

Pillar 3 Disclosures

Willis Human Capital &
Benefits Ireland
Limited

Financial Year ended 31 December
2018



Background

The Capital Requirements Directive applying the Basel capital adequacy framework to all investment firms, banks and building societies was implemented in 2006. The CRD comprised three key components or 'pillars' as follows:

- Pillar 1: Minimum Capital requirements
- Pillar 2: Supervisory review
- Pillar 3: Market Discipline/Disclosure requirements

The implementation of the CRD required regulated firms to make changes to the way their capital requirements are calculated (Pillar 1), the process for supervisory review of the firm's risk management framework and capital adequacy (Pillar 2) and the disclosure to the market of key information about risk exposures and risk management processes (Pillar 3).

Since 2006, this regulatory framework has further developed. The EU approved the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR) in June 2013. CRD IV requirements include respective regulatory and technical standards published by the European Banking Authority (EBA). The CRD IV legislation was implemented on a phased basis from 1 January 2014, with full implementation by 2019. The Central Bank of Ireland has published an 'Implementation Notice on Competent Authority Discretions and Options in CRD IV and CRR' which clarifies the national discretions applied in Ireland under CRD IV.

During the year ended 31 December 2018, the firm has complied with the minimum capital requirement provisions under Pillar 1 of the CRD and completed and maintained its Internal Capital Adequacy Assessment Process (ICAAP) under Pillar 2 of the CRD. Willis HC&B Ireland's ICAAP is designed to capture and address any risks not fully considered under Pillar 1 and to ensure that adequate measurement and assessment of any such risks is considered in determining the capital requirements of the firm.

The aim of Pillar 3 is to improve market discipline by requiring firms to publish certain details of their risks, capital and risk management. Institutions are required to certify to the Central Bank of Ireland (Central Bank) on an annual basis that they have complied with the disclosure requirements. The disclosures are required on an annual basis aligned to the institution's annual reporting cycle.

Regulatory status and principal activities

Willis HC&B Ireland Limited ('the firm') is regulated by the Central Bank of Ireland and is authorised under the European Union (Markets in Financial Instruments) Regulations, 2017 and European Communities (Insurance Mediation) Regulations, 2005 (as amended). The principal regulated investment activity of the firm is the provision of investment advisory services, investment portfolio management services and insurance mediation services. The firm also provides other services such as pension consultancy services and pension scheme administration services which are regulated under the Pensions Acts.

Willis HC&B Ireland is a wholly owned subsidiary of Willis Risk Services Holdings (Ireland) Limited, whose head office is located in Willis Towers Watson House, Elm Park, Merrion Road, Dublin 4. Willis Towers Watson Plc is the ultimate 100% parent of the firm and head office is also located in Willis Towers Watson House, Elm Park, Merrion Road, Dublin 4.

Scope

These Pillar 3 disclosures have been prepared as at 31 December 2018, which is the firm's financial year end. This document should be read in conjunction with the firm's 2018 annual report.

Basis of Disclosures

These disclosures have been prepared in accordance with Part 8 of Regulation (EU) No 575/2013 ('Capital Requirements Regulation, 'CRR'). The Pillar 3 disclosures in this document include both the quantitative and qualitative information as required by the CRD IV. As this document has been produced solely for the purposes of providing information on the capital adequacy and risk management of the Firm, any disclosure requirements that do not apply have not been included. In addition, any information considered by the firm to be immaterial, proprietary or confidential has not been included in this document.

Location and Verification

The Pillar 3 disclosures are based on the 2018 ICAAP document approved by the Board and are published in the 'Regulatory Disclosures' area of the Firm's website (www.willis.ie/solution/regulatory-disclosures). The Board believes that the publication of these disclosures on Willis HC&B Ireland's website is the most appropriate medium. These disclosures are based on the position at 31 December 2018, are unaudited and have been prepared solely for the purpose of complying with the applicable regulations. Future disclosures will be issued on at least an annual basis and made available on the website as soon as practicable.

Risk Management Structure

The Board of Directors of Willis HC&B Ireland ('the Board') has ultimate responsibility for determining the Firm's strategic direction and risk appetite. The Board is also responsible for establishing an effective corporate governance framework and for monitoring the effectiveness of this framework on an on-going basis.

