The Willis Pension Scheme

Statement of Investment Principles
February 2021

1 DEFINITIONS

DB: Defined Benefit: A defined benefit pension scheme promises members a certain amount of money each year from retirement. The amount promised will (broadly speaking) be based on how many years the member has worked for the employer and their pensionable salary.

AVC: Additional Voluntary Contribution: Some members may pay additional voluntary contributions (AVCs) to build up better benefits in the Scheme. Except where a member is buying added years, AVCs are used to build up an individual AVC savings account in the same way as a defined contribution scheme.

ESG: Environmental, Social and Governance: ESG refers to important broader considerations that the Trustee and Investment Managers take into account when making investment decisions. The following are examples of these sorts of considerations:

- impact of the investment on climate (environmental);
- how the manufacture or consumption of a product might affect the wider community (social); and
- the policies that a company has in place in relation to remuneration and addressing the gender pay gap (governance).

Sustainable Investment: the incorporation of ESG factors into the investment decision making process.

2 INTRODUCTION

2.1 This Statement of Investment Principles (SIP) has been prepared by Willis Pension Trustees Limited (“the Trustee”) as the Trustee of Willis Pension Scheme ("the Scheme"). It sets out the principles and policies governing investment decisions made by or on behalf of the Trustee in the management of the Scheme’s assets on behalf of its members.

2.2 The SIP has been prepared in accordance with all relevant legislation.

2.3 The Trustee has sought appropriate advice from their Investment Adviser in drafting the SIP and have consulted Willis Group Limited ("the Principal Employer") which represents the UK employing companies ("the employing companies"), all of which are its subsidiaries.

3 GOVERNANCE

3.1 The Scheme operates for the purpose of providing retirement and death benefits to members.

3.2 The Trustee has appointed an investment manager to manage the Scheme's assets on a discretionary basis (the Fiduciary Manager). The Fiduciary Manager will be responsible for the balance within and between investments, with the objective of maximising the probability of achieving the Scheme's investment objectives set by the Trustee.

3.3 The Trustee maintains overall responsibility for investment matters for the Scheme. As part of this, the Trustee is responsible for:

3.3.1 reviewing, at least annually and immediately after any significant change in investment policy, the content of this Statement of Investment Principles (SIP) and modifying it if deemed appropriate

3.3.2 reviewing the investment objectives and policy following the results of each actuarial review, and/or asset liability modelling exercise, in consultation with the Scheme's Investment Adviser and Actuary

3.3.3 assessing the quality of the performance and procedures of the Scheme's Fiduciary Manager by means of quarterly reviews of the investment results and other information, in consultation with the Scheme's Investment Adviser and where appropriate the Fiduciary Oversight Provider,

3.3.4 consulting, if felt appropriate, with the Principal Employer when reviewing investment objectives and policy or the appointment and removal of the Fiduciary Manager.

3.3.5 Appointing (and dismissing) the custodian, Investment Adviser and Fiduciary Manager

3.3.6 Monitoring compliance with this Statement on an ongoing basis

3.4 To help the Trustee to fulfil its responsibilities, the Trustee may delegate certain decisions to sub-committees of the Board.

3.5 The Trustee relies on the Scheme's Investment Adviser, Scheme Actuary, Fiduciary Manager and investment managers to provide the expertise required to run the investments of the Scheme.

3.6 The Scheme's Investment Adviser will be responsible for:

3.6.1 participating with the Trustee in annual reviews of the SIP in consultation with the Scheme's Actuary

3.6.2 undertaking project work as required, including reviews of the Trustee' investment objectives and policy

3.6.3 complying with the terms of the Sponsor Conflict Risk Protocol

3.7 The Fiduciary Manager's discretion is subject to guidelines set by the Trustee in the Fiduciary Management Agreement between the parties as amended from time to time (the "FMA"). In exercising investment discretion, the Fiduciary Manager is required to act in accordance with its obligations in the FMA, including the guidelines and any investment resrictions set out therein, and in so doing is expected to give effect so far as reasonably practicable to the principles contained in this SIP. This ensures appropriate incentivisation and alignment of decision-making with the Trustee's overall objectives, strategy and policies.

