietary tools to assess physical and transition risks<br>• TWL engages with external asset managers and employs a stewardship services provider to support the improvement of sustainability practices. This includes voting, public policy engagement and direct dialogue with companies on climate risk management<br>• Sustainability risks are monitored across external, WTW and investment-specific levels, with reporting aligned to regulatory standards and client objectives |
| Metrics and targets | **Discloses the metrics and targets used by TWL Investments Division to assess and manage relevant climate-related risks and opportunities:**<br>• The Report provides a range of metrics across both TWL's own operations and for its fiduciary investment management client portfolios<br>• TWL's operational carbon profile shows improvements across the metrics presented when compared to the previous year<br>• In relation to the fiduciary investment management client portfolios, an aggregated portfolio has been presented as a representation. It shows progress in relation to the previous year across most metrics. However, given the 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 |

Note: Clickable text above the arrow links to the relevant page.

# Governance

This section of the Report discloses the TWL Investments Division's governance around climate-related risks and opportunities. In line with the reporting period of this Report, the governance structure and processes outlined below were in place as at 31 December 2025.

## TWL Board oversight

The TWL Board is responsible to its shareholders (in this instance parent company WTW), for setting its strategic priorities and monitoring performance against the stated objectives, including climate-related risks and opportunities. The Board consists of five directors (two Non-Executive Directors and three Executive Directors) and meets at least on a quarterly basis. The Board has ultimate responsibility for the oversight and management of risk management activities across TWL. The Board delegates certain responsibilities to TWL's Risk Committee ('RC') as a sub-committee of the Board. TWL Investments Division's Head of GB Pensions attends the TWL Board meetings and ensures sufficient oversight by the Board of the Investments Division's activities, in addition to periodic attendance from members of the Investments Division's Sustainable Investing (SI) team to enable oversight of climate-related matters.

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

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

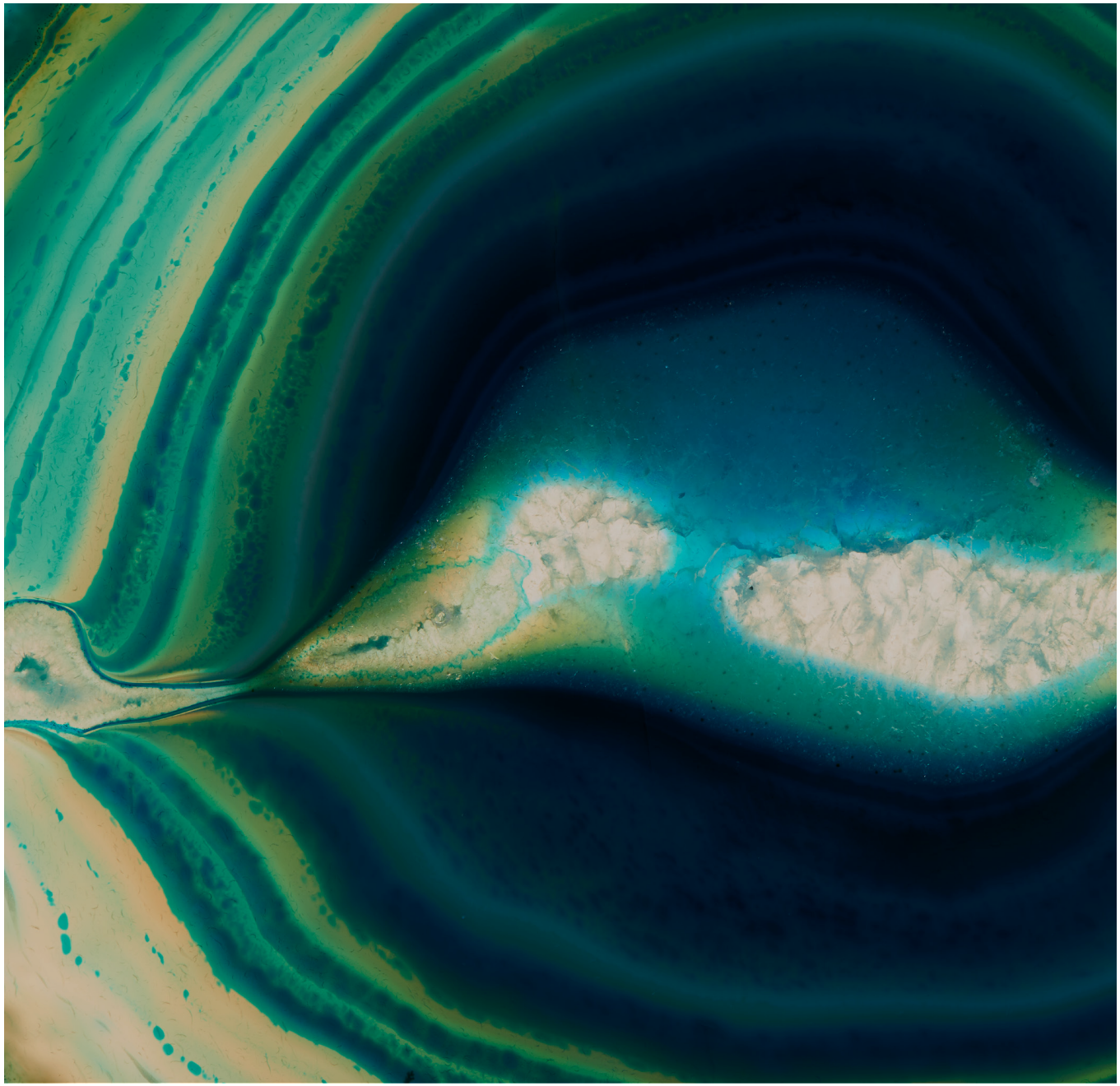
The Board, together with leaders from WTW Investments and WTW, oversee TWL's senior management who are responsible for the strategy and day-to-day operations and management of TWL, including climate-related matters.

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

As governments around the world are considering and implementing regulations relevant to climate change, WTW monitors emerging actual and potential environmental regulations and sustainability-related standards (such as those issued by the **International Sustainability Standards Board ('ISSB')**) including those relevant to TWL.