The Board will either assume or, where appropriate, delegate to its executive management or committees, the following responsibilities:

- Day-to-day management
- Monitoring and evaluating the adequacy and effectiveness of the firm's systems, internal control mechanisms and other arrangements
- Ensuring the firm complies with all relevant regulatory requirements and obligations and managing the relationship with the firm's regulators and external auditors
- Promoting a strong and effective risk management culture throughout the firm

The Board oversees the firm's ICAAP and receives the final document for consideration and approval.

As well as ensuring an appropriate executive management team is in place, the Board has also established a number of committees as part of its overall governance framework:

- Risk & Compliance Committee which assists the Board in fulfilling its oversight responsibilities for Corporate Governance by evaluating business and reputational risks, by reviewing the systems of internal controls over business operations and by

reviewing the firm's processes for monitoring compliance with laws, regulations and codes of conduct.

- Investment Committee which oversees the firm's investment strategies and processes.
- Product Approval Committee which reviews and approves certain new products.

At a management level, there are a number of other groups within the firm's overall governance framework which meet regularly to oversee and manage important aspects of the firm's activities including:

- Client Asset Working Group – which oversees the safekeeping and administration of the firm's client asset account.
- Complaints and Errors Committee – which oversees the firm's treatment of ongoing complaints and errors.

Risk management within Willis HC&B Ireland is managed using Willis HC&B's internal control and governance arrangements. The Risk Management Policy explains the approach to risk management including a review of the risk universe and the existing risk governance process. Linked with this, the risk appetite for the firm is defined. The policy also outlines key aspects of the Risk Management process and the main monitoring and reporting procedures.

The firm's Board and Committees are supported by an independent Risk and Compliance unit which is functionally part of the Office of General Counsel within Willis Towers Watson (WTW). The firm's designated Compliance & Risk Officer reports to each Board and Risk and Compliance Committee meeting and also reports to the WTW Group Risk and Compliance Function. The firm's board is also supported by the WTW Group Internal Audit function.

The firm utilises a range of policies, procedures and tools to identify, monitor and mitigate risk.

Group Risk Management Structure

The primary responsibility of the Board of Willis Towers Watson plc is to oversee the affairs of the Company in accordance with applicable laws, rules and regulations, including the listing standards of the NASDAQ Stock Market ("NASDAQ"). The role of the Board is to monitor the effectiveness of management's policies and decisions, including the execution of its strategies towards maximizing the Company's long-term value for the benefit of shareholders.

The Willis Towers Watson plc Audit & Risk Committee assists the ultimate parent Board in fulfilling its oversight of: the financial reporting process, the system of internal accounting controls, performance of internal and external auditors, the company's compliance with legal and regulatory requirements and risk management at the Company and its subsidiaries.

Analysis of Key Risks

The firm faces similar risks to other firms within the sector. The most significant risk categories identified by the firm during its 2018 ICAAP are listed below and have been considered by the firm in its Pillar 2 capital calculations and/or stress scenarios.

Operational Risk

Operational risk is defined as the risk of loss as an outcome of inadequate or failed internal processes, people and systems or from external events. In the course of preparing the Firm's ICAAP, Willis HC&B Ireland identified the following as some of the main sources of operational risk:

- Day- to-day processing errors
- Pension scheme transfers
- Rebalancing of the firm's investment strategies
- IT failures
- Inappropriate sales advice
- Data Loss or fraud
- Supplier failure
- Product development

The firm has implemented appropriate controls and procedures to mitigate and monitor operational risk.

Performance/Reputational Risk

Poor relative performance of portfolios managed by Willis HC&B Ireland will have a financial impact. Where the firm's recommended asset allocations significantly or consistently underperform against general market movements or competitors this may negatively impact on clients both in terms of customer retention and future sales growth. The firm through its investment team monitor the underlying performance of all funds under management on a continuous basis.

Credit Risk

Credit risk represents the possibility that any amount owed to the firm by a client or counterparty (including the firm's banks) may not be recoverable. The firm has implemented procedures with respect to managing credit risk and the firm's finance function monitors credit risk on an on-going basis.

Market Risk

Willis HC&B Ireland does not trade on its own account and has no material foreign exchange exposure so that there is no direct market risk applicable to the firm's balance sheet. However, the firm's revenues would be impacted by a drop in Funds Under Management due to a market correction.

Group Risk

Group risk is the risk that in the event of risk materialising in the Willis Towers Watson Group e.g. reputational event, there will be a negative effect on Willis HC&B Ireland which will have an effect on the firm's ability to generate new and keep existing client relationships. The Willis

Towers Watson group places great importance on its reputation for integrity and fair dealing and has put in place various policies and procedures to safeguard this.

