

Towers Watson Investment Management Limited
("TWIM")
MIFIDPRU Disclosure Statement
for year ending 31 December 2023

1. Background

Towers Watson Investment Management Limited (TWIM) is a wholly owned subsidiary of the Willis Towers Watson (WTW) Group of Companies. The principal activities of TWIM are to provide investment management services to a range of Irish Domiciled Funds; and to act as Alternative Investment Fund Manager (AIFM) to a UK listed Investment Trust.

This document provides disclosure of required information in line with the Financial Conduct Authority's ("FCA") Investment Firms Prudential Regime (IFPR), under the Markets in Financial Instruments Directive (MiFID). The IFPR was implemented by the FCA, in January 2022, as prudential regulation within "MIFIDPRU", which seeks to address the potential harm posed by investment firms to their clients and the markets they operate in. These rules can be found in the FCA's Prudential Sourcebook for Investment Firms chapter 8 ("MIFIDPRU 8").

2. Scope of Applicability

TWIM is authorised and regulated to conduct investment business by the FCA. Based on its activities, systemic importance, size and interconnectedness of the company, TWIM meets the criteria to be classified as a Non-Small Non-Interconnected Investment Firm (Non-SNI).

Under current FCA IFPR rules, TWIM is considered to be part of a consolidation group with its parent company, Towers Watson Global Limited (TWGL). TWGL is not a MIFID entity, however, it meets the definition of a UK Parent Investment Holding Company (UK PIHC). Therefore, under IFPR, a regulatory consolidated investment group forms between TWGL and its subsidiary, TWIM.

TWGL is a non-trading UK holding company and has no trading activity. Therefore, on the basis that all the ongoing business and risks are in TWIM, this disclosure statement¹ ("Disclosure") pertains exclusively to TWIM business and is, thus, intended to conform with the relevant disclosure requirements in place during the 2023 financial year. Unless otherwise stated, all figures quoted as part of this Disclosure are based on the audited accounts of TWIM for the financial year ending 31 December 2023.

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

3. Risk Management Objectives and Policies

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

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

3.1. Generic Finance Risk Strategy

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

TWIM operates a “three lines of defence” model that distinguishes among three groups (or lines) involved in effective risk management. It is led by 1st line, the TWIM Finance and WTW Finance functions to monitor balance sheet positions and with 2nd line, the Risk team offering support and 3rd line assurance to ensure TWIM Board's oversight on Financial Risks are adequate and effective.

3.2. Specific Risk Strategies

In line with MIFIDPRU 8.2.1, the risk management strategies for managing financial risks specifically in relation to capital requirements, liquidity and concentration are:

- **Capital requirement:** Always maintain the Own Fund threshold requirement at a level prescribed in the MIFIDPRU rules handbook, supported by quarterly monitoring. If a material change, as defined by MIFIDPRU4.5.7, to the projected relevant expenditure is expected, the capital requirement is updated accordingly.
- **Liquidity:** Always maintain the Liquid Asset threshold requirement at a level prescribed in the MIFIDPRU rules handbook, supported by quarterly monitoring. If a material change, as defined by MIFIDPRU4.5.7, to the projected relevant expenditure is expected, the liquidity requirement is updated accordingly.
- **Concentration risk:** TWIM continues to monitor all sources of revenue, trade debtors, suppliers, and client/market segment concentration. Counterparty risk is actively monitored by specialist teams within the TWIM business.

The focus is on “Monitoring” the current position and “identifying” any emerging risks summarised quarterly through risk analysis and reporting provided by TWIM's Risk team and, also, annually through the ICARA process.

3.3. Capital Requirement and Liquidity Risk Processes

TWIM is an integral part of WTW's operating model which utilises WTW group functions to perform controls and execute parts of the process. As part of these arrangements all excess cash other than the cash segregated for Liquid Assets purposes, is deposited with Group Treasury.

This is an integral part of TWIM's operating model whereby all excess cash is swept daily into a facility arrangement with WTW Treasury companies.

TWIM, at all times, meets its liquid asset requirement through a minimum cash balance not part of the sweep arrangement and trade debtors.

3.4. Financial Concentration Risk Processes

Management of financial concentration risk is managed as follows:

- Cash concentration: Excess cash of TWIM is managed by WTW Treasury, who manage the credit and concentration risk in line with WTW policy;
- Trade debtors and client credit concentration: TWIM's key clients and the investor base of the funds that TWIM manages is reviewed quarterly; and
- Sources of earnings/ client credit concentration: Terms of engagement are agreed with all clients. Management has a credit policy in place.