## Climate change training

The Board recognises the importance of climate-related training both at Board level and for all our WTW employees involved in TWL Investments Division's related activities. The TWL Board has participated in Climate and TCFD-related training. Senior management and investment professionals complete training as part of WTW's wider training and development programmes. This includes specific training on climate risks and opportunities, including on regulatory developments and regulations such as TCFD, UK Sustainable Disclosure Requirements ('SDR') and EU Sustainable Finance Disclosure Regulation ('SFDR'), supported by additional sustainability-related knowledge sessions or modules.



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

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

Our sustainability-related governance structure is designed to promote clarity, focus and effective decision making. Embedded within the wider WTW Investments' governance structure, our sustainability governance seeks to combine central global co-ordination and expertise with regional decision makers to best cater for our clients' sustainability preferences, as well as local regulatory environments.

**Key sustainability-related governance intersections**
The WTW Investments Sustainability Leadership team, which reports into the WTW Investments GLT, is comprised of senior members, including the Global Chief Investment Officer ('CIO'), Global Head of Sustainable Investing, Global Head of Funds and Global Head of Research. This sub-team sets business-level objectives related to our sustainability strategy and oversees the implementation, compliance, governance and resourcing to achieve those objectives. This team coordinates with relevant legal entity Boards across regions and is supported by relevant functions and SMEs (Compliance, Legal and Risk).

The Sustainability Risk, Product and Control Committee (the "SRPC") is constituted as a Sub-Committee of the Investments GLT. The SRPC is responsible for overseeing and monitoring existing and future regulatory and business requirements related to sustainability impacting the WTW Investments businesses and activities globally.

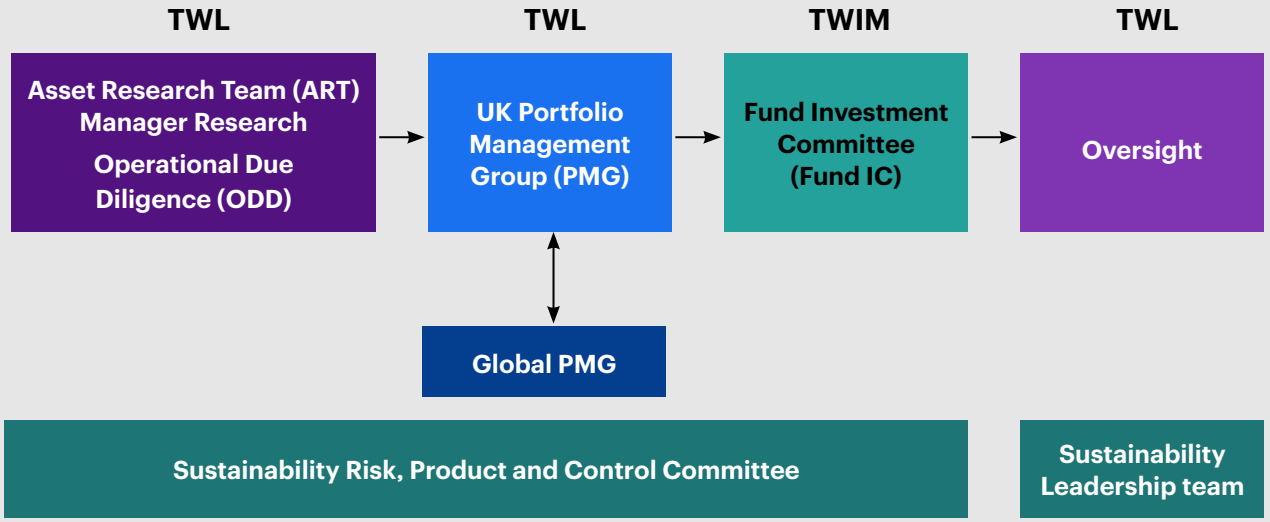
It supports appropriate monitoring, oversight, disclosure and compliance of the processes related to sustainability and/or ESG regulations, business requirements, the risk processes and entity and product disclosures required to meet the relevant sustainability requirements. Alongside its global remit, the SRPC also holds region specific meetings throughout an annual cycle to ensure regional divergence is appropriately addressed. In addition, it coordinates sustainable investing portfolio-level and entity-level ESG regulatory working groups as necessary.

The governance of our SI processes (of which climate change is a key part) is one of the priorities across our business and it is periodically reviewed to assess whether any enhancements are needed in order to respond to fast changing regulation and best practice in regard to sustainability.

The WTW investments business is global, includes a range of financial services activities and reports into the WTW Board. One of the main business activities of TWL Investments Division is the provision of fiduciary investment management services. The Portfolio Management Group ('PMG') is responsible for the investment decision making for client portfolios managed within this service.

The PMG comprises of a number of portfolio managers, assistant portfolio managers and analysts. In order to fulfil its role, PMG also draws on the specialist investment knowledge available within WTW Investments, including Manager Research, the Asset Research Team, the Thinking Ahead Group, Operational Due Diligence, sustainability expertise and other specialist teams (Figure 1). Climate-related risks and opportunities are explicitly considered within PMG's investment views through the application of the Sustainable Investing (SI) Policy and the use of relevant ESG and climate-related research inputs as appropriate.

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





# Strategy

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

We recognise that climate risk presents a broad spectrum of risk and opportunity for our business, impacting both our direct operations and those of the companies which selected asset managers invest in on behalf of our clients. Being a responsible and sustainable company is an important principle of TWL.

Accordingly, addressing climate risk forms an important part of our business strategy. We work with our clients, investment professionals and operational teams to incorporate a better understanding of the impact of climate-related risks and opportunities within our business and to enhance our organisation's resilience to climate-related risks. We look to consider sustainability-related risks, including climate, throughout our investment processes, including portfolio construction and manager selection to monitoring and reporting, with additional attention on climate-related research, resources and data.

## Our own emissions

WTW recognises the importance of its environmental responsibilities and focus 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.

**Target**
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 ('SBTi'). In 2024, the SBTi validated WTW's near-term and long-term emissions reduction targets.

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.

In addition, WTW's target is to seek to achieve 100% renewable energy supplies across WTW's real estate portfolio 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. These scientifically validated targets demonstrate WTW's dedication to long-term environmental stewardship in our own operations and through assisting others to act.

TWL forms part of the WTW targets and there are no additional targets for TWL. TWL does not plan to set additional targets.

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

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

➡ For more information on progress towards WTW's targets, please see the latest WTW Sustainability report on the WTW Sustainability webpage.