3.8 The Scheme Actuary will be responsible for:

3.8.1 liaison with the Scheme's Investment Adviser on the suitability of the Trustee's investment objectives and policy given the financial characteristics of the Scheme

3.8.2 reporting on the funding level of the Scheme and advising on the appropriate response to any shortfall

3.8.3 performing the triennial (or more frequently as required) valuation of the Scheme and advising on the appropriate contribution levels

3.9 Where considered appropriate, the Trustee will seek advice from a Fiduciary Oversight provider in relation to the Fiduciary Manager appointment. This may consider areas such as:

3.9.1 The appropriate investment governance model for the Scheme

3.9.2 The initial selection of the Fiduciary Manager and any subsequent selections

3.9.3 The ongoing assessment of Fiduciary Manager suitability, performance and activity

3.9.4 The setting of and amendment to the Fiduciary Manager investment guidelines

4 INVESTMENT OBJECTIVES

4.1 The Trustee's primary funding objective is that the Scheme should be able to pay member benefits as they fall due. In order to meet this objective the Trustee looks to do the following:

4.1.1 hold assets to generate income and capital growth, which together with contributions from the employing companies and Scheme members meet the cost of current and future benefits for members

4.1.2 to limit the risk of the assets failing to meet the liabilities of the Scheme as determined by the current actuarial valuation of the Scheme

4.1.3 to minimise the long-term funding costs of the Scheme by maximising the return on the assets whilst having regard to the other objectives above

5 INVESTMENT STRATEGY

5.1 The investment objective and strategic return target is defined by the Trustee and reviewed in detail following each actuarial valuation.

5.2 The current investment strategy agreed in July 2020 following consultation with the Principal Employer is to target a return of 1.0% pa in excess of gilts with an ex-ante tracking error of less than 5%. This is consistent with the long term objective to be 100% funded on a low risk gilts+0.25% basis by December 2024. The Trustee has agreed in principle to move to a lower risk portfolio targeting a return of 0.75% pa over gilts p.a. once the funding objective has been achieved. This objective is consistent with the schedule of contributions agreed with the Principal Employer.

5.3 This will be achieved through investing in an appropriate combination of the asset classes set out below. The mix between the asset classes is delegated to the Fiduciary Manager, subject to achieving the return target outlined above.

Asset type	Consists of	Permitted range
Return-seeking assets	Equities Diversified Growth Fund	0-10%
Liability matching assets	Government bonds (including derivates and cash) Alternative Credit Corporate bonds (inc. CLOs) Secure Income Assets	0-100% 0-10% 0-50% 0-20%

5.4 The Scheme will hold assets in cash and other money market instruments from time to time as may be deemed appropriate.

5.5 The Trustee will monitor the liability profile of the Scheme and will regularly review, in conjunction with the Investment Advisor and the Scheme Actuary, the appropriateness of its investment strategy.

5.6 The expected return of all the Scheme’s investments will be monitored regularly by the Fiduciary Manager and will be directly related to the Scheme’s investment objective.

5.7 The Trustee’s policy is that there will be sufficient investments in liquid or readily realisable assets to meet cash flow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the allocation of the Scheme's overall investments, where possible.

5.8 The Trustee’s policy is to target a level of hedging through the use of both physical assets and derivatives so that the assets mimic the movement in the value of the section’s liabilities. This includes:

5.8.1 Interest rate risk hedging: the policy is to hedge interest rate risk inherent within the liabilities to protect the assets from fluctuating long-term interest rates. The Trustee has a target hedge ratio of 100% of ‘self-sufficiency’ liabilities.

5.8.2 Inflation hedging: the policy is to hedge inflation risk inherent within the liabilities to protect the assets from changes to inflation expectations. The Trustee has a target hedge ratio of 100% of ‘self-sufficiency’ liabilities.

5.8.3 Currency hedging: the policy is to hedge a proportion of overseas currency exposure back to Sterling such that the overseas exposure is no more than 20% of the total portfolio.