3.5. Financial Risk Controls

Each quarter, TWIM Board of Directors review, the financial results including the cash position and Fixed Overhead Requirement against the available Capital and Liquidity requirement. As noted above, excess cash is managed by WTW Treasury, which manages the credit and concentration risk in line with WTW policy. Further, TWIM Risk team provide risk analysis and risk report on a quarterly basis. In addition, stress testing and reverse stress testing form part of the ICARA.

Any issues or indication of capital requirement, liquidity or concentration risk worsening are reported to the TWIM Board with appropriate management actions and, if a material issue emerges, it will be resolved in line with TWIM's risk management framework and policy.

3.6. Potential for Harm

Managing risks effectively is about balancing exposure against opportunity, striving to be neither reckless nor excessively cautious. The potential sources for harm cover the following key areas:

- Clients could be impacted due to errors made when providing services to clients.
- Clients could also be impacted due to macro-economic factors that may mean fund performance is not as expected.
- Parental failure could impact the way TWIM conducts business through shared corporate functions.

3.7. Controls of harm

Current internal controls in place provide effective mitigation to reduce the above potential sources of harm, although recognising that the risk remains as the current geopolitical environment increases the chance for market volatility. The key controls to protect the firm, client and market from harm are:

- Adherence to an excellence framework and review procedures to reduce the potential for errors.
- Ensuring effective risk management framework and the design and operating effectiveness of internal controls.
- Ensuring adequate diversification within each Fund, according to its guidelines.

4. Governance Arrangements

Governance enables the accountabilities and authorities to be clearly defined and allocated, supporting effective decision making by the appropriate forums. Risk governance consists of the structures and processes through which TWIM manages its risks. TWIM has been appointed by the relevant Funds to provide or procure the provision of management, investment management, co-manufacturing, distribution and administrative services. TWIM's affairs as an AIFM and Investment Manager are supervised by the TWIM Board of Directors ("Board"), who are responsible for the overall management and control of TWIM.

The TWIM Board is responsible for overseeing the design and implementation of the Risk Management framework and setting the risk appetite. This encompasses overseeing the alignment between the company's strategy and risk appetite, risk management processes and controls and promoting a positive risk culture within the company.

TWIM Board is supported by regular attendees from leaders of Legal, HR, Compliance and Risk function, who actively participate in discussions and issues raised in Risk Reports produced by the TWIM Risk team.

4.1. The Board of Directors and other Directorships held

The table below shows the TWIM Board of Directors covering the financial year 2023 and as at 31 December 2023.

Director	Position
Mark Calnan	Chief Executive Officer
Paul Berriman ²	Executive Director
Debra McDonagh	Executive Director

The TWIM Board members consists of 3 people (2 male and 1 female) as at 31 December 2023. WTW's Inclusion and Diversity (I&D) policy is in place along with initiatives to promote the objectives and targets of WTW. TWIM seconds its staff from Towers Watson Limited (TWL) entity who is required to adhere to the WTW's I&D policy. WTW want the makeup of workforce to reflect the varied markets we operate in. To achieve this, TWL is embedding I&D principles to build an inclusive culture ensuring our colleagues feel valued.

4.2. Three Lines of Defence Model

In line with industry practice and an Enterprise-wide Risk Management (ERM) framework, TWIM operates a "three lines of defence" model that distinguishes among three groups (or lines) involved in effective risk management. The first line (business units) is responsible for adopting and maintaining appropriate systems and controls in order to manage the risk to their business. The second line of defence (such as Legal, Compliance and Risk functions) is responsible for designing the risk management processes, used by the first line to manage risks, and monitor the implementation of these processes. The third line of defence (Internal Audit) is responsible for providing independent assurance to the TWIM Board over controls and risk management practices. The roles and responsibilities covering the three lines of defence

² 1 Directorship is held outside the Group

have been clearly defined and detailed in TWIM's framework of policies and procedures.

5. Own Funds

The Company's Own Funds as at 31 December 2023 are set out below. The Own Funds comprise exclusively of Tier 1 Own Funds; namely, ordinary share capital, share premium and retained earnings as described in the balance sheet within these financial statements. There are no Tier 2 Own Funds.

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

Table 1

Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	55,860	
2	TIER 1 CAPITAL		
3	COMMON EQUITY TIER 1 CAPITAL		
4	Fully paid up capital instruments	-	A
5	Share premium	4,212	B
6	Retained earnings	51,648	C
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
19	CET1: Other capital elements, deductions, and adjustments	-	
20	ADDITIONAL TIER 1 CAPITAL	-	
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24	Additional Tier 1: Other capital elements, deductions, and adjustments	-	
25	TIER 2 CAPITAL		
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

Note

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

share capital.