Separately, WTW Investments has a goal to achieve net zero greenhouse gas emissions across 'In Scope Solutions' by 2050. This goal is grounded in WTW Investments' belief that climate change is a material, systemic financial risk and that managing climate-related risks and opportunities, including through stewardship and engagement, is part of protecting clients' long-term financial outcomes.

WTW Investments' net zero goal position statement outlines the principles, measurement framework and practical levers behind this goal, while recognising that implementation must remain flexible as specific actions depend on mandate structures, asset class characteristics and regulatory environments. It may be necessary for the goal to evolve over time to reflect changes in real world climate transition progress, financial market conditions and accepted industry methodologies, enabling the management of climate-related financial risks to remain consistent with clients' interests. Achieving a net zero economy and the resulting reductions in financial risks from climate change is contingent on the long-term actions of other participants, in particular governments and other policymakers.

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

## Risk 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 on the next page.

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** | **0–1 years** (The short-term time horizon focuses on immediate and upcoming reporting periods, reflecting near-term changes in performance, regulatory compliance and actions taken in response to identified risks or opportunities). |
| **Medium-term** | **1–5 years** (The medium-term time horizon allows WTW to respond to potential risks and opportunities that can be seen in the present but may not be experienced until later). |
| **Long-term** | **5+ years** (The long-term time horizon for WTW is more broadly the future state and risks and opportunities can be difficult to predict too far in advance). |

WTW evaluates climate risks over the short, medium and long-term horizons. The time horizons are reviewed and updated when necessary. TWL Investments Division applies WTW's time horizons when assessing climate-related risks, rather than defining separate entity specific timeframes.

## Risks

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

**01 Non-Financial Impact Rating Scale**

Which ranks the risk over 4 levels (low, medium, high or critical) based on the actual or potential impact on reputation, regulatory compliance, legal exposure, client relationships or service delivery.

**02 Financial Impact Rating Scale**

Is also scored based on the potential impact on revenues and assigned a "level". These risks are combined to generate an overall impact rating of 1 (low) to 4 (critical).

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

We have sub-divided climate-related risks into transition risks (risks associated with the transition to a low-carbon economy) and physical risks (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 on the next page (**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 investment portfolios. There is also the need to consider restrictions on companies not taking appropriate action to manage climate-related financial risk 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 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

**Acute and/or chronic physical risks**
There is a risk of disruption both at an operational level and on investments as result of acute physical risks (e.g. extreme weather events) and/or chronic physical risks (e.g. gradual changes in key climate variables such as temperature, humidity and precipitation). This could reduce revenues and increase costs.

Table 3. **Overall risk assessment**

| **Type** | **Transition** | | | | **Physical** |
|---|---|---|---|---|---|
| **Sub-type** | **Reputational** | **Regulatory** | **Market and economic** | **Operational** | **Acute and/or Chronic** |
| **Area** | Own operations | Upstream and downstream | Upstream | Own operations | Own operations |
| **Primary potential financial impact** | Increased expenditure or litigation costs | Increased costs of compliance or loss of potential income from having to divest from assets | Lower valuation of 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 |
| **Mitigation** | Our ultimate parent company has set a net zero target for 2050 and we are part of this. We 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 consider how this may impact the environment we operate 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 support policy engagement and stewardship with stakeholders and maintain an SI Policy, in 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 resources. Continue to implement energy efficiency and carbon reduction measures and engage with key suppliers to enable alignment with our emission targets | WTW is exploring a range of mitigation and adaptation measures to address and respond to climate-related physical risks including those relevant to TWL. WTW has implemented workstyles including a hybrid workstyle which helps mitigate potential productivity losses resulting from acute or chronic physical risks. This includes TWL colleagues. As part of WTW's long-term climate strategy, climate risks will be considered as part of facilities management and real estate strategies including those relevant to TWL |
| **Overall Risk Rating** | **Medium** | **Medium** | **High** | **Medium** | **Low** |

| Low | Medium | High | Critical |
|---|---|---|---|

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

## Opportunities

### 01 Strategy-related

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

Notable examples of this can be seen through the creation of SFDR Article 8 Funds that have climate-related credentials and supporting in creating the Climate Transition Index (CTI) — a family of indices — in partnership with STOXX, an index provider. In addition, working 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.