5.8.4 Longevity hedging: the policy is to hedge a proportion of the risk from an unanticipated increase in member life expectancy that could increase the length of time over which pension payments are paid.

6 SUSTAINABILITY ISSUES, ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) ISSUES AND RIGHTS ATTACHING TO INVESTMENTS

6.1 The Trustee considers sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, in the context of their broader risk management framework.

6.2 The Trustee has articulated the following sustainability beliefs to ultimately deliver member benefit security:

6.2.1 Mission statement: Sustainable investment can have a material financial impact on investment outcomes, and so investing responsibly is a key part of successful mission delivery for our members.

6.2.2 Climate change: Climate change is the single biggest ESG risk and therefore deserves ongoing focus under the Scheme's strategy.

6.2.3 Alignment: The views and positioning of the Sponsor around sustainability should be considered in making decisions regarding the Scheme's strategy. We will actively seek to communicate the agreed policies with the Scheme's members.

6.2.4 Integration: Sustainability should be integrated throughout the investment process in order to drive improved risk-adjusted return, assess the real-world impact and to manage regulatory and reputational risks.

6.2.5 Impact/Exclusions: Exclusions (banning investments in certain industries/companies) are not likely to be a material part of investment strategy but the Trustee will ensure it understands any applied on the Scheme's behalf.

6.2.6 Impact investing (investments with the primary aim of creating a measurable social impact) are to be considered, with the view to invest in line with long term themes which have positive sustainability tailwinds. In the event several investment opportunities are available that equally meet the Scheme's financial obligations then the Trustee has a preference that SI and ESG credentials would be prioritised in the decision-making process.

6.2.7 Stewardship: It is important we exercise our stewardship responsibilities effectively, and where appropriate participate in collaborative initiatives to both build consensus and to exert influence.

6.3 The Trustee have adopted a medium-term time horizon for the assessment of financially material risks.

6.4 As part of its engagement policy, the Trustee considers reporting from the Scheme's Fiduciary Manager on at least an annual basis in order to assess:

6.4.1 The sustainable investment policy and activities of the Fiduciary Manager and how these have been applied to the Scheme's portfolio

6.4.2 the sustainable investment, stewardship (including voting), ESG characteristics and engagement activities of each of the Scheme's investment managers

6.4.3 other relevant matters in relation to the Scheme's investment managers including capital structure of investee companies and the associated management of actual and potential conflicts, other stakeholders and the ESG impact of underlying holdings.

6.5 Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the Fiduciary Manager further to understand the reason for this and to encourage it to engage with the manager on the Trustee's behalf.

6.6 The Trustee expects the Fiduciary Manager to assess the alignment of each investment manager's approach to sustainable investment (including engagement) with its own before making an investment on the Scheme's behalf and on a periodic basis and engage with the investment managers to encourage further alignment as appropriate.

6.7 The Trustee expects the Fiduciary Manager to engage with the Scheme's investment managers where the Fiduciary Manager considers this appropriate regarding their approach to stewardship with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings.

6.8 The Trustee encourages and expects the Scheme's investment managers to sign up to local or other applicable stewardship codes, in keeping with good practice, subject to the extent of materiality for certain asset classes.

6.9 The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments to its investment managers.

6.10 The Trustee does not currently take into account non-financial material considerations in designing or implementing the investment strategy. This includes consideration of the views of members and beneficiaries of the Scheme, although this approach is expected to be reviewed and developed over time. The Trustee has taken into consideration the membership profile and nature of the Willis Towers Watson business when setting this Sustainable Investment approach.

7 INVESTMENT MANAGEMENT

7.1 The Fiduciary Manager uses a number of different managers and mandates to implement the Trustee's investment policies.

7.2 The Trustee has delegated investment selection, de-selection and the ongoing management of relationships with investment managers to the Fiduciary Manager within guidelines set by the Trustee in the FMA. Investments will be made by the Fiduciary Manager on behalf and in the name of the Trustee, either directly in pooled vehicles or by the appointment of third party investment managers to provide discretionary investment management services to the Trustee.