Capital Resources

At 31st December 2018 and throughout that year, the firm complied with the capital requirements set down in the CRD and imposed by the Central Bank. The table below details the composition of Willis HC&B Ireland's Own Funds as at 31st December 2018.

Capital Resources		€'000
Tier 1 capital		
Called up share capital		18
Share premium		3,680
Capital Contribution Reserves		2,450
Profit and loss account and other reserves*		(1,242)
Total tier 1 capital (after deductions)		4,906
Tier 2 capital		-
Capital resources		4,906
Total regulatory capital requirement**		1,927

* Unaudited profits are not allowable for Own Funds purposes therefore 'profit and loss and other reserves' is as per the audited financial statements as at 31 December 2017, being the most recent audited accounts approved as at 31 December 2018.

**The firm's regulatory capital requirement is the firm's Pillar 2 requirement as determined following the review of the firm's ICAAP and the above reflects the requirement in place as at 31st December 2018.

Capital Adequacy

It is Willis HC&B Ireland's policy to maintain a strong capital base commensurate with its risk appetite and to maintain at all times the minimum regulatory capital requirement as determined by its ICAAP. Responsibility for day-to-day monitoring of capital adequacy rests with the finance function. The firm reviews its ICAAP at least annually. During the year ended 31 December 2018 it was determined that the regulatory capital requirement to be held by the firm was the Pillar 2 requirement identified by the ICAAP process.

Pillar 1 Capital Requirement

Under CRD IV, the firm calculates its Pillar 1 requirement as being the higher of:

- Fixed Overhead Requirement
- Non-Trading Book Requirement
- Minimum Initial Capital Requirement

The firm applies the standardised approach when calculating its Non-Trading Book Requirement, which is 8% of risk weighted assets. The firm does not calculate an Operational Risk Requirement under Pillar 1.

During the year ended 31 December 2018 the firm's Pillar 1 Requirement was the firm's Fixed Overhead Requirement, which is determined by the firm's audited expenditure.

Pillar 2 Internal Capital Adequacy Assessment Process

Willis HC&B Ireland's ICAAP has been prepared and approved by the Board of Directors. The ICAAP has been designed to capture and address any risks not fully considered under Pillar 1 and to ensure that adequate measurement and assessment of any such risks is considered in determining the capital requirements of the Firm. The Firm's ICAAP is forward-looking and will be updated on at least an annual basis, and more frequently if required. The firm's ICAAP considers the range of risks facing the firm, the most significant of which are disclosed in the 'Key Risks' section of this disclosure and some of which are considered in further detail in a number of stress-testing scenarios.

The 2018 ICAAP determined that the firm's Pillar 2 capital requirement was greater than its Pillar 1 requirement and therefore the firm's regulatory capital requirement, based on the firm's Pillar 2 requirement, was deemed to be €1,927,000.

Remuneration

Willis HC&B Ireland is subject to the Central Bank of Ireland's Guidelines on Variable Remuneration Arrangements for Sales Staff as well as the remuneration requirements set out in CRD IV and the respective guidelines issued by the EBA. The WTW Group and the firm's management have established remuneration structures to determine the overall reward and remuneration policy and to ensure that this is consistent with the achievement of the WTW Group and the firm's strategic objectives.

In general, remuneration practices will: aim to reflect the risk appetite of the firm, will ensure there is an appropriate balance between fixed and variable components and will seek to avoid conflicts of interest and excessive risk taking. No individuals are involved in assessing and approving their own remuneration. Sales Staff variable remuneration is awarded based on a mix of quantitative and qualitative factors. The Independent Chairman is paid directors' fees only and does not receive variable remuneration. Remuneration for Executive Directors may include one or more of the following: salary, bonus, pension, share based compensation and other benefits. Directors and other staff may provide services to a number of WTW group entities through group secondment arrangements and all staff and Directors are remunerated by another group entity.

Further Information

Should you required further information in relation to this document, please contact the Compliance Officer, Willis HC&B Ireland, Willis Towers Watson, Elm Park, Merrion Road, Dublin 4, D04 P231. Telephone: +353 1 6616211

About Willis Towers Watson

Willis Towers Watson (NASDAQ) 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 39,000 employees in more than 120 countries. We design and deliver solutions that manage risk, optimize 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.