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



## Investment management strategy and stewardship

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

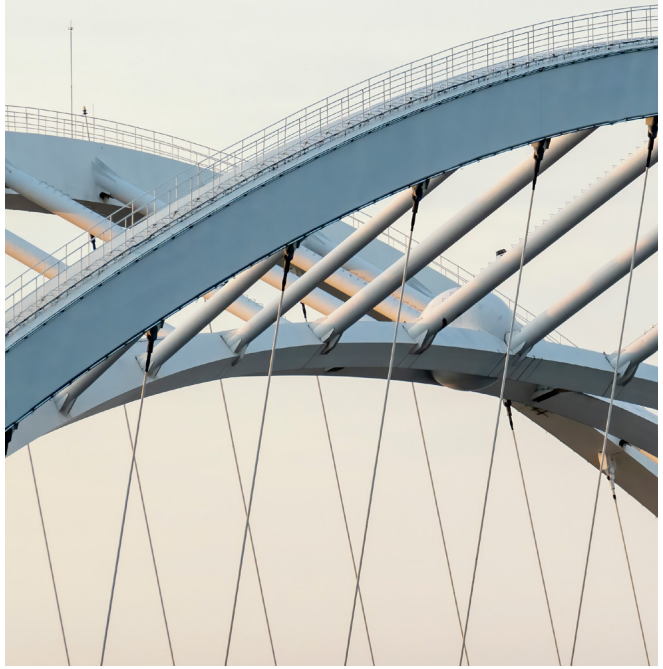
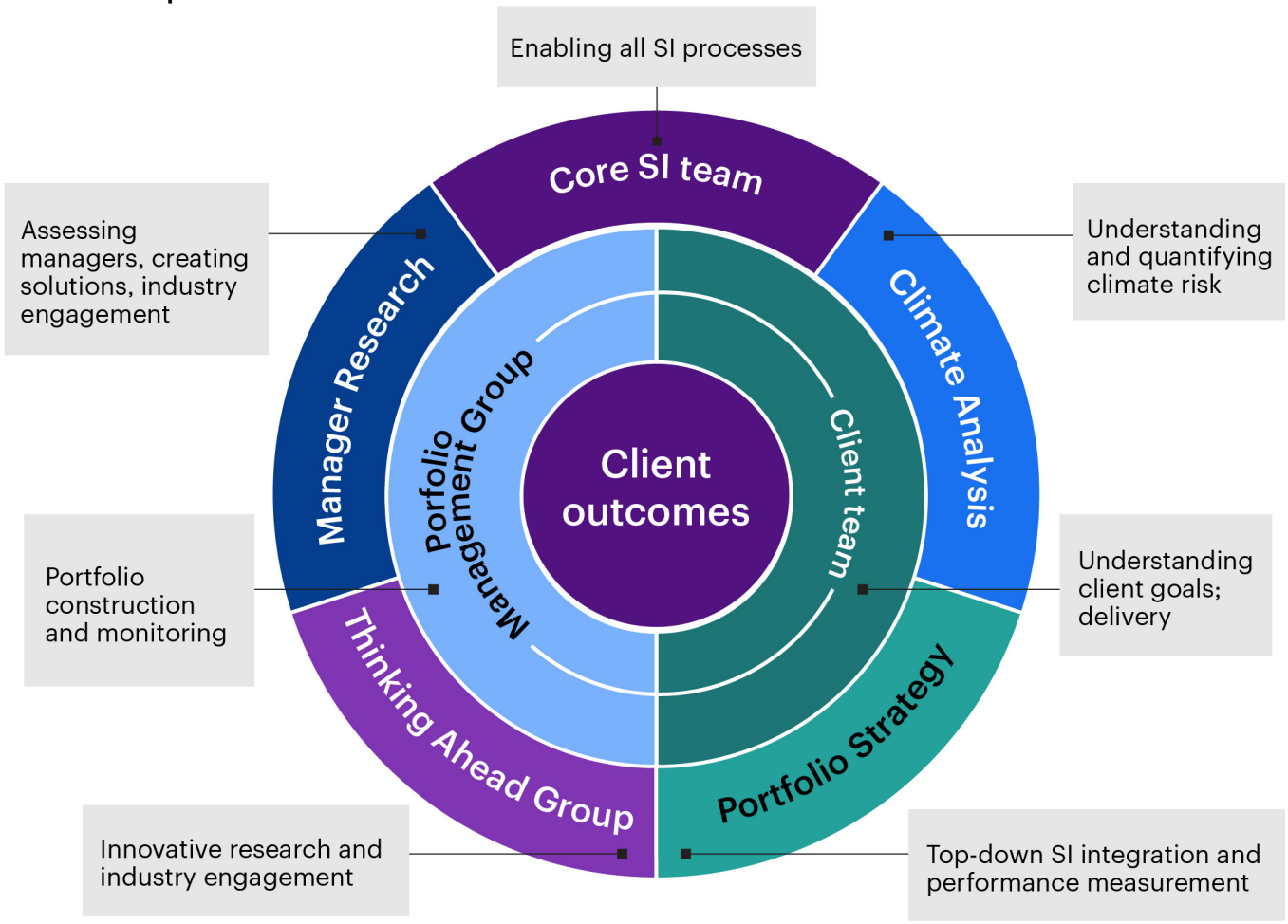


Figure 2. **Sustainable investing process**

**Managing sustainable investing performance**

| Establish/ revise governance | Set and revise objectives, identify significant topics | Portfolio construction | Measure and assess performance of SI factors | Disclosure |
|---|---|---|---|---|
| SI governance and policies set out the principles for investment management, reporting and decision making.<br><br>This ensures accountability for the processes in relation to sustainable investing. | SI processes and, for some products, specific sustainability objectives are agreed.<br><br>Most frequently, this is in respect of climate risk management via net zero related goals.<br><br>We consider compatibility with overall portfolio targets (risk and return) when setting sustainability objectives. | Actions to support the sustainability-related objectives.<br><br>Depending on the solution this may be achieved via SI integration in portfolio activities (e.g. asset allocation, index design, portfolio construction, manager selection), stewardship (e.g. manager or issuer engagement, voting, policy engagement) or via exclusions. | A range of data and information is used to assess key SI factors.<br><br>Where feasible, we look to apply science-based thresholds/ boundaries or industry standards to determine performance. | Various forms of regulated and voluntary disclosures are required for investments and stewardship. These can vary substantially across regions and investment types. |

Figure 3. **SI integrated team structure and process**




The SI process outlined in Figure 2 above is incorporated in the PMG activities as show in Figure 3. 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.

## Stewardship

We believe that effective stewardship is a key aspect of SI and important to a well-functioning investment industry. We recognise our role as an engaged industry participant and seek to exercise our stewardship responsibilities, either directly or via third parties, across a range of activities:

**01** **Asset manager engagement**

**02** **Issuer engagement**

**03** **Voting**

**04** **Policy engagement and supporting wider industry groups**

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

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

## Engagement

External asset managers we work with have a responsibility to undertake engagement with underlying issuers on their approach to managing climate-related financial risks. We look to these external asset managers to evidence and track, via quality reporting, underlying engagement with issuers. Over 2025, our Manager Research team researched 80 sustainability themed strategies and engaged with over 50 external asset managers across over 90 products.

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

## Voting

We expect underlying asset managers to consider climate-related resolutions on a case-by-case basis given the context and nuance of each proposal and to give due care to the voting decision made.

## 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 wider WTW's climate teams, TWL Investments Division is well positioned to provide data and analytical tools to enable us to assess and monitor the impact of climate-related risks and opportunities as we construct and manage investment portfolios. These tools are incorporated within our SI strategy which considers ESG factors and effective stewardship in investment management activities.



# Risk management

## Risk management within our operations

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

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

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

1 **Legislative and regulatory review**
Monitoring legislative and regulatory developments allows us to keep abreast of any change in climate-related legislation that may impact our operations globally (e.g. EU Corporate Sustainability Reporting Directive).

2 **Business continuity and disaster recovery plans**
Extreme weather events (e.g. hurricanes, heat waves, droughts, etc.) can significantly impact our ability to provide continuity of services to our clients. To mitigate this risk, we have a business continuity program and disaster recovery plans. The level of criticality of locations and business applications is based on detailed impact analysis performed by all segments and lines of business. The results of this analysis determine the level of priority to recover normal business activities.

