1. Introduction

Our commitment to Environmental, Social and Governance (ESG) is multifaceted and one that continues to evolve with our company. Through our work in this area, we demonstrate that we are a responsible and ethical business partner and employer.

Underpinning everything we do, including our ESG commitments, is our Code of Conduct and company values of client focus, teamwork, respect, excellence and integrity. Our Code is an important guide for how we do business and it details the behaviours that each of our colleagues is expected to model. Through adherence to the Code, we demonstrate to our clients, colleagues, shareholders and communities that we do business in a way that supports and furthers our values.

Our clients, colleagues and other stakeholders expect us to conduct business with integrity, in an environmentally and socially responsible manner and with the highest ethical standards.

In the sections that follow, this document sets out details of the integration of sustainability into our investment process. More broadly, Willis Towers Watson is committed to ESG in the following ways:

i. Conducting our business based on our Code of Conduct and our company values, which emphasise managing all relationships with fairness, decency and good citizenship

ii. Partnering with our clients and communities to help address their social and economic challenges. We accomplish this through a combination of our business services and corporate programs

iii. Fostering a culture of mutual respect and security, an inclusive and diverse work environment, an array of professional development opportunities, safe working conditions and fair hiring and labour standards

iv. Implementing substantial information security safeguards, policies, standard and controls, which are aligned with ISO 27001

v. Strengthening our communities through philanthropic activities, including matching gifts and volunteer day programs that provide our colleagues with paid opportunities to volunteer their time and amplify their charitable giving through gift matching

vi. Minimising our environmental impact and carbon emissions through improvements to energy efficiency in our operations, leveraging technology to reduce our need for business travel, promoting recycling, minimising the waste we send to landfill, purchasing environmentally-responsible office supplies and encouraging our colleagues to adopt environmentally-responsible habits

vii. Improving our suppliers’ ESG impacts by increasing our demand for and use of goods that are developed in a sustainable way and contribute to a reduced carbon footprint, tracking supplier diversity, including ESG questions and evaluation criteria within our procurement processes, and having in place a supplier contract that stipulates all operations must be conducted in full compliance with all applicable laws in connection with the contract.

Further information on our commitments can be found on the following link: www.willistowerswatson.com/en-GB/About-Us/environmental-social-and-governance
2. Purpose and scope of this policy

The purpose of this document is to set out the policies of certain WTW entities ("Firms"), on the integration of sustainability risks in our investment decision-making processes. These Firms are listed below:

- Towers Watson Investment Management (Ireland) Limited – providing funds management
- WTWI GMBH – providing investment management and advice
- Towers Watson Netherlands – providing investment advice
- Willis Human Capital and Benefits Limited – providing investment advice
- Willis Towers Watson (Ireland) Limited – providing investment advice

The EU Sustainable Finance Disclosure Regulation ("SFDR") requires these Firms to formalise how sustainability is integrated into their business and processes, and to make new public and client-facing disclosures on sustainability matters.

This document sets out our policies in respect of the integration of sustainability risks in our investment decision-making processes and investment advice. The policy applies to the Firms, and applies in respect of all portfolio management services, investment advisory services and Authorised Investment Fund (AIF) management carried on by the Firms.

This policy forms part of the wider WTW Enterprise Risk Management Policy that the Firms above are subject to.

Further information on our other policies and documentation related to sustainability can be found as follows:

- Sustainable Investment Policy
- WTW Principles for Responsible Investment Transparency Report available at [unpri.org](http://unpri.org)

Under SFDR, "sustainability risk" means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. Some examples of relevant sustainability risks are included in the Appendix to this document.

When we act as a fiduciary, we have a responsibility to act in the best interests of our clients, and this includes appropriately taking account of how those ESG risks could impact on our clients' investments.

For the purposes of SFDR, this sustainability risk policy is not concerned with the risk of harm that our investment decisions may do externally to sustainability factors. The external harm of investments is covered by a separate regime under SFDR, which considers the principal adverse impacts of a firm's investment decisions on sustainability factors. Given the delay in ESMA's publication of the more detailed Regulatory Technical Standards, the final draft of which was issued on 4 Feb 2021 (and yet to be approved by the European Commission), we are still considering our approach in respect of the principal adverse impacts. We intend to set out how we do this within our due diligence policy which will be publicly available on [willistowerswatson.com](http://willistowerswatson.com) from 30 June 2021.

In addition, SFDR is not specifically concerned with the risks that sustainability events may cause to each of the Firms own balance sheet or prudential position. Such risks are dealt with in other policies and documentation.

This policy applies as from 10 March 2021.
3. Governance and senior management responsibility

Each Firm’s Board of Directors are ultimately responsible for the policies and procedures in respect of sustainability risks.

The Global Chief Investment Officer for the Investment Services of Willis Towers Watson is responsible for and oversees all our investment content and portfolio management, including Sustainable Investment (SI). In addition, the Head of Sustainable Investment of the Investments Line of Business, who reports to our Global Chief Investment Officer, is tasked and empowered to ensure teams and individuals are applying best practice SI principles, as well as providing advice and training to associates as necessary. Consideration of SI risks and the likely impact on risk/returns is integrated into our overall research and conviction in the products we recommend to our advisory clients.