- B. This figure represents share premium resulting from the issue of TWIM's permanent, allotted, called up and fully paid ordinary share capital.
- C. Retained earnings is represented as profit and loss account in the audited balance sheet

Table 2

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

		Amount (GBP thousands)		
		A	B	C
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Trade debtors	5,390	n/a	
2	Amounts owed by group undertakings	63,131	n/a	
3	Intercompany derivative – debtor	59	n/a	
4	Other debtors	-	n/a	
5	Prepayments and accrued income	185	n/a	
6	Cash	3,905	n/a	
XX	Total Assets	72,671	n/a	
Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Trade creditors	776	n/a	
2	Amounts owed to group undertakings	7,788	n/a	
3	Intercompany derivative	0	n/a	
4	Taxation and social security	16	n/a	
5	Corporation tax	5,234	n/a	
6	Accruals and deferred income	2,996	n/a	
XX	Total Liabilities	16,811		
Shareholders' Equity				
1	Called-up share capital	-	n/a	A
2	Share Premium account	4,212	n/a	B
3	Profit and loss account	51,648	n/a	C
XX	Total Shareholders' equity	55,860	n/a	

Table 3

Own funds: main features of own instruments issued by the firm

Called-up share **capital** is permanent, allotted, called up and fully paid ordinary share capital.

6. Own Funds Requirements

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

- (1) its permanent minimum capital requirement under MIFIDPRU 4.4;
- (2) its fixed overheads requirement under MIFIDPRU 4.5; or
- (3) its K-factor requirement under MIFIDPRU 4.6.

A table below summarises the Own Funds Requirements:

	Capital Requirements	Total (£'000 GBP)
A	Permanent Minimum Requirement	75
B	Fixed Overhead Requirement	2,263
C	K-Factor Requirements	6,282
Overall Minimum Own Funds Requirement higher of A, B or C		6,282

A Permanent Minimum Requirement (PMR)

The PMR for TWL is £75,000.

B Fixed Overhead Requirement (FOR)

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

C K-factor Requirement (KFR)

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

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

K -AUM. The K-AUM co-efficient is calculated as 0.02% of the average AUM over the previous 15 months, excluding the most recent 3 months. The K-AUM calculated as at 31 December 2023 is £6,276,894.

K- Client Orders Handled (COH). The COH is the rolling average of the value of total daily client orders handled, measured over the previous six months, excluding the three most recent monthly values. The K-COH calculated as at 31 December 2023 is £5,813.

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

7. Remuneration policies and practices

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

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

Towers Watson Plc Board Compensation Committee, covering remuneration structure and governance, as well as quantitative information on remuneration.

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

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

The table below provides a summary of the remuneration provided to staff identified as TWIM Code Staff, these are people who have influence over the risk profile of TWIM; as well as figures for all TWIM employees, for the period from 01 January 2023 to 31 December 2023.

Remuneration Type	TWIM Senior Management	TWIM Other MRT's	All TWIM Employees
	(£GBP)	(£GBP)	(£GBP)
Total No. of colleagues	5	16	
Fixed Remuneration	928,048	1,925,072	2,853,120
Variable Remuneration	2,179,550	1,912,951	4,092,501
Total Remuneration	3,107,598	3,838,022	6,945,621

Variable Remuneration Type (split)	TWIM Senior Management (£GBP)	TWIM Other MRT's (£GBP)
Cash	335,890	725,654
Cash (LTI)*	1,253,575	995,486
Shares (LTI)*	589,917	184,349
Shares (Other)*	168	7,461
Total Variable Remuneration	2,179,550	1,912,951

* deferred variable remuneration

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

Guaranteed Variable Remuneration	TWIM Senior Management (£GBP)	TWIM Other MRT's (£GBP)
Total Guaranteed Variable Remuneration	0	0

Aggregate fixed and variable remuneration	TWIM Senior Management (£GBP)	TWIM Other MRT's (£GBP)
Fixed Compensation	928,048	1,925,072

Variable Compensation	2,179,550	1,912,951
Total	3,107,598	3,838,022
Cash	2,517,513	3,646,212
Non- Cash	590,085	191,811
Total	3,107,598	3,838,022

Deferred remuneration

The table below outlines the movement in the fair value of outstanding deferred remuneration for the year ending 31 December 2023:

Deferred Remuneration	TWIM Senior Management (£GBP)	TWIM Other MRT's (£GBP)
Deferred compensation awarded for 2023	1,843,492	1,179,835
Deferred compensation awarded prior to 2023 vested and paid during 2023	2,191,725	1,400,982
Deferred compensation awarded prior to 2023 not yet vested	4,588,371	3,139,271

Sign-on and severance payments

During the year ended 31 December 2023, there were no severance payments made in relation to MRTs.

8. Investment Policy

No investments are directly held by TWIM.