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

4 **Supply chain management**
The business depends on purchasing goods and services from suppliers, especially within IT, professional services, travel and real estate, to ensure we can service our clients. Our supply chain network is exposed to potential adverse events, including climate-related disruptions, all of which could impact our ability to service our clients. We also work with a number of our key/strategic suppliers (such as key IT suppliers) in terms of their disaster recovery/business continuity plans with the goal of mitigating any disruptions of service. This approach is currently being strengthened, through enhancing the supplier onboarding checks and ongoing supplier risk management processes focused on risk mitigation, social responsibility and environmental targets.

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

### The three lines of defense



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

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

**Third line of defense**
**Internal Audit**
Independent assurance

Similarly, for our fiduciary investment management operations, one of TWL Investment Division's main activities, we believe SI is an important foundation for strategy and the generation of long-term financial returns. As such, it is an important part of WTW Investments' beliefs and investment processes. We use the term SI to describe a range of long-term, finance-driven processes that integrate consideration of environmental, social and corporate governance ("ESG") risk factors, apply effective stewardship and — for certain investment strategies — directly manage sustainability impacts. We believe these approaches reflect good financial risk management.

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

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

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

At present, our principal external provider is MSCI ESG Research. To supplement the extensive data we receive from MSCI, we combine it with our proprietary Climate Transition Value at Risk ('CTVaR') data and in-house analytics for assessing physical risk data. Our proprietary CTVaR methodology quantifies climate transition risk by integrating forward-looking company assessments with traditional risk and return models. Using this methodology, we can determine the climate transition risk that companies face, helping identify risks and potential opportunities for investors.

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

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

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

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

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

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

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

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

**Portfolio management**
Our portfolio construction process focuses on maximising portfolio quality, as evaluated through a number of 'lenses', including sustainability. This helps us build robust, diversified portfolios to meet our clients' risk and return objectives.

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

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**
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 choice of which to use — climate risk is one of the considerations in this decision. We provide this assessment as advice to clients or as part of our discretionary investment process.

## Stewardship

This section expands on the four elements that we look to utilise to carry out effective stewardship briefly described above 1) Asset manager engagement, 2) Security-level engagement, 3) Voting and, 4) Public policy and working with industry groups.

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

We encourage underlying asset managers to vote with the aim of managing climate-related financial risks and helping to support attractive returns. External asset managers are expected to cast votes on all eligible ballots where possible. For some of our fiduciary investment management solutions, we use a stewardship service provider to provide voting advice to the asset managers. We then monitor the voting decisions each manager makes against what they were advised by the stewardship service provider, engaging or challenging where necessary.

The stewardship service provider also undertakes 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 service provider over 2025**

**859** companies — engaged across regions on 3,849 issues and objectives

**73** 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

- Volume and divergence of regional ESG regulations
- Scrutiny by regulators
- Variable quality and coverage of underlying ESG data with multiple sources

### 02 WTW

- Varied client and regulator expectations
- Alignment in ESG data and reporting across WTW entities

### 03 TWL Investments Division

- Internal processes that meet different regional sustainability-related regulations and client expectations
- Complexity of global, multi-asset class investments portfolios
- Reliance on third party ESG data (external asset managers, data providers etc.)

As part of our 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 a 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. The dashboard is used as a portfolio management monitoring tool.

TWL actively identifies and monitors regulatory and industry requirements related to climate change as well as their impact to the business and our clients. To that effect, the Global Investment Regulatory Change Forum chaired by the Compliance function has been established since 2022, responsible for tracking material regulatory developments relating to climate and broader ESG topics, assessing their impact on TWL Investments Division and its clients and overseeing implementation and compliance with such regulatory changes.



# Metrics and targets

This section of the Report discloses the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material to TWL Investments Division.

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

## TWL Investments Division climate metrics

To measure the impact of our operations on climate change, we measure a selection of metrics. These are monitored on a periodic 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. The reporting period of Table 4 is as at 31 December 2025. These metrics have been used as they are common business metrics for our industry sector. Data timeframe alignment is as close as is reasonably practical. For example, emissions data covers the calendar year reporting period, but revenue figures related to the WACI cover the financial year best aligned to the reporting period.

Table 4. **TWL Investments Division's operational carbon profile**

| Metric | Unit | 2024 | 2025 |
|---|---|---|---|
| **Scope 1** and **Scope 2** emissions | $tCO_2e$ | 103 | 93 |
| **Scope 3** emissions* | $tCO_2e$ | 10 | 9 |
| Total emissions | tCO2e | 113 | 102 |
| Weighted Average Carbon Intensity ('WACI') | tCO2e/£M revenue | 1.52 | 1.30 |

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

## TWL Investments Division — underlying fiduciary investment management portfolios

**In relation to our underlying fiduciary investment management portfolios, we have also provided a selection of climate metrics from our Climate Dashboard for a representative aggregated portfolio of underlying investments (excluding Liability Driven Investment ('LDI')).**

### Reporting period overview and metrics

The TWL Investments Division fiduciary investment management portfolios' carbon profile shows continued improvement in emissions efficiency and portfolio alignment for 2025. Scope 1 and 2 total emissions decreased by 1%, from 811,683 $tCO_2e$ in 2024 to 805,291 $tCO_2e$ in 2025. Over the same period, the Scope 1 and 2 carbon footprint declined by 5%, from 45 to 42 $tCO_2e$/$M invested, while WACI (Weighted Average Carbon Intensity) declined significantly by 18%, falling from 131 to 107 $tCO_2e$/$M sales.

The overall moderate reduction in emissions was primarily driven by changes in portfolio composition, including divestments from higher-emitting exposures and a gradual shift toward lower-carbon holdings. These reductions were partially offset by increased allocations to certain issuers and variations in underlying reported emissions from external managers, resulting in a relatively modest net decline in absolute emissions but a stronger improvement in intensity metrics.

Data quality for Scope 1 and 2 showed slight movements in 2025, with the share of actual reported data at 46% (down from 47% in the prior reporting period), while proxied data remained at 8%.

Overall, this reflects broadly stable emissions disclosure across portfolio holdings, with only marginal year-on-year changes in data quality.

In terms of alignment, portfolio positioning remained broadly stable year-on-year.