As part of our SI governance, there is a SI Steering Group, a decision-making group, responsible for directing, overseeing, prioritising and keeping track of the SI activities undertaken. The SI Steering Group membership includes both the Global Chief Investment Officer and the Head of Sustainable Investment. This is supported by a SI Taskforce of key senior leaders across the business, which draws together input from different parts of the business to contribute to and help achieve the SI agenda.

Each colleague applies SI as tailored to their particular role, further supported by a network of over 75 SI champions across the business. These SI champions are key in applying our beliefs and framework to their particular team and area of expertise, and the network has representation across all our teams and geographies.

Each Firm’s Board of Directors has approved this policy and the related procedures, including the Firm’s integration of sustainability risks into investment decision making.
4. Overall approach

Within our Investments business, we provide investment research, advice and solutions to institutional investors to help them achieve their investment objectives. Please refer to www.willistowerswatson.com/en-GB/Solutions/investments for more information.

Sustainable investment ("SI"), we believe, is central to successful long-term investment outcomes and a key part of Willis Towers Watson's beliefs and investment approach.

SI describes long-term, finance-driven strategies that integrate environmental, social and corporate governance ("ESG") factors, effective stewardship and real-world impact in investment arrangements. This reflects, in our view, good risk management and supports a robust investment industry. We believe that the principles underlying SI form the cornerstone of a successful long-term investment strategy and that SI considerations can materially improve risk and/or return for our portfolios.

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

SI is embedded within our research, advice and solutions. In the course of our research and analysis, we will look across a full range of potential sustainability risks and opportunities, which may be both financially material and non-financial material. Unless client-specific objectives or requirements necessitate, we look to identify and integrate those risks and opportunities that we judge to be financially material.

In advisory client relationships, the scope and nature of our work is governed by the Terms of Engagement in place with each client. Whilst SFDR applies only to advice in relation to product selection, however, we look to integrate SI fully into all our advice, whether undertaking general investment advice or advice specific to sustainability in isolation. We integrate sustainability/ESG factors across all aspects of our advice, beginning with mission and beliefs, risk management, portfolio construction, through to manager selection, implementation, and monitoring.

Our fiduciary management/delegated services and fund solutions look to be a complete reflection of our investment expertise – building portfolios comprising our best thinking on return generation and robust risk management. We leverage the breadth of our research and insight to integrate sustainability, including ESG factors, stewardship, long termism, climate and real-world impact across our investment processes, tools and decision making. As with all our services and solutions, we look to tailor our approach to the specific context and needs of our clients, and remain governed by the Terms of Engagement and Investment Guidelines in place with each client. This may result in some client-specific objectives and a tailoring of our services and solutions to best match their requirements. Our approach to integrating sustainability, and the tools and solutions we have available for this integration, give us the flexibility to tailor what we do to each client as appropriate.
5. Sustainability risk management

As part of our broader risk management processes when investing, we have implemented procedures with respect to sustainability risks across integration, stewardship and monitoring and reporting, as outlined below.

5.1 Integration

**Identifying investment opportunities and risks**
Sustainability and ESG are key factors in identifying themes and asset classes we pursue, avoid, overweight or underweight in the portfolios. Determining these views is an exercise of ongoing collaboration across all our research teams, the Thinking Ahead Institute and portfolio management.

**Long-term themes**
Our asset research team analyse long-term global trends and have developed detailed long-term themes in conjunction with the Principles for Responsible Investment (PRI). We consider the exposure of our portfolios to these themes, and believe that assets that align well with them not only stand to benefit and profit from the shift in global capital as the trends accelerate and are more widely adopted, but also create positive change for society. We believe the converse is true also.

**Manager research**
We have a formal process for integrating SI 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 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.

In order to better assess the quality of sustainable investment approaches, our focus varies by asset class. For example, in listed equities we particularly emphasise voting and engagement activity. In real estate, we often focus more on specific and detailed environmental, social and governance practices that are applied to the assets.

In addition, we recognise that long-term themes may create return opportunities and we explore these through our manager research process too, where we look for positive alignment, particularly in private markets.

Finally, a large part of our manager research process is based on assessing the culture in place at the asset manager. SI plays a significant part in this culture assessment, including inclusion and diversity principles.

**Portfolio management**
Our portfolio construction process focusses 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 requirements, as well as help to ensure our portfolios are resilient to a range of sustainability-related issues and/or able to take advantage of sustainability-related opportunities.

SI is 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 two dimensions.

1. **Portfolio resilience** – exposure of the portfolio to sustainability-related risks and opportunities.
2. **Manager SI integration** – the extent to which, and success with which, sustainability is incorporated into the decisions made by managers in the portfolio.