7.3 The Trustee considers the Fiduciary Manager's performance in carrying out these responsibilities as part of its ongoing oversight of the Fiduciary Manager. The Trustee expects the Fiduciary Manager to ensure that the Scheme's investment portfolio, in aggregate, is consistent with the policies set out in this SIP. The Trustee expects the Fiduciary Manager to:

7.3.1 check that the investment objectives and guidelines of any pooled vehicle are consistent with the Trustee's policies contained in the SIP;

7.3.2 set appropriate guidelines within each investment management agreement for segregated investments with a view to ensuring consistency with the Trustee's policies contained in the SIP.

7.4 The selection of specific investments will be delegated to investment managers. The investment managers will provide the skill and expertise necessary to manage the investments of the Scheme competently.

7.5 The Trustee and Fiduciary Manager are not involved in the investment managers' day-to-day method of operation and do not directly seek to influence attainment of their performance targets. However, the Fiduciary Manager may provide investment recommendations to the investment managers of certain pooled funds appointed where it considers it appropriate. The Fiduciary Manager will maintain processes to ensure that performance and risk are assessed on a regular basis against measurable objectives for each investment manager, consistent with the achievement of the Scheme's long term objectives.

7.6 The Trustee expects the Fiduciary Manager to select investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets.

7.7 When assessing an investment manager's performance, the Trustee expects the Fiduciary Manager to focus on longer-term outcomes, commensurate with the Trustee's position as a long term investor. Consistent with this view, the Trustee does not expect that the Fiduciary Manager would terminate an investment based purely on short-term performance but recognises that an investment may be terminated within a short timeframe due to other factors such as a significant change in the relevant manager's business structure or investment team. The Trustee adopts the same long term focus as part of its ongoing oversight of the Fiduciary Manager.

7.8 For most of the Scheme's investments, the Trustee expects the Fiduciary Manager to select investment managers with a medium to long time horizon, consistent with that of the Scheme

7.9 The Trustee expects the Fiduciary Manager to work with investment managers who will use their engagement activity to drive improved performance over medium to long term periods within the wider context of long-term sustainable investment.

7.10 The Trustee expects the Fiduciary Manager to consider the fee structures of investment managers and the alignment of interests created by these fee structures as part of its investment decision making process, both at the initial selection of an investment manager and on an ongoing basis.

7.11 Investment managers are paid an ad valorem fee, in line with normal market practice, based on the value of assets that they manage for a given scope of services which includes consideration of long-term factors and engagement. Some of the managers may be paid incentive fees based on the performance achieved. The Trustee expects the Fiduciary Manager to review and report on the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover.

7.12 To maintain alignment with the SIP, investment managers are provided with the relevant sections of the most recent version of the Scheme's Statement of Investment Principles on an annual basis and are required to confirm that the management of the assets is consistent with those policies.

8 RISK MEASUREMENT AND MANAGEMENT

8.1 The Trustee recognises and monitors a number of risks involved in the investment of the assets of the Scheme, including:

Risk	How is it measured?	How is it managed?
Solvency risk and mismatching risk	Through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current alternative investment policy	Through the asset allocation strategy and through ongoing triennial actuarial valuations
Investment manager risk	The expected deviation of the risk and return, as set out in the managers' objectives	Through the diversification of the Scheme's assets across a range of investment managers with different styles
Currency risk	The level of concentration of any one currency leading to the risk of an adverse influence on investment values arising from currency movements	Through holding the majority of the Scheme's assets in Sterling, the currency in which benefits are paid out
Political risk	The level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention	Regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy
Liquidity risk	The level of cashflow required by the Scheme over a specified period	The Scheme administrator assesses the level of cash held in order to limit the impact of the cash flow requirements on the investment policy
Sponsor risk	The level of ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit	Assessment of the interaction between the Scheme and the sponsor's business
Custodial risk	Assessment of the Custodians' ability to settle trades on time and provide secure safekeeping of the assets under custody	Through the agreement with third party Custodians and ongoing monitoring of the custodial arrangements
Longevity risk	The expected impact of members living longer than expected in terms	By allowing for changes in future mortality within the actuarial

	of the impact on the Scheme's liabilities.	valuation basis. The Scheme has hedged part of this risk by entering into a longevity swap that removes the longevity risk from a portion of the Scheme's liabilities.