Table 5. **TWL Investments Division — fiduciary investment management portfolios Carbon Profile**

| Metric | 2024 | 2025 | % Change | 2025 Carbon Data Quality Actual (Proxied) |
|---|---|---|---|---|
| Scope 1 and 2 Total Emissions ($tCO_2e$) | 811,683 | 805,291 | –1% | 56% (8%) |
| Scope 1 and 2 Carbon Footprint ($tCO_2e$/$M invested) | 45 | 42 | –7% | 56% (8%) |
| Scope 1 and 2 WACI ($tCO_2e$/$M sales) | 131 | 107 | –18% | 56% (8%) |

Source: WTW. The figures above are based on a representative portfolio size of $18.9bn as at 31 December 2025, calculated excluding the LDI allocation. 2024 data have been restated to incorporate higher-quality data that became available post-reporting cycle, replacing previous data. This recalculation aims to provide an accurate and consistent historical baseline for assessing climate-related metrics. 'Actual' data quality shown aggregates 'Actual — reported', 'Actual — estimated by external asset manager' and 'Actual — estimated by third-party'.

Table 6. **TWL Investments Division — fiduciary investment management portfolios Alignment**

| | 2024 | 2025 | Change |
|---|---|---|---|
| **% of Portfolio Net Zero** | 1% | 1% | 0% |
| **% of Portfolio Aligned** | 12% | 13% | 1% |
| **% of Portfolio Aligning** | 20% | 20% | 0% |
| **% of Portfolio Committed** | 6% | 5% | –1% |
| **% of Portfolio Not Aligned** | 9% | 10% | 1% |
| **% of Portfolio No Data** | 51% | 51% | 0% |

Source: WTW. Reported data subject to rounding.

## 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 Energy Security and Net Zero (DESNZ) 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.
For Scopes 1 and 2 only, a proportional approach based on headcount was applied to allocate emissions. For owned and leased vehicles (Scope 1) the total number of vehicles and a global proxy average distance driven per vehicle was used to calculate emissions. This global proxy average is from the French Statistical Data and Studies Department (SDES). For ground transport (Scope 3 only), data was obtained from expense claims and converted to fuel volume using global fuel price averages for 2025.
The TWL emissions data was based on the WTW Scope 1 and 2 emissions only, a proportional approach based on headcount was applied to allocate emissions.
The TWL Investments Division emissions calculated from TWL emissions were proportionately allocated based on revenue.

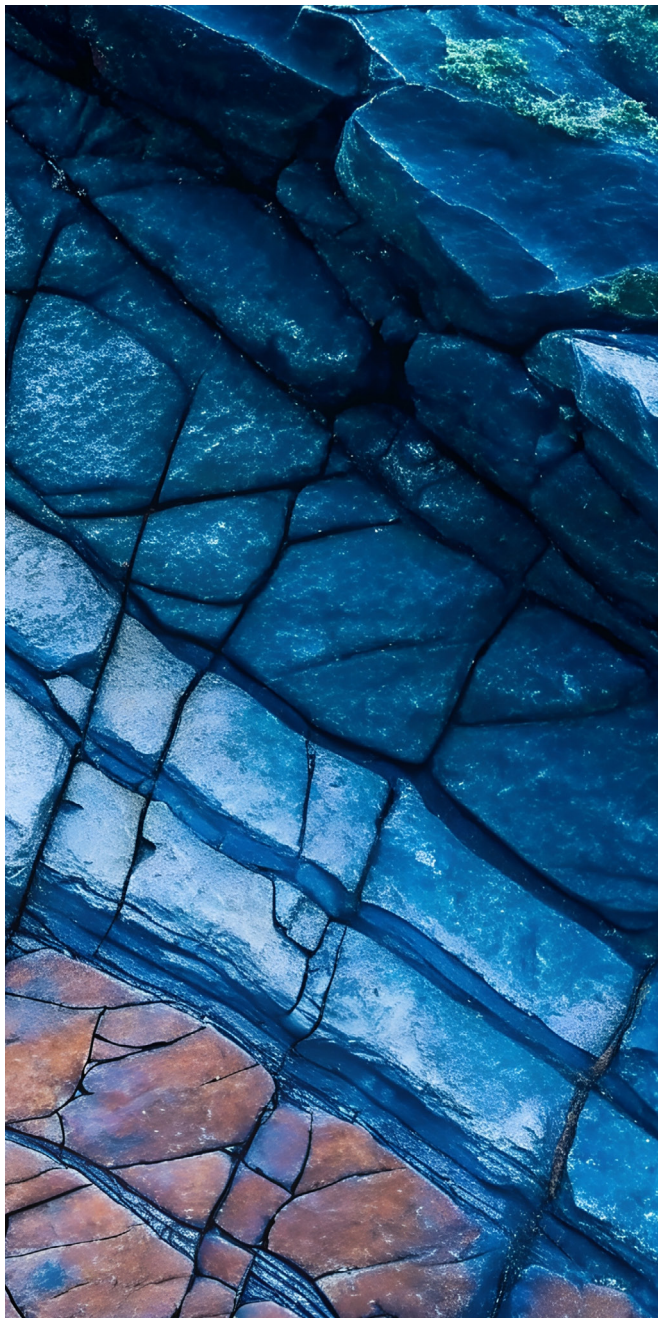
## Fiduciary investment management portfolios — metric calculation methodology and data sources

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

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

The alignment metric assesses the extent of alignment of assets with the Paris Agreement. This metric draws on multiple lenses, including Science Based Targets Initiative (SBTi) and Transition Pathway Initiative (TPI).

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



## 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 and applied to the actual holdings data

## Situation 2

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

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

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

## Situation 3

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

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

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

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

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

### 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 the company is responsible for purchasing the fuel (mandatory).

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

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





# Scenario analysis

## Overview

In addition to the potential outcomes set out in Strategy, which identify operational climate-related risks and opportunities, this section considers climate scenario analysis at the portfolio level.

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 are not designed to deliver precise forecasts. Instead, they provide a structured framework to explore how portfolios may be impacted under different combinations of climate-related risks.

In the context of climate change, scenario analysis supports an understanding of how transition risks (arising from the shift to a low carbon economy) and physical risks (arising from climate-related hazards and broader economic impacts) may affect investee companies' business models, strategies and financial performance over time.

Scenario analysis may be:

**01** **Qualitative, based on narrative pathways**

**02** **Quantitative, based on modelling and data; or**

**03** **A combination of both, as applied in this analysis**

The scenarios used are internally consistent, based on explicit assumptions and aligned with widely used industry frameworks, including those developed by the Network for Greening the Financial System (NGFS), with proprietary enhancements.