**Portfolio tools**
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 below.

- **Portfolio resilience scoring** – aggregating security-level ESG data to indicate the total exposure of a portfolio (or parts of a portfolio) to a wide range of sustainability issues.
- **Scenario analysis** – used to stress-test our portfolios, including for example on realistic global emissions pathways to assess portfolio quality in the face of various climate change scenarios.
- **Physical risk mapping** – using location data to assess assets’ exposure to a range of physical risks and perils under a variety of climate change scenarios.
- **Thematic risk and opportunity exposure** – identifying key trends and sub-trends with outsized risks and opportunities, and mapping portfolios to minimise exposure to the former and maximise exposure to the latter.
We currently use a variety of third-party data sources as input to some of these tools. For example, in our equity, corporate credit, and sovereign bonds exposures (including exposure through hedge funds), we make use of MSCI ESG Research which allows analysis of holdings-level ESG scores, their component E, S and G aspects, key climate change related metrics, and controversy data. 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.

These tools are combined within our overall portfolio construction tool which assesses all the lenses of portfolio quality that we consider, and allows us to build portfolios that weigh these lenses according to our investment beliefs, market conditions and client contexts.

5.2 Stewardship

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

- Asset manager engagement
- Security-level engagement
- Voting
- Public policy, advocacy and collaboration

We also engage extensively with our clients, and with asset owners in general. This is partly to ensure that we provide the best possible services and outcomes now and into the future with a close understanding of their needs. However, this engagement is also important to help them shape and contribute to a sustainable investment industry where they themselves can be influential and advocate for and support positive change.

5.3 Monitoring and reporting

In respect of monitoring and reporting, we undertake a wide range of activities as part of our research, portfolio management and client services. Our monitoring and reporting in respect of sustainability risks and opportunities is consistent with the principles and activities outlined above. We look to identify, monitor and report against sustainability risks and opportunities that are financially material in the given investment context, and we also look to align our report with regulatory standards and recognised good practices.

We have a range of monitoring and reporting that we use and provide to clients, including:

- Manager Research Sustainable Investment reports (including voting and engagement data where appropriate)
- Sustainability portfolio scorecard
- Climate change exposure analysis including carbon footprinting

Our monitoring and reporting draws on both internal research and external third-party data. We look to include sustainability reporting on a regular basis as part of our standard monitoring and reporting services to clients. We view this monitoring and reporting as an important tool to help with the effective oversight of a client's investments, aligned to their ultimate investment objectives.

Where TWIMI delegates its portfolio management to a third party

As part of its modus operandi, TWIMI as a management company to alternative investment funds (“AIFs”) for one of its funds, delegates portfolio management services to underlying portfolio managers (i.e. Delegates), all of which are domiciled, authorised and regulated outside of Ireland. In this scenario, TWIMI ensures that its delegates meet its required standards in the scope of ESG as part of its ongoing oversight and monitoring of its delegates.

Further details on our investment manager engagement principles and activities can be found in our Sustainable Investment Policy.
6. Disclosure of this policy

SFDR requires that we must publish on our website information about this policy. We satisfy this requirement by disclosing this policy itself on our website.

SFDR also requires that we must include, in the pre-contractual disclosures for our financial products, a description of the manner in which sustainability risks are integrated into our investment decisions. We satisfy this requirement by disclosing a separate summary of this policy’s specific application to the product in question in pre-contractual disclosures.

For these purposes, “pre-contractual disclosures” means the prospectus or offering document for a fund, and the investment management agreement or other terms and conditions for a portfolio management service.
Appendix

Relevant sustainability risks

As noted above, including in Section 5.1, we have taken steps to identify environmental, social and governance risks which could, if they occur, cause an actual or a potential material negative impact on the value of an investment. A non-exhaustive list is below.

**Environmental sustainability risks for the value of our clients’ portfolios include:**

- Climate change – physical, transition and liability risks
- Air pollution
- Water pollution
- Biodiversity loss
- Deforestation
- Poor waste management practices
- Water scarcity
- Resource depletion

**Social sustainability risks for the value of our clients’ portfolios include:**

- Human rights violations
- Human trafficking
- Modern slavery/forced labour
- Breaches of employee rights/labour rights
- Child labour
- Health and safety concerns and malpractices
- Poor sustainability practices in the supply chain
- Workplace harassment, discrimination and bullying
- Restrictions on or abuse of the rights of consumers
- Infringements of rights of local communities/indigenous populations

**Governance sustainability risks for the value of our clients’ portfolios include:**

- Lack of diversity at Board, governing body or executive level
- Inadequate external or internal audit
- Infringement or curtailment of rights of (minority) shareholders
- Bribery and corruption
- Poor executive pay practices
- Poor safeguards on and breaches of data and security
- Discriminatory employment practices
- Restrictions on rights of collective bargaining or trade unions
- Inadequate protection for whistleblowers
- Inappropriate political lobbying and donations
- Inappropriate tax strategy
About Willis Towers Watson
Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 45,000 employees serving more than 140 countries and markets. We design and deliver solutions that manage risk, optimise benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas — the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com.