9 APPENDIX 1: ADDITIONAL SCHEME DETAILS

9.1 Until 6 April 2016, members of the Scheme were covered by a contracting-out certificate issued by the National Insurance Contributions Office under Part III of the Pension Schemes Act 1993. As a result, both the members of the Scheme and the employing companies paid reduced National Insurance contributions, and the Scheme undertakes to provide each member with benefits that meet the statutory requirements.

9.2 The Commissioners of Inland Revenue have approved the Scheme as an "exempt approved scheme" under Section 592 of the Income and Corporation Taxes Act 1988, and as such the Scheme is a Registered Scheme under the provisions of sections 186 and 187 of the Finance Act 2004. This approval enables the members and the employing companies to obtain tax relief on their contributions and allows the investment income of the Scheme to be exempt from certain taxes.

9.3 Members have the opportunity to make Additional Voluntary Contributions to enhance their benefits under the Scheme. The Trustee currently provide a range of cash, with profits and unit linked investment options through external providers which are reviewed regularly.

10 APPENDIX 2: INVESTMENT BELIEFS

10.1 The Trustee's mission is to reach full funding on an appropriate low risk basis in the near term and thereafter invest in a low risk cashflow generative portfolio

10.2 The Scheme's key competitive advantages are its long time horizon and the resources and knowledge of the Trustee and its advisors

10.3 Strong governance of complex areas of the portfolio can be achieved through delegation

10.4 The Trustee will aim to minimise the risk of mission impairment by establishing and managing to a defined risk tolerance

10.5 Risk is multi-faceted, and exploiting a breadth of return sources provides a more robust portfolio and protects against downside/tail risks

10.6 It is sensible to hedge all unrewarded risks when cost effective to do so and ensure that no single risk dominates the portfolio

10.7 Dynamic asset allocation based on views on investment markets can add value and the Trustee has the resources to implement a more dynamic approach

10.8 Some skilful managers can add sustainable value after their fees in inefficient markets and it is possible to identify these managers

10.9 The Trustee should ensure the Scheme receives value for money for all services

10.10 The Trustee will work collaboratively with the Sponsor, as the ultimate underwriter of members' benefits

10.11 Sustainability should be integrated throughout our investment process in order to drive improved risk-adjusted return, and to manage regulatory and reputational risks

11 Appendix 3: Derivative risk manangement

11.1 The Trustee understands and expects the Fiduciary Manager to mitigate the following risks associated with using derivatives for risk management.

11.1.1 Counterparty risk – this risk is mitigated through collateral management, diversifying exposure across counterparties, and the use of robust ISDA, GMRA or other relevant derivatives documentation.

11.1.2 Basis risk – the returns from backing assets used to meet the payable leg of a derivative contract may not match exactly. This risk is addressed through the investment policy adopted by the Trustee for the backing assets and the investment managers' asset management capabilities.

11.1.3 Liability risk – pension liabilities can only be estimated and there is a risk of divergence between the performance of the derivatives and the actual value of the liabilities (for example, due to changes in assumptions or demographics). This risk is mitigated by updating the liability hedging benchmark at appropriate on a regular basis.

11.1.4 Legal and operational risk – the successful operation of derivatives depends on the various legal documents governing the derivative contracts and the correct completion of some operational tasks. The Trustee take appropriate advice when putting in place legal documents, reviewing legal documents already in place and appointing and monitoring providers capable of carrying out the required operational tasks.

11.2 The Trustee is also aware of the risks relating to the initial terms of entry into derivative contracts (for example, purchasing the contracts at a competitive price) and the valuation of the derivatives on an ongoing basis. With the help of their advisors, the Trustee monitor these positions on a regular basis.