The purpose of this analysis is not only to assess climate-related risks, but also to support investment decision-making, including portfolio construction, stewardship priorities and risk management actions.

## Enhancements to the scenario framework

The climate scenario framework has been updated across 2025 to improve its relevance for investment decision-making. Key enhancements include:

Improved transition risk assessment, incorporating financial impacts of transition-related policy, technology, consumer behaviour and market shifts with improved granularity

Enhanced physical risk modelling, incorporating macroeconomic impacts, in addition to direct asset-level damage

Explicit consideration of tail risks, including the potential impact of climate tipping points through more severe outcomes in higher-warming scenarios

We believe these enhancements result in a more comprehensive representation of climate-related financial risks.

## Scenario design

The key building blocks used to construct climate scenarios are:

A transition narrative, describing the evolution of policy, technology and socioeconomic trends

An emissions pathway, determining the level of global temperature increase

The resulting physical and transition impacts, including both direct and macroeconomic effects

The translation into financial outcomes, assessed across asset classes, sectors and, where feasible, individual securities

### Scenarios considered

The fiduciary investment management portfolios are assessed against a range of scenarios spanning orderly and disorderly transitions, as well as higher-warming outcomes.

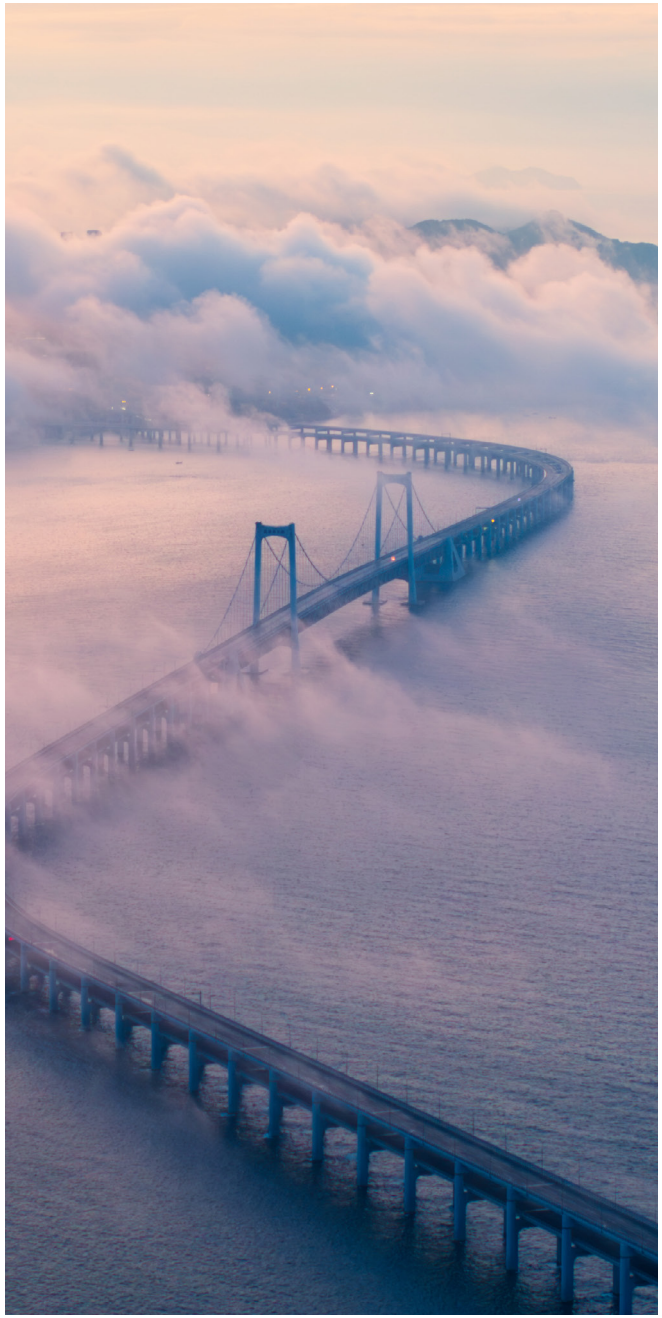


Table 7. **Scenario considered**

| Scenario | Narrative | Temp Rise | Physical Risk | Transition Risk |
|---|---|---|---|---|
| **Net Zero 2050 (1.5°C)** | A more ambitious immediate action scenario where more aggressive co-ordinated policy is pursued immediately across all sectors. Faster technological shifts are achieved across power, transport, buildings and industry, with Carbon Dioxide Removal (CDR) used at scale to remove excess emissions due to stringent carbon budget. More drastic socioeconomic change is needed to limit resource consumption to sustainable levels. | 1.5°C | Low to medium | High |
| **Below 2°C** | Globally co-ordinated climate policies are introduced immediately and low-carbon technology is deployed more rapidly, becoming gradually more stringent over time. Companies and consumers take the majority of actions available to capture opportunities to reduce emissions, with fossil fuels declining in a managed way and renewables, grids and electrification scaling rapidly and the use of CDR technologies is moderate. | 1.8°C | Medium | Medium |
| **Delayed Below 2°C** | 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 a compressed adjustment period and higher stranded-asset and execution risks. | 1.8°C | Medium | Medium |
| **Business as Usual (BAU)** | A "business as usual" outcome where policies, low-carbon technology and socioeconomic shifts follow their current trajectory, with no acceleration to incentivise further emissions reductions. Ongoing technology transitions continue, particularly in sectors such as electric vehicles and renewable power, but fossil fuels remain a core part of the energy system for decades and socioeconomic trends do not shift markedly from historical patterns. | 2.4–3.0°C | High | Low (assume priced in) |
| **Hot House World** | The world follows delayed transition pathway, with rapid policy shift around 2030, however warming significantly exceeds 2°C due to a lower than expected remaining carbon budget and/or the impact of climate tipping points. Physical risks are higher than the average represented in BAU, at the high end (95th percentile) of the modelled range and with more significant impacts on global GDP. | 3.0°C | Very high | Medium |

The scenarios are designed to capture a range of plausible climate pathways and reflect both policy-driven transitions and real-world uncertainties, including those associated with carbon budgets and climate sensitivity.

Source: WTW building on NGFS

## Treatment of tipping points and uncertainty

The scenario analysis considers the range of uncertainty around modelled physical risk outcomes and potential for climate tipping points to bring about more extreme impacts while recognising the limitations in modelling them precisely.

- The impacts of physical risk (both company specific and macroeconomic) are represented based on the average modelled outcome within each scenario except the Hot House World scenario
- The potential adverse impacts of tipping points and tail risks are represented in the Hot House World scenario through showing the 95th percentile worst modelled outcome of physical risks and through use of a more aggressive macroeconomic damage function. This scenario therefore shows more extreme, but plausible, impacts rather than central estimates
- Physical risk outcomes are subject to significant uncertainty and may be non-linear

Scenario outputs should be interpreted as stress tests rather than forecasts and are used directionally to inform risk management and investment decision-making.

Climate scenario modelling continues to evolve and results are subject to ongoing refinement as methodologies and underlying data improve.

## Interpretation of scenarios

The scenarios differ in both the magnitude and timing of risks:

- Orderly scenarios involve earlier action, leading to higher near-term transition impacts but lower long-term physical risks
- Disorderly scenarios reflect delayed action, resulting in increased transition disruption and execution risk
- Higher-warming scenarios are characterised by materially higher physical risks, including system-wide economic impacts

A key insight from the updated analysis is at higher levels of warming, physical risks — particularly macroeconomic impacts — become the dominant driver of portfolio risk. Macroeconomic impacts of physical risk have particular significance for asset classes such as equities, whose performance is closely linked to overall economic conditions. Despite limited direct exposure to some high physical risk sectors (e.g. agriculture), equity performance may be materially affected by indirect impacts through macroeconomic channels.

An additional observation is that current market pricing may imply relatively limited warming outcomes while also reflecting a slower pace of transition. This combination is inconsistent with scientific consensus, which sees slower transition pathways and resulting higher emissions, associated with higher temperature outcomes. This highlights a potential misalignment between market expectations and plausible climate pathways, reinforcing the importance of forward-looking climate risk analysis.

## Climate Value at Risk (CVaR)

Climate Value at Risk (CVaR) is a forward-looking metric used to estimate the potential financial impact of climate risks on portfolios.

**It incorporates:**

| | |
|---|---|
| **Transition risks** | Including policy, technological and market changes; and |
| **Physical risks** | Including both direct damages and broader macroeconomic effects |

The results represent the potential change in portfolio value if climate-related risks under each scenario were reflected in market pricing.

## CVaR results

Table 8: **Climate Value at Risk (% of portfolio)**

| Scenario | Physical Risk | Transition Risk | Total |
|---|---|---|---|
| **Net Zero 2050 (1.5°C)** | –3.2% | –2.0% | –5.2% |
| **Below 2°C** | –6.2% | –1.3% | –7.5% |
| **Delayed Below 2°C** | –6.5% | –1.7% | –8.2% |
| **Business as Usual (BAU)** | –13.1% | 0.0% | –13.1% |
| **Hot House World** | –25.2% | –1.7% | –26.9% |

These results should be interpreted directionally and are intended to support understanding of relative risk across scenarios rather than precise loss estimates.

Source: WTW modelling based on proprietary, MSCI and NGFS data

## Interpretation of results

The analysis highlights how portfolio risk varies across climate pathways:

- Portfolio risk increases materially as warming outcomes rise
- As noted above, physical risks are the dominant driver of losses in higher-warming scenarios, reflecting primarily broader macro-economic disruption
- Aggregate transition risks are more moderate, even in faster transition scenarios. However, this masks a wide underlying distribution where some companies face headwinds and others enjoy tailwinds. Transition risk remains an important component of portfolio risk

## Implications for investment strategy

The analysis highlights several considerations for protecting financial outcomes:

- Warmer scenarios drive large, non-diversifiable macroeconomic (systemic) physical risk which is difficult to diversify away through traditional portfolio construction
- The most significant long-term portfolio risks can only be avoided by limiting warming
- A successful real-economy transition reduces the chance of high temperature scenarios occurring
- The real-economy transition can be supported through understanding plausible transition paths at a sufficiently granular level and integrating this into stewardship and capital allocation decisions
- To the extent possible and all else equal, portfolios should be positioned to be resilient to transition and physical risks

**Within this context**

- Manager selection and engagement remain important in managing transition risk exposures
- Portfolio resilience requires consideration of both transition and physical risk exposures
- Ongoing monitoring, analysis and refinement of climate risk assessments are required as methodologies continue to evolve

# Statement of compliance

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

The disclosures made in this Report are consistent 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 endeavour to continue to improve on our disclosures.

The Sustainability Risk, Product and Control 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 2025 and has been sent to the Board for approval and was approved by the Board of Directors of Towers Watson Limited on 15 June 2026, as reflected by the Director's signature below.

C Hodges.

**Charlotte Hodges**
Towers Watson Limited
15 June 2026

# Disclaimers

## Towers Watson Limited

**Legal notices**

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

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

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

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

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

Any assumptions, scenario analysis and metrics used in this Report have been derived using a blend of economic theory, historical analysis and opinions provided by external asset managers and/or advisers. They inevitably contain an element of subjective judgement. Any opinions or return forecasts on asset classes contained in this disclosure are not intended to imply, nor should they be interpreted as conveying, any form of guarantee or assurance regarding the future performance of the asset classes in question. No economic model can be expected to capture perfectly future uncertainty, particularly the risk of extreme events.

This Report is not intended by TWL to be construed as the provision of investment, legal, accounting, tax or other professional advice or recommendations of any kind or to form the basis of any decision to do or to refrain from doing anything. As such, this Report should not be relied upon for investment or other financial decisions and no such decisions should be taken on the basis of its contents without seeking specific advice.

Furthermore, this disclosure in no way constitutes an invitation to subscribe to any fund mentioned herein. Any reference to underlying funds within a portfolio is only for illustrative purposes and opinions expressed herein may be changed without notice at any time.

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# Glossary

## C

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

## G

**Greenwashing**
Behaviour or activities that make people believe that a company is doing more to protect the environment than it really is.[2]

## N

**Net Asset Value** is the total value of the assets of a company after its total debt has been subtracted.[3]

**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.[4]

## 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[5].

**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.[6]

**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.[7]

**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.[8]



1. Source: The intergovernmental Panel on Climate Change
2. Source: Cambridge Dictionary
3. Source: Cambridge Dictionary
4. Source: Network for Greening the Financial System
5. Source: Science Based Targets initiative
6. Source: PCAF, WTW
7. Source: PCAF, WTW
8. Source: PCAF, WTW

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